Housing

Access to safe, decent, and affordable rental and homeownership housing is essential for the health and economic well-being of families. We need strategies to fight homelessness and housing instability, which threaten family health, safety, employment, and educational outcomes. We need to invest in affordable rental housing, so that high rent burdens don't impede a family's ability to pay for essential expenses or establish savings to support longer-term goals like education and retirement. And we must open up homeownership opportunities for families living on low and moderate incomes, so that they can build wealth for themselves and their children.

Affordable Rental Housing

All people need safe, decent, and affordable housing, yet there is not a single state, county, or metropolitan area in the U.S. where a minimum-wage worker can afford a modest two-bedroom rental without spending more than 30 percent of their income in rent. High housing costs burden families and strain their ability to afford other essentials such as food, health care, child care, and transportation; and housing instability increases their risk of eviction and homelessness. Investments in federal housing programs, including rental assistance and programs that support the production and preservation of affordable rental housing, are needed in order to solve our nation's affordable housing crisis.

To this end, LISC supports:

Enhancing and Expanding the Affordable Housing Tax Credit

The Affordable Housing Tax Credit, also called the Low-Income Housing Tax Credit (LIHTC), stimulates private investment in affordable rental housing in communities across the nation. Since its inception, it has spurred the development of approximately three million quality homes, financing about 100,000 units of affordable housing per year. Units funded by LIHTC are affordable to people generally earning no more than 60 percent of area median income (AMI), and rents may not exceed 30 percent of the qualifying income. LIHTC units tend to be occupied by families living on extremely low incomes, with 48 percent of the units occupied by families making less than 30 percent of AMI. All properties constructed using the credit must remain affordable for a minimum of 30 years.

LISC calls for passage of the Affordable Housing Credit Improvement Act in the Senate and House to improve the LIHTC program by, among other things:

- increasing the housing credit allocations by 50 percent,
- enhancing the 4 percent credit and multifamily housing bond portion of the program,
- providing states with additional flexibility to serve very low-income populations,
- facilitating housing credit development in rural and Native communities, and
- supporting the long-term preservation of affordable housing.

LISC also strongly endorses efforts to enhance the ability of non-profits to obtain ownership of LIHTC properties through strengthening the "right of first refusal" (ROFR) clause in authorizing legislation, and supports amending the "qualified contracts" clause of the statute to fix a loophole that otherwise allows certain LIHTC properties to opt out of affordability restrictions after just 15 years, as opposed to 30 years.

More information about the Affordable Housing Tax Credit, including advocacy resources, is available from the ACTION Campaign.

Strengthening the HOME Program

The HOME Investment Partnerships Program (HOME) is the largest federal block grant to state and local governments (known as participating jurisdictions, or PJs) designed exclusively to create and preserve affordable housing for low-income households. HOME funds are flexible and may be used for a variety of housing activities that other sources may not cover, including preservation of rental housing, homebuyer assistance, rehabilitation of owner-occupied homes, and rental assistance. HOME Program funds often provide either the early support necessary to initiate new development or the critical gap financing needed to complete developments. The PJs must provide at least a 25 percent match of their HOME funds from local funds.

Despite the critical need for these resources, in fiscal year 2012 HOME funding fell to $1 billion after being as high as $2 billion over 10 years ago. In fiscal year 2023, HOME was funded at only $1.5 billion. LISC calls on Congress to restore HOME funding to sufficient levels, and we support legislative proposals to reauthorize and streamline the program.

Enhancing and Improving the Rental Assistance Demonstration Program

There are almost one million units of public housing, providing critically needed housing to households with a median household income of just $10,800. Years of underfunding have created an enormous backlog in capital spending for these units. As of 2019 projected capital needs stood at $56.6 billion, with an expected annual growth rate of $3.4 billion. This backlog is difficult to remedy with private resources under the existing public housing rules. These and other assisted housing units face physical obsolescence. Given the scarcity of safe and affordable housing for low-income families, these resources must be preserved.

The Rental Assistance Demonstration (RAD) program of the U.S. Department of Housing and Urban Development (HUD) has provided a path to preservation for select units. Expanding the program would help attract private capital to preserve thousands more units. To address the critical backlog of capital needs in public housing and federally assisted housing properties, we propose the following improvements to the RAD program:

1. **Lift the RAD unit cap.** RAD is a voluntary program and is currently authorized for 455,000 units. Eliminating the cap will ensure public housing authorities have the choice to utilize the program to leverage private capital for the rehabilitation or development of thousands of units.

2. **Provide a limited appropriation to assist the most complex preservation transactions.** Because of low rent levels or significant physical needs, some properties cannot support the needed recapitalization with the RAD conversion alone. A small pool of additional funds to be administered as grant support or soft debt would facilitate preservation of these affordable housing resources. Funding could be awarded to the transactions demonstrating the greatest need and to community-supported redevelopment plans.

Protecting the Capital Magnet Fund

The Capital Magnet Fund (CMF) provides flexible funds to attract private investment into affordable single-family and rental housing properties. Capital Magnet Fund award recipients must leverage their award with other sources of capital, and the leveraged amount must be at least 10 times the CMF award amount, although in practice it has been 20 times or greater. The program is a critical source of funding for community development financial institutions (CDFIs) and non-profit housing developers financing affordable housing and related economic activities. The CMF program has supported the creation of almost 25,000 homes during the past five years, with over half of all CMF-funded rental housing affordable to very low-income and extremely low-income families.

The CMF program is funded through a very small, annual assessment on new business revenues generated by Fannie Mae and Freddie Mac. This funding source must be protected, and any subsequent reforms of the housing finance system should ensure a continued source of funding for this program. In addition, LISC supports efforts to streamline the CMF program's regulations and administrative requirements to ensure the funding is easier to utilize.

Supporting Rural Multifamily Rental Housing

The U.S. Department of Agriculture (USDA) supports affordable rental housing in rural communities through the Section 515 Rural Rental Housing program, Section 514/516 Farm Labor Housing program, and Section 521 Rental Assistance program. The Section 515 and 514/516 programs provide direct mortgage loans and grants to purchase buildings or land for affordable multifamily and farm labor rental housing in rural communities. The Section 521 Rental Assistance program provides project-based rental assistance to some properties financed by the Section 514/516 and 515 programs.

The Section 515 and 514/516 programs provide an important source of affordable rental housing in rural areas, with over 13,000 properties providing almost 422,000 affordable homes to very poor households. The average income of a Section 515 resident is only $13,600 and the majority of tenants are older adults or persons with disabilities. No new USDA Section 515 housing has been produced in the last few years and there are challenges to preserving these units and ones produced through the Farm Labor housing program.

LISC supports full funding for these programs and passage of the Strategy and Investment in Rural Housing Preservation Act or Rural Housing Service Reform Act, which would provide USDA additional authorities and resources to preserve Section 515 and 514/516 housing.

Expanding the Housing Choice Voucher Program

The Section 8 Housing Choice Voucher (HCV) program is our nation's largest housing assistance program, providing over 2.3 million families access to affordable and safe housing through tenant-based rental assistance. The program is administered by public housing authorities, which contract with private landlords to provide housing to low-income families. Families participating in the program typically pay 30 percent of their income towards rent, with the federal government paying the difference to a private landlord.

The HCV program serves some of our nation's most at-risk populations, with over half either elderly or having a disabled head of household, and 75 percent are extremely low-income with incomes at or below 30 percent of the area median income. Currently, only one in four households eligible for rental assistance receives it. Vouchers have proven to be effective not only at reducing homelessness and providing housing stability to low-income families, but also at offering access to higher-opportunity neighborhoods and improving other life outcomes.

We propose these improvements in the HCV program:

1. **Expand the HCV program so that all qualifying households receive assistance.** This will greatly decrease housing instability for vulnerable populations and provide low-income families great opportunities.

2. **Expand the Housing Voucher Mobility Demonstration.** The purpose of this demonstration program is to provide voucher assistance and mobility services to families with children to encourage such families to move to lower-poverty areas, expand their access to opportunity areas, and evaluate the effectiveness of the strategies pursued under the demonstration. This program has bipartisan support in Congress and legislators must continue to support efforts to couple HCVs with supportive services to allow families the opportunity to live in any neighborhood.

3. **Expand the Small Area Fair Market Rents (SAFMR) program.** Housing Choice Voucher payment standards are based on Fair Market Rents (FMRs), which are typically set at a regional level for metropolitan areas or at a county level in rural communities. The SAFMR program is designed to set rents at a zip code level, reflecting local rents more accurately. Payment standards based on metropolitan-level FMRs are often too low to allow renters access to higher-opportunity areas. Research has shown that the SAFMR program can be effective in helping families using HCVs access higher-opportunity neighborhoods. The program should be expanded to allow any family with an HCV to access the neighborhood of their choosing.

4. **Increase incentives for landlord participation and streamline the program.** Landlord participation in the HCV program, which determines the number of available homes and where they are located, has declined in recent years, making it more difficult for voucher holders to find housing in the community of their choice. LISC supports legislative efforts to increase voucher recipient choices by offering landlord incentives, including signing bonuses, security deposit assistance, funds to pay for damages, bonuses for referring other participating landlords, and a financial incentive to public housing agencies that retain a dedicated landlord liaison on staff. In addition, we support program reforms that expedite the ability of landlords to participate in the program while ensuring tenant protections.

5. **Authorize a national ban on source-of-income discrimination.** States and localities across the United States are increasingly passing laws that ban housing discrimination based on source of income. These efforts expand the ability of families to use HCVs and other federal rental assistance programs by treating federal rental assistance as a lawful source of income subject to fair housing protections. Congress should pass a national source-of-income anti-discrimination law to strengthen these efforts.

Supporting GSE Investments in Multifamily Rental Housing

It has been 15 years since the financial crisis caused the federal government to assume control of Fannie Mae and Freddie Mac. Fannie and Freddie are referred to as government-sponsored entities (GSEs) and they play an important role in supporting affordable single-family and multifamily housing by securitizing mortgages and selling them with a guarantee to private investors. This provides liquidity for the housing finance sector and enables lenders to make longer-term and cheaper loans. Numerous legislative proposals for GSE reform have been introduced since the last financial crisis, and we believe that any reform efforts impacting GSEs' multifamily activities should:

1. **Continue the GSEs' multifamily activity and focus on affordable rental housing.** While Fannie and Freddie experienced losses on their single-family business during the financial crisis, their multifamily business remained profitable. Fannie and Freddie provide vital liquidity for multifamily housing and provide support for affordable rental housing. Both GSEs must adhere to annual housing goals that set unit targets for low-income and very low-income households, as well as for small multifamily properties. These goals have ensured their multifamily financing activity has primarily benefitted low-income households. The GSEs are also subject to Duty to Serve requirements, which require them to reach underserved markets. LISC participates in the Underserved Mortgage Markets Coalition and is supportive of robust Duty to Serve plans and efforts to increase data transparency and increased tenant protections for GSE-backed multifamily mortgages. Any future reforms must include similar goals.

2. **Maintain or increase the annual assessment on the GSEs to fund affordable housing through the Capital Magnet Fund and Housing Trust Fund.** The Housing and Economic Recovery Act (HERA) of 2008 established two affordable housing programs—the National Housing Trust Fund and the Capital Magnet Fund (discussed above)—to further production and preservation of affordable housing for low-income families. We believe that any housing finance reform proposal should sustain or increase the level of funding for these programs in light of the nation's growing affordable housing needs.

3. **Continue supporting underserved areas of the market through the GSEs' Duty to Serve obligations.** The Housing and Economic Recovery Act required the GSEs to help fill gaps in the housing finance market. The GSEs adhere to Duty to Serve regulatory plans established through their regulator, the Federal Housing Finance Agency. These plans ensure that the GSEs are serving all markets, including rural communities, manufactured housing, affordable housing preservation deals, and others. Any future GSE reform must ensure that government-backed securities serve all segments of the market.

4. **Strengthen the Federal Housing Administration (FHA).** The FHA insures mortgages for all housing types, including multifamily housing. It also plays a countercyclical role during times of economic crisis. Despite this, FHA receives limited resources from Congress to modernize its operational functions, threatening its mission. Any GSE reform proposal must preserve FHA's countercyclical multifamily housing function while shoring up its financial health.

Reestablishing the FHA Risk-Sharing Program

HUD's Risk-Sharing programs, Section 542(b) and Section 542(c), allow qualifying participating entities and housing finance agencies to enter into risk-sharing agreements with FHA to provide insurance for affordable multifamily housing loans. Both programs allow entities to participate only if they meet stringent financial health standards for sharing in the risk of FHA-insured multifamily affordable housing loans. These programs are strictly for affordable rental housing and in 2019, Section 542(c) accounted for 13 percent of FHA's total commitments and 26 percent of all LIHTC units financed with FHA multifamily insurance programs.

Unlike other FHA multifamily programs, Risk-Sharing loans are not eligible for Ginnie Mae securitization, which increases pricing. Due to this, HUD and the U.S. Department of the Treasury established an initiative in 2014 to provide a Ginnie Mae-like execution through the Federal Financing Bank (FFB). The FFB support reduced the cost of affordable housing financing through the Section 542(c) program and helped increase FHA's affordable housing insurance volume. This initiative was ended by the previous Administration at the end of 2018 and the current Administration restarted it in September 2021.

To advance support for affordable rental housing, LISC recommends the following:

1. **Congress should provide Ginnie Mae securitization authority for FHA Risk Sharing.** FHA risk-sharing loans perform well and account for a significant part of FHA's affordable housing volume. They should receive Ginnie Mae securitization authority so there's a permanent source of lower-cost capital.

2. **CDFIs should be permitted to participate in the Section 542(b) Risk-Sharing program.** In 2015, HUD published a Federal Register notice implementing a Small Building Risk Sharing (SBRS) initiative and invited CDFIs and other lenders to participate as Qualified Participating Entities. Under this initiative, CDFIs would have received a 50 percent risk-sharing agreement for originating affordable housing loans for small affordable multifamily housing, and FFB would have purchased the loans. In 2017, the SBRS was indefinitely deferred. HUD should reinstitute this initiative.

Providing More Protections From Evictions

Due to a lack of federal rental assistance for all households that qualify, many low-income families experience multiple evictions in the private housing market. In 2016, there were 2.3 million eviction filings, a rate of four every minute. The consequences of these evictions are serious, including increased risks of homelessness, challenges to renting future housing, and decreases in educational attainment for at-risk children.

LISC supports the Eviction Crisis Act, legislation that would tackle this problem by creating a national dataset to better understand evictions, providing legal assistance for families at risk of eviction, establishing an Emergency Assistance Fund to provide financial assistance to prevent evictions, and through other needed supports.

Supporting Service Coordinators for Assisted Housing Residents

Affordable rental housing provides housing stability and a platform for residents to pursue their goals. Service coordination is a key tool at these properties to link families with employment services and job opportunities and to help seniors and persons with disabilities receive the services they need to stay housed. Unfortunately, it's difficult for many affordable housing providers to fund this work due to a lack of resources and tight operating budgets.

LISC supports efforts to increase resources and programs for service coordination at all affordable rental housing properties and to better understand the impacts of service coordination on furthering housing stability for older adults and special-needs populations. We also believe Congress should create new resources to support service coordination at affordable rental housing properties serving families. Lastly, FHA should provide lower-cost multifamily financing for owners that provide robust service coordination, similar to Fannie Mae, and apply those savings to help pay for the service coordination cost.

Implementing the Green and Resilient Retrofit Program

The Inflation Reduction Act provided $1 billion for a new Green and Resilient Retrofit Program (GRRP), which will provide grant and loan funding for retrofits and resilience measures at properties participating in HUD's Section 8 Project-Based Rental Assistance, Section 202 Supportive Housing for Low-Income Elderly, and Section 811 Supportive Housing for Low-Income Persons with Disabilities programs. GRRP will also fund energy and water use benchmarking, allowing HUD to better understand property-level performance for its assisted housing portfolio. LISC supports equitable implementation of GRRP and utilizing data from properties participating in the program for additional retrofit and resilience funding.

Implementing the Home Efficiency and Electrification Rebate Programs

The Inflation Reduction Act provided $9 billion for rebate programs that support energy efficiency retrofits and electrification. State energy offices will administer this funding, with $4.3 billion in formula grants for the Home Energy Efficiency Rebates program and $4.275 billion for the High-Efficiency Electric Home Rebate program. It is estimated that around 1 million low- and moderate-income households will utilize the electrification rebates, which will be distributed at the point of sale, with up to $14,000 per household. The home efficiency rebates will support energy savings retrofits, with higher amounts for affordable multifamily housing properties. LISC supports equitable implementation of these rebates and recommends that the U.S. Department of Energy incorporate program design features that allow the funding to be utilized by underserved people and disadvantaged communities.

Fair Housing

The Fair Housing Act, which was born out of our nation's civil rights movement, requires our country to ensure that all Americans have equal access to housing. The law prohibits housing discrimination based on race, color, religion, sex, familial status, national origin, or disability. We commend the Administration for instructing the U.S. Department of Housing and Urban Development (HUD) to strengthen its fair housing regulations. Our nation's fair housing regulations are critical to increasing the minority homeownership rate and tackling longstanding racial equity issues in housing, such as segregation. For these protections to work, HUD and the federal government as a whole must enact and enforce strong fair housing regulations and practices.

Specifically, we support the Administration's efforts to improve the Affirmatively Furthering Fair Housing (AFFH) rule, while also beefing up enforcement against direct housing discrimination. The AFFH requirement reflects the Fair Housing Act's intent to require covered participants to proactively address practices and policies that lead to discriminatory housing patterns such as segregation. The Administration's proposed AFFH regulation would generally restore the 2015 regulation, with modifications to increase transparency and accountability through public equity plans. In advancing effective AFFH regulation, HUD will need to create tools and resources to help local communities respond better to the regulations, facilitate engagement among covered participants, and support technical assistance to ensure that localities are furthering fair housing opportunity and reducing housing discrimination.

Lastly, we recommend that Congress provide sufficient resources for fair housing programs of HUD's Office of Fair Housing and Equal Opportunity.

Homelessness

Local communities need the full array of affordable housing options and services to prevent people from experiencing homelessness and to provide housing options when homelessness occurs. Federal homeless assistance programs ensure that community practitioners are working together to address homelessness under a coordinated approach. These programs provide vital resources for this work and incentivize communities to prioritize Housing First approaches, which reduce local barriers to accessing housing and other services. We know this approach works because it has helped decrease homelessness nationally and we must continue it.

LISC supports:

Increasing Funding for HUD's Homeless Assistance Programs

The U.S. Department of Housing and Urban Development (HUD) Continuum of Care (CoC) and Emergency Solutions Grant (ESG) programs are the two main federal programs structured to provide assistance to persons experiencing homelessness. The CoC program ensures communities have coordinated entry systems and supports rapid re-housing, permanent supportive housing, and transitional housing. The ESG program is a block grant program through states and local governments and funds emergency shelters and homelessness prevention activities.

LISC supports increased resources for HUD's homeless assistance programs. Increases to these programs, along with additional rental assistance and affordable housing development subsidies, will help our nation make more progress in reducing homelessness. We're also supportive of the Administration's House America initiative, which is engaging communities across the country to leverage housing investments from the American Rescue Plan and the CARES Act, including emergency Housing Choice Vouchers and additional HOME Investment Partnerships Program grants, to address homelessness.

Increasing Resources and Innovations in Supportive Housing for Veterans

Veterans returning home often face significant challenges, including finding employment, accessing affordable housing, and coping with mental health issues as a result of their service. These hardships can increase the risk of homelessness for veterans. Fortunately, our nation has made progress in reducing veteran homelessness through the HUD-Veterans Affairs Supportive Housing (HUD-VASH) program and other permanent supportive housing (PSH) efforts.

The HUD-VASH program combines Housing Choice Vouchers through HUD with case management and clinical services from the U.S. Department of Veterans Affairs (VA). The program began in 2008 and has been an essential resource for reducing veteran homelessness. In fact, the rate of veteran homelessness has declined by 50 percent since 2010, showing how targeted rental assistance with dedicated supportive services can solve our nation's homelessness crisis. LISC supports increased resources for the HUD-VASH program so that all veterans have the ability to be stably housed.

LISC also supports innovative ideas that further HUD's partnership with the VA to reduce veteran homelessness. Specifically, we support a pilot program that would allow underutilized and vacant space at VA health campuses to be leased at no cost for veterans' PSH developments. These properties would be next to VA health departments, facilitating health and case-management services. Under this model, HUD-VASH vouchers should be project-based to support the financing and affordability of this housing for homeless veterans. Related, we also support the Expanding Veterans' Options for Long Term Care Act, which would expand veterans' access to assisted-living services and create a pilot program for eligible veterans to receive assisted-living care paid for by the VA, including on VA campuses.

Continuing the Interagency Council on Homelessness

The U.S. Interagency Council on Homelessness (USICH) is an independent agency that coordinates federal efforts to combat homelessness, working across 19 federal agencies and departments and with partners in both the public and private sectors to find ways to streamline and improve service delivery to people experiencing homelessness. The USICH develops long-term plans to end homelessness and is the only federal agency specifically focused on solving homelessness.

LISC supports legislation that would eliminate the USICH's sunset date so it can continue to lead and coordinate efforts to end homelessness.

Homeownership

Our nation needs to enact policies that increase opportunities for all Americans to achieve affordable and sustainable homeownership. Homeownership is one of the primary ways that low- and moderate-income families are able to build wealth and achieve financial stability. Increasing affordable homeownership is a key component in combatting historical policies that have precluded minorities and others from purchasing a home and widened the racial wealth gap.

LISC's policy priorities for increasing homeownership opportunities include:

Enacting the Neighborhood Homes Investment Act

The Neighborhood Homes Investment Act (NHIA) would provide federal tax credits to support the development and rehabilitation of single-family homes in distressed urban and rural communities, where the cost of developing or rehabilitating a home is often higher than the value of the completed home. The NHIA tax credits would cover the gap between the cost of building or renovating homes and the price at which they are sold, mobilizing private investment to build and substantially rehabilitate 500,000 homes for moderate- and middle-income homeowners over the next decade, while also supporting construction jobs and the local economic tax base. The NHIA would also help existing homeowners in these neighborhoods to rehabilitate their homes. LISC supports bipartisan legislation that would establish the NHIA. More information on the NHIA, including maps of eligible communities, can be found here.

Expanding Down-Payment Assistance

Homeownership rates for minority and lower-income families are at historic lows, exacerbating our nation's wealth inequality. One of the biggest barriers to affordable and sustainable homeownership for low-income and minority families is an inability to save enough for a down payment and closing costs. Small investments in down-payment assistance support affordable homeownership opportunities for families that can afford a home mortgage but lack the wealth to get their foot in the door. The federal government's primary tool for supporting first-time homebuyers and those with lower incomes is through the Federal Housing Administration (FHA). The FHA insures private home mortgages and, importantly, requires a down payment of only 3.5 percent and allows for lower credit scores. LISC is supportive of the

Administration's reduction in FHA insurance premiums to save borrowers money. Even with a low down-payment requirement and more flexible credit, many families struggle to pay these costs. The Community Development Block Grant (CDBG) and HOME Investment Partnerships programs can be used for down-payment assistance. These U.S. Department of Housing and Urban Development (HUD) block grant programs are insufficiently funded and LISC supports funding increases so more resources are available to support affordable homeownership for all creditworthy families. LISC also supports recent legislative efforts to create a new targeted down-payment assistance program.

Creating a Place-Based Affordable Homeownership Program

Economically distressed communities face greater housing challenges than other areas, with higher rates of underwater mortgages, abandoned properties, and housing with deferred maintenance. These communities and the non-profits that serve them tend to have little resources to combat these issues. LISC supports the Restoring Communities Left Behind Act, which would create a new affordable homeownership and community investment program at HUD. This program would provide flexible and market-responsive funding for mission-based partnerships confronting these challenges.

Enacting Federal Land Bank Legislation

Land banks are an important housing strategy for acquiring vacant and abandoned properties and bringing them back to productive use, usually as affordable housing. Land banks typically acquire property through foreclosure and manage the property until it's ready to be sold to meet local community needs. While often used as a response effort in communities with high rates of tax-delinquent housing, land banks are also helpful in stronger markets, where they can secure properties for future affordable housing development.

LISC supports legislation that will bring dedicated resources to scale the land bank sector. There is currently no federal program providing targeted assistance to land bank response efforts, limiting the field's ability to grow. This is even more of a problem as we face the risk of increased abandoned housing as a result of the pandemic. A higher-capacity land bank movement can help ensure that these properties are put back to productive use as affordable housing.

Expanding Housing Counseling Initiatives

Many would-be first-time homeowners, including low-income and minority families, need assistance when preparing to purchase a house. Housing counseling provides prospective buyers the financial education and counseling they need to purchase a home they can afford.

Housing counseling is also an essential tool for supporting current homeowners who are experiencing financial distress. Millions of families are struggling to pay their rent or mortgage as a result of the pandemic. Due to this, there will be increased demand for housing counseling services to help distressed renters and borrowers know their rights and to provide them assistance. Research has shown that housing counseling helps households avoid foreclosure and counseled clients were almost three times more likely to receive a loan modification and were 70 percent less likely to re-default on a modified loan than were similar borrowers who were not counseled.

To support both prospective and current homeowners, LISC supports full funding of HUD's Housing Counseling program. This program provides grants to HUD-approved housing counseling agencies and state housing finance agencies. This assistance is crucial in ensuring distressed families know their options for how to keep their homes.

Preventing Exploitative Investment Practices

There has been growing concern about increases in institutional investors purchasing single-family housing properties and renting them out. Investors owned 5 percent of single-family rentals in 2022 although it's estimated that they may control 40 percent of single-family properties by 2030. These purchases make it harder for low- to moderate-income families to purchase a home and realize asset-building gains. LISC supports legislative efforts that would deter this practice and further the ability of underserved families seeking homeownership.

Expanding Homeownership Opportunities Through GSE Reform

It has been 15 years since the financial crisis caused the federal government to assume control of Fannie Mae and Freddie Mac. Fannie and Freddie are referred to as government-sponsored entities (GSEs) and they play an important role in supporting affordable single-family and multifamily housing by securitizing mortgages and selling them with a guarantee to private investors.

Legislative proposals for GSE reform have been introduced since the last financial crisis, and we believe that any reform efforts impacting GSEs' single-family activities should:

1. **Further the GSEs' support of affordable single-family mortgage credit for low-income families.** The GSEs support affordable homeownership by creating a market for long-term mortgages with low down payments. This allows low-income families an opportunity to achieve homeownership and build wealth over time. The GSEs currently must adhere to annual single-family-housing purchase and refinance goals, which set unit targets for low-income and very low-income households. Any future reforms must include robust goals.
2. **Strengthen the Federal Housing Administration.** The FHA provides homeownership opportunities for first-time homebuyers, many of whom have lower credit scores and are minority households. It also plays a countercyclical role during times of economic crisis. Any GSE reform proposal must preserve FHA's ability to pursue its mission while shoring up its financial health.

Expanding the Availability of Housing Bonds

Housing finance agencies utilize private activity bonds to support affordable homeownership for income-qualified families through mortgage revenue bonds (MRBs) and mortgage credit certificates (MCCs). MRBs are tax-exempt bonds that support mortgages with below-market interest rates while MCCs provide a federal tax credit on the interest paid on a home mortgage by eligible families. These programs are essential tools for creating and sustaining affordable homeownership although they are often limited by outdated statutory restrictions such as low loan limits for home improvements, restrictions on refinancing, and cumbersome rules that limit their impact.

LISC supports legislative efforts that modernize the MRB and MCC programs so that they can increase sustainable and affordable homeownership for more families.

Increasing Protections and Opportunities in Manufactured Housing

Manufactured housing is an important part of our nation's affordable housing stock, with more than 22 percent of manufactured housing residents having incomes at or below the federal poverty line. This type of housing tends to be less expensive than site-built housing; the average sales price of a new single-section manufactured home was approximately $43,000 in the first six months of 2014. But there are challenges with how manufactured housing is financed and managed.

For instance, the majority of manufactured homes are financed as "chattel," or personal property. Chattel loans tend to have shorter terms, higher interest rates, fewer borrower protections, and a more limited lender pool, due to the lack of a secondary mortgage market.

In addition, while many manufactured housing residents own their homes, they often do not own the land, which impacts their legal protections and ability to build wealth over time. Estimates suggest that approximately 40 percent of all manufactured homes are in an estimated 45,000 to 50,000 land-lease communities. Many manufactured housing residents are at risk of displacement when landowners raise pad rents or sell their properties.

LISC supports the new Preservation and Reinvestment Initiative for Community Enhancement program at HUD, which will provide resources to preserve and revitalize manufactured housing communities. This program will help residents and non-profits purchase manufactured housing communities so residents have increased legal protections, housing stability, and the ability to build wealth. We also support strong GSE Duty to Serve goals for manufactured housing to open up new financing opportunities for these residents.

Increasing Federal Support for Rural and Tribal Homeownership

In rural communities, homeownership is the most common form of housing tenure, with more than 71 percent of rural households owning their home. However homeownership rates diverge between racial and ethnic groups, with 75 percent of rural non-Hispanic whites owning their home, compared to 55 percent of minority households.

The U.S. Department of Agriculture (USDA) and HUD administer single-family programs, which support affordable homeownership for low-income families in rural communities. LISC supports full funding for these programs, including the USDA Section 502 Single Family Housing Direct Home Loan program and USDA Section 523 Mutual Self-Help Housing Technical Assistance program.

- The Section 502 Single Family Housing Direct Home Loan program is the only federal homeownership program targeted to low-income and very low-income rural families. Over 60 years, the program has helped more than 2.1 million families achieve homeownership and built over $40 billion in wealth. We also support legislative efforts to expand the use of this program by Native CDFIs serving their tribal communities.

- The Section 523 Self-Help Housing Technical Assistance program has helped more than 50,000 families achieve homeownership over the last 50 years. Under the program, families work together in groups to build their homes and equity. Section 523 grants support the non-profit developers providing training, supervision, and technical assistance to families. The program is targeted to low-income and very low-income families and over 50 percent of participants are minority households. The sweat equity gained by constructing a home, coupled with affordable mortgages through the Section 502 Direct Home Loan program, allows low-income rural families to achieve homeownership and build wealth.
- LISC also supports full funding for HUD's Office of Native American Programs (ONAP) initiatives, which provide housing resources for tribal communities. Programs such as the Indian Housing Block Grant, Indian Community Development Block Grant, and Section 184 Home Loan Guarantee program are essential housing tools and should receive robust funding.

Expanding the Rural Home Repair Program

The Section 533 Housing Preservation Grant (HPG) program provides grants to sponsoring organizations for the repair or rehabilitation of low-income and very low-income housing. The sponsors are local governments and non-profits that provide grants and loans to homeowners to make repairs. Funds are competitively awarded to sponsors, and preference is given to sponsors that will target very low-income homeowners and leverage grant funds. Although the HPG program provides valuable assistance that could be helpful to homeowners wishing to age in place, it has been funded at relatively low levels in the past two years. This level of funding is insufficient to have a meaningful effect, particularly in persistently poor areas that have difficulty competitively accessing funds.

We encourage the development of an enhanced home repair program administered through the Section 533 HPG program to address the needs of rural homeowners targeted to persistent-poverty communities.