

May 13, 2004

United States House of Representatives
Washington, DC 20515

Dear Member of Congress,

The undersigned organizations urge you to support and cosponsor H.R. 4263, introduced by Representative Barney Frank (D-MA), to protect critical tenant-based rental housing assistance for low-income individuals and families across the nation and in your community. As a result of an extremely narrow interpretation by the U.S. Department of Housing and Urban Development (HUD) of its Fiscal Year (FY) 2004 appropriations bill, thousands of families potentially face rent increases they cannot afford or outright eviction from their homes.

On April 22, 2004, HUD issued a notice retroactively implementing to January 1, 2004, the Section 8 voucher funding renewal provisions in the FY 2004 VA/ HUD Appropriations conference report. According to the notice, HUD will no longer reimburse housing agencies for their actual costs, but will instead renew quarterly vouchers based upon costs as of August, 2003. These costs would be adjusted by a regional housing inflation factor. This policy creates several injurious outcomes.

First, the annual housing inflation adjustment factor HUD intends to apply to the August 2003 voucher costs does not keep pace with actual costs for many communities. This creates a significant gap between what the Section 8 voucher will cover and the tenant's actual rental costs. The result is an untenable choice for property owners of either evicting residents who cannot pay the rent or accepting significantly reduced rents. Second, some housing agencies may have to cancel hundreds or even thousands of their current vouchers to meet HUD's new cost limitations. Finally, lenders who over many years have become comfortable with relying on annually appropriated government subsidies when making underwriting decisions, could be forced to either impose significant mitigation requirements on affordable housing transactions or reevaluate their participation altogether. Both scenarios have the same result – less of the vital private capital needed to develop and preserve affordable housing.

In short, HUD's policy penalizes the voucher holders who, through no fault of their own, now risk losing their housing assistance. Further, property owners who agreed to accept the Section 8 vouchers are penalized as well, while financing for affordable housing in the long-term is endangered.

H.R. 4263 would amend the FY 2004 VA/ HUD Appropriations Act to satisfy Congress' stated intention that Section 8 vouchers be fully funded based upon a housing agency's actual per unit cost in the prior quarter, adjusted by inflation for the intervening months. This support for the program was reinforced by Congress in conference when it added \$1 billion to the FY 2004 Section 8 program to ensure that all vouchers are fully funded. Under HUD's new voucher renewal policy, however, it appears that as much as \$175 million of the funds Congress appropriated for vouchers could remain unspent this year at the same time as some families potentially face homelessness.

We urge you to support H.R. 4263 to help protect thousands of elderly, disabled and hard working families and individuals from losing their housing. To co-sponsor the legislation, you may email or call (5-7054) Scott Olson, Dominique McCoy or Kay Gibbs.

Sincerely,

American Association of Homes and Services for the
Aging
Institute of Real Estate Management
Local Initiatives Support Corporation
National Affordable Housing Management
Association
National Apartment Association
National Association of Affordable Housing Lenders
National Association of Home Builders

National Association of Housing and Redevelopment
Officials
National Association of Realtors
National Council of State Housing Agencies
National Leased Housing Association
National Low Income Housing Coalition
National Multi Housing Council