

file in Housing
Jim -
Per your request.
Call if you have
questions.
Shaw
4-5404

THE WHITE HOUSE

Office of the Press Secretary

Embargoed for Release
2:30 P.M. CST

November 10, 1989

FACT SHEET

PRESIDENT BUSH'S HOPE INITIATIVE HOMEOWNERSHIP AND OPPORTUNITY FOR PEOPLE EVERYWHERE

President Bush today announced an initiative to increase homeownership opportunities for low- and moderate-income families and to create jobs and entrepreneurial activity in the nation's distressed urban and rural communities.

The President's forward-looking plan for housing is called HOPE -- Homeownership and Opportunity for People Everywhere.

The major components of the plan include a \$2.1 billion matching grant program to encourage resident ownership of low-income housing; a program to combine housing resources with supportive services for the long-term homeless; and a proposal to allow the use of tax-deferred Individual Retirement Accounts (IRAs) as downpayments by first-time homebuyers.

Today's announcement builds on a comprehensive set of reforms introduced by HUD Secretary Kemp on October 3, 1989 to restore ethical, managerial and financial integrity to the Department's programs, including the Federal Housing Administration.

The President's housing and inner city job creation strategy embraces the following fundamental principles:

- o Empowering low-income families to achieve self-sufficiency and have a stake in their communities by promoting resident management and urban homesteading.
- o Expanding homeownership and affordable housing opportunities for low-to-moderate income families and young families just starting out.

MORE

- o Helping to end the tragedy of homelessness and to provide special emphasis on the long-term homeless who are in need of social services or health care.
- o Creating jobs and economic opportunities in our nation's distressed inner cities and rural areas.

HOPE GRANTS

Goal: To empower low-income families to become homeowners with a stake in their communities by providing funds for resident homeownership in public housing, government-held vacant and foreclosed properties, and financially "distressed" properties held in the FHA portfolio.

Background: Although homeownership for low-income families and empowerment of the poor through resident management are two of the Administration's key goals for housing policy, HUD does not have permanent programs for these purposes. Currently, these goals are funded by special set-asides from other programs. HOPE grants will enable many public housing residents to purchase their homes, will capitalize on the existing strengths and abilities of non-profit organizations and community-based housing development organizations, and will increase the housing resources available to the nation's poor.

- o HOPE grants will provide \$2.15 billion over three years to increase homeownership opportunities for low-income families. The grants will be used in public housing, vacant and foreclosed properties currently held by the government, and "distressed" properties held in the FHA portfolio.
- o States, localities or non-profit organizations will be required to provide \$1 for every \$2 in federal HOPE grant funds.
- o HOPE grants will be used for rehabilitation, acquisition, technical assistance, capital reserves, security, and mortgage assistance, but not for new construction. \$250 million in HOPE grant funds will be set aside to provide replacement housing for public housing developments that convert to low-income homeownership.

MORE

SERVICE SUPPORTED HOUSING

Goal: To combine federal housing assistance for the long-term homeless with social and health care services that many homeless may need to address problems of substance abuse or mental impairment.

Background: The McKinney Act authorizes assistance to the homeless through a wide variety of programs administered by almost every agency of the federal government. The President remains committed to obtaining full funding of the McKinney Act. HUD administers several McKinney Act programs, including Transitional Housing, Supportive Housing, Assistance for Single Room Occupancy Dwellings, and Supplemental Assistance for Facilities to Assist the Homeless. These programs work well for those who are temporarily homeless. The long-term homeless, however, are not equally well served by either the housing delivery system or the social service network. The long-term homeless need intensive services and long-term supportive housing arrangements provided in a more systematic, coordinated manner.

- o Service Supported Housing will coordinate federal housing assistance with supportive services that can best be provided by states, localities and non-profit organizations.
- o \$728 million in federal housing funds will be provided over three years, to be matched dollar for dollar by states, localities or non-profit organizations. Certain programs that are federally funded but locally administered, such as the Mental Health Block Grant program, may be used to provide the needed matching funds.

USE OF INDIVIDUAL RETIREMENT ACCOUNTS FOR FIRST-TIME HOMEBUYERS

Goal: To expand homeownership opportunities for young families and first-time homebuyers.

Background: As housing prices increase, it is often difficult for first-time homebuyers to accumulate the savings needed for a downpayment and closing costs. While moderate income families are eligible to receive tax-deferred treatment for savings through IRAs, they are not currently permitted to make IRA withdrawals without penalty for what is likely to be the biggest investment in their lives -- their homes.

MORE

- o The HOPE initiative will help achieve homeownership by allowing first-time homebuyers to withdraw funds in their tax-deferred IRAs without penalty.
- o The maximum amount that can be withdrawn from an IRA for a downpayment is \$10,000 and the maximum house price is 110 percent of the average area purchase price.

PRESERVATION OF LOW-INCOME HOUSING

Goal: To empower low-income residents of federally insured and subsidized housing communities by giving them the opportunity to buy their own homes in cases where their owners opt out of the low income housing program.

Background: Over the next 15 years, owners of some 334,000 units of FHA-insured multifamily housing will become eligible to prepay their mortgages, thereby potentially eliminating low-income use restrictions on these properties. With the HOPE initiative, and depending on circumstances, different methods may be used to protect tenants. These include giving tenant groups first right to purchase and convert their building to a resident-owned cooperative; providing federal aid for such conversions; giving owners additional financial aid to maintain lower-income occupancy; or if owners elect to convert their projects and sever their relationship with HUD, protecting tenants with housing vouchers, thereby helping them afford higher rents.

- o If an owner decides to prepay, HOPE will offer resident groups and non-profit organizations the opportunity and the resources to purchase their buildings and become homeowners. In such cases, tenants will have a right of first refusal to purchase their projects.
- o Tenants will receive an amount equal to the present value of 10 years of housing vouchers, to be used for acquisition, rehabilitation, technical assistance and other uses. Housing vouchers, the Administration's principal tool for assisting low-income families with housing, give eligible families the difference between 30 percent of their income and the amount that is needed to obtain suitable housing in their community.

MORE

- o Once purchased by a low-income family, units may only be resold to other low-income families.

LOW INCOME HOUSING TAX CREDIT

Goal: To extend tax incentives needed to encourage the private sector to construct and rehabilitate the nation's rental housing stock and make it available to low-income families and the working poor.

Background: Tenant-based housing vouchers and certificates are the federal government's primary tool for assisting rental households. However, direct rental assistance is only one tool for meeting the need for low-income rental assistance.

The low-income housing tax credit was included in the Tax Reform Act of 1986 as an incentive for the development of new rental housing opportunities. States have the authority to allocate credits to their most important needs and the program encourages the participation of non-profit organizations. The tax credit expires at the end of this year.

- o The HOPE initiative proposes to renew the low-income housing tax credit as part of a package of reforms that includes a cut in the capital gains tax.
- o Residents and non-profit organizations will ultimately be given an option to purchase properties constructed or rehabilitated using the low-income housing tax credit.

ENTERPRISE ZONES

Goal: To provide tax incentives to help promote entrepreneurship and create jobs in our nation's distressed urban and rural communities.

Background: Incentives are needed to create jobs and promote entrepreneurial activity in distressed urban and rural communities that have too often been redlined for despair.

- o HOPE includes a proposal to create 50 enterprise zones that will provide incentives for low-income workers and attract seed capital for business development. It will eliminate the capital gains tax rate on tangible investments located in the enterprise zones.

MORE

- o The refundable tax credit for low-income employees provides for a tax credit of up to \$525, or 5 percent of the first \$10,500 in wages earned by an employee in an enterprise zone.
- o Expensing of investor purchases of corporate stock in enterprise zone businesses will create the seed capital needed for new businesses by allowing investors immediately to deduct the cost of their investment, up to \$50,000 per investor.
- o A zero capital gains tax rate will apply to capital gains realized on tangible assets in enterprise zones and will be a powerful incentive for entrepreneurship in inner cities that are now without appreciable business activity or jobs.

HOUSING OPPORTUNITY ZONES

Goal: To help eliminate barriers that states and localities all-too-often erect that make housing less affordable for low- and moderate-income families.

Background: The principles behind the Enterprise Zone concept can be used to spur construction or rehabilitation of housing in many inner city areas that have large amounts of poor housing, limited homeownership, vacant land or abandoned and substandard housing.

- o The HOPE initiative proposes 50 Housing Opportunity Zones, which will target federal incentives to those distressed communities that best remove tax and regulatory barriers to affordable housing.
- o Zones will be chosen through a competitive process from applications by local and state governments. Applicants that best identify and institute plans to remove barriers -- such as exclusive zoning, regressive property tax burdens, complex building codes, rent controls, excessive fees -- will be selected.
- o The federal incentives provided include targeted FHA insurance and rental rehabilitation grants at \$70 million per year.

MORE

ADDITIONAL ELEMENTS OF THE HOPE INITIATIVE

FRAIL ELDERLY: Elderly people are often in need of supportive services to help them stay in their homes and avoid institutionalization. The HOPE initiative includes a demonstration project to provide service-supported housing for the frail elderly by coupling housing vouchers with assistance to help pay the costs of the services they need.

OPERATION BOOTSTRAP: Housing assistance is an essential part of the social safety net, but for families capable of working it should be a transitional tool that helps them achieve self-sufficiency and join the economic mainstream. Beginning in Fiscal Year 1991, all tenant-based vouchers and certificates will require Public Housing Authorities and local governments to help welfare families and those with low earnings achieve upward mobility through job training, child care, transportation and other assistance.

#

MORE