



MHP Capitol Update

Volume 3, Issue 15 April 15, 2008



*We invite you to forward, quote, or cite anything within **The MHP Capitol Update** as long as you reference it as the source. Thank you!*

State Update

Manufactured Home Foreclosure Legislation Passes Both Bodies

Minnesota Housing Partnership along with other advocates, manufactured home park owners, and manufactured home industry representatives won a significant victory this week. On April 14, the Senate passed foreclosure legislation ([H.F. 3475\(Mullery\)](#)/[S.F. 2912\(Scheid\)](#)) that provides manufactured home purchasers and owners improved consumer protections. The House passed an identical bill on April 1. The proposal, which currently awaits Governor Pawlenty's signature, codifies and lengthens the consumer notification period and practices. Similar to legislation passed in 2007 for site-built homes, the proposed statute also requires duty of agency for brokers and outlines standards of conduct for lenders. The bill also outlaws churning, negative amortization loans, excessive fees, and prepayment penalties on manufactured homes, while providing consumers the "private right of action" if they are harmed by a dealer's violation of the statute.

The other piece of manufactured housing legislation, regarding collection procedures for Minnesota's new relocation trust fund, is not expected to pass this year. Advocates plan to continue to work on the legislation over the summer.

Cities Look for Vacant Property Assistance

The foreclosure epidemic has hit many cities with a double whammy. In a recent letter to Representative Paul Marquart, Chair of the Property Tax Division of the House Tax Committee, the Association of Metropolitan Municipalities (AMM) explained the multi-faceted impact of vacant, foreclosed homes on the stability of neighborhoods.

"Housing values plummet, crime increases, private investment and reinvestment stops. Foreclosures result in a decrease in tax base at the same time cities are required to devote more resources to address building code, property management and public safety problems in these neighborhoods."

AMM says communities that are experiencing increased spending due to foreclosures are, at the same time, realizing a decrease in their tax bases. The association has suggested several tax relief proposals to assist cities during this crisis. These proposals run the gamut, from supplemental tax credits to a temporary class rate reduction similar to 4d to a TIF-styled abatement program. The bottom line is that AMM's request comes at a time when the state is experiencing financial problems of its own, a significant barrier in procuring help for cities. Friday, Rep. Marquart is expected to release the property tax report from his committee.

Foreclosure Bills Beat Odds

Despite short deadlines and a year filled with grueling politics, foreclosure bills continue to make headway in the legislative process. Here's a snapshot of last week's bill movement.

- **[H.F. 3236\(Davnie\)/S.F. 2881\(Scheid\)](#)**: regulates contracts for deed and mortgage lending. On House floor April 14, 2008.
- **[H.F. 3477\(Gardner\)/S.F. 2917\(Marty\)](#)**: regulates manufactured home lending practices and amends default regulation provisions. Passed in House on 4/1. Passed Senate 4/14. Awaits governor's signature.
- **[H.F. 3516\(Davnie\)/S.F. 2914\(Rest\)](#)**: sets up foreclosure data practices requirements, statewide foreclosure data collection and a reporting system study. Passed in both bodies and awaits governor's signature. Currently, bills are being conferenced.
- **[H.F. 3774\(Dominquez\)/S.F. 3214\(Higgins\)](#)**: clarifies the application of the Minnesota Residential Mortgage Originator and Servicer Licensing Act, and clarifies the investment authority of certain insurers. Senate bill passed Senate 4/3. Senate bill introduced in House on 4/7.
- **[H.F. 3475\(Mullery\)/S.F. 2912\(Scheid\)](#)**: modifies mortgage foreclosure proceedings and sets up foreclosure prevention counseling. Although there has not been recent movement of this bill, the governor recent voiced support for it.

On the heels of heated discussion surrounding the Davnie/Anderson Subprime Foreclosure Deferment Act (**[H.F. 3612/S.F. 3396](#)**), the governor announced additional state resources to combat increasing numbers of foreclosures. A [press released issued on 4/14](#) say that the administration will expand foreclosure counseling workshops provided by the Homeownership Center, create a Minnesota Foreclosure Prevention Compact, fund mediation services for homeowners who cannot be help with counseling, and creation of a new Commerce Department hotline for foreclosure counselors. The governor said he does not support the Davnie/Anderson Deferment Act.

New Report Says Minnesota Has Least Affordable Rent in Midwest

According to the National Low Income Housing Coalition's (NLIHC) 2008 Out of Reach report, Minnesota has the worst rental affordability of all 12 Midwestern states. Based on locally-adjusted wage and rent information, the report says that minimum wage earners in Minnesota would need to work 96 hours per week to afford an average two bedroom apartment. No other Midwestern state required as many hours of work for a comparable apartment.

Rental affordability is particularly important right now because a significant portion of foreclosures impact renters. In Ramsey and Hennepin counties almost half of foreclosures impact renter households.

"The current mortgage crisis has awakened everyone to what low income renters have known for a long time: Even modest homes are too costly for most low income families," said NLIHC President Sheila Crowley. "It will only get worse as the rental market is flooded with families displaced by foreclosure." Click [here](#) to read more.

End of Session Play: Bonding v. Budget

The word around the Capitol last week was that putting a second bonding bill together will be difficult. History shows that bonding bills usually require geographic balance in order to pass, and most of the line-items vetoed by the governor were urban projects.

It is also clear that governor wants funding for the Vermillion Park and the Minneapolis Veterans Home projects. Also, the Speaker of the House has told House Public Information Services that a second bonding bill is not out of the question. It's been noted by a few folks that combining the Central Corridor LRT, Vermillion Park, and Minneapolis Veterans Home project requests brings the Legislature's bonding proposals to the governor's \$825 million cap. However, there is also talk of laying the LRT funding-albatross on the governor's doorstep and letting him solve problem.

In addition to the LRT, the governor vetoed a large number of transportation projects as well as ALL of St. Paul's initiatives. Insiders surmise that the transportation line-item cuts are in response to the recent veto override and resulting gas and sales tax increases. The St. Paul bonding-whacks seem to be tied to bad relations between the governor and Mayor Coleman. You'd think that two guys who regularly play hockey together would work things out on the ice.

The governor's vetoes, for better or worse, have provided him a bigger role in end-of-session negotiations on the issues of his choice. As [MPR explains it](#), "[t]he trick to being a good negotiator is to find out what your adversary really wants, and refuse to give that up until you get what you want."

Bytes & Bits

Landlords' Burden

MHP has been receiving many calls regarding the new property tax break extended to many affordable property owners in Minnesota. During one such phone call, the MHP staff person asked the property owner if he had any friends he could tell about the new Low Income Rental Credit guidelines. The man laughed and said, "I'm a landlord. I don't have any friends!"

Federal Update

Minnesota's Legislative Leaders Ask Congress to Increase Mortgage Revenue Bonding Authority

In a letter dated 4/10/2008, the Minnesota Speaker of the House, House Minority Leader, Senate Majority Leader, and Senate Minority Leader ask U.S. Congressman Barney Frank and U.S. Senator Chris Dodd to increase the mortgage revenue bond (MRB) authority of state housing agencies. Both federal lawmakers hold positions of influence for housing policy. Frank is chair of the Committee on Financial Services in the U.S. House of Representatives and Dodd is chair of the Committee on Banking, Housing and Urban Affairs.

In the letter, the state legislative leaders point out that Minnesota is expected to weather 30,000 foreclosures this year—a fivefold increase from 2005. Additional MRB authority would allow states to increase their refinancing and home-purchasing programs. The letter also says that MRB-funded programs across the country, including Minnesota's, "are not witnessing the spike in foreclosures [that private market products are] and remain an important source of mortgage financing in this turbulent time."

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.