



Dean R. Mon
2020 Chairman of the Board
dean@mongroupnj.com

March 17, 2020

The President
The White House
1600 Pennsylvania Avenue, N.W.
Washington, D.C. 20500

Dear Mr. President:

On behalf of the more than 140,000 members of the National Association of Home Builders (NAHB), we write to urge you to consider policy proposals to support the housing sector of the economy during the COVID-19 pandemic. NAHB's members stand with you during these uncertain times and look to your leadership to help steer the American people and the national economy through uncharted waters.

Prior to COVID-19 hitting our shores, the U.S. economy was performing well, and the housing sector was a major contributor to a positive Gross Domestic Product (GDP). We are hopeful the solid underpinnings of the national economy can weather this national emergency; nonetheless, the federal government must take decisive action to support the housing sector, both for the homebuyers who power housing markets across the country and for the small businesses that build 80% of the new homes in America.

Attached, please find a list of policy proposals NAHB believes will help stabilize the housing sector in the near term. The proposals range from tax relief to boost business liquidity to flexibility for housing project completion to ensuring permits and financial documents can be completed in the telework environment. As we move through this unprecedented crisis together, we need bold, creative, common sense solutions.

Mr. President, America's home and apartment builders, remodelers and supporting industries are prepared to meet this national emergency together and emerge stronger than ever. We are ready, willing and able to work with you to propose and deliver decisive action on behalf of the American people.

Sincerely,

A handwritten signature in black ink, appearing to read "Dean R. Mon", is written over a light blue horizontal line.

Dean Mon
2020 NAHB Chairman

Policy Suggestions to Aid the Housing Industry

Support for a payroll tax cut

To provide additional cash reserves to businesses and individuals, Congress should temporarily eliminate the payroll tax. This will provide quick access to needed funds by increasing monthly and biweekly paychecks. Suspension of the payroll tax for business should first focus on small firms that lack access to capital markets to build reserves.

Uninterrupted processing of applications for federal mortgage insurance and loan guarantee programs

The mortgage insurance programs of the Federal Housing Administration (FHA), Department of Veterans Affairs (VA) and the Department of Agriculture (USDA) are vital to the supply of affordable single-family and multifamily housing. It is extremely important to find ways to ensure that staff at these agencies are available to accept, process and approve applications for mortgage insurance and guarantees. Consideration should be given to streamlining these processes to accommodate social distancing through teleworking opportunities.

Mortgage forbearance for single family and multifamily

The rapidly growing number of layoffs and furloughs due to business closings will impact the ability of homeowners to continue to meet mortgage obligations. Lenders and mortgage services should initiate programs that enable borrowers to defer their obligations until their employment is restored.

Work with HUD and USDA to ensure federal rental assistance programs are properly funded

Many low-income tenants assisted through the HUD Section 8 Project-Based Rental Assistance (PBRA), Housing Choice Voucher (HCV), Public Housing Programs and USDA's Section 521 Rural Rental Assistance (RA) program are losing income as a result of the COVID-19 public health precautions. This will affect their ability to pay their required rent contributions. Congress should provide increased funding to these programs to cover the difference between tenants' lost income (i.e. decreased rent contributions) and the contract rent.

Ensure there are no delays to Low-Income Housing Tax Credit (LIHTC) projects that are in the pipeline

Builders are likely to experience project delays due to workplace closures. This may include lenders unable to process loans or authorize draws, inspection delays, and closures by government agencies. Developers with LIHTC projects underway may require additional flexibility to meet the statutory placed-in-service date requirements. As a starting point, it should be clarified if the recently issued presidential disaster declaration now allows taxpayers to rely on IRS revenue procedure 2014-49 and 2014-50, which provides taxpayer guidance during a disaster for LIHTCs and private activity bonds. However, as that guidance was drafted for weather-related disasters, the scope of closures and new work routines may require additional flexibility in the weeks to come.

Establish a minimum 4% LIHTC rate

Bond deals using the 4% LIHTCs are used to finance acquisition and rehabilitation of low-income rental properties. On a present value basis, this credit yields an approximate subsidy of 30%. The subsidy amount is based on a nearly 35-year old formula that relies on the cost of government borrowing. When established in 1986, the credit rate was 4%. For March 2020, the credit rate was 3.17%, which reduced the amount of equity in a project by 15 to 20%.

With the recent moves by the Federal Reserve and investor behavior towards government bonds, the rate is likely to drop further — threatening projects in the pipeline that are under development but have not yet reached the stage where the credit rate is locked in. To ensure stability in the production and preservation of affordable housing, Congress should move to create a 4% minimum floor. Moreover, as we saw in the last housing downturn, the stability of the LIHTC can serve to maintain a certain level of production and employment if market-rate multifamily construction slows.

Emergency rental assistance

Many renters live paycheck to paycheck. Renters across the nation are losing income as a result of reduced work hours, business closures, etc. as businesses and state or local governments respond to COVID-19. Congress and the Administration should create a temporary program to assist renters who are unable to pay their rent due to lost income from COVID-19 public health precautions.

Emergency HOME and CDBG funding

HOME and CDBG funding should be increased to stimulate housing construction and public works spending on state and local projects. HOME also has an important rental assistance component that should be increased to cover shortfalls in tenants' incomes as a result of COVID-19 public health precautions.

Fix Davis-Bacon split wage determinations for FHA-insured multifamily mortgages

NAHB urges the Department of Labor to revert to using Labor Relations letter 96-03 in order to streamline Davis-Bacon requirements for certain FHA-insured multifamily projects, and to assign Davis-Bacon wage determinations at firm commitments in order to provide certainty to lenders and developers.

Allow Fannie Mae and Freddie Mac to purchase AD&C loans from community banks

Most home building companies are small businesses that rely on their community banks for residential land acquisition, development and construction (AD&C) funding. Community banks hold these loans in portfolio and, with the permitting process impaired, will have more limited capacity to accept additional business. Allowing Fannie Mae and Freddie Mac to purchase AD&C loans from these institutions will help maintain the flow of credit for home building.

One-year extension of GSE patch on CFPB QM rule

The GSE Qualified Mortgage (QM) patch expires on January 21, 2021. The Consumer Financial Protection Bureau (CFPB) is expected to propose an updated rule by May; however, the mortgage industry is facing challenges to keep up with current procedures and it would be nearly impossible to contemplate establishing new underwriting criteria at this time. Allowing the patch to expire without an alternative would be equally as disastrous. NAHB strongly recommends CFPB offer a clean extension of the GSE QM patch until January 2022.

Allow investors to use FHA203(k)

Ensuring the flow of credit to builders and remodelers will be critical to keep the economy moving forward. The FHA 203(K) program can be made available for investors to use, with the appropriate safeguards in place, as an additional source of financing for renovation activities.

Restore new construction approvals in HUD condo rule

Facilitating the financing of condo projects will help prevent a severe downturn in the economy while ensuring the addition of new affordable housing supply. FHA should restore the ability for developers to obtain approval for projects that are proposed or under construction, as this will shorten the amount of time required for a home buyer to close on a new condo with FHA financing.

Relief for federal business license renewals, training and certification classes affected by the outbreak

Provide a 6 to 12-month extension of the expiration date of any federal certifications, such as EPA's Lead-Based Paint Certifications.

Ensure the federal government issues permits and other approvals promptly

Many projects require federal environmental permits or other approvals prior to starting construction. The permitting processes can be lengthy and often require close collaboration and coordination with the agencies as the processes run their courses. While builders and developers typically build permitting time into their project plans, any further delays can be extremely problematic. The Army Corps of Engineers, EPA, and Fish and Wildlife Service, among others, are urged to place a priority on completing project reviews and issuing permits for home building activities so that these activities are not stalled.

Ease the SBA Economic Injury Disaster Loan requirements and allow builders to use these loans for construction of spec homes

Typically, the SBA loan program cannot be used by builders for construction of homes when they do not have a signed contract with a buyer, because this activity is deemed "speculative." However, this lower cost financing option could be helpful to builders and keep job sites active during the current turmoil.

Support for trade associations

As the Administration and Congress consider support for targeted industries, any aid must be equally available to trade associations, of any size, that have been financially harmed by the cancellation of events and reduced meeting attendance as a result of COVID-19 pandemic. Tax exempt organizations, including 501(c)(6) and 501(c)(3) organizations, should be allowed a tax credit or offset against current and prior years unrelated business taxable income or other tax liabilities.

Consider options to keep home construction active amid government guidelines for work activities

As social distancing and teleworking requirements take root in the American workforce, it is important that home construction, the construction supply chain and financing functions be regarded as essential activities and due attention paid to supporting those activities. The Administration should consider federal guidance (or offer encouragement to state governments) to allow remote approvals for loan processing, third party inspections for certificates of occupancy and other construction-related examinations, and recognition of construction sites and the construction supply chain as a vital economic activity.