March 9, 2017

Ms. Annie Donovan
Director
Community Development Financial Institutions Fund
U.S. Department of Treasury
1500 Pennsylvania Avenue NW
Washington, DC 20220

Mr. David Meyer
Certification, Compliance Monitoring and Evaluation Manager
Community Development Financial Institutions Fund
US Department of Treasury
1500 Pennsylvania Avenue, NW
Washington, DC 20220

RE: Response to Request for Information in CDFI Certification Requirements

Dear Director Donovan and Mr. Meyer:

The members of the Community Development Bankers Association (CDBA) respectfully submit the enclosed comments on the Notice and Request for Information published by the CDFI Fund in the Federal Register on January 9, 2017. As stated, the CDFI Fund is seeking comment on its current policies and procedures for certifying Community Development Financial Institutions (CDFIs).

CDBA is the national trade association of banks and thrifts with a primary mission of promoting community development. There are 135 banks and 83 bank holding companies with the Treasury’s Community Development Financial Institutions (CDFIs) designation. CDBA membership comprises 65% of the total assets of the CDFI bank sector and more than a majority of all CDFI banks.

CDFI banks strongly support the efforts of the Community Development Financial Institutions Fund (CDFI Fund) to promote investments in low income and underserved communities. We appreciate the opportunity to provide feedback to maximize the effectiveness of all programs for the benefit of the most underserved communities in the nation.

Our comments are organized below to respond to questions raised in the Notice and Request for Information.
1. **Legal Entity:**

In the case of Insured Depository Institutions, we recommend no changes to the current standards for establishing that an organization is a Legal Entity.

2. **Primary Mission Test**

**Barring Predatory Actors:** In recent years, significant concerns have surfaced about the predatory nature of consumer and small business products offered by entities that often target low income, unbanked, underbanked or other vulnerable populations. CDFI banks and credit unions are subject to numerous regulations by their primary regulators and the Consumer Financial Protection Bureau (CFPB) that safeguard against offering predatory or inappropriate consumer products. Among regulated CDFIs, these safeguards are effective in ensuring predatory products are not offered. Thus, we believe there is no need to change the current standard for demonstrating “a primary mission of promoting community development” for regulated CDFIs.

Predatory products are most prevalent among nonregulated entities targeting consumer and small business customers. Thus, CDBA recommends the CDFI Fund develop a set of criteria to evaluate Financial Product alignment with the Primary Mission test (e.g. APR, fees, structure, collection procedures) for nonregulated entities offering these products. As a minimum benchmark, the CDFI Fund could use standards set forth by the CFPB for similar products. For example, an entity offering small dollar loan products that meets the CFPB definition of a “covered”\(^1\) loan should not be eligible for CDFI certification. The CDFI Fund’s purpose is to build distressed communities and underserved populations. Thus, it should retain the authority to reject an applicant for certification if it believes their products and services do not align with the Primary Mission test because they are not sufficiently transparent or could be harmful to consumers.

**Tax Status:** CDBA strongly objects to setting different certification requirements based on the tax status. Tax status is not a screen for “mission purity.” When Congress created the CDFI Fund in 1994, the authorizing statute makes no distinctions that would allow the CDFI Fund to apply a different set of eligibility requirements on the basis of tax status. In fact, the legislative history is abundantly clear that for-profit CDFIs were seen as a key part of the sector and were intended receive support from the new CDFI Program. Making it harder for for-profit entities to become certified only deepens and institutionalizes the CDFI Fund’s bias toward funding 501(c)(3) nonprofit CDFIs at the expense of other CDFI types.

The largest group of for-profit CDFIs are regulated banks and thrifts. The average size of a CDFI bank is $341 million – significantly larger than the vast majority of nonprofit CDFIs and possessing greater capacity to delivery capital and create impact at scale. At 12/31/2016, the  

\(^1\) CFPB proposed rule for Payday, Vehicle Title, and Certain High-Cost Installment Loans as published in the Federal Register on June 2, 2016
CDFI bank sector reported $32.2 billion in loans outstanding. By comparison, the nonregulated CDFI sector (which is mostly nonprofit) has only $14.3 billion in total assets.

If the CDFI Fund is concerned for-profit entities offering predatory products may seek certification – they should focus on the products – not the tax status of the provider. As discussed above, CDBA strongly recommends that the CDFI Fund focus developing a methodology for screening out applicants that offer harmful products – rather than penalizing good CDFIs that are committed to serving their communities just because they are for-profits.

**Intentionality:** Since the CDFI Program regulations were first published in 1996, the CDFI Fund and industry have struggled with the concept of how to measure intent and how to know if an entity is truly mission focused.” As a practical matter, it is not realistic for the CDFI Fund to look into the “hearts and minds” of every CDFI’s management team and/or Board of Directors to subjectively assess the “purity” of their motivations.

CDBA believes the CDFI Fund should continue to focus on what an entity does and whom or where it serves -- as intended by Congress. Setting a subjective screening criteria based on perceived “intentionally” will likely have the unintended consequence of preventing some truly deserving and needy communities from being able to benefit from access to CDFI Fund resources. As noted above, CDBA believes that tax status should NOT be used as a proxy for “mission purity” or “intentionality.” Over 20 years, the CDFI Fund has significant evidence of highly impactful and mission oriented CDFIs that are for-profit entities.

3. **Financing Entity Test**

CDBA believes that the current standard for meeting the financing entity test should remain the same for regulated CDFI banks and credit unions. Currently, regulated CDFIs automatically meet the Financing Entity requirements. With regard to nonregulated CDFIs, CDBA will defer to the recommendations of trade associations whose membership principally consists of such entities on the appropriate Financing Entity standards.

4. **Target Market Test**

**Minimum Threshold:** CDBA opposes increasing the minimum level of targeting for certification. All CDFIs must balance a double bottom line between mission and sustainability. Mission is core to a CDFI’s purpose and most CDFIs exceed the 60% threshold (most by a significant margin). Yet, CDFIs also need to be responsive to market demand, earn sufficient returns to cover operations, and build equity that is ultimately deployed into the community. Not every loan a CDFI originates or customer they serve will (or should be expected to) meet the Target Market qualifications. Those transactions and customers, however, are important because they help support the CDFI’s mission when they generate income. To be sustainable, CDFIs must generate income from a variety of sources.
Federal policy makers first formally recognized CDFIs more than 20 years ago. Yet, regulated CDFI banks and credit unions still encounter examiners that remain skeptical about community development lending and believe predominantly serving low income communities may compromise the financial integrity of the institution. Prior to publishing the first set of CDFI Program regulations in 1995, the CDFI Fund staff consulted extensively with the CDFI industry and Federal banking and credit union regulatory agencies to determine the right balance. After much deliberation, a consensus emerged around the 60% threshold. If the CDFI Fund’s targeting requirements were increased, it would likely raise “red flags” with the regulatory agencies. Examiner pressure could make it more difficult for even the most mission focused CDFI banks and credit unions to remain certified. Instead of raising the threshold for certification, we suggest that setting a high bar on deployment of Federal money to Target Markets is appropriate.

Threshold by CDFI Type: Regardless of CDFI type, CDBA opposes increasing the minimum level of targeting for certification. Regulated CDFI banks and credit unions receive significant regulatory scrutiny around earnings, capital, risk, and other matters. Unlike nonregulated CDFIs, however, regulated CDFIs have little or no access to grant or philanthropic resources (except the CDFI Fund) to fill gaps or mitigate risk. As noted above, while most regulated CDFIs exceed the 60% threshold, raising the minimum threshold above its current levels will likely create unneeded and unproductive additional scrutiny from “safety and soundness” examiners. Nonregulated nonprofit CDFIs have access to philanthropic resources, perhaps they could be held to a higher targeting standard. But, in the interests of fairness, CDBA recommends that all CDFIs be held to a consistent set of targeting standards at the current 60%.

Verifying Data: The annual certification report asks CDFIs to self-report summary data that demonstrates at least 60% of their total lending meets the Target Market test. CDBA does not believe it is necessary to require all CDFIs to submit documentation to support the summary data. A less burdensome alternative would be to require CDFIs to maintain an internal list of all transactions by number and dollar amount. The CDFI Fund should preserve the right to request the list and only request transaction documentation where it is concerned about the validity of data submitted. We do not believe statistical sampling of loans is a good option. This process will be costly and burdensome to both CDFI banks and the CDFI Fund with little likely difference in the outcome on a certification decision.

Financial Services: CDBA recommends the CDFI Fund remain flexible on the type of evidence or proxies that a CDFI can provide to demonstrate how financial services serve a Target Market(s). Nearly all CDFI banks and credit unions provide basic retail financial services to customers. Financial services include a diverse range of offerings, including checking and savings accounts, credit cards, debit cards, prepaid cards, safe deposit boxes, certificates of deposit, money market accounts, and investment management services. In the case of business customers, the offerings may include cash management, payment systems, merchant card processing, payroll services, lock box services, and others. Services may be provided at a branch office, online, or through a mobile device.
To meet the Financial Service reporting requirements, the CDFI Fund currently requires that deposit accounts be geocoded and the aggregate dollar amount of deposits reported. Given that residents of low-income communities often have lower account balances, the number of accounts should be considered as well. As the financial services landscape rapidly changes, the CDFI Fund should remain open to a variety of methodologies and proxies for demonstrating how financial services serve a Target Market(s) beyond simple geocoding or collecting income data. Given the variety and complexity of financial services offered by depository CDFIs, it is impossible to prescribe a single methodology for the Target Market test. The policies governing certification should explicitly state that CDFIs can present alternative methodologies or proxies that can be accepted in lieu of geo-coding or collection of income data. Examples:

- Some prepaid vendors can provide data on the business where a debit card is used;
- Some debit card products can access government benefits; thus, program eligibility requirements could be used as a proxy for customer income data; and
- Most banks track the branch office in which a customer account is opened and the branch address can be geocoded.

Finally, we recommend the CDFI Fund consider eliminating the requirement for regulated CDFIs to submit deposit or other financial service data if they comfortably meet the 60% test based on lending activity only. Consideration of financial service data could be offered an option if a bank or credit union needs to supplement its lending data in order to meet the 60% test. As noted above, most CDFIs are well above the 60% Target Market test. Thus, requiring submission of geocoded deposit data appears to add little or nothing to most certification decisions but adds significant costs to the CDFI.

**Emerging Products:** Over the 20 years, since the CDFI Fund began certifying CDFIs, technology has sparked fundamental changes in the financial services landscape. On one hand, technology advances are expanding access to financial products among underserved customers; yet, some of these offerings have been predatory and harmful. The CDFI Fund should encourage CDFIs to be innovative and use technology to offer products and services that are good for customers and communities. The CDFI Fund should explore creation of a new category of “emerging products” that can qualify toward meeting the Target Market test requirements if they promote financial inclusion. The CFPB’s Project Catalyst provides a framework for evaluating products and services that may be useful to CDFI Fund. Interested CDFIs should be able to apply to the CDFI Fund for an “emerging products” exception to the Target Market test. The CDFI Fund should review each product to ensure it is appropriately structured and not harmful to customers. Approved “emerging product” pilots should be given flexibility on the collection of income data and Investment Area restrictions and required to report to the CDFI Fund on how the product meets the financial inclusion goals.

**Time Period:** The Target Market Test is currently based on lending activity that occurred during an applicant’s last fiscal year and year-to-date lending. Using such short-term data is highly problematic. Demand ebbs-and-flows in most markets; thus, evaluating only originations over less-than-a-two year period will not reflect the full scope of a CDFI’s activities. We recommend
using: (1) three full fiscal years of annual originations; and (2) data from a CDFI’s outstanding portfolio. As the CDFI Fund has adopted an annual certification process, it should use annual origination data previously submitted rather than requiring resubmission of the same data.

Investment Area: The CDFI Fund’s current process for defining geographic units that collectively meet the Investment Area distress criteria works. The CDFI Fund’s provision that allows Investment Areas to be composed of a set of contiguous geographic units that may include a small portion of units that do not individually qualify as Investment Areas, is appropriate and consistent with how CDFI operate in their local markets. CDBA recommends no change to current policy. The CDFI Fund’s online mapping system, however, has technical limitations that prevent the aggregation of census tract and county level Investment Areas. CDBA recommends that these technical glitches be corrected.

Target Populations: Over the past 20 years, technology has radically changed how many consumers access financial products and services. While studies show some customers still prefer to go to a branch or ATM for services, online banking, mobile banking, debit cards, and other media are rapidly gaining popularity. The recent influx of nonregulated FinTech companies is also changing how customers access consumer and small business loans. CDBA recommends updating the Target Market framework to reflect the evolution in the financial services sector. Increasingly CDFIs will likely be serving a mix of geographic areas and Target Populations.

Our nation needs both strong local communities and an inclusive financial service sector that is fair, serves everyone, and provides opportunity. A revised Target Population policy should incorporate a focus on financial inclusion. In the case of many technology-driven financial products and services, obtaining customer income data to ensure they meet the “80% of less of median family income” standard may not be feasible.

The CDFI Fund will need to work with practitioners to develop an alternative set of proxies or methodologies for measuring financial inclusion and service to low income, unbanked, underbanked, and other vulnerable populations in lieu of the current 80% of area median income methodology. For example, several CDFI banks have launched technology-driven consumer products (i.e. debt cards, online small dollar loans) intended to provide un-banked and under-banked customers with access to responsible products. These products are accessible and benefit customers that might otherwise not be served -- or fairly served. Yet, if a portion of the customers live outside of the bank’s current Investment Area(s), they may eventually detract from a bank’s ability to meet the Target Market test if demand for the products grows. The CDFI Fund should encourage, not discourage, product innovation that promotes financial inclusion. To this end, the CDFI Fund should allow CDFIs serving Target Populations to serve such customers without regard to location -- including a national market.

Other Targeted Populations: CDBA recommends that all race and ethnicity based Target Populations be treated equally provided the applicant can demonstrate that the Other Target
Population it serves faces significant challenges with access to capital, financial inclusion, or economic opportunity.

National Target Market: As noted above, if a CDFI is approved to serve a Target Population, they should be permitted to serve a national service area. Recognizing that it is unlikely that any CDFI will be able to complete transactions in every state, it is impractical to set minimum threshold for geographic dispersion of transactions. In fact, such thresholds could serve as a barrier to a CDFI reaching into new geographic regions without risking their certification – or creating unnecessary administrative burden for the CDFI and the CDFI Fund to process amendments to a certification.

5. Development Services

CDBA is strongly opposed to: (1) requiring CDFIs to provide a corresponding Development Services for each Financial Product and Service; and (2) requiring CDFIs to offer each Development Service each year to maintain certification status. Every customer is different. Some customers require support from a CDFI – but others do not. The definition of Development Services should remain highly flexible. The nature, frequency and amount of services provided to a customer must left to the discretion of each CDFI. Requiring such an onerous standard would particularly harm regulated CDFIs that offer a wide range of financial products and services.

The expansion of technology-driven products and services further complicates the question of what type, how much, and how frequently a customer needs or wants Development Services. We encourage the CDFI Fund to allow CDFIs the flexibility to offer Development Services in the form most appropriate to each customer. Mandating how and when CDFIs provide Development Services as a condition for certification will: (1) unnecessarily increase costs; (2) put the CDFI Fund in the position of micro managing how CDFIs serve their customers; and (3) remove the flexibility needed to tailor services to each customer.

To be noted the most important Development Services a CDFI typically offers is one-on-one technical assistance. In recent years, the CDFI Fund appears to have shifted its preferences in funding applications and certification to Development Services offered in the form of structured classroom style training or other formal services. CDBA recommends that all Development Services be valued equally.

6. Accountability

Over the past 20 years, technology has radically changed how consumer access financial services. As technology disrupts and unbinds financial service delivery to geography, the CDFI Fund needs to rethink its interpretation of the Accountability test. A rigidly applied accountability test runs the risks of: (1) preventing CDFIs from adapting to change; and (2) puts the CDFI Fund in the position of micromanaging the CDFI industry.
CDBA recommends that the CDFI Fund take a flexible approach in applying the accountability test. CDFIs serve different types of Target Markets. In the coming years, all CDFIs will challenged to serve their customers in new ways and the scope of a “community” within the financial services sector will likely expand beyond the geographic, demographic and other boundaries that have traditionally defined community development. If the Accountability standards are too rigid, it may prevent CDFIs from adapting to market changes.

Numeric Standards: CDBA is opposed to setting strict numeric accountability standards for the composition of members of a CDFI’s Board of Directors. In determining the right balance of “accountability’ representatives, the CDFI Fund should consider the context within which the CDFI operates. Strict minimum percentages for Directors and/or advisory board members can be problematic if unexpected vacancies occurs. In addition, if a CDFI serves a large geographic area, multiple Target Markets, or a multi-state/national market, it can result in creation of a Board that is so large it becomes unwieldy and ineffective as a governance body. In the case of rural CDFI banks, meeting the accountability requirements can be challenging because the pool of qualified individuals is limited. Currently, individuals related to any bank employee or significant bank shareholder cannot be counted toward meeting the accountability test. Furthermore, many CDFI banks are family owned, including a large portion of Minority Depository Institutions and rural banks. In family-owned bank, the Board may be comprised of a significant number of related individuals – making it difficult to meet the accountability test based on Director composition. Hence, greater flexibility is needed to allow each CDFI to propose an accountability strategy that makes sense for its context. Finally, the CDFI Fund currently does not allow a CDFI bank’s CEO to be considered in the numerator when using a numeric percentage to the Accountability test, but keeps the bank CEO in the denominator. Regulators require a bank’s CEO to be on the Board. Thus, it is unfair to keep the CEO in the denominator and this practice should be ceased.

CDBA is concerned about the CDFI fund’s practices of requiring a Board “accountability” representative for every Investment Area a CDFI may designate. Due to the peculiarities of the CIMS mapping system and the ever-changing nature of economic indicators, a CDFI may have to designate two different Investment Areas that are functionally part of the same market. Yet, the CDFI Fund requires that CDFI to appoint “accountability” representatives for each Investment Area. This practice easily results in Boards that become too large, unwieldy and ineffective as governance bodies.

Advisory Boards: Allowing CDFIs to use advisory boards to demonstrate accountability is important – particularly for regulated CDFIs. Advisory boards are valuable because they are flexible and can offer key insights to the needs of markets and submarkets. The expertise and skill set needed of bank Directors is often different. In the case of a bank, Directors have specific legal and fiduciary obligations proscribed by the Federal banking regulators and can be liable for the actions of the banks. These obligations are a significant disincentive for a small business owner, neighborhood resident, or others to serve of the Board of a bank. This circumstance can make it difficult for banks to recruit qualified Directors that can meet the accountability requirements.
**CDFI Type:** The CDFI Fund needs to embrace the diversity of the CDFI sector that includes regulated banks and credit unions and unregulated loan funds and venture capital funds. To that end, CDBA recommends that the CDFI Fund redesign its certification, funding application, and reporting formats in a manner that is tailored by CDFI type. Furthermore, in the case of regulated CDFI banks and credit unions, CDBA strongly encourages the CDFI Fund to adopt definitions and reporting standards that are consistent with bank and credit union regulatory agencies.

We appreciate the CDFI Fund’s desire to have all CDFIs report data the same way to make it easier to aggregate its own data. Yet, regulated CDFIs have long-established regulatory definitions. These definitions are used to report financial performance, lending and other activities through the Call Reports (banks) or NCUA 5300 (credit unions). Banks and credit unions invest significant time and money into having regulatory compliant reporting systems. CDFI banks and credit union are part of a mature industry with well-developed definitions and standards.

Over the past 20+ years, the CDFI Fund has forced regulated CDFIs to go through the painstaking and expensive task of reclassifying their data to submit reports and applications. CDFI banks and their CDFI Bank Holding Companies and CDFI credit unions collectively comprise nearly 50% of the total number certified CDFIs and 87% of the total assets of the $137.9 billion CDFI industry. Yet, the CDFI Fund’s certification and funding applications, as well as reporting forms are tailored to the unstandardized framework of unregulated CDFIs. Simply providing a “cross walk” document instructing regulated CDFI how to translate their data into applications and reports tailored to unregulated CDFIs is *wholly inadequate*.

CDBA strongly recommends that the CDFI Fund respect and embrace the differences between the varying CDFI sectors. **CDBA very strongly recommends that the CDFI Fund create certification and funding applications, as well as reporting requirements that are tailored by CDFI type.**

**Business Plan:** CDBA does not believe an entity’s business plan should be used as part of a certification determination.

**End Beneficiaries:** Each CDFI needs to assemble a Board with sufficient expertise to guide the organization. Board members must understand both mission and how a financial institution operates. It may not always be feasible to find an individual that possesses the expertise and capacity to serve as an active, contributing Director that is also a member of a Targeted Population. CDBA believes that representatives of organizations (e.g. education organizations, healthcare centers) that serve Target Population “end beneficiaries” provide an effective alternative strategy to obtain needed expertise. Such representatives often make very strong Board members because they possess a highly informed understanding of the challenges and issues faced by the population despite not being a member of the Target Population.
**National Target Markets:** As noted, CDFIs serve different types of Target Markets. CDBA strongly discourages the CDFI Fund from creating a one-size-fits-all accountability standard for CDFIs. Each CDFI should have the flexibility to propose an accountability strategy that fits its context. The CDFI Fund should not seek to define what “local” means; this concept can vary depending on the market, products and services offered, and operating context. The CDFI Fund should develop a list of criteria for evaluating a CDFI’s accountability strategy. This criterion should be published and the CDFI Fund should provide “real life” life examples used by practitioners that meet the requirements.

**Web-Based Lending Platforms:** As discussed above, accountability needs to match a CDFI’s strategy and context. Web-based lending platforms are a delivery mechanism that, on their face, are not problematic. Technology enabled delivery possess the potential to increase access to capital; these platforms can deliver products faster and cheaper. The products offered on some platforms, however, are problematic when pricing, terms and conditions are not transparent. The lack of transparency, when targeted to low income, unbanked, underbanked or vulnerable populations, is among the greatest factors that allow predatory lending practices to flourish. Web-based lending platforms are most commonly associated with consumer and small business lending. As such, CDBA recommends that the CDFI Fund ensure that all web-based lending platforms be required to be in full compliance with all CFPB regulations to be considered for CDFI certification. In addition, the CDFI Fund should retain the authority to deny a certification application if they feel an applicant’s products are not sufficiently transparent or the products are inappropriate for low income or vulnerable populations.

7. **Non-Government Entity**

CDBA does not recommend any changes to how the CDFI Fund currently screens applicants to ensure they are non-government entities.

8. **Certification Policy and Procedures**

**Reason for Certification:** On its face, CDBA does not object to asking applicants why they are applying for certification. Yet, it is unclear how this information will be used and its relevancy to the certification process. If a CDFI initially indicates that are applying for certification for marketing purposes or to obtain a regulatory exemption, can this information later be used to disqualify -- or make them less competitive when applying to any of the funding programs? In most cases, entities apply to be certified for a multitude of reasons.

**Additional Data:** CDBA believes that CDFI Fund should maintain the integrity of its certification process. CDBA does not object to the CDFI Fund using data obtained from other Federal agencies as part of a certification review. We strongly believe, however, that the CDFI Fund should not automatically grant certification to entities that have established eligibility under programs administered by other Federal agencies in lieu of its own certification. CDFI certification establishes eligibility for many of the CDFI Fund’s competitive programs. Thus, all CDFIs that compete for scarce CDFI Fund resources must be held to the same standard.
**Community Based:** CDBA does not believe the CDFI Fund should attempt to define the phrase “community based” -- nor make it a requirement for CDFI certification. This phrase is a term of art commonly used by community development practitioners. CDFIs often define “community based” by the context of the market it serves. “Community based” is most commonly thought of as neighborhood focused, yet this describes only the more nascent portions of the CDFI industry.

As noted above, technology is rapidly delinking delivery of financial products and services from place. In the coming years, all CDFIs will be challenged to serve their customers in new ways and the scope of a “community” within the financial services sector will likely expand beyond the geographic, demographic and other boundaries that have traditionally defined community development. This, we strongly discourage the CDFI Fund from defining all CDFIs as “community based” and restricting their ability to respond to change.

**Native CDFIs:** CDBA recommends no change to the CDFI Fund’s current policies allowing Native CDFIs to self-designate.

**Multiple Entities:** CDBA recommends that the CDFI Fund remain consistent with its current policy of requiring each entity seeking certification to meet the requirements independent of the activities of any affiliates or subsidiaries. Furthermore, we recommended that the “consolidated treatment” rule (12 USC 4701(b)(5)(B)) that is applicable to CDFI banks AND Bank holding companies should be applicable to all CDFIs. Specifically, this provision says that an entity can only qualify as a CDFI if all of its subsidiaries and affiliates can meet the primary mission test.

**Bright-line Tests:** CDBA does not recommend any additional “bright-line” thresholds to the certification tests beyond the standards already in place. As particularly noted in the Accountability Test discussion, the certification process should maintain a sufficient degree of flexibility to allow CDFIs to change as their markets evolve.

**Start Ups:** CDBA supports the CDFI Fund’s current policy of only certifying entity that are operational and that have proven their lending, investment or service activities meets all of the CDFI tests. No changes in policy are recommended.

**Other Recommendations:** CDBA strongly encourages the CDFI Fund to seek greater alignment and consistency in definitions across all of its program applications (e.g. certification, BEA, CDFI Financial and Technical Assistance, New Markets Tax Credits) and reporting systems (e.g. AMIS, CIIS). Lack of consistency in definitions, applications and reporting systems increases costs and frustration for CDFIs participating in the CDFI Fund’s programs. These definitions should be tailored by CDFI type, but consistent across all programs and systems.

In conclusion, the membership of CDBA fully appreciates the thoughtful consideration of the CDFI Fund and its staff in continuously seeking to improve the effectiveness of the CDFI
certification process. We sincerely we appreciate the opportunity to comment and offer feedback. We look forward to future discussion on these important issues.

If you have any questions, please contact Jeannine Jacokes, CDBA Chief Executive Officer, at 202-689-8935 ext. 222 or jacokesj@pcgloanfund.org.

Thank you for considering our recommendations.

The Membership of the Community Development Bankers Association

ABC Bank (IL)  International Bank of Chicago (IL)
Albina Community Bank (OR)  Legacy Bank and Trust (MO)
BankFirst Financial Services (MS)  Mechanics and Farmers Bank (NC)
Bank of Anguilla (MS)  Merchants and Planters Bank (MS)
Bank of Commerce (MS)  Metro Bank (KY)
Bank of Kilmichael (MS)  Mission National Bank (CA)
Bank of Lake Village (AR)  Mission Valley Bank (CA)
Bank of Montgomery (LA)  Native American Bank, N.A. (CO)
Bank of Rio Vista (CA)  Neighborhood National Bank (CA)
Bank of Vernon (AL)  NOAH Bank (PA)
Bank of Winona  Northern Hancock Bank & Trust (WV)
BankPlus (MS)  OneUnited Bank (MA)
Beneficial State Bank (CA)  Oxford University Bank (MS)
Broadway Federal Bank (CA)  Pan American Bank (IL)
Carver Federal Savings Bank (NY)  Peoples Bank (MS)
Carver State Bank (GA)  Planters Bank (MS)
Central Bank of Kansas City (MO)  PriorityOne Bank (MS)
Century Bank of the Ozarks (MO)  Richland State Bank (LA)
Citizens National Bank (MS)  RiverHills Bank (MS)
City First Bank of D.C., N.A. (DC)  Savoy Bank (NY)
City National Bank of New Jersey (NJ)  Security Federal Bank (SC)
Commercial Bank (MS)  Southern Bancorp, Inc. (AR)
Community Bancshares of Mississippi (MS)  Spring Bank (NY)
Community Bank of the Bay (CA)  Start Community Bank (CT)
Farmers & Merchants Bank (MS)  State Bank & Trust Company (MS)
First American International Bank (NY)  Sunrise Banks (MN)
First Eagle Bank (IL)  Sycamore Bank
First Independence Bank (MI)  The First, A National Banking Assoc. (MS)
First Security Bank (MS)  The Jefferson Bank (MS)
First SouthWest Bank (CO)  United Bank (AL)
FNBC Bank (AR)  United Bank of Philadelphia (PA)
Guaranty Bank and Trust Company (MS)  Urban Partnership Bank (IL)
Illinois Service Federal (IL)  Virginia Community Capital (VA)
Industrial Bank (DC)  