



Tanya McInnis
Program Manager for the Depository Institutions Initiatives
Community Development Financial Institutions Fund
US Department of Treasury
1500 Pennsylvania Avenue, NW
Washington, DC 20220

November 28, 2022

Re: FUND Consulting Response to the Bank Enterprise Award Program Application

Dear Ms. McInnis,

FUND Consulting (FUND) is writing to submit comments in response to the request for comments concerning the Bank Enterprise Award Program (BEA Program) Application. FUND Consulting is a women-owned consulting firm that works to increase the management capacity of CDFIs, non-profits, and government entities in order to facilitate increased impact. Since its founding in 2000, FUND has worked with 350 CDFIs nationwide, including CDFI banks, credit unions, and loan funds. FUND Consulting has helped these CDFIs gain and maintain CDFI certification, follow CDFI Fund compliance goals, and raise capital, including through the successful submission of CDFI Fund grants and allocations totaling more than \$693 million. FUND Consulting has also assisted CDFI clients in increasing their capacity by understanding their markets, evaluating the effectiveness of their programs, developing their boards, and creating strategies to manage growth and maximize impact.

A significant portion of FUND's historical client base has been banks and FUND currently works with 25 banks that are CDFI certified or are seeking certification. In the FY2021 BEA application round FUND assisted 20 banks with a BEA application. FUND also provides interim lending analysis to understand the bank's BEA award potential.

FUND Consulting appreciates the ongoing support of the CDFI Fund's BEA program staff in fielding questions related to BEA application issues. Staff routinely field questions and provide clarifications in a timely and efficient manner to support the submission of applications

With insight from its direct work, FUND Consulting respectfully submits the following comments in response to the Request for Comments on the BEA Program Application as posted on the Federal Register on 9/27/2022. Comments correspond to particular questions raised in the Request for Comments as possible.



A. BEA PROGRAM APPLICATION

FUND respectfully submits the following comments on the general BEA Program Application:

- (A) whether the collection of information is necessary for the proper performance of the functions of the agency, including whether the information shall have practical utility;

As detailed below, the function and utility of several of the proposed pieces of information to be added to the application are increased impact information or affordability data points. Additionally, each item added to the application will increase the burden of compiling an application, in terms of staff time and related costs.

- (B) the accuracy of the agency's estimate of the burden of the collection of information;

FUND completes time tracking to estimate the time burden of the application process. As part of the FY2021 cycle, FUND estimated that the average time to complete the application was 50 hours. This relates only to the application process, not time burdens related to building out systems to accommodate reporting need for application or compliance purposes or conducting activities needed to complete BEA eligible activities.

- (C) ways to enhance the quality, utility, and clarity of the information to be collected;

In preparing applications in conjunction with its clients, FUND has found that the documentation requirements for Affordable Housing Loans and Affordable Housing Development Loans and Projects remain unclear. In particular, what types of documentation are sufficient to demonstrate affordability are not clear. This is particularly the case for projects that did not include income restricted funding sources, i.e. Low Income Housing Tax Credits (LIHTCs), and instead are naturally occurring affordable housing compared to the surrounding communities. Additional guidance is needed on what documentation the CDFI Fund determines sufficient for these loans.

Currently, the AMIS application does not have a comprehensive way of downloading all detail on each transaction submitted with the application in Table 6: Transactions to be Considered for an Award. Without such an export option, it can be challenging to conduct a review of uploaded data for quality control purposes. FUND anticipates that building in a complete export functionality would allow for better quality control and ultimately more accurate data to be submitted with the application.

- (D) ways to minimize the burden of the collection of information on respondents, including through the use of technology;



Currently, the AMIS application requires a manual upload of all data points collected for the application in Table 6: Transactions to be Considered for an Award, requiring each data point to be entered one by one. Some banks submit hundreds or thousands of transactions as part of the application, so this can present a significant data entry burden. FUND anticipates that a bulk upload option, rather than a field by field upload, would greatly reduce the data entry time required for the application.

Comments Related to the Proposed Impact Reporting Enhancements

FUND anticipates that the addition of Impact Reporting Fields would significantly increase the number of hours spent on an application. During the FY2021 BEA application period, FUND conducted time tracking on the 20 complete BEA applications and found that the average time to complete an application was at least 50 hours. Typically, applicants with a greater number of eligible transactions to be entered into the application required additional time. Should the CDFI Fund require additional data points per each transaction such as the outlined impact data points, FUND anticipates that the time period to enter data would significantly increase, particularly for institutions with a high volume of eligible loans.

One potential remedy for this time burden would be to update the upload process. Currently, the AMIS application requires that each data point for each loan be entered individually. In addition to increasing the potential for data entry errors this is a time intensive step in the process. If a comprehensive upload process was available, such as a .csv file upload process that is part of the Transaction Level Report portion of AMIS, the time needed to input transactions would be lowered.

FUND understands the importance of the impact data to support the BEA program and has no concerns about the data points to be included, beyond the potential time burden for applicants. There are no additional impact data points that we would recommend at this time.

Comments Related to the Proposed Affordability Related Fields

As noted above related to the added impact fields, FUND's primary concern for the collect of affordability related fields would be the additional time burden for inputting the information into the application. Should the CDFI Fund implement a new upload process as part of updates to the BEA application, such that data may be uploaded through a spreadsheet rather than datapoint by datapoint data entry, the burden would be significantly reduced. Given the additional time burden, FUND recommends that the CDFI Fund focuses on collecting data that is required for statutory purposes until a more robust upload system is available.

A secondary concern is the historic nature of the BEA programs: while FUND anticipates that the banks that it works with would have access to the proposed data points, they may not be readily accessible in report format, particularly as they were not identified as necessary for the BEA program at the time the



activities occurred. For some, newly required fields may require a review of past loan data to build out necessary information, which would significantly increase the burden of the application process.

FUND anticipates it would be helpful to applicants to understand how the data points may be used and what may be deemed “affordable”. The intended data points do provide information, they do not provide a full context into the underwriting process, risks profiles etc. that informed how the terms were set.

While not a limiting factor to collecting the information, FUND feels it would be beneficial to the applicant to require the data for only the assessment period, to reduce the need to add data on the same loans more than once, i.e. if it is reported as an assessment year loan in one application and then a baseline year loan in the following.

One affordability related item that has been identified as a challenge for other BEA qualified Activities is pinpointing the appropriate interest rate for banks seeking to place deposits with CDFI credit unions. A common challenge FUND has encountered is aligning the deposits’ rate with the Treasury’s posted rate for that day. While we recognize that the CDFI Fund’s guidance allows for the rate to be materially below the previous day’s rate if it is placed after hours, it remains challenging to track given processing time. FUND would recommend a larger window, such as being materially below the highest interest rate of the previous week to allow for more communication between the bank applicant and the CDFI credit union.

B. OTHER BEA PROGRAM-RELATED TOPICS AND CONSIDERATIONS

Comments Related to Existing Qualified Activities Definitions

FUND has several recommendations for definitions of existing activity types:

- Small Dollar Consumer Loans: Several of FUND’s clients offer small dollar consumer loans with values below the \$500 minimum threshold. FUND would recommend removing the minimum size amount for this loan category to capture these small dollar loans that offer an alternative to payday lenders.
- Small Business Loans: The current definition for the loan can be challenging to follow as it refers to external guidance and size eligibility standards are dependent on particular industries. In FUND’s experience, not all banks collect needed information during the loan application and underwriting phase and determining if a business meets size standards for each qualified transaction can be a challenge.
- In general, the CDFI Fund’s BEA loan categories within the Distressed Community Financing Activities do not always correspond to how banks track loan purposes internally. This can result in challenges in preparing the application as additional loan categorizations must be added prior to moving forward. If possible, FUND recommends aligning BEA categories and



sub-categories with bank call codes which are standardized and already utilized by banks as part of regular operations.

Comments Related the Award Selection Process

FUND does not recommend providing higher awards to applicants that demonstrate an increase in more than one BEA category. FUND anticipates such a change would result in an unfair advantage for larger banks with multiple lines of business and increase the burden of completing a BEA application. Prioritizing banks with increases in multiple BEA categories puts smaller banks with focused lines of business at an unfair disadvantage. Some community banks only offer a few lines of business based on direct need and demand in the Target Market. This change would work against the priority currently given to smaller banks. Additionally, applicants currently report on increases or decreases in all categories in one portion of the application (Table 5: Reporting BEA Qualified Activities), but are allowed to use their discretion as to which categories they submit for consideration for an award (Table 6: Transactions to be Considered for an Award). As such, banks can limit the number of transactions that must be uploaded into AMIS and limit the documentation requirements for transactions over \$250,000. If proposed updates were made, banks would need to submit all transactions in Table 6, increasing both the data entry and loan documentation burden. For some of FUND's clients, this burden is substantial as hundreds of transactions must be individually uploaded into AMIS.

FUND does not recommend that a minimum or maximum dollar amount be set for the CDFI Related Activities, Distressed Community Financing Activities, or Service Area Activities categories. FUND anticipates that if a maximum was placed on the dollar amount that may be awarded within the CDFI Related Activities, Distressed Community Financing Activities or Service Activities categories, it could potentially disincentivize banks' ongoing activity in each of the three categories once they had reached the maximum for the category. For example, in FUND's experience, the BEA program incentivizes applicant bank's investment into CDFI Partners through the CDFI Related Activities category. These activities may be capped by applicant banks if there was a corresponding limit on the potential BEA award contribution of such activities. Additionally, the weights that are provided within the various categories already provide a mechanism for incentivizing higher priority areas.

Comments Related the Award Selection Process

FUND does not recommend changing the award calculation. It is a clear and transparent calculation which is appreciated by applicants and awardees.

Comments Related to the Proposed Cap on Qualified Activities Amounts and Related Information

FUND does not have any recommendations on the content to the Community Benefits Statement, but suggests that once determined that the CDFI Fund provide clear instruction on what should be included.



We would like to extend our thanks for the opportunity to provide comments on the BEA Application. The CDFI Fund is a vital resource to help CDFIs build capacity and leverage additional resources to continue providing credit, capital, and financial services in our nation's most distressed and underserved communities. Please feel free to contact us at 773-281-8845 should you wish to further discuss any of the above comments.

Sincerely,

Emily Sipfle
Managing Consultant

Alexandria Knipp
Consultant

& the FUND Consulting Team