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**Contact: Treasury Public Affairs
(202) 622-2960
HUD Public Affairs
(202) 708-0685**

TREASURY, HUD ANNOUNCE HOUSING GRANTS FUNDED THROUGH RECOVERY ACT

Grants Will Increase Jobs, Provide Boost to Local Housing Economies

WASHINGTON – As part of an innovative partnership aimed at job creation and easing the pressures on the housing market, the Department of the Treasury and Department of Housing and Urban Development (HUD) today jointly announced programs that will provide billions of dollars in recovery funds to spur the development of thousands of affordable housing units in states around the country. Funded through the American Recovery and Reinvestment Act (The Recovery Act), the programs together will provide approximately \$5 billion for states to finance the acquisition and construction of affordable housing for working families.

Through the Recovery Act, the Treasury Department will now for the first time provide state housing agencies resources from which they will in turn provide cash assistance to developers of qualified affordable housing developments to fill the Low Income Housing Tax Credit (LITC) gap. The program will increase the supply of newly constructed or recently renovated affordable housing units for families – affordable housing that otherwise may not have come to market due to current economic conditions.

“Affordable housing is key to every American’s economic security,” said Treasury Secretary Timothy Geithner. “As the recession has worsened, unemployment has risen, and working families have suffered a loss of income, which has caused a downward economic spiral for too many American families and made it more difficult for those families to find affordable housing. With this new program, we are not only creating new jobs through new construction, we are ensuring the availability of affordable housing, which is good for the nation’s economic stability and the economic security of millions of American families.”

The economic and financial crises have presented significant challenges for the construction industry, particularly residential construction. Housing starts have fallen 80 percent from the peak level seen at the beginning of 2006. Houses currently under construction are at a 12-year low, down 60 percent from the peak in the first quarter of 2006. This collapse has led to severe

job losses in the residential building and specialty trades sector related to housing, with employment down by nearly one-third -- a loss of close to 1 million jobs. Such losses not only indicate the significant problems in the residential construction sector, but also suggest that the need for affordable housing has risen markedly during the recession.

In addition to Treasury's new program, HUD will be awarding \$2.25 billion in grants to state housing credit agencies through the Tax Credit Assistance Program (TCAP) to complete construction of qualified housing developments. The TCAP program will ultimately provide affordable housing to an estimated 35,000 low-income households.

"The intended purpose of the American Recovery and Reinvestment Act is to jumpstart the nation's ailing economy, with a primary focus on creating and saving jobs in the near term," said HUD Secretary Shaun Donovan. "These programs are an important step in achieving the goal of putting American people back to work while at the same time providing quality, affordable housing options for low-income families. We are proud of the collaboration between Treasury and HUD that enabled us to announce these programs together today."

One of the by-products of the economic crisis has been the freezing of the investment in Low Income Housing Tax Credit, the federal government's program for the development of affordable rental housing. Tax credits provide an incentive for investors to participate in the program, which in turn provides equity to developers to build multi-family rental housing for moderate and low income families across the nation. Developers depend on the equity generated as a result of the incentive provided by the tax credits to fill project financing gaps. In the current financial crisis, credit is tight, and as a number of traditional equity investors have left the market, the value of tax credits have plummeted. The result is that as many as 1,000 projects containing nearly 150,000 units across the country are on hold.

The Treasury and HUD programs will help jumpstart the market for construction of affordable housing by providing these combined \$5 billion in funds for states to finance the acquisition and construction of buildings for affordable housing, which will create thousands of jobs in the construction and specialty trades sectors, from laborers to architects and engineers around the country. The funds will also provide housing for a broad cross section of individuals and families affected by downturn of the housing market.

Additional information is available at www.treasury.gov/recovery and www.hud.gov/recovery.

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