

News from Senator

BOB DOLE



(R - Kansas)

SH 141 Hart Building, Washington, D.C. 20510

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CONTACT: WALT RIKER
(202) 224-6521

DOLE INTRODUCES HOMEBUYER ASSISTANCE ACT --

FEDERAL, STATE AND LOCAL GOVERNMENTS TO SAVE, HOMEBUYERS TO BENEFIT

WASHINGTON -- First-time homebuyers will have a new money-saving option to purchase a home if a bill authored by Kansas Senator Bob Dole becomes law.

The bill, the First-Time Homebuyer Assistance Act of 1983, which was introduced on Tuesday, July 12, could save the federal government up to \$750 million during the next five years.

Under the proposal, state and local governments would have the authority to offer mortgage credit certificates directly to buyers in place of the mortgage subsidy bonds now used to help finance new homes.

"If states use this option, the government could save between 20 and 40 percent of the cost usually associated with mortgage subsidy bonds, an inefficient and more costly financing mechanism because it involves a middleman," Dole said. "Studies have shown that by going directly to the potential buyer with credit certificates, excess costs are eliminated."

Under the Dole plan, governments could provide a limited number of homebuyers with mortgage credit certificates that would "buy down" interest rates. For example, a prospective homebuyer with a 13 1/4 percent conventional mortgage rate could effectively pay only 11 1/4 percent with a credit certificate -- the federal government would make up the difference with a tax credit.

"By reforming an inefficient bond program, this bill presents a rare opportunity to increase the amount of federal assistance to low and moderate income homebuyers and actually save money for the federal government," Dole said.

"Tax exempt bonds have always provided benefits to state and local governments, but according to government and independent research, the lion's share of the revenue loss associated with mortgage bonds goes to bond lawyers, underwriters and wealthy investors who often reap windfalls from investing in high-yield tax-exempt securities."

Dole noted that mortgage subsidy bonds would still be available and would not be restricted under this bill. This legislation would also reduce the volume of tax-exempt bonds issued for private purposes.

According to Dole, the recent proliferation of bonds for housing and other private concerns has driven up the borrowing rates for state and local governments.

"The Homebuyer Assistance Act will offer states and localities the option of bypassing the speculative bond market, and provide direct assistance to first-time homebuyers, not middlemen and profit seekers," Dole said.

The mortgage credits would be limited to low and middle income buyers who are judged by the state and local governments to be most in need of assistance.

"Although the cost of the program will be born by the federal government, states will bear the responsibility of using these subsidies in the public interest," Dole said.