



DIRECTOR

DEPARTMENT OF THE TREASURY  
COMMUNITY DEVELOPMENT FINANCIAL INSTITUTIONS FUND  
601 THIRTEENTH STREET, NW, SUITE 200 SOUTH  
WASHINGTON, DC 20005

December 20, 2001

Dear Friends and Colleagues:

I am pleased to announce that the Community Development Financial Institutions Fund (the Fund) is now accepting applications from organizations seeking to be certified as Community Development Entities (CDEs) under the New Markets Tax Credit (NMTC) Program.

The NMTC Program, an important new community and economic development tool, permits taxpayers to receive a credit against Federal income taxes for making qualified equity investments in designated CDEs. The credit provided to the investor totals 39% of the cost of the investment and is claimed over a seven-year credit allowance period. Substantially all of the qualified equity investment must in turn be used by the CDE in support of business activities in low-income communities. Investors may not redeem their investments in CDEs prior to the conclusion of the seven-year period, thus ensuring a flow of capital that will help to stimulate new industries and entrepreneurs, develop commercial facilities, diversify the local economy and generate new jobs in low-income communities.

NMTCs will be allocated annually by the Fund to CDEs under a competitive application process. Throughout the life of the NMTC Program, the Fund is authorized to allocate to CDEs the authority to issue to their investors up to the aggregate amount of \$15 billion in equity for which NMTCs can be claimed. The Fund anticipates publishing its first annual NMTC Program Notice of Allocation Availability (NOAA) early in calendar year 2002. The NOAA will invite CDEs to compete for tax credit allocations in support of an aggregate total of \$2.5 billion in qualified equity investments in CDEs.

To expedite the allocation process for calendar year 2002, the Fund, effective immediately, is accepting applications from organizations wishing to be certified as CDEs. To be certified as a CDE, an entity must be a duly organized entity treated as a domestic corporation or partnership for tax purposes that: 1) has a primary mission of serving, or providing investment capital for, low-income communities or low-income persons; and 2) maintains accountability to residents of low-income communities. The criteria for meeting these requirements are described more fully in the Guidance for Certification of CDEs, published in the Federal Register on December 20, 2001, the CDE Certification Application and the "CDE Certification Q&A Document." These documents may be downloaded from the Fund's website at [www.cdfifund.gov](http://www.cdfifund.gov).

The Fund encourages you to familiarize yourself with the materials on our website pertaining to the NMTC Program and the CDE certification process prior to submitting a CDE Certification Application. You may determine, for example, that it is in your organization's strategic interest to certify multiple organizations as CDEs under a single application. Or you may decide to apply for certification as a CDE even if you do not intend to apply for tax credit allocations, since certified CDEs may receive loans or investments from (and sell qualifying business loans to) other CDEs that have successfully competed for allocations of tax credits.

Thank you for your interest in the New Markets Tax Credit Program. We look forward to receiving your organization's application for certification as a CDE.

Sincerely,

Tony T. Brown  
Director