June 10, 2013

Technical Director, FASB

File Reference No EITF-13-Accounting for Investments in Qualified Housing Projects

HOPE of Kentucky is a state consortium of bank lenders that pool funds to lend on projects that include Low Income Housing Tax Credits (LIHTC) as a major source of funding.

I am somewhat uniquely qualified to comment on LIHTC projects because of my public accounting background where I had 19 years of extensive consulting to community banks, and my 19 years as a community bank President & CEO. As a community banker, my bank made both investments in and loans to LIHTC projects.

The current accounting for LIHTC investments raises issues for investors, particularly banks. Separating the amortization of the investment costs from the tax benefit yield can distort both line items on the bank’s income statement. Further, it distorts ratios for net interest margins, operating results and effective tax rates when compared to peer banks without such investments. When I was a community banker, we adjusted these ratios for internal board reports to compensate. Unfortunately, there is no ability to adjust the reporting for bank regulatory reports. I believe the distorted results may be a deterrent causing some banks to limit their investments due to how they may be perceived by regulators and bank stockholders.

Further, Sub S investors are further challenged (especially banks) because of their inability to provide a tax benefit to offset the cost of amortization.

HOPE agrees that a change to the effective yield method of accounting (or better yet, a ratable amortization method over the life of tax benefits) is the preferred method of accounting, whereby the net benefits from the investment are all reported on the same income statement line.

HOPE believes that by simplifying the accounting and report of investments in LIHTC projects will attract more capital to much needed affordable housing.

Thank you for your time and consideration.

HOPE of Kentucky, LLC

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Billie W. Wade, CPA, Executive Director