

# N A A H L

NATIONAL ASSOCIATION OF AFFORDABLE HOUSING LENDERS

## NAAHL GOLD MEMBERS

*Bank of America  
Century Housing  
Countrywide Home Loans  
Fannie Mae  
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National Equity Fund  
National Housing Development  
Corporation  
Ohio Capital Corporation for Housing  
RED CAPITAL GROUP  
ShoreBank*

President & CEO  
Judith A. Kennedy

June 10, 2005

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

## Re: Request for Comments #3

Gentlemen:

The National Association of Affordable Housing Lenders (NAAHL) represents America's leaders in moving private capital to those in need – 200 member organizations committed to increasing private capital lending and investing in low- and moderate-income (LMI) communities. Members are the “who's who” of private sector lenders and investors in affordable housing and community and economic development: banks, thrifts, local and national nonprofit providers, mortgage companies, loan consortia, financial intermediaries, pension funds, foundations, and public agencies.

We appreciate the opportunity to comment on the potential benefits and problems with the various tax reform proposals that have been presented to the panel.

Our members and hundreds of other organizations committed to providing affordable housing and community development in LMI communities rely on the Low Income Housing Tax Credit (LIHTC), New Markets' Tax Credits (NMTCs), and other tax credit vehicles that are critical to leveraging public sector resources with private capital financing for strengthening America's poorest communities.

The LIHTC is involved in virtually all of the country's affordable rental housing and 40% of all multi-family starts. Since its creation by Congress in 1986, the LIHTC has generated more than \$6 billion annually in private equity investments in more than 1.5 million affordable apartments nationwide, providing new or rehabilitated safe, decent housing for low- and moderate-income seniors and communities. It produces virtually all of this country's affordable rental housing, and is involved in 40% of all multifamily starts.

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Corporate investment accounts for 98% of the equity capital generated by the LIHTC.

The NMTC program, established by Congress in December 2000, also is an important financing vehicle for attracting private sector capital to low-income communities. The program permits individuals and corporations to receive a credit against federal income taxes for making qualified equity investments in investment vehicles known as Community Development Entities (CDEs), such as banks, Community Development Financial Institutions (CDFIs), and non-profit corporations. The credit provides a shallow subsidy for eligible activity in eligible areas, and is claimed over a 7-year period. Substantially all of the taxpayer's investment must in turn be used by the CDE to make qualifies investments in low-income communities. By partnering with the private sector and community organizations, recipients of NMTCs have already leveraged their credits into more than \$2 billion in equity from investors.

The genius of the LIHTC and NMTCs is that, in essence, investors pre-pay their taxes by providing these funds directly to provide the capital needed, more efficiently and effectively than direct Federal spending. If the government were to borrow the same amount, invested at 4% over 10 years, the cost of capital alone to the Federal government would be about the same; Federal program administration would have to be added to the cost of capital.

When Congress enacted tax reform legislation in 2003, it clearly understood the value of these tax credit programs to attracting private sector financing for building better communities and, in its wisdom, saw fit to preserve them. If the advisory panel recommends any new proposals that would allow corporations to pass tax-free dividends to their shareholders *if* they paid taxes on the revenues generating the dividends, then they should treat investments in affordable housing and community development in America as the Administration proposed in 2003 to treat taxes paid to foreign governments as if they were paid in the U.S.

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If I can answer any questions you may have about the importance of tax credit programs for affordable housing and community development, please call me.

Sincerely,

Judith A. Kennedy  
President



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