

NAHB Efforts to Address Mortgage Credit Crunch

NAHB has been working non-stop during the past few months to address the mortgage credit crunch. Below is a snapshot presented in chronological order of key NAHB actions on the legislative, regulatory and public affairs fronts to mitigate the credit crunch over the past two months.

May 2008

May 16: Following protests from NAHB and other housing organizations, Fannie Mae announces that it is overturning a policy requiring higher downpayments on home mortgages in areas where house prices are falling. Fannie Mae scrapped its declining markets policy, which requires that maximum loan-to-value ratios for various mortgage products be reduced by 5 percent if the property was located in a market experiencing declining home prices. Starting June 1, Fannie will implement a new national policy that will allow up to 97 percent loan-to-value ratios on mortgages processed through its automated underwriting system, Desktop Underwriter (DU) and 95 percent LTVs for loans underwritten outside of DU. NAHB argued that Fannie's declining markets policy was exacerbating an already soft market by shutting out too many potential buyers.

May 14: Denver HBA President Matt Osborn, Colorado HBA President Tom Taylor, NAHB CEO Jerry Howard and Executive VP Bill Killmer participate in an editorial board meeting with the Denver Post. Discussions centered on the state of the housing industry in Colorado and the need to pass federal housing legislation to help consumers and jump-start the housing market and the economy.

May 14: NAHB sends a letter to members of the Senate Banking Committee seeking support for the Federal Housing Finance Regulatory Reform Act of 2008. The measure would help to stem foreclosures and get housing and the economy back on track by reforming Fannie Mae and Freddie Mac and allowing the FHA to help finance at-risk borrowers into viable mortgages.

May 9: NAHB First Vice President Joe Robson, CEO Jerry Howard, Advocacy VP Bill Killmer and Chief Economist Dave Seiders meet with Office of Thrift Supervision Director John Reich to express NAHB's deep concerns about the seriousness of today's AD&C credit crunch. They warned the banking regulator to guard against overreacting to the situation - a development that will only make matters worse by further depressing prices and increasing the number of distressed properties on the market. Three days later, Robson, Howard and Seiders delivered the same message to FDIC Chairman Sheila Bair and Comptroller of the Currency John Dugan.

The NAHB Senior Officers and senior staff are currently developing an action plan to further address the AD&C lending crunch. The strategy involves working with banking regu-

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lators and the Federal Reserve; conducting surveys and case studies; engaging the media; and reaching out to our association partners representing the real estate and banking community.

May 8: Months of intensive lobbying and advocacy efforts pay off as the House approves major housing legislation, H.R. 3221, the American Housing Rescue and Foreclosure Prevention Act. The bill contains several NAHB priorities, including a temporary first-time home buyer tax credit, FHA and GSE reform, expansion of the mortgage revenue bond program, and enhancement of the Low Income Housing Tax Credit and tax-exempt housing bond programs to maximize their effectiveness in addressing the nation's continuing affordable housing needs.

May 8: NAHB expresses support for steps recently announced by Fannie Mae to address severe problems in the nation's housing finance system. Fannie's Keys to Recovery Initiatives are a series of new programs designed to increase liquidity and stability in the mortgage and housing markets.

May 7: NAHB sends a letter to the House leadership prior to a floor vote on H.R. 3221, the American Housing Rescue and Foreclosure Prevention Act. NAHB urged lawmakers to support the bill and designated support for two key amendments dealing with tax and banking issues as key votes because of their importance to the housing industry. The overall bill, as well as the two amendments, were subsequently approved.

May 6: NAHB runs ads in Roll Call and Politico calling on Congress to act now on a housing stimulus package. The ads note that 1,200 builders were in Washington last week calling on Congress to enact legislation to jump-start housing, save jobs and restore confidence. The headline reads: "Did you get the message, Congress?"

May 3: An article in the Wall Street Journal highlights the success of NAHB's Legislative Conference. The story noted that 300 personal visits and 1,200 phone calls from NAHB members helped to move forward a sweeping housing stimulus package. "At the height of the deluge, House Financial Services Committee Chairman Barney Frank (D-Mass.) told the group (NAHB) that the package slated to reach the floor next week would contain most everything they wanted, including a \$7,500 first-time home buyer tax credit, effective this year," the article said. NAHB CEO Jerry Howard was also quoted in the story. "We made our point," he said. "Legislation languishing for four or five years is finally getting some attention."

May 1: NAHB names Rep. Barney Frank the 2008 Federal Official of the Year for his

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leadership during the 110th Congress in developing and passing legislation crucial to the home building industry. As chairman of the House Financial Services Committee, Frank has worked to provide reasonably-priced, affordable mortgage solutions to millions of potential home owners while greatly enhancing liquidity in the mortgage credit markets. Frank has also led efforts to modernize FHA and reform Fannie Mae and Freddie Mac.

April 2008

April 30: More than 1,200 builders meet with 300 members of Congress and thousands more flood the switchboards on Capitol Hill as part of NAHB's Legislative Conference. They delivered an urgent message: move quickly to avert an economic crisis and enact legislation to jump-start housing, save jobs and restore confidence. Washington policy-makers also received the message via ads that ran in Roll Call, Politico, CQ Today and, CongressDaily.

April 30: NAHB conducts a Satellite Media Tour in conjunction with its Legislative Conference. Several builders in Washington appeared with their congressional representative and were interviewed by media from their home markets to discuss local housing conditions and the need for Congress to move swiftly to enact a housing stimulus package. Jerry Howard was also interviewed in certain segments to provide the national perspective. The interviews aired nationally and in 10 local media markets, including Reno, Nev.; Sacramento, Calif.; Waco, Texas; Albuquerque, N.M.; Rochester, N.Y.; Lexington, Ky.; Chattanooga, Tenn.; Des Moines, Iowa; Orlando, Fla.; and northern Pennsylvania.

April 30: Scott Eckstein, president of the Illinois Home Builders Association, tells Congress that the credit squeeze on builder loans threatens to prolong the housing downturn. Testifying before the House Small Business Subcommittee on Finance and Tax, Eckstein said that the mortgage credit crunch has spilled over into land acquisition, land development and home construction (AD&C) lending and urged lawmakers to consider several avenues to broaden sources of AD&C credit. He also called on Congress to pass a housing stimulus package that would provide a temporary, home buyer tax credit; expand the carryback of net operating losses beyond the current two years; and expand the mortgage revenue bond program.

April 30: The Federal Reserve cuts short-term interest rates for the seventh time since September. NAHB issued a press release lauding the central bank's action to prop up the ailing economy and used the opportunity to note that 1,200 builders were in Washington to also call on Congress to do its part by moving swiftly to enact a housing stimulus package.

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April 29: S&P/Case-Shiller releases its monthly home price index report, which shows that home prices in the top 20 metropolitan areas were down 12.7 percent in February from February of 2007. To put these numbers into their proper perspective, NAHB issued updated talking points noting that all housing markets are local and that the housing downturn varies considerably from one market to the next. While some of the largest markets have struggled, others have posted modest declines.

April 24: Michael Hodgson, president of the Stockton, Calif.-based energy consulting firm ConSol, testifies on behalf of NAHB before the House Small Business Committee. He urged Congress to move quickly to pass a housing stimulus package that would provide a temporary home buyer tax credit, allow businesses to carry back net operating losses beyond the current two years and expand the mortgage revenue bond program. He also told lawmakers that the best way to help small home builders to promote residential energy efficiency is by extending tax incentives for new energy-efficient homes.

April 24: NAHB Chief Economist Dave Seiders hosts the Spring Construction Forecast Conference at the National Housing Center, which attracted several members of the media. Many panelists expressed support for Congress to do more to address the housing downturn, including enacting a stimulus package that contains a temporary home buyer tax credit to spur home sales.

April 21: Builders brief Fed chairman on state of industry. NAHB President Sandy Dunn led a cross-section of builders who met with Fed Chairman Bernanke to discuss the state of the nation's housing industry. Bernanke heard first-hand accounts of how the sharp housing downturn was affecting our members and their local economies and why bold action was needed to restore market liquidity and confidence.

April 16: Maryland builder and 2000 NAHB President Bob Mitchell testifies before the Senate Small Business Committee during a hearing on "Impacts of the Credit Crunch on Small Firms." Mitchell said that the mortgage credit crunch has spilled over into land acquisition, land development and home construction (AD&C) lending and urged lawmakers to consider several avenues to broaden sources of AD&C credit. He also called on Congress to pass a housing stimulus package that would provide a temporary, home buyer tax credit; expand the carryback of net operating losses beyond the current two years; and expand the mortgage revenue bond program.

April 15: NAHB Chief Economist Dave Seiders says the economy is now in a mild recession. To guard against a longer and deeper downturn, Seiders said in a press statement

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that Congress should take immediate steps to stimulate the economy through actions aimed at the ailing housing market. Specifically, Seiders urged lawmakers to enact a home buyer tax credit and to pass FHA and GSE reform.

April 14: NAHB CEO Jerry Howard was interviewed by USA Today and Bloomberg on last week's housing bills passed by the Senate and House Ways and Means Committee, pending foreclosure reform measures from House Financial Services Committee Chairman Barney Frank (D-Mass.) and Senate Banking Committee Chairman Chris Dodd (D-Conn.) and the current housing and economic outlook.

April 12: As part of its ongoing media campaign, NAHB runs a new ad in the National Journal. The copy reads: "Housing is the key to unlocking today's stalled economy. That's the message that home builders will be delivering to members of Congress during NAHB's Legislative Conference on April 30."

April 11: In an interview with the New York Times, NAHB CEO Jerry Howard provides the builder perspective on housing stimulus plans approved this week by the full Senate and the House Ways and Means Committee.

April 10: U.S. Senate passes housing bill on 84-12 vote. The Senate bill includes several NAHB priorities. It would modernize the FHA, create a temporary home buyer tax credit for purchasers of foreclosed homes, allow businesses to carry back net operating losses for four years and expand the mortgage revenue bond program.

Prior to the Senate vote, NAHB sent a letter to senators designating passage of the bill as a "key vote" because of its importance to the housing industry. In another "key vote" win, an amendment put forth by Sen. John Ensign (R-Nev.) to extend a number of energy efficiency incentives, including the new home energy tax credit, was approved by a vote of 88-8.

After the Senate bill passed, NAHB issued a press statement in support of the Senate legislation and the House bill that cleared the Ways and Means Committee a day earlier.

April 10: In a point-counterpoint, NAHB squares off with USA Today in the paper's editorial section on the need for the net operating loss carryback provision in the Senate housing bill. The headline under NAHB's opposing viewpoint from Jerry Howard read: "Keep Builders in Business. Carryback tax provision would save residential construction jobs."

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April 9: The House Ways and Means Committee approves legislation on a bipartisan 35-5 vote that will put in place important tools to address the nation's housing crisis. Before the vote, NAHB sent a letter to every committee member urging passage of the bill. The measure would create a temporary, first-time home buyer tax credit up to \$7,500 for the purchase of any home; make significant enhancements to the Low Income Housing Tax Credit and tax-exempt housing programs; expand the mortgage revenue bond program and provide tax relief for home owners who do not itemize their deductions.

April 8: NAHB submitted comments to the Federal Reserve on proposed Home Ownership and Equity Protection Act (HOEPA)/Truth in Lending Act (TILA) regulations. Comments were generally supportive of the Fed's efforts to strengthen mortgage lending standards and consumer protections, but raised concerns that the Fed's proposed definition of "high priced mortgage loans," which would be subject to additional consumer protections under HOEPA, was too broad and could capture a significant portion of the prime market, which is not the Fed's intent.

April 7: NAHB CEO Jerry Howard talks about the state of the housing market and Senate housing bill in an interview with the Washington, D.C. FOX News affiliate that aired on the 5 pm and 6 pm broadcasts.. Howard also did interviews with Reuters, Dow Jones and USA Today on the pending Senate legislation. In addition, NAHB Executive VP Bill Killmer was interviewed by AP on the same topic and NAHB tax economist Rob Dietz provided a background interview to The Washington Post on the relevant tax provisions in the Senate bill.

April 4: NAHB CEO Jerry Howard appears on Nightly Business Report to discuss the Senate housing bill and NAHB's housing priorities, and also does an interview with Builder magazine. NAHB Executive VP Bill Killmer also did an interview with Forbes on the same topic.

April 3: While debating the Senate housing bill, the Foreclosure Prevention Act of 2008, lawmakers vote to table an amendment offered by Sen. Richard Durbin (D-Ill.) to alter how primary residence mortgages are treated during bankruptcy. Because of the potential of this amendment to cause renewed turmoil in the credit markets, NAHB sent a letter to every Senator designating a vote against the Durbin amendment as a "key vote." The amendment subsequently failed on a 58-36 tally.

A letter was also sent to the Senate leadership refuting accusations by the Laborers International Union of North America (LiUNA) that the net operating loss carryback provi-

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sion was a bailout for the housing industry. LiUNA had distributed a document on Capitol Hill entitled, “A Multi-billion Dollar Bailout for Those at Fault: Corporate Homebuilders, the Housing Crash and the Mortgage Crisis.” NAHB noted that NOL is a “well-accepted economic stimulus proposal for responding to economic crises ... and “is critical to helping home builders of all sizes to weather this economic storm.” The NAHB letter went on to rebut point-by-point every allegation made in the LiUNA document.

April 3: Following introduction of the Senate housing plan, NAHB CEO Jerry Howard provided NAHB’s perspective on the legislation in interviews with Bloomberg TV, CNN, Roll Call, AP and CNN Money. In addition, NAHB Chief Economist Dave Seiders also discussed the Senate measure on CNBC’s Closing Bell.

April 2: NAHB’s intensive lobbying efforts paid dividends as the Senate unveils its bipartisan blueprint for housing legislation that includes several NAHB priorities: FHA modernization, creation of a temporary tax credit for the purchase of homes in foreclosure, expansion of the net operating loss carryback from two years to four years and expansion of the mortgage revenue bond program.

Prior to the bill’s introduction on the evening of April 2, NAHB CEO Jerry Howard embarked on a financial media tour in New York to discuss NAHB’s housing priorities and policy initiatives being debated on Capitol Hill. Howard did a live studio interview on CNBC’s Closing Bell with Maria Bartiromo and was also interviewed by the LA Times, CQ, AP, Bloomberg, CNN Money and Politico.

March 2008

March 29: Continuing our ongoing ad campaign calling on Congress to move quickly to jump-start housing and the economy, NAHB ran ads in the March 29 and April 5 issues of the National Journal urging lawmakers to “act now to break the downward spiral in the housing market before it is too late.”

March 26: The Office of Federal Housing Enterprise Oversight (OFHEO) issues its final guidance on conforming loan limit calculations. Based on comments it received from NAHB and other industry groups, OFHEO announced there would be no decrease from the current level of \$417,000 in 2009 and subsequent years. NAHB issued a press statement calling the OFHEO decision to reverse a proposal to establish new guidelines that could have resulted in lower conforming loan limits in future years as a “step in the right direction to ensure that there is an adequate availability of funds for the refinancing of loans and for new loans.”

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March 26: In an interview Congressional Quarterly, NAHB CEO Jerry Howard said the association will push for prompt congressional action to get housing and the economy moving again when Congress returns next week from its Easter break. Specifically, NAHB will be urging Congress to pass a temporary home buyer tax, enact FHA and GSE reform, expand the mortgage revenue bond program and allow businesses to carry back net operating losses for five years.

March 25: NAHB updated talking points on the S&P/Case-Shiller home price statistics following release of the monthly home price index, which showed that home prices in the top 20 metropolitan areas were down 10.7 percent in January from January of 2007. NAHB put these figures into proper perspective, noting that all housing markets are local and quoting Karl Case, who distributes the monthly price index along with Robert Shiller. In a recent interview with National Mortgage News, Case said: “There’s no question there’s no (housing) bubble in 43 states.” Case said that home prices have remained relatively flat in most places. In addition, NAHB Chief Economist Dave Seiders provided the builder perspective in an interview with ABC Radio.

March 24: The Federal Housing Finance Board (FHFB) votes to let the Federal Home Loan Banks use their existing capital to increase their holdings of Fannie Mae and Freddie Mac mortgage-backed securities (MBS) for two years, effective immediately. FHFB estimates this could inject more than \$100 billion into the MBS market. Following the FHFB announcement, NAHB issued a press release in support of the measure, noting that it will help to alleviate the mortgage credit crunch.

March 19: The Office of Federal Housing Enterprise Oversight (OFHEO) announces it will reduce Fannie Mae’s and Freddie Mac’s capital surcharge from 30 percent to 20 percent to allow them to purchase or guarantee more mortgages. Responding to the OFHEO plan, NAHB CEO Jerry Howard says this is a good start but OFHEO should have reduced the capital surcharge even further in light of the severity of the mortgage credit crunch. In addition, Howard called for Congress to move quickly on GSE reform and for Fannie and Freddie to rescind market delivery fees they recently added to prop up capital reserves. Howard called these fees a counterproductive tax on homeownership.

March 18: Senator Charles Schumer (D-N.Y.) calls for several NAHB-supported initiatives in an interview with CNBC. “Until we solve the subprime and mortgage crisis, we won’t solve anything here. Everyone agrees we have to do more to stabilize housing,” he said. Schumer called for lifting the 30 percent capital surcharge on Fannie Mae and Freddie Mac and expressed guarded support for Sen. Johnny Isakson’s (R-Ga.) tax credit proposal

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for home buyers. “Let’s debate it, maybe it will pass. We’re supporting lifting mortgage revenue caps, we’re supporting the loss carry forward,” he said, adding that a second stimulus package is something Congress should consider.

March 17-April 1: With Congress on a two-week recess, NAHB lobbyists continue to meet with Capitol Hill staffers to push for a housing tax credit, FHA and GSE reform and to consult on new legislative proposals to be put forth by Senate Banking Committee Chairman Chris Dodd (D-Conn.) and House Financial Services Committee Chairman Barney Frank (D-Mass.) to help ease mounting foreclosures.

Also, NAHB has launched a broad grassroots campaign for NAHB members to set up meetings with their senators and representatives in their home districts during this period and to deliver an urgent message: Until we solve the problem of falling home prices, we will continue to see further destabilization in the housing and financial markets, as evidenced by the collapse of Bears Stearns. Lawmakers are being urged to create a temporary home buyer tax credit, enact FHA and GSE reform, expand the mortgage revenue bond program and allow businesses to carry back net operating losses for five years.

March 17: Jerry Howard is interviewed by USA Today to discuss the need for Congress to take action to bolster housing and the economy. Howard urged lawmakers to move quickly once they return from their two-week Easter recess to take steps to shore up home prices, which will stabilize housing and financial markets. Specifically, he called on Congress to enact a temporary home buyer tax credit, and move quickly on FHA and GSE reform.