July 13, 2026

Office of Management and Budget
Executive Office of the President
725 17th Street Northwest
Washington, DC 20503

RE: Comments on Proposed Rule, Docket No. OMB-2026-0034

Dear Director Vought:

On behalf of the CDFI Coalition, thank you for the opportunity to comment on the Office of Management and Budget's proposed rule, Regulation for Federal Financial Assistance, Docket No. OMB-2026-0034. The CDFI Coalition represents Community Development Financial Institutions and their partners across the country, including nonprofit loan funds, community development credit unions, regulated financial institutions, community development banks, venture funds, and mission-driven financing entities serving rural, urban, Native, and other economically distressed markets.

CDFIs welcome strong oversight of federal funds. Clear rules, strict oversight, and transparent reporting are essential to maintaining public confidence in federal programs. CDFIs also understand that federal awards should be administered in a way that is accountable to taxpayers and consistent with the statutes enacted by Congress. Most of all, taxpayers support programs that are delivered without political interference, favoritism, or cronyism.

We are deeply concerned that several provisions of the proposed rule would create uncertainty, increase administrative burden, and reduce the effectiveness of CDFI Fund programs that help deliver tens of billions in annual financial products and services to communities often overlooked by traditional lenders. CDFIs use federal awards to leverage private capital, finance small businesses, affordable housing, community facilities, childcare centers, health care providers, grocery stores, and other locally needed projects. These investments often require long planning periods, complex underwriting, multi-party financing commitments, and predictable award terms. Rules that allow awards to be paused, revised, or terminated after selection for broad or undefined reasons will make it more difficult for CDFIs to support millions of Americans, including over 100,000 small businesses every year.

The CDFI Coalition urges OMB to substantially revise the proposed rule before finalization. At a minimum, OMB should preserve clear, objective, and statute-based award standards. The Coalition urges OMB to limit discretionary suspension or termination authority based on vague or undefined litmus tests. The new rule should avoid unfunded compliance burdens and allow agencies the time to implement the new requirements. It should recognize that Congress authorized OMB to coordinate grant administration, not to become a super-agency with substantive authority over every federal program. Finally, the Coalition urges OMB to extend the comment period to allow stakeholders to better assess the financial burden of the proposed rule.

CDFIs are Rigorously Monitored

CDFIs – regardless of whether they receive federal financial assistance - already operate under a rigorous federal certification, reporting, and compliance framework. To become a certified CDFI, an institution must demonstrate to the CDFI Fund that it:

- Is a legal entity in good standing;
- has community development as its primary mission;
- provides financial products or services as its predominant business activity;
- serves an approved target market;
- provides or arranges development services;
- maintains accountability to the communities it serves;
- and is not a governmental entity, except as permitted for Tribal governments.

Once certified, CDFIs must maintain compliance through annual reporting and continuing documentation. Certified CDFIs submit the Annual Certification and Data Collection Report, audited financial statements, and attestations of continued compliance. Certification compliance is tied to transaction-level evidence, not merely institutional self-certification. CDFIs must report detailed information on their loans and investments, including borrower geography, borrower type, industry, project location, loan amount, loan purpose, loan terms, interest rate, amortization, delinquency status, risk rating, and eligibility for the CDFI's approved target market.

This transaction-level reporting gives the CDFI Fund the ability to verify community impact at a granular level. CDFIs report data on housing units created or preserved, construction and permanent jobs created or retained, community facilities financed, square footage of real estate financed, healthy food access, childcare, health care, education, and other community outcomes. For consumer loans and housing activity, reporting can include borrower-level and first-time homebuyer information. This level of detail allows the federal government to evaluate not only whether dollars were spent, but whether federally supported financing reached the intended people, places, and purposes.

CDFIs also report institution-level data, including primary lines of business, financial product breakdowns, portfolio health, target market definitions and amendments, development services activity, demographic information, governance and staffing changes, and, for regulated depositories, relevant regulator call report data. Certified CDFIs must also report material events within 30 days, including changes in condition that could lead to a violation of an award agreement, regulation, law, or certification requirement.

In addition, the CDFI Fund already provides public transparency through annual program data releases. Each year, the CDFI Fund releases top-line impact and investment data from award recipients, including information on loans and investments by business type, purpose, quantity, and community impact. The Fund also releases raw transaction-level reporting data. For example, the FY 2022 transaction-level data release included up to 60 data points on 1.3 million originations totaling more than $104 billion in annual financing by CDFIs with recent financial assistance awards.

This existing framework matters for the proposed rule. CDFIs are not asking OMB to exempt federal assistance from oversight. Rather, CDFIs are asking OMB to recognize that federal CDFI programs already include substantial oversight, detailed reporting, and public transparency. Additional federal requirements should be clear, necessary, and tailored to actual risk. They should not duplicate existing CDFI Fund reporting systems, create inconsistent standards across agencies, or impose broad discretionary review requirements that undermine the reliability of federal awards.

CDFIs' Role in America's Financial System Requires Certainty

CDFIs are distinct in their use of federal financial assistance programs. Unlike many recipients that use awards directly to operate programs or disburse assistance to individuals, CDFIs use CDFI Fund awards to build their capacity to support increased lending, affordable financial products and services, loan loss reserves, capitalization, and technical assistance. An award from the CDFI Fund helps a CDFI raise additional bank debt, attract philanthropic investment, bring down the cost of capital to its borrowers, and commit to multi-year financing strategies in underinvested rural and urban communities. CDFIs typically leverage at least $8 in private capital for each dollar of federal assistance.

CDFIs' leverage depends on certainty. When a CDFI receives a federal award, the organization and its financing partners make decisions based on the terms of that award. They may hire staff, establish loan products, enter into participation agreements, commit capital to borrowers, or use the award to satisfy conditions from other public and private funders. If the final rule allows awards to be suspended or terminated midstream based on shifting political priorities or vague policy judgments, CDFIs and their partners will have to price that risk into their decisions. The result would be a higher cost of capital for hundreds of thousands of consumers, businesses, homeowners, housing developers, and locally prioritized economic community development projects.

Recommendation: Preserve Merit-Based Review (Section 200.205)

The CDFI Coalition is also concerned about the proposed pre-issuance review process for discretionary awards. CDFIs support merit-based review. The CDFI Fund and other federal agencies should select recipients based on statutory criteria, program purposes, financial strength, compliance history, community need, capacity, and expected impact. Applications – and award agreements – can also be easily tweaked to reflect the priorities of the administration while remaining within the bounds of the relevant statute.

The Coalition understands that this administration seeks to implement its own policy priorities and objectives while discarding many of the previous administration's priorities. However, while a new administration may generally direct executive agencies within the discretion Congress has given them, but the administration cannot refuse to operate a program, rewrite its eligibility standards, or redirect its funds simply because Congress's policy is inconsistent with a new president's agenda.

Fortunately, there is space within the existing regulatory framework to shift policy emphasis while maintaining Congressional intent. Treasury made changes to the CY 2024/2025 New Markets Tax Credit Allocation Agreement – an application submitted in 2024 - to bring it in line with administration priorities. These changes were spearheaded by political appointees at the Department of Treasury under the existing regulatory regime. NMTC projects financed under the 2024/2025 round will now reflect administration priorities – and this was accomplished without undermining competitive review, retroactively altering expectations, or creating broad discretionary termination authority.

OMB should ensure that any pre-issuance review is limited to confirming compliance with the statute, published program rules, and other material events identified in the NOFA and/or award agreement. Furthermore, if an applicant is not selected after scoring highly under the published criteria, the agency should provide a written explanation.

Recommendation: Revise the Proposed Termination and Suspension Provisions (200.340)

The Coalition urges OMB to revise the proposed termination and suspension provisions. Any authority to terminate or suspend an award should be limited to clear statutory or regulatory grounds, a congressional rescission, material noncompliance, mutual agreement, or other objective circumstances stated in the NOFA or award agreement. All of these considerations should be shielded from partisan politics.

With so many tools at their disposal to shape financial assistance award priorities while maintaining a competitive, transparent process, there is no need to adopt the changes proposed in Section 200.340 permitting discretionary termination based on broad concepts or generalized determinations (for example, that an award no longer serves the agency's interest). At a minimum, any discretionary action should require written findings tied to the authorizing statute and award agreement, meaningful notice, an opportunity to respond, and protection for legally binding commitments made before the notice of suspension or termination.

Recommendation: Clarification on Existing Awards

OMB should clarify that its final rules will not retroactively alter prior award agreements. CDFIs and other recipients should be able to rely on the terms that governed an award at the time it was made. Again, CDFIs' activities range from basic banking services to financing complex, multi-year projects, including major manufacturing expansions and housing developments. Applying new requirements to existing awards would disrupt closed transactions, undermine borrower commitments, and create avoidable legal and financial uncertainty. The result would be an increase in the cost of financial services for hundreds of thousands of businesses, aspiring homeowners, and consumers. Any final rule should apply only to awards issued after the effective date, and agencies should be required to provide clear implementation guidance before incorporating new requirements into notices of funding opportunities or award agreements.

Proposal: Avoid Vague or Unclear Requirements

OMB should also avoid imposing undefined requirements that are not directly tied to the authorizing statute or to enacted appropriations legislation. CDFIs operate in a wide variety of local markets and often work with small businesses, nonprofit borrowers, local governments, housing providers, major manufacturers, health care organizations, schools, childcare providers, and community facility operators. CDFIs – and their borrowers - need to know *exactly* which activities are permissible, what costs are allowable, what certifications are being made, and what activities could create compliance risk. Vague or open-ended conditions will force recipients to guess which activities may later be deemed impermissible.

Proposal: Be Cautious in Expanding Pass-Through and Subrecipient Obligations

OMB should be cautious in expanding pass-through, affiliate, and subrecipient obligations in a manner that is misaligned with CDFI financing structures. Many CDFI transactions involve multiple parties providing additional debt, loan guarantees, loan participation, affiliated entities, special purpose real estate entities, contractors, borrowers, and project sponsors. These relationships do not always match the traditional model of a grantee providing subgrants to a third-party organization. OMB should clarify that borrowers – as well as lenders providing additional capital or participation - are not automatically treated as subrecipients unless the underlying program statute and award terms clearly require it. Without this clarification, CDFIs could face a maze of complex documentation and certification of loans and investments – beyond the significant reporting requirements described earlier in this letter.

Recommendation: Additional Consultation Needed with Tribes and Native CDFIs

Native CDFIs and the Tribal communities they serve would be uniquely affected by the proposed rule. Native CDFIs are Native-led financial institutions that expand access to capital in communities that have long faced federal disinvestment, limited banking access, infrastructure gaps, and depressed economic opportunity. They finance Native-owned businesses, housing, community facilities, consumer credit, and other local priorities while providing development services and technical assistance tailored to Native communities.

Federal support for Native communities reflects legal obligations rooted in treaties, the federal trust responsibility, and long-standing federal statutes. Because Native CDFIs often rely on federal awards, changes to federal funding rules can have disproportionate effects on Native CDFIs, Tribal Nations, and Native communities.

Without adequate Tribal consultation, the CDFI Coalition is concerned that provisions in the rule could undermine programs intended to address long-standing disinvestment in Native communities. OMB should conduct robust Tribal consultation before finalizing the rule. Native CDFIs and Tribal stakeholders must have a meaningful opportunity to assess how the proposal would affect Native-led financial institutions, Tribal economic development, capital access, and the federal government's trust and treaty obligations.

Proposal: Allow More Time for Stakeholder Consultation to Avoid Upending Major Administration Priorities

The administration has made a priority of bringing down costs, reducing federal red tape, reshoring manufacturing jobs, expanding housing availability and affordability, and supporting small businesses and rural communities. CDFIs are key partners in these efforts, leveraging federal awards to deliver tens of billions in financing every year.

We urge OMB to provide the public with more time to evaluate the proposal's potential impact, including whether it could unintentionally undermine administration priorities. This rule – if implemented as written - would represent one of the most significant regulatory changes in recent memory. The short comment period did not allow CDFIs – and other recipients of financial assistance – the necessary time to assess the potential unfunded mandates created by this rule, which could significantly expand compliance-related red tape.

A full, 90-day comment period would help stakeholders provide OMB with more information on how these new rules could place unintentional financial burdens on financial assistance recipients. In the case of CDFIs, these burdens threaten to increase the cost and restrict the flow of capital to manufacturing businesses, consumers, homebuyers, housing development projects, and fragile rural economies.

Conclusion

CDFIs are accountable stewards of federal resources who turn a limited federal investment into billions in private capital. They put that capital to work in every community across America in the form of loans, investments, jobs, housing, facilities, and expanded businesses. Federal assistance rules should strengthen their work by providing clarity and consistency. The proposed rule, as written, would create uncertainty in areas where certainty is essential and increase the burden at an agency where robust reporting already exists.

For these reasons, the CDFI Coalition respectfully urges OMB to substantially revise the proposed rule before finalization and to work with federal agencies, CDFIs, Tribes, and other recipients to ensure that any final changes improve oversight without reducing the ability of federal programs to deliver capital to communities.

Thank you for considering these comments.

Sincerely,

CDFI Coalition