Division of Depositor and Consumer Protection

Spike Keil
Community Affairs Specialist
415-254-0835
chkeil@FDIC.gov

Banks and OZ's

- Most financial assets of a bank or other financial institution are considered "ordinary," as opposed to "capital" assets, by the IRS, which gives rise to ordinary income or loss. To the extent a bank has capital assets that have appreciated, gain on the disposition of any such capital asset would be an eligible gain and could be invested into an Opportunity Fund.

- Banks or other lenders cannot qualify as an OZ Business because their assets (loans) are nonqualified financial property under the OZ regulations.

- A bank can provide financing to a Qualified Opportunity Fund for the purchase of OZ Business Property or an OZ Business.

Banks and OZ's

- Bankers can act as brokers, bringing projects to Qualified Opportunity Funds and helping structure the transactions. MDIs, CDFI banks, and community banks can provide an inventory of proposed projects and determine what is ready for investment.

- Many banks have experience with tax credits and can provide expertise in combining the OZ tax incentive with other credits such as the Low Income Housing Tax Credit, Historic Tax Credit, New Markets Tax Credit, and the Historic Preservation Tax Credit.

Banks and OZ's

- There is a requirement that an OZ Business Property must be acquired for cash by the Qualified Opportunity Fund from an unrelated party. Banks that hold properties located in OZs can sell or lease properties that they own.

- Banks can establish a Qualified Opportunity Fund by creating a subsidiary corporation as an investment tool for their clients. Before establishing a Qualified Opportunity Fund, a financial institution should check with its regulator as additional guidance may be needed to address issues or potential complications that would be unique to banks, such as the Volcker Rule and Bank Holding Company Act restrictions on certain bank-sponsored investment vehicles.

Opportunity Zones Overview

- The Opportunity Zone tax incentive is a long-term investment strategy for designated economically distressed communities. It can be very beneficial for low-income communities, particularly if those communities are organized and engaged in the process.
- LIHTCs, NMTCs Differ from OZs

FDIC
Division of
Depositor and Consumer Protection

FDIC Guidance is Coming

- The FDIC created a publication as an introduction to the OZ tax incentive for financial institutions to determine if and how they may choose to participate in the incentive.

What OZ investment will qualify?

- Affordable Housing for LMI individuals;
- Community services targeted to LMI individuals;
- Activities that promote economic development by financing small business/farms;
- Revitalize and Stabilize targeted geographies;
  - Low- or moderate-income geographies;
  - Designated disaster areas; or
  - Distressed non-metropolitan middle-income geographies
  - Underserved non-metropolitan middle-income geographies