



American  
Bankers  
Association®

**Christopher Lewis**  
Vice President  
CDFI/MDI  
P 202-663-7624  
christopherl@aba.com

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The Honorable Scott Bessent  
Secretary  
U.S. Department of the Treasury  
1500 Pennsylvania Avenue, N.W.  
Washington, DC 20220

Via electronic mail: [ccme@cdfi.treas.gov](mailto:ccme@cdfi.treas.gov)

**RE: Proposed Depository CDFI Material Events Change in 2025 CDFI Certification Agreement**

To Whom it May Concern:

The American Bankers Association<sup>1</sup> (ABA) appreciate the opportunity to comment on the proposed changes to the Certification of Material Events Form issued by the Community Development Financial Institutions (CDFI) Fund.

ABA represents banks of all sizes and charters and supports policies that promote a healthy, inclusive and well-regulated financial system. Many of our members are CDFI certified depository institutions committed to serving low and moderate income (LMI) rural and Native communities across the country. We respectfully submit the following comments regarding the proposed revisions to the Certification of Material Events Form, particularly Items 41 and 43, which present practical and legal challenges for our members and the communities they serve.

**1. CAMELS Ratings Disclosure (Item 41)**

The proposed requirement to notify the CDFI Fund of a CAMELS Composite Rating of 3 or below raises significant concerns about conflating prudential supervision with the CDFI certification process. CAMELS ratings are confidential supervisory tools designed exclusively for use by federal bank regulators to assess the overall safety and soundness of insured depository institutions. These ratings are not intended for disclosure outside the supervisory framework, particularly to entities such as the CDFI Fund, which does not possess regulatory or enforcement authority over banks. Mandating disclosure risks weakening the critical separation between regulatory oversight and mission-driven certification.

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<sup>1</sup> The American Bankers Association is the voice of the nation's \$24.1 trillion banking industry, which is composed of small, regional and large banks that together employ approximately 2.1 million people, safeguard \$19.2 trillion in deposits and extend \$12.7 trillion in loans

It is important to emphasize that CAMELS ratings, particularly those of 3 or 4, often reflect operational, compliance, or technical matters that do not necessarily impair a bank's ability to meet its mission as a CDFI. For example, institutions operating in rural or underserved areas often face heightened compliance or operational challenges. These challenges can contribute to CAMELS downgrades, yet such institutions remain fundamentally safe, sound, and capable of delivering community development impact.

Under current policy, a CAMELS downgrade to a higher numerical rating such as 3, 4, or 5 does not affect an institution's ability to retain its CDFI certification.. Rather, it only affects eligibility for certain CDFI Fund awards such as the Bank Enterprise Award (BEA) or Financial Assistance (FA) Programs. This framework reflects the appropriate balance: prudential regulators retain responsibility for assessing institutional safety and soundness, while the CDFI Fund evaluates community impact and mission alignment. To alter this balance would set a concerning precedent and could discourage institutions from maintaining certification and engaging with the Fund.

**Recommendation:** We respectfully urge the CDFI Fund to preserve the status quo. CAMELS ratings should not be incorporated into the CDFI certification process. While these ratings may continue to affect eligibility for awards, they should not determine whether an institution can remain certified. Maintaining this distinction will ensure that the CDFI Fund's certification framework continues to recognize the unique challenges CDFIs face, particularly in rural markets, while upholding the appropriate role of prudential regulators in supervising safety and soundness. Under the current proposal, the loss of CDFI certification could serve as a de facto public disclosure of a poor CAMELS rating. This outcome undermines the longstanding intent to keep CAMELS ratings confidential, exposes institutions to reputational harm, and effectively circumvents the supervisory framework designed to protect the integrity of these ratings.

## **2 . Statutory and Legal Considerations**

We respectfully note that the CDFI Fund's statutory authority does not extend to regulating or supervising the safety and soundness of insured depository institutions. Under 12 USC § 4707, the Fund is specifically prohibited from assuming a supervisory role over financial institutions—a responsibility that remains with the appropriate federal banking agencies.

Additionally, confidential supervisory information, including a bank's CAMELS rating, is protected by federal law and cannot be shared without the express consent of the appropriate regulator. Institutions may face legal consequences for unauthorized disclosures even if such disclosures are required to comply with federal program requirements. We respectfully request that Treasury clarify how and when prudential regulators share CAMELS information with the CDFI Fund, as this responsibility should remain with the regulators rather than placing the burden of disclosure on individual banks, which as noted elsewhere in this letter, may face legal consequences for improper disclosure even if intended for regulatory compliance purposes.

### 3. Regulatory Findings

The proposed requirement to report any negative or adverse finding by a bank's regulatory agency is overly broad and may create confusion regarding materiality. Regulatory findings vary widely in severity and are often based on examiner discretion. Some may address minor procedural issues that do not rise to the level of a safety or soundness concern.

Further, many such findings are already disclosed through other reporting processes associated with CDFI Fund programs. Requiring additional notifications for all findings, regardless of context or impact, would impose unnecessary administrative burdens and potentially redundant reporting.

**Recommendation:** We suggest narrowing this requirement to only those regulatory findings that contribute to a CAMELS composite rating of 5. This would allow the Fund to be appropriately informed of significant developments while avoiding excessive or duplicative reporting obligations.

### 4. Violations of Law (Item 43)

The proposed requirement to submit a Notice of Material Event for all violations of law or regulation may inadvertently capture routine technical matters that are commonly identified and resolved during standard examinations. Many such violations, including issues related to reporting or documentation, are corrected promptly and are not indicative of systemic issues or poor governance.

**Recommendation:** We recommend restricting this notification requirement to instances where legal or regulatory violations are associated with a CAMELS rating of 5. This would help focus attention on institutions where compliance issues may pose a more serious risk while minimizing the risk of unnecessary alerts in cases where issues are minor or already addressed

### 5. Broader Implications for the CDFI Sector

We are concerned that implementation of the proposed provisions could unintentionally discourage participation in the CDFI program by regulated financial institutions. The possibility of losing CDFI certification based on supervisory matters that are not indicative of mission failure and do not call into question the safety and soundness of a bank could jeopardize important sources of capital including Community Reinvestment Act motivated investments, public deposits, and participation in programs such as Emergency Capital Investment Program.

Given the role that CDFI certified banks play in delivering responsible and inclusive financial services in underserved markets any change that may inhibit their participation warrants careful review.

## **Conclusion**

We appreciate the CDFI Fund's efforts to strengthen transparency and accountability within the certification framework and recognize the importance of ensuring that CDFI certified institutions continue to meet high standards of integrity and performance.

In the interest of balancing these goals with operational feasibility and legal compliance, we respectfully recommend the following:

- Recognize the statutory and legal limitations regarding the disclosure of confidential supervisory information.
- The CDFI Fund should preserve the status quo by ensuring that CAMELS ratings affect eligibility for awards but not CDFI certification, since such ratings often reflect technical or compliance issues rather than a bank's capacity to fulfill its community development mission.
- Eliminate duplicative reporting by leveraging existing grant and award program disclosures.

ABA values our ongoing collaboration with the CDFI Fund and stands ready to support thoughtful refinements to the certification process. We remain committed to ensuring that depository CDFIs can continue serving their communities effectively while maintaining safe and sound operations and compliance with all applicable laws and standards.

Please feel free to contact Christopher Lewis at 202-663-7624 or christopherl@aba.com with any questions or for further discussion.

Sincerely,

Christopher Lewis  
VP, CDFI/MDI