NCDA WASHINGTON REPORT

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FEATURED ARTICLES

Congress Returns; Continuing Resolution Expected

The new fiscal year begins October 1 and none of the FY 2009 appropriations bills have been enacted. In lieu of individual appropriation bills, Congress is expected pass a Continuing Resolution (CR) to keep the federal government operating through January 2009, when a new Congress and President will take over. Programs will remain at their FY 2008 funding level (see budget chart at the back of this newsletter). No major authorization bills are expected to be enacted prior to the adjournment. Nancy Pelosi, Speaker of the House, has indicated her desire to push through a second economic stimulus package consisting of infrastructure funding to States, expanded food stamp benefits, and funding for heating assistance. However, with the short time period remaining in this congressional calendar, the outlook for passage of such a package is dim.

HUD Works on Formula, Rules for Foreclosure Funding; NCDA, Other Groups Weigh In

On Friday, August 22, a coalition of national groups representing local elected officials and local and state CDBG practitioners sent detailed recommendations to HUD Assistant Secretary Susan Peppler on implementing the $3.92 billion CDBG foreclosure assistance program enacted as part of H.R. 3221, the Housing and Economic Recovery Act of 2008. The groups included NCDA, U.S. Conference of Mayors, National Association of Counties, National Association for County, Community and Economic Development, National Association of Local Housing Finance Agencies, and Council of State Community Development Agencies. Besides staff from each organization, members from each group were also included in the discussion. NCDA was represented by Patrick Sullivan (New Bedford, MA) and Oren Henry (Cincinnati, OH), co-chairs of the NCDA Community Development Subcommittee and by Bob Gehret (Boston, MA) and Will White (Portland, OR), co-chairs of the NCDA Housing Subcommittee. The letter was produced after a culmination of meetings with HUD and conference calls with the coalition.

There was consensus among the groups on all but one critical issue, that of the division of funds between state and local governments. The attached letter indicates that the local government groups strongly support an allocation scenario that mimics the CDBG program, with 70% of the funds targeted to metropolitan cities and urban counties and the remaining 30% targeted to the states, with the following exception:

- allow states, if they choose, the flexibility to distribute funds that they receive directly to entitlement communities (as is currently permitted in the HOME program; and

Our letter also urges HUD to allow up to 20% of the funds to be spent on administrative costs in addition to allowing grantees to recover project delivery costs. It further urges HUD to allow flexibility in the income targeting requirement (25% of the funds to households at 50% or below of area median income) by allowing the targeting to be met on a national, not a per-jurisdiction basis. Under the program, communities must use their funds with 18 months of allocation. In the letter, we urged HUD to define “use” as the commitment of funds, not the expenditure of funds.

The letter goes on to ask HUD to permit grantees to expend their entire allocation before spending program income. It also calls for a streamlined citizen participation process to ensure timely expenditure of funds. Finally, the letter calls for a number of waiver/modifications to current HUD requirements, including the one-for-one replacement of demolished structures.

In mid-August, the National Governors Association sent a letter to HUD requesting that the funds be primarily allocated to states. As a result of the letter from the National Governors Association, NCDA and the other local government groups launched a grassroots campaign to thwart this attempt. A grassroots letter was developed and members of each organization (mayors, county officials, community development practitioners) were asked to send it to their congressional delegation and to Assistant Secretary Peppler. Many of NCDA’s members heeded the call. Thanks for the great response.

It is now a wait and see game to find out how HUD will distribute the funds, including the development of a formula and implementation of the program. HUD plans to use a Federal Register notice to release the details of the formula and program regulations, instead of a proposed rule or interim rule which would take longer to implement and hold up the program. HUD has until September 26 to develop the formula allocation and 30 days thereafter to release the funds to eligible grantees. We've been told that HUD will release the notice to members of Congress (including the formula allocation) on or before September 16. We will certainly alert our members on the details of the program as soon as we receive them.

Democrats and Republicans Outline Their Party Platforms on Housing and Community Development

At their respective conventions, the Republican National Committee and the Democratic National Committee passed their party platforms, outlining their priority policy positions. These platforms are intended to provide guidance to the presidential candidates and a voice to the parties.

<u>Republican Party Platform on Housing and Community Development</u>
The platform is scant on housing and community development issues. It mainly outlines how the Republican party plans to reign in spending, create a smaller Federal government, and focus its housing policy on responsible homeownership, as follows:

Attack wasteful spending.
- Enact a balanced budget amendment to require a balanced federal budget except in time of war.
- Stop earmarks.
- All non-defense, non-veterans discretionary programs will undergo a cost-benefit review.
- Enact a presidential line-item veto.
- New authorizations should be offset by reducing other programs and no appropriations should be permitted without a current authorization.

Smaller Federal Government; Larger State Government
- Create a National Sunset Commission to review all federal programs and recommend which of them should be terminated for redundancy and waste and ask Congress to schedule a yea or nay vote on the entire sunset list with no amendments.
- Urge every congressional committee to conduct oversight of the nearly 1,700 separate grant and loan programs of the federal government.

Rebuilding Homeownership
- Help homeowners who face foreclosure transition to a mortgage loan that reflects their home's value and eases the amount of mortgage they have to pay.
- Prosecute criminal wrongdoing in the mortgage industry and investment sectors.
- Make owning a home more accessible through enforcement of housing laws, voucher

programs, and urban homesteading.
- Sound housing policy should recognize the needs of renters so that apartments and multi-family homes remain important components of the housing stock.

Democratic Party Platform
The Democratic party platform is full of policy priorities aimed at housing and community development, including fully funding the Community Development Block Grant (CDBG) Program.

Housing
- Support the foreclosure prevention programs enacted by Congress as part of H.R. 3221.
- Reform bankruptcy laws to restore a balance between lender and homeowner rights.
- Crack down on fraudulent brokers and lenders.
- Invest in financial literacy.
- Implement the newly created Affordable Housing Trust Fund (National Affordable Housing Trust Fund).
- Restore cuts to public housing operating subsidies.
- Fully fund the Community Development Block Grant Program.
- Work to end housing discrimination.
- Combat homelessness, particularly among veterans.

Metropolitan and Urban Policy
- Fully fund CDBG.
- Support community-based initiatives such as micro-loans, business assistance centers, community economic development corporations, and community development financial institutions.
- Create a network of public-private incubators.

Federal Government Takes Over Freddie Mac and Fannie Mae

Before leaving for their summer recess, Congress managed to pass H.R. 3221 – The Housing and Economic Recovery Act of 2008 – which provided relief on several fronts, including assistance to Government-Sponsored Enterprises (GSEs) – Fannie Mae and Freddie Mac in the form of an increased line of credit and the purchase by the federal government of an equity stake in the companies to keep them solvent. The bill also created a new regulator, the Federal Housing Finance Agency (FHFA), to oversee the two companies.

Congress and the Administration had hoped the bill would restore consumer confidence in both companies, but it hasn't been the case. On September 7, 2008, the Administration, through the newly created FHFA, took the bold step of officially placing the two giants into conservatorship, citing the following concerns:

- safety and soundness (lack of adequate capital);
- current market conditions (decreasing home values, increasing mortgage rates despite cuts by the Fed);
- the financial performance and condition of the companies;
- the inability of the companies to fund themselves to normal practices and prices; and
- the critical role each company has in supporting the residential mortgage market in this country

According to FHFA, "This is a statutory process designed to stabilize the troubled institutions with the objective of returning the entities to normal business operations. FHFA will act as the conservator to operate the Enterprises until they are stabilized."

As part of the takeover the current CEOs of both companies were booted and new CEOs installed by the FHFA. Herb Allison, Vice Chairman of Merrill Lynch, will now run Fannie Mae, while David Mofett, Vice Chairman and CFO of US Bancorp will head Freddie Mac. Some pundits see the takeover purely as a political move on the part of the Administration which has been critical of the two companies for years and has wanted tougher regulatory control of both.

Fannie and Freddie help provide liquidity to the U.S. mortgage market by buying home loans and repackaging them into securities to be sold to investers. Between them, the organizations have over $5.4 trillion of guaranteed mortgage-backed securities and outstanding debt, which according to the Administration, is equal to the publicly held debt of the United States.

Although the companies' shares initially soared after enactment of H.R. 3221, their financial positions have worsened in recent weeks, along with their ability to raise money on the markets. In recent weeks, investors less willing to take risks on debt issued by Fannie or Freddie have demanded higher payments, which has increased costs for consumers taking out mortgage loans.

Under the terms of HR 3221, conservatorship is designed to allow the government to restructure the companies and return them to private control. Treasury officials have likened the process to Chapter 11 bankruptcy. If the plan succeeds, the uncertainty in the markets around Fannie and Freddie could subside making it easier for the companies to gain access to funding at cheaper rates. That, in turn, could have a spillover effect in the overall mortgage market, lowering interest rates and helping the housing market recover. Fannie and Freddie have backed 70 percent of new mortgages in recent months, but both have incurred vast losses on their loan portfolios as the housing market has tanked.

What does this mean for the National Housing Trust Fund? As part of H.R. 3221, Congress approved the creation of a National Housing Trust Fund to be funded by Fannie Mae and Freddie Mac. According to the National Low-Income Housing Coalition, the contributions that Fannie and Freddie make to the Fund are based on a percentage of their business volume, not their profit.

Second, the Fund was not scheduled to start receiving funding until FY 2010 at the earliest, so if the companies rebound, there would be funds available for the program. Still, the FHFA has the authority to suspend the program, if it chooses. There has been no discussion of such an action at this time.

House Committee Marks-Up McKinney-Vento Reauthorization Bill; NCDA Successful in Increasing Administrative Fees

The House Committee on Financial Services marked-up H.R. 840 – The Homeless Emergency Assistance and Rapid Transition to Housing Act (HEARTH) on July 31, 2008. The bill will consolidate HUD's competitive homeless assistance programs (Shelter Plus Care, Supportive Housing, Section 8 SRO) into a single competitive program called The Continuum of Care Program, thereby, alleviating the confusion of three different sets of program rules. In addition, the bill will provide more flexibility in the renewal of rental projects, focus more resources on homeless prevention, and increase administrative fees. Consideration of H.R. 840 had been delayed several times while House staff and advocates tried to reach a compromise on an expanded federal definition of homelessness.

NCDA was successful in having the administrative fee for the Emergency Shelter Grants Program (renamed the Emergency Solutions Grants Program in the bill) increased from 5% to 10% and the administrative fee for the new Continuum of Care Program set at 10%. This was a priority of NCDA's Housing Subcommittee and a need identified by members in a survey conducted by NCDA earlier this year. The increase will greatly help communities who have toiled for years under the programs with little compensation for administrative costs.

A companion bill in the Senate – S. 1518 – was passed by the Senate Banking Committee last Fall, but has stalled due to Senator Tom Coburn (R-OK) placing a hold on the bill (a procedural maneuver to stop the bill). With little time remaining for Congress to enact legislation this year, it is doubtful that McKinney-Vento reauthorization legislation will be approved, but a solid framework has been established for introduction of the bills next year.

Major provisions of H.R. 840

- **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. Atleast 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.

HUD NEWS

HUD Releases List of Potential New CDBG Entitlement Communities

HUD's Office of Block Grant Assistance has developed a list of potential new entitlement cities and counties for FY 2009. To receive CDBG funds in FY 2009, a jurisdiction must advise HUD of its election to participate no later than October 24, 2008.

<u>Potential New Urban Counties</u>
Pinal County, AZ
Monterey County, CA
Cherokee County, GA
Ottawa County, MI
Hillsborough County, NH
Rockingham County, NH
Warren County, OH
Utah County, UT

A total of 53 cities are eligible to become new entitlements in FY 2009. A list of these cities is attached. Of these cities, 37 cities are currently part of an urban county. If they choose to become an entitlement city, their allocation would come from the urban county, thereby negating the effect on the overall CDBG program. According to HUD, these communities will likely choose to remain part of the urban counties, as they have done in the past. The remaining 13 cities (if they choose to become an entitlement) would be funded from the local entitlement portion of the CDBG program. HUD also believes most of these cities will not opt to become an entitlement community because many of them have been eligible in past years and have chosen not to do so. The potential new urban counties listed above would also be funded out of the local entitlement portion of the CDBG program, if they choose to become an entitlement.

A final list of those jurisdictions who have opted to become an entitlement community will be available by the end of the year.

NCDA NEWS

CDBG Basics Course Training Available this Fall

NCDA will present its highly successful *CDBG Basics: Training for Practitioners* in three separate venues this Fall. The course will be held in the following locations:

- Shreveport, LA – October 6-8, 2008
- Lowell, MA – October 27-29, 2008
- Murfreesboro, TN – November 10-12, 1008

Information on each course, including the course agenda and registration, is available at http://www.ncdaonline.org/cdbg.asp The course information is also attached to this newsletter. The *CDBG Basics: Training for Practitioners* is a comprehensive, basic three-day training on the CDBG Program. It is geared to persons with less than three years experience in the CDBG Program. What distinguishes NCDA's CDBG course from similar courses is the fact the course was developed by CDBG practitioners (through NCDA) and taught by practitioners who have many years experience administering the CDBG program locally. Course participants receive a "real life" learning experience through the course instructors, course exercises, and through the daily exchange with other CDBG practitioners.

The course is primarily offered in the Fall, so if you have staff who need to be trained on the CDBG program, now is the time to register them for one of the courses. The course fee is $250 for members and $350 for non-members. Each participant will receive a comprehensive training manual that can be used as a vital resource in the daily operations of your CDBG program.

If You Are Not Receiving Alerts From NCDA, Check Your Spam Software

Some members have called to say they are not receiving NCDA alerts. The cause of this problem is likely spam software on your local government system. Every NCDA member has been added to NCDA's listserv and as new members come on board, they are immediately added to the list. If you do not receive NCDA alerts, talk to your tech person about alleviating the problem on your end.

It's Back...The NCDA Member Forum

By popular demand, the NCDA Member Forum is back and available at the members only link on the NCDA website. NCDA launched the NCDAonline Blog earlier this summer, but found it was not being used mainly because of the difficulty in accessing the system. We've changed the NCDAonline Blog to the NCDA President's Blog to allow our President, Steve Gartrell, to provide ongoing communication to the members.

The Member Forum is very user friendly. Members can easily pose questions or respond to questions. It is a good vehicle for having your perplexing community development questions answered. We encourage you to use it.

2009 Winter Conference Agenda Coming Soon

The draft agenda for the 2009 NCDA Winter Conference will be posted to the website within the next week. The hotel contract is being finalized as this newsletter goes to print. The conference will be held on January 28-30, 2009 in Washington, DC.

Attachments:

- **Letter to Assistant Secretary Susan Peppler**
- **List of Possible New Entitlements for FY 2009**
- **Flyer, Registration Form, and Agenda for the CDBG Basics Course in Shreveport, LA; Lowell, MA; and Murfreesboro, TN**

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

Program	FY08 Enacted Level	FY09 President's Request	FY09 Senate Appropriations Committee Level
Community Development Fund *Set-Asides:* Native American Housing EDI Special Purpose Grants Technical Assistance Neighborhood Initiatives Working Capital Fund *Total Set-Asides* **Formula Grants**	$3.866 billion [$62 million] [$180 million] [$3 million] [$26 million] [$1.57 million] *$272.57 million* **$3.593 billion**	$3 billion [$57 million] 0 [$5 million] 0 [$4 million] *$66 million* **$2.934 billion**	$3.889 billion [$65 million] [$104 million] [$5 million] [$11 million] [$3 million] *$188 million* **$3.701 billion**
Section 108 Loan Guarantees	$275 million	$0	$275 million
Brownfields	$10 million	$0	$0
HOME Program *Set-Asides:* Housing Counseling Technical Assistance Working Capital Fund ADDI *Total Set-Asides* **Formula Grants**	$1.704 billion [$50 million] [$12.5 million] [$3.5 million] [$10 million] *$76 million* **$1.628 billion**	$2 billion funded separately [$10 million] [$4 million] [$50 million] *$64 million* **$1.936 billion**	$1.967 billion funded separately* [$15 million] $0 [$10 million] *$25 million* **$1.941 billion**
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 SHOP NCDI	$60 million [$26.5 million] [$33.5 million]	$40 million [$39 million] $0	$66 million [$27 million] [$35 million]

Technical Assistance	$0	[$1 million]	[$4 million]
Section 8 Tenant-Based Rental Assistance	$16.391 billion	$16.039 billion	$16.7 billion
Program	**FY08 Enacted Level**	**FY09 President's Request**	**FY09 Senate Appropriations Committee Level**
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