

Director's Message

Date: April 2, 2008

To: Partners and Employees of Oregon Housing and
Community Services

From: Victor Merced, Director

The markets are dramatically affecting our work here at OHCS—slowing our ability to do business. This should be no surprise to you who watch Wall Street and are acutely aware of the effects of the national financial turmoil on our agency.

With our financial partners we continue to find innovative solutions to never-before-experienced market conditions in our ongoing quest to finance affordable housing. Hopeful as this is, market activities of the past month resonate strongly at OHCS.

In recent days Portland housing prices reportedly fell below the January prices of 2007 for the first time in the 31 years that records have been kept. This price drop is occurring as mortgage lending is grinding to a near halt.

Banks have constricted their lending even as the Fed has dropped interest rates to spark the economy. And there's talk the Fed may pump more billions into troubled institutions to help assure their stability and survival.

Bear Stearns. You're no doubt all too familiar with the Bear Stearns rescue leveraged by administration officials. The possible Bear sale to JP Morgan is important to OHCS because Bear shares a key role on our behalf with another troubled institution, Merrill Lynch.

Merrill and Bear share equal positions as senior underwriters for the OHCS single-family mortgage revenue bonds. Add to that: Citi, which has written off substantial value of its mortgage-backed securities, is the senior underwriter for OHCS multi-family bonds.

These institutions continue to serve us—and the people of Oregon—well. OHCS has excellent, long-term relations with these investment banks. They are vital to our ongoing ability to deliver affordable housing projects and programs on behalf of first-time homebuyers.

And whatever the outcome of their significant challenges, OHCS will work to deliver the best outcomes on behalf of all Oregonians.

For sure, that will be a test. The markets have dried up for the tax credits that help fund many OHCS low-income projects. Recently, the Oregonian (Sunday, March 23) ran a story explaining the dramatic hit some Portland-area affordable housing projects are already taking in this tumultuous market.

They're virtually dead in the water because a chunk of their financing—that with federal Low Income Tax Credits—is not viable. Tax credits must be sold in order to make many of these projects go, and the buyers have left the market.

Single family. Here at OHCS, we have suspended a key element of the single-family program for first-time homebuyers, as most of you know.

This move was initiated on Wednesday, March 26, while we assured mortgage lenders that the recent dramatic spike in loan reservations for the program would be honored. This fix employs a one-time use of premium serial bonds to fund the down payment assistance provided with some of the loans.

It is altogether possible that the now-suspended Cash Advantage element of the larger Residential Loan Program, may be restored in the coming months so that OHCS can resume providing down payment assistance marked by below-market-rate home loans in collaboration with our banker partners.

The bright side. Please note, there is a strong stream of light showing through. That is, the Rate Advantage offering of the Residential Loan Program continues to finance below-market-rate loans.

More helpful news: OHCS is a major participant in leveraging foreclosure counseling for Oregonians threatened by loss of their homes.

Our agency received \$327,000 from NeighborWorks, the national housing-assistance nonprofit, to facilitate the counseling, which is being organized by the Department of Consumer and Business Services. DCBS itself put up \$85,000 in match from a lawsuit settlement—predatory lending, by the way.

Keep the faith. We're determined to come through this intact. It could take a year or more—perhaps 18 months. But the great staff at OHCS and the executive team have their eyes on the ball. We're tracking market conditions moment by moment to honor our commitment to keep housing affordable for low-income Oregonians.

There have been three great inventions since the beginning of time: fire, the wheel, and central banking.

~Will Rogers