

Summary of “American Housing Rescue and Foreclosure Prevention Act of 2008” Approved by U.S. House on May 8, 2008

Prepared by Citizens’ Housing and Planning Association

On May 8, the House passed a major housing bill ([H.R. 3221](#)), rolling five bills previously approved by the full House or the Financial Services Committee into one large bill.

- H.R. 5830 (FHA refinance insurance program) approved by the Committee on May 5, 2008)
- H.R. 1427 (GSE reform and National Housing Trust) passed by the House on May 22, 2007
- H.R. 1852 (FHA reform), approved by the House on September 18, 2007,
- H.R. 5579 (servicer safe harbor), approved by the Committee on May 1, 2008, and
- H.R. 5720 (LIHTC and Tax-Exempt Bonds), approved by the Committee on April 24, 2008.

The final bill includes some *revisions* to the earlier measures. As approved by the House, the bill contains six major titles:

- Title I establishes FHA program to refinance at risk mortgages
- Title II implements FHA modernization
- Title III implements GSE reform and establishes an Affordable Housing Trust
- Title IV creates a legal “safe harbor” to encourage servicers to modify delinquent mortgages
- Title V revises the definition of bank public welfare investments and helps 3 expiring use projects
- Title VI provides temporary increases in LIHTC and tax-exempt bond allocations and revises the rules for those and several other housing programs (including S8 project-based vouchers).

Provisions are summarized section by section below.

Title I – FHA Refinance Program (Housing Stabilization & Homeownership Retention Act of 2008)

This title authorizes a new FHA program to insure refinance mortgages for borrowers with currently unaffordable loans where the holder of the existing mortgage agrees to write down the remaining obligation. See separate [summary](#).

Title II –FHA Reform

Subtitle A (Expanding American Homeownership Act of 2008)

Subtitle B (FHA Manufactured Housing Loan Insurance Modernization Act of 2008)

Subtitle A reforms FHA single family mortgage insurance programs so they can be more widely used. It raises loan limits to make it usable in high cost markets and authorizes the development of risk-based premiums to give buyers with weak credit scores an alternative to subprime mortgages. Unlike the earlier House bill (H.R. 1852), it does not the FHA to insure low downpayment loans (<3%). It also revises a provision regarding sales of affordable multifamily properties. Subtitle B revises provisions regarding manufactured housing.

- Higher Loan Limits
 - Permanently raises the maximum loans the FHA can insure for 1-4 unit homes. The bill sets the loan limit for single family homes at 125% of the area median one-family house price, subject to a floor equal to 65% of the GSE conforming loan limit and a ceiling equal to 175% of the GSE conforming loan limit. (Until Congress approved a temporary increase for 2008, the single family limit was 95% of area median home price, but not less than 48% nor more than 87% of the conforming loan limit.)
 - Permanently raises limits for 2-, 3- and 4-family homes using new multiplier (the ratio of the 2-, 3- and 4-unit conforming loan limits to the single family conforming loan limit)
 - Allows HUD to temporarily raise loan limits by up to \$100,000 above the statutory limit when it finds market conditions warrant it by property type or location. [§203(a)]
- Longer maximum loan term Raises maximum term to 40 years for both existing and new homes (up from 30 and 35 years respectively). [§204]
- Downpayment Requirements Simplifies by establishing a single maximum loan-to-value ratio of 97.75% with a minimum downpayment of 3% (can be a gift). Previously, the maximum ratio varied depending on the value of the property and a state’s average closing costs. [§205]

- Risk-based Premiums Allows the FHA to establish flexible premiums, based on credit and product risks (e.g. fixed vs. adjustable rate interest, condominiums). Premiums can be structured to vary during the mortgage term but the variable rate must be established before closing. FHA must report annually to Congress on premiums and basis for establishing. [§207] FHA can also charge higher premiums for borrowers who receive part of their 3% downpayment from a private nonprofit. [§206]
- Premium Increases Only allows increases above October 1, 2006 amounts if HUD determines they are needed to avoid new credit subsidy appropriation. [§228]
- Special Provisions for Higher Risk Borrowers The FHA must establish special underwriting standards for higher risk borrowers (credit score below 560), and set special insurance premium requirements as well, but specifies that upfront premium can't exceed 3%. [§206] As a "payment incentive", borrowers will have their premiums reduced after five years of on-time loan payments (FHA can shorten this to 3 years) and will be refunded the portion of their upfront premium cost based on their credit score when their mortgage is paid off. [§208] FHA must include information on default and foreclosure rates on loans to these borrowers as part of its annual report to Congress. [§211]
- High risk borrowers must receive one-on-one homeownership counseling prior to the loan closing, ideally in person, from a HUD-approved entity, as well as additional disclosures from the lender, including information about the "payment incentives" and the availability of foreclosure prevention counseling. If the borrower subsequently becomes more than 60 days delinquent on their loan, the lender must notify a foreclosure counseling agency which in turn must contact the borrower. [§209]
- Refinancing Mortgages Authorizes FHA to insure refinance mortgages for borrowers who have existing mortgages with "adverse terms or rates" and or do not have access to refinance mortgages at reasonable terms or rates due to adverse market conditions. Requires FHA to establish special underwriting terms for such mortgages. Permits this program to be offered to borrowers currently in default or at imminent risk of being in default if loans meet reasonable FHA underwriting standards. [§210]
- Single Family Homes with Licensed Child Care Facilities Allows FHA to increase loan limits for single family homes by up to 25% if needed to account for cost of locating and operating a licensed child care facility in the home. The increase must be proportional to the square footage used for the facility. [§212]
- Condominiums and Manufactured Housing Adds language to allow condominiums and manufacturing housing units to be insured under the single family home program. [§215]
- Mutual Mortgage Insurance Fund Requires HUD to arrange for an annual independent actuarial study of financial status of the Fund and to report results annually to Congress. Also requires HUD to report quarterly to Congress on Fund lending activity, claims, prepayments and loss rates starting 90 days after bill enactment. Authorizes HUD to adjust programs and premiums to maintain Fund soundness. Transfers mortgages insured under the Section 8 homeownership program and Home Equity Conversion program from the General Insurance Fund to the Mutual Mortgage fund. [§216]
- Home Equity Conversion Mortgage (HECM) program Sets national uniform loan limit of 132% of the GSE conforming loan limit for a single family home. Allows use with coops. Specifies that required pre-mortgage counseling cannot be provided by entities selling annuities or other financial and insurance products and requires HUD to develop regulations within six months of bill enactment to protect borrowers from marketing of such products. Limits loan origination fees to 2% of first \$200,000 of maximum claim plus 1% of any amount over \$100,000, subject to a cap of \$6,000, with future adjustments based on CPI index but only in increments of \$500. Requires HUD to study impact of reducing origination fees on borrowers and program financial soundness and report to Congress within 12 months of bill enactment. Allows GSEs to purchase HECM mortgages, despite HECM loan limits. [§219]
- GAO Study of Impact of Financial Audit and Net Worth Requirements on Mortgage Broker and Lender Participation in FHA programs Requires Comptroller General to study impact of such

requirements on participation by state, effectiveness in protecting Mutual Mortgage insurance fund soundness, and potential impact if replace with surety bond requirements and report findings to HUD and Congress within 12 months of bill enactment. HUD may submit recommendations to Congress regarding changes within 18 months of bill enactment. [§220]

- Disaster Areas For owners of homes were lost or damaged in Presidentially-declared disaster areas, extends period for which special loan limits apply from 18 months to 36. Raises insurance limit slightly by allowing FHA to insure up to 100% of single family conforming loan limit (up to appraised value) *plus* initial service charges, appraisal fees, etc. [§221]
- Escrow Accounts Allows HUD to impose civil penalties on FHA mortgage servicers and escrow account servicers if they fail to make on-time payments from escrow account to lender. Forbids HUD, servicer from submitting information on such late payments that would hurt borrower's credit rating. [§222]
- Borrower ID Requirements Starting 6 months from bill enactment, requires borrowers to provide one of the following forms of identification to obtain FHA mortgage insurance: social security number, state driver's license or ID card that complies with federal REAL ID Act, passport (US or foreign), or Department of Homeland Security photo ID card. [§223]
- Pilot Program for Automated Processing for Borrowers with Little Credit History Requires HUD to establish a five-year pilot program to establish an automated process to develop credit ratings for single-family (1-4 unit) borrowers with limited credit histories, using information such as rent, utility and insurance payment histories. Allows HUD to limit pilot to first time homebuyers or MSAs significantly impacted by subprime lending. Caps number of mortgages insured under this program each fiscal year to 5% of number of 1-4 unit FHA mortgages insured in the prior fiscal year. Requires GAO to submit program evaluation report to Congress within 4 years of bill enactment. [§224]
- FHA Technology Urges HUD to use a portion of premium revenue to upgrade FHA data systems and report to Congress on progress within 180 days of bill enactment. [§225]
- Noncompetitive HUD Sales of Multifamily Properties to States and Localities For FY2008, eases limit on below-market sales by requiring HUD to consider cost of maintaining existing affordability requirements imposed on the property or loans and the cost of bringing property to state and local minimum standards when determining a property's market value. [§227]
- Appraisal Penalties Allows HUD to impose civil penalties on parties that try or succeed in improperly influencing appraisals related to FHA single family mortgages.
- Manufactured Housing Raises loan limits for manufactured housing and requires annual indexing in future (HUD must develop index within one year of bill enactment). Authorizes upfront mortgage premium not to exceed 2.25% and annual premium not to exceed 1%. [§255, 256] Requires HUD to issue revised underwriting criteria within 6 months of bill enactment [§258] Requires GAO to study on how HUD has used the FHA insurance program, the Community Development Block Grant program, and other programs to mitigate tornado risks to manufactured housing residents and communities and submit report and recommendations to Congress within 1 year of bill enactment. [§260]

Title III – GSE Reform - “Federal Housing Finance Reform Act of 2008”

Chapter 1. Improvement of Safety and Soundness

- New Regulator Establishes a new agency - the Federal Housing Finance Agency (FHFA) - to oversee all three regulated entities (Fannie Mae, Freddie Mac and the Federal Home Loan Banks). It will replace the Office of Federal Housing Enterprise Oversight and the Federal Home Loan Bank Board. Its operations will be funded from assessment levied on the regulated entities. Assessment amounts to be determined by FHFA Director. [§316]
- Director FHFA to be headed by a Director appointed by the President and confirmed by the Senate with a five year term. Deputy Directors will oversee three major divisions: Enterprise Regulation will oversee the regulation of Fannie Mae and Freddie Mac, Federal Home Loan Bank Regulation will oversee home loan banks and the Housing Division will oversee the housing and community development missions and goals of the three entities. (§311)

- Director must set management and operational standards for each of the entities. If an entity fails to meet the standards, the Director can order the entity to submit a compliance plan. If entities fail to submit or implement plan, FHFA must order implementation and may take other actions such as raising capital requirements or restricting the entity's asset growth. [§312]
- Advisory Board The bill creates 3-person Federal Housing Enterprise Board to advise the FHFA director. Members shall include the FHFA director, and the HUD and Treasury Secretaries. The Board must meet at least quarterly and report to Congress annually on the state of the regulated entities. [§313]
- Expands items regulated entities must provide in an annual report to FHFA to include income and to include total contributions to nonprofits, and names of organizations receiving amounts over a threshold FHFA may specify. [§315]
- Strengthens obligations of regulated entities to affirmatively promote participation of minorities and women in business and staffing [§320]
- Continues to require FHFA to set risk-based capital requirements, minimum capital levels and critical capital levels but gives it more discretion in how it sets those standards and allows it to impose temporary requirements or new capital and reserve requirements for particular programs or activities. [§324] Requires FHFA to set standards for portfolio size and growth, consistent with GSE missions (maintaining liquidity, supporting affordable housing, etc.). FHFA must issue regulations within a year of bill enactment. [§325]
- Establishes corporate governance standards for the regulatory entities, including standards for Boards of Directors and Board Committees, compensation of employees and directors. Requires each to establish and staff a risk management program. [§326]
- Requires FHFA to report to Congress within 18 months of bill enactment on fees the regulated entities charge for guarantees, including basis, revenues generated and costs. [§329]

Chapter 2 – Improvement of Mission Supervision

- New Products Regulated entities must receive prior approval from FHFA to offer new products and FHFA Director must publish notice of proposal at least 45 days in advance, providing a 30 day public comment period. (This does not apply to changes in terms or underwriting of mortgages purchased or guaranteed by the regulated entities.)
- Conforming loan limits for 2009 and forward set at the higher of the 2008 limit adjusted by a single-family housing price index established by FHFA OR 125% of the area median price for a residence of comparable size (but not to exceed 175% of the indexed limit). [§333]
- Single family housing price index shall be established by FHFA, taking into consideration the national average price as determined through a monthly survey of major lenders, the current OFHEO index, any appropriate Census Bureau house price indexes and any other measures the Director considers appropriate. The GAO shall audit the FHFA index methodology within 180 days of establishment and within 180 days of any modifications to assess its accuracy and appropriateness and report its findings to Congress [§333]
- Annual Housing Report Expands required content, specifies due date (FHFA must submit to Congress not later than October 30 of each year), and adds new data collection requirement. In addition to discussing performance relative to affordable housing goals, report must now include discussion of general price and other trends in housing and mortgage markets and extent of entities' subprime mortgage purchases and how they compare with other parts of their portfolio. To ensure FHFA has data to assess performance relative to goals, the bill requires FHFA to survey mortgage markets monthly to collect loan-level data on characteristics of loans eligible and ineligible for purchase by the entities. The data must also be made available to the public (scrubbed to hide borrower identity). [§334]
- Annual Report on Affordable Housing Stock New report for use in distributing formula funds from the new Affordable Housing Trust. Requires the regulated entities to collect data annually on the levels of affordable housing by communities and changes in inventory and

report findings to Congress. The report must include tenure, financing and expected term of affordability, and estimated unmet demand based on waiting lists and other data. [§335]

- **Mortgagor ID** Entities can't purchase, guarantee, service or otherwise deal with single family (1-4 unit) mortgages unless borrower has a social security number. [§336]
- **Revision of Housing Goals** Revises housing goals.
 - Lowers the income limits for the 3 single family goals slightly: the "low income" now measures loans to borrowers at $\leq 80\%$ AMI (vs. 100%), "very low income" measures loans to borrower at $\leq 50\%$ AMI (vs. 60%) and "underserved area" borrowers are now defined as those living in census tracts with median incomes $\leq 80\%$ AMI (vs. 90%) plus those below 100% of AMI (vs. 120%) living in minority census tracts. Also establishes a statutory sub-goal for refinancings.
 - Establishes 3 statutory multifamily housing goals, one each for units assisting low income families, very low income families, and low income housing tax credit units and requires the Director to establish a sub-goal for smaller multifamily housing projects to better meet credit needs of properties with 50 units or less.
 - Targets set at the share each target group held of all conventional conforming loans issued in prior three years. Upon request by an entity, FHFA can goals but only if market and economic conditions or the financial condition of the entity or have other adverse consequences. Goals become effective six months from the date of bill enactment. Entities get extra credit toward these goals for mortgages for energy efficient housing or homes with child care facilities [§337] Allows FHFA to impose civil penalties and other sanctions, including cease and desist orders, on entities that don't meet goals after being given time to comply. [§339]
- **Monitoring Interest Rates Charged to Minority Borrowers** Allows FHFA Director to require regulated entities to provide data on interest rates charged minority borrowers compared to non-minority borrowers of similar creditworthiness. Requires Director to refer any finding of disparities by any lender to the appropriate regulatory or enforcement agency for further review and to require the entity to take appropriate remedial actions. [§337]
- **Underserved Markets - Duty to Serve** Creates a statutory duty for the entities to serve underserved markets that lack adequate credit through conventional lending sources. It specifies 3 areas--manufactured housing, affordable housing preservation, and rural housing--and gives FHFA authority to establish other underserved markets. The entities are to fulfill this duty facilitating a secondary market for mortgages in these categories by developing loan products and flexible underwriting guidelines. Required FHFA to establish evaluation criteria and reporting requirements within a year of bill enactment. The bill does not call for numeric goals. Instead, entities are to be evaluated on product and underwriting development, extent of outreach to qualified loan sellers and the volume of loans purchased. [§338]
- **Affordable Housing Fund** Requires FHFA Director to establish an Affordable Housing Fund to provide grants for Katrina relief in 2008 and then to provide formula grants to States and federally recognized Indian tribes from 2009-2012. The Fund would be financed by 75% of funds collected from assessments equal to 0.12% of the dollar value of each entity's average mortgage portfolio for the preceding year. All of the funding would be targeted to households with incomes at or below 50% of area median. The grants can be used to housing rehabilitation, to increase homeownership, to preserve and create affordable rental housing and to increase investment in housing and related public infrastructure. HUD must establish funding distribution formula with 6 months of bill enactment, based on each state and tribe's share of the total population, percentage of families paying more than 50% of their income for housing, percentage of state or tribe's population that are members of extremely low or very low income households, local housing rehabilitation costs, percentage of families living in substandard housing and in extremely old housing and other factors HUD chooses. [§340]

Other Provisions

- Expands actions FHFA can take when a regulated agency is deemed severely undercapitalized to include ordering replacement of the board of directors or executive officers.

- Changes size of Boards of Fannie Mae and Freddie Mac from 18 persons to 13 or such other number as FHFA Director determines. Other than the 5 members appointed by President, other Fannie and Freddie directors shall be elected by stockholders. [§361]. Changes size of FHLB Board from 14 to 13 or such other number as FHFA director determines and extends terms from 3 years to 4 and revises how compensation to be set. [§372].
- Requires FHFA Director to Report to Congress on portfolio holdings of each of the regulated entities, with an assessment of their safety and soundness and information on risks and how they are being managed and extent to which portfolio holdings fulfill the missions of these entities. Report due within 18 months of bill enactment. [§362]
- Requires FHFA Director, in consultation with Federal Reserve, Treasury and HUD, to conduct a comprehensive assessment of alternatives to current secondary market system and report findings to Congress within 30 months of bill enactment.
- Make FHFA responsible for monitoring FHLB compliance with housing and community development goals with same enforcement authority as for Fannie and Freddie goals. Allows two or more FHLB banks to join together to provide certain services, subject to FHFA regulations. Requires GAO to study use of Affordable Housing Program to assist long-term care facilities for low and moderate income individuals and effectiveness and adequacy of such aid and potential use of Affordable Housing Fund.
- Provides for six month transition period to transfer functions, staff, programs, property etc. from OFHEO, FHFB and HUD to FHFA.

TITLE IV – EMERGENCY MORTGAGE LOAN MODIFICATION ACT OF 2008

This title is intended to encourage servicers to modify defaulted loans that are part of a securitized pool by removing potential litigation risks.

- “Absent contractual provisions to the contrary”, deems servicers who modify loans that are part of a securitized pool of loans to be acting in best interests of investors if they implement a “qualified” workout or loan modification for a loan that is in, imminently near or likely to default.
- Creates safe harbor for these “qualified loan modifications” to protect servicers from lawsuits by mortgage holders including investors in securitized loans.
- To qualify, modification or workout plan must be initiated by December 31, 2010 and structured to last at least five years (or until sale or refinance of home if sooner).
- Applies only to residential mortgages on owner-occupied properties.

TITLE V – OTHER HOUSING PROVISIONS

Bank Public Welfare Investments – Restores flexibility to definition that had been removed in 2006 legislation, to permit investments in mixed-income projects and distressed and rural areas that do not meet that definition of low and moderate income communities. Extends to federal savings associations as well. [§501]

Preservation of Certain Affordable Housing Developments – Includes language to assist several specific developments including Heritage Apartments in Malden, MA. [§503]

Disabled Veterans Prohibits disqualifying disabled veterans from federal mortgage loan assistance, including subsidy and loan guarantees, on the basis of current or past bankruptcy.

TITLE VI – REVENUE AND OTHER PROVISIONS

This title revises numerous current requirements for the Low Income Housing Tax Credit (LIHTC) program and tax-exempt bonds, providing short term increases in resources, making it easier to use LIHTC with other federal funding programs and establishing new LIHTC data collection requirements. It also removes certain restrictions on the use of Section 8 project-based vouchers

and Shelter Plus Care and allows contract terms of up to 15 years. The title also creates a repayable tax credit for first time homebuyers, targeted at households with incomes below \$70-140,000, who purchase a home before April 2009 and allows non-itemizing homeowners to take a standard deduction of \$350-700 a year from property taxes.

LIHTC Provisions:

- Temporary Increase in Allocations– Provides a 20-cent increase in the per-capita allocation for 2008 and 2009 (increases Massachusetts' allocation by \$1.29 million each year) [§601]
- Credit Rates and Eligibility for 9% Credits - revises rules for projects placed in service after the date of bill enactment as follows:
 - allows 9% credits for substantial rehabilitation of existing housing (currently such projects can only use 4% credits)
 - revises the calculation of the 9% credit discount rate so that it is never lower than the 12-month average for the prior calendar year. [§602a]
 - narrows the definition of “federally subsidized building” so it applies only to projects using tax-exempt bonds (e.g. lifts limits on use of HOME funds with 9% credits). [§602b]
 - Allows states to increase the basis for individual projects by 30% to achieve financial feasibility. This authority applies to 4% projects also. [§603a]
 - Raises the minimum rehabilitation spending necessary to use credits to the lower of 20% of adjusted basis or \$6000 per low income unit (current limits are 10% or \$3,000). Requires dollar minimum to be adjusted annually for inflation starting in 2010. [§603b]
 - Raises current 10% cap on the percentage of project eligible basis that can be used for community service facilities to 15% of the first \$5 million in basis and 10% of remaining basis. [§603c]
 - Modify basis reduction requirements in connection with certain federal grants
 - Repeals prohibition on using Section 8 Moderate Rehabilitation Assistance with LIHTC projects [§604]
 - Extends the deadline for developers to incur at least 10% of basis after credits are awarded to 1 year (up from 6 months), [§604]
 - Adds two new criteria that states must consider in allocating credits: energy efficiency and “the historic nature of projects”.
 - Allows students who were formerly in foster care to reside in tax credit units;
 - sets a floor on income limit for rural projects by allowing limits to be calculated based on the greater of the area median or the national non-metro area median.
 - Adds a “hold-harmless” provision for area median income limits, so new limits for LIHTC and tax exempt bond projects are never lower than limit applicable to project in prior year. Starts with calendar year 2009 income limit calculations and applies to all projects. [§609].
 - Waives annual recertification requirements for LIHTC and tax-exempt bond projects in cases where no unit is occupied by tenants who don't meet income requirements (subject to any other HUD rules) [§610]
- LIHTC Data Reporting Requires States to provide information at least annually to HUD on the characteristics of households living in each project, including race, ethnicity, family composition, age, income, use of Section 8 and other rental assistance, and monthly rental payments. Requires HUD to compile results and make public at least annually. Requires HUD to establish standards for such data collection and provide technical assistance to States. Authorizes appropriation of \$2.5 million in FY2009 and \$900,000 a year for FY2010 through FY2013 to carry out these activities. [§655d]

Tax Exempt Bond Provisions

- Provides a one-time \$10 billion increase in the national tax-exempt bond limit for 2008, to be allocated to states based on their share of the national population. Allows tax-exempt bonds to be used to refinance “qualified subprime loans”, but does not require that the increase be used only for foreclosure-related activities. Defines qualified subprime loans as loans originated in calendar years 2002-2007 that are likely to cause financial hardship to borrower if not refinanced. Any allocation amount not used by December 31, 2010 expires.
- Expands bond authority by allowing repayments for multi-family rental projects received in first 3-4 years to recycle as new tax-exempt bond authority if re-issued within six months of refunding and within 4 years of original bond. Effective for repayments received after date of bill enactment. [§606]
- Revises other bond rules to be consistent with LIHTC rules. Changes allow bond funding for non-transient SRO projects, apply “next available unit” rule on a building rather than project basis, and adopts LIHTC rules regarding use of credit for full time student households [§607], adopts “hold harmless” provisions for income limit calculations [§609] and changes in annual recertification requirements [§610]

Tax Credit for First Time Homebuyers Provides a refundable tax credit equal to 10% of purchase price (up to \$7,500) for first time homebuyers to help with downpayment requirements for individuals with an adjusted gross income below \$70,000 (\$110,000 for joint filers). Permits smaller credit for households with incomes of \$70-90,000 (\$140-160,000) and no credit for households above those limits. The credit is limited to homes purchased between April 9, 2008 and March 31, 2009. The credit is recaptured through repayments equal to 1/15th of the credit starting with the income return filed the second year after the purchase (if initial credit taken for 2008 tax year, recapture starts with return for 2010 tax year. With some exceptions, full recapture is due if home ceases to become principal residence before 15 years is up except recapture can't exceed gain on sale. [§612]

Tax Deduction for Property Taxes for Non-Itemizers Provides deduction for property taxes for homeowners who do not itemize of up to \$350 (\$700 for joint filers). Unlike Senate bill passed in April, does not limit to residents in areas with no increase in property tax rates. [§613]

Coordination of LIHTC with Other Federal Housing Programs

Subtitle D of Title 6 (Housing Tax Credit Coordination Act of 2008):

- requires HUD to simplify and expedite its approval and processing requirements in connection with multifamily projects using tax credits, including public and assisted housing, adopted new procedures as needed within 6 months of bill enactment and to report to Congress within 9 months of bill enactment on steps taken, improvements and any legislative changes required. [§652].
- Requires the Rural Housing Service (RHS) to expedite approvals of transfers of ownership or control that will preserve or rehabilitate RHS multifamily projects by using LIHTC. [§653]
- Revises treatment of FHA insurance in subsidy layering review. Requires FHA to create pilot program to insure LIHTC projects within 180 days of bill enactment. [§654]

Section 8 Project Based Voucher (PBV) Revisions

- Extends maximum initial term of contract with owner to 15 years,
- Revises 25% limit on the units assisted to make it a per-project rather than per-building limit.
- Revises language regarding option to extend contract to allow renewal terms of up to 15 years and to allow PHA and owner to enter such agreements anytime prior to expiration of the contract.
- In case of units that also have tax credits, allows PHA to set the project-based voucher rent under PBV rules (current exception rent or up to 110% of FMR) if higher than the tax credit rent limit, subject to rent reasonableness.
- Allows PHA contract with owner to specify unit rents will never fall below initial rents approved under initial contract.
- Specifies that PBV can be used for units in cooperative housing and, without HUD review, for units with high-rise elevator projects.

- Clarifies that PBV for an existing building does not trigger subsidy layering or environmental review requirements. [§655a]

Housing Choice Voucher Rent Reasonableness in HOME and Tax Credit Projects Eliminates requirement that reasonableness be determined based on private unassisted units as long as the voucher unit rent does not exceed rent charged for HOME and tax credit project units not rented by voucher holders. Rents shall NOT be considered reasonable if they exceed the higher of the payment standard or the rents for other HOME or tax credit units in the project. [§655a]

Section 202 Delegated Processing For Section 202 projects that are also using other funding sources, requires HUD to delegate review and processing to a state or local housing agency near the project with experience underwriting supportive multifamily housing, unless no interested agency exists. State/local agency must agree to issue a firm commitment within 12 months of delegation and HUD must execute capital advance within 60 days of commitment. Fees charged by the agency for delegation shall be included in the capital advance. The delegated agency may recommend a higher rental assistance amount than HUD initially awarded. [§655b]

Shelter Plus Care Allows agencies to enter contracts with owners with initial terms of up to 15 years and renewal terms of up to 15 more years, subject to availability of funds. Gives tax credit projects more time to meeting certain rehabilitation expenditure requirements (5 years from grant notification, rather than one year). [§655c]

Extended Foreclosure Protection for Service Members Extends period service members are protected from sale, foreclosure or seizure of property they own from 90 days after the end of military service to one year. Applies to sales, foreclosures, etc on or after date of bill enactment. If service member has missed two consecutive mortgage payments, mortgage holder or servicer must give service member a written financial disclosure of the liability amount. [§661-662]

Tax Treatment of LIHTC and Tax Exempt Bonds Revises treatment of credits and of bond interest under alternative minimum tax, allowing credits to offset tax liability and ending treatment of interest as a preference item. Applies to bonds issued after date of bill enactment and LIHTC projects placed in service in 2008 or later. [§616] Temporarily allows bonds that would be exempt from federal taxation if not guaranteed by a Federal Home Loan Bank to be treated as exempt despite guarantee (limited to bonds issued after date of bill enactment and before 1/1/2011). [§617]

Other Tax Provisions

- Revises rule regarding rehabilitation tax credit to allow 50% of property to be leased to a tax-exempt entity, rather than 35%, without requiring credit adjustment. [§619]
- Revise various rules related to tax treatment of REITS