

December 1, 2022

Ms. Jodie Harris, Director
U.S. Department of Treasury
Community Development Financial Institutions Fund
Washington, DC

Dear Director Harris,

I am writing at the Executive Director of the Northwest Native Development Fund (NNDF). We are the largest Native CDFI in the State of Washington with 5 full time employees and a loan portfolio size of \$7 million dollars. Our entire staff are Native American as is our Board of Directors. I am writing to indicate our deep concern regarding the proposed CDFI Certification Standards. Many of the proposed changes will put the NNDF at risk of losing our Certification with the CDFI Fund.

Our first concern is over the mortgage amortization changes. Because we are the only small business lender on and around the Colville and Spokane Indian Reservations in the State of Washington and most of the Pacific Northwest we often need to be creative in the kinds of loan products that we offer. Due to the lack of housing on the Colville Reservation we have created a construction loan product that is interest only with a balloon payment at the end of two years. This is so that a family can get a house built on Trust Property and then obtain a conventional mortgage after completion. Your new requirements indicate that both of those issues would pose a problem. We can spend more time discussing the lack of housing on the Reservation, however that may be for another letter. We suggest that your mortgage changes be discarded.

Next are the changes concerning the "Board Approved Strategic Plan." This can be interpreted as being onerous or simple. As a small organization we are consistently running at full capacity for our staff and a complicated strategic plan could force us to seek a third party to help complete thus driving up our expenses. We recommend that you keep this issue extremely broad. Or eliminate it altogether as I do not see how the existence of a strategic plan will weed out any bad actors in the field.

Another issue is the potential "staff test" for certification. I do not know what the Fund is trying to achieve by increasing this barrier, however, again it may lead to the decertification of the NNDF and other Native CDFIs. Because we are located on a very rural Indian Reservation our clients have very limited Development Service (DS) options. As such we must carry additional staff that will help potential borrowers with their business planning. We have a small staff and two of them are directly tied to lending. We have a full time DS individual, a staff accountant and Executive Director. The only way to avoid losing certification is if we at the NNDF were to drastically reduce the amount of technical assistance that we provide to our target market. This particular test seems to actually help bad actors and standard financial institutions who may either prey upon our people or simply write off their ideas and projects out of hand. Basically, this test will lead to a backdoor approach to small business "red-lining" for Native Entrepreneurs.



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Finally, there is the problem with the potential changes to Board accountability. As mentioned above the NNDF is located on the Colville Indian Reservation. We are extremely rural, and our population of qualified "local" prospective Board members is limited. Development came late and slow to Indian Country, for several reasons. As such our pool of executive level talent is behind the national trend. We have Board members who are enrolled Tribal members who are living off the Reservation. We do not want those valued Board members to be viewed as "not" accountable.

We at the NNDF also periodically provide financing for members of the NNDF Board. There is a serious lack of financing in Indian Country. There are no financial institutions on the Colville or Spokane Reservations. There are members of the NNDF Board of Directors who are entrepreneurs themselves. That is one of the reasons they are valuable as Board Directors. Their expertise as business owners is a valuable asset. These entrepreneurs periodically require financing just as any other small business owner would. It is highly objectionable that these entrepreneurs actually LOSE access to financing by sitting on the NNDF Board of Directors and it would be terrible if the NNDF would lose the expertise that these valuable individuals provide to our organization. We have policies already in place for such occurrences that would exclude them from any decision regarding a loan to them.

We have 5 Board of Directors. We have made loans to 2 of them. Those two happen to reside on the Colville and Spokane Indian Reservations. That leaves 3 other Directors, two of which reside elsewhere in the United States. One of those Directors had financing from NNDF in the past where we paid off a less favorable institution and then that Director paid off the financing package.

We feel that this potential provision would force the NNDF to remove existing Directors while at the same time significantly limiting the pool of potential Director candidates. We strongly recommend removing this provision.

Sincerely,

A handwritten signature in black ink, appearing to read 'Ted Piccolo', is written over a light blue horizontal line.

Ted Piccolo
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