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**Housing Stimulus Package Update (H.R. 3221); \$3.9 Billion in CDBG Remains**

The spiraling stock of the Government-Sponsored Enterprises (GSEs) – Fannie Mae and Freddie Mac – has the Administration quickly cobbling together a proposal to restore consumer confidence in both companies and has placed an even greater urgency on Congress to finish the housing stimulus package. Fannie and Freddie shares both dropped about 45% last week and are down more than 80% from a year ago. Fannie and Freddie were chartered by Congress to ensure a steady flow of money into home mortgages. The two companies own or guarantee about \$5.2 trillion of U.S. home mortgages, or nearly half of those outstanding. Under the Administration's plan, the Treasury Department would increase the existing line of credit for the GSEs and ask Congress for the authority to buy an equity stake (stock) in the companies to keep them financially sound. Congress plans to include this proposal (with some tweaking) into H.R. 3221 – The Housing and Economic Recovery Act of 2008 – which is making its way through Congress. Under the White House proposal, the authority to extend credit and buy stock in the company would expire at the end of 2009. Rep. Barney Frank (D-MA), Chairman of the House Financial Services Committee, says he wants to make sure that if the government buys stock in the companies, it will reap the benefits of owning the stock before other shareholders.

The Senate passed H.R. 3221 on July 11 on a vote of 63-5 and sent the measure to the House for a vote. The measure also includes \$3.9 billion in CDBG funding, championed by NCDCA and other groups, to those communities hardest hit by the foreclosure crisis. The funds could be used for a plethora of activities, including the purchase and rehabilitation of foreclosed properties for resale to qualified homebuyers or for use as rental housing stock. The CDBG funds had been targeted for deletion by the Administration, House Republicans, and conservative House Democrats (The Blue Dog Coalition) due to the spending level. It appeared that Rep. Frank and House Speaker Pelosi might capitulate to this request, but as of July 15, both told the House Democratic Caucus they would stand firm behind the CDBG funds. Frank said it would be a tough political sell to include help for Fannie and Freddie in the package while saying, "Oh, but we can't afford to send \$4 billion to the cities to buy foreclosed properties." An overview of the CDBG provisions has been attached to this newsletter.

In addition to the CDBG funding for foreclosure assistance, H.R. 3121 would create a new regulator for Fannie Mae and Freddie Mac, with the authority to set capital standards and limits on the companies' portfolios. It would also make changes to the Federal Housing Administration (FHA) and provide nearly \$14.5 billion in various tax breaks. The legislation would make the following changes to FHA:

- create a new program to help families facing foreclosure refinance their mortgages into affordable, government-insured mortgages;
- require homebuyers to provide a 3.5% downpayment;
- require HUD to establish a pilot program to use alternative credit rating information (e.g., rent, utilities, insurance payment history, and other non-traditional credit information) for purchasers assisted by FHA;
- require HUD to establish a demonstration program to test the effectiveness of alternative forms of pre-purchase homeownership counseling (e.g., telephone counseling, individualized in-person counseling, web-based counseling, classes)

Other highlights of H.R. 3221:

- provides \$230 million in financial counseling to help families remain in their homes;
- raises the GSE's conforming loan limits up to \$625,500, allowing Fannie Mae and Freddie Mac to purchase more loans in high-cost areas;
- increases the maximum FHA-insured loan to \$625,000;
- creates an Affordable Housing Fund targeted at increasing the nation's affordable rental housing stock;
- 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 state tax-exempt 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; and

- provides a temporary increase in the Low-Income Housing Tax Credit

The bill is expected to come to the House floor as early as July 22.

### **Senate Appropriations Committee Approves FY09 HUD Spending Bill; CDBG and HOME Funding Increased**

The Senate Appropriations Committee completed work on its FY09 Transportation-Treasury-HUD spending bill on July 10, one day after the Subcommittee on Transportation-Treasury-HUD approved the measure. The measure provides \$42.4 billion for HUD in FY09, \$3.3 billion more than requested by the President.

The measure provides \$3.889 billion to the Community Development Fund. Of this amount, \$3.7 billion would be provided for CDBG formula grants to State and local governments. This is an increase of approximately \$208 million from last year and would restore the formula grants to their FY07 level. In its report language, the Committee sent a strong message to the Administration regarding its proposal to reform CDBG and reduce funding to the program. The report language states,

“For the fourth year in a row, the administration has sought to justify their recommendation to slash funding for CDBG by proposing legislative reforms to the program. For fiscal year 2009, the administration’s budget proposes a funding cut of approximately 18 percent from the fiscal year 2008 level. The Committee notes that the administration’s reform legislation, which has yet to be introduced in either the House or the Senate, purports to reform the program by cutting assistance to affluent communities. The Committee notes, however, that CDBG grantees are required by law to use at least 70 percent of their funding to benefit low- and moderate-income persons. And, in reality, according to HUD’s own budget documents, between 94.8 and 96.4 percent of CDBG funds benefitted low- and moderate-income persons in fiscal year 2007. The Committee applauds State and local governments for their targeted use of funds to assist persons in greatest need. The Committee believes that such aggressive targeting efforts make it clear that the administration’s proposed “reforms” and reduced funding level would do nothing other than de-fund needed assistance in poor communities. The Committee is disappointed with the administration’s proposed reduction of the CDBG formula grant program by \$659 million or approximately 18 percent. The Committee has heard from communities all around the Nation that are struggling to address the housing crisis and the destructive impact on housing, employment, the tax base and crime. *The Committee is dismayed that the administration would propose to reduce one of the Federal Government’s most effective tools to stabilize these communities.* The Committee rejects the administration’s proposed funding cut.”

The Committee approved an appropriation of \$1.966 billion for the HOME program in FY09. Of this amount, approximately \$1.94 billion is made available for formula grants to State and local governments. This is an increase of almost \$314 million from FY08. The Committee also provided:

- \$6 million in credit subsidy costs to guarantee \$275 million in Section 108 loan guarantee commitments in FY09. The Administration recommended no funding for this program in FY09.
- \$100 million for the Revitalization of Severely Distressed Public Housing (HOPE VI). The Administration had recommended this program be zeroed-out in FY09.
- \$315 million for the Housing for Persons with AIDS program (HOPWA), an increase of \$15 million from FY08.
- \$16.7 billion for Section 8 tenant-based assistance, an increase of \$312 million from FY08.
- \$1.667 billion for HUD's homeless assistance programs, \$81 million more than in FY08. Included in this amount is a \$10 million demonstration program to examine urban and rural strategies for preventing veterans from becoming homeless.
- \$765 million for the Section 202 Program for the Elderly, an increase of \$30 million from FY08. The Administration had requested a \$225 million cut to the program.
- \$250 million for the Section 811 Program for the Disabled, an increase of \$13 million from FY08. The Administration had requested a \$90 million cut to the program.
- \$65 million for housing counseling, funded separately from the HOME program.
- \$145 million for the Office of Healthy Homes and Lead Hazard Control, the same level as in FY08. The Administration had requested a \$29 million cut to the program.

Although HUD's programs fared well in the Senate, it is unlikely that Congress will approve an appropriations bill by October 1, 2008, the beginning of the federal fiscal year. The House Appropriations Committee has yet to schedule mark-ups of its FY09 spending bills. Committee Chairman Rep. David Obey (D-WI) and ranking member Rep. Jerry Lewis (R-CA) are at odds over procedural matters. Rep. Obey is holding up all action on the spending bills until Rep. Lewis agrees to follow the regular order of the Committee. Rep. Lewis tried to move the Interior bill out of order in late June, thereby, causing this rift.

Congress will likely pass a Continuing Resolution (CR) to keep the federal government operating at least through the Presidential election. Depending on who wins the presidency, the Congress may take up the spending bills after the election or pass a long-term CR. Either way, CDBG and HOME are likely to remain at their FY08 funding levels.

## House Gets Ready to Mark-Up McKinney Reauthorization Bill

The House Financial Services Committee is expected to mark-up H.R. 840 – The Homeless Emergency Assistance and Rapid Transition to Housing Act (HEARTH) – before the August recess. Like its Senate counterpart, the HEARTH Act would make significant changes to HUD's existing homeless programs. It would:

- **Focus more resources on homelessness prevention.** The Emergency Shelter Grants Program would be re-named the Emergency Solutions Grants Program (ESG) and HUD would be required to provide 20 percent of its annual homelessness appropriation to the ESG program. At least half of the ESG funding must be used for prevention and rehousing activities. Currently, only 10 percent of HUD's annual homelessness funding is provided to ESG. In addition, communities could also use up to 10% of their Continuum of Care funding for homelessness prevention activities.
- **Consolidate HUD's Competitive Grant Programs.** HUD's Supportive Housing Program, Shelter Plus Care, and the Moderate Rehabilitation/SRO Program would be consolidated into a single Continuum of Care Program. This consolidation would allow communities to apply to one program rather than three, reducing the administrative burden.
- **Expand HUD's definition of homelessness.** Currently, in addition to persons living on the street and in shelters, HUD defines as homeless, individuals and families who are within 7 days of losing their housing. H.R. 840 would expand this definition to include persons who are within 14 days of losing their housing. In addition, the legislation clarifies that people attempting to flee domestic violence or any other dangerous condition in housing they share with others, but without a place to go, are considered homeless.
- **Continue to focus on permanent housing, but would reduce this commitment over time.** H.R. 840 would continue to require that at least 30% of HUD's homelessness funding be targeted for new permanent housing for the chronically homeless, including families with children. However, it would mandate that this percentage be reduced over time to ensure there are resources available for new activities other than permanent housing.
- **Focus on performance-based results.** The measure would increase the emphasis on performance by measuring an applicant's progress at reducing homelessness and providing incentives for activities such as rapid re-housing (where persons are homeless for only a short time) and permanent supportive housing. It would also allow communities with low levels of homelessness or that are reducing homelessness to focus more on prevention and serving people at risk of homelessness.

NCDA and several other interest groups met with House staff on the bill in early June. NCDA reiterated the need for an increased administrative fee for local governments under both the ESG program and the Continuum of Care programs. NCDA, along with NACCED and NALHFA, surveyed its members on the need for an increased administrative fee. The results are attached. We have informed the Committee staff that we cannot support H.R. 840 until the administrative fees have been increased.

## **HUD NEWS**

### **The Office of the Inspector General Releases Audit on Supplanting of Funds in the CDBG Program**

During NCDA's 2008 Annual Conference, Stan Gimont, Acting Director of the Office of Block Grant Assistance, informed the conference that the Office of Inspector General (OIG) had recently released an audit report on the "Supplanting of Funds in the CDBG Program." According to Stan, the OIG has been putting a lot of pressure on HUD to develop a system to gage the maintenance of effort of CDBG grantees.

In its report, the OIG noted that both the Housing and Community Development Act of 1974 and a 2006 congressional report entitled, "Bringing Communities into the 21<sup>st</sup> Century: A Report on Improving the Community Development Block Grant Program," issued by the House Committee on Government Reform on January 31, 2006 document the basis for maintenance of effort requirements for CDBG grantees. The House report asserts that CDBG funds were never intended "to be used to replace local government funds." Section 101 of the Housing and Community Development Act of 1974 also states, "It is the intent of Congress that the Federal assistance (CDBG) made available under this chapter not be utilized to reduce substantially the amount of local financial support for community development activities below the level of such support prior to the availability of such assistance." Essentially, the CDBG funds should not be used to replace the local government funding that would have been used to fund these activities, if CDBG had not been available. According to the OIG report, other federal agencies, such as the Department of Education and the Department of Health and Human Service use grantee compliance certifications for maintenance of effort requirements as part of the grant application.

According to the OIG's report, it could not determine whether federal CDBG funds were used to supplant general government funds because HUD has not implemented management controls to provide assurance that CDBG grantees did not supplant their local budgets with CDBG program funds. In its report, the OIG recommended to HUD that it reach out to CDBG grantees to consider their input for establishing maintenance of effort requirements. In the report, HUD told the OIG that it was taking initial steps to discuss the requirement with its grantees but that this activity was not a high priority. If the OIG continues to push HUD on this issue, we may see some requirement to document maintenance of effort within CDBG (likely a certification of some sort), but for now, nothing has changed. The report is available at <http://www.hud.gov/offices/oig/reports/oiginter.cfm#2007>

## **Peppler Sworn-In as HUD Assistant Secretary for Community Planning and Development**

On July 7, Susan Peppler was officially sworn-in as the new Assistant Secretary for CPD. The Senate confirmed her nomination in early July. Most recently, Peppler served as Deputy Associate Administrator in the Office of Intergovernmental Affairs at the General Services Administration (GSA). Prior to her service at the GSA, Peppler was elected the Mayor of the City of Redlands, CA where she focused her energies on improving the City's affordable housing stock. Peppler also served on the Governor's Task Force on Affordable Housing.

## **NCDA NEWS**

### **NCDA Selects Executive Committee for 2008/2009**

At its annual business meeting, during the 2008 annual conference in Pittsburgh, PA, the members of NCDA selected the following persons to serve on its 2008/2009 Executive Committee

- Stephen Gartrell, Newton, MA, President
- Rita Pribyl, Davenport, IA, Vice-President
- Lelia Allen, Orlando, FL, Secretary-Treasurer
- Emory Counts, Daytona Beach, FL, Immediate Past-President

We congratulate them on their selection to the Executive Committee.

### **Sign-Up for the NCDAonline Blog**

NCDA hopes you are enjoying the new design of its website. We also want to make sure you are taking full advantage of the site's features. One new feature is the NCDAonline Blog, which allows members to converse online, create links to other websites, and upload images to share with other members. This exciting technology will eventually replace the existing Members Forum, so it's time to sign-up and get blogging! Here's how.

1. Go to <http://ncdaonline.org/members.asp>
2. Click the NCDAonline Blog link. Use the provided username (ncda) and password (ncda2ncda) to access it.
3. Read the welcome message. Note, if you have already signed up the NCDAonline Blog you can click on the "add a posting" link and get started.
4. If you have not already signed up for the Blog, click on the "request authorization" link, fill out the form and you will receive a confirmation e-mail within 24 hours. Once you receive the confirmation e-mail, follow the instructions in the e-mail to sign up for the NCDAonline Blog. Once you have set up your account, you can begin blogging with your fellow community development experts!
5. Note: If you are only interested in commenting on existing posts then you do not have to

sign up. Just hit the “Comment” link under the posting you are interested in and provide your comments.

If you have any questions, please contact Vicki Watson at [vicki@ncdaonline.org](mailto:vicki@ncdaonline.org)

### **CDBG Training Available**

NCDA will hold a three-day *CDBG Basics: Training for Practitioners* course in Murfreesboro, TN on November 10-12, 2008, as part of the NCDA Region 4 Conference and a three-day course in Shreveport, LA on October 6-8, 2008, as part of the NCDA Region 6 Conference. The course fee for members is \$250 and \$350 for non-members. The course is limited to 35 people. To register for either course, please complete the attached registration form and fax it back to NCDA or register online at <http://www.ncdaonline.org/cdbg.asp>

### **Attachments:**

- **Overview of the CDBG Funding Provisions in H.R. 3221**
- **The Need for Increased Administrative Fees in HUD’s Homeless Assistance Programs**
- **Pittsburgh Tribune-Review Article on John Price’s Speech (CEO of the Federal Home Loan Bank of Pittsburgh) at the NCDA Annual Conference**
- **Flyer, Registration Form, and Agenda for the CDBG Basics Course in Murfreesboro, TN and Shreveport, LA**



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

<b>Program</b>	<b>FY08 Enacted Level</b>	<b>FY09 President's Request</b>	<b>FY09 Senate Appropriations Committee Level</b>
Community Development Fund	\$3.866 billion	\$3 billion	\$3.889 billion
<i>Set-Asides:</i>			
Native American Housing	[\$62 million]	[\$57 million]	[\$65 million]
EDI Special Purpose Grants	[\$180 million]	0	[\$104 million]
Technical Assistance	[\$3 million]	[\$5 million]	[\$5 million]
Neighborhood Initiatives	[\$26 million]	0	[\$11 million]
Working Capital Fund	[\$1.57 million]	[\$4 million]	[\$3 million]
<i>Total Set-Asides</i>	<i>\$272.57 million</i>	<i>\$66 million</i>	<i>\$188 million</i>
<b>Formula Grants</b>	<b>\$3.593 billion</b>	<b>\$2.934 billion</b>	<b>\$3.701 billion</b>
Section 108 Loan Guarantees	\$275 million	\$0	\$275 million
Brownfields	\$10 million	\$0	\$0
HOME Program	\$1.704 billion	\$2 billion	\$1.967 billion
<i>Set-Asides:</i>			
Housing Counseling	[\$50 million]	funded separately	funded separately*
Technical Assistance	[\$12.5 million]	[\$10 million]	[\$15 million]
Working Capital Fund	[\$3.5 million]	[\$4 million]	\$0
ADDI	[\$10 million]	[\$50 million]	[\$10 million]
<i>Total Set-Asides</i>	<i>\$76 million</i>	<i>\$64 million</i>	<i>\$25 million</i>
<b>Formula Grants</b>	<b>\$1.628 billion</b>	<b>\$1.936 billion</b>	<b>\$1.941 billion</b>
Homeless Programs	\$1.586 billion	\$1.636 billion	\$1.667 billion
Lead Hazard Control	\$145 million	\$116 million	\$145 million
Section 202 for the Elderly	\$735 million	\$540 million	\$765 million
Section 811 for the Disabled	\$237 million	\$160 million	\$250 million
HOPWA	\$300 million	\$300 million	\$315 million
Self-Help Homeownership Opportunity Program	\$60 million	\$40 million	\$66 million
SHOP	[\$26.5 million]	[\$39 million]	[\$27 million]
NCDI	[\$33.5 million]	\$0	[\$35 million]
Technical Assistance	\$0	[\$1 million]	[\$4 million]
Section 8 Tenant-Based Rental	\$16.391 billion	\$16.039 billion	\$16.7 billion

<b>Program</b>	<b>FY08 Enacted Level</b>	<b>FY09 President's Request</b>	<b>FY09 Senate Appropriations Committee Level</b>
Assistance			
Section 8 Project-Based Assistance	\$6.382 billion	\$7 billion	\$8.450 billion
Public Housing Capital Fund	\$2.439 billion	\$2.024 billion	\$2.44 billion
Public Housing Operating Fund	\$4.2 billion	\$4.3 billion	\$4.4 billion
HOPE VI	\$100 million	\$0	\$100 million
Native American Housing Block Grant	\$630 million	\$627 million	\$650 million
Native Hawaiian Housing Block Grant	\$9 million	\$6 million	\$10 million
Indian Housing Loan Guarantees	\$7.45 million	\$8 million	\$9 million
Native Hawaiian Loan Guarantees	\$1 million	\$0	\$1 million
Rural Housing & Economic Development	\$17 million	\$0	\$30 million
Fair Housing	\$50 million	\$51 million	\$56 million
University Programs**	\$23 million	\$14 million	\$23 million

\*The Senate Appropriations Committee recommended \$65 million for housing counseling in FY09

\*\*Grants to institutions of higher learning funded under Section 107 including HBCUs, Alaska Native serving institutions, Native Hawaiian institutions, tribal colleges and universities, and Hispanic serving institutions