

What HBA is doing to help our members and industry through the current housing market downturn and credit crisis

HBA's Identified Priorities

Through meetings with our Government Affairs Committee, Executive Committee, Production Builders Council and Board of Directors, HBA has identified the following top priorities:

- 1) **Pressure** banks to discontinue the reappraisals of existing projects for a period of time. The market is very unstable, and with few buyers, determining a fair or accurate appraisal is almost impossible. The extra scrutiny and pressure placed on appraisers right now is causing them to be ultra conservative, pushing values to extreme lows and certainly below what they will be once the market stabilizes.
- 2) **Encourage** banks to do everything possible to give builders time to sell homes as long as they are making their interest payments, and encourage banks to even restructure or delay interest payments to provide more relief. Builders have slowed or stopped production across the region. Once buyers are able to buy again, the inventory will find balance quickly.
- 3) **Address** the regulatory pressures banks are facing. These pressures are causing them to not make any new AD&C loans, even on good projects, and are encouraging them to write off properties/debt at substantial losses. This latter problem is creating "liquidation values" in existing sales and increasing foreclosures on properties, which will only serve to further propel the downward spiral of falling values.
- 4) **Provide** greater ability for home buyers to make responsible home purchases. Find ways to allow the new first-time home buyer tax credit to be able to be used towards a home buyers down payment. Also support passage of bills reinstating responsible down payment assistance programs.
- 5) **Work** at the federal level to extend the tax loss carry back provision from two years to four years. For those builders who are forced to sell their homes, land and lots at a loss right now, the tax refund on up to 43 percent of their losses for an additional two years could go a long way to helping with cash flow issues. There also needs to be pressure to expedite tax refunds to get the money back in the hands of builders as soon as possible.

HBA leaders have been working with a variety of partners and groups to help support these priorities. We also have some additional goals that deal with helping the market once it gets back on track. These efforts are described briefly below.

State (OHBA) support

The Oregon Home Builders Association (OHBA) and our local leadership have been coordinating our efforts to address local and statewide issues. A couple of areas that already have been put in progress:

PERMIT EXTENSIONS: While not an immediately critical issue, builders and developers with current approved projects will be facing significant challenges once the market turns and they are able to move ahead. Many jurisdictions have a limit to their approval extension process. We must work with local jurisdictions, and possibly through the state legislative process, to find acceptable ways for developers and builders to receive longer term extensions for their projects. We are beginning conversations at a local and state level to identify how best to achieve this.

CONGRESSIONAL SUPPORT: We need to get our Congressional leaders on-board in supporting this effort at a national level. Jon Chandler (OHBA CEO) is working with Senator Ron Wyden's office, and

the Senator sent an excellent letter to the head of the FDIC strongly urging its support of solutions we've identified (a copy of the letter can be found on our website). He also is arranging meetings with Wyden's staff to help solidify the Senator's support, and Wyden has offered to meet with our members in October. We now are working to get the support of Senator Gordon Smith and our Congressional delegation as well.

National (NAHB) support

The National Association of Home Builders has been very active and has taken a multitude of actions over the last few months to help address the problems within the market. This includes meetings with the Federal Reserve, the Office of Thrift Supervision, Congress, the Federal Housing Finance Agency, HUD and many others. They have worked hard to get public and media attention brought to increase public awareness and pressure to make changes. A detailed report on NAHB's efforts can also be found on the HBA web site.

Several of our leaders will be attending the Fall NAHB Board meetings in San Diego next week. We plan on working with HBA leaders from across the country, whom we have also been in contact with and who agree 100-percent with the importance of these efforts, to further NAHB's agenda and work on these issues. NAHB will devote significant attention to these discussions during the meeting, and we will be fully involved at a local level.

One example of a concrete result of our efforts is support for a bill going through Congress this week that would reinstate the down payment assistance programs for certain buyers. This provision was eliminated in the housing stimulus bill this summer, and while there certainly were problems with how aggressively it was used during the boom market, eliminating it altogether was a big mistake. Legislation supported by the banking and housing industries is making its way through the U.S. Congress, and if passed, will bring back responsible down payment assistance programs. NAHB is actively monitoring and supporting this legislation.

Home Builders Coalition

A coalition of builders that started in San Diego now has over 80 members and has expanded its involvement to many other states. Through a couple of meetings this summer, the group's understanding of what's behind much of the banks' actions has deepened. Several local HBA members have joined this coalition (it's free for builders to join). While the website name may sound ominous, the coalition used it to help builders understand that without taking action immediately, everyone may face this situation. A copy of their goals is on their website.

The coalition will hold a seminar in conjunction with the NAHB Fall Board meetings in San Diego Tuesday, Sept. 23. They also have several meetings scheduled with NAHB's leaders. HBAMP has been working closely with coalition leaders, and while we have some slightly different perspectives on a few of their goals, we fully support their efforts to help elevate the importance of the credit/lending crisis to NAHB's leadership.

Bottom Line

Obviously, what is happening in the credit/lending markets, and with the overall economy, is bigger even than our industry. However, we have the power to influence decisions that can help increase opportunities within the current environment and help speed up the recovery. We hope the information here provides a better understanding of our efforts, and we will continue to keep you apprised of our work over the next few weeks and months.