NMTC Monthly Report

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Calculating the Value of the New Markets Tax Credit

By Scott A. Lindquist, Sonnenschein Nath & Rosenthal, and Robert J. Wasserman, U.S. Bank Community Development Corporation

One of the most common uses of new markets tax credits (NMTCs) is to provide loans for construction or renovation of real estate projects. In keeping with the objectives of the NMTC program, the structure of these loans is often designed to transfer a substantial portion of the subsidy created by the tax credits to qualified active low-income community businesses (QALICBs).

There are a number of ways this can be accomplished, but this article will focus on the common structure in which a community development entity (CDE) makes two loans — a senior loan that provides most of the economic return on the investment in the CDE (Loan A), and a subordinate loan that corresponds to the portion of the CDE investment whose return on investment is primarily via the receipt of the NMTCs (Loan B).

Typically, Loan A will mimic a market rate loan as to interest rate, loan-to-value and funding parameters. Loan B typically will be subordinate debt that bears a very low rate of interest (*e.g.*, 1 percent), has a long maturity (*e.g.*, 40 years) and represents the "mezzanine" or higher-risk capital in the project. In this kind of structure, at least Loan B (and often both loans) will be interest-only throughout its term.

This approach is used widely because it fits well within the NMTC program, and within a leveraged investment structure in particular (with Loan A effectively providing the source of payment of the leverage loan and Loan B providing only the supplemental cash flow needed for the expenses of the CDE and the fund). But as CDEs and QALICBs structure these transactions, they should fully understand the value they create for the QALICB. In the face of the complexity of the documentation and often high transaction costs, it is important that both the benefits and the costs be assessed accurately.

Assume a transaction in which:

- a CDE receives a single $10 million qualified equity investment (QEI) from an investment fund that becomes the 99.99 percent member of the CDE;
- the fund borrows $7 million under a leverage loan (the fund loan) at 8 percent *per annum* and obtains the remaining $3 million from a tax credit investor that the fund uses to make a $10 million QEI in the CDE and acquire a 99.99 percent membership interest in the CDE;
- the CDE uses the QEI to pay $600,000 in transaction costs and fees and to make a Loan A to the QALICB of $7 million (mirroring the fund loan) as a first mortgage loan, with an interest rate of 8 percent *per annum*, and a Loan B to the QALICB of $2.4 million as a subordinate mortgage loan with an interest rate of 1 percent *per annum* (with both loans being interest-only until maturity);
- the tax credit investor is given a right to "put" its membership interest in the fund to the QALICB (or to a designee of the QALICB) at the end of the compliance period for $50,000.

Under this structure, the tax credit investor will receive its desired yield mainly from the tax benefits (approximately $3.9 million in tax credits, along with some losses resulting from the amortization of the fees paid by the CDE and interest expense of the fund loan). Typically, the investor will not receive any significant cash distributions.

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Once the compliance period ends, given the small amount of residual payments available to the tax credit investor (after the required payments on the fund loan), the parties to these transactions typically assume that the investor will be willing to exercise its "put" at that time. In the transaction outlined above, when the QALICB (or its designee) acquires the tax credit investor's interest, it ends up owning essentially all of the CDE's right to receive $2.4 million in exchange for a payment of only $50,000 (the put price), creating a benefit to the QALICB of about $2.35 million in gross dollar terms.

One effect of this transfer, however, can be to produce an income tax liability for the QALICB (or its members or partners). This is because the regulations under Section 108 of the Internal Revenue Code (IRC) require that when a borrower or a "related" party acquires, directly or indirectly, indebtedness of that borrower at a discounted amount, a portion of that indebtedness — generally equal to the amount of the discount — is deemed canceled. Treas. Reg §1.108-2. This deemed cancellation of debt constitutes income to the QALICB (COD income).

Whether a party is related for this purpose is based on the tests in IRC sections 267(b) and 707(b)(1), under which parties are deemed related if there is more than a 50 percent commonality of ownership (based on either capital or profits). Where the QALICB or a related party purchases the tax credit investor's interest, this may be treated as an "indirect" acquisition of the debt of the QALICB under the regulations, and if it is, COD income would be created. In the above example, there would be a deemed cancellation of $2.35 million of debt, generating an income tax liability of approximately $822,500, which offsets part of the benefit described above.

Under some circumstances, it may be possible to defer the timing of this income. Under IRC Section 108, an election can be made to take a basis reduction in assets of the taxpayer, in lieu of recognizing COD income. However, this relief is available only to the extent that there is "qualified acquisition indebtedness" secured by property that exceeds its fair market value, or where the taxpayer is otherwise insolvent or the discharge occurs in bankruptcy. Moreover, under IRC Section 108(d)(6), where the QALICB is a partnership for tax purposes, these conditions would be applied at the partner level. In a case where this election is available, the reduction in basis may still cause gain to be realized on a disposition of the property, but it would defer the tax liability to a point in time at which there may be cash to pay that liability.

Absent the availability of the election under IRC Section 108, the QALICB might arrange for a party not related to the QALICB to purchase the tax credit investor's interest, with a view to having Loan B remain out-

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NMTC REPORT INFORMATION

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standing, at least until the QALICB sells the property. Still, to the extent Loan B is ultimately repaid, the party that purchases the debt would then have a gain to the extent that the amount it receives exceeds what it paid to acquire Loan B. And to the extent the indebtedness under Loan B is eventually cancelled (such as when the property is sold), this would result in COD income to the QALICB. Thus, when valuing the benefits of the transaction to the QALICB, there will be an eventual tax liability that needs to be taken into account.

But there is a further element of value to Loan B that should not be overlooked. The additional capital of Loan B generally represents "mezzanine" debt, *i.e.*, the investment layer in excess of what a first mortgage lender would be prepared to lend on market terms. Loan B represents the riskiest piece in the capital structure and, as high loan-to-value debt, bears a cost of capital that typically is quite high. Absent the availability of NMTCs, the QALICB might expect to pay anywhere from 14 percent to 20 percent *per annum* from market rate sources (and even higher for traditional equity, given the equity investor's preferred return and percentage share of refinancing and sale proceeds).

The tax credits enable the QALICB to borrow this same money for around 1 percent *per annum*. In the above example, an interest savings of 13 percent *per annum* on $2.4 million over seven years would result in a total reduction in interest costs of $2,184,000 over seven years on a nominal basis. At a 19 percent *per annum* interest savings that total increases to $3,192,000 on a nominal basis. And, since this is interest that was never charged and that never had to be paid, this benefit doesn't create an offsetting tax liability.

Of course, the above benefits may be smaller on an after-tax basis because the QALICB's partners will not be deducting the higher interest costs associated with a market rate mezzanine loan. However, the amount of the reduction in benefit will depend on the partners' ability to use the additional deductions. Moreover, this will be academic where the QALICB simply couldn't qualify for or pay the debt service on a market rate mezzanine loan.

This serves to demonstrate the real power of the new markets tax credit. Not only does it provide a source of higher-risk capital that can eventually be turned into equity in the project, but it does so while enabling CDEs to charge only a tiny fraction of the rates that would otherwise be charged for that capital.

On a $10 million transaction, based on the assumptions described above, the total financial benefit that the QALICB can expect to realize would be somewhere between $3,711,500 and $4,719,500 (depending on

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what the market mezzanine loan rate would be), even *after* deducting the tax liability from the cancellation of debt under Loan B as described above (but ignoring other tax effects). When all of these benefits are taken into account, it seems that the NMTC may not be such a shallow subsidy after all.

Scott Lindquist is a partner in the Chicago office of Sonnenchein Nath & Rosenthal LLP. A substantial portion of his practice is devoted to representation of a wide variety of clients in the new markets tax credit area. Robert J. Wasserman is the vice president of historic and new markets tax credit investments for US Bancorp Community Development Corporation.

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Asset Backed Securities and Other Investment Funds

None of the organizations listed below is endorsed by the OCC. Nor are they the only providers of these services. They are simply the ones of which an OCC employee is aware as of the date this document was prepared. They are named here only for the convenience of bank examiners and financial institutions. The OCC expects that your institution will exercise due care and will conduct all reasonable and ordinary due diligence measures prior to making an investment in any of them, including an investigation as to whether the investment in question meets the community development definitions under CRA.

Community Reinvestment Fund (CRF)
Frank Altman, President
801 Nicollet Mall, Suite 1700 West
Minneapolis, MN 55402
612-338-3050 p
612-338-3236 f
http://www.crfusa.com/index.html
CRF is a nonprofit organization that purchases economic development loan portfolios from government agencies and nonprofit community development lenders. CRF bundles the loans and issues securities backed by them. Since 1989, CRF has purchased or funded more than $450MM in loans, issued $250MM in debt securities and placed $54MM of loans with institutional investors. CRF has purchased loans from more than 113 sellers in 25 states and the District of Columbia. CRF also provides loan servicing and portfolio management services to the same client base, and CRF offers training and technical assistance services to help organizations develop community development revolving loan funds.

Access Capital Strategies Investment Fund
Ronald A. Homer, CEO
Access Capital Strategies LLC
419 Boylston Street, Suite 501
Boston, MA 02116
Tel: 617-236-7274
Fax: 617-236-7251
info@accesscapitalfunds.com
http://www.accesscapitalfunds.com
Access Capital Strategies is a for-profit investment banking firm that invests in Agency/AAA quality community investments in the portions of the United States that are targeted by investors in the fund, which was 45 states as of December 31, 2005. New investors may designate additional regions in which the Fund will invest. The fund invests in securities backed by FHA loans and SBA loans, in securities issued by Fannie Mae and Freddie Mac and customized loan packages with credit enhancements and that may include affordable housing, commercial real estate and other loans. As of December 31, 2005, Access Capital Strategies net assets invested of $452.8 million.

Community Capital Management
2500 Weston Ro., Suite 101
Weston, FL 33331
Phone: 877-272-1977
info@ccmfixedincome.com
http://www.ccmfixedincome.com/
Community Capital Management administers the CRA Qualified Investment Fund, a for-profit mutual fund that aims to provide financial institutions with current income and investments that will be deemed to be qualified under the CRA. The fund's principal investment strategy is to invest in mortgage-related and other debt securities that will cause shares of the fund to be considered qualified investments under CRA so that financial institutions may receive investment test or similar credit under CRA for shares of the fund they hold.

Solomon Hess SBA Loan Fund
Solomon Hess Loan Fund, LLC
Gino Heilizer
1350 Beverly Road, Suite 207
McLean, VA 22101
703-356-3333
The Solomon Hess SBA Loan Fund purchases the federally guaranteed portion of SBA loans made to businesses located in the assessment area of banks investing in the fund. This fund was formed to provide liquidity to small business lenders and to meet the demand for CRA qualified investments. The Solomon Hess Loan Fund, LLC is certified by the Community Development Financial Institutions Fund of the U.S. Treasury Department as a Community Development Entity.

Sandler O'Neill + Partners, LP.
Christopher Memoli, Associate Director
919 Third Avenue, 6th Floor
New York, NY. 10022
212-466-7905
212-466-7911 fax
cmemoli@sandleroneill.com
www.sandleroneill.com
The CRA Group of the Sandler O'Neill Mortgage Finance Division arranges custom-made investments backed by a variety community development financial instruments, such as securities backed by single-family and multi-family loans, municipal securities, whole commercial loans, etc.

The Community Development Trust
1350 Broadway, Suite 700
New York, NY 10018
212-271-5080 phone

212-271-5079 fax
http://www.commdevtrust.com/
The Community Development Trust (CDT) is a for-profit real estate investment trust that specializes in affordable housing and community development. It was established by the Local Initiatives Support Corporation in 1999. CDT invests in mortgages and in real estate equity. CDT is open to new investors infrequently.

Calvert Social Investment Foundation
4550 Montgomery Avenue
Bethesda, MD 20814
1-800-248-0337
www.calvertgroup.com/foundation
Calvert Community Investments, a program of the nonprofit Calvert Social Investment Foundation, is a below-market investment program that invests in nonprofit organizations that finance small businesses and low-income housing and other community development projects. Investors purchase community investment notes of $1,000 or more for one, three or five year terms and may specify one of eight domestic regions in which their funds may be invested. Calvert places the proceeds of the notes as investments in community development financial organizations in the regions specified by investors. The OCC's Community Developments newsletter featured an article on this fund. View it here:
http://www.occ.treas.gov/cdd/eZine/summer05/index.html

National Community Investment Fund
Saurabh Narain, Chief Fund Advisor
2230 S. Michigan Avenue Suite 200
Chicago, IL 60616
Phone: 312-881-5851
snarain@ncif.org
http://www.ncif.org/
NCIF is an independent, for-profit trust created in late 1995 with investment capital of $15 million. NCIF invests equity and subordinated debt in community and minority-owned banks, savings institutions and holding companies focused on revitalizing underserved urban and rural communities. NCIF requires a minimum investment of $1 million.

National Development Council (NDC)
51 E. 42nd Street, Suite 300
New York, NY 10017
Ph: (212) 682-1106
Fax: (212) 573-6118
http://www.nationaldevelopmentcouncil.org/
NDC is a national nonprofit organization that provides training, consulting and development services to nonprofit organizations, government agencies and others involved in housing and economic development. NDC provides highly respected training in community development

finance, consulting services, turnkey development services and operates two capital funds in which banks can invest:

The Corporate Equity Fund, L.P. provides equity to low income housing tax credit and historic tax credit projects to create affordable housing. The Fund has raised more than $80 million from corporate investors and has invested in housing in every region of the country.

The Grow America Fund (GAF) is a Small Business Lending Company that is licensed to make SBA 7(a) loans. It is a wholly owned subsidiary of NDC. GAF operates as a community development bank in partnership with NDC's client communities. GAF is capitalized with equity contributed by NDC and by client communities. All contributed capital is earmarked for lending within the community contributing the capital. GAF also is a Community Development Financial Institution (CDFI) certified by the CDFI Fund of the U.S. Treasury Department. A community wanting to stimulate investments in small businesses, especially in targeted redevelopment areas, raises equity to capitalize GAF and identifies and sponsors loan applicants. GAF provides the staff to package, underwrite, approve, close and service loans. GAF receives a servicing fee taken out of loan-related revenues.

The CRA Fund of SBICs, L.P.
Lawrence Mondschein
130 West 57th Street – 15th Floor
New York, NY 10019
212-459-1762 phone
815-361-1011 fax
Email: lsm@crafunding.com
The CRA Fund of SBICs, L.P. (The Fund) is a for-profit limited partnership that invests in a portfolio of Small Business Investment Companies (SBIC) operating throughout the United States. The Fund sells limited partnership interests to banks. Staff of The Fund has stated to OCC staff that they will allocate an individual bank's investment to a geographic area that includes that bank's assessment area. The Fund is designed to combine a CRA qualified investment with a diversified portfolio. SBICs are private venture capital firms licensed and regulated by the U.S. Small Business Administration. They raise capital via SBA-guaranteed debentures and invest it as equity and subordinated debt in small businesses. SBICs typically operate in broad, multi-state or regional areas.

Mercy Loan Fund (MLF)
601 E. 18th Ave. Ste. 150
Denver, CO 80203
(303) 830-3386
Fax: (303) 830-3333
loanfund@mercyhousing.org
http://www.mercyhousing.org/serv_loan.aspx
MLF is a nonprofit organization that makes loans to nonprofit developers of affordable housing. MLF manages $17 million from 138 investors, including many religious orders, foundations,

corporations (including banks), the U.S. government, and individuals. Since its founding in 1983 MLF has made more than 320 loans totaling more than $96 million of financing. MLF has made loans in 22 states. Projects that MLF finances provide housing to low-income households, homeless people, farm workers, single-parent families, senior citizens, developmentally disabled, physically handicapped, chronically mentally ill, ex-offenders, people recovering from substance abuse, refugees, and people living with HIV/AIDS.

MLF is part of Mercy Housing System, a national nonprofit organization that develops, operates, and finances affordable, service enriched housing. Mercy Housing System seeks to change the lives of individuals and families and revitalizes distressed neighborhoods. More information on Mercy Housing System is available at http://www.mercyhousing.org/

National Federation of Community Development Credit Unions (NFCDCU) Capitalization Program

120 Wall Street, 10th Floor
New York, NY 10005
212-809-1850 phone
212-809-3274 fax
info@natfed.org
http://www.natfed.org/

NFCDCU is a national nonprofit association of credit union leaders whose mission is to help revitalize low-income communities by strengthening community development credit unions (CDCU). NFCDCU advocates for CDCUs and by provides them with financial and technical assistance. NFCDCU also provides capital to its members, via its Capitalization Program. The Capitalization Program has operated for 20 years. It makes 1) deposits in, 2) secondary capital investments in (equity-like loans to) and 3) grants to qualifying CDCUs.

Banks can target investments in local CDCUs by investing in the NFCDCU Capitalization Program. Investors in the program include banks, religious organizations and foundations (such as Ford, MacArthur, and the Presbyterian Church Foundation). NFCDCU manages approximately $25 million in the Capitalization Program and has investments outstanding in more than 110 different CDCUs.

NFCDCU also offers a Nominee Deposit Program, which places amounts exceeding $100,000 in insured accounts. An investor places, for example, $500,000 in the National Federation's Capitalization Program. NFCDCU, in turn, places deposits in 5 low-income credit unions with the account name, "National Federation of CDCUs as nominee for [Bank Name]." As a result, the deposit is insured in each of the institutions up to $100,000 by the National Credit Union Administration, an independent agency of the federal government that is backed by the full faith and credit of the U.S. government and that insures more than 90% of all credit unions in the United States. NFCDCU states that it can handle as much as $10 million from a single investor.

For further information, contact the Federation's Capitalization Program Manager, Alice Greenwald at Agreenwald@cdcu.coop or 212-809-1850, ext. 212.

Neighborhood Capital
Jim Ferris, Executive Director
NeighborWorks Capital
1325 G Street, NW, Suite # 800
Washington, DC 20005
Tel: 202-220-7042
Email: jferris@neighborworkscapital.org
http://www.neighborhoodcapital.org/
NC, a nonprofit community development lender, provides predevelopment loans and interim development loans to NeighborWorks organizations that are members of the Multifamily Initiative. Investors in NC include the MacArthur Foundation and six other large institutional investors. Banks can invest in NC and allow NC to conduct the due diligence, underwriting, documentation and servicing necessary to make loans for affordable housing development. NC has $20 million of committed loan capital. To date, NC has closed fifty-six loans to NeighborWorks organizations totaling more than $24 million. This financing has helped to develop 4,700 units of affordable housing and has leveraged more than $500MM in permanent financing.

Community Development Venture Capital Alliance (CDVCA)
Central Fund
Deborah Novick, Fund Manager
330 Seventh Avenue, 19th Floor
New York, NY 10001
Tel. (212) 594-6747
Fax. (212) 594-6717
Email: dnovick@cdvca.org
http://www.cdvca.org
CDVCA is a nonprofit national association of organizations that make equity investments that in addition to traditional investment criteria also meet criteria such as creating job opportunities for low-income people, encouraging minority business ownership, supporting environmentally sustainable products and businesses and promoting responsible business practices. CDVCA provides advocacy, training and networking services to its members, and CDVCA operates an investment fund, the Central Fund. The Central Fund makes investments in CDVCA's members, and it co-invests with its members in companies. Investors in the Central Fund include foundations, government agencies and financial institutions.

Neighborhood Housing Services of America (NHSA)
1970 Broadway, Suite 470
Oakland, CA 94612
510-832-5542 phone
510-444-3063 fax
info@nhsofamerica.org
http://www.nhsofamerica.org/main.html

NHSA, a nonprofit affiliate of the Neighborhood Reinvestment Corporation, is a secondary market for a range of investment vehicles originated by NeighborWorks® organizations. NHSA is funded primarily by investors that purchase loans made by NeighborWorks® organizations, thus replenishing their revolving loan funds and enabling them to finance more homeownership rehabilitation and multi-family housing. Since its inception, NHSA has purchased or originated loans with a value of more than $500 million. NHSA's annual activity in recent years has grown significantly, averaging $65 million from 2000 - 2002

Investors in NHSA include financial institutions, insurance companies, pension funds, foundations and others. Financial institutions that have invested in NHSA include Bank of America, N.A. , Citibank (Maryland), N.A., Fleet National Bank, Provident Bank, Providian National Bank, State Farm Bank and many others.

The Housing Partnership Fund (HPF)
The Housing Partnership Network
160 State Street, 5th Floor
Boston, Massachusetts 02109
Phone: (617) 720-1999
Fax: (617) 720-3939
Email: information@housingpartnership.net
http://www.housingpartnership.net/
The Housing Partnership Fund is the nonprofit lending affiliate of The Housing Partnership Network, an association of independent, nonprofit housing development partnerships across the U.S. The Housing Partnership Fund is comprised of lines of credit and equity equivalent investments from commercial banks and public and philanthropic sources. It provides Network members with predevelopment and mezzanine acquisition loans. Investors in the Fund include:

- Citigroup
- Deutsche Bank
- John D. and Catherine T. MacArthur Foundation
- Fannie Mae Foundation
- Fleet Boston Financial
- HSBC Bank USA
- Key Bank
- Merrill Lynch
- U.S. Bank
- U.S. Department of Housing and Urban Development
- Wachovia Corporation
- Wells Fargo

To complement its loan products, the Fund provides technical assistance to help Network members address problems in specific real estate transactions, to engage in strategic planning, and to acquire portfolios of affordable housing units.

In 2002, the Fund closed 10 loans for more than $5 million. These loans supported the development and preservation of over 2000 units of affordable housing by six Network members. In addition, the Fund had made commitments for five additional loans, totaling $1.7 million and expected to close early in 2003. In two years of operation the Fund made or committed to 32 loans to 13 organizations totaling $11.7 million. The loans helped to create or preserve more than 5600 units of affordable rental housing. The Fund now is developing a loan program that will support the development of homes for ownership.

National Trust for Historic Preservation
1785 Massachusetts Ave., NW
Washington, DC 20036-2117
800-944-6847
http://www.nationaltrust.org/

The National Trust administers a variety of loan and equity programs that finance real estate development projects that preserve historic properties and that in some cases provide affordable housing. The Trust's loan and investment funds include the following:

Inner-City Ventures Fund – provides financing to organizations that serve low- and moderate-income households or provide economic benefit in low- and moderate-income communities.

National Preservation Loan Fund – provides funding for a variety of preservation projects such as establishing revolving funds for historic preservation and acquiring or rehabilitating historic buildings, and more.

National Trust Community Investment Fund – invests in projects eligible for federal and state historic rehabilitation tax credits. Also offers to investors new markets tax credit enhancement on qualifying projects.

The National Trust Small Deal Fund – invests in historic tax credit projects earning as little as $200,000 in federal and state credits.

New Markets Tax Credit Initiative – invests in qualifying businesses in low-income communities in conjunction with real estate projects that qualify for historic tax credits and NMTC.

Banks have been involved as investors capitalizing these funds. Banks also have financed local development projects that have included financing from these sources.

Community Development Bankers Association (CDBA)
1030 15th Street, NW, Suite 325
Washington, DC 20005
202-289-2636
fax: 202-289-2638
info@communitydevelopmentbanks.org
http://www.communitydevelopmentbanks.org/

CDBA and the Promontory Interfinancial Network developed **Banking on Communities,** an initiative that uses the Certificate of Deposit Account Registry Service (CDARS) to allow financial institutions to invest as much as $5MM at one time in FDIC-insured and federally-regulated community development banks and receive FDIC insurance on all funds invested.

CDBA members participating in the program include the following community development banks:

- Albina Community Bank, Portland, OR
- Central Bank of Kansas City, Kansas City, MO
- Citizens Savings Bank and Trust, Nashville, TN
- City First Bank of DC, Washington, DC
- City National Bank of New Jersey, Newark, NJ
- Community Bank of the Bay, Oakland, CA
- Delta Southern Bank, Ruleville, MS
- Douglass National Bank, Kansas City, KS
- Elk Horn Bank and Trust Company, Arkadelphia, AR
- First American International Bank, Brooklyn, NY
- First National Bank of Phillips County, Helena, AR
- International Bank of Chicago, Chicago, IL
- Mission Community Bank, San Luis Obispo, CA
- Neighborhood National Bank, San Diego, CA
- ShoreBank, Chicago, IL
- University Bank, St. Paul, MN

To learn more about **Banking on Communities,** contact Jeannine Jacokes at CDBA 202-289-2636 or info@communitydevelopmentbanks.org. Or contact Brian Christie at Promontory Interfinancial Network, 703-292-3456 or bchristie@promnetwork.com
For more information about CDARS, contact Clint Barker (cbarker@promnetwork.com) or Cameron Gray (cgray@promnetwork.com) at Promontory Interfinancial Network, 866-776-6426, or visit their website, www.cdars.com.

Mortgage Backed Securities
The following organizations will assemble a customized mortgage-backed security upon request by a bank. They assemble and securitize pools of mortgages secured by properties located in the bank's assessment area and to borrowers below 80% of the area median income.

Please note that none of the organizations listed below is endorsed by the OCC. Nor are they necessarily the only providers of these services. They are simply the ones of which an OCC employee is aware as of the date this document is being prepared. They are named here only for the convenience of bank examiners and financial institutions.

The OCC expects that your institution will exercise due care and will conduct all reasonable and ordinary due diligence measures prior to making an investment in any of them, including an investigation as to whether the investment in question meets the community development definitions listed at the start of this document. Financial institutions should consult official regulatory guidance from the FFIEC concerning the purchase of MBS for CRA consideration. The FFIEC guidance may be found in interpretive letter #794 (Rev.) issued in September, 1997, which is available on the internet at this web page: http://www.occ.treas.gov/interp/sep97/cra794.pdf.

Fannie Mae
MBS Investor Marketing
Contact Mark Bickert
3900 Wisconsin Avenue, NW
Washington, DC 20077
(202) 752-7619 phone

Freddie Mac
8200 Jones Branch Drive
McLean, Virginia 22102
Eleni Georgilakis 703-903-3158 phone
Mary Katherine O'Donnell 703-903-3482 phone