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New Report Exposes Multi-Billion Dollar Handout for Corporate Homebuilders Who Helped Cause the Housing Crash and Mortgage Crisis

Under the Foreclosure Prevention Act, Taxpayers Will Pay as Much as \$33 Billion to Reward Those at Fault

Washington, D.C. (March 31, 2008) – Corporate homebuilders – including those responsible for the mortgage and housing crisis – would receive billions of dollars in tax breaks under a provision of the Foreclosure Prevention Act currently pending in Congress, according to a report released today.

The report, *A Multi-Billion Dollar Bailout for Those at Fault: Corporate Homebuilders, the Housing Crash and the Mortgage Crisis*, was released by LIUNA – the Laborers’ International Union of North America – which represents workers in the construction industry. Hundreds of thousands of construction workers have lost their jobs due to the housing and mortgage crisis, including 232,000 jobs lost in 2007 alone.

The Foreclosure Prevention Act is being held up as a way to help struggling homeowners, and LIUNA supports many provisions of the bill. But under the bill’s little publicized “carry-back” provision builders would get billions in tax breaks. The carry-back provision would allow homebuilders to apply losses from 2006 and 2007 as far back as five years against taxes paid on profits – a three-year extension of the current carry-back allowance – even though much of the builders’ profit came from their own subprime lending and speculative over-heating of the market.

According to the report, the 15 largest corporate homebuilders would receive a third of the benefit of the carry-back provision. The report notes that the largest homebuilders made \$16 billion in profits on \$100 billion in revenues in 2006, much of it from a dramatic increase in subprime and high-risk lending, and from feeding speculators.

The report also shows that the carry-back provision could further decimate the housing market by providing an incentive for builders to dump existing inventory at any price, knowing they could carry back the loss.

“This bill will force American taxpayers who are already struggling with foreclosure, job loss and shrinking retirement savings to pay again for homebuilders’ reckless and unethical behavior,” LIUNA General President Terence M. O’Sullivan said. “Corporate homebuilders are tone deaf to even ask for it and Congress should not acquiesce to it. This bill needs to be fixed so it does not cause further damage by rewarding those who helped cause the crisis and who can well fend for themselves.”

(more)

The report outlines how corporate homebuilders steered more and more of their customers to subprime and high-cost mortgages through their own mortgage subsidiaries as the housing bubble grew.

For example, subprime loans through the nation's fifth-largest builder, Los Angeles-based KB Home, increased 405 percent from 2005 to 2006. At the nation's second-largest builder, Miami-based Lennar, subprime loans increased 158 percent during the same time period.

As the builders pushed more risky mortgages, they also fed the housing bubble with record housing starts absorbed by speculators. In major markets such as Phoenix, Las Vegas and Fort Lauderdale, one in six new homes was sold to investors, artificially inflating housing costs.

"Corporate homebuilders profited from the creation of this crisis," O'Sullivan said. "They should not be further rewarded with a multi-billion dollar bailout."

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The half-million members of LIUNA – the Laborers' International Union of North America – are on the forefront of the construction industry, a powerhouse of 10 million workers who produce 5 percent of the U.S. economic output.

*For copies of **A Multi-Billion Bailout for Those at Fault: Corporate Homebuilders, the Housing Crash and the Mortgage Crisis**, and a state-by-state look at the mortgage and housing crisis impact on jobs and foreclosures, email communications@liuna.org or call 202-942-2285.*