



May 22, 2017

Tanya McInnis, Acting CCME Program Manager  
CDFI Fund, U.S. Department of the Treasury  
1500 Pennsylvania Avenue NW.  
Washington, DC 20220

Re: **Request for Public Comment, Annual Certification and Data Collection Report Form**

Dear Ms. McInnis:

On behalf of the National Federation of Community Development Credit Unions (the Federation), I would like to thank you for the invitation to comment on the CDFI Fund's Annual Certification and Data Collection Report Form. The Federation is a CDFI-certified intermediary, co-founder of the CDFI movement and a trade association representing hundreds of community development credit unions with more than eight million members in low-income and underserved communities across the country. Our roots in community development finance are deep; the Federation was founded a generation before the CDFI Fund and for more than four decades our commitment to economic justice and opportunity has never wavered. We express this commitment through our ongoing efforts to strengthen standards, improve performance and increase impact of CDFI credit unions, the CDFI industry, and the CDFI Fund itself.

The Federation strongly supports rigorous standards for CDFI certification and recertification, and an efficient approach to collecting valid performance data from across the CDFI industry. We believe the Annual Report is a positive first step in this direction, but as detailed below, we also believe that the CDFI Fund can greatly reduce the burden and improve the quality and reliability data collected through a modest investment in an online Target Market classification tool that would benefit CDFIs across the industry.

***(a) Is the collection of information necessary for the proper performance of the functions of the CDFI Fund and does it have practical utility?***

With one exception, the Federation believes the information collected in the Annual Report is necessary for the CDFI Fund to perform its functions and has practical utility. The single exception is the proposed question 5d., "Total Full Time Equivalent (FTE) Turnover," which would be burdensome for CDFIs to track and calculate, has no bearing on certification eligibility, and has no practical utility for the CDFI Fund, the CDFI industry or the public at large.

The practical utility of any data is directly proportional to its quality and reliability. Unfortunately, the current Annual Report has two significant weaknesses that undermine the reliability and practicality of data collected:

- i) **Inconsistent Classification of Low-Income Targeted Populations (LITP).** While statutes, regulations, policies and procedures may contain precise definitions of low-income thresholds, it is rarely practical -- and often impossible -- for CDFIs to collect accurate information on the precise income of the individuals and families they serve. Attempts to collect and validate data beyond what is necessary for a given transaction are both costly to the CDFI and unduly intrusive, which can undermine the trust needed to serve CDFI Target Markets. As a result, CDFIs have developed an ever-widening array of methodologies to estimate the LITP classifications of the people they serve; proxies that vary greatly in cost, consistency, and rigor.
- **Recommendation:** As discussed further in questions (c) and (d) below, the Federation recommends that the CDFI Fund make a modest investment to develop a classification tool, freely available to all CDFIs, based on the statistical model already approved and in use by the National Credit Union Administration (NCUA) for analysis of Low Income eligibility for all federally-chartered credit unions and also for streamlined CDFI certification applications.
- ii) **Inconsistent Structure of Financial Reports:** As noted in previous comment letters, CDFI Fund financial reports do not adhere to the detailed and rigorous standards established by federal regulatory agencies for credit unions and banks. As a result, regulated CDFIs are required to “crosswalk” their data from call reports into the CDFI Fund format. This extra step reduces data quality (due to errors in crosswalk calculations and manual entry), adds to the burden of regulated CDFIs, and violates a central tenet of the Paperwork Reduction Act (“unnecessarily duplicative of information otherwise reasonably accessible to the agency”).
- **Recommendation:** Financial data collected from regulated CDFIs should adhere to the structure and definitions used by federal regulators. Annual reports should pre-populate financial data for all regulated CDFIs by linking directly to the call report data that is publicly available in batch files for all banks and credit unions on regulatory agency websites.

***(b) How accurate is the CDFI Fund’s estimate of the burden of the collection of information?***

The CDFI Fund underestimates the burden in two ways. First, the tracking and calculation of Target Market activities is complicated by the lack of an efficient tool to consistently identify members of LITP Target Markets – the most expensive Target Market to identify. Second, regulated CDFIs are forced to recalculate their financial statements to “crosswalk” data from their regulatory call reports into the CDFI Fund’s format. Both of these processes add time and cost to reporting while undermining the quality and consistency of the data reported.

**(c) *How can the CDFI Fund enhance the quality, utility and clarity of the information to be collected?***

The Federation has two recommendations to enhance the quality, utility and clarity of the information to be collected in the Annual Reports.

- i) **Develop a Web-Based Tool for LITP Classification.** As noted in question (a) above, individuals and families in LITP Target Markets are difficult and costly to identify, particularly for CDFIs engaged in large scale consumer finance, the key to financial inclusion. This not only reduces the consistency and reliability of LITP activity data reported to the CDFI Fund, but also hinders the efforts of CDFIs to identify and serve their LITP target markets. Quite simply, CDFIs can't serve what they can't see.

NCUA uses a statistical model to assign regulatory low-income classifications to individuals in any given population. This model has been adapted for use in CDFI certifications under an agreement with the CDFI Fund. While NCUA can produce consistent, objective and efficient LITP classifications on a large scale, they cannot release individual classifications. As a result, credit unions do not know how individual members have been classified and must incur added expense to create their own LITP analysis to maintain their CDFI certification.

NCUA has neither the mandate nor the resources to develop their statistical model into a web-based tool for CDFIs to run their own LITP classifications. By contrast, the CDFI Fund has a direct interest in improving the consistency and quality of LITP classifications, and the cost to do so would be minimal – particularly when weighed against the benefits to the CDFI Fund and the industry as a whole.

- **Recommendation:** The Federation recommends that the CDFI Fund use NCUA's statistical model as a foundation to build a web-based tool for CDFIs to upload bulk address data and obtain modeled LITP classifications for individual clients and members.
- ii) **Automate Financial Data Collection for Regulated CDFIs.** As noted above, financial data collected from CDFI banks and credit unions should adhere to federal regulatory and be automatically downloaded from public databases on agency websites.
    - **Recommendation:** Annual reports should pre-populate financial data for all regulated CDFIs using publicly available call report data.

**(d) *How can the CDFI Fund minimize the burden of the collection of information on respondents, including through the use of technology?***

Our key recommendations include the use of technology to minimize the burden on respondents and increase the quality of information for the CDFI Fund.

- The recommended LITP classification tool would reduce the need for CDFIs to pay vendors or consultants to identify LITP target markets and simultaneously increase the consistency and reliability of LITP data reported to the CDFI Fund.
- The recommended alignment of financial reports with regulatory standards would reduce the burden on CDFIs that currently need to restate and reenter their financial data and increase the accuracy of data received by the CDFI Fund by linking directly to data provided by federal regulatory agencies.

***(e) What are the estimated start-up costs and costs of operation, maintenance, and purchase of services needed to provide the information?***

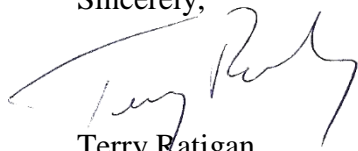
Currently CDFIs must pay considerable sums for vendors, external consultants and internal staff to develop target market classifications and prepare financial data for CDFI Annual Reports. The CDFI Fund could significantly reduce these costs and increase the quality and utility of data by developing a web-based LITP classification tool and aligning financial reports with regulatory standards.

**Conclusion**

As noted in previous comment letters, the Federation encourages the CDFI Fund to take advantage of the extensive public data banks, regulatory policies and procedures, rigorous examinations and technical expertise of federal regulatory agencies to remove duplicative and unnecessary reporting requirements for CDFI credit unions and banks. If you have any comments or questions on our recommendations, please feel free to contact me by telephone at (914) 720-8042 or by email at [terry@cdcu.coop](mailto:terry@cdcu.coop).

Many thanks for your consideration.

Sincerely,



Terry Ratigan  
Senior CDFI Specialist

Copies: Cathie Mahon, President/CEO  
Pablo DeFilippi, Senior Vice President, Membership and Network Engagement  
Pamela Owens, Senior Vice President, Organizational Development  
Eben Sheaffer, Chief Financial Officer/Chief Investment Officer  
Clarissa Ritter, Director, Marketing and Communications