OCC Chief Counsel Julie L. Williams Underscores Major Increase
In the Beneficial Relationships Between Banks and CDCs

CLEVELAND – Bank involvement with Community Development Corporations has increased significantly in recent years, Julie L. Williams, First Senior Deputy Comptroller and Chief Counsel, said in a speech today.

“We at the OCC have seen large increases in bank investments under Part 24 community development investment authority which allows national banks to make equity investments in CDCs, community development projects, and other public welfare activities,” Ms. Williams said at the annual conference of the Local Initiatives Support Corporation. “National banks made more than $5 billion of Part 24 investments since 1995, almost ten times more than the amount invested during the previous 30 years since Part 24 was established.”

Ms. Williams much of this growth has occurred through bank investments in Low Income Housing Tax Credit projects with nonprofit sponsors. LISC, she said, has raised over $3 billion in Housing Tax Credit investments. About three-quarters of that amount came from banks, she added.

“Banks have found that these types of investments and their relationships with CDCs can dramatically further their own ability to provide a presence in targeted segments of their markets, especially segments in which banks are underachieved,” said Ms. Williams. “Working with CDCs, banks find lending opportunities in these areas and bring needed capital to small business expansion.”

Ms. Williams pointed out that CDCs provide the resources and personnel to do the necessary work to make these projects work. “In fact, CDCs often bring “the deal” to the bank,” she said.

“By designing innovative financing structures, CDCs are able to involve banks in funding projects such as shopping centers, charter schools, small business incubators, or commercial office space,” noted Ms. Williams. “Banks are able to participate in capacities that make sense for them from a business and community reinvestment perspective, local community development needs are served, and, by improving the local environment and economy, banks may gain new customers and new markets.”
Ms. Williams told the conference that the New Markets Tax Credit is important for future growth in the beneficial relationships between banks and CDCs.

“As the Low Income Housing Tax Credit addressed the equity gap needed to develop affordable housing, we hope the New Markets Tax Credit will encourage capital to flow to businesses and other ventures in low-income areas,” said Ms. Williams. “The New markets Tax Credit will provide $15 billion over the next six years to promote investments in low-income areas, by allocating tax credits in support of for-profit enterprise development in low-income communities.”

Ms. Williams concluded her address by encouraging intermediaries, such as the Local Initiatives Support Corporation, to publicize hard-learned lessons from CDCs across the country and promoting the best research available on good CDC practices.

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The OCC charters, regulates and examines approximately 2,200 national banks and 52 federal branches of foreign banks in the U.S., accounting for more than 54 percent of the nation’s banking assets. Its mission is to ensure a safe and sound and competitive national banking system that supports the citizens, communities and economy of the United States.