



Comptroller of the Currency
Administrator of National Banks

Washington, DC 20219

Community Development Investment Letter #1999-1
September 2004
12 CFR 24

February 25, 1999

Michael E. Bleier
General Counsel
Mellon Bank, N.A.
One Mellon Bank Center
Pittsburgh, PA 15258-0001

Dear Mr. Bleier:

This letter is in response to your request for approval from the Office of the Comptroller of the Currency ("the OCC") for an investment by Mellon Bank, N.A. ("the Bank") in the Community Development Trust, Inc. ("CDT"), pursuant to 12 U.S.C. § 24 (Eleventh) ("Statute") and 12 C.F.R. Part 24 ("Regulation"). CDT is a Maryland corporation that operates as a self-managed real estate company that is electing to be taxed as a real estate investment trust for U.S. Federal income tax purposes and will operate as a community development real estate investment trust ("REIT").

CDT's mission, as described in its Articles of Incorporation and its Bylaws, is to provide capital investments to projects that are designed to support community development including affordable housing for low- or moderate-income individuals; community services targeted to low- or moderate-income individuals; activities that promote economic development by financing small businesses; or activities that revitalize or stabilize low- or moderate-income geographies. The vast majority of its investments (both debt and equity) will be in the area of affordable housing, primarily benefiting low- and moderate-income people. It may also invest in housing which revitalize or stabilize low-or moderate-income areas, while primarily benefiting low- and moderate-income people.

As a REIT, CDT will have the opportunity to play a significant role in the federal government's mark-to-market program designed to preserve the existing stock of Section 8 affordable housing properties while reducing Federal subsidy costs by allowing current owners of Section 8 projects to transfer their projects to CDT in a nontaxable exchange. CDT will be the first REIT in the country to offer this exchange opportunity as a means of getting affordable housing properties transferred from parties that are no longer interested in holding these assets into the portfolio of a community development mission driven REIT. CDT as a national REIT, will be able to bring the benefits of geographic diversity and size to the pools it assembles, enabling the benefits of

securitization to accrue to multifamily, affordable housing the way that it has for single family homes. The private market has, to date, not served this investment class.

Based on the Bank's community development investment proposal ("Proposal") and other supporting materials summarized below, we have concluded that the Bank's proposed equity investment in CDT, is consistent with the Statute and the Regulation and the investment is approved. Information about the Bank's proposed investment is summarized below.

CDT was recently formed in conjunction with a major initiative by Local Initiative Support Corporation ("LISC"), a national nonprofit, community development intermediary with 20 years of experience in community development. LISC will be responsible for managing and maintaining the properties of the CDT portfolio. LISC will conduct on-site inspections, monitor compliance with financial covenants, assess regulatory changes and compliance issues, and maintain appropriate capital levels and allowances for credit losses.

The Bank's equity investment in CDT and the aggregate of its investments in all such community development projects will not exceed 5 percent of its unimpaired capital and surplus. In the future, the Bank's aggregate investment in all such projects under the Regulation may not exceed 5 percent of its unimpaired capital and surplus, without obtaining prior written approval from the OCC. In no case shall the Bank's aggregate investments exceed 10 percent of its unimpaired capital and surplus.

The Bank will provide a final, executed copy of the CDT Private Placement Memorandum to the Community Development Division ("Office") of the OCC. We understand that the Bank's investment in the CDT will be made upon the approval of this Proposal by the OCC. If the Bank has not made its investment in the CDT by February 29, 2000, approval for the Bank's investment will lapse and may only be extended, based on your written request, prior to that date.

If requested by the Office, the Bank shall provide reports concerning its investment in CDT and CDT's financial status, activities and accomplishments. Copies of all reports submitted to the Office shall also be provided to the OCC Deputy Comptroller for Large Banks.

If you have any questions regarding this opinion letter, please contact me, Letty Ann Shapiro, Community Development Specialist or David R. Lewis, Community Development Investments Manager, at (202) 874-4930.

Sincerely,

signed

Janice A. Booker
Director
Community Development Division

cc: Martin McGuinn, President, Mellon Bank, N.A