



Housing Advisory Group



HAG Update 7.18.08

The housing stimulus bill (H.R. 3221) is back in the House, after passage in the Senate last Friday, July 11, by a vote of 63-5, of the third section of the three-part proposal. The House now expects to clear the package, which would provide \$14 billion in tax incentives, next week, with Wednesday as its target day for consideration.

While expectations were high that the House could pass the bill this week, action was delayed after Treasury Department Secretary Henry Paulson announced a proposal to aid Fannie Mae and Freddie Mac by providing a temporary increase in the line of credit for the two government-sponsored enterprises that they have with Treasury. The Bush Administration asked House and Senate Leadership to include this proposal in the housing stimulus package.

House Financial Services Chairman Barney Frank (D-MA) has led the effort to attach the proposal to the housing legislation, but there has been resistance from House and Senate Republicans. Many members, including Senate Banking ranking member Richard Shelby (R-AL), have raised questions about the proposal. House Minority Leader John Boehner (R-OH) has said that, while he generally supports the concept, he is concerned about the speed with which the proposal is being considered and its implications for taxpayers, arguing that the housing package should be taken up separately to provide more time to examine the Treasury proposal. Other GOP leaders have expressed concern about not capping the Treasury line of credit available under the plan.

Certain differences between the House and Senate versions of the bill are being resolved and finalized, including a Senate provision that would provide \$3.9 billion in Community Development Block Grants for communities to buy and fix foreclosed properties. This CDBG provision was a focus in the White House's veto threat of the Senate bill, but the Administration's concern with this provision likely would be outweighed by inclusion of the Treasury GSE proposal. The Blue Dog Coalition also raised concerns about the CDBG provision because it originally was not paid for. However, House Democrats have identified possible offsets for the provision, easing concerns. Specifically, the House is expected to offset the provision by delaying the enactment of the new worldwide interest allocation rules for multinationals.

The specifics of the legislation are continuing to be fine-tuned, but hopes are high that the legislation will be wrapped up soon. We do not expect to see any major changes on the LIHTC provisions, but we are still hopeful that the 9% credit provision, which was not in the House bill, will be included in the bill that is sent to the President.

We will continue to keep you updated as new developments occur.

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