

June 29, 2007

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

To Whom It May Concern:

CAP Services is a Community Action Agency that has been offering human and community development programs in primarily rural central Wisconsin since 1966. We also have a US Treasury-certified subsidiary, Community Assets for People that acts as the corporation's lending arm for housing and community development projects. We submit the following in response to the request for comments on the New Markets Tax Credit Program and its allocation of credits. Our comments are organized in response to your questions.

ALLOCATION OF QLICs

Overall: CAP Services has grown increasingly concerned over the failure of supposed "statewide" NMTC allocatees to invest their credits in project in rural Wisconsin. While recognizing some issues associated with scale, the biggest barriers to rural projects have been unwillingness on the part of allocatees to allocate credits to smaller projects or to deliver those credits in some vehicle other than interest rate reductions on what are otherwise conventional loans. There are a variety of strategies for delivering credits in rural areas and a variety of strategies for overcoming issues associated with scale, but most statewide NMTC allocatees in Wisconsin have simply been unwilling to address those, preferring instead, to focus on using credits to offer small interest rate reductions in large loans for projects as enhancers rather than as integral to the financial integrity of the project.

- a. Location of Investors: CAP Services does not support requiring investors to be located in specific non-metro areas. Where the funds originate has little bearing on where they are invested. In addition, several of the non-profit national syndicators that have been willing to invest in rural projects attract money from primarily urban areas.
- b. Location of Allocatees: again, CAP Services does not support requiring allocatees to be headquartered located in specific non-metro areas or that a desired proportion of NMTC allocation authority be given to groups in those areas. While this might be a successful strategy for some groups, it should be an option, not a mandate.
- c. Principal Service Area: CAP Services does not support requiring allocatees primary services area(s) to be located in specific non-metro areas or that a desired proportion NMTC allocation authority be given to groups whose primary service area(s) are located in specific non-metro

- d. areas. While this might be a successful strategy for some groups, it should be an option, not a mandate.
- e. Location of QLICIs: CAP Services supports requiring that a designated proportion of QLICIs be made in non-metro areas without consideration to the location of the CDE's headquarters or primary service area.

PROPORTIONALITY

CAP Services feels there should either be a set-aside of NMTCs on the federal level for non-metro areas (25% of total credits available) or extra points be awarded for those applications proposing to invest at least 40% of their total allocation in non-metro areas or into CDEs who will invest into non-metro areas. Admittedly, non-metro areas represent a relatively unique niche for NMTC allocatees. Having some surety of an ongoing commitment to non-metro areas would help potential (and current) allocatees (and CDEs) develop the infrastructure needed to address this segment of the market.

- a. Amount: CAP Services supports a set-aside of 25% of the total NMTC allocation for applicants proposing to serve non-metro areas exclusively or awarding extra points for applicants proposing to invest at least 40% of their allocation into either non-metro areas or CDEs serving non-metro areas.

This represents a significant departure from current policy, but it would it also redress what in Wisconsin has been a significant underserving of non-metro areas. I assume similar situations have occurred in other areas as well.

Thank you for this opportunity to comment. If there are any questions about our comments, please do not hesitate to contact me at (715) 343-7509 or by e-mail at kspnazek@capmail.org.

Sincerely yours,

Karl S Pnazek
President and CEO