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

For Immediate Release
January 31, 2007

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GAO Releases Report on Impact of New Markets Tax Credit

Washington, D.C. - The Treasury Department's Community Development Financial Institutions (CDFI) Fund is pleased to recognize today the U.S. Government Accountability Office (GAO) release of their second report on the impact of the New Markets Tax Credit (NMTC) Program. The report is titled "New Markets Tax Credit Appears to Increase Investment by Investors in Low-Income Communities, but Opportunities Exist to Better Monitor Compliance (GAO-PUB No. 07-296)" and can be found on http://www.gao.gov/new.items/d07296.pdf.

The NMTC Program has grown considerably since GAO's initial program report in January of 2004. The CDFI Fund has now made 233 NMTC allocation awards totaling $12.1 billion in allocation authority, which to date has generated $6.2 billion of investments in Community Development Entities (CDEs) serving low-income communities throughout the country. The tax credit has been used to support a wide variety of community and economic development initiatives including, among others, the financing of charter schools, health care facilities, manufacturing businesses, grocery-anchored retail centers, and numerous other commercial and mixed-use real estate projects. Through FY 2005, the NMTC Program has generated financing for the construction or rehabilitation of over 43 million square feet of real estate, and has helped to create or retain 72,000 construction jobs and 20,000 full time equivalent jobs in businesses in low-income communities.

The CDFI Fund appreciates the detailed analysis and valuable recommendations in the GAO's report, and is particularly encouraged by several conclusions contained in the report. To cite just a few:

- Sixty-nine percent (69%) of the investors making investments in CDEs in 2006 had not previously made investments in those entities, suggesting the NMTC is fostering new community development finance relationships.

- The average expected returns on NMTC investments have declined from 8.2% to 6.8%, suggesting increased program efficiencies and investor confidence in the NTMC Program.

- Communities receiving NMTC investments tend to be more highly distressed than minimally required under program rules.

- Investors indicated that most investments would not have occurred in the absence of the credit, and that they had increased their investments in low-income communities because of the credit.

- The most likely effect of the credit is that it shifts investment by participating investors into low-income communities from higher-income communities.

For more information about the NMTC Program, CDE eligibility or the NMTC open application process, please visit the Fund's website at www.cdfifund.gov or call (202) 622-6355.

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