



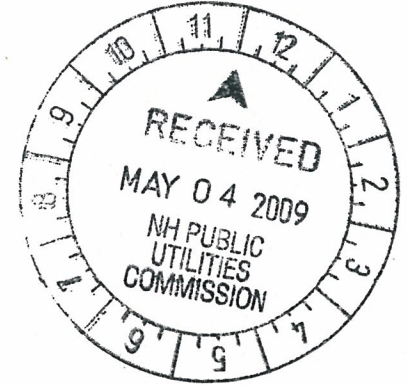
New Hampshire Housing

Bringing You Home

Dean J.Christon
Executive Director
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April 30, 2009

Debra Howland, Executive Director
NH Public Utilities Commission
21 So. Fruit Street, Suite 10
Concord, NH 03301



RE: DE 08-135, Tariff Filing to Establish a New Line Extension Policy

Dear Ms. Howland:

I am writing to express my concern about the impact of the proposed Line Extension Policy on moderate income home buyers.

New Hampshire Housing Finance Authority (NHHFA) is a public benefit corporation established by the state legislature (RSA 204-C). The Authority administers a broad range of programs designed to assist low and moderate income persons and families to obtain decent, safe and affordable housing. Under RSA 204-C:8 the Authority is charged with conducting research and providing technical assistance on housing and related matters. These comments are offered in the context of this responsibility.

Impact on the Number of Homes that are Affordable

The staff at New Hampshire Housing has estimated that there would be some reduction in the number of homes affordable to households with incomes at or below the statewide median. The estimate is based on an analysis of the home sales in the past four years and indicates that there would be a reduction of housing affordable to households at 100% of the median income of 4%, 5.3% and 8.3% based on price increases of \$1,000, \$2,000, and \$4,000 respectively.

All Years 2005 - 2008								
New Single Family Units Sold In 2005 at or Below Affordable Price								
% of Statewide Median	At Sales Price		At Price Plus 1K		At Price Plus 2K		At Price Plus 4K	
50%	14	0.2%	13	0.2%	13	0.2%	11	0.2%
60%	32	0.6%	32	0.6%	27	0.5%	26	0.5%
80%	171	3.0%	168	3.0%	162	2.8%	142	2.5%
100%	696	12.2%	668	11.7%	659	11.6%	638	11.2%
120%	1422	25.0%	1414	24.9%	1371	24.1%	1328	23.3%
Total Sold	5,689							

Change in Percent of Total Sold Units that are affordable to households with 100% Med. Income	-0.1%	-0.9%	-1.7%
Change in Units that are affordable to households with 100% Med. Income	-4.0%	-5.3%	-8.3%

While the number of units lost to affordability at this income appears relatively small (94 units if \$4,000 was added to the price), we believe the actual numbers lost will be higher since our data

New Hampshire Housing Finance Authority

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Debra Howland, Executive Director

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only counts home sales and does not include homes that were built or installed through a contract after land was purchased. The attached spreadsheet breaks the data down by year.

Cumulative Impact in the Current Housing Market

The analysis is an indicator of what the effect would be based on past purchase prices and standard affordability assumptions, but it does not address the current market and the challenges faced by first time and new home buyers. Our concern is more related to the timing of the increases and the cumulative impact of this and other constraints on the market such as higher down payment requirements and tighter credit.

Higher down payments, while reducing the principal required of the buyer, exacerbate affordability in the short term since it is difficult for many households to raise the required funds. For the upgrade buyer, the problem is the inability to sell their current home and the loss of equity which would have provided the down payment. For the first time buyer, there has been little opportunity to save as rents in the state have not decreased.

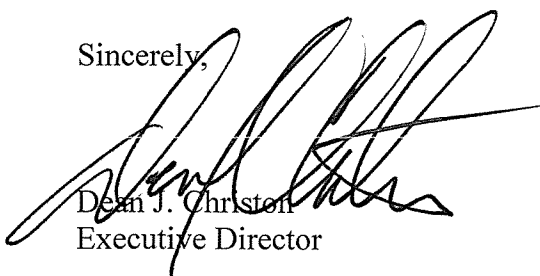
It is also true that mortgage lenders have revised their underwriting requirements to raise the percentage of household income that borrowers may apply to housing costs. This has the effect of reducing "affordability" even in a time of reduced purchase prices.

While these constraints to the market are clearly beyond the ability of the Public Utilities Commission to correct, I would ask the Commission's consideration of the market environment when making a decision on the Tariff Filing. Any increased construction costs combined with higher down payments and tighter credit requirements will further reduce affordability even as prices in the overall market decline.

Our data indicates that approximately 12% of the new housing sold from 2005 to 2008 was affordable to households at 100% of the median income. Although this percentage may change as developers respond to the demand for smaller units, some protection for that portion of the market would seem appropriate, at least during the current economic downturn.

Your consideration of this matter is appreciated.

Sincerely,



Dean J. Christen
Executive Director