



June 23, 2008

The Honorable Harry Reid
Majority Leader
United States Senate
Washington, D.C. 20510

The Honorable Mitch McConnell
Minority Leader
United States Senate
Washington, D.C. 20510

Dear Majority Leader Reid and Minority Leader McConnell:

The Securities Industry and Financial Markets Association (SIFMA) supports further and timely consideration of the American Housing and Economic Recovery Act of 2008 currently being debated by the Senate. We believe this legislation responds to the critical and urgent housing needs faced by troubled homeowners and should aid in the liquidity and stability of the mortgage market.

SIFMA particularly supports the tax-exempt bond provisions in the legislation. The legislation would increase the annual volume cap on tax-exempt housing by bonds by \$11 billion in 2008. This additional bond capacity would enhance the ability of state and local governments to respond to urgent housing needs. In addition, the bill would help targeted families to avoid foreclosure by permitting qualified subprime borrowers refinance into below-market-rate loans financed with MRBs. The bill also repeals the AMT limitation on tax-exempt housing bonds, which will improve the marketability of new bond issuances and reduce the cost of implementing housing programs.

We also support provisions in the bill that would add the Federal Home Loan Banks (FHLBanks) to the list of government sponsored enterprises (GSEs) permitted to provide credit enhancement to tax-exempt municipal bonds. By allowing FHLBanks to partner with their member banks to provide credit support for tax-exempt bonds, the cost of borrowing is reduced thereby saving taxpayers necessary resources.

In addition to the bond provisions, SIFMA supports an increase in conforming loan limits for the GSEs and FHA, and believes this will provide needed liquidity to the jumbo mortgage market. Our support also extends to the FHA modernization provisions in the legislation which will give the FHA the ability to play a larger role in the marketplace.

As Congress deliberates how best to address the housing crisis, we hope the Senate can act quickly on the American Housing and Economic Recovery Act of 2008. We look forward to continuing to work with you on solutions to improve liquidity and stability in our capital markets.

Sincerely,

Scott DeFife
Senior Managing Director
Government Affairs

Richard Hunt
Senior Managing Director
Government Affairs