

Testimony of Dianne Bolen
Executive Director, Mississippi Home Corporation
Before the Subcommittee on Housing and Community Opportunity
January 14, 2006

Mr. Chairman, Representative Waters, and Distinguished members of the Subcommittee:

My name is Dianne Bolen, and I am the Executive Director of the Mississippi Home Corporation (MHC). MHC was created by the State of Mississippi as a non-profit housing finance agency to provide the opportunity for safe, decent and affordable housing for low and moderate income Mississippians. MHC accomplishes this mission through federal, state and corporate housing programs.

Thank you for the opportunity to appear before this subcommittee to discuss Mississippi's housing needs and our plans in the aftermath of Hurricane Katrina, which struck our State on August 29, 2005. The storm wrought significant devastation not only to Mississippi's Gulf Coast communities, but also throughout the southern half of the State. Many residents find themselves with homes having sustained significant damage or completely destroyed. A majority of these residents had no flood insurance.

Temporary Housing

It is estimated that 50,000 Mississippi residents lost their homes during Hurricane Katrina. Therefore, temporary housing remains a top priority. FEMA has been the driving force in providing travel trailers for our displaced citizens.

To compliment FEMA's efforts, MHC partnered with Freddie Mac, who donated \$900,000 for the purchase of travel trailers. MHC was able to house 36 families on the Coast who did not qualify for FEMA assistance.

MHC also partnered with Fannie Mae, which made 15 foreclosed properties available to displaced families at zero rent. MHC is in the process of placing families in these homes.

Permanent Housing

In addition to addressing the need for temporary housing, MHC is focused on the rebuilding of permanent housing stock through the Federal programs it administers, including the Housing Tax Credit (HTC) program and the Mortgage Revenue Bond (MRB) program. The recent enactment of the Gulf Opportunity Zone Act of 2005 (the GO Zone Act) and the tax relief bill HR 3769 has provided flexibility and increased cap for these programs to assist in the rebuilding of affordable housing in the affected areas.

Housing Tax Credits

With respect to tax credit properties, we estimate that 4,163 units in the disaster area were damaged or destroyed, and approximately 1,000 of those units were deemed uninhabitable. In order to stimulate rebuilding efforts in the affected areas, the MHC Board of Directors, on September 7, 2005, voted to allow developers of Housing Tax Credits to relocate their projects to sites within the disaster area. This change applied to previously-awarded tax credit properties that had not yet begun construction. All requirements of the Qualified Allocation Plan (QAP) under which the Credits were awarded remain in effect with the exception of timelines. Any deadline established by the QAP was extended for a period of 120 days upon approval of such transfer by MHC. To date, MHC has approved eight requests for site relocation totaling 228 units: 126 units will relocate to Hattiesburg, 30 units to Laurel, and 132 units to Gulfport.

In June 2005, MHC forward committed 2006 Tax Credits to developments in accordance with the 2005 QAP. Once we exhausted the 2006 Credits, the remaining developments were placed on a waiting list. In an effort to fully utilize the additional \$38 million of 2006 housing tax credits made available by the GO Zone Act, the MHC Board will consider a proposal at its January 11 Board Meeting that will reallocate some of the previously-awarded 2006 Housing Tax Credits. The previously-awarded Credits for developments located in the disaster area will be substituted with GO Zone Credits and those previously-awarded Credits will be reallocated to developments on the waiting list

in other areas of the State. Furthermore, we will allocate Go Zone credits to all developments in the disaster area that are on the waiting list.

In November 2005, MHC distributed the 2006 QAP to developers two months ahead of schedule in an effort to assist them in quickly addressing the critical need for housing. On January 11, 2006, MHC will provide developer training on the 2006 QAP which will incorporate the tax relief and adjustments contained in the GO Zone Act.

A concern of both MHC and Tax Credit developers is the GO Zone designation of Difficult to Develop Areas (DDA). The DDA may allow up to a 30% basis boost to a Tax Credit development. H. R. 4440 provides that the Go Zone shall be treated as DDA for properties placed in service in 2006, 2007, or 2008. It typically takes a Tax Credit developer 24 to 30 months from the time an allocation is received to reach placed in service status. MHC is authorized to allocate approximately \$38 million annually in GO Zone Tax Credits in 2006, 2007 and 2008. If the GO Zone DDA designation expires on December 31, 2008, due to the placed in service language and HUD subsequently fails to designate the GO Zone counties as DDA, the developer will lose the 30 % basis boost and be exposed to a risk in development cost that would discourage participation in the Tax Credit program in years 2007 and 2008. MHC would suggest that the DDA designation for the GO Zone Tax Credits conform to the placed in service requirements mandated by IRS Code Section 42 .

Single Family Mortgage Revenue Bond Program

In November 2005, MHC's 2005B Mortgage Revenue Bond proceeds were depleted, resulting in a waiting list for available funds for single family mortgage loans.

On December 1, 2005, MHC priced a \$40 million Single Family Mortgage Revenue Bond Issue that was privately placed with Freddie Mac. Freddie Mac agreed to purchase the entire bond issue at 25 basis points below the market rate, the benefits of which will pass through directly to potential borrowers under this issue in the form of a lower mortgage loan rate. In addition, Freddie Mac agreed to a delayed bond closing, now scheduled for January 24, 2006, to allow MHC to incorporate any Katrina-related legislation passed prior to the bond closing. With the passage of the GO Zone Act, loan

applications submitted after December 21, 2005 by persons in the disaster area counties will be considered Target Area applications, which will provide for higher purchase price and income limits. Additionally, the GO Zone Act allows one third of the proceeds of the bond issue to be allocated to borrowers without regard to their income. These enhancements to the Single Family Mortgage Revenue Bond program will be a tremendous help to Mississippians living in the disaster area.

Since December 1, 2005, \$17 million in of the bond issue have been reserved. MHC offered a 3% cash advance to assist with downpayment and allowable closing costs. The \$17 million reserved thus far is at a higher volume that we normally see this time of year. From the limited data we have been able to collect, we know that some loans are going to Gulf Coast counties, but the majority of the loans are in the Jackson metro area with some going to displaced Katrina families. At this point, it is too early to have a complete profile of the borrowers.

Other Programs

MHC is also working with our participating lenders to stimulate the use of other programs. For example, we are encouraging them to utilize HUD's 203(k) mortgage loan product for homes being purchased that require rehabilitation and HUD's 203(h) program which allows 100% loan financing in disaster areas.

In November, MHC held Lender/ REALTOR training on the Mortgage Credit Certificate (MCC) program in hopes of increasing mortgage production as a result of the waiver of the first-time homebuyer requirement.

MHC is planning several Lender/ REALTOR trainings in the disaster area to inform lenders of changes in the MRB and MCC programs as a result of the enactment of HR 3769 and the GO Zone Act of 2005. MHC has provided these changes to lenders in the form of program bulletins, but we feel one-on-one question and answer sessions will be beneficial to both lenders and REALTORS.

Credit Assistance Programs

MHC has a counseling component to the services it offers. Katrina not only destroyed physical units, but family finances have been devastated as well. Families are facing foreclosure, bankruptcy, as well as job disruptions, and have need for financial and housing counseling to make wise decisions as they seek to rebuild their lives. MHC provides housing education services through contracts with local nonprofit organizations, eight of which are located in GO Zone counties. MHC will support these services during 2006 using recently approved funds from HUD totaling \$148,000 and Freddie Mac for \$50,000. Families will be able to receive assistance in finding affordable rental housing and obtaining credit reports, credit repair plans, and homebuyer education services. MHC estimates approximately 800 households will receive assistance from these funds.

MHC is also assisting Freddie Mac and housing counselors to roll out a “Don’t Borrow Trouble” campaign in Mississippi. This program establishes a 1-800 number and a network of housing counselors to answer individuals’ questions about credit and mortgage financing. Because so many families were affected by the storm, additional services using other funding sources will be needed to give advice to families trying to make sound financial decisions.

Other Issues

In addition to the aforementioned plans, MHC has identified the following needs faced by residents of Mississippi:

1. Elderly households with no mortgage balance who need funds to repair their home but have limited or no ability to repay.
2. Individuals who have an existing mortgage whose income does not allow them to borrow sufficient funds to pay off their first mortgage and rebuild (even after insurance and FEMA settlements).
3. Individuals whose home was not located in a flood plain and accordingly not insured, but whose home was damaged or destroyed by the tidal surge.

4. Homeowners who do not qualify for SBA Financing.

MHC is working with other agencies on the local, state and federal levels to develop solutions to these issues.

Summary

In summary, MHC is working to address the Katrina aftermath on several fronts:

1. On temporary housing, working with Fannie Mae and Freddie Mac to compliment FEMA's efforts,
2. On Tax Credit issues—relocating certain Tax Credit projects and reallocating 2006 credits,
3. On Single Family MRB's—partnering with Freddie Mac to offer lower mortgage rates,
4. and by offering counseling and training services to individuals and lending institutions.

Again, I thank the Subcommittee for the opportunity to appear before you today.