

Fixing the housing market

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Your bank is not alone in coping with the liquidity crisis -- the squeeze on credit -- that is choking the worldwide monetary system.

This system includes state agencies that finance affordable rental housing and programs for first-time homebuyers across the United States. Many of these institutions face financial hardship, which, in time, will strike at the housing of deserving women and men and their families. Our state's housing finance agency is Oregon Housing and Community Services.

It's an agency that's also hurting, making significant budget cuts at the very time it's needed most to finance housing for Oregonians whose homes are threatened by the collapsing economy. But people shouldn't lose their homes.

Solutions exist. The fix is not hard to figure out, just very hard to implement, as the financial marketplace spirals downward.

President Barack Obama and Congress should require Freddie Mac and Fannie Mae and other federal finance institutions to do three important things: Buy housing finance agency fixed-rate housing bonds; enter into agreements that allow HFAs to issue variable-rate bonds; and purchase existing HFA loans at reasonable rates.

In addition, housing bond law needs repair to provide more financing flexibility. Lawmakers should eliminate the rule that requires HFAs to use bonding authority for a specific housing type; extend the exemption on the alternative minimum tax to cover all bonds issued; and allow HFAs more flexibility in using loan repayments to make loans to additional first-time homebuyers.

Oregon Housing and Community Services and other HFAs have the delivery systems and the expertise to continue the viability of affordable housing finance. But we need workable tools. The Housing and Economic Recovery Act, which became law in July, is a step in the right direction. But the act has not solved the housing finance crisis. Investors are not buying bonds or tax credits, essential vehicles HFAs use to finance affordable housing. And the cost of obtaining certain agreements necessary to issue bonds has nearly doubled in the last few months, adding to the interest rate HFAs must charge borrowers.

Further, the tax credit market is out of whack, creating financing shortfalls. The amount that investors must accept for tax credits is untenable -- 60 cents on the dollar, down from a workable 90 cents several months ago.

This creates gaps in the financing of affordable housing -- gaps across the nation that need a serious infusion of federal TARP funds. The Troubled Asset Relief Program should be tapped for \$5 billion, says the trade association representing HFAs, to fill these financing shortfalls. We at Oregon Housing and Community Services agree.

But the question remains: Can tax credits be sold? Many large investors, such as banks that have not been profitable and therefore may not owe taxes, do not benefit from the purchase of tax credits. (HFAs award these credits to developers for sale to investors to finance affordable housing.) Investors simply cannot benefit from a credit against taxes they do not owe.

Many housing developers are unable to find investors who are willing to buy the tax credits at any price. Thus, the tax

credits are left on the table, unused, in the hands of HFAs such as ours.

Oregon Housing and Community Services has served the state and its people for more than 35 years and will continue to do so if Congress takes thoughtful action. Home prices are falling as foreclosures are increasing. (A notable exception: OHCS first-time-homebuyer foreclosures remain exceptionally low, the result of prudent loan standards and fixed-rate loans by the Oregon HFA.)

Now is the time to crack open the credit markets. We can, we must, get this right, or many deserving families throughout the nation will go without housing.

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