Statement of
William T. Hinga, President

Banc One Community Development Corporation

Before the

Subcommittee on Housing and Community Opportunity
Of the
House Committee on Financial Services

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Good morning Chairwoman Roukema, and members of the subcommittee. I am Bill Hinga, President of the Banc One Community Development Corporation, and I appreciate this opportunity to appear before you and share Bank One's involvement with affordable housing and community development. Bank One Corporation, headquartered in Chicago, is the nation's fifth largest bank holding company and has a domestic retail banking presence in 15 states (Illinois, Ohio, Michigan, Indiana, Wisconsin, Kentucky, West Virginia, Delaware, Florida, Louisiana, Oklahoma, Texas, Colorado, Utah and Arizona).

Our Community Development Corporation, based in Columbus, Ohio, is comprised of a team of 38 professionals strategically located in seven offices (Columbus, Cleveland, Chicago, Detroit, New Orleans, Dallas and Phoenix) across Bank One's footprint. Our sole mission is to provide debt financing and equity investments for affordable housing and community development. Banc One CDC alone has provided over $850 million in investments and community development loans across our markets, developing over 15,000 units of affordable housing.

I am also here as a board member of the National Association of Affordable Housing Lenders. NAAHL is the association devoted to increasing private capital investment in low- and moderate-income communities.

The past ten years has seen a major transformation in the formation and delivery of capital for affordable housing, and more recently, community development. Some history may be helpful. As Federal subsidies declined and FHA's share of the multi-family housing market dwindled, private sector organizations have had to become creative in finding financing solutions. Over time, "plain vanilla" debt financings, such as straight mortgages, were no longer enough to fulfill the nation's affordable housing and community development needs. Other financing vehicles were needed. So were other partners. What were once pioneering partnerships among insured depository institutions like Bank One and non-profit providers of affordable housing, often involving federal, state and local subsidies to make the housing units economically viable, are now the norm.

Perhaps several examples of the partnerships needed and the multiple financing layers required would help illustrate this point. In the Steubenville, Ohio market, we are partnering with the Ohio Capital Corporation for Housing to provide $3.7 million in equity capital for a new 77 unit low-income housing tax credit development. The balance of the capital will come from other bank financing utilizing the Rural Housing 538 program, and $600,000 in HOME funds through the State of Ohio. The development entity is a partnership of a non-profit social service provider and a for-profit developer. One of the unique features of the development will be a home ownership purchase option for 39 of the units at the end of the tax credit compliance period.

Additionally, in Chicago, Banc One CDC, in partnership with Enterprise Social Investment Corporation, is providing $4.2 million in equity capital for new construction of a 107 unit mixed income development, of which 25% of the units are Public Housing replacement units. The balance of the financing is comprised of: FHA insured Bonds, tax-exempt bonds, tax increment financing, Chicago Housing Authority HOPE VI funds and City of Chicago HOME and Empowerment Zone funds.

Bank One is not alone in working with partners. Loan consortia, non-profit lenders, community-based development corporations, secondary market players and others are all a vital part of the affordable housing field today.

Banks finance affordable housing in a variety of ways, depending on their geographies and the bank's own business strategy. Some bring their underwriting expertise to the construction lending. Others offer permanent mortgages. Many, like Bank One, are major low-income housing tax credit equity investors. Although data is hard to come by, bank participation appears to have increased significantly in each of these areas.

Today, financing affordable housing and community development requires an intricate array of financial instruments and players. Subsidy providers like to spread their financial resources around and obtain the greatest possible leverage in each transaction. With a variety of subsidies involved in any one project and the varied requirements of each subsidy provider, the costs and fees of understanding and complying often reduces the actual funds available to build the units. A streamlining of rules and paperwork requirements in all Federal and state housing programs would help put more dollars into the housing and less into professional fees.

More broadly, Congress has seen the numbers showing that affordable rental housing production is falling short annually by hundreds of thousands of units, and the opportunities for home ownership also are falling short of demand. Private-sector institutions, in partnership with state and local entities, have demonstrated their ability to provide decent, affordable housing. But the total federal subsidy that we need to keep pace with burgeoning demand, until now, has not been forthcoming. It is clear that if the nation is to move forward with providing decent, affordable housing for our neediest citizens and communities, Congress must look at ways to increase the federal subsidy for affordable housing. There are a range of possibilities, such as proposals for an affordable housing trust fund, for increasing the FHA multifamily mortgage loan limits and the FHA credit subsidy, for increasing HOME and other grant programs, and for a new single-family housing tax credit. We ask you to look at all of them.

Thank you for your time and attention today.