

NEIGHBORHOOD STABILIZATION ACT OF 2008

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MAY 1, 2008.—Committed to the Committee of the Whole House on the State of the Union and ordered to be printed

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Mr. FRANK of Massachusetts, from the Committee on Financial Services, submitted the following

R E P O R T

together with

DISSENTING VIEWS

[To accompany H.R. 5818]

[Including cost estimate of the Congressional Budget Office]

The Committee on Financial Services, to whom was referred the bill (H.R. 5818) to authorize the Secretary of Housing and Urban Development to make loans to States to acquire foreclosed housing and to make grants to States for related costs, having considered the same, report favorably thereon with an amendment and recommend that the bill as amended do pass.

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## AMENDMENT

The amendment is as follows:

Strike all after the enacting clause and insert the following:

**SECTION 1. SHORT TITLE AND TABLE OF CONTENTS.**

(a) **SHORT TITLE.**—This Act may be cited as the “Neighborhood Stabilization Act of 2008”.

(b) **TABLE OF CONTENTS.**—The table of contents for this Act is as follows:

- Sec. 1. Short title and table of contents.
- Sec. 2. Congressional purposes.
- Sec. 3. Loans and grants to States.
- Sec. 4. Qualified plans.
- Sec. 5. Allocation of amounts.
- Sec. 6. Loans.
- Sec. 7. Grants.
- Sec. 8. Eligible housing stimulus activities.
- Sec. 9. Shared appreciation agreement.
- Sec. 10. Spending requirements.
- Sec. 11. Servicer contact.
- Sec. 12. Accountability.
- Sec. 13. Definitions.
- Sec. 14. Funding.
- Sec. 15. Regulations and implementation.

**SEC. 2. CONGRESSIONAL PURPOSES.**

The purposes of this Act are—

- (1) to establish a loan and grant program administered by the Department of Housing and Urban Development to help States, metropolitan cities, and urban counties purchase and rehabilitate owner-vacated, foreclosed homes with the goal of stabilizing and occupying them as soon as possible, either through resale or rental to qualified families;
- (2) to distribute these loans and grants to areas with the highest levels of foreclosure and delinquent subprime mortgages;
- (3) to provide incentives for States, metropolitan cities, and urban counties to use the funds to stabilize as many properties as possible; and
- (4) to provide housing for low- and moderate-income families, especially those that have lost homes to foreclosure.

**SEC. 3. LOANS AND GRANTS TO STATES.**

The Secretary of Housing and Urban Development shall, subject to the availability of amounts under section 14, make grants under section 5(a) to qualified States and make loans under section 6 in accordance with the approved plans of qualified States, for use to carry out eligible housing stimulus activities under section 8.

**SEC. 4. QUALIFIED PLANS.**

(a) **IN GENERAL.**—The Secretary may make a grant under this Act only to a State, and may allocate a loan authority amount under this Act only for a State, that has submitted to the Secretary a plan that meets the requirements under this section and has been approved under this section. A State shall reallocate amounts under subsection (f) or (g) of section 5 only to a qualified metropolitan city or qualified urban county, respectively, that has submitted to the Secretary a plan that meets the requirements under this section and has been approved under this section.

(b) **CONTENTS.**—A plan under this section for an allocation recipient shall—

- (1) designate a housing finance agency of the allocation recipient, or other agency, department, or entity of the allocation recipient, or any other designee, as the allocation recipient administrator to act on behalf of the allocation recipient for purposes of this Act;
- (2) describe the housing stimulus activities under section 8 to be carried out with assistance under this Act for the allocation recipient by the entity identified pursuant to paragraph (1) of this subsection;
- (3) prioritize the allocation of funds to low- and moderate-income neighborhoods with high concentrations of foreclosures and describe how such activities will help restore or improve the viability of such neighborhoods by providing for purchase or occupancy of qualified foreclosed properties as soon as practicable and in a manner that will facilitate repayment of the loans provided under this Act for carrying out such activities;
- (4) set forth the procedures that the allocation recipient will use to allocate grant and loan amounts and monitor for compliance with the requirements of section 8;

(5) provide that grant and loan amounts provided under this Act for the allocation recipient will be used only for eligible housing stimulus activities under section 8 that are eligible under such section for assistance with grant or loan amounts, as applicable;

(6) contain such assurances as the Secretary shall require that the housing stimulus activities to be carried out with assistance under this Act shall not result in a significant net loss in rental housing in an area in which such activities are undertaken;

(7) give priority emphasis and consideration to metropolitan areas, metropolitan cities, urban areas, rural areas, low- and moderate-income areas, census tracts and other areas having the greatest need, including those—

- (A) with the greatest percentage of home foreclosures;
- (B) with the highest percentage of homes financed by subprime mortgage loans over 90 days delinquent; or
- (C) identified by the State, qualified metropolitan city, or unit of general local government as likely to face a significant rise in the rate of home foreclosures.

(8) provide preference for activities that serve the lowest income families, who otherwise meet the income requirements under section 8, for the longest period and homeowners, who otherwise meet such income requirements, whose mortgages have been foreclosed;

(9) provide preference for use of grant and loan amounts in connection with acquisition of qualified foreclosed properties that are acquired no earlier than 60 days after the owner of the property described in section 13(7)(B) acquired such ownership;

(10) describe any other preferences the allocation recipient may establish, such as housing for first responders, for veterans, for nurses serving underserved areas or homeless persons, or for homeless persons in accordance with the 10-year plan of the State to end homelessness, or providing housing for public school teachers or workforce who are employed by the city or locality in which the housing is located;

(11) provide for obligation and outlay of grant amounts, and for loan commitments and disbursement, in accordance with the requirements under section 10; and

(12) in the case of any grant or loan amounts that will be invested with the possibility of a return on investment, provide for use of any return on such investment only for one or more eligible housing stimulus activities under section 8.

(c) SUBMISSION.—

(1) IN GENERAL.—The Secretary shall provide for allocation recipients to submit plans under this section to the Secretary and shall establish requirements for the contents and form of such plans. Except in the case of plan resubmitted pursuant to subsection (d)(3), the Secretary may not accept or consider a plan unless the plan is submitted to the Secretary before the expiration of the 30-day period beginning upon the date of the enactment of this Act.

(2) PUBLIC APPROVAL.—An allocation recipient may not submit a plan to the Secretary unless the plan is approved by the chief executive officer of the allocation recipient after a public hearing on the plan held pursuant to reasonable public notice.

(d) REVIEW AND APPROVAL.—

(1) TIMING.—The Secretary shall review, and approve or disapprove, each plan submitted or resubmitted pursuant to paragraph (3) in compliance with the requirements established under this section before the expiration of the 30-day period beginning upon the submission of the plan. If the Secretary does not approve or disapprove a plan that is submitted or resubmitted in accordance with the requirements under this section before the expiration of such 30-day period and notify the allocation recipient of such approval or disapproval, the plan shall be considered approved for purposes of this section.

(2) STANDARD FOR DISAPPROVAL.—The Secretary may disapprove a plan only if the plan fails to comply with the requirements of this Act.

(3) RESUBMISSION.—If the Secretary disapproves the plan of an allocation recipient, the Secretary shall submit to the allocation recipient the reasons for the disapproval, and the allocation recipient may, during the 15-day period that begins upon notification of such disapproval and the reasons for such disapproval, submit to the Secretary a revised plan for review and approval in accordance with this subsection.

**SEC. 5. ALLOCATION OF AMOUNTS.**

(a) **GRANTS.**—From the total amount made available under section 14(a) for grants under this Act, the Secretary shall make a grant to each qualified State in the grant amount determined under subsection (c) of this section for the qualified State.

(b) **LOANS.**—From the aggregate amount of authority for the outstanding principal balance of loans made under this Act pursuant to section 14(b)(1), the Secretary shall allocate such authority for loans under this Act for each qualified State in the loan authority amount determined under subsection (c) of this section for the qualified State.

(c) **GRANT AMOUNTS AND LOAN AUTHORITY AMOUNTS.**—

(1) **IN GENERAL.**—The grant amount or loan authority amount for a qualified State shall be the foreclosure grant share or foreclosure loan share, respectively, for the State determined under subsection (d), as such share is adjusted in accordance with an index established or selected by the Secretary to account for differences between qualified States in the median price of single family housing in such States.

(2) **LIMITATION ON ADJUSTMENT.**— If such adjustment would result in a grant amount or loan authority amount for any State that exceeds 125 percent of the foreclosure grant share or foreclosure loan share, respectively, for the State, the grant amount or loan authority amount for the State shall be 125 percent of foreclosure grant share or foreclosure loan share, respectively, for the State and the Secretary shall increase the grant amounts or loan authority amounts for all other States on a pro rata basis, except as provided in paragraph (3), by the amount necessary to account for the aggregate of any such decreases in grant amounts or loan authority amounts for States to comply with the 125 percent limitation.

(3) **LIMITATION ON REALLOCATION.**—No increase in the grant amount or loan authority amount for any State from amounts reallocated pursuant to paragraph (2) shall result in the grant amount or loan authority amount for any State exceeding 125 percent of the foreclosure grant share or foreclosure loan share for the State, respectively.

(4) **PRIORITY PREFERENCE FOR UNUSED AMOUNTS.**—States which have their grant or loan amounts reduced under paragraph (2) shall be granted a priority preference for any loans or grants which may be reallocated under subsection (i) (relating to reallocation of funds).

(d) **FORECLOSURE SHARES.**—For purposes of this section:

(1) **GRANT SHARE.**—The foreclosure grant share for a qualified State shall be the amount that bears the same ratio to the total amount made available under section 14(a) as the number of foreclosures on mortgages for single family housing and subprime mortgage loans for single family housing that are over 90 days delinquent, occurring in such State during the most recently completed four calendar quarters for which such information is available, as determined by the Secretary, bears to the aggregate number of such foreclosures and such delinquent subprime mortgage loans occurring in all qualified States during such calendar quarters.

(2) **LOAN SHARE.**—The foreclosure loan share for a qualified State shall be the amount that bears the same ratio to the aggregate amount of the principal balance of loans that may be outstanding at any time under this Act pursuant to section 14(b)(1) as the number of foreclosures on mortgages for single family housing and subprime mortgage loans for single family housing that are over 90 days delinquent, occurring in such State during the most recently completed four calendar quarters for which such information is available, as determined by the Secretary, bears to the aggregate number of such foreclosures and such delinquent subprime mortgage loans occurring in all qualified States during such calendar quarters.

(e) **DISTRIBUTION OF FULL AMOUNT.**—The Secretary shall establish the index referred to in subsection (c) and the grant and loan authority amounts for the qualified States in a manner that provides that—

(1) the aggregate of the grant amounts for all qualified States is equal to the total amount made available under section 14(a); and

(2) the aggregate of the loan authority amounts for all qualified States is equal to the aggregate amount of authority for the outstanding principal balance of all loans made under this Act pursuant to section 14(b)(1).

(f) **REQUIREMENT TO ALLOCATE TO QUALIFIED METROPOLITAN CITIES.**—Of any grant amounts and loan authority amounts allocated pursuant to this section for a State, such State shall allocate for each qualified metropolitan city located in such State a portion of such grant amounts and such loan authority amounts that bears the same ratio to such grant amounts and loan authority amounts, respectively, allocated for the State as the number of foreclosures on mortgages for single family

housing and subprime mortgage loans for single family housing that are over 90 days delinquent, occurring in such qualified metropolitan city during the most recently completed four calendar quarters for which such information is available, as determined by the Secretary, bears to the aggregate number of such foreclosures and such delinquent subprime mortgage loans occurring in the State during such calendar quarters. A State may adjust such allocation to account for differences between median single family housing prices in the State and in qualified metropolitan cities in the State.

(g) **REQUIREMENT TO ALLOCATE TO QUALIFIED URBAN COUNTIES.**—Of any grant amounts and loan authority amounts allocated pursuant to this section for a State, such State shall allocate for each qualified urban county located in such State a portion of such grant amounts and such loan authority amounts that bears the same ratio to such grant amounts and loan authority amounts, respectively, allocated for the State as the number of foreclosures on mortgages for single family housing and subprime mortgage loans for single family housing that are over 90 days delinquent, occurring in such qualified urban county during the most recently completed four calendar quarters for which such information is available, as determined by the Secretary, bears to the aggregate number of such foreclosures and such delinquent subprime mortgage loans occurring in the State during such calendar quarters. A State may adjust such allocation to account for differences between median single family housing prices in the State and in qualified urban counties in the State.

(h) **ALLOCATION EXCEPTION.**—If the aggregate grant and loan authority amount to be allocated pursuant to subsection (f) or (g) to a qualified metropolitan city or qualified urban county is less than \$10,000,000, a State may, but is not required to, allocate such grant and loan authority amount to such qualified metropolitan city or qualified urban county, and the allocation for such State shall be increased by the grant and loan authority amount not allocated to such qualified metropolitan city or qualified urban county.

(i) **REALLOCATION OF UNUSED AMOUNTS.**—The Secretary shall recapture any grant amounts and loan authority amounts allocated to a State that are not used in a timely fashion in accordance with section 10, as the Secretary shall prescribe, and shall reallocate such amounts among all other qualified States in accordance with the provisions of this Act for allocation of grant amounts and loan authority amounts.

#### **SEC. 6. LOANS.**

(a) **REQUIREMENT OF LOAN AUTHORITY AMOUNT.**—The Secretary may make a loan under this Act for use in the area of an allocation recipient only to the extent and in such amounts that loan authority amounts for such allocation recipient are available.

(b) **REVOLVING AVAILABILITY OF LOAN AUTHORITY AMOUNT.**—The loan authority amount allocated for each allocation recipient shall—

(1) upon the Secretary entering into a binding commitment to make a loan under this Act for use in the area of such allocation recipient, be decreased by the amount of the principal obligation of such loan; and

(2) upon the repayment to the Secretary by any borrower of any principal amounts borrowed under a loan this Act for use in the area of such allocation recipient, be increased by the amount of principal repaid.

(c) **ASSISTED ENTITIES.**—The loan authority amount of an allocation recipient may be used for activities described in section 8(a) undertaken by—

(1) the allocation recipient;

(2) a unit of local government or a local governmental entity; or

(3) any other entity, as provided in the approved plan of the allocation recipient under section 4.

(d) **LOAN TERMS.**—Each loan provided under this Act from the loan authority amount of an allocation recipient shall—

(1) bear no interest;

(2) have a term to maturity of—

(A) 3 years, in the case of any loan made to purchase or finance the purchase of qualified foreclosed housing for use under section 8(a)(1) for homeownership; and

(B) 5 years, in the case of any loan made to purchase or finance the purchase of qualified foreclosed housing for use under section 8(a)(2) for rental;

(3) not provide for amortization of the principal obligation of the loan during such term;

(4) be non-recourse;

(5) require payment of the original principal obligation under the loan only upon the expiration of the term of the loan; and

(6) have such other terms and conditions as the Secretary may provide.

(e) **PROCEDURE.**—A qualified State or, upon its election, a qualified metropolitan city or qualified urban county shall—

- (1) enter into a loan agreement on behalf of the Secretary on terms established under this Act and any other terms such State, qualified metropolitan city, or qualified urban county determines appropriate;
- (2) disburse the loan amount in accordance with such terms, subject only to the absence of sufficient loan authority amount for such State, such qualified metropolitan city, or such qualified urban county;
- (3) monitor such loans; and
- (4) collect and transmit to the Secretary any loan repayments.

(f) **ELIGIBILITY FOR REPEAT LENDING.**—A loan under this Act may be made to an entity that has previously borrowed amounts under a loan under this Act only if such entity has repaid 90 percent or more of the amounts due under all previous such loans. The Secretary may waive such requirement upon a request by an allocation recipient if the borrower has demonstrated satisfactory progress in utilizing outstanding loans and sufficient capacity to utilize additional loan amounts effectively.

(g) **SUNSET.**—The Secretary may not enter into any commitment to make a loan under this Act, or make any such loan, after the expiration of the 48-month period beginning on the date of the enactment of this Act.

#### **SEC. 7. GRANTS.**

The grant amount of an allocation recipient may be used under section 8(b) by the allocation recipient, a unit of local government or a local governmental entity, or a nonprofit organization.

#### **SEC. 8. ELIGIBLE HOUSING STIMULUS ACTIVITIES.**

(a) **LOAN AMOUNTS.**—Amounts provided under a loan under this Act for an allocation recipient shall be used, in accordance with the approved plan of such allocation recipient, only for the following activities:

(1) **HOMEOWNERSHIP HOUSING PROVISION.**—To purchase or finance the purchase of qualified foreclosed housing for resale as housing for homeownership to families having incomes that do not exceed 140 percent of the median income for the area in which the housing is located.

(2) **RENTAL HOUSING PROVISION.**—To purchase or finance the purchase of qualified foreclosed housing for use as rental, lease-purchase, or rent-to-own housing, subject to the following requirements:

(A) **QUALIFIED TENANTS.**—All dwelling units in the housing purchased or financed using any loan amounts shall be available for rental only by families whose incomes do not exceed 100 percent of the median income for the area in which the housing is located.

(B) **RENTS.**—Rents for each dwelling unit in the housing purchased or financed using any loan amounts shall be established at amounts that do not exceed market rents for comparable dwelling units located in the area in which the housing is located and in accordance with such requirements as the Secretary shall establish to ensure that rents are established in a fair, objective, and arms-length manner.

(3) **HOUSING REHABILITATION.**—To rehabilitate qualified foreclosed housing acquired with assistance provided pursuant to this subsection, to the extent necessary to comply with applicable laws, codes, and other requirements relating to housing safety, quality, and habitability, or to make improvements to the housing to increase the energy efficiency or conservation of the housing or provide a renewable energy source or sources for the housing, for the purpose of reselling the housing, to the extent possible, during the 3-month period that begins upon completion of rehabilitation and at a price that is as close as possible to the acquisition price of the housing.

(b) **GRANT AMOUNTS.**—Grant amounts provided under this Act to an allocation recipient shall be used, in accordance with the approved plan of such allocation recipient, only for the following activities:

(1) **OPERATING AND HOLDING COSTS.**—For costs of holding and operating qualified foreclosed housing acquired pursuant to subsection (a), including costs of management, taxes, handling, insurance, and other related costs.

(2) **COSTS RELATING TO PROPERTY ACQUISITION.**—For incidental costs involved in acquiring qualified foreclosed housing pursuant to subsection (a), including reasonable closing costs, except that grant amounts may not be used to pay any portion of the purchase price for the housing under section 13(7)(C).

(3) **ADMINISTRATIVE COSTS.**—For costs of the allocation recipient in administering loan authority amounts and grant amounts under this Act, except that the amount of grant amounts provided under this Act to an allocation recipient that may be used under this paragraph shall not exceed the amount equal to

8 percent of the sum of the grant amounts provided to the allocation recipient pursuant to subsection (a), (f), or (g) of section 5, as applicable, and the loan authority amount allocated to the allocation recipient pursuant to subsection (b), (f), or (g) of section 5, as applicable.

(4) **PLANNING COSTS.**—For planning costs of the State in connection with this Act, except that the amount of grant amounts provided under this Act to an allocation recipient that may be used under this paragraph shall not exceed the amount equal to 2 percent of the sum of the grant amounts provided to the allocation recipient pursuant to subsection (a), (f), or (g) of section 5, as applicable, and the loan authority amount allocated to the State pursuant to subsection (b), (f), or (g) of section 5, as applicable.

(5) **HOUSING REHABILITATION.**—For activities set forth in subsection (a)(3), except that an allocation recipient shall not use more than 20 percent of a grant amount allocation for such activities.

(6) **DEMOLITION.**—For costs of demolishing qualified foreclosed housing that is deteriorated or unsafe, but amounts may be used under this paragraph only if the Secretary determines that the neighborhood or other area in which the housing is located has a high incidence of vacant and abandoned housing (or other vacant and abandoned structures) and is experiencing a significant decline in population.

Notwithstanding any other provision of this subsection, grant amounts provided under this Act may not be used to provide assistance of any kind (including grants, loans, and closing cost financing) to provide amounts for downpayments for any homebuyers of single family housing.

(c) **PROHIBITED USES.**—The Secretary shall, by regulation, set forth prohibited uses of grant or loan amounts under this Act, which shall include use for—

- (1) political activities;
- (2) advocacy;
- (3) lobbying, whether directly or through other parties;
- (4) counseling services;
- (5) travel expenses; and
- (6) preparing or providing advice on tax returns.

(d) **INCOME TARGETING REQUIREMENT.**—

(1) **VERY LOW-INCOME FAMILIES.**—Not less than 50 percent of the total grant amounts an allocation recipient makes available under this Act shall be used for activities under subsection (b) in connection with providing housing for families whose incomes do not exceed 50 percent of the median income for the area in which the housing is located.

(2) **EXTREMELY LOW-INCOME FAMILIES.**—Not less than 50 percent of the total grant amounts an allocation recipient makes available under paragraph (1) shall be used for activities under subsection (b) in connection with providing housing for families whose incomes do not exceed 30 percent of the median income for the area in which the housing is located.

(3) **WAIVER.**—

(A) **IN GENERAL.**—The Secretary may establish a percentage for purposes of paragraph (2) that is less than 50 percent if an allocation recipient certifies that, in addition to any other requirements the Secretary may establish—

- (i) such allocation recipient has attempted to use all other federally related resources available to it in combination with the resources available under this Act to meet the requirements of paragraph (2); and
- (ii) the failure to comply with paragraph (2) will not result in an overall loss of housing affordable to families whose incomes do not exceed 30 percent of area median income in the area of such allocation recipient.

(B) **CONSIDERATION OF HOUSING NEEDS.**—In establishing an alternative percentage for purposes of paragraph (2) for an allocation recipient that meets the certification requirements of subparagraph (A), the Secretary shall take into consideration the housing needs in the area of such allocation recipient of families whose incomes do not exceed 30 percent of area median income.

(e) **USE FOR RURAL AREAS.**—An allocation recipient receiving any grant or loan amounts under this Act that includes any rural areas shall use a portion of its grant and loan authority amount for eligible activities located in rural areas that is proportionate to the identified need for such activities in such rural areas.

(f) **SECURITY.**—A qualified State, or at its election, a qualified metropolitan city or qualified urban county, shall record a lien in the name of the Secretary on any qualified foreclosed housing purchased or financed with a loan under this section

in the amount of the principal obligation under the loan and interest due under the loan.

(g) **QUALIFIED HOMEOWNERS.**—This Act may not be construed to prevent the resale of qualified foreclosed housing to a prior owner or occupant of such housing who meets the income requirements of this Act.

(h) **VOUCHER NONDISCRIMINATION.**—

(1) **PROSPECTIVE TENANTS.**—A recipient of amounts from a loan or grant under this Act may not refuse to lease a dwelling unit in housing assisted with any such loan or grant amounts to a holder of a voucher or certificate of eligibility under section 8 of the United States Housing Act of 1937 (42 U.S.C. 1437f) because of the status of the prospective tenant as such a holder.

(2) **CURRENT TENANTS.**—In the case of any qualified foreclosed housing for which funds made available under the Act are used and in which a recipient of assistance under section 8(o) of the U.S. Housing Act of 1937 resides at the time of acquisition or financing, the owner and any successor in interest shall be subject to the lease and to the housing assistance payments contract for the occupied unit. Vacating the property prior to sale shall not constitute good cause for termination of the tenancy unless the property is unmarketable while occupied or unless the owner or subsequent purchaser desires the unit for personal or family use. This paragraph shall not preempt any State or local law that provides more protection for tenants.

(i) **EFFECT OF FORECLOSURE ON PREEXISTING LEASE.**—

(1) **IN GENERAL.**—In the case of any foreclosure on any dwelling or residential real property acquired with any amounts made available under this Act, any successor in interest in such property pursuant to the foreclosure shall assume such interest subject to—

(A) the provision, by the successor in interest, of a notice to vacate to any bona fide tenant at least 90 days before the effective date of the notice to vacate; and

(B) the rights of any bona fide tenant, as of the date of such notice of foreclosure—

(i) under any bona fide lease entered into before the notice of foreclosure to occupy the premises until the end of the remaining term of the lease or the end of the 6-month period beginning on the date of the notice of foreclosure, whichever occurs first, subject to the receipt by the tenant of the 90-day notice under subparagraph (A); or

(ii) without a lease or with a lease terminable at will under State law, subject to the receipt by the tenant of the 90-day notice under subparagraph (A), except that nothing under this subparagraph shall affect the requirements for termination of any federally subsidized tenancy.

(2) **BONA FIDE LEASE OR TENANCY.**—For purposes of this subsection, a lease or tenancy shall be considered bona fide only if—

(A) the mortgagor under the contract is not the tenant;

(B) the lease or tenancy was the result of an arms-length transaction; or

(C) the lease or tenancy requires the receipt of rent that is not substantially less than fair market rent for the property.

(j) **PROHIBITION OF DEMOLITION OF PUBLIC HOUSING.**—Notwithstanding any other provision of this Act, amounts from a grant or loan under this Act may not be used to demolish any public housing (as such term is defined in section 3 of the United States Housing Act of 1937 (42 U.S.C. 1437a)).

#### **SEC. 9. SHARED APPRECIATION AGREEMENT.**

Notwithstanding any other provision of this Act, no amounts from a loan or grant under this Act may be used under section 8 for any qualified foreclosed housing unless such binding agreements are entered into, in accordance with such requirements as the Secretary shall establish, that ensure that the Federal Government shall, upon any sale or disposition of the qualified foreclosed housing by the owner who acquires the housing pursuant to assistance under this Act, receive an amount equal to 20 percent of the difference between the net proceeds from such sale or disposition and the cost of such acquisition of the housing pursuant to assistance under this Act, after deductions for expenditures paid or incurred after the date of such acquisition that are properly chargeable to capital account (within the meaning of section 1016 of the Internal Revenue Code of 1986) with respect to such housing. In the case of a for-profit owner, this section shall be applied by substituting “50 percent” for “20 percent”.



**SEC. 10. SPENDING REQUIREMENTS.**

(a) **IN GENERAL.**—Each allocation recipient that receives a grant under this Act or is allocated loan authority amounts under this Act pursuant to section 5(b) shall—

(1) commence obligation of such grant amounts and commitment of such loan authority amounts not later than the expiration of the 120-day period that begins upon approval of the approved plan of allocation recipient;

(2) obligate all such grant amounts and enter into commitments for all such loan authority amounts not later than the expiration of the 180-day period beginning upon such approval; and

(3) except as provided in subsection (b) of this section, outlay all such grant amounts and disburse all such loan authority amounts not later than the 24-month period that begins upon such approval.

This subsection shall not apply to loan authority amounts of an allocation recipient attributable, pursuant to section 6(b)(2), to repayment of principal amounts of loans under this Act.

(b) **EXCEPTION TO SPENDING REQUIREMENT.**—If an allocation recipient in good faith makes a request, in the plan submitted to the Secretary pursuant to section 4 or otherwise after approval of such plan, for extension of the period referred to in paragraph (1), (2), or (3) of subsection (a) of this section, the Secretary may extend the period for not more than 5 months.

**SEC. 11. SERVICER CONTACT.**

The servicer of a federally related mortgage loan (as such term is defined in section 3 of the Real Estate Settlement Procedures Act of 1974 (12 U.S.C. 2602)) shall notify the unit of general local government in which the property securing the mortgage is located upon becoming responsible for a qualified foreclosed property and provide such unit of general local government with the name and 24-hour contact information of a representative authorized to negotiate purchases.

**SEC. 12. ACCOUNTABILITY.**

(a) **REPORTING.**—Each allocation recipient that receives a grant or allocation of loan authority amount under this Act shall submit a report to the Secretary, not later than the expiration of the 12-month period beginning upon the approval of the qualified plan by the Secretary, regarding use of such amounts which shall contain such information, including information about the location and type of assisted properties and the income of families purchasing or renting housing assisted under this Act, as the Secretary shall require.

(b) **MISUSE OF AMOUNTS.**—If the Secretary determines that any amounts from a grant or loan under this Act for an allocation recipient or other recipient of grant or loans funds has been used in a manner that is in violation of this Act, any regulations issued under this Act, or any requirements or conditions under which such amounts were provided, the Secretary shall require the allocation recipient or other recipient of grant or loans funds to reimburse the Treasury of the United States in the amount of any such misused funds.

(c) **HOLD HARMLESS.**—Notwithstanding subsection (b), a State shall not be required to reimburse the Treasury of the United States for any misused funds such State is required to allocate to a qualified metropolitan city or qualified urban county under subsection (f) or (g) of section 5, respectively.

**SEC. 13. DEFINITIONS.**

For purposes of this Act, the following definitions shall apply:

(1) **ALLOCATION RECIPIENT.**—The term “allocation recipient” means—

- (A) a qualified State;
- (B) a qualified metropolitan city; and
- (C) a qualified urban county.

(2) **ALLOCATION RECIPIENT ADMINISTRATOR.**—The term “allocation recipient administrator” means the entity that is designated, pursuant to section 4(b)(1), in the approved plan of the allocation recipient to act for the allocation recipient for purposes of this Act.

(3) **APPROVED PLAN.**—The term “approved plan” means a plan of an allocation recipient that has been approved pursuant to section 4.

(4) **COVERED MULTIFAMILY HOUSING.**—The term “covered multifamily housing” means a residential structure that consists of 64 or fewer dwelling units.

(5) **LOAN AUTHORITY AMOUNT.**—The term “loan authority amount” means, with respect to an allocation recipient, the amount of loan authority available pursuant to section 14(b)(1) that is allocated for the allocation recipient pursuant to subsection (b), (f), or (g) of section 5, as applicable, as such amount may be increased or decreased pursuant to section 6(b).

(6) **NONPROFIT ORGANIZATION.**—The term “nonprofit organization” has the meaning given such term in section 104 of the Cranston-Gonzalez National Affordable Housing Act (42 U.S.C. 12704).

(7) **QUALIFIED FORECLOSED HOUSING.**—The term “qualified foreclosed housing” means housing that—

(A)(i) is single family housing that is not occupied by an owner, pursuant to foreclosure or assignment of the mortgage on the housing or forfeiture of the housing; or

(ii) is covered multifamily housing;

(B) is owned by a lender, mortgage company, investor, financial institution, or other such entity, or any government entity, pursuant to foreclosure or assignment of the mortgage on the housing or forfeiture of the housing; and

(C) has a purchase price—

(i) in the case of single family housing, that does not exceed 110 percent of the average purchase price for single family housing in the area in which the housing is located, as determined by the Secretary.

(ii) in the case of covered multifamily housing, that does not exceed the dollar amount limitation, for housing of the applicable size located in the area in which the housing is located, on the amount of a principal obligation of a mortgage eligible for insurance under section 207 of the National Housing Act (12 U.S.C. 1713), as in effect on the date of the enactment of this Act pursuant to such section 207(c)(3)(A) and section 206A of such Act (12 U.S.C. 1712a).

(8) **QUALIFIED METROPOLITAN CITY.**—The term “qualified metropolitan city” means an incorporated place, for which there is an improved plan, that—

(A) is among the 100 most populous incorporated places in the United States, as determined according to data from the most recent decennial census that is published before the date of the enactment of this Act; or

(B)(i) has a minimum population of 50,000, as determined according to data from the most recent decennial census that is published before the date of the enactment of this Act; and

(ii) has a foreclosure rate that exceeds 125 percent of the foreclosure rate for the entire State

(9) **QUALIFIED STATE.**—The term “qualified State” means a State for which there is an approved plan.

(10) **QUALIFIED URBAN COUNTY.**—The term “qualified urban county” means an urban county (as such term is defined in section 102 of the Housing and Community Development Act of 1974 (42 U.S.C. 5302)), for which there is an approved plan, that is among the 50 most populous urban counties in the United States, as determined—

(A) according to data from the most recent decennial census; and

(B) excluding the population of any qualified metropolitan city within such urban county, unless such metropolitan city has agreed to have its population included with the population of the county for the purposes of this Act.

(11) **SECRETARY.**—The term “Secretary” means the Secretary of Housing and Urban Development.

(12) **SINGLE FAMILY HOUSING.**—The term “single family housing” means a residential structure consisting of from one to four dwelling units.

(13) **STATE.**—The term “State” means any State of the United States, the District of Columbia, the Commonwealth of Puerto Rico, the Commonwealth of the Northern Mariana Islands, Guam, the Virgin Islands, American Samoa, and other territory or possession of the United States.

#### **SEC. 14. FUNDING.**

(a) **GRANTS.**—There is authorized to be appropriated to the Secretary of the Treasury \$7,500,000,000 for grants under this Act.

(b) **DIRECT LOANS.**—

(1) **LOAN COMMITMENT AUTHORITY LIMITATION.**—Subject only to the availability of sufficient amounts for the costs (as such term is defined in section 502 of the Federal Credit Reform Act of 1990 (2 U.S.C. 661a)) of such loans and the absence of qualified requests for loans, the Secretary shall enter into commitments to make loans under this Act, and shall make such loans, in an amount such that the aggregate outstanding principal balance of such loans does not at any time exceed \$7,500,000,000.

(2) **AUTHORIZATION OF APPROPRIATIONS FOR COSTS.**—There is authorized to be appropriated such sums as may be necessary for costs (as such term is defined

in section 502 of the Federal Credit Reform Act of 1990 (2 U.S.C. 661a) of loans under this Act.

**SEC. 15. REGULATIONS AND IMPLEMENTATION.**

(a) REGULATIONS.—The Secretary shall issue any regulations necessary to carry out this Act.

(b) IMPLEMENTATION.—Pending the effectiveness of regulations issued pursuant to subsection (a), the Secretary shall take such action as may be necessary to implement this Act by notice, guidance, and interim rules.

**PURPOSE AND SUMMARY**

H.R. 5818, the Neighborhood Stabilization Act of 2008, establishes a loan and grant program administered by the Department of Housing and Urban Development to help States purchase and rehabilitate owner-vacated, foreclosed homes. The goal of the bill is to stabilize and occupy these properties as soon as possible, either through resale or rental to qualified low- and moderate-income families.

The bill, as reported, establishes a \$15 billion HUD-administered program of which \$7.5 billion of the funds would be for loans and the other \$7.5 billion would be for grants. Each State's loan and grant authority is based on the State's percentage of nationwide foreclosures over the last four calendar quarters and the number of subprime loans delinquent over 90 days, adjusted to account for the State's relative median home price, except that the median home price factor may increase any state's share by no more than 25 percent. In the event of a surplus, States at the limit will receive a preference for any excess funds. States then allocate funds to government entities or for profit and nonprofit organizations for the purchase, rehabilitation, and resale of homeownership housing and the purchase, rehabilitation, and operation of rental housing. States are required to direct funds to qualified metropolitan cities and urban counties within their bounds. The bill requires a State to use a portion of the loan and grant authority for eligible activities in rural areas proportionate to the identified need in those areas.

Loans are non-recourse and zero-interest to finance acquisition and rehabilitation costs. The federal government would be paid back from resale or, in the case of rental properties, refinance proceeds. Loans for homeownership properties must be repaid within three years. For rental properties, the maximum loan term is five years. In addition, the federal government would receive a percentage of any appreciation a property owner realizes at resale. Grant funds may be used for property taxes and insurance during the pre-occupancy phase, operating costs such as property management fees, and State and grantee administrative and planning costs. Grants may also cover incidental costs involved in acquiring qualified foreclosed housing such as reasonable closing costs, and rehabilitation costs.

Homes purchased for resale must be sold to families with incomes that do not exceed 140 percent of local area median income (AMI). Properties purchased for rental must serve families having incomes at or below local AMI. Allocation recipients are required to give a preference to activities serving the lowest income families for the longest period and homeowners whose mortgages have been foreclosed. Allocation recipients may establish preferences for otherwise income-eligible first responders, veterans, public school

teachers, workforce, and homeless persons. At least 50 percent of the grant money must be targeted to house families at or below 50 percent of local AMI, and not less than half of this money must target families at or below 30 percent of local AMI. Under specified circumstances, HUD may establish an alternative percentage of less than 50 percent to serve extremely low-income families (those at or below 30 percent of local AMI.) The bill would also explicitly prohibit discrimination against voucher holders and provide eviction protections for tenants in foreclosed properties acquired with funds made available under the Act.

#### BACKGROUND AND NEED FOR LEGISLATION

A record number of American families are facing or are at risk of foreclosure. According to data from the Mortgage Bankers Association (MBA), the delinquency rate for mortgage loans on single-family properties stood at 5.82 percent of all loans outstanding in the fourth quarter of 2007, up almost 20 percent from one year ago. This is the highest total delinquency rate in the MBA survey in over 20 years. Further, this delinquency data does not take into account loans in the foreclosure process. The percentage of loans in the foreclosure process has risen over 70 percent in the last year and stands at the highest level ever. As part of its response to the housing crisis, the Committee held a two-day legislative hearing entitled "Using FHA for Housing Stabilization and Homeownership Retention", on April 9 and 10, 2008. In testimony before the Committee at the April 9th hearing, Chairman Sheila Bair of the Federal Deposit Insurance Corporation (FDIC) also cited data from the MBA and observed that over 20 percent of subprime adjustable rate mortgages (ARMs) were seriously delinquent in the fourth quarter of 2007, and over 14 percent of all subprime mortgages were seriously delinquent.

According to Mark Zandi of Economy.com, 550,000 first mortgage loans were in default as of the end of January 2008. This pace would leave 2.2 million defaults this year and could go as high as 3 million. In addition, Mr. Zandi also notes nearly 8.8 million homeowners, or 10 percent of all homeowners, are "underwater." Similarly, Governor Randall Kroszner of the Federal Reserve testified before the Committee on April 9, that more than 1.5 million foreclosures were started during 2007, up 53 percent from the previous year, and the consensus expectation is that the number of foreclosures in 2008 will likely exceed the number in 2007.

Rising delinquency and foreclosure rates have reverberated in the secondary market, decreasing the value of mortgage backed securities and reducing the availability of credit. Accordingly, lenders have tightened credit standards, making it more difficult for delinquent borrowers to refinance. Chairman Bair noted the sharp contraction in credit availability in her April 9th testimony, stating that the total U.S. mortgage debt originated in the fourth quarter of 2007 was \$450 billion, down 38 percent from the fourth quarter of 2006, and that the total issuance of subprime mortgage-backed securities fell by 89 percent in the fourth quarter of 2007 compared to the prior year.

At the same time, because of falling home prices in many parts of the country, many borrowers—even those current on their mortgages—find themselves unable to refinance into more affordable or

fixed-rate products because their outstanding mortgage loan balances exceed their homes' values. These borrowers' inability to refinance before a rate reset may be creating a downward cycle with increasing foreclosure rates, which in turn further lowers local property values, further eroding credit availability. In addition to lowering local home values and tax revenues due to declining assessed valuations, vacant foreclosed properties are a drain on local government resources. These properties attract crime, vandalism, and arson and contribute to the blight associated with abandoned properties.

As mentioned above, on April 9 and 10, 2008, the Committee held a two-day hearing on "Using the FHA for Housing Stabilization and Homeownership Retention." This hearing examined a discussion draft of the Housing Stabilization and Homeownership Retention Act distributed to the public on March 13, 2008. The second day of the hearings (April 10th) focused on Title III of the discussion draft, which became the basis for H.R. 5818. At the hearing, Maryland Governor Martin O'Malley testified that, "The proposed \$[15] billion fund administered by states to acquire, rehabilitate, and sell foreclosed homes will provide a critical tool to curtail the negative impacts foreclosures have on our neighborhoods and communities." In addition, Doug Garver of the Ohio Housing Finance Agency testified that the "legislation's proposed state loan and grant program would significantly strengthen and expand state HFA [housing finance agency] initiatives."

The Committee heard testimony from Mayors Thomas Menino and Oscar Goodman expressing concern that the discussion draft of the bill distributed all funding to States, rather than enabling cities and other Community Development Block Grant-eligible entities administer the funds. In response, H.R. 5818 as introduced requires States to automatically allocate funds to any of the most populous 25 cities in the country that lie within their bounds. During mark-up, such direct allocations were expanded to include: (1) the 100 most populous cities; (2) the 50 most populous counties; and (3) any city with a population greater than 50,000 and a foreclosure rate 1.25 times the statewide average.

The Committee also received testimony on the impact of the foreclosure crisis on low-income people. Doug Garver noted that that foreclosed properties are especially concentrated in lower-income neighborhoods, which were targeted by subprime lenders. Mr. Garver emphasized the need to have vacant properties quickly resold or put to some other productive use, otherwise they destabilize often already fragile communities by further depressing home values, discouraging investment, and contributing to vagrancy and crime. Sheila Crowley, testifying on behalf of the National Low Income Housing Coalition, presented testimony about the large percentage of housing counseling clients in crisis with incomes at or below 50 percent of the local area median income. The Committee also understands that the housing problems of low-income homeowners and renters due to foreclosures are increased by the well established problem of a shortage of affordable housing. Given both the immediate and long-standing housing crisis for low-income people, several witnesses at the April 10th hearing testified about the need to target foreclosed properties funds to low-income families.

The Committee is also well aware that many middle-income families and communities are seriously affected by the current foreclosure crisis. Given this reality, the Committee received recommendations for adopting legislation that includes broader targeting than what usually applies to federal housing programs, particularly in the homeownership area. In addition to helping middle-income families, as Mr. Garver noted in his testimony, broader income targeting for the funds to rehabilitate foreclosed properties may also help to promote economic integration.

The Committee received testimony on the need for protections for tenants when the owners of their homes lose their property to foreclosure. Although some states have enacted tenant protection laws that give these tenants a reasonable period of time to relocate, others have not. The forms of protection recommended included, among other things, providing tenants in the foreclosed property with adequate notice if being required to vacate and requiring the new owner to honor the terms of the existing lease, in both single family and multi-family properties.

#### HEARINGS

The Committee on Financial Services held a two-day hearing entitled “Using FHA for Housing Stabilization and Homeownership Retention” on April 9 and 10, 2008. The following witnesses testified on April 9th.

##### *Panel One*

The Honorable Sheila C. Bair, Chairman, Federal Deposit Insurance Corporation

The Honorable John C. Dugan, Comptroller, Office of the Comptroller of the Currency

The Honorable John M. Reich, Director, Office of Thrift Supervision

The Honorable Randall Kroszner, Board Member, Board of Governors of the Federal Reserve System

The Honorable Brian Montgomery, Assistant Secretary for Housing—Federal Housing Commissioner, United States Department of Housing and Urban Development

##### *Panel Two*

Mr. Brian Wesbury, Chief Economist, First Trust Advisors L.P.

Dr. Alan S. Blinder, Ph.D., Gordon S. Rentschler Memorial Professor of Economics and Public Affairs, Princeton University

Dr. Allen Sinai, Chief Global Economist, Strategist and President, Decision Economics, Inc.

The following witnesses testified on April 10th:

##### *Panel One*

The Honorable Martin O’Malley, Governor, State of Maryland

The Honorable Adrian M. Fenty, Mayor, District of Columbia

The Honorable Thomas M. Menino, Mayor, City of Boston, Massachusetts

The Honorable Oscar B. Goodman, Mayor, City of Las Vegas, Nevada

*Panel Two*

Mr. Doug Garver, Executive Director, Ohio Housing Finance Agency

Mr. David C. Lizarraga, Chairman, US Hispanic Chamber of Commerce

Ms. Sheila Crowley, President, National Low Income Housing Coalition

Mr. Hilary O. Shelton, Director, NAACP Washington Bureau

Mr. Victor Burrola, Director, Homeownership Network, National Council of La Raza

COMMITTEE CONSIDERATION

The Committee on Financial Services met in open session on April 23, 2008, and ordered H.R. 5818, the “Neighborhood Stabilization Act of 2008”, as amended, favorably reported by a record vote of 38 yeas and 26 nays.

COMMITTEE VOTES

Clause 3(b) of rule XIII of the Rules of the House of Representatives requires the Committee to list the record votes on the motion to report legislation and amendments thereto. A motion by Mr. Frank to report the bill, as amended, to the House with a favorable recommendation was agreed to by a record vote of 38 yeas and 26 nays (Record vote FC–90). The names of Members voting for and against follow:

Representative	Aye	Nay	Present	Representative	Aye	Nay	Present
Mr. Frank	X			Mr. Bachus		X	
Mr. Kanjorski	X			Ms. Pryce (OH)	X		
Ms. Waters	X			Mr. Castle		X	
Mrs. Maloney	X			Mr. King (NY)		X	
Mr. Gutierrez				Mr. Royce		X	
Ms. Velázquez				Mr. Lucas		X	
Mr. Watt	X			Mr. Paul		X	
Mr. Ackerman	X			Mr. LaTourette	X		
Mr. Sherman	X			Mr. Manzullo		X	
Mr. Meeks	X			Mr. Jones		X	
Mr. Moore (KS)	X			Mrs. Biggert		X	
Mr. Capuano	X			Mr. Shays	X		
Mr. Hinojosa	X			Mr. Miller (CA)		X	
Mr. Clay	X			Mrs. Capito		X	
Mrs. McCarthy	X			Mr. Feeney			
Mr. Baca	X			Mr. Hensarling		X	
Mr. Lynch	X			Mr. Garrett (NJ)		X	
Mr. Miller (NC)	X			Ms. Brown-Waite			
Mr. Scott	X			Mr. Barrett (SC)		X	
Mr. Green	X			Mr. Gerlach		X	
Mr. Cleaver	X			Mr. Pearce		X	
Ms. Bean	X			Mr. Neugebauer		X	
Ms. Moore (WI)	X			Mr. Price (GA)		X	
Mr. Davis (TN)	X			Mr. Davis (KY)		X	
Mr. Hodes	X			Mr. McHenry		X	
Mr. Ellison	X			Mr. Campbell			
Mr. Klein	X			Mr. Putnam			
Mr. Mahoney (FL)	X			Mrs. Bachmann		X	
Mr. Wilson	X			Mr. Roskam		X	
Mr. Perlmutter	X			Mr. Marchant		X	
Mr. Murphy	X			Mr. McCotter		X	
Mr. Donnelly	X			Mr. McCarthy		X	
Mr. Wexler	X			Mr. Heller		X	
Mr. Marshall	X						

Representative	Aye	Nay	Present	Representative	Aye	Nay	Present
Mr. Boren .....	X	.....	.....				
Mr. Foster .....	X	.....	.....				
Mr. Carson .....	X	.....	.....				

The following amendments were disposed of by record votes. The names of Members voting for and against follow:

An amendment by Mr. Price, No. 7, requiring offsets, was NOT AGREED TO by a record vote of 26 yeas and 34 nays (FC-86):

Representative	Aye	Nay	Present	Representative	Aye	Nay	Present
Mr. Frank .....		X	.....	Mr. Bachus .....	X	.....	.....
Mr. Kanjorski .....		X	.....	Ms. Pryce (OH) .....	.....	.....	.....
Ms. Waters .....		X	.....	Mr. Castle .....	X	.....	.....
Mrs. Maloney .....		X	.....	Mr. King (NY) .....	X	.....	.....
Mr. Gutierrez .....		X	.....	Mr. Royce .....	X	.....	.....
Ms. Velázquez .....		.....	.....	Mr. Lucas .....	X	.....	.....
Mr. Watt .....		X	.....	Mr. Paul .....	X	.....	.....
Mr. Ackerman .....		X	.....	Mr. LaTourette .....	.....	X	.....
Mr. Sherman .....		X	.....	Mr. Manzullo .....	X	.....	.....
Mr. Meeks .....		X	.....	Mr. Jones .....	X	.....	.....
Mr. Moore (KS) .....		.....	.....	Mrs. Biggert .....	X	.....	.....
Mr. Capuano .....		X	.....	Mr. Shays .....	X	.....	.....
Mr. Hinojosa .....		X	.....	Mr. Miller (CA) .....	X	.....	.....
Mr. Clay .....		X	.....	Mrs. Capito .....	X	.....	.....
Mrs. McCarthy .....		X	.....	Mr. Feeney .....	.....	.....	.....
Mr. Baca .....		X	.....	Mr. Hensarling .....	X	.....	.....
Mr. Lynch .....		X	.....	Mr. Garrett (NJ) .....	X	.....	.....
Mr. Miller (NC) .....		X	.....	Ms. Brown-Waite .....	.....	.....	.....
Mr. Scott .....		X	.....	Mr. Barrett (SC) .....	X	.....	.....
Mr. Green .....		X	.....	Mr. Gerlach .....	X	.....	.....
Mr. Cleaver .....		X	.....	Mr. Pearce .....	X	.....	.....
Ms. Bean .....		X	.....	Mr. Neugebauer .....	X	.....	.....
Ms. Moore (WI) .....		X	.....	Mr. Price (GA) .....	X	.....	.....
Mr. Davis (TN) .....		.....	.....	Mr. Davis (KY) .....	X	.....	.....
Mr. Hodes .....		X	.....	Mr. McHenry .....	X	.....	.....
Mr. Ellison .....		.....	.....	Mr. Campbell .....	.....	.....	.....
Mr. Klein .....		X	.....	Mr. Putnam .....	.....	.....	.....
Mr. Mahoney (FL) .....		X	.....	Mrs. Bachmann .....	X	.....	.....
Mr. Wilson .....		X	.....	Mr. Roskam .....	.....	.....	.....
Mr. Perlmutter .....		X	.....	Mr. Marchant .....	X	.....	.....
Mr. Murphy .....		X	.....	Mr. McCotter .....	X	.....	.....
Mr. Donnelly .....		X	.....	Mr. McCarthy .....	X	.....	.....
Mr. Wexler .....		X	.....	Mr. Heller .....	X	.....	.....
Mr. Marshall .....		X	.....				
Mr. Boren .....		X	.....				
Mr. Foster .....		X	.....				
Mr. Carson .....		X	.....				

An amendment by Mr. Hensarling, No. 8, regarding loans only at the same cost, was NOT AGREED TO by a record vote of 25 yeas and 37 nays (FC-87).

Representative	Aye	Nay	Present	Representative	Aye	Nay	Present
Mr. Frank .....		X	.....	Mr. Bachus .....	X	.....	.....
Mr. Kanjorski .....		X	.....	Ms. Pryce (OH) .....	.....	X	.....
Ms. Waters .....		X	.....	Mr. Castle .....	.....	X	.....
Mrs. Maloney .....		X	.....	Mr. King (NY) .....	X	.....	.....
Mr. Gutierrez .....		X	.....	Mr. Royce .....	X	.....	.....
Ms. Velázquez .....		.....	.....	Mr. Lucas .....	X	.....	.....
Mr. Watt .....		X	.....	Mr. Paul .....	X	.....	.....
Mr. Ackerman .....		X	.....	Mr. LaTourette .....	.....	X	.....
Mr. Sherman .....		X	.....	Mr. Manzullo .....	X	.....	.....
Mr. Meeks .....		X	.....	Mr. Jones .....	X	.....	.....
Mr. Moore (KS) .....		X	.....	Mrs. Biggert .....	X	.....	.....



Representative	Aye	Nay	Present	Representative	Aye	Nay	Present
Mr. Capuano		X		Mr. Shays	X		
Mr. Hinojosa		X		Mr. Miller (CA)	X		
Mr. Clay		X		Mrs. Capito	X		
Mrs. McCarthy		X		Mr. Feeney			
Mr. Baca		X		Mr. Hensarling	X		
Mr. Lynch		X		Mr. Garrett (NJ)	X		
Mr. Miller (NC)		X		Ms. Brown-Waite			
Mr. Scott		X		Mr. Barrett (SC)	X		
Mr. Green		X		Mr. Gerlach	X		
Mr. Cleaver		X		Mr. Pearce	X		
Ms. Bean		X		Mr. Neugebauer	X		
Ms. Moore (WI)		X		Mr. Price (GA)	X		
Mr. Davis (TN)				Mr. Davis (KY)	X		
Mr. Hodes		X		Mr. McHenry	X		
Mr. Ellison				Mr. Campbell			
Mr. Klein		X		Mr. Putnam			
Mr. Mahoney (FL)		X		Mrs. Bachmann	X		
Mr. Wilson		X		Mr. Roskam			
Mr. Perlmutter		X		Mr. Marchant	X		
Mr. Murphy		X		Mr. McCotter	X		
Mr. Donnelly		X		Mr. McCarthy	X		
Mr. Wexler		X		Mr. Heller	X		
Mr. Marshall		X					
Mr. Boren		X					
Mr. Foster		X					
Mr. Carson		X					

An amendment by Mr. Hensarling, No. 9, requiring matching State funds for grants, was NOT AGREED TO by a record vote of 28 yeas and 36 nays (FC-88).

Representative	Aye	Nay	Present	Representative	Aye	Nay	Present
Mr. Frank		X		Mr. Bachus	X		
Mr. Kanjorski		X		Ms. Pryce (OH)	X		
Ms. Waters		X		Mr. Castle	X		
Mrs. Maloney		X		Mr. King (NY)	X		
Mr. Gutierrez		X		Mr. Royce	X		
Ms. Velázquez				Mr. Lucas	X		
Mr. Watt		X		Mr. Paul	X		
Mr. Ackerman		X		Mr. LaTourette		X	
Mr. Sherman		X		Mr. Manzullo	X		
Mr. Meeks		X		Mr. Jones	X		
Mr. Moore (KS)		X		Mrs. Biggert	X		
Mr. Capuano		X		Mr. Shays	X		
Mr. Hinojosa		X		Mr. Miller (CA)	X		
Mr. Clay		X		Mrs. Capito	X		
Mrs. McCarthy		X		Mr. Feeney			
Mr. Baca		X		Mr. Hensarling	X		
Mr. Lynch		X		Mr. Garrett (NJ)	X		
Mr. Miller (NC)		X		Ms. Brown-Waite			
Mr. Scott		X		Mr. Barrett (SC)	X		
Mr. Green		X		Mr. Gerlach	X		
Mr. Cleaver		X		Mr. Pearce	X		
Ms. Bean		X		Mr. Neugebauer	X		
Ms. Moore (WI)		X		Mr. Price (GA)	X		
Mr. Davis (TN)		X		Mr. Davis (KY)	X		
Mr. Hodes		X		Mr. McHenry	X		
Mr. Ellison				Mr. Campbell			
Mr. Klein		X		Mr. Putnam			
Mr. Mahoney (FL)		X		Mrs. Bachmann	X		
Mr. Wilson		X		Mr. Roskam	X		
Mr. Perlmutter		X		Mr. Marchant	X		
Mr. Murphy		X		Mr. McCotter	X		
Mr. Donnelly		X		Mr. McCarthy	X		
Mr. Wexler		X		Mr. Heller	X		
Mr. Marshall		X					

Representative	Aye	Nay	Present	Representative	Aye	Nay	Present
Mr. Boren .....		X	.....				
Mr. Foster .....		X	.....				
Mr. Carson .....		X	.....				

An amendment by Mr. McHenry, No. 13, requiring qualified foreclosed housing be resold at public auction, was NOT AGREED TO by a record vote of 24 yeas and 40 nays (FC-89).

Representative	Aye	Nay	Present	Representative	Aye	Nay	Present
Mr. Frank .....		X	.....	Mr. Bachus .....	X		.....
Mr. Kanjorski .....		X	.....	Ms. Pryce (OH) .....	X		.....
Ms. Waters .....		X	.....	Mr. Castle .....		X	.....
Mrs. Maloney .....		X	.....	Mr. King (NY) .....	X		.....
Mr. Gutierrez .....		X	.....	Mr. Royce .....	X		.....
Ms. Velázquez .....		X	.....	Mr. Lucas .....	X		.....
Mr. Watt .....		X	.....	Mr. Paul .....	X		.....
Mr. Ackerman .....		X	.....	Mr. LaTourette .....		X	.....
Mr. Sherman .....		X	.....	Mr. Manzullo .....	X		.....
Mr. Meeks .....		X	.....	Mr. Jones .....	X		.....
Mr. Moore (KS) .....		X	.....	Mrs. Biggert .....	X		.....
Mr. Capuano .....		X	.....	Mr. Shays .....		X	.....
Mr. Hinojosa .....		X	.....	Mr. Miller (CA) .....	X		.....
Mr. Clay .....		X	.....	Mrs. Capito .....	X		.....
Mrs. McCarthy .....		X	.....	Mr. Feeney .....			.....
Mr. Baca .....		X	.....	Mr. Hensarling .....	X		.....
Mr. Lynch .....		X	.....	Mr. Garrett (NJ) .....	X		.....
Mr. Miller (NC) .....		X	.....	Ms. Brown-Waite) .....			.....
Mr. Scott .....		X	.....	Mr. Barrett (SC) .....			.....
Mr. Green .....		X	.....	Mr. Gerlach .....		X	.....
Mr. Cleaver .....		X	.....	Mr. Pearce .....	X		.....
Ms. Bean .....		X	.....	Mr. Neugebauer .....	X		.....
Ms. Moore (WI) .....		X	.....	Mr. Price (GA) .....	X		.....
Mr. Davis (TN) .....		X	.....	Mr. Davis (KY) .....	X		.....
Mr. Hodes .....		X	.....	Mr. McHenry .....	X		.....
Mr. Ellison .....		X	.....	Mr. Campbell .....			.....
Mr. Klein .....		X	.....	Mr. Putnam .....			.....
Mr. Mahoney (FL) .....		X	.....	Mrs. Bachmann .....	X		.....
Mr. Wilson .....		X	.....	Mr. Roskam .....	X		.....
Mr. Perlmutter .....		X	.....	Mr. Marchant .....	X		.....
Mr. Murphy .....		X	.....	Mr. McCotter .....	X		.....
Mr. Donnelly .....		X	.....	Mr. McCarthy .....	X		.....
Mr. Wexler .....		X	.....	Mr. Heller .....	X		.....
Mr. Marshall .....		X	.....				
Mr. Boren .....		X	.....				
Mr. Foster .....		X	.....				
Mr. Carson .....		X	.....				

During the consideration of the bill, the following amendments were also considered:

An amendment by Ms. Waters and Mr. Frank, No. 1, making technical and substantive changes, was AGREED TO by voice vote.

An amendment by Mr. Miller of North Carolina, No. 2, regarding qualified metropolitan cities, was AGREED TO by voice vote.

An amendment by Mr. Perlmutter, No. 3, regarding energy efficiency improvements, was AGREED TO by voice vote.

An amendment by Mr. Capuano, Mrs. McCarthy of New York, and Mr. Carson, No. 4, instituting preferences for housing, was AGREED TO by a voice vote.

An amendment by Mr. Wilson, No. 5, dealing with demolition costs and prohibition of demolition of public housing with funds or grants, was AGREED TO, as amended, by voice vote.

An amendment by Mr. Price, No. 5a, to amendment No. 5, was divided: the first portion was AGREED TO by voice vote and the second portion was WITHDRAWN.

An amendment by Mr. Wilson, Mr. LaTourette, and Ms. Pryce, No. 6, establishing a formula for grant share or foreclosure loan share, was AGREED TO by voice vote.

An amendment by Mr. Hensarling, No. 10, preventing the misuse of funds, was AGREED TO by voice vote.

An amendment by Mr. Hensarling, No. 11, providing a monetary penalty for misuse of funds, was AGREED TO, as modified, by voice vote.

An amendment by Mr. Hensarling, No. 12, prohibiting the use of grant amounts for downpayment assistance, was AGREED TO, by voice vote.

#### COMMITTEE OVERSIGHT FINDINGS

Pursuant to clause 3(c)(1) of rule XIII of the Rules of the House of Representatives, the Committee has held hearings and made findings that are reflected in this report.

#### PERFORMANCE GOALS AND OBJECTIVES

Pursuant to clause 3(c)(4) of rule XIII of the Rules of the House of Representatives, the Committee establishes the following performance related goals and objectives for this legislation:

H.R. 5818, the Neighborhood Stabilization Act of 2008, establishes a loan and grant program administered by HUD to help States purchase and rehabilitate owner-vacated, foreclosed homes. The goal of the bill is to stabilize and occupy these properties, as soon as possible, either through resale or rental to qualified low- and moderate-income families. As reported, H.R. 5818 establishes a \$15 billion, HUD-administered loan and grant program; requires States to allocate funds to government entities or for profit and nonprofit organizations for the purchase, rehabilitation, and resale of homeownership housing and the purchase, rehabilitation, and operation of rental housing; requires homes purchased for resale must be sold to families with incomes that do not exceed 140 percent of local area median income (AMI); requires properties purchased for rental must serve families having incomes at or below local AMI; and prohibits discrimination against voucher holders and provides eviction protections for tenants in foreclosed properties assisted with funds made available under this Act.

#### NEW BUDGET AUTHORITY, ENTITLEMENT AUTHORITY, AND TAX EXPENDITURES

In compliance with clause 3(c)(2) of rule XIII of the Rules of the House of Representatives, the Committee adopts as its own the estimate of new budget authority, entitlement authority, or tax expenditures or revenues contained in the cost estimate prepared by the Director of the Congressional Budget Office pursuant to section 402 of the Congressional Budget Act of 1974.

## COMMITTEE COST ESTIMATE

The Committee adopts as its own the cost estimate prepared by the Director of the Congressional Budget Office pursuant to section 402 of the Congressional Budget Act of 1974.

## CONGRESSIONAL BUDGET OFFICE ESTIMATE

Pursuant to clause 3(c)(3) of rule XIII of the Rules of the House of Representatives, the following is the cost estimate provided by the Congressional Budget Office pursuant to section 402 of the Congressional Budget Act of 1974:

U.S. CONGRESS,  
CONGRESSIONAL BUDGET OFFICE,  
*Washington, DC, May 1, 2008.*

Hon. BARNEY FRANK,  
*Chairman, Committee on Financial Services,  
House of Representatives, Washington, DC.*

DEAR MR. CHAIRMAN: The Congressional Budget Office has prepared the enclosed cost estimate for H.R. 5818, the Neighborhood Stabilization Act of 2008.

If you wish further details on this estimate, we will be pleased to provide them. The CBO staff contact is Daniel Hoople, who can be reached at 226–2860.

Sincerely,

PETER R. ORSZAG.

Enclosure.

*H.R. 5818—Neighborhood Stabilization Act of 2008*

Summary: CBO estimates that implementing H.R. 5818 would cost about \$8.4 billion over the 2009–2013 period, assuming appropriation of the authorized and necessary funds.

H.R. 5818 would authorize the Secretary of the Department of Housing and Urban Development (HUD) to make zero-interest loans to qualified states, counties, and cities to purchase and rehabilitate certain foreclosed homes. Homes purchased under this authority would be sold or rented to families with incomes below a specified percentage of the region's median income. Assuming appropriation of the necessary funds, CBO estimates that implementing this program would cost about \$1 billion over the 2009–2013 period for the loan subsidy and associated administrative costs.

The legislation also would authorize the appropriation of \$7.5 billion for the Secretaries of the Treasury and HUD to award grants to qualified states, counties, and cities to cover other costs related to purchasing and rehabilitating foreclosed homes under the direct loan program. Funds would be used to cover planning and administration, incidental costs of acquiring, operating, and holding foreclosed properties, and the costs of rehabilitating and demolishing properties. Based on historical spending data and information from local governments, CBO estimates that this provision would cost about \$7.3 billion over the 2009–2013 period. Enacting this legislation would not affect direct spending or revenues.

H.R. 5818 contains no intergovernmental or private-sector mandates as defined in the Unfunded Mandates Reform Act (UMRA).

Estimated cost to the federal government: The estimated budgetary impact of H.R. 5818 is shown in the following table. The costs of this legislation fall within budget function 450 (community and regional development).

	By fiscal year, in millions of dollars—				
	2009	2010	2011	2012	2013
CHANGES IN SPENDING SUBJECT TO APPROPRIATION					
Direct Loan Program:					
Subsidy Costs:					
Estimated Authorization Level .....	900	0	0	145	0
Estimated Outlays .....	505	360	35	80	60
Administrative Costs:					
Estimated Authorization Level .....	15	7	7	8	8
Estimated Outlays .....	14	8	7	8	8
Grant Program:					
Authorization Level .....	7,500	0	0	0	0
Estimated Outlays .....	675	1,725	2,250	1,725	940
Total Changes:					
Estimated Authorization Level .....	8,415	7	7	153	8
Estimated Outlays .....	1,194	2,093	2,292	1,813	1,008

Basis of estimate: For this estimate, CBO assumes that the legislation will be enacted before the end of calendar year 2008 and that the amounts specified and estimated to be necessary will be appropriated in each year.

H.R. 5818 would authorize the Secretaries of the Treasury and HUD to provide grants and direct loans to purchase and rehabilitate certain foreclosed homes. Eligible recipients would include states, urban counties, and metropolitan cities (including any city with a minimum population of 50,000 that has a foreclosure rate of more than 125 percent of the rate for the state in which it is located). Grant assistance also would be made available to non-profit organizations. Funding from the grant and loan programs would be allocated to those entities based on the number of single-family homes that are in foreclosure or were financed with a subprime mortgage that has been delinquent for more than 90 days.

#### *Direct Loan Program*

H.R. 5818 would authorize the appropriation of such funds as may be necessary for the Secretary of HUD to make zero-interest loans to states, counties, and cities. Under the bill, the volume of outstanding loans would be capped at \$7.5 billion and the authority to make new loans would expire four years after enactment. Loan proceeds would be used by state or local governments to purchase foreclosed homes. Those homes would be made available by those governments for sale to individuals with incomes below 140 percent of the area's median income, or for rent to those with incomes below 100 percent of the area's median income. Loan proceeds also could be used to rehabilitate homes to comply with applicable building codes and to increase energy efficiency. Federal loans used by state or local governments to purchase homes for resale or rent would have terms of three or five years, respectively. All loans made under the bill would be nonrecourse (the federal government could only seek recovery of the collateral in the event of a default),

bear no interest, and require principal payment only upon the expiration of the loan term.

Based on the loan terms specified in the bill, CBO estimates that the subsidy cost for the first cohort of loans made under this legislation would total \$900 million over the 2009–2013 period. That estimate includes a subsidy rate of about 12 percent (most of which is attributable to the fact that no interest would be charged on the loans) and assumes that most of the loan authority made available under the bill would be used.

Under the bill, HUD also would be authorized to make new direct loans as the principal from the original cohort of loans is repaid. Because the authority to make new loans would expire after four years, new loan authority would be limited to repayments made on the initial cohort of loans prior to the expiration of the program. The Federal Credit Reform Act of 1990 requires that new loan obligations may only be made to the extent that new budget authority is provided. As such, CBO assumes that additional appropriations would be provided by the Congress to cover the cost of those new loans. CBO estimates that additional loans made under this revolving authority would require appropriations of about \$145 million in 2012, with outlays of \$140 million over the 2012–2013 period.

#### *Grant Program*

H.R. 5818 would authorize the appropriation of \$7.5 billion for the Secretaries of the Treasury and HUD to make grants to states, counties, cities, and nonprofit organizations. Such funding would be used for planning and administration, incidental costs of acquiring foreclosed properties, costs of operating and holding those properties (including local property taxes and insurance), and rehabilitation and demolition costs. Based on historical spending patterns of community development and housing projects and information from several local governments, CBO estimates that implementing this provision would cost about \$7.3 billion over the 2009–2013 period.

Intergovernmental and private-sector impact: H.R. 5818 contains no intergovernmental or private-sector mandates as defined in UMRA. The bill would benefit state and local governments by authorizing grants and loans for purchasing and redeveloping foreclosed properties.

Estimate prepared by: Federal Costs: Daniel Hoople; Impact on State, Local, and Tribal Governments: Lisa Ramirez-Branum; Impact on the Private Sector: Keisuke Nakagawa.

Estimate approved by: Theresa Gullo, Deputy Assistant Director for Budget Analysis.

#### FEDERAL MANDATES STATEMENT

The Committee adopts as its own the estimate of Federal mandates prepared by the Director of the Congressional Budget Office pursuant to section 423 of the Unfunded Mandates Reform Act.

#### ADVISORY COMMITTEE STATEMENT

No advisory committees within the meaning of section 5(b) of the Federal Advisory Committee Act were created by this legislation.

## CONSTITUTIONAL AUTHORITY STATEMENT

Pursuant to clause 3(d)(1) of rule XIII of the Rules of the House of Representatives, the Committee finds that the Constitutional Authority of Congress to enact this legislation is provided by Article 1, section 8, clause 1 (relating to the general welfare of the United States) and clause 3 (relating to the power to regulate interstate commerce).

## APPLICABILITY TO LEGISLATIVE BRANCH

The Committee finds that the legislation does not relate to the terms and conditions of employment or access to public services or accommodations within the meaning of section 102(b)(3) of the Congressional Accountability Act.

## EARMARK IDENTIFICATION

H.R. 5818 does not contain any congressional earmarks, limited tax benefits, or limited tariff benefits as defined in clause 9 of rule XXI.

## SECTION-BY-SECTION ANALYSIS OF THE LEGISLATION

*Sec. 1. Short title and table of contents*

This Act may be cited as the “Neighborhood Stabilization Act of 2008”. The Table of Contents for this Act is as follows: Sec. 1. Short title and table of contents; Sec. 2. Congressional purposes; Sec. 3. Loans and grants to States; Sec. 4. Qualified plans; Sec. 5. Allocation of amounts; Sec. 6. Loans; Sec. 7. Grants; Sec. 8. Eligible housing stimulus activities; Sec. 9. Shared appreciation agreement; Sec. 10. Spending requirements; Sec. 11. Servicer contact; Sec. 12. Accountability; Sec. 13. Definitions; Sec. 14. Funding; and Sec. 15. Regulations and implementation.

*Sec. 2. Congressional purposes*

The purposes of this Act are to establish a HUD-administered loan and grant program to help States, metropolitan cities, and urban counties purchase and rehabilitate owner-vacated, foreclosed homes with the goal of stabilizing and occupying them as soon as possible, either through resale or rental to qualified families; distribute these loans and grants to areas with the highest foreclosure and delinquent subprime mortgage levels; provide incentives for States, metropolitan cities, and urban counties to use the funds to stabilize as many properties as possible; and provide housing for low- and moderate-income families, especially those that have lost homes to foreclosure.

*Sec. 3. Loans and grants to states*

Provides that HUD will make loans and grants to States in accordance with their approved plans for eligible housing stimulus activities.

*Sec. 4. Qualified plans*

HUD may make a grant or allocate a loan amount to a State that has submitted an approved plan that: (1) designates an administrator; (2) describes the stimulus activities to be carried out with

the assistance; (3) prioritizes the allocation of funds to low- and moderate-income with high concentrations of foreclosures, describes how these activities will help stabilize such neighborhoods rapidly, and describes how the loan funds will be distributed to facilitate repayment; (4) describes the procedures the State will use to allocate loan and grant amounts and monitor compliance; (5) provides that assistance will only be used for eligible activities; (6) contains such assurances as HUD shall require that the activities carried out under this Act will not result in a significant net loss in rental housing in areas where such activities are undertaken; (7) gives priority emphasis and consideration to metropolitan areas, metropolitan cities, urban areas, rural areas, low- and moderate-income areas, census tracts, and other areas having the greatest need, including those with the greatest percentage of home foreclosures, the highest percentage of homes financed by subprime loans over 90 days delinquent, or identified as likely to face a significant rise in the rate of home foreclosures; (8) provides preference to activities serving the lowest income families for the longest period and income-eligible homeowners whose mortgages have been foreclosed; (9) provides preference for use of grant and loan amounts in connection with the acquisition of foreclosed properties that are acquired no earlier than 60 days after the lender, mortgage company, investor, financial institution, or other such entity, or any government entity acquired ownership pursuant to foreclosure, assignment, or forfeiture; (10) describes any other preferences, such as housing for first responders, veterans, nurses serving underserved areas, homeless persons in accordance with the 10-year plan of the State to end homelessness, or public school teachers or workforce who are employed by the city or locality in which the housing is located; (11) provides for obligation and outlay of grant amounts and commitment and disbursement of loan amounts; and (12) provides for reinvestment of any returns on invested grant or loan amounts into eligible housing stimulus activities.

Plans must be approved by the chief executive office of the allocation recipient after a public hearing and submitted to HUD within 30 days of bill enactment. HUD must approve or disapprove the plan within 30 days of receipt or it is deemed approved, and an allocation recipient may submit a revised plan within 30 days of receiving a disapproval notice.

#### *Sec. 5. Allocation of amounts*

For each qualified State, HUD must make grants and allocate loan authority pursuant to a specified formula. Under the formula, HUD is to make funds available in amounts that bear the same ratio to the national grant and loan authority as the number of foreclosures on mortgages of single-family housing and subprime mortgage loans for single-family housing that are over 90 days delinquent occurring in such State during the most recent four calendar quarters bears to the number of such foreclosures and delinquent subprime mortgage loans in all qualified States during such calendar quarters, adjusted by a HUD-established index to account for differences between States' median home prices; except that the median home price factor may increase any State's share by no more than 25 percent. In the event of a surplus, States at the limit will receive a preference for any excess funds.



Requires a State to allocate to a qualified metropolitan city or qualified urban county within its bounds for which there is an approved plan grants and loan authority in an amount that bears the same ratio to the State grant and loan authority as the number of foreclosures on mortgages of single-family housing and subprime mortgage loans for single-family housing that are over 90 days delinquent occurring in such State during the most recent four calendar quarters bears to the number of such foreclosures and delinquent subprime mortgage loans in all qualified States during such calendar quarters. A State may adjust grant and loan allocations to a qualified metropolitan city or qualified urban county to account for differences between median single-family housing prices in the State and in the metropolitan city or urban county. However, if the combined allocation of the grant and loan authority amount to a qualified metropolitan city or qualified urban county would be less than \$10 million, a State may, but is not required to, allocate such grant and loan authority amount to such metropolitan city or urban county, and the allocation for such State is increased by the grant and loan authority amount not allocated to the metropolitan city or urban county.

HUD shall recapture any grant or loan authority amounts allocated to a State that are not used in a timely fashion. HUD shall reallocate such recaptured amounts among all qualified States in accordance with the allocation provisions of this Act.

#### *Sec. 6. Loans*

Requires that each allocation recipient's loan authority amount shall be decreased by the principal obligation of the loan upon entering into a binding commitment for use within the allocation recipient's area. Upon loan repayment to HUD, an allocation recipient's loan authority will increase by the amount of loan principal repaid. An allocation recipient may enter into a loan agreement on behalf of HUD with the State, a unit of local government or local governmental entity, or any other entity as provided in the approved plan. Loans are non-recourse and non-amortizing, bear no interest, have a term of maturity of three years for homeownership housing and five years for rental housing, and require payment of original principal only at the end of the loan term. An allocation recipient shall disburse loan amounts, monitor such loans, and collect and transmit to HUD loan repayments.

A loan may be made to an entity that previously borrowed loan amounts if the entity repaid 90 percent of more of the amounts due under all previous loans. HUD may waive this requirement upon request by an allocation recipient if the borrower has demonstrated satisfactory progress in using outstanding loans and sufficient capacity to use additional loan amounts effectively. HUD may not make any loans or enter into any loan commitments after the expiration of a 48-month period following bill enactment.

#### *Sec. 7. Grants*

The grant amounts may be used by an allocation recipient, a unit of local government or a local government entity, or a nonprofit organization.

*Sec. 8. Eligible housing stimulus activities*

Loan amounts may be used to purchase qualified foreclosed housing for (1) resale as homeownership housing to families having incomes at or below 140 percent of local area median income (AMI) and (2) use as rental, lease-purchase, or rent-to-own housing for families having incomes at or below 100 percent of local AMI at rents that do not exceed comparable market rents. Loan amounts may also be used to rehabilitate qualified foreclosed housing to the extent necessary to comply with applicable laws, codes, and other requirements related to housing safety, quality, and habitability or to make improvements to the housing to increase the energy efficiency or conservation of the housing or provide a renewable energy source or sources for the housing. Such rehabilitation should be undertaken for the purpose of reselling the housing, to the extent possible, during the 3-month period that begins upon completion of rehabilitation and at a price that is as close as possible to the acquisition price of the housing.

Grants may be used for (1) operating and holding costs, including management costs, taxes, and insurance; (2) incidental costs involved in property acquisition, including reasonable closing costs; (3) administrative costs of an allocation recipient in an amount not to exceed 8 percent of the sum of the grant amounts provided to the allocation recipient; (4) planning costs of an allocation recipient in connection with this Act in an amount not to exceed 2 percent of the sum of the grant amounts provided to the allocation recipient; and (5) rehabilitation costs to the extent necessary to comply with applicable laws, codes, and other requirements related to housing safety, quality, and habitability or to make improvements to the qualified foreclosed housing to increase the energy efficiency or conservation of the housing or provide a renewable energy source or sources for the housing. An allocation recipient may not use more than 20 percent of its grant amount allocation for qualified rehabilitation activities.

Grants may not be used to provide down payment assistance for homebuyers of single-family housing or to pay any portion of the purchase price for qualified foreclosed housing. Grants may be used for demolishing qualified foreclosed housing that is deteriorated or unsafe. Grants may be used for this purpose only if the Secretary determines that the neighborhood or other area in which the housing is located has a high incidence of vacant and abandoned housing and is experiencing a significant decline in population. However, grant and loan amounts may not be used to demolish any public housing.

Grant and loan amounts may not be used for political activities, advocacy, lobbying, counseling services, travel expenses, and preparing or providing advice on tax returns.

At least 50 percent of the grant money must be targeted to house very low-income families (defined as those at or below 50 percent of local AMI). Not less than half of this money must target extremely low-income families (defined as those at or below 30 percent of local AMI). HUD may establish an alternative percentage of less than 50 percent to serve extremely low-income families, if an allocation recipient certifies that (1) such allocation recipient has attempted to use all other federally related resources available to it in combination with the resources available under this Act to

meet this requirement and (2) the failure to comply with this requirement will not result in an overall loss of affordable housing to families whose incomes do not exceed 30 percent of AMI in the allocation recipient's area. In establishing an alternative percentage, HUD shall take into account the housing needs of families whose incomes do not exceed 30 percent of AMI in the allocation recipient's area.

A State must use a portion of its grant and loan authority amount for eligible activities located in rural areas in the State that is proportionate to the identified need for such activities in these rural areas.

A State or, at its election, a qualified metropolitan city or urban county, will record a lien in the name of the HUD Secretary on any foreclosed housing purchased or financed with funds provided by this bill in the amount of the principal obligation under the loan and interest due under the loan.

Nothing in the bill prevents the resale of qualified foreclosed housing to a prior owner or occupant of such housing who meets the income requirements of the Act. The bill prohibits a recipient of grant or loan amounts from refusing to lease a dwelling unit to a section 8 voucher holder. It also provides eviction protections for tenants in foreclosed properties acquired with assistance under this Act, including section 8 properties. Specifically, any successor in interest in qualified foreclosed property assisted with funds provided under this Act, shall assume such interest subject to (a) the provision, by the successor in interest, of a notice to vacate to any bona fide tenant at least 90 days before the effective date of the notice to vacate; and (b) the rights of any bona fide tenant, as of the date of such notice of foreclosure (i) under any bona fide lease entered into before the notice of foreclosure to occupy the premises until the end of the remaining term of the lease or the end of the 6-month period beginning on the date of the notice of foreclosure, whichever occurs first, subject to the receipt by the tenant of the 90-day notice; or (ii) without a lease or with a lease terminable at will under State law, subject to the receipt by the tenant of the 90-day notice, except that nothing under this subparagraph shall affect the requirements for termination of any federally subsidized tenancy. A lease or tenancy is bona fide if the mortgagor under the contract is not the tenant, the lease or tenancy was the result of an arms-length transaction, or the lease or tenancy requires the receipt of rent that is not substantially less than fair market rent for the property.

#### *Sec. 9. Shared appreciation agreement*

The federal government shall receive 20 percent of any appreciation a property owner who receives assistance under this Act realizes upon resale or disposition of a qualified foreclosed property. The federal government shall receive 50 percent of any such appreciation if the owner is a for-profit entity.

#### *Sec. 10. Spending requirements*

Requires an allocation recipient to (1) begin obligating grant amounts and committing loan authority amounts within 120 days of qualified plan approval, (2) obligate all such grant amounts and enter into loan commitments within 180 days of plan approval, and

(3) outlay all such grant amounts and disburse all such loan authority amounts within 24 months of plan approval. HUD may extend each of these periods for up to 5 months upon request by an allocation recipient.

*Sec. 11. Servicer contact*

Requires a servicer of a federally related mortgage to notify the local government upon becoming responsible for a foreclosed property and provide such local government with the name and 24-hour contact information of a representative authorized to negotiate purchases.

*Sec. 12. Accountability*

Requires an allocation recipient that receives a grant or loan authority allocation to report to HUD within 12 months of qualified plan approval on its use of this assistance. This report must contain information about the location and type of assisted properties and the income of families purchasing or renting these properties.

HUD shall require a State or other recipient of grant or loan funds to reimburse the Treasury for any misused funds. However, a State shall not be required to reimburse the Treasury for any misused funds that the State is required to allocate to a qualified metropolitan city or qualified urban county.

*Sec. 13. Definitions*

Establishes definitions for various terms, including: “allocation recipient,” “allocation recipient administrator,” “approved plan,” “covered multifamily housing,” “loan authority amount,” “nonprofit organization,” “qualified foreclosed housing,” “qualified metropolitan city,” “qualified State,” “qualified urban county,” “single family housing”.

Specifically, “allocation recipient” is a qualified State, qualified metropolitan city, or qualified urban county.

“Covered multifamily housing” is defined as a residential structure that consists of 64 or fewer dwelling units.

“Qualified foreclosed housing” is single family housing that is not occupied by an owner, pursuant to foreclosure or assignment of the mortgage on the housing or forfeiture of the housing; or is covered multifamily housing. Such housing must be owned by a lender, mortgage company, investor, financial institution, or other such entity, or any government entity, pursuant to foreclosure or assignment of the mortgage on the housing or forfeiture of the housing. In the case of single family housing, it must have a purchase price that does not exceed 110 percent of the average purchase price for single family housing in the area in which the housing is located. In the case of covered multifamily housing, the purchase price must not exceed the dollar amount limitation, for housing of the applicable size located in the area in which the housing is located, on the amount of a principal obligation of a mortgage eligible for insurance under section 207 of the National Housing Act.

“Qualified metropolitan city” means a city that (1) is among the 100 most populous incorporated places in the country, as determined by data from the most recent decennial census published before the date of the enactment of this bill or (2) has (a) a minimum population of 50,000, as determined by data from the most recent

decennial census published before the date of enactment of this bill and (b) a foreclosure rate that exceeds 125 percent of the foreclosure rate of the entire State.

“Qualified urban county” means an urban county as the term is defined in section 102 of the Housing and Community Development Act of 1974 that is among the 50 most populous urban counties in the country, according to the most recent census data, excluding the population of any qualified metropolitan city within such urban county, unless such metropolitan city agrees to include its population within the urban county for purposes of this Act.

The term “State” means any State of the United States, the District of Columbia, the Commonwealth of Puerto Rico, the Commonwealth of the Northern Mariana Islands, Guam, the Virgin Islands, American Samoa, and other territory or possession of the United States.

*Sec. 14. Funding*

Authorizes \$7.5 billion for direct loans and \$7.5 billion for grants.

*Sec. 15. Regulations and implementation*

Requires HUD to issue any necessary regulations to carry out this Act. HUD also has the authority to take such action as may be necessary to implement this Act by notice, guidance, and interim rules.

## DISSENTING VIEWS

H.R. 5818, the Neighborhood Stabilization Act of 2008, establishes a \$15 billion Federal program to fund \$7.5 billion in loans and \$7.5 billion in grants to states and localities to purchase and rehabilitate foreclosed properties. While the stated goal of the legislation is to stabilize housing markets that are experiencing high levels of foreclosures, there is no evidence that government intervention in the housing markets and the economy of this kind will do anything to achieve that objective, and we must accordingly oppose it.

For the first half of this decade, housing prices increased at a rate that was clearly unsustainable when measured against household incomes and other economic indicators. The market is now in the midst of a significant correction, which is a painful process for those watching the value of their homes decline, but beneficial to those renters and other Americans seeking affordable homeownership opportunities. Contrary to the claims of its proponents, H.R. 5818 will do little to resolve the root causes of the increase in foreclosures—an excess of housing supply and the depreciation of over-inflated home prices. In fact, for the reasons stated below, the legislation could extend and further exacerbate the current housing downturn and do more harm than good.

While we are committed to the goal of stabilizing communities and addressing the problems associated with the rising number of foreclosures, we do not believe that H.R. 5818 is the right solution to those problems. If enacted, H.R. 5818 would represent a costly bailout for the lenders, servicers and real estate speculators who made risky bets on the housing market and will now be able to off-load their foreclosed properties onto the government. Such an approach subsidizes bad investments and contributes to moral hazard by signaling to future market participants that their downside risks will be assumed by the government if their investments sour.

Moreover, rather than reducing the number of foreclosures, H.R. 5818 may actually incentivize lenders to foreclose rather than attempt workouts with struggling homeowners. In a letter from Roy A. Bernardi, the Deputy Secretary of the Department of Housing and Urban Development, the Bush Administration highlighted this concern and went on to note that “an increase in foreclosures [resulting from these incentives] could well prolong the time it would take for the housing market to recover. This new program [established by the legislation] would also be slow to expend money, and thus its effects on the market would be delayed and spread out over time.”

H.R. 5818 also includes overly broad income-targeting provisions that would allow state and local entities to sell properties to individuals who make up to 140 percent of area median income. This represents a government subsidy for families and individuals

whose need for federal assistance is questionable. In addition, nothing in the bill prevents the resale of foreclosed properties to a prior owner. Allowing homeowners to repurchase from the government the same homes that they could not afford in the first place would only exacerbate foreclosures and delay a neighborhood's economic recovery.

H.R. 5818 contemplates the expenditure of \$15 billion to fund the loans and grants authorized by the legislation, without indicating where the money will come from to pay for this massive expansion of the Federal Government's role in the housing market. During Committee consideration of the bill, Republican Members offered a series of amendments designed to mitigate these costs, but all were defeated on largely party-line votes, including an amendment by Mr. Price requiring that the legislation comply with pay-go requirements; an amendment by Mr. Hensarling to convert the entire \$15 billion to loans rather than being split equally between grants and loans; and another amendment by Mr. Hensarling requiring that states provide a dollar-for-dollar match for all funds that they receive under the bill in the form of grants.

We intend to continue pushing for much-needed improvements to H.R. 5818 as it moves to the House floor, and, absent such improvements, will continue to oppose it.

SPENCER BACHUS.  
DONALD MANZULLO.  
FRANK D. LUCAS.  
SHELLEY MOORE CAPITO.  
STEVAN PEARCE.  
JEB HENSARLING.  
JIM GERLACH.  
RANDY NEUGEBAUER.  
KEVIN MCCARTHY.  
MICHELE BACHMANN.  
TOM FEENEY.  
JUDY BIGGERT.  
ADAM H. PUTNAM.  
GINNY BROWN-WAITE.  
ED ROYCE.  
WALTER B. JONES.  
K. MARCHANT.  
GEOFF DAVIS.  
SCOTT GARRETT.  
RON PAUL.  
TOM PRICE.  
DEAN HELLER.  
J. GRESHAM BARRETT.  
PETER KING.  
PATRICK T. MCHENRY.  
JOHN CAMPBELL.  
PETER J. ROSKAM.