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## BUILDERS TESTIFY BEFORE CONGRESS ON USE OF TARP FUNDS

WASHINGTON, Jan. 13 - As Congress considers releasing the second half of the Treasury's \$700 billion Troubled Asset Relief Program (TARP), the National Association of Home Builders (NAHB) today urged lawmakers to use a portion of the funds to stem the rising tide of foreclosures and increase the flow of credit for housing production. NAHB also urged passage of legislation to stimulate housing demand.

"Up to this point, the TARP program has failed to expand the flow of credit to business and consumers on competitive terms," NAHB Chairman-elect Joe Robson, a home builder from Tulsa, Okla., said in testimony before the House Financial Services Committee. "In addition the TARP program has not adequately responded to the nation's foreclosure crisis, which must be addressed to keep people in their homes, help stabilize home prices and promote recovery of the housing market and economy."

NAHB supports foreclosure prevention measures advocated by Federal Deposit Insurance Corporation Chairman Sheila Bair, which would use \$24 billion of the funds Congress authorized for the TARP to provide loan guarantees to achieve greater success in foreclosure mitigation efforts. FDIC estimates that the program could help about 1.5 million home owners to avoid foreclosure.

With falling home values at the core of the current economic crisis, Robson said that foreclosure relief absent a plan to address demand for housing will not succeed in fixing the nation's housing and economic woes.

"The only way to stabilize the housing market and restore consumer confidence is to put a floor under declining home values," he said. "In conjunction with foreclosure mitigation efforts, Congress must pass temporary and targeted incentives to encourage Americans to buy homes again. This will help to stabilize home prices, prevent future foreclosures, restore consumer confidence and start creating jobs."

Specifically, Robson urged Congress to enact NAHB's proposal to boost housing demand by providing a bigger and better home buyer tax credit and offering below-market fixed-rate mortgages on home purchases, which would increase home sales by 1.1 million in 2009 and create more than 539,000 jobs.

"This two-pronged housing stimulus approach mirrors legislation passed by Congress in 1974 and 1975 to deal with the exact same problem," said Robson. It helped bring our economy out of recession back then and it can do it again."

With the nation's credit markets still frozen, banks who have received TARP monies have come under deserved criticism for not using the funds to expand credit liquidity, he said. The dramatic deterioration in credit availability has severely impacted the acquisition, development and construction (AD&C) credit market, which is fueling the downward economic spiral by further depressing home prices and increasing the number of distressed properties on the market.

"The bank regulators must improve accountability through monitoring and reporting requirements for banks receiving TARP funds," said Robson. "Builders are reporting it is much more difficult to obtain AD&C loans and those with outstanding loans are experiencing onerous new requirements or are having their loans called in. In short, many good loans are unnecessarily being turned into problem assets as a result of these actions."

NAHB is seeking an allocation from TARP explicitly targeted to AD&C lending, which would enable

financial institutions to allow builders to complete viable projects.

"The goal is to avoid unnecessary and onerous equity calls by financial institutions on projects that are bankrupting many small and medium sized builders that rely exclusively on bank funding," said Robson. "If this situation is not aggressively addressed, it will unnecessarily put more real estate-related loans into default, additional pressure on the banking system and the insurance fund, and create more hardship on already stressed communities."

With production of badly needed new affordable housing units declining in the current economic climate, Robson offered several suggestions to improve the financial health of the Low Income Housing Tax Credit (LIHTC), the single most important affordable housing production program in the federal government. He urged Congress to:

- Bring individual taxpayers back into the LIHTC investment market by changing the passive loss rules established as part of the Tax Reform Act of 1986.
- Make the LIHTC a refundable tax credit to stimulate investment and ensure that existing credits are not resold in the syndication market, thus checking the decline in LIHTC prices.
- Expand the LIHTC carry back rule from one year to five years to ease the downward pressure on LIHTC by allowing credits to be claimed by investors that may not have federal tax liability in the current year.
- Allocate funds to state housing finance agencies to make up equity shortfalls in developments which have LIHTC allocations but have not generated sufficient equity for the projects to move forward.

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ABOUT NAHB: The National Association of Home Builders is a Washington, D.C.-based trade association representing more than 200,000 members involved in home building, remodeling, multifamily construction, property management, subcontracting, design, housing finance, building product manufacturing and other aspects of residential and light commercial construction. Known as "the voice of the housing industry," NAHB is affiliated with more than 800 state and local home builders associations around the country. NAHB's builder members will construct about 80 percent of the new housing units projected [http://www.nahb.org/fileUpload\\_details.aspx?contentID=75231](http://www.nahb.org/fileUpload_details.aspx?contentID=75231) for 2009.

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