



STATE OF MISSISSIPPI
OFFICE OF THE GOVERNOR

HALEY BARBOUR
GOVERNOR

July 6, 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,

Thank you for the opportunity to comment on the important role that the New Markets Tax Credit program can play in helping to improve distressed communities, including those in non-metropolitan areas. I am pleased to see that the CDFI fund is looking at strategies to increase financing in rural areas. Mississippi is a rural state and any activity or programs designed to provide capital to financially distressed markets is appreciated and supported by the state.

The State of Mississippi and our Congressional Delegation have had a productive and successful year in educating Mississippians on this valuable yet complex program, beginning with our New Markets Tax Credit summit held in Hattiesburg, Mississippi, in August of 2006. In addition, we have worked with local and national Community Development Entities (CDEs) such as Enterprise Corporation for the Delta, Advantage Capital, Greystone, and U.S. Bank to identify projects which qualify for investment. I would like also to thank Director Kimberly Reed and her team for traveling to Mississippi in June.

The New Markets Tax Credit Program was created to incentivize investment of private sector capital for the purpose of promoting economic revitalization and community development in low-income communities that are underserved by traditional financial institutions. This program has been underutilized in Mississippi in areas such as the Mississippi Delta, downtown Jackson, and the Gulf Coast. We recognize this problem and recently passed a State New Markets Tax Credit program (House Bill 1727) which may be paired with the Federal New Markets Tax Credit program. Mississippi is doing its part in educating people regarding the benefits and the mechanics of this program, but we still need a larger portion of capital directed to rural areas.

As the CDFI formulates its rules to ensure the NMTC Program proportionally benefits Americans living in non-metropolitan counties, I'd like to offer the following thoughts.

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While it is true that CDEs are likely to invest in jurisdictions where they are based, priority should not be given to where a CDE is headquartered. Rather, the location of the Qualified Low Income Community Investment (QLICI) is the most effective means of ensuring that applicants are investing and held accountable for serving rural markets. According to the Federal Register, proportionality can be defined in one or more ways; based on non-metropolitan population (17.4 percent), low-income population in non-metropolitan areas (25 percent), or other calculation. The United States Department of Agriculture reports that at least 21 percent of the population lives in rural areas. Using this data, \$780 million of the current allocation round would be available for CDE activities in non-metropolitan areas. It is my hope that CDFI will work to ensure that a proportion of QLICIs occur annually in non-metropolitan counties.

To modify the proportional allocation of Qualified Equity Investments (QEIs) to non-metropolitan areas, priority points could be allocated for demonstrated track records and additional points for forward looking commitments. Attention should be given to applications whose focus is primarily on rural areas/distressed areas and perhaps CDFI could score these rural applicants among a pool of peers.

Lastly, it is my hope that CDEs which state that a certain percentage of their QEIs will be used to make investments in rural areas, will be held accountable for making these investments in rural areas through the allocation agreement. The allocation agreement and compliance measures are CDFI's strongest tool to ensure that investment is made in these non-metropolitan areas.

Thank you for the opportunity to comment on this important matter. Should you have any questions, please contact Marie Thomas of my staff at (601) 576 2014.

Sincerely,

A handwritten signature in black ink, appearing to read 'Haley Barbour', written in a cursive style.

Haley Barbour

HRB:mt

