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Losses Stall Affordable-Housing Projects

By ALEX FRANGOS

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Affordable housing is the latest victim of the credit crunch that is reverberating through financial markets.

Projects are being canceled because some of the nation's largest financial companies, including Fannie Mae, Freddie Mac and Bank of America, have scaled back their participation in the federal government's largest and most prolific affordable housing tax-credit program, designed to boost construction of below-market-rent apartments.

[...]

NHP Foundation, a Washington, D.C., nonprofit developer recently received a \$1 million grant from a state-chartered organization in Louisiana to fill the gap on two projects in New Orleans. "What New Orleans was counting on was that the credits would be highly sought," and have high value, says Ghebre Mehreteab, NHP's chief executive. With values of the credits having dropped, "the only way to meet that gap is through other sources," he says.

Congress has already begun to tackle the issue. The House Ways and Means Committee is considering a bill that would change the governing legislation and could unleash supplemental resources.

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