



Virginia  
Low-Income Housing Tax Credits Forum  
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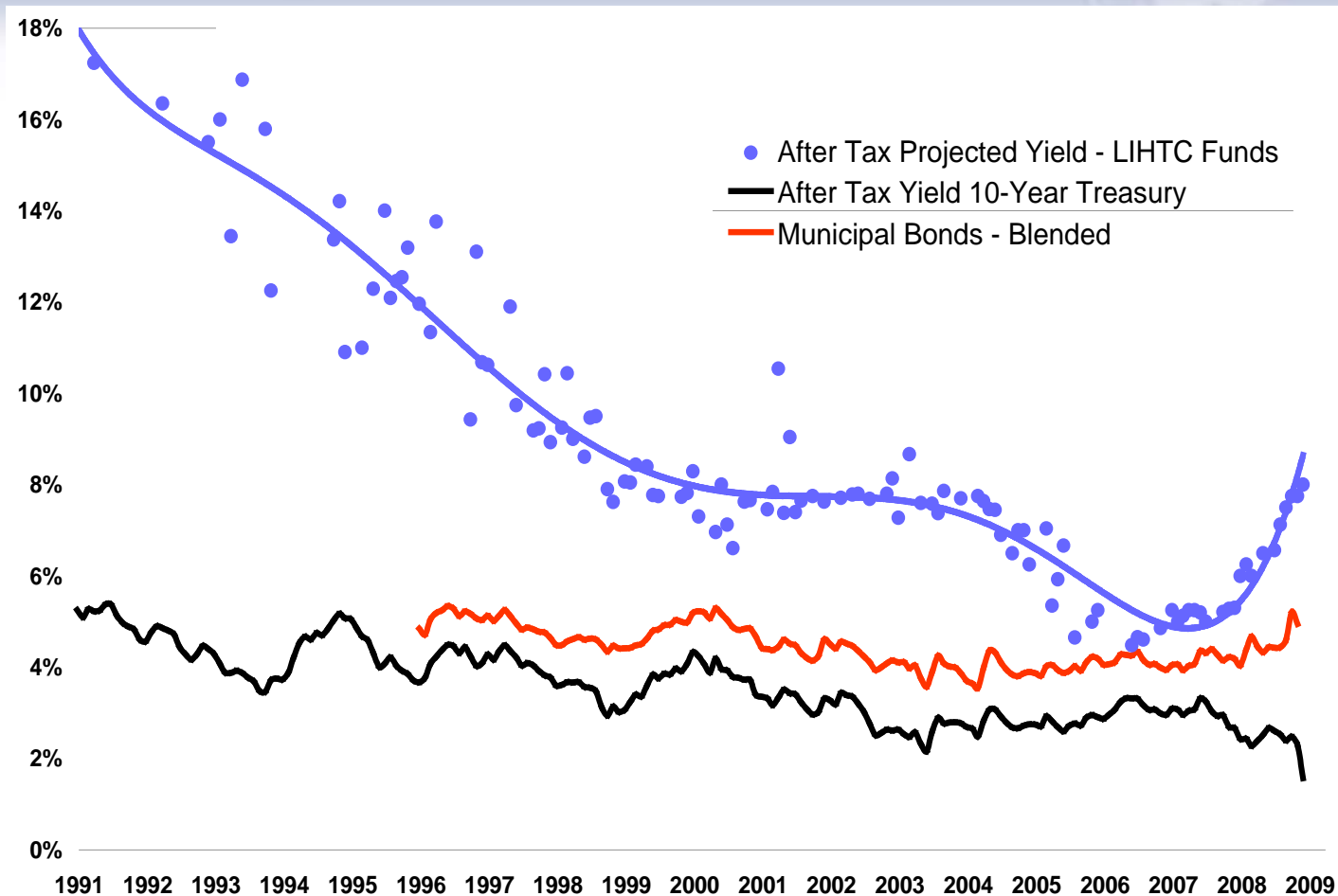
# Topics To Be Covered



- What are current market conditions and yields?
- How have these investments performed?
- What has happened on the legislative front?
- What are the regulatory considerations
- How does an investor become involved with housing tax credits?



# After-Tax Yield Trends: Tax Credits, 10-Year Treasuries, Muni Bonds



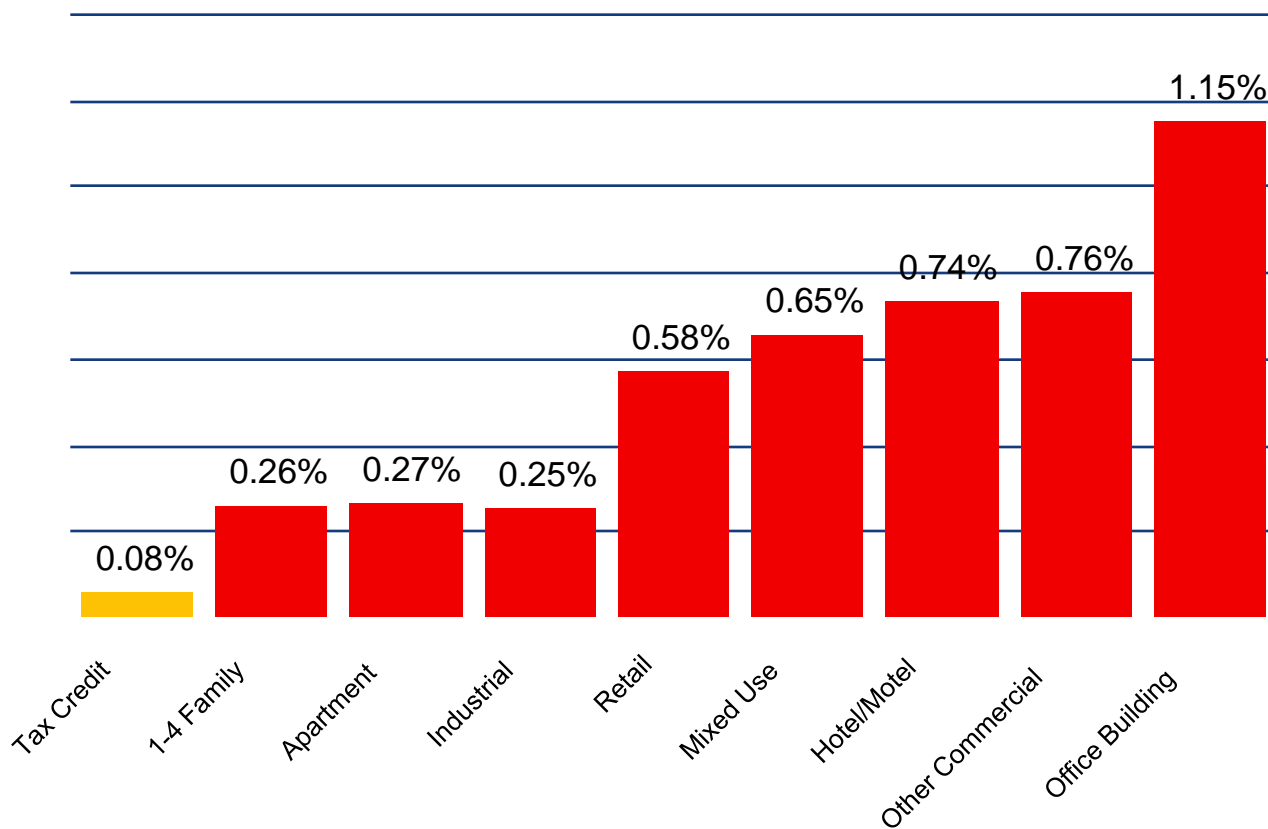
Tax credits plotted by month where one or more multi-investor funds reported. Treasury and municipal bond data monthly.



# Industry Performance



Average Annual Foreclosure Rate by Asset Class: 1993 - 2006



Source: ACLI Mortgage Loan Portfolio Profile, 1993-2006 Except Tax Credit Data



# Legislative Changes



- **Housing and Economic Recovery Act of 2008, H.R. 3221**
- Signed into law July 30, 2008 and contains many provisions to improve the housing tax credit program:
  - Allows use of housing tax credit against the (AMT) to help broaden the base of investors (for buildings placed in service after 12/31/07)
  - Eliminates recapture bond requirements to help increase the liquidity of investments by reducing the cost and administrative burden of reselling
  - Temporarily increases amount of credits available (2008-09)



# Legislative Changes (con't)



- **American Recovery and Reinvestment Act of 2009**
- Signed into law February 17, 2009
  - Tax Credit Exchange Program (TCEP) administered by Treasury provides grants to states in lieu of non-used (returned) credits at a price of 85 cents/dollar x 10 years.
  - Tax Credit Assistance Program (TCAP) provides an additional \$2.25 billion in Home Investment Partnership Program funds from HUD to fill in the financing gaps in LIHTC transactions.



# Regulatory Considerations: CRA



- Affordable housing is a fundamental element under CRA
- LIHTCs are qualified investments under CRA
- No distinction between direct or indirect investments
- Investment in a LIHTC state or regional fund:
  - ◆ Receives positive CRA consideration, provided it benefits:
    - ◆ The bank's assessment area
    - OR
    - ◆ The broader statewide or regional area that includes the bank's assessment area



# State and Regional LIHTC Funds

## When and How Much CRA Credit?



- Prior period investments that are still outstanding
- Current period investments
- Dollar amount of investment in any legally binding commitments recorded by the institution according to GAAP.
- Qualitative factors are considered for weighting based on addressing assessment area community development needs
- For large banks – innovative, complex or responsive
- For intermediate small banks - responsiveness



# Investment Documentation for CRA Consideration



- No distinction between direct or indirect investments
- Institutions assessment area(s) need not receive an immediate or direct benefit, provided that the purpose, mandate, or function of the activities include servicing geographies or individuals located within the institution's assessment area
- Any information that demonstrates purpose, mandate or function of a fund
- Fund prospectus/subscription documents
- Side or earmark letters, best efforts letters, pro-rata share



# Regulatory Considerations: Part 24



- National banks can make investments to promote the public welfare
- Affordable housing promotes the public welfare
- Investment authority is under 12 USC 24 (Eleventh) and 12 CFR Part 24
- Part 24 authority limits were recently raised to 15 percent of a bank's unimpaired capital and surplus
- Banks make investments through a filing process with the OCC (See [www.occ.gov/cdd/pt24toppage.htm](http://www.occ.gov/cdd/pt24toppage.htm))



# How To Get Involved



- Communicate with peer banks about their experiences in the tax credit program
- Communicate with OCC District Community Affairs Officers  
<http://www.occ.treas.gov/cdd/commfoc.htm>
- Communicate with your state bankers association
- Industry Web sites
  - ◆ <http://www.naslef.org>
  - ◆ <http://www.ncsha.org>
  - ◆ <http://www.ahic.org>



# Community Affairs Field Locations



## Central

Paul Ginger (Chicago)  
(312) 860-8876

Norma Polanco-Boyd (Cleveland)  
(216) 447-8866

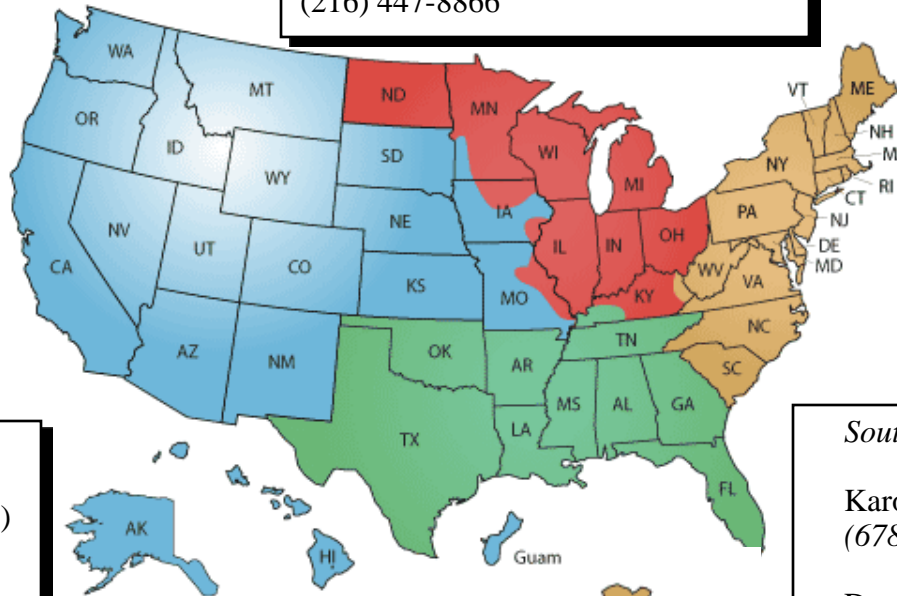
## Northeastern

Bonita Irving (Boston)  
(617) 854-6547

Denise Kirk-Murray (New York)  
(212) 790-4053

Vonda Eanes (Charlotte)  
(704) 554-7082

- Central District
- Northeastern District
- Southern District
- Western District



## Western

Susan Howard (Glendale, CA)  
(818) 240-5175

Dave Miller (Denver)  
(720) 475-7670

## Southern

Karol Klim (Atlanta)  
(678) 731-9723 x252

David Lewis (Dallas)  
(214) 720-7027

Scarlett Duplechain (New Orleans)  
(504) 828-6555



# Other Resources



## Office of the Comptroller of the Currency

- *Community Developments Insights*  
“Low-Income Housing Tax Credits: Affordable Housing Investment Opportunities for Banks”  
<http://www.occ.treas.gov/ftp/release/2008-10a.pdf>
- *Community Developments Investments E-zine*  
“Investing in Low-Income Housing Tax Credits: A Sound Opportunity for Community Banks”  
<http://www.occ.treas.gov/cdd/Spring06>
- *Low-Income Housing Tax Credits Fact Sheet*  
[http://www.occ.treas.gov/cdd/fact\\_sheet\\_LIHTC.pdf](http://www.occ.treas.gov/cdd/fact_sheet_LIHTC.pdf)
- Part 24 Community Development Investments  
<http://www.occ.gov/cdd/pt24toppage.htm#OCCsPt24Resources>



# Questions

