



Federal Policy Update for Affordable Housing and Community Development

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Impact Capital
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American Recovery and Reinvestment Act (ARRA)

- \$787 B total
- Stimulus, safety net, infrastructure, long-term priorities: health, energy, education
- Speed, compliance, oversight
- Tried and true vs. bold and new

Low Income Housing Tax Credits

- Context: investment crunch stalls deals
- HUD: \$2.25 B grants (\$43 M to Washington)
- Treasury: states can exchange LIHTC authority for cash
 - 100% of unused previous authority
 - 40% of 2009 authority
- No incentives to attract investments

Neighborhood Stabilization Program

- Acquire/rehab foreclosed/abandoned homes – enacted 2008: \$3.9 B
- \$2 B more through ARRA
- Up to 10% to build local capacity
- Competitive among states, localities, and nonprofits
- Repeals 2008 “program income” rule

New Markets Tax Credits

- Primarily for economic development in low-income communities
- Additional \$1.5 B each for 2008, 2009
 - \$5 B total in each year
- 2008 only to unfunded applicants
- 2009 applications closed earlier in April

•Housing preservation

- \$2 B for PB Sec 8 renewals (\$22 M to WA)
- \$250 M energy efficient HUD assisted housing rehabilitation
- \$5 B weatherization through Energy Dept

•Public housing – \$4 B (\$40 M to WA)

•Emergency Shelter – \$1.5 B (\$25 M to WA)

•CDBG – \$1 B (\$16 M to Washington)

•CDFI grants - \$100 M (+\$107 FY09)

•Rural homeownership – \$11.5 B loans

•AmeriCorps – \$89 M

Homeowner Affordability and Stability Plan

- Refinancing Fannie/Freddie mortgages
- Loan Modifications

Refinancing Fannie/Freddie mortgages

- Reduces monthly payments based on current rates
- Available to owner-occupant borrowers who are current (not delinquent)
- LTVs up to 105% (instead of 80%)
- 15 or 30 year fixed rate structure
- GSE loan limit up to about \$730K
- Note additional federal support for F/F
- Note Treasury purchasing F/F securities

Loan Modifications – \$75 B

Available to homeowners

- now paying $>31\%$ or underwater
- current and delinquent
- loan amounts up to F/F ceiling
- if total modification cost is lower than cost of foreclosure

Borrower payment reductions

- Lender reduces payment to 38% of income
- Lender and Treasury share cost of further reduction to 31% of income
- Minimum modified rate: 2%
- Lender may also reduce principal
- Borrower gets \$1000/year to reduce principal up to 5 years if makes current payments
- After 5 years, payment rises 1%/year to market rate at time of refinancing (about 5%)

Mandatory participation for TARP recipients; voluntary for other lenders

- Incentives: \$1000 upon modification plus \$1000/year for up to 3 years if borrower stays current
- \$500 to servicers + \$1500 to mortgage holders up front for current payers

To facilitate modifications of mortgages held in private securities:

- Sets a standard for determining net present value of mortgage
- Pending housing bill (HR 1106) would:
 - shield servicers from liability for implementing mortgage loan modifications or loss mitigation;
 - provide for bankruptcy cram-down

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