



City of Phoenix

To: Mayor and Council
Executive Team

Date: May 7, 2009

From: Karen Peters
Government Relations Director

Subject: FEDERAL UPDATE: MAY 1– MAY 7, 2009

This memorandum provides an update of the past week's federal activities – Congressional action, lobbying and national meetings. Please let me or Tom Remes know if you have any questions or need further information on specific legislation or issues.

MAY 1 – MAY 7, 2009

Formal Announcement – METRO to Receive \$36 million in Stimulus Funds

Today, Transportation Secretary Ray LaHood formally announced that transit projects around the country will receive \$742.5 million in American Recovery and Reinvestment Act of 2009 (ARRA) funds. Valley Metro Rail will receive \$36 million for the Phoenix-Central Phoenix/East Valley Light Rail. The City of Phoenix received an early announcement of this funding when Secretary LaHood was in town in March.

The grants will go toward projects for which the Federal Transit Administration has already entered into multi-year federal commitments known as “full funding grant agreements,” in Arizona, California, Colorado, New York, Oregon, Texas, Utah, Virginia and Washington State.

The ARRA grants announced today do not increase the federal commitment to the projects, but expedite funds committed under the agreement between the federal government and the transit agencies.

The arrival of federal funds will allow the transit agencies to save on financing costs while putting additional dollars into the local economy; will supplement local resources, which have declined during the economic downturn, and allow for a quicker investment in the project.

ARRA Oversight Bill

This week the House Oversight and Government Reform Committee passed the “Enhanced Oversight of State and Local Economic Recovery Act” (*HR2182*). The bill amends the American Recovery and Reinvestment Act of 2009 to allow State and local governments to set aside an amount up to 0.5 percent of such funds, in addition to any funds already allocated to administrative expenditures, to conduct planning and oversight to prevent and detect waste, fraud, and abuse.

President Obama's FY10 Budget

Today, full details of President's FY10 Budget were released. The White House's 1,380-page detailed budget is accompanied by a 131-page book called "Terminations, Reductions, and Savings," that details a focus on deficit reduction and fiscal responsibility while there are huge investments as part of the economic recovery plans. The book details plans to chop almost \$17 billion from 121 programs in the coming fiscal year – or less than one half of 1 percent of the overall spending figure.

Low Income Home Energy Assistance Program (LIHEAP) in President's Budget

The federal lobbying team has notified staff that the President's Budget funds LIHEAP at \$3.2 billion of which \$2.41 billion is for the block grant and \$790 million is for contingency. More details to follow...

House and Senate Adopt FY10 Budget Resolution

The House and Senate adopted the FY10 Budget Resolution last week and the Administration will release its detailed Budget request soon. The House and Senate Budget included several items important to Phoenix. Among them are:

Housing – The conference agreement supports efforts to provide additional investment in and oversight of housing assistance. Both the Senate and the House include reserve funds that allow for investments in the Affordable Housing Trust Fund. The Senate economic stabilization reserve fund also allows for additional investments in low-income rental assistance. The conference agreement also supports efforts to increase the capacity of the U.S. Department of Housing and Urban Development's (HUD's) Inspector General to investigate cases of Federal Housing Administration (FHA) loan fraud.

Community Development – The conference agreement provides increased funding levels that will provide needed investments in our communities and homeland security. The agreement provides increased funding, which could include full funding for the Community Development Block Grant (CDBG), and for grants to local governments to revitalize closed manufacturing plants. The conference agreement also includes \$2.0 billion in 2010 and \$5.0 billion in 2011 for a National Infrastructure Bank, if authorized, with an understanding that at least one quarter of the funding would be targeted to rural areas.

Low Income Home Energy Assistance Program (LIHEAP) – The FY10 Budget resolution provides \$5.1 billion in budget authority for the LIHEAP program. The Administration has requested \$3.2 billion and has called for a new emergency trigger. We are continuing to meet with our LIHEAP partners to press for full funding for the LIHEAP formula.

Transportation – The conference agreement recognizes that continued investment in infrastructure programs is important and includes House and Senate infrastructure reserve funds to accommodate legislation to reauthorize surface transportation programs and ensure the solvency of the Highway Trust Fund for the length of the surface transportation authorization. Beginning in 2010, the conference agreement restores the mandatory baseline for the federal-aid highway program so that its funding authority is in line with current projections of obligation limitations. In the Senate, it will not be in order for legislation that extends or reauthorizes surface transportation bills to appropriate budget authority for those

programs outside of the Highway Trust Fund. The conference agreement also does not adopt the administration's proposed change to scoring of contract authority and does not assume increases to fuel taxes.

The conference agreement continues the unprecedented commitment to high speed rail made in the economic recovery package by providing \$1 billion for high speed rail in 2010. Finally, as a part of the reauthorization of the Federal Aviation Administration, the conference agreement accommodates increases to the Airport Improvement Program (AIP).

Public Safety and Homeland Security – The conference agreement supports the Department of Justice's programs and initiatives that hire and equip police officers and that provide other important services to our communities. For example, the conference agreement supports drug control efforts in urban and rural areas by including funding for High Intensity Drug Areas (HIDTA) programs and drug interdiction efforts carried out by both the Departments of Justice and Homeland Security. In addition, the Community Oriented Policing Services (COPS) program includes hiring grants and grants to combat methamphetamine, the Edward Byrne Memorial Justice Assistance Grant (Byrne JAG) provides flexible resources to our communities to meet a variety of their criminal justice needs, the State Criminal Alien Assistance Program (SCAAP) reimburses states and localities for their incarceration costs, and Adam Walsh Child Protection and Safety Act programs prevents crimes against children.

The conference agreement includes funding for Violence Against Women Act (VAWA) and Family Violence Prevention and Services Act. These funds supplement support for violence prevention and services activities. In particular, the conference agreement supports the VAWA Long-Term Stability/Housing for Victims Program, which builds collaborations between domestic violence service providers, housing providers, and developers to leverage existing resources and create housing solutions that meet victims' need for long-term housing. Helping victims remain safe and stable over time is critical since victims of domestic violence often return to their abusers because they cannot find long-term housing.

Finally, the conference agreement provides additional funding to support the President's initiative to combat violence along the U.S.-Mexico border.

Energy and Water – The conference agreement includes significant increases for natural resources and environment programs, including a agreement provides additional resources for agencies such as the Army Corps of Engineers and the Bureau of Reclamation to invest in national water infrastructure priorities.

*Information in this section is cited from CONCURRENT RESOLUTION ON THE BUDGET FOR FISCAL YEAR 2010- HR Rept 111-89.

House and Senate Debate Housing Legislation

Senate – The Senate began debate on S. 896 on Monday, May 4. The bill implements a program solely to encourage loan modifications for eligible delinquent mortgages through the payment of insurance benefits and assignment of the mortgage to the Secretary and the subsequent modification of the terms of the mortgage according to a loan modification approved by the mortgagee. The bill also streamlines the application process and requirements for the Hope for Homeowners program enacted last summer ([PL 110-289](#)),

as well as increase borrowing authority of the Federal Deposit Insurance Corporation (FDIC) to \$100 billion, from \$30 billion, with the possibility of an increase to \$500 billion should regulators deem it necessary. The Administration through a Statement of Administration Policy (SAP) issued on May 1 signaled its support for the bill with the hope that changes could be made to the bill before becoming public law.

To date, eight amendments have been considered and voted on. The amendments that passed are as follows:

May 5, 2009 – Housing Loans Modification – Conflict of Interest Rules
Sen. John Ensign (R-NV), amendment no. 1043 to the Sen. Diane Boxer (D-CA), amendment no. 1038 to the Sen. Christopher Dodd (D-CN), substitute amendment no. 1018. The Ensign amendment would make minor and technical changes to the Boxer amendment. The Boxer amendment would outline conflict of interest rules for managers of the Treasury Department's public-private "legacy asset" purchasing program. It would direct \$15 million from the Troubled Assets Relief Program (TARP) for the TARP program's special inspector general to audit the Treasury's purchasing program. The substitute would increase the FDIC borrowing authority to \$100 billion, with the option of further increasing it to \$500 billion. It would also extend an increase in FDIC deposit insurance to Dec. 31, 2013. **Adopted 96-0.**
Note: Subsequently, the Boxer amendment, as amended, was adopted by unanimous consent.

May 6, 2009 – Housing Loans Modification – Foreclosed Property Notification
Sen. John Kerry (D-MA), amendment no. 1036 to the Dodd, substitute amendment no. 1018. The Kerry amendment would require that new successors could not claim interest in a property in the case of foreclosure on a federally related mortgage loan unless the tenants had received at least 90 days' notice to vacate the property. The amendment would not affect state and local laws and its provisions would expire on Dec. 31, 2012. The substitute would increase the FDIC borrowing authority to \$100 billion, with the option of further increasing it to \$500 billion. It would also extend an increase in FDIC deposit insurance to Dec. 31, 2013. **Adopted 57-39.**

The Senate is expected to pass the bill soon and conference negotiations are expected to begin in the next few weeks.

House – On the other side of the Capitol, the House began debate on the “Mortgage Reform and Anti-Predatory Lending Act” (HR 1728), which will enhance regulations on mortgage lending and curb abuses that encouraged millions of borrowers to take out mortgage loans they could not repay.

According to a *Congressional Quarterly* analysis, the bill would establish minimum requirements for home loans, expand certain limits on high-cost mortgages, hold mortgage securitizers more liable for fraudulent loans and impose new restrictions on securitization, in which mortgages and other loans are repackaged and sold as investments.

The bill would subject all mortgage loan originators – including individuals, banks and other companies – to a “federal duty of care,” which would require them to obtain proper licenses and registrations, present consumers with appropriate loans that they can afford, make full disclosures to consumers, certify to lenders their compliance with mortgage origination

requirements and include their “unique identifier” in loan documents. Originators who violate the duty of care would be financially liable to consumers.

It would ban yield-spread premiums, which lenders pay to mortgage brokers for getting homeowners into loans above market rates.

The bill would subject every residential mortgage to two new standards:

A consumer must have a reasonable ability to repay the loan, based on verified and documented information.

For refinancing, the loan must provide a “net tangible benefit” – as defined by federal banking agencies – to the consumer, and the cost of refinancing the loan must not exceed the newly advanced principal.

The bill would provide a limited “safe harbor” for qualified mortgages, which are defined as prime, fully documented 30-year fixed-rate mortgages that have no negative amortization or interest-only features. Under the bill, those loans are presumed to meet the “ability to repay” and “net tangible benefit” standards. The federal banking agencies would be able to revise the criteria for qualified mortgages in the future.

Under the bill, a creditor that violates the two new standards would be liable to the consumer for rescission of the loan, and for the cost of rescission to the consumer, unless the creditor provides a “cure” – defined as a no-cost modification or refinancing of the loan to provide terms that would satisfy the two standards. Assignees or securitizers – people to whom a loan may be sold or transferred – also may be liable for violations by the creditor, unless they provide the same type of cure.”

The House is expected to vote on the bill soon.

Travel Reminder

Please let the Office of Government Relations know if you or your staff are traveling to Washington D.C. We want to make sure that we use every opportunity to communicate and coordinate the City’s federal program.