Standards of Professional Responsibility

The Affordable Housing Tax Credit Coalition (Coalition) is committed to maintaining the highest standards of professional responsibility for all persons participating in the Low-Income Housing Tax Credit (Housing Credit) program. We recognize that in order to maintain and enhance public and Congressional support for this program, all participants must act with utmost honesty and integrity and conduct their affairs with the highest degree of professionalism.

The following code of standards has been adopted by the Coalition. Adherence to these standards is a condition of membership in the Coalition.

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❖ FIDUCIARY OBLIGATIONS
All those involved in the development, financing, and management of Housing Credit assisted housing must recognize their fiduciary obligations to the taxpayers who make this program possible, to the United States Congress which authorizes and oversees the Housing Credit, to the United States Treasury Department, Internal Revenue Service, and State Housing Credit allocating agencies which administer and monitor the program, to investors in the projects, and most of all to the residents who are the program’s intended beneficiaries. As the stewards of taxpayers’ money, all participants must exhibit honest and ethical business practices. To the extent applicable professionals must also adhere to standards governing their industry.

❖ ADHERENCE TO LAWS, REGULATIONS, POLICIES, AND PROCEDURES
All participants are responsible for understanding applicable laws, regulations, policies, and procedures governing the Housing Credit and other applicable Federal, State, and local laws. Adherence to Section 42 of the Internal Revenue Code of 1986, as amended (the Code); Department of Treasury regulations and rules; and procedures and policies issued by state Housing Credit allocating agencies, particularly in conjunction with State Housing Credit Qualified Allocation Plans, is crucial. Moreover, project sponsors must assure that all information provided to state Housing Credit allocation agencies during the application process is accurate and that properties are developed and operated in conformity with representations made to state Housing Credit allocation agencies. Property owners must assure ongoing compliance with legal and regulatory requirements as well as with contractual obligations, such as those contained in Extended Use Agreements or Regulatory Agreements. When questions regarding the interpretation of application provisions arise, participants should consult with competent and experienced advisors or with state Housing Credit allocating agency and/or IRS personnel.

❖ FULL AND ACCURATE DISCLOSURE
All participants must be aware that the process of raising capital for investment in Housing Credit assisted housing involves Federal and State securities laws or exemptions under such laws. In all cases, those responsible for disclosing information on which investment decisions will be made (e.g., developers to syndicators, syndicators to investors) must assure that the information is accurate and that the disclosure does not omit material information. Persons providing information
shall adhere to all applicable Federal and State securities laws. The Coalition will not tolerate illegal, fraudulent, or deceptive practices in the process of raising investment capital.

❖ SPONSOR COMPENSATION
The Coalition recognizes that Congressional and public support for any governmental program will evaporate if it is perceived that participants are being unreasonably compensated. The Coalition also believes that persons involved in developing, financing, and managing the housing made possible under the Housing Credit program deserve to be fairly compensated for the considerable services they perform and the major risks they undertake. Moreover, compensation standards must be flexible in order to recognize the myriad circumstances that may pertain to any given transaction. Accordingly, it is the Coalition’s policy that all fees provided to participants in the program be reasonable in amount, in accordance with applicable Federal and State guidelines, particularly those issued in conjunction with Qualified Allocation Plans. The Coalition also recognizes that in certain circumstances, guidelines or rules of quasi regulatory authorities (e.g., NASD, NAASA) may be applicable. Participants should not receive, directly or indirectly, compensation, monetary or otherwise, which is not disclosed.

❖ ADEQUACY OF DUE DILIGENCE ACTIVITIES
In order to maintain public confidence in the program, the Coalition believes that participants must conduct adequate due diligence activities with respect to each housing development assisted under the Housing Credit program. These due diligence actions should include, at a minimum:

- Thorough background checks on the development team (developer, contractor, management agent, architect, others), including prior track record and experience.
- A review of financial resources of the property sponsors to assure adequate capitalization.
- Determinations that the relevant entities are properly organized and authorized to do business in the jurisdiction in question.
- Review of financial sources and uses of funds and operating pro formas and overall financial structure to assure that developments “pencil out.”
- Review to ascertain that information supplied to the state Housing Credit allocating agency in Housing Credit applications is not inaccurate.
- Determinations by tax and/or accounting professionals that Housing Credit allocations, particularly carryover allocations and “ten percent” calculations are valid.
- Receipt of title insurance policies or commitments or other adequate evidence as to the sufficiency of title to the applicable property.
- Receipt of adequate evidence of compliance with local laws and environmental matters.
- Review of construction/rehabilitation plans, market study, and appraisal.
- Determinations as to the adequacy of property and liability insurance coverages.

In addition to the due diligence performed in conjunction with the property’s development, property sponsors must assure that their management team is thorough familiar with the Housing Credit program and fund sponsors or investors must have adequate asset management capacity in order to monitor for compliance.