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THE HOUSING AND ECONOMIC RECOVERY ACT OF 2008: SUMMARY OF KEY PROVISIONS IMPACTING ILLINOIS

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Overview

On July 30, President Bush signed the Housing and Economic Recovery Act of 2008 (H.R. 3221) into law (Public Law No: 110-289). The numerous components of the legislation contain elements of many bills considered by the House and Senate over the past year and is divided broadly into three parts (Divisions A, B and C). Provisions of certain sections are highlighted in bold and have an extended summary after the overview. *Please note that the overview does not include all provisions of the Housing and Economic Recovery Act of 2008, which is available at http://thomas.loc.gov.*

Division A ("Housing Finance Reform")

- Title I (Reform Of Regulation Of Enterprises) establishes the Federal Housing Financing Agency (FHFA) as the new regulator of Government Sponsored Entities (GSEs)—Fannie Mae and Freddie Mac—and the Federal Home Loan Bank.

  - States that FHFA shall establish criteria governing the portfolio holdings of the enterprises, to ensure that the holdings are backed by sufficient capital and consistent with the mission and the safe and sound operations of the enterprises.

  - Authorizes the Secretary of the Treasury to purchase any obligations and securities issued by the enterprises under any section of this Act to provide stability to the financial markets, prevent disruptions in the availability of mortgage finance; and protect taxpayers.

  - States that regulated entities must receive prior approval to offer new products, revises conforming loan limits, and requires additional public reporting.

  - Revises single-family (1-4 units) and multifamily housing goals for low-income families, with slightly lower income targeting, and duty to serve underserved markets (e.g., manufactured housing, assisted housing preservation, and rural markets).

  - Creates a **Housing Trust Fund** and a **Capital Magnet Fund** using resources from the GSEs.

  - Requires the Department of the Treasury to make grants to eligible organizations for financial education and housing counseling.

- Title II revises regulations and housing goals specific the Federal Home Loan Bank.

- Title III phases out the Office of Federal Housing Enterprise Oversight as the GSE regulator.

- Title IV establishes **HOPE for Homeowners,** a temporary FHA program to help delinquent or at risk borrowers to refinance into affordable mortgages. It also creates a legal "safe harbor" to encourage servicers to modify delinquent mortgages.

- Title V establishes Secure and Fair Enforcement for Mortgage Licensing Act of 2008, which requires all loan originators to obtain and maintain license under a joint federal and licensing/registration system, the National Mortgage Licensing System (NMLS). All loan originators (state and federal) must be assigned unique ID in NMLS to facilitate public access to the employment history and disciplinary record of originators.
    - Requires States to adopt licensing and registration requirements and renewal requirements consistent with this Act in 1-2 years.
- Title VI includes miscellaneous provisions, including a requirement for the federal government to conduct an "extensive study of the root causes of default and foreclosure home loans" using empirical data.

Division B ("<u>Foreclosure Prevention</u>"):

- Title I (Federal Housing Administration Reform) updates FHA programs and standards, raises loan limits, requires minimum downpayments, repeals several programs, makes FHA insurance easier to use with cooperatives, condominiums and manufactured housing.
    - Includes several provisions regarding Home Equity Conversion Mortgages (HECM reverse mortgages), including setting national uniform loan limits, placing restriction on mortgage originators, strengthening per-mortgage counseling requirements, capping loan origination fees, and requiring federal study of impact of reducing HECM origination fees.
    - Requires implementation of pilot insurance program for single-family borrowers with limited credit histories, expands situations that qualify owners for counseling, and creates demonstration program to test alternative forms of pre-purchase counseling.
    - Raises loan limits and makes other changes to FHA Manufactured Housing Loan Insurance program.
- Title II increases foreclosure protections for members of the armed services.
- Title III authorizes a $3.92 billion **Neighborhood Stabilization Funds** to help localities deal with abandoned and foreclosed properties.
- Title IV covers **Housing Counseling Provisions**, including $180 million in new funding for foreclosure prevention counseling.
- Title V adds new mortgage disclosure requirements, including new disclosures for all credit transactions secured by consumer's dwelling, including notice to borrower of changes in interest rates before closing and variable rate loan disclosures.

    - Permits investments by national banks and state members banks in mixed-income projects and distressed and rural areas that don't meet definition of low and moderate-income communities.
- Title VI expands eligibility for and updates benefit levels for Veterans' Administration program for adaptive housing.
- Title VII exempts Public Housing Authorities with less than 550 units and/or vouchers annual plan requirements, although annual public hearings are required and PHAs must annually certify that they are in compliance with civil rights and fair housing laws, the American with Disabilities Act, and obligation to affirmatively further fair housing.
- Title VIII includes several preservation-related measures, including the Housing Tax Credit Coordination Act of 2008 to expedite approval of multifamily housing projects under the jurisdiction of the Department of Housing and Urban Development, including projects funded with the Low Income Housing Tax Credit and tax-exempt bonds.
    - Requires Department of Agriculture's Office of Rural Housing Services to expedite approval of transfers of ownership/control for purpose of preserving affordable housing.
    - Makes revisions to the Section 8 Project Based Voucher Program, including raising maximum term of initial or revised contract with owner to 15 years.
    - Ends requirement that Housing Choice Vouchers rent reasonableness for units in HOME and LIHTC projects be determined based on private unassisted units under certain circumstances.
- Title IX authorizes a $30 million increase in homelessness grant for education costs in FY2009 to fund activities for children and families (owners and renters) displaced by foreclosure.
    - Requires federal study on barriers to use of energy efficient mortgages.

- **Division C ("<u>Tax Related Provisions</u>")**:
- Title I revises **Low Income Housing Tax Credit** and **Tax-Exempt Bond** rules and provides temporary increases in Low Income Housing Tax Credit allocations (20 cents per capita for 2008 and 2009) and tax-exempt bond authority ($11 billion for 2008 only).
    - Provides a temporary tax credit for first time homebuyers of up to 10%, capped at $7,500, targeted at individuals below $75,000 (joint filers below $150,000) that is repayable over 15 years. It also provides a new deduction for property taxes for homeowners who do not itemize.
- Title II revises tax provisions related to Real Estate Investment Trusts.

Housing Trust Fund

The Housing Trust Fund is the first new federal housing production program since the HOME Program was created in 1990 and the first new production program specifically targeted to extremely low-income (ELI)[1] households since the Section 8 program was created in 1974. This targeting is critical to Illinois, where there are only 38 housing units affordable and available for every 100 extremely low-income renters.[2]

Purpose/Eligible Uses

At least 90% of Housing Trust Fund dollars must be used for the production, preservation, rehabilitation, or operation of rental housing. Up to 10% can be used for homeownership activities for first-time homebuyers (generally speaking, individuals which have not owned a home in the previous three years) such as production, preservation, rehabilitation, down payment assistance, closing cost assistance and interest rate buy-downs.

Targeting

At least 75% of the funds used for rental housing must benefit ELI households or households at or below the poverty line and the remaining 25% must benefit ELI or very low income (VLI) households. 100% of funds used for homeownership activities must benefit ELI or VLI households.

Funding Mechanism and Amount

Funding for the Housing Trust Fund will occur outside of the federal appropriations process. Funds will come from annual contributions made by the Federal National Mortgage Association (Fannie Mae) and the Federal Home Loan Mortgage Corporation (Freddie Mac) based on a percentage of each company's annual new business. For the first three years of the program, a percentage of these funds (100% in FY09, 50% in FY10 and 25% in FY11) will be diverted to a reserve fund related to a new foreclosure prevention program called Hope for Homeowners, after which all of Fannie Mae's and Freddie Mac's annual contributions will be shared by the Housing Trust Fund (65%) and the Capital Magnet Fund (35%).

Since this funding mechanism is based on a percentage of the new business of these companies, as described above, it is impossible to know exactly how much money will be made available to the Trust Fund each year. However, the Congressional Budget Office (CBO) estimates that funding will develop as follows:

FY09: $0
FY10: $184 million
FY11: $290 million
FY12: $406 million (1st year that no funds are diverted to Hope for Homeowners)
FY13: $426 million

Distribution of Funds to the States

[1] Extremely low, very low, and low income households are defined as those which are at or below 30%, 50% and 80%, respectively, of the local area median income.

[2] Pelletiere, Danilo. "American Community Survey Estimate Shows Larger National, State Affordable Rental Housing Shortages", 2007.

When the Housing Trust Fund receives funding, it will distribute those funds in the form of grants to the states through a process to be administered by the U.S. Department of Housing and Urban Development (HUD). The amount of funding that goes to each state will be based on a formula established by HUD, which will consider such factors as the availability and affordability of housing units for low- and very low-income households, housing conditions, housing cost burdens and construction costs in each state. However, there is a minimum state allocation of at least $3 million annually. There is no requirement that the state provide matching funds.

Each state will designate a state agency – in Illinois, presumably the Illinois Housing Development Authority - to receive the grants, and that agency must establish an annual allocation plan for the distribution of funds to non-profit and for-profit entities based on identified priority housing needs in the state. The allocation plan must follow regulations to be issued by HUD and afford an opportunity for public comment.

Next Steps and Advocacy Opportunities

While the creation and funding of the Housing Trust Fund represents a huge step in the effort to develop more federal housing resources for low-income Illinoisans, our work is not over. Two important steps remain:

Program Implementation – working with HUD to create an effective and timely fund distribution system, and working with the Illinois Housing Development Authority to develop a state allocation plan which adequately identifies and prioritizes Illinois' housing needs, taking into account the availability and restrictions of other affordable housing resources; and

Increasing Trust Fund Revenue – identifying and advocating for additional sources of dedicated revenue for the Housing Trust Fund. The housing bill specifically provides that Congress may "transfer, appropriate or credit" other funds to the Housing Trust Fund.

Capital Magnet Fund

The Capital Magnet Fund is a new competitive grant program to be administered through the U.S. Treasury Department. It is meant to support private investment in affordable housing, economic development and community revitalization activities.

Eligible Uses and Targeting

Grant funds must be used to attract private capital for, and increase investment in, the development, preservation, rehabilitation or purchase of affordable housing for extremely low, very low and low-income households. Grant funds may also be used for economic development or community service facilities (day care centers, workforce development centers, health care clinics, etc.) in conjunction with affordable housing activities to help stabilize low-income or rural areas. Examples of specific uses for these funds include capitalization of an affordable housing fund, capitalization of a revolving loan fund and provision loan loss reserves

Funding Mechanism and Amount

Funding for the Capital Magnet Fund will occur outside of the federal appropriations process. Funds will come from annual contributions made by the Federal National Mortgage Association (Fannie Mae) and the Federal Home Loan Mortgage Corporation (Freddie Mac) based on a percentage of each company's annual new business. For the first three years of the program, a percentage of these funds (100% in FY09, 50% in FY10 and 25% in FY11) will be diverted to a reserve fund related to a new foreclosure prevention program called Hope for Homeowners, after which all of Fannie Mae's and Freddie Mac's annual contributions will be shared by the Capital Magnet Fund (35%) and the Housing Trust Fund (65%).

Since this funding mechanism is based on a percentage of the new business of these companies, as described above, it is impossible to know exactly how much money will be made available to the Capital Magnet Fund each year. However, the Congressional Budget Office estimates that funding will develop as follows:

FY09: $0
FY10: $99 million
FY11: $156 million
FY12: $218 million (1st year that no funds are diverted to Hope for Homeowners)
FY13: $230 million

Allocation of Funds

The Department of Treasury will establish regulations for the program and the application process, with the goal of funding activities in geographically diverse areas of economic distress based on an objective formula, which may include poverty and unemployment rates. When the Capital Magnet Fund receives funding, the Treasury Secretary will allocate those funds to eligible recipients through a competitive grant process. Eligible recipients are:
Nonprofit organizations having as one of its principal purposes the development or management of affordable housing; and
Treasury-certified community development financial institutions.

There is no state minimum provision in the bill, so the amount of Capital Magnet Fund dollars which flow to Illinois will depend both on the formula developed by the Department of Treasury and the strength of any applications submitted by Illinois organizations.

HOPE for Homeowners

The bill authorizes a new Federal Housing Administration (FHA) insurance program, HOPE for Homeowners, to help at-risk homeowners to refinance into affordable, long-term fixed rate mortgages offered by private lenders.

Implementation Date and Amount of Insurance Authorization

The FHA can begin insuring new mortgages October 1. The program ends on ends Sept. 30, 2011. The bill authorizes the Government National Mortgage Association to guarantee up to $300 billion in securities backed by these mortgages.

Fund Structure and Financing Sources

Establishes an FHA revolving fund, called the Home Ownership Preservation Entity (HOPE)

Fund, to cover program costs. The Treasury Department will issue HOPE Bonds to finance FHA loan guarantees and program administration costs. Fannie Mae and Freddie Mac will pay assessments (4.2 basis points for each dollar of the unpaid principal balance of their total new business purchase), including all of the funds in 2009 that would otherwise go to the new Affordable Housing Fund established as part of GSE reform, to pay the costs of the bonds.

Eligible Borrowers
Insurance is limited to refinance loans for mortgages issued on or before 10/1/2008 for owner-occupied single-family (1-4 unit) homes where the mortgage is now unaffordable to the borrower.

Borrowers cannot have been convicted of state or federal mortgage fraud in 10 years prior to refinancing and must also certify that they did not intentionally default on existing mortgage *or any other debt* and did not knowingly furnish false information to obtain any mortgage eligible for refinance program.

Borrower must document that property is their primary residence and the only residence in which borrower currently has an ownership interest.

Loan Terms
The loan amount on HOPE for Homeowners loans shall be the *lesser* of the amount borrower can repay per underwriting standards established for the program or the amount established at auction for such mortgage. In addition, the loan amount can't exceed 90% of the appraised value of the home and can't exceed 132% of 2007 FHA conforming loan limit, which vary by location and home size.

Mortgage holders being repaid through the refinance loan must waive any penalties and fees related to prepayment, default or delinquency related to the current mortgage. Mortgage holders must agree to accept proceeds of FHA-insured loan as payment in full of all debt, effectively writing the debt down to 87% or less of a property's value since the new mortgage principal can't exceed 90% of current appraised value and the lender must fund the upfront premium of 3% of the refinance mortgage (serves as a loan loss reserve).

All loans must have a fixed interest rate for the entire term of the loan and must have at least a 30 year term.

Shared Equity and Appreciation
The borrower must agree upon sale of the property to share any equity created as a result of the refinancing with the federal government. The government's share will decline over time. The borrower must also equally share any increase in appraised value that occurs from date the new mortgage was insured.

Loan Servicer Safe Harbor
Absent contractual provisions to the contrary, servicers of pooled residential mortgages who enter modification or workout of individual residential mortgages (or a class of residential mortgages) will be held harmless from lawsuits from investors who may decide to sue the loan servicer if a loan modification causes them to suffer a loss, as long as the default has occurred or is reasonably foreseeable, the property is occupied by the borrower, and the expected recovery of principal through modification/workout exceeds expected recovery through foreclosure.

Neighborhood Stabilization Funds

Included in the housing bill is an appropriation of nearly $4 billion for grants to states and localities for the redevelopment of abandoned and foreclosed properties. The funds are intended to address fallout from the foreclosure crisis by eliminating blight and reducing downward pressure on property values in neighborhoods impacted by foreclosures, while stimulating local economies through widespread rehabilitation activities.

Purpose/Eligible Uses
All funds must be used for the purchase, redevelopment and resale of abandoned or foreclosed homes and residential properties.

Targeting
All funds must be used for the benefit of households with incomes no greater than 120% of area median income, and 25% of the funds must benefit very low income (VLI)[3] households. HUD is required to ensure that subject properties remain affordable "to the maximum extent practicable and for the longest feasible term".

Funding Mechanism and Amount
The bill makes a one-time appropriation of $3.92 billion. However, there is a reinvestment provision which states that during the five year period from July 31, 2008 through July 31, 2013, any profits from the sale, rental or redevelopment of these properties shall be re-used by the state or municipality for the same purposes, and revenues from certain authorized activities (financing mechanisms, land-banking and demolition) may be reinvested beyond this five-year period.

There is a minimum allocation of at least $19.6 million to each state. Any increment over this $19.6 million will be based on how the state of Illinois and its municipalities score in the HUD formula described below. There is no requirement that the state or municipalities provide matching funds.

Distribution of Funds to States and Municipalities
The U.S. Department of Housing and Urban Development (HUD) expects to establish the distribution formula and issue program guidance and regulation by September 28, 2008. HUD must make funds available within 30 days (October 28, 2008) to eligible jurisdictions. Recipient jurisdictions must use the funds them within eighteen months of receiving the funds.

The formula is to be designed in such a way as to ensure that neighborhood stabilization dollars are directed to the areas with the greatest need, based on local rates of foreclosure, delinquency and subprime lending.

Expenditure of Funds
In distributing these neighborhood stabilization funds, recipient states and localities must prioritize those areas most negatively impacted by the foreclosure and subprime lending crises. Examples of specific uses for these funds include:

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[3] Very low income households are defined as those which are at or below 50% of the local area median income.

- creating financing mechanisms for the purchase and redevelopment of foreclosed properties by low and moderate income homebuyers, such as soft second loans, loan loss reserves and shared-equity loans.
- purchasing and rehabilitating residential properties which have been abandoned or foreclosed upon, for subsequent sale or rental.
- establishing land banks for foreclosed homes.
- demolishing blighted structures.
- redeveloping demolished or vacant properties.

Purchases of foreclosed properties must be at a discount from their current market appraised value, and sales to an individual as a primary residence must be for an amount which is no greater than the cost incurred in purchasing and rehabilitating the property.

> Note: rehabilitation is defined to include improvements that increase the energy efficiency of a property.

Treatment as CDBG Funds
Amounts appropriated and revenues generated under the neighborhood stabilization program will be treated as if they were Community Development Block Grant (CDBG) funds, but the bill allows HUD the flexibility to implement aspects of this new initiative differently from the CDBG program. It is unclear at this time whether the traditional CDBG formula of distributing 70% of funds to the localities and 30% to the states will be utilized for this program.

Housing Counseling Provisions

The housing bill includes an $180 million appropriation to expand the Neighborhood Reinvestment Corporation (NRC) program that distributes grants to housing counseling agencies for loss mitigation counseling to single-family (1-4 units) homeowners. The new appropriation shall be available until 12/31/2008.

Use of Funds
At least 15% ($24 M) must go for counseling for minority and low-income homeowners (or for neighborhoods with high concentrations of such owners).

NRC must use $30 million of this appropriation to make grants to HUD or NRC approved counseling intermediaries to hire attorneys to help homeowners with legal issues directly related to foreclosure, delinquency or short-sale.

In distributing both set-asides, NRC must give priority to intermediaries and legal organizations that serve the 100 MSAs with the highest home foreclosure rates and can begin using the funds within 90 days of receipt. In distributing any of the $180 million,

NRC may consider whether the entity has implemented a written plan to provide in-person counseling and conduct outreach, including in person contact, with defaulted homeowners.

Agencies receiving grants must work to identify and coordinate with nonprofit or statewide organizations operating national or statewide toll-free foreclosure prevention hotlines.

Pre-Purchase Counseling Demonstration Program
Requires HUD to create, run demonstration for 3 years from date of bill enactment, to test

alternative forms of pre-purchase counseling, (including by phone, web-based, in-person individually, classes) for up to 3000 households a year for first-time homebuyers approved for 97% to 98.5% loan to value ratio. Allows HUD to offer incentives, including reduction in FHA premiums, to borrowers who participate. Requires HUD to report annually to the House Financial Services and Senate Banking Committees on program progress. Must also report on payment history, delinquency rates of participants for 5 years from date of bill enactment.

Low Income Housing Tax Credits

The Low Income Housing Tax Credit (LIHTC) program is the single largest federal affordable rental housing production program. Since it was created in 1986, the LIHTC program has placed in service approximately 50,000 units of affordable housing statewide. In 2007 alone, The Illinois Housing Development Authority (IHDA) and the City of Chicago Department of Housing (DOH) approved $49 million in tax credits generating $469 million in equity to eventually build over 9,000 units of affordable rental housing throughout Illinois. The Housing and Economic Recovery Act includes a series of provisions which expand and improve this important program, including the following:

Temporary Increase in Credits

In each of 2008 and 2009, the amount of low income housing tax credits allocated to the states will increase by 10%. In Illinois, this means that the 2008 tax credit ceiling will increase from $23,214,000 to $24,200,000 (not accounting for any unused or returned credits from previous years). The credit increase in 2009 will be similar but slightly higher based on the annual cost of living adjustment.

> Advocacy opportunity: The Illinois Housing Development Authority (IHDA) and the City of Chicago Department of Housing (DOH) have great discretion in how it will allocate these additional credits. For example, depending on the particulars of a project and its needs, deals which already received a reservation of credits could be allocated more credits. Projects currently on the wait list could also be funded.

9% Credit Percentage Floor

For the new construction or substantial rehabilitation of non-federally subsidized buildings which are placed in service after July 30, 2008 and before December 31, 2013, the applicable percentage will be the *greater* of (1) the percentage as currently adjusted each month by the IRS and (2) 9%. Given that the July 2008 floating rate was 7.93%, this percentage floor represents a potentially significant increase in credits for some projects.

> Note: this provision does not apply to the 4% credit for bond-financed projects and acquisition of existing buildings; that credit percentage will continue to float monthly.

30% Eligible Basis Boost to Create Financial Feasibility

Housing credit agencies are given the discretion to give any project, placed in service after July 30, 2008, a 30% increase in eligible basis by designating the project as requiring the increase in credit in order to be financially feasible. Such projects are then treated as being located in a "difficult development area" and thus eligible for this 30% boost.

Note: this provision does not apply to bond-financed projects.

Advocacy opportunity: Both IHDA and DOH will be expected to set standards in their Qualified Allocation Plan (QAP) for determining which areas of the state are difficult development areas and which projects are to be allocated additional credits in such areas. This process requires that the public have an opportunity to comment.

Definition of Federally Subsidized Building

Effective for buildings placed in service after July 30, 2008, the definition of "federal subsidy" is limited to tax-exempt bonds. The concept of "below market federal loans", which previously required that a developer reduce its eligible basis dollar-for-dollar by the amount of any federally-appropriated loan with an interest rate below the applicable federal rate, is eliminated from the LIHTC program (i.e., such loans need not be backed out of basis in either 9% or 4% deals). For example, Fed HOME and RD 515 loans no longer must be backed out of eligible basis in order to otherwise qualify for 9% credits.

Note: projects financed with tax-exempt bonds are still considered "federally subsidized" and are only eligible for 4% credits. Also, a downward adjustment of LIHTC basis by the amount of any federal historic tax credits claimed in a project is still required.

Other LIHTC program changes affecting project development:

Increases the minimum expenditure requirement for acquisition and rehabilitation credits to the greater of (a) not less than 20% of the adjusted basis of the building and (b) at least $6,000 (to be adjusted annually for inflation) per low-income unit, effective for credit allocations (non-bond deals) or bonds (bond deals) made after July 30, 2008.

Expands the allowable basis for community service facilities (i.e., available for use by non-tenants) to no more than the sum of (a) 25% of the first $15 million of eligible basis of the project and (b) 10% of the eligible basis over $15 million, effective for buildings placed in service after July 30, 2008.

Eliminates the prohibition on credits for buildings which receive financing under HUD's Section 8 Moderate Rehabilitation Program, effective for buildings placed in service after July 30, 2008.

Requires states to add two new criteria to their QAPs: the energy efficiency and historic nature of proposed projects (i.e., encouraging rehabilitation of certified historic structures).

Advocacy Opportunity: IHDA and DOH will be updating their 2009 QAP over the coming months to accommodate this requirement. This process requires that the public have an opportunity to comment.

Extends to one year after credit allocation the period of time by which 10% of the expected basis of a building must be expended. Effective for buildings placed in service after July 30, 2008.

For non-bond deals in rural areas (as defined by Rural Development), income will be measured by the greater of (a) the local AMI and (b) the national non-metro median income. Effective for income determinations made after July 30, 2008.

> Note: the 2008 national non-metro median income is $49,300, so this provision favorably impacts projects in non-metro Illinois counties in which the local AMI is lower than $49,300.

Relaxes the rule requiring that there be no more than a 10% relationship between a taxpayer claiming low-income housing tax credits and the seller of the building, such that the percentage is now increased to 50%. Effective for buildings placed in service after July 30, 2008.

Amends the "ten-year rule" for acquisition credits to provide exceptions for (1) federally or state-assisted buildings and (2) buildings acquired from an insured depository institution in default. Effective for buildings placed in service after July 30, 2008.

Several other provisions in the bill impact the management and administration of low income housing tax credit projects, including the following:

Income recertifications are no longer required for 100% low-income projects, effective as of 2008.

> Advocacy Opportunity: this change applies to both tax credit and tax-exempt bond requirements, but does not affect other state or federal program requirements, which may be applicable to a specific project. Managers may wish to consult with the state or federal agencies responsible for other programs for a determination of any changes in their recertification requirements.

Adds an exception to the prohibition on renting tax credit units to students to include students who formerly received foster care. Effective for determinations made after July 30, 2008.

Housing tax credit rules with respect to (1) next available units, (2) the definition of student and (3) single room occupancy rules are extended to the housing bond program, effective for determinations made after July 30, 2008.

Tax-Exempt Bonds

A total of $11 billion in tax-exempt volume cap has been allocated nationally by the federal government, of which Illinois is estimated to receive more than $400 million. (Tax-exempt volume cap is a federal program that allows states to sell tax-exempt bonds at interest rates below that of the conventional market. The proceeds from these sales can then be used to finance projects that serve a public purpose). These newly available funds will be used to help homeowners buy their first homes, to refinance subprime mortgages for homeowners facing foreclosure (especially for homeowners with adjustable rate mortgages made in 2007) and to finance loans for affordable rental housing development. Homeowners and buyers will still need to qualify for assistance from lenders by meeting certain income limits, credit requirements and underwriting standards.

<u>NOTE</u>: The provisions described above represent some of the most significant changes to the by the Housing and Economic Recovery Act of 2008, but not the entirety of such changes. The information provided herein should not be construed as legal advice, and readers should not act upon it without professional counsel.