

January 13, 2009

The Honorable Nancy Pelosi
Speaker of the House
United States House of Representatives
Washington, DC 20515

The Honorable Harry Reid
Majority Leader
United States Senate
Washington, DC 20510

Dear Speaker Pelosi and Majority Leader Reid:

The undersigned organizations urge you to include a proposal in the economic stimulus package to increase production and preservation of affordable housing through a program to reduce the debt service costs on workforce and seniors housing assisted by the low income housing tax credit (LIHTC) program. The proposal would result in the creation of well over 23,000 jobs and the production and preservation of at least 20,000 units of housing for lower-income families.

For more than twenty years, the LIHTC program has been the principal financial tool in the production and rehabilitation of rental housing affordable to lower income persons. More than two million rental units have been developed under this program since its enactment in 1986. The LIHTC program is, however, experiencing a crisis of its own. In the current market environment, developers who have been allocated low income housing tax credits are unable to produce viable multifamily developments. In the past year, the value of tax credits has decreased by 20% or more, construction costs and operating costs have increased, family incomes have been stagnant or decreased (keeping rent levels and property revenues low), and interest rates remain high. All of these factors taken together have contributed to many tax credit allocations being returned or developments simply not moving forward, awaiting additional subsidy, lower interest rates or some other method of bridging the gap.

Under our proposal, the Treasury Department would purchase mortgage-backed securities guaranteed by Fannie Mae, Freddie Mac or Ginnie Mae that are backed by loans on properties assisted by the LIHTC program. Treasury would agree to buy the loans at a 4.5 percent note rate—similar to the proposal which was considered for single-family loans. This would reduce debt service costs and allow a number of these developments to be financially feasible and move forward despite the current difficult market. A significant number of projects in the FHA pipeline as well as those that could be financed quickly by Fannie Mae and Freddie Mac could move forward in the next six months—generating jobs while improving and increasing the country's affordable housing infrastructure.

Although there are a number of other proposals being offered by the organizations listed below to address issues with the equity side of tax credit developments, we agree that this proposal, which deals with the debt side rather than the equity side, is a critical means of addressing the viability of many of these properties. We hope that you will include this program in the economic stimulus package you are crafting.

Sincerely,

American Association of Homes and Services for the Aging

Council for Affordable and Rural Housing

Mortgage Bankers Association

National Apartment Association

National Association of Housing and Redevelopment Officials

National Housing Conference

National Leased Housing Association

National Multi Housing Council