C4 WORLDWIDE

A Program of Change for America

Working with CD / C / E / FI

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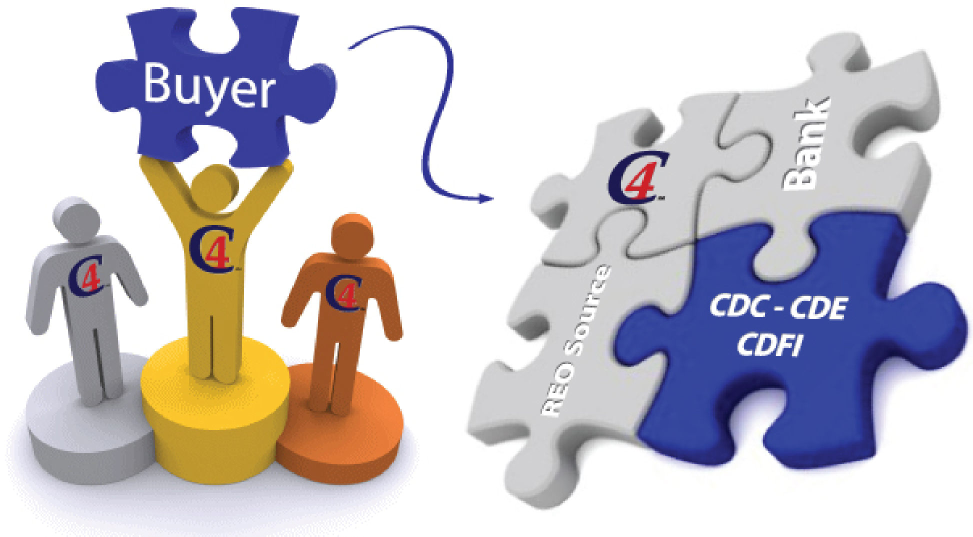
Jeffrey Edwards
Executive Vice President

Contact Information:
904 276 0067 Direct
904 610 0684 Mobile

Sources: Federal Agencies – FDIC, HUD, Fannie Mae and Freddie Mac, US Treasury Department



Community Development Entities (CDE) / Community Development Corporations (CDC) / Community Development Financial Institution (CDFI) and New Market Tax Credits

A CDE or CDC is any duly organized entity treated as a domestic corporation or partnership for federal income tax purposes that: (a) has a primary mission of serving, or providing investment capital for, low-income communities or low-income persons; (b) maintains accountability to residents of low-income communities through their representation on any governing board of the entity or any advisory board to the entity; and (c) has been certified as a CDE / CDC by the Community Development Financial Institution (CDFI) Fund of the US Department of Treasury.

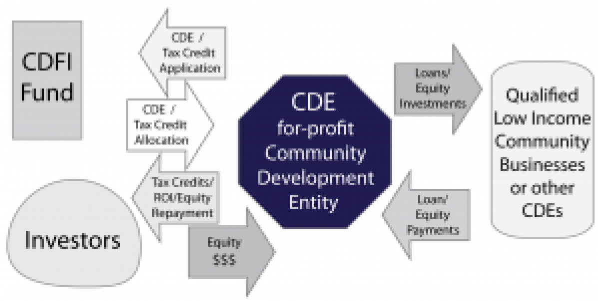
The CDFI Fund certifies CDEs and CDCs on an ongoing basis, and award New Market Tax Credit (NMTC) Allocations annually to them through a competitive application process.

What is the NMTC?

Part of the Community Renewal Tax Relief Act of 2000, the New Markets Tax Credit Program (NMTC) will spur approximately $15 billion in investments into privately managed investment institutions (CDEs). In turn, these institutions will make loans and capital investments in businesses in underserved areas. By making an investment in a CDE, an individual or corporate investor can receive a tax credit worth 39 percent (30 percent net present value) of the initial investment, distributed over 7 years, along with any anticipated return on their investment in the CDE.

Who benefits from the New Markets Tax Credits?

Businesses, investors, and communities will benefit from the NMTC. The NMTC program was designed to make investment capital available to businesses in qualifying low-income communities, to create jobs and spur additional economic development. The Federal Government created the 39 percent in NMTC as an inducement to private investors to open the flow investment capital into these communities. These tax credits, when considered along with the potential return on their investment in the CDE, create a substantial financial benefit for the investors as well.



Federal Agencies – FDIC, HUD, Fannie Mae and Freddie Mac, US Treasury Department

By working through the CDEs / CDCs the Buyers are able to acquire REO Properties held by any of the Federal Agencies (FDIC, HUD, Fannie Mae, Freddie Mac and the US Treasury) at a pre-negotiated discount. This arrangement serves three purposes:

- The Federal Agency sells off US Treasury held assets in $1,000,000,000.00 ($1Billion USD) transactions
- The CDE – Federal Agency relationship allows the buyers to acquire more properties per transaction – putting more people to work in their rehabilitation and their return to the market
- The CDE makes a commission on each transaction , providing much needed capital for their local projects

REO Buyers

The Buyers engaged in this effort represent wealthy corporations and private citizens who have made a commitment to one another to help “Put America Back To Work”. These individuals originally intended to acquire REO Properties directly from US Banks, in an effort to restore liquidity to these banks. Banks have instead chosen to horde their REOs, causing us to create relationships with the Federal Agencies cited above.

The name and contact information of the buyer of record for any given transaction is provided in the Buyer’s Letter of Intent package. Also included is the buyer’s affidavit, their US Patriot Act attestation and their Exit Strategy – their statement describing how the properties will be returned to the Marketplace.

The Director talks about the role of the CDC/E/FI in the community.

Donna Gambrell
Director
COMMUNITY DEVELOPMENT FINANCIAL INSTITUTIONS FUND
(CDFI)

To read her entire address, click here.