THE COMMUNITY DEVELOPMENT FINANCIAL INSTITUTIONS FUND
United States Department of the Treasury

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PERFORMANCE OF THE NEW MARKETS TAX CREDIT PROGRAM THROUGH FISCAL YEAR END 2004

Today, the Community Development Financial Institutions (CDFI) Fund released the following results[i] of its analysis of transaction level data submitted by New Markets Tax Credit (NMTC) Program allocatees. The Fund is pleased to report that through fiscal year 2004 over $1.1 billion was invested into the nation's low-income communities and that 90% of the loans and investments went to communities that have higher levels of distress than the program's threshold requirements. In addition, Allocatees report that 97% of these loans and investments were made at better than market rates and terms.

"I continue to be very impressed with the performance of the organizations awarded to date using the NMTC Program", said CDFI Fund Director Arthur A. Garcia. "The investments being made are reaching underserved communities and making needed investments to improve the prospects for jobs and prosperity in those communities."

- Allocatees from the first 3 allocation rounds have raised over $4.7 billion in Qualified Equity Investments, representing 59% of the $8 billion allocated in these rounds.[ii]

- A total of 53 allocatees (mostly Round I allocatees) reported making $1.151 billion in Qualified Low Income Community Investments (QLICIs) through FY 2004.[iii]

  - $1.125 billion was invested directly in Qualified Active Low Income Community Businesses (QALICBs) to support business operations and/or real estate development and rehabilitation in low-income communities.

  - The remaining $26 million was used for investments in other Community Development Entities, loan purchases, or the provision of Financial Counseling and Other Services.

    - Of the $1.125 billion invested in QALICBs, three quarters (76%) was used for real estate construction, rehabilitation or acquisition purposes, 19% was used for business fixed asset or working capital loans, and 5% was used for other purposes including equity investments in operating businesses.

- The real estate developments are projected to:
  - Create 25,000 construction jobs.[iv]
  - Develop or rehabilitate 15 million square feet of office, retail and manufacturing space in low-income communities.[v]

- The businesses financed are projected to:
  - Maintain 7,500 full-time equivalent jobs.
  - Create 3,300 full-time equivalent jobs.[vi]

- While less than 10% of the dollar value of QALICBs were made in non-metropolitan areas, the number of transactions in non-metropolitan areas (19%) is consistent with the portion of the U.S. population that lives in these areas (17%).[vii]

- 90% of the financing to QALICBs went to areas of higher distress, including areas with poverty rates higher than 30%, median incomes of less than 60% of area median income, and unemployment rates at least 1.5 times the national average. More than half (55%) of the financing was made in areas that met 3 or more of the higher distress criteria identified by the CDFI Fund and nearly one third (30%) was in areas that met 4 or more criteria.

- 97% of the financing to QALICBs was made at better than market rates and terms, such as below market interest rates, lower than standard origination fees and higher than standard loan to value ratios. In all, 64% of transactions met 3 or more of the better rates and terms criteria identified by the CDFI Fund and nearly half (49%) met 4 or more criteria.

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[i] This report updates and replaces a similar report issued on February 28, 2006. The February 28 report was based on preliminary data that was still being reviewed by the Fund for completeness and accuracy. The Fund has completed its review of the data and the final results are presented herein. Notable differences between the preliminary and final results are found in the total amount of transactions and in the job creation figures. These figures decreased to varying degrees primarily due to double-counting identified in the preliminary data set.

[ii] As of August 31, 2006.

[iii] Allocatees are required to submit performance reports 180 days after their fiscal year end. All FY 2005 performance reports were due by June 30th; however, the Fund has not yet cleansed and analyzed that data.

[iv] For allocatees reporting 2004 data, "construction jobs" was an optional field (this has since been changed to a required field). Construction job estimates are based on jobs data submitted for 94 of 141 commercial real estate projects. These construction jobs data show one construction job to be created for every $33,067 loaned or invested. When this average is applied to the $842,702,788 in real estate financing, the total projected construction job creation is 25,485 jobs.

[v] Square feet estimates are based on square feet data submitted for 96 of 141 commercial real estate projects. These data show one square foot is developed or rehabilitated for every $54 loaned or invested. When this average is applied to the $842,702,788 million in real estate financing, the total projected square feet is 15,511,706. These figures do not include square footage in community facilities such as cultural centers, health clinics and charter schools.

[vi] For allocatees reporting 2004 data, jobs maintained and projected jobs to be created were optional fields (these have since been changed to mandatory fields). Jobs maintained estimates are based on data submitted for 62 out of 81 business projects financed. These jobs data show one full-time equivalent job maintained for every $28,580 loaned or invested. When this average cost is applied to the entire $213,638,345 of fixed asset and working capital business financing reported in FY 2004, the total estimated jobs maintained are 7,475.

Job creation estimates are based on data submitted for 35 out of 81 business projects financed. These jobs data project one full-time equivalent job to be created for every $63,872 loaned or invested. When this average cost is applied to the entire $213,638,345 of fixed asset and working capital business financing reported in FY 2004, the total projected job creation is 3,345.

[vii] Non-metropolitan is defined by the United States Department of Agriculture's Rural-Urban Continuum Codes. The Rural-Urban Continuum Codes form a classification scheme that distinguishes metropolitan counties by the population size of their metro area and non-metropolitan counties by degree of urbanization and adjacency to a metro area or areas. On a scale of 1 through 9, codes 1 through 3 are considered metropolitan and codes 4 through 9 are considered non-metropolitan. For more information see http://www.ers.usda.gov/briefing/Rurality/RuralUrbCon/.