



**Testimony of Benjamin S. Carson, Sr.  
Secretary of Housing and Urban Development**

**House Committee on Financial Services**

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Chairwoman Waters, Ranking Member McHenry, and members of the Committee, thank you for the opportunity to appear before you today to discuss housing in America – a subject dear to all of us in this hearing room, and certainly to every HUD employee with whom I have the honor to serve.

Housing is simple to understand because we all need it. It is also a complex subject with many related pieces. I hope to touch upon some of those this morning and will be happy to take your questions on those most important to you.

**Fair Housing**

Let me begin with fair housing. In so many ways, we can't consider our housing markets healthy unless those markets are also fair. Last month was Fair Housing Month, a time we set aside to recognize the importance of the Fair Housing Act and how we're doing as a nation to live up to the aspirations of that landmark law. At HUD, this is something we recognize not just for one month, but *every* month.

The Fair Housing Act prohibits discrimination in housing based on race, color, national origin, religion, sex, disability, or family status. This year, HUD is placing a special focus on protecting the rights of individuals to

feel safe and secure in their homes, free from sexual harassment or unwanted sexual advances.

Sadly, HUD and many of our fair housing partners continue to receive complaints and investigate examples of housing providers who prey upon vulnerable women and men. No one should have to tolerate this kind of harassment just to keep a roof over their head. Working with these partners and, when necessary, the Department of Justice, HUD will continue to take appropriate action when discrimination of this type occurs.

Additionally, HUD and the Justice Department are currently engaged in a national training program to educate landlords and property managers on how to make certain their housing is free from sexual harassment.

Housing discrimination can appear obvious. Yet, in today's interconnected electronic world, discrimination can also take less obvious forms. Nearly two months ago, HUD charged Facebook with violating the Fair Housing Act by using its platform to encourage, enable and cause housing discrimination.

HUD believes Facebook is using its platform to allow housing-related advertisers to exclude people from housing options based upon who they are or where they live. Facebook has been effectively excluding people from housing opportunities because it identifies them as parents, foreign-born, non-Christian, Hispanic, or by other interests that closely align with the Fair Housing Act's protected classes.

HUD is also charging Facebook with enabling its housing-related advertisers to exclude people based upon their neighborhood by literally drawing a red line around those neighborhoods on a map. "Redlining" has long been recognized as a pernicious and illegal practice in housing.

We also claim Facebook takes its users' data, even without direction from advertisers, to target or exclude people from seeing housing-related advertising based on protected characteristics, effectively putting up a "need not apply" sign. Using a computer to limit a person's housing choices is just as discriminatory as slamming a door in someone's face.

## **Future Rulemaking**

HUD is in the process of refining the regulations behind Affirmatively Furthering Fair Housing (AFFH). Last August, we invited the public to comment on how HUD can enhance and streamline a 2015 regulation that many state and local governments are finding difficult to implement.

Through this process, it is my intention to help our grantees to meet their AFFH obligations. I believe HUD's 2015 rule often dictated unworkable requirements on state and local governments and impeded the development and rehabilitation of affordable housing. We can craft a new, fairer rule that creates choices for quality housing across *all* communities.

In a similar way, HUD is also reexamining a 2013 regulation on the agency's use of "disparate impact" to determine whether certain practices may unintentionally discriminate against people. Since the 2013 Disparate Impact rule became final, the Supreme Court has issued a critical ruling on this issue.

In its majority opinion, the Court upheld the use of a "disparate impact" theory in cases where seemingly neutral practices have a discriminatory effect on protected classes of persons. While the Supreme Court referred to HUD's Disparate Impact Regulation in its ruling, it did not directly rule upon it. Our intention of revisiting the Disparate Impact rule is to make certain it is consistent with the Supreme Court's ruling in this decision.

My approach to regulations is that they should work in practice and not just in theory. At HUD, fairness is baked into our DNA. Whether it's making sure our regulations work in the real world, or challenging discrimination where we find it, I want to assure this committee that as long as I am HUD Secretary, fair housing will remain at the center of our mission.

## **Mortgage Finance**

HUD plays a critical role in the nation's housing finance system, overseeing over \$1.4 trillion in Federal Housing Administration (FHA) mortgage insurance and more than \$2 trillion in Ginnie Mae-guaranteed mortgaged-backed securities (MBS). Considering this, it is essential that housing

finance reform efforts take a comprehensive view of the marketplace. We should avoid creating unintended consequences and strive to support a well-functioning system that facilitates the greater use of private capital and lessens risk to American taxpayers.

To that end, HUD is developing a plan to meet policy goals outlined in the recent Presidential Memorandum on Federal Housing Finance Reform including:

- Ensuring that FHA and Ginnie Mae assume primary responsibility for providing housing finance support to low- and moderate-income families that cannot be fulfilled through traditional underwriting.
- Reducing taxpayer exposure through improved risk management and program and product design, as well as modernizing the operations and technology of FHA and Ginnie Mae.

While it's critical we get housing finance reform right, it's also important to discuss our current efforts to promote responsible homeownership. We are mindful of the policies and events that led to the housing crisis and are constantly reassessing our mortgage finance programs to ensure we strike the right balance between promoting access to credit and managing risk.

Like Administrations before ours, we continue to examine what we can do to support homeownership while protecting consumers from taking on unsustainable mortgage debt.

Recently, Ginnie Mae formed a task force with the Department of Veterans Affairs and took aggressive steps to control loan-churning, an unscrupulous lending practice that targets our nation's veterans. Ginnie Mae is committed to eradicating rapid refinances in its security, providing investors with more certainty, while also protecting unsuspecting servicemembers and veterans against draining equity from their home.

Under the leadership of Commissioner Brian Montgomery, FHA is in good hands, guarding against excessive risks, protecting American taxpayers, and remaining true to its core mission to facilitate safe and sustainable mortgage options for qualified borrowers.

FHA's most recent annual report to Congress found its Mutual Mortgage Insurance Fund remains healthy. At the conclusion of fiscal year 2018, this insurance fund had a total economic net worth of nearly \$35 billion and enough capital reserves to exceed the statutory minimum for the fourth consecutive year.

Still, there are some risk factors that we must keep a watchful eye on. For example, we've noticed a greater number of borrowers coming into FHA with higher debt and lower credit scores. To address these risks, FHA recently announced that higher risk applications will require closer scrutiny before these mortgages are insured. Manual underwriting of these higher risk mortgages is a prudent way to protect FHA's insurance fund, taxpayers and borrowers themselves.

It is also important to update you on our efforts to expand mortgage financing options to a more diverse set of lenders. On May 9, HUD proposed revisions to the certifications that approved lenders are required to make to FHA, both annually and for each mortgage loan they originate. HUD's goal is to provide greater certainty in how lenders satisfy the program's requirements. These changes will facilitate more competition in the market and result in more financing choices for borrowers, especially first-time and minority homebuyers. In addition, FHA is revising its "defect taxonomy" to clarify the various loan defect categories and how the agency weighs the severity of each defect.

To be clear, HUD is not relaxing its authority to hold lenders accountable for flouting the rules. But what we are trying to do is to make sure banks and non-banks alike clearly understand our regulatory expectations and that any remedy is proportionate to the underlying violation.

## **Disaster Recovery**

In the time I have been Secretary at HUD, this nation has experienced dozens of major disasters – from devastating hurricanes and floods to horrific wildfires and damaging volcanoes and earthquakes. In response, Congress has invested an unprecedented level of funding to support long-term recovery and directed HUD to allocate these resources among the hardest-hit states and local communities.

I am immensely proud of the Herculean work by our disaster recovery staff to support these states and local communities. Since the three major hurricanes of 2017 (Harvey, Irma and Maria), HUD has fully obligated approximately \$7.4 billion through the Community Development Block Grant – Disaster Recovery (CDBG-DR) program. This money can be used today to help rebuild homes, restore businesses and repair or replace damaged infrastructure.

In addition, we have reviewed and approved state and territory action plans for approximately another \$10 billion and are currently in the process of putting those recovery dollars to work. To ensure our efforts are well coordinated, HUD has worked closely with FEMA and our many other federal interagency recovery partners.

From the moment the disaster occurs, most citizens want recovery to begin right away. We want this, too. However, we have a duty to you and to every taxpayer that when we invest billions of dollars in disaster recovery, we get it right.

Recovering from a major disaster is never easy. It requires the input of everyone, most importantly the citizens impacted by disaster. Local communities must have a say in what recovery will look like. For all our urgency, the historic investments we're making in disaster recovery represent a big challenge for our grantees, many of which are unused to managing grants on this scale. We've noticed some grantees are more experienced and more effective in managing their recovery programs. Others are struggling to get their programs off the ground. Meanwhile, their citizens wait. I want to assure this committee that HUD will do everything under our authority to help every grantee accelerate the pace of recovery.

## **Homelessness**

No discussion of housing would be complete without discussing the *absence* of housing. Homelessness continues to be a vexing problem in this country, but I'm encouraged to report to you that homelessness is not an intractable problem – we can *end* homelessness.

How can I make such a claim? Because with help from HUD and the Department of Veterans Affairs, a number of states and local communities are already effectively ending homelessness, including homelessness experienced by veterans, and those experiencing long-term chronic forms of homelessness.

Based on data collected and reported to us by thousands of local communities across this country, HUD estimates that homelessness in the United States remains largely stable. Yet if you dig deeper into the data, we continue to see significant reductions among veterans and families with children.

Working together, we've managed to cut veteran homelessness in half since 2010; homelessness among families with children is down by nearly 30 percent; and chronic homelessness is down more than 16 percent during this same period.

It is true that we continue to experience headwinds in our efforts to bring those numbers down everywhere in our nation. In high-cost areas like New York City and communities from San Diego to Seattle, the lack of affordable housing continues to challenge us. That said, the level of innovation taking place among state and local planners is absolutely amazing, which gives us the confidence to imagine a system of care that makes homelessness rare, brief and non-recurring.

## **Healthy Housing**

One of the most important missions at HUD is to ensure HUD-assisted housing is decent, safe and healthy. Too often we see evidence where that is not the case. Part of the problem is the general aging of our nation's housing stock. But part of the problem may be HUD's own inspections.

HUD inspects public housing and privately-owned multi-family housing under Section 8 contract. HUD's Real Estate Assessment Center (REAC) inspects these properties, primarily through contract inspectors.

Shortly after I took office, I ordered a wholesale reexamination of how the Department conducts REAC inspections. As we continue this top-to-bottom review, we took an important first step by dramatically reducing

the advance notice we give public housing authorities (PHAs) and owners prior to their inspections.

Today, HUD is giving 14 calendar days' notice before our contract inspectors show up to these properties. Prior to this change, inspections were scheduled months ahead of time, allowing certain housing authorities and property owners to effectively game the system, making cosmetic repairs to their properties rather than adopting year-round maintenance practices.

In addition, we launched a series of listening sessions around the nation to gather input from the public and our stakeholders about a planned pilot program to test innovative new approaches to inspecting HUD-assisted properties.

Over the years, we've all read and heard of tragic instances in which residents living in HUD-assisted housing have died as a result of their exposure to carbon monoxide. Regrettably, there is currently no universal federal requirement that, where needed, carbon monoxide detectors be installed in HUD-assisted housing. That's wrong, there ought to be.

Currently about 30 states require carbon monoxide detectors in rental housing and about 20 states do not. HUD is exploring options for requiring carbon monoxide detectors where needed in federally subsidized housing.

Just last month, we sent a notice to all public housing authorities and private owners of HUD-subsidized housing. Our notice reminded them of their legal obligation to install working carbon monoxide detectors in those jurisdictions where these devices are required. In those states and local communities where CO detectors are not required, we are strongly encouraging them to do so. To assist PHAs with the purchase and installation of CO detectors – whether required by the state or not – HUD is providing \$5 million to fund the cost for this life-saving device.

Should Congress consider requiring the installation of CO detectors in HUD-subsidized housing programs nationwide the law of the land, we would support such legislation.



## **Affordable Housing**

Let me conclude by recognizing something rather obvious to all of us. In many parts of our country, there is an affordable housing crisis. Families are finding it difficult to afford a decent place to rent or buy that is close to good jobs, decent schools or even their own hometowns.

The federal government cannot solve this problem alone. As I've often said, this is not a federal problem, it's everyone's problem. That is why we are exploring new ways to bring the power of the private, philanthropic, and faith-based sectors together to tackle this challenge.

HUD's Rental Assistance Demonstration (RAD) is showing incredible promise as a vehicle to generate capital investment to improve or replace our deteriorating public housing stock. Today, we continue to lose thousands of units of public housing every year, mainly because this housing is old, and in many cases, beyond repair.

To date, RAD is preserving nearly 114,000 units of public housing and generating more than \$7 billion in construction activity to revitalize these units or replace them altogether. Under this demonstration, we're putting these units of public housing onto a more reliable and sustainable funding platform. Public housing authorities or their nonprofit partners are maintaining an ownership interest in these properties. And we're making certain public housing residents have an absolute right to return once those units have been completed.

Under the 2017 Tax Cuts and Jobs Act, we have another powerful engine to drive revitalization in distressed neighborhoods through Opportunity Zones. As the Chairman of the White House Opportunity and Revitalization Council, I have been asked to direct the efforts of multiple agencies to find ways to better use public funds and leverage private capital to revitalize urban and economically distressed communities, including Opportunity Zones.

Opportunity Zones promise to be transformational for these communities struggling with high poverty and low employment. Many of these Opportunity Zones are the very same places where HUD is directly involved in helping families. The Treasury Department estimates \$100

billion in private capital will be invested in Opportunity Zones. We are very excited at the potential offered through these tax incentives.

Earlier this month, FHA announced several incentives of its own to encourage multifamily property owners to invest in Opportunity Zones. FHA is introducing reduced application fees paid by owners applying for certain multifamily mortgage insurance programs for apartment buildings located in qualified neighborhoods. Additionally, FHA is designating teams of senior underwriters to review these applications to ensure the most attentive and timely processing.

## **Conclusion**

Again, thank you for this opportunity to talk to you about the many things HUD is doing to support fair, decent and affordable housing. It's not easy but nothing worthwhile ever is.

I look forward to your questions.