

Pamela Williams  
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CDFI Fund  
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Dear Pamela:

Opportunity Finance Network (formerly the National Community Capital Association) appreciates the opportunity to comment on the New Markets Tax Credit Community Development Entity Certification Application (71 FR 10596). Opportunity Finance Network is itself a certified community development entity (CDE); we are a founding Board member of the New Markets Tax Credit Coalition; and our network of community development financial institutions (CDFIs) includes many CDEs and their affiliates. We share with the Fund a desire to see the NMTC program stimulate investment in emerging domestic markets and to ensure that CDEs are committed to fostering that investment.

#### **CDE Certification Procedures**

Opportunity Finance and its Members appreciate the streamlined online certification available to certified CDFIs. CDFIs have already proven their commitment to communities targeted by the NMTC, and the CDFI certification requirements for accountability meet or exceed those for CDEs. We strongly encourage the Fund to maintain this simple "registration" form of certification.

#### **Certification Requirements**

In our letter to Matt Josephs of July 8, 2005, (in response to an Advanced Notice of Proposed Rulemaking), we expressed concern that the program has experienced "mission creep," that it is subsidizing deals that would have happened without the credit, and that an insufficient portion of the allocations is financing mission-driven transactions that benefit people and communities outside the reach of conventional finance. Among the remedies we suggested in that letter, strengthening the accountability requirements has direct bearing on CDE certification.

The expansion of target markets proposed in that ANPR must include a commensurate responsibility for CDEs to ensure accountability to those target markets. The CDFI Fund requires that certified CDFIs demonstrate accountability to all Target Markets they purport to serve. A CDFI that serves both an Investment Area and a Low-Income Population must include provisions to be accountable to both. CDEs using New Markets Tax Credits should be subject to equally rigorous accountability standards.

The CDFI Fund should use a process similar to the "Certification of Material Event" form it requires from certified CDFIs that change mission or target market. If a certified CDE wishes to serve Targeted Populations, it could submit a similar form and include documentation of its accountability to that population.

Requiring accountability means nothing if it is only "on paper." The CDFI Fund must put teeth into its accountability requirements, ensuring that advisory boards are truly advisory and focus

the CDEs on putting new money into new markets. Opportunity Finance Network believes that 20% of Board or Advisory Board Members is insufficient to ensure true accountability to target markets. The CDFI Fund should maintain the minimum of 20% of Board members representing a target market, but increase the threshold to 50% if a CDE chooses to maintain accountability through an advisory board.

### **Supporting Mission-Driven Institutions**

In addition to using the certification process to tighten the NMTC's focus on mission, the Fund should adopt changes in its underwriting for the program that would better direct its resources to those organizations with clear commitment to "new markets."

The criteria used by Wachovia Bank in making NMTC investments (please note that I serve on their NMTC Advisory Board) provide additional screens that should be used by the Fund in targeting deals and recipients of the NMTC:

- The CDE has a track record of putting its own capital at risk in the market in which it would use a NMTC allocation, or a similar market. Using this criterion would help measure an applicant CDE's commitment to bringing capital to qualified communities and building a permanent, rather than short-term, deal-related, presence there.
- The CDE has a track record of "trailblazing" projects that are the first to bring new investment into opportunities that others miss and would likely use its NMTC allocation for the same kinds of projects. This criterion would allocate NMTCs to CDEs that have proven ability to enter the New Markets for which the program is named.
- The CDE's projects would create jobs to be filled by residents of the low-income community and/or provide space for locally-owned, minority- or women-owned businesses or nonprofit tenants, demonstrating true commitment to the residents of the community.

### **Conclusion**

Thank you for the opportunity to comment and your consideration of our views. Opportunity Finance Network knows that the CDFI Fund is committed to stimulating investment in underserved communities and recognizes the value of the NMTC for doing so. We look forward to a continued partnership to make the NMTC the most useful tool it can be, and in helping the Fund refocus the NMTC on its mission of financing deals that truly need its subsidy and bring new investment to emerging markets. One step in accomplishing that goal would include strengthening the accountability requirements of certified CDEs. Please do not hesitate to contact me if you have questions or would like additional information.

Sincerely,



Mark Pinsky  
President and CEO