

ers. Yet the Bush Administration has failed to seize this opportunity.

Democrats demand that moderate-income people who want to buy their own homes should have access to the same information about available properties — and the same financing arrangements — as the big-time buyers. Where moderate-income buyers do not have adequate funds for a down payment, they should have the option of reduced down payments or “sweat equity” programs that reward people for their work on rehabilitating the properties.

America may never have a better opportunity to provide so many young and moderate-income families with the opportunity to buy their own homes. This opportunity must not be lost through the same mismanagement that created the collapse of the Savings and Loans in the first place. And we must not let another bunch of profiteers enrich themselves at the expense of average Americans.

The first responsibility of a community is to help today's children become tomorrow's workers, parents, and citizens. This responsibility rests with families, schools, churches and synagogues, and the myriad of voluntary organizations that Americans have created. Government can lend a helping hand to people at crucial points in life's journey and supplement, not supplant, a family's support system.

## THE DEMOCRATIC PLAN FOR ECONOMIC GROWTH



**D**emocrats will lead America into a new era of economic greatness — and provide security for the middle class and opportunity for the poor — by making the fundamental changes that the Bush Administration has avoided.

We will restore common sense and common decency to the federal tax system by doing what the Republicans won't: make the very wealthy shoulder their fair share.

Returning to the time-honored American values of caring about the common good and providing for future generations, Democrats will make long-term investments to rebuild America's economic strengths: from retraining our workers to retooling our factories, repairing our highways, and restoring our competitive edge in the technologies of the 21st Century.

We will carefully target growth incentives for sustained economic vitality, and will ease the tax burden on the middle class without worsening the federal budget deficit. We will provide tough-minded management of the federal government, trimming the fat but preserving the muscle.

### Tax Equity and Economic Growth

Democrats do more than just talk about tax fairness for average working families. This year, we passed a bill providing a two-year tax cut for more than two-thirds of all taxpayers: 78 million middle-income Americans.

This permanent tax cut would have cut taxes by 25

percent for a family of four earning the median income of \$35,000.

To pay for middle class tax relief without increasing the federal deficit, the Democratic bill would have raised taxes on the wealthiest three percent through a new 36 percent top rate and a 10 percent surtax on millionaires.

And Democrats know that untargeted incentives do not promote sustained economic growth.

### The choice ahead is clear:

- *A program that buys another round of special interest tax incentives that squander our resources and steal from our future; or,*
- *A program of long-term investment that spurs economic growth and restores tax equity, without adding to the deficit.*

*The difference is clear: Democrats want to cut taxes for the middle class. Republicans want to cut taxes for millionaires.*





## THE FIRST STEPS

### TAX EQUITY

**1** *To help families for their future, Democrats want to reduce taxes on the middle class.*

### GROWTH

**2** *To help our country build for the future, Democrats want to invest in our children, our communities, and our infrastructure. And Democrats have a targeted package of careful growth incentives.*

### DISCIPLINE

**3** *Democrats will do all this on a pay-as-you-go basis so that we do not add to the deficit.*

That's why the Democratic proposal carefully targeted growth incentives to encourage long-term investment, to provide capital for start-up businesses, and to help families, companies, and communities build for the future.

President Bush vetoed the Democratic middle class tax cut and economic growth package, preferring his pet proposal: a capital gains cut that would provide two-thirds of the tax savings to the wealthiest one percent, and would cost taxpayers \$15 billion over 5 years.

### Controlling the Federal Deficit

Democrats want to cure America's economic ills by following the same principle that doctors swear a solemn oath to uphold: Above all, do no harm.

That's why we won't let the federal budget deficit — which grew to historic highs under the past two Republican administrations — continue to be a drain on the nation's saving rate, which is essential to investment in economic growth.

Democrats will put the federal government's house in order the same way families take control of their finances: by balancing what we spend and what we earn and by preserving necessities while eliminating luxuries and waste.

Democrats will take a long, hard look at government spending, preserving programs that get results and cutting back bureaucracies that don't get the job done.

We'll melt the fat that is marbled through government agencies, trimming waste to make sure that hardworking Americans get the real value for every dollar they pay in taxes.

Democrats will do more than just talk about cutting government waste and getting a handle on the federal budget. This year, we passed a budget resolution that increases investment in essentials of economic growth, while cutting the deficit below the level provided by President Bush's proposed budget.

### Long-term Investment

Americans see the consequences of more than a decade of decline: shuttered factories,

■ Supporting programs of special importance to rural America, such as full funding of the Weatherization Assistance Program.

### Housing America's Elderly

Thanks to the post-World War II housing boom, senior citizens enjoy much higher home ownership rates than the rest of the population. But many "empty nesters" are unable to sell the large homes in which they raised their families, for fear of the uncertainties of the rental market. And few people feel the housing squeeze more severely than seniors who are trying to stretch their fixed incomes to meet soaring rental costs.

We applaud the efforts in many places to develop housing options to meet the special needs and unique abilities of older Americans. And we will encourage public and private sector efforts to make these alternatives available to a wider cross-section of American seniors.

Recognizing the long-term saving that can be expected, Medicare payment schedules should be given increased flexibility to cover more of the home care and day services that make semi-independent living arrangements possible for seniors. We also support developing innovative financing instruments, such as the "reverse mortgage," which allows older people to take advantage of the equity they have built up in their homes, without forcing them to move out, or exposing them to a massive, one-shot tax burden.

### The Bush Banking Fiasco: Returning to the Scene of the Crime

The Savings and Loan scandal exemplifies the warped ethics of the '80s, from the unscrupulous pursuit of private gain to the irresponsible abandonment of public responsibility.

Now, there is the danger that rich and powerful interests will grab a second bonanza: buying up properties once held by the Savings and Loans at bargain-basement prices from the federal agency entrusted with the responsibility for cleaning up the scandal. This would be doubly tragic because these profiteers would benefit at the expense of moderate-income Americans desperately in need of affordable housing.

The opportunity now exists for the federal government to make home owners out of thousands of eager low and moderate-income rent-

### The Resolution Trust

*Corporation (RTC) is now the single largest landlord in America, owning everything from luxury golf course condominiums to affordable homes.*

■ *In 1990, Congress ordered the RTC to make as much of that property as possible available to low-income families and non-profit residential development groups.*

■ *RTC has failed to make this enormous resource of affordable housing available to moderate-income families across America.*



## BUILDING TOGETHER

STATEMENT OF GREGORY F. WARREN, EXECUTIVE DIRECTOR,  
DOWNTOWN HOUSING IMPROVEMENT CORPORATION (DHIC):

*The DHIC is a community-based, nonprofit organization that has been active in meeting the needs of residents in low-income neighborhoods...In November, we began leasing Jeffries Ridge, North Carolina's first low-income housing tax credit project developed by a nonprofit group."*

*"We were inundated with applications...we received over 400 applications for these 32 units. The demand for these types of units is deep and wide."*

*"There is a distinct segment of the population that this type of development will serve. It is the working poor. It is a group that lacks the income to support home ownership and earns too much money to stay in public housing."*

*"We need to build a housing system that while focusing on meeting the vast needs of low-income renters, also offers the option of home ownership to those families who can move up the income scale. We need to offer a continuum of opportunities..."*

less people living in rural Ohio.

With the recession, falling commodity prices, and the dislocation caused by the farm crisis of the '80s, raising capital locally for investment in rural housing has become almost impossible.

These unique circumstances demand a wide array of efforts to solve the housing problem in rural America. The Administration's reliance on vouchers and loan guarantees falls far short of meeting the challenge.

Democrats support a full range of options to meet rural housing needs:

- Protecting the Section 8 housing program, which provides low-income housing in rural areas;
- Permanently extending the Low Income Housing Tax Credit, which will benefit people of moderate incomes in rural communities as well as all over America.
- Providing more funds for capitalizing the FmHA-funded revolving loan funds, with more resources targeted at construction and rehabilitation of rural housing.

*Democrats will put the federal government's house in order the same way families take control of their finances.*

empty office buildings, lengthening unemployment lines, Wall Street wheeler-dealers confined to country-club prisons, and ordinary families working longer hours for lower living standards and worrying that their kids will do worse than they did.

Americans understand that the current recession is just a symptom of failed Republican policies that rewarded the wealthiest one percent of the population and left our families, our businesses, and our government struggling to climb out from under a mountain of public and private debt.

As the party that reflects the hard-earned experience of hard-working people, Democrats support a back-to-basics economics that invests in the essentials of economic growth: a skilled workforce, state-of-the-art factories, a world-class system of highways, communications, and

*Democrats support a back-to-basics economics that invests in the essentials of economic growth.*

mass transit, and technological progress to guarantee that Americans will invent and manufacture the products and services of the 21st century.

Democratic investment economics lifted the United States from the depths of the Great Depression to the unprecedented prosperity of the three decades following World War II. And the same Democratic principle of investing in economic growth for every family and every com-

munity can make the 21st Century the century of the American team — businesses, workers, and government pulling together, as partners in progress.

Democrats will reverse a decade of decay of the nation's infrastructure: our roads and bridges, harbors and airports, railways and mass transit, and water and sewage treatment facilities.

In 1991, when President Bush sought to continue the old, short-sighted strategy, Democrats fought for a comprehensive infrastructure bill. The President finally reversed his veto threat and signed the bill into law.

We understand and will maximize the role of government in researching and developing the infrastructure of the future: smart highways, state-of-the-art fiber-optic telecommunications networks, and modern air traffic control systems.

For preparing our young people for the jobs of the 21st Century, our greatest asset is our system of higher education. American colleges and universities are the envy of the world, and our graduates are our varsity team in international economic competition.

We must make sure that all of our young people have the opportunity to go as far as their initiative and intellect will take them, not just as far as their families' financial resources will allow them. That's why, this year in Congress, we fought to increase aid available to students from working and middle income. Expanding college opportunity is good for young people and good for America. But we must do more.

We must make the same commitment to early education and our primary and secondary schools. Head Start works, and must be fully funded to give all our children the chance to

*We must make sure that all of our young people have the opportunity to go as far as their initiative and intellect will take them.*





## An Equity & Growth Plan For America's Future

This year, the Congress sent to the President a bill that reduces middle-income taxes, and included targeted tax incentives to help our families and our communities. The President vetoed the bill. But for that veto, every provision would be in place today, strengthening our economy:

- *A middle class tax cut — to pick one example, a 25 percent tax cut for the median-income family of four.*
- *A capital gains tax cut targeted at the middle class and designed to encourage long-term investments and provide capital for start-up businesses.*
- *A restored IRA tax deduction of up to \$2,000 a year for every taxpayer.*
- *Enterprise zones and rural investment zones to help communities build for their future.*
- *An extended Research and Development tax credit, and a permanent low-income housing credit.*

The Democratic approach concentrated two-thirds of the benefits on Americans with incomes below \$100,000 — helping families invest in their future.

Meanwhile, 70 percent of the benefits from the Bush Capital Gains tax break would go to individuals making \$100,000 a year or more.

As recently as 1970, there were 400,000 more low-cost housing units than low-income renters, according to the National Association of Realtors. But, by the end of the '80s, more than four million moderate-income people could not find rental housing they could afford.

Starting in the '70s — and with frightening speed during the '80s — low-cost housing became an endangered species. From 1974 through 1987, the number of unsubsidized units renting for less than \$300 per month (in 1974 dollars) fell by 40 percent. While rents have skyrocketed, low-income people have had to spend more and more on housing. A National Academy of Science study found that a stunning 85 percent of all poor households, 5.8 million families, paid at least 30 percent of their incomes on housing.

Still more tragic is the plight of those who cannot put a roof over their heads. The Urban Institute estimated that the number of homeless Americans doubled between 1983 and 1987. Current estimates of the total number of homeless Americans living in shelters or on the streets range from 600,000 to three million. Even more sadly, a survey by the U.S. Conference of Mayors found that fully 35 percent of the homeless population consists of families with children.

During the '80s, the Reagan/Bush Administration spent virtually nothing to build housing that people earning low incomes could afford. Now, Housing and Urban Development Secretary Jack Kemp calls for turning over public housing to the tenants — an intriguing idea that has received lip-service, but no substantive support from President Bush.

Democrats share Secretary Kemp's dream that, someday, more low income Americans will own their own homes, and that none should have to live in squalid housing projects. But,

with the squeeze on the middle and upper reaches of the housing market, we also realize that the private sector remains unprepared to provide adequate housing on a sufficient scale. Long after the Administration turns over the keys to the last public housing apartment, a long line of families awaiting affordable housing will remain.

Democrats have learned from government's mistakes. In many cities, the large public housing projects built from the 1930's through the 1950's have become high-rise, crime-infested warehouses for the poor. Democrats are not interested in building housing projects, but rather in helping people found new neighborhoods.

On a broader scale, the Low Income Housing Tax Credit should be made permanent. By providing tax credits for investors to build low income housing, the LIHTC has added about 120,000 units per year to the subsidized housing inventory. This program could increase the stock of rental housing that low-income people can afford by as much as 25 percent by the year 2000.

Finally, the efforts of secondary mortgage market agencies to serve low income families should be supported. Between 20 and 25 percent of the newly originated single-family loans Fannie Mae and Freddie Mac buy or secure each year are made to families with incomes under the median income in the communities where they live. To ensure that Fannie Mae and Freddie Mac will continue to increase their service to very-low and low-income families, the House of Representatives, under Democratic leadership, in 1990 passed the Government-Sponsored Housing Enterprises Financial Safety and Soundness Act of 1991.

## Rural America: The Quiet Crisis

Significant portions of the rural housing stock — home for as many as two million people — are substandard or in poor condition, often without plumbing or sufficient heat. Indeed, a recent study discovered as many as 20,000 home-



## BUILDING NEW NEIGHBORHOODS

*Instead of more public housing "projects," Democrats want to build new communities of affordable housing, serving working people of moderate incomes, as well as the poorest of the poor. The presence of people with jobs and stable families will provide positive role models for children and help them avoid the isolation of households without wage-earners. We must not allow environments where the adults who seem most successful are often drug dealers or gang leaders.*

*This concept of communities including, but not restricted to, subsidized low-rent housing, is embodied in the Mixed Income New Communities Strategy (MINCS), created by Congressional Democrats as part of the 1990 Omnibus Housing Authorization Act. Under this plan, federal housing authorities assist local governments and private developers in arranging land write-downs, tax abatements, low-interest financing, and low-income housing tax credits for the construction of new mixed-income developments. A quarter of the units in these developments will be set aside for low-income tenants, with the remainder renting at market rates.*

*These communities will encourage — indeed demand — responsible behavior. Unlike the public housing "projects" of the past, these new communities will not expel tenants automatically when they move ahead in their jobs and their incomes rise above an arbitrary limit. For low income tenants, rents will be set at a specified portion of their income. The difference between their increased earnings and the original rent will be applied to a special savings account, which they can draw upon later for a down payment on a home or to cover the costs of education.*

*Very low income residents of these private developments will participate in remedial education, job training, and family counseling. Tenants will be required to remain actively involved in the job market, and their children will be required to stay in school. All tenants must remain crime and drug-free. Tenants can retain their rent subsidies in these developments for no longer than seven years to encourage the transition to home ownership or non-subsidized rental housing.*

start school ready to learn. Grade schools and high schools must have the guidance and resources to meet 21st Century needs. And we must not squander the skills of those who do not go on to four-year colleges. Federal education programs must be expanded and improved to reflect a new commitment to training the workforce of the future.

Just like education and job training, research and development is an essential element of economic strength. Largely because of Republican shortsightedness and neglect, for the past dozen years, America's civilian research and development has started to lag behind our most sophisticated economic rivals, particularly Germany and Japan.

During the Cold War era, the Pentagon's research arm, the Defense Advanced Research Projects Agency (DARPA), provided federal support for technological research and development with civilian as well as military applications. Now, in the post Cold War era, Democrats support a civilian DARPA, to support the research and development that will help America win the economic competition of the future, just as we won the military and political battles of the past.

Cutting our national debt and investing in our economic future provides the foundation of prudent trade policy. And Democrats propose more. America should insist on a level playing field in world trade. The United States must use its economic prowess and leadership potential to develop new common rules of trade that will improve upon the current system.

Democrats propose an International Economic Council to coordinate all activities and policies of the myriad government agencies that affect our economic potential, from our Trade Representative to the Commerce Department. This Council will support export financing and will aggressively promote the interests of American industry in the global economy.



Our economic problems were not created overnight, and they cannot be easily solved. There are, however, strong and immediate steps that we can take to restore long-term growth and prosperity to the American economy. We must target those areas of the economy where the American people will benefit most: tax equity, deficit reduction, and public investment in a program that prepares us to move quickly on new ideas and new technologies.

Our program does not pander to the few. It promises to restore hope, in the form of decent jobs and sustained economic growth, to the working families who made this country a model for the world. America will not fear change, but will lead change to seize a competitive advantage in the new world marketplace.

## MAKING TOUGH CHOICES

Three among dozens of examples where Democrats fought for sound priorities in this Congress:

- *The House Democratic Budget reduces the deficit by \$6.9 billion below the President's.*
- *4 million additional children (over the President's Budget) will be immunized by the House Democratic Budget.*
- *The President proposed a 20 percent funding cut for mass transit. Democrats approved a \$61 million increase.*





ments on these second mortgages and bringing the cost of the first mortgage within reach of many more Americans.

Finally, programs that have been successful should be nurtured and protected. FHA financing has helped moderate-income families buy median-priced homes — an average of two million a year. But, after twelve years of Republican mismanagement, the number of potential homeowners applying to FHA has declined by 35 percent, and the number of households who get mortgage insurance has dropped by 25 percent.

It is time to change direction. Democrats built FHA; Democrats successfully managed FHA; and Democrats will reinvigorate FHA. One way to make FHA work better is to build a counseling and home inspection service which would improve access to the program and reduce defaults.

America is a nation of homeowners: we are in charge of our economic future when our families are secured in safe, affordable housing. Democrats know that the federal government can play a crucial role in meeting that goal. But Democrats also want to enlist every sector of community in this effort: homebuilders, lending institutions, private investors, unions, religious institutions, and civic, community, and charitable organizations of all kinds. Many of these groups have helped develop and fund innovative programs to promote homeownership. Democrats will build on these efforts.

### **Low-Income Housing: Left Out in the Cold**

The current crisis hurts low-income people most.



### **MAKING IT WORK**

STATEMENT OF JONATHAN HOWES, MAYOR OF CHAPEL HILL, NC, IN TESTIMONY BEFORE THE HOUSE BANKING SUBCMTE ON HOUSING AND COMMUNITY DEVELOPMENT, DESCRIBING THE COOPERATIVE HOUSING VENTURE "TANDLER PROJECT:"

*"We have used town-owned land and (federal) Community Development Block Grant funds to prepare the land, and then worked with a private developer to build and market single-family homes. Thirty families with incomes between \$17,000 and \$25,000 a year now live in these houses which were built as a result of this public/private partnership."*

*One of the reasons these families were able to purchase homes is because of the second mortgage which was made available by the town through its housing loan trust fund."*

*"We have now shown how this can be done, but 30 homes is a drop in the bucket. Clearly, first-time homebuyers need assistance if they are to be able to move into home ownership."*