



July 25, 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 passage of H.R. 3221, the Housing and Economic Recovery Act of 2008. We believe this legislation responds to the critical and urgent housing needs faced by troubled homeowners; should aid in providing liquidity and stability to the mortgage market; and supports the credit markets and economy at large.

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 avoid foreclosure by permitting qualified subprime borrowers refinance into below-market-rate loans financed with Mortgage Revenue Bonds (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.

We appreciate your diligent leadership in addressing the housing crisis. We urge support for the Housing and Economic Recovery Act of 2008, and 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