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November 26, 2008

To: Bruce Katz, Stacey Brayboy, President-Elect Obama Housing Transition Team

From: National NeighborWorks Association (NNA)

Subject: National Housing Policy Suggestions

The National NeighborWorks® Association (NNA) is a national association of over 170 NeighborWorks® organizations (NWOs) that advocate for better neighborhoods and housing for low- and moderate-income individuals and families. Our members use Neighborhood Reinvestment Corporation (dba NeighborWorks® America) funds to leverage private dollars in order to create new homeowners, revitalize distressed communities, and build single family and multi-family housing in urban, suburban and rural communities.

We recommend three *short-term* and four *long-term* solutions to addressing the housing and economic crisis and the role Housing and Urban Development (HUD) can play.

Current Housing Crisis (Short-Term)

As several economists have argued in the past several months, the housing crisis sparked the financial crisis, and as such, any truly effective federal response needs to be tailored around housing. The items below would work to save neighborhoods from further price decline and stimulate local economies, easing some of the challenges faced by cash-strapped local and state governments. NNA has prioritized the three options that would have the best and most immediate impact.

1. Create a mass loan modification program, using and improving on the proposed FDIC plan

Many of our members are partnering with the FDIC and their loan modification program under IndyMac. Others have been tapped to do similar loan modifications with other banks. HUD should work with the federal regulators, Treasury and local housing counseling agencies to create a workable mass loan modification program that best represents the interests of the homeowner and the American taxpayer.

2. Add to the Neighborhood Stabilization Program (at least \$5 billion) and improve its current regulations

The Housing and Economic Recovery Act and the \$3.92 billion included for neighborhood stabilization was an excellent start to stabilizing communities, but more federal investment is necessary to reverse the trend of declining and destabilizing neighborhoods. The scope of the foreclosure problem and glut of community-destabilizing REOs is simply too expansive.

3. Stimulate local economies by providing \$1 billion in capital to local housing non-profits

Because of the credit crunch, most of the housing and community development field is suffering from delayed or partially-completed rental and homeownership projects,

increased foreclosure counseling costs with increased demand, no economic development incentives, and increased operational costs of doing business. Tax credit projects which were budgeted at 95 cent credits are now facing 70 cent credits. Rural areas are losing affordable rental units as multi-family housing are converted to market-rate rents. An infusion of capital, to be used for homeownership or rental deals, rescue funds, relocation assistance, capacity building, REO acquisition, foreclosure counseling, direct homeownership lending, lease to purchase, shared-equity programs and other community development needs is critically necessary. This small amount of federal investment would stimulate local economies through increased jobs, increased tax base, increased spending, while simultaneously stabilizing the communities devastated by the foreclosure crisis.

Future of Housing Policy in America (Long-Term)

America has lacked a comprehensive housing policy strategy for several decades. We encourage HUD to become an active leader in addressing the *current* housing crisis, but also taking national housing policy from an “inside-the-beltway” bureaucracy to a grassroots-informed partner that understands local communities. This will require actively engaging local communities (governments, non-profits, private sector) in policy generation and implementation. We recommend that HUD create a federal housing policy that includes:

- 1. Increasing the investment in pre-purchase, post-purchase, and foreclosure homebuyer education and counseling.** Perhaps surprisingly, our members’ pre-purchase classes are at record demand: people value education now, and they need money management assistance. Yet private sector support for these programs has disappeared. The value of pre-purchase homeownership counseling has been resoundingly proven with the low foreclosure rates of low-income families assisted by NeighborWorks organizations compared to all other foreclosure measures.
 - Certified housing counselors using approved materials (such as NeighborWorks® America network members) can transform a family’s credit and capacity to keep a home for a lifetime.
 - HUD should require HUD certified counseling agencies to adopt the National Industry Standards for Homeownership Education.
 - The FHA Hope for Homeowners loan and other higher-risk mortgage products should require qualified housing counseling. Currently, HUD counseling is not required or recommended for any FHA mortgage product.
 - HUD should encourage reasonable, graduated fees and fee recovery to make housing counseling sustainable.

- 2. Rebuild and invest in the housing practitioner infrastructure.** NeighborWorks organizations, CDFIs and other housing non-profits have a 30-year track record of responsible investment, affordable housing production and neighborhood preservation.
 - Most of the housing and community development non-profit industry’s revenue sources (housing development fees, bank charitable grants, CRA-driven dollars) have evaporated in the last year. Increased federal investment in HOME, CDBG, CDFI, and other housing programs is critical to facing today’s challenges and sustaining the nation’s housing and rental stock.
 - Non-profit expertise in housing redevelopment, housing counseling and lending is lost as nonprofits lay off staff in response to economic conditions.
 - Consider making an investment in this infrastructure through TARP or other means. This industry is HUD’s best partner.
 - Review all HUD programs to expand these responsible partnerships.
 - Review CRA and expand to include more partners.
 - Affordable housing investment has a tremendous economic multiplier; not only supply-side programs but also lending programs, accessory uses, services and education programs.

3. Deliver the investment capital and rental assistance that is needed right now to sustain affordable and sustainable rental housing and homeownership.

- There are a large number of affordable housing projects in jeopardy due to the economy. Consider a direct federal investment or buyout of these projects-in-progress to preserve the resource.
- Federal programs should focus on the development of permanently affordable housing units that are developed and managed by organizations that have a long-term interest in supplying housing. Housing development provides both short term economic stimulus and long-term housing benefits.
- The federally-sponsored loan programs, specifically the Rural Development 502 and FHA programs should be continued, expanded and improved upon to more adequately serve today's marketplace.
- Rural Development and HUD rental assistance programs should be adequately funded to ensure there federal assistance matches the need.

4. Create an energy conservation loan and grant program with a multivariate purpose of renovating or replacing older homes, conserving energy and going "green".

- Millions of existing homes, including aging manufactured homes, are in need of renovation or replacement. Historically, Section 515 has been the key tool for improving the quality and quantity of rental housing in rural areas. However, since the mid-1990s the program has faced severe budget cutbacks, limiting USDA's ability to finance much-needed rehabilitation of existing properties and the construction of new properties to serve the 900,000 rural renters who live in substandard housing. A restoration and commitment to Section 515 is critically needed.
- Create tax credits (transferable) to incentivize developers/builders and everyday citizens to use alternative energy sources, solar, wind, geothermal for both single-family and multi-family production and preservation.

The NNA membership not only delivers the entire range of housing related programs, but equally important is our work strengthening urban, suburban and rural communities through comprehensive community building and organizing. In many communities, only a holistic and comprehensive housing work plan that intentionally integrates economic development, job training and service delivery can help stimulate the struggling economy and provide lasting housing stability. Main Street is our customer and we look forward to President-Elect Obama's efforts to utilize that grassroots knowledge to create an effective national housing policy that helps this constituency now and in the upcoming years.

We are pleased to have had the opportunity to comment on President-Elect Obama's housing policy. Feel free to contact me with any questions.

Sincerely,



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