

A New Direction for Housing & the Economy *Congress Acts as Mortgage Crisis is Straining American Economy*

This week, the House will vote on the most comprehensive response yet to the American mortgage crisis. The package of housing measures will help families facing foreclosure keep their homes, help other families avoid foreclosures in the future, and help the recovery of communities harmed by empty homes caught in the foreclosure process. As most Americans' primary investment is their home, ending the foreclosure crisis is vital to the American economy recovery.

FHA Rescue and Neighborhood Stabilization (H.R. 5830 and 5818)

- Provides mortgage refinancing assistance to keep families from losing their homes, protect neighboring home values, and help stabilize the housing market.
- Expands the FHA program so that borrowers in danger of losing their home can refinance into lower-cost government-insured mortgages they can afford to repay. This legislation will help troubled borrowers avoid foreclosure while minimizing taxpayer exposure.
- Protects taxpayers by requiring lenders and homeowners must take responsibility. This is not a bailout; in order to participate, lenders and mortgage investors must take significant losses by reducing the loan principal. In exchange for an FHA guarantee on the mortgage, borrowers must share any profit from the resale of a refinanced home with the government.
- Makes \$15 billion in loans and grants to states to acquire foreclosed homes standing empty, to rehabilitate foreclosed property, and to restore home values in neighborhoods hit hard by the crisis. (H.R. 5818)

Tax Provisions to Expand Refinancing Opportunities and Spur Home Buying (H.R. 5720)

- Gives first-time homebuyers a refundable tax credit that works like an interest-free loan of up to \$7,500 (to be paid back over 15 years) to spur home buying and stabilize the market.
- Supplies states with \$10 billion of additional tax-exempt bond authority in 2008 to refinance subprime loans, make loans to first-time homebuyers and to finance the building of affordable rental housing.
- Provides taxpayers that claim the standard deduction with up to an additional \$700 standard deduction for property taxes.
- Makes necessary reforms to encourage the creation of low-income housing.

Preserving the American Dream for Our Nation's Veterans

- Increases VA Home Loan limit, as was done in the stimulus package, for high-cost housing areas so that veterans have more homeownership opportunities.
- Helps returning soldiers avoid foreclosure by lengthening the time a lender must wait before starting foreclosure, from three months to one year after a soldier returns from service.

Already-Passed House Bills are Supported by the Administration

- FHA Modernization. Expands affordable mortgage loan opportunities for families (many of whom would otherwise turn to subprime lenders) and for seniors through expanded access to reverse mortgages through Federal Housing Administration reform (H.R. 1852).
- GSE Reform. Strengthens regulations of Fannie Mae and Freddie Mac and raises their loan limits to increase liquidity in the mortgage market, and creates a new Fund to boost the nation's stock of affordable rental housing (H.R. 1427, Federal Housing Finance Reform Act).