

Statement for the Record
Department of Housing and Urban Development Budget and Program Priorities

Submitted to:

U.S. House of Representatives Committee on Financial Services

Submitted by:

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On behalf of Homes on the Hill, CDC, I would like to thank Chairman Oxley and Ranking Member Frank for this opportunity to express our views on the proposed budget for the Department of Housing and Urban Development (HUD). My name is Stephen Torsell, Executive Director for Homes on the Hill (HOTH), CDC, in Columbus, Ohio. Homes on the Hill was established in 1993 to provide housing and complimentary services to residents of the Greater Hilltop and Westside area of Columbus and Franklin County, Ohio. We are a community-based organization serving a population of 70,000 in our direct service area and more than 120,000 in our combined city and county service areas. As Executive Director, I oversee our affordable homeownership development, housing counseling, downpayment assistance, safety, direct assistance, and outreach programs. Prior to joining Homes on the Hill, I worked in both private- and nonprofit-sector employment in communications, community development, and construction. We current have four full-time and two part-time staff working for HOTH. We are governed by a board of trustees composed mainly of community residents.

Today I would like to share with this committee our perspective on the importance of the HUD budget. Homes on the Hill is deeply committed to improving the affordable housing opportunities in the City of Columbus and Franklin County area. Since 1996, Homes on the Hill has developed more than 60 units of affordable single-family rehab homeownership projects and 16 new construction projects.

In 2002, we added pre-purchase homeownership counseling in English and Spanish to help residents prepare for responsible homeownership and to connect them with downpayment assistance. We have provided direct downpayment assistance to more than 100 households and provided certification to countless others who have applied for other downpayment assistance programs. We estimate that more than 1,000 families have become homeowners through our program. In response to the clear needs of our surrounding community, HOTH also began providing post-purchase housing counseling services. Such investment in Latino, immigrant, low-income, and other communities underserved by mainstream financial institutions is necessary to create financially healthy and sustainable families. Funding that originates from HUD is critical to our delivery of these vital services each year to the hardworking families in our community

Critical Services

Homes on the Hill has identified affordable housing and homeownership as a key need for our community. In our area, the average homeownership rate is 51%, compared to a national average of 68%. In some core areas it is even lower, around 30-40%. Hispanic homeownership is 27%, Black homeownership is 39%, and low-income homeownership is estimated at 25-30%. The average cost of a home is approximately \$160,000, which is out of reach for too many of our hardworking, low-income families. In addition, Columbus and Franklin have high rates of foreclosure and many financial predators. To combat these issues, HOTH provides affordable homeownership opportunities through development of new and rehabilitated homes, housing counseling assistance, and default and foreclosure prevention services.

For most American families, a home is their primary asset and represents their single greatest opportunity to build wealth. It is important that low-income and minority families are not left

behind. These families rely on their home as a financial safety net, providing a cushion in times of financial crisis and a resource for paying for their children's education and retirement.

For example, many families come to HOTH because they hear about the redeveloped homes we have for sale. In the last two years, approximately half of our property sales were to Latino families. Nearly 120 Latino families participate and learn about homeownership each year through our affordable development program. Our clients are as diverse as our community, many making well below the average incomes for our area. If it were not for this opportunity, many of these families would still be living in Section 8 apartments or rundown rentals. Today, however, they are homeowners.

The success of our various partner families would not have been possible without strong public and private partnerships. For example, the City of Columbus, from which we receive Community Development Block Grant funds (CDBG), has supported our projects for the past seven years. We use these funds to pay for homebuyer counseling and education programming. We also get HOME funds from the City of Columbus and Franklin County for predevelopment expenses and as gap funding for our projects. Other funds are provided by United Way, the Huntington Bank, HSBC, the Ohio CDC Association, and others. Many of these funding sources are a one-time or limited-time application. This increases the need for dependable funds such as those provided through CDBG.

Our entire community has been disappointed by the Administration's attack on CDBG funding. While the program may be due for some modernizations, the core purpose of the funding – to inject flexible funding into the hands of localities that most need them – is being accomplished. In the President's proposed budget, CDBG will lose more than a quarter of its funding. This is unacceptable; cities and states throughout the country rely on this funding to build affordable housing, repair streets and facilities in low-income communities, and increase economic development.

In addition, several years ago we created our housing counseling program to address these needs. As a member of the National Council of La Raza Homeownership Network (NHN) we are HUD certified. Participants receive eight hours of homebuyer education and have the opportunity to meet face-to-face with our housing counselors. Hilda Mendoza is one of our successful Latino homebuyers who has been in her home for more than two years. Hilda did not even think about the possibility of purchasing a home until she took one of our classes. She purchased a HUD-repossessed HOME that HOTH had rehabilitated on South Eureka in Greater Hilltop. It's a beautiful two-story home, and she enjoys it very much. Dionne Wolfe is another typical example of one of the over 220 families we served last year. Ms. Wolfe has children and a full-time job. She had never owned a home prior to working with HOTH. She participated in our homebuyer education classes and worked with our staff for six months who helped her qualify for a loan. She was successful in closing on a house in December 2005.

Ms. Mendoza's and Ms. Wolfe's stories, and others like them, would not have been possible without ongoing support of the housing counseling program and support provided from CDBG funds for this activity. As you know, housing counseling is an effective strategy for preparing low- and moderate-income families for responsible homeownership. Unfortunately, there are

many families who did not receive counseling before they purchased their home and now need default counseling. We have increased our concentration on this activity but still lack sufficient resources to meet the demand. We cannot afford to reduce the support from CDBG funding for this activity. We look forward to the Committee's continued support of these important services.

We were pleased to see the President propose a modest increase in Housing Counseling Assistance funding. These funds will help counseling organizations keep pace with the current demands on their agencies. However, I would also like to point out that the proposed budget includes new initiatives that could present additional stress on an already thinly-stretched industry. The American Dream Downpayment Program and the proposed Federal Housing Administration (FHA) 100% financing product will likely increase the demand for counseling services above the levels we are currently seeing. Housing counseling funds from HUD account for just 25% of our overall budget, but these dollars help us attract more than \$100,000 in private and charitable funding. HUD's investment in housing counseling is critical to the expansion and growth of these services.

Of course, these are only two programs out of the many that are funded by the HUD budget. A quick review of the proposed budget shows that other programs that are essential to our community are also slated for cuts, such as Housing Choice Vouchers and Fair Housing and Equal Opportunity.

Recommendations

It is our view that these programs effectively advance opportunities to remedy and alleviate the poor housing conditions of hundreds of families in our community each year. Thus, we make the following recommendations:

- **Fully fund the Community Development Block Grant program.** CDBG provides flexible funding to cities, counties, and states, allowing them to spend the money on local priorities. Our communities cannot afford the loss of services that would be required with a 27% cut to that funding.
- **Increase funding for Housing Counseling Assistance.** While we applaud the \$2.5 million increase to the proposed 2007 federal budget, this only allows housing counseling agencies to barely keep up with current demand. With the increase in alternative and exotic mortgage products, including some proposed by Congress and the current Administration, the demand on counseling agencies will increase markedly.

We have appreciated the support of the government through these important HUD programs and encourage your continued support. We would be pleased to provide you with any additional information regarding our programs or services we provide to our community.