



Community First Fund™
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(202) 622-7754.

July 29, 2008

Ms. Linda Davenport
Deputy Director for Policy and Programs
Community Development Financial Institutions Fund
U.S. Department of the Treasury
601 13th Street, NW., Suite 200 South,
Washington, DC 20005

Dear Ms. Davenport:

Thank you for the opportunity to comment on the draft application for CDFI certification. We appreciate the efforts of the CDFI Fund to further clarify this certification process. This organization did take the opportunity to comment earlier this year on the Fund's plans to possibly change the certification process. At that time, and as a certified CDFI and member of the Opportunity Finance Network, Community First Fund indicated its support of two important principles:

- That certification not convey judgment about a CDFI's performance or suggest that it is a substitute for sound investor underwriting; and
- That the Fund respect CDFIs as market-driven institutions, and support individual CDFIs' decisions about their strategies and structures to serve those markets.

Based upon the proposed certification application, we are concerned that the Fund's efforts may undermine these two principles.

First, the proposed application does not address the apparent continuing de-emphasis on the importance that the CDFI be primarily a "financing entity" by only requiring that provision of financial products and development services constitute a "plurality" of the organization's activities. Community First Fund believes that the provision of loans and investments should be the organization's predominant business activity (as stated in the October, 1995 regulations).

Second, because CDFI certification is not based on any tests of quality and does not confer to a CDFI a "seal of approval," the Fund should not presume to assess an individual CDFI's products, services, or strategies. A hallmark of the CDFI Fund's programs—what distinguishes it from other government programs—is its practice of investing in a CDFI's strategy, not in particular projects or practices. The Fund should continue to apply this principle of flexibility to its certification practices, in line with the purpose the Fund was created to fulfill. A detailed assessment of a CDFI's products and services, as the Fund seems to be considering, would run counter to the market-focused character of the CDFI industry.

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The Community First Fund is supportive of the CDFI's Funds desire to continue to require accountability to the residents of its investment area or targeted population through representation on its governing board or through other means. While the use of an Advisory Board may be an alternative method of insuring this accountability, the Community First Fund strongly supports the direct inclusion of residents and/or members of the targeted population on the CDFI's governing board. Further, the Community First Fund believes that the use of focus groups and surveys do not provide adequate accountability to the investment area or the targeted population.

The Community First Fund is also supportive of the CDFI Fund's continued emphasis on requirements that a CDFI not be a government controlled entity.

We also believe that there should be a separate re-certification application process. It appears that the proposed application will cover both purposes. It would seem that a re-certification process would not have to be quite as comprehensive as the original certification process. Further, we believe that any re-certification process could use a satisfactory CARS™ rating in lieu of the proposed process. The CARS system requires a rigorous analysis of a CDFI's mission, financial capacity, governance and impact and should easily substitute for a recertification process from the CDFI Fund.

Finally, we would request that the CDFI fund provide more clarity on the length of the certification period in the original application and that it require that re-certification take place no more frequently than every five years.

Thank you for the opportunity to comment.

Sincerely,

A handwritten signature in black ink that reads "Dan Betancourt". The signature is written in a cursive, flowing style.

Dan Betancourt
President and CEO