



Community Development Advances Support Low Income Housing Tax Credit Equity Investments for Affordable, Rental Housing

Did you know...?

Members can use Community Development Advances (CDA) to fund Low Income Housing Tax Credit-financed rental housing initiatives in the following ways:

- Purchase of Low Income Housing Tax Credits;
- Construction financing;
- Permanent financing;
- Gap financing (to fill a gap between the equity generated by the credits and the development costs); or
- Financing to bridge the pay-in of the equity investment during the construction period.

What are the benefits to your institution?

- Reduction in your federal income tax liability for ten years.
 - The interest costs of the Community Development Advances may create passive losses, which may provide additional financial benefits to your institution.ⁱ
 - Generates additional business, loan volume, new and future customers.
- Fulfills Community Reinvestment Act (CRA) lending and/or investment tests.ⁱⁱ

What are Low Income Housing Tax Credits?

Federal Low Income Housing Tax Credits are one of the largest sources of capital for affordable multifamily rental housing production and/or preservation. These federal income tax credits are allocated on a per-capita basis to all 50 states and then allocated within each state to eligible developers. Through a syndicator, developers then sell these federal income tax credits to investors at a discounted value. That capital is used to construct or rehabilitate multifamily rental housing affordable for households earning at or below 60 percent of the area median income. The capital is paid into the project over time and generates tax credits for ten years with a 15-year compliance period.

How does this fit with Community Development Advances?

These federal credits are used to generate equity capital for the production or preservation of income-restricted, rental housing which meets the definition of affordable housing under the Community Development Advances regulation and guidelines.

How do I invest in these credits and in affordable housing initiatives?

Member financial institutions can invest in these tax credits through direct placement or through investment pools.

ⁱ This does not constitute income tax advice. Please consult the appropriate financial advisor.

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