

**October 4, 2024**

**BY ELECTRONIC MAIL**

Christopher Allison  
NMTC Program Manager  
CDFI Fund  
U.S. Department of the Treasury  
1500 Pennsylvania Avenue NW  
Washington, DC 20220

Re: Revised Draft 2024 NMTC Application Published September 2024

Dear Mr. Allison:

We write to provide further comments to the revised proposed 2024 NMTC Application ("Revised Draft") circulated by the CDFI Fund in September 2024. We limit our comments herein to new changes to the prior draft circulated in February 2024. We also refer you to our prior comment letter dated April 23, 2024, which we attach here for reference. We noted with appreciation a number of changes in the Revised Draft related to comments in our prior letter.

As previously noted, we believe Advantage is unique in exclusively pursuing a small business/quality job/revolving fund strategy for NMTC deployment. Our comments (current and prior) reflect our belief that the NMTC application has evolved in ways that systematically (if unintentionally) disadvantage CDEs that adopt this strategy as distinct from the 7-year forgivable model utilized by much of the industry. In this regard we offer 2 additional comments to the Revised Draft.

**1. Character Count in Question 11:** The Revised Draft modified the character count for the Executive Summary (Question 11) to 2000 characters, reduced from its historic limit of 5000 characters. This change was not proposed in the initial February revised application draft, and we strongly urge the Fund to reconsider the departure from its longstanding 5000 character limit for the Executive Summary.

While it is unscored, the Executive Summary serves a critical role for the applicant to encapsulate its NMTC strategy and program for the Reviewers. More than any of the other scored and unscored questions, it gives the applicant the best opportunity to lay out clearly its organizational background, the challenges faced by LICRs and LIPs in its Service Area, and how it specifically

intends to use NMTCs to address those challenges, preparing the reader for the much more detailed and specific responses to come.

Two rationales explain our support to retain a meaningful Executive Summary. First, this flexible space is vital for any applicants whose NMTC model is not in the mainstream of the program. Advantage Capital is but one example of such an outlier: unlike the traditional CDE, we exclusively use NMTCs to raise pooled, flexible capital; to invest that capital in small businesses in severely distressed LICs to enable quality job growth; and to recycle those funds into new businesses when they are repaid. This is quite different than the 7-year / forgivable debt / project finance model Reviewers are most familiar with, and the Executive Summary is our best opportunity to orient them before they dive into questions such as products and pipeline. We struggle to fit that story into 5000 characters, much less in just 2000.

Second, as the scored sections of the Application have become more and more data-focused, applicants have fewer characters in which to describe the strategy and philosophy of what we have done and plan to do with the program. The Executive Summary is critical space to orient the Reviewer to the applicant's strategy, so that all of the products and data-driven responses that follow will make sense.

Leaving the Executive Summary at 5000 characters would not seem to bias the program toward one applicant or another; reducing it to 2000 characters on the other hand would seem to favor applicants with an uncomplicated story, likely reducing diversity in the program. We would also be surprised if this change was predicated on reducing Reviewer workload. It's our belief that Reviewers appreciate an Executive Summary that orients them to the application ahead. And for those that feel it unnecessary, since it is unscored, we assume they are free to skip it.

2. **Changes to Question 25:** We note that the Fund modified its changes to Question 25, including a newly prescribed scoring system for that question. As set forth in our prior letter, we continue to believe however that this overall effort to add yet further geographic restrictions to the NMTC program represents a poor policy choice, particularly for those CDEs that pursue quality, accessible job creation through small business investing. Quality, accessible jobs created in Severe Distress census tracts are already available to LIPs and LICRs both inside that LIC and in the surrounding community. No Severely Distressed LIC lacks for LIPs and economically distressed families to fill the jobs these businesses create. Yet as we noted in our prior letter, forcing CDEs to look only in LICs of Deeper Distress on its face eliminates 75% of the small business QALICBs that would otherwise be available for NMTC investments in Severe Distress LICs; we strongly suspect when focused only on QALICBs that can grow employment at scale, that reduction is exacerbated.

We also believe the manner in which the CDFI Fund proposes to pivot to this new definition of distress will lead to unpredictable and unfair outcomes in the competition. Under the Revised Draft, the CDFI Fund asks applicants to describe in Q25(c) their *Track Record* of providing QLICs in these newly restricted LICs. Some CDEs may have a significant history of doing so, while others – who nevertheless have been exemplary participants in the program – may not. We can only assume that CDEs will be scored lower for this lack of Track Record, *without ever knowing it was something the Fund would require*. This serendipity of outcomes represents a fundamental unfairness in the competition. Should the Fund be determined to add these further geographic restrictions to the program, we support others' position that these changes should be first introduced in Question 19 as Innovative Investments (unscored), and only migrated to a scoring position after the industry has had time to develop such Track Record.

We again appreciate the opportunity to provide comments to the revised 2024 draft NMTC Application. We would be happy to visit with you and your teams to discuss these and our prior recommendations should that be of interest.

Respectfully submitted,



Michael Johnson  
Managing Director



Jonathan Goldstein  
Managing Director

attachment