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President Bush Releases the Administration's FY 2009 Budget

The President submitted his final budget to Congress on February 4. As expected, the budget increases spending for defense related items and cuts domestic discretionary programs, including CDBG. It again terminates funding for Section 108, the Brownfields Economic Development Initiative (BEDI), Rural Housing and Economic Development, and the EZ/EC/RC initiative. The President's proposes a \$659 cut to CDBG formula funding from \$3.593 billion in FY08 to \$2.934 billion in FY09. The Administration plans to re-propose the CDBG Reform Act, which would target CDBG formula grants to communities with the greatest need, as defined by HUD. The bill has never been introduced in Congress because of the lack of support for such a proposal. We don't expect any action on the legislation in the future.

Like CDBG, the Administration's budget continues to cut funding for Section 202 Housing for the Elderly (by \$195 million to \$535 million), Section 811 Housing for People with Disabilities (by

\$77 million to \$160 million), and eliminates funding for HOPE VI (funded at \$100 million in FY08). HOPWA would continue to be level-funded at \$300 million.

The budget proposes a \$306 million increase to in formula funding for the HOME program to \$1.936 billion. The HUD budget proposes \$65 million for housing counseling, separate from the HOME program. HUD's homeless assistance programs would also receive a boost of \$50 million to \$1.636 billion. However, this increase is negated with a separate proposal to provide up to \$50 million to the Samaritan Housing Initiative, a bonus to communities that prioritize projects serving chronically homeless. The budget includes no funding for a rapid re-housing program for homeless families, which was funded in the FY 2008 Omnibus Appropriations Bill.

According to low-income housing advocates, the Administration's budget provides \$1.3 billion less than is needed to fund existing Section 8 vouchers in FY 2009, resulting in the potential loss of 100,000 vouchers. The budget does continue to provide funding for 8,000 vouchers through the Veterans Affairs Supportive Housing Program (VASH), a partnership between HUD and the Veterans Administration. The budget also provides 5,000 vouchers for Katrina survivors who are elderly or disabled and for whom the Disaster Housing Assistance Program is ending.

As part of its push to increase homeownership, despite the crumbling housing market, the HUD budget seeks congressional action on FHA reform to make it easier for families to become homeowners, such as eliminating the 3% downpayment in favor of a no downpayment loan. HUD would also seek to revise its mortgage insurance premium on its home loans to charge a lower premium for low-risk borrowers and higher premiums for credit risky borrowers. HUD would seek an increase in the FHA loan limits from 87 percent to 100 percent of the GSE conforming loan limit in high cost areas (e.g., Northeast) and from 48 percent to 65 percent in lower cost areas to allow more homebuyers to purchase homes.

The release of the President's budget marks the beginning of the congressional budget and appropriations process. The House and Senate budget committees will hold hearings throughout February and March to examine the President's budget and question the requests. The budget committees will attempt to enact a budget resolution by April 15 (although this has seldom been done on time). The budget resolution sets a target for the total amount that the appropriations committees can spend on federal programs. The appropriations committees then divide that target with the 13 individual appropriation subcommittees.

Appropriations bills are supposed to be enacted by October 1, the beginning of the federal fiscal year; however, Congress has not done so since the mid-90's. Just last year, the appropriations process was not completed until December 26, 2007. Since this is an election year, Congress has little time to enact appropriations bills. Given that a new President will take office next year, it is likely that Congress will approve a continuing resolution until the new President has been installed. We have to continue to fight to restore the cuts to CDBG this year, in case Congress does choose to enact appropriations bills. NCDA met with House and Senate staff this week to begin the process for a CDBG Support Letter to the appropriations committees in both chambers.

Congress Approves Economic Stimulus Package; Senate Democrats Push Housing Stimulus Package – \$4 Billion for CDBG Included

Lacking the 60 votes needed to reach cloture, Senate Democrats abandoned their efforts to expand the economic stimulus package, including increased CDBG funding, and passed the measure on February 7. The Senate was able to add language to the measure to provide a temporary increase in the loan limits for Freddie Mac, Fannie Mae, and FHA. The loan limits would be raised to 125% of the area median cost of a single family home up to a maximum of \$729,750 in high cost areas, retroactive to July 1, 2007 and ending on December 31, 2008.

Second Stimulus Package in the Works

Senate Majority Leader Reid (D-NV) is working on a second stimulus package – a housing stimulus package. S. 2636 – The Foreclosure Prevention Act of 2008 – should be on the Senate floor the week of February 25. The package is aimed at stemming the tide of foreclosures. It provides \$200 million in funding for housing counselors to reach families at risk of losing their homes and \$4 billion in CDBG funds for cities to purchase and rehabilitate foreclosed properties. Activities that would be funded with the CDBG portion include:

- grants and loans to nonprofit organizations or others to purchase and rehabilitate homes that have been abandoned or foreclosed upon, in order to sell, rent, or redevelop such homes;
- soft-second loans, loan loss reserves, and shared equity loans for low- and moderate-income homebuyers;
- acquisition and rehabilitation of homes that have been abandoned or foreclosed upon, in order to sell, rent, or redevelop such homes;
- establishment of land banks for homes that have been foreclosed upon; and
- demolition of blighted structures

The legislation provides HUD with the authority to grant broad waivers of CDBG program requirements (except for fair housing, nondiscrimination, labor standards, and the environment) in order to expedite the use of the funds. Grantees can assist persons at up to 120 percent of area median income.

The CDBG funds would be targeted to those cities with the highest foreclosure rates and must be spent by the cities within 18 months of allocation. The bill also includes a provision to raise the cap on mortgage revenue bonds by \$10 billion so housing finance agencies could refinance troubled home loans. The final part of the measure would include language to simplify home

mortgage disclosure statements and a separate measure to allow bankruptcy judges to restructure some risky home mortgages.

NCDA polled its membership on January 28th seeking information on the need for additional CDBG funds to assist in the foreclosure crisis. The results were sent to the House and Senate for use in pushing forward additional funding for the program. The survey recommended similar actions as those being proposed in the housing stimulus bill. It is discussed further in the newsletter.

HUD NEWS

HUD Staff Provide CDBG, HOME Update at NCDA Winter Conference

Steve Johnson, Director of the Entitlement Communities Division, told participants at NCDA's Winter Conference in January that over 114 CDBG grantees will lose more than four percent in funding in FY08 due not only to the three percent cut approved by Congress, but also because of significant population changes (loss or growth) which is used as a formula factor in allocating CDBG funds. HUD now uses annual population census figures in adjusting the annual formula allocation.

Richard Kennedy, Director of the Office of Block Grant Assistance, told conference participants that HUD will continue to focus on improving performance in CDBG in 2008. IDIS data integrity is crucial to HUD being able to measure performance by grantees, so Kennedy urged grantees to continue to improve CDBG data reporting in IDIS. HUD has found many discrepancies in data reporting over the past year.

On a more troubling note, HUD told conference participants that President Bush signed an Executive Order recently instituting the Performance Assessment Rating Tool or PART. Essentially, Bush is setting up the structure to make sure the PART process continues long after his presidency is over. PART has not been kind to many federal programs, including CDBG. When the Office of Management and Budget (OMB) used PART to rate the effectiveness of the program four years ago, CDBG received a rating of 29 out of 100 and was rated as "ineffective." That rating began an assault on the program by the Administration which began with an attempt to eliminate the program and resulted in the President proposing annual budget cuts to the program since. In an effort to counter this rating, NCDA and several other interest groups worked with HUD and OMB to develop the Performance Outcome Measurement System that looks at various indicators within the CDBG (and HOME, ESG, and HOPWA) program. CDBG will likely be re-rated under the PART system in the next few years, so we urge grantees to be steadfast in inputting accurate data into the system on a more timely basis.

Cliff Taffet, Director of the Office of Affordable Housing Programs, told conference participants that HUD will release a HOME proposed rule in late Spring. This is the first major rulemaking of

the program since 1996. It will focus on three areas: (1) updates; (2) clarification of existing policy; and (3) new provisions focused on compliance, oversight and performance. Cliff also informed the group of HUD's HOME training resources, which includes a self-directed web-based IDIS training that grantees can access at:

<http://www.hud.gov/offices/cpd/affordablehousing/training/web/elearning/index.cfm>

HUD is working on a Certified HOME Administrator Course, the second in a series of HOME certification courses. The first certification course, the "HOME Certified Specialist" Training, was launched by HUD last year. The Certified HOME Administrator Course will focus on the management and administration of the HOME program. HUD is also working on developing a rental compliance guide and training course along with a monitoring guide and training course. In addition, HUD will focus on developing the following HOME TA products in 2008:

- HOME Written Agreement Guide
- TA for Troubled Projects Guide
- Building Energy Star Qualified Homes Guide
- Certified HOME Specialist Training for CHDOs
- Transit-Oriented Development Guide

HUD Meets with Industry Groups on Foreclosure Crisis

HUD's Office of Community Planning and Development convened a meeting with NCD and other national industry groups on January 30, 2008, to discuss the mortgage foreclosure crisis. The meeting focused primarily on the use of CPD programs – CDBG and HOME – and HUD's counseling programs to assist in the foreclosure crisis. HUD provide the groups with a list of eligible CDBG/Section 108 activities that can be used by grantees to assist in the foreclosure crisis. The list of activities is attached to this newsletter. HUD also provided the groups with the following list of helpful website links for grantees to use in obtaining information and assistance with the foreclosure crisis.

- HOPE Now
An alliance between counselors, servicers, investors, and other mortgage market participants.
<http://www.hopenow.com>
- NeighborWorks America
National nonprofit created by Congress to support community revitalization. Received a \$180 million FY 2008 appropriation for foreclosure mitigation counseling.
<http://www.nw.org>

- Center for Responsible Lending
A nonprofit, nonpartisan research and policy organization dedicated to protecting homeownership and family wealth by working to eliminate abusive financial practices. Recently published the Subprime Spillover Report.
<http://www.responsiblelending.org>
- Reality Trac
A nationwide real estate investment resource. Publishes monthly information on foreclosed properties. Their website will allow users to identify properties for free, but more detailed information is offered on a fee basis.
<http://www.realtytrac.com>
- HUD's Housing Counseling Program
<http://www.hud.gov/offices/hsg/sfh/hcc/counseling.cfm>

Richard "Dick" Kennedy Announces Retirement from HUD

Our good friend and HUD partner, Dick Kennedy, will retire from HUD on March 1, 2008. Dick has worked at the U.S. Department of Housing and Urban Development his entire career – which spans 42 years of service. Dick currently serves as the Director of the Office of Block Grant Assistance and has responsibility for managing the CDBG program, Section 108, and Disaster Recovery funds. Dick also served as the Director of the State and Small Cities Program. He leaves behind a legacy of good stewardship of the CDBG program, a reputation as a mentor to his staff, a partner to NCDA and other national industry groups, and most of all, a compassion for serving low- and moderate-income persons. NCDA honored Dick with an award of appreciation at its Winter Conference. We wish him well.

NCDA NEWS

NCDA Polls its Members on Using CDBG for Foreclosure Assistance

In an effort to provide data to Congress on the need to increase CDBG funding to assist with the foreclosure crisis, NCDA sent a survey to its members on January 28 seeking their feedback on their need for additional CDBG funds to assist in alleviating foreclosures in their communities.

The survey found that communities could use CDBG funds for the following activities:

Foreclosure Prevention/Post-Foreclosure Assistance

- foreclosure prevention counseling
- short-term mortgage assistance (2-3 months) to assist homeowners with curable foreclosures
- housing improvements to lower utility costs
- refinance current indebtedness with high interest rates that jeopardize the owner's ability to stay in the home

- rental assistance (security deposit, first and last month's rent) and relocation assistance to renters displaced by foreclosed properties
- downpayment assistance to qualified, low- and moderate-income homebuyers

Development/Rehabilitation

- purchase, rehabilitate and re-sell foreclosed homes to qualified homebuyers and/or non-profit organizations
- develop (construct) new affordable housing

Infrastructure/Public Facility Projects

- infrastructure and public facility projects associated with housing and neighborhood improvements

Waivers

- waive the cap on public services
- other waivers, as needed

This information has been forwarded to Congress for use in pushing forward additional funding for CDBG in the stimulus package.

NCDA Revamps Website

After much work on the part of NCDA's Technology Subcommittee and NCDA's technology person, Jim Welfley, NCDA launched its revamped website last week. The site is intended to be more user friendly and provide more information to members. The revamped website provides an improved, more visually appealing site that offers new features, such as:

- quick alerts on the front page
- an NCDA region page
- allows members to update member information online
- a blog (which replaces the message board on the NCDAonline Forum)

We encourage members to use the new site and offer suggestions for further improvement.

Advanced CDBG Course Update

At its meeting in January, the NCDA Planning and Professional Development Subcommittee agreed to move forward with an RFP to solicit bids for the creation of an Advanced CDBG Course. The bids will be reviewed at the subcommittee's June meeting in Pittsburgh. The Advanced CDBG Course is the second stage of major CDBG training being launched by NCDA. The first stage, the CDBG Basics Course, was launched in the 1990's and continues as a highly requested course by CD practitioners.

NCDA sent a survey to its members in September to solicit their interest in the course. Over 95 percent of the respondents indicated their interest in the course. Over 88 percent of the respondents believe there is a benefit to having CDBG program managers share successes, HUD communication strategies, sub-recipient experiences and other issues. Respondents listed management/administrative challenges and how to address them as the number one topic to be covered in the course.

2008 Annual Conference Information Coming Soon

The location of NCDA's 2008 Annual Conference has been changed from Chicago to Pittsburgh. NCDA will hold its 2008 Annual Conference in June. The hotel contract is being finalized. The draft conference agenda, hotel information, and registration information will be mailed to members in the next two weeks. The Annual Conference provides participants with the opportunity to hear timely program updates from HUD staff, learn best practices from your peers, attend training, and network with community development professionals from across the country. The Annual Conference will also be the venue for the John A. Sasso CD Week Awards.

2008 CD Week

National Community Development Week will be celebrated the week of March 24-30, 2008. To help you begin planning your CD Week activities, NCDA has developed a CD Week Planning Guide brochure available online at <http://www.ncdaonline.org>. It is vital that all CDBG grantees celebrate and raise awareness of the good work that CDBG provides to communities nationwide during the 2008 CD Week. It is also vital that grantees begin to plan their CD Week activities now. This year we are asking all CDBG grantees to meet with their congressional members at their district offices during CD Week campaign. With the continued assault on program funding, it is vital that congressional members hear from all CDBG grantees on the need for increased funding for the program.

You can also order 2008 CD Week products online at <http://www.ncdaonline.org>. Please place your orders early!

HOME Training Available Through NCDA

NCDA will hold several HOME underwriting workshops in the coming months. The first workshop – a two day HOME Rental Underwriting Workshop – will be held in Phoenix, AZ on February 26-27, 2008, followed by a two-day HOME Homebuyer Underwriting Workshop in Charleston, SC on March 26-27, and a two-day HOME Homebuyer Underwriting Workshop in San Antonio, TX on May 13-14. In addition, NCDA is developing several CHDO Training workshops and three more HOME underwriting courses for delivery this spring and summer. Please check NCDA's website at <http://www.ncdaonline.org/home.asp>

NCDA is also developing several CDBG training courses. Please check the website at <http://www.ncdaonline.org/cdbg.asp> for information on these courses, as they are posted. For questions on the training, please contact Vicki Watson at vicki@ncdaonline.org

Attachments:

Access the documents below at NCDAonline.

- 2008 John A. Sasso National Community Development Week Award Submission Criteria
- Draft HUD Guidance on Using CDBG/Section 108 to Assist with the Foreclosure Crisis
- HOMEfires – Volume 9, No. 1, January 2008
- CD Week Planning Guide
- CD Week Products Flyer

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

Program	FY07 Enacted Level	FY08 President's Request	FY08 Enacted Level	FY09 President's Request
Community Development Fund	\$3.77 billion	\$3 billion	\$3.866 billion	\$3 billion
<i>Set-Asides:</i>				
Native American Housing	[\$60 million]	[\$57 million]	[\$62 million]	[\$57 million]
EDI Special Purpose Grants	\$0	\$0	[\$180 million]	0
Technical Assistance	\$0	[\$3 million]	[\$3 million]	[\$5 million]
Neighborhood Initiatives	\$0	\$0	[\$26 million]	0
Working Capital Fund	[\$1.6 million]	[\$2 million]	[\$1.57 million]	[\$4 million]
Total Set-Asides	<i>\$68.6 million</i>	<i>\$62 million</i>	<i>\$272.57 million</i>	<i>\$66 million</i>
Formula Grants	\$3.71 billion	\$2.931 billion	\$3.593 billion	\$2.934 billion
Sect. 108 Loan Guarantees	\$137.5 million	\$0	\$275 million	\$0
Brownfields	\$9.9 million	\$0	\$10 million	\$0
HOME Program	\$1.757 billion	\$1.967 billion	\$1.704 billion	\$2 billion
<i>Set-Asides:</i>				
Housing Counseling	[\$41.6 million]	funded separately	[\$50 million]	funded separately
Technical Assistance	[\$9.9 million]	[\$10 million]	[\$12.5 million]	[\$10 million]
Working Capital Fund	[\$990 thousand]	[\$3 million]	[\$3.5 million]	[\$4 million]
ADDI	[\$24.7 million]	[\$50 million]	[\$10 million]	[\$50 million]
Total Set-Asides	<i>\$77 million</i>	<i>\$63 million</i>	<i>\$76 million</i>	<i>\$64 million</i>
Formula Grants	\$1.68billion	\$1.904 billion	\$1.628 billion	\$1.936 billion
Homeless Programs	\$1.442 billion	\$1.586 billion	\$1.586 billion	\$1.636 billion
Lead Hazard Control	\$151 million	\$116 million	\$145 million	\$116 million
Section 202	\$735 million	\$575 million	\$735 million	\$540 million

Program	FY07 Enacted Level	FY08 President's Request	FY08 Enacted Level	FY09 President's Request
Section 811	\$236 million	\$125 million	\$237 million	\$160 million
HOPWA	\$286 million	\$300 million	\$300 million	\$300 million

Check back soon for rest of table.