Community Development Bankers Association
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May 12, 2023

Via Electronic Submission

Ms. Pooja Patel
Program Manager
CDFI Program and NACA Program Manager
Community Development Financial Institutions Fund
U.S. Department of the Treasury
1500 Pennsylvania Ave., NW
Washington, D.C. 20220

RE: CDFI and NACA Program Paperwork Reduction Act (PRA), Federal Register Document Number Vol. 88, No. 42 / Friday, March 3, 2023

Dear Ms. Patel:

The members of the Community Development Bankers Association (CDBA) respectfully submit the enclosed comments on the Notice of Information Collection and Request for Public Comment published by the Community Development Financial Institutions Fund (CDFI Fund) in the Federal Register on Friday, March 3, 2023. As stated, the CDFI Fund is seeking comment concerning the Community Development Financial Institutions Program (CDFI Program) and the Native American CDFI Assistance Program (NACA Program) Financial Assistance (FA) and Technical Assistance (TA) Applications, for the Fiscal Year (FY) 2023–FY 2025 funding rounds.

CDBA is the national trade association of banks and thrifts with a primary mission of promoting community development. Currently, there are 191 CDFI banks and 155 CDFI bank holding companies with the Treasury's Community Development Financial Institution (CDFI) designation. CDBA membership comprises 67% of the total assets of the certified CDFI bank sector, and 55% of all CDFI banks by number. Many of our members are also Minority Depository Institutions (MDIs). CDBA membership comprises 68% of the total assets of the CDFI bank sector and more than a majority of all CDFI banks. Altogether, CDFI banks and bank holding companies comprise approximately 24% of the certified CDFI sector by number, and 30% of the assets by dollar.

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.

I. CDBA Priority Comments

Generally, the information that is proposed to be collected by the FA Application is necessary and appropriate for the CDFI Fund to consider for the purpose. However, there are proposals, both specific and implied, that we urge the CDFI Fund to reconsider.

A. Matching Funds

In the case of grant funds, we urge you to adopt a three (3) year matching funds "look back" window for Core FA awards for CDFIs with less than $100 million in total assets. Small CDFIs – both regulated and unregulated – are most vulnerable to volatility in their local economies, which translates into challenges to their ability to raise consistent, adequate grants, equity capital or retain earnings to meet the match requirements. We urge the CDFI to expand its "look back" period for smaller CDFIs to accommodate this volatility. We particularly urge this for the up-coming combined 2023-2024 funding round.

B. Demographic Data

We applaud the CDFI Fund for attempting to drive financial products and services to the hardest to serve borrowers and most underserved communities/populations. While supporting these efforts, we urge the CDFI Fund to consider that there are natural limitations to how much demographic information can be usefully and reliably gathered. For example, regulated, depository CDFIs are generally prohibited (outside of explicit circumstances) from tracking demographic data directly. Overall, the Fund ought to rely on reasonable proxy methodologies where practical and desirable, while recognizing the limitations of these methodologies. Where the CDFI Fund wishes to track and ultimately direct assistance to historically disadvantaged communities, the Fund should allow individual CDFIs to identify and justify the indicators of distress as appropriate to their targeted market(s).

C. Funding Levels

We are unaware of any issues created by the current funding cap and we do not support any reductions or realignments of funding relative to applicants' asset size. If the CDFI Fund wishes to size awards more neatly to an expressed need, one option is for the Fund to ask applicants to specifically justify awards requests and demonstrate to the best of their ability why the award is necessary to achieve the stated outcomes and impacts. Further, if an award recipient is successfully furthering a relevant policy objective (e.g. financing affordable housing), the objective would be stunted by capping the number or dollar amount of awards the applicant can receive in a certain period.

Further, we do not support any cap on either the number of SECA awards an applicant can receive. We suggest that the "S" (Small) in SECA is of equal weight to the "E" (Emerging). Small refers to a static moment, and emerging refers to a process. Some CDFIs will very properly be, and remain small, either by the nature of their circumstances, or by design. It is no more appropriate to limit their access to awards than for larger, established CDFIs.

D. Flexibility in Times of Emergency

We join colleagues in the CDFI Coalition in urging the CDFI Fund to increase the flexibility of its program requirements to allow CDFIs to meet the needs of communities during emergencies. We appreciate the CDFI Fund's flexibility in implementing timely accommodations during the height of the COVID-19 pandemic - the CDFI industry would benefit from a standing policy regarding emergencies, particularly environmental (flooding, wildfire, tornado and hurricane, and health related disasters).

E. Options for Expanding: New Markets and New Products

The definition of “new market” does not allow for any smaller geography than a “county” – this is unnecessarily limiting. While a county-level definition is appropriate in some markets, it is too broad for organizations that would like to focus on smaller areas (e.g. densely populate regions, such as metropolitan neighborhoods). We join industry colleagues in supporting a wider definition of “new market” that includes, at the very least, census tracts, but ideally even encompasses neighborhoods (e.g. Harlem, NYC) given the applicant can reasonably define the neighborhood.

Further, the current definition of “expansion” is currently limited to “new products.” This is also unnecessarily limiting. While enormous attention and resources must be directed to launching “new” products, expanding the distribution of existing products can be equally challenging, and likely as impactful. Further, it is not realistic or productive to expect CDFIs to be only focused on “what’s new.” The CDFI Fund should also encourage the expansion of “what’s successful” or even “what has been under-utilized.” For example, a CDFI might have successfully demonstrated the viability of a product and have been usurped by more conventional lenders, or might have reached market saturation in a certain area. Alternatively, market conditions have changed, rendering certain aspects of a business temporarily uncompetitive (at least for now).

F. Narrative Flexibility

CDFIs are a diverse and increasingly complex group even within their own primary categories of bank, credit union, loan fund and venture capital fund. A notable number represent activity across affiliates (e.g. banks with affiliate loan funds, loan funds with off balance multi-investor funds). We urge the CDFI Fund to acknowledge and encourage this diversity by adding an optional narrative that allows an applicant to explain any nuances or special features of its organizational structure, or financial statements that contribute to its operations. Applicants might use this field to explain how a given structure, such as subsidiary entities, influence the financial statements of the entire body, while relating how that structure should be considered in the context of the advancement of the CDFI’s mission.

G. Transparency and Guidance

We concur with industry colleagues that although the CDFI Fund collects a wide array of information in the CDFI Program application, it would improve the process to provide more, and consistent, information on how this information is evaluated or utilized by the Fund. For example, neither the NOFA, nor the fiscal year 2022 FA Guidance, provides any information on how the CDFI Fund reviews applicant financial information, or what an Applicant should aim to provide that increases the likelihood of a high score. It is similarly opaque how the CDFI Fund determines final award size. Since CDFI program awards do not have standardized award sizes, the CDFI Fund should provide additional information on how award sizes are determined in each program funding round.

Related, the CDFI Fund should consider providing *all* applicants with briefing documents, rather than limiting briefings to applicants that do not receive an award. It would be value to individual applicants to understand where strengths lead to success, rather than simply relying on mitigating weaknesses. This will particularly assist Recipients that receive reduced award amounts, since the CDFI Program’s current practice does not allow these organizations to understand where the CDFI Fund identified concerns.

H. Proportionality in Point Allocation

We join industry colleagues in urging the Fund to consider either modifying the point allocation or expanding the character limits in its current "Business Plan Review Scoring Criteria" to bring balance to the significance of the applicable Narratives. Currently, there are a total of 50 points to allocate. The following sections are granted the most weight, with 12 points each: Business Strategy (Questions 4-8), Products & Services (Question 9), Management and Track Record (Question 11, along with Resumes and Key Staff Descriptions). The following two sections are worth 7 points each: Growth and Projections (Questions 13-15) and Market and Competitive Analysis (Question 10). However, based on the number of characters allotted to the Narrative questions, which is an indication of the significance of the question, these point allocations are not proportional.

The Market and Competitive Analysis section, for example, consists of only a single question (Q10) with a 2,000-character limit. The Products & Services section likewise consists of a single Narrative question (Q9) with a 6,000-character limit, along with a Current Financial Products table that has a brief description of the product and the Amount of Portfolio outstanding. By contrast, the Business Strategy Section consists of Questions 4-8 with total character limits of 21,250 (plus 3,250 for Q6 for prior awardees). A more proportionate allocation could be achieved by increasing the points available for the Business Strategy section; reducing the Market and Competitive Analysis Section; and reducing Products & Services. Alternatively, the Fund could provide more character space for answering the Narrative in Question 10 of the Application, as this section severely limits Applicants' responses in comparison to the points allotted to the section.

I. Removal of Financial Services and Development Services FAOS

In Table 8, the CDFI Fund proposes removing three options for the list of potential "Financial Assistance Objectives (FAOs): "FA Objective 1-2: Increase Volume of Financial Services", "FA Objective 1-5: New Financial Service(s)," and "FA Objective 1-6: New Development Service(s)." As justification, the CDFI Fund has stated that removal is justified due to these FAOs seldom being selected. We believe that one reason these FAOs are under-utilized is that applicants view them as less competitive, largely because a lack of awards based on those FAOs means applicants do not understand how the Fund evaluates them. In other words, these FAOs appear "disfavored" by the CDFI Fund, and applicants will naturally orient towards programs FAOs with a perceived higher likelihood of success. It may be that retaining these FAOs will not have a significant near-term effect on application demand. However, removing these FAOs restricts awards that would be more likely to be accessed by depository CDFIs, if the approach to evaluation were better understood.

As an alternative, we suggest the Fund not eliminate the FAOs, but modify them instead to so that they are easier to measure, evaluate, and administer, which would increase their perceive value to the field of applicants. If well designed, these FAOs can incentivize depository CDFIs to innovate with, and increase the volume of financial and development services in distressed areas.

Increasing the accessibility of financial and development services remains an important goal for CDFI banks aiming to serve both sides of their customers' personal or business balance sheets. Asset building and lowering the costs of access to basic financial services are key tenets of CDFI banks' missions. We believe the FA awards should recognize and encourage this activity, and we would be happy to engage with the Fund further on this issue.

J. Increasing Volume of Financial Products

We support the CDFI Fund's proposal of a standard minimum multiplier for the Objective of Increasing the Volume of Financial Products. The multiplier must strike a balance between to ensure a minimum leveraging of the award but not deterring smaller CDFIs with lower lending volumes. The CDFI Fund should exercise caution as pandemic response programs have recently driven upward distortions in the volume of certain financial products. The CDFI Fund should give applicants the chance to explain why they may not meet their targets due to factors beyond their control.

We also echo comments by industry colleagues requesting the option to increase the volume of a *specific* product. This would provide CDFIs with the flexibility to tackle emerging community challenges by bolstering products tailored to conditions on the ground.

II. CDFI Fund Specific Questions

A. Financial Assistance (FA) Application	
CDFI Fund Question	**CDBA Response**
1. Is the information that is proposed to be collected by the Application necessary and appropriate for the CDFI Fund to consider for the purpose	Generally, yes.
2. Are certain data fields, questions or tables redundant or unnecessary? If yes, which ones and why?	The CDFI Fund should reconsider whether Narrative Question 1 is necessary. We believe it is redundant, in light of the Primary Mission requirement for CDFI Certification. Question 13 inquires about how receiving an award would enhance the applicant's capacity to accomplish its strategic objectives. However, it appears to overlap with Question 4, which pertains to the utilization of funds, as well as Question 5, which focuses on strategic goals. One possible improvement could involve merging Question 4 and Question 13, effectively eliminating redundancy between these two inquiries while still gathering relevant information for reviewers. There is also a misalignment between the request for five-years of strategic goals and three years of financial projections. We recommend aligning both to three years.
3. Should any data fields, questions or tables be added to ensure collection of relevant information?	There is no need to add fields, questions or tables.
4. Are there requests for data in the Application that Applicants do not have readily available and that are burdensome to obtain and/or calculate?	Although much of the requested demographic data related to beneficiaries must be estimated by most regulated institutions, as they are not permitted to track this data directly, there are reasonable, non-burdensome estimation methodologies available.
5. Are any of the questions particularly burdensome or difficult to answer? If yes, which ones and why?	None of the questions are particularly burdensome.
6. Are there questions that lack clarity as to intent or purpose? If yes, which questions, and what needs to be	The draft application has effectively addressed any uncertainty that was inherent in Question 8a), now removed.

clarified in order for Applicants to provide a comprehensive response?	
7. Are the character limitations for narrative responses appropriate? Should certain questions allow additional or fewer characters? If yes, please specify.	The CDFI Fund should reconsider whether the 2,000-character limit in Narrative Question 10 is appropriate relative to the weight allocated to it in the Fund's scoring criteria, as discussed in Section I above. We suggest either reducing the weight afforded to the Question or increasing the character limit.
8. What additional guidance can the CDFI Fund provide in order to assist Applicants with completing an FA Application?	Applicants would benefit from additional guidance on how the Application is scored. A more detailed debrief document for both successful and unsuccessful applicants would also help. For example, providing the numerical score in each section. In addition, applicants would especially benefit from better guidance on how the FAOs related to Financial Services and Development Services are scored.
9. Business Plan. In general, does the data and information requested in the Application allow an Applicant to demonstrate its ability explain its business plan and ability to meet the FA Objectives described in the Application?	Yes, there is sufficient information for applicants to explain their business plans.
10. Business Plan. Is the data and information requested in the Application to assess the business plan adequate to assess the different CDFI activities?	Yes. There is sufficient information requested to assess Business Plans.
11. Business Plan. What, if any, additional data and information should be collected to assess business plan activities?	We do not see a need for additional data in the Business Plan.
12. Beneficiary Data. The CDFI Fund currently collects beneficiary data by income level in the Beneficiary Snapshot table to assess how well an organization is serving communities in economic distress. Reported data in this table combines those receiving Development Services and those receiving Financial Products/Financial Services and is only requested for the Applicant's most recent historic fiscal year. a. The CDFI Fund is proposing to request beneficiary data separately for (1) Financial Products/Financial Services and (2) Development Services to provide a more accurate depiction of beneficiaries served. Is the proposal for separating out the beneficiary data points between beneficiaries receiving Financial Products/Financial Services versus those receiving Development Services appropriate? If not, why not? Will this proposed change be difficult or overly burdensome to report?	While requesting beneficiary data separately is not unduly burdensome, we urge the CDFI Fund to consider whether it provides meaningful insight, as it is likely to be very similarly in the distinct categories. This will be especially true if the Fund removes the FA Objectives relating to Development and Financial Services (which we recommend against).

b. The CDFI Fund is considering to request beneficiary data projections for the three year Period of Performance to help assess the impact an Applicant's proposed activity with the FA award. Is the proposal to collect projected beneficiary data appropriate for use in assessing the impacts of an Applicant's proposed activity with the FA award? If not, why not? Will this proposed data collection be difficult or overly burdensome to report?	
13. FA Objectives. Currently, FA Applicants can select from the following list of seven FA Objectives (FAO): 1–1: Increase Volume of Financial Products, 1–2: Increase Volume of Financial Services, 1–3: New Geographic Area(s), 1–4: New Financial Product(s), 1–5: New Financial Service(s), 1–6: New Development Service(s), and 1–7: New Targeted Population(s). The CDFI Fund proposes to eliminate certain FAOs that are difficult to measure, evaluate and administer. Further, these FAOs are rarely selected by Applicants. a. The CDFI Fund proposes to eliminate FAO 1–1: Increase Volume of Financial Services from the list of FAOs to select in the FA Application. However, Financial Services is still an eligible use of the FA award. Would all types of regulated CDFIs still be interested in applying if they could no longer select this FA Objective and required to select another one instead? If no, why not? b. The CDFI Fund proposes to eliminate FAO 1–5: New Financial Services from the list of FAOs to select in the FA Application. However, Financial Services is still an eligible use of the FA award. Would all types of regulated CDFIs still be interested in applying if they could no longer select this FA Objective and required to select another one instead? If no, why not? c. The CDFI Fund proposes to eliminate FAO 1–6: New Development Services from the list of FAOs to select in the FA Application. However, Development Services is still an eligible use of the FA award. Would all types of CDFIs still be interested in applying if they could no longer select this FA Objective and required to select another one instead? If no, why not?	Please see our comments in above for our more detailed response. We recommend against removing these FAOs and instead recommend modifying them so they are easier to measure, evaluate, and administer.
14. FA Objectives. Currently, to select FAO 1–1: Increase Volume of Financial Products, an Applicant's three years of	Please see our comments in above for our more detailed response. In summary, we support a multiplier.

projected lending activity must exceed its historic three years of lending activity plus the FA award amount (''Increase in Volume''). The Increase in Volume becomes a Performance Goal & Measure (PG&M) in the Assistance Agreement. The CDFI Fund proposes to change the Increase in Volume formula for FAO 1–1: Increase Volume of Financial Products to be more consistent with other FAO PG&Ms and to more directly align with the amount of the FA award. One option is for the formula to be a multiplier of the award amount plus the Applicant's historic three years of lending activity. For example, for a $1 million award, if the multiplier were 2 and the Applicant's three most recent years of historic of lending were $10 million, the FAO 1:1: Increase Volume of Financial Products PG&M would be $12 million ($1 million FA award times multiplier of 2 plus $10 million historic lending equals $12 million). For more detailed explanation of the proposed formula, please see Question 4d in the FA Application Template, found on the CDFI Fund's website at https://www.cdfifund.gov/ requests-for-comments. The CDFI Fund is seeking input on the proposed change to FAO 1–1: Increase Volume of Financial Products. Is a multiplier of the FA award plus three years of historic lending an appropriate formula for FAO 1–1: Increase Volume of Financial Products PG&M? If yes, should the CDFI Fund require a standard multiplier or allow Applicants to propose their own multiplier as part of the Application? If a standard multiplier, what should the multiplier be? If a multiplier of the award plus three years of historic lending is not appropriate, why is it not an appropriate formula and what should the formula be?	
15. Ability to Serve Native Communities. Should the CDFI Fund adjust its FA Application in order to better collect information and evaluate an Applicant's ability to serve the unique needs of Native Communities? If yes, what questions should the CDFI Fund include in the FA Application and what evaluation factors should the CDFI Fund consider when evaluating an Applicant's ability to serve the unique needs of Native Communities?	We defer on this question to organizations focused on representing and serving the particular needs of these communities.
B. Technical Assistance (TA) Application	
1. Is the information that is proposed to be collected by the Application necessary and appropriate for the CDFI Fund to consider for the purpose of making award decisions?	Yes, the proposed information is appropriate.
2. Are certain data fields, questions or tables redundant or unnecessary? If yes, which ones and why?	No, there is no redundancy.
3. Should any data fields, questions or tables be added to ensure collection of relevant information?	No, no more information is required.

4. Are there requests for data in the Application that Applicants do not have readily available or that are burdensome to obtain and/or calculate?	No, data is available.
5. Are any of the questions particularly burdensome or difficult to answer? If yes, which ones and why?	No, the questions are not burdensome.
6. Are there questions that lack clarity as to intent or purpose? If yes, which questions, and what needs to be clarified in order for Applicants to provide a comprehensive response?	No, the questions are clear.
7. Are the character limitations for narrative responses appropriate? Should certain questions allow additional or fewer characters? If so, please specify.	Yes, the character limitations are appropriate.
8. What additional guidance can the CDFI Fund provide in order to assist Applicants with completing a TA Application?	Guidance is appropriate to its purpose.
9. Evaluation Criteria by Application Type. Do the questions in the TA Application allow the Applicant to clearly address the evaluation criteria for the following Applicant types? If no, what additional information should be included in the Application for each Applicant type? (a) An Emerging and Certifiable CDFI and its ability to achieve certification; (b) A Sponsoring Entity and its ability to create and receive certification for a new CDFI; and (c) A Certified CDFI and its ability to build its capacity to expand operations, offer new products or services, or increase the volume of current business?	Yes, the questions clearly address evaluation criteria.
10. Capacity to Serve Target Market(s). The primary purpose of making a TA award to a Certified CDFI is to increase its capacity to serve its Target Market(s). How can the CDFI Program and NACA Program update the TA Application in order to make a more accurate determination as to whether or not a TA award will increase a Certified CDFI's capacity to serve its Target Market(s)?	The current TA Application accomplishes this purpose.
11. Eligible Uses of Funds. Does the current TA Application, related guidance materials, and NOFAs provide sufficient clarity to help potential Applicants clearly understand what are, and are not, eligible uses of TA funds?	Yes, the current materials are sufficient.
12. Ability to Serve Native Communities. Should the CDFI Fund adjust its TA Application in order to better collect information and evaluate an Applicant's ability to serve the unique needs of Native Communities? If yes, what questions should the CDFI Fund include in the TA Application and	We defer on this question to organizations focused on representing and serving the particular needs of these communities.

what evaluation factors should the CDFI Fund consider when evaluating an Applicant’s ability to serve the unique needs of Native Communities?	
13. Sponsoring Entities. The NACA Program allows organizations that serve Native Communities, Sponsoring Entities, to apply for TA awards in order to create a new legal entity that will become a Certified CDFI. In recent history, Sponsoring Entities have largely struggled to find success in establishing a Certified CDFI. Between 2013 and 2020, only two Sponsoring Entities have created new legal entities that ultimately achieved CDFI Certification. a. What questions should the Application include in order to better assess a Sponsoring Entity’s ability to successfully create an emerging CDFI within one year and ensure that the emerging CDFI achieves CDFI Certification within four years? b. Should the CDFI Fund require Sponsoring Entities to create the new legal entity that will become the Certified CDFI before being eligible to receive a NACA TA award?	We defer on this question to organizations focused on representing and serving the particular needs of these communities.
C. Healthy Food Financing Initiative— Financial Assistance (HFFI–FA) Application	
1. Is the information being collected sufficient to determine whether an Applicant (1) is financing eligible Healthy Foods transactions and (2) can deploy an HFFI–FA award? If no, what other information should the CDFI Fund collect in order to determine whether an Applicant is financing eligible Healthy Foods transactions and can deploy an HFFI–FA award?	We believe that applicants would benefit from additional guidance regarding what constitutes a competitive HFFI track record and pipeline. Alternatively, the Fund could publish additional statistics regarding successful HFFI applications to help prospective applicants gauge whether their application would be competitive, e.g., the minimum, maximum, and average HFFI track record and pipeline for successful applicants.
D. Persistent Poverty Counties—Financial Assistance (PPC–FA) Application	
Is the information collected sufficient to determine whether an Applicant (1) is providing eligible financing in Persistent Poverty Counties and (2) can deploy a PPC–FA award? What other information should the CDFI Fund consider in order to determine whether an Applicant is providing financing in Persistent Poverty Counties and can deploy a PPC–FA award?	Yes, the information collected is sufficient.
E. Disability Funds—Financial Assistance (DF–FA) Application	
1. Is the information collected sufficient to determine whether an Applicant (1) is financing eligible DF– FA transactions and (2) can deploy a DF–FA award? What other information should the CDFI Fund consider in order to determine whether an Applicant is financing eligible DF–FA transactions and can deploy a DF–FA award?	As with HFFI, We believe that applicants would benefit from additional guidance regarding what constitutes a competitive track record and pipeline.

<table>
<tr><th colspan="2">F. Other CDFI Program and NACA Program-Related Topics and Considerations</th></tr>
<tr><td>1. Measuring Economic Distress. The CDFI Fund is considering developing place-based indicators to measure economic distress in the communities where CDFIs invest their dollars at the census tract level.

a. Are the following indicators appropriate to measure track record of serving economically distressed communities/populations? What, if any, other metrics should be used to measure the level of economic distress of communities/populations served?

i. Median Family Income (MFI): Calculated by dividing MFI of the census tract by the appropriate benchmark (Metropolitan Statistical Area MFI, state MFI, national metro MFI, or national non-metro MFI). For example, if MFI share is 136.9%, it means the census tract has an MFI that is 36.9% larger than the corresponding geographic benchmark. The benchmark used to calculate the MFI share of a tract is dependent on whether the census tract is within a metro or non-metro area. Within a metropolitan area, the Metropolitan Statistical Area MFI or the national metropolitan area MFI, whichever is greater is used. Outside of a metropolitan area, the statewide nonmetropolitan area MFI or the national non-metropolitan area MFI, whichever is greater is used.

ii. Unemployment Rate: Represents the number of unemployed people living in the census tract as a percentage of the labor force (the sum of the employed and unemployed).

iii. Poverty Rates: The ratio of the number of people living in the census tract whose income falls below the poverty line (minimum level of income deemed adequate in a particular area) as a percent of the population.

iv. Historical Poverty: An average of the poverty rates of people living in the census tract in the most current and previous two decennial censuses for the census tract.</td><td>The existing application allow applicant’s adequate opportunity to highlight their track records of serving underserved and distressed communities.

We recommend that the Fund encourage individual CDFIs to highlight key indicators of distress as appropriate for its targeted market(s).</td></tr>
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v. Percentage of Other Targeted Populations residing in the underlying census tracts: Represents the number of OTPs living in the census tract as a percentage of the population. b. For CDFIs with Low Income Target Population or Other Targeted Population Target Markets (versus geographically based Target Markets), are the indicators listed above in Question 1. appropriate to measure the track record of serving economically distressed communities/populations? What, if any, other metrics should be used to measure the level of economic distress of communities/populations served?	
2. Deep Impact Lending. In addition to assessing an Applicant's track record serving economically distressed communities/populations and creating economic opportunities, the CDFI Fund is interested in incorporating an Applicant's commitment to ''deep impact'' lending/investment in its projected activity as part of the evaluation and/or compliance process. ''Deep impact'' lending/investment is financing activities that reach the hardest to serve borrowers and most underserved communities/populations. a. Please provide input on the proposed definitions/metrics to qualify as ''deep impact'' lending, as defined by the U.S. Department of Treasury's Emergency Capital Investment Program (ECIP) Rate Reduction Incentive Guidelines. Are the following definitions appropriate to measure ''deep impact'' lending/investment for CDFIs? If not, why not? What, if any, other definitions/metrics should be used to qualify as ''deep impact'' lending/ investment? i. Lending/investment to Low-Income Borrowers. Low-Income means equal to or less than 80% of the area median income. ii. Mortgage Lending to Other Targeted Populations. iii. Lending/investment in Persistent Poverty Counties (PPC): PPC includes any county, including county equivalent areas in Puerto Rico, that has had 20% or more of its population living in poverty	Please see our comments above. We believe the application allows adequate and appropriate space for applicants to highlight this activity where desired.

over the past 30 years, as measured by the 1990 and 2000 decennial censuses and the 2011–2015 5-year data series available from the American Community Survey of the Bureau of the Census or any other territory or possession of the United States that has had 20% or more of its population living in poverty over the past 30 years, as measured by the 1990, 2000 and 2010 Island Areas Decennial Censuses, or equivalent data, of the Bureau of the Census. iv. Lending/investments in Indian Reservations and Native Hawaiian Homelands. v. Lending/investments in U.S. Territories: U.S. Territories include American Samoa, Guam, Northern Mariana Islands, Puerto Rico, and the U.S. Virgin Islands. vi. Lending/investments to Underserved Small Businesses: A loan/ investment made to a business with revenues that do not exceed $100,000 or that is majority owned by individual(s) that are low income and/or from Other Targeted Populations. vii. Deeply Affordable Housing Financing: Financing for any (1) affordable housing units restricted to households earning below 30% of AMI for a period not less than 10 years, prorated based on the percentage that such units make up the total number of housing units; or (2) affordable housing development project in a ‘‘high opportunity area’’ as defined by the Federal Housing Finance Agency (FHFA). viii. Public Welfare and Community Development Investments: Public Welfare Investments pursuant to 12 U.S.C. 24(eleventh) or 12 U.S.C. 338a if they primarily benefit Low-Income or Minority individuals or businesses. b. The CDFI Fund is contemplating adding a CDFI’s commitment to engage in ‘‘deep impact’’ lending going forward as part of the evaluation process and/or compliance process. As such, the CDFI Fund is considering adding a new PG&M based on an Applicant’s projected activity for ‘‘deep impact’’	

lending and investment. The new PG&M would be an additional performance goal and would not replace existing PG&Ms. Is it appropriate to consider ‘‘deep impact’’ lending/investment as part of the evaluation process? How should such a PG&M be structured—as a percentage of overall projected activity, a percentage of the FA award amount, a dollar volume commitment to deep impact lending/investment, or something else (please describe)?	
3. Net Asset Ratio. The CDFI Fund is interested in prioritizing FA awards to CDFIs that are most effectively leveraging their balance sheet and the resources they already have available to them, and for which an FA award is the most essential for the CDFI’s growth and ability to leverage additional funds to serve communities in need. A CDFI’s Net Asset Ratio represents a CDFI’s net assets compared to its total assets and can be a measure of the overall capital structure of an organization. Is a CDFI’s Net Asset Ratio the appropriate measure to assess if a CDFI is effectively utilizing its balance to leverage resources? If yes, what should the target Net Asset Ratio be? If not, what is the appropriate measure(s) and target benchmark(s)?	CDFI’s net asset ratios vary widely based on their business model and strategy. We agree with industry colleagues that appropriate metrics or group of metrics that demonstrate balance sheet leverage are institution-specific and require explanation. The CDFI can improve its prioritization of awards by adding guidance instructing applicants how to identify and explain metrics that demonstrate their effectiveness in leveraging their balance sheet.
4. Small and Emerging CDFI Assistance. CDFIs may qualify as Small and Emerging CDFI Assistance (SECA) Applicants if their asset size does not exceed a pre-determined maximum amount based on financial institution type OR if they have conducted financing activities for four years or less prior to the opening of the funding round. Certified CDFIs that exceed the pre-determined maximum asset size thresholds and have more than four years of financing activity are considered as Core Applicants. Currently, SECA Applicants have different Application requirements and evaluation parameters than Core Applicants because of their small and/ or emerging status. Mainly, Matching Funds requirements are typically waived for SECA Applicants. Also, a higher percentage of the SECA Applicant pool progresses from Step 3 to Step 4 of the award evaluation process (the top 70% of SECA Applicants versus top 60% of Core Applicants). a. The CDFI Fund is seeking input on whether there should there be a maximum number of three FA awards a CDFI can receive as a SECA Applicant. In other words, should CDFIs be required to apply as Core Applicants after they receive a maximum number of three FA awards under the SECA designation, regardless of asset size or financial activity start date of the CDFI? If not three, what	There should be no limit on the number of SECA awards a CDFI can receive. As long as award sizes are smaller than CORE FA awards, this program should continue to provide financial assistance to smaller CDFIs.

should that maximum number of SECA awards be? If there should be no limit on the number of FA awards that a CDFI can receive as a SECA Applicant, why not? b. As noted above, organizations may qualify for SECA if they started financing activities no more than four years prior to the opening of the funding round, regardless of asset size. Is the start date for financing activity to qualify for SECA appropriate? If not, what should it be? What, if any, other changes would you make to the financing activity start date component of the SECA definition?	
5. Small and Emerging CDFI Assistance. As noted above, organizations may qualify as SECA Applicants if their asset size does not exceed a pre-determined maximum amount based on financial institution type, regardless of financial activity start date. SECA asset size thresholds have not been uniformly assessed and updated across all financial institutions types. The CDFI Fund is seeking input on the SECA maximum total asset size thresholds as follows: a. Banks: Updating the threshold from $250 million to $346 million for banks/ bank holding companies, which corresponds to the FY 2022 Community Reinvestment Act (CRA) asset size threshold for small banks set by the Federal bank regulatory agencies. This practice is consistent with the CDFI Fund's Bank Enterprise Award (BEA) Program, which uses asset size classes that correspond to CRA asset size thresholds in determining the cut off for small institutions. Should the threshold be updated? If yes, is $346 million the appropriate threshold? If not, what is the appropriate threshold and why? Should the threshold be updated regularly to correspond with updates to the CRA asset size threshold for small institutions? b. Credit Unions: Retaining the current threshold of $100 million for credit unions, which aligns with the current National Credit Union Administration (NCUA) definition for small institutions. Should this threshold be retained? If it should not be retained, what is the appropriate threshold and why? Should the threshold be updated regularly to correspond with updates to NCUA's definition for small institutions?	We support updating the asset size thresholds for banks to correspond to the FY 2022 Community Reinvestment Act asset size threshold. The threshold should be updated regularly to correspond with updates to the CRA asset size threshold for small institutions.

c. Unregulated Institutions: The SECA asset size threshold for unregulated institutions is $5 million and has not been updated since 2006. The CDFI Fund is considering updating the SECA asset threshold for unregulated institutions. One option is to adjust the current $5 million threshold for inflation using the Consumer Price Index for Urban Wage Earners and Clerical Workers (CPI–W), the same index used by the Federal Reserve Board and Federal Depository Institution Corporation (FDIC) in adjusting its threshold amounts for small banks. Using the CPI–W to adjust the $5 million threshold in 2006 dollars would represent approximately $7.5 million in 2022 dollars. Should the threshold be updated? If yes, is $7.5 million the appropriate threshold? If $7.5 million is not the appropriate threshold, what is the appropriate threshold and why? If the threshold should not change, why should it remain $5 million? Should the threshold be updated regularly? If not, why not? If yes, is the CPI–W the appropriate inflation factor to use? If not, what source should be used as the benchmark for the updates?	
6. Small and Emerging CDFI Assistance. Per the FY 2022 NOFA, the maximum FA award request for SECA Applicants is currently $700,000 whereas the maximum FA award request for Core Applicants is $1 million. Currently an FA Applicant that meets SECA requirements (called ''SECA qualified Applicant'') may choose to apply as a Core Applicant if the Applicant wants to request more than the $700,000 SECA maximum award request (up to the $1 million maximum award request for Core Applicants). SECA qualified Applicants that apply as Core are treated as Core Applicants, and are held to the Application requirements and evaluation parameters of a Core Applicant. The CDFI Fund is considering removing the option for SECA qualified Applicants to apply as Core Applicants, therefore only allowing SECA qualified Applicants to apply under the SECA Application (which would mean all SECA qualified Applicants would be limited to the lower maximum award request). a. What feedback do CDFIs have on removing the option for SECA qualified organizations to apply as Core Applicant? b. Are there ways the CDFI Fund can implement this change to minimize impacts to the affected Applicants?	We do not object to SECA qualified organization applying to Core.

7. Funding Levels for CDFIs. The CDFI Fund is prohibited by statute from obligating more than $5 million in CDFI and NACA Program awards, in the aggregate, to any one organization and its Subsidiaries and Affiliates during any three-year period. Should the $5 million funding cap be reduced? If yes, what should the funding cap be?	We do not believe there is justification to support a reduction in the funding cap.
8. Funding Levels for CDFIs. Should larger CDFIs be limited on the total dollar amount or number of FA awards they receive within a certain timeframe? If yes, what should be the minimum asset size to be classified as a larger CDFI for each type of unregulated institution, bank/bank holding company, and credit union? For the purposes of this Request for Public Comment, the CDFI Fund proposes the following asset sizes for ''larger CDFIs'': • Banks with assets of more than $1.5 billion • Credit Unions with assets of more than $1 billion • Unregulated institutions with assets of more than $25 million	We do not believe there is justification to support a cap on funding levels for large CDFIs. For example, we are unaware of large institutions, such as banks with assets of more than $1.5 million, monopolizing funding.
9. Funding Levels for CDFIs. Please fill in the blanks for each for each institution type of unregulated institution, bank/bank holding company, and credit union: ''CDFIs with asset size over $___ can receive a maximum of $___ in CDFI and NACA Program FA awards every ___ years.''	As above, we oppose caps on funding levels for large CDFIs, and strongly urge the CDFI Fund not to adopt policies for which there is no clear justification.
10. Continued Viability for CDFIs. The Riegle Act requires that Applicants for FA provide a comprehensive strategic plan for the organization that contains a business plan of not less than five years in duration. The plan should demonstrate that the Applicant will be properly managed and will have the capacity to operate as a CDFI that will not be dependent upon assistance from the CDFI Fund for continued viability. a. To what extent are CDFIs reliant on FA funding from the CDFI Fund for their continued viability? b. What do CDFIs need in order to be independent from the CDFI Fund's assistance for continued viability? Would a program model in which CDFIs receive significantly larger award sizes for a three- to five-year period support viability independent from the CDFI Fund? If not, what would support a CDFI's growth towards such independence?	CDFI banks are required by their state and federal regulatory agencies to maintain safe, sound, and sufficiently capitalized operations. They do not rely on the CDFI Fund generally or the FA program in particular for their viability.
11. Sponsoring Entities. As noted earlier, the NACA Program allows organizations that primarily serve Native Communities, Sponsoring Entities, to apply for TA awards in order to create a new legal entity that will become a Certified CDFI. In recent history, Sponsoring Entities have largely struggled to find success in establishing a Certified CDFI. Between 2013 and	We defer on this question to organizations focused on representing and serving the particular needs of these communities.

2020, only two Sponsoring Entities have created new legal entities that ultimately achieved CDFI Certification. Should the CDFI Fund consider eliminating the Sponsoring Entity model and focus resources on building the capacity of emerging Native CDFIs in other ways? If yes, please specify other ways in which the CDFI Fund can support the creation of new Native CDFIs. If no, please specify why this model is needed and what enhancements would be beneficial to increasing the success of Sponsoring Entities creating a legal entity that achieves CDFI Certification.	

CDBA member banks fully appreciate the efforts of the CDFI Fund to facilitate the flow of capital and the provision of financial resources into CDFI Target Markets. We sincerely appreciate the opportunity to comment and offer feedback.

If you have any questions, please contact Jeannine Jacokes, Chief Executive Officer, at (202) 207-8728 or jacokesj@pcgloanfund.org, or Brian Blake, Chief Public Policy Officer at (646) 283-7929 or blakeb@pcgloanfund.org.

Thank you for considering our recommendations.

Sincerely,

Jeannine Jacokes
Chief Executive Officer

Brian Blake
Chief Public Policy Officer