

NEW MARKETS TAX CREDIT COALITION

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Greg Bischak, Ph. D.
Financial Strategies and Research Manager
CDFI Fund
601 13th Street, N.W., Suite 200 South
Washington DC, 20005
By email to: cdfihelp@cdfi.treas.gov

Dear Mr. Bischak,

Re: NMTC Coalition Comments on Awardee/Allocatee Annual Report (OMB Number 1559-0027)

The NMTC Coalition submits this letter of comment in response to your solicitation for comments on the Institution Level Report (ILR) and the Transaction Level Report (TLR) required to be submitted by Community Development Entities participating as allocatees under the CDFI Fund's New Markets Tax Credit (NMTC) Program. We specifically wish to address the collection of data through the Community Investment Impact System (CIIS).

The need for quantifiable data that adequately describes the impact the NMTC program is having on low income communities, and the degree to which the program is reaching more distressed communities, is very important. The CDFI Fund's CIIS system should address not only program compliance and community impact, but also provide data needed to support research efforts on the impact of community development investments. The NMTC Coalition annually solicits information from CDEs regarding their NMTC activity. While that survey provides timely information, it does not purport to include the same institutions each year, and thus it is not in a position to assess program trends over time in a rigorous fashion. The CDFI Fund is the only organization in a position to uniquely gather and publish data regarding investments made with NMTC.

We strongly encourage the Fund to release the results of the TLR and ILR reports on a more timely basis. The information is essential to keeping stakeholders informed of the NMTC Program's success in making investments in low income communities. We recognize that the data is not received by the CDFI Fund until as much as six months after the close of the calendar year. However, the data cleansing process and competing priorities at the Fund have resulted in significant delays in the release of NMTC data. As of this writing, the most recent data is from 2007, and the 2008 data was submitted nearly a year ago. As the NMTC Coalition wrote to you on June 8, 2010, we urge that the Fund release this data. We trust the Fund will not delay the release of data to undertake any analysis of the data. Any Fund-originated analysis could occur after the release of the underlying datasets to the public.

We suggest that the CDFI Fund establish a working group under the auspices of the CDFI Advisory Board (a "Research and Analysis Working Group") to discuss and advise the Fund on specific data elements that should be included in the ILR and the TLR, as well as on methods that would enable the participating CDEs or their controlling entities to use the

reporting system for their internal purposes to create individual and peer comparisons. We suggest that it is possible to construct a data collection system that offers CDEs a means of collecting and storing their data, ideally avoiding double entry, and could offer them access to a range of privacy –protected reports that would provide a means of peer comparison.

We think that a thorough review of the ILR and TLR can increase the data usefulness and quality for research purposes, while also improving the transparency of the data on a per-project level, as well as the timeliness of the release of the data to the public.

The TLR Report Needs to Permit Multiple CDEs to report on QLICIs made to the same QALICB

The NMTC Coalition recommends that the CDFI Fund review the current approach to data collection to enable it to better collect information on investments in which multiple CDEs provide financing. One of the benefits of the NMTC Program is its ability to finance larger transactions. Give the need to manage risk, this often means that multiple CDEs combine to finance all or parts of a single development. The Fund’s data collection system does not operate on a QALICB basis, but rather by CDE. We recommend the Fund consider a web-based system that provides an interface for CDEs to maintain their individual annual reports while enabling the ability to account for all NMTC financing in a single QALICB.

Online system difficult to use

The online system is difficult to use, in particular when uploading the data. Similar to concerns experienced by CDFIs there are problems encountered by CDEs, such as:

- **Erroneous errors:** During validation, the system often generates errors for data submitted as TLR, which then takes time for to review. Often, it turns out there were no errors, and that the error reports were sent in error.
- **Address problems:** Although the instructions allow CDEs to submit FIPS codes instead of addresses, the “25% Rule” excludes all loans submitted with FIPS codes.
- **File rejection:** When using excel many times the files are rejected very soon after upload. The system will accept some of the loans in the file (a random set varying from just a few loans to a few hundred loans at a time) and then stop. This results in many hours of work through an iterative process of 1) uploading the file, 2) determining which loans from the file were accepted and 3) creating a new file minus the accepted loans to re-upload.
- **Significant time delays:** The system can take a great deal of time to process uploads, validate transactions, pre-certify validated transactions and respond in general. One CDFI reports that it has taken as much as 12 hours from the time of upload to receive a batch validation report.

The Place to Ensure “Clean” Data is at the point of Submission

We know that the CDFI Fund spends several months after the CIIS data is submitted in “cleaning” the data to ensure that all data is reported in response to the correct data points. In the interest of releasing the data on a more timely basis, we recommend that the CDFI Fund review the types of issues that come up during the cleaning process and make every effort to resolve them in the way the data point is constructed and conveyed in the instructions.

Requirements Must Be Publicized Prior to the Time Loans are Made

Specific instructions about the information required in the CIIS reports are often released after the QLICs on which CDEs report are made. We suggest that new instructions on data points be applicable only on transactions going forward, as it is tremendously burdensome to go back to borrowers for information months, and sometime years after a loan is made.

Revised TLR Data Fields must be Required and Remain Fixed

For research purposes, we encourage the CDFI Fund to make the primary data fields mandatory. In addition, while we fully appreciate that the NMTC program is new, and adjustments needed to be made as the program was better understood, we recommend that the CIIS Working Group endeavor to create a more limited set of data that would not change annually and be required of all respondents.

The NMTC Coalition is very willing to elaborate further on these points and to help identify willing participants in the recommended Research and Analysis Working Group to improve the quality, timeliness and transparency of the data collected by the CDFI Fund regarding the NMTC Program.

Sincerely,

