



December 5, 2022

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

RE: OMB Control #: 1559-0028

Dear Director Harris,

National Coalition for Asian Pacific American Community Development (National CAPACD) is pleased to submit recommendations to the Community Development Financial Institutions (CDFI) Fund's proposed revisions to the CDFI Certification Application, and request for information and comment.

Who We Are

National CAPACD is a coalition of more than 100 member organizations with a mission to build a powerful coalition of Asian American, Native Hawaiian, and Pacific Islander (AA & NHPI) community-based organizations working with low-income populations. We utilize a comprehensive set of community development strategies to advance equity and create vibrant, healthy communities.

Our member organizations serve local small businesses, micro businesses, entrepreneurs of color, and families looking for secure and stable housing. They employ a diverse set of strategies tailored to meet local community needs including: technical assistance, micro-lending, guidance around loans and grants, and more. Each year, National CAPACD deploys sub-grants and technical resources, implements training and leadership development programs, develops resources and tools for local usage, and creates peer learning opportunities for members to share best practices and strategies across the network. In total, National CAPACD members speak more than 40 languages and collectively reach more than 1,000,000 constituents through direct and media outreach.

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The Need for CDFIs That Serve AAPIs as a Target Population

AA & NHPI Entrepreneurs Face Barriers to Accessing Capital and Other Resources

There are approximately two million AAPI-owned small businesses in the United States, which generate \$700 billion in annual GDP and employ around 3.5 million people.¹ These small businesses were disproportionately impacted by the COVID-19 pandemic and face a steep climb towards recovery. However, even before the pandemic, National CAPACD members witnessed firsthand the barriers that AA & NHPI entrepreneurs face in accessing programs offering capital, grants, and loans due to reasons of: poor credit (28% of survey respondents), difficulty in navigating the loan application process (20% of survey respondents), linguistic barriers (18%), and lack of knowledge regarding capital availability (17%). There are also eligibility requirements that they are unable to meet, such as business size and/or high business ledger requirements. There are a number of barriers that also exist on a systemic level, such as challenges in navigating burdensome certification processes, preparing documents, and submitting applications that can take up to 3-4 months. AAPI business owners have a great need for trusted institutions that can provide culturally-competent, one-on-one technical assistance and business counseling.

In National CAPACD's 2019 *Small Business, Big Dreams: A Survey of Economic Development Organization and Their Small Business Clients in Low-Income Asian American and Pacific Islander Communities* report, we found that 28% of small business owners surveyed cited limited English proficiency as a barrier to starting or operating their small business, with 17% stating that they do not know where to find free help in their respective languages.² Of those surveyed, 44% do not turn to anyone for business advice. We also found that AA & NHPI business owners have an overreliance on family and friends for advice and access to startup capital due to a distrust of mainstream financial institutions. Due to misinformation, language barriers, or predators that target AA & NHPI entrepreneurs, some AA & NHPI business owners end up relying on unsustainable sources of funding, become susceptible to predatory community loan schemes, or enter a cycle of debt.

The Small Business Administration (SBA) Office of Advocacy's 2018 *Financing Patterns and Credit Market Experiences: A Comparison by Race and Ethnicity for U.S. Employer Firms* report found that 73.2% of Asian American entrepreneurs used personal/family savings to start their businesses, compared to 72.3% for Hispanic,

¹<https://www.mckinsey.com/industries/public-and-social-sector/our-insights/covid-19-and-advancing-asian-american-recovery>

²<https://www.nationalcapacd.org/data-research/small-business-big-dreams/>

70.6% for Black, 64.5% for White groups, and an average of 63.9% of entrepreneurs overall.³ **Asian American entrepreneurs are also more likely than any other racial group to utilize personal resources for financing their start-up costs, putting personal assets at great risk.** 11.4% of Asian American entrepreneurs used others' personal/family assets to finance their businesses, compared to 11.3% of Black, 9.9% of Hispanic and White groups, and 9.8% of entrepreneurs overall.⁴ In addition, 9% of Asian American entrepreneurs used their personal/home equity loan to start their businesses, compared to 7.7% of Hispanic, 7.8% of Black, 7.3% of White groups, and 7.3% of entrepreneurs overall.⁵ In addition, we note the need for more data and analysis on Native Hawaiian and Pacific Islander entrepreneurs; the SBA report referenced above states that due to many minority groups that are small in number and sample size, individual data for Native Hawaiian, Pacific Islander, Alaska Native, American Indian, and "Other" groups could not be presented in their data tables.⁶

Given this, there is an urgent need for mission-driven entities like CDFIs that play a critical role in providing capital and other forms of assistance to vulnerable and underinvested populations to serve low-income Asian Americans, Asian Americans living in the Pacific Islands, and Pacific Islanders living on the continental U.S. Technical support is equally as essential to the creation and development of viable businesses and National CAPACD network community loan funds also assist underserved AA & NHPI populations. These services are extremely helpful to groups experiencing additional barriers to certification compared to other minority groups, such as non-profit organizations providing financing and technical assistance to small businesses, microenterprises, affordable housing developers, and community service organizations.

AA & NHPI Are at Great Risk of Displacement in Gentrifying Neighborhoods

The barriers and challenges faced by low-income AA & NHPI communities are not limited to small businesses. Our communities need trusted organizations like CDFIs to offer them safe and affordable home mortgage loans to prevent displacement and build financial security. By providing safe and affordable mortgage products and services, CDFIs can help shield families from financial insecurity, housing instability,

³ https://cdn.advocacy.sba.gov/wp-content/uploads/2019/04/25141724/Financing_Patterns_and_Credit_Market_Experiences_report.pdf

⁴ Id.

⁵ Id.

⁶ Id.

and potential displacements that result from rent hikes and other changes that tenants have difficulty controlling or fighting against. These households are also at high risk of displacement in gentrifying neighborhoods that they have long occupied due to rising rents and eviction.⁷ The majority of AA & NHPIs living in poverty are concentrated in the most expensive Metropolitan Statistical Areas (MSAs).⁸ More than 50% of the total AA & NHPI poverty population lives in the top 10 MSAs compared to 25% of the nation's poverty population. These AA & NHPIs experience extremely unstable housing, high rates of overcrowding, an inability to build savings due to the large percentage of income that goes toward paying rent, and a disproportionate risk of losing homes. National CAPACD members have reported that elders in their communities are skipping meals and increasing collection of recycling to make rental payments; if displaced, they are at risk of becoming homeless. Given these realities, much like with small businesses, there is a significant need for mission-driven CDFIs with language and cultural competencies to help these communities access safe and affordable home mortgage loans and other housing resources to make sure they are able to stay in their communities and build a more secure future.

Recommendation #1: Include Asian Americans, Asians Americans Living in the Pacific Islands, and Pacific Islanders Living on the Continental U.S. as an OTP

Among National CAPACD members, there are a few CDFIs, including but not limited to: Renaissance Economic Development Corporation in New York, NY; Pacific Asian Consortium in Employment in Los Angeles, CA; Hawai'i Community Lending in Honolulu, HI; Council for Native Hawaiian Advancement in Kapolei, HI; Asian Services in Action, Inc. in Akron, OH; and HomeSight in Seattle, WA. CDFIs like these have tremendous potential and already make a big impact in reaching large markets like LA and NYC where many AAPIs live. These CDFIs have successfully deployed loans over \$25,000, often in the form of smaller loans that are sought after by many of our member organizations' clients, which fill gaps in the credit needs of communities. There are also other CDFIs in our network and Small Business Administration (SBA) lenders with great potential to effectively serve these communities with the right capacity building.

⁷ <https://www.urban.org/urban-wire/hispanic-homebuyers-will-be-critical-next-housing-market-recovery-heres-why-they-may-struggle> & <https://www.cnn.com/2020/06/05/success/black-and-latino-housing-gaps-coronavirus/index.html>

⁸ <https://www.aapineighborhoods.org/data-for-organizing/>

To become a certified CDFI, an institution must serve an Investment Area (IA), a Targeted Population (Low Income Targeted Population (LITP), or what is described as Other Targeted Populations (OTP)), among other things. A CDFI must also have a track record of lending for a minimum of 7 years, which presents a barrier to lenders meeting the credit needs of emerging and long-time underserved communities. Among the Targeted Population service requirements on the CDFI Certification application, the pre-approved OTP list includes: African American, Hispanic, Native American, Native Alaskan residing in Alaska, Native Hawaiian residing in Hawaii and Other Pacific Islander residing in Other Pacific Islands.”⁹ As a result, Asian Americans, Asian Americans living in the Pacific Islands, and Pacific Islanders living in the Continental United States are **excluded** from this pre-approved OTP list. This means that institutions primarily serving Asian Americans living in the Continental U.S. and/or Pacific Islands, or Pacific Islanders living in the Continental U.S. and seeking to become a certified CDFI cannot be eligible based on the OTP requirement alone and must qualify based on IA or LITC.

Most, if not all, of our member organizations seeking to become mission-driven CDFIs who primarily serve these populations would not be eligible for certification based on the OTP criteria. It is also difficult to demonstrate a track record of lending for a minimum of 7 years when philanthropic and corporate organizations, the federal government, and many financial institutions have historically underinvested in AA & NHPI communities. One particular reason for systemic disinvestment is due to the “model minority” myth that suggests that Asian Americans in particular are wealthy as a whole based on aggregated data and misleading popular culture narratives. We ask that the CDFI Fund remove these barriers to AAPI lending institutions becoming certified CDFIs and revise its guidance on OTPs, which will result in more AAPI small businesses and households being served.

Recommendation #2: Eliminating Geographic Boundaries

National CAPACD would like to affirm the CDFI Fund’s decision to eliminate geographic boundaries for most CDFI Target Markets. An example of why this is a step in the right direction comes from REDC, a member organization based in New York City. During the COVID-pandemic, REDC received numerous calls from Asian American entrepreneurs residing in and doing business outside of New York City asking for help from CDFIs known for assisting Asian Americans, but REDC was unable to lend to these businesses. They searched for a culturally competent and

⁹ https://www.cdfifund.gov/sites/cdfi/files/2022-09/CDFI_Certification_Cure_Frequently_Asked_Questions_2022.pdf

relevant CDFI that would understand their language and/or specific needs based on their clientele and services, and found very few CDFIs other than REDC. Seeing that REDC was an established CDFI, Asian American entrepreneurs reached out, only to learn that REDC could not lend to them based on the CDFI Certification Application's geographic boundary requirements. The geographic restrictions placed an undue burden on these mission-led CDFIs who might have been able to assist struggling entrepreneurs of color in other geographic areas, but could not. We are pleased to learn that the CDFI Fund will lift these geographic requirements so that existing CDFIs can serve more households and businesses in need.

Conclusion

We appreciate the opportunity to submit comments to the CDFI Fund's notice of information collection and comment regarding the CDFI Certification Application. We hope that our feedback will help the Fund identify how CDFIs and other mission-driven financial institutions can best serve AA & NHPIs and other communities of color.

Sincerely,

A handwritten signature in black ink, appearing to read 'Seema Agnani', written in a cursive style.

Seema Agnani
Executive Director