

\$8,000 First-Time Home Buyer Tax Credit Talking Points

Issue: The \$8,000 first-time home buyer tax credit has proved to be an effective policy to stimulate housing demand and is expected to result in nearly an additional 200,000 home sales in 2009. However, the tax credit will expire on December 1. That will surely slow demand and sales.

Talking points

- We are still in a recession with an unemployment rate that is unacceptably high and expected to go even higher. The economy can't rebuild until we get the job market going.
- To spur job growth and restore the nation's economic health, Congress needs to extend the \$8,000 first-time home buyer tax credit for another year and make it available to all buyers.
- Extending its expiration date until Dec. 1, 2010 and opening the program to a broader range of borrowers will keep the positive momentum going. This will act as a job catalyst by spurring additional home sales, stabilizing home values and accelerating the economic recovery.
- By encouraging people to buy homes, the inventory of unsold homes will be depleted and it will set the stage for new housing production.
- If Congress acts to extend the tax credit program, it would spur 383,000 additional home sales, including 80,000 housing starts down the road as additional sales help deplete the inventory of unsold homes. This stimulus will create nearly 350,000 jobs over the coming year.
- That's good for the economy and good for America.
- **Talk in personal terms whenever possible. Tell your member of Congress your story and why extending and enhancing the home buyer tax credit will help your business.**

Acquisition, Development and Construction (AD&C) Talking Points

Issue: Home builders and developers are experiencing a dramatic deterioration in credit availability and intensifying adverse actions on outstanding residential acquisition, development and construction (AD&C) loans. Lenders are under intense pressure from bank examiners to reduce their exposure to residential AD&C loans and to curtail their outstanding portfolio. Lenders are refusing loans for viable new housing projects and cutting off funding for or calling performing outstanding loans, producing unnecessary foreclosures and losses on AD&C loans.

Reappraisals of performing loans are reducing the value of the collateral and forcing borrowers to suddenly come up with large amounts of cash. Many borrowers are solvent and making payments on their AD&C loans, but the cash call is impairing what was previously a good loan and, in some cases, forcing builders into bankruptcy. In almost every case the institution would be better off working with the borrower to extend the loan, rather than shutting off credit.

Talking points

- There can be no meaningful economic recovery until the flow of credit is restored to housing.
- Rather than calling loans or making excessive equity demands, banks should temporarily extend the terms of AD&C loans – perhaps 12 months – as long as the borrower is not in default. This would allow borrowers to adjust their finances and /or find other funding sources until they are able to complete and sell their new home inventory.
- Congress needs to urge regulators to allow and encourage lenders to give leeway to residential AD&C borrowers who have loans in good standing by providing flexibility on re-appraisals, loan modifications and perhaps forbearance on loans to give builders time to complete and sell their lots and homes.
- Lawmakers also need to urge regulators to make banks account for how they are using TARP funds in lending on viable new projects and in working out more flexible terms to facilitate continued funding and eventual repayment of performing AD&C loans.
- **Talk in personal terms whenever possible. Tell your member of Congress your story and how the AD&C credit crisis has hurt your business.**

Appraisal Talking Points

Issue: The home building industry is facing a huge problem over the use of inappropriate appraisal methods. A frequently mentioned problem is the use of foreclosed properties or other distressed sales as comparables in appraising the value of new homes. We have been told by representatives of the Appraisal Foundation and the Appraisal Institute that foreclosure sales should only serve as comps if they represent reasonable alternative options for the buyer of a new home. However, builders are reporting, almost daily, instances where properties in poor repair with missing or damaged appliances and fixtures are being used in the appraisal process for new communities without any adjustment whatsoever.

Talking points

- The inappropriate use of distressed and foreclosed sales as comps in determining home values is needlessly driving down home values and killing home sales.
- The situation is so bad that a recent NAHB survey of more than 500 builders found that 25 percent are losing sales because the appraisal is coming in below the contract sales price.
- It would be very helpful if you (Member of Congress) urge the Federal Housing Administration (FHA), Fannie Mae and Freddie Mac, and their regulator, the Federal Housing Finance Agency (FHFA), to adopt and enforce clear, concise regulatory guidance that will allow appraisers to develop realistic valuations based on sales that are truly comparable.
- In neighborhoods where the comps include a large number of short sales or foreclosures, appraisers should have the option of expanding the geographic area or extending the time frame for eligible sales to get a more representative picture of the value of homes sold in the area.
- In addition, the guidance should emphasize that an appraiser should further investigate and consider the overall condition of a property. You can't compare a well-constructed new home with a foreclosed property that has been vacant for months and was probably neglected for a long time before it was vacated.
- I urge you (Member of Congress) to call on the FHA, FHFA, Fannie Mae and Freddie Mac to establish an appeals process similar to that used for appeals of appraisals that are performed with the VA Loan Guaranty Program. Under the VA program, the appraiser is required to seek more information when it appears the appraised value will fall short of the sales price.
- **Talk in personal terms whenever possible. Tell your member of Congress your story and how the faulty appraisal process has cost you sales and hurt your business.**

Net Operating Loss Carryback Talking Points

Issue: NAHB continues to advocate expansion of the Net Operating Loss (NOL) carryback provision passed earlier this year as part of the American Recovery and Reinvestment Act (ARRA). The ARRA provision provides for a five-year carryback of 2008 NOLs for businesses with average gross receipts of no more than \$15 million in 2006, 2007 and 2008. NAHB is working with a coalition of other business group to seek support for bills pending in both chambers of Congress that would eliminate the \$15 million cap and allow 2009 losses to also be eligible for the expanded carryback.

Talking Points

- Urge your Representative to co-sponsor NOL relief bill H.R. 2452 introduced in the House by Reps. Richard Neal (D-Mass.) and Pat Tiberi (R-Ohio).
- Urge your Senators to support companion bill S. 823 introduced in the Senate by Finance Committee Chairman Max Baucus (D-Mont.) and Sen. Olympia Snowe (R-Maine).
- Tell your lawmakers that NOL relief is essential to prevent further layoffs in building and other industries hit hard by the recession.
- The legislation would also help taxpayers who have been hit by the Alternative Minimum Tax to fully benefit from any NOL carryback.
- Tell your lawmakers that these bills both enjoy bipartisan support. Currently, H.R. 2452 and S. 823 have 92 and 37 co-sponsors, respectively.
- **Talk in personal terms whenever possible. Tell your member of Congress your story and how passing NOL bills H.R. 2452 and S. 823 will help your business to survive the current housing and economic downturn.**