



H.R. 5818 – Neighborhood Stabilization Act

EXECUTIVE SUMMARY

H.R. 5818 was introduced by Rep. Maxine Waters (D-CA) on April 16, 2008. The bill was ordered to be reported, as amended, by the Committee on Financial Services by a vote of 38 to 26. It is expected on the floor under a structured rule on May 7, 2008.

The bill authorizes the Secretary of Housing and Urban Development (HUD) to make \$7.5 billion in grants and \$7.5 billion in loans available to States with qualified plans to carry out housing stimulus activities.

House Financial Services Committee Republicans raised concerns that the bill “may actually incentivize lenders to foreclose rather than attempt workouts with struggling homeowners.” The Administration has stated the President’s senior advisors would recommend vetoing the bill, arguing it “would constitute a costly bailout for lenders and speculators and would delay the economic recovery it purports to advance.”

The Congressional Budget Office estimates that the bill “would cost about \$8.4 billion over the 2009-2013 period, assuming appropriation of the authorized and necessary funds.”

FLOOR SITUATION

H.R. 5818 will be considered under a structured rule on May 6, 2008. The rule:

- Provides on hour of general debate equally divided and controlled by the Chairman and Ranking Minority Member of the Committee of Financial Services.
- Waives all points of order against consideration of the bill except for clauses 9 and 10 of rule XXI.
- Provides that the amendment in the nature of a substitute recommended by the Committee on Financial Services, now printed in the bill, shall be considered as an original bill for the purposes of amendment and shall be considered as read.
- Waives all points of order against the amendment in the nature of a substitute except for clause 10 of rule XXI. This waiver does not affect the point of order available under clause 9 of rule XXI (regarding earmark disclosure).
- No amendments shall be in order except those amendments printed in the Rules Committee report accompanying the resolution.
- Provided that the amendments made in order may be offered only in the order printed in the report, may be offered only by a Member designated in the report, shall be considered as read, shall be debatable for the time specified in the report equally divided and controlled by the proponent and an opponent, shall not be subject to amendment, and shall not be subject to a demand for division of the question in the House or in the Committee of the Whole.
- Waives all points of order against the amendments printed in the report except for clauses 9 and 10 of rule XXI.
- Provides one motion to recommit with or without instructions.



- Provides that after a motion that the Committee rise has been rejected on a legislative day, the Chair may entertain another such motion on that day only if offered by the chairman of the Committee on Financial Services or the Majority Leader or a designee and provided that after a motion to strike out the enacting words of the bill (as described in clause 9 of rule XVIII) has been rejected, the chair may not entertain another such motion during further consideration of the bill.

This legislation was introduced by Rep. Maxine Waters (D-CA) on April 16, 2008. The bill was ordered to be reported, as amended, by the Committee on Financial Services by a vote of 38 to 26.

The House is expected to consider H.R. 5818 on May 7, 2008.

SUMMARY

Authorization Level: H.R. 5818 authorizes the Secretary of Housing and Urban Development (HUD) to make \$7.5 billion in grants and \$7.5 billion in loans available to States with qualified plans to carry out housing stimulus activities.

Qualified Plans: States must submit a plan to the Secretary that details their strategy for stimulating the housing market, including prioritizing the allocation of funds to low- and moderate- income neighborhoods with high foreclosure rates and providing preferences for activities that serve the lowest income families and preferences for grant and loan amounts for the acquisition of foreclosed properties. The Secretary must inform states within 30-days of submission whether their plans are approved or disapproved. If the Secretary fails to inform states within 30-days, the plan is considered approved.

Eligible Housing Stimulus Activities: The bill allows loans to be used to finance the purchase of foreclosed housing for resale or rental and to rehabilitate foreclosed housing for the purpose of resale. Grants can be used only for holding and operating foreclosed housing, costs related to property acquisition, administrative costs, planning costs, housing rehabilitation, and for the demolition of unsafe or deteriorated foreclosed housing.

Loan Program: The Secretary is authorized to make zero-interest, non-recourse loans to states, counties, and cities. The bill also allows loan recipients to be eligible for repeat loans if the entity has repaid at least 90 percent of its original loan amount. In addition, the loan program sunsets 48-months after the enactment of this legislation.

Grant Program: The Secretary is authorized to make grants to help states cover the cost of purchasing foreclosed properties. Grants are expressly prohibited from being used for political activities, advocacy, lobbying, counseling services, travel expenses, and preparing or providing advice for tax returns.

Public Housing: The bill prohibits the demolition of public housing units.

SUMMARY

The housing market in the United States is currently in a period of turmoil. In 2007, there were approximately 1.5 million foreclosures, and the U.S. Department of the Treasury is estimating that there will be 2 million foreclosures during 2008. Adjustable rate subprime mortgages account for 40 percent of these foreclosures, although they only make up 6 percent of the total mortgage market. However, according to Henry Paulson, the Secretary of the Treasury, of the 51 million American homeowners in the U.S, 92 percent are paying their mortgage payments on time every month.



In reaction to current housing market trends, the Bush Administration created FHASecure, which is a Federal Housing Authority (FHA) program that gives the FHA more flexibility when refinancing homes for people who have decent credit histories but are unable to afford payments because of higher interest rates. The FHA has been able to help almost 180,000 families to refinance their homes because of FHASecure, and anticipates helping about half of a million people by the end of 2008.

The Administration has also helped to facilitate the formation of the HOPE NOW Alliance, which is a private-sector cooperative effort among sectors of the mortgage service industry. HOPE NOW seeks to maximize assistance to struggling homeowners by providing professional counseling to homeowners and helping them to refinance or modify their existing mortgage. Today, HOPE NOW membership extends to over 90 percent of the subprime mortgage market.

On April 10, 2008, the Senate passed a Housing Bill (H.R. 3221) by a vote of 84 to 12. This bill, which is estimated to cost \$10.8 billion, contains a number of housing provisions. These provisions include: 1) \$10 billion in additional tax-exempt bond authority to refinance subprime loans, provide mortgages for first-time homebuyers, and for multifamily rental housing; 2) Grants a \$7,000 tax credit for homebuyers purchasing homes in foreclosure, which will be used as their primary residence; 3) Provides a standard tax deduction for property taxes of \$500 for single filers and \$1,000 for joint filers; 4) Permanently increases FHA loan limits up to 110 percent of the region's median home price; and 5) provides \$150 million for counseling to help struggling homeowners avoid foreclosure.

AMENDMENTS

(Below are the summaries of the amendments that were made in order by the Rules Committee and may be offered on the floor of the House of Representatives)

- 1) Reps. Maxine Waters (D-CA) / Barney Frank (D-MA): The amendment provides for direct allocations to qualified metropolitan cities and qualified urban counties, makes the definition of operating expenses consistent with other HUD programs, and caps purchase price under the loan program at the current appraised value of the foreclosed property.
- 2) Rep. Shelley Moore Capito (R-WV): The amendment directs the funds to be administered through the Office of Community Planning and Development of the Department of Housing and Urban Development rather than directing the Secretary to create a new program within the Department.
- 3) Rep. Tim Mahoney (D-FL): The amendment clarifies that nothing in this Act shall affect the right to bear arms under the Second Amendment to the Constitution of the United States.
- 4) Rep. Jeb Hensarling (R-TX): The amendment would strike all references in the bill to providing grants to states, but leave the underlying loan program intact. Money from the grant portion of the bill (\$7.5 billion) would be re-directed to the loan portion (for a total of \$15 billion in loans).
- 5) Rep. Dennis Kucinich (D-OH): The amendment modifies the purposes of the legislation to emphasize the increasing rates of vacant and abandoned properties, and changes the state-to-local jurisdiction funding formula to ensure that up-to-date vacancy statistics are used to allocate the funds.
- 6) Rep. Thaddeus McCotter (R-MI): The amendment directs States using federal loans and grants for housing rehabilitation to give priority to veterans, members of the Armed Forces on active duty, members of the National Guard or Armed Forces reserves, school teachers, and emergency responders when reselling the rehabilitated property.



- 7) Rep. Jason Altmire (D-PA): The amendment clarifies that illegal immigrants shall be ineligible for financial assistance under the bill.

COST

"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." ([CBO Cost Estimate](#))

ADDITIONAL VIEWS

House Financial Service Committee Republicans: "Rather than reducing the number of foreclosures, H.R. 5818 may actually incentivize lenders to foreclose rather than attempt workouts with struggling homeowners....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." (Dissenting Views included in the Committee Report, 5/1/2008)

Statement of Administration Policy: "H.R. 5818, the Neighborhood Stabilization Act of 2008, would constitute a costly bailout for lenders and speculators and would delay the economic recovery it purports to advance. If H.R. 5818 were presented to the President, his senior advisors would recommend he veto the bill." (05/06/2008)

MOTION TO RECOMMIT

Please find the Republican Motion to Recommit [here](#).

STAFF CONTACT

For questions or further information contact Brianne Miller at (202) 226-2302.