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Date: 05-July-2007

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**The Community Development Financial Institutions (CDFI) Fund Requests Public Comment on the Implementation of Non-Metropolitan Allocation of Qualified Equity Investments Provision**

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*“The test of our progress is not whether we add more to the abundance of those who have too much.... It is whether we provide enough for those who have too little.”*

Franklin D. Roosevelt, The New Deal

1. *Allocations* of QEIs.

CDE's should not be given a blank check to service a state, multi-states or the nation. There are too many non-metropolitan counties being left behind because of the blanket idea that state-wide CDEs will service non-metropolitan areas. As you and I know, non-metropolitan areas are where the poorest of residents live and couple that with the lack of shelters, safe housing, and jobs and you have a location that is not attractive to investors.

(a) Now where should the investors be located, that's easy, anywhere in the world as long as it is in accordance to law, IRS code and CDFI statues because it's going to take a mix of interest to support non-metropolitan areas.

(b) To the question of proportionality of where allocatees should be located, first I would like to address the current use of the service areas by CDFI. Rather than giving CDE allocatees the option to chose a statewide or national service area when applying for NMTC funding.

One option would be to make the CDE's proposals county-specific and require a county-specific QLIC funding strategy, for that year's round of funding. The strategy should mainly include specific funding targets for the QLICs in the county. The next year, CDFI could then encourage participations in counties and communities that are being left behind.

Also, state-wide and national service area designations are good for multi-year allocation awardees purposes.

(c) When it comes to non-metropolitan areas, the desired proportion of NMTC allocatees should be based on the total number of allocatees because this gives the non-metropolitans areas the best opportunity to get as many people as possible involved in the process to help the communities.

CDEs and investors that have a “calling” to these areas will work harder and do it better than most because they are driven by the desire to help the community and less by double digit margins and returns, albeit not an excuse to make sound business decisions.

With that said, NMTC funding should consider a desired proportion of the total number of allocatees “principally serving” 60% of total QLICs made by the CDE in non-metropolitan areas. Dynamics will dictate that CDEs will need a mix of metropolitan and non-metropolitan projects to attract investors.

(d) To give non-metropolitan areas the best opportunity for appropriate proportionality, the NMTC fund should not be considered where a CDE is headquartered. CDE in a metropolitan area may have more options and investor pool to assist non-metropolitan areas and a CDE in non-metropolitan areas may have a small but readily willing investor pool.

## 2. Proportionality

(a) With respect to alternatives (a) and (d) under issue 1, the CDFI Fund should define the term “proportional” to mean:

(ii) The proportion of low-income communities that are located in non-metropolitan areas

b) With respect to alternatives (b) and (c) under issue 1, the proportion should be based upon:

(i) The total applicant pool for a given NMTC allocation round.

(c) With respect to alternatives (c) and (d) under issue 1, the percentage of QLICs made in low-income communities be should based upon the total number of QLICs made by a CDE.

## 3. Review Process

What modifications could be made to the CDFI Fund’s review process to ensure that there is a proportional allocation of QEIs in non-metropolitan areas?

(a) Priority points. In prior allocation rounds, the CDFI Fund has provided up to five priority points to applicants that demonstrated a track record of having successfully provided capital or technical assistance to disadvantaged businesses or communities, pursuant to IRC section 45D(f)(2). The CDFI Fund should adopt priority points based on:

(i)The CDE’s track record of serving non-metropolitan area and the forward-looking commitments.

(b) Re-ranking of applicants. The CDFI Fund should absolutely consider advancing lower scoring applicants that predominantly serve non-metropolitan areas over higher scoring applicants so that the desired proportionality is achieved.

4. *Compliance.* The CDFI Fund must have a mechanism to ensure that allocatees comply with any non-metropolitan area proportionality requirement.

Why should NMTC funding be based on a county-specific QLIC funding strategies?

When CDEs get allocations to service the state and only service the metropolitan communities and its surrounding non-metropolitan areas, that are usually affluent, it takes away opportunity from the poorest of non-metropolitan areas. CDFI could then encourage participations in counties and communities that are being left behind. (Also See Section 1)