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Story of the Week

Banks Scramble To Grasp New Regs

Mortgage lenders have one year to digest, protest, try to change, and finally embrace a set of new rules governing the mortgage lending process, The final rule unveiled by the Consumer Financial Protection Bureau mandates banks to verify borrower ability to repay a mortgage by confirming income and assets.

When the rule takes effect in January 2014 -- banks pressed the CFPB for a one-year compliance window to incorporate the requirements into their systems -- lenders will have some legal cover for compliance. Lenders will have a legal safe-harbor for handling lower-risk loans.

Banks, credit unions and consumer groups have some praise for the qualified mortgage rule's legal umbrella but the praise is reserved as they dig through the legal complexities in the 804-page rule. Lenders also worry about the compensation, such as a 3% cap on points and fees that could crimp lending activities as their costs increase.

Lenders are wary about the interest rate threshold that would keep them under the safe harbor cloak. Rates can't go higher than 150 basis points above the Federal Reserve's benchmark rate and that restriction could keep prospective homeowners out of qualified mortgages, lenders say.

Beyond the concerns, the mortgage lending industry reacted with glee that the CFPB managed to get the rule out a year late. That lifts uncertainty about revving up the home

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loan process without knowledge of the new legal hurdles. Congress required the new rule in the Wall Street Reform & Consumer Protection Act of 2010 in response to lax loan underwriting standards that led to the 2008 financial crisis.

Info: www.cdpublications.com/docs/7770

Posted 1/10/13 6:17 PM

Budget

FY2013 Budget Showdown Likely

While lawmakers gird to wrestle with the nation's debt ceiling and the March 1 deadline for withholding of nearly 10% of FY 2013 appropriations to help ease the national debt, congressional aides scramble to find cuts in the FY 2013 budget proposal before the current stopgap spending law expires March 27. But sources tell *HAL* that the expected divide between what the House will proffer and what the Senate could accept is expected to be insurmountable and likely will lead to a yearlong continuing resolution.

Congressional sources describe a chasm between the House leadership and rank-and-file Republican members complaining they are being shut out of decision-making, setting the stage for an internecine conflict exacerbated by a partisan split as the issues near their deadlines.

Further complicating the FY 2013 budget issue is the prospect that Republicans will demand additional cuts in programs, particularly the Community Development Block Grant program, to make up for the $9.9 billion approved to aid Hurricane Sandy flood victims and any other aid efforts that can be linked to HUD programs when additional financial assistance is debated next week.

Meanwhile, the president's FY 2014 budget proposal, required by law to be submitted sometime between the first Monday in January and the first Monday in February, likely will be delayed because the White House and Congress have failed to come to terms with the broader financial issues, including final FY 2013 spending levels, which must be in place to set the FY 2014 budget request.

Passage of the American Taxpayer Relief Act changed the spending cap for FY 2014, requiring lawmakers to take apart the FY 2013 budget proposal in order to find $4 billion in spending cuts and apply $8 billion of spending cuts to the FY 2014 proposal. The cuts are expected to take a toll on several housing programs.

A group of senior lawmakers attempted to move an omnibus FY 2013 spending plan during the congressional lame duck session but failed because of the pervasive acrimony over the other financial issues. Congress likely will attempt a new omnibus effort but the prospect of adoption is dim.

Posted 1/9/13 4:55 PM

Community Development

Redevelopment Efforts On The Rise

Nearly three of four large metro regions saw increases in new housing development in previously developed areas during 2005-2009 compared to 2000-2004, an Environmental Protection Agency study shows.

New housing built in previously developed areas can provide significant environmental benefits and help expand housing choices while increasing the tax base, the EPA report, "Residential Construction Trends in America's Metropolitan Regions: 2012 Edition," says.

Higher home prices and increased rail transit investment follow redevelopment, says the EPA, a position supported by advocates for environmental sustainability and smart growth.

While redevelopment is on the rise, it still only accounts for 20% of new housing construction. Nearly 80% of new development occurred in areas previously undeveloped -- pastures, croplands, wilderness, and other open spaces.

Cities such as San Jose, CA, New York, Los Angeles, and San Francisco are seeing significant new home construction done in previously developed areas. Other areas such as Austin, TX and Prescott, AZ lag behind.

Many localities are adopting policies to encourage redevelopment, including designating areas as priority growth areas and targeting state infrastructure investments to redevelopment areas. *--Alexandra Wilding*

Info: www.cdpublications.com/docs/7771

Posted 1/11/13 09:18 AM

Eminent Domain

New Attention For Mortgage Rescue Concept

Following the lead of some California communities and other cities such as Chicago struggling with the fallout from the housing crisis, Brockton, MA officials are considering the use of eminent domain to seize underwater mortgages from banks and modify them for troubled homeowners.

Using a private financial partner, the mortgages would be restructured with lower interest rates to help people stay in their homes. With the highest foreclosure rate in the state, Brockton has 7,000 homeowners whose houses are assessed lower than the total due on their mortgages.

San Bernardino County, CA initiated the concept last year by considering creation of a public-private entity that would assist homeowners in keeping their homes by acquiring their mortgages through eminent domain.

The idea met a wall of resistance at the federal level prompting California Lt. Gov. Gavin Newsom (D) to write the Justice Department accusing Wall Street investors and a federal regulator of threatening to boycott communities where local governments were considering using eminent domain to refinance poorly performing mortgages.

Some industry experts have opposed such use of eminent domain, saying that mortgages in areas adopting the plan would become costlier and would dry up the availability of mortgage credit in the community, leading to a further decline in home values. Property owners could save nearly $16 million as a result of the refinancing of 1,500 bad loans in the community, officials say.

Posted 1/11/13 09:15 AM

Low-Income Housing

Housing Trust Funding Major 2013 Push

Low-income housing advocates are mobilizing to intensify their fight for seed money for the new National Housing Trust Fund, and elimination of much of the mortgage interest tax deduction is their central thrust for such financing. The effort likely will create battle lines between the housing lobby (homebuilders, lenders and Realtors) and the trust fund supporters. Builders count on the deduction as an incentive for homeownership.

Use of the mortgage interest deduction as a funding campaign hook by housing trust fund lobbies likely will attract considerable attention to the trust fund effort, which seeks an initial $1 billion to build or rehab 3.5 million homes in 10 ten years for extremely poor families. An additional $60 million will be sought to finance new Section 8 housing vouchers that would be provided to the new occupants.

Under the mortgage deduction blueprint crafted by the National Low-Income Housing Coalition -- the lobby designed the housing trust, fought an eight-year battle with Congress to get it adopted, and now spearheads the financing thrust -- the cap on the size of mortgages for which interest can be deducted would be cut to $500,000. Homeowners now can deduct up to $1 million interest on first and second homes.

The legislative bait is in the NLIHC’s proposal to convert the deduction into a 20% tax credit. The organization estimates the move would add 18 million homeowners to the mortgage tax rolls and would generate up to $30 billion a year that the NLIHC wants applied to the housing trust fund.

Under the tax credit, those homeowners -- 92% earn less than $100,000 a year -- would be eligible for a larger tax refund. Now, at least 75% of those homeowners are not eligible for the tax deduction because their standard deduction is higher than their itemized deductions combined, meaning they get no benefit from the mortgage interest break. In 2010, only 25% of households that filed a federal tax return claimed the deduction even though the homeownership rate was about 67%.

The proposal will be embodied in a measure to be submitted by Rep. Keith Ellison (D-MN) as a successor to HR 6677 introduced late last year as the “Common Sense Housing Investment Act.” One of the key elements of the effort will be in Section 8 housing voucher reform, slated to be another major legislative move this year. The heart of Section 8 reform will contain a proposal to make the assistance legal income for fair housing compliance purposes. While the income would not be taxable, its use to pay mortgage premiums under the NHTF’s homeownership program would make those homeowners eligible for a tax refund under the 20% tax credit proposal.

The trust fund legislation likely will receive an airing in the House and Senate this year. But approval in the House is unlikely with strong opposition anticipated from the Republic Study Conference, the ultra-conservative wing of the House GOP and the party’s primary policy overseer that considers the trust fund social engineering.

Posted 1/8/13 3:37 PM

Mortgage Finance

Bank Mortgage Settlements Round 2

Bank of America will pay Fannie Mae more than $10 billion to remedy bad loans its subprime mortgage arm sold the mortgage bundler that helped trigger the plunge of the housing market in 2008. In another move marking the federal government’s solution to the crisis, 10 banks will pay $8.5 billion to resolve allegations of foreclosure abuses that included fraudulent paperwork used in foreclosures and botched loan modifications.

The second such deal within a year is designed to help move banks from under a legal cloud and return them to mortgage loan liquidity.

Under agreement terms, BofA will pay Fannie Mae $3.6 billion cash and spend $6,75 billion to buy back mortgages its Countrywide Financial subsidiary sold the mortgage giant. BofA bought Countrywide in 2008 as the housing market plunged and agreed to assume all of its obligations. The bank has lost an estimated$40 billion from its Countrywide acquisition. The bank settled with Freddie Mac last year and this latest move is intended to resolve all of the lender’s disputes with Fannie Mae.

In another move, BofA will sell its servicing rights on about $306 billion of home loans in two deals reaping the bank $1.8 billion. Those servicing costs -- about $3.4 billion in the third quarter, weighed on the bank’s losses. Nationstar Mortgage Holdings is paying $1.3 billion to service about $215 billion of loans while Walter Investment will pay $519 million for the right to service about $93 billion of mortgages.

The pact with the 10 banks over bungled paperwork takes the total of such settlements to nearly $35 billion. The first settlement -- $26 billion -- was concluded last February with five major banks including BofA, JPMorgan Chase, Citibank and Wells Fargo. All four are involved in the second settlement, along with Aurora, MetLife Bank, PNC, Sovereign, SunTrust and U.S. Bank.

The settlement with the Federal Reserve and Office of the Comptroller of the Currency releases the banks from civil government claims over faulty foreclosures and mishandling request for loan modifications. The agreement terms calls for $3.3 billion to be applied to payments for homeowners who went through foreclosure in 2009 and 2010, while $5.2 billion will provide aid to troubled borrowers, including loan modifications and principal reductions. Qualifying homeowners could receive up to $125,000 in compensation.

Posted 1/7/13 4:45 PM

News Flashes

News Capsules From Coast To Coast

Washington

FHA Bailout Likely In Obama Budget: President Barack Obama likely will include a bailout of the Federal Housing Administration in his FY 2014 budget proposal in February. An administration source tells *HAL* that the FHA can't avoid a taxpayer bailout this year despite assurances from HUD officials that FHA risk reserves will bounce back by next year. The mortgage insurer faces a $16.3 billion shortfall because of reimbursements for soured loans.

HUD

Reverse Mortgage Lawsuit Restored: A three-judge panel of the U.S. Court of Appeals in Washington, DC has revived a previously dismissed lawsuit challenging HUD's reverse mortgage program. The AARP-sponsored lawsuit by two widows alleges that HUD rules on when reverse mortgages become due and payable contradict laws designed to protect spouses from foreclosure. The lawsuit cites a 1987 law declaring the term "homeowner" on a reverse mortgage document is meant to include the spouse of the homeowner. A federal district court judge had ruled that widowers were not borrowers on the loans and that the foreclosure belonged to the lender.

New HUD, Census Housing Database: Details of the HUD/Census Bureau's 2011 American Housing Survey are now on a special housing database created by the two agencies. Dubbed American FactFinder, the database covers a wide range of homeowner topics from plumbing to potential health hazards. The survey statistics cover apartments, single-family homes, manufactured housing, new construction, and vacant housing units. There were 115 million occupied homes in 2011. **Info:** http://factfinder2.census.gov

HUD Unveils Service Coordinator Funding: HUD seeks applicants for its Public and Indian Housing Resident Opportunity and Self Sufficiency (ROSS) Service Coordinators program. The application deadline is Feb. 19. Awards will finance annual salaries and benefits for service coordinators. Awards may be for up to three coordinators, and salaries can't exceed $70,000. Total awards for a three-year grant will range from approximately $246,000 to $738,000. At least 25% of the requested grant amount is required as a match in either cash or in-kind donations. The three years of funding includes administrative expenses and training. **Info:** www.grants.gov and search ROSS service coordinators.

Fannie/Freddie

More Than 2.5 Million Foreclosures Prevented: Fannie Mae and Freddie Mac prevented more than 2.5 million foreclosures over the four years since they were taken over by the Treasury Department to avert financial default. The Federal Housing Finance Agency says about 1.3 million of the loans benefited from permanent loan modifications. Excluding short sales to prevent foreclosure, Fannie and Freddie kept about 2.1 million families in their homes. **Info:** www.cdpublications.com/docs/7772

Low-Income Housing

New Housing Preservation Database Created: The National Low Income Housing Coalition and the Public & Affordable Housing Research Corporation link to create the National Housing Preservation Database. Information from nine federally subsidized housing programs at HUD and the Agriculture Department is assembled and inserted into the database. Data include contract expiration dates, loan maturity dates, recent physical inspection scores, number of units, type of owner, and other property or subsidy characteristics. **Info:** www.preservationdatabase.org

Indicators

Mortgage Rates Edge Up: December's positive employment report buttressed housing market confidence, sending interest rates higher says Freddie Mac's Primary Mortgage Market Survey. The addition of 155,000 jobs to the economy sends the 30-year fixed-rate mortgage to an average 3.40% for the week ending Jan.10, up from 3.34% a week earlier and up from the all-time low of 3.31% reached Nov. 21. The 15-year FRM averaged 2.66%, up from last week's 2.64%. **Info:** www.freddiemac.com

Community Development

Smart Growth Conference Slated for February: New Partners for Smart Growth will hold its 12th annual conference Feb. 7-9 in Kansas City, MO, featuring more than 90 sessions and about 400 speakers The conference will focus on identifying strategies for more sustainable development in the Midwest and across the nation. The deadline to register for the conference is Jan. 18. Sessions will focus on support for mix-income transit-oriented development, how to develop vibrant communities for the new economy, and land use planning for coastal communities. **Info:** www.newpartners.org/

East

Section 8 Denial Results In $22,500 Fine: Glenwood Apartments & Country Club in Old Bridge, New Jersey must pay the mother of a dead man $15,000 to settle a discrimination complaint that the complex denied the man tenancy by rejecting his Section 8 housing voucher as legal earnings. An administrative law judge determined that the man has sufficient financial resources to pay his 30% share of the rent under Section 8 terms. In addition, the landlord must pay the state $7,500.

MidAtlantic

New Tax Lawsuit Against Fannie And Freddie: Montgomery County, MD lawyers file a lawsuit seeking class-action status, alleging that Fannie Mae and Freddie Mac avoided paying transfer taxes in the state. The county joins a growing number of communities across the nation suing the firms for not paying the real estate transfer tax and the lawsuit likely will be incorporated into a class-action effort. Fannie and Freddie say they are exempt from the tax, which is assessed on documents, including deeds, at land record offices. **Info:** www.cdpublications.com/docs/7773

Midwest
LIHTC Success In Grand Rapids, MI Effort: State housing officials call housing projects financed with low-income housing tax credits in Grand Rapids, MI over the past five years one of the most successful low-income housing submarkets in the country. The Michigan State Housing Development Authority estimates that syndicates and investor groups leveraged $17.3 million of LIHTCs into nearly $148 million in equity for several housing projects. Low-income housing has become so plentiful that the state is mulling whether the city needs to balance out its housing stock with more market-rate properties.

Southwest
Palo Alto Seeks Affordable Housing Change: The city of Palo Alto, California debates changing its affordable housing law to offer developers more incentives. A density bonus is targeted to allow developers to seek concessions and exceed the city's zoning regulations. The proposal would put the city's incentives in the range of a 2004 state law that allows a maximum 35% density bonus for providing affordable housing.

Northwest
Portland Developers Vie For Housing Grants: The Portland, Oregon Housing Bureau receives 19 applications from developers for money to construct affordable housing. The city will award $26 million in grants, $15 million more than allocated a year ago, to strengthen its affordable housing portfolio. All but a $2 million federal subsidy is derived from the city's tax increment financing districts.

Posted 1/11/13 09:09 AM

Public Housing

HUD Launches Pilot Rental Program

Surrounded by housing leaders in Savannah, GA, HUD Secretary Shaun Donovan on Jan. 10, unveiled the initial step of the department's Rental Assistance Demonstration program designed as a long-term solution to the preservation of public housing properties.

While the initial effort will address about 13,000 apartments, HUD's goal is to get most traditional public housing into a public/private system financed with Section 8 housing vouchers rather than direct appropriations.
The initial venture with 68 public housing authorities is expected to generate more than $650 million in private capital in the near term. Ultimately, private investors would rehab the entire public housing stock, now nearly $26 billion behind in maintenance and preservation of deteriorating projects.

The public housing would be converted to private landlords holding long-term Section 8 contracts. PHAs would monitor the operations to ensure quality housing is maintained.

Posted 1/11/13 09:22 AM

Massachusetts PHAs On Chopping Block

A public housing overhaul blueprint unveiled by Massachusetts Gov. Deval Patrick (D) would eliminate the 240 public housing authorities in the state and replace them with six regional agencies and a central management office. A disclosure of inflated PHA salaries prompted Patrick to seek legislation providing greater central oversight of the state's 300,000 public housing tenants.

Patrick's bill would consolidate public housing management at the six sites and staff the local offices with managers and maintenance crews. All planning, budgeting and administration would emanate from the central locations.

Despite Patrick's popularity, and a Democratic legislature, the measure is headed for trouble in its early stages. The PHAs are local political plums and their boards are repositories of political appointees. The bill would eliminate more than 1,000 board commissioners -- mayors and town voters select four of five commissioners, the governor chooses the fifth -- a prospect local officials will try to block.

A nine-member board appointed by the governor with three members nominated by local governments would replace them. They would dictate policy to a central executive director and assistants. The state Housing & Community Development Department estimates that reorganization would cost up to $7 million.

Info: www.mass.gov/governor/

Posted 1/11/13 09:24 AM

Tax Credits

Year Reprieve For Higher LIHTC Credit

Low-income housing investors get a one-year reprieve on the 9% tax break for low-income housing tax credits. Congress decides to keep the higher level to allow for projects allocated LIHTCs in 2013 to take full advantage of the credits even if the project is not completed this year. Without the extension in the American Taxpayer Relief Act, only projects placed into service during the year would have benefited.
The law also extends through Dec. 31 the use of LIHTCs near military bases under a changed policy that bars a service member's basic housing allowance from being considered income when deciding if the service member is income eligible for LIHTC housing.

The tax break extension allows supporters of making the higher tax break permanent a larger platform to boost their effort. ACTION (A Call to Invest in Our Neighborhoods) Campaign is spearheading the effort to enhance the tax credit. ACTION, which is coordinated by Enterprise Community Partners and the National Council of State Housing Agencies, boasts more than 400 affordable housing groups as members.

The tax break was initiated in the 2008 Housing & Economic Recovery Act stimulus by temporarily setting the overall minimum break at 9% in place of the monthly floating rate, which is slightly more than 7.5%. It was designed to create jobs through affordable housing construction as the nation slid into the recession.

Attempting to keep the break at the higher rate permanently has its pitfalls. ACTION must persuade lawmakers absorbed with national debt issues and tax reform that the 9% break, and a creation of a similar tax floor for 4% allocated LIHTCs, is necessary. The issue likely will be part of the tax reform legislation expected in Congress this year.

Info: www.cdpublications.com/docs/7768

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