NCDA WASHINGTON REPORT

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NCDA WINTER MEETING JANUARY 23-26, METRO CENTER MARRIOTT
NATIONAL COMMUNITY DEVELOPMENT WEEK FOR 2002 IS APRIL 1-7
NCDA 2002 ANNUAL CONFERENCE: JUNE 12-15, PROVIDENCE, RI

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FY 2002 HUD APPROPRIATIONS BILL

On November 6 Conferees came to agreement on the FY 2002 HUD/VA appropriations bill. HUD received a total of $30 billion an increase of $1.8 billion over FY 2001. The following are some highlights (and low lights) of HUD's bill. Please see the FY 2002 Budget Chart for a detailed look at HUD's final budget.

- The CDBG Program received $5 billion, $57 million below FY 2001. The formula allocation for FY 2002 is $4.341 billion, approximately $59 million below FY 2001. Set-asides for FY 2002 increased approximately $21.45 million from FY 2001 to $659 million. [*NCDA will make the 25 page list of set-asides available when we get the final list.*]

- The HOME Program received an allocation of $1.846 billion with a $50 million set-aside for the President's downpayment assistance program. Other set-asides include $17 million for the working capital fund and $20 million for housing counseling. Otherwise, the HOME formula amount was level funded.
- Homeless programs were funded at $1.123 billion, with full funding for the Shelter Plus Care contracts at $100 million. This is a slight increase from last year, of $1.022 billion.

- HOPWA received $277 million, up $19 million from last year.

- HOPE VI received level funding of $574 million

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- The Housing Certificate Fund (Section 8) funds renewals and tenant protection is increased by $1.7 billion to $15.6billion and includes $144 million to fund 26,000 new section 8 vouchers.

- The Public Housing Operating Subsidies are funded at $3.5 billion $253 million above FY 2001. The additional funds are included because the Drug Elimination Program was rescinded.

- The Public Housing Modernization Program was funded at $2.84 billion, $157 million below FY 2001.

- Section 811 receive a $29 million increase from last year to $241 million, which was $23 million above the President's request.

- Section 202 was funded at the President's request of $783 million and $4 million above FY 2001 levels.

SENATE FINANCE COMMITTEE PASSES ECONOMIC STIMULUS BILL

A Democratic-written $67 billion economic stimulus package [HR 3090] passed the Senate Finance Committee yesterday on a party line vote of 11-10. The package includes tax rebates for low-income Americans, tax cuts for businesses and New York City investors, expanded unemployment and health insurance benefits for laid-off workers, and rural and farm loans. The bill also includes an amendment offered by Senator Robert Torricelli (D-NJ) to provide tax benefits to the families of the victims of the September 11 attacks. A similar amendment, offered by Senator Don Nickles (R-OK), for the families of the victims of the Oklahoma City bombing was also included as part of the package.

Senate Republicans vow to fight the measure when it reaches the Senate floor because they would like to see more tax cuts and less spending in the package. Like the Democrats, Senate Republicans support $14 billion in tax rebates for low-income Americans. Unlike the Democrats, Senate Republicans support many tax breaks including a 30 percent immediate tax break for companies on equipment purchases this year and next, allowing companies to use losses this year and next to offset profits from previous years and thus qualify for a refund, and accelerating the personal income tax rate cuts enacted in this year's tax cut. Majority Leader Tom Daschle (D-SD) hopes to bring the measure to the Senate floor for debate next Tuesday and hopes to complete action on the package before Thanksgiving. There will be a great deal of partisan arguing before this package is finalized. Don't expect quick movement on this measure.

On October 12, Senators Sarbanes (D-MD), Reed (D-RI), Kerry (D-MA), and Leahy (D-VT) forwarded a letter to Majority Leader Daschle and Senator Byrd (D-WV), Chair of the Senate Appropriations Committee, seeking $3 billion for the HOME program, $1 billion for the Public Housing Operating Fund, and $100 million for FEMA's Emergency Food and Shelter Program. In their letter, the senators noted that, "These programs are ongoing, have well-established delivery systems.....and will provide broad-based demand for consumer and durable products." So far, no funding has been included for these programs, although Senate staff keep pushing for it. We encourage you to keep contacting your senators to push for this funding since a final package has not been completed. It is imperative that our members in West Virginia and South Dakota contact Byrd and Daschle to push for this funding, since they are the two key leaders working on the stimulus package in the Senate.

REP. MARGE ROUKEMA INTRODUCES TWO HOUSING BILLS

Just as the congressional session is winding down, Rep. Marge Roukema (R-NJ) has managed to draft and introduce two separate housing bills. Both bills, H.R. 3191and H.R. 3206, were introduced last week. We just learned yesterday that Rep. Roukema will not seek re-election next year, after 22 years in Congress. With her impending retirement, she will likely try to push forward as much legislation as possible in the coming year, including these two bills.

H.R. 3191 – "The Homeownership Opportunities for Public Safety Officers and Teachers Act of 2001"

H.R. 3191 – "The Homeownership Opportunities for Public Safety Officers and Teachers Act of 2001," recognizes Roukema's strong support of public safety professionals and teachers by providing financial benefits to them to purchase a home. First, the bill reduces down payment requirements for teachers and public safety officers [which includes law enforcement officers, fire fighters, and rescue personnel] under HUD's FHA program to only one percent of the purchase price. Second, the bill would require no up front FHA mortgage insurance premiums for these personnel. HUD would require a scaled payment of the premium if the purchaser pays off the mortgage in full before five years, or ceases to be a teacher or public safety officer during that time. In return for these financial incentives, these personnel would be required to purchase a home in the jurisdiction in which they work.

The bill creates the Community Partners Next Door Program, similar to HUD's Officer Next Door and Teacher Next Door Program. The primary difference in the two programs is that participants under the Community Partners Next Door Program are not required to purchase homes in designated revitalization areas, like under HUD's Officer Next Door and Teacher Next Door Program. Under the Community Partners Next Door Program, teachers and public safety officers would receive a 50% discount on the purchase of a home. In addition, HUD would only require a $100 down payment for properties financed through FHA. In return, the homeowner must live in the property for at least three years. However, the bill requires HUD to issue regulations to prevent undue profit by the teacher or public safety officer from the resale of these properties. A teacher or public safety officer can purchase a discounted property one of two ways. They can purchase the property directly from HUD or HUD has the option of selling an eligible property at a discount to a unit of local government or a nonprofit organization for resale or transfer to a teacher or public safety officer.

H.R. 3191 also creates a pilot program to assist Federal, State, and local public safety officers in purchasing homes in locally-designated high-crime areas. Like the other programs outlined in the bill, the participants must live in the home for three years. If the mortgage is financed through FHA, no down payment is required and the closing costs and origination fees can be financed through the mortgage loan. Also, participants will receive lower insurance premiums, constituting one percent of the loan amount. The purchaser has the option of paying this cost at settlement or financing it through the mortgage loan.

The House Subcommittee on hopes to have a hearing on this bill before the end of the congressional session.

H.R. 3206 – "The Homeownership Expansion and Opportunities Act of 2001"

Rep. Roukema also introduced H.R. 3206 – "The Home Ownership Expansion and Opportunities Act of 2001." "While the homeownership rate is at its highest level ever – nearly 68 percent – there are pockets in our community who hover around the 40th percentile, because of geography, income or other factors. These unconquered pockets are the last frontier to be explored through what I believe could be public and private home ownership partnership initiatives," Roukema said recently. This bill would allow the Government National Mortgage Association (GNMA) to guarantee securities of certain conventional mortgages above an 85 percent loan-to-value ratio, up to the conventional mortgage loan limits already established by existing law. This guarantee is conditioned on these mortgages meeting certain guidelines established by GNMA and insured by both private sector mortgage insurance and the FHA. These mortgages would meet rigorous underwriting and insurance guidelines to ensure that no undue and unresponsible risk is placed on the Federal government. Ginnie Mae is the housing government-sponsored enterprise which is currently limited to guaranteeing federally-insured mortgages. No hearing has been set for this bill.

IS THE CDBG PROGRAM IN JEOPARDY?

For the first time in recent memory, the CDBG program, the favorite son at HUD, received a cut to the formula allocation for cities, counties and states to undertake housing and community development activities. Many see the rising level of Congressionally added set-asides as cuts, however the public interest groups have accepted, if not supported, set-asides as long as the formula amount to grantees continues to rise. For FY 2002 the CDBG formula amount was cut by $59 million from FY 2001 levels. Specifically, in FY 2001 the formula allocation was $4,400,000 and in FY 2002 it is $4,341,000,000. Given the "favorite son status" the program has enjoyed over the past decade, this cut, although a relatively small one, raises a red flag to many in Washington, particularly to the staff at NCDA. It is not a cut that is akin to an across- the-board rescission on all federal agencies, particularly when the HOME program received a small increase, also in the form of a set-aside. So, what does this mean? Is Congress taking its threats about spend out seriously? Does this cut relate to lack of "good data" on what CDBG is being used for like there is in the HOME program? Or is it simply about not enough resources to go around?

After reviewing the conference report, several sources were contacted including those at HUD and on the hill to explain the cut. The main reason for the cut seems to be the rising tide of set-asides. No other reason was acknowledged. We specifically asked, did it have to do with spend-out rates? Is the reason for the cut due to better data in the HOME program? The response was clearly the need for more "pork" in Congressional Districts.

NCDA and its fellow public advocates must revisit its policy and approach to the issue of set-asides. Over the past two years we have taken a silent stance on the set-asides issue because as the set-asides rose, so did the formula amounts. This year that didn't happen. How do we address this? Next year, we will be faced with a much tougher budget fight on all fronts. This small cut may be a portent of things to come. Now more than ever, all of us have to be more vigilant in contacting our Congressional Delegations and garner for their continued and full support for the CDBG program and get them to realize how disastrous cuts of any kind will be to their constiuents.

CDBG TIMELINESS LETTER RECEIVES HUD CLEARANCE

According to sources at CPD, the often discussed and foretold timeliness letter to grantees will most likely go out next week. The internal clearance ritual has been completed and it is merely a matter of putting addresses on envelopes. This letter will outline how HUD will sanction grantees who do not meet the timeliness of expenditures requirement sixty days prior to the end of their program years. The letter will go out to all grantees, those who are timely and those who are untimely. There will be no consideration for the so called "habitual offenders." If your community is untimely you will be sanctioned. As with any intent to sanction funds, there will be a period of time for grantees to respond to the letter. And, if grantees can show that their untimely state is due to reasons beyond their control, then there will be some leeway granted.

NCDA staff has not seen the letter, however, it is our understanding the reductions will begin with FY 2002 program funds and could range from as much as 15 to 30 percent of a grantee's allocation. It is not clear how these figures will be calculated. Will it be the a percentage of the amount needed to reduce a grantee's letter of credit so that the amount of funds remaining is at the 1.5/1.0 ratio? Or will it be based on a percentage reduction, depending on when one's program year begins. We just don't know. However, it makes sense for HUD to give grantees time to "get their houses in order," so it is assumed that program year start dates will be taken into consideration.

There are other very real issues to consider within the context of timeliness of expenditures. Given the slight cut to the program this year, the larger cut to the Public Housing capital fund, the impending impact of the war on terrorism will have on the budget, the need for disaster relief funds in New York and Washington, DC, CDBG grantees and advocates across the country need to take a serious look at expenditure rates and overall program administration, as there could be serious cuts to all of HUD's programs next year.

FANNIE MAE UNVEILS NEW HOUSING AND CD WEB SITE

The Fannie Mae Foundation recently announced the development of a new web site on housing and community development. According to Fannie Mae, the KnowledgePlex web site, http://www.knowledgeplex.org, will provide housing and community development practitioners with the latest trends and developments in the industry and will allow practitioners to share solutions to housing and community development issues with key policy makers. Key features of the site include a knowledge library where users can conduct extensive research, a news section which provides daily feeds from over 300 news sources, a hot topics section which highlights emerging issues, and a communi-ties of interest section which allows users to participate in live chat rooms. We encourage you to explore the site.

RICK NELSON WILL RETIRE FROM NAHRO AFTER 31 YEARS OF SERVICE

Richard Y. Nelson, Executive Director of the National Association of Housing and Redevelopment Officials (NAHRO), will retire at the end of the year after 31 years of service to the organization. When he first started with NAHRO in 1970, Rick was given the job of improving relationships between the new model cities agencies, the old urban renewal agencies and the housing authorities. He became Deputy Executive Director of NAHRO in 1974 and then Executive Director in 1987. Prior to working at NAHRO, Rick worked for HUD [then called the U.S. Housing and Home Finance Agency] in its Philadelphia Office for five years. Upon retirement, Rick will continue to serve as a Commissioner on the Montgomery County (MD) Housing Opportunities Commission. He will also join the faculty at the University of Maryland. NCDA wishes him well in his retirement and thanks him for his outstanding service to NAHRO and the housing and community development field.

NCDA NOTES

NCDA WINTER MEETING

Attached to this newsletter is a flyer and raft agenda for the NCDA 2002 Winter Meeting, being held in Washington at the Marriottat Metro Center Hotel. Given the events of September 11, and the difficulty of many members are having in securing permission to travel, especially to Washington, NCDA staff has reduced the normal number of sleeping rooms in our room block. Therefore, we encourage you to make your reservations as soon as possible. We believe that there will be adequate space available, however, NCDA does not want to be in a position to be forced to pay meeting room rental if we don't have to. **MAKE YOUR RESERVATIONS EARLY!!!**

AUDREY NELSON AWARDS APPLICATIONS DUE NOVEMBER 30, 2001

NCDA invites members to submit applications for the annual Audrey Nelson Community Development Achievement Awards competition. Next year marks the 16th Anniversary of the Awards. The awards will be presented at the luncheon on Friday, January 25, 2002 at the Marriott at Metro Center Hotel in Washington, D.C. in conjunction with NCDA's 2002 Winter Meeting - January 23-26, 2002.

FEDERAL REGISTER NOTICES

November 7, 2001. Strengthening the Title I Property Improvement and Manufactured Home Loan Insurance Programs and Title I Lender/Title II Mortgage Approval Requirements. This final rule amends HUD's regulations for the Title I Property Improvement and Manufactured Housing Loan Insurance programs. The final rule also increases the net worth requirements applicable to both the Title I and Title II Single Family Mortgage Insurance programs. The changes are designed to enhance program controls and strengthen the financial viability of the programs. This final rule follows publication of a March 30, 2000 proposed rule, and takes into consideration the public comments received on the proposed rule.

JOB ANNOUNCEMENTS AND ATTACHMENTS

(Please go to http://ncdaonline.org to access the attachments below.)

- FY 2002 HUD Budget Chart
- Winter Meeting Flyer
- Winter Meeting Draft Agenda
- HOME/Housing Survey