

INTERPRETIVE LETTER 89-16 (DECEMBER 28, 1989)

State bank investment in limited partnership that invests in condominiums rented to disabled and low income residents is authorized by Section 5(21) of the Illinois Banking Act.

This is in response to your letter of * concerning the investment by [Bank] (the "Bank") as a limited partner in a limited partnership ("Partnership") which will purchase several condominium units in * and *.

As I understand the facts involved, these units would be rented to low income and disabled individuals. The investment will not exceed 5% of the Bank's unimpaired capital and surplus. Further, the Bank has no other investments in corporations or projects which are designed to promote the development of the community and its welfare. You have requested confirmation from this Agency that this investment would be in compliance with the provisions of the Illinois Banking Act.

Section 5(21) of the Illinois Banking Act (P.A. 86-952), effective November 30, 1989, authorizes a state bank "to make debt or equity investments in corporations or projects, whether for profit or not for profit, designed to promote the development of the community and its welfare, provided that the aggregate investment in all such corporations and in all such projects does not exceed 5% of the unimpaired capital and surplus of the bank...." This Agency is in agreement with the position of the Bank that the proposed investment will promote the welfare of the community by providing housing for those who are disabled and have low incomes and therefore is in accordance with the provisions of Section 5(21) of the Illinois Banking Act.

[NOTE: Section 24 of the Federal Deposit Insurance Act, 12 U.S.C. 1831a, effective December 19, 1991, and regulations implementing Section 24, 12 C.F.R. Part 362, limit the authority of state banks to invest in qualified housing projects to an aggregate of 2% of total assets. 12 C.F.R. 362.3.]