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October 2, 2009

Matt Josephs
Manager, New Markets Tax Credit Program
Community Development Financial Institutions Fund
U.S. Department of the Treasury
601 13th Street, NW
Suite 200 South
Washington, DC 20005

RE: New Markets Tax Credit Program – Allocation Application Comments

Dear Mr. Josephs:

IFF is pleased to comment on the New Markets Tax Credit (NMTC) Allocation Application. As a certified community development entity (CDE), we received a $10-million NMTC allocation in 2003. We have enjoyed working with the Community Development Financial Institutions (CDFI) Fund and appreciate this opportunity to comment.

IFF is the largest CDFI in the Midwest exclusively serving nonprofit corporations. We provide below-market rate, long-term loans and affordable real estate consulting to nonprofits serving low-income and special needs populations. Since 1988, we have made 725 loans totaling more than $260 million, which have supported more than $575 million in total community investment and created or maintained some 28,000 jobs. We have total assets approaching $150 million and a current outstanding loan portfolio of $130 million.

IFF is a member of the NMTC Coalition and the Opportunity Finance Network and supports the recommendations they have submitted separately to the CDFI Fund. In this letter, we emphasize four changes to the NMTC Allocation Application that will make it more responsive to high-performing, mission-driven, nonprofit CDEs, which we believe have been underrepresented in the NMTC Program:

1. **Give CDEs broader flexibility to demonstrate community development impact.** Currently, the CDFI Fund assesses an NMTC applicant's economic outcomes and impact primarily through absolute measures, such as total number of housing units developed, jobs created and clients served. By allowing CDEs to provide their own specialized data and analysis, in questions 29 and 30, the CDFI Fund will be able to more accurately evaluate the outcomes of smaller-scale but high-impact community development projects, such as the financing of new or expanded community health clinics, charter schools, child care centers, supportive housing, and other community facilities providing vital services to low-income communities. The application should take proportionality into account. Although projects like these may create fewer jobs than larger projects, such as the construction of a new hotel, they provide as great an impact per job created – and, arguably, an even higher impact when one considers the health, human, educational and social services they bring to communities that lack these services.

2. **Level the playing field when assessing QEI issuance and CDE capitalization**. Considering both the dollar amounts of Qualified Equity Investments (QEIs) issued and of Qualified Low-Income Community Investments (QLICIs) deployed will help level the playing field for CDEs that are not affiliated with a related investor, and which do not have the ability to self finance to the meet the QEI issuance test. Moreover, in assessing a CDE's capitalization strategy in question 29, the CDFI Fund should differentiate between capital raised from outside sources of investment and capital raised from an affiliate or parent company, ensuring that CDEs with related investors are not given an unfair advantage.

3. **Treat certified CDFIs as QALICBs eligible for direct NMTC investment.** By definition, certified CDFIs must lend predominantly to businesses, individuals, or nonprofits located in or serving low-income communities, whether or not they are physically located in an NMTC-eligible census tract themselves. Treating certified CDFIs as Qualified Low-Income Community Businesses (QALICBs) will make them *per se* eligible for QLICIs and streamline the process by which they can receive and deploy credits in the low-income neighborhoods they serve. This change would strengthen the historic link between the NMTC and CDFIs and help direct NMTC-raised capital to a broader range of low-income communities.

4. **Reward – don't penalize – CDEs already engaged in more innovative lending.** NMTC applicants, in question 24, are asked about and have the potential to receive higher scores if they use credits to take on increased financial risks. On its face, this makes sense and appears to reward those CDEs that are willing to engage in innovative and higher risk financing. In practice, however, we are concerned that this provision works against nonprofit and mission-driven CDEs with long histories of successfully engaging in higher risk, nontraditional lending but which are looking to expand their activities – and favors for-profit CDEs with more traditional portfolios but which will increase their risk profile by lending to NMTC-eligible projects. The application and reviewers should be clear that CDEs currently engaged in higher risk lending should not be penalized for proposing to continue such lending.

Thank you for this opportunity to comment on the NMTC Allocation Application. We look forward to working with the CDFI Fund in the future. If you have any questions about our comments, please do not hesitate to contact me at 312-629-0060 or tlogue@iff.org.

Sincerely,

Trinita Logue
President and CEO