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FOR IMMEDIATE RELEASE

LOW-INCOME HOSUING TAX CREDIT PROFESSIONALS RECOMMEND THAT VOLCKER RULE SHOULD NOT LIMIT BANKING ENTITIES FROM MAKING LIHTC INVESTMENTS

LIHTC Working Group Argues Explicit Exemption from Rule Would be Consistent with Congress' Intent and Plan for the Purpose of the LIHTC Program

San Francisco, Calif. — In a November 5 letter to the U.S. Department of the Treasury, the LIHTC Working Group (Working Group) recommends that the Financial Stability Oversight Council (FSOC) issue specific guidance that the low-income housing, new markets, and renewable energy tax credit programs, as well as state and local programs that were created for a similar purpose, qualify as permissible activities by banking entities under the Volcker Rule. The group believes that such an exemption would be consistent with Congress' intent and plan for the purpose of the programs. The FSOC had invited public input for its study on the Volker Rule, which prohibits proprietary trading and certain relationships with hedge funds and private equity funds.

Additionally, the Working Group asks that low-income housing tax credit (LIHTC) transactions be specifically identified as not having a "material conflict of interest," arguing that the transactions are in total small and are thus not material nor do they pose a threat to the soundness and safety of banking entities. Moreover, says Michael Novogradac, the managing partner in Novogradac & Company LLP's San Francisco office and the Working Group's advisor on industry and governmental affairs, such investments are already overseen by various agencies and the Internal Revenue Service (IRS). "If such items as 'material conflict of interest' and 'high risk assets' are not more narrowly defined, the Volcker Rule may have unintended consequences on industries that were not meant to be affected," he said.

In its letter, the Working Group cautions that without the inclusion of such considerations, the Volcker Rule stands to eliminate all current LIHTC syndicators and investors. "Such a reduction would dramatically lower pricing for LIHTCs, consequently reducing both the amount of subsidy to and incentive for investing in low-income rental housing," said Michael G. Morrison a partner in Novogradac & Company's San Francisco office who heads up the efforts of the Working Group.

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The LIHTC Working Group concludes its letter by requesting that further guidance exempting LIHTC transactions be given quickly as uncertainties about the permissibility of these types of transactions will impede the efficacy of the LIHTC program and its intended purpose of bringing capital to a need that historically has had inadequate access to capital.

For more details and a copy of the letter, please go to www.lihtcworkinggroup.com.

The LIHTC Working Group was established by Novogradac & Company LLP in 2008 to provide a platform for LIHTC industry participants to work together to resolve technical and administrative LIHTC program issues. Members meet monthly via conference call to provide input regarding pending action items as agreed to by the members of the group. Comments and suggestions are agreed to and submitted in writing directly to Treasury, the Department of Housing and Urban Development and/or various state agencies based on the group's discussions. For more information, visit www.lihtcworkinggroup.com or email Jeff.Nishita@novoco.com.

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