



Key Points

- *The design and construction sector will likely remain anemic for the rest of 2010, particularly because credit is not available for sound construction projects.*
- *According to George Mason University, every \$1 million invested in design and construction projects creates 28.5 jobs.*
- *The TALF program has shown success and should not be terminated while it is still serving its purpose.*
- *Statutory language formalizing the use of Covered Bonds will provide lenders another tool to finance construction and aid in economic recovery.*
- *These steps will encourage lending that could save or create thousands of jobs in design and construction.*

Make Credit Available for Commercial Building Projects

AIA Position

The American Institute of Architects (AIA) supports policies that will ensure credit is available for commercial development projects that create jobs and rebuild our communities.

Action Sought

The AIA calls on Congress to help restore liquidity to credit markets by extending the deadline for the Term Asset-Backed Securities Loan Facility (TALF) through the end of 2011 and to pass the Equal Treatment for Covered Bonds Act (H.R. 2896).

Explanation and Justification

The design and construction industry, which accounts for one in nine dollars of U.S. GDP, is experiencing significant hardship and job loss. The AIA Architecture Billings Index, a leading indicator of design and construction activity, continues to forecast limited construction starts for the next six to twelve months. Millions of dollars of construction is ready to go in every community across the country, but cannot because lending is not available. Restoring and sustaining liquidity for development is vital to achieving a strong economic recovery.

Although there is no silver bullet to restore this market to health, Congress can take steps to improve the situation:

- The Term Asset-Backed Securities Loan Facility (TALF) continues to demonstrate usefulness in the marketplace. TALF encompasses two programs, one for TALF-eligible Asset Backed Securities, and a second specifically for Commercial Mortgage Backed Securities which are set to expire March 30, and June 30, 2010, respectively. TALF increases credit availability at relatively normal interest rates. Without it, the lending market has not been capable of ensuring liquidity; this is especially important as unemployment remains high. Congress should extend TALF beyond its June 30 expiration date through 2011 to ensure it can sustain a recovery.
- Covered bonds are a type of highly liquid debt instrument that is secured by quality assets, such as mortgages, which remain on a bank's account sheet. Covered bonds are not a new tool, but have been successfully employed in a number of European economies for centuries. Bipartisan legislation (H.R. 2896), introduced by Reps. Scott Garrett (R-NJ) and Paul Kanjorski (D-PA), will provide predictability to this type of asset and create a sound financing alternative to mortgage backed securities. This will serve the dual purpose of aiding the recovery process in the short term and providing a more stable financial landscape to sustain growth in the long term.