

NAHB Resolution

Title: Tax Treatment of Securitized AD&C Loans
Sponsor: Housing Finance Committee
Submitted by: Michael Sivage

WHEREAS, lending for Acquisition, Development and Construction (AD&C) purposes remains tight, with data from the FDIC indicating that the stock of AD&C loans from FDIC-insured institutions is down 79% (\$160 billion) from the first quarter of 2008 to the third quarter of 2012;

WHEREAS, the demand for home building is recovering after the Great Recession, with the dollar value of single-family building now down 42% from the beginning of 2007, resulting in a large gap between the demand for and supply of construction financing;

WHEREAS, tight AD&C lending conditions deter or increase the cost of home building, hurting job creation and economic growth;

WHEREAS, one means of improving the availability and terms of AD&C loans for single-family home builders would be to securitize such business loans thereby attracting investors and reducing interest rates;

WHEREAS, the Internal Revenue Code provides pass-through treatment to other securities and investments to prevent double taxation, such as real estate mortgage investment conduits (REMICs), real estate investment trusts (REITs), and regulated investment companies (RICs); and,

WHEREAS, AD&C loans are at a disadvantage to those other tax-preferred real estate investments and should be treated in the same manner for tax purposes,

NOW, THEREFORE, BE IT RESOLVED that the National Association of Home Builders urge Congress to amend the Internal Revenue Code to provide pass-through treatment for AD&C securities similar to that which exists for real estate mortgage investment conduits (REMICs).

Board of Directors Action:	Approved
Executive Board Action:	Recommends Approval
Resolutions Committee Action:	Recommends Approval
Housing Finance Committee Action:	Recommends Approval
Federal Government Affairs Committee Action:	Recommends Approval
Taxation Subcommittee of the Federal Government Affairs Committee Action:	Recommends Approval
Financial Institutions & Capital Markets Subcommittee of the Housing Finance Committee Action:	Recommends Approval