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Via Electronic Submission

Mr. Christopher Allison  
Program Manager, New Market Tax Credit Program  
Community Development Financial Institutions Fund  
United States Department of the Treasury  
1500 Pennsylvania Avenue N.W. Washington, DC 20220

RE: New Market Tax Credit Program Allocation Application – Proposed Collection Comment Request  
Federal Register Document Number Vol. 89, No. 37, Friday, February 23, 2024

Dear Mr. Allison:

AltCap respectfully submits the enclosed comments on the Notice for Public Comment published on February 23, 2024, by the Community Development Financial Institutions (CDFI) Fund seeking comments on the New Market Tax Credit Program Allocation Application.

AltCap, a Kansas City-based CDFI, has a successful track record with the NMTC program having facilitated over \$250 million in NMTC transactions since 2005. Our direct deployment and guidance has helped rehabilitate or construct 2.6+ million square feet of real estate, create thousands of jobs, and deliver \$65+ million in tax credit equity to 28 borrowers. Our experience with the NMTC program has given us a front row seat to witness how the program can catalyze high impact projects and investments in low-income communities.

In addition to the impact the program can have on a business and the community, AltCap is also familiar with the program's ability to power the growth of CDFI allocatees. Originally a municipally controlled CDE, AltCap was able to grow into the high-performing CDFI small business loan fund that we are today due to the revenue generated by our NMTC projects. By reinvesting our NMTC revenue back into the community via small business and microloans, we have multiplied the impact of the NMTC Program and the impact of the CDFI Fund in the heartland. We hope that through our recommendations the program can continue to support CDFI lending activity and help grow the capacity of CDFIs to better serve their communities.

Despite our historical success with the program, AltCap's NMTC applications have been denied the last four rounds. Missing out on multiple allocation rounds has a significant impact on our ability to sustain the expertise required to administer a high performing NMTC Program team. Additionally, the lack of feedback provided to applicants and the lack of community-based CDFIs receiving allocation has made the ability for CDFIs like AltCap to continue to participate in the Program increasingly untenable. Meanwhile, we continue to see Corporate CDEs and large banks receiving allocation year-after-year at the expense of grassroots, mission-driven CDFIs. For these reasons, we believe it is necessary to adjust the scoring system and award CDFI applicants 10 priority/bonus points to ensure CDFIs are a primary beneficiary of the program and have more of an opportunity to consistently participate in the program.

In light of this, AltCap urges the CDFI Fund to make the following amendments to the NMTC application and scoring process in an effort to maximize the impact of the program.

1. Community Outcomes: We are very concerned that the current application and scoring process does not adequately consider long-term community outcomes. Among the most important outcomes are maximizing impact for communities. We believe consideration should be given to CDEs that will continuously reinvest in their communities. Pursuant to 12 CFR § 1805.100, we believe the NMTC scoring system should be realigned with the CDFI Fund's statutory purpose to *"promote economic revitalization and community development through investment in and assistance to Community Development Financial Institution (CDFIs)."* Specifically, we recommend that CDEs that are CDFIs receive 10 additional priority/bonus points under the Community Outcomes section. The additional points are justified by the CDFI business model which continuously reinvests in communities, which should result in more weight toward such an applicant's track record.

When NMTC was first implemented, non-CDFIs were permitted to participate in the program due to the concern that CDFIs did not have the capacity to fully deploy the annual allocation. Since then, the Program has been significantly oversubscribed and CDFIs and have proven to be highly effective in deploying credits. According to the CDFI Fund's CY 2022 award book, only 36% of allocatees are certified CDFIs. In fact, in the last 10 rounds of allocation, CDFIs have never consisted of more than 42.5% of allocatees (CY 2018) and have even consisted of as low as 29.9% of all allocatees (CY 2013). The CDFI field has grown in size, scale and impact since 2000 when the program was created. They are stronger and create impact at greater scale; thus, they should receive additional weight in the selection process.

2. Application Feedback: The feedback applicants receive on their NMTC application is insufficient. Currently, each applicant is returned the aggregate score of their application and does not receive any information on their performance of individual sections. This "black box approach" leaves applicants unaware of their application's strengths and weaknesses.

To address this shortcoming, we recommend the Fund provide each applicant with the scores for each individual section in their application. For example, under the Business Strategy section of the application, 25 points are available with an additional 10 bonus points for sections B and E. The Business Strategy section includes 13 questions divided into five parts. We believe that the debriefing report should include scores for each question.

In addition, we recommend that applicants have access to the reviewer's comments on each section of their application. Providing specific insight as to why an application was denied would come with no additional burden to the Fund as this information is already collected internally. More importantly, it will allow the applicant to return the following year with a more robust application.

Returning a more specified application score will greatly enhance an applicant's ability to bolster their application in the future. The CDFI Fund has an interest in helping community-based CDEs develop stronger applications to ensure continuous improvement and development of allocation strategies that better address the needs of the low-income communities the Fund is statutorily committed to serving. Without more transparency into the review process, applicants are left without actionable information that can improve their applications in subsequent years.

We urge an updated NMTC application to address these critical issues in the allocation and review process. We appreciate the CDFI Fund providing us the opportunity to submit feedback on this highly impactful program and, if needed, we look forward to discussing these recommendations with you.

Sincerely,

Ruben Alonso III  
CEO