

January 3, 2008

Sent Via Mail and E-Mail

Mr. Matt Josephs
NMTC Program Manager
Community Development Financial Institutions Fund
U.S. Department of Treasury
601 13th Street, N.W., Suite 200 South
Washington, DC 20005

Dear Matt:

We, the undersigned, as participants in the New Markets Tax Credit (“NMTC”) industry, have joined together for the purpose of providing the Community Development Financial Institutions Fund (the “CDFI Fund”) our comments on the Community Investment Impact System (“CIIS”), Version 5.0. It is our intention that these comments will assist you in your efforts to improve CIIS by enabling it to collect more reliable information while making the system more user-friendly.

For your convenience, we have provided below a list of general comments regarding the CIIS as well as specific comments relating to the Institutional Level Report (“ILR”) and the Transaction Level Report (“TLR”).

General Comments Regarding CIIS

Notification of allocatees when changes are made. From time to time, new instructions regarding CIIS and changes to data points are issued or existing instructions altered. We recommend that allocatees be made aware of such changes at the time the changes are made by sending an email to all registered users of CIIS. By notifying allocatees of the changes, it will give allocatees enough time to make sure they are collecting the data requested and inputting it into CIIS in a timely manner. Also, we recommend that the new data only be required for those transactions that occur during the period for which the new changes apply and not be retroactively applied. If changes are made to the instructions within 60 days of a reporting deadline, we recommend that allocatees should be subject to the former instructions in order to ensure that these allocatees can meet their reporting deadlines. Finally, from time to time, an allocatee will be given the option to reopen its report to make changes requested by the CDFI Fund. If the allocatee chooses to open its report and a newer version of CIIS has since been released, the allocatee is required to make the requested changes to its report as well as input the information required by any new data points. We recommend that allocatees not be required to report any additional information required by a newer version of CIIS if the allocatee submitted the report prior to release of the new version of CIIS.

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Allow users to print data inputted into CIIS before submission. We request that users be allowed to print a report of the data that has been manually entered into CIIS prior to final submission of the report to the CDFI Fund. We believe this would increase the accuracy of the manually entered data in the reports by allowing allocatees to review the report as a whole before submission.

ILR Comments

Add an option to upload an Excel or XML file. Since many entities maintain reporting data in Excel files, adding an option to upload this information directly from Excel would reduce the amount of time spent in CIIS and reduce the number of data entry errors. In addition, an XML upload feature would enable users of approved CIIS compatible software programs to upload the ILR data along with their TLR data more efficiently and accurately. Relative to the XML upload feature, we recommend creating a sample file with data. This would provide users with a means to retrofit their data to the exact specifications and troubleshoot if necessary.

TLR Comments

Projects that use historic tax credits. The ILR currently contains a question about whether the CDE works with other tax credits, specifically the historic tax credit. We believe it would be beneficial to include a similar question in the TLR as well. This would allow the CDFI Fund to use the TLR to collect data on the number, size and impacts of projects using a combination of new markets and historic tax credits. We recommend that the question be similar to I. B. 6. in the ILR so that the allocatee can indicate different tax credit programs, including the historic tax credit, that it intends to use with NMTCs.

N-I: G, page 7 – Purpose and Project Outcome Data Points. Currently, input of many project outcome data points, including square footage and jobs data points, is restricted based on the user's selection of the Purpose data point. For example, if the user selects a "business" purpose, it cannot enter any square footage information. The purpose of the financing could be to provide a business capital for expansion of its facility, for which the user could easily provide square footage information in addition to job creation data. We believe that restricting the entry of projected outcomes may prevent the CDFI Fund and the industry from capturing valuable community impacts data. We recommend that the project outcomes data points not be restricted based on the selection in the purpose data point.

N-I: K, page 10 - Provide clarification on the rehabilitation amount. Currently, the instructions require the CDE to "...report the portion of the original loan/investment amount that was used for the rehabilitation." An amount is required for this data point, however, not all loans have a portion of the rehabilitation attributed to them. Therefore there will not always be an answer to this question. For example, in an acquisition/rehabilitation loan in which the rehabilitation portion is included in the overall financing but the rehabilitation funding is coming from the borrower's entity, the answer to the question above would be \$0. Since the system will not currently accept a zero, there have been problems answering this question appropriately. The only available option in the TLR would be to report the loan purpose as "Real Estate – Construction/Permanent/W/O Rehab – Commercial". However, in this example, the actual purpose of the CDE's financing was to provide a loan to a rehabilitation project, even though its proceeds may not have directly been used for the rehabilitation. We recommend that the user be

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allowed to enter a “0” in the “rehabilitation amount” field in order to accurately describe the purpose of the financing as “rehabilitation” even if the loan proceeds were used solely for acquisition. Also, it is unclear as to what costs specifically should be included in the definition of rehabilitation. For example, are tenant improvements considered part of the rehabilitation costs? We believe further guidance would be beneficial to answering questions that refer to rehabilitation costs.

N-I: L, page 10 – Origination Fees. We believe that origination costs is a term that is more commonly used to refer to the items the CDFI Fund is looking for in this data point, such as processing and credit reports. We recommend changing the term “Origination Fees” to “Origination Costs”. In addition to changing the name of the data point, we further recommend that the CDFI Fund provide more examples of the types of costs that are being requested to avoid inconsistent reporting. If the CDFI Fund does want data regarding fees charged that are in addition to costs incurred originating the loan, we recommend that further examples be provided about different types of fees.

NI: AI, AJ; PRJ: BG and BH – Comparable interest rate. Currently, the CDFI Fund requires that the comparable interest rate calculated at fiscal year end should be reported here. This is inconsistent with the New Markets Tax Credit Program Allocation Agreement (“Allocation Agreement”), which requires that terms be more flexible at the time of the original investment. If the user is required to use comparables at year end, the interest rates may not meet the better rates and terms requirements due to changes in financial conditions since the loan was originated. Further, the requirement to report the comparable interest rate at each reporting year end for each year in which the financial note is outstanding places a significant additional burden on users that rely on third parties such as banks to determine this information each year for each outstanding transaction. We recommend that the data point be changed so that the user is only required to report a comparable interest rate at the time of origination in order to be consistent with the allocation agreement requirements.

NI: BB, page 20 – Allow a loan that has closed but has not yet made any disbursements to be listed as “Active.” A construction loan, for example, that has closed is considered “active” prior to the disbursement of loan proceeds.

N-I: BK, page 24 – Projected Internal Rate of Return (“IRR”). It is unclear what information the CDFI Fund is trying to gather from the user. CDEs usually do not calculate IRR solely on a Qualified Low-Income Community Investment (“QLICI”) but rather on the entire financing structure, including all QLICIs. We recommend that the data point be more clearly clarified or removed.

N-I: BL, page 24 – Projected Grant. This is a new data point in version 5.0 and we recommend that it be deleted because a grant is never considered a permissible QLICI. Also, there are inconsistencies as to its applicability. In the hard copy instructions, it is listed as an “optional field,” but in the template that can be downloaded as an Excel file, it is listed as “conditionally required.”

Investee (Borrower) Guidance, page 26. On page 26 of the TLR instructions, it states, “...if the QALICB is a single-purpose entity (SPE) created by an operating business to lease back property to that parent business, the Investee is the parent business.” This seems to imply that all of the project data points should be answered by the parent business; however, it is unclear.

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Without further clarification, we believe this may lead to inconsistent reporting practices. It is further confusing because the user is required to select a QALICB type (Real Estate or Non-real estate) based on different guidance, and such QALICB type may be different from the Purpose data point. The restrictions on project outcomes are tied to the user's selection of the Purpose data point and may prevent the user from entering data relevant to the transaction. We recommend that the CDFI Fund provide further guidance with respect to the Investee (Borrower), QALICB Type and Purpose data points to ensure that data collected is consistent and meaningful.

PRJ: AU, page 39 – DS/FCOS Hours of Assistance Provided During the Reporting Period. It appears that the language related to reporting jobs for the parent business is left over from another description. This seems to be a typographical error that should be corrected.

PRJ: AV, page 39 – Other Impact (I) – Explain. Since these “other impacts” often happen over a period of time that extends beyond the reporting period, we recommend that the response to this data point not be limited to impacts that occur solely during the reporting period. For example, the measurement of the estimated incremental tax revenue increase caused by a project cannot be limited to the reporting period. In instances such as this, the measurement period should be extended beyond the reporting period.

PRJ: CF, page 46 – US Small Business Administration (SBA) designated HUB Zones. The data point states that the higher distress criteria listed only applies to Round 3 allocatees if the project is located in an SBA HUB Zone AND the business has obtained HUB Zone certification from the SBE. This criteria also applies to Round 4 allocatees and we recommend that it should state that it applies to both Round 3 and Round 4 allocatees.

PRJ: BZ through CM, page 47-48 – Areas of Higher Distress (standard list). Currently, the user is required to answer “Yes” or “No” to each of the data points listed in the “Areas of Higher Distress” section. The Allocation Agreement requires CDEs to meet only a certain number or combination of higher distress criteria, depending on the allocation year. In some cases, CDEs that have determined compliance with their Allocation Agreement by meeting one or more of the higher distress criteria, do not necessarily know whether or not the project meets each of the remaining criteria listed. We recommend that each of the “Areas of Higher Distress” data points include an option for the user to enter “Don’t Know”.

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Conclusion

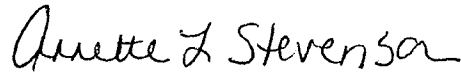
We hope that you find these comments helpful. Thank you in advance for your time and consideration. Please do not hesitate to contact us if you have any questions regarding our comments or if we can be of further assistance.

Yours very truly,
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