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CONTACT: Murray Press Office  
(202) 224-2834

**Opening Statement of Senator Patty Murray  
Chair, THUD Appropriations Subcommittee  
Hearing on HUD- March 1, 2012**

Mr. Secretary, I want to welcome you back to the Subcommittee today as we discuss the fiscal year 2013 budget request for the Department of Housing and Urban Development.

As we begin our work on next year's budget, there are encouraging signs that our economy is moving in the right direction.

Although we aren't moving quickly enough for families that continue to struggle—and we certainly have a long way to go. The private sector has been adding jobs for almost two years. Businesses are growing, confidence is up, and we seem to have stepped back from the precipice.

Which, of course, is very good news for the housing market—which depends on a strong and stable economy to recover and thrive.

*Housing Market Challenges*

But despite the positive signs, we still face significant challenges. Over 22 percent of homeowners are underwater. The recent settlement announced among the five largest banks, the states, and the federal government is an important step. It holds banks accountable and provides relief to homeowners.

But the settlement also paves the way for banks to proceed with foreclosures that have been stalled in the pipeline. While it is important to reduce the excess inventory of distressed housing, increased sales of these properties at reduced prices may further depress home values. Climbing back from the housing crash will not be easy, and I am interested in hearing your views on how we increase the stability of the market.

*FHA Solvency*

The depressed housing market has also taken its toll on FHA; this is made clear in the President's budget. The budget indicates that for the first time, FHA *may* require federal funding to cover its losses.

I have long been concerned about the solvency of FHA's Mutual Mortgage Insurance Fund. I applaud the efforts of this Administration to strengthen FHA's risk controls.

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But many of the financial problems facing FHA are related to older books of business insured at the height of the housing boom.

So while these changes to strengthen the program are important—and long overdue—it will also be important to recover or prevent expected losses from older loans.

I am pleased that the recent mortgage settlement includes money for FHA. And other settlements, most notably with Bank of America will also provide money to cover losses related to improper mortgage originations.

These settlements should help avoid the need for taxpayer funding. And I hope you will continue to look for opportunities to recoup losses from fraudulent or poorly underwritten loans.

Additional changes to FHA premiums contained in the budget, as well as those announced on Monday, represent your continued efforts to improve the solvency of the MMI Fund and protect the taxpayer from having to cover its losses.

### HUD's FY13 Budget

Beyond FHA, today we will also examine other aspects of the Administration's request, which is \$44.8 billion in gross resources to support HUD's programs.

While this represents an increase of over three percent, it is largely a current services budget as a result of the numerous offsets included in the fiscal year 2012 bill. As the Secretary's testimony notes, 83 percent of HUD's budget is dedicated to providing housing to the nation's most vulnerable..

These programs require annual adjustments. As we continue to live under the caps of the Budget Control Act, this presents us with very difficult choices. Last year, Senator Collins and I worked very hard to protect HUD's core rental assistance programs. But doing so meant difficult cuts to programs like CDBG, HOME and housing for the elderly.

The cuts to CDBG that began in fiscal year 2011 are being widely felt today. Cities and towns are cutting services to vulnerable citizens, laying off workers, or delaying critical investments in their communities.

This year's budget faces many of the same challenges that we struggled with last year. How do you craft a budget that: protects low-income residents who rely on HUD assistance to keep a roof over their heads; Makes the economic development and affordable housing investments that strengthen our communities; And gives HUD the tools it needs to effectively manage its programs?

### Budget Proposal Concerns

While the Administration's fiscal year 2013 budget tries to address these goals by balancing priorities, I am concerned about some of its proposals.

The proposed budget for project-based rental assistance will manage within the requested level by intentionally not funding contracts for a full twelve months. I have seen this policy before.

And while this may be manageable in the short-run, I am concerned that we won't have the resources when the bill eventually comes due.

In the tenant-based rental assistance account, I am also concerned that the funding level requested to renew vouchers is effectively flat—despite anticipated inflation and the need to renew vouchers for the first time.

The budget also relies on savings from a number of policy changes, which are not without controversy. So as we make the difficult choices in the budget, I want to be sure that we are making decisions with an understanding of their consequences and an eye toward the future.

### Budget Highlights

Despite my concerns, there are some bright spots in the budget.

The request again seeks \$75 million for new HUD-VASH vouchers, which have helped to reduce homelessness among veterans by 12 percent between 2010 and 2011.

The administration has worked hard to develop a plan to finally end homelessness. And I am very glad that the request for homeless programs reflects a continued commitment to that plan.

### HUD Oversight

At a time when resources are scarce, oversight of HUD's programs becomes even more important. I look forward to continuing to work with the Department and my colleagues to find additional ways to improve HUD's programs.

I would like to acknowledge HUD's new Inspector General, Mr. Montoya who is with us today. I welcome his vision for HUD's Office of Inspector General and I look forward to working with him to protect taxpayer dollars and improve the efficacy of HUD's programs.

### Closing

The fiscal year 2013 budget once again requires difficult choices to be made.

As I work together with Senator Collins and my colleagues on the Subcommittee to put together this bill, I will be mindful of the millions of Americans who rely on HUD's programs for a place to sleep each night.

Mr. Secretary, I look forward to our discussion today and working with you as we develop the fiscal year 2013 budget.

With that I will turn it over to my partner in these efforts, Senator Collins.

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