

McKeon

Contact: Alissa McCurley 202-225-1956

Congressman McKeon and Congressman Peters Introduce the Communities Achieving Sustainability Act

Washington, May 17 -

Washington, D.C.- This week, Congressman Howard “Buck” McKeon (R-CA 25) and Congressman Scott Peters (D-CA 52) introduced H.R. 1997, the Communities Achieving Sustainability Act (CASA). CASA Authorizes the Housing Urban Development (HUD) to make 203k loans to small investors for a 2-year period. This legislation will help revitalize communities (especially those hurt most by the recent foreclosure crisis), increase property values and create economic growth in the housing market.

A 203k loan is a specific type of loan offered by the Federal Housing Administration (FHA), designed to help home purchasers buy and repair a fixer-upper. The federal government created these loans to encourage lenders to fund home purchases for dilapidated homes, incentivizing the development of neighborhoods and the increase in community property values. The 203k loan covers not only the cost of the property, but also the cost of necessary home repairs. A vast range of repairs, including room additions, bathroom remodeling, roofing, flooring and installing/replacing air conditioning systems can be funded with these loans. Developing incentives for the purchasing of homes in need of repair, as well as goals of neighborhood revitalization and greater homeownership opportunities drove the creation of this loan.

Currently, only purchasers who plan to use the home as their residence are able to obtain a 203k loan. This Act will open the 203k loan program to small investors. This legislation calls for the continued use of the current framework of the 203k program with additional stipulations including: allowing for investors to purchase no more than 4 dwellings per year, and requiring that the outstanding principal amount borrowed by the purchaser may not exceed 90% of the loan. Additionally, after an initial 2-year period, this authorization will terminate and it will be left up to HUD to change their regulations to allow investors to participate in the 203k program.

“California is one of the states that has been hit the hardest with foreclosures and a lot of these foreclosed homes have been left uninhabited and now sit in a state of disrepair,” said Congressman McKeon. “Many home buyers are hesitant to purchase homes that need significant repairs, resulting in further dilapidation, a hefty housing market inventory and the decrease in neighboring property values. CASA will work to ensure that more of these homes can be repaired and put back on the market in good condition. This bill will help revitalize California communities that are still struggling with the aftermath of the foreclosure crisis and will spur economic growth in the still sluggish housing market.”

“In San Diego the housing market is beginning to recover, but we must make sure that we’re providing opportunities for community improvement,” Congressman Peters said. “CASA provides for small scale investment in our neighborhoods that is needed across San Diego, the state of California, and our nation. Teaming up with Chairman McKeon to introduce CASA, I know that more Americans will be able to achieve the dream of home ownership.”

Houses that qualify for 203k Loans:

There are two types of FHA 203k loans, regular and streamlined. Regular 203k loans are for homes that need structural repairs, and streamlined loans are for those that need non-structural repairs.

The following types of residences qualify:

- Tear-downs: As long as part of the foundation will remain, houses that need to be destroyed and rebuilt are eligible.
- Existing construction that is at least a year old.
- Single-family, two-family, three-family or four-family dwellings.
- Condos: if they have been approved for FHA loans.
- Mixed-use properties: If you are repairing only the home portion, a mixed residential/commercial property can qualify.
- Homes needing to be moved to rest on a new foundation.

Repairs that qualify under a 203k Loan:

The FHA has specific guidelines as to which types of repairs qualify for 203k loans. The lender will also stipulate which repairs you can make. Labor costs must be included in the loan, even if the homeowner performs the repairs. The repairs must be completed within six months.

Allowable repairs include:

- Disability access
- Heating, ventilation and air conditioning
- Plumbing
- Roofing and flooring
- Energy conservation
- Kitchen remodeling
- New appliances
- Room additions
- Decks and patios
- Bathroom remodeling
- Room additions or second-story additions
- New siding
- Finishing an attic or basement
- Site grading

At the time of introduction, CASA is supported by the following organizations: National Association of Hispanic Real Estate Professionals (NAHREP), California Association of Realtors, National Association of Realtors, Southland Association of

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