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December 2, 2022

The Honorable Michael Regan
Administrator
US Environmental Protection Agency
Office of the Administrator, Mail Code 1101A
1200 Pennsylvania Avenue, NW
Washington, DC 20460

RE: Docket ID No. EPA-HQ-OA-2022-0859

Dear Administrator Regan:

In response the Request for Information published by the Environmental Protection Agency (EPA) published on October 20, 2022 to implement the Greenhouse Gas Reduction Fund (GHGRF), the members of the Community Development Bankers Association (CDBA) respectfully submit the enclosed recommendations. The GHGRF, authorized under Section 60103 of the Inflation Reduction Act of 2022, provides an unprecedented opportunity to invest in technologies and projects that will reduce or avoid greenhouse gas emissions, air pollution, and environmental sustainability. The GHGRF also presents an opportunity to help disadvantaged communities adapt to the disproportionate burden of negative climate change impacts.

CDBA is the national trade association for 177 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-income communities and customers that are underserved by traditional financial service providers. Many of our members are also Minority Depository Institutions (MDIs).[1] We also have a growing cadre of mission-focused banks specifically focused on environmental finance. In total, CDFI banks have more than $100 billion in total assets serving urban, rural and Native American communities across the United States.

We are pleased that Congress specifically set aside $8 billion under Section 134(a)(3) for financial and technical assistance to projects that reduce or avoid greenhouse gas emissions and other forms of air pollution in low-income and disadvantaged communities (LIDCs). Yet, we strongly recommend the agency also require recipients of funds allocated through Section 134(a)(1) and (2) to use a portion of their monies to benefit LIDCs.

[11] Minority Depository Institutions (MDIs) is a designation made by Federal bank (Office of the Comptroller of the Currency, Federal Deposit Insurance Corporation, Board of Governors of the Federal Reserve System) and credit union (National Credit Union Administration) regulatory agencies based on whether an institution is owned, governed and/or principally serves minority communities. Generally, MDIs have a strong track record of serving minority populations, which are often underserved by the traditional financial services sector.

We believe that, with the right partners, the GHGRF provides an opportunity to dramatically expand climate mitigation in LIDCs while achieving rapid deployment and significantly leverage GHGRF monies. To fulfill the purpose of the GHGRF, we recommend that EPA facilitate growth of an ecosystem of players in green finance, environmental, energy and justice (EEJ), and community development finance. As such, we believe the agency should afford maximum flexibility to Eligible Recipients of Direct Investments, as well as recipients of Indirect Investments and Qualified Projects to develop solutions tailored to their unique communities.

Section 1: Low Income and Disadvantaged Communities:

Q1.1 What should EPA consider when defining "low-income" and "disadvantaged" communities for purposes of this program? What elements from existing definitions, criteria, screening tools, etc., - in federal programs or otherwise - should EPA consider when prioritizing low-income and disadvantaged communities for greenhouse gas and other air pollution-reducing projects?

Q1.1 DEFINITIONS:

LOW INCOME AND DISADVANTAGED COMMUNITIES (LIDCs): In defining areas that are eligible as LIDCs in Section 134(a)(3), we strongly urge you to adopt the CDFI Fund's Target Market definitions given the strong, established correlation between poverty, income and people and places most affected by climate change. The legislation leaves the term "low-income and disadvantaged communities" up to EPA to define. We believe that the definition of eligible "Target Markets"[2] used by the CDFI Fund meaningfully captures the breadth of these communities, including both consideration of individual borrower characteristics as well as the communities where borrowers are located. Adopting the CDFI Fund's definition would create standardization and greatly lower costs of compliance, as thousands of community-based lenders already track and report lending activity according to CDFI Fund Target Markets. Earlier versions of the legislation had introduced overly broad definitions, which did not meaningfully focus funding for the communities who need it most; we discourage the use of that language in EPA's definitions. Overall, EPA should coordinate directly with the CDFI Fund at the U.S. Department of Treasury to ensure its definitions are inclusive of CDFIs and the LIDCs they serve.

GENERAL ASSISTANCE: CDBA recommends that funding streams authorized under Section 134(a)(1) and (2) also have some requirement to benefit LIDCs too. We also believe that GHGRF's General Assistance program has an opportunity to proactively mitigate CO_2 emissions in places experiencing greater climate change-related challenges. To this end, we propose that all or a large portion of General Assistance funding be directed to Eligible Recipients (and the organizations they fund) that serve communities meeting indicators described in Appendix A: Indicators of Community Climate Change.

DEFINING CDFIS AS ELIGIBLE PARTICIPANTS: We urge you to use to explicitly ensure that ALL Community Development Financial Institutions (CDFIs) as defined under 12 USC 4702 and certified by the CDFI Fund are eligible participants in GHGRF. There is an existing infrastructure of 1,400 regulated and nonregulated CDFIs already serving the same LIDCs envisioned by Congress as part of GHGRF. Utilizing this network and their existing definitions will enable the GHGRF to quickly deploy capital to households and businesses in LIDCs. Similar to the CDFI Fund, we also encourage EPA to develop a certification process for lenders that are not CDFIs, but which are primarily focused on green finance to enable them to be eligible participants. This type of screening and certification process will empower a new group of

[2] 12 CFR§1805.104(ll)

financial institutions and facilitate the development of an ecosystem dedicated to the purposes and goals of GHGRF. Such a task could also be delegated to GHGRF intermediaries that are recipients of Direct and Indirect Investments with guidance from the agency.

Q2. What kinds of technical and/or financial assistance should the Greenhouse Gas Reduction Fund grants facilitate to ensure that low-income and disadvantaged communities can participate in and benefit from the program?

Q1.2 TYPES OF FINANCIAL AND TECHNICAL ASSISTANCE: To ensure benefits inure to the unique needs of LIDCs, CDBA urges the agency to be flexible in deploying financing, but require reporting to ensure accountability. Given the broad array of potential participants and activities that may be funded, the GHGRF must be flexible and permit a variety of financing instruments, transaction sizes, and delivery strategies to channel capital, training, and support on-the-ground direct lenders. The form of technical and financial assistance should be governed by the nature of the project or activity to be carried out.

In the case of financial support, GHGRF monies channeled through Eligible Recipients of Direct and Indirect Investments should include a broad menu of options:

Equity Capital and Equity Equivalent Financing to Support Community Lenders: Providing financial support to community lenders is a way to maximize the leverage and impact of GHGRF. Each dollar of GHGRF monies can leverage a multiple of other capital sources that will in turn support community-level lending to high impact projects. Since 1994, the US Treasury's CDFI Fund has demonstrated the effectiveness of this form of support for growing an industry of lenders. Over 25+ years, the CDFI industry has grown from less than 200 lenders to 1,400 today focused on serving low-income and other underserved markets. Using this approach, the GHGRF could build a similarly robust network of lending institutions dedicated to mitigating greenhouse gas emissions and adapting to the effects of climate change. For example, $1 dollar in the form of an equity investment into a CDFI, MDI or Environmental bank can leverage $8-10 dollars in private, public or philanthropic deposits. These funds, in turn, will support lending to borrowers and can be continuously recycled to make subsequent loans. Similarly, a secondary capital investment can be used to leverage deposits in a CDFI or MDI credit union. An equity grant to a CDFI loan fund can be used as net assets to leverage private, public or philanthropic debt for the purpose of making loans to borrowers. In addition, GHGRF monies should be available to make long term, equity-equivalent loans that are relent by CDFI loan funds into pools of loans that support local borrowers. In all of these cases, capital financing committed over the long term is most effective in supporting community based activities that proactively mitigate greenhouse gas production.

Direct Project Loans: Secured and unsecured loans, revolving lines of credit, bridge loans, and long-term equity like loans for recipients and projects requiring patience can be effective in promoting consumer and commercial borrowers to adopt sustainability practices that will reduce carbon intensity.

Loan Participations: Secured and unsecured loans originated via participation agreements with multiple lenders can be highly effective for maximizing the leverage of GHGRF subsidies and empowering local lenders to make larger loans than they could otherwise do alone.

Loan Guarantees: GHGRF monies used in the form of a loan guarantee can provide a powerful incentive for lenders to finance projects, activities or transactions that are riskier but have the potential for generating significant impact at the community level. Guarantees also offer GHGRF an instrument that is effective in leveraging private support for projects that might not otherwise be feasible.

Interest Rate Buy Downs: To reduce borrowers' cost and make green projects more feasible, GHGRF monies should be available for use for interest rate "buy downs" that allow lenders to incentivize and cover incremental cost of decarbonization for high impact projects

Secondary Market Grants or Guarantees: To facilitate liquidity of capital that will continuously support new green lending, GHGRF monies could be used support the purchase and resale of loans to private investors. Support provided as grants or as guarantees can function as a credit enhancement that will reduce risk for investors.

Equity Investments in Qualified Projects: In addition to supporting equity investments in CDFI, MDI and Environmental banks, GHGRF monies should be available to support investment in individual projects, activities, and technologies sponsored by for-profit companies that hold great potential to advance the purposes of GHGRF, particularly those that reduce carbon emissions, promote use of green building technologies, and support renewable energy.

Ecosystem Capacity Building Grants: Greenhouse gas reduction requires all parts of the clean energy sector to function. CDBA recommends that GHGRF monies be allowed to be used as grants to build a clean energy and green building ecosystem needed to deliver projects in LIDCs that will reduce greenhouse gas emissions. Delivering projects in underserved communities requires a network of capacity-building organizations, developers, installers and contractors. Today, LIDCs lack the capacity-building investment in the many organizations needed to generate a pipeline of green deals for lenders to finance. These organizations include: (1) mission-driven clean energy project developers as well as installers and contractors; (2) community-based groups which help to conceive of and advocate for projects; (3) organizations that build developer capacity and provide technical assistance to communities-based projects; (4) community finance organizations that provide first-in dollars and long-term financing to support projects; and (5) organizations developing operating platforms that help everyone to work more efficiently by sharing technical expertise, information systems, documents and other resources.

Q1.3. What kinds of technical and/or financial assistance should the Greenhouse Gas Reduction Fund grants facilitate to support and/or prioritize businesses owned or led by members of low-income or disadvantaged communities?

CDBA believes that EPA needs to use an equity lens in implementing GHGRF. EPA should prioritize Eligible Recipients applying for Direct Investments that commit to target a significant portion of its resources to supporting businesses owned and/or led by members of low-income or disadvantaged communities. As many proposals will be submitted by Eligible Recipients comprised of coalitions of organizations, the EPA should prioritize those applications whereby all members of the coalition are committed to projects that both reduce CO_2 emissions and are committed to equity goals.

Section 2: Program Design

Q2.1. What should EPA consider in the design of the program to ensure Greenhouse Gas Reduction Fund grants facilitate high private-sector leverage (i.e., each dollar of federal funding mobilizes additional private funding)?

PROGRAM STRUCTURE: CDBA believes GHGRF needs to be inclusive, diverse, accountable, and fully deployed. We recommend that each of the three GHGRF funding streams be operated as a "fund of funds" structure with each program allocating funding to multiple Direct Recipient intermediaries that serve distinct niches within the community development and green finance ecosystem. We are very concerned that concentrating all resources into a single national green bank runs a high risk of excluding key segments of the ecosystem that need to flourish to realize the purposes of the GHGRF and increases the risk funds will not be deployed on a timely basis.

CDBA believes all GHGRF investment is good for LIDCs. But, we also believe GHGRF needs to center on the communities most negatively affected by climate change as this provides the greatest opportunity to fulfill the purposes articulated in the Inflation Reduction Act. While only $8 billion is specifically set aside, all $27 billion needs to have an Environmental Equity and Justice (EEJ) lens. We recommend GHGRF have an EEJ lens with strongest consideration given to those serving people and communities that have historically shouldered the greatest burdens of climate change.

CDBA is concerned that GHGRF money will not reach low-income and disadvantaged communities and borrowers unless EPA directs funds to community lenders who specialize in serving them. Working through the existing network of mission-focused community lenders is by far the most efficient way to ensure funds are deployed into projects, activities and technologies that advance GHGRF goals across a diverse ecosystem and reach deep into low income, minority and distressed communities. Currently, there is a diverse group of 1,400+ depository and non-depository CDFIs and MDIs nationwide with the capacity to quickly accomplish this set of goals.

ROLE OF INTERMEDIARIES: CDBA urges the EPA to include Intermediaries serving the CDFI sector as Eligible Recipients under all of the GHGRF funding programs. For definitional purposes, a financial intermediary is a party that facilitates a financial transaction between two parties. In the case of the environmental, EEJ, and community development finance sectors, intermediaries are funds, trade associations, or other entities who, in turn, facilitate the flow of capital to local communities through projects, activities, nonprofits, for-profits, technologies, and other activities. Channeling GHGRF monies through these intermediaries is an efficient mechanism to ensure Federal funds are directed to a diverse group of projects, activities and technologies that collectively can reach LIDCs and drive emission reduction activities.

We propose allow Intermediary organizations that qualify as Eligible Recipients of Direct Investments to serve as conduits to broad coalitions of community lenders united in their goal of reducing greenhouse gases, reaching LIDCs, and promoting environmental and energy justice. Such intermediaries will manage the GHGRF awards and coordinate compliance and reporting among participating organizations. They, in turn, will be able to distribute GHGRF funds directly to community lenders directly as Qualified Projects or as Indirect Investments to other intermediaries with specialized experience working with specific types of CDFI, MDI or environmental community lenders. Intermediaries provide the ideal vehicle by which to build the field of diverse lenders that can advance GHGRF statutory goals while reaching LIDCs across the country. Such a strategy can drive emission reduction activities through capital, training and technical support.

As discussed below, we strongly believe that depository CDFI, MDI or Environmental banks and credit unions should be able to participate in GHGRF as Recipients of Indirect Investments and/or as Qualified Projects. As such, we recommend that monies be channeled through intermediary organizations that are Recipients of Direct Investments. Intermediary organizations provide a value role because they have expert knowledge of specific sectors of financial institutions and their important role in field building. These intermediaries can be conduits to deploy capital and to build industry capacity expertise in green finance. The functions of intermediaries may include:

- Direct financing and technical assistance to areas, communities and activities that fall outside traditional financial solutions
- Build the capacity of direct lenders and financing entities to reach and serve their markets
- Support local financing solutions to achieve equitable outcomes in greenhouse gas reduction outcomes
- Achieve substantive outcomes in reducing greenhouse gas emissions that would not otherwise be achieved
- Design community-led solutions that reduce and avoid emissions while improving air quality and offsetting harmful effects of greenhouse gas reductions
- Support businesses and entrepreneurs of color and community driven solutions that ensure the benefits of greenhouse gas emission investment presents economic opportunity for LIDCs communities of color.

We propose the GHGRF channel grant funds to CDFI and MDI Intermediaries that can be redeployed to Indirect Recipients and Qualified Projects in the form of loans based on the needs of the recipient or type of activities to be carried out.

ROLE OF DEPOSITORIES: To maximize scale, leverage and deployment, GHGRF must engage community lenders that are depository banks and credit unions and are CDFIs, MDIs, and environmental banks as Indirect Investments and/or Qualified Projects. This group is the largest and most scaled group of mission community lenders. Inclusion of this group will greatly accelerate the deployment of GHGRF dollars and achievement of the purposes of the Act.

Today there are 177 CDFI banks totaling $100+ billion in total assets, including 33 banks that are also MDIs. Depository CDFI banks have a combined total of $63 billion in total loans outstanding as of Q2 2022. In addition, there are 111 non-CDFI MDI banks totaling $300+ billion and a small, but growing group of banks focused on financing environmental sustainability. Among credit unions, 471 are CDFI certified (including 154 that are also MDIs) and 356 are MDIs that are not CDFIs. A 2017 analysis of the CDFI sector found that depository CDFIs represented 90% of the total assets of the entire sector. This discrepancy is greater today as the CDFI bank and credit union sectors have more than doubled in total assets since. As such, they have the greatest capacity to deploy funds. The most effective way to promote widespread adoption of green lending practices is to empower mission focused depositories to show their peers how to do it. We are the innovators and influencers that launch new products and create proof of concept, which are routinely adopted by traditional banks and credit unions.

We are very concerned that some organizations that intend to apply to GHGRF have argued that depository banks and credit unions should be excluded from GHGRF. They argue that because Congress excluded depositories as Eligible Recipients of Direct Investments, that depositories are excluded from all GHGRF participation. We strongly oppose this flawed argument.

Under commonly applied rules of statutory construction, a plain reading of the language of a statute should be applied to determine Congressional intent and a statute should be read as a whole and in context. Likewise, statutes should harmonize and not read as creating a conflict when one does not exist. In applying these principals to GHGRF, it is problematic to argue that depositories are prohibited from participation on the basis of the following analysis.

Section 60103 defines "Eligible Recipient" as a nonprofit profit organization that ''does not take deposits other than deposits from repayments and other revenue received from financial assistance provided using grant funds under this section." As such, Congressional intent is clear that depositories cannot be an Eligible Recipient and receive a direct investment. The statute goes on to describe an Indirect Investment by saying that:

> *"The eligible recipient shall provide funding and technical assistance to establish new or support existing public, quasi-public, not-for-profit, or nonprofit entities that provide financial assistance to qualified projects at the State, local, territorial, or Tribal level or in the District of Columbia**, including community- and low-income-focused lenders and capital providers**." **[emphasis added]***

In this circumstance, Congress did <u>not</u> exclude depository institutions as Indirect Recipients and/or Qualified Projects. Had Congress intended to exclude this group from either definition, it could have – but it chose not to. The specific addition of ***community- and low-income-focused lenders and capital providers*** makes it clear that lenders meeting these criteria could be recipients of Indirect Investment notwithstanding the prior limitation. Furthermore, Congress clearly established in its definition of Qualified Project that it intended a very expansive and inclusive set of activities to be considered appropriate stating:

> *''(3) QUALIFIED PROJECT.—The term 'qualified project' includes **any project, activity, or technology** that— ''(A) reduces or avoids greenhouse gas emissions and other forms of air pollution in partnership with, and by leveraging investment from, the private sector; or (B) assists communities in the efforts of those communities to reduce or avoid greenhouse gas emissions and other forms of air pollution." **[emphasis added]***

The common use of the word "any" is instructive in this context. Provided the funding for the Qualified Project passes through an intermediary that is an Eligible Recipient and the activity meets the conditions of (3)(A) or (B), it is eligible. Thus, a depository CDFI, MDI or environmental sustainability focused bank or credit union may receive GHGRF monies through an Eligible Recipient provided they engage in activities outlined in (3)(A) or (B). Thus, a plain reading of Section 60103 concludes that mission focused depositories are eligible for GHGRF as Indirect Investments and/or as a Qualified Project.

Q2.2 What should EPA consider in the design of the program to ensure Greenhouse Gas Reduction Fund grants facilitate additionality (i.e., federal funding invests in projects that would have otherwise lacked access to financing)?

CDBA has no comments on this question.

Q2.3. What should EPA consider in the design of the program to ensure that revenue from financial assistance provided using Greenhouse Gas Reduction Fund grants is recycled to ensure continued operability?

RECYCLING FUNDS: The type of program revenue that may be generated from GHGRF monies will depend on the type of project or activity funded. For example, in the case of grant funding intended to support community outreach, education, operating support or to otherwise build a green finance ecosystem, it is not likely feasible to expect any revenue. In the case of equity investments made in for-profit ventures or technologies with a commercial application, the GHGRF may be able to expect returns similar to an investor. In the case of equity capital placed in CDFI, MDI and environmental banks, GHGRF should be able to expect returns similar to other investors with similar stock holdings. In the case of project debt, interest income and eventual return of principal could be recycled. Supporting depository CDFIs, MDIs and environmental community lenders possess a great capacity to recycle capital invested because each dollar leverages a multiple of deposits deployed as loans. As loans are repaid, the proceeds are recycled as new loans.

Q2.4. What should EPA consider in the design of the program to enable Greenhouse Gas Reduction Fund grants to facilitate broad private market capital formation for greenhouse gas and air pollution reducing projects? How could Greenhouse Gas Reduction Fund grants help prove the "bankability" of financial structures that could then be replicated by private sector financial institutions?

PRIVATE MARKET CAPITAL FORMATION: One of the most valuable roles that depository CDFIs, MDIs and environmental community lenders can play in GHGRF is proving the market viability of green lending among traditional financial institutions. This is a role they have long played in the community development sector. For example, City First Bank of DC (a CDFI bank) was the first bank in the country to make loans to finance charter school facilities (and they made them in LIDCs). Only after City First proved the credit worthiness of this group of borrowers did other lenders join in. Today, many banks across the country now engage in charter school lending. Within the traditional financial services sector, broad adoption of new type of lending typically only occurs when other providers have proven viability. In the case of lending in LIDCs, it requires a CDFI (and more specifically a CDFI bank) to be the path breaker. Once market viability is established, private market capital formation typically follows. We anticipate the same outcome for green lending supported by GHGRF.

Q2.5. Are there best practices in program design that EPA should consider to reduce burdens on applicants, grantees, and/or subrecipients (including borrowers)?

REDUCING BURDEN: CDBA recommends keeping program design as streamlined as possible. The more program requirements placed on each activity, the more costly it will be to execute. In some cases, excessive program requirements could make worthy projects financial infeasible. While every Indirect Recipient and Qualified Project should have some reporting requirements, the bulk of the compliance burden should be managed by the Direct Recipients. As GHGRF is seeking to promote community based market solutions to reduce greenhouse gas emissions, keeping costs low will facilitate greater market adoption.

The CDFI Fund provides an interesting model for growing an ecosystem. Rather than focusing specifically on financing projects, they provide enterprise-level investments in financial institutions focusing on LIDCs. The lenders are required to annually report metrics on lending activities and impact. This practice has made reporting more streamlined than if detailed reporting on individual project was required. The GHGRF, however, has the flexibility to support a very broad range of activities (much broader than the CDFI Fund). Thus, it may be necessary to require different types of program design or reporting for different types of activities.

Q2.6. What, if any, common federal grant program design features should EPA consider or avoid in order to maximize the ability of eligible recipients and/or indirect recipients to leverage and recycle Greenhouse Gas Reduction Fund grants?

As discussed herein, CDBA recommends that the EPA utilize a structure similar to the CDFI Fund whereby capital is channeled at the institution level to support. We recommend that EPA deploy Direct Investment capital to Eligible Recipients that are Intermediaries in the form of grant. In turn, those entities, will provide institution-level capital to a diverse set of depository and non-depository community lenders (which may be classified as either Indirect Investments and Qualified Projects). These lenders will, in turn, finance community level borrowers engaged in Qualified Projects that include projects, activities or technologies that advance the purposes of GHGRF. As discussed above, utilizing these institutions will maximize leverage of public, nonprofit and private resources, as well as provide a mechanism to continuously recycle funds for projects that reduce greenhouse gas emissions. At the same time, EPA should expect that some investments may not leverage or recycle GHGRF dollars, but are important to build the non-finance ecosystem necessary to advance the purposes of the Act.

Regulated depository institutions have the greatest capacity of any type of institution to facilitate the highest private sector leverage. In exchange for being subject to formal regulation and supervision to ensure they operate in a safe and sound manner, depository institutions can raise insured deposits. The Federal Deposit Insurance Corporation and National Credit Union Administration insure customer monies deposited up to $250,000 per customer for banks and credit unions, respectively. In the case of banks, regulators require the institution maintain $1 in capital for each $10 dollars in deposits raised. The deposits raised are then lent out into the community. So, if GHGRF funds were placed as equity capital into a CDFI, MDI or Climate Bank, the institution could leverage 10 times that amount in private deposits to support new green lending in LIDCs. At the project level, CDFI, MDI and environmental banks also have strong track record in leveraging different types of public, private and philanthropic capital to make tough projects feasible.

Q2.7. What should EPA consider in the design of the program, in addition to prevailing wage requirements in section 314 of the Clean Air Act, to encourage grantees and subrecipients to fund projects that create high quality jobs and adhere to best practices for labor standards, consistent with guidance such as Executive Order 14063 on the Use of Project Labor Agreements and the Department of Labor's Good Jobs Principles?

WAGE & LABOR STANDARDS: As noted above, CDBA recommends keeping program design as streamlined as possible as not to impede or otherwise make impactful projects or activities infeasible.

Highest priority should be placed on program outcomes related to the primary purposes of the GHGRF and serving LIDCs. Given the wide variety of activities that can be funded with GHGRF monies, it may be impossible to come up with a single standard. We strongly encourage the EPA to scale the requirements to fit the activities and the amount of subsidy allocated to a project or activity.

Q2.8. What should EPA consider when developing program guidance and policies, such as the appropriate collection of data, to ensure that greenhouse gas and air pollution reduction projects funded by grantees and subrecipients comply with the requirements of Title VI of the Civil Rights Act, which prohibits discrimination on the basis of race, color, and national origin in programs and activities receiving federal financial assistance?

CIVIL RIGHTS: Regulated depository institutions must already comply with the requirements of Title VI of the Civil Rights Act and are subject to regular examinations for such compliance. We recommend that the EPA rely on the Federal bank and credit union regulatory agencies to ensure compliance for this group of institutions.

Q2.9. What should EPA consider when developing program policies and guidance to ensure that greenhouse gas and air pollution reduction projects funded by grantees and subrecipients comply with the requirements of the Build America, Buy America Act that requires domestic procurement of iron, steel, manufactured products, and construction material?

BUILD AMERICAN: As noted above, CDBA recommends keeping program design as streamlined as possible as not to impede or otherwise make impactful projects or activities infeasible.
Given the wide variety of activities that can be funded with GHGRF monies, it may be impossible to come up with a single standard. In the case of CDFIs, MDIs and other lending institutions, monies may be used to make small loans to low income home owners or small businesses to add solar or other energy saving technologies. Given the resource constraints of such borrowers, imposing “Buy America” standard may force them to buy a product they cannot afford – or make the improvement to expense to undertake. We recommend that EPA exercise discretion or flexibility in how these requirements are imposed for all LIDCs activities. We strongly encourage the EPA to scale the requirements to fit the activities and the amount of subsidy allocated to a project or activity.

Q2.10. What federal, state and/or local programs, including other programs included in the Inflation Reduction Act and the Infrastructure Investment and Jobs Act or “Bipartisan Infrastructure Law,” could EPA consider when designing the Greenhouse Gas Reduction Fund? How could such programs complement the funding available through the Greenhouse Gas Reduction Fund?

OTHER FEDERAL PROGRAMS: In the case of entities certified as CDFIs, CDBA strongly recommends you defer to the reporting and other requirements of the CDFI Fund. In the case of regulated CDFI, MDI and climate banks, we strongly recommend you consult with the Federal banking regulatory agencies to ensure none of the GHGRF requirements or program design conflicts with their regulatory requirements lest this group of institutions could be barred from participation.

Q2.11. Is guidance specific to Tribal and/or territorial governments necessary to implement the program? If so, what specific issues should such guidance address?

CDBA has no comment on this question. We defer to the comments of other with more expertise.

Section 3: Eligible Projects

Q3.1. What types of projects should EPA prioritize under sections 134(a)(1)-(3), consistent with the statutory definition of "qualified projects" and "zero emissions technology" as well as the statute's direct and indirect investment provisions? Please describe how prioritizing such projects would: (a) maximize greenhouse gas emission and air pollution reductions; (b) deliver benefits to low-income and disadvantaged communities; (c) enable investment in projects that would otherwise lack access to capital or financing; (d) recycle repayments and other revenue received from financial assistance provided using the grant funds to ensure continued operability; and (e) facilitate increased private sector investment.

CDBA recommends the EPA be expansive in its interpretation of Qualified Projects, Zero Emissions technology, and Direct and Indirect Investments. Authorization of GHGRF provides an unprecedented opportunity to build a robust green finance economy and ecosystem. To that end, we believe that flexibility is key. CDBA recommends implementation of GHGRF through a decentralized "fund of funds" structure. CDBA recommends EPA establish broad policy guidance on the types of activities authorized, but give the Eligible Recipients that are Direct Investments and intermediaries that make Indirect Investments discretion to develop strategies that meet local needs.

To incentivize local lenders to finance and borrowers to engage activities that maximize the public benefits articulated above, CDBA recommends that the EPA design an evaluation rubric that is tied to subsidized pricing. For example, if a project scores higher on the rubric (creating more public benefits), the project can qualify for below market pricing or grants. Projects that are qualified (but create fewer benefits) will still be able to access financing, but at rates closer to market.

As discussed in Questions 2.1, 2.6 and 4.1, CDBA strongly urges EPA to specifically clarify that depository CDFIs, MDIs and environmental banks and credit unions -are eligible to participate in GHGRF as Indirect Investments and/or Qualified Projects. As noted herein, these institutions comprise more than a majority by number and 90% of the total assets of the CDFI industry. They are on-the-ground in local LIDCs, many are already engaged in green finance, and have enormous deployment capacity.

With regard to the finance of the technologies, CDBA will defer to others with more technical expertise on what type of solutions are appropriate.

Q3.2. Please describe what forms of financial assistance (e.g. subgrants, loans, or other forms of financial assistance) are necessary to fill financing gaps, enable investment, and accelerate deployment of such projects.

Please see answers under Questions 2.1.

Section 4: Eligible Recipients

Q4.1. Who could be eligible entities and/or indirect recipients under the Greenhouse Gas Reduction Fund consistent with statutory requirements specified in section 134 of the Clean Air Act? Please provide a description of these types of entities and references regarding the total capital deployed by such entities into greenhouse gas and air pollution reducing projects.

As discussed in Q2.1 CDBA strongly urges to EPA to leverage the extensive existing network of mission focused community lenders. We particularly urge to EPA to explicitly make **all** certified CDFIs, as well as bank and credit union MDIs, and the growing network of depository environmental banks as eligible participants. To decarbonize all sectors of the economy, we must take advantage of the power of the full existing ecosystem of community lenders to promote positive climate outcomes.

CDFIs DEFINED: The term CDFI includes community development banks and bank holding companies, credit unions, loan funds and venture capital funds, who share a primary mission of community development and predominantly finance activity in low-income and communities of color. To be designated as a CDFI, an organization must annually demonstrate that at least 60% (in most cases it is substantially more) of its total lending, investing and service activities are targeted to low-income places, people or others that lack access to capital from traditional sources. The Treasury's CDFI Fund was created to expand and build the capacity of these mission focused lenders in 1994. Yet, the industry itself has roots in the War on Poverty with MDIs (banks and credit unions) dating back to the early 20th century.

Today, nearly 1,400 CDFIs serve the nation, with more than $228 billion in assets under management — the vast majority in the form of loans and investments to LIDCs that create quality jobs, provide affordable housing, and improve health, educational, and financial outcomes for families. Depository CDFIs comprise more than half of the total number of CDFIs and 90%+ of the total assets in the sector. Today there are 177 CDFI banks totaling $100+ billion in total assets, including 33 banks that are also MDIs. Depository CDFI banks have a combined total of $63 billion in total loans outstanding as of Q2 2022.

CDBA also recommends that GHGRF include as participants: (1) the 111 non-CDFI MDI banks which total $300+ billion (due to their strong track record in serving minority populations); (2) a small but growing group of banks focused on financing environmental sustainability; and (2) 471 credit unions that are CDFI certified (including 154 that are also MDIs) and 356 are MDIs that are not CDFIs with solid track records in serving minority and disadvantaged communities.

The Act defines three levels of participants: Eligible Recipients that can receive Direct Investments, entities that can receive Indirect Investments, and Qualified Projects. While the GHGRF statute prohibits these depositories from being direct Eligible Recipients that can receive direct investments they should be eligible to be recipients of Indirect Investments as the statute explicitly sought to include "community- and low-income-focused lenders and capital providers[3]" as eligible. Alternatively, or additionally, depositories should be able to establish funding eligibility as a Qualified Project.[4]

[3] "(2) INDIRECT INVESTMENT.—The eligible recipient shall provide funding and technical assistance to establish new or support existing public, quasi-public, not-for-profit, or nonprofit entities that provide financial assistance to qualified projects at the State, local, territorial, or Tribal level or in the District of Columbia, ***including community- and low-income-focused lenders and capital providers***. [emphasis added]

[4] ''(3) QUALIFIED PROJECT.—The term 'qualified project' includes any project, activity, or technology that— ''(A) reduces or avoids greenhouse gas emissions and other forms of air pollution in partnership with, and by leveraging investment from, the private sector; or ''(B) assists communities in the efforts of those communities to reduce or avoid greenhouse gas emissions and other forms of air pollution. [emphasis added]

CDFIs have proven their ability to provide capital to low-income communities where others have failed. At the on-set of the COVID pandemic, CDFIs outperformed traditional financing institutions in reaching low-income communities, minority entrepreneurs, and the smallest businesses. During the "second round" of PPP, Congress allocated $15 billion within Paycheck Protection Program (PPP) for CDFIs and other mission lenders to ensure funding reached underserved market segments. A May 2021 analysis of SBA data showed that these lenders lent twice that amount. According to SBA statistics, these institutions were more successful at reaching financially underserved businesses than any other type of PPP lender.[5]

ESTIMATING TOTAL GREEN FINANCING: CDFIs serve the LDICs targeted by GHGRF that most acutely feel the financial and environmental costs of fossil energy. Many CDFIs already play a leading role in financing clean energy in these communities, which advance the purposes of GHGRF. As the CDFI Fund does not capture data on green lending, we must rely on surveys capturing only a fraction of the field to estimate current activity. A survey of 98 CDFIs found institutions originating over $500 million *annually* in clean energy financing,[6] in the absence of any targeted government support for this activity. This estimate excludes many loans with positive climate impacts — such as financing for regenerative agriculture; loans where clean energy is included in a project but not categorized as a principal purpose; and investments helping to revitalize urban, location-efficient neighborhoods. Most CDFIs are well positioned to launch such products and reach deep into LIDCs because they are already serving LIDCs. In addition to those surveyed, many other community lenders that are mission-based banks are actively engaged in green finance. For example[7]:

- Amalgamated Bank has one-third of its portfolio – or $1.2 billion – in climate solutions, offers a suite of six ESG investment products focused on climate outcomes, operates a robust PACE solar financing product, and its foundation has donated $9 million for climate justice and environmental causes.
- Beneficial State Bank has $94 million in loans to the environmental sustainability sector and $144 million in loans to the renewable energy sector. Their renewable energy portfolio has produced 688 MWh of energy and avoided CO2 emissions equivalent to 104,993 passenger cars off the road for one year.
- National Cooperative Bank has cumulatively originated $756 million (200 loans) in renewable energy loans generating a gigawatt of energy. In 2021 alone, the bank originated $94.3 million (24 loans) and year-to-date 2022 they have made $143 million through 24 renewable energy loans.
- Climate First Bank in Florida has a portfolio of $48.6 million in sustainable finance loans and $6.8 million in residential and small commercial solar projects generating 6.5 MWh of energy.
- Community Bank of the Bay has a portfolio of $52 million green loan portfolio, including projects supporting green real estate, sustainable food systems, clean energy, waste reduction, and environmental stewardship.

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[5] https://ofn.org/articles/cdfis-continue-outperform-other-ppp-lenders

[6] Source: University of New Hampshire analysis of survey results provided by Opportunity Finance Network, Inclusiv, and the Federal Reserve Bank of Richmond. level or in the District of Columbia, *including community- and low-income-focused lenders and capital providers*. [emphasis added]

[7] Based on data provided by banks

- Many CDFI banks have launched PACE programs to reduce CO_2 emissions in commercial and other buildings.

Q4.2. What types of entities (as eligible recipients and/or indirect recipients) could enable Greenhouse Gas Reduction Fund grants to support investment and deployment of greenhouse gas and air pollution reducing projects in low-income and disadvantaged communities?

As previously noted, CDBA strongly recommends that the EPA utilize the current network of 1,400 depository and non-depository CDFIs and MDIs already serving LIDCs to support investment and deployment of greenhouse gas and air pollution reducing projects. We further recommend that GHGRF include as participants the 111 non-CDFI MDI banks which total $300+ billion in total assets, and a small but growing group of banks focused on financing environmental sustainability. In addition, we recommend inclusion of 471 credit unions that are CDFI certified (including 154 that are also MDIs) and 356 are MDIs that are not CDFIs, of which all have solid track records of serving minority and disadvantaged communities. Given their specialized nature, this collective group of institutions will provide EPA with the greatest "bang for its buck" in reaching LIDCs.

Q4.3. What types of entities (as eligible recipients and/or indirect recipients) could be created to enable Greenhouse Gas Reduction Fund grants to support investment in and deployment of greenhouse gas and air pollution reducing projects in communities where capacity to finance and deploy such projects does not currently exist?

To reach communities with little or no current capacity to support greenhouse gas, air pollution projects, renewable energy, or other sustainability practices, CDBA recommends reaching out to private, nonprofit and public sector organizations to share best practices of existing mission focused community lenders. Outreach and education will be critical components to cultivating new players. Based on an assessment of local community assets, EPA should engage and provide financial support to Direct Recipient Intermediaries, Indirect Investment Intermediaries, and those financing Qualified Projects to promote technical assistance that builds the capacity of new organizations. As noted above, CDBA believes funding depository CDFI, MDI and environmental community lenders is a critical component to promote replication and adoption of green lending by the mainstream financial services sector.

Q4.4. How could EPA ensure the responsible implementation of the Greenhouse Gas Reduction Fund grants by new entities without a track record?

CDBA anticipates there may be Eligible Recipients created for the sole purpose of coordinating coalitions of organizations seeking to advance the purposes of GHGRF. Collaboration should be encouraged to maximize achievement of the purposes of GHGRF and to build a national green finance ecosystem. We recommend the EPA allow such new intermediary entities to be Direct Recipients provided that they: (1) are managed by one or more organizations with an established track record of managing Federal grants and/or contracts; and (2) deliver financing, technical assistance and/or related services to organizations in the green finance, community development finance sectors, and/or EEJ ecosystem.

Q4.5. What kinds of technical and/or financial assistance could Greenhouse Gas Reduction Fund grants facilitate to maximize investment in and deployment of greenhouse gas and air pollution reducing projects by existing and/or new eligible recipients and/or indirect recipients?

As discussed above CDBA strongly recommends that EPA distribute Direct Investments to Eligible Recipient Intermediaries in the form of grants. Where appropriate, such Intermediaries should pass through flexible financial and technical assistance dollars as Indirect Investments and Qualified Project financing to intermediaries with sector specific expertise. The nature of the financial and technical assistance should be tailored to the needs of the local communities, borrowers and activities.

Illustrative examples of activities that could be financed include consumer and commercial activities. Monies deployed via a CDFI, MDI or environmental bank could include loans to support consumer activities, such as retrofitting a home with solar panels, purchase of energy efficient appliances, or buying an electric or hybrid car. Likewise, on the commercial side, the availability of flexible and affordable financing could be used to encourage affordable housing or commercial real estate developers to adopt lower-emission energy solutions, such as energy efficient light solutions, better insulation, HVAC systems with higher energy efficiency ratings, and the use of green building materials. Many CDFI, MDI or environmental banks are already financing a wide range of small businesses companies that are part of the green economy and include those that produce renewable energy, promote sustainable farming and fair trade, operate recycling and salvage businesses, or otherwise meet the standards for B Corporation status. Affordable and flexible financing can be made available for businesses specifically engaged in the green economy or for those that adopt more sustainable business practices. Technical assistance monies should be available for energy audits when renovating residential or commercial buildings or engaging a sustainability consultant to minimize the carbon footprint when planning a new building. Likewise, GHGRF monies could be used to provide consulting for businesses to adopt better sustainability practices.

Section 5: Oversight and Reporting

Q5.1. What types of governance structures, reporting requirements and audit requirements (consistent with applicable federal regulations) should EPA consider requiring of direct and indirect recipients of Greenhouse Gas Reduction Fund grants to ensure the responsible implementation and oversight of grantee/subrecipient operations and financial assistance activities?

CDBA recommends that participants receiving Indirect Investments or Qualified Project financing report to the Direct Recipients from which they received GHGRF support. The Direct Recipient should, in turn, report aggregate GHGRF activities and outcomes to the EPA. Alternatively, as discussed below, entities that are certified CDFI can report via the CDFI Fund's AMIS compliance reporting system. We recommend the EPA contract with the CDFI Fund to collect this data on its behalf to minimize reporting burden.

Q5.2. Are there any compliance requirements in addition to those provided for in Federal statutes or regulations (e.g., requirements related to administering federal grant funds) that EPA should consider when designing the program?

CDBA recommends Eligible Recipients have experience: (1) managing Federal and/or other public and private grants and/or contracts; AND (2) providing financing (i.e. loans, investments) and technical assistance. In the case of participants engaged in LIDC activities mandated under Section 134(a)(3), we strongly recommend that the agency require a strong track record in serving such communities. If an applicant is a certified CDFI, EPA should assume that they possess such experience. In the cases of non-CDFIs, the agency should require documented evidence of service to LIDC for not less than three years.

Q5.3. What metrics and indicators should EPA use to track relevant program outcomes including, but not limited to, (a) reductions in greenhouse gas emissions or air pollution, (b) allocation of benefits to low-income and disadvantaged communities, (c) private sector leverage and project additionality, (d) number of greenhouse gas and air pollution reduction projects funded and (f) distribution of projects at the national, regional, state and local levels?

CDBA recommends aligning reporting requirements for activities benefitting LIDCs with the reporting standards and metrics defined by the CDFI Fund. In the case of metrics related to greenhouse reduction, we recommend aligning reporting and metrics with the United Nations' Sustainable Development Goals and the Global Impact Investing Network's IRIS+ Catalog of Metrics. As noted below, we recommend the EPA utilize – to the extent practicable – reporting systems used by other agencies already working with GHGRF participants. We recommend the EPA collaborate with the CDFI Fund to develop GHGRF-specific activity impact metrics to ensure they are feasible to collect.

Rather than reinventing the wheel and designing a new reporting system, we recommend the EPA piggyback on reporting systems already in use by those that may be GHGRF participants engaged in Direct Investments, Indirect Investments, or Qualified Projects. Specifically, we recommend the EPA consider contracting with the CDFI Fund to allow CDFIs that are already reporting annual lending data to submit the GHGRF information via the CDFI Fund's AMIS system. This data can then be shared with the EPA for its compliance and evaluation purposes.

Q5.4. What should EPA consider in the design of the program to ensure community accountability for projects funded directly or indirectly by the Greenhouse Gas Reduction Fund? What if any existing governance structures, assessment criteria (e.g., the Community Development Financial Institutions Fund's Target Market Accountability criteria), rules, etc., should EPA consider?

As noted above, CDBA recommends aligning the accountability and governance requirements for entities serving LIDCs with the standards defined by the CDFI Fund. The CDFI Fund defines Target Markets on the basis of low income census tracts (a.k.a. Investment Areas), households with low-incomes that are at or below 80% of area median income (a.k.a. Low Income Target Population), and populations that are historically underserved by traditional financial service providers (a.k.a. Other Target Populations (principally minority populations)). Each of these defined groups capture different types of LIDCs. Furthermore, the CDFI Fund's accountability standards require each certified CDFI to maintain accountability to their defined Target Markets through representation of their governing board and/or advisory boards. CDBA believes these standards are effective in ensuring each CDFI is accountable to their communities.

On behalf of all CDBA members, we sincerely thank you for the opportunity to comment on this critically important Federal initiative to invest in initiatives, technologies and projects that will reduce or avoid greenhouse gas emissions, air pollution, and environmental sustainability. We look forward to continue to work with you to implement the GHGRF.

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

Thank you for considering our recommendations.

Sincerely,

Jeanine Jacokes
Chief Executive Officer

Appendix A: Indicators of Community Climate Change

Climate Change and Poverty

Communities with higher levels of poverty are more likely to experience the negative effects of climate change due to economic, geographic, and social disadvantages, some of which are described below. We recommend that the General Assistance Program require a significant portion of funding be dedicated to LIDCs and to other communities disproportionately affected by climate change. The metrics below are recommended for considered by the EPA for such designations.

Fourth National Climate Assessment Chapters 14 and 15 (2018); OECD (2003)

1. **Income**
- Income is a strong indicator of climate vulnerability as lower income communities have fewer resources at their disposal with which to adapt to a changing climate.
- IMF (2021); Federal Reserve Bank of New York (2021); United Nations (2017)
2. **Asthma Prevalence and Morbidity**
- Low income areas have relatively high levels of particulate matter pollution due to the traffic, factories, and outdated facilities located in these communities. This pollution causes respiratory diseases like asthma at higher rates. Limited access to healthcare in these communities compounds the problem.
- Appendix B, Zanobetti et al (2022); Bacon et al (2013) NIH (2022); Tessum et al (2021)
3. **Flood Risk**
- Low lying areas most vulnerable to storm surges, rising sea levels, and related flooding tend to have low income populations because of lower property prices.
- Appendix B, NIH (2018); World Bank (2022); Jesdale, Morello-Frosch, & Cushing (2013)
4. **Presence of Greenspace and the Urban Heat Island Effect**
- Because of red lining and public investment patterns, low income and minority communities tend to have less greenspace and thus lack the benefit of the cooling effect of trees. Urban areas with low levels of greenspace can record temperatures several degrees higher on hot days than communities with more greenspace in the same city.
- Hsu et al (2021); Saverino et al (2021)
5. **High Volume Roads**
- High volume roads are often constructed through low income communities.
- Morency et al (2012)
6. **Location of coal mines**
- Coal mines are often located near low-income communities which must bear the burden of air and water pollution and higher associated mortality.
- Hendryx (2012)
7. **Established Solar Resources**
- Even though low income households spend larger shares of their income on energy, access to clean energy is often limited to communities with disposable income for investments.
- American Council for an Energy Efficient Economy (2022); Shemkus (2021)
8. **Heat Wave Vulnerability**
- Low income communities are more vulnerable to heat waves due to the Urban Heat Island Effect and the cost of air conditioning.

- NPR (2019); American Geophysical Union (2022)

9. Walkability

- Lower income communities are typically less walkable.
- Conderino et al (2021)