December 5, 2022

Jodie Harris, Director
Community Development Financial Institutions (CDFI) Fund
Departmental Offices, Department of the Treasury
U.S. Department of the Treasury
1500 Pennsylvania Avenue NW
Washington, DC 20220

Dear Director Harris and CDFI Fund staff:

Thank you for the opportunity to comment on the revisions to the CDFI Certification Application.

Four Bands Community Fund (FBCF) is a Native American community development financial institution (CDFI) certified by the US Treasury and a leading organization on the Cheyenne River Sioux Reservation and the state of South Dakota in the areas of financial empowerment, asset building, and small business development. Four Bands' mission is to create economic opportunity by helping people build strong and sustainable small businesses and increase their financial capability to create assets and wealth.

FBCF appreciates the CDFI Fund's stated goals of ensuring the new CDFI Certification Application and its policies "provide the flexibility necessary for CDFIs to grow and to serve the hardest to reach distressed communities" and "maintain the integrity of what it means to be a certified CDFI from a mission perspective."[1] However, some of the proposed provisions in the CDFI Certification Application and policies may make it difficult for our CDFI to qualify for recertification. If finalized as proposed, the Application and policies run the risk of disqualifying a substantial portion of certified Native CDFIs, thus diminishing the reach and impact of Native CDFIs nationally.

Despite the extraordinary economic progress certified and emerging Native CDFIs are cultivating across Indian Country through their intimate understanding of the unique needs of the communities they serve and the customized programs and products they create to address those needs, there still exist significant unmet needs for capital, credit, training, technical assistance, and financial capability building across Native communities. Simply put, Indian Country needs more Native CDFIs, not less. It needs more Native CDFIs that can achieve and retain Treasury certification and the access to capital and credit that certification unlocks for

[1] We also appreciate the CDFI Fund's efforts "to provide greater transparency and clarity around the criteria that entities must meet to obtain and maintain CDFI Certification" (https://www.govinfo.gov/content/pkg/FR-2022-11-04/pdf/2022-24082.pdf, p. 66787).

them, not less. While the overall number of certified CDFIs has grown exponentially from less than 200 in 1997 to more than 1,400 institutions in 2022 – which the CDFI Fund cites as a major reason for the timing and nature of the proposed changes to the CDFI Certification Application and policies – Indian Country has experienced only modest growth, with the number of certified Native CDFIs growing from 50 in 2008 to just 64 currently.[2] This despite the fact that there are 574 federally recognized tribal nations spread across 36 states, that Native communities experience the greatest disparity of access to capital, and that Native Americans suffer from the worst socio-economic indicators of any group in the country.

Some of the proposed changes to the CDFI Certification Application and policies will force us to drastically change the way we operate or prohibit us from retaining certification. Either one will result in significantly reduced access to the capital and credit that our clients need.

Suggested Areas of Improvement

1. Reconsider the outright prohibition on interest-only mortgage loans, mortgage loans with balloon payments, and mortgage loans with terms longer than 30 years

FBCF along with many other Native CDFIs have supported Native clients in becoming successful homeowners through loan products that offer interest-only loans, loans with balloon payments, or terms longer than 30 years. These coupled with other innovative loan products including: home equity lines of credit, construction loans, housing development loans, and down payment assistance loans have provided affordable homeownership opportunities to Native clients that otherwise would not have access to mortgage loans. Many of these would no longer be allowed under the proposed new limitations. This prohibition would significantly reduce the ability of Native individuals and families to achieve housing security and become homeowners. Native communities are already faced with extreme challenges in attracting mortgage lenders. Eliminating or reducing existing mortgage products offered by Native CDFIs or, even worse, reducing the number of Native CDFIs because they cannot meet certification requirements will only serve to further exacerbate the lack of capital access available to these financially and economically underserved communities.

We propose removing these prohibitions for certified Native CDFIs from the final CDFI Certification Application and policies, as they are destined to decrease the number of mortgage loans Native CDFIs can make to an already severely underserved Native population when it comes to homeownership financing, and they also threaten to cause a significant decrease in the overall number of certified Native CDFIs.

2. Reconsider whether or how development services may count toward the predominance as a financing entity test.

[2] https://www.cdfifund.gov/sites/cdfi/files/documents/native-american-strategic-plan.pdf, PDF p. 13. In 2008, the CDFI Fund also identified that "more than 60 organizations are at various stages of development and moving toward certification as Native CDFIs" (ibid.). Today, as mentioned above, the number of emerging Native CDFIs is far less.

By necessity, the staff of many Native CDFIs spend considerable time providing development services such as credit repair assistance, general financial capability building trainings, and other supportive activities to prepare the communities, businesses, and individual clients they serve to grow their assets and wealth through homeownership, small business development, and consumer loans. Often the smallest loans (credit builder loans, small business microloans, etc.) – which Native CDFIs provide in abundance – require the largest investment of staff time for supportive development services to build a pipeline of qualified borrowers and ensure their immediate and long-term success. It is the very reason Native CDFIs were created, and it is what distinguishes them from traditional lenders. Under the proposed CDFI Certification Application, which requires a predominance of staff time be spent on financing, many of these NCDFIs will no longer qualify for certification.

We propose either there should be no rule stating that the predominance of staff time must be dedicated to direct financing activities, OR the Fund should maintain the most recent requirement that a majority of staff time must be dedicated to a combination of financing activities and Development Services.

3. Reconsider the narrowed definition of development services and barring youth-based services as qualifying Development Services

One-on-one technical assistance and coaching is one of the most important services a Native CDFI offers to potential and existing borrowers. Oftentimes, a client will walk into a Native CDFI office to talk about their business or financial situation. These conversations with technical assistance providers are often unstructured, but typically lead to Native CDFI staff helping the client understand the next steps in preparing to apply for or qualify for a loan. In addition, these are critical conversations to building a strong relationship with many Native CDFI clients who have been distrustful of financial institutions due to past discrimination and other issues. These relationships are critical to enhancing clients' odds of success. While we assume the Fund is not trying to eliminate one-on-one technical assistance as a qualifying development service, labeling "unstructured" versus "structured" is unclear and will create additional confusion and complexity when providing and tracking these important services. The financial coaching model is more unstructured, and client led but also very successful. We do not want to see this fall under the "unstructured" category and be excluded from qualifying as a Development Service

Under the proposed CDFI Certification changes, "workshops for children or broad audiences" and related types of activities would no longer be considered qualifying Development Services.[3] Directly responding to community needs, over three-quarters of Native CDFIs (78.57%, according to NCN's November 2022 survey results) offer as a prominent part of their services youth-focused financial literacy trainings, entrepreneurship trainings, matched savings programs, and other programs that collectively prepare Native youth to grow their personal assets and wealth and eventually successfully utilize the loan products Native CDFIs offer. However, under the proposed CDFI Certification Application and policies, these would no longer

[3]https://www.cdfifund.gov/sites/cdfi/files/2022-10/CDFI_Certification_Application_Preview_Final_10322.pdf, p. 79.

qualify as Development Services and thus presumably could not be paid for with CDFI Financial Assistance (FA) Award dollars, which would create increased financial strain on Native CDFIs intent on continuing to provide these difference-making services. Offering youth development services help Native CDFIs build a future pipeline of qualified borrowers. For example, many Native CDFIs have offered financial literacy or entrepreneurship training to high school-aged youth. Once youth turn 18, they are eligible for a loan. A microenterprise or credit builder loan can help a young person build their financial capacity and lay the foundation for wealth building. Many of a Native CDFI's development services do not immediately translate into a loan; clients often will complete a training and return one or two years later with the seed having previously been planted. Youth is no different in this regard. Native CDFIs provide youth development services with an eye on achieving their community development and access to affordable capital missions, as well as supporting the long-term sustainability of their organization. It is essential to be able to continue to build these critical habits for young people to build a Native CDFI's loan pipeline, mitigate generational poverty, and help ensure future generations have the best opportunity for a healthy financial future.

We propose eliminating "unstructured conversations" from the list of activities that do not qualify as Development Services and also allowing youth-based services to be counted as Development Services because they have proven to create systemic progress in the communities Native CDFIs serve and cultivate a pipeline of future borrowers.

4. Reconsider the accountability requirements that exclude: (1) staff members of the Applicant and/or its Affiliates/Subsidiaries and their families, (2) board members with and active Financial Product from the Applicants, and (3) board members that receive financial compensation for their services (other than board service-related expenses): The Native population is by the far the smallest of the Other Target Populations (OTP) groups. In addition, a large majority of Native CDFIs serve rural and remote areas with limited populations. These factors often make attracting qualified board members quite challenging. Excluding board members with family relations or who have an active loan with the Native CDFI whose board they are sitting on could put many Native CDFIs at risk of falling below the CDFI Fund's proposed Accountability requirements. Furthermore, Native CDFIs strive to use qualified local contractors whenever possible. Sometimes a board member is the most qualified person to perform a contracted service for the organization. Most Native CDFIs have developed and follow strong conflict of interest policies to address these issues while still allowing for the most qualified individuals to serve in important board and staff positions.

We propose exempting Native CDFIs from these Accountability exclusions.

5. Reconsider the proposed Target Market Verification Methodology for OTP

Requiring some OTP's to provide proof they are a member of an OTP, and others the ability to self identify is an inequitable system. This requirement does not take into account that not all tribes are federally recognized nor that not all tribal members will have proof of identity that meet the proposed standards. In addition, requiring Native Hawaiian or Alaskan Natives to reside in their respective states is limiting the ability of CDFI’s to serve their target market and provide equitable access to funding for these individuals.

We propose eliminating these proposed standards as they do not provide for an equitable verification for each OTP classification.

Closing

FBCF appreciates the CDFI Fund introducing changes to the Certification/Recertification process to strengthen our accountability to the customers and communities we serve. We urge the CDFI Fund to continue to provide flexibility for truly mission-driven CDFIs to develop and tailor financial products to best meet the needs of their communities. FBCF has over two decades of experience in the Native community and economic development field. We have a reputation as “the place to grow” for aspiring entrepreneurs, homeowners, and asset builders. We are well known for our customized personal assistance and coaching we provide to our clients and have become a lender of choice in Native American communities across the state of SD with the potential to expand to an even larger region. We ask the CDFI Fund to please give serious consideration to the issues we have addressed above to enable us to continue providing services that best meet the needs of our communities.

Sincerely,

Lakota Vogel
Executive Director
Four Bands Community Fund
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