

June 18, 2026

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RE: Regulatory Capital Rule: Category I and II Banking Organizations, Banking Organizations With Significant Trading Activity, and Optional Adoption for Other Banking Organizations and Regulatory Capital Rules: Regulatory Capital and Standardized Approach for Risk-Weighted Assets

Dear Sir or Madam,

The undersigned organizations appreciate the opportunity to comment on the Notices of Proposed Rulemaking (NPR) for regulatory capital rule amendments applicable to large banking organizations and to banking organizations with significant trading activity, as well as regulatory capital and the standardized approach for risk weights for other banking organizations, both published on March 27, 2026.

We represent organizations that develop, operate, and finance affordable housing using the Low-Income Housing Tax Credit (LIHTC), our nation's primary tool for financing the development and preservation of affordable housing.

In recognition of the strong historical performance of LIHTC properties, their deep federal support, and the importance of supporting robust investment in affordable housing, **we urge you to apply a risk weight of 20% to equity investments and loans backed by LIHTC properties, and in no case should the risk weight exceed 50%.** This threshold more accurately reflects the risk profile of LIHTC investments and would support investment in affordable housing at a time of significant and well-documented housing supply shortage.

Background. LIHTC is the federal government's primary policy to mobilize private investment in the production and preservation of affordable rental housing. Since 1987, LIHTC has financed more than four million affordable rental units – almost all of the new and substantially

rehabilitated affordable housing production in the United States over that period.¹ An expansion of and improvements to the credit enacted in 2025 will increase the volume of both 4% and 9% tax credits, which could create an additional 1.22 million affordable rental units over the next decade to help address the nation's affordable housing supply shortage.²

Both the state housing finance agencies (HFAs) and private investors underwrite LIHTC projects and monitor their operations on an ongoing basis. The tax credits are claimed over a 10-year period and are subject to a partial recapture of the tax credits if the property ceases to serve low-income residents at restricted rents within a 15-year period. The recapture exposure equals one-third of the credits already claimed and phases out over years 11-15. HFAs and project sponsors also have extended use agreements that preserve affordability for at least 30 years.

In a typical LIHTC transaction, the investors are limited partners in a partnership where the property developer/operator is the general partner. Nearly all of the tax benefits pass through to the limited partner investors, and these tax benefits – LIHTC plus depreciation and other taxable losses – are virtually the sole source of the investors' return. Investors do not expect, and generally do not receive, operating cash or disposition proceeds in excess of their exit taxes. Accordingly, LIHTC investments more closely resemble a fixed-income investment (where the income takes the form of a highly predictable stream of tax benefits) than a traditional real estate equity investment where variable cash flow and capital appreciation constitute the investors' return.

Commercial banks subject to the proposed capital rules are the dominant source of this LIHTC investment. Banks provided about 80% of all LIHTC equity investments in 2024.³ Accordingly, bank capital rules have a material effect on the availability and pricing of LIHTC investments, which in turn will affect the volume and characteristics of affordable housing production and preservation. Substantial additional private investment will be needed to realize the full benefits of the recently enacted expansion of and improvements to LIHTC. Setting risk weights that appropriately reflect the risk profile of LIHTC investments will ensure that the private investment required to further expand our affordable housing supply is not unnecessarily restricted.

LIHTC's Strong Performance and Unique Characteristics Justify a Lower Risk Weight.

LIHTC equity investments are generally treated as a community development investment under section 24 (Eleventh) of the National Bank Act, which the current and proposed policies assign a 100% risk weight. This risk weight is inconsistent with the unique characteristics of LIHTC investments and with the documented performance of LIHTC investments over the tax credit's nearly 40-year history. The characteristics of LIHTC investments and these properties' strong performance record justify a risk weight of 20%. Additionally, the associated loans should also receive a 20% risk weight.

¹ National Council of State Housing Agencies, *State HFA Factbook: NCSHA Annual Survey Results 2024*, October 2025

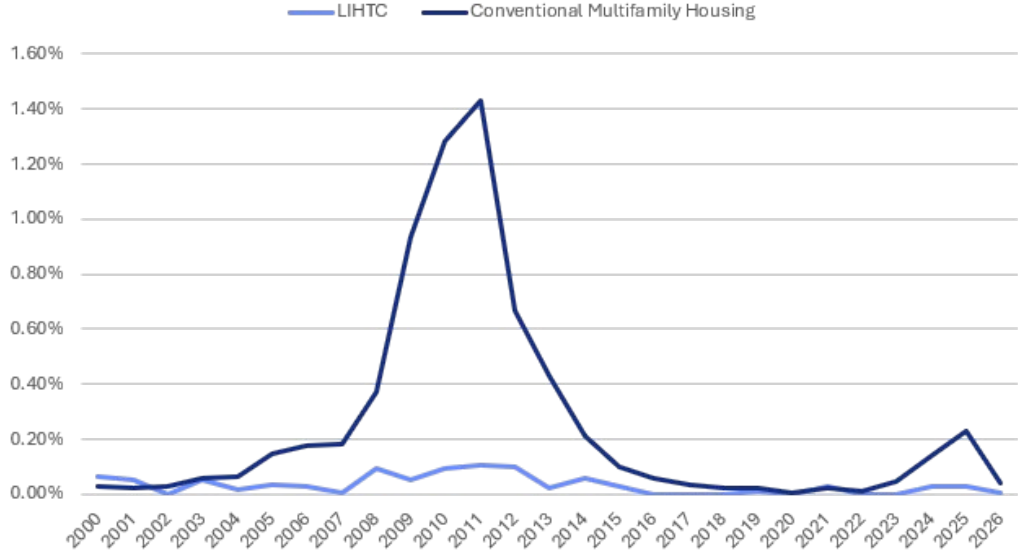
² Peter Lawrence, *Final Reconciliation Bill Permanently Expands LIHTC, NMTC and OZ Incentive; but Does Not Include HTC Provisions*, Novogradac, July 3, 2025, <https://www.novoco.com/notes-from-novogradac/final-reconciliation-bill-permanently-expands-lihtc-nmtc-and-oz-incentive-but-does-not-include-htc-provisions>.

³ CohnReznick, *Affordable Housing Credit Study: A Comprehensive LIHTC Property Performance Report*, November 2025, pg. 20

LIHTC properties have shown consistently strong performance and extremely low rates of recapture – which is the way LIHTC investors incur losses. IRS data show that both the incidence and the severity of losses from LIHTC recapture is extremely low. The LIHTC recapture rate averaged only 0.08% for tax years 2008-2021,⁴ the same as the five-year cumulative default rate for municipal bonds between 2013 and 2022.⁵

LIHTC also demonstrates a strong performance relative to multifamily mortgages, which currently receive a 50% risk weight. The following chart compares the LIHTC foreclosure rate with the foreclosure rates for market rate multifamily housing. Multifamily foreclosures rose above 1.3% during the Great Recession, but the LIHTC foreclosure rate has typically stayed below 0.1% since 2002. It is important to note that even with the rise in financial stress during the Great Recession, multifamily mortgages were among the best performing loans and leases on banks’ balance sheets.

Foreclosure Rates by Units



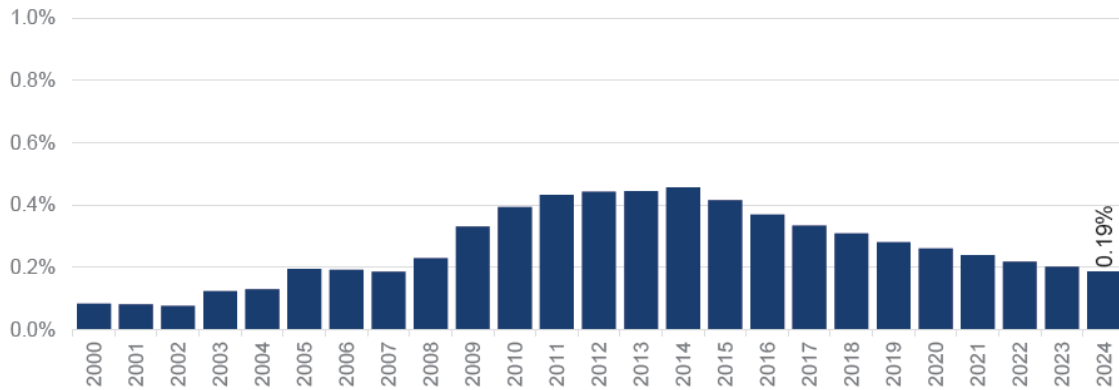
Source: Yardi Matrix

Another metric, LIHTC’s *cumulative* foreclosure rate by net equity (total foreclosed net equity divided by total equity), tells a similar story. As the following chart shows, the cumulative foreclosure rate peaked at a very low level, below 0.5%, in the aftermath of the Great Recession and had decreased to 0.19% by 2024, as more properties have come online.

⁴ Calculations by Novogradac using IRS Corporation income tax returns line item estimates (Publication 5108). Calculations include tax years 2008 through 2021 but omit data from 2020 and 2022 (the latest year for which data is available) because the IRS suppressed LIHTC recapture data in those two years to avoid disclosure of information for specific corporations.

⁵ Moody’s Investors Service, *US municipal bond defaults and recoveries, 1970-2022*, July 19, 2023, https://www.fidelity.com/bin-public/060_www_fidelity_com/documents/fixed-income/moodys-investors-service-data-report-us-municipal-bond.pdf.

Cumulative Foreclosure Rate By Net Equity



Source: CohnReznick, *Affordable Housing Credit Study: A Comprehensive LIHTC Property Performance Report*, November 2025, pg. 90

The Federal Reserve Board has consistently recognized LIHTC's outstanding performance and unique characteristics in setting the Dodd-Frank Act Stress Test risk shocks under a severely adverse scenario. In 2026, as in prior years, the relative fair value shock assigned to Section 42 (LIHTC) investments is only -4.9%, far lower than the -38% for real estate equity and -27.5% for real estate debt.

Given the strong performance of LIHTC investments, demonstrated both through project performance data and regulators' assessment of risk throughout the economic cycle, we urge you to reduce the risk weight applicable for LIHTC equity investments and associated loans to 20%. In no case, given their performance history, should the risk weight for LIHTC equity investments or their associated loans be more than 50%, in line with statutory multifamily exposures.

For further information, please contact Sarah Brundage (sbrundage@naahl.org) at the National Association of Affordable Housing Lenders or Emily Cadik (emily.cadik@taxcreditcoalition.org) at the Affordable Housing Tax Credit Coalition.

Sincerely,

Affordable Housing Tax Credit Coalition
Community Development Bankers Association
Council for Affordable Rural Housing
Enterprise Community Partners
Housing Advisory Group
Housing Assistance Council
Housing Partnership Network
Local Initiatives Support Corporation
Low Income Investment Fund

Mortgage Bankers Association
National Apartment Association
National Affordable Housing Management Association
National Association of Affordable Housing Lenders
National Association of Home Builders
National Association of Local Housing Finance Agencies
National Association of State and Local Equity Funds
National Council of State Housing Agencies
National Equity Fund
National Housing & Rehabilitation Association
National Housing Conference
National Leased Housing Association
National Low Income Housing Coalition
National Multifamily Housing Council
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