May 6, 2010

Mr. Scott Berman
Acting Chief Operating Officer
CDFI Fund
U.S. Department of the Treasury
601 13th Street St. NW, Suite 200 South
Washington, DC 20005

Dear Mr. Berman:

Opportunity Finance Network (OFN) appreciates the opportunity to comment on the CDFI Fund's authorizing statute. OFN has long been among the strongest and most outspoken supporters of the CDFI Fund, which has leveraged billions of dollars of new investment in our nation's emerging domestic markets, and we have always viewed the Fund as an important partner in our work.

On behalf of our 170 Member CDFIs, the thousands of businesses they finance, tens of thousands of homeowners and renters they benefit, and the more than 40,000 investors they have attracted, we look forward to continuing this strong and fruitful partnership with the Fund.

The CDFI Fund has built a track record of success as a unique federal program and model of successful public-sector investment, leveraging limited federal resources into billions of dollars in private-sector investment. It is poised to build on this fifteen-year track record of partnership with the opportunity finance industry to bring federal support of community development finance to a new level.

As the Fund embarks on this process, OFN is also engaged in strategic planning for the next 15 years. This letter is informed by some of what we have learned in that process, but we are continuing to discover more and refine our thinking about changes in the market, the environment, and the CDFI industry. We hope that the Fund can be a partner in this process. For example, the results of the Fund's "listening sessions" can be valuable to OFN in thinking about the CDFI industry beyond out network. By the same token, the Fund can learn from OFN's current project to capture "lessons learned" from the economic conditions of the last two years. The project will assess similarities and differences among financial institutions types (CDFI loan funds, banks, credit unions and venture capital funds), markets, and sectors (business, housing, community facilities, consumer, etc.), and we expect to publish a report of this analysis highlighting what the industry has learned about risk management and reserves, capitalization, staffing and operations.

Though the Fund has requested comment on its authorizing statute, OFN believes that many of the recommendations in this letter can be implemented through regulatory or programmatic channels. Inclusion of a suggestion in these comments does not constitute a position that a statutory change is necessary or desirable.

Introduction

The CDFI Fund has proved to be an important innovation in federal policy. To OFN's knowledge, it was the first federal program to make general recourse, rather than project-specific, investments in intermediaries, leveraging the on-the-ground market experience and expertise of CDFIs in lieu of federal restrictions. To make that work, the Fund adopted a unique competitive selection process based on business strategy rather than restrictive constraints, gave awardees the ability to adapt their business strategies in response to dynamic market conditions, and rewarded good performance.

Today, economic, fiscal, and social policies are changing rapidly and permanently. Two forces—one rooted in the long arc of federal community development and anti-poverty policy and the other rooted in the recent disruptive shifts brought about the near-failure of the financial marketplace—have made CDFIs more central than ever to policy in a wide range of policy areas. CDFIs have a role in housing, small business, employment and jobs, education, public health, and other areas.

For that reason, the CDFI Fund can and should be the keystone for an overarching evolution of federal policy over the next 15 years that:

a) Leverages the proven CDFI Fund model to allocate federal policy resources prudently through skilled social enterprises including, but not limited to, CDFIs.
b) Introduces the CDFI Fund model across federal and state governments to ensure that CDFIs and other social enterprises are used to advantage across the broad range of policy needs.

OFN urges the CDFI Fund and the U.S. Department of the Treasury to use this planning process to consider the opportunities and challenges it must manage over the next 15 years to make this possible.

Core Principles of the CDFI Fund

The CDFI Fund was created out of the growing realization, in the late 1980s and early 1990s, that federal policy intended to create opportunities for low-income and low-wealth people and places was running its course. Despite substantial successes, that policy no longer worked as well as it once had. In addition, it had produced unintended consequences that included creating dependent private sector partners instead of strong, independent ones. Last, and most important, looking ahead to the challenges of community development, wealth and income inequality, and sustainable strategies, policymakers saw a clear need for permanent solutions.

CDFIs emerged as a policy option because their track record included steady successes; their structures allowed substantial leverage of modest public resources with private investment, and their relationships brought together key constituencies. The ability of CDFIs to engage local community resources, national religious and financial institution investments, and the cutting edge of private-sector thinking about economic growth put them in a unique position.

The CDFI industry, then still less than $2 billion in combined assets, approached this policy shift with caution. Most CDFIs were highly resistant to seek or use federal funding because of the concerns that it was costly to manage, restricted in use, and excessively political to obtain. CDFIs, in contrast, valued efficient capital, flexibility to respond to market dynamics, and independence from political processes.

CDFIs advocated for a program—what would become the CDFI Fund—that allocated capital based on demonstrated demand in the markets where CDFIs work. They rejected most existing funding models and asked that Congress authorize a different approach.

The CDFI Fund's structure was shaped largely by the seminal paper, "Principles of Community Development Lending and Proposals for Key Federal Support." The ideas articulated in that "Principles Paper," drafted in the early days of what became the CDFI Coalition, have been critical to the success of the CDFI Fund. The paper advocated, as debate started over what the CDFI Fund might be, that Congress and the Clinton Administration:

- *Recognize the full spectrum of community development financial institutions.* Early political conversations about the CDFI industry focused on community development banks. In fact, at the time, few CDFIs were community development banks. The CDFI industry strongly believed that a successful program would have to build on the institutions and experience that were already in place. The CDFI Fund helped seed a vibrant national CDFI industry by recognizing the full range of CDFIs that provide loans, investments, and financial services.
- *Consult experienced CDFIs in crafting legislation and programs.* For a new approach to work, the federal government needed to fully understand how the CDFI model functioned. The CDFI Fund has been a partner as well as an investor in the CDFI industry. It has consistently drawn on the experience of CDFIs through both formal and informal channels to shape its successful programs.
- *Emphasize expansion of existing CDFIs rather than undertaking wholesale efforts to create new ones.* Supporting existing institutions, and later supplementing that strategy with targeted efforts such as the Fund's Native Initiatives, has helped ensure that the Fund's investments are used prudently and that the CDFI industry's growth is sustainable.
- *Expand the scope of community development finance beyond small business lending*. The prevailing imperative then, as always, was job creation. CDFIs argued for a more comprehensive view of opportunity markets, where housing, education, small businesses, and other factors are part of rebuilding distressed markets.
- *Recognize that successful institutions were built over time and with performance-based financial support.* CDFIs are "tortoises" relative to the "hares" of most other financial institutions; and sometimes the "tortoise" wins. Sustainable economic growth, particularly in opportunity markets, takes patience and persistence. To that end, the key to the Fund's success has been its innovative strategy of supporting institutions, not projects. By providing patient capital based on performance, the Fund has become a critical catalyst for the industry's growth. When the Fund was created, "performance" was not a generally accepted best practice (remarkably). The Fund's decision to use a competitive application process and to make performance-based awards, with enforceable performance covenants, differentiated the Fund in appearance and fact.
- *Clarified the different interests and responsibilities of conventional lenders, public agencies and CDFIs.* The Fund's entrepreneurial approach has built innovative institutions, fostered new partnerships between CDFIs and conventional lenders, and created a model for creative federal investment. CDFIs understood—as did Congress—that the heavy lifting of community development finance required many hands. The Fund's use of private leverage to foster strong and sustainable partnerships represents the definition of clear roles for diverse partners.

The CDFI Fund's Successful Track Record

Opportunity Finance Network believes that the success of the CDFI Fund has stemmed from adherence to these principles. The Fund has responded to the charge of these principles by developing and implementing a range of programs serving the opportunity finance industry.

The Fund's flagship CDFI Financial Assistance program was modeled to a significant extent on OFN's "performance-based financing" model. When the Fund made its first awards to CDFIs in 1996, then called "Core" awards, it adopted the then-innovative strategy of making competitive awards to CDFIs based on the CDFI's strategy and business plan, the CDFI's own assessment of its market, and its proven capacity to implement that strategy in that market.

That first round of awards distributed $37.25 million to 32 CDFIs in 19 states and the District of Columbia. Awardees included loan funds, banks, credit unions, and venture capital funds—a testament that a competitive, flexible strategy would reach a national network of high-performing CDFIs across a spectrum of markets and organization types.

Recognizing the need for development of CDFI capacity and human capital as well as for lending and investment capital, the Fund launched its Technical Assistance program in 1998. The following year, it supplemented the TA awards with training contracts to provide the industry with training on establishing CDFIs, market analysis, and financial projections.

To channel capital into fledgling CDFIs, in 2000 the Fund adopted the Small and Emerging CDFI Assistance (SECA) component The Fund based SECA awards on the same sound principles of competitive assessment of strategic business plans, but streamlined or modified certain requirements for smaller and newer CDFIs.

The New Markets Tax Credit, enacted in 2000, provides a different kind of resources for CDFIs engaged in large-scale projects whose costs would be dwarfed by an FA award. Similarly, the Capital Magnet Fund created in 2008 and launched by the Fund this year responds to the particular needs of CDFIs and others financing large-scale affordable housing and economic development.

In the same way that adherence to core principles has blazed a trail for the success of the Fund, the Fund has stumbled when it has deviated from these ideas. For example, the ill-conceived "Hot Zones" strategy decreased reliance on CDFIs' own market assessments and shifted decision making to Washington priorities. That strategy measured *whether* a CDFI served a particular area, but not how well, counter to Congress's provision that CDFIs be judged first on business performance.

By the same token, erosion of the meaning of "Treasury certification" has introduced risk into the marketplace as investors mistakenly believe that certification includes an assessment of financial soundness.

The Changing Environment

In the 15 years since the Fund's creation, market shifts have impacted the Fund and the industry, and will continue to do so:

In the *political* environment, appropriations for the Fund have gone up and down from year to year, from a low of $45 million (FY1996) to a high of $246 million (FY2010). The Fund has survived both Democratic and Republican Congresses and Administrations, and has seen both attempts to zero out the program and proposals to double its appropriations. Current debate in

Congress examines a regulatory overhaul of the entire financial services industry, and a debate on the federal role in the affordable housing finance industry is likely to follow in 2011 and 2012.

In the *economic* environment, the prosperity of the 1990s changed into the recession of 2009 and 2010. Emerging domestic markets, where CDFIs work, have become an increasingly important economic engine. Recovery from the current recession seems to have begun, but the impact of the economic downturn is far from over. Recent history has seen the closure of many regulated financial institutions, and the contraction of the subprime housing market.

In the *CDFI* market, there has been a huge increase in the number of CDFIs—both in activity and in the number of certified CDFIs. Assets have grown to more than $30 billion, and CDFIs have developed sophisticated lending and investment instruments but still, for the most part, lack access to capital markets. The CDFI model has become a proven concept and CDFIs are increasingly part of the financial services landscape. With this increased prominence will come, however, increased scrutiny and regulatory obligations.

The CDFI industry will also look much different in 15 years. Assets are likely to grow far beyond today's $30 billion, financing beyond the $5 billion in FY2008, and to a universe of hundreds more CDFIs. Just as CDFIs have developed new products and services over the last 15 years, the next 15 will see additional product innovation to meet market demand and a changing landscape—innovation that we cannot begin to predict. It is likely that the Fund will be on the vanguard of providing new kinds of capital and technical assistance to support industry infrastructure as well as individual CDFIs.

The Role of the CDFI Fund in 2025

In its first 15 years, the CDFI Fund has helped build the capacity of community development intermediaries with on-the ground market experience in meeting the financing needs of distressed communities. To respond to a changing industry and environment, the CDFI Fund's programs, policies and initiatives should be informed by the following principles:

- ***Invest in CDFIs of all types, sizes and sectors without prejudice.*** There is no "one-size-fits-all" approach to community development or providing financial services to distressed markets. The CDFI Fund has helped seed a vibrant national CDFI industry by providing equity capital to the full range of CDFIs that offer loans, investments, and financial services. Different CDFIs serve different target populations and geographies with a variety of products and services. The Fund must assure that application materials and the review process for Fund programs acknowledge and value the different business strategies pursued by community development banks, credit unions, loan funds and venture funds.

- ***Recognize that equity capital is still the most important resource the Fund can provide to CDFIs.*** As in 1994, equity capital continues to be the most pressing need of the opportunity finance industry; institutions' need for equity infusions does not diminish with age, growth, or success.

- ***Continue strong emphasis on performance-based awards.*** The Fund's use of competitive application processes to make performance-based awards, with enforceable performance covenants, is a significant strength which differentiates the Fund from other federal programs. The Fund should continue to ensure that all its programs reward financial performance and excellence in community development impact.

- ***Support institutions, not projects.*** The best CDFIs are flexible and market-responsive, providing the products, services, and expertise that meet market demand. By directing its resources toward building the capacity of permanent institutions, the Fund has helped ensure a vibrant and enduring opportunity finance industry nimble enough to adapt to changing conditions. The emphasis on supporting institutions, not projects, is a significant strength of the Fund and should be maintained.

- ***Promote the CDFI Fund model of supporting intermediary institutions to leverage private resources.*** Other federal agencies and programs have much to learn from the CDFI Fund approach to government investment. The Fund should use its Community Development Advisory Board to promote its model of making competitive awards based on performance and sound business plans. The Fund can also be an advocate for new federal strategies to support CDFIs.

- ***Build on the experience of established CDFIs in providing training and technical assistance.*** From its inception, the Fund has turned to experienced CDFIs in developing and shaping its programs, echoing the market-responsiveness of the opportunity finance industry. Even in targeted initiatives to establish new CDFIs, such as in the Fund's Native American programs, success comes from heeding the lessons of experienced institutions in delivering high volume, high impact financing.

- ***Support research and development and knowledge-sharing for the CDFI industry.*** Both CDFIs and the CDFI Fund represent innovations in public investment in community development. The Fund can take its history of innovation further with a commitment to support research and development in the industry in several ways: to invest in innovative, replicable CDFI strategies; to share innovations and "best practices" of Fund awardees; to maintain basic, high-quality data about the CDFI industry; and to help CDFIs understand their market, environment, and trends.

The CDFI Fund's Programs

To ensure that the Fund grows along these principles and serves the needs of the opportunity finance industry for the next 15 years, OFN offers the following recommendations in response to the Fund's Request for Comments. On topics on which OFN does not offer specific comment, we believe that the Fund's current statutory, regulatory, and program provisions are adequate and appropriate.

A. Advisory Board

The Fund's Community Development Advisory Board (CDAB) of public- and private-sector representatives provides the Fund with a channel to collect feedback from community development practitioners, understand the role of CDFIs in community development and financial services, and introduce the CDFI model to other federal agencies. The statutory provisions for ensuring community development finance expertise on the Board are adequate.

As CDFIs' role in the financial service industry evolves, the public-sector members of the CDAB should reflect those changes and include people who can look systemically at the financial services marketplace. Representation from regulatory agencies can enhance the Fund's understanding of issues related to insured depositories, and provide those regulators with information about the unique challenges faced by CDFIs. Representatives from some or all of the regulatory agencies (Federal Reserve, Office of the Comptroller of the Currency, Federal Deposit Insurance Corporation, Office of Thrift Supervision, National Credit Union Administration, and Federal Housing Finance Agency) should be added to the CDAB. Maintaining representation from the existing agencies is important to demonstrate the role of CDFIs in small business, affordable housing, and rural lending and investing. To the extent practicable, however, the preponderance of CDAB members should be from the private sector.

During the current economic crisis, the Fund convened a subcommittee of the CDAB that has been a key tool for issuing recommendations and advocating for CDFIs and has proven an effective use of members' expertise. The Fund should use this subcommittee structure as needed to advise the Fund on market conditions, program implementation, and other issues.

B. CDFI Award Programs

1. Definitions

OFN believes that the current CDFI Fund definitions are appropriate. OFN cautions the Fund strongly against the use of any baseline financial soundness ratios, such as those in the Federal Housing Finance Agency regulations, for the broad range of CDFIs.

Though the definitions of "Target Market" are generally appropriate, they are based on census data which can be out-of-date and not accurately reflect the current market conditions in some communities. The Fund should ensure that communities suffering from more recent blows to the economy—such as a natural disaster or departure or closure of a major employer—can benefit from the Fund's programs.

The Fund should not adopt policies or definitions that target areas of "high" economic distress.

To facilitate CDFIs' designation of Target Markets, the Fund should invest significantly in technology and information systems infrastructure. These upgrades would improve the CDFI Fund mapping system; ensure that CDFIs were using timely and relevant data; and could facilitate CDFIs' integration of their own data into government datasets.

2. Certification and 3. Holding Companies, Subsidiaries, and Affiliates

OFN recognizes the widespread currency that "Treasury Certification" has gained among public and private-sector investors. For that reason it is critical that the Fund uphold standards for certification while at the same time ensuring that certification makes no judgment about a CDFI's financial soundness. Certification should be descriptive but not confer judgment—it is a statement that an organization operates as a CDFI but not how well. Certification is, at its core, the Fund's method of determining eligibility for its programs. CDFI investors have varying priorities and strategies and corresponding obligations for due diligence in determining whether to invest in or partner with a particular CDFI.

The purpose of certification is to determine *eligibility* for Fund programs—to determine that an institution *is* a CDFI, but not how well it operates. For that reason, establishing specific financial criteria should not be a part of the certification process. Use of Federal Housing Finance Board criteria in certification or recertification is inappropriate. The FHFA established those criteria for a particular purpose—CDFI membership in the Federal Home Loan Bank System—and they cannot be applied broadly to the wide range of CDFIs the Fund certifies.

The current certification criteria are adequate for certifying CDFIs. In particular, the "Primary Mission" and "Accountability to Target Market" criteria can help the Fund screen out predatory or unscrupulous lenders. In earlier comments to the Fund on the "primary mission" criteria, OFN expressed concern with a 2006 change to the regulations that eliminated the requirement that an applicant and all its affiliates be devoted to community development. We recommend that the Fund return to a requirement that all affiliates be devoted to community development, possibly with a specific and narrow exception for venture capital CDFIs; or require that a parent of any applicant be devoted to community development.

CDFIs should be recertified no more frequently than every three to five years, and then the process should be minimally burdensome—possibly a declaration similar to the Fund's Certification of Material Events, in which CDFIs certify that there has been no change in their certification criteria.[1]

While certification should make no judgment about a CDFI's financial soundness, it is appropriate to ensure, during the recertification process, that the organization is an ongoing concern that continues to function as a CDFI. The Fund might ask that CDFIs provide audited financial statements as part of the recertification process. Such a requirement would ensure that CDFIs continue to make loans and investments, but would not prove an additional burden to CDFIs. The Fund would not and should not conduct detailed analysis of such financial statements or use them to draw conclusions about the financial condition of any CDFI, but merely require their submission. Any annual data collection requirement of certified CDFIs with no other reporting relationship to the Fund should be carefully defined and narrowly targeted to basic, easily obtainable information.

In addition, CDFIs that have been rated by OFN's CDFI Assessment and Ratings System (CARS™) have undergone a rigorous analysis of their mission, financial capacity, and governance.[2] The Fund should use a current satisfactory CARS™ rating as evidence of meeting appropriate certification criteria. OFN welcomes the opportunity to discuss the elements of a CARS™ rating that are substantially similar to certification criteria.

Finally, OFN has long advocated that the current "financing entity" test does not accurately reflect the finance-driven strategy of CDFIs and allows organizations that are not financing entities to be certified. The first set of regulations the Fund issued in October 1995 called for an institution's "predominant business activity" to be the provision of loans and investments. We object particularly to the way the Fund considers "provision of Financial Products, Development Services, and/or other similar financing" (Sec. 1805.201(b)(2)) rather than only financial products; *and* requires that these activities constitute only a plurality of an organization's activities. Instead, provision of financial products and services should constitute a majority of the CDFI's activities and financing should be an integral part of the CDFI's strategy. We urge the Fund to return to a finance-led definition.

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[1] Please see OFN's comment letter to the Fund of December 15, 2009 for additional recommendations on the use of the Certification of Material Events form in recertification.

[2] For more on CARS™, see "CARS™ on the Road—Edition 3," available at http://opportunityfinance.net/store/Downloads/CARS_On_The_Road_edition3.pdf.

4. Geographic and Institutional Diversity and 5. Financial Assistance
As discussed extensively in the section of this letter outlining the keys to the Fund's success, OFN has believed since the Fund's inception that its unique strength is the awarding of grants and investments through a competitive application process based on a CDFI's strategic business plan, its own assessment of its market, and its capacity to provide products and services in that market. The Fund has developed and taken on a mix of programs to meet the needs of CDFIs of all sectors, sizes, and stages of development. Adherence to this philosophy of competitive application is critical to the Fund's continued success, and "set asides" or other awards for CDFIs not based on this philosophy will be counterproductive.

Though it should not allocate specific funding streams for particular types, the Fund should take steps to ensure that various types of CDFIs can compete effectively. Such steps include:

- Ensuring that reviewers are well-versed in the structure, mission, and products of various CDFI sectors, or that only reviewers experienced in a particular sector review applications from those CDFIs;
- Tailoring applications so that, for example, depository institutions can demonstrate their transaction services; CDFIs can use primary-source data to explain their strategy; CDFIs with national marketplaces can describe that national market rather than focusing on only part of it; and intermediary CDFIs can adequately discuss their impact;
- Facilitating the use of FA awards as Tier 1 equity capital in depository institutions.

In narrow, targeted circumstances, the CDFI Fund might identify markets that are underserved by the CDFI industry. The Fund's Native American CDFI Assistance (NACA) programs are one such example; NACA provides a roadmap for providing assistance to underserved markets. In extending CDFI products and services in such markets, the Fund could waive or add additional flexibility to some of its requirements. For example, only in such cases could the Fund provide assistance to organizations proposing to start CDFIs, with strict timetables for establishment and certification of such CDFIs; provide flexible match requirements or waive them; and take other steps to encourage the growth of CDFI coverage into underserved markets. In such cases, the Fund should look to support the expansion of existing CDFIs as a key strategy for reaching these markets.

As the industry and individual CDFIs have matured, many institutions can make use of larger award amounts than the statute envisioned in 1994. The Fund should take steps to lift the cap limiting an individual CDFI to $5 million in assistance over three years. To ensure diversity among awardees, the Fund might consider capping the proportion of the total award pool that could go to any one CDFI in a particular year. The Fund should consider any annual caps on a year-by-year basis, dependent on available appropriations.

Large and mature CDFIs still have need of the range of Fund resources—FA to build an equity base and leverage additional private investment; technical assistance to assess the market for a new product, conduct strategic planning, or train staff in sophisticated products; New Markets Tax Credit allocations or Capital Magnet Fund grants to facilitate large deals. The Fund should make all its resources available to CDFIs of all sizes, types, and age; it should not set a point at which CDFIs "graduate" from any of its programs.

7. Matching Fund Requirements

In addition to provision of flexible, institution-based funding, another of the Fund's hallmarks is leveraging of private-sector investment. The match requirement is critical to this strategy and should be generally maintained.

However, the Fund was created to provide equity capital—the most difficult kind of capital for CDFIs to raise. CDFIs would derive significantly more benefit if all awards were made in the form most useful to the CDFI, regardless of match. Removing the restriction that the match be comparable "in form" would allow the Fund to make equity grants that CDFIs matched with loans—generating additional private-sector investment but streamlining the process for CDFIs in rural areas, smaller institutions, or those that have capitalization strategies focused on leveraging smaller amounts of equity.

D. Capitalization Assistance to Enhance Liquidity; G. Small Business Capital Enhancement Program; and H. Other Comments

The Fund's primary value to CDFIs is in the provision of equity capital. However, it can and should help open new doors to CDFIs, facilitating liquidity and enhancing access to the secondary market. It should not, however, divert resources from the CDFI programs but instead should pursue new initiatives with new (and reliable) sources of funding.

The recent economic crisis has demonstrated that CDFIs can weather difficult economic times, and that their products and services are in even higher demand. At the same time, liquidity constraints have hindered CDFIs' ability to respond to those market shifts. OFN's most recent quarterly Market Conditions Report, for the fourth quarter of 2009, indicated that more than half of CDFI respondents saw demand increase over the prior year. More than two-thirds expect demand to increase in the next quarter. For more than half of respondents, originations were not keeping pace with demand during the quarter. More than half also indicated that they faced capital constraints, and about one-quarter had taken personnel actions to deal with capital constraints.

Options the Fund could explore to provide additional liquidity to CDFIs and to foster growth in the industry include:

- The existing provision in the Fund statute for capitalization assistance to enhance liquidity. Effective use of this provision would require legislative changes to (1) delete the matching funds requirement and cap; (2) remove the limitation on other assistance; and (3) permit the use of cooperative agreements for services procurement.
- Implementation of a "discount window" along the lines of the window offered by the Federal Reserve to insured depositories, to provide short-term liquidity for CDFIs.
- Support for an "innovation bank" to identify promising field-building innovations and support CDFIs in testing those innovations and bringing them to scale.
- Creating a full or partial guarantee instrument for lenders and/or investors that purchase CDFI-originated assets.
- Creating a full or partial guarantee instrument for third parties that make loans and investments into CDFIs.
- Changes to the authorized Small Business Capital Enhancement Program to provide for such funding directly to CDFIs or to a pool that CDFIs could access directly. The concept of a risk-sharing pool for business loans is one that could benefit CDFIs, particularly as access to the Small Business Administration programs for CDFIs is limited. However,

most of the Capital Access Programs operated by states restrict participation to insured depositories and are of limited utility for CDFIs.

F. Bank Enterprise Awards (BEA)

The statutory purpose of the Bank Enterprise Award (BEA) program, according to the Conference report language on that section, was in large part, "creating a priority for equity investments in community development financial institutions." OFN believes that this purpose of BEA should be maintained. BEA has provided a "carrot" for incentivizing Community Reinvestment Act-related investment and other partnerships with CDFIs.

Conclusion

The CDFI Fund can be proud of its fifteen years of success catalyzing the growth, promotion, and increasing sophistication of the nation's CDFI network. By adhering to the core principles that have made it successful, the Fund can help stimulate a new era of CDFI participation in the nation's economy. Its model can anchor federal policy around community development finance and help build vibrant urban, rural, and reservation economies in which all Americans can fully participate.

We appreciate the opportunity to provide comment, and to move forward in partnership with the Fund over the next 15 years as we have since 1994. Please do not hesitate to contact me if you have questions or concerns about the ideas or recommendations in this letter.

Sincerely,

Mark Pinsky
President and CEO