NCDA
WASHINGTON REPORT

DATE: February 15, 2013

National Community Development Week: April 1-6, 2013 - "Changing Communities, Changing Lives"
NCDA Annual Conference - June 26-29 – Horry County, SC
NCDA CDBG Basics Course – April 29-May 1 – Murfreesboro, TN
NCDA HOME Basics Course – June 19-21 – Plano, TX
Share your Program Documents through the NCDA Archives

FEATURED ARTICLES

- ✓ ***Sequester Looms on the Horizon***
- ✓ ***Another Six-Month Stopgap Funding Measure Likely for FY13 Funding***
- ✓ ***President Delivers State of the Union Address***
- ✓ ***House Holds Hearing on the Solvency of the FHA***
- ✓ ***NCDA NEWS – Save the Date: April 1-6, 2013 - National Community Development Week - "Changing Communities, Changing Lives;" Attend the 2013 NCDA Annual Conference!; CDBG and HOME Training Courses Announced; NCDA Documents Archive***
- ✓ ***OTHER NEWS – Attend NCRC's Annual Conference; Funding Available for Financial Education and Wealth-Building Programs for Low-Income People***
- ✓ ***HUD Budget Chart***

Sequester Looms on the Horizon

Sequestration, a package of across-the-board spending cuts to federal programs, approved as part of the Budget Control Act of 2011, is set to take effect on March 1. The cuts, which are projected to total $1.2 trillion, are scheduled to begin on March 1 and end in 2021. The cuts are evenly divided between defense spending and discretionary domestic spending. Most mandatory spending is exempt from the sequester such as Medicaid, Social Security, food stamps (SNAP), Temporary Assistance for Needy Families (TANF), the Children's Health Insurance Program (CHIP), and federal retirement programs. Veterans' programs are also exempt. Democrats are demanding more revenue to offset the cuts while Republicans – still angry about the tax hikes included in the deal to avert the fiscal cliff last month – have said tax increases are completely off the table.

Why Did the Administration and Congress Agree to Sequestration?

The Administration and Congress agreed to sequestration in order to reach a deal on the federal debt limit. The government was approaching its debt limit which needed to be raised through a congressional vote or else the country would have defaulted in August 2011. While Democrats favored a clean vote with no strings attached, congressional Republicans demanded substantial cuts in exchange for raising the debt limit. President Obama and congressional leaders ultimately agreed to the Budget Control Act that raised the debt limit by $2.1 trillion in exchange for the establishment of a congressional committee (the super committee) to recommend a set of cuts, with the sequester as a fall back provision if the super committee did not reach consensus. Well, the super committee never reached a consensus on the amount of cuts to federal programs, so the sequester kicked in.

Yesterday, the Senate Democrats agreed to a last hour plan to try to avert sequestration, but they need the support of Senate Republicans and ultimately the House of Representatives to get it passed. House Speaker John Boehner (R-OH) has said that he would look seriously at any deal the Senate passes. Senate Majority Leader Harry Reid (D-NV) plans to take the bill to the Senate floor on February 25. The $110 billion budget package is evenly divided between new revenues and program cuts. The new revenues ($54 billion) would come from a new 30 percent tax on the adjusted gross income of those earning over $1 million annually. The spending cuts would come from just two federal departments: Defense ($27 billion) and Agriculture ($27 billion). The Defense cuts would be realized from the savings in ending the war in Afghanistan and the cuts to Agriculture would come from cuts to farm subsidies.

HUD Secretary Shaun Donovan testified on February 14 before the Senate Committee on Appropriations on the effect of sequestration on HUD programs. Donovan told the Committee that about 125,000 people could lose assistance through the Housing Choice Voucher Program. Donovan also said that the cuts would prevent an estimated 2,100 homes from being built or rehabilitated under the HOME program and would also result in cuts to community development funding. Sequestration would result in the following losses, according to Donovan.

- More than 100,000 homeless people being removed from their current housing or emergency shelter because of the cuts to the Continuum of Care programs and to the Emergency Solutions Grant program.
- An estimated 7,300 fewer people receiving assistance through the Housing Opportunities for Persons with AIDS
- 75,000 fewer households receiving housing counseling assistance
- furloughs and cuts to HUD staff across the country

Sequestration will cause an estimated 8.2 percent cut to CDBG and HOME in FY13.

Another Six-Month Stopgap Funding Measure Likely for FY13 Funding

According to congressional sources, the U.S. House of Representatives will likely put forth a six-month spending bill to complete the FY13 funding cycle. Federal programs are currently operating under a Continuing Resolution (CR) that ends on March 27, 2013. The House proposed measure would keep programs operating through the end of the fiscal year, September 30, 2013.

The proposed stopgap spending bill would be at lower levels, $974 billion vs. the current $1.024 trillion in the CR, due to Republican expectations that automatic spending cuts will take place on March 1.

President Delivers State of the Union Address

President Obama delivered his 2013 State of the Union before Congress on February 12. The State of the Union address focused on the theme of building America's economy from the middle out. The plan, which the President promised would not cost one penny in new funding, cuts across most federal departments and focuses heavily on boosting the economy through job creation and training (job preparedness).

<u>Major themes of the Address</u>

- *increase manufacturing jobs* - create high-tech manufacturing hubs in economically depressed communities
- *develop comprehensive tax reform* – streamline the tax code; close tax loopholes for the rich; lower tax rates on businesses and manufacturers who create jobs in America
- *increase the minimum wage* to $9.00 per hour and adjust for inflation going forward
- *provide assistance to the hardest local economies* – partnership with 20 of the hardest hit towns in America to target federal resources (public safety, education, housing)
- *provide equal pay for equal work*
- *redesign high school curricula* to focus on two-year technical degrees to prepare high-school graduates for the work force
- *amend the Higher Education Act* to include affordability and value as determining factors for providing federal aid to colleges; develop a college scorecard to rank colleges by cost, graduation rate
- *provide pre-kindergarten education for all*
- *rebuild the nation's infrastructure* (bridges and roads)
- *develop climate change legislation* – reduce pollution, create more sustainable energy solutions
- *focus on housing as an engine of economic growth* by helping homeowners refinance their mortgages and help new homebuyers purchase a home
- *enact immigration reform* - establish a pathway to earned citizenship
- *enact the Violence Against Women Act*

- *stand-up against gun violence* through a congressional vote on universal background checks and stiff penalties for people who sell guns to criminals
- *withdraw from Afghanistan* by the end of 2014 while maintaining a foot print in the area (counter terrorism efforts and training and equipping the Afghan military)
- *improve the voting experience in America* through the development of a non-partisan commission to examine the issue

In a press conference this week, House Speaker John Boehner (R-OH) says the House will look to the Senate to act first on legislation to implement any of the proposals outlined in the President's State of the Union address. Boehner is shifting the political pressure to the Senate to act on legislation after two years of the House passing a slew of bills without any action by the Senate. This includes sequestration, which the House acted on last year, but the Senate did not. The Senate has already passed one item on the President's agenda – the Violence Against Women Act.

House Holds Hearing on the Solvency of the FHA

On February 6, the House Committee on Financial Services held its first hearing of the year. The hearing focused on the role of the Federal Housing Administration (FHA) in the mortgage insurance market, examining the exploding growth of the FHA in providing single-family mortgages since the fiscal crisis in 2008. Lenders have tightened their underwriting standards since the housing crisis and the FHA has taken on a much larger role in the mortgage market now guaranteeing nearly 40% of mortgages originated or refinanced. The hearing primarily focused on the solvency of the FHA's single-family insurance fund, known at the Mutual Mortgage Insurance Fund (MMIF). FHA is required by law to maintain a two percent capital reserve. According to HUD data, the MMIF capital reserve fell below two percent in FY12 which means the FHA does not have adequate funding to cover losses. The FHA may need to draw funds from the U.S. Treasury to cover losses in FY13 but this won't be known until the President releases his FY13 budget. An independent actuary said in November that the FHA could need as much as $16.3 billion in taxpayer subsidy to cover losses.

Some of the witnesses called before the hearing testified that the problem is due to FHA taking on more credit-risky borrowers; borrowers with credit scores below 660 and debt ratios higher than 50 percent.

Recommendations:

- Reduce the maximum loan limits insured by the FHA to $625,000 now and eventually down to $350,000, even in high cost areas.
- Do not insure loans for persons with a FICO score of 660 or less.
- Require a minimum downpayment of $5,000
- Lower the insurance coverage from 100% to 80%

According to FHA Commissioner Carol Galante, the agency will take additional steps this year to avoid foreclosures on loans (weed out bad lenders) and increase the fees it charges to borrowers to insure their loans against default. Those changes could be enough to offset any budget shortfalls this year.

NCDA NEWS

Save the Date: April 1-6, 2013 - National Community Development Week - "Changing Communities, Changing Lives"

The NCDA National Community Development Week campaign will be held on April 1-6, 2013. This year's theme is "Changing Communities, Changing Lives." Please use this theme in your National CD Week materials and at your events. The CD Week Planning Guide is available on the NCDA website at www.ncdaonline.org. The guide provides information on planning your CD Week activities.

NCDA spearheads the National CD Week campaign every year to highlight the importance of our core programs, CDBG and HOME. We are facing another tough budget battle, in the House of Representatives in particular, this year. We need communities to participate in the National Community Development Week campaign again this year. Congress will be in recess the week of April 1-6 and it provides the opportunity for you to meet with and/or invite your congressional delegation to participate in your CD Week activities.

Attend the 2013 NCDA Annual Conference!

The 2103 NCDA Annual Conference will be held in Horry County, SC on June 26-29. The conference will feature sessions that focus on issues of prime importance to community development professionals including the following:

- Policy updates on CDBG, HOME, and HUD's homelessness assistance programs
- A special half-day monitoring program on how to meet HUD's monitoring requirements on environmental reviews and CDBG-funded economic development projects
- Plenary session on the Consolidated Plan
- Plenary session on HUD's Affirmatively Furthering Fair Housing rule
- Session on HUD's Section 3 business registry pilot program
- Session on HUD's final HOME rule
- Plenary session on CDBG and HOME best practices
- Tour of local community development projects

The draft conference agenda is attached. We urge you to attend – and bring staff – to the conference. It offers the opportunity to converse with HUD staff and learn from your fellow community development practitioners. The conference fee is $350 for members and $450 for non-members.

To register for the conference, please go to www.ncdaonline.org and click on the registration form.

NCDA has reserved a block of rooms at the Sheraton Myrtle Beach Convention Center Hotel, 2101 North Oak Street, Myrtle Beach, SC, where the conference will be held. The hotel will hold this block of rooms exclusively for conference registrants through June 4, 2013. Reservations received after this date will be based on room availability, so please book early! To make your reservation at the Sheraton call 1-888-627-8203. Be sure to mention "NCDA annual conference" to receive the special rate of $135 per night plus tax.

CDBG and HOME Training Available
NCDA will the following CDBG and HOME training in the spring.

CDBG Basics Course
Murfreesboro, TN
April 29-May 1

For more information and to register for this course, go to www.ncdaonline.org/cdbg.asp

HOME Basics Course
Plano, TX
June 19-21

For more information and to register for this course, go to www.ncdaonline.org/home.asp

NCDA Document Archive; Send in your Program Documents
There has been a flurry of requests on the NCDA Forum for examples of internal policy documents. To help provide one collection point for the documents, NCDA is asking members to send any documents they would like to share with other NCDA members to vicki@ncdaonline.org. We will post the documents to the NCDA website.

As HUD monitors grantees for updated policy and procedures manuals and other documents, it would be helpful to share already updated documents with one another. Please note that we are only seeking documents that have been recently updated (in the last three years). In particular, the following CDBG, HOME, ESG, HOPWA, and Continuum of Care documents would be helpful:

- internal policy and procedures manuals
- subrecipient documents (applications, grant agreements, etc.)
- procedures and policies for conducting a market analysis under the HOME program
- underwriting procedures and policies for HOME projects
- section 3 compliance procedures and documents

- procedures and policies for conducting an analysis of impediments to fair housing choice
- Davis-Bacon compliance procedures and documents
- rehabilitation policy and procedures and documents (including lead-based paint policy)

Thank you in advance for sharing your program documents with your fellow grantees.

OTHER NEWS

Attend NCRC's Annual Conference

At its meeting in January, NCDA's Housing Subcommittee agreed to work with the National Community Reinvestment Coalition (NCRC) through information sharing and education initiatives. As a follow-up to that commitment, NCDA would like to alert its members to the upcoming NCRC annual conference which will be held on March 21-23 in Washington, DC. The conference theme is "A Just Economy: Building Community Prosperity from the Ground Up."

NCRC's annual conference is one of the largest national gatherings of community non-profits, policymakers, government officials, small businesses, media, and academia – all focused on how to create a more just economic framework to improve the lives of American families, workers, older adults, children and the environment, by strengthening access to credit and capital.

The conference will offer a broad selection of exciting, cutting edge workshops and plenaries on access to capital and credit, housing, community organizing, workforce and community development, and business development. The foremost experts and practitioners will be on hand to share new developments, best practices, and innovative ideas that you won't want to miss. Joining the conference this year will be FDIC Chairman Martin Gruenberg, Consumer Financial Protection Bureau Director Richard Cordray, Comptroller of the Currency Thomas Curry, and Federal Reserve Board Governor Sarah Bloom Raskin. To see descriptions of the workshops that will be offered at the 2013 conference, visit: http://www.eventbrite.com/event/3479277613/Silver2013-schedule-of-events/

Funding Available for Financial Education and Wealth-Building Programs for Low-Income People

The Office of Community Services at the Administration for Children and Families within the Department of Health and Human Services is accepting applications for funding for the Assets for Independence (AFI) Program. The 2013 grant applications are March 25 and May 24.

The AFI program provides grants up to $1 million to eligible organizations to provide Individual Development Accounts (IDAs) and related supportive services for qualified individuals in their area. Participants in an IDA program receive matching funds on their savings for purchasing a home, furthering education, or starting a business. In addition to IDAs, grantees may also provide participants with money management training, assistance resolving credit and debt issues, and other assistance.

Eligible applicants include qualified state and local government agencies, non-profit organizations, community-based organizations, CDFIs, and low-income designated credit unions. Applicants must commit a non-Federal cash match contribution of an amount equal to their federal grant at the time of application. Visit the AFI Resource Center at www.idaresources.org for more information.

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

Program	FY12 Enacted Level	FY13 President's Request	FY13 Six Month CR (Through 3/27/13)*
Community Development Fund *Set-Asides:* Disaster Assistance Native American Block Grant Sustainable Communities SHOP University Community Fund EDI Grants Neighborhood Initiatives Rural Innovation Fund Formula Grants	$3.308 billion [$300 million] [$60 million] 0 0 0 0 0 0 $2.948 billion	$3.143 billion 0 [$60 million] [$100 million] [$35 million] 0 0 0 0 $2.948 billion	$3.308 billion 0 [$60 million] 0 0 0 9 0 0 $3.248 billion
Section 108 Loan Guarantees	$275 million	$500 million	$275 million
Brownfields	$0	$0	$0
HOME Program	$1.0 billion	$1.0 billion	$1.0 billion
Homeless Programs	$1.9 billion	$2.2 billion	$1.9 billion
SHOP	$53.5 million	$35 million**	$53.5 million
Housing Counseling	$45 million	$55 million	$45 million
Lead Hazard Control	$120 million	$120 million	$120 million
HOPWA	$332 million	$330 million	$332 million
Section 202 for the Elderly	$375 million	$475 million	$375 million
Section 811 for the Disabled	$165 million	$150 million	$165 million
Fair Housing	$71 million	$68 million	$71 million
Section 8 TBRA	$17.2 billion	$17.2 billion	$17.2 billion
Section 8 Project-Based Assistance	$8.94 billion	$8.7 billion	$8.94 billion
Public Housing Capital	$1.875 billion	$2.07 billion	$1.875 billion
Public Housing Operating	$3.962 billion	$4.5 billion	$3.962 billion

HOPE VI	$0	$0	$0
Choice Neighborhoods	$120 million	$150 million	$120 million
Native American Housing Block Grant	$648 million	$650 million	$648 million
Native Hawaiian Housing Block Grant	$13 million	$13 million	$0
Indian Housing Loan Guarantees	$6 million	$7 million	$0
Native Hawaiian Loan Guarantees	$386 thousand	$1 million	$0

*The CR provides a 0.6 percent increase for all federal programs. This increase has not been calculated in the chart.
**The Administration's FY13 budget funds SHOP as a set-aside within the CDBG Program.