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October 7th, 2024

Mr. Christopher Allison
CDFI Fund NMTC Program Manager
U.S. Department of Treasury
1500 Pennsylvania Avenue, NW
Washington, DC 2020
nmtc@cdfi.treas.gov

Re: Request for Comment on the NMTC Program Allocation Application

Dear Mr. Allison:

Thank you for the opportunity to comment on the New Markets Tax Credit (NMTC) Program Allocation Application. HOPE (Hope Credit Union, Hope Enterprise Corporation and Hope Policy Institute) supports the CDFI Fund's efforts to increase investments in geographic areas of deep economic distress.

HOPE provides financial services, leverages resources, and engages in advocacy with a goal of strengthening the financial health and wealth of people in under-resourced Deep South communities. Over that past three decades, these efforts have benefitted more than approximately three million people in Alabama, Arkansas, Louisiana, Mississippi, and Tennessee and influenced billions of investments in persistently impoverished communities nationwide.

Since the launch of the NMTC program in 2002, HOPE has received over \$335 million in NMTC allocations, which have funded more than 100 community development projects across the Deep South. These projects have included businesses, community facilities, hospitals, Historically Black Colleges and Universities (HBCUs) and nonprofit organizations, which have fostered economic growth in rural persistent poverty and distressed urban communities.

The proposed Application changes will create greater equity and transparency among NMTC applicants and promote diverse projects that prioritize the long-term social and economic impact for underserved people and places.

The following comments provide HOPE's position on 1) Deep Distress; 2) Accountability to Low-Income Persons and Communities; and 3) the Definition of a Disadvantaged Business.

Increasing Investments in Areas of Deep Distress

Q25 "Areas to be served by the Applicant"

HOPE supports the CDFI Fund's revisions to questions related to "Areas to be served by the Applicants" Three notable changes include:

- Additional distress criteria
- Requirement for Applicants to determine commitment to deeper distress criteria
- Requirement for Applicants to explain their track record in serving communities of distress

We support the continued use of the high migration rural counties designation. The CDFI Fund has identified 168 census tracts that qualify for NMTC investments through this metric, 27 of which are located in the Deep South.¹ Rural counties that experience a significant net out-migration often face challenges supporting community and economic development due to a shrinking tax base and demand. By including high migration rural counties as an eligible area, QLICs can better support community and economic development projects in areas with acute population challenges. HOPE has relied on this designation to qualify and ultimately invest in projects located in rural persistent poverty counties that otherwise would not be eligible for the NMTC program.

The Fund is also providing more precision to previously broad metrics. The Fund has clarified definitions for *federally medically underserved areas*, *low-income and low access supermarkets*, and *deep distress*. The increased precision, especially for *deep distress*, places a greater focus on the most low-resourced and in-need communities to the extent that QLICI activities can be more clearly measured for impact. Greater transparency and more covered areas will ensure applicants can target more vulnerable communities in need.

HOPE supports the CDFI Fund's proposed incentive for Applicants to commit at least 85% of award dollars by distressed geographies or communities and the requirement to explain their track record in servicing deeply distressed communities. Unlike the previous application, applicants are required to specify the percentage of QLICI to eligible areas and explain their track record of lending to low-resourced communities. These changes further incentivize investment into areas of need by rewarding Applicants with greater investments to areas of need and to Applicants with strong track records of lending to eligible areas.

Accountability to Low-Income Persons and Communities

Q27 "Community Accountability and Involvement"

HOPE supports the CDFI Fund's emphasis on Applicants' processes of decision-making; community engagement and feedback; and investment outcomes. These proposed changes require Applicants to sufficiently describe how they provide benefits to low-income persons and communities from their proposed investments. HOPE already prioritizes QLICs to best reflect the interests of low-income communities – not just project sponsors and investors. Through strong representation on our Board of Directors and on our NMTC Investment Committee, HOPE prioritizes QLICs that best reflect the interests of the low-income communities we serve. The proposed Accountability changes ensure applicants will prioritize engagement aligned with investment outcomes that best represent the needs and desires of the community being served.

Updated Disadvantaged Business Definition

HOPE supports the revised, more precise definition of disadvantaged business. The new definition now includes businesses that are located in persistent poverty counties (PPCs). Communities located in PPCs disproportionately are more likely to be rural, unbanked and underbanked, have higher rates of unemployment, and poorer health outcomes. Eight out of ten PPCs are non-metro or rural, and the

majority (60%) of people living in persistent poverty counties are people of color. In fact, 4 out of 10 (42%) persistent poverty counties are majority people of color.² The confluence of the challenges of race, rurality, and poverty underscore the importance of including PPCs as a disadvantaged criterion.

Other Concerns

Q37 "Investor Strategy"

We are concerned that the requirement to provide documentation demonstrating proof of investor interest in a requested allocation increases the burden of submitting an application for emerging CDEs or CDEs that for other reasons have not received QEIs totaling their requested amount over the past five years. This requirement could contribute to a self-perpetuating cycle of the same CDEs receiving allocations round after round, simply by asking CDEs with no or less consistent allocations to expend extra effort to submit an application with investor letters from possible investors, which for some investors, might require submitting their draft NMTC allocation application for review before the investor will commit to provide a letter in support of it. This cycle would disproportionately impact CDEs of color that have been documented to face challenges accessing the NMTC program.³ We believe that the former Table E1 in the CY2023 (and earlier) application and other content in Part IV should provide sufficient content for reviewers to decide whether a CDE has the capacity to recruit the investors required to deploy an allocation if awarded.

Again, thank you for the opportunity to provide comments on the NMTC Program Allocation Application. Should you have any questions about the following recommendations, please contact Kiyadh Burt, Vice President of Policy & Advocacy, at Kiyadh.Burt@hope-ec.org.

Sincerely,



Ed Sivak
Chief Policy & Communications Officer

¹ U.S. Department of the Treasury Community Development Financial Institutions Fund. (2023). "NMTC 2016-2020 ACS LIC". Sept 1, 2023. Available at: https://www.cdfifund.gov/sites/cdfi/files/2023-09/NMTC_2016-2020_ACS_LIC_Sept1_2023.xlsx

² Partner for Rural Transformation. (2019). "Transforming Persistent Poverty in America: How Community Development Financial Institutions Drive Economic Opportunity". https://www.ruraltransformation.org/wp-content/uploads/2020/03/Transforming_Persistent_Poverty_in_America_-_Policy-Paper-PRT-_FINAL.pdf

³ Hope Policy Institute. (2021). "Strategic Use of NMTC Maximizes Development Impact in Distressed Communities of the Deep South". Available at: <http://hopepolicy.org/manage/wp-content/uploads/HOPE-Strategic-Use-of-NMTC-Maximizes-Development-Impact-in-Distressed-Communities-of-the-Deep-South-Brief.pdf>