

-TOP 10 NAHB ACTIONS TO BENEFIT OUR MEMBERS IN THE PAST MONTH-

- 1. NAHB has initiated a broad-based messaging strategy that is aimed at amplifying the importance of homeownership to voting Americans and the importance of residential construction to the national economy.**

Homeownership is under attack. As policymakers debate scaling back or eliminating the mortgage interest deduction, imposing stricter lending standards and dismantling the GSEs, it is crucial to remind the American people how much they value homeownership and enlist their support in the battles ahead. The stakes could hardly be higher, yet the public is largely unaware of the emerging threats to homeownership. Moreover, while numerous surveys have shown that Americans greatly value homeownership and agree with our priorities in the tax, legislative and regulatory arenas in surveys, our “base” of die-hard supporters among likely voters is somewhat less than 50%. In other words, we have work to do. The good news is that we can win the battle to maintain homeownership as a national priority if we tell a compelling story about its true value — a story that emphasizes such positives as job creation, economic growth, pride of ownership, peace of mind, and financial security — and engage the public in defending it.

We have a new way to speak to America more persuasively than ever. Developed by a renowned expert in the art of consumer insight and strategic communications, NAHB's new “messaging architecture” is designed to engage people’s emotional connection to homeownership, drive home the importance of home building as an engine of job growth, and spur positive action to defeat these threats. By following a simple outline to tell our story using a central theme, a description of what is at stake, and proof points with power phrases and images that resonate, we can dramatically improve our effectiveness in communicating our priorities to home buyers, likely voters, civic groups, Congress, regulators, the media and other key audiences.

Start using words that work today. Visit www.nahb.org/messaging to learn why the messaging architecture works and how to use it, with resources ranging from a 40-minute training video and written guide to practical tools you can put to use immediately — including a speech outline, talking points, a publication, print ads, op-eds and letters to the editor.

Our industry is in the fight of its life. If we are to succeed, all of us must speak with one voice. We are asking every NAHB member to be part of the critical effort to tell our story—and win the battles that lie ahead. Please write us at communications@nahb.org if you have any questions about the messaging initiative or toolkit resources. New resources will be added regularly, and we encourage you to let us know if you have ideas for possible enhancements or constructive feedback on what's already being offered. Thanks ahead of time for your participation! Contact: Blake Smith (800-368-5242, x8583).

- 2. Following NAHB efforts to convince EPA that it did not have enough data to support a numeric limit for storm water discharges, the agency has finally admitted this by announcing that it will withdraw its revised ELG rule from the**

Office of Management and Budget (OMB) and begin collecting data from the public prior to developing and proposing a new rule.

If adopted, a numeric limit would require construction site operators to install costly treatment systems, sample their stormwater discharges, and self report their sampling data to EPA or their state permitting authority – collectively adding thousands of dollars to the cost of the average single-family home. NAHB helped convince the agency that it could not rely on its advanced treatment system (ATS) data because that data was flawed; at the same time, its passive treatment system (PTS) data was suspect, leaving the agency with little real data on which to base a rule.

NAHB was successful in this effort because of our integrated approach to challenging the rule (on both the legal and administrative fronts), and our commitment and continued monitoring and participation with the Small Business Administration, OMB, and EPA as they worked on reviewing and revising the draft rule.

The latest development effectively pushes EPA back to square one in developing the rule, and will likely mean that the Construction General Permit will be finalized in February without any numeric requirement. It also bolsters NAHB's argument that because terrain, geography and rainfall vary significantly in most regions of the country, a nationally applicable numeric limit is neither defensible nor practicable. Going forward, NAHB is redoubling our efforts to collect turbidity data from members' construction sites to help ensure that the eventual ruling makes good scientific sense. Contact: Ty Asfaw (800-368-5242, x8124)

3. Bringing builder concerns about the appraisal process for new homes directly to those who need to hear them, NAHB Chairman Bob Nielsen gave a keynote address at a meeting of the Appraisal Institute on Aug. 17.

Telling institute members that "it is absolutely critical for our organizations to work together to reform some aspects of the appraisal system that are crushing the residential construction industry and dampening prospects for an economic recovery," he emphasized builder concerns about the use of distressed properties as comparables for new homes and spelled out the very real differences between the two. "By definition, distressed properties are not comparable to a new home," said Bob. "New homes are built to current codes, they are often significantly more energy efficient and 'green' than older homes, and they include a range of modern amenities and design elements that buyers value and for which they are willing to pay a premium." Beyond this, new homes are in excellent condition and are move-in ready, he noted. In contrast, distressed properties have often experienced significant damage from theft and vandalism. "Almost always, they have deteriorated as a result of neglect and deferred maintenance. And, all of them suffer from a perception that these conditions may have diminished their value," Bob said. He explained to his audience that "If we keep comparing new homes to homes that are in foreclosure, then there is no floor to the market," and urged the institute's support for key measures within legislation that has been introduced in Congress (H.R. 1755) to address the critical lack of funding for housing construction and the related problem of inaccurate appraisals. "If you have different solutions, we are very open to

learning more about them," said Bob. "But home builders feel strongly that a system that allows distressed properties to be used as comps for new homes needs to be changed." In all, Bob's appearance before this audience and his keynote address marked an important milestone for our efforts to draw attention to one of the most critical issues affecting new-home sales today, and was a good indication of appraisers' willingness to hear the solutions we have proposed. Contact: Blake Smith (800-368-5242, x8583)

4. NAHB's Construction, Codes and Standards staff has recently completed the "2012 I-Codes Adoption Kit," a collection of resources that provides members with a list of the suggested amendments and other items needed to successfully advocate for cost-effective and affordable codes at the state and local level.

At the conclusion of every code development cycle, NAHB's staff reviews all of the approved changes and develops a list of recommended amendments for use when the codes come up for adoption at the state and local level. Each recommended amendment includes the text to be amended, a reason statement to justify the amendment, and the contact information of the staff member who can provide additional information. The NAHB proposed amendments for the latest codes cover a wide range of requirements, from reinstating equipment trade-off provisions in the energy chapters of the International Residential Code, to removing the mandate for residential sprinklers. Additional items recommended to be amended in the 2012 I-Codes pertain to: expansion of Type-B units in existing buildings; window and door flashing; kitchen exhaust make-up air; carbon monoxide detectors; and more. The 2012 I-Codes Adoption Kit is available to members on www.nahb.org. Contact: Steve Orłowski (800-368-5242, x8303)

5. On Aug. 1, NAHB submitted our official comments on the Credit Risk Retention rule that was issued earlier this year, in which we requested a withdrawal of proposed requirements for the Qualified Residential Mortgage (QRM).

Passed in July of last year, the Dodd-Frank Act requires that loan originators and securitizers hold at least 5% of the credit risk between them, with noted exemptions – one of which is for qualified residential mortgages (QRMs). As of now, the federal agencies have proposed that QRMs include a 20% downpayment and very conservative debt-to-income and credit history requirements. Because loans meeting the QRM standard will not require risk retention, these loans will have more favorable interest rates and payment terms than loans that do not meet the QRM standard. NAHB strongly believes that the unduly narrow definition of a QRM would seriously disrupt the housing market by making mortgages unavailable or unnecessarily expensive for many creditworthy borrowers. In our newly submitted comments, we therefore requested that the proposed rule be withdrawn and re-proposed and asked the agencies to seek additional information from the public to assist them in framing these regulations.

NAHB has also joined with a diverse coalition of more than 40 consumer organizations, civil rights groups, lenders, real estate professionals, insurers and local governments in developing a white paper that includes a thorough analysis of the impact of the proposed definition of a qualified residential mortgage on the fragile housing market. The Coalition

submitted this paper as a comment letter and urged the regulators to redesign a QRM that encourages sound lending behaviors, attracts private capital and reduces future defaults without punishing responsible borrowers and lenders.

The proposed rule would also have a detrimental impact on financing multifamily and commercial properties. The rule provides an exemption from risk retention for Qualified Commercial Real Estate (QCRE) loans, but the proposed requirements would be virtually impossible to meet, therefore pushing up financing costs for multifamily and CRE developments. NAHB told the agencies that the QCRE underwriting standards should be realistic and achievable.

The proposed rules will go into effect one year after they are finalized, which is not expected anytime soon. Going forward, NAHB will continue to press the agencies to develop a final regulation that will not unnecessarily hamper the flow of capital to the residential mortgage sector. Contact: Jessica Lynch (800-368-5242, x8401)

6. When recent developments such as S&P's downgrade, weaker economic reports, stock market volatility and the debt/deficit debate in Washington spurred questions among our members about the implications of these events for housing, NAHB offered a free webinar to provide some answers.

NAHB CEO Jerry Howard focused on the political side of the equation and where the policy debate is headed in the coming months, while Chief Economist David Crowe presented his revised forecast and insights on the latest economic indicators. NAHB alerted our members in advance of this event, and with more than 230 people listening in from 166 locations, this proved to be one of NAHB's largest webcast events thus far. We are now providing a full replay of the event for a limited time on our web site. Simply visit nahb.org and type "housing market implications" in the searchbox at the top right of the page. For help in accessing the webinar, contact Jill McKibben (800-368-5242, x8659).

7. A free webinar from NAHB provides NAHB members and home builders associations with important information on dealing with the Occupational Safety and Health Administration's recent stepped-up enforcement actions and increased penalties.

While in past years OSHA primarily targeted commercial contractors for its inspections, today residential builders are also routinely being visited. NAHB's webinar — "**How to Prepare for an OSHA Inspection**" — was offered live on Sept. 13 and viewed by nearly 400 NAHB members. The webinar touched on a number of topics, including the rights of employers during an OSHA inspection, what to do during the actual inspection, when to contest citations, how to obtain penalty reductions, and what legally recognized defenses exist to defend against citations — specifically as they relate to recent changes in fall protection requirements. The presenter was Bradford T. Hammock, a partner in the Washington, D.C., regional office of Jackson Lewis LLP, whose practice is exclusively in the safety and health area. NAHB members can access a full replay of this helpful

webinar by visiting www.nahb.org/safety. Contact Marcus Odorizzi (800-368-5242, x8590)

8. NAHB offered a special panel session called “Builder Focus: Proven Strategies for Success” during the Fall Board of Directors week in Wisconsin. A full replay will soon after be available for our members’ viewing on www.nahb.org.

The panel discussion took place on Sept. 8 and was slated as a follow-up to the successful Spring Board panel of the same name. This time, four new panelists shared what strategies they are using to successfully sell homes, secure AD&C financing, and gain the advantages they need to thrive in a down market, as well as how they are positioning their companies for success as the industry emerges from the recession. NAHB Chairman of the Board Bob Nielsen again acted as moderator. Panelists included Mike Dishberger, CEO of Sandcastle Homes and 2011 president of the Greater Houston HBA, as well as Keith Grant, co-owner of Keith and David Grant Homes LLC in Collierville, Tenn.; David Main, owner of Creative Home Partners and 2010 president of the MBA of King and Snohomish Counties in Washington State; and Sandra Steele, president and co-owner of Enfinger Steele Development in Huntsville, Ala. For more information, contact NAHB's Communications group at communications@nahb.org, or call Gwyn Donohue at 800-368-5242, ext. 8447.

9. A new study by NAHB sheds light on the number and geographic diversity of second homes, providing relevant facts in the fight to preserve the mortgage interest deduction for these residences.

Pundits and policymakers who want to trim the mortgage interest deduction (MID) often point to second homes as a primary target, stereotyping these residences as expensive beach houses owned by the very wealthy. But home builders know this characterization is way off the mark. Not only are many vacation homes used as rental properties and therefore NOT eligible for the MID, but many second homes that DO meet the requirements for a deduction are those from which a family has recently moved or homes that are under construction where the eventual owner holds the construction loan. To help set the record straight about where second homes that qualify for the MID are located, NAHB economists analyzed data from the 2009 American Community Survey (the most recent available) to produce a map of the share of each county's housing stock that consists of second homes. The results should surprise some people. Overall, 6.9 million housing units qualify as second homes, or more than 5% of all housing units nationwide. And 28% of the nation's counties have a local housing stock in which at least 10% of the units are second homes. In fact, all but one state (Connecticut) and Washington, D.C., have at least one county in which 10% or more of the housing stock qualifies as second homes eligible for the MID. Such findings suggest that much

caution needs to be exercised regarding proposals that would affect second home ownership — because reasons for owning a second home are much more diverse than critics usually provide, and because there are many locations across the country where second homes constitute a significant portion of the total housing stock. Read NAHB's analysis on our Eye on Housing blog at <http://eyeonhousing.wordpress.com/>, or for more information, contact study author Rob Dietz at 800-368-5242, x8285.

10. A new study by NAHB Economics expands on an earlier report on state and metropolitan tax rates by providing further breakdowns of property tax rates in smaller geographic areas such as counties, places (political jurisdictions like towns and cities) and county tracts.

The report, "Property Tax Rates by County and City," presents tables of effective property tax rates in more than 3,100 counties and also discusses factors that help explain differences in those rates. It finds that effective property tax rates often appear to be related to household income, the value of homes in the area, and how recently those homes have been sold. The data reveal wide differences across counties, with median real estate taxes ranging from around \$110 per home in several Louisiana parishes to more than \$8,000 per home in Hunterdon County, N.J., and in Nassau and Westchester Counties in New York. Similarly, real estate tax rates display a wide range of values, from less than a dollar per \$1,000 of value in two Alaska Census areas to around \$30 per \$1,000 of value in several New York counties. Drilling the data down to the smaller geographic confines of Census "tracts" -- small subdivisions of a county with populations between 2,500 and 8,000 -- the data show that even within counties, effective property tax rates can vary significantly. As expected, a large portion of inter-tract differences can be explained by their regional location, with tracts located in the Midwest, Northeast and Texas paying considerably higher property tax rates per \$1,000 of value, compared to tracts in the South and West regions. As the report notes, this is just a reflection of a well-known and long established tradition in which southern states tend to rely less on real estate taxes as a source of government revenue. Much more analysis is included in the report, which is available for free download from HousingEconomics.com. For more information, contact study author Natalia Siniavskaia (800-368-5242, x8441).