



December 5, 2022

Jodie Harris, Director

CDFI Fund

Department of the Treasury

1500 Pennsylvania Avenue NW

Washington, DC 20220

RE: CDFI Certification Application (OMB Control Number:1559-0028)

Dear Director Harris:

Thank you for the opportunity to comment on the CDFI Fund's updated Certification Application. The proposed updates to the application include provisions that will help the Fund ensure that CDFIs have strong community development missions and offer responsible products and services. The proposed changes also include several provisions that would not only make it impossible for some fully eligible regulated depositories to recertify but would also substantially increase the compliance cost of being a certified CDFI without a commensurate benefit to the CDFI or the people it serves. The updated Certification Application also fails to acknowledge the substantial benefits that CDFI-certified credit unions offer to our members and instead imposes requirements that will be nearly impossible to implement.

We urge the CDFI Fund to pause its implementation of the updated Certification Application and focus on developing effective standards for one or two priority issues in consultation with the field instead of making sweeping changes that will disqualify countless eligible CDFIs and diminish the impact of CDFIs across the country. At a minimum, the Fund should address the issues outlined in this letter before finalizing the Certification Application.

About Ironworkers USA Federal Credit Union

Ironworkers USA FCU has been helping Ironworkers with all their financial needs since 1960 and has been a CDFI Credit Union for many years with a national charter. Being a CDFI, we are here to help low- and moderate- income communities and minorities. Our mission is to improve the financial well-being of Ironworkers, regardless of where they live or work. This goal is ambitious considering there are 95,900 Ironworkers in the country. Ironworker's have one of the most important jobs in the country, as they build the infrastructure support that holds up buildings and bridges. 54.12% of our members live in low-income census tracts and more than 60% of our borrowers are qualified as an Investment Area (IA) and Low-Income Target Market (LITP). Achieving their strategic goals of increasing access and growing deposits will allow us to expand and maintain the organizational capacity that is needed to support our underserved TM.

Being a minority Ironworker, amongst a group that is already underserved and underbanked, makes things even harder when trying to gain access to the financial industry. According to zippia.com/ironworker-jobs-demographics/ 29.8% of all Ironworkers across America are minorities with the majority of that being Hispanic or Latino at 15.4%/ We aim to bring banking products to this community in a variety of ways.

While our percentage of low-income members is above 60%, specifically regarding minorities our membership of over 12,000 is close to 30% Hispanic. We are focused on removing the barriers to lending that many low income and minorities face, whether it is access to technology, access to banking hours, or lack of work. Frequently in situations where minorities are facing a short-term cash need, they turn to predatory lenders or payday lenders with high interest rates and fees. Statistically, 24% of minorities have turned to payday lending at one point or another for short-term cash needs. Recognizing this as a need within the community we serve, we will be implementing a new loan program in 2023 aimed at providing a solution for those short-term cash needs. Developing these products and services will not be possible without our CDFI.

Many members work during banking hours and most emergency, short-term cash needs happen when you don't have easy access to your bank. Developing a lending program that is not only easy to use, but also available any time our members need it is key to the success of this program and expanding our services to help minorities in the way that they need help. Members typically use these loans to pay bills, deal with income volatility and avoid things such as evictions and foreclosures, etc. These types of loans are not only needed but a vital piece in serving the underserved and underbanked minorities.

With payday lending institutions strategically placed in minority communities, we need to have a presence, access, and judgment free banking to steer our members away from the convenience of predatory lending. When they feel like they have no other choice, we need to be the Financial Institution that is there for them when they need it the most.

Statistically, many minorities have little-to-no credit or lower credit scores, predominantly due to them being an under-served market in the financial industry. We don't lend to our members credit scores; we lend to our members. We don't rely on our members' credit scores to give us the full picture of who our member is and what their needs are. We look at the person's overall relationship with the Credit Union and don't use credit score to approve small dollar loans. While this is one way that we help our members, we don't do it with just products alone.

We have a diverse team that understands the needs of this group, can speak their language and give the peace of mind that we are here for them. The most common foreign language among Ironworkers is Spanish at 79.5%. Creating the products that will serve our membership the best and building a diverse team that can relate and understand our members are two pieces to our strategic initiative; the third is getting the word out. It is not enough to have the products and people in place if we don't reach our target market and let them know we are here to help. We have the unique advantage of being able to partner with Ironworker Locals across the nation to get our message out. Identifying and reaching out to the most underserved areas across the United States will enable us to help the most underserved minorities within our field of membership. Continuing to be a CDFI is key to our success in our mission of serving the underserved, giving them a viable alternative to predatory/payday lenders and making an impact within our field of membership.

Most of the Credit Union's members are moderate to extremely low-income. About 23% of IFCU's members make \$20,000 or less, 17% make \$32,000 or less, 15% make \$52,000 or less, and 55% make \$65,000 or less. Moreover, a large portion (55%) of unsecured loan balances and used-auto loans are to members with subprime credit scores. While ironworkers are protected by their union in many ways, job demand and availability are things neither the ironworker nor the union can control. For this reason, one of the of the biggest financial challenges' ironworkers face, especially low-level workers, is job security. Ironworkers complete a project and then are often laid off or left without knowing when the next job is, and these lapses without pay put them in financially difficult situations. For this reason, it is an essential need in this community to have a financial institution that provides ironworkers and their families' financial tools for success such as innovative financial products, services, technology and financial counseling.

Primary Mission

As a mission-driven, not-for-profit financial cooperative, we strongly support the CDFI Fund's efforts to ensure that all CDFIs have a clear community development mission and do not engage in predatory lending or other abusive practices. In particular, the Fund's scrutiny of loans with APRs in excess of 36% and targeted questions about overdraft practices home in on key ways that predatory payday lenders and mainstream financial institutions have harmed the communities we serve. There are, however, critical implementation details the Fund should take into account to be sure these new standards work for insured depositories like ours:

- **Do not require MAPR in any loan-level reporting.** The CDFI Fund should not require use of the Military Annual Percentage Rate (MAPR) in any loan-level reporting. CDFI credit unions report an average of 5 million transactions to the Fund each year and would require extensive investment in their systems to calculate and report the MAPR. Instead, the CDFI Fund should rely on the narrative information requested in the application to ensure that depositories meet the Fund's APR standards. Requiring MAPRs for all consumer loans reported would effectively bar credit unions like ours from CDFI certification.
- **Leave mortgage regulation to the CFPB.** The CDFI Fund should not prohibit regulated CDFIs from offering affordable, well-underwritten mortgages, no matter their structure. The CDFI Fund has adopted a very limited set of standards for mortgage lending that add a significant barrier to CDFIs that work with homeowners. If a regulated, examined institution's mortgage lending is compliant with CFPB rules, then that should be sufficient for the CDFI Fund.
- **Define and publish clear standards for overdraft and NSF fees.** The application asks depositories to provide information on any overdraft or nonsufficient funds (NSF) fees they charge, but there are no clear guidelines that describe an acceptable product and no explanation of how the information collected will be evaluated and its potential impact on certification. If the CDFI Fund's request for information about overdraft practices is solely to ensure that institutions comply with existing regulations and regulatory guidance, the application should ask that specific question. However, if the Fund intends to make determinations about the quality of an institution's overdraft and NSF policies and practices that

will influence whether the institution will be eligible for CDFI certification, the Fund must make its standards public. Without transparent and consistent standards, institutions will be denied the opportunity to adjust their overdraft and NSF practices to comply with the CDFI certification requirements.

- **The CDFI Fund cannot require that every product offered by a regulated depository be reviewed and approved.** The CDFI Fund should clarify that all Financial Products and Services offered by an insured depository CDFI that have been approved by the CDFI's prudential regulator are automatically pre-approved by the CDFI Fund. Regulated financial institutions are rigorously examined every year for compliance with consumer protection regulations as well as safety and soundness. Given the wide variety of products and services offered, the Fund does not have the ability to review each product. If an institution is regulated and attests in the application that all of their Financial Products have MAPRs of 36% or less, then the Fund should automatically approve all products.

Target Market Test

The updates to the Target Market Test, such as removing individual target market maps, will generally help regulated depositories with strong community development missions secure and maintain CDFI certification. The major issue the CDFI Fund should address is the fact that the current Transaction Level Report (TLR) suffers from both data privacy and system capacity issues.

- The Fund must ensure AMIS has the capacity to handle the volume of data the Fund will require CDFIs to report. Reporting data on credit union members will, on average, quintuple the data credit unions report. Credit unions already experience significant bugs and delays. The new reporting will overwhelm AMIS, potentially raising liability issues for the Fund and credit unions.
- The CDFI Fund should ensure the updated TLR does not allow the upload of personally identifiable information (PII), like homebuyer addresses, and should condense the report by limiting data fields to only those needed to determine compliance with Fund standards and by allowing reporters to aggregate both consumer and 1-4 family mortgage loans by census tract.

This letter does not address the CDFI Fund's open request for comment on Target Market Assessment Methodologies. The Fund's current list of pre-approved methodologies would effectively preclude any credit union from obtaining CDFI certification based on Low-Income Targeted Population or Other Targeted Population. The Fund must add additional pre-approved methodologies that will allow regulated depositories to serve these Target Markets that are operationally feasible and comply with the Equal Credit Opportunity Act. These comments assume that the CDFI Fund will approve such methodologies after the December 19th comment deadline, and we urge the Fund to be mindful of the scale of credit union operations and the compliance landscape in which regulated depositories work when updating the list of pre-approved methodologies.

Development Services

The CDFI Fund's changes to Development Services are deeply concerning as they would exclude from consideration many proven ways credit unions advance financial inclusion and ignore known best practices in financial coaching. Omitting informal interactions and interventions at "teachable" moments in favor of structured courses and defining Development Services as activities that support access to and

success with Financial Products, but not Financial Services will undermine the CDFI Fund's mission to "expand economic opportunity for underserved people and communities."

The CDFI Fund should:

- Include hours spent on financial coaching, whether it's delivered through a formal program or not.
- Include services that support access to and success with Financial Services as successful use of financial services is integral to our ability to successfully deliver Financial Products to our members.
- Include Development Services provided online and through mobile applications.

Having a Target Market that encompasses the entire USA has led to significant growth at the Credit Union and much of this is coming from states where we do not have branches. We have Business Development Team Members who travels to ironworker unions (locals) across the country where we have experienced growth and host financial education seminars, one-on-one financial counseling sessions, and attend ironworker apprenticeship fairs. Our strategy to meet the employment and income challenges of ironworkers and their families is centered on education to help ironworkers understand how to best manage income interruption through budgeting and planning. This is a proactive approach to reach ironworkers before they experience a problem. We strive to give our members the tools to be financially successful and improve their quality of life, where in most instances they would be turned away from other institutions. We have had remarkable growth since we gained our national charter in 2018 with more than 7500 new members.

As long as we have existed, we have been dedicated to helping underserved ironworker's build assets, create savings, and achieve financial success. An emergent pattern since opening the FOM service area to the entire country has been members joining from low-income and impoverished communities in different parts of the country. One primary reason that ironworkers are joining from around the country is for the affordable financial products and financial education offered by the credit union. In 2021 alone, at least 5,524 members or prospective members received some form of financial education directly from a Certified Financial Counselor at the Branch, over the phone through the credit union's call center or in a Union local. This impact on financial education is significant considering that the Credit Union only has 20 employees.

Given the clear benefits to credit union members of Development Services that include supporting access to and success with Financial Services, as well as the value of less-structured interactions that support access to and success with Financial Products, it is critically important that the CDFI Fund expand its definition of Development Services in the new certification application.

Accountability

The CDFI Fund should recognize the governing board members of credit unions as being accountable to each credit union's Target Market. Not-for-profit credit unions are member-owned financial cooperatives, governed by boards that are legally accountable to the people they serve. Regulations require that credit union boards consist solely of credit union members who are democratically elected by the membership on the basis of one-member-one vote and serve as unpaid volunteers. These requirements are the same for credit unions of all types, regardless of whether they are federally

chartered, state chartered, or cooperatives in Puerto Rico. As democratically elected representatives who serve at the pleasure of credit union members, credit union board members can only be recognized as directly accountable to the people they serve. Cooperative ownership and governance mean that credit union members have a direct mechanism to influence board membership and deliberations through mandatory annual elections and annual general meetings.

The CDFI Fund has proposed that any board members with “active loan products” cannot be considered accountable to their CDFI Target Market. This Policy would effectively prohibit virtually all members of credit union governing boards from being recognized as accountable. As noted above, credit union board members must themselves be credit union members of the credit union and can be expected to use the credit union’s financial products on an equal footing as all other members. The potential for conflicts of interest is addressed by specific provisions in the Federal Credit Union Act and in each credit union’s Bylaws that mandate the “non preferential treatment” of credit union officials and members of their immediate family. These provisions are further strengthened through rigorous regulatory review as a standard part of supervisory examinations. The proposed Financial Interest Policy is particularly unfair to board members who have low incomes or who are members of targeted populations who may rely on their credit unions to meet their transaction account and borrowing needs. Barring these members from being considered accountable to their communities because they use their credit unions’ services in the same way as the broader credit union membership they represent decreases, rather than increases the accountability of those boards. The Financial Interest Policy must exempt regulated CDFIs from the provision related to “active loan products,” since the risk of conflicted board members is fully mitigated by regulation and supervision.¹

Thank you for the opportunity to comment on this important update to CDFI certification. We urge the CDFI Fund to make the changes detailed above to ensure CDFI credit unions can continue to effectively serve low-income communities, communities of color, and immigrant communities who continue to be excluded from the mainstream financial system.

Sincerely,



Jaimie Garver

Chief Operations Officer

Ironworkers USA Federal Credit

¹ <https://www.law.cornell.edu/cfr/text/12/701.21>