



# OAK HILL BANKS

*Community Development Corp.*

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July 3, 2007

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

Re: Request of Public Comments, New Markets Tax Credit Program  
Federal Register, Vol. 72, No. 98, Tuesday May 22, 2007

Dear Sir/Madam:

The CDFI Fund requested public comments on certain issues regarding how, for purposes of the New Markets Tax Credit (NMTC) Program, the Community Development Financial Institutions Fund (CDFI) should ensure that non-metropolitan counties receive a proportional allocation of Qualified Equity Investments (QEIs). Following are comments of Oak Hill Banks Community Development Corp. We are a second round NMTC allocatee with principally a non-metropolitan service area.

#### Allocation of QEIs

In our opinion, in order to provide for the effective delivery of community development finance in non-metropolitan counties, a desired proportion of NMTC allocation authority (as a percentage of the total dollar amount of allocation authority) in any given NMTC round should be provided to CDEs headquartered in, and principally serving, non-metropolitan counties. We believe "principally serving" should be defined as 80 percent or more of the total QLICs made by the CDE. If the CDEs investor also resides in, or is headquartered in, a non-metropolitan county, the CDE should be awarded additional ("bonus") points in the scoring process, but the location of the investor per se should not be a part of the final formula for ensuring that the desired proportion of allocation authority is directed to non-metropolitan counties.

#### Proportionality

The CDFI Fund should define the term "proportional" to mean the proportion of low-income communities that are located in non-metropolitan areas. In our opinion, proportional should not be defined based entirely on population statistics but on the number of low-income communities. Approximately 25 percent of the total allocation authority, or QEIs, for each round should be directed to non-metropolitan counties. However, if the total amount requested for non-metropolitan counties on all applications is less than 25% of the total on all initial applications, then the lower figure, i.e., a lower percentage should govern.

The total allocation authority should be directed to non-metropolitan counties predominantly by CDEs that are located in, or headquartered in, and are principally serving, non-metropolitan counties. CDEs that are serving both metropolitan and non-metropolitan areas, but are not principally serving non-metropolitan counties, irrespective of their location, should not be completely excluded from the calculation, but in total, they should account for a

smaller proportion of the allocation authority directed to non-metropolitan counties. In summary, the QEI pool for non-metropolitan counties should arise principally from CDEs that are located in, or headquartered in, non-metropolitan counties, that provide 80 percent or more their QEIs to non-metropolitan areas.

#### Review Process

In order to ensure that there is a proportional allocation of QEIs in non-metropolitan areas equal to 25 percent of the allocation authority for the round, the CDFI Fund should consider making the following modifications should be made to the review process.

The Fund should give priority points to CDEs located in, and principally serving non-metropolitan counties (as evidenced by 80 percent or more of future QEIs directed to non-metropolitan counties per their application request). Priority points should be given based on 1) the CDEs (or its predecessor organization's) track record in serving non-metropolitan counties, and 2) its forward-looking commitments in non-metropolitan counties. The Fund should consider giving additional bonus points to the applicant if the CDEs investor(s) are located in non-metropolitan counties.

It may be more likely that a CDE that is located in, and is principally serving, non-metropolitan areas will typically request a smaller allocation than larger national and state organizations. In this regard, the introduction of additional priority points in the scoring process, similar to that enumerated above, may increase the probability of success for smaller organizations, provide more balance among large and small allocatees, and also contribute to achieving an allocation between metropolitan and non-metropolitan counties that provides broader community impacts. Possibly the introduction of a sufficient amount of additional priority points would eliminate the need to re-rank applicants to achieve the desired proportionality. If there are not a sufficient number of CDEs located in, or headquartered in, and principally serving non-metropolitan counties that meet a scoring threshold, then more of the desired allocation authority in the round directed to non-metropolitan counties should be satisfied by CDEs who are not principally serving non-metropolitan counties.

#### Compliance

It is our opinion that the CDFI Fund should require that applicants specify in their applications the percentage of their QEI proceeds that they will use to make investments in non-metropolitan areas. In addition, the applicant should then be held to those percentages as a condition of their allocation agreement.

Oak Hill Banks Community Development Corp. appreciates the opportunity to provide the foregoing comments for your consideration. We know that the CDFI Fund wants to ensure that non-metropolitan counties receive a proportional allocation of QEIs and commend the Fund for providing this opportunity to comment.

Respectfully submitted,

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Oak Hill Banks Community Development Corp.