

The Alliance for Economic Development
Financial Institutions Committed to Reauthorization of New Markets Tax Credits



October 31, 2006

The Honorable Henry Paulson
Secretary of the Treasury
1500 Pennsylvania Avenue, NW
Room 2326
Washington, D.C. 20220

Dear Secretary Paulson,

The Alliance for Economic Development is a group of leading financial institutions committed to reauthorization of the New Markets Tax Credit (NMTC) program and includes as members some of the largest banks in the nation. Our member financial institutions fund NMTC investments to strengthen economically distressed communities by creating new jobs, generating tax revenue, and improving urban and rural environments. The community investments that our member institutions make using these tax credits would not happen if not for this innovative and important program.

The NMTC program incents private sector investment for a broad range of development activities in both rural and urban communities and generates thousands of new full-time jobs and even more construction jobs each year. Since the program began three years ago, the Department of the Treasury has awarded allocations of over \$12 billion in credits to 187 different Community Development Entities (CDEs). These CDEs, headquartered in 40 states, have leveraged these credits to attract capital from other private sector sources, especially financial institutions.

To date, after the three years in operation, the NMTC program has facilitated more than \$4.7 billion in private sector investments into urban and rural communities. Recognizing the NMTC program's proven ability to encourage private sector investment in severely distressed areas, Congress passed legislation in December of 2005 authorizing an addition \$1 billion in NMTC allocations for economic recovery in the Gulf Opportunity Zone.

In addition to the seven members of The Alliance for Economic Development, some of the larger financial institutions that have helped Treasury and CDFI fulfill the mission of the NMTC program are Capital One, Citigroup, Goldman Sachs, JP Morgan Chase, Merrill Lynch, and Sun Trust.

While many large financial institutions have been active participants in the NMTC program, dozens of smaller banks across the country, such as Liberty Bank in

New Orleans, Carver Federal Savings Bank in New York City, and Marshall & Ilsley Bank in Wauwatosa, Wisconsin, have been awarded allocations that have created jobs, developed real estate, and funded small businesses in the communities they serve.

At the announcement of Fourth Round allocation winners in June of this year, we were pleased to hear former Treasury Secretary Snow say, "Job creation and investment in our economy are the cornerstones of President Bush's pro-growth policies. Today's announcement encourages even more jobs and progress in some of the neediest communities across the country."

The current NMTC authorization is set to expire at the end of 2007. If the NMTC program is not reauthorized soon it will certainly be a loss to the hundreds of communities the program could materially improve, but it will also mean a significant setback to the financial institutions large and small that have made substantial human and capital investments to deploy the NMTC program. Therefore, it is important to us and to the communities we serve that the NMTC program be reauthorized as soon as possible.

Legislation to reauthorize the NMTC program for an additional year through 2008 has been passed in both the House and Senate during the 109th Congress. Legislation has been also been introduced in both the House (Rep. Ron Lewis' H.R. 3957) and Senate (Sen. Olympia Snowe's S. 2020) to reauthorize the NMTC program for five years through 2012 and enjoys bipartisan cosponsorship.

We would like to ask for your consideration for support for both short-term and long-term reauthorization of the NMTC program, and as Treasury works to prepare its budget for Fiscal Year 2008 we would like to request that funding for the program be included.

Sincerely,

Advantage Capital Partners

Bank of America

Capmark

Key Bank

National City Bank

U.S. Bank

Wachovia

cc: Mr. Arnie Havens
Mr. Emil Henry
Mr. Art Garcia
Mr. Eric Solomon
Mr. Jim Wilkinson