

December 4, 2009

The Honorable Timothy F. Geithner
Secretary of United States Department of the Treasury
United States Department of the Treasury
1500 Pennsylvania Avenue, N.W.
Washington, D.C. 20220

Dear Treasury Secretary Geithner:

I am the President and CEO of Rockland Trust Company, a commercial bank whose community development entity ("CDE") subsidiaries have been honored with awards under the federal New Markets Tax Credit ("NMTC") program on three occasions. We met briefly this past May when you came to Boston to announce the recipients of the \$1.5 Billion in NMTC allocation authority authorized under the American Recovery and Reinvestment Act of 2009, including a \$50 Million NMTC award to our CDE.

When we met, you asked for ideas about how the NMTC Program might be improved. The only suggestion made at that time was that the federal tax credits generated under the NMTC program be approved to reduce Alternate Minimum Tax obligations, as has long been the case with federal low income housing tax credits. While I continue to support that suggestion, I write to offer the following additional suggestions on how the NMTC Program might be improved to assist small businesses in low-income communities:

- Change NMTC rules so that the entire committed amounts of revolving lines of credit, up to a maximum of \$250,000, granted to businesses which qualify to receive NMTC loans be counted as outstanding loan principal for purposes of NMTC "substantially all" compliance testing. Under the "substantially all" test, a CDE must keep 85% of the investments it receives continually invested in qualifying loans. The 85% figure is calculated using the actual, outstanding principal amount of the loans made by the CDE. This precludes a CDE from extending a revolving line of credit unless the line of credit is drawn down at all times. The rationale for this proposed change is simple ~ many growing small business need access to a revolving line of credit to even out cash flows in their income stream, but do not need to have the maximum amount of the line of credit outstanding at all times. Healthy small businesses draw, and pay down, their revolving line of credit frequently because they do not want to be overly dependent on credit to support operations. For like reasons, responsible lenders usually require borrowers to periodically pay their revolving lines of credit down to a zero balance. Permitting a CDE to count the amount of exposure on the revolving line of credit, rather than the amount actually outstanding for purposes of the 85% "substantially all" test, would provide CDEs

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with the flexibility to respond to small businesses' need for lines of credit that have sometimes been difficult to obtain in the current credit market.

- Enable, and encourage, the United States Small Business Administration to grant SBA lending authority to appropriate NMTC community development entities. While SBA lending authority might not be appropriate for every CDE, small businesses in low-income communities would save significant costs and otherwise benefit if a CDE with the appropriate qualifications could combine NMTC lending with SBA lending programs.

If you are interested in these suggestions, my colleague Edward H. Seksay, who manages both our NMTC lending program, would be pleased to work with your staff on them. Please let us know if we can be of assistance.

Yours truly,



Christopher Oddleifson
President and Chief Executive Officer

cc: Congressman Barney Frank
Edward H. Seksay