

January 27, 2023

Jodie Harris, Director
CDFI Fund
Department of the Treasury
1500 Pennsylvania Avenue NW
Washington, DC 20220

Dear Director Harris:

Thank you for the opportunity to comment on the proposed Annual Certification and Data Collection Report Form and the Abbreviated Transaction Level Report (OMB Control Number: 1559-0046). Also, thank you for moving the due date for responses to this document until after the NMTC application was due.

We, the undersigned, are CDFI Consultants. Collectively, we work with over 200 CDFIs and Emerging CDFIs, have developed hundreds of CDFI Certification applications, and have decades of CDFI experience as consultants, practitioners, and former CDFI Fund staff. Our comments and recommendations are based on the impact the proposed changes will have on our CDFI clients and the CDFI industry. We have drawn on our conversations with our clients about the impact the proposed changes would have on their operations as CDFIs.

We appreciate the Fund's efforts to strengthen the CDFI brand and to provide the flexibility necessary for CDFIs to grow and to serve the hardest to reach distressed communities. We recognize the need to prevent the certification of predatory and non-community-oriented lenders, and to ensure that strong mission-driven lenders continue to grow in capacity and number.

We continue to have the same concerns with the ACR as we do with the Target Market Assessment Methodologies and the proposed certification application as stated in our two previous letters dated 12-5-2022 and 12-19-2022 (attached).

We are concerned that the combination of proposed changes will negatively impact mission-driven CDFIs and the CDFI industry. We worry that the proposed certification policies will restrict and discourage innovation. We are also worried that some long-standing, accomplished, mission-driven CDFIs may lose their certification status.

We are also concerned that some changes will be overly burdensome for CDFIs, forcing them to devote scarce resources to compliance instead of community development activities. The proposed ACR asks for a LOT of data for the sake of better understanding the industry and to suss out predatory actors.

To this end we ask the following to reduce the reporting burden:

- **Make the two new tables:** Sources of Investment Capital, Contributed Operating Capital **voluntary for non-profits and regulated institutions** and mandatory for unregulated for-profits only. Note: The Fund has precedent of asking higher reporting requirements (audits) of for-profit TA awardees in terms of annual reporting.

- **Affiliate Lending:** We are concerned about the Fund’s request for affiliate lending and target market data. Generally, this request is invasive, excessive, is not related to certification of the CDFI. That said, predatory lenders may use affiliate lending to use to take advantage of CDFI exceptions from consumer protections. Therefore, we ask the Fund to limit its affiliate data collection to only what is absolutely necessary to suss out predatory lending. For instance:
 - confine this data request to for-profit, unregulated CDFIs or for those with with assets over \$XXMM;
 - confine reporting to affiliate total assets; or
- **Make previous submissions accessible for copying to current year submission** and/or offer a “no change” option that prefills the report.
- **Changes to board composition** – again – make previous board write ups available for copying and only provide changes to board membership on no more than an annual basis and clarify that a board member leaving is NOT a material change. Changing the number of maximum board members might be a material change, but changing the individual members is NOT a material change.

Respectfully,

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