

April 20, 2010

Sent Via Mail and E-Mail

Mr. Charles McGee
Program Manager – Certification, Compliance Monitoring and Evaluation
Community Development Financial Institutions Fund
U.S. Department of Treasury
601 13th Street, N.W., Suite 200 South
Washington, DC 20005

Dear Mr. McGee:

On behalf of the members of the NMTC Working Group, we would like to provide the Community Development Financial Institutions Fund (the “CDFI Fund”) our comments on the Quarterly New Markets Report (“QNMR”) in response to your request on February 19, 2010 in the *Federal Register*. It is our intention that these comments will assist you in your efforts to improve the quality, utility, and clarity of the information collected and minimize the burden of the collection of information on respondents that receive allocations from the American Recovery and Reinvestment Act (“ARRA”) awards. The NMTC Working Group works to resolve technical and administrative NMTC issues. The Working Group consists of over 30 NMTC industry participants, including multiple-round allocatees, investors and other professionals that work together to respond to and provide organizations like the CDFI Fund with recommendations to improve the efficiency of the NMTC Program in delivering substantial benefit to low-income communities across the country.

For your convenience, we have provided below a list of general comments regarding the QNMR as well as specific comments relating to each individual tab in the QNMR workbook available at the CDFI Fund’s website.

General Comments Regarding the QNMR

Electronic submission of the QNMR. We recommend that when the online submission of the QNMR through the CDFI Fund’s Community Investment Impact System (“CIIS”) becomes available that allocatees be allowed the same options to upload that are currently available for annual reporting requirements in CIIS. 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 data more efficiently and accurately. For example, allocatees are currently allowed to upload Transaction Level Report (“TLR”) information in CIIS using a Microsoft Excel file or XML. We believe that since similar information is being requested for the QNMR that ARRA allocatees should be allowed to upload information for the QNMR in the same format they upload it for the TLR.

Mr. Charles McGee
Community Development Financial Institutions Fund
April 20, 2010

If the CDFI Fund will require all QNMR data to be inputted manually, we recommend that all information entered in previous submissions be automatically populated for subsequent submissions. It is a very time consuming process to manually re-enter information each time, creating a significant administrative burden on ARRA allocatees.

Data point titles should be consistent with CIIS. We recommend that all data points that are the same in both the QNMR and the TLR have consistent titles to avoid confusion. For example, in Table II-8 of the QNMR, “Date Closed” is used when “Date Originated” is used in the TLR.

Notification sent to ARRA allocatees when changes are made to the QNMR. We recommend that ARRA allocatees be made aware of any changes to the QNMR at the time the changes are made by sending an email to all ARRA allocatees. By notifying allocatees of the changes, it will give them enough time to make sure they are collecting the data requested and inputting it into the QNMR 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. We recommend that allocatees not be required to report any additional information required by a newer version of the QNMR if the allocatee submitted the report prior to release of the new version of the QNMR.

QNMR Tab

Total FTEs as a result of Recovery Act Allocation. Currently, the instructions require the allocatee to “Enter the total number of FTEs created or retained by the Allocatee to manage the additional workload related to Recovery Act activities during the reporting period. (emphasis added)” Please clarify whether a job created during the current reporting period should continue to be reported in subsequent reporting periods. For example, if an allocatee were to hire a staff member during the reporting period to administer the additional allocation, would the allocatee report that one job that was created in subsequent reporting periods or would it only be a part of the QNMR for the reporting period in which it was created? We believe that absent any guidance, allocatees may report this information differently. If the CDFI Fund’s intention is to capture the number of jobs created or retained in a specific period, we recommend that jobs created or retained be reported only once, during the reporting period in which they are created or retained. If the CDFI Fund’s intention is to capture the total number of projected or actual jobs, updated each quarter based upon new projections and actual amounts, we recommend that jobs created or retained be reported and updated each reporting period.

Table II-8

General comment. We recommend that a “Client ID” data point be added to be consistent with the data collected in the TLR. We believe this will allow the allocatee and the CDFI Fund to ensure that the data inputted in the QNMR and TLR are consistent.

Total Project Cost – Affiliates & Related Programs. Currently, the instructions for the QNMR state that related project investments by unaffiliated CDEs should be reported. However, the instructions for the TLR do not have the same requirement. We believe that this discrepancy will make it difficult to compare the information inputted into the QNMR and the TLR. We recommend that the TLR instructions be amended to accommodate the change in the QNMR.

Data Point N: NAICS Code. Currently it is unclear in the case of a QALICB that leases real estate whether the allocatee should list the NAICS Code of the QALICB or the code of the tenant that the QALICB leases to. We recommend that the instructions be clarified to identify that the code should be reported for the QALICB or the tenant. For example, if the QALICB is a real estate QALICB and the loan is financing the development of a shopping center, should the code be “53 Real Estate and Rental and Leasing” to identify that the QALICB is in the business of renting real estate, or “44-45 Retail Trade” to identify that the goods and services in the low-income community were retail related? We believe that absent any guidance, allocatees may report this information differently. We recommend that the instructions clarify that the NAICS Code for the tenant be inputted rather than the QALICB. We further recommend that when a business is mixed use for which multiple NAICS Codes could apply that the NAICS Code of the predominant activity be used.

Table III-9

General Comment – Other Impact. We recommend that an “Other” category be created to allow the allocatee to describe community impact benefits that are not related to jobs. 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.

Data Point A: Business Description. In conjunction with our comments above regarding Data Point N in Table II-8, we recommend that the instructions be clarified to require allocatees to describe the tenant rather than the QALICB in the case when the NMTC financing is provided to an entity that leases real estate.

Data Points B-D: Jobs as a Result of Recovery Act Allocation. Similar to the comment above on the QNMR tab regarding total FTEs, we believe it is currently unclear if allocatees should report jobs created and/or retained only in the period in which they occur or continue reporting them in subsequent periods as well. Also, we believe it is unclear if the allocatee should be reporting projected or actual jobs. The instructions use the term projected for items B and D. Should the allocatee also use projected amounts for the number of retained jobs in item C? Should the allocatee update the projections once actual numbers are available? If the CDFI Fund’s intention is to capture the number of jobs created or retained in a specific period, we recommend that jobs created or retained be reported only once, during the reporting period in which they are created or retained. If the CDFI Fund’s intention is to capture the total number of projected or actual jobs, updated each quarter based upon new projections and actual amounts, we recommend that jobs created or retained be reported and updated each reporting period.

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Projected Jobs to be Created. The guidance in the instructions appears to have disregarded the benefit of having the allocatee report the number of FTEs created by real estate projects. We believe that this information is just as valuable when reporting the community impact achieved with the ARRA allocation. We recommend that a new data point be added to include FTEs Created/Retained at Real Estate Projects.

Conclusion

We hope that you find these comments helpful. We believe that these comments will help improve the data collection effort to provide clear and concise information and reduce the overall burden on respondents. 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,
Novogradac and Company LLP

A handwritten signature in black ink, appearing to read "Brad Elphick", written in a cursive style.

by

Brad Elphick