Center for an Urban Future

AFFORDABLE HOUSING GAPS IN HIGH COST URBAN AREAS

A Conference Sponsored by the Office of Thrift Supervision and Citi

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This Conference White Paper was written by Cassi Feldman and edited by Andrew Breslau.

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EXECUTIVE SUMMARY

On June 4th, 2007 leaders in the fields of banking, government and housing development convened in New York City for a groundbreaking conference on the future of affordable housing. At the time, the full dimensions of the subprime lending crisis were not yet known, but the importance of responsible lending and borrowing was already a key theme, one that reverberated throughout the day. The gravity of the current foreclosure crisis and downturn in the housing market across the nation dramatically underscores the need for better cooperation between the public and private sectors in housing production. Despite impressive transformations of cities nationwide, the federal government has largely pulled back on housing investment, leaving overstretched state and local governments to shoulder the burden. Meanwhile, the price of labor and goods for construction has soared to unexpected heights as a result of shifting global and political forces.

How can we ensure that restored communities still include homes for long-term residents and new arrivals? How can we help working class families avoid the pitfalls of foreclosure and tap into the benefits of revitalization?

Shaun Donovan, Commissioner, New York City Department of Housing Preservation and Development

Affordable Housing Gaps in High Cost Urban Areas, a conference sponsored by the Office of Thrift Supervision and Citi, set out to answer those questions.

Hosted by Marc Jahr, then the New York regional director for Citi Community Capital, formerly Citibank Community Development, and now the recently-appointed president of the New York City Housing Development Corporation, the conference began with opening remarks from John Reich, director of the Office of Thrift Supervision, and then offered presentations by James H. Carr, former senior vice president with the Fannie Mae Foundation, and Shaun Donovan, commissioner of New York City's Department of Housing Preservation and Development. These table-setting remarks sought to define the scope of the affordable housing crisis, proffer some data and demography on the range of issues that contribute to it and the communities it impacts. Through a presentation of Mayor Michael Bloomberg's New Housing Marketplace Plan, Housing Preservation and Development Commissioner Shaun Donovan showed not only how New York was confronting these issues locally, but how the experience in New York City might pose suggestions and examples for other localities.

The rest of the conference was divided into three moderated panels that tackled both big picture questions of housing supply and demand as well as some of the intricacies of different local markets. In the first panel, housing experts explored existing market forces that influence the production of affordable housing. In the second, developers described their efforts to make better use of available resources such as public land, air rights, and government subsidies. In the third panel, city and state officials presented different ideas for accessing more money from the federal government and for creating public/private partnerships.

Over the course of day, the conference explored and highlighted major problems such as the rise of irresponsible lending and the loss of government-assisted units, but also provided a forum to discuss new models for collaboration. With several high-ranking officials assembled for the first time, attendees got an inside look at the enormous opportunities that a thriving economy can offer as well as the difficulties an appreciating market poses for the production of affordable housing.

The day ended on a determined note. The nation is in the midst of housing and lending crisis, to be sure, but as this conference showed there are tools to carve out some solutions. This paper will serve as a summary and synthesis of the day's proceedings

How can we ensure that restored communities still include homes for long-term residents and new arrivals? How can we help working class families avoid the pitfalls of foreclosure and tap into the benefits of revitalization?

MAJOR RECURRING THEMES

The conference was drawn to answer one over-arching question: Now that cost structures and markets have changed dramatically over the last decades since the emergence of community housing development what are the new challenges to affordable housing in high cost regions?

Several themes were common to all three panels:

Access to public financing: As the gap between rich and poor grows throughout the U.S., government subsidy dollars have become a necessary piece of the affordable housing puzzle. But, as the panelists noted, it is worth looking at whether we are getting the maximum amount of housing out of the dollars available. Some also raised the question of whether and how we could push the government for more money, or at least more flexibility in how bonds and tax credits are used.

Foreclosures and subprime crisis: The problem of foreclosure, particularly among minority and first-time homeowners, came up in every panel as a major threat to affordable housing. While the full extent of the subprime crisis became apparent only after the conference, many panelists were prescient and emphasized the growing need to police mortgage brokers and lenders and create firm guidelines to prevent inappropriate loans. Now, of course, there is an additional threat due to the lack of appropriate credit facilities or mortgage products to cater to all segments of borrowers as credits have been tightened by lenders. Existing homeowners could find themselves unable to refinance their homes and those hoping to enter the housing market will no doubt have a harder time getting the loans they need.

James H. Carr, former Senior Vice President, Fannie Mae Foundation

Depth of subsidies: Several panelists discussed the difficulty of targeting housing toward the very low-income, given how hard it is to find government subsidy dollars. Since we know that the middle class also needs help affording homes, how are scarce resources best spent?

Ownership vs. rental housing: While no one doubts the value of ownership housing, a few speakers, including OTS Director John Reich posited that perhaps mortgage brokers are pushing ownership housing on households that cannot sustain it. They spoke about the importance of rental housing as a key part of healthy communities.

Preserving current stock: Several panelists alluded to the fact that our current supply of affordable housing is dwindling as buildings expire from subsidy programs like Mitchell-Lama. As Denise Scott pointed out, it is significantly less expensive to maintain these housing programs than to build new units.

OPPORTUNITIES FOR ACTION

The conference exposed numerous opportunities to make change. Here are just a few:

Build public/private partnerships: Given the scarcity of subsidy dollars, it is incumbent upon the public and private sector to work closely together for the good of affordable housing. Employer-assisted housing offers one model for how different players can be brought to the table for a common goal.

Make use of existing transit hubs: To mitigate the expense of creating new affordable housing, many panelists suggested using existing transit corridors that already have the infrastructure to promote and facilitate smart growth.

Rezone industrial land: Changes in the local economy can offer new opportunities for growth, as we have seen recently along the Brooklyn waterfront, where land once used for manufacturing businesses is now home to affordable housing.

Create a national housing agenda: With the presidential race right around the corner, the time is right to bring these issues to the political forefront. One way is by tying housing to other issues, such as the environment or health, that are already getting a lot of public attention.

Support an increase in the volume cap: Tax-exempt bonds could essentially be recycled from one year to the next at no cost to the federal government. Local legislators should be encouraged to pitch this and other changes that could easily create more dollars for affordable housing.

Look for alternatives to exotic mortgages: If the current foreclosure and subprime crises have taught us anything, it is the need to better regulate the subprime lending market. That said, lenders now need to add counselors who can help homeowners adjust the terms of their loan or seek appropriate financing.

Support community-based lending: While small lenders do not have the financial muscle of the bigger banks, they can partner with nonprofits or create multi-bank consortiums to fund affordable housing.

Explore low-cost methods being used around the country: Several cities and community developers are exploring innovative solutions to the housing crunch. As successful methods are discovered, they should be shared far and wide.

INTRODUCTORY REMARKS

It is no secret that the cost of renting or owning a home in much of the country has skyrocketed. Between 2000 and 2005, real median home values increased 127 percent in San Diego, 110 percent in Los Angeles, and 79 percent in New York. The cost of renting a home has increased over the last five years by 6.7 percent and the cost of owning a home has more than doubled in many areas.

At the same time, the crisis of affordability has led to great innovation from national regulators, city government and its partners.

In his opening remarks, John Reich, director of the federal Office of Thrift Supervision, outlined some of the major issues the conference would cover: rising housing costs, changing neighborhoods and the misuse of subprime lending and its potentially destabilizing effects on the broader market.

At the same time, Mr. Reich noted, his agency is overseeing a growing industry, one that has doubled from $750 billion five years ago to about $1.5 trillion today. Rising housing costs have led to a number of different mortgage products, he explained, designed to help a broader population access homeownership. At the same time, he said, the industry needs to better tailor mortgages to specific borrowers. “They are very specialized products and require specialized administration,” he said. “They are certainly not meant for everyone.”

In an attempt to rein in irresponsible lending, federal regulators issued guidelines in October 2006 on nontraditional mortgage lending to banks, thrifts, credit unions and their affiliates. The guidelines emphasized four broad goals: 1. To establish more careful lending and underwriting practices; 2. To implement strong risk management practices; 3. To better regulate third-parties such as mortgage brokers; and 4. To better educate consumers.

This summer, the agencies under the Department of the Treasury also issued an interagency statement on subprime lending, intended to both strengthen the industry and protect consumers.

KEYNOTE SPEAKER: JAMES H. CARR

The first speaker was James H. Carr, former senior vice president for the Fannie Mae Corporation. In his wide ranging presentation [see Appendix 3], he laid the groundwork for much of the day’s subsequent discussions by presenting data that articulated the variety of pressures and burdens low and moderate income Americans face getting into the housing market. He discussed the wealth creating impacts of home ownership and the fragility of the progress that has been made as marked by rising foreclosure rates, increasing income disparity and the pernicious and pervasive influence of inappropriate lending instruments in poorer communities.

“The past decade has been an extraordinary period of time for the housing market, probably measured in any way you could conceivably measure it in terms of new sales, existing sales, construction, on and on and on,” he said.

In many cities, he explained, housing production helped boost local economies that had foundered for decades. Minority households were especially well served by this growth. A study by the Harvard Joint Center for Housing Studies showed that in 2000, minority house-

HIGHLIGHTS

- Minority households comprise nearly half of all new homebuyers but also tend to spend more of their income on housing.
- Between 1997 and 2001, the number of homeowners spending half of their income on housing tripled.
- More than 70 percent of subprime mortgages had exploding arms where the interest rates can jump from 7-12 percentage points.
- Policy makers and private sector players should find ways to bring down the cost of housing before it is built.
- Different private and public funding streams should be coordinated to reduce the burden on developers.
- Realtors and mortgage brokers should practice responsible lending.

holds made up 49% of net new home buyers, and by 2010, minority households will comprise more than half of net new home buyers.

Great strides have also been made in improving public housing, Mr. Carr noted. Dilapidated units have been transformed over the past ten years, creating more livable homes for thousands of families.

Yet, along with these successes, there have also been problems: a rise in housing costs across the country; the creation of more concentrated pockets of poverty; and a foreclosure crisis created by irresponsible lending.

The rising housing costs are striking when compared with median income [see Appendix 3, slide #9]. Between 1997 and 2001, the number of homeowners spending half of their income on housing tripled. A similar fate befell renters as the stock of low-cost units dwindled nationwide. According to the National Low Income Housing Coalition, there is nowhere in the country where a minimum-wage earner can now afford a two-bedroom apartment at market rate rent.

The burden of housing weighs heaviest on families already living in poverty and forced to choose between various necessities. The Center for Budget and Policy Priorities recently found that a striking 40 percent of families in poverty are actually earning below half of the poverty line. And while there has been impressive growth in homeownership among minority families, many are struggling to keep up with housing costs. [see Appendix 3, slide #16].

"The areas that actually did not see improvements in concentrated poverty were also some of the hottest markets in the United States. In other words, those households couldn't afford to continue to live in their neighborhoods," Mr. Carr said. In addition to housing costs, many of these families struggle with education, health care and related problems that exacerbate each other.

In some of these neighborhoods, foreclosures have reached a crisis point. Although subprime lending is a crucial tool for helping many families buy their first home, the loans are sometimes marketed in a way that puts these families at risk. Subprime lending has grown dramatically over the past decade [see Appendix 3, slide #22], but part of that growth has been among households that could have qualified for prime loans and who are thus paying unnecessarily high interest.

More than 70 percent of subprime mortgages had exploding arms where the interest rates could jump from as low as 7 to as high as 12 percentage points, with the monthly payments nearly doubling.

Even if families manage to hold onto their homes, they are not well served by these mortgages. For minority families, which often have a very high percentage of their personal equity tied up in housing, the effects can be disastrous [see Appendix 3, slide #30].

To address these problems, Mr. Carr proposed three solutions. First, policy makers and private sector players need to find ways to bring down the cost of housing before it is built, by revising outdated building and energy codes, for example, and utilizing lower cost materials. Another is to better target public spending by coordinating federal subsidy programs and promoting public/private partnerships. And finally, he suggested,

John Reich, Director, Office of Thrift Supervision

we should build in more accountability for realtors and mortgage brokers so minority households can begin to build equity rather than risk their financial health with ballooning loans.

This will become increasingly important, he said, as the country's demographics shift toward a minority majority. "The population is growing fastest among those households who have the most difficult time accessing sustainable home ownership," he said. "This conversation around home ownership is a conversation around wealth empowerment, access to education, access to jobs, access to America's future."

The affordability crisis is a real one, Mr. Carr emphasized, but it is also an untapped opportunity. If the conversation successfully shifts toward building wealth among low-income communities, we can create common ground between people who live in low-cost housing and those in the high-cost realm. He suggested one method might be a shared equity model in which investors help put up the capital for a buyer's first home.

"People living in poverty are an untapped resource for America," he said. "We need to figure out how to bring them in and tap their minds."

KEYNOTE SPEAKER: SHAUN DONOVAN

While cities throughout the country are undergoing radical shifts, no city tells the story quite like New York. Once abandoned by middle class families, gentrification and luxury development are proceeding at historic paces. Even the Bowery, once infamous as New York City's skid row, now boasts museums, luxury housing and gourmet restaurants.

Shaun Donovan, commissioner of the New York City's Department of Housing Preservation and Development, provided the historical context for New York's changing market and laid out the city's housing plan which has among its many stated purposes the intent of mitigating some of the more perilous consequences of a hot housing market.

1n 1977, Mr. Donovan explained, New York was facing a different type of housing crisis. The problem of crime and urban decay had grown so severe that landlords were actually torching buildings to collect the insurance. The Bronx, once a dense borough, lost 75 percent of its population during this period.

In what Mr. Donovan described as an "incredibly brave" response, the city of New York began to take over buildings, and eventually owned more than 100,000 apartments across the city in tax foreclosure, along with about 10,000 vacant lots.

Working with both for-profit and nonprofit developers, churches and community groups, the city was able to rebuild that housing and change the face of New York. By 2000, Donovan observed, thanks in part to concomitant improvements such as reduced crime and better schools, people were flooding back into New York and the city reached its highest population to date. In each of the last two years, more than 30,000 housing permits were filed, clear proof that the city's housing market has more than merely rebounded [see Appendix 4].

That success has brought its own difficulties, however, especially with the population of New York expected to reach nine million people over the next 25 years. Although construction is now skyrocketing, the population spike coupled with a dearth of housing created in the 1980s and 1990s has tightened the rental market, particularly for low-income households.

But the city no longer has a glut of housing at its disposal: of the 100,000 apartments taken over in the 1970s and 1980s, the city now owns less than 1,000. "It leaves us with an enormous challenge of where are we going to find the raw material, if you will, to continue to produce affordable housing," Mr. Donovan said.

According to a recent study by NYU's Furman Center for Real Estate and Urban Policy, the city is roughly 100,000 units short of a healthy market, a problem that will only get worse as the population grows.

So where do we go from here? Mr. Donovan suggested that it was important to focus on two parallel tracks: boosting housing production in general, and also making sure much of it is affordable. Even with existing zoning constraints, he explained, the city could add about 285,000 units, a process that will be made easier by recent changes to the city's Building Code.

On top of that, he said, the city is working on rezoning industrial land, a process that could add an additional 30,000 units. Donovan maintained that the city is now on track to build 92,000 affordable units by 2013.

To ease the creation of housing, Donovan suggests looking at ways to build around transit hubs, neighborhoods like Flushing, for instance, and downtown Jamaica. He also suggests partnering with city and state agencies to redevelop underutilized rail yards and other land. Inclusionary zoning, which allows developers to build more densely if they add a certain percentage of affordable housing, will help ensure that neighborhoods stay economically diverse, Donovan explained.

Finally, he said, we need to look at ways to preserve government-assisted housing. The city's $34 million acquisition fund, a joint effort between several foundations and Citibank allows the city to purchase properties in danger of converting to market rate. "It's essentially the

HIGHLIGHTS

- In the 1970s and 1980s, New York City took over more than 100,000 apartments in tax foreclosure and 10,000 vacant lots.
- City-owned stock is now virtually gone and housing permits are skyrocketing.
- According to a recent study by NYU's Furman Center for Real Estate and Urban Policy, the city is roughly 100,000 units short of a healthy market.
- More affordable housing should be built around existing transit corridors.
- Inclusionary zoning can help preserve economic diversity.
- Subsidized housing should be preserved and taken out of the speculative market.

deep pockets that many of our partners don't have on their balance sheet that they can use quickly to go and acquire those properties," he said.

In conclusion, Commissioner Donovan emphasized the importance of building energy-efficient homes, particularly since 70 percent of the city's greenhouse gas emissions come from buildings. He described efforts now underway to ensure that both the city and private sector opt to build green.

PANEL 1: The Big Picture: Perspectives on Affordable Housing

The first panel explored fundamental questions about affordable housing, and identified some of the forces that encourage or impede its creation.

It was moderated by Charles Bagli, a reporter for *The New York Times*, and included Debbie Boatright, northeast district director for NeighborWorks America, a national nonprofit that helps support community revitalization efforts; Andy Ditton, co-president of Citi Community Capital; Dan Martin, president and CEO of the Housing Partnership Development Corporation, which helps create affordable ownership housing; and Stephen Payson, secondary marketing officer with the Massachusetts Housing Finance Agency.

In his opening remarks, Mr. Bagli asked a provocative question: Are we moving toward a model, common in Europe, where housing in cities is reserved for the upper-middle class and anyone with less money is relegated to the suburbs?

Mr. Payson described efforts to prevent that pattern in Massachusetts using what he called "anti-snobbery" legislation that requires communities to keep at least 10 percent of their housing affordable. The state uses inclusionary zoning to help that effort, allowing developers to build more densely if they include a certain proportion of affordable housing in their projects.

Andy Ditton raised the point that the "back to the city" movement described by Shaun Donovan in New York City has not yet affected smaller cities such as Utica and Syracuse. In other cities, such as Chicago, poorer households have been forced into the suburbs. "The dislocation that gentrification has created has played out differently in different cities," he said.

Daniel Martin spoke about the difficultly of finding affordable land in New York and how rising construction costs have dramatically curtailed the production of affordable housing. Over the past four years, the price of copper jumped 133 percent; the price of concrete rose 33 percent; the price of steel rebar rose 48 percent. To keep land costs down, he suggested looking at city-owned land over schools, for instance, or libraries.

First Panel, from L to R: Stephen Payson, Andy Ditton, Dan Martin, and Debbie Boatright

Debbie Boatright reiterated John Reich's question of whether or not everyone should pursue homeownership as a goal. Instead, she suggested developers emphasize both home ownership opportunities and the production of multifamily rental units, so that different households would find the housing they need. She also raised the issue of community land trusts, which allow areas to preserve land for future development.

Mr. Bagli then switched gears slightly to focus on Queens West, a site on the East River in Long Island City, where for-profit developers are working on a plan for middle class housing. Even with the market

HIGHLIGHTS

- Different regions face different housing woes. In some places, cities are still struggling; in others, they are the center of growth.
- The creation of affordable housing has been hampered by rising construction costs and shrinking federal subsidies.
- Many cities also lack housing that is affordable to the middle class.
- Rampant foreclosures threaten to turn back the clock on housing gains.

rate component, however, the project still had a $300 million budget gap, he said, raising the question of whether the current market can sustain truly affordable housing.

Andy Ditton said the discussion around the project offered proof that the city's lack of affordable housing reached into the middle class. But it also raises a delicate concern: "From the city's perspective, the question always is how much subsidy to drop into a particular project to reduce costs enough to provide affordable housing in that project and to whom?" he asked.

Debbie Boatright spoke about the necessity of maintaining existing affordable housing and how her agency had helped facilitate the preservation of 900 units of Mitchell-Lama housing in the Bronx. Similarly, Dan Martin's agency helped preserve a 1,100-unit building in East New York, Brooklyn that was rife with code violations. Still, he said, "For every one we gain, I probably have 4,000 units I've lost."

At this point, Mr. Bagli opened the floor to questions, two of which returned to the subject of Queens West and whether the project was sufficiently affordable.

Another audience member asked what was happening to homes lost to foreclosure and whether they were affordable when resold. Ms. Boatright emphasized the need to address foreclosures before they happen. If not, she said, recent gains could easily be lost. "When you see communities in and around your hot markets are starting to slide down, you have families that are going to be dissipated because of this whole issue of foreclosures," she said.

PANEL 2: From the Ground Up: The View from the Field

The second panel was meant to explore the experiences of those who are daily immersed in the nuts and bolts of creating affordable housing. Moderated by Jerilyn Perine, executive director of the Citizens Housing and Planning Council and a former NYC Housing Commissioner, the panel featured Sarah Gerecke, chief executive officer of the Neighborhood Housing Services (NHS) of New York City, a nonprofit lender; Heidi Coppola, director, Citi Community Capital; David Grunwald, president and executive director of American Sunrise Communities, a public/private partnership designed to facilitate homeownership; Denise Scott, managing director of LISC NYC, one of the nation's largest community development support organizations; and Jim Himes, then director of Enterprise Community Partners' New York office and now vice president of the national office, which is a leader in helping to finance affordable housing.

Ms. Perine asked the panelists to describe what tangible and immediate changes need to happen in the community development world in order to ensure housing preservation and production.

Sarah Gerecke returned to the topic of subprime lending and foreclosure. It needs to not be only understood in terms of how it impacts individual lives, she explained, but how it also harms communities. "We are seeing a lot of investors picking up these buildings and renting them for illegal occupancy, renting them for inappropriate uses or simply not maintaining them," she said. To address the problem, NHS has added five foreclosure counselors in the last six months in the hopes of meeting the growing demand for help. Still, she added, more counselors are needed, and should be funded through a combination of public and private financing.

Ms. Coppola discussed the problem from the perspective of a lender, who also has a vested interest in the fate of a given loan. "It really is only good for a lender and a servicer if the asset is performing," she said. Underwriting criteria should be tightened, she said, so that loans are made in a more responsible manner.

She also echoed Debbie Boatright's comments from the prior panel about the necessity of ensuring that affordable rental housing remains an option even in areas that are dominated by single-family homes.

David Grunwald discussed his experiences on the West Coast, specifically slow production on the part of nonprofit housing developers. "There are 85-plus nonprofit housing developers in Los Angeles," he said. "And all of those developers combined barely develop 1,500 to 2,000 units a year when the need is 40,000 a year."

HIGHLIGHTS

- More debt counselors are needed to address the needs of homeowners at risk of foreclosure.
- Lenders should be held accountable for the performance of their loans.
- Nonprofit and private developers can reinforce each other's skills and help speed the production of affordable housing.
- It is generally less expensive to preserve existing affordable housing than to build new units.

So how, he asked, can we boost production? One way, he suggested, involved bringing all the various stakeholders together, including for-profit, nonprofit builders, employers and lenders. The private market is not opposed to building affordable housing, he explained, but might not want to deal with complicated subsidy streams. By bringing together public and private developers, his organization has helped build 12 projects in one year throughout the country.

Second Panel, from L to R: Heidi Coppola, Sarah Gerecke, Denise Scott, David Grunwald, and Jim Himes

"If we can stay on top of this model and get the different sectors to work together, I believe we can get all major builders to participate, creating thousands, tens of thousands or hundreds of thousands of units across the country over time," he said.

Denise Scott shifted the conversation to the issue of keeping people in their homes and making sure those homes are reasonably close to workplaces. Preserving units is less expensive than building new ones, Ms. Scott emphasized estimating a new unit to cost upwards of $230,000 compared to a preserved one costing around $65,000. According to a 2005 Furman Center report, roughly 200,000 rental units affordable to households making 80 percent of the city's median income were lost in the past prior years.

Like earlier panelists, Ms. Scott talked about fusing the expertise of both for-profit and nonprofit developers to preserve not only Mitchell-Lama units, but also buildings expiring from the 15-year low-income tax credit program and buildings that have passed through the city's hands but are now in danger of becoming unaffordable. Ideally, she said, a group like hers would not have to bid on a HUD-insured property at auction to prevent it from converting to market rate.

Jim Himes discussed some of the changes Shaun Donovan outlined in his presentation, namely the declining availability of city-owned housing and free land in New York. "There are two big problems if you're Enterprise or LISC or one of your nonprofit development partners, and that is land and money," he said.

Like Dan Martin, he spoke about making better use for all municipalities of land affiliated with libraries, schools, and faith-based institutions. Himes also discussed, as Commissioner Donovan did, the New York Acquisition Fund as a valuable tool for making deals happen quickly. Nonprofits are finding innovative ways to balance their books, he said, by adding mixed-income housing to a project or commercial space, or using lines of credit that offer more flexibility.

The audience discussion following the panel focused heavily on foreclosure and what lending institutions can do to ensure responsible lending or, if foreclosure is inevitable, ensure that housing stays affordable.

Sarah Gerecke suggested that, if necessary, lenders could help facilitate a sale to a responsible buyer. She also suggested that real estate and mortgage brokers take more responsibility for the borrowers they work with, even if that means purchasing loans that are in danger of default.

Denise Scott argued that many households heading toward foreclosure could be saved by having their mortgages restructured or being given an extended term.

James Carr, speaking from the audience, agreed, adding that foreclosure was often the result of a poorly chosen mortgage. "Just the fact that they're defaulting doesn't mean that they are not capable of a good fixed-rate term mortgage," he said.

Another audience member raised the question of why housing has not become a hotter political issue on a national level, something that is sure to change with the effects of the subprime lending crisis now being felt so dramatically on Wall Street. Mr. Grunwald suggested that part of the problem came from the fractious nature of the industry. Once the players start working together, even on isolated projects, he explained, it would be easier to find common goals for which to advocate. "Doing good is good business," he said.

PANEL 3: The Government Response: Local, State and Federal Efforts

The final panel focused on government response to the affordable housing crisis and was moderated by Andy Breslau, executive director of City Futures, a nonprofit organization that oversees an urban think tank and investigative magazine. The panelists included Francis Baffour, northeast region community affairs liaison of the Office of Thrift Supervision; Susan Bass Levin, then commissioner of the New Jersey Department of Community Affairs who has since taken a post at the Port Authority of New York and New Jersey; Emily Youssouf, then president of the New York City Housing Development Corporation, who recently left to start an affordable housing finance division at JPMorgan Chase; and Deborah VanAmerongen, commissioner of the New York State Division of Housing and Community Renewal.

Ms. VanAmerongen started the discussion by explaining how Governor Spitzer's administration is using the Low Income Housing Tax Credit program to encourage the private sector to build affordable housing and is trying to build bridges to other pots of government money. "We've got to try to spread the dollars as far as we possibly can and get as many units out of them as we possibly can," she said.

Mr. Breslau then turned to Emily Youssouf on the issue of federal tax-exempt bonds, which ran out in March. Ms. Youssouf explained a new plan, endorsed by Rep. Charles Rangel, that would allow bonds no longer needed for an affordable housing project to be reissued to expand the volume cap. "That would free up the new bond allocation for those projects that desperately need the 4% [tax credits]," she said. In our portfolio, that's primarily 100% affordable projects." This type of proposal, she explained, creates more money for housing yet does not cost the federal government any more than it is spending now.

Looking at government involvement from another angle, Susan Bass Levin explored the impact of the Mt.

Third Panel, from L to R: Francis Baffour, Susan Bass Levin, Emily Youssouf, and Deborah VanAmerongen

Laurel decision, in which the court ruled that every town in New Jersey had a constitutional obligation to help facilitate the creation of affordable housing. Although she recognizes the importance of the mandate, she suggested that it has, in some ways, slowed construction and should have come with money attached.

Mr. Baffour discussed the role of regulators in this system and how they oversee community banks. "When we examine them, we examine them within a performance context," he said, adding that many small banks are hindered by having to compete with major lenders like Citi and Chase. One way around the competition is to create multi-bank community development corporations with more financial muscle. Another method is to partner with nonprofit organizations.

In addition to size, Ms. VanAmerongen added, a bank must have the political will to work on affordable housing. "I think it's about having creative leadership and about having people who are committed to doing it," she said. Like Ms. Youssouf, she emphasized the importance of looking for structural changes that the government could enact without spending more money.

Mr. Breslau asked the panelists to describe programs they would like to borrow from other cities or states. In response, Ms. Levin said that some of her favorites were smaller programs such as one tried in Ohio to help refinance mortgages [http://www.ohiohome.org/refinance/default.htm] and one in Massachusetts that gave towns extra housing dollars if they built more densely [http://www.chapa.org/chapter40b.html].

To get around the volume cap, Ms. Youssouf explained, the Housing Development Corporation introduced a new type of loan that uses taxable bonds to build housing that

HIGHLIGHTS

- New York City is helping to spearhead efforts to stretch existing federal tax credits.
- Affordable housing mandates have limited power if they do not also have dollars attached.
- Small banks can compete with larger ones by pooling their resources as community development lenders.
- Information about innovative affordable housing programs should be shared between agencies and states.
- Housing and services should be funded in tandem to ensure that renters can stay in their homes.
- Affordable housing stakeholders must unite in order to make their concerns known to legislators.

is 80 percent market rate and 20 percent affordable. By giving the developer a 1 percent loan on the affordable portion and exempting them from the mortgage recording tax, HDC can substantially lower the cost of the project.

She also described a new idea, a financing structure that would allow states and municipalities to get triple A ratings on some of its debt. If it could pass that on to developers, it would bring their interest costs down and make building affordable housing more feasible, without cutting into the volume cap.

Mr. Baffour expressed interest in the products and suggested that the OTS could help introduce them to lenders. In response to a question about the Community Reinvestment Act, Mr. Baffour explained that lending itself is really at the heart of the CRA. "Lending carries a lot more weight than investment or community involvement services that institutions provide," he said. While the CRA is an enforcement tool, he said, it is really intended to incentivize good behavior rather than punish bad.

Ms. Levin then explored some broader issues about housing, employment and poverty and approaches New Jersey is taking to address the interlocking nature of the issues. She spoke about a "special needs housing trust fund" that provides not only subsidy dollars but also works with other state agencies to guarantee a link to services.

Mr. Breslau asked Ms. Youssouf about the high cost of land, an abiding problem in New York, and she explained that banks have to be careful not to over-subsidize unsustainable projects. "It doesn't work if the project cannot support itself, and can't support itself on an ongoing basis. At the same time, she said, "You have to let [developers] make the return, because if they do not make a return, they will not build it."

In conclusion, Ms. VanAmerongen addressed the issue of a national agenda, one that could start, she said, with a well-funded affordable housing trust fund. She also spoke about bringing together all the different state agencies that have a stake in affordable housing to lobby Washington for an affordable housing trust fund that could supply a substantial amount of housing.

The current deformations in the market of high cost urban areas demand innovation in product creation and financing, technical assistance provision, consumer education and perhaps most of all improved communication across the wide variety of sectors concerned and engaged with these pressing and complex questions.

A woman from the audience asked about the area median income (AMI) and whether it accurately reflects the needs of a community like Harlem. Although it was recently lowered from $70,000 to $57,000, Ms. Youssouf said, that type of shift means that more subsidy dollars are needed to make a project work. The middle class, she explained, are also clamoring for housing.

Finally, there was a brief discussion about housing geared toward the elderly, known as Section 202 housing, which was established by the federal Housing Act and is financed by the Department of Housing and Urban Development. New York City's Housing Development Corporation has successfully refinanced 15 projects in the last year and a half, salvaging roughly 2,000 units. Interestingly, Ms. Bass Levin explained, senior housing is often easier to get approval for because it is considered more desirable than affordable housing for families.

CONCLUSION

The growth of big cities in recent years has prompted a major rethinking of urban housing policy. Despite outward signs of prosperity in our cities, many families are struggling more than ever to make ends meet. Builders, regulators and advocates all have a responsibility to work together to alleviate what promises to be a growing crisis in the years ahead. But if this conference is any indication, the stakeholders are able and willing to do just that.

The current deformations in the market of high cost urban areas demand innovation in product creation and financing, technical assistance provision, consumer education and perhaps most of all improved communication across the wide variety of sectors concerned and engaged with these pressing and complex questions.

While communication does not have the literal weight of bricks and mortar, engaging in building coalitions between the public and private sectors serves both developers and consumers. These conversations not only foster critically needed innovation but also can lead to something as weighty, concrete and universally important: a home.

APPENDIX 1: AGENDA

AFFORDABLE HOUSING GAPS IN HIGH COST URBAN AREAS

Sponsored by the Office of Thrift Supervision and Citi

June 4, 2007

8:30 am – 8:45 am	Welcome and Introductions Marc Jahr – former New York Regional Director, Citi Community Capital Eric Eve – SVP Global Consumer Group Community Relations, Citi Michael Simone – Regional Deputy Director, Office of Thrift Supervision, Northeast Region
8:45 am – 9:00 am	Remarks by John Reich – Director, Office of Thrift Supervision
9:00 am – 9:40 am	Policy Focus: A leading housing policy analyst addresses the economic and social impacts facing the industry nationally. **Speaker** – James H. Carr – former Senior Vice President, Fannie Mae Foundation
10:00 am – 10:15 am	City Government: NYC's Department of Housing Preservation and Development's Commissioner reviews the challenges confronting affordable housing in New York and the innovations that have been developed by the city and Mayor Bloomberg to meet them head on. **Speaker** – Shaun Donovan – Commissioner, NYC Department of Housing Preservation and Development
10:15 am – 11:30 am	The Big Picture: Perspectives on Affordable Housing: Public and private sector experts address issues around the country that impact affordable housing from pre-development to post-construction. **Moderator:** Charlie Bagli – The New York Times **Speakers:** (1) Debbie Boatright – Northeast District Director, NeighborWorks America (2) Andy Ditton – Co-President, Citi Community Capital (3) Stephen Payson – Secondary Marketing Officer, Massachusetts Housing Finance Agency (4) Daniel Martin – President and CEO, Housing Partnership Development Corporation
11:30 pm – 12:45 pm	From the Ground Up: Experienced nonprofit intermediaries and affordable homeownership leaders reflect on their success stories from the homeownership 'trenches' and give their perspective on the tools and strategies that their organizations will employ to meet present and future challenges. The speakers will highlight programs, products, and services that their organizations are developing to maintain and expand affordability for their communities. **Moderator:** Jerilyn Perine – Executive Director, Citizens Housing and Planning Council **Speakers:** (1) Sarah Gerecke – CEO, Neighborhood Housing Services of New York City (2) Heidi Coppola – Director, Citi Community Capital (3) David Grunwald – President and Executive Director, American Sunrise Communities (4) Denise Scott – Managing Director, Local Initiatives Support Corporation New York City (5) Jim Himes – former Director, Enterprise Community Partners New York Office
2:15 am – 3:30 pm	The Government Response: Representatives from federal, state and city agencies, as well as suburban housing leaders, tackle the issue of creating and maintaining affordable housing in high cost areas through pioneering programs and funding solutions. **Moderator:** Andy Breslau – Executive Director, City Futures, home to the Center for an Urban Future **Speakers:** (1) Deborah VanAmerongen – Commissioner, NY State Division of Housing and Community Renewal (2) Emily Youssouf – former President, New York City Housing Development Corporation (3) Francis Baffour – Northeast Region Community Affairs Liaison, Office of Thrift Supervision (4) Susan Bass Levin – former Commissioner, New Jersey Department of Community Affairs
3:30 pm – 3:45 pm	Wrap-up – Marc Jahr, Citi

APPENDIX 2: BIOGRAPHIES OF SPEAKERS

MARC JAHR
former New York Regional Manager
Citi Community Capital
currently President
New York City Housing Development Corporation

In late 2007, Mr. Jahr was appointed president of the New York City Housing Development Corporation by Mayor Bloomberg, where he will lead financing efforts for the development and preservation of affordable housing. Previously, Jahr supervised Citi's real estate lending in the Metropolitan New York area. From 1990-2002, he was with the Local Initiatives Support Corporation, ("LISC"), serving as its New York Equity Fund Manager; New York City Program Director; and then as a program vice president supervising programs in New York City and Buffalo, New York; Philadelphia and SW Pennsylvania; Toledo and Cleveland, Ohio; Greater Cincinnati/Northern Kentucky; and, Indianapolis, Indiana. Prior to that, he was director of the New York City Department of Housing Preservation and Development's ("HPD") Multi-Family Housing Unit, as well as deputy director of HPD's Small Homes Unit. He also served as director of the Neighborhood Housing Services Program of East Flatbush and the New York City Commission on Human Rights East Flatbush Neighborhood Stabilization Program. He began his work in community development as a VISTA volunteer in Scranton, PA and Shungnak, Alaska.

ERIC V. EVE
Director, Community Relations
Global Consumer Group
Citi

Eric Eve joined Citi's Global Consumer Group (GCG) Community Relations department in March 2004. Mr. Eve is responsible for coordinating strategy and tactics across GCG businesses around the globe: Citibank, Citi Cards, CitiMortgage, and CitiFinancial. He oversees Citi's regulatory obligations related to the Community Reinvestment Act and Fair Lending. Prior to joining Citi, Mr. Eve served as vice president of government relations for Verizon Communications. He managed Verizon's federal legislative efforts before the United States Senate and coordinated efforts to establish a national broadband policy. He also managed the public policy relationship between Verizon and its labor unions.

Prior to joining Verizon, Mr. Eve served as special assistant for political affairs to President William Jefferson Clinton. In that capacity, he advised the President on political matters affecting the northeastern United States and African Americans nationally. He brought to that position experience gained in his role as the director of intergovernmental relations for New York State Comptroller, H. Carl McCall, where he managed legislative matters between the Office of the State Comptroller and the New York State Legislature, Governor's office, and Congressional delegation.

MICHAEL L. SIMONE
Regional Deputy Director, OTS Northeast Region
Office of Thrift Supervision

Michael Simone is regional deputy director at the Office of Thrift Supervision where he oversees the Safety and Soundness operations of thrifts in the Northeast Region.

Mr. Simone began his career with the New York State Banking Department as a bank examiner. He joined the Federal Home Loan Bank in 1976 as a supervisory analyst, advanced to the position of director of supervision and vice president and was appointed regional deputy director in 1998.

JOHN REICH
Director
Office of Thrift Supervision

John M. Reich was sworn in August 9, 2005, as director of the Office of Thrift Supervision (OTS). The President nominated Mr. Reich to be OTS Director on June 7, 2005, and the Senate confirmed his nomination on July 29, 2005. In this capacity, Mr. Reich will continue to serve as a member of the Board of Directors of the FDIC.

Prior to joining OTS, Mr. Reich served as vice chairman of the Board of Directors of the Federal Deposit Insurance Corporation (FDIC) since November 2002. He has been a member of the FDIC Board since January 2001. He also served as acting chairman of the FDIC from July to August 2001. Before his tenure in Washington, D.C., Mr. Reich spent 23 years as a community banker in Illinois and Florida, including 10 years as president and CEO of the National Bank of Sarasota, in Sarasota, Florida.

Mr. Reich also served 12 years on the staff of U.S. Senator Connie Mack (R-FL), before joining the FDIC. From 1998 through 2000, he was Senator Mack's chief of staff, directing and overseeing all of the Senator's offices and committee activities, including those at the Senate Banking Committee.

JAMES H. CARR
former Senior Vice President
Fannie Mae Foundation

Jim Carr was senior vice president of financial innovation, planning and research for the Fannie Mae Foundation and a visiting professor of urban planning at Columbia University.

Prior to his appointment to the Foundation, Jim served as vice president for housing research at Fannie Mae, assistant director for tax policy with the U.S. Senate Budget Committee, and research associate at the Center for Urban Policy Research at Rutgers University.

Jim is editor of the scholarly journal Housing Policy Debate, which received the 1996 Award of Excellence from Washington EdPress for editorial excellence and was rated number one for impact on the field of urban studies by the Institute for Scientific Information Journal of Citation Reports in 2004. He also served for more than a decade as editor of the peer-reviewed publication Journal of Housing Research. His books include Replicating Microfinance in the United States (2003) and Fair Housing, Access to Opportunities, and America's Future (forthcoming).

SHAUN DONOVAN

Commissioner

NYC Department of Housing Preservation and Development

Mr. Donovan was appointed commissioner of the New York City Department of Housing Preservation and Development (HPD) in March 2004 by Mayor Michael R. Bloomberg. HPD is the largest municipal developer of affordable housing in the nation. Since 1987, HPD has provided over $6.3 billion to support the repair, rehabilitation and new construction of hundreds of thousands of units of housing.

Before joining the Bloomberg administration, Commissioner Donovan worked at Prudential Mortgage Capital Company as managing director of its FHA lending and affordable housing investments. Prior to Prudential Mortgage Capital, he was a visiting scholar at New York University, where he researched and wrote about the preservation of federally-assisted housing.

Until March of 2001, he was deputy assistant secretary for Multifamily Housing at the U.S. Department of Housing and Urban Development (HUD), and the primary federal official responsible for privately-owned affordable multifamily housing. At HUD, he ran housing subsidy programs that provided over $9 billion annually to 1.7 million families and oversaw a portfolio of 30,000 multifamily properties with over 2 million housing units.

CHARLES BAGLI

The New York Times

Charles Bagli has covered the intersection of politics and real estate in New York for two decades, the last 10 for the *New York Times*. He covered the recent sale of Stuyvesant Town and Peter Cooper Village, as well as the attempt to sell Starrett City, placing them in the context of both investors' newly voracious appetite for residential properties, even tenements in the Bronx and Brooklyn, and the emergence of affordable housing as a volatile issue for poor, working class and now even middle class New Yorkers.

Prior to joining *The New York Times*, he worked for the *New York Observer*, the *Tampa Tribune* and the *Brooklyn Phoenix*.

DEBORAH BOATRIGHT

District Director, Northeast District

NeighborWorks® America

Deborah Boatright currently serves as the northeast district director for NeighborWorks® America, a national not-for-profit agency established by Congress to provide financial support, training and technical assistance in support of community-led revitalization efforts. She is responsible for agency operations throughout New York State, New Jersey, Puerto Rico and the Virgin Islands, including the allocation of resources to 29 chartered members of NeighborWorks® and the development of strategic partnerships in support of affordable housing and community revitalization in the region.

Prior to joining NeighborWorks® America in April 2006, Ms. Boatright served as an assistant commissioner, Office of Community Development of the New York State Division of Housing and Community Renewal. She advised the deputy commissioner on emerging housing issues and industry trends, and was her representative to many local municipalities and government entities, including DHCR's Housing Trust Fund board, where she was a vice president. Ms. Boatright supervised the community and economic development activities of DHCR's regional offices in New York City, Albany, Syracuse and Buffalo, and managed the Neighborhood and Rural Preservation Program, HOME, Weatherization and Restore. She also helped to launch the Main Street and Access to Home programs.

ANDREW DITTON

Co-President

Citi Community Capital

Andy currently leads Citi Community Capital that directs all community development lending and investment activity for Citi. Prior to joining Citi, Mr. Ditton was a partner in a real estate development firm in Chicago that focused on affordable housing. Ditton spent most of his career at the Local Initiatives Support Corporation (LISC). Over 13 years, Ditton served in various capacities, including program director of the Chicago program, vice president for development and finance, and chief credit officer. From 1991 through 1997 Ditton served as chief operating officer of LISC.

Mr. Ditton began his career in community development with Neighborhood Housing Services (NHS) in Chicago, running a local division and later directing development activities for the city wide organization.

STEPHEN PAYSON

Secondary Marketing Officer

Massachusetts Housing Finance Agency

Stephen Payson joined MassHousing (Massachusetts Housing Finance Agency) in 1995, and is currently the secondary marketing officer and is responsible for pricing, risk management, investor relations and compliance.

MassHousing is the Commonwealth of Massachusetts' affordable housing bank. It lends money at rates below the conventional market to support affordable rental and home ownership opportunities for low and moderate-income individuals.

With 20 years of mortgage banking experience in both the private and public sector, Mr. Payson has held management positions in loan origination, operations, specialized lending, and risk management.

DANIEL E. MARTIN

President and CEO

Housing Partnership Development Corporation

Daniel E. Martin has been the president and CEO of the Housing Partnership Development Corporation (HPDC) since 2004, and is responsible for all of the corporation's day-to-day operations. The Housing Partnership is New York City's primary intermediary for the development of affordable and workforce homeownership housing on public and private land. In its 25th year in the affordable housing industry, the Housing Partnership has participated in the creation of over 28,000 affordable homeownership housing units for low- to moderate-income New York City households.

Mr. Martin has served in executive positions at Apple Bank, Roosevelt Savings Bank, Roslyn and New York Community Bank.

JERILYN PERINE

Executive Director

Citizens Housing and Planning Council of New York

In October 2006, Jerilyn Perine was named executive director of the Citizens Housing and Planning Council of NY. Ms. Perine is an urban planner with nearly 30 years of experience in housing and community development in New York City's neighborhoods.

She was appointed by both Mayor Rudolph Giuliani and Mayor Michael Bloomberg to lead America's largest municipal housing agency with more than 3,000 employees and an annual operating and capital budget of $800 million. She served as commissioner of the New York City Department of Housing Preservation and Development from September 2000 until March 2004.

Ms. Perine also formed her own consulting practice, Block by Block, LLC which is focused on affordable housing development and community development in cities in the US and abroad. She has collaborated with practitioners in the former East Germany, Germany, Spain, Northern Ireland, United Kingdom, Canada and Australia. She was a member of the International Brownfield Exchange between 1998 and 2002.

SARAH SHEON GERECKE

Chief Executive Officer

Neighborhood Housing Services of New York City

Sarah S. Gerecke has been chief executive officer of Neighborhood Housing Services of New York City since February 2004. For nearly 25 years, Neighborhood Housing Services (NHS) has provided New Yorkers with the affordable loans and housing education they need to buy, improve and keep their homes. Its nine offices partner with corporations and government to help more than 16,000 people each year. In its efforts to build strong communities, NHS is led by local residents and guided by local needs.

Sarah Gerecke has worked in the field of affordable housing for 30 years. As chief executive officer of NHS of NYC, she oversees the lending, education, community development and real estate programs. She joined NHS as chief operating officer in 2001. From 1994-2001, Ms. Gerecke was vice president for housing programs at Westhab, Inc., Westchester's largest provider of housing for homeless and disadvantaged residents. She has served in various appointed positions in New York City government during the Koch and Dinkins Administrations, and has practiced real estate law for a private firm.

HEIDI COPPOLA

Director

Citi Community Capital

Heidi Coppola recently assumed the directorship of Citi Community Capital. Previosuly, she was director of public policy and issue management, Global Consumer Bank Community Relations at Citi. In this role, Ms. Coppola helped develop a bridge between nonprofits/advocacy organizations and various Citi businesses. These relationships and discussions resulted in mutually beneficial programming and changed business practices. Issues of concern and which have been the subject of community programs and best practice discussions/changes have included subprime mortgage origination, purchase and securitization, foreclosure intervention, credit card usage, and small business lending to minorities.

From 1982 – 1985, Coppola was a staff attorney in the SEC's Division of Market Regulation in Washington DC, first with the Transfer Agent branch and then the Stock and Options Market Oversight branch.

DAVID GRUNWALD

President & Executive Director
American Sunrise Communities

In May 2006, David Grunwald joined with former San Antonio Mayor and Secretary of the United States Housing and Urban Development Department, Henry Cisneros to form the national non-profit organization American Sunrise Communities. American Sunrise Communities' mission is to serve as a catalyst for the private market and a broad range of community stakeholders (low-income buyers, local non-profits, CRA-obligated financial institutions, builders and local governments) to facilitate large-scale homeownership opportunities for hardworking American families who are struggling to remain as community participants in our country's reemerging urban centers.

Since January 2000, Mr. Grunwald served as president and chief executive officer of the community-based organization Los Angeles Family Housing (LAFH). At LAFH Grunwald oversaw the provision of emergency, transitional and permanent housing and social services to more than 17,000 individuals annually at 21 facilities located throughout Los Angeles. Mr. Grunwald was also the founding director of the HIV & AIDS Legal Services Alliance, a consortium of leading HIV agencies in Los Angeles County united to ensure accessible, effective and equitable legal representation to persons with HIV and AIDS. And he was associate director of programs at the Weingart Center in Los Angeles, which provides shelter, employment, substance abuse and mental health intervention for homeless individuals on skid row. Mr. Grunwald also monitored, detailed and helped establish human and labor rights policy in Phnom Penh, Cambodia under the auspices of the AFL-CIO and the United States Agency for International Development.

DENISE SCOTT

Managing Director
LISC NYC

Denise Scott, managing director of LISC NYC, is responsible for overseeing the strategic direction of the New York City office of LISC, including the development of new initiatives, partnerships and programs. She has primary responsibility for the investor constituency and the development efforts that support it. Denise plays a major role in government relations, taking the lead for NYC-based agencies and supporting LISC's and the National Equity Fund's national efforts as needed.

Prior to working at LISC NYC, Denise has held a variety of leadership positions. From 1998 to January 2001, she served as a White House appointee to the United States Department of Housing and Urban Development (HUD). Denise also served as the managing director/coordinator responsible for launching the Upper Manhattan Empowerment Zone Development Corporation in 1994. She continued this work as the senior associate for Columbia University's Empowerment Zone (EZ) Monitoring and Assistance Program from 1995 to 1998, where she prepared development strategies for EZ community-based organizations and acted as the lead university representative to Congress on EZ programs.

JAMES A. HIMES

former Director, Enterprise Community Partners' New York office
currently Vice President, Enterprise Community Partners

James Himes became Vice President of Enterprise Community Partners' national operations in September 2007 Previously, Mr. Himes was responsible for managing Enterprise's New York City office and moving its programs forward. Under his leadership, the office made great progress towards fulfilling its Billion Dollar Promise, a $1 billion commitment to creating or preserving 15,000 affordable homes for low-income New Yorkers by 2009. Mr. Himes also aligned the work of Partners and Investment to more effectively meet the challenges of affordable housing development in the greater New York area.

Prior to joining Enterprise, Himes spent 12 years at Goldman Sachs & Co. where he led a team of approximately 20 investment bankers in the firm's highly active Communications and Technology division. This Wall Street experience has been instrumental to Himes' successful integration of the nonprofit and for-profit sides of Enterprise, and to his work with products such as the Low Income Housing Tax Credit and New Markets Tax Credits.

ANDREW BRESLAU

Executive Director
City Futures

Andrew Breslau is the executive director of City Futures, home to the nonprofit think tank the Center for an Urban Future and City Limits—New York's urban affairs news magazine and website. Breslau came to City Futures in January of 2006 after working the previous eight years at CNN as both a senior manager and a producer.

Prior to CNN, he was the director of special projects for the Democratic National Committee and served as director of public affairs for the Manhattan Borough President's Office from 1990 through 1995. Before his time in government, Mr. Breslau was the founding associate director of the media watchdog group Fairness and Accuracy in Reporting (FAIR).

FRANCIS BAFFOUR

Community Affairs Liaison
Office of Thrift Supervision (Northeast Region)

Francis Baffour serves as the primary internal and external resource on affordable housing and community development issues and acts as the liaison between the OTS and the banking industry, community groups and government agencies on such matters. His responsibilities include forging working relationships among financial institutions, nonprofit and other private entities to assure availability of affordable housing and credit to under-served markets and communities.

He joined the OTS as a senior financial analyst in October 1989, and became analytical manager in 1991 at the height of the thrift crisis with responsibility for a team of financial analysts and about forty institutions. Prior to joining the OTS, Francis was assistant vice president with the investment banking firm, R.W. Corby & Company Inc., Washington D.C. He also worked as a financial analyst with FGC Services Inc., a municipal bond insurance and financial guaranty company, and with Prudential Insurance Company.

DEBORAH VANAMERONGEN

Commissioner
New York State DHCR

Deborah VanAmerongen was appointed by Governor Eliot Spitzer on January 25, 2007 to serve as commissioner of the New York State Division of Housing and Community Renewal. In this capacity she is also chair of the Housing Trust Fund Corporation, chair and CEO of the Roosevelt Island Operating Corporation, and is a member of the board of directors of the NYS Housing Finance Agency and the State of New York Mortgage Agency, the New York State Affordable Housing Corporation, the New York State Mortgage Loan and Enforcement Agency, the New York State Project Finance Agency, and the Harlem Community Development Corporation.

Before being named commissioner, Deborah VanAmerongen served as the director of multifamily housing for the Department of Housing and Urban Development (HUD) in the New York City region, which includes all of Long Island, New York City, and the suburban areas north of New York City to Sullivan and Ulster Counties. She served in that position from August of 1998 until her current appointment.

EMILY A. YOUSSOUF

former President
New York City Housing Development Corporation
currently Managing Director
JPMorgan Chase

Emily Youssouf was recently appointed to start an affordable housing finance division at JPMorgan Chase. Prior to joining JPMorgan Chase, she was president of the New York City Housing Development Corporation (HDC) from 2003-2007. Under her direction, HDC became the number one issuer of multi-family affordable housing bonds in the country for both 2004 and 2005. During her first year, HDC issued more than $1 billion in bonds and increased to $1.5 billion in her second. Ms. Youssouf manages HDC's assets of $7.5 billion.

Prior to joining HDC, Ms. Youssouf served as the president of Natlis Settlements, LLC, a specialty finance company, where she sourced institutional financing alternatives and led the company in achieving an A-rating on an innovative financing structure from a major rating agency.

Before joining Natlis Settlements, LLC, Youssouf held various senior positions over a 20-year period at Credit Suisse First Boston, Prudential Securities and Merrill Lynch. During her tenure at Merrill Lynch, Ms. Youssouf was a managing director in the Housing Finance Department where she was responsible for securing and syndicating mortgage- and asset-backed securities. She also served as a senior banker on over $2 billion of tax-exempt housing bond transactions.

SUSAN BASS LEVIN

former Commissioner
New Jersey Department of Community Affairs
currently Deputy Director
Port Authority of New York and New Jersey

Susan Bass Levin, now deputy director of the Port Authority of New York and New Jersey, has served the state of New Jersey in many ways. She spent 14 years as mayor of Cherry Hill and five years as commissioner of the New Jersey Department of Community Affairs from January 2002 to July 2005, and again starting in January 2006, when she was appointed by Governor Jon S. Corzine.

In her capacity as commissioner, Levin oversaw the Divisions of Local Government Services, Codes & Standards, Community Resources, Housing and Fire Safety, as well as the Division on Women, the Office of Smart Growth and the Center for Hispanic Policy, Research & Development. She also chaired the New Jersey Meadowlands Commission, the New Jersey Redevelopment Authority, the New Jersey Housing & Mortgage Finance Agency and the Council on Affordable Housing.

APPENDIX 3:
POWERPOINT BY JAMES H. CARR

Expanding the Constituency for Affordable Housing Solutions

Remarks

of

James H. Carr

Affordable Housing Gaps in High Cost Urban Areas

Sponsored by the
Office of Thrift Supervision

And Hosted by Citi

June 3, 2007

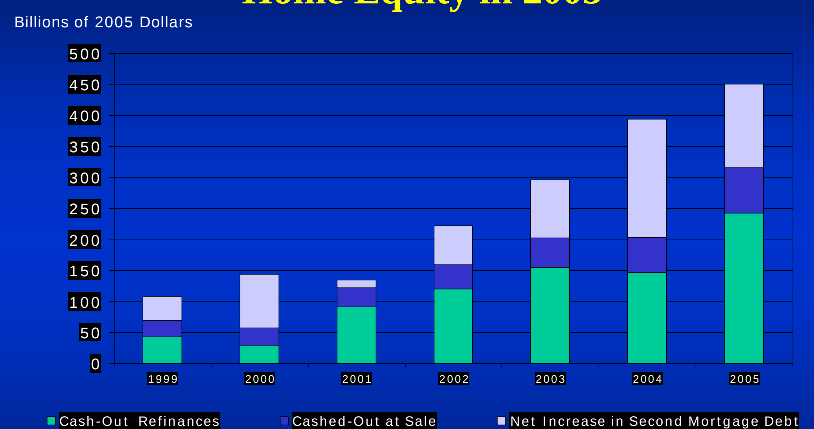
Most National Housing Indicators Pushed into Record Territory in 2005

	2004	2005	Percent Change 2004-2005	Percent Change 2001-2005
Homeownership Rate (%)	69.0	68.9	-0.1	1.6
Home Sales				
New Single-Family Homes (Millions)	1.2	1.3	6.7	41.3
Existing Single-Family Homes (Millions)	6.0	6.2	3.4	30.6
Existing Condo/Co-ops (Thousands)	820	896	9.3	49.1
Median Home Prices				
New Single-Family	$230,842	$240,900	4.4	23.2
Existing Single-Family	$200,158	$219,000	9.4	27.7
Existing Condo/Co-op	$197,930	$223,900	13.1	43.1
Home Equity (Trillions)	$10.0	$11.2	12.1	39.2
Residential Fixed Investment (Billions)	$697	$756	8.5	46.0
Residential Improvements and Repairs (Billions)	$205	$215	4.7	23.6
Mortgage Debt (Trillions)	$7.9	$8.7	10.3	50.4
Mortgage Refinancing (Trillions)	$1.5	$1.4	-10.5	-2.7

Note: Dollar values are adjusted to 2005 dollars using the CPI-UX for All Items. Percent change is calculated with unrounded numbers.

Sources: Census Bureau; National Association of Realtors; Freddie Mac; Federal Reserve; Bureau of Economic Analysis.

Homeowners Cashed Out Record Levels of Home Equity in 2005



Notes: Dollar values are adjusted for inflation by the CPI-UX for All Items. Equity cashed out at sale is defined as the proceeds that are not reinvested in another home.

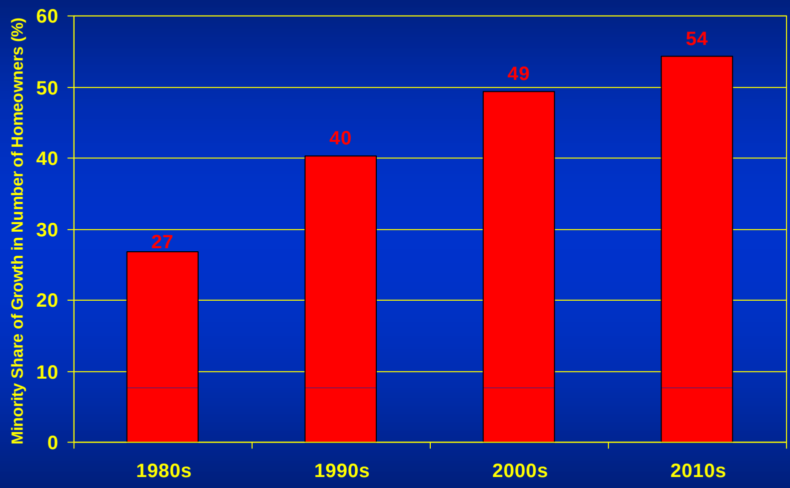
Sources: National Association of Realtors, Existing Single-Family Home Prices; Federal Reserve Board, Flow of Funds.

Homeownership Trends

- Minority homeownership is increasing rapidly
  - Nearly half of the 12.5 million increase in the number of homeowners between 1995 and 2005 were minorities.
  - The minority homeownership rate increased by more than two percentage points between 2002 and 2005, exceeding the one percentage point increase for whites.

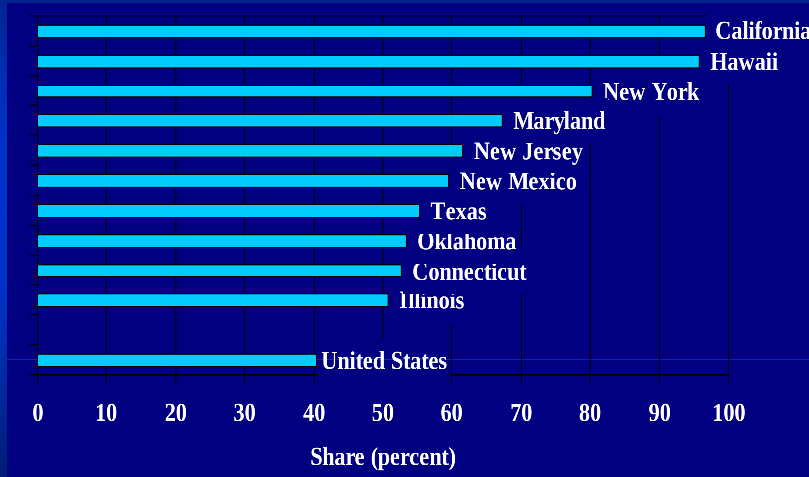
Source: State of the Nation's Housing, Joint Center for Housing Studies, 2006. Homeownership rate data from Table A-5.

Minority Share of Homeownership Growth: Increasingly Critical to the Housing Industry



Sources: Simmons, "Changes in Minority Homeownership During the 1990s," Fannie Mae Foundation, Census Note 07, Sep. 2001; Masnick and Belsky, "Revised Interim Joint Center Household Projections Based Upon 1.2 Million Annual Net Immigration," Harvard Joint Center for Housing Studies, Research Note N06-1, March 2006.

Minority Share of Homeownership Growth During the 1990s



Source: Fannie Mae Foundation Homeownership Database, compiled from decennial census data.

Three Challenges Presented by the Strong Housing Market of the Past Decade

- Increasingly unaffordable housing costs in many markets across the nation for moderate to median income families
- Worsening concentrated poverty in many cities
- Foreclosure crisis/unsustainable homeownership created by excessive and irresponsible subprime lending

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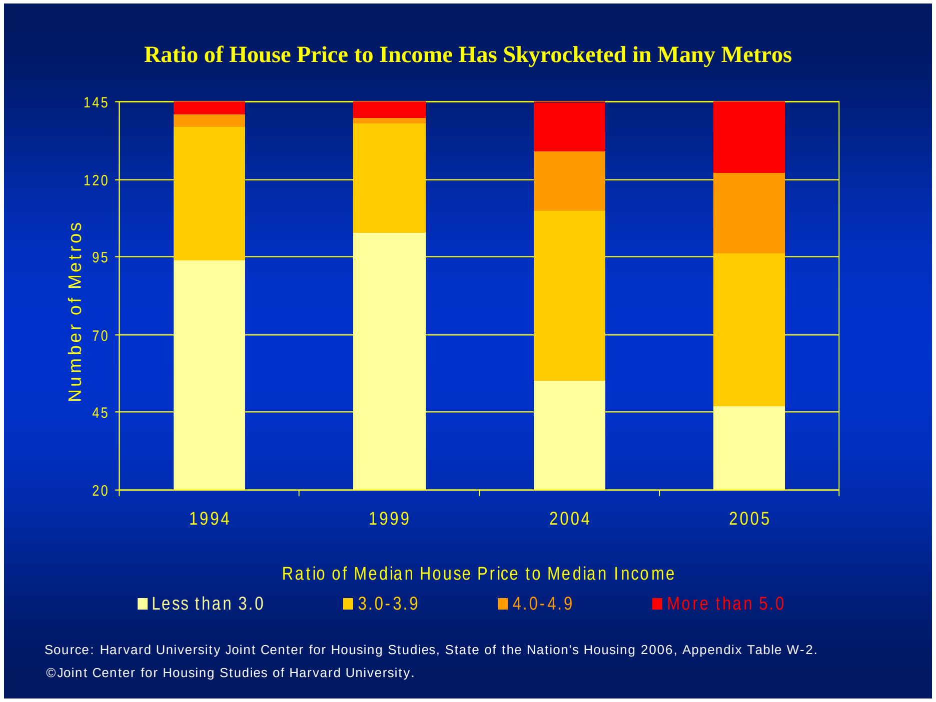
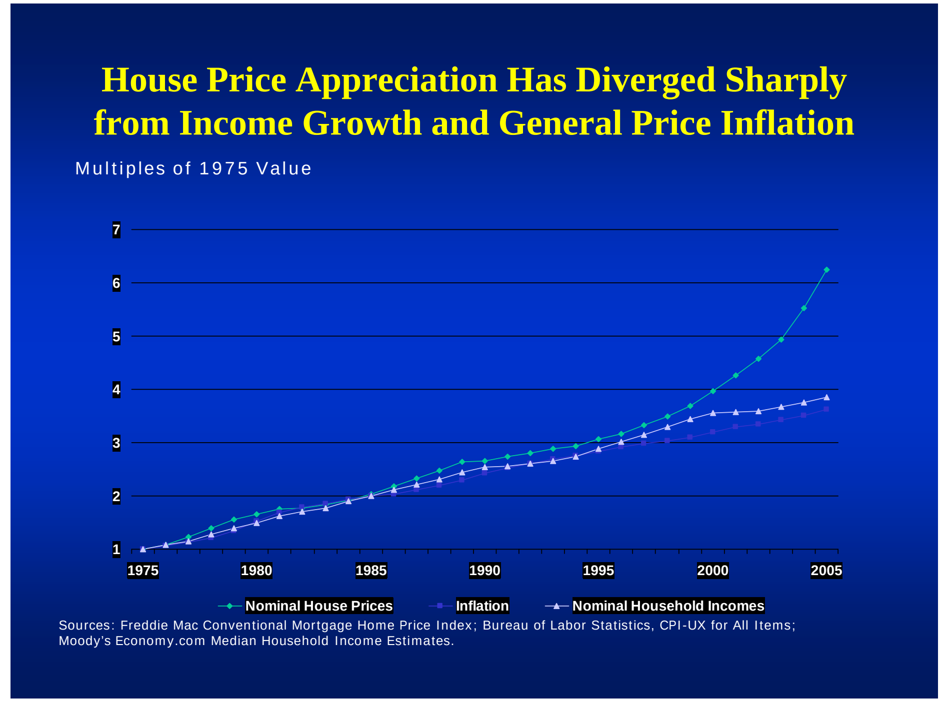
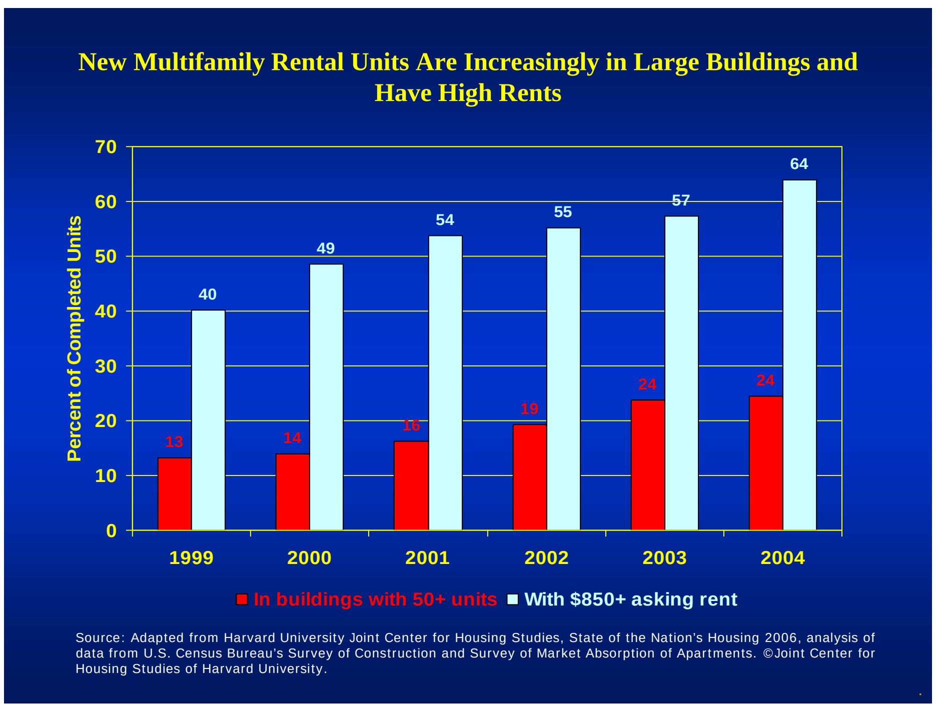
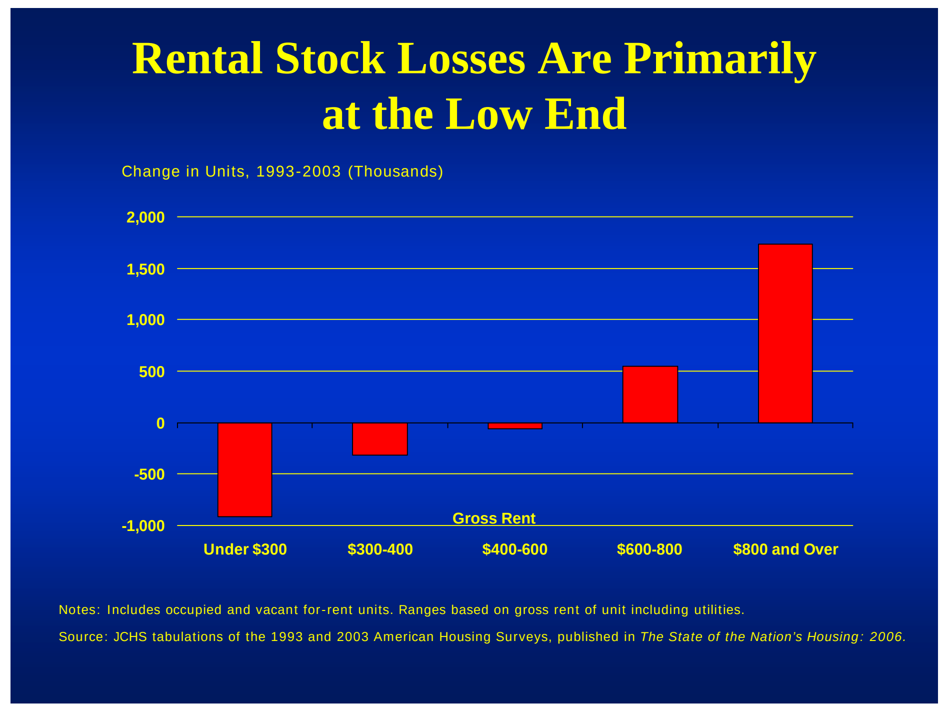
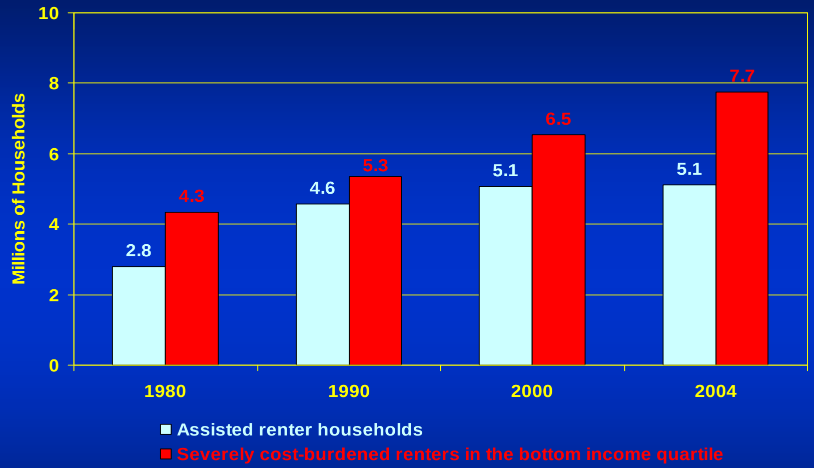

Ratio of House Price to Income Has Skyrocketed in Many Metros
Number of Metros
145
120
95
70
45
20
1994
1999
2004
2005
Ratio of Median House Price to Median Income
Less than 3.0
3.0-3.9
4.0-4.9
More than 5.0
Source: Harvard University Joint Center for Housing Studies, State of the Nation's Housing 2006, Appendix Table W-2.
©Joint Center for Housing Studies of Harvard University.


House Price Appreciation Has Diverged Sharply from Income Growth and General Price Inflation
Multiples of 1975 Value
7
6
5
4
3
2
1
1975
1980
1985
1990
1995
2000
2005
Nominal House Prices
Inflation
Nominal Household Incomes
Sources: Freddie Mac Conventional Mortgage Home Price Index; Bureau of Labor Statistics, CPI-UX for All Items; Moody's Economy.com Median Household Income Estimates.


New Multifamily Rental Units Are Increasingly in Large Buildings and Have High Rents
Percent of Completed Units
70
60
50
40
30
20
10
0
13
40
14
49
16
54
19
55
24
57
24
64
1999
2000
2001
2002
2003
2004
In buildings with 50+ units
With $850+ asking rent
Source: Adapted from Harvard University Joint Center for Housing Studies, State of the Nation's Housing 2006, analysis of data from U.S. Census Bureau's Survey of Construction and Survey of Market Absorption of Apartments. ©Joint Center for Housing Studies of Harvard University.


Rental Stock Losses Are Primarily at the Low End
Change in Units, 1993-2003 (Thousands)
2,000
1,500
1,000
500
0
-500
-1,000
Gross Rent
Under $300
$300-400
$400-600
$600-800
$800 and Over
Notes: Includes occupied and vacant for-rent units. Ranges based on gross rent of unit including utilities.
Source: JCHS tabulations of the 1993 and 2003 American Housing Surveys, published in The State of the Nation's Housing: 2006.

Housing Assistance Has Not Kept Pace with Need



Note: Income quartiles are equal fourths of all households sorted by pre-tax income. Severe cost burdens are defined as housing costs of more than 50% of pre-tax income.

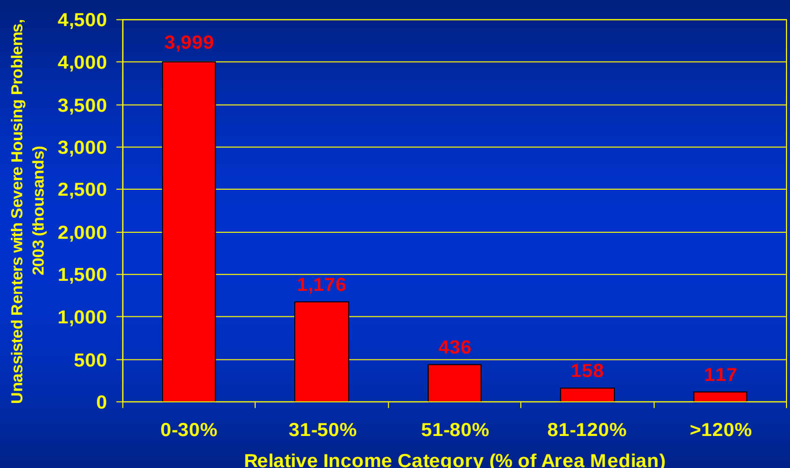
Source: Adapted from Harvard University Joint Center for Housing Research tabulations of data from US House of Representatives, Committee on Ways and Means, Total Renter Households Receiving Direct Housing Assistance by HUD, Greenbook 2000, Table 15-30; US Department of Housing and Urban Development, FY2005 Performance and Accountability Report; US Census Bureau, 1980, 1990 and 2000 decennial Census Public Use Microdata; and US Census Bureau, 2004 American Housing Survey. ©Joint Center for Housing Studies of Harvard University.

Homeowner and Rental Affordable Housing Challenges Facing Working Families

- According to the National Low Income Housing Coalition, nowhere in the country can a minimum-wage earner afford to rent a two-bedroom apartment at fair market rents
- The number of metro areas where the median house price exceeded median household income by a factor of at least 4 has more than quadrupled from 11 in 2000 to 49 in 2005.
- From 1997 to 2001, the share of homeowners paying half their incomes for housing expenses rose three-fold (3.3% to 9%); for renters, share increased from 14% to 23%
- Proportion of homeowners with severe affordability problems rose in the 1990s in 47 of 50 states and 43 of nations largest 50 cities
- More than 12% of American families spend more than 50% of their incomes on housing

Source: *Solving America's Shortage of Homes Working Families Can Afford: Fifteen Success Stories* – A *Homes for Working Families* Research Report. Prepared by Urban Land Institute and Fannie Mae Foundation. March 2006.

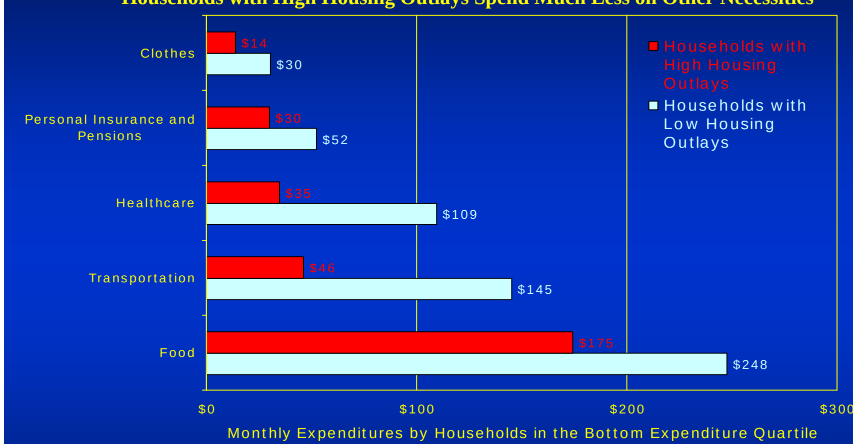
Severe Housing Problems by Income: Renters



Severe housing problems include housing costs that exceed 50 percent of household income and/or living in severely inadequate housing. Data are for unassisted renters only. For lowest two income categories, counts show "worst-case needs."

Source: Based on data from U.S. Department of Housing and Urban Development, n.d., "Affordable Housing Needs: A Report to Congress on the Significant Need for Housing,"

Households with High Housing Outlays Spend Much Less on Other Necessities



Notes: Expenditure quartiles are equal fourths of all households by average monthly spending.
High (low) housing outlays are defined as more than 50% (less than 30%) of total monthly expenditures on housing.

Source: Harvard University, Joint Center for Housing Studies, tabulations of the 2003 Consumer Expenditure Survey. ©Joint Center for Housing Studies of Harvard University.

Severe Housing Cost Burdens for Minority Outpacing Homeownership Growth

- While the number of black homeowners in the nations largest 25 cities grew by 16 percent, the share paying more than half their incomes on housing expenses rose by nearly 40%
- A 54 gain in Latino homeownership was overshadowed by a 100 jump in Latino homeowners paying more than 50 percent of their incomes on housing expenses
- In Philadelphia, Latino homeownership grew by 60% while severe housing cost burdens for Latinos rose by 167%
- In Memphis, a 40% rise in black homeownership was met with a 70% increase in black homeowners with severe housing cost burdens

Source: Simmons, Patrick A. 2004. A Tale of Two Cities: Growing Affordability Problems Amidst Rising Homeownership for Urban Minorities. *Fannie Mae Foundation*.

Three Challenges Presented by the Strong Housing Market of the Past Decade

- Increasingly unaffordable housing costs in many markets across the nation for moderate to median income families
- Worsening concentrated poverty in many cities
- Foreclosure crisis/unsustainable homeownership created by excessive and irresponsible subprime lending

Concentrated Poverty: Improvements and Problems

- A recent Brookings Institution report (*Stunning Progress, Hidden Problems*, 2003) found that the total population of extreme poverty neighborhoods (at least 40% poor) **fell by 24%** during the 1990s. But the detailed tables of that report allow for many widely different assessments of progress on this issue.
- The Harvard Joint Center for Housing Studies found all the improvement occurred in the Midwest and South – it **grew by 27%** in the West and was unchanged in the Northeast *(State of Nation's Housing Report*, 2006).
- Despite flat-lining in the Northeast, the Urban Institute found that the population of extreme poverty neighborhoods **grew by more than 200%** in Washington, DC *(Housing in Nation's Capital*, 2005).
- And, American University professor Gregory Squires (*Privileged Paces*, 2006) found that when looking over a longer period of time, the population of extreme poverty neighborhoods nationally almost doubled over the 30-year period of 1970 to 2000.

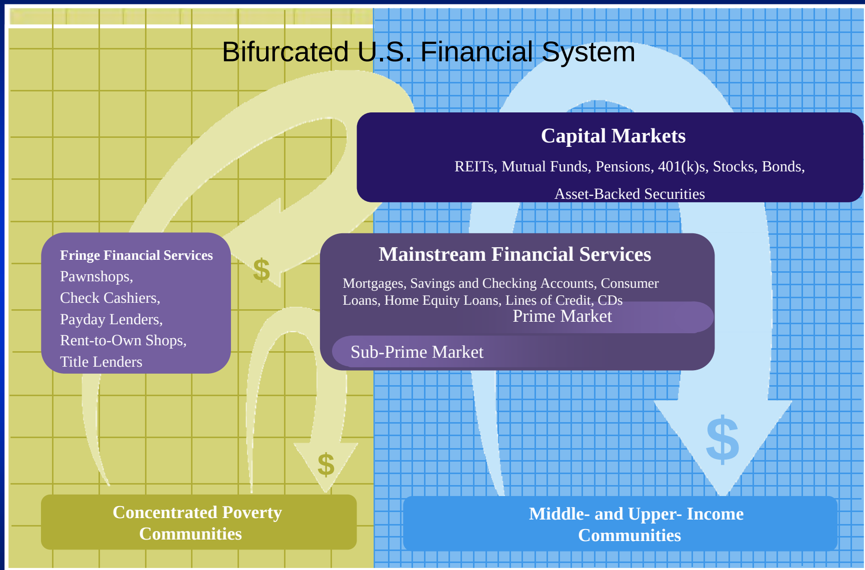
Characteristics of Concentrated Poverty Neighborhoods

Areas characterized by disproportionate levels of:

- Single-parent families
- Families on public assistance
- Lower homeownership rates
- Higher unemployment rates
- Higher rates of crime
- Poor schools
- Lack of access to competitively priced financial services
- Inadequate access to standard quality grocery stores

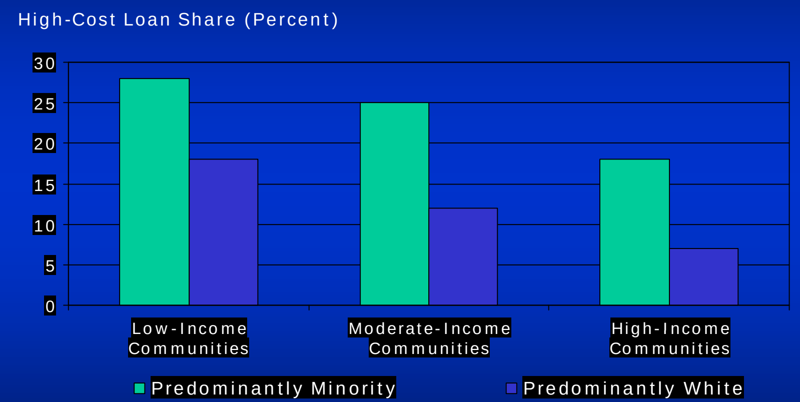
Research suggests an impoverished individual living in a poor neighborhood experiences worse outcomes than person of similar income living in a more income-diverse community

Concentrated Poverty Creates Complex Problems



Carr, James, H. and Jenny Schutz, Financial Services in Distressed Communities, Fannie Mae Foundation Research Series, Washington, DC, 1999.

High-Cost Loans Are More Common in Low-Income Minority Communities



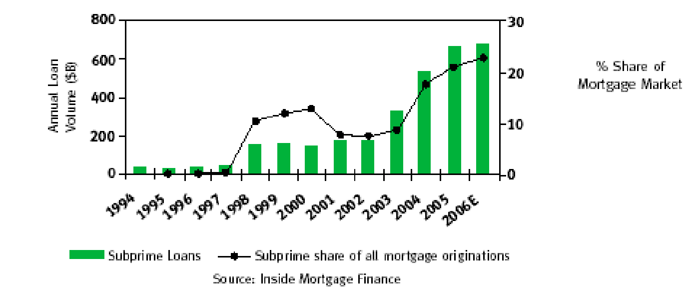
Notes: Loans are for home purchase only. High-cost loans are defined as having an Annual Percentage Rate more than 3.0 percentage points above that on Treasury Bonds of comparable maturities. Low-/moderate-/high-income communities are under 80%/80-120%/over 120% of area median income. Predominantly minority communities are at least 50% minority. Predominantly white communities are at least 90% non-Hispanic white.

Source: JCHS tabulations of 2004 Home Mortgage Disclosure Act data.

Three Challenges Presented by the Strong Housing Market of the Past Decade

- Increasingly unaffordable housing costs in many markets across the nation for moderate to median income families
- Worsening concentrated poverty in many cities
- Foreclosure crisis/unsustainable homeownership created by excessive and irresponsible subprime lending

Growth of Subprime Loan Originations



- From 1994 to 2005, the subprime home loan market grew from $35 billion to $665 billion.
- From 1998 to 2006, the subprime share of total mortgage originations climbed from 10 percent to 23 percent.

Source: Schloemer, Wei, Ernst, and Keest. 2006. *Losing Ground: Foreclosures in the Subprime Market and Their Cost to Homeowners.* Washington: Center for Responsible Lending,, www.responsiblelending.org/pdfs/foreclosure-paper-report-2-17.pdf

Comparing Mortgage Payments for Different Interest Rates

30-Year Fixed Rate Loan

House Value	$120,000
Down Payment %	5%
Down Payment	$6,000
Loan Amount	$114,000

Comparing Mortgage Payments for Different Interest Rates (continued)

Annual Interest Rate	Monthly Payment	Annual Payment	Annual Difference from 6%	Lifetime Difference from 6%
6.00%	$683.49	8,201.85	NA	NA
7.00%	$758.44	9,101.34	899.49	26,984.61
8.00%	$836.49	10,037.90	1,836.05	55,081.45
9.00%	$917.27	11,007.24	2,805.39	84,161.59
10.00%	$1,000.43	12,005.18	3,803.33	114,099.84

Subprime Mortgages – Key Facts

- An estimated $600 billion of subprime mortgages will reset after their 2-year teaser rates end.
- 72% of subprime as exploding ARMs (Lehman 2004)
  - Rates jump from 7% to 12%
  - Monthly payments up 50% or more
  - Lack of escrows causes flipping
- 70% of subprime have prepayment penalties
- 40+% utilize stated income for “ability to repay”
- Through the second quarter of 2006, hybrid ARMs made up 81% of the subprime loans that were packaged as investment securities. That figure is up from 64 percent in 2002.

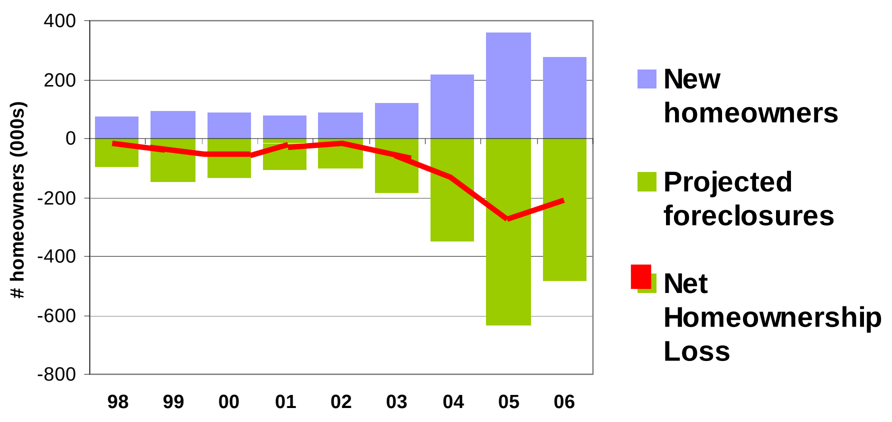
Source: Testimony of Martin Eakes, CEO for Center for Responsible Lending and Center for Community Self-Help, Before the U.S. Senate Committee on Banking, Housing and Urban Affairs “Preserving the American Dream: Predatory Lending Practices and Home Foreclosures,” February 17, 2007, www.responsiblelending.org/pdfs/martin-testimony.pdf; Michael D. Calhoun, *Preserving the Latino Home: Sustainable Homeownership & Foreclosure Prevention*, March 23, 2007

Key Findings on Subprime Lending by Center for Responsible Lending

- The chance of foreclosure on a subprime loan doubled between 2002 and 2005
- One out of five (or 2.2 million) subprime home loans made in recent years have already failed or will end in foreclosure
- These foreclosures will cost homeowners as much as $164 billion
- As house prices decline, subprime foreclosures will rise
- Because subprime loans are concentrated, the repercussions on additional homeowners may be substantial
- Multiple subprime loans further increase foreclosure rates

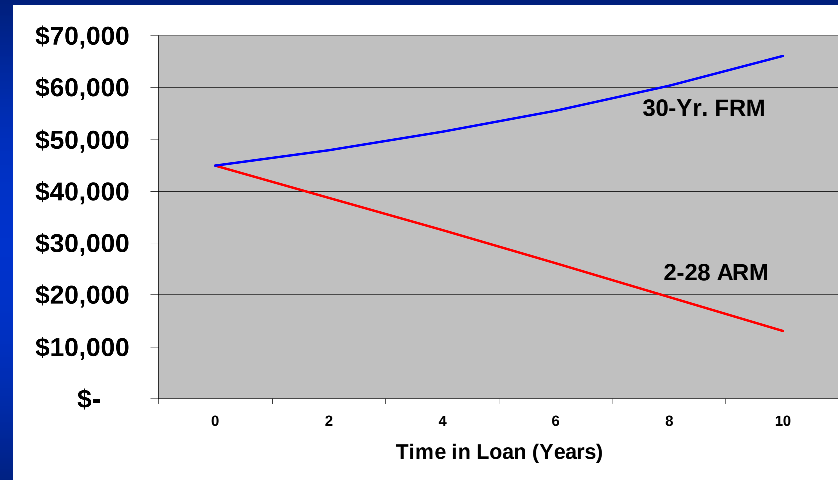
Source: Losing Ground: Foreclosures in the Subprime Market and Their Costs to Homeowners, Center for Responsible Lending, December 2006.

Losing Ground On Homeownership



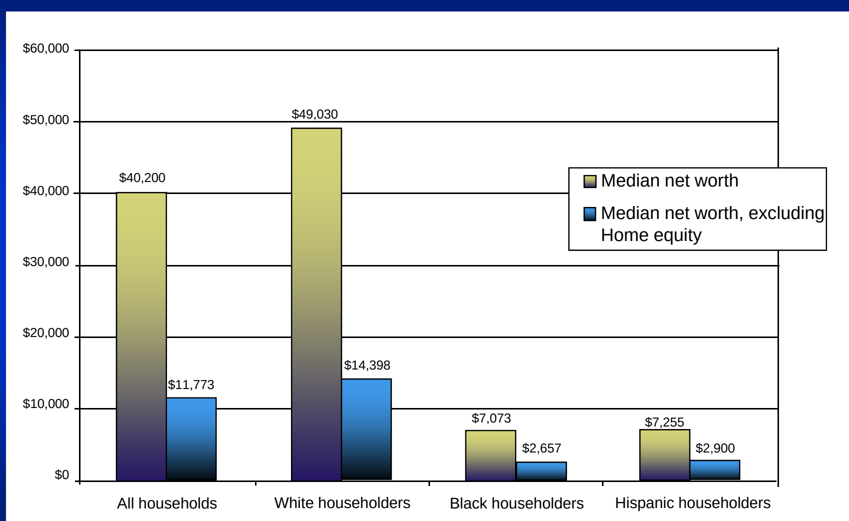
Source: Center For Responsible Lending, *Subprime Lending: A Net Drain on Homeownership*, CRL Issue Paper No. 14, March 27, 2007, www.responsiblelending.org/pdfs/Net-Losership-3-26.pdf

Certain Lost Equity



Source: Michael D. Calhoun, *Preserving the Latino Home: Sustainable Homeownership & Foreclosure Prevention,* March 23, 2007

Median Net Worth, and Median Net Worth Excluding Home Equity of Households, by Race and Hispanic Origin of Householder



Source: Survey of Income and Program Participation, U.S. Census Bureau.

Policy Considerations Related to Housing Affordability Challenges

- Develop and institute comprehensive housing affordadility solutions that: (1) address the multiple contributors to excessive housing costs; (2) coordinate public spending on housing and other infrastructure; and (3) addresses consumer education to leverage borrower income.
- Enforce fair housing and fair lending laws and institute common sense consumer protections
- Invest in and create innovative partnerships to promote financial engineering that lowers risk and improves sustainability for borrowers in the homeownership market

Address Housing Affordability Challenges Comprehensively

- Address comprehensively the multiple contributors to excessive housing costs AND support consumer education to leverage borrower income
- Enforce fair housing and fair lending laws and institute common sense consumer protections
- Invest in and create innovative partnerships to promote financial engineering that favors borrowers in the homeownership market

Factors Contributing to Housing Development Costs

- **Land**
  - Zoning
  - Reviews
  - Infrastructure/transportation investments
  - Environmental review and clean-up
  - Vacant land/abandoned property issues
  - Availability
  - Assembly
- **Government processes and procedures**
  - Permitting
  - Coordination of regulatory review
  - Timeliness
  - Consistency
  - Community input (NIMBY)
- **Demographics (Supply-Demand)**
- **Tax Policies**
- **Codes**
  - Rehab codes
  - Inconsistent standards across markets
  - Outdated codes that don't reflect changes in building techniques and technology
  - Inconsistent enforcement
  - New energy codes
  - Lead paint laws
- **Development financing**
  - Tax structure
  - Incentives
  - Lack of equity
  - Underwriting cost of rental
- **Construction**
  - Industry structure and techniques
  - Labor unions
  - Materials
  - Lack of flexibility
  - Availability of substitutes
  - Technology and prefabrication
  - Climate
  - Geography

Comprehensive Approach to Housing Affordability

- Lower the cost to produce housing:
  - Higher density development/ coordinated public infrastructure investments/ transit-oriented and energy-efficient development/affordable housing design
  - Fast track permitting/updated building codes and regulations
  - Density bonuses/inclusionary zoning/priority access to development rights
- Effectively employ subsidies:
  - Coordination of LIHTC, HOPE VI, HOME, CDBG, tax exempt bonds, housing trust funds, others
  - Promoting public private partnerships for mixed-income housing
  - Leverage vacant and abandoned properties/improve housing courts
- Leverage household incomes
  - Employer-based—bank at work and housing assistance
  - Tax-payer assistance/community-based credit unions
  - Credit counseling/purging abusive and predatory market behavior

Leveraging Partnerships for Enhanced Investment: Employers

- Financial Advice/ Education/ Savings Advice – including leveraging benefits such as retirement accounts and pensions, health benefits, other
- Taxpayer Assistance (EITC)
- Direct Deposit/ Payroll Debit Cards
- Onsite branch or ATM access
- Employer-Assisted Housing Programs
  - Down Payment Assistance
  - Counseling
  - Housing Production Assistance

Growth of Employer-Based Homeownership and Rental Housing Programs

- The number of employers assisting their workers with homeownership programs more than doubled between 2000 and 2004 from 9% to 20% (Society for Human Resources, 2004)
- Also between 2000 and 2004, rental assistance efforts grew from 5% to 19%
- Homeownership assistance varied widely – from $1,000 to more than $10,000 per employee; assistance also included credit counseling, help finding real estate agents, assistance navigating the home buying process and help connecting with nonprofit counselors
- Firms offering employees housing assistance include Hewlett-Packard Cisco Systems, Intel, and the Mayo Clinic

Source: Brown, Amy, et. al. National Community Investment Fund, 2004.

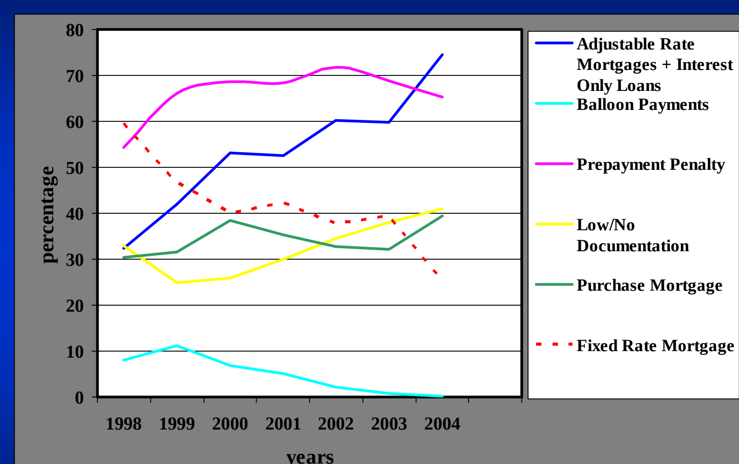
Employer-Assisted Housing Programs Differ Based on Need

- Benefit Type
  - Information and Education
  - Forgivable secured or unsecured loan
  - Deferred and repayable secured or unsecured loan
  - Matched savings
  - Grant
  - Shared Appreciation
- Employee Eligibility
  - Specified Tenure
  - Income Restrictions
  - First Time Home Buyers
  - Distinct employee groups or locations
- Eligible Properties
  - No restrictions
  - Owner-occupied residences
  - 1 unit only or more than 1 unit
- Location
  - No restrictions
  - Targeted areas
  - Within specified radius of workplace
- Administration
  - Employer Staff
  - Outsourced

Address Housing Affordability Challenges Comprehensively

- Address comprehensively the multiple contributors to excessive housing costs AND support consumer education to leverage borrower income
- Enforce fair housing and fair lending laws and institute common sense consumer protections
- Invest in and create innovative partnerships to promote financial engineering that favors borrowers in the homeownership market

History of Subprime Loans with Specific Risk Features



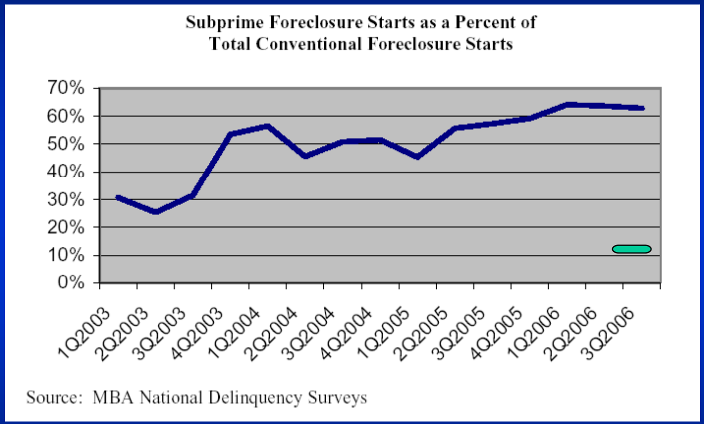
Source: Schloemer, Wei, Ernst, and Keest, 2006. *Losing Ground: Foreclosures in the Subprime Market and Their Cost to Homeowners,* Center for Responsible Lending, www.responsiblelending.org/pdfs/foreclosure-paper-report-2-17.pdf

Features Contributing to Greater Risk of Foreclosure

Features	Risk of Foreclosure*
Adjustable-Rate Mortgages	72%
Balloon Payments	36%
Prepayment Penalties	52%
No/Low Documentation	29%
Buying vs. Refinancing	29%

* Note: Shows loans originated in 2000. Source: Schloemer, Wei, Ernst, and Keest, 2006, *Losing Ground: Foreclosures in the Subprime Market and Their Cost to Homeowners*, Center for Responsible Lending, www.responsiblelending.org/pdfs/foreclosure-paper-report-2-17.pdf

Foreclosure Statistics – Comparing Subprime and Prime Loans



Note: Subprime share of the market as of As of Dec. 31, 2006: 13.7%

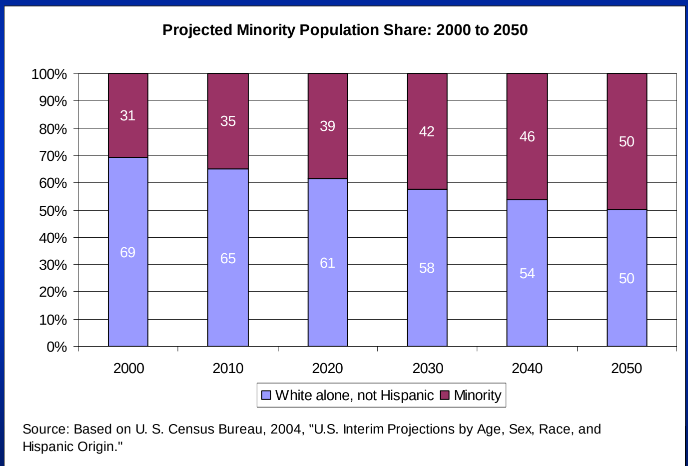
Source: Testimony of Martin Eakes, CEO Center for Responsible Lending and Center for Community Self-Help Before the U.S. Senate Committee on Banking, Housing and Urban Affairs, "Preserving the American Dream: Predatory Lending Practices and Home Foreclosures," February 7, 2007*, http://www.responsiblelending.org/pdfs/martin-testimony.pdf

Beyond Strict Enforcement of Fair Housing and Fair Lending Laws : Common Sense Policy Issues

- Ability to pay
- Suitable loans
- Broker duties
- Independent appraisals
- Fair servicing and workout programs
- Home preservation programs vs. foreclosure "rescue" scams

Source: Michael D. Calhoun, *Preserving the Latino Home: Sustainable Homeownership & Foreclosure Prevention*, March 23, 2007

Growth of Population by Race/Ethnicity



Continuing Wealth Disparities by Race/Ethnicity

Race/Ethnicity	Income	Wealth
Non-Hispanic White	$100	$100
Black	$66	$10
Latino	$73	$12

Source: 2000 Survey of Income and Program Participation; 2000 Current Population Survey

Address Housing Affordability Challenges Comprehensively

- Address comprehensively the multiple contributors to excessive housing costs AND support consumer education to leverage borrower income
- Enforce fair housing and fair lending laws and institute common sense consumer protections
- Promote/pursue financial engineering that lowers risk and improves homeowner sustainability for lower-income and minority borrowers

Shared-Equity Mortgages and Housing Affordability

- SEMs are particularly appealing to all income groups in unaffordable areas and to young, low/mod-income households everywhere
- Tried as "shared-appreciation mortgages" by Bank of Scotland in mid-1990s; commercialization started in Australia by Caplin etc. in 2005; design, research and other exploratory work in U.S. pursued in collaboration with Fannie Mae Foundation.
- Corporations are financed with a blend of debt and equity, while individuals only have debt option to finance a home-purchase. SEMs remedy that by offering homebuyers an equity financing option in exchange for sharing in the financial risk and reward.
- No interest is due during the life of the SEM loan until the termination of the loan (through resale or refinance)
- Typically, a 2:1 ratio is used; 40% share of appreciation in return for a 20% equity contribution; revised formula is more sophisticated and attractive to investors while lowering risk for consumers

APPENDIX 4:
POWERPOINT BY SHAUN DONOVAN

The Affordable Housing Gaps in High Cost Urban Areas

A conference hosted by the
U.S. Office of Thrift Supervision (OTS) in partnership with
Citibank Community Group

Shaun Donovan, Commissioner
New York City
Department of Housing Preservation & Development
June 4, 2007

OVERVIEW

- The New York City Housing Market
- Affordable Housing Challenges
- New York City's Response

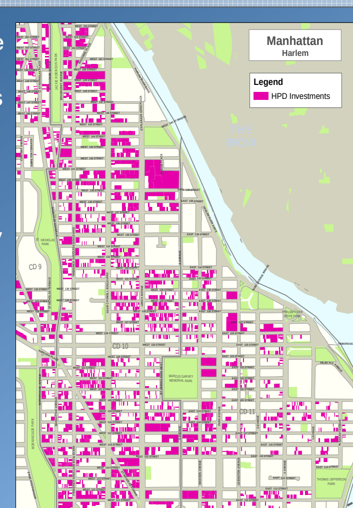
NEW YORK CITY HOUSING MARKET

In the 70s and 80s, neighborhoods across the city experienced wholesale blight and abandonment.

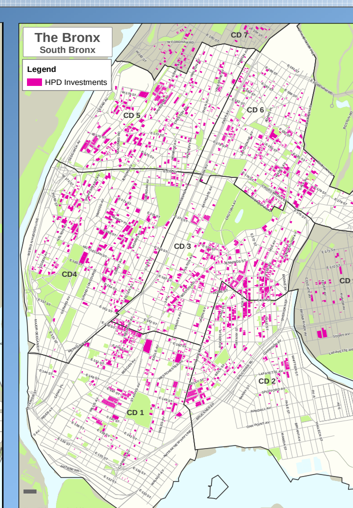
Charlotte Gardens Housing, the Bronx

NEW YORK CITY RETURNS

- HPD took more than 100,000 abandoned units of housing into City ownership.
- In turn, the City used these abandoned properties as building blocks to bring the Bronx and other parts of the city back from the brink.

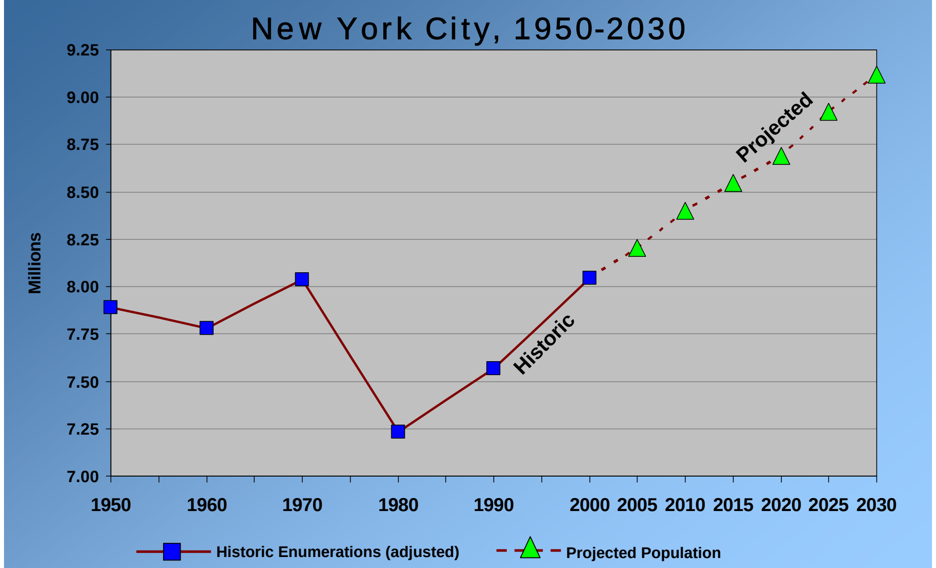


HPD INVESTMENTS IN HARLEM (1986-2006)

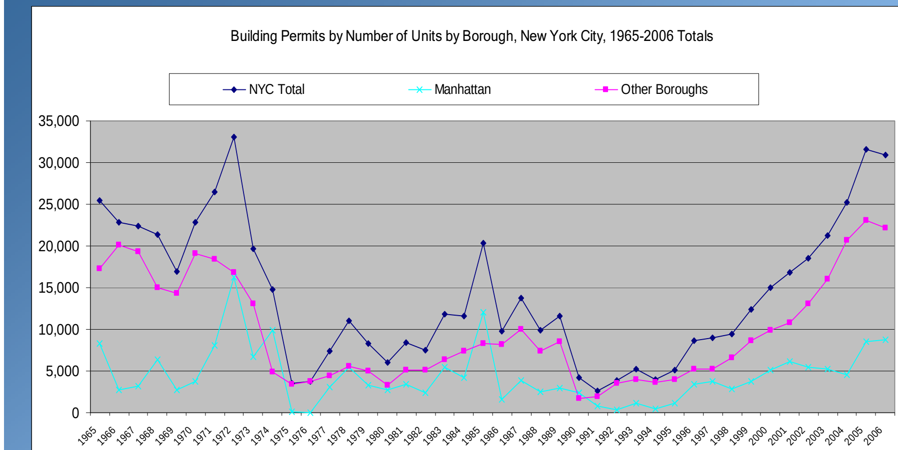


HPD INVESTMENTS IN THE SOUTH BRONX (1986-2006)

NYC POPULATION WILL GROW TO OVER 9 MILLION BY 2030



THE HOUSING MARKET HAS RETURNED ACROSS NEW YORK CITY



Source: U.S. Census Bureau

OVERVIEW

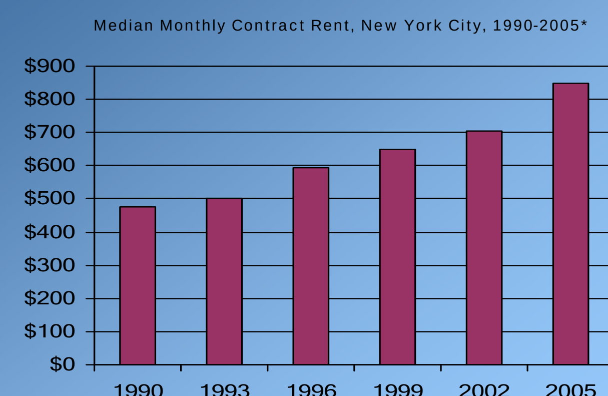
The New York City Housing Market

Affordable Housing Challenges

New York City's Response

PRESERVE AFFORDABLE HOUSING

Rising rents have put unprecedented pressure on existing affordable housing

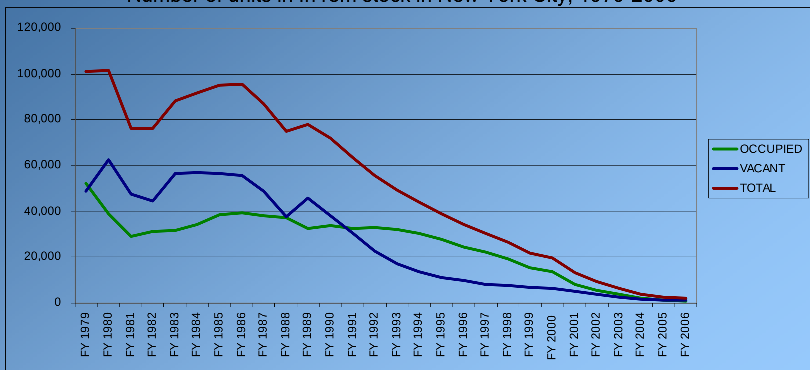


Source: NYU Furman Center for Real Estate and Urban Policy; NYC Department of Citywide Administrative Services

BUILD FUTURE PIPELINE FOR AFFORDABLE HOUSING DEVELOPMENT

In rem stock has declined from over 100,000 units to 1,255

Number of units in In rem stock in New York City, 1979-2006



Source: HPD Production Credit System

CHALLENGES OF GROWTH

Challenge of affordability will be exacerbated if population growth outpaces housing production

- We will need to add at least 100,000 more units to address the existing housing shortage.
- Estimates suggest that we must add at least 265,000 new units of housing just to accommodate the projected population growth.
- To close the housing gap we need to maximize opportunities for new housing construction.

OVERVIEW

The New York City Housing Market

Affordable Housing Challenges

➔ New York City's Response

NEW YORK CITY'S RESPONSE - PLANYC

Creating the opportunity for 500,000 units of housing could significantly ease the pressure on the housing market

1. Increase New York City's overall housing supply opportunities to balance the market.
2. Develop housing that is affordable to New Yorkers of all income levels.

INCREASE SUPPLY OPPORTUNITIES	UNIT CAPACITY
Spur Private Market Development	285,000
Rezone Underutilized Areas	65,000
Create "new" Land	30,000
DEVELOP AFFORDABLE HOUSING	
Implement New Housing Marketplace Plan	92,000
Maximize use of Publicly-Owned Land	30,000
TOTAL	502,000

NEW YORK CITY'S RESPONSE

- Continue to identify underutilized areas across the city that are well-served by transit and other infrastructure
- Continue restoring underused or vacant waterfront land across the city
- Use transit extensions to spark growth, like subways did more than a century ago
- Examine the potential of major infrastructure expansions to spur growth in new neighborhoods
- Pursue partnerships with City and State agencies throughout the city
- Explore opportunities to create new land by constructing decks over transportation infrastructure such as rail yards, rail lines and highways

NEW YORK CITY'S RESPONSE

In December 2002, Mayor Bloomberg announced a 5-year, $3 billion housing plan to create and preserve 65,000 units of affordable housing.

In January 2006, Mayor Bloomberg expanded his plan to a 10-year, $7.5 billion plan to create and preserve 165,000 units of affordable housing for 500,000 New Yorkers.

Four highlights of the 10-year plan:

- Finding new land for affordable housing
- Creating incentives to develop housing for new populations
- Harnessing the private market to create affordable housing
- Preserving government-assisted affordable housing

FINDING NEW LAND FOR AFFORDABLE HOUSING

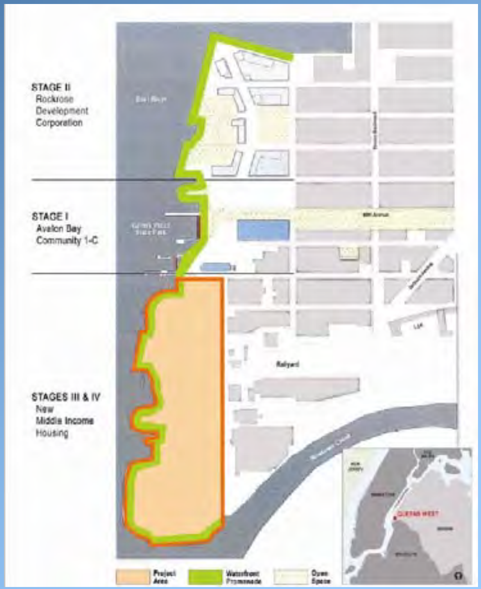
Develop new housing through City and State agency partnerships and
adapt unused schools, hospitals, and other outdated municipal sites for productive use as new housing

Public Sites	Projected Num. Units
10-Year Plan Actions	
NYC Housing Authority (NYCHA)	6,000
Economic Development Corporation (EDC)	9,200
Department of Transportation (DOT)	1,100
Department of Education (DOE)	200
Public Sites beyond the 10-Year Plan	
Department of Sanitation (DOS)	1,130
Health and Hospitals Corporation (HHC)	870
Office of Mental Health (OMH)	1,000
Department of Health (DOH)	740
Department of Environmental Protection (DEP)	620
Office of Mental Retardation and Developmental Disabilities (OMRDD)	1,000
TOTAL	21,860

CREATING INCENTIVES TO DEVELOP HOUSING FOR NEW POPULATIONS

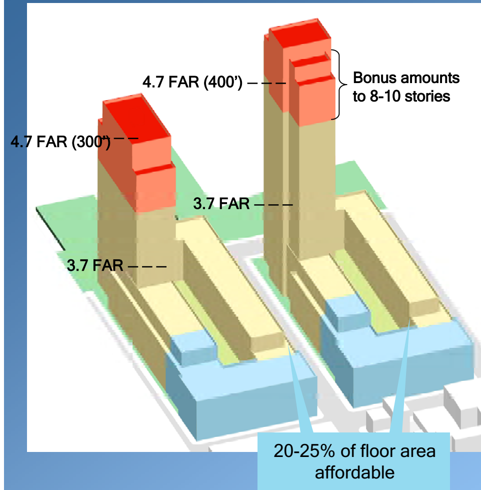
QUEENS WEST

- On October 19, Mayor Bloomberg and the Port Authority announced the sale of 24 acres of land in the southern portion of Queens West in Long Island City
- Development on the site will include 5,000 units of housing designed to be affordable for middle income families
- It will also feature a waterfront promenade, retail space, and open space



HARNESSING THE PRIVATE MARKET TO CREATE AFFORDABLE HOUSING

HARNESSING THE PRIVATE MARKET – GREENPOINT / WILLIAMSBURG



Waterfront Inclusionary Program

Density bonus of 27% in exchange for 20%-25% permanently affordable housing.

Affordability requirements:
20% of total SF between 0-80% AMI or

10% of total SF between 0-80% AMI and 15% of total SF between 80%-125% AMI

PRESERVING GOVERNMENT-ASSISTED AFFORDABLE HOUSING

New York City Acquisition Fund

Overview and Structure

- A collaboration between NYC, intermediaries, foundations and financial institutions to stimulate affordable housing development and preservation.
- Meets high-priority need for acquisition and predevelopment financing.
- $230 million fund creates or preserves 30,000 units of affordable housing over 10 years.
  - $ 8 million in City Funds
  - $ 32.6 million in grants and PRIs from 9 foundations
  - $ 192.5 million in loans from 15 banks
- Current pipeline $43.8 million:
  - 532 units - New Construction
  - 280 units - Preservation

ENERGY EFFICIENCY EFFORTS

HPD

- Agency-wide evaluation to increase sustainability and energy efficiency in programs and in the workplace
- HPD is incorporating energy efficient specifications into 5,000 units in rehabilitation programs and 3,080 units in new construction programs

New Housing New York initiative – Via Verde

- Create 150 new units on City-owned land with new health and sustainability requirements including LEED Gold rating and NYSERDA Multi-Family New Construction Energy Star Guidelines