

# United States Senate

WASHINGTON, DC 20510-1804

May 7, 2008

Baton Rouge, Louisiana

Dear

Thank you for contacting me regarding the increasing rate of foreclosures and how they effect our economy. I appreciate hearing from you on this important issue and apologize for the delay in my response.

Communities across the country are struggling with increasing rates of foreclosures as a result of subprime loans and other questionable lending practices. While I believe that it is imperative that both lenders and borrowers be held accountable for their actions, I also realize that legislation is required to restore the housing market and to bring relief to the rising number of homeowners facing the risk of foreclosure. Estimates suggest that as many as 2.8 million borrowers may face the possible loss of their homes over the next five years. Statistical studies have shown that this crisis is not directly related to unanticipated changes in the personal circumstances of these borrowers creating an inability to pay their mortgages, but rather the economic instability of our nation as a whole.

According to a report cited from the Federal Reserve Bank, it is estimated that a lender loses more than \$50,000 per foreclosure. This calculates into a loss of more than \$1.4 quadrillion dollars thus far if foreclosure becomes inevitable for these 2.8 million homeowners. As you can appreciate, this many foreclosures would create national economic disaster in banking driving the value of the U.S. dollar down further than its current all time low.

To address this growing problem, the United States Senate recently passed the Foreclosure Prevention Act of 2008 by a vote of 84-to-12. This bill provides a number of different solutions so that Louisiana homeowners negatively affected by the fallen housing market can work to keep their homes. To return foreclosed homes to the housing market, this bill creates a \$7,000 tax credit towards their purchase. It also provides about \$150 million in tax-exempt private bonds to assist first time home buyers and to refinance a subprime loan. Furthermore, this bill provides a one-year standard deduction - \$500 for single filers and \$1,000 for joint filers - for homeowners who do not itemize tax returns. These families pay property tax but do not deduct them. This provision stands to help 885,903 Louisiana households.

I also want you to know about two Gulf Coast-specific provisions that I added to the Senate-passed housing legislation. As you may know, the Internal Revenue Service (IRS) has determined that individuals who took a casualty loss deduction on their 2005 federal tax returns to account for hurricane damage to their homes have been required to pay income tax on their

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Road Home grants. This interpretation is blatantly unfair because many recipients may pay back more in taxes than any benefit that they received as a result of the casualty loss deduction and in some cases be pushed into a higher tax bracket. I am proud to report that the United States Senate overwhelmingly passed an amendment to lift this onerous tax burden from thousands of Gulf Coast homeowners who received rebuilding grants following Hurricanes Katrina and Rita.

Business and housing development is also a critical aspect of our recovery. Following Hurricanes Katrina and Rita, the Congress passed legislation allowing companies to take a 50% bonus depreciation deduction when they complete the construction of a commercial or residential rental property. Unfortunately, because of the devastation left by the storms, many communities did not have the necessary infrastructure to support business expansion in the time frame permitted. To address this issue, I added a measure to the Senate-passed housing bill eliminating the date by which developers must begin construction on commercial or residential rental property. This provision means about \$308 million in tax benefits to Gulf Coast businesses and residential development.

This bill has been forwarded to the House of Representatives. I assure you that I will continue to work with the members of the Louisiana delegation to see that these critical provisions are included in their bill and signed into law by the President.

I appreciate the opportunity to hear from you about this important matter, and I hope you will continue to contact me on issues of mutual concern. Please feel free to also visit my website at <http://www.senate.gov/~landrieu> for more information on legislative affairs.

Sincerely,



Mary L. Landrieu  
United States Senator

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