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June 29, 2007

NMTC Program Manager
CDFI Fund
US Department of the Treasury
601 13th Street, NW
Suite 200 South
Washington, DC 20005

Public Comment – allocation of QEIs to non-metropolitan counties

Dear Matt:

The Appalachian Regional Commission has worked extensively throughout our rural 13-state region to develop competitive applications for the New Market Tax Credit Program. In pursuing these efforts, we have partnered with financial institutions, local government entities, state agencies, and philanthropies. Unfortunately, we have found that it is particularly challenging to develop NMTC applications in rural economically distressed communities that can compete with sophisticated urban entities, be they for profit or non-profit applicants.

ARC presents the following recommendations to assist the Fund in allocating QEIs to non-metropolitan counties. We are pleased rural communities throughout the nation will have additional opportunity to participate in this important federal financing program.

Allocations

ARC does *not* recommend that a proportion of investors be required to reside in non-metropolitan counties. One of the benefits of the NMTC focus on rural communities is the anticipated movement of capital from urban centers of investment to rural areas of disinvestment.

ARC recommends that allocations be designated as meeting the non-metropolitan criteria if either:

1. a CDE is headquartered in a non-metropolitan area *and* that CDE has significant operational activities in the headquarters office. Significant operational activities could be defined as more than 50% of employees are located in, or revenues are derived from, the headquarters location.
2. A CDE has as its principle service area a non-metropolitan geography, as defined by 85% or more of QLICs made to non-metropolitan areas.

NMTC allocations should be provided so that the proportion of non-metropolitan allocations (as a percentage of total authority in a given round) meet the allocation requirements for non-metropolitan investment. ARC does *not* recommend using the number of allocates as the criteria for achieving the proportionality requirements for non-metropolitan activity.

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Proportionality

For the purposes of defining 'proportional', ARC encourages the Fund to utilize a definition that addresses the proportion of low income communities that are located in non-metropolitan areas, eg 25%.

ARC suggests that the appropriate percentage of NMTC allocations for a given round be made to CDEs that meet the criteria presented above for non-metropolitan CDEs.

Review Process

The definition of 'particularly distressed' should be modified to include Low Income Communities in non-metropolitan counties. Non-metropolitan counties could be added to the current listing of the three principal metrics for particular distress – poverty, income, and unemployment. This modification would enable applicants to articulate their commitment to rural communities throughout the application.

Up to five Priority Points should also be provided to applicants that have both a track record of serving non-metropolitan areas and a forward looking commitment to serving these rural areas. Five points could be provided to those applicants that have both a track record and a forward looking commitment of providing 85% or more of their QLICIs to non-metropolitan areas. It is recommended that applicants having both a track record and a forward looking commitment of providing less than 50% their QLICIs to non-metropolitan areas receive zero (0) bonus points for activities in non-metropolitan areas.

Compliance

ARC recommends that applicants specify the percentage of their QEI proceeds that will be used to make investments in non-metropolitan areas, and that the Fund hold these percentages as a condition of the allocation agreement.

Thank you for the opportunity to comment on the proposed changes to the New Markets Tax Credit program. We hope that these modifications enable additional rural residents and communities to benefit from this important investment program.

ARC remains available to assist the Fund to market the NMTC program to rural communities, and to partner with the Fund to develop stronger, more competitive applicants in the rural communities that we serve.

Sincerely,


Ray Daffner
ARC