



December 5, 2022

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

Re: CDFI Certification Application, OMB Control Number 1559-0028

Filed electronically via: www.reginfo.gov/public/do/PRAMain

Dear Director Harris:

CrossState Credit Union Association (CrossState) appreciates this opportunity to share comments from our members on the proposed amendments to the Community Development Financial Institutions Fund (CDFI Fund) Certification Application. CrossState is a regional trade association that advocates for nearly 500 credit unions located in the State of New Jersey and Commonwealth of Pennsylvania.

Background

Since January 2017, the CDFI Fund has been exploring changes and updates to the certification process. In May 2020, the CDFI Fund requested public comment on proposed revisions to the application and reporting requirements for Certified CDFIs. In response to feedback received during that comment period, the CDFI Fund has made further revisions to the proposed Certification Application.

CDFI Certification is a powerful designation as it is a requirement for accessing various CDFI Fund programs, and other federal, state, and local government and private sector programs and benefits.

To be certified as a CDFI, an entity must meet each of the following criteria

1. Be a legal entity;
2. Have a primary mission of promoting community development;
3. Be a financing entity that predominantly engages in the provision of arm's-length, on-balance sheet Financial Products and/or Financial Services and has done so for at least one full fiscal year;
4. Primarily serves one or more Target Markets with its arm's-length, on-balance sheet Financial Products and, if elected, Financial Services;

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5. Provides Development Services in conjunction with its arm's-length, on-balance sheet Financial Products;
6. Maintains accountability to each component of its CDFI Certification Target Market; and
7. Be a non-governmental entity.

The application is designed to provide the CDFI Fund with the above information to qualify the applicant for certification.

Proposed Changes

The proposed application includes a new section to collect demographic data on individual board members and executive staff. The demographic information is requested in the basic information section of the application. The basic information collected about the financial institution in this section is all that is necessary to meet the goals of identifying the applying financial institution.

The demographic data section of the application seeks information about the race, ethnicity, and gender identity of individual board members and executive staff of the applying financial institution. While collecting this information may be helpful for monitoring purposes, CrossState recommends that the completion of this section be voluntary for the applying financial institution. The information collected is not necessarily an overall determinant of the applicant's suitability. Providing demographic information of individual credit union board members and executive staff should not be mandatory in the CDFI Certification Application process.

By statute, a CDFI must have a primary mission of promoting community development. The activities of the applicant must be purposefully directed toward improving the social and/or economic conditions of underserved people and/or residents of economically distressed communities. Under the current application, credit unions that have received Low-Income Designation (LID) from the National Credit Union Administration (NCUA) are deemed to have met this requirement. The revised application eliminates the use of the LID as evidence of having a primary mission of community development.

Credit unions are non-profit cooperatives organized for the purpose of promoting thrift among their members and creating a source of credit for provident and productive purposes. As part of a credit union's mission, in addition to providing low-cost financial products and services to their members, credit unions promote financial literacy in the communities they serve. These attributes support the primary mission of promoting community development.

To receive the LID from NCUA, the majority of the credit union's membership must meet certain low-income thresholds. Credit unions that receive LID provide valuable access to financial services for members in underserved or unserved communities. Credit unions located in these areas not only provide affordable loans and deposit services within the community, but they may also offer financial counseling services, organize financial outreach efforts at local schools, and provide other educational programs promoting savings and responsible financial habits.

Credit unions are generally not as large as banks and other community financial institutions. The proposed primary mission section of the application requires submission of a board-approved strategic plan. This may be burdensome for smaller credit unions located in economically distressed communities. Additionally, the application requests additional

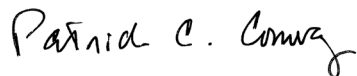
information in the Responsible Financing Practices area. Federal and state-chartered credit unions are required to adhere to NCUA Rules and Regulations with regards to the majority of the financial products and services offered by the credit union, including loans and deposit accounts. Credit unions are examined on a regular basis for adherence to federal and where applicable, state consumer protection regulations. Many larger financial institutions may be able to use a third-party to gather the required information in this section of the application. Some LID credit unions may be discouraged from seeking CDFI certification if they are unable to financially afford to outsource this task or devote the appropriate staff hours to complete the application.

The mission of credit unions, especially those in underserved areas, has always been well-aligned with the mission of the CDFI Fund. This mutual mission is to provide wealth building opportunities through safe, affordable financial products and services, and to foster economic growth in the communities they serve. CrossState encourages the CDFI Fund to continue to permit credit unions that received LID to be deemed to have met the primary mission requirements of the Certification Application.

CrossState and its member credit unions support the mission of the CDFI Fund and appreciate how important it is to positively impact individuals, businesses, and families seeking economic opportunities in underserved areas. Credit unions continue to take pride in their important work to empower these same communities through financial products, services, and education.

Thank you for the opportunity to provide comments on this important issue.

With best regards,



Patrick C. Conway
President & CEO

cc: CrossState Board
CrossState Government Relations Committee
CrossState Regulatory Review Committee