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***FEATURED ARTICLES***

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**Congress Moves Closer to Enacting Legislation to Ease the Foreclosure Crisis**

*Senate Action*

After returning from a two-week recess, the Senate moved quickly to pass a housing stimulus package aimed at easing the rising tide of foreclosures. On April 10, on a 84-12 vote, the Senate passed H.R. 3221 – The Foreclosure Prevention of 2008. H.R. 3221 was the final product of an effort (S. 2636) originally initiated by Senate Majority Leader Harry Reid (D-NV) in February, but which failed to move in the Senate due to a controversial provision – opposed by Republicans and some Democrats – that would have allowed bankruptcy judges to restructure some mortgage foreclosures. Senator Christopher Dodd (D-CT) and Senator Richard Shelby (R-AL), chair and ranking member respectively of the Senate Committee on Banking, Housing and Urban Affairs introduced a compromise bill in early April that excluded the bankruptcy provision. This bill ultimately became H.R. 3221, which the Senate passed on April 10 and forwarded to the House. Some changes were made to the final bill including reducing the amount provided to State and local governments for the purchase of foreclosed properties from \$4 billion to \$3.92 billion. The \$80 million reduction was used to increase the amount available for housing counseling from \$100 million to \$180 million. The final bill also includes a change in income targeting that requires State and local governments to allocate at least 25% of the \$3.92 billion to households at 50% of area median income or below.

Title III of the bill provides \$3.92 billion in CDBG funds to States and units of general local government for the purchase and redevelopment of foreclosed properties. In order to target the funds to those communities hit hardest by the foreclosure crisis, the legislation would require HUD to establish a new formula for allocating the funds, based on the following factors:

1. The number and percentage of home foreclosures in each State or unit of general local government;
2. The number and percentage of homes financed by a sub-prime mortgage related loan in each State or unit of general local government; and
3. The number and percentage of homes in default or delinquency in each State or unit of general local government.

Grantees would be required to expend the funds within 18 months of receipt and eligible activities could include the following:

- establish financing options for purchase and redevelopment of foreclosed homes and residential properties, including soft-second mortgages, loan loss reserves, and shared-equity loans for low- and moderate-income homebuyers;
- purchase and rehabilitate homes and residential properties that have been abandoned or foreclosed upon, in order to sell, rent or redevelop such homes and properties;
- establish land banks for homes that have been foreclosed upon; and
- demolish blighted structures

The legislation allows HUD to grant waivers of CDBG program requirements (except for those related to fair housing, nondiscrimination, labor standards, and the environment) in order to expedite the distribution of the funds. The legislation allows grantees to use the funds to assist households at up to 120 percent of area median income with 25% of the funds targeted to households with incomes that do not exceed 50% of area median income, as mentioned previously.

The legislation would also make some changes to the Federal Housing Administration (FHA), such as:

- require homebuyers to provide a 3.5% downpayment;
- require HUD to establish a pilot program to use alternative credit rating information (rent, utilities, insurance payment history, and other non-traditional credit information) for purchasers assisted by FHA; and
- require HUD to establish a demonstration program to test the effectiveness of alternative forms of pre-purchase homeownership counseling (telephone counseling, individualized in-person counseling, web-based counseling, counseling classes)

*House Action*

The House Financial Services Committee held hearings on April 9 and April 10 on draft legislation put forward by Rep. Barney Frank (D-MA) to deal with the foreclosure crisis. 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. Frank estimates between 1 and 2 million loans could be refinanced under this option.

Title III of the bill provides \$10 billion in loans and grants to States for the purchase and rehabilitation of vacant, foreclosed homes with the goal of quick occupancy. Rep. Maxine Waters (D-CA) indicated during the hearing this amount will likely increase to \$15 billion.

The national industry groups representing local governments – NCDA, USCM, NACo, and NALHFA – submitted joint testimony on Frank’s draft “FHA Housing Stabilization and Homeownership Retention Act of 2008” The testimony requested the following:

- Funds be allocated through the CDBG program with 70% of the funds distributed directly to units of local government and the remaining 30% allocated directly to States. Frank’s draft bill would allocate all of the funding through a new state-based program within the Treasury Department.
- Use the Senate bill as a model for allocating the funds. The Senate bill allocates funds to those communities hardest hit by the foreclosure crisis.
- Provide grants, not loans. The draft bill would provide up to 50% of the funds as loans and 50% as grants.
- Support higher income targeting. Families at up to 140% of area median income could be assisted under the bill.
- Provide administrative funds to grantees.

Several mayors testified at the April 10 hearing including Mayor Menino (City of Boston), Mayor Goodman (City of Las Vegas) and Mayor Fenty (Washington, DC). The mayors urged the

Committee to use the CDBG program as the vehicle for allocating the funds and all urged the Committee to provide funding directly to local governments. They also urged the Committee to act swiftly in enacting legislation due to the sense of urgency in protecting neighborhoods being hit by foreclosures. Frank plans to mark-up legislation on April 23 and 24.

During the hearing, Rep. Waters indicated her support for targeting at least half of the funds to households at 50% of area median income or below, including some direct targeting to households at 30% of area median income or below.

### **House Committee Passes LIHTC and MRB Bill**

The House Ways and Means Committee marked-up a bill on April 9 that would make several positive changes to the Low-Income Housing Tax Credit Program. Rep. Charlie Rangel (D-NY), Chairman of the Committee, introduced the legislation – H.R. 5720 – The Housing Assistance Act of 2008.

The legislation would temporarily increase each state's LIHTC per capita limit from \$2.00 to \$2.20 for 2008 and 2009. The legislation would make several permanent changes to simplify the program, including:

- eliminate the distinction between new and existing buildings
- establish a minimum credit for non-Federally subsidized buildings
- clarify the circumstances under which a building is considered to be Federally subsidized and the circumstances in which Federal assistance will be taken into account in calculating the LIHTC
- provide State housing agencies with greater flexibility to select sites for low-income housing projects and allocate adequate amounts of credit for projects
- clarify the rules relating to determinations of current income
- allow developers to begin construction of low-income housing projects within one year after the credits have been awarded (currently, developers are given six months to begin a project)
- reform rules pertaining to sales of low-income housing buildings
- eliminate technical barriers to rehabilitating low-income housing projects

The legislation would also provide a temporary increase in mortgage revenue bond cap for 2008, allowing the issuance of an additional \$10 billion in tax-exempt bonds to provide loans to first-time homebuyers and to finance the construction of low-income rental housing. The bill would also temporarily allow qualified mortgage revenue bonds (a form of tax-exempt bond issued by states to help provide financing to first-time homebuyers) to refinance certain sub-prime loans.

The measure would also eliminate the costs imposed on housing programs by the alternative minimum tax (AMT). Currently, interest on tax-exempt housing bonds is subject to the AMT. H.R. 5720 would allow the LIHTC and the rehabilitation tax credit to be used to offset the AMT and would ensure that interest on tax-exempt housing bonds is not subject to the tax.

Finally, the legislation would allow bonds that are guaranteed by Federal home loan banks to be eligible for treatment as tax-exempt bonds regardless of whether the bonds are used to finance housing programs. Allowing these bonds to be guaranteed by Federal home loan banks will help State and local governments obtain financing for projects other than housing, such as road construction, bridge repair, building schools, and other activities of importance to States and local governments.

The committee passed the bill on a 35-5 vote. It is expected to be combined with Rep. Frank's foreclosure bill and forwarded to the House floor for a vote in the next few weeks.

### **CDBG Support Letter to Senate Appropriators**

NCDA and USCM are once again working with the Northeast Midwest Congressional Coalition in the Senate on a CDBG support letter to the Senate Subcommittee on Transportation, Treasury, and HUD, the subcommittee which will decide the funding level of CDBG in FY 2009. The letter supports \$4.1 billion in formula funding for CDBG in FY09. A copy of the letter is attached. Once again, Senator Patrick Leahy (D-VT) and Senator Norm Coleman (R-MN) are co-sponsoring the letter and have sent it out to their Senate colleagues. The local government groups worked with the House in March to forward a similar letter to House appropriators. With your help, over 95 signatures were collected on the House letter. Both the House and Senate letters are instrumental in obtaining congressional support for CDBG during the appropriations process and with a proposed cut of nearly \$700 million to CDBG formula funding in the President's FY09 Budget, we need to cultivate support to overcome this threat.

We need your help in collecting signatures for this very important letter. Please contact your Senator's office and ask them to sign on to the CDBG support letter by **COB on April 23** (next Wednesday), the deadline for signatures. Have them contact Chris Hickling, Legislative Director of the Senate Northeast Midwest Congressional Coalition, at [chris\\_hickling@reed.senate.gov](mailto:chris_hickling@reed.senate.gov) to sign-on to the letter. Please also have them contact Chris directly at 202-224-0606 if they have any questions on the letter

### **HUD NEWS**

#### **Ginny Sardone Receives a Promotion**

Our good friend, Virginia (Ginny) Sardone, has been promoted to the position of Deputy Director of the Office of Affordable Housing Programs (OAHP) within HUD. Ginny formerly served as the Director of the Program and Policy Division within the Office of Affordable Housing

Programs. Ginny has been at OAHP since 1990. She will continue to be involved in the policy direction of OAHP and will assist Cliff Taffet, Director of OAHP, in the day-to-day management of the office. We congratulate her on her new position.

### **IDIS Re-Engineering Moves Forward**

HUD's Office of Community Planning and Development (CPD) met with NCDA and other national industry groups on April 15 on the progress made in re-engineering IDIS. The CPD Office is developing a memorandum to update the field offices and community development directors on the changes made so far.

HUD and its contractor, CACI, have made good progress in re-engineering the existing modules in IDIS. Approximately 50% of the modules have been re-engineered. To date, all of the screens within IDIS have been re-designed with the exception of the accomplishment data screens for CDBG and HOME and screens related to security, funding, drawdowns, and LOCCS. HUD plans to have all of the screens completed by May 30. HUD has posted the re-designed screens to the IDIS website for view and comment by grantees. Beginning next week, HUD will allow grantees to begin testing the screens that have been developed so far for usability. HUD will have a month long system-wide testing with all grantees from August 15, 2008 through September 15, 2008.

Once IDIS is totally re-engineered, HUD plans to have three implementation releases. The first release will involve about 5% of the grantees (approximately 50 grantees). The second release will involve 40% of the grantees and the final release will be to the remainder of the grantees. At the meeting, HUD intimated that the first phase would consist of Colorado, North Dakota, South Dakota, and Wisconsin and all of the entitlement grantees within these states. Most of these grantees (with a few exceptions) have program years that begin on either April 1 or May 1 and would have entered all of their accomplishment data into IDIS prior to the conversion. The third phase will concentrate on those grantees that have an electronic data interchange system (EDI) in place. These are usually larger grantees that use the EDI to transfer data from their own system into IDIS. HUD says this will involve approximately 20 states and their grantees. Phase two will consist of those grantees that don't fall into either phase one or phase three. Approximately 10 weeks prior to the conversion date, HUD will convert each grantee's data from the old system to the new re-engineered system. This will give grantees some time to become comfortable with the system prior to the actual conversion date.

<b>Phase</b>	<b>Conversion Date</b>	<b>% of Grantees Converted</b>	<b>Date HUD Will Transfer Data Into New System*</b>
Phase One	October 22, 2008	5%	August 15, 2008
Phase Two	November 26, 2008	40%	September 19, 2008
Phase Three	January 9, 2009	55%	November 7, 2008

\*This is an approximate date

Once fully re-engineered, IDIS will be available to grantees 24 hours a day, seven days a week. Currently, IDIS is only available to grantees 70 hours a week.

## **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. **We really need your participation in the conference, so please plan to attend and bring your staff.**

### **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](mailto: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.

- **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 Homebuyer Projects  
Chicago, IL
  
- **July 15-16**  
Underwriting HOME Rental 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 site for the Chicago HOME training workshop is being finalized.

#### **Attachments**

Go to NCDAonline (<http://ncdaonline.org>) to access the files below.

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