



## City of Phoenix

**To:** Mayor and Council  
Executive Team

**Date:** May 29, 2009

**From:** Karen Peters  
Government Relations Director

**Subject:** FEDERAL UPDATE: MAY 22– MAY 28, 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 22 – MAY 28, 2009**

#### **Congressional Recess**

Congress adjourned on Friday, May 22 for a week long Memorial Day recess and will resume legislative business on Tuesday, June 2.

#### **New Market Tax Credit Program**

The U.S. Treasury Department's Community Development Financial Institutions (CDFI) Fund announced it received a total of 249 applications under the 2009 round of the New Markets Tax Credit (NMTC) Program. These applicants requested an aggregate total of \$22,496,767,600 in NMTC allocation authority. A total of \$5 billion of allocation authority is available this round including the \$1.5 billion in additional allocation authority authorized through the American Recovery and Reinvestment Act of 2009 (the Recovery Act). The City of Phoenix received a \$40 million NMTC allocation last year and has submitted another application for the 2009 round.

#### **Helping Families Save Their Homes Signed Into Law**

On May 20, President Obama signed into law the "Helping Families Save Their Homes Act of 2009" (S.896). The bill amends the HOPE for Homeowners Program, to (a) permit reduction of excessive fee levels, (b) provide greater incentives for mortgage servicers to engage in modifications under the Program, and (c) reduce administrative burdens to loan underwriters by making the requirements more consistent with standard FHA practices.

Before signing the bill into law the President said, "The Helping Families Save Their Homes Act advances the goals of our existing housing plan by providing assistance to responsible homeowners and preventing avoidable foreclosures. Last summer, Congress passed the HOPE for Homeowners Act to help families who found themselves "underwater" as a result of declining home values – families who owed more on their mortgages than their homes are worth. But too many administrative and technical hurdles made it very difficult to navigate, and most borrowers didn't even bother to try.

This bill removes those hurdles, getting folks into sustainable and affordable mortgages and more importantly, keeping them in their homes. And it expands the reach of our existing housing plan for homeowners with FHA or USDA rural housing loans, providing them with new opportunities to modify or refinance their mortgages to more affordable levels.”

Among the many provisions included in the bill, was language regarding the Neighborhood Stabilization Program (NSP) Refinements, which clarifies that states receiving the minimum allocation of NSP funding, that have otherwise fulfilled the targeting requirements of the program, may distribute any remaining funding to areas with homeowners at risk of foreclosure or in foreclosure. Maintains the statutory purpose of the NSP program, which is the rehabilitation and resale of abandoned and foreclosed properties.

The Arizona delegation voted as follows:

**Senate:** McCain- Yea, Kyl- Yea

**House:** Kirkpatrick- Yea, Franks-Nay, Shadegg-Nay, Pastor-Yea, Mitchell-Yea, Flake-Nay, Grijalva-Yea, Giffords-Yea

### **Low Income Home Energy Assistance Program (LIHEAP) Update**

As has been previously reported, the President’s FY 10 Budget allocates \$2.48 billion for the LIHEAP formula – which is the first time an Administration has requested enough money in the formula to break the hold harmless. In March, City staff and the federal lobbying team met with Health and Human Services Department staff and specifically requested that they allocate funding to the formula to provide more equity. If Congress funds the President’s request, Arizona’s share would be \$17.8 million. This is less than the State received last year when Congress provided \$5.1 billion for the Program but is more than double the amount Arizona typically receives.

### **ARRA Homebuyer Tax Credit Can Help First Time Homebuyers Buy A Home**

Today, U.S. Housing and Urban Development Secretary Shaun Donovan announced that the Federal Housing Administration (FHA) will allow homebuyers to apply the Obama Administration’s new \$8,000 first-time homebuyer tax credit toward the purchase costs of a FHA-insured home. Donovan said that today’s action will help stabilize the nation’s housing market by stimulating home sales across the country.

The American Recovery and Reinvestment Act of 2009 offers homebuyers a tax credit of up to \$8,000 for purchasing their first home. Families can only access this credit after filing their tax returns with the IRS. Today’s announcement details FHA’s rules allowing state Housing Finance Agencies and certain non-profits to “monetize” up to the full amount of the tax credit (depending on the amount of the mortgage) so that borrowers can immediately apply the funds toward their down payments. Home buyers using FHA-approved lenders can apply the tax credit to their down payment in excess of 3.5 percent of appraised value or their closing costs, which can help achieve a lower interest rate.

Currently, borrowers applying for an FHA-insured mortgage are required to make a minimum 3.5 percent down payment on the purchase of their home. Current law does not permit approved lenders to monetize the tax credit to meet the required 3.5 percent minimum down payment, but, under the terms of today’s announcement, lenders can now monetize the tax credit for use as additional down payment, or for other closing costs, which can help achieve a lower interest rate. Buyers financing through state Housing Finance Agencies and certain non-profits will be able to use the tax credit for their down

payments via secondary financing provided by the HFA or non-profit. In addition to the borrower's own cash investment, FHA allows parents, employers and other governmental entities to contribute towards the down payment. Today's action permits the first-time homebuyer's anticipated tax credit under the Recovery Act to be applied toward the family's home purchase right away. Unlike seller-funded down-payment assistance, which was a vehicle for abuse, this program will allow homebuyers to shop for the best home price and services using their anticipated tax credit.

According to estimates by the National Association of Home Builders, the Administration's homebuyer tax credit will stimulate 160,000 home sales across the nation - 101,000 of which will be first-time buyers who will receive the credit. Another 59,000 existing homeowners will be able to buy another home because a first-time buyer purchased their home. Given FHA's current market share, it's estimated that thousands of families will be able to purchase a home by allowing the anticipated tax credit to be applied toward their purchase together with an FHA-insured mortgage.