

GENERAL

THE WHITE HOUSE

WASHINGTON

June 29, 1979

Dear Mr. Solem:

Thank you for your recent message expressing concern about the limitations placed on tax-exempt housing bonds by legislation recently introduced in Congress.

The Treasury Department supported this legislation out of concern that the unfettered growth of these bonds will increase the Federal budget deficit by several billion dollars and replace much of the mortgage financing that currently is done more efficiently in the private sector. Treasury also is concerned that the rapid growth of tax-exempt housing bonds will drive up borrowing costs significantly for all State and local governments.

The Treasury Department currently is working with the Chairman and ranking members of the Ways and Means Committee to refine the limitations included in the proposed legislation. We expect that these refinements will permit the continuation of tax-exempt financing for all mixed-income multi-family housing projects. We also expect that the refinements will continue support for single-family housing for low-income and middle-income families, although it is not yet clear whether this assistance will be in the form of tax-exempt financing or some other form of tax credit. The Administration will support this compromise proposal once it has been finalized.

Sincerely,

Stuart E. Eizenstat
Assistant to the President
for Domestic Affairs and Policy

Mr. James J. Solem
Executive Director
Minnesota Housing Finance Agency
2nd Floor, Nalpak Building
333 Sibley Street
St. Paul, MN 55101