

# United States Senate

WASHINGTON, DC 20510

April 20, 2005

## **The Community Development Homeownership Tax Credit Act**

Dear Colleague:

We are writing to urge your cosponsorship of the Community Development Homeownership Tax Credit Act, which encourages the construction and rehabilitation of homes for low- and moderate-income families in economically distressed areas. Owning your own home is a key component of the American dream. It encourages personal responsibility, benefits child development, provides economic security and gives families a greater stake in the development of their communities. Over the past decade, the rate of homeownership in America has risen steadily, to the highest level it has ever been. Still, for many Americans, the dream and benefits of homeownership remain out of reach due to a lack of available housing or the prohibitive cost of what housing is available.

The need to promote homeownership is especially acute in minority communities. According to the Census Bureau, in 2004, the homeownership rate for non-Hispanic whites reached 76 percent, compared to 49.1 percent for African-Americans and 48.1 percent for Hispanics or Latinos. Not surprisingly, the homeownership rate among low-income families, especially in rural and urban areas, lags far behind the overall national average.

The Community Development Homeownership Tax Credit Act will help to encourage increased homeownership rates, more stable neighborhoods and strong communities. It will also help spur economic development in low- and moderate-income communities across our country and provide an important stimulus for the development of our nation's economy. The production or refurbishment of new homes will create construction and construction-related jobs increasing economic growth while lowering the unemployment rate. President Bush has strongly supported the creation of a homeownership tax credit and has included a similar proposal in his budget sent to the Congress each year.

Modeled after the successful low-income rental tax credit, the new proposal will allow states to allocate tax credits to developers and investors to construct or substantially rehabilitate homes in economically disadvantaged communities for sale to low- or moderate-income buyers. The credit would generate equity investment sufficient to cover the gap between the cost of developing affordable housing and the price at which these homes can be sold in many low-income neighborhoods to eligible buyers. It provides investors with a tax credit of up to 50 percent of the cost of home construction or rehabilitation. It is estimated that this legislation will encourage the construction and substantial rehabilitation of up to 500,000 homes for low- and moderate-income families in economically distressed areas over the next ten years.

This proposal has the backing of a large and broad coalition of housing-related groups, including the National Association of Home Builders, the National Council of State Housing Agencies, and the National Association of Realtors. The bill also has the backing of major non-profit groups, including Habitat for Humanity, as well as the Local Initiatives Support Corporation and the Enterprise Foundation.

We urge you to join us in cosponsoring this legislation. If you have any questions, or would like additional information, please call Heather MacLean of Senator Santorum's staff at 4-6324 or John Phillips of Senator Kerry's staff at 4-2742.

Sincerely,

Rick Santorum

John F. Kerry

Ch. Sita

Debbie Stabenow

Wayne Allard

Paul Sarbanes