



Housing Advisory Group



We wanted to get our Housing Advisory Group members up to speed on the progress of the housing modernization efforts in the House and Senate. As we have reported there has been a flurry of activity in the last couple of weeks including the Senate Banking Committee passing, on a vote of 19-2, The Federal Housing Finance Regulatory Reform Act of 2008. This legislation would create an independent regulator for the GSEs, as well as create an affordable housing trust fund funded by Fannie Mae and Freddie Mac.

The creation of the housing trust fund is a huge step for our efforts as the Senate had previously resisted the creation of this fund, which has been a priority of House Financial Services Chairman Frank, and the industry, for some time. The Senate agreed to the creation of the fund as a way to fund a Federal Housing Administration program to insure up to \$300 billion in refinanced mortgages for distressed homeowners. The Senate proposal would have Fannie and Freddie deposit the equivalent of 4.2 basis points of each new dollar of business into the housing trust fund. In the first year, the fund would dedicate all of the funds to the FHA program (100 percent), and then a decreasing portion over the next two years: 50 percent in year 2 and 25 percent in year 3.

Following the initial year of the housing trust fund, the Senate provision dictates that 65 percent of the remaining trust fund dollars by formula go to states for affordable housing and the remaining 35 percent be distributed by the Treasury Department through a competitive grant program to community development institutions and housing non-profits for affordable housing and housing-related community development activities. At least 75 percent of the trust fund dollars must benefit families with incomes not greater than 30 percent of area median income (AMI) and the remaining 25 percent must benefit families with incomes not greater than 50 percent of AMI. Not more than 10 percent of the funds may be used for homeownership.

This is a very positive development for us as we push to enact comprehensive housing modernization legislation, including the LIHTC modernization provisions passed by the House this year. We believe the Senate will vote on the Banking Committee legislation when they return from the current Memorial Day recess. Following that, there are a number of courses the legislation could traverse. The Senate could send the legislation back to the House for them to approve and/or amend. The House and Senate could meet in a formal Conference Committee to iron out the differences between the many components that would make up the comprehensive housing stimulus bill, or the Chairs of the relevant committees could informally come to a compromise, with the approval of their leadership we assume, and then present the comprehensive stimulus package to both chambers for approval. Whatever course the legislation takes, we continue to press all sides on the importance of the LIHTC proposals.

We received another promising indication last week when House Financial Services Chairman Frank, while addressing a meeting of the American Bar Association Affordable Housing Forum, guaranteed that the LIHTC tax provisions would be a part of the final comprehensive housing stimulus package. This is similar to what Chairman Frank said at a lunch in Boston on Monday, May 19, when he indicated he saw room for compromise with the Senate on the FHA provisions and that he could not foresee a final housing stimulus bill that did not include LIHTC modernization language.

Now despite this positive news we must not become complacent. With the House and Senate in recess, and with many members in their home states and districts, we encourage you once again to contact your Members of Congress and your Senators and ask them to support the LIHTC provisions included in the House version of H.R. 3221. Calls to their district offices, as well as their DC offices, are helpful as we raise their level of awareness and signal the importance of this legislation. You may use the following links to find your representatives contact information: [www.house.gov/writerep and www.senate.gov/contacting/index.cfm].

These developments are also timely as we prepare for our annual Housing Advisory Group Washington Legislative Forum on June 12. We expect key legislative leaders on these issues to join us and we have confirmed that Speaker Pelosi will be at our evening reception. If you had not yet planned on joining us, we certainly hope you will do so now.

Thank you.

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