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Housing Stimulus Package to Stabilize Neighborhoods, Attract New Capital to Communities: LISC

NEW YORK (July 26, 2008)—The Housing and Economic Recovery Act of 2008 will help stabilize disinvested neighborhoods, offer relief to families stung by the foreclosure crisis and attract new capital to affordable housing developments that address the needs of low-income renters and homeowners, according to Local Initiatives Support Corporation (LISC), the national nonprofit force behind comprehensive community development. LISC has raised nearly \$9 billion to help revitalize distressed communities across the country.

“This is undoubtedly the single most important piece of housing legislation we have seen in many years,” commented Michael Rubinger, LISC president and CEO. “At a time when so many communities are struggling, the Congress has created new vehicles to return foreclosed and vacant homes to stable occupancy, save homeowners threatened by foreclosures, and support affordable housing development. It has given critical new authority to FHA, and both strengthened Fannie Mae and Freddie Mac and updated their affordable housing missions,” he added. “The magnitude of this legislation is really remarkable. The nearly 700 pages in this bill will have a significant, lasting impact on the quality of life in communities across the country,” he added.

Among the bill’s most notable features is its \$3.9 billion neighborhood stabilization fund. It will operate through HUD’s Community Development Block Grant (CDBG) program and will fund the purchase and rehab of foreclosed homes. CDBG funds are disbursed through states and localities that can set their own priorities on how they are used, based on local need.

“There is no greater threat to the stability of any community than the escalating impact of boarded up, vacant properties,” noted Rubinger. “And for lower income communities that is all the more true. The neighborhood stabilization fund will help ensure that those places hardest hit by the housing crisis don’t slide into severe decline. It will help mitigate the danger that foreclosed properties become a source of blight and crime that compromises the standard of living for everyone in that community,” he said.

The bill also includes changes to the low-income housing tax credit that should encourage investors who have left that marketplace over the last year to return. Tax credits have underpinned the construction and preservation of some 1.9 million units of affordable rental housing over the last two decades. But the escalating housing crisis

has battered some of the industry's top investors and prompted a significant pullback that has drained capital and stalled development efforts.

“This bill will boost our ability to attract investors back to the market and to raise more flexible capital that supports a broader range of affordable housing,” noted Joe Hagan, president and CEO of National Equity Fund, Inc., LISC’s nonprofit tax credit syndication subsidiary. “The fact that the bill also deals with how to help fill funding gaps that these projects face and clarifies confusion over their ability to serve targeted populations—like homeless veterans—is all the better. This is a tremendous piece of legislation.”

The Capital Magnet Fund and Housing Trust Fund are also critical, according to LISC. Both will target the needs of low-income residents through affordable housing and related economic development activities. Changes to the oversight of Fannie Mae and Freddie Mac—particularly the new direction for them to purchase affordable housing mortgages and support rural housing, housing preservation and manufactured housing—will also expand the housing opportunities for thousands of families that would otherwise be left stranded on the economic fringes.

About LISC

LISC combines corporate, government and philanthropic resources to help community-based organizations revitalize underserved neighborhoods. Since 1980, LISC has raised nearly \$9 billion to build or rehabilitate more than 230,000 affordable homes and develop 32 million square feet of retail, community and educational space nationwide. For more information, visit www.lisc.org.

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