COLLOQUY BETWEEN SENATOR CANTWELL AND CHAIRMAN BAUCUS ON LOW-INCOME HOUSING TAX CREDIT

MS. CANTWELL: Mr. Chairman, I want to thank you and your staff for working with me on a provision to help stabilize the low-income housing tax credit program.

I understand that there still are some issues to resolve, and I want to keep working with you to see if we can't find a way to address this issue as the bill moves to the floor and conference with the House.

A number of my colleagues also supported my intended amendment, and I want to thank Senators Kerry, Snowe, Schumer, Stabenow, Bingaman, Ensign, Carper and Hatch for working with us, as well.

The general economic climate and the unavailability of capital have dramatically reduced investor demand for housing credit investments. As a result, hundreds of projects that promise thousands of critically needed affordable rental units will not be built or preserved and lower-income families and seniors throughout the country will find it more difficult or impossible to find affordable, safe housing.

The reduction in capital has been dramatic. In 2007, approximately $9 billion of equity was raised in the housing credit industry. For 2008, that amount is estimated to drop by half to somewhere in the range of $4 billion to $5 billion, and preliminary projections for 2009 look even bleaker.

Tightened credit and reduced liquidity are not unique to housing tax credit investments, but the troubled financial positions of Fannie Mae and Freddie Mac have taken a particularly hard toll on affordable housing development.

The provision we had proposed would help bring private investors back to this program by temporarily accelerating the amount of the credit they can take in the first three years of the ten-year credit period.

Our short-term funding gap is very real. There is a need to try and fill this funding gap for these projects. I know that the House had one approach and I certainly hope we can keep working to secure some additional gap funding.

In addition, the mid-term problem we will face if new investors do not come back to this program is also of great concern. The proposal we offered will be helpful as we try to replace the equity role that Fannie and Freddie played in this critically important program. Most importantly, it also will ensure the public-private partnership structure

that is key to the integrity and success of the low-income housing tax credit program will be maintained for the long-term.

Thank you, Mr. Chairman, I look forward to continuing to work on this issue.

CHAIRMAN BAUCUS: Thank you, Senator. I appreciate your efforts with regard to the low-income housing tax credit program. This tax credit program has a history of success and is an integral piece of our Federal housing policy. It is important as we consider ways to stimulate our economy and provide assistance to our most vulnerable neighbors that we focus on how best to make sure that affordable housing construction projects that are in the pipeline can continue to move forward and that we preserve the ability of low-income housing tax credit to be a central piece of our housing efforts. I will continue to work with you on this important matter.