

NEW MARKETS TAX CREDIT COALITION

August 26, 2010

Office of the Comptroller of the Currency
250 E Street, SW
Mail Stop 2-3
Washington, DC 20219
Re: Docket ID OCC-2010-0011

Robert E. Feldman
Executive Secretary
Attention: Comments, Federal Deposit
Insurance Corporation
550 17th Street, NW
Washington, DC 20429
Re: RIN 3064-AD60

Jennifer J. Johnson
Secretary, Board of Governors of the
Federal Reserve System
20th Street and Constitution Avenue, NW
Washington, DC 20551
Re: Docket No. R-1386

Regulation Comments
Chief Counsel's Office
Office of Thrift Supervision
1700 G Street, NW
Washington, DC 20552
Attention: OTS-2010-0019

Dear Sir or Madam:

The New Markets Tax Credit Coalition respectfully submits the following recommendations to strengthen Community Reinvestment Act (CRA) regulation and ensure investment in disadvantaged areas throughout the United States. The New Markets Tax Credit (NMTC) Coalition is a national membership organization representing Community Development Entities and investors working with the NMTC. The NMTC program was enacted in 2000 and has been successful at attracting private capital to traditionally underserved areas and has served to boost business growth opportunities and local economic development efforts desperately needed in low income communities throughout the country.

Bank investors are important partners in the NMTC program and provide the private sector capital necessary for Community Development Entities (CDEs) to invest in meaningful community and economic development projects in underserved areas. In fact, the NMTC Coalition *2010 Progress Report* released in July 2010 noted that regulated financial institutions are the most common source of NMTC investment, with 88.6% of the CDEs reporting they had secured all or some of their Qualified Equity Investments from this type of investor, as compared to 23% investment from private corporations and 17% from unregulated financial institutions. Any new regulations must continue the baseline regulation affording NMTC investors CRA credit. NMTC investments warrant favorable CRA consideration during bank examination and the rating process because investments in NMTC projects do serve the low income communities and the community development goals of the CRA. As your agencies evaluate changes to strengthen CRA implementation we want to stress the importance of consistency in the way CRA oversight officers interpret and implement CRA across the country. All regulatory agencies must be on the same page in terms of how each office and officer evaluates CRA eligible investments.

Please consider the following improvements to CRA regulations that will reward investments in certified Community Development Entities and will recognize the importance of those investments serving low income areas beyond the footprint of bank assessment areas.

We encourage CRA regulations to explicitly state that an investment in a Community Development Entity (CDE) as certified by the Community Development Financial Institutions (CDFI) Fund will be eligible for CRA credit. CDFI Fund certified Community Development Entities (CDEs) serve economically distressed communities by providing credit, capital and financial services to businesses and projects that improve the local quality of life, create jobs and provide sustainable community services. The incentive of CRA credit for bank investment in CDEs will increase their capital base and allow for additional lending to businesses and residents of underserved places. CDEs are accountable to the low income areas they serve, and CDEs have the lending expertise necessary to serve low income community borrowers well. Since the program began CDEs have loaned and invested more than \$17 billion in our nation's distressed communities. By increasing CDEs' capital base through bank investments that generate CRA credit, CDEs can leverage those funds and will be able to lend and invest more, to attract additional outside capital, and to bring even more private sector financing to the table. CDEs would benefit immediately from the investment encouraged by the CRA to leverage their expertise and financial capital with the types of loans, deposits and investments that banks subject to CRA can provide.

In order to successfully compete for an allocation of Credits, a CDE must demonstrate a track record of lending or investing to businesses in low income communities that are often overlooked by traditional investors. In addition a CDE must identify eligible businesses in the area, a pipeline of creditworthy deals ready to be financed, strong organizational management capacity, and must show that if awarded Credits the CDE could attract investors. The CRA community development test can be strengthened by including investments in CDEs as eligible for CRA credit because CDE activities mirror the community development goals and intention of CRA. CDEs must make substantially all of their investments in low income communities; the very communities the CRA statute targets for assistance. Certified CDEs have a primary a mission of serving, or providing investment capital for, low-income communities or low-income persons and will maintain accountability to residents of low-income communities so CDEs target their investments to places where the poverty rate is at least 20 percent, or where the median family income does not exceed 80 percent of statewide median family income.

Favorable CRA consideration should be afforded to bank investments made in CDEs even if the CDE is headquartered in or has a service area different from the bank investor's CRA assessment area. Investments and deposits in minority- and women-owned banks and thrifts as well as low income credit unions are currently deemed eligible CRA activities without regard to the geographic footprint of where these institutions work, and we applaud the regulatory agencies for recognizing the important contributions of these financial institutions. We recommend that an investment in a CDE be similarly deemed as an eligible CRA investment. Many CDEs are themselves minority- or women-owned banks, yet other CDEs need to be on an equal footing with such institutions. We believe investment in any CDE should be identified as a CRA eligible activity because an investment in a CDE will, in turn, be re-lent to borrowers in underserved low income areas consistent with the intention of CRA.

Currently, banks receive minimal CRA consideration for investments in CDEs outside of their designated assessment area. Banks have no incentive, therefore, to provide loans or equity to CDEs that are not located in the market the bank principally serves. As a result, economically distressed communities across the country that would otherwise stand to benefit from private sector capital are looked over in favor of equally deserving communities simply because of geographic location. This dichotomy is in direct contradiction to the goals and purpose of the CRA to enhance flow of capital to low and moderate income borrowers.

These targeted revisions to CRA regulation will foster a win-win scenario and have the positive benefit to investors of additional CRA credit, and will allow bank and thrift institutions to extend their impact into new areas to and benefit low income community businesses and residents. Thank you for your consideration of these important revisions.

Sincerely,

A handwritten signature in black ink, appearing to read "Robert A. Rapoza". The signature is fluid and cursive, with the first name being the most prominent.

Robert A. Rapoza