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Appropriations Update; Congress Passes Continuing Resolution

Congress passed a Continuing Resolution (CR) on September 28, 2007 to keep federal agencies operating through November 16, 2007. The seven week period will give Congress more time to complete the FY 2008 spending measures. While the House passed all of its 12 spending measures prior to the August recess (only the second time this feat has been accomplished since 2001), the Senate has only completed five spending measures (with most of those being completed just recently). No spending measures have been conferenced or sent to the President for his signature.

Senate Majority Leader Harry Reid (D-NV) said last week the Democratically-controlled Congress will send the President three fiscal 2008 spending bills within weeks to “see what he does with them.” NCDA has been told by Senate appropriation staff that the Transportation-HUD bill will be one of the three that will be sent to the President, with the Labor-HHS bill and the Commerce-Justice-Science bill being the other two. The President has threatened to veto seven of the appropriations bills because they exceed his overall \$933 billion in discretionary spending by \$23 billion – just over two percent of the discretionary budget. He calls the increase “excessive and irresponsible.”

The last time all appropriations measures were completed and enacted prior to the October 1 start date of the fiscal year was 1994, when Democrats controlled both the White House and the Congress. Since that time, the appropriation bills have taken longer and longer to complete. Most recently, Congress and the White House never reached agreement on all of the FY 2007 spending bills (only the Defense bill and the Homeland Security bills were enacted) and a CR was enacted in February 2007 to keep federal agencies operating through October 1, 2007. The Democrats will try to avoid such a debacle this year. If Bush vetoes the three spending bills that Congress hopes to send him in the next couple of weeks, then the Democratically-led Congress will likely attach the measures to a spending bill he is expected to sign (Defense or Homeland Security), combine all of the spending bills into one large omnibus spending measure (such a measure will include all of his funding priorities – Defense, Military Construction/Veterans, and Homeland Security), or attach the measures to the next CR. If the CR is not enacted, then the federal government will be shut-down, leaving the President in a politically unpopular position.

Congress Works on FHA Modernization Legislation

On September 18, the House passed H.R. 1852 – The Expanding American Homeownership Act of 2007 – aimed at revitalizing an ailing Federal Housing Administration (FHA). The Senate Banking Committee passed a similar measure on September 19.

The House version, introduced by Rep. Barney Frank (D-MA), Chair of the House Financial Services Committee, and Rep. Maxine Waters (D-CA), Chair of the House Subcommittee on

Housing and Community Opportunity, would provide FHA more flexibility in developing mortgage programs to assist low- and moderate-income persons purchase their first home as well as refinance the loans of subprime borrowers. The FHA has lost market share to subprime and other private mortgage providers because of outdated loan limits and stringent credit requirements.

The House bill includes the following provisions:

- Lower Down Payments.** Authorizes zero and lower downpayment loans for creditworthy borrowers who lack the cash needed for a downpayment.
- Housing Counseling.** Authorizes funding for housing counseling to help subprime borrowers late on mortgage payments. Language has been included in the FY08 Transportation-HUD bill to provide \$150 million in housing counseling as a set-aside within the HOME program.
- Reverse Mortgages.** Removes the loan cap on the Home Equity Conversion Mortgage Program (HECM) to allow more elderly homeowners to use their equity for needed expenses and reduces the maximum fee lenders can charge on the loans.
- Multifamily Loans.** Raises FHA multifamily loan limits to fully fund construction costs in high cost areas.
- Affordable Housing Fund.** Authorizes up to \$300 million annually from FHA profits towards the National Affordable Housing Trust Fund.

- ❑ **Higher Loan Limits.** Raises the FHA single-family loan limit from 95% of the area median home price to 125%.

The Senate bill includes the following provisions:

- ❑ **Higher Loan Limits.** Increases FHA single-family loan limits at 100% of the median home price of an area (up from 95%) or the GSE conforming loan limit (currently \$417,000), whichever is lower.
- ❑ **Downpayment Requirements.** Lowers the downpayment requirement to 1.5% from the current requirement of 3%. Sets the maximum loan amount in any individual case at 100% of the appraised value of the home.
- ❑ **Home Equity Conversion Mortgage (HECM) Program.** HECMs – also known as reverse mortgages – allow seniors to take equity out of their home without having to pay back the equity loan until transfer of the property. Sets one national loan limit equal to the GSE conforming loan limit (currently \$417,000). Also lowers the origination fee from 2% to 1.5% (a reduction of 25%).
- ❑ **Alternative Credit Scoring Pilot Program.** Establishes a pilot program to test alternative automated credit rating systems for borrowers with “thin” credit histories. The pilot may include alternative credit rating information such as rental, utility, and insurance payments.

This provision is intended to expand access to credit for borrowers who may have a history of making required payments on time, but have not established a sufficient credit record at traditional credit bureaus.

In a letter to the President dated October 3, Speaker Nancy Pelosi, Senate Majority Leader Harry Reid, Congressman Barney Frank (D-MA), Congresswoman Carolyn Maloney (D-NY), Senator Chris Dodd (D-CT), and Senator Charles Schumer (D-NY) urged President Bush to work with them to get final legislation passed this year. They also urged the President to do the following:

- ❑ provide the Government Sponsored Enterprises (GSEs) a temporary, one-year increase in their portfolio limits so more liquidity could be provided for subprime borrowers; [GSE reform legislation is not expected to be completed in Congress anytime soon, so this change could be taken without legislation progressing.]
- ❑ support increased funding for housing counseling;
- ❑ appoint a senior Administration official to oversee and coordinate the federal government response to the subprime mortgage crisis;
- ❑ encourage FHA, lenders and the GSEs to refinance subprime homeowners into fixed-rate loans

Senate Committee Approves McKinney Reauthorization Legislation

On September 19, the Senate Banking Committee approved S. 1518 – The Community Partnership to End Homelessness Act. The bill now heads to the Senate floor. The House has introduced companion legislation and is holding hearings on the bill this week. Major aspects of the Senate bill include:

- streamline and consolidate HUD’s competitive homeless assistance programs – Shelter Plus Care, Supportive Housing Program, and Moderate Rehabilitation/SRO – into one single, competitive program with the same application, eligibility, and program requirements.
- Expand the definition of homelessness to include persons who have moved frequently and are now doubled-up or living in a hotel without the resources to afford housing.
- Set-aside at least 30% of the program funding for permanent housing.
- Fund permanent housing contract renewals through the Section 8 fund, instead of from HUD’s homelessness programs account, thereby, freeing up more money for the homelessness programs.
- Set-aside 20% of the funding for the Emergency Shelter Grants (ESG) Program. Currently, HUD provides no more than 10% of its homelessness funding to ESG. At least 40% of the ESG funding would go towards homelessness prevention activities.

- The ESG Program would be renamed the Emergency Homelessness Prevention and Shelter Grants Program.

For a detailed analysis of the bill, please see the May 24, 2007 edition of *The Washington Report*. Groups currently supporting the bill include the U.S. Conference of Mayors, National Association of Counties, National League of Cities, National Community Development Association, National Association for County Community and Economic Development, National Alliance to End Homelessness, National Housing Conference, Local Initiatives Support Corporation, Habitat for Humanity, Housing Assistance Council, National Low-Income Housing Coalition, among others.

NCDA News

2008 Winter Legislative and Policy Conference

NCDA will hold its 2008 Winter Legislative and Policy Conference in Washington, DC on January 23-25. The draft conference agenda, hotel information, and registration information are attached. You can also access this information through NCDA’s website at <http://www.ncdaonline.org>. The Winter Legislative and Policy Conference provides participants with the opportunity to visit their congressional members to advocate for CDBG and HOME, hear timely updates on CDBG and HOME from congressional and HUD staff, learn best practices from your peers, and network with community development professionals from across the country. A block of rooms has been reserved at the Westin Hotel (formerly the Wyndham Hotel) at the rate of \$175 per night. Register early, the block is limited!

Terrence R. Duvernay HOME Program Awards of Excellence

NCDA will honor the memory of its good friend and Past-President, Terrence (Terry) Duvernay, by establishing an award in his name. The Terrence R. Duvernay HOME Program Awards of Excellence will recognize member jurisdictions for outstanding work in the HOME Program. The awards will be presented during NCDA's Winter Conference in January. We encourage our members to apply for this prestigious award by completing the short application form that is attached to this newsletter and return it to NCDA no later than November 30, 2007.

Advanced CDBG Course Survey

At its June 19, 2007 meeting, NCDA's Planning and Professional Development Subcommittee agreed to move forward on a survey to NCDA's members on the development of an Advanced CDBG Course. The course would be the second in a series of training courses – with the first being the CDBG Basic Course – for CDBG grantees. The attached survey seeks input on interest from CDBG members on the course, the costs associated with attending the course, whether or not the course would provide a program benefit to CDBG grantees, and the topics that should be covered in the course. You can also complete the survey online at <http://www.ncdaonline.org>. The deadline to complete the survey is October 26, 2007. The subcommittee will report the survey findings to NCDA's Board of Directors in January.

CDBG Training Available through NCDA

The following CDBG Program workshops are available through NCDA:

CDBG Basics Course

Three-day workshop
Fayetteville, AR
October 29-31, 2007
Cost: \$250 for members/\$350 for non-members; Registration and hotel information: online at <http://www.ncdaonline.org>, go to Training Available Through NCDA and click on CDBG

CDBG Subrecipient Management Course

Two-day workshop
Lake Mary (Orlando), FL
November 7-8, 2007
Cost: Free; Registration and hotel information: online at <http://www.ncdaonline.org>, to Training Available Through NCDA and click on CDBG

CDBG Basics Course

Three-day workshop
Valdosta, GA
November 12-14, 2007
Cost: \$250 for members/\$350 for non-members; Registration and hotel information: online at <http://www.ncdaonline.org>, go to Training Available Through NCDA and click on CDBG

New Members Corner

NCDA would like to welcome the following new members to the association.

Augusta/Richmond County, GA
Bradenton, FL
Lynchburg, VA

Attachments:

2008 Draft Winter Conference Agenda and Registration Form; Terrence R. Duvernay HOME Awards of Excellence Application; Survey on Advanced CDBG Course; Job Announcements

**U. S. Department of Housing and Urban Development
Budget Chart**

Program	FY07 Enacted Level	FY08 President's Request	FY08 House Approved Level	FY08 Senate Approved Level
Community Development Fund	\$3.77 billion	\$3.0 billion	\$4.18 billion	\$4.06 billion
<i>Set-Asides:</i>				
Native American Hsg.	[\$60 million]	[\$57 million]	[\$62 million]	[\$62 million]
Insular Areas	[\$7 million]	[\$7 million]	[\$7.1 million]	[\$7 million]
EDI Special Purpose Grants	\$0	\$0	[\$160 million]	[\$248 million]
Technical Assistance	\$0	[\$3 million]	\$0	[\$3 million]
Neighborhood Initiatives	\$0	\$0	[\$20 million]	[\$40 million]
Working Capital Fund	[\$1.6 million]	[\$2 million]	[\$1.58 million]	[\$1.6 million]
Total Set-Asides	<i>\$68.6 million</i>	<i>\$2.931 billion</i>	<i>\$250.68 million</i>	<i>\$361.60 million</i>
Formula Grants	\$3.71 billion	\$2.931 billion	\$3.929 billion	\$3.71 billion
Sect. 108 Loan Guarantees	\$137.5 million	\$0	\$137.5 million	\$275 million
Brownfields	\$9.9 million	\$0	\$15 million	\$10 million
HOME Program	\$1.757 billion	\$1.967 billion	\$1.75 billion	\$1.97 billion
<i>Set-Asides:</i>				
Housing Counseling	[\$41.6 million]	funded separately	[\$41.6 million]	[\$150 million]
Technical Assistance	[\$9.9 million]	[\$10 million]	[\$9.9 million]	[\$15 million]
Working Capital Fund	[\$990 thousand]	[\$3 million]	[\$990 thousand]	[\$3.5 million]
ADDI	[\$24.7 million]	[\$50 million]	\$0	[\$25 million]
Mortgage Foreclosure Mitigation	\$0	\$0	\$0	[\$100 million]
Total Set-Asides	<i>\$77 million</i>	<i>\$63 million</i>	<i>\$52.49 million</i>	<i>\$293.5 million</i>
Formula Grants	\$1.68 billion	\$1.904 billion	\$1.697 billion	\$1.676 billion
Section 202	\$735 million	\$575 million	\$735 million	\$735 million
Section 811	\$236 million	\$125 million	\$236 million	\$237 million
HOPWA	\$286 million	\$300 million	\$300 million	\$300 million
Lead Hazard Control	\$151 million	\$116 million	\$130 million	\$151 million

Program	FY07 Enacted Level	FY08 President's Request	FY08 House Approved Level	FY08 Senate Approved Level
Self-Help/Asst. Homeowner Opportunity Program	\$49 million	\$70 million	\$59.7 million	\$70 million
SHOP	\$20 million	\$39 million	\$27.7 million	\$26.5 million
NCDI	\$28 million	\$30 million	\$31 million	\$33.5 million
Housing Assistance Council	\$0	\$0	\$0	\$3 million
La Raza	\$0	\$0	\$0	\$3 million
Housing Partnership Network	\$0	\$0	\$0	\$2 million
Native Am. Ind. Hsg.	\$0	\$0	\$0	\$2 million
TA	\$1 million	\$1 million	\$1 million	\$0
Habitat for Humanity	\$0	\$0	\$0	\$0
Tenant-Based Rental Assist.	\$15.920 billion	\$16 billion	\$16.3 billion	\$16.58 billion
Project-Based Rental Assist.	\$5.976 billion	\$5.813 billion	\$6.479 billion	\$5.813 billion
PH Capital Fund	\$2.44 billion	\$2.024 billion	\$2.438 billion	\$2.5 billion
PH Operating Fund	\$3.864billion	\$4.0 billion	\$4.2 billion	\$4.2 billion
HOPE VI	\$99 million	\$0	\$120 million	\$100 million
Homeless Programs	\$1.472 billion	\$1.586 billion	\$1.561 billion	\$1.581 billion
Native American Housing Block Grant	\$624 million	\$627 million	\$627 million	\$630 million
Native Hawaiian Housing Block Grant	\$8.7 million	\$6 million	\$8.7 million	\$9 million
Indian Housing Loan Guarantee (credit subsidy)	\$6 million	\$7.45 million	\$7.45 million	\$7.450 million
Native Hawaiian Loan Guarantee	\$891 thousand	\$1 million	\$1 million	\$1 million
Rural Housing & Econ. Dev.	\$16.83 million	\$0	\$16.8 million	\$17 million
Fair Housing	\$45.5 million	\$45 million	\$45.5 million	\$52 million
University Programs*	\$21 million	\$29 million	\$22 million	\$20.6 million

*grants to institutions of higher education funded under Section 107 including HBCUs, Alaska Native Serving Institutions, Native Hawaiian Serving Institutions, tribal colleges and universities, and Hispanic Servicing Institutions.