



# Low-Income Housing Tax Credits Simplified

## Phoenix - July 19, 2011

## Salt Lake City – July 20, 2011

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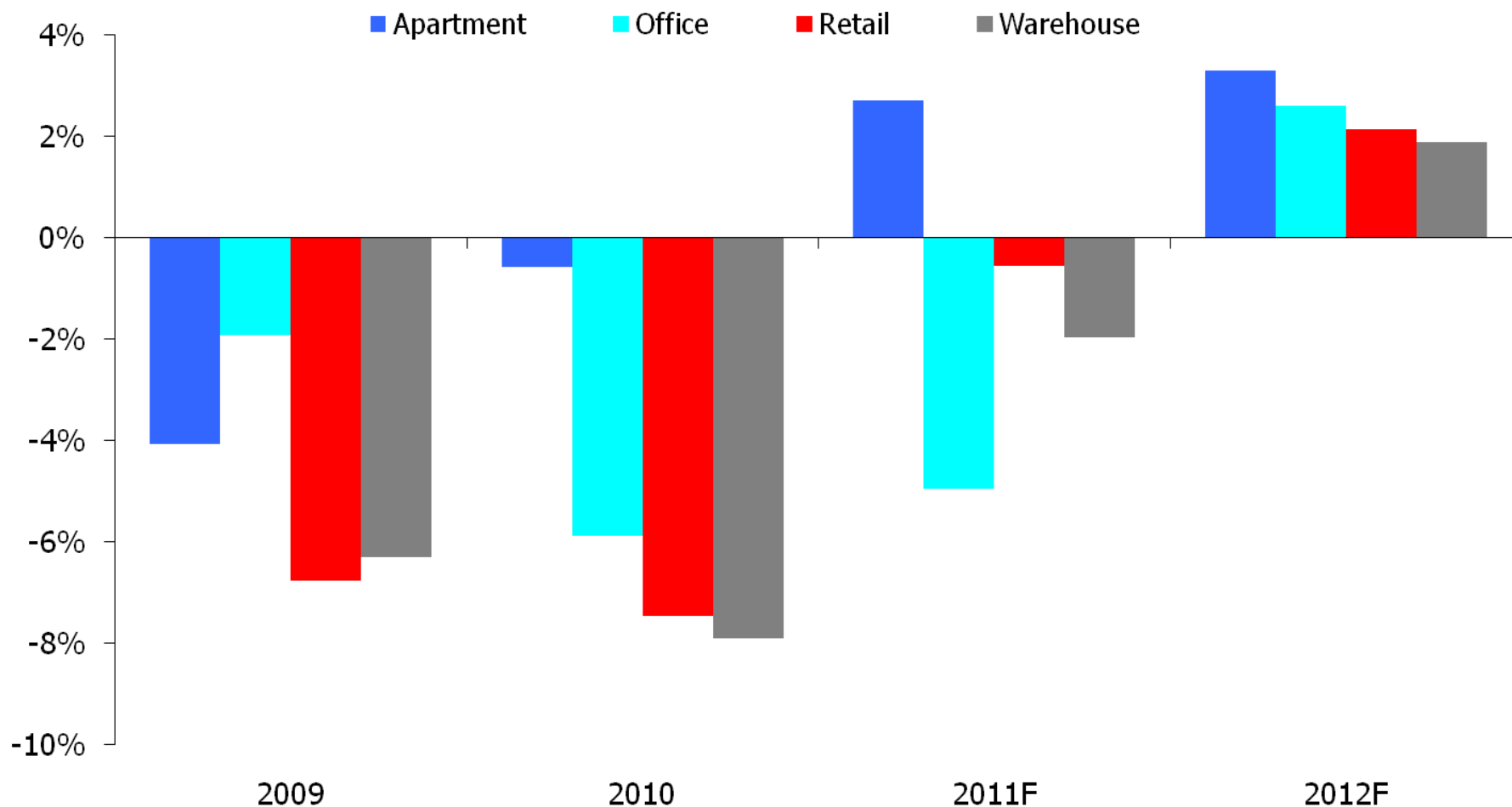
## Topics To Be Covered

- 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?



## Net operating income (NOI) will recover slowly

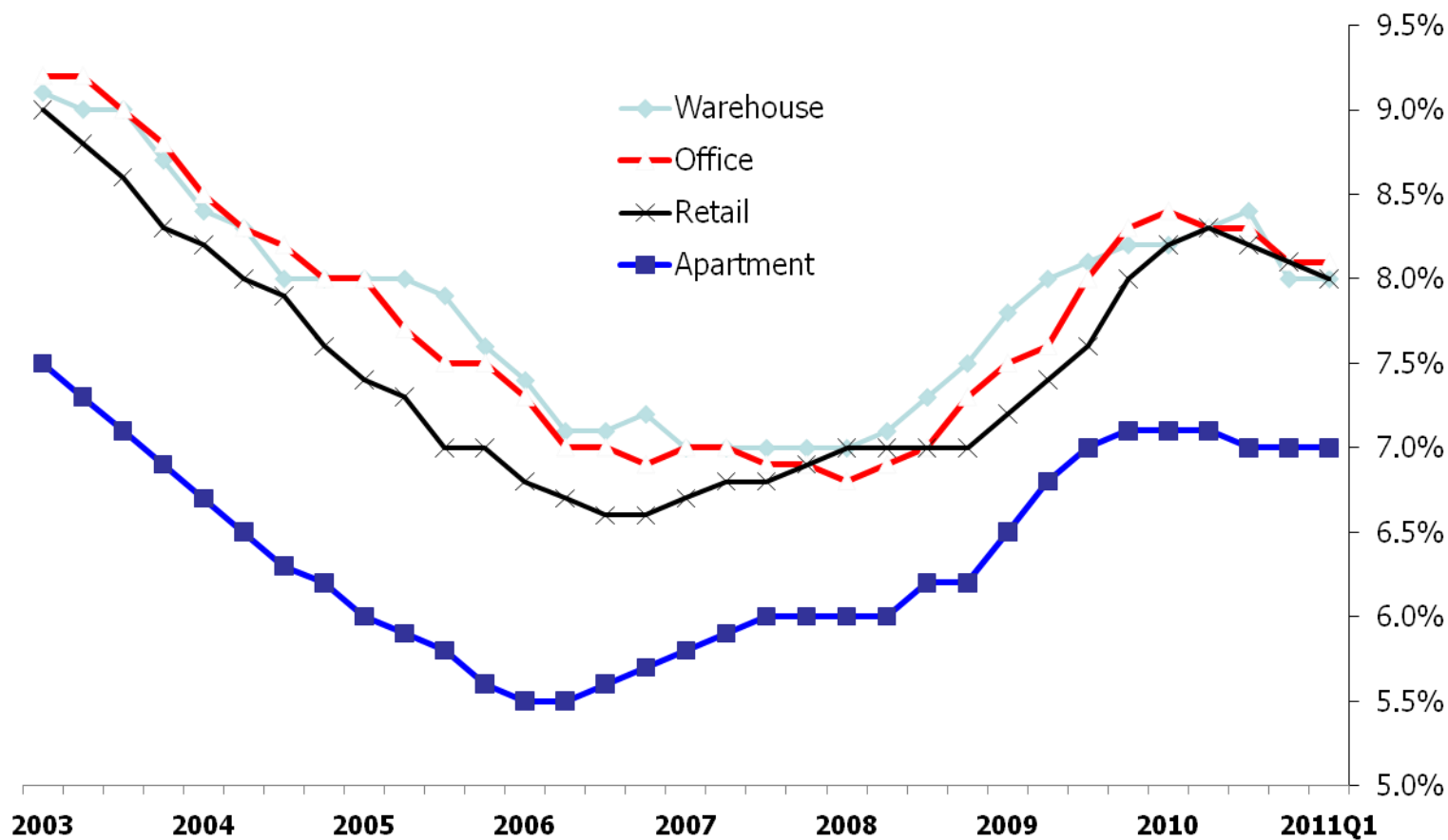
Annual NOI growth



Source: Property & Portfolio Research; 2011Q1 forecast



## Cap rates flat or down slightly across property types

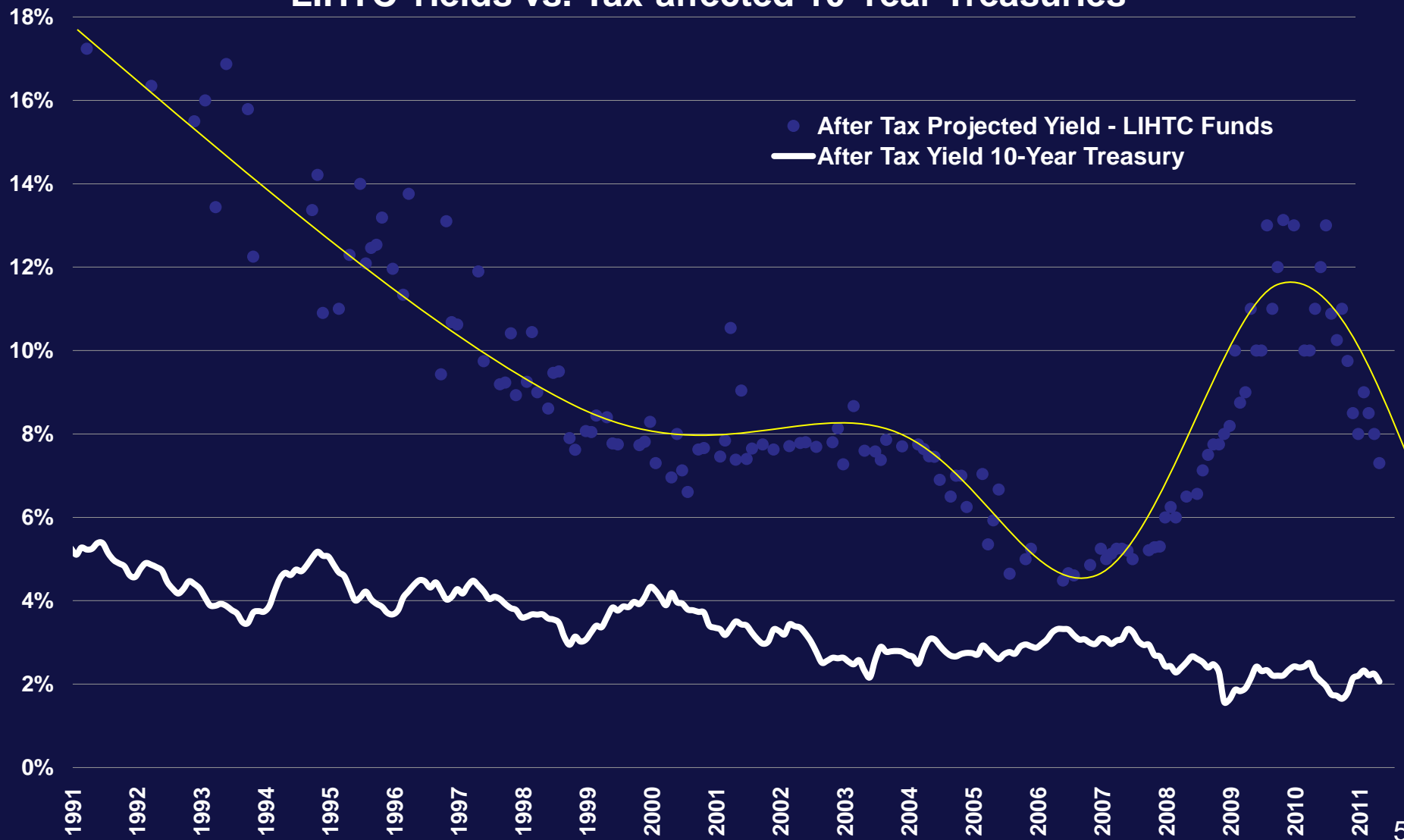


Source: Real Capital Analytics; through March 2011; transaction-based



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

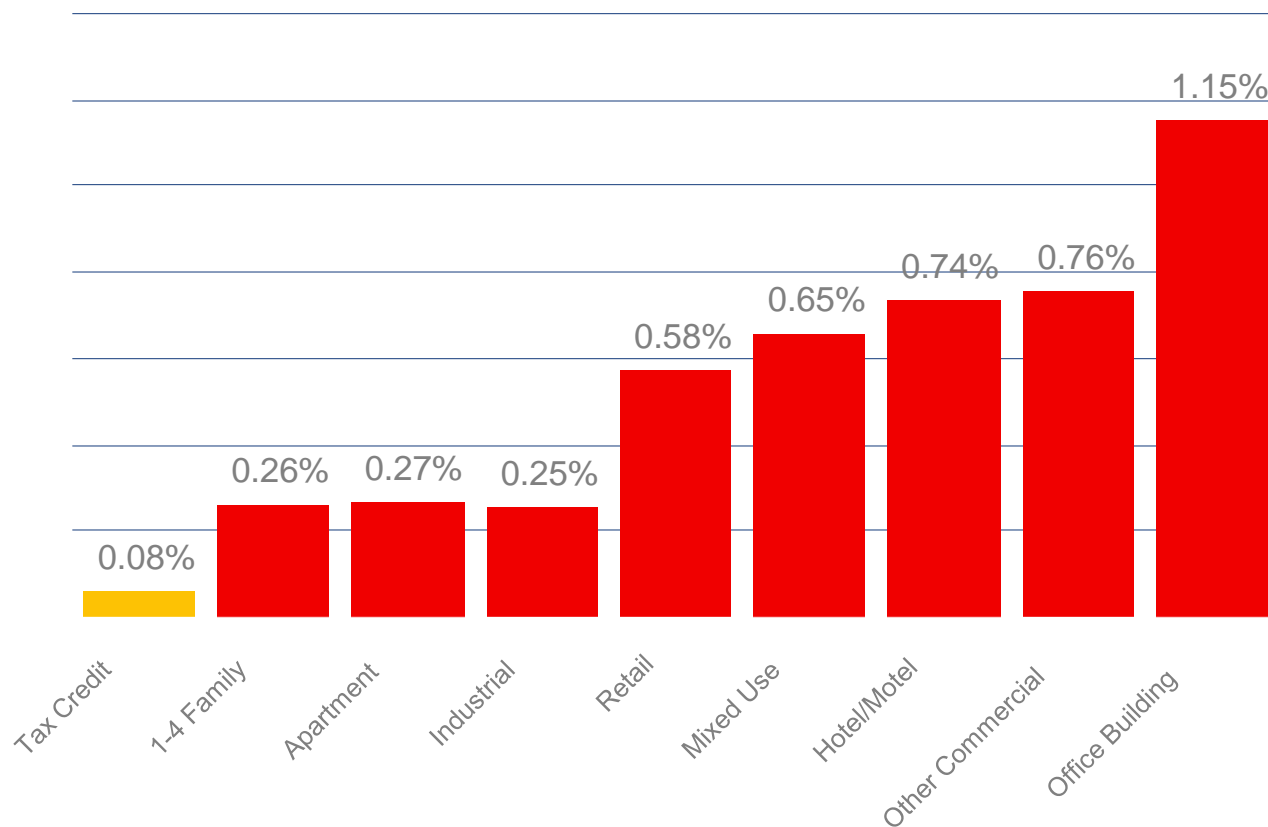
## LIHTC Yields vs. Tax-affected 10-Year Treasuries





# Industry Performance

Average Annual Foreclosure Rate by Asset Class: 1993 - 2006



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



## **Housing and Economic Recovery Act of 2008**

- 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)

## **American Recovery and Reinvestment Act of 2009**

- Tax Credit Assistance Program (TCAP)
- Tax Credit Exchange Program (Exchange Program)



# Regulatory Considerations: CRA LIHTC as CRA Qualified Investments

- Affordable housing is in the definition of “Community Development” in the CRA regulation
- The “Primary Purpose” of an LIHTC project is to provide affordable housing
- No distinction between direct or indirect investments
- Therefore, LIHTC are qualified investments under CRA ... provided you meet the geographic requirements of the regulation





# Regulatory Considerations: CRA Geographic Requirements

- Qualified Investments must benefit:

- Your bank's assessment area

OR

- A broader statewide or regional area that includes your bank's assessment area



# Regulatory Considerations: CRA Geographic Requirements – 2 More Steps

- (1) A bank's assessment area(s) need not receive an immediate or direct benefit, provided that the purpose, mandate, or function of the organization or activity includes serving geographies or individuals located within the bank's assessment area.
- (2) Satisfactory CD performance in your assessment area may permit consideration of an investment somewhere in the state or in a broader regional area other than in your 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 and intermediate small banks - responsiveness



# Investment Documentation for CRA Consideration

- 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: Public Welfare Investment Authority

- National banks may make investments that promote the public welfare
- Affordable housing promotes the public welfare
- Investment authority is in 12 USC 24 (Eleventh) and 12 CFR Part 24
- PWI limits are 15% of a bank's capital and surplus
- PWI to the OCC (see [www.occ.gov](http://www.occ.gov))

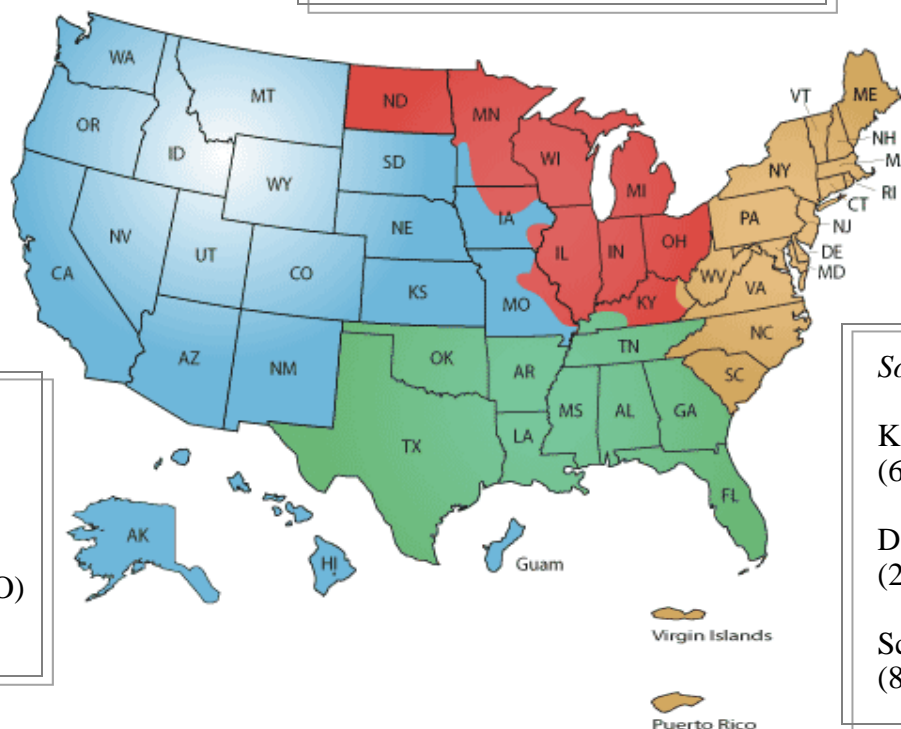


- Communicate with peer banks about their experiences in the tax credit program
- Communicate with OCC District Community Affairs Officers  
<http://www.occ.treas.gov/cdd/commfoc.htm>
- Communicate with your state bankers association
- Industry Web sites
  - <http://www.naslef.org>
  - <http://www.ncsha.org>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



# OCC Community Affairs Field Locations

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



## *Central*

Paul Ginger (Chicago, IL)  
(312) 360-8876

Norma Polanco-Boyd (Cleveland, OH)  
(216) 274-1247 x274

## *Northeastern*

Bonita Irving (Boston, MA)  
(617) 482-1643

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

Vonda Eanes (Charlotte, NC)  
(704) 350-8377

## *Southern*

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

David Lewis (Dallas, TX)  
(214) 720-7027

Scarlett Duplechain (Houston, TX)  
(832) 325-6952

## *Western*

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

Michael Martinez (Denver, CO)  
(720) 475-7670



## 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

