

PRESIDENT'S ADVISORY
PANEL
ON FEDERAL TAX REFORM

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HOME LOANS

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6/3/05

The President's Advisory Panel on Federal Tax Reform
1440 New York Avenue, NW
Suite 2100
Washington, DC 20220

Dear Chairman Mack and other Panel members:

As you consider proposals to reform the Internal Revenue Code, we urge you to protect the Low Income Housing Tax Credit (Housing Credit) and tax-exempt private activity housing bond (Housing Bond) programs, the most important and effective tools we have to address our nation's growing need for affordable housing.

It is imperative that you consider the impact of reform proposals on these programs. Even proposals that may seem to have no impact on the Housing Credit and Bond programs could have significant unintended consequences, as we discovered in 2003 when the Administration's dividend tax cut proposal threatened to reduce annual Housing Credit apartment production by more than one-third.

More than 14 million American working families of modest means spend at least 50 percent of their income on housing. Hundreds of thousands more live in substandard housing or are homeless. The Housing Credit and Bond programs help address these unmet needs by making homeownership and rental housing affordable to those families.

The Housing Credit and multifamily Housing Bond programs have been enormously successful. Since 1986, they have financed over 2.7 million apartments for lower-income families. The two programs finance 130,000 apartments each year and are the only significant producers of affordable rental housing. In Mississippi each year over 1,600 new or rehabilitated apartments are financed with Housing Credit or multifamily Bonds. In the last ten years alone, almost 18,000 rental units were financed with these programs in Mississippi, creating a \$1 billion investment in Mississippi's housing stock.

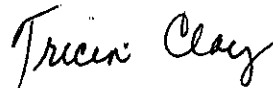
Single-family Housing Bonds—Mortgage Revenue Bonds (MRB)—have made first-time homeownership possible for more than 2.5 million lower income families—more than 100,000 every year. The average MRB buyer earns \$38,900—less than three-quarters of the national median family income. Over the last ten years, 12,250

Mississippi families purchased their first home with MRB loans totaling over \$820 million in mortgage volume. The average income of Mississippi MRB buyers is \$35,700.

Recent significant reductions in federal appropriations for housing programs despite the growing need are exacerbating the problem of affordable housing in many communities across the nation, such as the Mississippi Delta, making the Housing Credit and Bond programs even more important. Furthermore, these programs promote economic growth and increase employment. For example, in Mississippi, housing construction stimulated by these three programs annually support over 1,100 construction jobs paying an estimated \$24 million in wages. The construction and home purchases generate an additional \$80 million annually in direct related spending.

I urge you to oppose tax reform proposals that would directly or indirectly harm these vital programs.

Sincerely,

A handwritten signature in cursive script that reads "Tricia Clay".

Tricia Clay
Home Loan Consultant

