# LVCVA to get a say on area transportation projects

By Richard N. Velotta / STAFF WRITER

The board of directors of the Las Vegas Convention and Visitors Authority is used to making decisions about sponsoring golf tournaments for tour generators and deciding how far it wants to push the envelope on the "What happens here, stays here" ad campaign.

But in a few months, the board will be asked to make some decisions about Southern Nevada's highway system — particularly, whether highway projects selected by the Nevada Department of Transportation are appropriate for the LVCVA's mission of bringing tourists to the destination.

Board members were told June 12 that sometime next year, NDOT will begin making presentations about highway projects to which the board can give a thumbs-up or thumbs-down. It's all part of the LVCVA's stake in financing transportation projects, outlined in legislation approved in the 11th hour of the recently completed session.

LVCVA chief executive Rossi Ralenkotter and some of his executives explained to board members what will change as a result of the LVCVA conceding to give up $20 million a year in room-tax revenue to fund transportation projects.

Ralenkotter and Brenda Siddall, the LVCVA's vice president of finance, first explained what cutbacks would occur as a result of losing $20 million in revenue.

Siddall explained that payments on some of the LVCVA's capital projects would be extended from eight years to 10 years to reduce the cost per year.

After 2008, the LVCVA's employee level won't climb as rapidly as originally planned. The number of new employees being added in the next fiscal year will be allowed as budgeted, hitting a total of 539. But in 2009, that level will be frozen with increases of 1 percent, 1 percent, 2 percent and 3 percent over the following four years.

In addition, the LVCVA's marketing budget would be increased 1 percent to 5 percent a year and its operations budget would climb 3 percent to 5 percent a year over the next 10 years.

Finally, the LVCVA's contributions of grants to requesting community agencies and to local community events would be slashed.

Ralenkotter and Siddall said the projected cuts are based on the city maintaining a 90 percent hotel occupancy rate and increasing average daily room rates.

In return for taking a budget hit, the LVCVA board will get some say in how the $20 million it is dedicating to transportation would be spent. The way the agreement is written, the LVCVA will bond the transportation projects, with the maximum annual financial commitment reaching a ceiling of $20 million.

Ralenkotter said next year, probably in the spring, NDOT officials would make a presentation to the board to get approval of proposed highway projects. The board would be asked to sign off on whether the projects proposed by NDOT would serve the mission of delivering more tourists to Southern Nevada.

Ralenkotter said the 1 percent of room taxes that currently goes to Clark County for road projects would continue. He said having a fixed amount of $20 million a year dedicated to highway projects instead of a percentage of the room tax as originally proposed by Gov. Jim Gibbons will help the LVCVA's budget planning and prevent any fund commitment issues with bondholders.

## MORTGAGE

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speculators on.

Powell said speculators, who bought from developers, saw their investments appreciate before they were even completely constructed, and then sold those vacant homes for profit. But when the market plunged in mid-2006 many speculators were caught short, he said.

And foreclosure rates will continue to climb, since the majority of Nevada mortgages are less than 3 years old — the average time by which a mortgage will default.

Bice said the industry would have to sift out the truly needy, troubled borrowers from speculators who got in over their heads.

Bice said where owner-occupied buyers have gotten into trouble is through risk layering. During the height of the real estate boom in Nevada, originators were approving adjustable rate mortgage loans with 100 percent financing for buyers with less-than-stellar credit.

Powell said that borrowers who do get in trouble should contact their lender immediately.

"I think that when people want help and are willing to work with the lender, all the resources should be afforded to that person within reason," he said. "We have found that if borrowers work with and talk to their lender, accept their lender's calls, the lender will figure out a way."

Since banks lose 30 percent to 50 percent of the loan balance when a foreclosure occurs, they are motivated to help borrowers.

"They don't want to own that house," Powell said. "They want the payments."

He said that the rise in foreclosure rates likely won't cause the Nevada economy to tank because job growth is still fairly strong and employers aren't going anywhere.

But the rise in foreclosure rates and the dip in the housing market does impact the overall economy through the decline in home improvement projects and purchases funded by withdrawn equity.

In the last decade, he said, American homes have gained more than $10 trillion in value.

"A lot of people borrowed on (that value) to assist their lifestyles," Powell said. "When houses are appreciating 15 percent, people feel wealthy."

When homeowners do get into trouble, Bice said, education and early intervention is key.

Gail Burks, president and chief executive of Nevada Fair Housing Center, said nonprofit groups also need to differentiate themselves from for-profit credit counseling and homeownership businesses that take advantage of troubled borrowers.

"When we are doing education we have to make it relevant to what's happening in our market," said Burks. "We have to stay current (on trends and scams) and our programs have to be designed so they're flexible.

"This problem crosses ethnic, income and age lines."

# Crisis calls for homeowner help

By Phoebe Sweet / STAFF WRITER

With the Nevada's No. 1 foreclosure rate ranking as the backdrop, local and national home ownership groups came together with local policy makers and non-profits to discuss what many are calling a crisis situation.

Lenders, politicians and local and national non-profits gathered last Thursday at Community Credit Counseling Service in Las Vegas to discuss the issue. Sponsored by the Community Affairs Office of the Federal Reserve Bank of San Francisco, the forum focused on how agencies could work together to get struggling homeowners the help they need.

Among the solutions: more resources for local counseling agencies and national umbrella groups advocating for homeowners, and a national hotline for those in trouble.

"There are more problems than we can handle," said Dean Caldwell-Tautges, director of counseling and education for Home ownership Preservation Foundation, a national nonprofit based in Minneapolis, Minn.

Caldwell-Tautges's group sponsors a 24-hour hotline for homeowners struggling with foreclosure fears, (888) 995-HOPE (4673).

The hotline fields 500 calls each day, 34,000 a year, and helps about 17,000 people through credit counseling annually. "Nevada calls to date are not significant, but we expect that to change," said Caldwell-Tautges.

About 300 Nevadans call each month, 3 or 4 percent of the hotline's overall call volume.

The hotline currently had 85 counselors available, but that number will increase to more than 100 by the end of the month to ensure that no caller waits.

"When you're in crisis, you don't think clearly," Caldwell-Tautges said. "We want to get you help right away."

The majority of callers are already three months behind in their payments before they call the hotline, have a credit score of less than 500 and are not candidates to refinance. About 20 percent really must sell their homes.

Caldwell-Tautges and Marietta Rodriquez of NeighborWorks, a partner organization, unveiled commercials from a three-year campaign sponsored by the National Ad Council promoting the hotline.

The ads, which will run on TV, radio, print and online, end with the tagline, "Nothing is worse than doing nothing."

# Loan originators may be on the hook when loans go sour

By Phoebe Sweet / STAFF WRITER

Homeowners aren't the only ones suffering as Nevada's foreclosure rate tops the nation. Loan originators could be in trouble, too, as more and more loans sold by local brokers default and Wall Street holds those brokers responsible.

Mortgage originators typically sell loans on the secondary market to Wall Street banks, which then package and issue securities on them, according to Brian Burke, an attorney with Snell & Wilmer's Phoenix office. In the sale agreements there are extensive representations of the quality of the mortgage loans being sold.

And as more loans default, Wall Street scrutiny of the way those loans were made and their quality is increasing.

"Typically there's not a whole lot of incentive to go through looking for breaches of these representations and warranties unless there's a default," Burke said.

But when a loan does default and the agreements are scrutinized, any erroneous detail can cause a repurchase demand — when Wall Street asks originators to buy back faulty loans.

"They are taking a much stronger look at collecting from the originators who made the deals," said Tom Powell, chairman of the Mortgage Advisory Council and chief executive of IntoHome Mortgage Services in Northern Nevada.

He said buybacks can be triggered by a number of problems, including fraud.

If a loan officer contacts the appraiser and asks him to raise the value of a home a bit, knows the client's income doesn't qualify him for a loan but doctors the paperwork to help him qualify or allows the borrower to lie about his assets on the paperwork, it constitutes fraud.

And although originators expect a certain number of buybacks, increased defaults and therefore increased scrutiny of loans has resulted in a major increase in those numbers.

"We can expect that to continue over the next year," said Burke. "As more and more keep getting pushed back to the originators, it could lead to bankruptcies."

But Burke said originators are also getting more creative about defending repurchase demands — which is where his firm comes in. Snell & Wilmer plans to host workshops for loan originators.

"We're educating mortgage loan originators as to what their contracts say, what they can do to defend against these claims, what's a valid claim and what are the defenses against invalid claims," Burke said.

Snell & Wilmer has also set up a repurchase desk to deal with clients' repurchase demands, which many clients aren't prepared to handle on their own.

Burke said many of the defaults were caused by borrowers who overextended themselves during a boom housing market, when speculators could turn a profit before their investment was even finished being constructed.

"What happens is things stop appreciating and you start to see slight declines in the market and that can increase the risk of foreclosure for homeowners," Burke said.

He said the problem is a short-term one, and estimated it will take a year or more for the market to correct itself.

"But there will be long-term effects on how people do business between Wall Street and the originators, and it will help the efficiency of secondary markets overall," Burke said.

Both Powell and Burke said the mortgage lending industry will likely regulate itself — tightening underwriting guidelines for establishing who qualifies for a loan and becoming more sophisticated when working out mortgage repurchase demands.

Powell said the tightening of the market will edge out some potential homeowners, too. But he said more prudent lending will be a positive effect of the fallout, not a negative.

"This is a great industry, as a whole. It's helped move home ownership rates from just over 65 percent in the '90s to just under 70 percent, as reported last year," Powell said. "And I give big credit to the mortgage brokers and the sales force out there, but when somebody shows a history of not making their payments or doesn't fit the income parameters, the originators need to say, 'A home is not an entitlement, it's a responsibility.'"

Powell said increased education for brokers is key.

"If you want to get your hair cut you have to go to someone who's licensed and they have 2,000 hours of education," he said. To get a mortgage, on the other hand, "you can go to someone who isn't a felon, had $125 and after a year of doing home loans got 10 hours of education."

Although those requirements have been increased to 30 hours of education and a test, Powell said legislators must support increased restrictions supported by the state's Mortgage Lending Division.