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## [H.R. 3700, Housing Opportunity Through Modernization Act](#)

### FLOOR SITUATION

On Tuesday, February 2, 2016, the House will consider [H.R. 3700](#), the Housing Opportunity Through Modernization Act of 2015, under a [structured rule](#). H.R. 3700 was introduced on October 7, 2015 by Rep. Blaine Luetkemeyer (R-MO), and was referred to the Committee on Financial Services, which ordered the bill reported by a vote of 44 to 10 on December 9, 2015.

### SUMMARY

H.R. 3700 makes a variety of reforms to certain Department of Housing and Urban Development (HUD) and Rural Housing Service (RHS) programs in an effort to improve their effectiveness and provide enhanced opportunity for program beneficiaries and organizations that serve such individuals. Major provisions of the bill include:

**Inspection of dwelling units**—The bill requires that a public housing agency (PHA) must conduct an initial inspection prior to any Section 8 voucher housing assistance payment is made to a tenant. If the unit has been inspected within the previous 24 months through an alternative inspection method under a Federal, State or local housing program (including the HOME and Low-Income Housing Tax Credit Programs), the tenant may occupy the unit for an interim period until the PHA determines, through an inspection, that the unit meets certain housing quality standards.<sup>1</sup>

**Income Reviews**—The bill would provide that income reviews for assisted families in dwelling units assisted under the U.S. Housing Act of 1937 shall be made upon the initial provision of housing assistance for the family and annually thereafter, unless the family's adjusted annual income or deductions decrease by 10 percent.<sup>2</sup>

**Limitation on public housing tenancy**—The bill, for any public housing tenant determined to have income in excess of 120 percent of the area median income for two consecutive years, requires a PHA either charge the tenant the greater of the fair market rent or the amount of taxpayer subsidy for the unit, or terminate the tenancy of such tenant.

<sup>1</sup> See [House Report 114-397](#) at 34

<sup>2</sup> See [House Report 114-397](#) at 35

**Limitation on eligibility for assistance based on assets**—The bill requires that any dwelling unit assisted under the U.S. Housing Act of 1937 may not be rented and assistance may not be provided to any family whose net family assets exceed \$100,000, as adjusted for inflation, or a family who has a present ownership interest in real property that is suitable for occupancy by the family as a residence.<sup>3</sup>

**Units owned by PHAs**—The bill defines the types of units owned by a PHA to be any dwelling unit that is located in a project that is owned by the PHA, by an entity wholly controlled by the PHA, or by a limited liability company or limited partnership where the PHA holds a controlling interest.<sup>4</sup>

**PHA project-based assistance**—The bill authorizes a PHA to use up to 20 percent of its authorized voucher allocation to attach vouchers to an apartment, rather than a tenant. It would also enable a PHA to provide up to an additional 10 percent of its authorized vouchers to create units targeting homeless individuals and families, veterans, elderly households with person with disabilities, or units in areas where vouchers are difficult to use due to market conditions.<sup>5</sup>

**Collection of utility data**—The bill requires HUD to collect and publish utility consumption data to assist in the establishment of tenant-paid utility allowances by PHAs, provided the data can be collected in a cost effective manner.<sup>6</sup>

**Family unification program**—The bill extends the period for which a young adult, recently aging out of foster care, can use a Family Unification Program housing voucher from 18 to 36 months and would increase the maximum age for an individual using a Family Unification Program voucher to 24 years of age.<sup>7</sup>

**Rural housing**—The bill authorizes the Rural Housing Service single family housing guaranteed loan program to delegate loan approval authority to preferred lenders, in accordance with standards established by the Secretary of Agriculture.<sup>8</sup>

**Federal Housing Administration (FHA) mortgage insurance for condominiums**—The bill requires the Secretary of HUD to streamline FHA's condominium project certification requirements so that recertification is substantially less burdensome and applies existing Federal Housing Finance Agency standards, relating to encumbrances under private transfer fee covenants, to FHA insured condominium mortgages.<sup>9</sup>

**Housing reforms for the homeless and for veterans**—The bill elevates HUD's Special Assistant for Veterans Affairs to report directly to the Office of the Secretary. The Special Assistant will be responsible for ensuring that veterans have fair access to HUD housing and homeless assistance programs, coordinate all HUD programs and activities relating to veterans, and serve as a HUD liaison with the Department of Veterans Affairs.<sup>10</sup> The bill also requires the Secretary of HUD and Veterans Affairs to submit annual reports to the appropriate congressional committees on the number of veterans receiving assistance by HUD programs and the cost of administering these programs.

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<sup>3</sup> See [House Report 114-397](#) at 36

<sup>4</sup> See [House Report 114-397](#) at 37

<sup>5</sup> *Id.*

<sup>6</sup> See [House Report 114-397](#) at 38

<sup>7</sup> See [House Report 114-397](#) at 39

<sup>8</sup> *Id.*

<sup>9</sup> *Id.*

<sup>10</sup> See [House Report 114-397](#) at 40

## BACKGROUND

The federal government has played a role in subsidizing housing construction and providing homeownership and rental assistance for lower-income households since the 1930s. The programs are primarily administered by the Department of Housing and Urban Development (HUD), with some assistance provided to rural communities through the Department of Agriculture's Rural Housing Service and some tax benefits administered through the Department of the Treasury.<sup>11</sup>

Today, many HUD-administered programs rely on housing properties that are owned and managed at the local level by quasi-governmental public housing authorities, which are under contract to the federal government.<sup>12</sup>

The Housing and Community Development Act of 1974 created the Housing Choice Voucher Program, popularly known as the Section 8 program. The Section 8 program shifted funds from public-housing construction projects to subsidizing rents for low-income families living in privately-owned housing.<sup>13</sup> Over the past decade, the Section 8 program has consumed an increasingly large part of HUD's budget and, in 2002, Section 8 accounted for 46 percent of HUD's annual budget<sup>14</sup> but now accounts for nearly two-thirds of its FY16 appropriations.<sup>15</sup>

Almost 5 million households receive assistance through HUD's various rental assistance programs, including the Section 8 Housing Choice Voucher program, Public Housing, and other subsidy programs. Under current law, to be eligible for assistance, family income must be below either 50 percent or 80 percent of the area median income, depending on the program. Each program has a minimum percentage of families receiving assistance who must be below 30 percent of the area median income.

Section 8 is consuming a larger part of HUD's budget because more people are participating in the program and new participants have lower incomes than legacy participants and the subsidy provided by the federal government has increased for new Section 8 participants, which has increased Section 8's share of the HUD budget.<sup>16</sup> This ever-increasing consumption of HUD resources by the Section 8 program has concerned both critics and advocates of the program, and many fear that unless the Section 8 program is reformed, it will soon drain resources from other HUD programs.<sup>17</sup>

According to the bill's sponsor, "This legislation lays the groundwork, for the first time in years, to institute reforms to the programs and processes at the Department of Housing and Urban Development (HUD) and the U.S. Department of Agriculture's Rural Housing Service. As I have said

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<sup>11</sup> See CRS Report, "[Overview of the Federal Housing Assistance Programs and Policy.](#)" April 15, 2014.

<sup>12</sup> *Id.*

<sup>13</sup> See [House Report 114-397](#) at 20

<sup>14</sup> *Id.*

<sup>15</sup> Division L of the Consolidated Appropriations Act, 2016 (PL 114-113) available at

<http://docs.house.gov/meetings/RU/RU00/20151216/104298/HMTG-114-RU00-20151216-SD013.pdf>

<sup>16</sup> See [House Report 114-397](#) at 20.

<sup>17</sup> See [House Report 114-397](#) at 21

before, this legislation represents the first step in housing policy modernization by making many targeted reforms to streamline regulatory burdens and overhaul inefficient policies and regulations.”<sup>18</sup>

## **COST**

The Congressional Budget Office (CBO) [estimates](#) implementing this legislation would reduce spending subject to appropriation by \$311 million over the 2017 to 2021 period, assuming appropriations are consistent with the estimate.

## **AMENDMENTS**

1. Rep. Vern Buchanan (R-FL) – The [amendment](#) promotes efficient and accurate administration of income reviews and the collection of asset information when determining eligibility for rental assistance, consistent with other means-tested programs.
2. Rep. Maxine Waters (D-CA) – The [amendment](#) removes language that would limit the amount that families receiving certain federal housing assistance can deduct from their income for childcare expenses.
3. Rep. Terri Sewell (D-AL) – The [amendment](#) requires the Secretary of HUD to conduct a study to determine the impacts of the decreased deductions on rents paid by elderly and disabled individuals and families assisted under the Section 8 rental assistance and housing programs.
4. Rep. Madeleine Bordallo (D-GU) – The [amendment](#) prioritizes U.S. citizens and nationals over migrants from the Republic of the Marshall Islands, Republic of Palau, and the Federated States of Micronesia when receiving federal housing assistance in Guam.
5. Rep. Ruben Hinojosa (D-TX) – The [amendment](#) allows the USDA to assess a nominal fee (maximum of \$50) per loan under the Section 502 single family guaranteed home loan program in order to fund needed technological improvements and investments into the guaranteed underwriting system.
6. Rep. Grace Meng (D-NY) – The [amendment](#) requires HUD to publish model guidelines for minimum heating requirements for units operated by public housing agencies receiving federal assistance.
7. Rep. Steven Palazzo (R-MS) – The [amendment](#) makes permanent the exception to public housing agency resident board member requirement.
8. Rep. Peter Welch (D-VT) – The [amendment](#) allows the property taxes paid on mobile homes, insurance payments, utilities and financing to be included as components of the housing costs eligible for Section 8 payments.
9. Rep. Michelle Lujan Grisham (D-NM) – The [amendment](#) inserts a provision for collaborating with the Department of Veterans Affairs and the Department of Housing and Urban Development on how to better coordinate and improve veterans housing services.

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<sup>18</sup> See [House Financial Services Committee Passes Luetkemeyer Legislation to Reform Federal Housing Programs](#)

10. Rep. Scott Peters (D-CA) – The [amendment](#) directs the Secretary of Housing and Urban Development to reopen the period for public comment for the “Homeless Emergency Assistance and Rapid Transition to Housing: Continuum of Care Program” to allow stakeholders the opportunity to provide input on how HUD’s resources can be most equitably used to end homelessness in our country.
11. Rep. Keith Ellison (D-MN) – The [amendment](#) provides affirmative permission for housing providers who administer U.S. Department of Housing and Urban Development funds to report on-time rental payment data for their tenants to credit reporting agencies without requiring and managing individual written consent agreements. Directs HUD to retain tenant privacy so the furnished information would not specifically note that tenants receive HUD assistance.
12. Rep. Al Green (D-TX) – The [amendment](#) reauthorizes the FHA pilot program to establish an automated process for providing additional credit rating information to help determine creditworthiness for families with insufficient credit histories.
13. Rep. Sheila Jackson Lee (D-TX) – The [amendment](#) directs the Secretary of Housing and Urban Development to work with the Secretary of Labor to produce an annual report on interagency strategies to strengthen family economic empowerment by linking housing with essential supportive services such as employment counseling and training, financial growth, childcare, transportation, meals, youth recreational activities and other supportive services.
14. Rep. David Price (D-NC) – The [amendment](#) updates and modernizes HUD's funding formula for the Housing Opportunities for Persons with AIDS (HOPWA) program so that funding is distributed to jurisdictions based on living cases of HIV/AIDS.

### **STAFF CONTACT**

For questions or further information please contact [Robert Goad](#) with the House Republican Policy Committee by email or at 6-1831.