



March 28, 2017

Annie Donovan
Director, CDFI Fund
1801 L St NW
Washington, DC 20006

Dear Annie:

We appreciated the opportunity to meet with you and your team to discuss the NMTC Compliance Monitoring Frequently Asked Questions (FAQ) document updated in January of 2017. The NMTC Coalition shares your interest in maintaining a high standard of oversight of the financial products CDEs provide to businesses and revitalization projects in low income communities.

As we discussed, we are concerned that FAQ 43 would severely limit the reimbursement of common expenditures directly attributable to a NMTC project, but not related to "acquisition, construction or rehabilitation." The Coalition urges the CDFI Fund to release an amended FAQ that strikes the following two sentences from Question 43:

"The restriction is intended to support new or increased investments in NMTC-eligible low-income communities for which the acquisition, construction or rehabilitation of such assets do not coincide with the receipt of NMTC funding. Consequently, repayment or refinancing of incurred operating costs are prohibited under the restriction."

If the goal of the guidance is to ensure QLICI proceeds are reasonable and directly attributable to a NMTC project, the two passages below accomplish this without prohibiting the reimbursement of common costs incurred before QLICI closing but unrelated to the acquisition, construction, or rehabilitation of real estate:

"Beginning with the CY 2015-2016 round, only documented reasonable expenditures that are directly attributable to the qualified business of the QALICB can be repaid or refinanced with QLICI proceeds."

....

"Reasonable expenditures are expenditures for a legitimate business purpose that occur during the normal course of operation, and must be similar in amount and scope when compared to expenditures by a similar entity for a similar project under similar circumstances."

Lending and investing in underserved communities is challenging, and that challenge is compounded by shifting economic and regulatory constraints beyond the control of the CDFI Fund. We believe it would be helpful for the CDFI Fund to consider releasing major compliance changes for public comment. A public comment period would ensure that low-income community stakeholders and the economic development professionals who deploy the NMTC can provide feedback on how proposed compliance

language changes might better safeguard the program while continuing to meet the ever-changing needs of businesses in low-income communities.

Thank you again for seeing us, and for joining the Coalition's Board meeting last week.

Sincerely,

A handwritten signature in black ink, appearing to read "Bob Rapoza", with a stylized, cursive script.

Bob Rapoza