

Sens. Dodd, Kerry Make Renter Protection Floor Statement

Senator Christopher Dodd (D-CT) made a Senate floor statement on August 6 on the intent behind the Protecting Tenants in Foreclosure Act, which was enacted in May. Senators will periodically make statements to elucidate the legislative intent of a provision in order to smooth a new law's implementation.

"Under the new law, all bona fide tenants who began renting prior to transfer of title by foreclosure of their rental property must be given at least 90 days' notice before being required to vacate the property. In addition, these bona fide tenants are allowed to remain in place for the remainder of any leases entered into prior to the transfer of title by foreclosure," Senator Dodd said. "These leases may be terminated earlier only if the property is transferred to someone who intends to reside in the property and only if the tenants are given at least 90 days' notice of the fact of such sale. Successors in interest to properties with Section 8 Housing Choice Voucher tenants automatically assume the obligations of the former owner under the housing assistance payments contract. These basic protections are the law for tenants in every state, unless states have laws or practices that provide greater protections."

Senator Dodd also thanked Senator John Kerry (D-MA) for his work on the law, and spoke to the importance of the Act. "These protections are so important that Senator Kerry and I want to ensure that families and mortgage holders know their rights and obligations under the law," Senator Dodd said.

Thanking Senator Dodd for all of his work to assist low and moderate income families and tenants who need protections, Senator Kerry said, "I agree with Chairman Dodd that it is important that persons and entities acquiring properties by foreclosure follow the law, and that tenant families obtain the benefits the law was intended to provide."

Link to the Congressional Record statement at: http://frwebgate.access.gpo.gov/cgi-bin/getpage.cgi?dbname=2009_record&page=S8978&position=all

FROM THE FIELD

NJ Advocates Celebrate Law Allowing County Homeless Trust Funds

The New Jersey Advocacy Network to End Homelessness (NJANEH) and other advocates including the Housing & Community Development Network of New Jersey (HCDNNJ), an NLIHC state partner, are celebrating passage of state legislation authorizing counties to create their own County

Homeless Trust Funds. After a two-and-a-half year effort, the bill passed the state Senate (30-6) on June 18 and the General Assembly (52-27) on June 25. Governor Jon Corzine's (D) approval is expected soon.

As part of the creation of the trust funds, the bill allows counties to create a dedicated source of funding for their homeless trust funds by imposing a \$3 document recording surcharge. The surcharge is estimated to generate \$5 million to \$6 million per year statewide.

Advocates based their campaign on the idea that current federal and state funds are inadequate to deal with high levels of homelessness in all 21 New Jersey counties. Because the fiscal and societal costs of homelessness are felt most acutely at the county level, advocates thought addressing homelessness should be a goal for counties.

Once advocates came up with language for a bill, they were successful in convincing legislators to become sponsors. The advocacy organizations also won the endorsement of more than 150 organizations, county executives, and freeholder boards (equivalent to other states' county commissioners). NJANEH, the lead organization of the effort, was pleased that the bill did not encounter any organized opposition.

In mid-May, HCDNNJ held a lobby day that was planned to take advantage of a scheduled Senate Budget and Appropriations Committee hearing on the bill. Advocates packed the hearing room, and representatives from four counties that would administer trust funds testified on the importance of the legislation.

In order to create a County Homeless Trust Fund, a county must have an established plan to end homelessness. Each county would be responsible for operating its own program, awarding grants for any of the following eligible uses:

- The acquisition, construction, or rehabilitation of housing projects or units within housing projects that supply permanent affordable housing for the homeless or those at risk for homelessness;
- Rental assistance vouchers, either tenant-based or project-based, for use at affordable housing projects that provide permanent affordable housing for the homeless or those at risk of homelessness;
- Supportive services to help people obtain and/or maintain permanent affordable housing; and,
- Prevention services for those at risk for homelessness so that they can obtain and maintain permanent affordable housing.

The bill also requires counties electing to create a County Homeless Trust Fund to establish and seek the advice of a County

Homeless Trust Fund Task Force comprised of at least three homeless or formerly homeless people, and a representative from: the county, each of the three municipalities with the largest homeless population in the county, the organization responsible for plans to end homelessness, and three nonprofit organizations providing low income housing or assisting the homeless. Task Forces will assist in the creation of the homeless housing plan and implementation of the trust fund's homeless housing program, including assessing funding priorities, reviewing applications, and contributing to the annual report.

Counties may use up to 5% of the funds for program administration. Any funds that are not used after four years will be transferred to the Department of Community Affairs, which will contract with a community-based organization in the same county for uses consistent with those granted to County Homeless Trust Funds.

"This is a very significant step toward providing counties with the resources to end homelessness," NJANEH Chair Richard Brown said of the bill's passage. NJANEH will hold a forum for county representatives on implementation of the Homeless Trust Fund on September 15 from 9 am to noon at the state capitol.

For more information: Richard Brown, Chair, New Jersey Advocacy Network to End Homelessness, rbrown@njaneh.org

RESOURCES

NLIHC, CEPR Report Shows Effect of Recession on Rents, Home Prices

A report released August 6 by NLIHC and the Center for Economic and Policy Research (CEPR) provides an updated analysis of rents and home prices in 100 metropolitan areas. This report, the third in a series, finds that since the housing bubble burst two years ago, home prices are falling back into their historical relationship with rents in a growing number of housing markets. While this is likely an indication that home values have either already reached bottom or soon will in most markets, the report also cautions that in many markets, the local economy is suffering, which could put off the housing market recovery. The report concludes that in the long term, the housing market will be robust only with a strong economy in which people have the incomes to afford rents and mortgages.

The paper posits that the historical equilibrium sale price of a home is 15 times the annual rent of a nearby comparable home. Where in recent decades the ratio of median sales price to median annual rent hovered close to 15 to 1 (i.e. it took \$150,000 to buy a house that would rent for roughly \$10,000 per year) at

the peak of the bubble in 2007, this ratio exceeded 25 to 1 in many inflated markets. The paper defines a bubble market as one in which this "price-to-earnings" ratio exceeds 18 to 1.

The original analysis of these 100 metropolitan areas was completed in April 2008. In this third paper, the authors find that 14 out of the 27 markets considered inflated in April 2008 are no longer considered to be bubbles due to the fall off in prices. The authors also analyzed the ability of new homeowners to accumulate equity in five years, and find that while first-time homebuyers in 21 markets (including the remaining 13 bubble markets) are still not projected to have positive equity by 2013, this is five fewer markets than the year before.

This study, however, notes that this basic analysis of equity accumulation used in the original paper and subsequent updates relies on rents increasing at 3% a year. The demand for housing, however, generally declines with rising unemployment and falling incomes since fewer households form, households double up in units, and some households become homeless. All of these factors are likely to moderate the growth in rents in 2009 and perhaps beyond. In some areas average rents may even decline.

In light of these current economic trends, this paper takes the declining economy into consideration by doing a second analysis using 2009 rent projections that take variables such as employment and rental vacancy rates into consideration. The authors conducted a comparative analysis of 40 cities for which there were comparable data to see how the ability of households to accrue equity changes under these new assumptions. They found that the alternative projections generally still lead to increases in equity, but these increases happen at a slower rate, meaning that homeowners will be worse off if current market trends continue. Most alarming is that in some cities, homeowners who would expect to see gains in equity under the old assumptions may actually find themselves facing a loss when the failing economy is taken into consideration.

This comparative analysis emphasizes the fact that market stabilization will only occur if the broader economy recovers. In light of this, the authors provided policy recommendations such as the need to focus on stimulating the demand for housing through increased employment and incomes and not simply by incentivizing home purchases through homebuyers' tax credits. The authors also recommended implementing policies that keep people in their homes, such as the Right-to-Rent proposal, which would give homeowners who are foreclosed upon the option to remain in their homes as renters for an extended of time. Finally, the authors recommend capitalizing on lower home prices to provide more affordable housing with a call to fund the National Housing Trust Fund. This program could establish long-term affordability for those who will continue to need help after the economic recovery. It can also serve to