



FOR IMMEDIATE RELEASE

July 31, 2008

NEWS RELEASE

CONTACT:

Toby Rittner
President & CEO
(216) 920-3072
trittner@cdfa.net

**CDFA-Supported FHLB Legislation Signed Into Law
-- Letter of Credit Provision Part of Housing Bill --**

Cleveland, OH – After quickly passing both the House of Representatives and the Senate last week, President Bush signed the highly anticipated Housing Bill into law yesterday. Included in the bill is a CDFA-supported provision allowing Federal Home Loan Bank members to issue letters of credit on tax-exempt industrial development bonds (IDBs).

As part of the Council's legislative agenda, CDFA's legislative team had been actively working towards the passage of this legislation for over a year. The grass-roots campaign by CDFA members to their Congressional delegates was a vital part of the coalition supporting the FHLB bill. Support and co-sponsorship of this legislation increased dramatically after CDFA began actively working to secure passage.

"This is a measure that will help the economy by strengthening the ability for communities to complete economic development bond transactions, especially IDBs and other revenue bond tools," CDFA President and CEO Toby Rittner said. "The FHLB has worked extremely hard to build a coalition of supporters for this measure and has been a leader in addressing economic development throughout this country. CDFA is proud to have played a vital role in the passage of this legislation and commends the FHLB for the dedication to our industry."

CDFA endorsed the proposed legislation as an effective way to strengthen economic development efforts, particularly the use of IDBs. The Administration and Congress has spent the past few months negotiating aspects of the bill, which was facing a potential veto by the President. However, the slumping housing market and struggles of Fannie Mae and Freddie Mac prompted quick compromise this past month. Signage by the President marks one of the most significant housing bills in U.S. history.

"This is an important change for the development finance industry," said Bob Lind, chair of CDFA's Legislative Committee and director of business finance for the city of Minneapolis. "The availability of credit and capital is vital to small manufacturers. This legislation gives small manufacturers another option for credit enhancement and will make IDB financing available to more companies."

CDFA will now continue with efforts involving S. 2885, legislation that modernizes the definition of manufacturing for IDB financing. The proposed change would allow for companies who produce both tangible and intangible property to access IDBs. The changing U.S. economy is providing new and exciting employment opportunities in the area of software development and biotechnology. Traditional tax-exempt bond finance programs operated by state and local finance agencies do not extend to these important and growing sectors of the manufacturing economy. CDFA's proposed legislation remedies this challenge.

The CDFA legislative team is looking to build on the success with the FHLB legislation to make a push for co-sponsors in the Senate for S. 2885. Interested parties should contact their Senators in support of this important development finance legislation.

Other key provisions in the housing bill include a 38% increase in the private-activity bond volume cap for each state for 2008. The \$11 billion in new cap space must be used for single- and multi-family housing projects. States have the remainder of the year to allocate the new cap space. State authorities then have three years in which to issue the bonds, the same restrictions placed on the conventional volume cap. To further encourage investment in the mortgage industry, the legislation also eliminates the alternative minimum tax on all tax-exempt housing bonds.

As a leader in the development finance industry, CDFA serves as the principal source for private-activity bond volume cap data, reporting, and trends. [CDFA's 2007 National Volume Cap Report](#) is available online.

The legislation also grants authority to the Treasury Department to aid Fannie Mae and Freddie Mac by extending an unlimited line of credit to the housing corporations. The Treasury is also authorized to purchase equity in the companies. In addition, the legislation overhauls the regulation of Fannie, Freddie and the Federal Housing Administration.

The rescue package for the government sponsored mortgage corporations sped up the approval process of the housing bill after weeks of back and forth between the Senate and the House. The administration also dropped its veto threat in order to more quickly provide aid to Fannie Mae and Freddie Mac.

To read more about the CDFA definition change, the FHLB legislation and the entire CDFA legislative agenda [CLICK HERE](#).

For more information or questions about S. 2885, please contact [CDFA's legislative team](#).

CDFA is a national association dedicated to the advancement of development finance concerns and interests. CDFA is comprised of the nation's leading and most knowledgeable members of the development finance community representing over 270 public, private and non-profit development organizations.

###