

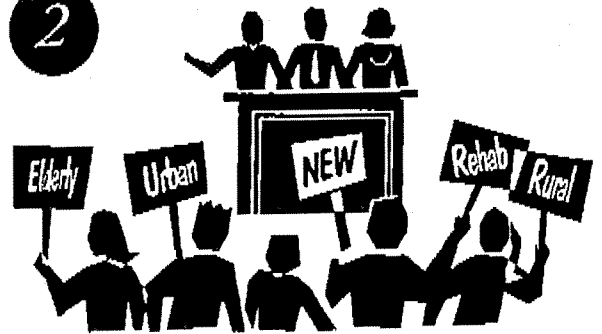
# HOW THE HOUSING CREDIT WORKS

1



Through the states, without the burden and cost of federal bureaucracy, the Housing Credit encourages investors to finance apartments for low income tenants at restricted rents. Each year, each state gets Housing Credits equal to \$1.25 times its population, which generate twice that much in additional investment.

2



Each state develops a Housing Credit plan to give priority to its most pressing low income housing needs; holds public hearings on it; and coordinates it with other housing programs.

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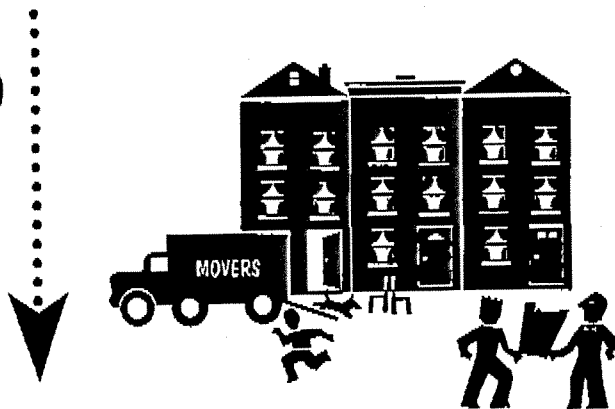
The developer uses the cash from the Housing Credit sale and mortgage proceeds to buy materials and hire workers to build the apartments. The state takes Housing Credits back from any developer who does not promptly begin and finish within a limited time.

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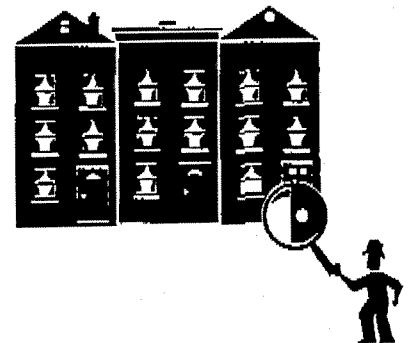
The money from selling Housing Credits reduces the mortgage needed to build the apartments. The mortgage savings allow for the restricted, lower rents for low income tenants.

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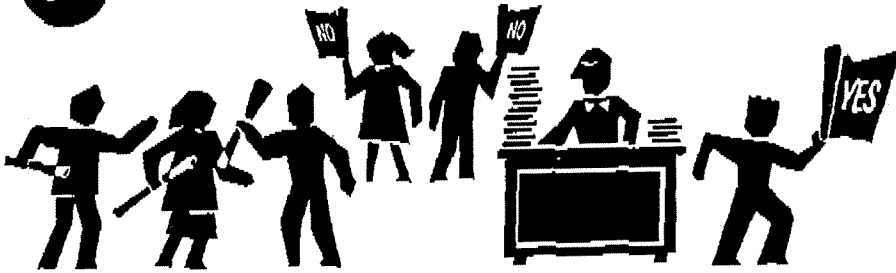
When the apartments are ready to be occupied by low income tenants, the state reviews all costs again. It reduces Housing Credits for the apartments if less are needed than it first approved.

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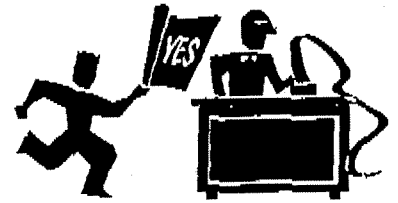
The state continuously checks tenants rents and incomes and inspects property conditions. It notifies the IRS about any ineligible tenant, excessive rent, or significant defect. The IRS can recover any Housing Credit claimed by investors on apartments out of compliance.

3



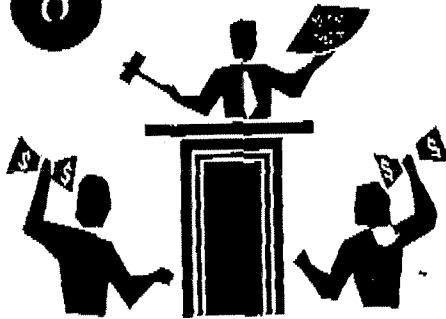
The state judges which developments among the many proposed best meet its plan. Less than half get picked. About a third of all Housing Credits go to nonprofits.

4



The state carefully scrutinizes all cost and financing estimates in the proposals it selects. It limits developer and builder profit. It provides only enough Housing Credit to make renting the apartments to low income families at restricted rents possible.

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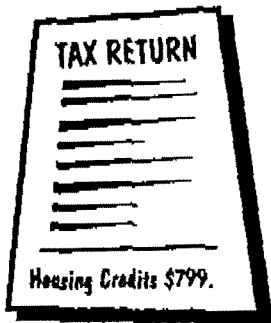
Most developers use a professional real estate syndicator to market Housing Credits to the largest possible number of investors to get the highest possible price. Nonprofits syndicate a third of all Housing Credits.

5



After adjusting the developer's estimates, the state allocates Housing Credits needed for the apartments. The developer sells them for cash to investors who want to reduce their taxes.

11



Investors have a strong stake in keeping apartments in compliance. They can claim the Housing Credit for 10 years, but only as long as their apartments remain in good condition and rented to low income tenants at restricted rents.

12



The Housing Credit has produced more than 800,000 quality apartments for low income families, elderly, and homeless in urban and rural America. They frequently are anchors for revitalizing blighted neighborhoods and catalysts for stimulating local economies.