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## Past president joins home builders in Capitol meetings

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Thomas McNulty, the Rhode Island Builders Association's immediate past president, joined 74 other home builders from across the nation on January 7th as they descended on the U.S. Capitol to bring home the message that Congress must "Fix Housing First."

This is the thrust of the National Association of Home Builders as the recession deepens and, along with it, the belief that housing must spearhead the recovery.

McNulty met with Rhode Island's Sen. Jack Reed and his staff. Reed is a key member of the Senate Banking Committee. Altogether, NAHB members conducted 95 meetings with the congressional leadership and key members of banking related and tax writing committees to convey the message that a housing stimulus is urgently needed and that restoring demand for housing is the fastest and most effective way to revive the economy.

"NAHB believes that strong steps have to be taken to bring housing to the forefront for the new administration," McNulty said. "There's action on stimulus packages in many areas, and we want to make sure that housing is right up there."

He referred to a new NAHB website: [www.fixhousingfirst.com](http://www.fixhousingfirst.com).

"Our trip to the Capitol was a very specific mission to bring the message to the new Congress."

McNulty stressed that smaller builders like himself and larger builders all were represented. Ian McCarthy of Beaser Homes, a national home builder based in Atlanta, accompanied McNulty to meet with Reed.

This all-out effort to bring housing to the fore took place within days of the 111th Congress's swearing in. Lawmakers are expected to complete the overall stimulus package by mid-February.

NAHB believes that if this stimulus package doesn't restore substantial demand within the housing sector, it will have only a limited effect and will fail to reverse the loss of trillions of dollars in homeowner equity.

"The first task is to stem the foreclosures, including granting more latitude on existing mortgages from lenders and bankruptcy judges," McNulty explained.

"We also have to expand the \$7,500 homeowner tax credit Congress approved last July. It doesn't go far enough. Under our proposal, it could be used by any home buyer for a primary residence, and would end up between \$10,000 and \$22,000. It could even be used as part of a down payment," he said. "This would couple with the third point, a mortgage buydown."

A study released on January 13th by the Fix Housing First Coalition shows that when housing stimulus is combined with a general economic recovery program, increased economic activity grows strongly across all sectors of the economy.

Using a well regarded economic model, researchers studied the impact of a short-term program espoused by the Fix Housing First Coalition that would combine the expanded tax credit for all homebuyers from \$10,000 to \$22,000 with a time-restricted mortgage rate write-down to 2.99%. The

economic analysis demonstrated that adding these housing stimulus provisions to the anticipated economic recovery bill would over a four-year period:

- \* Increase GDP by 1% annually,
- \* Create 940,000 new jobs annually,
- \* Increase average homeowner equity by \$25,000 by 2012,
- \* Increase aggregate homeowner equity by more than \$2 trillion by 2012, and
- \* Generate revenues at the federal and state levels that will exceed the cost of the program.

"A strong direct stimulus to housing demand is essential to turn the economy around in a timely and dependable fashion," said Dwight Jaffee, professor of finance and real estate, Haas School of Business, University of California, Berkeley, who contributed to the study.

"Every key economic indicator, including GDP, employment, consumer confidence and housing market activity, rebounds significantly faster if housing is included in the stimulus package."

Liquidity and credit also were topics on Capitol Hill on January 7th, along with the fate of the \$700 billion from the Troubled Asset Relief Program (TARP).

"Many congressional people are disturbed about what's happened to all this money. It was supposed to be used to remove toxic loans from bank balance sheets. Instead, many of the beneficiaries have been hoarding the money or using it for acquisitions. It's not freeing up credit," McNulty said.

"We have home builders with perfectly good credit who are paying their bills on time. Then the banks come back and say their appetite for real estate is gone. They want to shut loans down and force foreclosures that would be unnecessary if they'd just get the money into circulation."

How effective was the visit to Capitol Hill?

"Sen. Reed is an important member of the Banking Committee, and he's very sensitive to the foreclosure issue. I left there with the strong feeling that he 'gets it' and will support us," McNulty said.

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