December 19, 2022

Jessica Milano
Chief Program Officer
Office of Recovery Programs
Interagency Community Investment Committee
Department of the Treasury
799 9th St NW
Washington, DC 20001

RE: Community Investment Request for Information Comments

Dear Ms. Milano,

Guided by a vision of a nation where persistent poverty no longer exists, six regional Community Development Financial Institutions (CDFIs) located in and serving regions with a high prevalence of rural persistent poverty came together. The CDFIs ("The Partners") — Come Dream | Come Build (cdcb) of Brownsville, Communities Unlimited, Fahe, First Oweesta Corporation, HOPE Credit Union and Enterprise Corporation, and Rural Community Assistance Corporation — formed a coalition, currently called the Partners for Rural Transformation (PRT). With a shared ethos of investing in both people and places and informed by the voices of local people, we seek to unify around opportunities in diverse communities at a time of great division in our nation. A closer look at persistent poverty America reveals how structural exclusion by place and race continues to paint a picture that is steadfastly rural and marred by racial, capital and data inequity. The Partners strive to innovate and encourage investments in persistently poor rural areas where traditional investments have failed.

The Partners and the Interagency Community Investment Committee (ICIC) have alignment regarding ICIC's key areas of focus. One of PRT's federal priorities advocates for increased investments in CDFIs serving harder-to-serve areas, generating more investment. According to Hope Policy Institute's analysis (2021) of FDIC Household Survey data, persistently poor rural areas, majority of which are communities of color, face a disproportionate rate of unbanked and underbanked families. Given that so many of our communities are underbanked or located in a banking desert, CDFI's like PRT Partners who live in and serve these areas are essential financial institutions that sustain and develop the local economy. Our partners work fearlessly to create community-specific solutions to persistent poverty areas lacking critical investment and financial services. Standard investment and financial products created and implemented in metropolitan areas do not have the same efficacy in rural communities. This is especially true in persistently poor communities. The ICIC has a focus on starting and scaling small businesses in our service areas. It is imperative to be aware that in our service areas, our homes, the basic conditions and infrastructure needed for a healthy local economy are absent as a result of disinvestment and exclusion based on race and place. Fundamental basic needs are not accessible yet, and the ICIC four focus points provide the steppingstones needed to bring more advanced local economic scaling.

To maximize the impact ICIC has on the development in rural persistent poverty areas, Native communities and communities of color, PRT encourages the ICIC to consider the examples and proposed solutions detailed below.

PRT's Responses to Key Questions

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1. Please describe examples of best practices and lessons learned from community investment projects that have layered a mix of public, private, and/or philanthropic capital. How could these projects have been more impactful or more cost effective to implement?

Federal Programs can be difficult for small, rural communities to access.

Six CDFIs Coming Together for One Community Leader
Korey Adams represents one of the multitude of examples of PRT's ability to provide funding, technical assistance, and invaluable connections for small business owners and those working to transform underserved communities. Korey, by fate, met Ines Polonius – CEO of Communities Unlimited (CU), a PRT Partner. Ines referred Korey to the CU lending staff who helped Korey with developing a formal business plan for his Job Corps Campus model to bolster his lending profile. After a year and a half of development, training, and guidance from CU, Korey received over $40 Million in a federal contract. While Korey celebrated his opportunity to create a needed Job Corps campus in his community, he faced another monumental obstacle to overcome matching the federal contract with private capital to make his dream come to fruition. PRT's unique steering committee model stepped up. All the Partners that make up PRT – Communities Unlimited, RCAC, Fahe, Hope, Oweesta and cdcb – contributed the capital or technical assistance needed to match the federal capital. With the individual CDFIs that make up PRT coming together to achieve a common goal, individuals like Korey generated direct and effective positive economic change in his local community.
CARES Act Fiscal Relief Funds

In 2020, many state CARES Act programs for local governments required expenditures for reimbursement, a model that is commonplace for disaster relief aid. Communities with small budgets, however, often do not have the "up-front" funding required to aid and then later be reimbursed. This was true for the 2020 CARES Act Coronavirus Relief Fund as small, rural, low-income towns and communities of color, such as those in the Delta regions of Louisiana and Mississippi, and the Alabama Black Belt, Appalachia, the rural West, Native communities, and the Colonias where already weak economies were now further ravaged by the pandemic, lacked the resources needed to pay for personal protective equipment (PPE) and other vital pandemic-related needs.

HUD Section 8 & USDA Section 515
It is essential to accelerate interagency sharing of best practices in supporting community investment transactions. Because of the substantial resource and capacity constraints faced by affordable housing providers in rural communities, their projects are especially vulnerable to bureaucratic delays and cost increases that can result. The Housing Assistance Council (HAC), a national partner of PRT, recently worked with a nonprofit developer that purchased two small multifamily rental projects from the same seller in the same town for the purpose of preserving them as federally subsidized housing. One project received project-based HUD Section 8 assistance and the other was a USDA Section 515 property. The transfer of the USDA property took 18 months longer than the HUD property, a delay that led to interests' rate and materials/labor cost increases that nearly ended the transaction. To its credit, USDA provided $1 million of additional Section 515 funding to fill the growing funding gap. And to be sure, there are programmatic differences between the two funding streams. Nonetheless, as USDA continues to increase its focus on preserving its multifamily portfolio, this could be an area to engage in the sharing of best practices between the two agencies. More broadly, the ICIC should serve as a mechanism to ensure signatory agencies don't have to "reinvent the wheel" when it comes to balancing the dual mandate to fund and provide oversight for federal community development investments, thereby avoiding costly delays.

Small Changes Can Unlock Maximum Rural Community Potential
Even small interagency alignments can yield larger benefits. There are also examples of successful collaboration between HUD and USDA to improve program efficiency that should be lifted as best practices. For example, a HUD decision to use a USDA approach for self-help housing is a positive step when it comes to blending program funding across agencies and administrative streamlining. Rural self-help housing organizations often combine site development funds from HUD's Self-Help Homeownership Opportunity Program (SHOP) with home purchase mortgages from USDA's Section 502 direct loan program. In 2019, however, USDA adopted a new "income banding" approach to qualify homebuyers,[1] making some families eligible for Section 502 but not for SHOP. To eliminate the gap, in 2020 HUD began allowing the use of income banding for SHOP as well.[2] HUD could now widen this beneficial effect by extending the same change to apply to the HOME and Community Development Block Grant programs.

While not the stuff of press releases, such streamlining efforts are true "win-wins." Not only do they often save the federal government money, in high needs places like rural and persistent poverty communities they can be the difference between a project moving forward to completion or stalling out because of the fragility of the financing, public sector, and developer ecosystem.

CDFIs fill financial gaps in persistently poor rural areas by providing basic financial services, capital for future wealth building through homeownership and small business owners, and financing for critical community infrastructure, such as affordable housing, hospitals, healthy food systems and nonprofit organizations. By investing more in the CDFIs that serve these areas, the Partners that make up PRT and other CDFIs serving disinvested communities have more capital to deploy for underserved communities. It would be more cost effective for investments to be made directly to the CDFIs serving rural persistent poverty areas, instead of having money and time (both valuable and essential to mission-based lending entities) spent on layering capital from several sources, communicating through several entities back to the borrower, and progressing at a slower rate to ensure all funding sources and layers are solidified. Investing in CDFIs so they are capable of serving their respective areas that face disinvestment on their own will generate more local economic stimulation, accumulating wealth that sticks over generations.

2. From the examples provided in response to question 1, what specific changes could agencies consider facilitating the layering of federal funds to attract greater private follow-on funding, as they implement new community investment programs and contemplate modifications to others?

Below HOPE, a PRT partner, outlines several over-arching challenges with federal programs with specific examples that illustrate opportunities to maximize the effectiveness of federal investments in underserved areas. While specific examples are listed, the over-arching challenges should be considered applicable to other federal programs as well. Those challenges include:

- CDFIs and Minority Depositories with track records of reaching people of color are well equipped to deploy federal investments to underserved communities but are often under-capitalized

[1] Rural Housing Service, USDA. Final Rule, Single Family Housing Direct and Guaranteed Loan Programs. Federal Register. June 21, 2019. https://www.federalregister.gov/documents/2019/06/21/2019-12988/single-family-housing-direct-and-guaranteed-loan-programs
[2] Community Planning and Development, HUD. Notice of Funding Availability, Self-Help Homeownership Opportunity Program. Section III.F(13). June 18, 2020. https://www.hud.gov/sites/dfiles/SPM/documents/fy20_SHOP_FR-6400-N-19.pdf

- Minority-led CDFIs and Minority Depositories with track records of reaching people of color are well equipped to deploy federal investments to underserved communities but are under-capitalized
- Federal programs can reduce the racial wealth gap by supporting financial institutions like CDFIs and Minority Depositories that serve people of color and persistent poverty communities in ways that allow them to maximize private investment
- Expand accountability among financial institutions, including CDFIs supported by federal funds to ensure equitable access to capital and services

For many programs, federal dollars are administered by States or other entities, including mainstream banks that do not have a track record of serving persistently poor, Native, and rural communities of color. With numerous federal programs administered by the States, leads to uneven and often inequitable distribution of aid.

Emergency Rental Assistance
An examination of the Emergency Rental Assistance Program (ERAP) shows that state governments in the Deep South did not meet the needs of local people in the distribution of rental assistance at levels achieved across the country. Such findings call for increased accountability among states - particularly states with questionable track records in serving the most vulnerable populations. Accountability needs to extend beyond sending unspent money to other states or back to Washington, D.C. and include mechanisms to create consequences for state agencies when the people and communities intended to be served are not. The strong showing by local governments administering ERAP underscores the importance and effectiveness of directing federal resources to entities closest to the ground with the mechanism to track and deploy federal dollars.
Small Business access to the Paycheck Protection Program

As COVID-19 upended lives and the economy, it quickly became clear that federal responses like the US Small Business Administration Paycheck Protection Program (PPP) were not adequately designed to meet the needs of Black, Indigenous, and other business owners of color. PPP relied on traditional banks as the primary delivery system, but sole proprietorships, which nationally account for more than 90 % of all Black businesses, were ineligible in the program's initial phase. Several Black-owned HOPE PPP borrowers expressed frustration with mainstream financial institutions offering PPP loans, including those with whom they already had a banking relationship. These and other structural inequities devastated already undercapitalized entrepreneurs of color, and Black businesses suffered an initial closure rate of 40% and Latino businesses, 37%, compared to 17% for white-owned businesses as a result. The experiences of many businesses served by PRT Partners and other mission-based lenders providing PPP loans reflect the realities of large swaths of small businesses that are neglected or underserved by traditional financial institutions.

State Small Business Credit Initiative (SSBCI)
The SSBCI from 2010 to 2017 shows another key proof point of how CDFIs can expand the success and reach of federal resources when state implementation is uneven. Just over one-third (34%) of total SSBCI funds went to businesses located in low- to moderate- income areas. CDFIs, again, outperformed the program as whole, with 46% of lending directed to businesses in low- to moderate-income areas as compared to 32% for non-CDFI lenders. The outcome of Mississippi's SSBCI 1.0 is informative as well: in Mississippi, despite nearly 50% of loans going to rural businesses, only 28% of loans were directed to businesses in low-income areas in the state. The majority of loans went to larger agriculture businesses. In the first iteration of SSBCI, Treasury did not report on the extent to which these funds went to

communities or borrowers of color. In this next round, Treasury and Deep South states have to opportunity to ensure a more equitable distribution of this critical capital resources.
When Congress builds recapture provisions into programs to reallocate funds by underperforming states, it should ensure the flexibility to reallocate these funds to non-governmental entities such as CDFIs or MDIs. For example, a fail-safe recapture provision in programs such as the Homeownership Assistance Funds, State Small Business Credit Initiative, and Rental Assistance Funds would advance the equitable distribution of capital in states, particularly in the Deep South, that have historically struggled to deploy the money to people and communities of color.

Modernizing the Community Reinvestment Act
The Housing Assistance Council, a PRT national partner, suggests that the focus should not just be on leveraging private sector funding – which is far more scarce in rural areas – but also rewarding leverage of public sector funding. Agencies could invest in technical assistance through intermediaries to help rural and underserved places gain the expertise necessary to help develop successful projects that layer complex funding sources effectively. Specific to HAC's expertise, USDA Rural Development should find a way to streamline bringing in new private capital to assist with the preservation of their multifamily housing portfolio. Additionally, HUD and USDA should agree to the same environmental review process and requirements, to streamline when both HUD and USDA requirements need to be met.
The Partners for Rural Transformation support HAC's suggestion to strongly encourage the ICIC generally, and Treasury in particular, to consult with the other financial regulators as they move forward in implementing a new regulatory framework for the Community Reinvestment Act (CRA). Along with the Low-Income Housing Tax Credit (LIHTC),[3] CRA is a driving force behind much private capital available for community investment financing. Rural areas remain at a disadvantage because they are often excluded from large banks' CRA assessment areas.[4] Banks seeking CRA credit are the primary investors in LIHTCs, so they compete to purchase tax credits in larger cities, driving up their contributions in those places while paying less for rural tax credits. This lower equity pricing further compounds the financing gaps faced by rural communities. Accordingly, PRT's comments on the proposed rule, as well as HAC's comments[5] and many other stakeholders, called upon the regulators to ensure the final rule incorporates a robust qualitative element in the CRA assessment regime, rather than focusing only on a quantitative approach to assessing bank community investments. HAC urges the ICIC to embrace a similar, nuanced approach.

Standardizing processes involved in development projects that utilize capital stacks from multiple federal sources to remove redundancies

cdcb, a PRT partner located near the U.S./Mexico border serving Colonias, is currently undertaking the restoration of downtown Brownsville's historic Samano building, repurposing it for both supportive housing as well as a marketplace. Included in its capital stack are funds from Treasury, HUD, and other federal entities. The stacking of multiple federal dollars sources has led to the duplication of efforts, particularly in regard to environmental impact studies (i.e. site assessments and environmental reviews).

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[3] LIHTC's contribution to affordable housing production and preservation in rural communities has been essential: Of the over 13,000 properties that received LIHTC allocations from 2006-2016, over one quarter were located in census tracts defined by the Federal Housing Finance Agency (FHFA) as rural. Notably, rural LIHTC properties were substantially smaller (44 units versus 88 units on average) and served a poorer population (94 percent low-income versus 86 percent low-income) than non-rural properties.
[4] CRA in America. https://ruralhome.org/reports/rrr-cra-in-rural-america/. January 2015.
[5] HAC Submits Community Reinvestment Act Comments. August 9, 2022. https://ruralhome.org/hac-submits-cra-comments/

Standardizing these requirements across agencies would tremendously boost efficiency and project timelines for what are already complicated constructions subject to delays. In addition, standardizing technical definitions across agencies would further help to cut back on redundancies.

Utilizing the colonia investment tract methodology advanced by FHFA across all federal agencies to better direct federal resources to historically unique and long underserved colonia communities

The main advantage of using colonia census tracts to identify and verify Duty to Serve-eligible criteria is that doing so achieves stability in methodology while maintaining flexibility to adapt to evolving geographies. In surveying the colonias of south Texas, we have determined that the census-tract method delivers laser focused concentration on colonias even when they are surrounded by mixed-income non-colonias communities. Over the last 20 years, as metropolitan areas expanded and encircled colonias, local governments chose not to incorporate them. Cut off from municipal services, colonias were denied integration into the surrounding economy, thereby stranding these impoverished communities in what are effectively archipelagos of rural poverty. If adopted, the altered definition's immediate impact will be on Fannie and Freddie lending activity. But the FHFA's leadership on this topic possesses the potential to create a beneficial ripple effect. If other federal entities were to also adopt this methodology it would streamline the deployment of a suite of federal programs and services across USDA, HUD, Treasury, and others. This would result in the real possibility of economically integrating colonias communities to their surrounding economies, supercharging efforts to address decades of disparities.

3. As agencies are implementing new programs under recent CHIPS and IRA legislation, how can they best incorporate these lessons to streamline design and delivery, as well as ensure historically underserved communities benefit from federal funds?

Upholding State Accountability & Transparency

The Partners for Rural Transformation urge the ICIC to model and uphold a higher standard for accountability. As the ICIC is aware of, there are several programs that will be implemented through new legislation. When it comes to the following fiscal year and budgeting appropriations, it will be morally responsible and obligatory to report on the new programs to educate future funding decisions. Rigorous program evaluations need to take place to understand the impact the programs had on communities, participants and program staff. Prior to the pilot program being implemented, specific metrics of success need to be developed, preferably by a third party with the individual community context in mind. It is necessary to understand if the program met pre-determined metrics of success and impact before any further funding decisions are made in the following federal fiscal year. Furthermore, it needs to be made clear that a program is not only meeting success goals but are meeting these goals in the areas they are intended to serve. With several programs having specific rural or high-needs rural obligations, it is essential to make sure these bottom lines were met if not exceeded. Accountability has to be created through transparency. With program evaluations taking place, reports being shared, and metrics of success shared with community dynamics and data in mind, implementation processes will run smoother, and inform the decision-makers on program funding. More communication and transparency are needed for responsible and equitable decision making to ensure funding in programs that are equitable and leveraging the most impact.

Technical Assistance & Funding Set Asides

The following steps could be considered to ensure that historically underserved areas benefit from the recent CHIPS and IRA legislation, as well as more broadly from federal programs that do not equitably serve rural places:

- Incorporate technical assistance through intermediaries, when possible, to help underserved communities understand what funds are available and successfully compete for those funds
- Include rural/Tribal/persistent poverty set asides in funding streams that might not otherwise naturally reach those places
- Engage with underserved populations to incorporate local consultation into program design
- Involve CDFIs and intermediaries who have established relationships in underserved areas in program rollout
- Avoid over-weighting leverage or matching requirements in competitive programs, which could inadvertently disadvantage historically underserved areas

4. Community financial institutions play a critical role in providing safe, affordable capital and financial services to historically underserved communities. How can federal agency coordination help build the capacity of these organizations to serve their communities?

CDFIs and Minority Depositories with track records of reaching people of color are well equipped to deploy federal investments to underserved communities but are often under-capitalized

Partnerships with CDFIs with long track records of reaching underserved communities and communities of color will ensure federal resources reach people and places most in need. CDFIs, long on the front lines of meeting the financial needs of underserved communities, continue to serve as important drivers of economic mobility in rural economies and among people of color.

Emergency Capital Investment Program
The U.S. Treasury's Emergency Capital Investment Program (ECIP), created to leverage the reach of CDFIs and Minority Depository Institutions to support small businesses, homeowners and consumers living in low-income communities, represents some of the best new thinking around the targeting of federal community development resources. The program was structured to foster inclusion by a range of institutions. Approximately 20% of the ECIP awards were designated for CDFIs and MDIs with fewer than $500 million in assets.

Rapid Response Grant Program
The Rapid Response grant program served as a critical source of capital to stabilize homeowners and small business owners of color. To date, HOPE, a PRT Partner, has deployed a majority of its award with plans for it to be fully lent out within 12 months of receipt. Examples of how we put this program to use included working capital for a Black-led nonprofit that provides mental health services in Memphis, TN and financing for a Black-owned video production company to revitalize a building in a distressed Jackson, MS neighborhood to fuel its expansion and provide space for other entrepreneurs. The Rapid Response program provided lessons to be considered for CDFI Fund program design. Smaller CDFI loan funds, community development credit unions, rural and minority lenders were all well-represented in the awards. Unlike previous award programs, this approach deployed funds quickly to organizations on the front lines of the economic crisis. Commendably, within six months of being authorized by Congress, $1.25 billion had been moved into CDFIs to support communities. As such, administration of the Rapid Response Grant Program serves as a model for future crises.
Another promising practice was the announcement of Rapid Response award recipients along with amounts and MDI /Native CDFI designations. While the MDI designation does not extend to CDFI loan funds led or controlled by people of color, the publication of award amounts by these designations is a practice the CDFI Fund should continue in future award announcements across all program lines.

Because Rapid Response awards were published with this information, it is possible to assess the distribution of the awards along racial equity lines.

Include CDFIs in multifamily risk sharing. CDFIs could better serve their communities if they could access the HUD/Federal Housing Administration (FHA) multifamily risk sharing program. Currently, only state housing finance agencies actively participate in HUD/FHA multifamily risk sharing (and, by extension, Federal Financing Bank funding). However, CDFIs are also well positioned to provide the long-term, fixed-rate multifamily mortgages that are especially important to historically underserved communities. No additional congressional authority or appropriation is needed to include CDFIs in risk sharing.

To facilitate inclusion of CDFIs, planned efforts to revise risk sharing policy guidance should intentionally accommodate CDFIs. HAC also supports completion of current plans for FHA and FFB to offer a forward interest-rate lock (or its equivalent) to accommodate new construction and substantial rehabilitation. In addition, FHA should consider ways to enable risk sharing loans to support unsubsidized affordable housing (sometimes called naturally occurring affordable housing, or NOAH), whose owners keep rents affordable but do not routinely certify residents' income, including by offering a five-year prepayment lock-out (in addition to the current ten-year lock-out that is suitable for subsidized, rent-restricted properties).

Provide guidance on nonprofits' right of first refusal under the Low-Income Housing Tax Credit. Outside entities have been taking advantage of Section 42(i)(7), a provision in the Internal Revenue Code that allows nonprofit organizations to exercise rights of first refusal (ROFR) at the end of the required 15-year compliance period for LIHTC properties. The ROFR is intended to enable a nonprofit developer to obtain full ownership of the property and preserve its long-term affordability, but other entities' attempts to intervene have led to loss of affordable housing as well as costly legal battles with inconsistent results. The Internal Revenue Service should issue guidance clarifying Section 42(i)(7).

Make definitions consistent. Federal agencies should also coordinate on definitions to help community financial institutions better serve their communities. For example, for the New Markets Tax Credit (NMTC) program the Internal Revenue Service should use the better tailored definition of "rural" adopted for the Capital Magnet Fund (CMF), rather than nonmetropolitan. Rural set asides using the county-based "nonmetro" as a proxy for rural often do not help the states – largely in the West – where counties are vast, with very rural places found within metropolitan counties.

5. What specific changes to federal credit or securitization programs could facilitate additional private investment in community financial institutions, and what are the most important existing limitations of these programs that may prohibit additional scale that could be achieved?

New Markets Tax Credits

New Markets Tax Credit Program (NMTC) prioritize the allocation of credit to CDFIs and MDIs serving rural areas of persistent poverty will generate more capital to be invested into these communities for years to come.

In the CDFI Fund's New Markets Tax Credit (NMTC) Program, the outcomes of which communities benefit from NMTC investments are shaped in many ways by the Community Development Entities that receive the allocations and make decisions about which projects to fund. From 2012 to 2020, organizations led by people of color were awarded 11% ($3.7 billion) of the total NMTC allocations compared with the 89% ($29.5 billion) awarded to white-led organizations. The benefits of a NMTC allocation go beyond the critical community investments deployed by CDEs in distressed areas. A NMTC allocation also provides an infusion of capital for the CDEs (which can be CDFIs or MDIs), and earned revenue that can then be the basis for growth and attracting other types of investment for years to come. Having a NMTC can serve as a catalyst for increased and potentially more consistent investments into the CDFIs and MDIs serving persistently poor, rural, and Native communities.

Allow Fannie Mae and Freddie Mac to invest in CDFIs
Rural areas do not typically have as rich a mix of public, private, and philanthropic capital as urban and suburban places; therefore, it is especially critical that community financial institutions and intermediaries have access to patient, flexible, low-cost capital to work with when serving rural communities. Permitting the Government Sponsored Enterprises (Fannie Mae and Freddie Mac) to make targeted equity investments in CDFIs is, in HAC's and PRT's opinion, the most impactful action that the Federal Housing Finance Agency (FHFA) could currently take to improve outcomes for rural and underserved places through the Duty to Serve rule. This change would allow community-based nonprofit lenders to bring the power of the Enterprises to markets in which little to no mortgage activity currently occurs, and it would allow community-based nonprofits to grow new markets for future activity by the Enterprises.

6. How can the Agencies incentivize or structure data collection and reporting to promote increased private sector and philanthropic investment in community financial institutions?

Improve accuracy of public data. The usefulness of USDA's data could be expanded by increasing data scrutiny. In several cases the data include multiple measures to capture similar information, so a comparison of the measures could be used to troubleshoot problems before they arise and limit confusion.

Provide rental housing preservation information. USDA could help stakeholders learn more about the possible preservation uses of USDA Rural Development's Community Facilities programs and the Business and Industry guarantee program. For example, HAC's research has found that numerous stakeholders are unaware that non-housing Rural Development programs could be used for housing preservation. USDA could help by making field office and state office staff aware of all possibilities and including this information in notifications to owners and on its website.

USDA's Rural Housing Service (RHS) could provide or support an exchange where stakeholders can share information with each other about preserving rural rental housing. These could include buyer-seller conferences, which USDA has arranged in the past, as well as meetings to swap best practices, and others. The regular calls USDA has held with rental housing stakeholders have been appreciated.

Additional information and data would also be useful for rural rental preservation. Stakeholders generated a list of information that could help owners, purchasers, and others:

- what has worked to preserve properties of various types and sizes in various situations;
- what properties leave the program, and why;
- where tenants have moved when leaving properties when (or just before) they left the portfolio, and what impact the change has had on them;
- details on the number of tenants USDA's programs serve, the amount needed to fully renew existing Rental Assistance, the number of Rental Assistance units retired, and the number of properties at risk of being removed from the portfolio;

- regular updates to the Preservation Information Exchange (PIX) system;
- details on individual properties compiled in a single place online (following HUD's example); information could include owner contact information, rent information, the amount of each payment, how many payments remain, whether the owner has requested prepayment approval, when the mortgage(s) will mature, and more, but proprietary and personally identifiable information, such as owners' Social Security numbers, should be omitted; and
- a list of properties whose mortgages have matured in the past few years.

7. How can further alignment of and coordination between federal agencies in the four areas of substantive focus result in stronger outcomes with regards to reducing racial economic disparities, improving financial security and economic mobility, and generating broadly shared economic opportunity?

Prioritize rural persistent poverty areas
PRT strongly supports the ICIC's goals of reducing racial economic disparities, improving financial security and economic mobility, and generating broadly shared economic opportunity. We believe further that increasing alignment of and coordination between federal agencies in the RFI's four areas of substantive focus could result in stronger outcomes regarding those goals. But such alignment and coordination will do so only if the ICIC member agencies collectively prioritize high needs rural communities, especially rural persistent poverty counties.

Rural America has for too long remained an afterthought in the design and implementation of much federal economic and community development policymaking of the USDA. While USDA's Rural Development programs remain essential to changing the trajectory and geography of opportunity in rural communities, they are not sufficient to do so. Indeed, given the extent to which rural America features unique capacity and scale challenges that do not fit well with most public and private sector models of community facility financing, the onus must remain on the other ICIC member agencies to prioritize high needs rural communities.

In particular, any credible effort to make real the American dream more broadly and equitably must focus on the communities that have been denied it the longest – persistent poverty counties, where over one-fifth of residents have been below the federal poverty line for at least three decades.[6] The vast majority of persistent poverty counties are rural – concentrated in regions including the Mississippi Delta or Black Belt, central Appalachia, Colonias, the rural West, and Native lands. Sixty percent of people living in persistent poverty counties are people of color and 42 percent of persistent poverty counties have majority populations of color. PRT's comments elsewhere offer specific recommendations for improving ICIC member agency alignment and coordination to address the needs of rural persistent poverty counties (e.g., targeted technical and capacity building investments in community financing institutions with demonstrable expertise, set asides within federal funding streams). Here, we simply reiterate the importance that the ICIC member agencies jointly prioritize these high needs rural communities.

Similarly, to increase economic mobility and broaden economic opportunity in America will require the ICIC agencies to prioritize rural America more broadly. Well over half a century of macroeconomic trends, exacerbated rather than counterbalanced by federal economic and community development policies, has resulted in fewer than 15 percent of census tracts designated by the FHFA as "high

[6] HAC estimates there were 377 persistently poor counties in 2020. Approximately 78 percent of persistent poverty counties in 2020 have been in this status consistently since 1980.
https://financialservices.house.gov/uploadedfiles/hhrg-117-ba04-wstate-georgel-20221115.pdf

opportunity" being rural.[7] If this trend is not reversed, the nation faces political as well as economic dangers, as a substantial swath of the country becomes increasingly skeptical of the ability of their elected government to better their lives and those of their children. PRT elsewhere offers specific recommendations for how the ICIC can most effectively align and coordinate their investments in rural communities across the four areas of substantive focus. The critical initial step is for the ICIC to have the collective will to do so.

Rural Income Limit Unfairness

Fahe, a PRT partner, recommends working towards mitigating the impacts of rural income limit unfairness. Persistent poverty is not only a geographic disparity, nor only an issue of historically underserved populations – though it certainly is that. It is also an issue of racial economic disparity. This policy disparity keeps federal funding out of communities and families of color across the nation. Outside of Fahe's service area of Appalachia, the other concentrations of rural poverty exist in the Mississippi Delta, Native communities, and in the Colonias along the southern border. These are primarily black and brown communities, with high rates of poverty and a demonstrated need for federal investment. Again, in the absence of legislative action, Agencies will need to explore regulatory flexibilities. USDA is leading the way with their "income banding" policy; other creative solutions will need to be developed and expanded by Agencies that are concerned with the equitable distribution of their resources. For example, Fahe supports ongoing discussions between USDA and HUD regarding using income banding for HUD programs when they are utilized on the same project as USDA funds. Other creative flexibilities should be developed by all Agencies, with the goal of increasing investment into underserved communities. HUD should also request legislative authority to implement a national non-metropolitan median family income floor to the calculations they are directed to carry out.

Banks and credit unions must offer products that meet the unique needs of people living in rural persistent poverty communities – the secondary market must support them

PRT Partner HOPE's in-house mortgage product, the Affordable Housing Program (AHP), is designed to address systemic obstacles for potential homebuyers lacking a down payment. Despite this success in expanding homeownership among Black borrowers, the Government Service Enterprises (GSE's) do not purchase a mortgage with characteristics similar to the AHP. The unwillingness to offer such a product or to create a secondary market for it limits the GSE's effectiveness in playing a meaningful role in closing the racial wealth gap.

Expand accountability among financial institutions, including CDFIs supported by federal funds to ensure equitable access to capital and services

LIHTC

Stronger tracking and reporting mechanisms are needed to expand inclusion in the LIHTC program. The Low Income Housing Tax Credit Program is one of the primary tools used by HOPE to expand the supply of high quality rental housing in rural persistent poverty counties throughout its footprint. While the outcomes are positive, one ongoing challenge remains in the consistent lack of allocations to Black housing developers. Across PRT Partner HOPE's five state regions, there are active LIHTC developers that receive allocations year after year. There is not a single Black developer receiving frequent and consistent awards. In light of the disparities, Congress should increase annual reporting requirements from all state housing finance agencies charged with overseeing the program.

[7] Federal Housing Finance Agency. Duty to Serve Eligibility Data. https://www.fhfa.gov/DataTools/Downloads/Pages/Duty-to-Serve-Eligibility-Data.aspx

CDFI Fund

Among CDFIs, financial institutions that receive CDFI Fund support should be held accountable to serve borrowers of color. The CDFI Fund should examine and report on which populations and communities are being served by financial products and services supported by the Fund's investments, particularly by race and ethnicity. In addition to examining whether CDFIs are meeting the minimum thresholds for CDFI certification, which are often based on low-income geography or low-income borrower, the CDFI Fund should seek to understand how much CDFI lending is reaching communities of color, borrowers of color, and underserved areas such as rural areas of persistent poverty. This data should be reviewed and published in the aggregate on a regular basis to Congress and on the Treasury's website.

An examination of Home Mortgage Disclosure Data (HMDA) in the Deep South underscores concern about potential disparities in track records among CDFIs and MDIs. Stark examples are evident in Mississippi, where so much of the state qualifies geographically as low-income, and nearly 40% of Mississippi's population is Black. Using 2020 HMDA mortgage lending data, HOPE found that among the 21 CDFI banks in Mississippi engaged in mortgage lending in the state, 69% of mortgage loans went to white borrowers while only 11% went to Black borrowers. This is lower than the statewide rate of mortgage originations in 2020 to Black borrowers at 16%. By contrast, Hope Credit Union made 80% of its mortgage loans to Black borrowers. Notably, many of Mississippi's CDFI banks engaged in mortgage lending include rural persistent poverty counties in their Target Markets. Similarly in Louisiana, collectively all 14 CDFI Banks reporting HMDA information made 15% of their mortgage loans to Black borrowers in 2019. However, when Liberty Bank, a minority depository institution which made 76% of its mortgage loans to Black borrowers, is excluded from the analysis, the percentage of mortgage loans to Black borrowers by CDFI Banks in Louisiana drops to 9%.

8. What data should the Agencies consider collecting to better understand and report the impact of community investments in reducing racial, gender, and geographic, or other economic disparities?

RHS should report Section 502 direct loans under the Home Mortgage Disclosure Act (HMDA). HMDA data is an invaluable resource for understanding and improving home lending markets across the country. Congress enacted HMDA in 1975 to help inform the public and policymakers of mortgage lending activity, and, in doing so, made it possible to identify communities where access to credit is being denied or discrimination is occurring. With some exceptions, the law mandates institutions originating home purchase, refinance, and home improvement loans, to publicly disclose certain information on the loan applicants and loan characteristics. Policy makers and researchers rely on HMDA data to better understand mortgage lending markets, federal financial regulators use HMDA data to perform Community Reinvestment Act evaluations, and housing practitioners use HMDA to evaluate local lending activity.

HMDA currently excludes rural activity through some of its reporting exemptions that limit coverage. Reporting exemptions exist for extremely small asset lenders ($50 million in 2022) and lenders that do not operate a bank office or branch in an OMB designated metropolitan area. As a result, many smaller banks and banks that operate exclusively in rural areas do not report home lending data. This exemption calls into question the thoroughness of HMDA data for some small markets. Recent changes that have exempted even more lenders from reporting have further exacerbated the problem of data coverage, particularly for small rural areas.

To help counterbalance these omissions, PRT supports HAC's recommendation that USDA voluntarily report data on the applications and loan originations for USDA Section 502 direct loans. Most USDA Section 502 guaranteed loans are already reported to HMDA. The inclusion of information on Section 502 direct applicants and borrowers would help provide a more comprehensive picture of rural mortgage dynamics and also highlight the dynamics of a source of quality and affordable housing finance provided by USDA.

Ultimately, financial and mortgage market information is vital to understanding and improving affordable and appropriate lending activity, especially in rural communities. We believe that practitioners, policymakers, and regulators should have an adequate understanding of rural home credit markets and help ensure that all residents have access to fair and affordable credit.

HUD should restore rural in the American Housing Survey (AHS). The American Housing Survey is one of the richest data sources on housing conditions in the U.S. But the rural codes have been inexplicably removed from the Public Use File (PUF). HUD should make rural data available to AHS users again in the PUF.

Undertake analyses on housing conditions and solutions for each high need and persistently poor rural region or population. The persistence of poverty is most evident within several predominantly rural regions and populations such as Central Appalachia, the Lower Mississippi Delta and the southern Black Belt, the Colonias region along the U.S.-Mexico border, Native American lands, and migrant and seasonal farmworkers. HUD commissioned a large-scale research report on housing for Native Americans, published in 2017.[8] The Housing Assistance Council recommends that HUD commission or contract similar analyses for each high need rural region or population. PRT and HAC are ready to consult and work with HUD on this much needed research to inform strategies that reduce racial and ethnic disparities across rural America. As an example, in the early 2000s HAC conducted one of the only national surveys and analyses of farmworker housing conditions.[9] HUD was a major funder of that research. That work is now more than 20 years old, however. There have been substantial changes in farmworker demographics and dynamics in that time, and we know very little about how the housing situation has changed for this population.

Tracking Program Funding in Persistent Poverty Counties
The agencies should be tracking the portion of their program funding that is delivered in persistent poverty counties and determine if that is an equitable amount. Nonprofits in these communities often face barriers to deploying funds (like matching dollars, capacity, or economic conditions), and as we have illustrated here, families are often defined out of eligibility. Tracking amounts of successfully delivered funding would allow the Agencies to determine if these barriers are preventing delivery.

9. How can the Agencies collaborate on providing technical assistance, opportunities for peer-to-peer learning, and other non-financial resources to support the deployment of capital or implementation of community-serving projects in historically underserved communities?

[8] U.S. Department of Housing and Urban Development. 2017. Assessment of American Indian, Alaska Native, and Native Hawaiian Housing Needs. https://www.huduser.gov/portal/native_american_assessment/home.html
[9] Housing Assistance Council. 2001. No Refuge from the Fields: Findings From a Survey Of Farmworker Housing Conditions in the United States. https://ruralhome.org/wp-content/uploads/storage/documents/norefuge.pdf

BIL & IRA Funding
As Agencies work to deploy BIL and IRA funding, nonprofit technical assistance providers like RCAC, a PRT Partner, are necessary partners to ensure that critical funding will make it to rural and Tribal communities in an efficient and effective way. Federal requirements for funding applications for even the most similar programs are often too onerous for rural communities to apply to resulting in these communities to not even apply. If Agencies are trying to target rural, Tribal and low-capacity communities like the ones we support, the Agencies have to meaningfully invest in technical assistance through direct funding for nonprofit TA providers. Requirements, for instance, that economic development districts must have audits, and federal accounts through RD Apply, or SAMS.gov are instant disqualifiers for low-capacity communities who need the help the most. In addition to early and consistent outreach to these communities to explain the funding programs, Agencies should be connecting with and funding nonprofit technical assistance providers and other community organizations who have decades of experiences and trusted relationships on the ground in rural and Tribal communities.

Allow Other Federal Agency Match
One recommendation for agency collaboration, in instances where leverage or match funding is required, would be to allow "other federal agency" leverage or match. For instance, USDA allows other federal agency match, while HUD's Rural Capacity Building Program does not. This change would explicitly foster cross agency collaboration on technical assistance for capacity building and on brick-and-mortar projects on the ground.

Staff to Manage Cross Collaboration
Another option to better foster interagency collaboration would be to have a programs office or officer in each agency who would be tasked with specifically managing this desired cross collaboration. If that capacity is not possible internally, a trusted external partner could be designated as a rural programs intermediary to coordinate such collaboration.

10. Please describe best-in-class examples of how federal technical assistance has been best implemented through public-private partnerships.

USDA Technitrain Success
PRT Partner RCAC has been exemplary through their success of public-private partnerships. The USDA water and environment program Technitrain leverages millions in federal dollars for hard-to-reach communities. The Community Facilities funding that RCAC received last year was $50,000. The direct result of that funding, for instance, helped rural communities access $27,517,385 in USDA RD CF funding, and there are outstanding applications for $23,467,231 more. The funds support a variety of projects including courthouses, medical clinics, a radio antenna and more. For a relatively small investment into a nonprofit partner to help communities put together application resulted in a huge investment into small and rural communities. In addition, RCAC has demonstrated success through the 502 Direct Packaging Program. Low- and very low-income rural residents need opportunities for home ownership, but traditional mortgage financing is too often out of reach. The U.S. Department of Agriculture Rural Development (USDA RD) Single Family Direct Loan Program (502 direct loans) is an affordable alternative that provides subsidized mortgage loans for modest homes in rural areas. The applicants are generally first-time homebuyers. RCAC is an intermediary and quality assurance reviewer of packaged loan applications for USDA RD's Section 502 Single Family Housing Direct Loan Program. RCAC provides training to qualified employers and certified packagers to ensure they are qualified to process loan applications.

Support capacity building programs. As mentioned earlier, capacity building is critical for the equitable flow of federal investments to rural, Tribal, and underserved communities. Several small-but-mighty programs serve as best-in-class examples of how technical assistance can level the playing field for these communities. The Rural Capacity Building (RCB) Program at HUD and the Rural Community Development Initiative (RCDI) at USDA are powerful and flexible programs that invest in the capacity of nonprofits and Tribes to undertake affordable housing and community development activities in rural areas. This capacity building is provided by national organizations, like PRT Partners and PRT national partners including HAC, who have the expertise and trust-based relationships to move the needle on rural capacity challenges.

Establish a national rural intermediary. Historic levels of federal funds for pandemic recovery and infrastructure are flowing to communities, but no amount of federal investment will succeed in creating lasting rural equity if not paired with the establishment of a federally backed national rural intermediary to ensure the most underserved and persistently poor rural places are able to access available federal resources. Interagency support for new capacity building resources, such as the proposed Rural Partnerships Program, is critical to bolster these efforts.

The Partners for Rural Transformation acknowledge and applaud the Interagency Community Investment Committee's current efforts to achieve persistent prosperity in rural America. We encourage the Interagency Community Investment Committee to consider these examples and suggestions to capitalize on the impact the agencies can have on the development in persistently poor rural areas. With more streamlined, transparent, and targeted capital flow to the CDFIs serving these areas, and less time spent addressing barriers of investment, persistent opportunity can become tangible. The Partners for Rural Transformation thank you for your time and the opportunity to submit this comment.

Sincerely,

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PARTNERS FOR RURAL TRANSFORMATION