

News from Senator

BOB DOLE



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DOLE PUSHES FOR TAX CREDITS FOR LOW AND MODERATE INCOME
FIRST-TIME HOMEBUYERS -- BILL WOULD AVOID MIDDLEMAN COSTS.
SENATOR CHAIRS FINANCE COMMITTEE HEARING ON
"HOMEBUYERS ASSISTANCE ACT"

WASHINGTON -- Looking to trim the costs of mortgage subsidy bonds by offering direct tax credits to low and moderate income first-time homebuyers, Kansas Senator Bob Dole today opened hearings on his reform bill called "The First-Time Homebuyers Assistance Act of 1983."

Dole, Chairman of the Senate Finance Committee, introduced the bill on July 12. Testifying before Senator Dole's committee was Joe Morris of Emporia, President of Columbia Savings Association.

"With this plan, the government could save between 20 and 40 percent of the costs now associated with mortgage subsidy bonds, an inefficient and more costly financing mechanism because it involves a middleman," Dole said. "After all, the government should be concerned with the legitimate needs of low income, first-time homebuyers, not bond buyers and speculators looking for tax exemptions."

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.

"I believe there are substantial incentives to switch from issuing bonds to issuing credits under this bill. And for every dollar exchanged, substantial revenues will be saved. According to the Joint Tax Committee revenue estimates, with credit usage starting at 20 percent, and rising to 60 percent over the next five fiscal years, we will recoup half a billion dollars. With more usage, still more could be saved," Dole concluded.

"Finally, the federal government will benefit from a lower deficit, attributable to greater efficiency in providing federal financial assistance to homebuyers."