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FEATURED ARTICLES

- *Senate Fails to Pass Housing Stimulus*
- *Congress Makes Progress on FY09 Budget Resolution*
- *CDBG Appropriations Letters*
- *Secretary Jackson Testifies Before Senate Transportation-Treasury-HUD Subcommittee*
- *Mortgage Foreclosure Proposals*
- *HUD NEWS – HUD Issues Federal Register Notice on RESPA Revisions; CDBG Training Available on HUD’s Website*
- *NCDA NEWS – 2008 NCDA Annual Conference; John A. Sasso National CD Week Awards; Call for Board Items; CDBG and HOME Training Available Through NCDA; Attachments*

Senate Fails to Pass Housing Stimulus

As reported in the February 22nd issue of *The Washington Report*, Senator Harry Reid (D-NV), Senate Majority Leader, introduced a housing stimulus package in February aimed at easing the tide of foreclosures. S. 2636 – the Foreclosure Prevention Act of 2008 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 could be funded with the CDBG portion include:

- 9 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;
- 9 soft-second loans, loan loss reserves, and shared equity loans for low- and moderate-income homebuyers;
- 9 acquisition and rehabilitation of homes that have been abandoned or foreclosed upon, in order to sell, rent, or redevelop such homes;
- 9 establishment of land banks for homes that have been foreclosed upon; and

9 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.

The measure came to the Senate floor on February 28, but Senate Democrats were unable to move it forward due to a lack of 60 votes needed to invoke cloture. Senate Democrats are expected to try to move the bill again later in the spring. The primary issue of concern to Senate Republicans is a provision in the bill that would allow bankruptcy judges to modify the terms of home mortgages during bankruptcy proceedings. Banking groups say such a move will lead to higher interest rates for all mortgage borrowers. Negotiations are ongoing and the provision may be stripped from the bill. If so, it has a much better chance of passage.

Congress Makes Progress on FY09 Budget Resolution

Both the House and Senate passed their respective budget resolutions on Friday, March 14. Congress must now try to reach agreement on a final budget resolution when it returns from a two-week recess March 31. The House version provides \$25.4 billion more than President Bush's \$991.6 billion budget request, while the Senate version provides \$21.8 billion more in domestic discretionary spending than requested by the President in his FY09 Budget. Congressional Democrats will likely settle on the higher budget limit (or cap) created by the House in order to provide more funding to discretionary programs in FY09. Even with this flexibility, the President is likely to veto any spending measure that exceeds his budget request. This same scenario played out last year. Due to Bush's veto threats last year, the Democrats ended up combining all of the unfinished spending bills into one large omnibus spending bill that contained "sweeteners" (e.g., additional money for the wars in Iraq and Afghanistan) in order to get Bush to sign it. Our guess is Congress will likely enact a Continuing Resolution in the Fall to keep federal programs operating until a new President takes office. Democrats still want to finish as much work as possible on the FY09 spending bills and will likely send the President one or two spending bills to see if he will veto them, in order to contrast the spending priorities between the two parties prior to the

November election. While the House budget calls for a moratorium on earmarks (no earmarks in FY09), the Senate budget does not. However, Speaker Pelosi and Senate Republicans will continue to push for earmark reform during the budget conference.

The Senate measure also carves out \$35 billion for a second economic stimulus proposal. We have heard this was done in an effort to help Senator Harry Reid (D-NV) try to move his housing stimulus package (S. 2636) again, which included \$4 billion in CDBG funds for communities hardest hit by the mortgage foreclosure crisis.

Most importantly, both resolutions include increased amounts in the budget line (community and regional development) which funds CDBG. Both resolutions also include language “rejecting the President’s proposal to cut CDBG funding.” This language sends the message to appropriators to not cut the program in FY 2009

CDBG Appropriations Letters

NCDA and several other national interest groups are working again with the Northeast-Midwest Coalition in both the House and Senate to circulate a CDBG support letter to appropriators. The Northeast-Midwest Coalition (a coalition of congressional members from the Northeast and Midwest) has been instrumental over the past few years in working with NCDA and other groups to garner congressional support for CDBG. NCDA worked with the U.S. Conference of Mayors, National Association of Counties, and National Association for County Community and Economic Development to collect 95 congressional signatures on the House letter (up from 57 last year). The letter was sent to House appropriators on March 12. The Senate letter will get underway in April.

NCDA also took the lead in spearheading a separate national industry group support letter for CDBG which seeks at least \$4.1 billion in formula funding in FY09. Besides NCDA, the following groups signed on to the letter:

American Federation of State, County and Municipal Employees
Council of State Community Development Agencies
Enterprise Community Partners
Habit for Humanity International
Local Initiatives Support Corporation
National Alliance of Community Economic Development Association
National Alliance to End Homelessness
National Association of Counties
National Association for County Community and Economic Development
National Association of Development Organizations
National Association of Housing and Redevelopment Officials
National Association of Local Housing Finance Agencies
National Conference of Black Mayors
National Housing Conference

National Rural Housing Coalition
U.S. Conference of Mayors

Secretary Jackson Testifies Before Senate Transportation-Treasury-HUD Subcommittee

The Senate Transportation, Treasury, Housing and Urban Development, and Related Agencies Subcommittee held an oversight hearing of the Administration's FY09 requested budget for the U.S. Department of Housing and Urban Development. Secretary Alphonso Jackson testified before the subcommittee.

In her opening statement, Senator Patty Murray (D-WA), Chairwoman of the subcommittee, criticized the budget cuts to CDBG, Section 202, Section 811, HOPE VI, and the Public Housing Capital Fund saying, "this budget proposes to cut CDBG by 18 percent at a time when the economic downturn is forcing our cities and towns to slash their own local budgets and slow down their own community investments. And even while the number of people in need is growing quickly every day, this budget proposes to cut housing for the elderly and housing for the disabled, the public housing capital fund, and proposes to completely eliminate the HOPE VI program, which tears down the most decrepit public housing. In the midst of a national housing crisis, the effect of this budget will be to hurt those most in need rather than to provide a helping hand to a more stable and secure future." In the last several years, the subcommittee has had to rewrite the HUD budget to ensure these programs were not slashed.

The majority of the hearing was spent questioning Secretary Jackson about ongoing allegations of cronyism at HUD. In breaching the subject, Senator Murray said to Jackson, "Now an equally important responsibility of this subcommittee is to keep an eye on how our tax dollars are being spent. We've read allegations that you inappropriately interfered in hiring and contracting, and we've read allegations that you tried to dictate the spending decisions of public housing authorities to benefit your acquaintances." Jackson has been alleged to have hired personal friends for lucrative HUD contracts. One contract involved the hiring of William Hairston to serve as the construction manager at the Housing Authority of New Orleans in 2002 through a no-bid contract for a sum of \$500,000 for 18 months of work. Another incident involved the hiring of another friend, Michael Hollis, to serve as the executive director of the Virgin Islands Housing Authority, even though he had no experience in public housing. He was paid a sum that exceeded one million dollars.

Jackson refused to answer any of the questions, saying "I think it's best with all this misinformation that's being put out right now, to simply let the investigators do their job quickly and expeditiously as possible." Senator Murray was clearly frustrated by his answer. To be continued...

Mortgage Foreclosure Proposals

While Congressional Democrats are trying to work on legislation to assist with the mortgage crisis, the Administration and Congressional Republicans are opposed to major changes. Instead, the Administration sees the enactment of FHA modernization legislation as the logical next step in easing the mortgage crisis. “What I’m really focused on are things that can be done quickly that make a difference. And so, although there’s some interesting ideas up on the Hill, we still don’t have FHA modernization,” Treasury Secretary Paulson said after a meeting last week. Paulson predicts the legislation would assist nearly 300,000 homeowners. FHA overhaul legislation is stalled in Congress due to arguments over loan limits and whether or not the agency should provide zero-downpayment loans to homebuyers. The House and Senate passed FHA modernization legislation last Fall, but have been unable to reach a compromise on final legislation. The House bill would provide zero-downpayment loans for creditworthy borrowers, authorize funding for housing counseling to assist sub-prime borrowers, remove the cap on the Home Equity Conversion Mortgage Program (HECM) to assist more elderly homeowners, raise the FHA multifamily loan limits in high cost areas, provide up to \$300 million annually for a National Affordable Housing Trust Fund, and raise the FHA single-family loan limit from 95% of the area median home price to 125%. The Senate bill does not provide zero-downpayment loans nor directs any funds to a National Affordable Housing Trust Fund. The Senate version also does not increase the FHA multifamily loan limits and increases the single-family limits to 100% of the area median home price, not 125% as championed in the House.

Barney Frank Champions Different Approach

Rep. Barney Frank (D-MA), Chairman of the House Financial Services Committee, released a discussion draft of a bill he hopes to introduce soon to stem the tide in mortgage foreclosures. Title I of the FHA Stabilization and Homeownership Retention Act would allow the Federal Housing Administration (FHA) to provide up to \$300 billion in new mortgage guarantees to help re-finance mortgages at-risk of foreclosure. Under the plan, the current mortgage holder would have to agree to write-down the mortgage to an amount that is affordable to the homeowner. In exchange, FHA would pay off the discounted existing mortgage to the lender and provide a new mortgage loan to the homeowner. In exchange for providing this new loan, FHA would retain a second lien on the home that requires the homeowner to pay an exit fee (3% of the original FHA loan balance) when the home is sold or refinanced and a declining percentage of equity, if the home is sold within five years. NCD, USCM, NACo, and NACCED are concerned about Title II of the bill which provides \$10 billion in loans and grants to States, but not local governments, for the purchase and rehabilitation of vacant, foreclosed homes. The local government groups are drafting a letter opposing this provision of the bill. Families at incomes up to 140% of area median income could qualify for homeownership assistance, while rental units could be made available to families at incomes up to 100% of area median income.

HUD Issues Federal Register Notice on RESPA Revisions

HUD's Office of Housing issued a proposed rule [FR-5180-P-01] on March 14th which seeks to streamline the disclosure requirements for mortgage settlement costs under the Real Estate Settlement Procedures Act of 1974 or RESPA. The proposed changes include simplifying the Good Faith Estimate (GFE) to provide a one-page summary of the loan terms and total settlement charges and providing more accurate estimates of the settlement costs reflected on the GFE. Comments are due to HUD by May 13, 2008.

CDBG Training Available on HUD's Website

The Office of Block Grant Assistance has developed video training modules on the following eight components of the CDBG program.

- Statute, Regulations, and National Objectives
- State CDBG Program
- Administration, Planning, and Financial Management
- Housing and Real Property
- Public Facilities, Public Services, and Other Activities
- Economic Development
- Section 108 Loan Guarantee Program
- IDIS, Performance Measurement, and Reporting

Each module is about one hour long and must be viewed with "Real Player." The modules can be accessed at: <http://www.hud.gov/offices/cpd/communitydevelopment/training/index.cfm>

NCDA NEWS

2008 NCDA Annual Conference

The 2008 NCDA Annual Conference will be held in the beautiful City of Pittsburgh (go Steelers) from June 18-21 at the Pittsburgh Hilton Hotel. A copy of the draft agenda is attached, along with the conference registration form. You can also register for the conference online at <http://www.ncdaonline.org>. NCDA has obtained a rate of \$149.00 per night plus tax for the conference.

John A. Sasso National CD Week Awards

NCDA is accepting nominations for the 2008 John A. Sasso National Community Development Week Award. The awards will be presented during the Annual Conference at a luncheon ceremony on Friday, June 23. The award recognizes the community or communities that exemplify the spirit of the CDBG program by showcasing its good works through the activities and events held during National Community Development Week, April 17-23, 2006. The submission criteria for the award is attached. Award submissions are due at NCDA's offices by close of business on **Friday, April 25**.

Call for Board Items

The next NCDA Board of Directors meeting will be held on Thursday, June 19, from 12:00 p.m. to 1:15 p.m. during NCDA's 2008 Annual Conference. Please forward any items that you would like included on the Board agenda to Cardell Cooper at ccooper@ncdaonline.org on or before May 30, 2008.

CDBG and HOME Training Available Through NCDA

NCDA will hold several CDBG and HOME Training workshops in the coming months. The following provides you with a list of training available through NCDA.

#March 26-27

Underwriting HOME Homebuyer Projects
Charleston, SC

#April 1

CHDO Training
San Antonio, TX

#April 23-24

Underwriting HOME Rental Projects
Boston, MA

#May 1

CHDO Training
Boston, MA

#May 13-14

Underwriting HOME Homebuyer Projects
San Antonio, TX

#May 22-23

Effective CDBG Subrecipient Management
Boston, MA

#June 3-5

CDBG Basics Training
McAllen, TX

#June 24-25

Underwriting HOME Rental Projects
Chicago, IL

#July 15-16

Underwriting HOME Homebuyer Projects
Portland, OR

Go to <http://www.ncdaonline.org/cdbg.asp> to register for the CDBG training and to <http://www.ncdaonline.org/home.asp> to register for the HOME training. All of the training is free, except for the CDBG Basics Training which costs \$250 for members and \$350 for non-members. The training sites for the Chicago and Portland HOME training workshops are still being finalized.

Attachments

- NCDA 2008 Annual Conference Agenda and Registration Form
- John A. Sasso National Community Development Week Awards
- CDBG Support Letters

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	\$1.68 billion	\$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
Section 811	\$236 million	\$125 million	\$237 million	\$160 million
OPWA	\$286 million	\$300 million	\$300 million	\$300 million
Self-Help/Asst. Homeowner Opportunity Program	\$49 million	\$70 million	\$60 million	\$40 million
SHOP	[\$20 million]	[\$39 million]	[\$26.5 million]	[\$39 million]
NCDI	[\$28 million]	[\$30 million]	[\$33.5 million]	[\$0]
TA	[\$0]	[\$0]	[\$0]	[\$1 million]
Tenant-Based Rental Assist.	\$15.920 billion	\$16 billion	\$16.391 billion	\$16.039 billion
Project-Based Rental Assist.	\$5.976 billion	\$5.813 billion	\$6.382 billion	\$7 billion

Program	FY07 Enacted Level	FY08 President's Request	FY08 Enacted Level	FY09 President's Request
PH Capital Fund	\$2.439 billion	\$2.024 billion	\$2.439 billion	\$2.024 billion
PH Operating Fund	\$3.864billion	\$4.0 billion	\$4.2 billion	\$4.3 billion
HOPE VI	\$99 million	\$0	\$100 million	\$0
Native American Housing Block Grant	\$624 million	\$627 million	\$630 million	\$627 million
Native Hawaiian Housing Block Grant	\$8.7 million	\$6 million	\$9 million	\$6 million
Indian Housing Loan Guarantee (credit subsidy)	\$6 million	\$7.45 million	\$7.45 million	\$8 million
Native Hawaiian Loan Guarantee	\$891 thousand	\$1 million	\$1 million	\$0
Rural Housing & Economic Development	\$16.83 million	\$0	\$17 million	\$0
Fair Housing	\$45.5 million	\$45 million	\$50 million	\$51 million
University Programs*	\$21 million	\$29 million	\$23 million	\$14 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.