



June 13, 2013

Technical Director, FASB
File Reference No. EITF-13 – Accounting for Investments in Qualified Housing Projects
Financial Accounting Standards Board
401 Merritt 7
P.O. Box 5116
Norwalk, Connecticut 06856-5116

Re: File Reference No. EITF-13—Accounting for Investments in Qualified Housing Projects

Dear Technical Director:

On behalf of the National Association of State and Local Equity Funds, I am writing you to urge that you adopt the proposed change in accounting treatment that would permit investors to use the effective yield accounting method for non-guaranteed investments in Low-Income Housing Tax Credit (“LIHTC”) properties. We strongly believe that this is the appropriate means of accounting for investments in LIHTC properties.

The National Association of State and Local Equity Funds (“NASLEF”) is an association of non-profit state-based equity funds that raise equity capital for investment in LIHTC properties. Our fourteen members currently operate in 34 states and raised about \$1 billion in equity capital last year. We of course do not suggest that we hold any accounting expertise to serve as authorities for proper income tax accounting, but based on our many years experience in the affordable housing industry we do not believe the current treatment, which distinguishes between guaranteed and non-guaranteed investments, provides an accurate understanding of the returns investors receive from LIHTC investments.

When we arrange for investors to purchase an interest in LIHTC properties, we are providing two types of returns in exchange for their equity contribution: tax credits and tax losses, both of which provide a return to investors. Since investors commit capital to LIHTC investments for the purpose of earning a rate of return from tax credits and from the value of “losses”, we believe the effective yield accounting method provides a truer picture of the investment. To the extent the capital markets misread the identification of the tax losses in financial statements the current rules do not provide an accurate assessment of these investments. We do not believe there is a basis for differentiating the value based on whether or not the LIHTC investment is backed by a guarantee from another company.

We believe the conditions that are being proposed are reasonable and workable. We do not propose to comment on other types of investments that utilize tax credits but we would point out that the LIHTC is a somewhat unique program in that rent-restricted affordable housing is

fundamentally an uneconomic investment without the provisions of tax benefits. It is therefore appropriate that the positive value of those tax benefits be accounted for in financial statements. While we believe strongly that an accurate assessment of the financial position of investors include the use of the effective yield accounting, we urge any consideration of making this retroactive take into account what kind of complications this will impose on existing investors.

Thank you for your attention to this issue which is of great interest to our members and the entire affordable housing industry.

Sincerely,

A handwritten signature in black ink, appearing to read "Peter Sargent". The signature is written in a cursive, flowing style with a large initial "P".

Peter Sargent
President