



March 21, 2013

Robert Mulderig
Program Manager
Certification, Compliance,
Monitoring and Evaluation Office
Community Development Financial Institutions Fund
1500 Pennsylvania Avenue, NW
Washington, DC 20220

Dear Mr. Mulderig:

We are writing regarding the process for review of certification and recertification applications to become or remain a certified Community Development Financial Institution (CDFI). The CDFI sector is highly diverse by institution type, products and services delivered, customers served, and unique needs of their national, regional, state, local and neighborhood markets. Furthermore, since the CDFI Fund was formed in 1994, the industry has grown not only by the number of institutions but also in scale and complexity. Much of the industry's evolution and maturity is due to the support of the CDFI Fund.

The CDFI Coalition wholeheartedly supports the CDFI Fund's (the "Fund's") intent in reviewing the certification status of CDFIs to make sure that scarce Federal resources are directed to mission-focused institutions with the capacity to provide access to capital to eligible Target Markets. However, we are concerned that the certification process launched in February, 2013 could result in the de-certification of currently-certified CDFIs or "certifiable CDFIs" who engage in activities that are fully consistent with the mission of CDFIs, but who have not understood a particular certification criterion or supplied sufficient evidence of distress or accountability. Truly mission-aligned organizations will want to understand the Fund's rationale and address any shortcomings.

We believe the number of such instances could be significantly reduced if the Fund adopts a process of notifying applicants of weaknesses or missing elements in their applications with time to address whatever the issue may be before any action is taken to revoke certification. One of the great strengths of the CDFI Fund's historic certification review process was that it allowed for constructive feedback and dialogue between the agency and applicants. Given the variety and growing complexity of the sector, it is even more important for the CDFI Fund to give thoughtful consideration to, and sometimes nuanced interpretations of, the individual circumstances of certain CDFIs in rendering a re-certification determination.

The Fund clearly saw evidence of the need for an interactive process on the March 6, 2013 informational call. This particular call attracted over three hundred participants, more than all of the participants on the February calls combined. The call ran almost two hours over the two-hour announced time limit, and while organizations had many questions relevant to their particular situation, not all were able to be answered. This demonstrates the need for thoughtful and knowledgeable interaction between the Fund staff and the applicant organizations.

Over the last three weeks, many persons have told the CDFI Coalition that emails to the Help Desk have gone unanswered. While the Fund released further guidance on March 20, it does not answer many of the questions that have been asked. Moreover, recorded phone calls are not a substitute for written guidance. For example, it was in a response to a question asked some 45 minutes past the published call ending time of 4 pm on March 6 that a caller asked what percentage of a governing board needs to be accountable to a target market. That information is not contained in any written material, and as such cannot be either legally binding, nor can it be expected that each applicant will have notice of such a requirement and have applied those standards.

While we fully appreciate the human resource constraints the CDFI Fund must manage, loss of certification status due to the inability to offer clarifying information, or sufficient time to make Fund-directed changes could be dire for individual institutions and could have many unintended consequences for the entire CDFI sector, specifically:

- barring an organization from participation in the CDFI Financial Assistance and Technical Assistance Programs, Native CDFI Assistance Program, Healthy Foods Financing Initiative and the Bond Guarantee Program;
- losing funding from banks participating in the BEA Program or lower award amounts for a decertified CDFI bank;
- raising compliance difficulties for CDFI banks and credit unions that have US Treasury Community Development Capital Initiative investment's or loan funds with Small Business Lending Fund monies.
- restricting hard- fought access to the Federal Home Loan Bank System and possibly the SBA Community Advantage Program.

Moreover, the loss of CDFI certification will have a ripple effect among private sector and philanthropic supporters – many of which have covenants requiring maintenance of CDFI status, placing organizations in immediate default of funder covenants. Loss of CDFI status would likely impact certification of a Community Development Entity (CDE) under the New Market Tax Credit (NMTC) Program that was originally based on CDFI status. Thus, if a CDFI is de-certified (and the basis for being a CDE is removed), the CDE no longer has that status, exposing their investors to an event of recapture of tax credits. (26 CFR 1.45D-1(e)(2)(i), and Section 8.2 of the Allocation Agreement).

We strongly urge the CDFI Fund to amend its re-certification process. To maintain the positive and constructive dialogue between the CDFI Fund and the industry, as well as preserve investor and funder confidence in the stability of the sector, we ask that the CDFI Fund incorporate steps to:

1. Notify each certification or recertification applicant of any area(s) of concern that Fund staff has, and allow a reasonable opportunity to respond to, and potentially rectify, such concerns prior to sending a letter of intent to de-certify;

2. Allow a window of time (e.g., six months) whereby the CDFI can take required steps (e.g., changing Board composition to meet the Fund's accountability criteria, or to supply evidence of distress in the market with further data, studies or other materials) if such items could not be resolved in an initial exchange between the Fund and the organization; and
3. Ensure that CDFIs with pending FA, TA, NACA or HFFI funding applications are not denied awards if the certification process is not finalized by September 30, 2013. Instead, such awards should be conditional on the final resolution of certification status after the CDFI has had a chance to implement Fund recommendations or appeal a notice of intent to de-certify.

In carrying out point three, we believe the number of instances in which a conditional award might be needed could be substantially reduced if the Fund prioritizes its review of recertification applications to first review those CDFIs who have pending funding applications, followed by CDFIs with existing award agreements from past FA, TA or NACA awards or under any of the Fund's other programs. As certification, at its heart, is a question of eligibility for the CDFI Fund's funding programs, we believe such prioritization is merited. A third priority should be those groups who identify that their ability to participate in other programs (Community Advantage, Federal Home Loan Bank, for example) or that other private sector funding is, in part, dependent on CDFI certification.

We would be happy to discuss our concerns directly with you or others at the Fund.

Sincerely,

A handwritten signature in blue ink that reads "Elizabeth Ortiz". The signature is written in a cursive style with a small dot above the letter 'y'.

Elizabeth Ortiz
Chair, CDFI Coalition

CC: Donna Gambrell, Director
Christopher Stever, Associate Program Manager (Certification)
Jeffrey Berg, Legal Counsel

CDFI Coalition Member Organizations

ACCION USA
Access to Capital for Entrepreneurs
Aleutian Financial, Inc.
Alternatives Federal Credit Union
Association for Enterprise Opportunity
Bank Plus
Calvert Foundation
Carsey Institute
Chicago Community Loan Fund
Cincinnati Development Fund
Coastal Enterprises Incorporated
Common Capital, Inc.
Community Action Financial Institute, Inc.
Community Development Bankers Association
Community Development Venture Capital Alliance
Community Investment Corporation
Community Reinvestment Fund, USA
Community Ventures Corporation
Cooperative Fund of New England
Craft3
El Paso Credit Union Affordable Housing
Enterprise Community Loan Fund, Inc.
Finance Fund
First Nations Oweesta Corporation
Florida Community Loan Fund
Fresno Community Development Financial Institution
Fund Consulting, LLC
Idaho-Nevada CDFI, Inc.
IFF
Impact Seven, Inc.
Invest Detroit Foundation
Kentucky Highlands Investment Corporation
LISC
Los Angeles LDC, Inc.
Low Income Investment Fund
MainStream Finance
Montana Community Development Corporation
National Community Investment Fund
National Development Council
National Federation of Community Development Credit Unions
National NeighborWorks Association
Natural Capital Investment Fund
NCB Capital Impact
Neighborhood Economic Development Corporation

CDFI Coalition Member Organizations (Con't.)

Neighborhood Housing Services of Dimmit County, Inc.
Neighborhood Housing Services of Richmond, VA
NeighborWorks America
NeighborWorks Capital
NeighborWorks Columbus
New Jersey Community Capital
Nonprofit Finance Fund
Norman McLoughlin
North Carolina Community Development Initiative Capital
North Carolina Minority Support Center
Northern California Community Loan Fund
Northwest Community Capital Fund
Ohio Capital Finance Corporation
Opportunity Finance Network
Opportunity Fund
Pacific Coast Regional Small Business Development
PathStone
Pathway Lending
Progress Financial Corporation
Salt River Financial Services Institution
Santa Cruz Community Credit Union
Scalia & Company
Seedco Financial Services, Inc.
Self-Help
Shreveport Federal Credit Union
Southern Bancorp Bank
Sunrise Community Banks
TELACU
Tierra de Sol Housing Corporation
Urban Partnership Bank
Valley Economic Development Center
Woodstock Institute