

NAHB Responds Proactively to Turbulent Financial Markets

Responding to deteriorating conditions in the nation's housing and financial markets, the National Association of Home Builders (NAHB) has been working aggressively in recent months to address the causes and help mitigate the effects of the credit crunch.

The NAHB Housing Task Force on Sept. 16 held its first meeting in Chicago – less than 24 hours after Lehman Brothers filed for bankruptcy, the Dow plunged 500 points and Bank of America bought Merrill Lynch for \$50 billion.

The task force was formed to address evolving housing credit conditions and to examine the long-term implications of the federal government's Sept. 7 action to seize control of Fannie Mae and Freddie Mac. This includes developing guidance for Fannie and Freddie's new regulator, the Federal Housing Finance Agency, and the next Congress and new Administration.

Moving forward, the task force will develop a series of policy recommendations on how to restore the health of the nation's housing finance system. The task force will report on its findings before the end of the year.

On the legislative front, thanks to the efforts of the entire NAHB federation, President Bush on July 30th signed into law H.R. 3221, the Housing and Economic Recovery Act of 2008. This milestone legislation will help provide a boost to the housing industry in the form of a tax credit for first-time home buyers, as well as much-needed measures that will improve mortgage liquidity, foster refinancing of troubled loans and expand the supply of affordable rental housing.

A major component of the legislation is the \$7,500 temporary first-time home buyer tax credit, which will help stimulate home buying, reduce excess supply in housing markets and shore up home prices.

New Web Site Promotes Home Buyer Tax Credit

To help NAHB members understand and promote consumer awareness of the tax credit, NAHB established a new Web site, www.federalhousingtaxcredit.com, the day the bill was signed into law. Geared toward consumers, the Web site includes details and a set of comprehensive questions and answers about how the credit works and how consumers can take advantage of it.

On Aug. 4, NAHB hosted a teleconference to discuss the provisions and benefits of the newly enacted housing bill. NAHB President Sandy Dunn, Illinois builder Ed Brady, Pulte Homes CEO Richard Dugas and NAHB tax economist Rob Dietz talked about how the temporary home buyer tax credit will provide an incentive for fence-sitters to jump into the housing market.

NAHB also established a new section on its Myth Buster site (www.nahb.org/mythbuster) to educate builders about the tax credit and promote the www.federalhousingtaxcredit.com Web site. The Myth Buster materials include talking points, print ads, radio and TV public service announcements, a consumer handout and a

PowerPoint presentation on all aspects of the legislation for use by HBA leaders and HBA executive officers.

Since the beginning of August, NAHB Public Affairs has been aggressively promoting www.federalhousingtaxcredit.com in Nation's Building News, through press releases and media interviews and via the PRx to Executive Officers. The Web site has been drawing about 10,000 unique visitors daily and has been mentioned in more than 25 articles, including the Wall Street Journal, Chicago Tribune, Washington Post, and the San Diego Union Tribune among others.

The tax credit is spearheading a "buy now, buy new" effort. NAHB is developing an online brochure to reassure buyers about long-term home values and to outline key reasons why today is an opportune time to buy. Positive messages are being incorporated in news releases, media interviews, speeches and Op-ed columns in an effort to calm very jittery financial and consumer markets about the future of home values by stressing, among other things, the positive fundamentals of strong demographic demand for housing over the long-term.

While the home buyer tax credit is just one element of the overall housing legislation, other key components include FHA modernization and expansion; reform of the regulatory framework for Fannie Mae and Freddie Mac; an expansion of the mortgage revenue bond program to help strapped borrowers seeking to refinance their home loans; significant enhancements to the Low Income Housing Tax Credit program to expand the supply of much-needed affordable rental housing; and a federal backstop for Fannie and Freddie that allowed the government to place them into conservatorship and provide an explicit federal guarantee that these two institutions will remain bulwarks of the housing finance system.

Efforts to Increase Mortgage Credit Availability

On the housing finance front, NAHB has been working non-stop to increase mortgage credit availability and reliability for home buyers.

On Sept. 5, NAHB Senior Officers led a cross-section of builders who met with Federal Reserve Chairman Ben Bernanke to discuss housing market conditions and related credit crunch issues. Bernanke heard first-hand accounts of how tighter land acquisition, land development and home construction (AD&C) and mortgage lending standards were impacting builders and why banks and regulators need to guard against overreacting to the situation.

NAHB continues to conduct regular surveys of its members to learn specific barriers to AD&C lending and to measure changes in the market. NAHB is also monitoring and reporting on other sources of information, including the Federal Reserve and federal banking regulators, and will continue to seek case studies from builder members to demonstrate specific problems and examples.

In seeking flexible guidelines from regulators rather than strict limits, NAHB has submitted regulatory comments to the federal banking regulators supporting flexibility

and continues to investigate the causes of inappropriate bank examiner demands on banks.

Reaching Out to Third Parties

NAHB also continues to work with outside parties to increase liquidity and to develop a positive and consistent message.

NAHB remains in close contact with the Appraisal Institute (AI) in an effort to develop a memorandum of understanding for ongoing cooperation and interaction. NAHB and the AI are approaching Fannie Mae and Freddie Mac about ways to introduce appeals into the appraisal process with minimum disruption in time or process. An AI official will deliver a best practices seminar at the fall board meeting later this month in San Diego.

On Sept. 10, NAHB Senior Officers held their sixth annual Leadership Summit with the National Association of Counties to discuss issues relating to the housing economy, green building, immigration and affordable housing. NAHB urged county officials to promote the home buyer tax credit and provided them with information on the credit, encouraging them to link to our site at www.federalhousingtaxcredit.com.

In addition, NAHB continues to reach out the Realtors, mortgage bankers and other partners in the industry to trade intelligence and develop consistent and more positive messages on housing market conditions.

Much more work remains to be done to get the nation's financial house in order, and NAHB will continue its efforts on the legislative, regulatory and public affairs fronts to expedite this process in order to give buyers and builders the opportunity to finance the American Dream.