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Appropriations Update

Congress is set to approve the FY09 Budget Resolution this week. House and Senate conferees announced agreement on the resolution on May 20. Both chambers will vote on the agreement when they return from their Memorial Day recess the week of June 2. The resolution provides \$22 billion more for discretionary programs than requested by the President in his FY09 budget. The agreement strongly supports CDBG. Included in the agreement is language that says, “the conference agreement rejects the President’s deep cuts to community and rural development programs, including the Community Development Block Grant...”

Once Congress approves the resolution, the appropriations chairmen will then provide funding allocations to the 13 appropriations subcommittees, including the Subcommittee on Transportation-Treasury-HUD. Appropriations staff have indicated that some or all of the spending bills will be marked-up in subcommittee and marked-up in the full Appropriations Committee and the process halted. The Democratically-controlled Congress does not what to do battle with the President over the spending bills this Fall (he has threatened to veto any bill that exceeds his requested spending limit). Congress will pass one or a series of continuing resolutions to keep the federal government operating until a new President has been inaugurated.

House Passes Omnibus Housing Measure and Separate Foreclosure Assistance Package to State and Local Governments

Omnibus Housing Measure

On May 8, the House passed H.R. 3221 – The American Housing Rescue and Foreclosure Prevention Act. The bill passed by a vote of 266-154. Several foreclosure measures (H.R. 5830, H.R. 1852, H.R. 1427, H.R. 5579, and H.R. 5720) were packaged into one large bill.

- H.R. 5830 – The FHA Housing and Homeowner Retention Act, would provide funding to refinance at-risk mortgages by allowing the FHA to refinance borrowers into viable mortgage products
- H.R. 1427 – The Federal Housing Finance Reform Act of 2007, would reform the regulatory system for the Government-Sponsored Enterprises (Fannie Mae, Freddie Mac) and would provide funding for an Affordable Housing Fund which would be directed into a National Housing Trust Fund, once established
- H.R. 1852 – The Expanding American Homeownership Act of 2007, would reform the FHA program
- H.R. 5579 – The Emergency Mortgage Loan Modification Act of 2008, would make it easier for servicers to modify troubled mortgages without threat of liability to investors
- H.R. 5720 – The Housing Assistance Tax Act of 2008, would make make changes to the Low-Income Housing Tax Credit and Mortgage Revenue Bond programs and provide a tax credit to first-time homebuyers

The measure makes changes to FHA, the GSEs, and provides tax breaks, all in an effort to assist homeowners and communities in the foreclosure crisis.

Highlights of H.R. 3221

- provides funding to FHA to help families facing foreclosure refinance their mortgages into affordable, government-insured mortgages
- provides \$230 million in financial counseling to help families remain in their homes
- raises the GSE single-family loan limits in high cost areas, allowing Fannie Mae and Freddie Mac to purchase more loans in these areas
- creates an Affordable Housing Fund targeted at increasing the nation's stock of affordable rental housing
- increases the VA home loan limit in high-cost areas to allow housing opportunities for veterans
- provides a \$7,500 tax credit (an interest-free loan, to be paid back over 15 years) to first-time homebuyers purchasing foreclosed properties

- provides a temporary increase in mortgage revenue bond authority to allow for the issuance of an additional \$10 billion of tax-exempt bonds to refinance subprime loans, provide loans to first-time homebuyers and to finance the construction of low-income rental housing.
- provides a temporary increase in the low-income housing tax credit and simplification of the credit

In a Statement of Administration Policy, issued on May 6, the White House called H.R. 3221 “overly burdensome and prescriptive” and “forces FHA and taxpayers to take on excessive risk and jeopardize FHA’s financial solvency.” The statement goes on to say, “if H.R. 3221 were presented to the President in its current form, his senior advisors would recommend a veto.” Although, the measure includes language to reform the GSEs and modernize the FHA (both of which the White House supports), the White House is not supportive of the other measures attached to the bill. With the increasing number of foreclosures nationally, the issue is affecting both republican and democratic districts and so support for legislation to aid in the situation is being supported from both sides of the aisle.

Foreclosure Assistance Package to States and Local Governments

On May 8, the House passed H.R. 5818 – The Neighborhood Stabilization Act – by a vote of 239-188. The measure was introduced by Rep. Maxine Waters (D-CA). It authorizes \$15 billion in federal grants and loans to help state and local governments purchase, rehabilitate, and resell or rent foreclosed homes. The program would be administered by HUD. The draft measure called for Treasury to administer the program, but after concern from local government groups, the measure was changed to allow the Office of Community Planning and Development within HUD to administer the program. The measure will allocate funding directly to all 50 states, the nation’s 100 largest cities, the nation’s 50 largest counties, and to cities with a population over 50,000 with especially high foreclosure rates. The funds must be obligated within a year after enactment of the bill and fully spent within 2 years after enactment.

“To understand the urgent need to enact this legislation, you just need to visit – as I have – communities like Cleveland, Detroit, or the San Bernardino and Stockton metropolitan areas in California, where block after block is dotted by foreclosed properties, many of them suffering neglect or actual vandalism. These abandoned and foreclosed properties drag down the value of homes still occupied by working families, contribute to a cascade effect whereby plummeting home prices erode the tax base of state and local governments and harm real estate industries such as the construction trades,” Congresswoman Waters (D-CA) said.

Half of the \$7.5 billion in grant funds would be required to support housing for very low income families (families at or below 50% of area median income) and half of that amount would be targeted to extremely low income families (families at or below 30% of area median income).

This bill has also drawn a veto threat from the President due to its price tag. Given the 239-188 vote on the bill, it would be difficult to overcome a veto by the President. The bill may be pared down during the conference negotiations to ensure passage.

Senate Banking Committee Passes Major Housing Bill; Heads to Senate Floor

Like the House, the Senate has also been busy working on a bill to reform the GSEs, reform FHA, and provide foreclosure assistance. The Senate Committee on Banking, Housing, and Urban Affairs passed the Federal Housing Finance Regulatory Reform Act of 2008 on May 20 by a vote of 19-2. The measure increases the single-family loan limits of Fannie Mae and Freddie Mac to 132% of the conforming loan limit, allowing for the purchase of loans up to \$550,000. It also establishes a Housing Trust Fund targeting 75% of the Fund to extremely low-income families (30% of area median income and below) and the remainder to households at incomes up to 50% of area median. These percentages would be unworkable for many local governments, however. The bill would use excess funding from the GSEs (Fannie Mae and Freddie Mac) (4.2% of new business annually) and other funds designated by Congress. However, in order get Senator Shelby's (R-AL), ranking member of the Committee, support on the foreclosure prevention portion of the bill, these monies will be diverted to the foreclosure prevention piece of the bill – the HOPE for Homeownership Program – in the first three years. This program provides funding to FHA to insure and refinance the mortgage debt of homeowners facing foreclosure. The Senate is expected to vote on the measure this week.

HUD NEWS

HUD Nominations Hearings

The Senate Committee on Banking, Housing, and Urban Affairs held a hearing on May 22 on the nomination of Steve Preston to be the next Secretary of the U.S. Department of Housing and Urban Development. Preston was nominated by the President shortly after Secretary Jackson announced his resignation in April. Preston is the current administrator of the Small Business Administration. He has not been confirmed by the Senate yet.

The Senate will hold a hearing the week of June 2 to consider the following nominations at HUD:

- Susan Pepler to be Assistant Secretary for Community Planning and Development. Ms. Pepler is a former mayor and former council member of the City of Redlands, CA, a small community with a population of 63,000. Redlands is not a CDBG nor a HOME entitlement city. If confirmed, she would replace Pamela Pautenaude who resigned from HUD over a year ago.
- Sheila McNamara Greenwood to be Assistant Secretary of Congressional and International Relations

IDIS Re-Engineering Update

HUD announced last week the last data entry screen modules for user testing (Activity Funding, Drawdowns, and Activity Paths) will be available on June 23 for testing. IDIS users will have until the COB on July 8 to preliminary test these modules and provide comments to HUD on recommended changes. In the meantime, users can continue to test what has been released and become comfortable with the operation of the new system. To access the new IDIS, go to <http://www.hud.gov/offices/cpd/systems/idis/reengineering/index.cfm>. The website also provides information on how grantees can access the Discussion Forum to provide comments about problems with the new IDIS to HUD. Users can also provide comments to the IDIS Help Desk at 877-483-8282 by COB on July 8. Grantees will still be able to access the system after this date to learn how the new IDIS operates and become familiar with it. HUD's contractor will have periodic updates to the system over the next few months each one of which will correct problems noted by system users. The system does not currently include any reports. The contractor is currently programming reports which will be ready for grantee testing sometime in August/September.

Grantees will be asked to participate in full system testing starting on or near August 15, 2008. The first grantees to convert to the new system will do so around October 22, 2008.

NCDA News

Nominations and Elections Committee Nominates Slate of Officers for 2008/2009

The NCDA Nominations and Elections Committee, comprised of the NCDA active past-presidents, have put forth the following slate of officers for 2008/2009.

President	Stephen Gartrell, Newton, Massachusetts
Vice-President	Rita Pribyl, Davenport, Iowa
Secretary/Treasurer	Leila Allen, Orlando, Florida
Immediate Past-President	Emory Counts, Daytona Beach, Florida

Members will vote on this slate of officers during NCDA's Annual Business Meeting on Saturday, June 21, 2008 from 9:00 a.m. to 10:00 a.m. at the 2008 NCDA Annual Conference in Pittsburgh, PA.

2008 NCDA Annual Conference

The 2008 NCDA Annual Conference will be held in the beautiful City of Pittsburgh from June 18-21 at the Pittsburgh Hilton Hotel. A copy of the agenda is attached, along with the conference registration form. It's not too late to register, we still have space! You can also register directly online at <http://www.ncdaonline.org>.

HOME Training Available

NCDA will hold its last “Underwriting HOME Rental Projects” workshop in Portland, OR on July 15-16 at the HUD Field Office. This training is free. For more information, and to register, go to <http://www.ncdaonline.org/home.asp> or complete the attached registration form.

Attachments

- 2008 Annual Conference Agenda and Registration Form
- Underwriting HOME Rental Projects (Portland, OR) Flyer and Registration Form