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APARTMENT INDUSTRY COMMENDS SENATE FOR PASSING BALANCED HOUSING STIMULUS PACKAGE

WASHINGTON, DC -- The National Multi Housing Council (NMHC)/National Apartment Association (NAA) joint legislative program issued the following statement by NMHC/NAA Senior Vice President of Government Affairs Jim Arbury concerning the housing stimulus bill that passed the Senate today.

"Although we feel the best solution to the current housing turmoil is to allow market forces to restore equilibrium to the single-family housing sector, we are pleased to see that lawmakers embraced the principles of our Balanced Housing Policy initiative in crafting their housing stimulus package by balancing homeownership-related provisions with meaningful rental housing incentives.

"The bill increases funding for, and makes other improvements to, the Low-Income Housing Tax Credit (LIHTC) program, which directly supports the production of affordable rental housing. It also restores liquidity to that program, which has been an unintended victim of the single-family meltdown and the credit crisis it created, by allowing the LIHTC to offset Alternative Minimum Tax liabilities. This will make the LIHTC program more desirable to a new class of potential investors.

"The apartment industry also supports provisions in the package that create a new regulator for the Government Sponsored Enterprises (GSEs), Fannie Mae and Freddie Mac. Fannie and Freddie have been critical to maintaining basic liquidity in the apartment sector during the credit crisis. We are pleased to see that the Senate bill removes onerous provisions included in earlier versions that would have severely restricted the GSEs' ability to purchase multifamily loans.

"Most importantly, we commend lawmakers for significantly trimming the homeownership incentives originally included in the bill. The single-family meltdown, while extremely unfortunate, was fueled in part by a 'homeownership at any cost' housing policy that pushed too many families into unsustainable homeownership. If there is a silver lining in this situation, it is that our country now has an opportunity to learn from its past mistakes and pursue a more balanced housing policy.

"To that end, we are pleased to see that Congress rejected ill-conceived proposals to create a federally insured zero-downpayment mortgage program; instead the current legislation raises the downpayment requirement from 3.0 percent to 3.5 percent. Lawmakers also wisely rejected calls for a \$15,000 tax credit (later reduced to \$7,500) for people who buy foreclosed houses. Such a credit would likely have increased foreclosures and accelerated house price declines while doing absolutely nothing to increase housing demand.

"We do share President Bush's concerns over the \$8,000 refundable first-time homebuyer tax credit contained in the Senate bill. We question the wisdom of using taxpayer dollars to encourage Americans to buy an asset that is likely to

lose value in the coming months, and we agree with the Administration that the homebuyer tax credit is an inefficient use of resources that will largely go to people who would have purchased a house anyway. This credit, and a one-year standard deduction for property taxes that is included in the bill, will not help people stay in their houses nor will they will fix the credit crisis, which should be the priority for any housing stimulus bill.

"Finally, we are pleased to see that the Senate bill bans seller-financed downpayment 'gifts' such as the ones offered by AmeriDream and the Nehemiah Corporation. NMHC/NAA have long opposed such programs because of abuses in these programs. The Federal Housing Administration (FHA) has twice attempted to ban the programs through regulatory action, noting that FHA loans that involve these seller-financed downpayments are three times as likely to go into foreclosure and represent a serious threat to the continued solvency of the federal mortgage program.

"We look forward to working with Congress to develop a new housing policy that explicitly values apartments and rental housing and recognizes that for many families, renting is a smarter financial decision. This is particularly true given the fundamental changes in housing demand that are occurring throughout the country.

"Record-setting gasoline prices, changing demographics and shifts in lifestyle preferences are causing many households to redefine the American Dream as an apartment in a walkable neighborhood with stores, entertainment and jobs nearby. Experts predict that as a result of these changes the U.S. will have a surplus of more than 22 million large-lot houses by 2025.

"Not only are apartments and more compact development increasingly desirable, they are increasingly necessary in reducing our nation's carbon footprint and creating more sustainable communities. Apartments are an inherently "green" housing choice because they use resources more efficiently, help preserve greenspace and are often transit-oriented. Recent research finds that modifying America's current land development patterns to emphasize more compact, mixed-use, walkable neighborhoods could do as much to lower greenhouse gas emissions as many of the other climate policies being promoted at both the state and the national level."

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About NMHC/NAA

NMHC and NAA operate a Joint Legislative Program and represent the nation's leading firms participating in the multifamily rental housing industry. NMHC/NAA's combined memberships are engaged in all aspects of the development and operation of apartment communities, including ownership, construction, finance and management. Together, the organizations operate a federal legislative program and provide a unified voice for the private apartment industry. Nearly one-third of Americans rent their housing, and more than 14 percent of all U.S. households live in an apartment home. For more information, contact NMHC at 202/974-2300, e-mail the Council at info@nmhc.org, or visit NMHC's web site at www.nmhc.org.

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