

## **-NAHB Quick Issues Index-**

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### **AD&C Credit Crunch - *Housing Finance Committee and Federal Government Affairs Committee***

- NAHB continues to pursue intensive efforts to address the AD&C credit crunch through a range of legislative and non-legislative initiatives.
- We continue to urge members of Congress to cosponsor H.R. 1755, legislation that NAHB helped draft to improve the flow credit to the housing industry. The bill currently has 85 cosponsors. NAHB is also in the process of seeking the introduction of similar legislation in the Senate.
- NAHB's intense lobbying on behalf of H.R. 1755 has already generated positive results. Throughout the year, cosponsors of our legislation have made access to construction credit the subject of their inquiries during hearings focused on small business and banking issues, putting further pressure on bank regulators.
- H.R. 3461, recently introduced by Reps. Shelley Moore Capito (R-W.Va.) and Carolyn Maloney (D-N.Y.), would set new standards for bank examinations and includes provisions detailing that: 1) a commercial loan cannot be placed in nonaccrual status solely because the collateral has deteriorated in value; and 2) a new appraisal is not required on a commercial loan unless an advance of new funds is involved.
- Moving forward, NAHB will continue to seek advancement of all legislative solutions to the credit crisis that faces home builders by working with members of Congress on both sides of the political aisle.
- On Dec. 15, 2011, NAHB's Senior Officers met with John Walsh, Acting Director of the Office of the Comptroller of the Currency, and Martin Gruenberg, Acting Chairman of the Federal Deposit Insurance Corporation, to discuss the current regulatory environment for AD&C loans at bank and thrift institutions. Discussion focused on the disconnect between regulatory guidance and bank examinations as related to housing production lending to home builders.
- Throughout 2011, NAHB's Housing Finance Committee and staff explored a range of initiatives to spur AD&C lending, including new funding programs and regulatory relief. Working groups were established to focus on development of: construction loan insurance products to provide a take-out guarantee on pre-sold construction loans; a state housing finance agency taxable bond construction lending program; a lease-purchase program; and a national debt/equity fund for small- and medium-size builder/developers.
- At the Strategic Implementation Team meeting in November, Chairman-Elect Barry Rutenberg established the Housing Capital Working Group, which is tasked with developing the goals and structures of a Private Equity Residential Construction Fund that could serve the financing needs of NAHB members. This project is based on previous NAHB efforts to find a model for private equity as a source of AD&C funding for builders. The group is preparing recommendations to be presented to the Senior Officers by the IBS.
- **More info:** [www.nahb.org/adcreources](http://www.nahb.org/adcreources); Chellie Hamecs (800-368-5242 x8425) Scott Meyer (x8144)

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## **2. Appraisals - *Housing Finance Committee***

- A Jan. 18 report from the Government Accountability Office reinforced NAHB members' concerns regarding the diminished quality of appraisals. The report identified several weaknesses in oversight and enforcement of state and federal appraisal certification requirements and standards, including inadequate policies and procedures for monitoring appraisal requirements, limited enforcement tools and reporting procedures, and the failure to establish and operate a national hotline to receive complaints of noncompliance with appraisal standards as required by the Dodd-Frank Act.
- A resolution will be considered at IBS to establish NAHB policy on actions to raise awareness and address the problems of appraisals by:
  - Strengthening education, training and experience requirements for appraisers of new construction.
  - Improving the quantity and quality of data for new construction.
  - Developing new appraisal standards and best practices for conducting appraisals in distressed markets.
  - Developing a process for expedited appeals of inaccurate or faulty appraisals.
- NAHB Housing Finance staff and our appraisal consultant are already moving forward in several of these areas by implementing NAHB's Appraisal Work Plan. Key activities undertaken since Fall Board include:
  - NAHB's 4th Appraisal Summit on Oct. 19, 2011, which included more than 30 industry stakeholders.
  - A special edition of Nation's Building News focused solely on the appraisal crisis and NAHB actions.
  - NAHB participation in Valuation Expo, a forum attended by appraisal and industry thought leaders.
  - Meeting with officials at the Federal Housing Finance Agency to discuss NAHB's appraisal concerns.
  - Participation in a Federal Reserve Board-led interagency conference call on Jan. 18 to discuss Dodd-Frank Act appraisal rulemakings. Participants included staff from the banking regulatory agencies, FHFA, and the Consumer Financial Protection Bureau as well as major industry stakeholders.
  - An initial background meeting with the Mortgage Industry Standards Maintenance Organization to discuss standards for the potential new construction data collection project.
  - Providing comments on the Appraisal Foundation's first Exposure Draft regarding seller concessions.
  - Presentation by Marty Mitchell, Chairman of the Housing Finance Committee's Appraisal Working Group, at the Association of Appraiser Regulatory Officials Annual Convention regarding the issues and challenges of obtaining value for green construction and the need for a timely appeals process.
  - Continued work with HBAs to learn about local appraisal issues and provide assistance to members.
- **More information:** [www.nahb.org/appraisals](http://www.nahb.org/appraisals); Steve Linville (800-368-5242 x8597)

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## **3. Housing Finance Reform - *Housing Finance and Federal Government Affairs Committees***

- NAHB has been actively engaged with Congress to forward our ideas for reform of the housing finance system. In recent months, several bipartisan bills have been introduced that would maintain the strong federal backstop that NAHB supports for the U.S. housing finance system. Reps. Gary Miller (R-Calif.) and Carolyn McCarthy (D-N.Y.) introduced legislation (H.R. 2413) that would stabilize housing and ensure liquidity in the mortgage market by maintaining a federal role in the U.S. housing finance system. Similar legislation (H.R. 1859) introduced by Reps. John Campbell (R-Calif.) and Gary Peters (D-Mich.) would replace Fannie Mae and Freddie Mac with five private companies that would issue mortgage-backed securities and have government backing.

- Legislation mirroring the comprehensive GSE privatization bills in the House has been introduced in the Senate in the form of S. 693 by Sen. John McCain (R-Ariz.) and S. 1834 by Sen. Bob Corker (R-Tenn.). S. 1968, by Sen. Johnny Isakson (R-Ga.), establishes a successor vehicle to Fannie Mae and Freddie Mac but removes all government support after 10 years.
- In the regulatory area, recent developments have focused on guarantee fees (g-fees) charged by Fannie Mae and Freddie Mac to guarantee the payment of principal and interest to investors in their mortgage-backed securities. As the Obama Administration looks for ways to draw private capital back to the housing market and decrease the reliance on government-backed mortgage programs, increasing the g-fees charged by Fannie Mae and Freddie Mac is one proposal under consideration. FHFA Acting Director Edward DeMarco reiterated the Administration's position on this issue in remarks he made last September.
- NAHB believes it is inappropriate for FHFA to direct Fannie Mae and Freddie Mac to begin pricing their services at the higher fees that would be charged if they were operating as private companies without government support, and that taking such actions, even in gradual increments, will exacerbate the already excessive tightening of home mortgage credit and further delay a housing and economic recovery.
- NAHB's Senior Officers and National Urban League President Marc Morial met with FHFA's DeMarco on Jan. 25 to express these concerns.
- In a *separate development regarding g-fees*, on Dec. 23, 2011, President Obama signed into law the *Temporary Payroll Tax Cut Continuation Act of 2011*. One of its provisions directs FHFA to increase g-fees charged by Fannie and Freddie by no less than 10 basis points from the average g-fees charged in 2011 on single-family mortgage-backed securities. Acting Director DeMarco has directed both agencies to notify their seller-servicers that, effective April 1, 2012, the guarantee fee on all single-family residential mortgages shall increase by 10 basis points. This requirement is effective through FY 2021.
- NAHB and a coalition of allies fought strongly against the g-fee increase during congressional debate on the proposal. With yet another extension of the payroll tax cut needed in the coming year, NAHB will closely monitor the debate and fight vigorously against any future g-fee increases.
- In light of recent legislative and other developments, in Dec. 2011, NAHB Chairman-Elect Barry Rutenberg created the Housing Policy Working Group to establish a comprehensive framework to guide NAHB's efforts on reform of the nation's housing finance system, including determining what revisions to NAHB current housing policy may be appropriate. The group will complete a White Paper, to be reviewed by the appropriate NAHB committees at the IBS, that will outline the critical components of the housing finance system going forward, review existing NAHB policy and provide recommended revisions. The Housing Finance Committee will then develop additional details on the policy recommendations.
- **More:** [www.nahb.org/housingfinance](http://www.nahb.org/housingfinance); Chellie Hamecs (800-368-5242 x8425) Scott Meyer (x8144)

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#### **4. Loan Limits - *Federal Government Affairs Committee and Housing Finance Committee***

- In October 2011, Congress allowed the maximum loan limit for Fannie Mae, Freddie Mac and the Federal Housing Administration (FHA) to revert to the lower level that had been in effect prior to the last economic stimulus legislation, and reapplied a more restrictive formula for determining loan ceilings in local markets.
- NAHB's efforts to restore the higher ceilings faced intense opposition from members of Congress, who refused to support any measure that could be seen as increasing the federal government's role in housing.

- To assist with NAHB lobbying efforts and help our members understand how the lower ceilings would affect them, NAHB's economic experts produced a sophisticated analysis of the impacts of the lower loan ceilings on local housing markets across the country.
- The most extensive impacts were generated by the lower FHA limits, which affected 620 counties nationwide. The average amount of the declines was 14%, or \$58,000, and their cumulative effect would disqualify an additional 3.9 million owner-occupied homes from receiving FHA financing.
- This powerful data helped NAHB convince members of Congress to act. Against overwhelming odds, a two-year extension was approved for the FHA's national loan ceiling of \$729,750 and the formula for determining local FHA loan ceilings was restored to 125% of the area median home price through 2013.
- The legislation did not restore higher ceilings for Fannie Mae/Freddie Mac, as NAHB had urged Congress to do. However, in view of the overwhelming opposition to restoring ANY of the higher limits - and the fact that the lower FHA ceilings affected by far the most counties - this was a substantial victory.
- By ensuring that many more home sales will be eligible for FHA financing over the next two years, the higher loan ceilings should help put a floor under falling home values across the country, and help get both housing and the economy moving again.
- [www.nahb.org/FHA/nbn](http://www.nahb.org/FHA/nbn) [www.nahb.org/FHApresrelease](http://www.nahb.org/FHApresrelease); Jessica Lynch (x8401) Scott Meyer (x8144)

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## **5. Budget Appropriations/Sequestration - *Federal Government Affairs Committee***

- The failure of the Joint Select Committee on Deficit Reduction enters us into a new era of belt tightening.
- The budgetary picture in terms of housing programs (in HUD and other departments) is unclear; however it is likely that sources of government grants and financing for housing will become harder to come by.
- The Congressional Budget Office estimates that cuts to non-defense accounts will range from 7.8% in 2013 to 5.5% in 2021. These percentages give a sense of what to expect for housing-related programs.
- Programs upon which NAHB members rely will face possibly even worse cuts in the coming years. In any case, every program is going to have to justify itself to Congress.
- Members of both parties in Congress are likely to explore changes to sequestration or even outright repeal. In reality, repeal is extremely unlikely.
- **More:** [www.nahb.org/pinch](http://www.nahb.org/pinch) [www.nahb.org/HUDnbn](http://www.nahb.org/HUDnbn); J.P. Delmore (800-368-5242 x8412) Kedrin Simms Brachman (x8413)

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## **6. Low Income Housing Tax Credit - *Housing Finance Committee, Government Affairs Committee***

- NAHB-supported legislation has been introduced in the House and Senate that will permanently fix the 9% credit rate and the 4% credit rate used for acquisition.
- Fixing the credit rates allows housing finance agencies to put more equity into a project.
- NAHB is pleased to see strong bipartisan support for this legislation, particularly from members of the key tax writing committees in both the House and Senate.
- NAHB has been working very closely with a large coalition representing all aspects of the Low Income House Tax Credit community to build support for this legislation.

- These bills also provide the LIHTC community with an opportunity to engage Congress on the credit. As part of our broader tax reform strategy, NAHB and our coalition partners will use this bill to increase awareness of the program as a whole.
  - **More info:** [www.nahb.org/hcg](http://www.nahb.org/hcg); Claudia Kedda (800-368-5242, x8352)
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## **7. Foreclosures - *Government Affairs and Housing Finance Committees***

- Home foreclosures continue to have a significant negative impact on the housing market and economy.
  - The downward spiral in values is adversely affecting outstanding home loans as borrowers in financial distress are unable to sell their homes at prices sufficient to retire their outstanding mortgage debt and even borrowers who could afford to make their monthly payments have chosen to walk away from their homes.
  - Builders are also caught in this market turbulence as lenders demand additional equity to offset declines in the value of collateral on outstanding construction loans and those trying to start new projects find it more difficult to obtain adequate funding.
  - On Sept. 15, NAHB responded to the Obama Administration's Request for Information soliciting ideas on disposing of the inventory of Real Estate Owned (REO) properties held by Fannie Mae, Freddie Mac and the FHA. NAHB urged the agencies to increase REO sales to smaller, locally-based investors who, through rental or lease-to-own programs, could take the homes off the market for a reasonable period of time.
  - NAHB also urged Fannie Mae, Freddie Mac and FHA to take a balanced approach in disposing of their large inventory of REO properties to avoid further disruptions to the market and their limit losses.
  - To further vet ideas to address foreclosures, the Senior Officers appointed the NAHB Task Force on Foreclosures, which has since formulated recommendations for NAHB action. Specifically, the Task Force recommended pursuing new programs for REO sales by Fannie and Freddie; greater use of principal reductions in the Home Affordable Modification Program and for loans held by Fannie and Freddie; and further changes to the Home Affordable Refinance Program to boost refinancing of performing loans.
  - On Jan. 25, the Senior Officers met with FHFA Acting Director Ed DeMarco and stressed the urgency of addressing foreclosure issues. They also asked FHFA to make improvements to its refinancing programs to increase participation and ultimately facilitate a housing and economic recovery.
  - In his State of the Union address, President Obama proposed a legislative initiative to increase refinancing opportunities. The new program will cover mortgages owned by private investors, as well as Fannie Mae and Freddie Mac. Congressional approval would be required to change statutory limits on FHA loan-to-value ratios to allow underwater borrowers to participate. The program's costs would likely be covered by a fee on financial companies with more than \$50 billion in assets.
  - **More information:** [www.nahb.org/housingfinance](http://www.nahb.org/housingfinance); Jessica Lynch (800-368-5242, x8401)
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## **8. Southern Pine Design Values - *Construction, Codes and Standards Committee***

- On Oct. 6, the Southern Pine Inspection Bureau (SPIB) announced a proposal to lower the design values for all grades and sizes of visually graded Southern Pine lumber by approximately 25%-30%.
- The SPIB planned to seek approval for immediate implementation of its proposed values at an Oct. 20 meeting of the Board of Review of the American Lumber Standard Committee (ALSC).

- NAHB and other industry groups moved quickly to delay any action until all affected parties had time to review SPIB's test results and provide comments, and the ALSC Board responded at its Oct. 20 meeting by delaying action on the SPIB proposal until after a second meeting on Jan. 5.
- NAHB Chairman-Elect Barry Rutenberg and staff testified in opposition to proposed changes at the ALSC Board meeting on Jan. 5, and the association submitted written comments on Dec. 22.
- On Jan. 11, the ALSC Board approved the proposed new values for only 2x4, No. 2 lumber and a recommended effective date of June 1, 2012. On Jan. 12, it expanded that ruling to include all lower grades of 2x4s.
- On Jan. 19, SPIB released Supplement No. 9 to its Standard Grading Rules listing the new design values for No. 2 and lower grades of Southern Pine lumber 2" to 4" thick and 2" to 4" wide, with the June 1 effective date.
- The ALSC also urged SPIB "to proceed with all deliberate haste" to complete the testing of additional grades and sizes of Southern Pine. The full matrix of in-grade tests will likely be completed this summer, after which changes to the other grades and sizes of Southern Pine lumber may once again be proposed.
- **More information:** [www.nahb.org/spdv](http://www.nahb.org/spdv) [www.nahb.org/spnbn](http://www.nahb.org/spnbn); Gary Ehrlich (800-368-5242 x8545)

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## 9. Fall Protection Guidelines - *Construction Safety & Health Committee*

- On Dec. 16, 2010, OSHA announced the withdrawal of its Interim Fall Protection Compliance Guidelines for residential construction.
  - With the removal of the Interim Guidelines, residential construction employers may be required to take additional steps to ensure worker safety when working six feet or more above a lower level.
  - OSHA's most recent temporary policy guidance, which is in effect until September 15, 2012, requires all proposed residential construction fall protection citations to be submitted to the OSHA Regional Office to ensure consistency and clarity, allows residential construction employers at least 30 days to correct fall protection violations identified during an inspection, permits an additional good faith reduction in penalties of up to 10%, and makes it a priority for OSHA to provide compliance assistance to the residential construction industry.
  - NAHB has been actively meeting with OSHA to address concerns with the changes in fall protection requirements and OSHA's enforcement. On Dec. 15, NAHB met with Cass Sunstein, head of the OMB's Office of Information and Regulatory Affairs, to seek his support in obtaining changes in OSHA's fall protection rule.
  - NAHB has established a Fall Protection Task Group, which has been charged with identifying the most problematic portions of OSHA's fall protection rule and developing specific changes that need to be made to make it less burdensome and more effective and clear. The task group's recommendations will be delivered to the NAHB Construction Safety and Health Committee at its meeting on Feb. 7.
  - **More information:** [www.nahb.org/fallprotection](http://www.nahb.org/fallprotection); Marcus Odorizzi (800-368-5242 x8590)
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## 10. Injury and Illness Prevention Programs - *Construction Safety & Health Committee*

- OSHA is currently developing an Injury and Illness Prevention Program rule, or I2P2.
  - Injury and Illness Prevention Programs are written plans intended to help employers reduce workplace injuries and illnesses by proactively addressing workplace safety and health hazards.
  - In January, OSHA announced that it intends to convene a Small Business Review Panel for its I2P2 rule. Such review panels are designed to give small businesses a voice in the development of new regulations.
  - NAHB has nominated a member for the small business review panel to ensure that home builders' viewpoints and opinions are taken into account prior to OSHA issuing the I2P2 rule.
  - **More information:** [www.nahb.org/osha](http://www.nahb.org/osha); Marcus Odorizzi (800-368-5242 x8590)
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