



October 28, 2013

Mr. Greg Bischak
Program Manager for Financial Strategies and Research
Community Development Financial Institutions Fund
U.S. Department of the Treasury
1500 Pennsylvania Avenue NW
Washington, D.C. 20220
cdfihelp@cdfi.treas.gov

Re: Comments on Annual CIIS Reporting

Dear Mr. Bischak:

Enterprise Community Investment, Inc. is a long-time New Markets Tax Credit (“NMTC”) industry participant through our affiliate ESIC New Markets Partners LP, a certified Community Development Entity (“CDE”). We have deployed \$688 million in Qualified Equity Investments to date and have significant experience with the annual reporting requirements of the Community Investment Impact System (“CIIS”). We have participated in the letters submitted by the members of the NMTC Working Group and the NMTC Coalition. In addition to those letters we would like to provide the CDFI Fund our specific comments and recommendations in response to the CDFI Fund’s request for comments on CIIS. We believe our comments and recommendations provide practical feedback and identify opportunities for the CDFI Fund to obtain more meaningful reporting while reducing the burden CDEs.

Specific Comments on CIIS Transaction Level Report Instructions

Notes & Investments tab:

- “N-I: AB Equity Injection Amount” – the total amount reported as equity injection should be included in the total amount represented in “PRJ: F – Total Project Cost Private Investment”. Recommendation: add language into the instructions to clarify that the Equity Investment Amount should be included in Total Project Cost Private Investment.
- “N-I: AK Below Market Interest Rates or Flexible Terms Required under Allocation Agreement (Financial Note)” – current instructions refer to Section 3.2 of the Allocation Agreement as guidance on whether the financial note was required to have a below market interest rate at origination. Recommendation: provide further guidance or change the instructions to clarify when to answer “NO” vs. “NA.” Our current understanding is “YES” would be if the allocation agreement required flexible terms and “NO” would be if the allocation agreement did not require flexible terms. In the past, the questions was only referring to below market interest rates, so an answer of “NA” was used if it was an equity investment, but now the header of the data point includes “or Flexible Terms.”
- “N-I: AL – Below Market Interest Rate (Financial Note)”, “N-I: AM – What Is Interest Rate Comparable?”, and “N-I: BO – Projected Internal Rate of Return” – these data points all require a

response “at reporting end” but do not include the header of “Annual Update Required”.
Recommendation: update the current instructions to include “Annual Update Required.”

- “N-I: BO – Projected Internal Rate of Return” – Additional guidance is needed related to the projected investor’s rate of return at the end of the reporting period. Is the CDFI Fund looking for the CDE’s return based on cash flow received from equity QLICIs, or for the change in the value of the CDE’s equity QLICI? The instructions currently indicate the response should be a “projection” but an annual update is required because the response is supposed to be as of reporting period end. This seems inconsistent. The CDFI Fund’s Allocation Tracking System asks for the NMTC investor’s anticipated rate of return which is generally derived from the financial projections completed prior to the issuance of the QEI. Recommendation: remove this data point unless the instructions can be updated to include additional explanation about how the CDE should measure the IRR, if the IRR should be a projection for the remaining investment period or an actual return for the current year.

Projects tab:

- “PRJ: F – Total Project Cost Private Investment” – this data should be reported to include any equity injection amount as well as other private investment - Recommendation – the TLR instructions should be updated to include a reference to the inclusion of the data point “N-I: AB (Equity Injection Amount).”
- “PRJ: AH, AI – Actual Jobs Created – Construction, Actual Jobs Created at Tenant Businesses” – Recommendation: the instructions should indicate this data is applicable only for projects that have been placed in service, where projects that are still under construction would be Not Applicable.
- “PRJ: BH – Related Entity” – current instructions refer to Section 3.2 of the Allocation Agreement as guidance – Recommendation: change the instructions to include language that clarifies this data point should be based on the date the QEI and QLICI were originated which can occur before or after the allocation agreement amendments for the change in the related party test.
- “PRJ: BV – Below Market Interest Rate (Project)” - this data point requires a response “at reporting end” but does not include an “Annual Update Required” – Recommendation: update the current instructions to include “Annual Update Required.”
- “PRJ: CI – More Flexible Borrower Credit Standards” – currently CDEs interpret “more flexible borrower credit standards” differently and apply it inconsistently, which can lead to unreliable information if the CDFI Fund tries to aggregate responses. Recommendation: provide guidance on how CDEs should measure or document how the NMTC investment is more flexible than either their own other products or some market standard.

- “PRJ: CR-DN – Areas of Higher Distress” – Recommendation: the CDFI Fund should provide additional guidance on responding to certain areas of higher distress that are not applicable for certain allocation rounds, there could be clarification on answering “NA” for those data points in certain rounds such as “Non-Metropolitan Census Tracts” not being applicable in rounds 1 through 4. Additionally, it could be beneficial to provide specific round restrictions within specific higher distressed criteria’s instructions, for example, if Hot Zone was only applicable for rounds 1-4, the instructions can state “Not Applicable for projects closed with allocation from Rounds 5-present.

Disbursements/Addresses:

- The TLR instructions can be modified so that the disbursements and addresses data points aren’t listed in the middle of the Notes-Investments and Projects data points. This creates confusion and continuity for each tab would be easier to follow.

Overall Comments

Multi-CDE Reporting:

The CDFI Fund could provide a comprehensive listing of exactly the data points needed, with references to column headers and specific data points in addition to the current narrative “Additional Instructions on Multi-CDE Reporting.” Even more helpful would be adding a “Multi-CDE Required” highlighted tag to the TLR instructions for each applicable data point to mirror the approach of “Annual Update Required” data points.

Multi-CDE: Lead CDE Approach:

We request additional guidance on submission timing. In multi-CDE transactions where one CDE is leading the collection of data, there should be clarification on whether the Lead CDE should submit their CIIS TLR first before other CDEs in the transaction. This can be helpful in avoiding issues related to data validations and last minute changes. In addition, additional instructions on using the Lead CDE Approach with CDEs that have different reporting period end dates, and how to choose the reporting period that is reported on in CIIS.

Timing of CIIS Changes; Reporting Burden:

Because CDEs report on CIIS throughout the year, we recommend that the CDFI Fund issue updates to the TLR and ILR instructions before the new instructions take effect, so that CDEs have time to incorporate the new requirements. This is particularly important for CDEs that use customized software to track their CIIS data, and need time to update the software in addition to collecting additional information. For example, if the CDFI Fund issued new requirements in August 2013, the new instructions should take effect for reporting periods beginning after January 1, 2014, rather than for reporting period ending any time after the new instructions were issued.

Review of Overall Requirements:

We recommend that the CDFI Fund review CIIS TLR data points overall to determine which are not being used by the CDFI Fund, and therefore could be deleted. Over the past several years new data points have been added to the TLR, but very few data points have been removed. By limiting the TLR requirements to those data points that are most useful to the CDFI Fund for monitoring compliance, aggregating impact data and monitoring industry trends, then CDEs could spend more time to provide the most accurate and

meaningful responses to that smaller number of data points, rather than having to spread resources very thin to respond to hundreds of data points.

Enterprise is committed to the NMTC industry. We appreciate the CDFI Fund's efforts to continuously make the NMTC program successful and efficient. We would be happy to provide any additional information or assistance if necessary.

Sincerely,

A handwritten signature in blue ink that reads "Elaine DiPietro". The signature is written in a cursive style with a large initial 'E'.

Elaine DiPietro
Vice President, NMTC Program