

KATHY CASTOR  
11TH DISTRICT, FLORIDA

COMMITTEE ON  
ARMED SERVICES  
SUBCOMMITTEE ON TACTICAL AIR AND LAND  
SUBCOMMITTEE ON EMERGING THREATS AND  
CAPABILITIES

COMMITTEE ON THE BUDGET  
DEMOCRATIC STEERING AND  
POLICY COMMITTEE  
ASSISTANT WHIP



**Congress of the United States**  
**House of Representatives**  
**Washington, DC 20515-0911**

WASHINGTON OFFICE:  
137 CANNON BUILDING  
WASHINGTON, DC 20515  
(202) 225-3376

DISTRICT OFFICE:  
4144 NORTH ARMENIA AVENUE  
SUITE 300  
TAMPA, FL 33607  
(813) 871-2817

[www.castor.house.gov](http://www.castor.house.gov)

August 1, 2011

The Honorable Barack Obama  
President  
The White House  
1600 Pennsylvania Ave, N.W.  
Washington, D.C. 20500

RE: Proposals to Improve the Housing Market and Aid Underwater Homeowners

Dear Mr. President:

During our discussion at the White House last month and a few weeks ago during your Twitter townhall meeting, you emphasized the need for bold and effective action to tackle the ongoing troubles relating to housing. Thank you for the opportunity to offer a few ideas.

The State of Florida has been hit particularly hard by the housing crisis. I have held six foreclosure prevention workshops in the Tampa Bay area since July 2009. Many knowledgeable experts have offered advice, including HUD certified housing counselors in the Tampa Bay area, our local bar associations, housing finance professionals and community service organizations. The hardworking individuals who assist distressed homeowners throughout Tampa Bay have been an invaluable asset to me while developing these ideas. Our recommendations include:

- Mortgage Help Centers
- Mandatory Standards and Timeframes for Servicers
- Homeownership Equity Loan Partnership
- Mandatory Foreclosure Mediation
- Support HUD Certified Housing Counselors
- Principle Reduction for Homeowners Scammed by Mortgage Companies and Banks
- Extend the Successful New Issue Bond Program (NIBP)
- Save Project-based Multifamily Housing Stock
- Changes in the 4% tax credit valuation computation to be consistent with the changes made to the 9% tax credits
- Continued support for the Hardest Hit program
- Grant Workshops

## **Mortgage Help Centers**

One of the most common complaints I hear from homeowners during my foreclosure workshops is the lack of communication from their mortgage lenders and loan servicers. My neighbors continually tell me that they want to meet in person with someone from their lending company to discuss solutions relating to their mortgage and ensure that paperwork is not lost.

As you know, Fannie Mae has nine Mortgage Help Centers around the country and three located in Florida – Tampa, Miami, and Jacksonville. The purpose of these centers is to allow homeowners, whose home loans are owned by Fannie Mae, an opportunity to meet face-to-face with a local housing counselor to discuss alternatives to foreclosure and assist homeowners when corresponding with their mortgage servicer. I believe these centers provide a vital service to homeowners and I ask you to mandate that *every* mortgage servicer establish similar local mortgage help centers in the areas hardest hit by the foreclosure crisis. During the six foreclosure workshops I have held in my district, banks and other loan servicers send staff from other parts of Florida or even other areas of the country to talk with distressed homeowners. Requiring servicers and lenders to have local mortgage help centers will allow loan servicers and lenders to work more responsively with homeowners, avoid problems and disallow them from hiding behind a phone.

## **Mandatory Standards and Timeframes for Servicers**

New standards and timeframes must be mandated for all mortgage servicers similar to the mandatory standards announced in April by the Federal Housing Finance Agency (FHFA) for Fannie Mae and Freddie Mac. On June 6, 2011, Fannie Mae released its new rules which are intended to create more direct communication between loan servicers and homeowners.

Until now, mortgage servicers have not been held adequately accountable for their mistreatment of their customers. Many homeowners have been frustrated by the delays, lost paperwork and inconsistency of loan servicers and mortgage companies when negotiating over a modification or forbearance. Their paperwork will be lost or they will be put on hold and transferred to multiple departments before they actually speak to a human being. Better communication and deadlines for responses between servicers and homeowners is a key step in slowing the avalanche of foreclosed homes entering the market.

## **Homeownership Equity Loan Partnership**

Homeowners and mortgage lenders should be working together to ensure the survival of the housing market. The Housing & Education Alliance, a Tampa-based HUD certified housing counseling agency, has proposed an idea that I believe could bring these groups together called the Homeownership Equity Loan Partnership (HELP). Here is an example:

- HELP combines an analysis of (1) the present value of the home, (2) the ability of the homeowner to pay 31 percent of their income towards the principle, interest, taxes

and insurance (PITI) of a new mortgage amount based on the home's present value, (3) an incentive for the lender and (4) a future equity split.

- A certified appraisal of the home will be performed and paid for by the homeowner. The lender may pay for a separate appraisal. If there is a dispute over the present value of the home, then, a third independent appraisal is ordered.
- Once the present value of the home is determined, the mortgage is recast at an interest rate that is affordable for the homeowner and keeps the front end ratio below 31 percent.
- The homeowner and lender sign an agreement that when the home is sold, any equity on the sale is split in half between lender and homeowner. However, if a homeowner consistently pays his or her mortgage payment on time for a set amount of years, the lender's share of the equity when the home is sold would be reduced over time.
- Lenders will receive incentives to participate in the program.

I encourage you to consider this proposal and I also ask that your Administration engage the individuals in the trenches on a daily basis – like housing counselors – in discussion to improve the housing market. Their wisdom is invaluable.

### **Mandatory Foreclosure Mediation**

The majority of homeowners I have met during my six foreclosure workshops want the opportunity to meet face-to-face with their lenders and discuss their loan options. My workshops have provided that opportunity. Many homeowners would appreciate an opportunity to do so *before* a foreclosure is filed. Mortgage lenders should be required to enter into mediation with a borrower before the foreclosure process begins with certain qualifications. The best way to come to an agreement that will benefit both sides is for them to be in the same room working through the matter with a neutral third party.

### **Support HUD Certified Housing Counselors**

Our country is fortunate to have hardworking HUD-certified housing counselors who give instructive advice to those going through hard economic times. Unfortunately, such vital services are under attack in the congressional appropriations process. This is the wrong time to harm the local counselors who are providing locally-informed advice to underwater homeowners. Our local counselors have attended every foreclosure workshop I have held and have helped countless numbers of my constituents along the way. They provide cost-effective services and are without substitute. I urge you to stand up for the HUD-certified counselors during our neighbors' time of great need.

### **Principle Reduction for Homeowners Scammed by Mortgage Companies and Banks**

Many homeowners were subject to unfair trade practices, the "robo-signing" scandal, or other mortgage fraud. I respectfully request that you vigorously fight to include principle reduction in the final settlement agreement being negotiated with the nation's banks. We must stand up for honest homeowners who have been taken advantage of by these fraudsters and provide them with a path to continue homeownership.

## **Extend the Successful New Issue Bond Program (NIBP)**

NIBP was the most successful federal program to stimulate the purchase of homes by first-time buyers over the past few years. It is relatively simple and utilized existing state and local Housing Finance Authorities (HFA) to deliver the product. Ultimately it will provide a profit to the US Treasury. Another round of NIBP is desperately needed.

In the current bond market, single family (homeownership) bond deals do not work. This results in a valuable federal resource – tax exempt bonds – going unused. Hundreds of millions of bond volume has expired – unused – because market conditions make an issue unfeasible. As a result, homebuyers are denied access to what is arguably the best vehicle for qualified first-time buyers to purchase a home. This harms the buyers, but also adds to overall destabilization of the market.

In 2009, the U.S. Treasury offered the New Issue Bond Program that offered solutions to the market problems and resulted in highly successful bond programs throughout Florida and the rest of the nation. Thirty-year fixed rate mortgages with rates under 4% were available. Without another NIBP, issuers are again locked out of the market. Another round of NIBP is needed.

Why don't traditional bond issues work? Absent a stimulus program that can overcome market challenges, a traditional tax exempt financed single family bond program would be economically inefficient due to negative arbitrage and a narrow or negative spread between conventional mortgage rates and tax exempt bond financed mortgage rates.

The NIBP, which was part of the Housing and Economic Recovery Act (HERA), expires December 31, 2011. NIBP has been extremely successful and the Hillsborough County HFA utilized this program to issue \$20 million in single family bonds which provided 3.99%, 30 year mortgages to 232 first time homebuyers in Hillsborough County. Also, there are three affordable multi-family rental communities comprising 376 units under construction in Hillsborough, which were made possible by bonds issued under NIBP. *These projects have proven to be huge job creators as well.* To give you an example, Sage Partners is building Metro 510, a 120 unit rental workforce housing community in downtown Tampa and generated over 600 construction jobs doing so. Therefore, the continuation of the NIBP is a win-win situation. It produces much needed affordable housing while creating jobs for our community.

## **Save Project-based Multifamily Housing Stock**

I urge you to consider a national policy to save project-based properties (rather than voucher out the tenants) whenever possible. Saving these properties means providing acquisition and rehabilitation funds and encouraging local partnerships. This would help create jobs as well. Multifamily rehabilitation has worked well in the Neighborhood Stabilization Program in the Tampa Bay area. Rehabilitation monies should not be provided to current owners who may have let the properties deteriorate out of neglect or bad management.

## **Changes in the 4% tax credit valuation computation to be consistent with the changes made to the 9% tax credits**

Housing credits provide an income tax credit for those who invest in affordable rental properties. The volume of housing credits are limited by federal law. Each state receives a limited amount of allocation based on population. Housing credits are divided into two types – 9 percent and 4 percent credits. The 9 percent credits are given out competitively, and the 4 percent credits are given in conjunction with developments that receive tax exempt bond financing. The amount of housing credit that can go to any single development is limited to a percentage of the cost of the development. Essentially, for the 9 percent housing credit, the amount of the credit given is equal to 9 percent of the development cost (less land and other non-depreciable costs). The same holds true for the 4 percent credit. Housing credits are given each year for 10 years. Investors pay upfront equity into the deal to purchase a limited partnership interest (through which they receive the tax credits over the 10 year period). The problem is that the actual amount of the credits is not exactly 9 percent or 4 percent of adjusted cost. Instead, it is determined by an arcane formula that relates to market interest rates adjusted monthly. In today's market, the "9 percent" credit is worth 7.68 percent and the "4 percent" credit is worth 3.29 percent.

In 2008, Congress passed HERA, which made the 9 percent credit equal to the full 9 percent value. Unfortunately, this provision expires December 31, 2013. The 4 percent credit formula was never adjusted. What this means is that the credits are being artificially lowered by the formula – which translates into less equity and the need for either higher debt (not obtainable) or other government subsidies (not available).

With more and more Americans looking to rent verses buy, we need to ensure there are ample affordable rental options for our neighbors to choose from. To succeed in this endeavor, the government should extend the provision included in HERA for the 9 percent Housing Credits and adopting a similar provision for the 4 percent Housing Credit. This will make deals work and will not cost additional funds – as the amount of credits are already fixed.

## **Continue support for the Hardest Hit program**

As you are aware, Florida has been hit particularly hard by the downturn in the housing market. According to the foreclosure information website RealtyTrac, there are 213,239 homes currently in foreclosure in Florida alone. To help stem the tide of foreclosures, Congress acted in the Wall Street Reform law to direct you to establish the Hardest Hit fund to assist unemployed or underemployed homeowners in states most impacted by the housing crisis. The Hardest Hit initiative in Florida started as a pilot in Lee County last October and was implemented statewide this April. Since its inception, 643 unemployed or underemployed homeowners have been approved for relief and over 20,000 homeowners have applied to participate. This is not a good percentage. I ask that you pressure state leaders to make the initiative work as intended so that we can provide a little breathing room for my Florida neighbors who have lost their job and want to stay in their homes and help stabilize the foreclosure market.

## Grant Workshops

I believe local communities – not just Washington and Wall Street – have the ideas and the know-how to help pull us out of our current economic crisis. Unfortunately, many times they lack the resources to implement their proposals. I request that the U.S. Departments of Treasury and Housing and Urban Development (HUD) hold joint grant workshops in the hardest hit areas to make certain state and local governments, stakeholder groups and local housing authorities have the pertinent information and support they need to assist struggling homeowners and improve the housing market in their areas. We need your direct involvement in Florida.

Thank you for the opportunity to share my ideas and the experience of my local housing experts. Congress and the Executive Branch must work together to devise and implement and action plan that stabilizes the real estate market and preserves access to the American Dream for all Americans.

Sincerely,



Kathy Castor  
U.S. Representative  
Florida, District 11

Cc: The Honorable Shaun Donovan, U.S. Department of Housing and Urban Development  
The Honorable Timothy Geithner, U.S. Department of Treasury