Community Development Bankers Association
1444 Eye Street, Suite 201 • Washington, D.C. 20005 • (202) 689-8935 • (202) 689-8938 (fax)

July 19, 2012

The Honorable Cyrus Amir-Mokri
Assistant Secretary for Financial Institutions
U.S. Department of the Treasury
1500 Pennsylvania Ave, N.W.
Washington, DC 20005

Dear Assistant Secretary Amir-Mokri:

We are writing to urge the U.S. Department of Treasury ("Treasury Department") and the Community Development Financial Institutions ("CDFI") Fund to ensure the Community Development Financial Institutions Bond Guarantee Program ("CBGP") created by The Small Business Jobs Act of 2010 (Public Law 111-240) is implemented in a manner that enables the entire, diverse CDFI sector to use the program to help meet the needs of distressed communities across the country. We believe the CBGP provides an exciting opportunity to expand the lending and reach of all CDFIs working in underserved communities. Most importantly, the program will enable CDFIs to play an even more active role in facilitating job creation and economic revitalization in the places hardest hit by the recession and slow economic recovery.

Ensuring CBGP Works for All CDFI Types:

The Small Business Jobs Act of 2012 ("Jobs Act")(12 CFR 4713) gave the Treasury Department the authority to guarantee a broad range of credit instruments under the CBGP. We strongly encourage you to utilize this authority to maximize the coverage and impact of the program. In particular, we ask that the forthcoming CBGP regulations allow for the guarantee of credit instruments structured as Community Trust Preferred Securities (or other similar instrument that meets regulatory Tier 1 capital requirements) as outlined in the August 12, 2011 comment letter submitted by the Community Development Bankers Association ("CDBA") (See Attachment A).

The Jobs Act states that an "eligible community or economic development purpose" means "any purpose described in section 108(b)" which "includes provision of community or economic development in low-income and underserved rural areas." The CDFI Fund has historically used the authority granted under section 108(b)(F) of the Riegle Community Development and Regulatory Improvement Act of 1994 (12 U.S.C. 4701 et seq.) to offer a wide variety of forms of CDFI Program Financial Assistance to CDFIs, including Tier 1 capital for banks and thrifts. While the CBGP program limits the guarantee of bond proceeds to loans, the statute allows the Treasury Department to use its authority flexibly to support "any credit instrument that is extended under the Program for any eligible community or economic development purpose." As quasi-debt instruments, we believe that Community Trust Preferred Securities (or instruments with similar features) used to support CDFI banks in serving their communities are fully consistent with the statutory authority granted to the Treasury Department and Congressional intent.

Maximizing Use of Authority:

CBGP has the potential to transform the CDFI industry and significantly enhance access to credit in underserved communities. This transformation, however, can only occur if the program is consistent with the needs of the CDFIs that will deliver credit. If the use of bond proceeds is not flexible enough to support a wide range of credit instruments -- or offered on terms, conditions and/or pricing that is inconsistent with the needs of the sector -- it will preclude the program from being fully utilized at authorized levels. If this happens, it will reduce the program's ability to support its goals: promoting access to capital, creating jobs, and enhancing economic opportunity.

We are concerned that recent Treasury Department discussions with CDFI industry groups have focused on using CBGP proceeds for making loans to non-depository CDFIs for relending purposes, thus overlooking the contribution to job creation and economic development that depository CDFIs provide. Changes in the regulatory environment have increased depository institution capital requirements; these are expected to further increase under Basel III. Over the long run, the new capital standards will severely constrain the ability of CDFI banks to serve their communities. CBGP has the potential to help alleviate these challenges if the eligible uses of bond proceeds are structured in a manner that will allow depository CDFIs to address the new capital requirements.

Accordingly, the Treasury Department should:

- Ensure the forthcoming CBGP regulations allow for the guarantee of quasi-debt instruments structured to meet the Tier 1 capital requirements for CDFI banks.
- Work with the federal banking regulatory agencies to: (1) craft a CBGP credit instrument that can satisfy the Tier 1 regulatory capital requirements under the new the Basel III Notice of Public Rulemaking; and (2) create a special exception that would allow CBGP proceeds to be counted as Common Equity Tier 1 capital under the proposed Basel III rule during the 30 year period that the Federal Financing Bank is holder of the CBGP (in recognition of the public interest in ensuring that low and moderate income communities have access to capital).
- Work with the Office of Financial Stability to develop a plan to refinance CDFI bank Community Development Capital Initiative ("CDCI") or Capital Purchase Program ("CPP") investments with CBGP proceeds in a manner that retains their Tier 1 capital status as granted under CDCI.

New Regulatory Barriers to Credit Availability in Underserved Communities:

On June 7, the Federal Reserve Board, in coordination of the Office of the Comptroller of the Currency ("OCC") and Federal Deposit Insurance Corporation ("FDIC"), issued three far-reaching proposed rulemakings that significantly alter the capital and lending landscape for all banks. Two of the three proposed regulations will affect small banks and have a disproportionately negative impact on CDFI banks, whose mission is to serve distressed, underserved markets. Even currently well capitalized CDFI banks may have difficulty in managing the impact on capital due to higher risk weightings on non-traditional single-and multi-family residential and commercial real estate lending. As proposed, these changes will have dire consequences for credit availability in low income communities. We fully recognize the regulators actions are in response to their duties to implement capital provisions of Dodd-Frank and the Basel III international agreement; and that the Treasury Department has no direct role in the development of these proposed rules. However, the Treasury Department has a unique opportunity with CBGP to mitigate the impact of these provisions to keep credit flowing to low and moderate income communities served by CDFI banks.

Basel III: The Basel III Notice of Public Rulemaking proposes to significantly revise regulatory risk-based and leverage capital requirements to be consistent with Dodd-Frank Act and Basel III. The proposed rule, however, reaches beyond the largest banks which pose the greatest threats to the financial system. The new requirements will significantly increase minimum capital ratios for all banks, including increasing the minimum Tier 1 Risk Based capital ratio, creating a new minimum Common Equity Tier 1 Ratio and capital conservation buffer, and more narrowly defining what can be classified as Tier I capital. Even in the best of economic times, the market for raising equity capital among all small banks (including CDFI banks) is challenging due to investment illiquidity and lack of access to publicly traded capital markets. In the wake of the financial crisis, this challenge is exponentially greater as the pool of potential bank investors shrinks while the pressure to raise new capital increases.

Among other things, this new Tier 1 definition appears to exclude cumulative preferred stock, as well as trust preferred instruments. We fully appreciate the intent of regulators to curtail use of instruments with cumulative dividends that may undermine the safety and soundness of a financial institution under duress. We believe the proposed Community Trust Preferred Security instrument outlined in CDBA's August 12, 2011 letter addresses regulators' principal concern by featuring a non-cumulative dividend. We welcome discussion with the Treasury Department, the Federal Reserve and the other banking regulatory agencies about this or other alternative investment vehicles that can satisfy the new capital requirements while preserving access to credit in distressed communities.

Risk Weighted Assets: The Standardized Approach Notice of Public Rulemaking proposes to revise the rules for calculating risk-weighted assets to address weaknesses identified in the wake of financial crisis. This new proposed rule may have far-reaching implications for curtailing credit availability in low income markets – particularly by lenders financing non-traditional affordable housing and commercial real estate. The new rule creates a new system for categorizing 1-4 single family residential loans -- Type 1 (traditional loans) and Type 2 (others/non-traditional). Type 2 loans are generally assigned risk-weightings that are at least twice that of Type 1 loans with similar loan-to-value ratios. For example, a Type 1 residential mortgage with an LTV of 75% will be risk-weighted at 50% whereas a Type 2 mortgage with a similar LTV would be risk weighted 100%. Type 1 loans cannot have features such as balloon payments, payment deferral options, or maturities greater than 30 years. Many commercial real estate loans (including multifamily loans) would be subject to higher risk weightings where a borrower has less than 15% equity in the project or where the LTV is above statutory minimums. Risk ratings on these transactions would increase from the current 100% to 150%.

We fully appreciate the intent of regulators to mitigate risk and discourage financial institutions from offering lending products that could undermine safety and soundness of individual banks, or the financial system as a whole. We also know that the Treasury Department's role in this process is circumscribed. We are greatly concerned, however, that the risk weighting, as proposed, will create new systemic barriers to access to credit within distressed communities and among low income consumers. Over the long run, new risk weightings will result in already underserved communities becoming more economically disenfranchised. CDFI banks have successfully demonstrated that lending to low and moderate income customers and communities can be achieved in a safe and sound manner. To be successful, however, it often requires patience and flexibility in how products are structured to meet the customers' needs. The Treasury Department and CBGP have an opportunity to help mitigate the negative consequences of new capital standards impact on credit availability in distressed communities served by CDFI banks.

Quasi-Debt Instruments as Regulatory Capital & Community Trust Preferred Securities:

Raising capital that meets the regulatory definition of Tier 1 capital is of paramount importance to CDFI banks and holding companies, especially given the recent actions of regulators to raise the minimum capital standards for all banks under Basel III and the Dodd-Frank Act. Furthermore, as noted above, regulators have proposed to overhaul the rules for calculating risk weighted assets in a manner that will have a disproportionately negative impact on community development lending. The rules will likely affect the ability of all banks to make loans on 1-4 single family properties, multifamily housing, and commercial real estate projects, but will dramatically impact loans tailored to meet the needs of borrowers in distressed communities.

In its August 12, 2011 comment letter to the CDFI Fund, the CDBA urged that the Treasury Department's forthcoming regulations allow the use the CBGP bond proceeds as a tool to strengthen the regulatory capital of CDFI banks in the form of Community Trust Preferred Securities ("CTPS") or an instrument with similar features.

We believe the proposed CTPS addressed the primary concern of regulators about typical Trust Preferred Securities ("TPS") by incorporating a non-cumulative dividend (versus a cumulative dividend which can pose safety and soundness risk by allowing the accumulation of interest payable). Under the new Basel III rules, TPS are generally excluded from Tier 1 consideration primarily because the regulatory agencies believe that these instruments are not sufficiently loss-absorbent. We believe the proposed CTPS mitigates this risk and should be classified as Tier 1 capital. To further reduce risk to the banking system, we propose that this instrument be limited only to banks and/or bank holding companies that are certified CDFIs. Consistent with the precedent set with the CDCI Program, we urge the Treasury Department (in concert with the regulatory agencies) to establish that CTPS be classified as Tier 1 regulatory capital for CDFIs.

In recognition of the importance of ensuring that distressed communities have access to credit and mission oriented institutions dedicated to promoting these communities' long term economic growth, we recommend that CTPS capital issued by the CBGP be classified by the regulatory agencies as Common Equity Tier 1 capital under the proposed Basel III rule during the 30 year period that the Federal Financing Bank is holder of the CBGP.[1] After the 30 year period, any similarly structured capital used to repay or refinance the CBGP instruments would no longer be classified as Common Equity Tier 1 capital but retain the Tier 1 status. We welcome the opportunity to discuss with the Trasury Department the proposed CTPS instrument or alternative acceptable instruments.

CDFI banks' capital needs are primarily driven by a desire to do more in their communities. However, the new regulatory capital framework will make providing services and lending in their communities more difficult. Over the long term, CDFI banks will need additional capital to grow and provide more enhanced services to their communities. Core capital invested in a CDFI bank enables the institution to lend to borrowers that create jobs and economic opportunity in distressed communities. Allowing CBGP bond proceeds to be injected into CDFI banks as Tier 1 (or Common Equity Tier 1) capital is a highly impactful use of CBGP resources; it enables the bank to prudently leverage a multiple[2] of deposit dollars that are, in turn, lent to borrowers. This lending, in turn, results in more affordable housing, successful small businesses that create new

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[1] If the Treasury Department and regulatory agencies granted the instrument Common Equity Tier 1 status, the form of the instrument could be amended to eliminate the "preferred" status and make it par with other common stock holdings.

[2] Under current regulatory capital rules, $1 in CBGP bond proceeds injected in to a CDFI Bank as Tier 1 capital could prudently leverage $12 in new lending. Under the new Basel III rules (which are phased in over 2013-2019), it is estimated that a bank will be able to leverage and loan out $9.50 per each $1 in Tier 1 capital by 2019.

jobs and economic vitality, more residents having access to community services, urban and rural communities that are revitalized, and more customers having access to fair and affordable financial services.

The Treasury Department has recognized the special role of CDFI banks, and their need for equity capital, before—through the CDCI Program. We are sincerely grateful for the leadership and support of the Treasury Department in creating the CDCI Program as a means of promoting lending in low income communities during a period of great economic uncertainty. As the program has evolved and the regulatory environment changed, however, we note that several provisions of the CDCI agreement may make it difficult for CDFI banks to raise the type of capital most needed to comply with the new regulatory standards. Unfortunately, simply repaying the CDCI funds is not a feasible option for many CDFI banks given current market conditions that have depressed earnings. Yet, the needs of the distressed communities we serve are still acute. These communities felt the brunt of the recession most severely and most have yet to benefit from any economic recovery. Access to credit for residents has been a long-term challenge and will continue to be in the future unless they have committed, mission oriented financial institutions that are dedicated to improving their economic well-being and access to fair and responsible credit. By enabling banks to refinance CDCI investments through the CBGP, the Treasury Department can help ensure these communities continue to have access to credit needed to promote recovery.

Recommendations:

In summary, we recommend the Treasury Department take the following actions:

- Ensure the forthcoming CBGP regulations allow for the guarantee of quasi-debt instruments structured to meet the Tier 1 capital requirements for CDFI banks.
- Work with the federal banking regulatory agencies to: (1) craft a CBGP credit instrument that can satisfy the Tier 1 regulatory capital requirements under the new the Basel III Notice of Public Rulemaking; and (2) create a special exception that would allow CBGP proceeds to be counted as Common Equity Tier 1 capital under the proposed Basel III rule during the 30 year period that the Federal Financing Bank is holder of the CBGP (in recognition of the public interest in ensuring that low and moderate income communities have access to capital).
- Work with the Office of Financial Stability to develop a plan to refinance CDFI Bank CDCI and CPP investments with CBGP proceeds in a manner that retains their Tier 1 capital status.

We thank you for consideration of these recommendations and look forward to working with you to preserve credit availability in distressed communities

Sincerely,

The Membership of the Community Development Bankers Association

Albina Community Bank
Broadway Federal Bank
BankPlus
Carver Federal Savings Bank
Central Bank of Kansas City
CityFirst Bank of D.C.
City National Bank of New Jersey
Community Bank of the Bay
Community Capital Bank of Virginia
First American International Bank
First Eagle Bank
Franklin National Bank
Guaranty Bank & Trust
International Bank of Chicago
Metro Bank
Mission Valley Bank
M&F Bank
Native American Bank
Neighborhood National Bank
One PacificCoast Bank
OneUnited Bank
Pan American Bank
Park Midway Bank
Peoples State Bank
Southern Bancorp Bank
START Community Bank
United Bank
University National Bank
Urban Partnership Bank

Cc:
Donna Gambrell, Director of the Community Development Financial Institutions Fund
Don Graves, Deputy Assistant Secretary for Deputy Assistant Secretary for Small Business, Community Development and Housing Policy

Community Development Bankers Association
1801 K Street NW ▪ Suite M-100 ▪ Washington, DC 20006 ▪ (202) 689-8935 ▪ (202) 689-8938 fax

August 12, 2011

Ms. Jodie Harris
Policy Specialist
Community Development Financial Institutions Fund
U.S. Department of the Treasury
601 13th Street, NW, Suite 200 South
Washington, DC 20005

Dear Ms. Harris:

On behalf of the members of the Community Development Bankers Association (CDBA), we are writing in response to the Notice for Public Comment published in the Federal Register on July 1, 2011 inviting comments on the Community Development Financial Institutions (CDFI) Bond Guarantee Program created by The Small Business Jobs Act of 2010 (Public Law 111-240).

CDBA is the national trade association of the community development bank (CDFI Bank) sector. We are the voice and champion of banks and thrifts and their parent Bank Holding Companies with a mission of serving low and moderate income communities.

We thank you for the opportunity to share our views and recommendations. We believe the CDFI Bond Guarantee Program ("CBGP") provides an exciting opportunity to expand the lending and reach of all Community Development Financial Institutions (CDFIs) into under served communities across the nation. Most importantly, the program will enable CDFIs to play a more active role than ever in facilitating job creation and economic revitalization in the places hardest hit by the current recession. We believe the program will support lending by, and investment in, CDFIs by providing a critical source of affordable, long-term patient capital.

General Comments and Recommendations:

By definition, CDFIs serve niche markets that cannot be served by standardized approaches or products provided by the traditional financial services industry. To maximize the effectiveness and impact of the CBGP, we strongly urge the CDFI Fund to ensure the new initiative capitalizes on the diversity of types of CDFIs and the strategies and products we collectively offer to reach a wide variety of under served markets. Our response and comments to the specific questions raised in the Notice for Public Comment can be found in Appendix A.

We support the recommendations articulated by our colleagues in the CDFI loan fund, credit union, venture capital and other segments of industry to make sure the CBGP also works for their sectors. We support the framework presented by Opportunity Finance Network (OFN) that recognizes multiple potential structures for the CBGP, including: (1) a direct issue of at least $100 million by a single qualified issuer; (2) a pooled asset-backed bond whereby several CDFIs would contribute borrower loan assets to a trust or special

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purpose entity (SPE) comprised of a pool of eligible assets totaling at least $100 million; and (3) a bond backed by pooled loans to and investments in CDFIs whereby a trust or SPE would issue a bond backed by a pool at least $100 million of loans to or other debt-like investments in CDFIs.

Recommendations: To the maximum extent feasible, the CDFI Fund's CBGP regulations should:

1. **Fully utilize the broad flexibility granted by Congress to craft a program that serves all underserved people and economically distressed communities;**
2. **Recognize that a broad range of CDFI types and CDFI-originated or -issued assets should be eligible for participation in the program; and**
3. **Be consistent in the use of definitions, reporting requirements, and other program implementation features with the CDFI Fund's existing programs.**

CDFI Bank Priorities for the CBGP:

1. Bonds to Support CDFI Capitalization

Among the recommended structures outlined above, the members of the CDBA will find the greatest utility in a bond backed by pooled loans to and debt-like investments in CDFIs. Using the bond proceeds as a tool to strengthen the capital of all CDFIs is fully consistent with the purposes and goals of Congress in crafting the CBGP and the Riegle Community Development and Regulatory Improvement Act of 1994 (12 U.S.C. 4701 et seq.). We believe that the current CDFI CBGP's statutory definition of an eligible "loan" (i.e. any credit instrument that is extended under the Program for any eligible community or economic development purpose) should include a bond backed by pooled loans to or other debt-like investments in CDFIs.

In particular, among the different types of debt vehicles available to support CDFI bank holding companies (and, in turn, their insured depository subsidiaries) are instruments that can meet the regulatory definition of Tier 1 capital. Raising capital to meet the regulatory definition of Tier 1 capital is of paramount importance to CDFI banks and holding companies, especially given the recent demands of regulators to raise the minimum capital standards for all banks. One ($1) dollar of core capital invested in a CDFI bank can leverage $8 to $10 dollars in insured deposits that will, in turn, be lent out to local borrowers who create jobs and economic opportunity in distressed communities.

Recommendation: Any CBGP regulations promulgated by the CDFI Fund should explicitly recognize bonds backed by pooled loans and to investments in CDFIs as an eligible use of bond proceeds. Such use should allow support for a variety of debt instruments crafted to the capital needs of different types of CDFIs (e.g. CDFI banks, bank holding companies, credit unions, loan funds, and others).

2. Community Trust Preferred Securities as an Eligible Use of Bond Proceeds

The current Tier 1 capital definition[1] includes one type of debt instrument – Trust Preferred

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[1] The regulatory definition of Tier 1 capital as outlined in Appendix A to the Federal Reserves Regulation Y for BHCs (http://www.fdic.gov/regulations/laws/rules/6000-1900.html#fdic6000appendixa.

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Securities (TPS)[2] – that meets the CBGP's statutory definition of an eligible "loan" and can satisfy the banking regulatory agencies' desire for banks and their holding companies to bolster their capital levels. CDBA proposes that the CDFI Fund allow as an eligible loan under the CBGP a "Community" Trust Preferred Security (CTPS) to provide capital to CDFI bank holding companies. Our proposed CTPS is modeled after the TPS and is fully consistent with the Tier 1 regulatory capital definition set forth by the Federal Reserve. This instrument, however, features some modest – but important – refinements.

Our proposed refinements are to the TPS terms typically demanded by private sector investors (but not required or recommended by regulators). Private sector investors typically require cumulative interest/dividend payments and high priced rates of interest. Alternatively, we propose that CTPS eligible for bonding under the CDFI CBGP: (1) incorporate a noncumulative dividend; and (2) feature affordably priced interest payments consistent what is offered on other government guaranteed debt instruments. Under a noncumulative instrument, if a CDFI bank or holding company is not sufficiently profitable to issue an interest payment, the amounts due will not accumulate and place a mounting financing burden that could impair bank or holding company soundness. We believe the two modest refinements will: (1) provide CDFI holding companies banks with a new tool to bolster capital and provide access to capital in distressed markets; and (2) help them mitigate safety and soundness concerns raised by the regulatory agencies for some TPS in the wake of the economic crisis[3].

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[2] A Trust Preferred Security (TPS) is a debt instrument that shares characteristics of both debt and equity. A Bank Holding Company (BHC) typically issues TPS by creating a trust that issues debt to a new entity. The trust, in turn, issues the TPS. The security is a hybrid security with characteristics of both subordinated debt and preferred stock in that it is long term (30 years or more). The security typically allows early redemption by the issuer, makes periodic fixed or variable interest payments, and matures at face value. Most of the proceeds of the security are then down streamed to the subsidiary bank as equity capital. TPS may be treated by the bank regulatory agencies as Tier 1 capital rather than as a liability if they have certain characteristics. For example, the security must allow for at least a five-year consecutive deferral period on distributions to preferred shareholders. In addition, the payments must be subordinated to all subordinated debt and have the longest feasible maturity (30 years or more). The amount of these instruments -- together with other cumulative preferred stock in the BHC – are included in Tier 1 capital and may constitute up to 25 percent of the sum of all core capital.

[3] Challenges: During the recession, some traditional banks that have issued TPS and also experienced significant institutional stress due to the economic downturn saw their troubles compounded by some of the features this instrument. Among the principal challenges with the TPS are their: (1) high cost; and (2) cumulative nature. TPS rates are typically higher than ordinary senior debt or subordinated debt. Since TPS are subordinated to all of the issuer's other debt and typically have features like early redemption and optional deferral of dividend/interest payments, private sector investors demand high interest rates. Furthermore, the cumulative nature of the dividend/interest payments can make it difficult to catch up on high cost payments if a bank must miss a payment during an unprofitable period. TPS operate like cumulative preferred stock in that if any dividends have been omitted in the past, they must be paid out at a future date. By contrast, a noncumulative instrument is one that does not require payment to the holder any unpaid or omitted dividends. If the bank cannot pay dividends in a given year, the investor does not have the right to claim any of those forgone dividends in the future. During the recession, some banks with TPS found themselves overwhelmed by the burden of making costly payments at a time when most of the banking industry was unprofitable. Furthermore, many TPS issues were also packaged into collateralized debt obligations by brokers and marketed to private investors as high yield and low risk. When adverse economic and market conditions made it necessary for r banks to defer payments, it resulted in rating and valuation downgrades for the securities. As a consequence, in the Dodd-Frank Wall Street Wall Street Reform and Consumer Protection Act, significantly restricted what institutions could issue TPS. The law did, however, create exceptions for Bank Holding Companies (BHCs) with less than $15 billion in consolidated assets. All of the currently certified CDFI banks are covered by this exemption.

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With its Treasury guarantee and Federal Financing Bank (FFBs) purchasing requirement, the CBGP creates a unique opportunity to craft an instrument that gets Tier 1 capital to CDFI bank holding companies (and, in turn, their bank subsidiaries) while minimizing any conflict between private investor interests and bank safety and soundness concerns. The proposed CTPS will require no action or amendment to existing regulations or examination practices of the banking regulatory agencies. Creation of CTPS will require: (1) the CDFI Fund's CBGP to allow (or not prohibit) this type of debt-like instrument as an eligible use of bond proceeds; (2) the FFB to be willing to buy a bond(s) backed by a pool of CTPS with more concessionary terms than are typically demanded by private investors; and (3) the Treasury Department to be willing to guarantee a bond back by a pool of CTPS.

We strongly urge the CDFI Fund and U.S. Treasury to incorporate the proposed CTPS as a loan for eligible community or economic development purposes provided that the issuing CDFI bank retains its certification status over the life of the bond. This instrument will allow CDFI bank holding companies and their bank subsidiaries to raise the type of core capital they need to expand their lending and services in low income communities – while mitigating the safety and soundness risks that have been found with some traditional TPS.

We believe the proposed CTPS instrument is fully consistent with Tier 1 regulatory requirements. We also believe our proposed refinements are designed to enable CDFI Banks to better reach and serve low income communities. The injection of lending capital into low income communities is acutely needed and will be absolutely critical in facilitating long term economic recovery in places most negatively impacted by the recession.

Recommendations:

(4) **Any CDFI Program regulations promulgated by the CDFI Fund should recognize or permit a CTPS type instruments as an eligible use of bond proceeds.**

(5) **We urge the FFB to work with CDBA and others to ensure that the terms of any pool of CTPS assets are structured in such a manner as to be appropriate for it to buy.**

(6) **We urge the US Treasury Department to work with CDBA and others to ensure that the terms of any pool of CTPS assets are structured in such a manner as to be appropriate for it to guarantee.**

Conclusion:

The members of CDBA believe the CDFI Bond Guarantee Program provides an exciting opportunity to expand their lending into under served communities across the nation. Now more than ever, this capital is needed to help struggling communities that are among the hardest hit during this economic recession. The CBGP will enable CDFIs to play a more active role than ever in facilitating job creation and economic revitalization both today and for decades to come. The CBGP can only accomplish this if it recognizes the need for flexibility to serve a diverse range of financing needs in under served markets, embraces a variety of different structures and strategies to serve the entire industry, and recognizes the need to provide both portfolio liquidity and capital investment into the CDFI industry.

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We thank you for the opportunity to comment on this exciting new program. We look forward to working with you to ensure the program will serve the entire CDFI industry and the communities we collectively serve.

Sincerely,

The Membership of the Community Development Bankers Association

Albina Community Bank
Broadway Federal Bank
BankPlus
Carver Federal Savings Bank
Central Bank of Kansas City
City First Bank of D.C.
City National Bank of New Jersey
Community Bank of the Bay
Community Capital Bank of Virginia
First American International Bank
First Eagle Bank
Franklin National Bank
Guaranty Bank & Trust
International Bank of Chicago
Metro Bank
Mission Valley Bank
M&F Bank
Native American Bank
Neighborhood National Bank
One Pacific Coast Bank
OneUnited Bank
Pan American Bank
Park Midway Bank
Peoples State Bank
Southern Bancorp Bank
START Community Bank
United Bank of Alabama
University National Bank
Urban Partnership Bank

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