

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



July 5, 2007

NMTC Program Manager
CDFI Fund
U.S. Department of the Treasury
601 13th Street, NW,
Suite 200 South
Washington, D.C. 20005

Dear NMTC Program Manager,

The Alliance for Economic Development consists of financial institutions committed to speaking with one voice on issues important to NMTC investors. The Alliance's member institutions make NMTC investments to strengthen communities by increasing employment opportunities, generating new tax revenue, and improving economically distressed areas of the nation.

Members of the Alliance strongly believe that the NMTC Program should play an important role in helping to improve distressed communities, including those in non-metropolitan areas. Through the NMTC Program, members of the Alliance have made significant investments in projects in non-metropolitan counties. Recent statistics indicate that the percentage of Qualified Low-Income Community Investments (QLICIs) made in non-metropolitan counties is proportional to the U.S. population living in non-metropolitan counties. As the NMTC Program evolves, more and more businesses and developments in non-metropolitan counties are being financed through this method, and expectations are that market forces will continue to drive this trend upward.

The Alliance respects Congress' intent that the CDFI Fund ensure that the NMTC Program proportionally benefit Americans living in non-metropolitan counties, and we seek to work with the agency on its rule making. Below are several principles that the Alliance encourages the CDFI Fund to consider as it formulates its rules to ensure the NMTC Program proportionally benefits Americans living in non-metropolitan counties.

- Measure of proportionality should be based the ratio of Americans living in non-metropolitan counties to those living in metropolitan counties as opposed to the ratio of non-metropolitan counties to metropolitan counties or the ratio of census tracts in non-metropolitan counties to census tracts in metropolitan counties. Since the NMTC Program is designed to ultimately assist low-income individuals

living in qualifying communities, it follows that proportionality should be based on the proportion of individuals living in non-metropolitan counties to those living in metropolitan counties.

- Ensuring that the NMTC Program proportionally benefits individuals living in non-metropolitan counties through volume of QLICIs is the best measurement to employ for this market driven program. Use of other measurements of proportionality – such as location of investors, CDEs, or principal service areas of CDEs – are problematic for a variety of reasons and would disrupt the market driven nature of the NMTC program that has led to its success. Most significantly, QLICIs are the most precise indicators of capital deployment into non-metropolitan counties.
- Due to the lower volume of QLICI opportunities in non-metropolitan counties and the lack of predictability of timing of repayments that would necessitate reinvestment, if allocation agreements stipulate that CDEs invest a certain percentage of their allocation dollars in QLICIs in non-metropolitan counties, then, in the event of a reinvestment scenario, those QLICIs originally deployed in non-metropolitan counties should be permitted to be reinvested in either non-metropolitan or metropolitan counties.
- Non-metropolitan counties should be treated as a “Tier One” indicator of highly distressed, elevating this criterion to be on par with census tracts having a poverty rate over 30%, a benchmarked family median income lower than 60%, an unemployment rate higher than 150% of the national rate, or the Gulf Opportunity Zone (GO Zone). As CDFI has treated QLICIs in the GO Zone as highly distressed, location of a QLICI in a non-metropolitan county should – independent of any other factors – qualify as highly distressed.
- Determination as to whether a CDE has deployed its QLICIs from a specific round in an amount meeting or exceeding the non-metropolitan proportion should be made only once a CDE has deployed all of its QLICIs from that round.

The Alliance looks forward to working with the CDFI Fund as it formulates the rules to fulfill Congress’ intent to ensure the benefits of the NMTC Program are spread throughout the nation. Should the CDFI Fund wish to reach the Alliance, please contact Ben Dupuy at (202) 337-1661 or bdupuy@cypressgroupdc.com.

In advance, we thank the CDFI Fund for taking these principles into consideration.

Sincerely,

Advantage Capital Partners

Capmark

Key Bank

National City Bank

U.S. Bank

Wachovia