



MHP Capitol Update

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State Update

Session Inches to a Close

The Legislature ended session this Sunday after a week of 15-hour days and round-the-clock negotiations. At the eleventh hour, legislators and the administration reached a budget deal that closed the \$935 million deficit by spending down \$500 million of the “rainy day fund” and cutting budgets. Luckily, this did not include significant cuts to the housing agency budget or programs. Some of the main pieces of this compromise include a one-time, roughly 1 percent funding increase for K-12 education, expanded eligibility for MinnesotaCare, and a 1.8 percent reduction of all Department of Human Services and Department of Health grants.

Other big, last-minute legislative accomplishments include getting the Central Corridor LRT project back on track, creating a new state park on Lake Vermillion, and an addition to the Minneapolis Veterans Home. In addition, local units of government now face a three-year, 3.9 percent cap on levies, but will get a boost in LGA (local government aid).

Overall, it was a fairly productive session that provided a little something for everyone. The bad news is that a \$2 billion dollar deficit gorilla will continue to hang out in the corner for the next few years. Stay tuned! The next Update will include a full debrief on the 2008 session’s wins and losses and a sneak-preview into 2009’s policy efforts.

Housing Mission Accomplished!

MHP’s agenda for this session included preserving Minnesota Housing’s budget given the projected deficit, expanding the Low Income Rental Classification (4d), obtaining \$30 million in bonding for homeless supportive housing, and closing the affordable housing construction sales

tax exemption loophole. As of Monday evening, three of our four goals were met and one, the sales tax exemption, was awaiting the governor's signature.

Cuts to Minnesota Housing's budget were kept to a minimum (\$200,000) and the 4d modifications and bonding provisions passed early in session. The one outstanding item is the sales tax exemption. Like last year, the final tax bill (HF 3149) includes the exemption provision. However, we are waiting for the governor to receive the bill, which we believe he will sign. Unlike last year, the 2008 exemption proposal has a delayed effective date of June 2009. Also, \$505,000 was restored to homeless supportive services programs.

A large number of foreclosure bills passed this session as well. You can find information on this and other important housing legislation on MHP's Web site ([click here](#)). Thank you to everyone that made 2008 such a successful year!

Subprime Borrowers Relief Act Sent to Governor

Late Friday evening the Anderson/Davnie foreclosure bill (SF 3396) was passed off the House floor with a bi-partisan support. 81 legislators voted for the bill, surprising advocates who expected a much closer vote. Two amendments were added to the bill: one amendment limits participation to individuals with incomes under \$250,000, and the other amendment requires that participants are citizens or legal residents.

Our focus now is on encouraging the governor's to sign the bill. He indicated earlier that he would veto the proposal. Since the governor's stated opposition, the bill has been substantially rewritten and includes mandatory foreclosure counseling and negotiations with lenders prior to enacting the loan deferral option. Many individuals in on the front lines of the foreclosure crisis say that the unwillingness of loan servicers and lenders to come to the table is the biggest obstacle to keeping people in their homes.

Foreclosure Bill Update

[H.F. 3428\(Gunther\)/S.F. 2909\(Olseen\)](#): gives tenants the right to take over utilities payment when a landlord is in default. It was signed by the governor on May 15, 2008.

[H.F. 3475\(Mullery\)/S.F. 2912\(Scheid\)](#): modifies mortgage foreclosure proceedings and sets up foreclosure prevention counseling. A majority of this bill is now amended to [H.F. 3420\(Hilstrom\)/S.F. 3239\(Moua\)](#) and has been passed by both legislative bodies. H.F. 3420 was signed by the governor on May 18, 2008.

[H.F. 3346\(Davnie\)/S.F. 3073\(Higgins\)](#): a bill that increases mortgage foreclosure assistance. Signed by governor on May 19, 2008.

[H.F. 3612\(Davnie\)/S.F. 3396\(Anderson\)](#): a bill formerly known as the Minnesota Subprime Foreclosure Deferment Act of 2008 is now the Subprime Foreclosure Borrower Relief Act because of some technical changes to the bill. The bill was sent to the governor's office for approval on May 19, 2008.

Bits and Bytes

Don't forget to thank legislators

Be sure to take the time in next few weeks to send a personal note to any legislator you contacted regarding a housing issue this year. As we have said often, housing supporters are few at the Capitol and the more you can do to foster a relationship, the better. It is surprising the number of legislators that will mentioned they got a nice note from this person or that organization. It does mean a lot to them. Sit down at your next staff meeting with your note cards, divide up the names, and take 15 minutes to say thanks for a job well done.

Heard Under the Marble Dome

"It's like an earthworm inching across the country. It takes a long time, but we have so much invested in it, we have to complete the journey," *said a senator describing the end of session negotiations.*

"I kept hearing what a terrible bill this was, then I read it and realized we heard all these same arguments twenty years ago during the farm crisis and none of them came true," *said a veteran Republican legislator debunking myths about the Subprime Borrowers Relief Act.*

"It kind of pisses me off, the urban legislators stood up with our rural counterparts to address the farm mortgage crisis but they leave us high and dry on the current foreclosure fiasco," *said a senator commenting on lack of rural legislative support in Senate for certain foreclosure remedies.*

Federal Update

Senate Moves One Step Closer to Comprehensive Housing Bill and National Housing Trust Fund

Earlier today, the Senate Banking, Housing, and Urban Development Committee announced that the committee passed the "The Federal Housing Finance Regulatory Reform Act of 2008." The comprehensive housing bill addresses mortgage foreclosure problems, creates a national housing trust fund, and reforms government sponsored entities (GSEs) like Freddie Mac and Fannie Mae. The bill has strong bipartisan support, the result of many weeks of work between Democratic committee chairman Senator Chris Dodd (CT) and Republican ranking member Senator Richard Shelby (AL).

"In my judgment, the new GSE regulator created under this legislation would be granted much needed authority and flexibility to regulate the GSEs appropriately. Ultimately, a strong regulator will better serve the interests of homeowners and taxpayers for years to come," Shelby said in a committee statement released on Tuesday

(http://banking.senate.gov/public/index.cfm?Fuseaction=Articles.Detail&Article_id=60e2e758-a69d-4ce5-b1a1-efe4e9ef58d2&Month=5&Year=2008). "I appreciate the Chairman working with me during this process, and I look forward to helping him move this legislation forward."

The bill garnered bipartisan support by funding both the foreclosure and trust fund items without using tax revenue. Instead, the bill's proposed funding mechanism comes from the GSE-reform, with 50 percent of the proceeds going towards temporary foreclosure remediation in the first year, 25 percent in the second year, and none in the third year. In all years, the remaining proceeds would be directed to the trust fund. Earlier this week, advocates voiced concern over

redirection of dollars towards non-trust fund sections of the bill that aid moderate- instead of low-income families, but are generally pleased with the compromise.

“[This] is a milestone in the quest to assure a decent home for everyone in the United States,” Sheila Crowley, president of the National Low Income Housing Coalition, said in a press statement yesterday (http://www.nlihc.org/detail/article.cfm?article_id=5154&id=48). “We will continue to work to direct more revenue to the housing trust fund, needed to accomplish our goal of building and preserving 1.5 million homes,” Crowley continued.

On May 6, the House passed a similar, but more expansive, housing proposal that President Bush said he would veto, despite the administration’s support for GSE reform and FHA modernization. According to the Associated Press (<http://ap.google.com/article/ALeqM5hTPEQZyeqPg80iIH0uvvPz6Lz3mgD90PLSQ00>), the White House has not voiced support or opposition for this particular proposal. The AP also reports that the full Senate will likely act on the bill after Memorial Day and the House is optimistic that the two proposals (as they were on Tuesday) can be reconciled.

Distributed weekly during the Minnesota legislative session and monthly outside of session, the **MHP Capitol Update** provides information about state and national housing policy and politics that affect Minnesota. **MHP Capitol Update** is published by Minnesota Housing Partnership. To share ideas for future issues, to ask questions, or to unsubscribe, please contact Barb Jacobs at bjacobs@mhponline.org or 651-649-1710 ext. 117.

Minnesota Housing Partnership also publishes **The MHP Bulletin**. **The Bulletin** is distributed monthly, and includes affordable housing news and trend information, new research, publications, and upcoming events. Please contact Barb Jacobs at (651) 649-1710 ext. 117, email bjacobs@mhponline.org, to subscribe to **The Bulletin**.

Minnesota Housing Partnership’s mission is to promote homes for all Minnesotans and to assist Minnesota communities in the creation and preservation of housing affordable to low- and moderate-income people.