



July 3, 2007

NMTC Program Manager  
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Washington, DC 2005

**Regarding :** US Department of the Treasury, New Market Tax Credits Program

**Transmitted electronically to:** ([cdfihelp@cdfi.treasury.gov](mailto:cdfihelp@cdfi.treasury.gov))

The Community First Fund is a certified CDFI under the US Treasury and currently has made over \$11 million in loans to local community and economic development projects. Our market area includes two counties (out of 13 served) which are classified as non-metropolitan areas. These are Adams and Franklin Counties located in south central Pennsylvania.

#### **Defining Rural Areas:**

We would propose that the US Treasury look for additional ways in which to target rural areas beyond the current use of the official definition of non-metropolitan areas. As noted above only two counties in our 13 county market area would qualify as rural areas under this definition. At the same time, many of the other counties that we serve include large rural populations, which despite their inclusion in a metropolitan area, are also underserved by the New Market Tax Credit Program. An example would be Perry County, Pennsylvania, which is included as part of the Harrisburg metropolitan area. However, Perry County is an extremely rural area with just 43,000 people living there but has received minimal investments under the New Market Tax Credits. By the same token there are extremely rural census tracts in Lancaster County, which is also classified as a metropolitan area, and which would therefore be ignored under the current methodology of defining rural areas as only those "non-metro" areas.

This will require that the US Treasury require additional information from NMTC applicants regarding rural populations served beyond simply determining whether or not an otherwise rural county or census tract happens to be included in a Metropolitan Area as defined by the federal government. This should include allowing applicants to identify population densities of counties or groups of census tracts as a way to specifically target rural areas.

#### **Allocation of QEI's**

The CDFI Fund should ensure that a desired proportion of the QLICIs are provided in rural areas. Clearly, the address of a CDE's headquarters is not indicative of the location neither of its investors nor of where it will make QLICI's. The Fund will have to develop additional methodologies to require applications to identify QEI's benefiting rural areas. Among those methodologies could be the applicant's track record for making investment's in rural areas, including those rural census tracts which are part of an official "metropolitan area".

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**Proportionality:**

Further, Community First Fund believes that the percentage of QLICI's made in low income communities should be based upon the total dollar amount of those QLICI's. Using the number of QLICI's made is not an accurate reflection of the real investment made in those communities. It seems self-evident that whether one QLICI or ten QLICIC's are made, that number does not adequately reflect the potential impact of the investment in the area. Only the total dollar value the true investment and therefore, the potential impact, made in rural areas under the New Market Tax Credit Program

**Review Process**

The CDFI fund asks for comments on what changes should be made to the allocation application review and decision making process. Community First Fund believes the best process is provide incentives to ensure that the CDFI fund can meet the proportional threshold it establishes for rural areas. CDFI believes that providing point incentives in its application could provide additional encouragement to applicants to serve rural areas. This could be done by provide an increasing number of points based upon the percentage of QLICI's that the applicant commits to serving rural areas, i.e. the larger the percentage, the higher the number of points. Clearly, such a process would require additional compliance checks to insure that the successful applicant meets those commitments.

Community First Fund thanks the CDFI Fund for the opportunity to comment on these changes.

Sincerely,

*Joan Brodhead*

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Vice President and Chief Operating Officer

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