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November 18, 2008

The Honorable Henry M. Paulson, Jr.
Secretary of the Treasury
Department of the Treasury
15th & Pennsylvania Avenue, N.W.
Washington, D.C. 20220

Dear Secretary Paulson:

As you may know, the current turmoil in the financial services industry has created problems for programs, including the low-income housing tax credit program, that have relied on investors from that industry in the past. Major investors, like Fannie Mae and Freddie Mac, have been totally removed from the market. Other investors may remain in the market, but at a far smaller size than in the past due to their diminished Federal tax liabilities. In a real sense, the Treasury's section 382 ruling has exacerbated the problem since otherwise profitable institutions will now be able to utilize the losses of acquired institutions, further diminishing their role as investors in low-income housing tax credit projects. Similar issues are being faced by renewable energy tax credit programs.

Many of the issues described above are beyond your ability to change in any significant way. However, there is one aspect of this problem largely within your control. Currently, Fannie Mae and Freddie Mac hold billions of dollars of low-income housing tax

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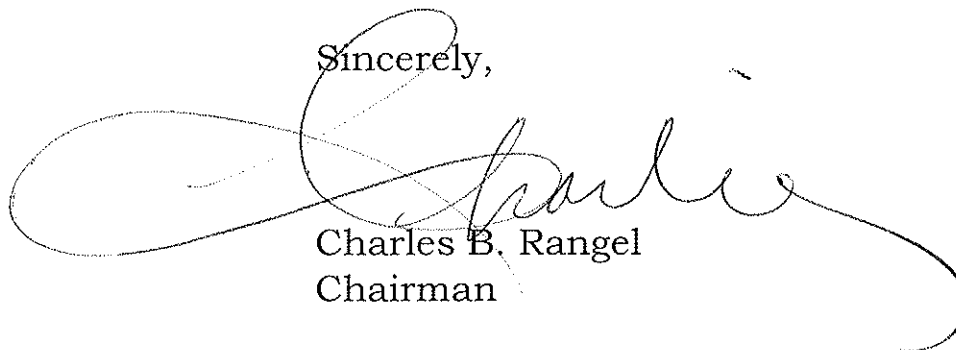
credit projects. If they were to sell even a small fraction of those projects, the result could be a further reduction in the ability of the low-income housing tax credit to create new housing and new jobs.

Both Fannie Mae and Freddie Mac are essentially owned by the Federal government. Any benefit that those companies receive from selling low-income housing tax credit projects would accrue to the benefit of the Federal government. However, since the credit would be sold at a significant discount given current market conditions, the cost to the Federal government could be far greater than the benefit that it would indirectly enjoy as the owner of those institutions.

Mr. Secretary, I believe that this is a serious issue, one that will, by necessity, be handled by the next Congress and Administration. Therefore, I am asking you to use your power to prevent sales of low-income housing tax credits by Fannie Mae and Freddie Mac during the transition period to the new Administration so that legislative solutions can be developed next year.

Thank you for all of your efforts this Fall in the context of this financial crisis. Many may second guess some of the decisions you have made, but no one should question your integrity and talent, which has been invaluable.

Sincerely,

A handwritten signature in black ink, appearing to read "Charles B. Rangel", with a large, sweeping flourish extending to the right.

Charles B. Rangel
Chairman

CBR/jba

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Cc: Mr. James B. Lockhart, III, Director, Federal Housing Finance
Agency
Mr. Herbert M. Allison, President and CEO, Fannie Mae
Mr. David M. Moffett, President and CEO, Freddie Mac