Community Development Bankers Association
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January 6, 2020

The Honorable Steven Mnuchin
Secretary
United States Department of the Treasury
1500 Pennsylvania Avenue
Washington, D.C. 20220

Re: Selection Criteria for Emergency Capital Investment Fund

Dear Secretary Mnuchin:

On behalf of the members of the Community Development Bankers Association (CDBA), we respectfully submit the following recommendations on selection criteria that the Treasury Department should use to implement the Emergency Capital Investment Program (ECIP) as authorized under H.R. 133, Division N "Additional Coronavirus Response and Relief." This letter is a follow up to our December 29, 2020 correspondence on the selection criteria.

CDBA is the national trade association for banks and thrifts that are US Treasury-designated Community Development Financial Institutions (CDFIs). Our members have a primary mission of promoting community development and target at least 60% of their total lending and activities to Low- and Moderate-Income (LMI) communities and customers that are underserved by traditional financial service providers. Many of our members are also Minority Depository Institutions (MDIs). Our members represent the large majority of all CDFI banks, thrifts, and bank holding companies eligible to participate in the Emergency Capital Investment Program (ECIP). ECIP is designed to ensure the economic recovery extends to all corners of the economy, particularly low-income and minority communities, which is well aligned with the historic work of CDFI banks.

Emergency Capital Investment Program Selection Criteria

Despite the $9 billion available, CDBA believes there is the real possibility that Treasury has insufficient resources to meet demand given the maximum investment amount authorized in the statute. Thus, Treasury will need to design a mechanism for selecting those that will receive investments and determining the "right size" investment for each applicant. Actual demand will be strongly linked to the investment instruments and rules published by Treasury.

Based on potential maximum awards specified under the authorizing statute, CDBA's analysis estimates $22.67 billion potential maximum demand from CDFI and MDI banks. Of these amounts, 146 CDFI banks qualify for $11.29 billion in investment. The 110 Non-CDFI MDIs qualify for $11.38 billion. An analysis by Inclusiv, the trade group representing CDFI certified credit unions, estimates that 341 currently qualified CDFI credit unions qualify for $20.9 billion in investment. No estimates are currently available for non-CDFI MDI credit unions or other credit unions that may meet the statutory minimum 30% lending standard. To be noted, approximately 2,500+ credit unions are designated as NCUA Low Income Credit

Unions that meet a 50% standard for targeting low income members. Thus, we anticipate demand well in excess of resources available, necessitating the Treasury Department design a system for prioritizing requests to ensure resources are channeled to the maximum extent to institutions that have the strongest track record of serving low- and moderate-income, minority, and other disadvantaged communities consistent with Congressional intent and the purposes outlined in statute. Subsection (e) gives the Treasury the authority to make very large investments relative to total bank asset size. Yet, there are many communities nationwide that have experienced the negative economic effects of COVID-19. We urge the agency to ensure a reasonable distribution of awards to ensure the program benefits many affected communities.

Application Requirements

As part of the application, we recommend that the Treasury coordinate with the CDFI Fund to streamline the application process. To the maximum extent practicable, we recommend the Department utilize definitions in use and data that has already been collected as part of the CDFI certification process or annual grant reporting. We are very concerned about subsection (d)(4)(A)(i), which could be interpreted to conflict with the reporting standards for certified CDFIs. Specifically, it requires that applicants:

> "…demonstrate that not less than 30 percent of lending of the applicant over the past two fiscal years was made directly to low- and moderate-income borrowers, to borrowers that create direct benefits for low- and moderate-income populations, to other target populations as defined the Fund, or any other combination thereof, as measured by the total number and dollar amount of loans."

Given that CDFIs must meet the far higher standard of 60% of their lending that is directed to eligible Target Markets, we recommend that Treasury "rely on documentation submitted by the applicant to the CDFI Fund as part of certification compliance reporting" as directed in subsection (d)(4)(B) of the authorizing statute, in lieu of imposing new data collection requirements. We also recommend that the Treasury utilize definitions and piggyback on reporting systems already utilized by the CDFI Fund.

Minimum Performance Standards	
Emergency Capital Investment Program	**CDFI Fund Eligible Target Markets**
Applicants must demonstrate that *not less than 30 percent of lending* over the past two fiscal years was made…	Applicants must demonstrate annually that *not less than 60 percent of its total lending by number and dollar amount* was made...
Directly to low- and moderate-income borrowers	For Low Income Target Markets: CDFI Fund defines Low Income Target Population as an annual income that is at or below 80% of median family income. This definition matches the Low and Moderate Income definition used by bank regulatory agencies under the Community Reinvestment Act.
To borrowers that create direct benefits for low- and moderate-income populations	For Investment Areas: CDFI Fund uses geographic-based economic indicators as a proxy for distress of residents (i.e. 20% poverty rate, median family income that is 80% or less of area

	median income, unemployment rate that is 1.5 times or greater than national unemployment). Generally, the CDFI Fund has considered loans to small businesses, nonprofits, and other borrowers that create jobs, provide critical community services, affordable housing, goods and services, and other impacts within Investment Areas as creating direct benefits to low- and moderate-income populations.
To other target populations as defined by the CDFI Fund	ECIF references CDFI Fund definition for Other Target Populations.

Selection Criteria

Priorities: As the pandemic has affected LMI communities nationwide, we urge the Treasury to maximize participation among CDFI applicants with the greatest demonstrated track record of serving eligible CDFI Target Markets. Consistent with the purposes of the statute, CDBA recommends highest priority to applicants that dedicate the greatest proportion of their lending and services to low- and moderate-income communities and/or minority communities or people of color.

We are very concerned that the minimum performance standard established in subsection (d)(4)(A)(i) -- which requires only a 30% threshold for historic lending performance to intended beneficiaries -- does not maximize the purposes of the statute, make best use of scarce taxpayers dollars or create the greatest amount of benefits for customers and communities that need it most. Among eligible applicants, CDFIs dedicate the most resources -- at least 60% of all of their lending and other activities -- to benefit needy communities. Thus, to maximize statutory purpose and make the most effective use of taxpayers' dollars, CDBA recommends that CDFIs receive highest priority in the selection process. Secondly, among this subgroup of CDFIs, we recommend that the small subset of CDFIs that are also MDIs should receive the very highest priority. Institutions that are not certified and do not meet the 60% criteria should be ranked below the CDFIs in order of the proportion of their total lending and other activities targeted to eligible CDFI Target Markets. In the case of a non-CDFI certified MDIs that can meet the 60% threshold, Treasury should encourage them to become certified CDFIs.

Award decisions and investment amounts should also consider factors including asset size, deployment capacity, quality of the lending plan submitted, institutional growth strategy, and geographic distribution.

Deployment Capacity: We urge Treasury to consider making investments based on the applicants' capacity to effectively deploy capital received for community development purposes within communities that may be disproportionately economically impacted by COVID-19. A strong indicator of this capacity is past performance based on percentage of activity in CDFI Target Markets (see Award Size, above).

Growth Strategy: We urge Treasury to consider making investments based on the applicants' demonstration of how well the investment will enhance the long-term capacity of the institution to grow and enhance service to its Target Markets.

Geographic Distribution: We urge the Treasury to consider making investments in amounts that ensure a reasonable geographic distribution of investments that reflects the geographic distribution of the pool of applicants, including urban, rural and Native American communities.

Financial Performance: While we believe financial health is an important consideration, we do not believe it should be disproportionately weighted among other criteria. In fact, we believe investments from this program have the capacity to strengthen the capacity of participating financial institutions, particularly MDIs that have faced systemic challenges toward raising capital. Under section 308 of FIRREA, Treasury and the regulatory agencies have an obligation to preserve and promote MDIs, but have never had a significant federal appropriation of capital to use, at least partially, in service of this mandate. The ECIP's selection criteria should reflect this obligation.

In conclusion, the membership of CDBA fully appreciates the thoughtful consideration of the Treasury and its staff as the Emergency Capital Investment Program is implemented. We urge the Treasury to move expeditiously to deploy this capital and empower recipients to rebuild their communities. This is a wonderful opportunity to expand the positive influence of a long-standing market-based solution within COVID-impacted communities, and we sincerely 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) 207-8728 or *jacokesj@pcgloanfund.org*, or Brian Blake, CDBA Public Policy Director at (646) 283-7929 or *blakeb@pcgloanfund.org.*

Sincerely,

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