December 5, 2022

Jodie Harris, Director
Community Development Financial Institutions (CDFI) Fund
Departmental Offices, Department of the Treasury
U.S. Department of the Treasury
1500 Pennsylvania Avenue NW
Washington, DC 20220

Re: Public Comment on CDFI Certification Application (OMB Control Number: 1559–0028)

Dear Director Harris and CDFI Fund staff:

The Partners for Rural Transformation welcomes this opportunity to provide comment on the CDFI Certification Application (OMB Control Number: 1559–0028).

Partners for Rural Transformation (PRT) appreciates the opportunity to comment on the revisions to the CDFI Application. 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—come dream. come build (cdcb) of Brownsville, Communities Unlimited, Fahe, Oweesta Corporation, HOPE Credit Union and Enterprise Corporation, and Rural Community Assistance Corporation— formed a coalition, 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. These challenges are exacerbated by a history of disinvestment, data and resource extraction. PRT applauds the Biden administration's executive order regarding Biden's commitment to eliminating persistent poverty and dedication to approaching historically underserved communities with an equity lens.

Rural America faces systematic, avoidable, and unjust economic, health, and racial disparities. Legacies of forced geographic and cultural displacement, enslavement, financial discrimination, residential segregation, and transitioning economies have left an indelible mark. Despite evidence of persisting rural inequities, CDFIs that live in and serve these areas are filling gaps in markets, creating opportunities and advancing financial equity and generational wealth in communities that otherwise do not have adequate access to financial institutions.

Each of the CDFI members in the PRT coalition are strong examples of how CDFIs provide dedicated capacity building and technical assistance in addition to financial and lending products to realize rural and Native communities' self-sustainability goals. PRT partners are CDFIs that live in and serve Native, persistently poor rural communities, and communities of color. CDFIs serving these areas are filling gaps in the market, either being the only financial institution in a bank desert, or being the only finance entity that addresses lending with an equity lens, emphasizing empowerment and community development. This is critical for persistent poverty communities, as lending and investing money alone is not enough; building capacity along with lending is equalizing and necessary. For example, Oweesta Corporation believes that Native people hold the capacity and ingenuity to ensure the sustainable, economic, spiritual, and cultural well-being of their communities when armed with the appropriate resources. This leads to the organizational strategy of providing Native CDFIs with the tools and capital support to deliver culturally appropriate banking services and financial literacy training to their respective underserved communities. Oweesta, and all other PRT partners, acknowledge that lending is only beneficial to persistently poor communities when they are also given the capacity building services to best leverage the resources for future investments.

The CDFI Fund's stated goals of ensuring the new CDFI Certification Application and its policies "provide the flexibility necessary for CDFIs to grow and to serve the hardest to reach distressed communities" and "maintain the integrity of what it means to be a certified CDFI from a mission perspective." However, the proposed CDFI Certification Application and policies contain several troubling provisions that may make it difficult for CDFIs, including several of our CDFIs within this partnership, to qualify for recertification. If finalized as proposed, the Application and policies run the risk of disqualifying a substantial portion of persistent poverty focused CDFIs and Native CDFIs, thus diminishing the reach and impact of lending to persistent poverty communities and Native communities nationally.

Partners for Rural Transformation aligns our comments with those of Opportunity Finance Network as well as Native CDFI Network, specifically in the areas listed below.

Positive Reforms in the Certification Application

Rigorous Review of Applicant's Community Development Mission. While certification is first and foremost the CDFI Fund's determination of eligibility for its programs, public and private investors have also come to recognize certification as a mark of confidence in an organization's commitment to a community development mission. A "certified CDFI" status increases opportunities for CDFIs and opens the door to additional investors. While PRT appreciates the rigorous review of applicants, PRT acknowledges that small Native CDFI's may find the community development strategy requirement a barrier to their certification. We hope the CDFI Fund will consider the Native CDFI's Networks recommendation for a waiver of this requirement.

Responsible Financing Guidelines. Implementing requirements to evaluate borrower ability to repay for certain CDFI products is an important reform. As lenders with specialized knowledge of the challenges facing the low wealth markets where we operate, CDFIs should be leaders in responsible financing practices. The CDFI Fund for the first time is taking a closer look at both the mission of entities seeking certification and evaluating the financial products and services being offered – and requiring them to meet certain responsible financing guidelines. In most cases, the updated application provides much needed guardrails against predatory practices. In some cases, noted below, the standards imposed may be too restrictive and could impede the flow of responsible capital to people and places CDFIs serve.

Disclosure of Pricing of CDFI Products. The CDFI Fund takes critical steps toward transparency by requiring entities seeking certification to disclose rates and terms of their financial products. Increasing pricing transparency for CDFI financial products helps customers make more informed choices and allows the CDFI Fund to identify lenders seeking certification that might be charging inappropriately high interest rates or fees. It will also enhance the understanding of CDFI products. One area of concern is the Military Lending Act APR calculation may be unfamiliar to some applicants. The Fund should consider providing training on interest rate calculations as some CDFIs might have a learning curve calculating annual percentage rate (APR) using the Military Lending Act methodology.

Removing Geographic Boundaries on Target Markets. The new certification policy which eliminates geographic boundaries and mapping requirements for most Target Markets is also a long overdue reform. This policy change gives CDFIs more flexibility to make investments based on market conditions and need and will reduce the time spent on a lengthy approval process to update Target Markets.

The Troubling Proposed Changes to the CDFI Certification Application

In careful review of the proposed changes to the CDFI Fund Certification Application, PRT is very concerned about how these changes will dramatically impact several PRT CDFI partners serving persistently poor, Tribal, and disinvested rural communities. These communities have few finance entities and sometimes only have access to a bank (if that community has access to one) who may not be able to serve them, or a predatory lender. According to Belury (2020), predatory lenders are disproportionately found in low-income communities, Native and rural areas, and communities of color, especially in Texas Colonias. Predatory lenders are found more in areas with a lack of access to traditional financial institutions, which could be a growing potential concern if there are less CDFIs in these areas to fill the gaps of financial entities.

To give an example of the impact of these proposed changes, consider our member partner Oweesta and their small, emerging Native CDFI members. For over 20 years, Oweesta has provided the tools, training, and capital to help Native people control their economic destinies. Oweesta is the longest standing Native CDFI intermediary offering financial products and development services exclusively to Native CDFIs and Native communities. Specifically, Oweesta provides training, technical assistance, investments, research, and policy advocacy to help Native communities develop an integrated range of asset-building products and services, including financial education and financial products. Asset-building tools stimulate reservation economies by providing tribal members the opportunity to acquire financial management skills and build and accumulate assets through small business creation, homeownership, education, and much more.

Their success in lending and providing capacity building and development services to Native people across the country is an important reason that we provide our comments today. It is our deep belief that the CDFI industry needs *more* Native CDFIs that can achieve and retain Treasury certification and the access to capital and credit that certification unlocks for them, *not less*. While the overall number of certified CDFIs has grown exponentially from less than 200 in 1997 to more than 1,400 institutions in 2022 – which the CDFI Fund cites as a major reason for the timing and nature of the proposed changes to the CDFI Certification Application and policies – Indian Country has experienced only modest growth, with the number of certified Native CDFIs growing from 50 in 2008 to just 64 currently.[1] This is despite the fact that there are 574 federally recognized tribal nations spread across 36 states.

Yet the proposed changes to the CDFI Certification Application and policies threaten to derail several of our member CDFI partners, including Native CDFIs' ability to sustain and Several of the proposed changes may force us and many other Native CDFIs to make this untenable choice, most notably:

Primary Mission

Requiring the submission of a board-approved strategic plan evidencing a community development strategy: Under the proposed CDFI Certification changes, a board-approved strategic plan will be required for all Native CDFIs applying for certification/re-certification.[2] Developing and ratifying strategic plans are time-consuming and expensive, especially for small and emerging Native CDFIs who have limited staff and institutional capacity and financial resources and who are stretched thin prioritizing the delivery of mission-critical services. We agree with the Native CDFI Network recommendations that this requirement for Native CDFIs should be dropped or waived given the undue burden it will place on many low-capacity Native CDFIs.

Ability to Repay Requirements for Mortgage Lenders. While CDFIs are exempt from the Ability-to-Repay/Qualified Mortgage Rule (ATR/QM Rule) established by the CFPB, product protections consistent with the ATR/QM rule should be required for any CDFI engaged in mortgage lending.

However, there are circumstance where more flexibility is appropriate and responsible. For example, a CDFI that is refinancing a borrower from a high-cost product to a more responsible mortgage might need to offer a transitional loan where the terms include interest-only periods with balloon payments – a clear community development purpose with no predatory intention. Under the new rules, a CDFI Certification application would be rejected for providing such a

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[1] https://www.cdfifund.gov/sites/cdfi/files/documents/native-american-strategic-plan.pdf, PDF p. 13. In 2008, the CDFI Fund also identified that "more than 60 organizations are at various stages of development and moving toward certification as Native CDFIs" (ibid.). Today, as mentioned above, the number of emerging Native CDFIs is far less.
[2] https://www.cdfifund.gov/sites/cdfi/files/2022-10/CDFI_Certification_Application_Preview_Final_10322.pdf, p. 34.

product. Rather than a bright line that automatically excludes a CDFI from certification if a product is offered with that feature, the Fund should allow CDFIs a narrative option to explain why these products have a legitimate community development purpose and how the entity is ensuring the product is affordable and responsible. The application is unclear on whether this provision applies to single family mortgages only, or also to mortgages for commercial real estate, multifamily housing, or community facilities.

Flexibility for CDFIs is important to ensure success of the borrowers within our underserved communities. From a competitiveness stand point, the regulations do not require all loans to be QMs, it reduces legal protection on non-QM loans and allows makers of non-QM loans retain them on balance sheet, thus taking all the risk. CDFIs need the ability to make non-QM loans to retain competitiveness, even while incorporating ability to pay requirements into their underwriting. The application should reduce burden by asking if CDFIs are following and are following Truth in Lending guidelines to eliminate this issue.

Prohibiting interest-only mortgage loans, mortgage loans with balloon payments, and mortgage loans with terms longer than 30 years. Under the proposed CDFI Certification changes, CDFIs will now have to write mortgages that include: (a) no negative amortization, interest-only payments, or balloon payments; (b) adjustable-rate mortgages underwritten at the maximum rate in the first five years; (c) an original maximum term of 30 years; and (d) total points and fees generally not exceeding three percent of the loan amount.[3] Yet there are times when CDFIs and Native CDFIs offer interest-only loans and loans with balloon payments to provide affordable homeownership opportunities to rural and Native clients that otherwise would not have access to mortgage loans. For example, according to the Native CDFI Network one Native CDFI offers a 30-year amortized mortgage loan product that features a five-year balloon payment. The CDFI works with borrowers to help ensure they can refinance their loans with the local credit union before the balloon payment is due. This prepares and incentivizes borrowers to enter the financial mainstream, as well as allowing the CDFI to turn over capital more quickly to serve a much larger number of home buyers.

Many innovative and flexible options would no longer be allowed under the proposed new limitations. Some PRT members and Native CDFIs also offer terms on mortgage loans longer than 30 years to make them affordable, including USDA loans they deploy featuring terms of 38 years. Our member, RCAC, for instance, is an intermediary and quality assurance reviewer of packaged loan applications for U.S. Department of Agriculture Rural Development (USDA RD) Section 502 Single Family Housing Direct Loan Program. The USDA 502 Single Family Direct Loan Program is an affordable alternative that provides subsidized mortgage loans for modest homes in rural areas. The applicants are generally first-time homebuyers. RCAC provides training to qualified employers and certified packagers to ensure they are qualified to process loan applications. RCAC also reviews completed loan applications for accuracy and completeness before sending them to USDA RD for approval. Since RCAC submitted its first

[3] https://www.cdfifund.gov/sites/cdfi/files/2022-10/CDFI_Certification_Application_Preview_Final_10322.pdf, p. 35.

loan in 2012, RCAC has processed 523 loans for $116,049,331. Of those loans, $6,796,724 were made in communities that the federal government classifies as "persistent poverty," and $29,826,477 were lent to very low-income families.

Products like USDA 502 home loans offer terms on mortgage loans longer than 30 years to make them affordable, and for USDA loans they deploy financing featuring terms of 38 years. Additionally, USDA is currently operating a pilot program in South Dakota with Four Band Native CDFI called the 502 Relending Programs whereby the Native CDFI deploys USDA capital blended with their own capital to provide mortgages up to 38 years, as described below. Although longer-term mortgage loans could lead to a slower accumulation of equity, they provide families with housing security through fixed housing payments — not to mention the pride of homeownership.

In 2018, the USDA and two Native community development financial institutions (Native CDFIs) in South Dakota – Four Bands Community Fund on the Cheyenne River Indian Reservation and Mazaska Owecaso Otipi Financial on the Pine Ridge Indian Reservation – implemented a successful $2 million demonstration, pursuant to 7 CFR §3550.7, which sought to improve the deployment rate of the 502 direct home loan program in Native communities in South Dakota. The pilot made Native CDFIs eligible borrowers under the 502 direct home loan program and enabled them to relend to qualified families for the construction, acquisition, and rehabilitation of affordable housing on trust land. Through this demonstration, the two Native CDFIs in partnership with USDA made 19 loans totaling $2.4 million, nearly double the volume of loans on these two reservations than USDA deployed on its own on the same two reservations during the previous ten years.

These proposed changes also appear to be inconsistent with the CDFI Fund's stated commitment to "increase interagency coordination of Federal funding for Native CDFIs,"[4] as the changes directly conflict with the criteria, terms, and requirements of several other key sources of federal funding upon which Native CDFIs heavily rely (like the USDA 502 home loans several rural and Native CDFIs utilize). We urge the CDFI Fund to remove these prohibitions for certified rural and Native CDFIs from the final CDFI Certification Application and policies, as they are destined to decrease the number of mortgage loans rural and Native CDFIs can make to an already severely underserved Native, rural and persistently poor population when it comes to homeownership financing.

Financing Entity

Predominance as a Financing Entity and restricting CDFI staff time dedicated to Development Services: Under the proposed CDFI Certification changes, a CDFI applying for CDFI certification/re-certification must demonstrate the direct provision of Financial Products and/or Financial Services is the applicant's *predominant* business activity, which includes both

[4] https://www.cdfifund.gov/sites/cdfi/files/documents/native-american-strategic-plan.pdf, PDF p. 5.

assets and staff time.[5] We do not take issue with requiring a predominance of assets to be dedicated to financing, as this demonstrates that an entity is indeed focused primarily on financing.

However, by necessity, the staff of several of our rural CDFIs, including Rural Community Assistance Corporation, as well as many Native CDFIs spend considerable time providing development services to prepare the communities, businesses, and individual clients they serve to grow their assets and wealth through homeownership, community infrastructure such as wastewater systems, small business development, and consumer loans. It is essential to note that CDFIs serving these disadvantaged rural and Native communities consider investing any capital – even a loan product that is not their own organizational capital – as a success, as there is only the goal of increasing community capacity, development and homeownership.

CDFIs play a critical role in fostering entrepreneurship by providing access to capital that bridges gaps through the use of creative loan products that are linked to one-on-one technical assistance designed to help entrepreneurs succeed. With strong capacity building and capital resources, these small business development strategies, particularly among underserved populations and places, provide a means for strengthening local economies.

In California, RCAC saw the need to address potential rural small business clients' needs and established the Re-Emerging Loan Fund (RELieF) to assist them as they re-emerge into their marketplaces post COVID-19. RCAC's technical assistance team provides important one-on-one assistance and gives potential borrowers access to business coaching technical assistance. When someone is interested in accessing funding they are assigned a coach to work with them to analyze their current financial position and work through scenarios for the highest and best structure for RELieF funding, tailored to their specific situation. RCAC takes a comprehensive approach to community development. The Development Services help a community determine the most appropriate resources to address those needs. Appropriate resources could include public grant and loan resources for infrastructure or even a bank loan if a borrower qualifies. Other times, technical expertise is more needed than capital – for example, helping a local volunteer board to manage a water system through Financial, Managerial, Rate Setting and other operational needs. RCAC offers loan products when that is the best option for clients, but the narrowing definition of Services combined with the proposed definition of Financing Entity would render RCAC ineligible as a CDFI. This would be a devastating unintended consequence.

Communities Unlimited, for instance, doesn't work with small businesses in isolation, but rather partners with local community leaders, community colleges and non-profits to bring together investments from public, private, and philanthropic sources that advance a cohesive strategy to build sustainable entrepreneurial ecosystems. By necessity, the staff of many CDFIs, like Communities Unlimited, spend considerable time providing development services such as leadership building, general financial capability building trainings, and other supportive activities

[5] https://www.cdfifund.gov/sites/cdfi/files/2022-10/CDFI_Certification_Application_Preview_Final_10322.pdf, p. 54.

to prepare the communities, businesses, and individual clients they serve to become loan ready. In a persistent poverty environment providing only capital will never create the change needed to move a community toward prosperity. Working with CDFIs like CU individuals and entrepreneurs have access to resources and one-on-one support that develop and strengthen small businesses leading to new jobs, an increased tax base, wealth-building opportunities, and a self-sustaining local economy. This work doesn't just change the life of individual entrepreneurs, but also strengthens the social and economic fabric of the community in ways that increase future opportunities—and, critically, pride of place and hope for the future—for others.

Oweesta tackles unemployment and financial education by expanding access to capital for Native CDFIs and by building the financial capability of individuals and organizations throughout Indian Country. One of the tools used for establishing a strong foundation of financial education includes the Building Native Communities: Financial Skills for Families (BNC) train-the-trainer program, which includes an intensive three-day train-the-trainer workshop. Participants in the workshop must pass a knowledge-based certification exam before receiving accreditation. Once an instructor has been certified, he or she receives access to a range of teaching tools for use in his or her tribal community. Since 2001, over 35,000 individuals have received certification and tens of thousands of tribal members have learned the tools and skills needed to build their individual assets through the provision of the BNC curriculum.

Technical assistance and expertise are important aspects of our PRT members' missions. Rural CDFIs and Native CDFIs alike are the backbone organizations that have a trusted relationship with, deeply respectful understanding of and connection to their communities. If the federal government hopes to increase investment and prosperity to these often overlooked and under resourced communities – especially in cases where funding is allocated through legislation like the Bipartisan Infrastructure Law, the American Rescue Plan Act, the Inflation Reduction Act, and the CHIPS and Science Act then we will need these rural and Native CDFIs to be equipped and empowered to engage their whole organization and the technical assistance and capacity development services they provide.

We already see the challenges in ensuring that these funds flow to communities that could benefit, as they often have limited experience and capacity in accessing federal resources. This is an important moment for CDFIs to engage and deploy their technical assistance and development services and any changes proposed that seek to limit or narrow that work is of deep concern.

To effectively leverage their assets for long-term, shared prosperity, rural communities need robust capacity development that has strong connections at the regional, state, and federal levels. Some rural communities have this strong, connected local capacity while others do not. Unfortunately, the historically challenged rural communities that most need these critical capacities and connections to alter their future trajectories are the least likely to have them.

Under the proposed CDFI Certification Application, which require a predominance of staff time be spent on financing, many of these NCDFIs will no longer qualify for certification. PRT recommends that there should be no rule stating that the predominance of staff time must be dedicated to direct financing activities, or that there should be a way for this requirement to be waived in circumstances where the CDFI can demonstrate the impact that their development services are impactful in reaching their communities. If neither of those options is possible, the Fund should maintain the most recent requirement that a majority of staff time must be dedicated to a combination of financing activities and Development Services.

PRT members actively address the unique and deep-rooted challenges of persistent poverty through our development services. As CDFIs, we provide the capital *and tools* communities need to create conditions for persistent prosperity. CDFIs serve people who need to build credit, get low-interest loans, find higher-wage jobs, buy their first homes, and build and maintain water systems so people who live in rural communities can build wealth, provide for their families and have hope for the future.

Accountability

PRT is also concerned about some proposed changes in the Accountability section. We ask that the Fund consider additional flexibility in this area. We understand the importance of true accountability and the need to prevent certification of entities that are not truly connected to the communities they serve, but we fear that these overly rigid requirements could lead to the loss of valuable, hard-working board members. Our concerns are the following:

Most concerning is those around board members and Target Market accountability, especially the proposed elimination of board service as a qualifier of Target Market accountability. This is not uncommon for how CDFI board members have qualified in the past, especially because the requirement that TM or Low-Income Target Population activities are the "primary" activity of the affiliated organization disqualifies a lot of larger companies. Board members who serve on other qualifying boards should be able to provide accountability via that board service. CDFIs may have members of its board who offered specific expertise in finance or real estate, for instance, but also demonstrated accountability through their active and meaningful work with organizations that represent or serve low-income people and places. Some board members may join while they are employed by such an organization and then move on or retire but continue to provide their expertise to other LITP/IA organizations.

The proposed changes also require that the individual be an "executive staff member" of an organization to qualify, even though lower-level employees may have more direct knowledge and Target Market accountability. Accountability via employment should not be limited to executive level staff. Lenders, program staff, and business advisors may all be closer to the population we are serving than the CFO or CEO. As a field, it is very important that we encourage professional development, and board service is a valuable way for mid-level professionals to grow in their expertise and breadth of knowledge. Executive-level staff are extremely busy people and can only serve on a limited number of boards.

Lastly, for board members with low incomes, the certification application asks if the CDFI has "verified" board member income. We believe that it is intrusive to require board members to provide tax returns or other documentation. We strongly recommend that the Fund allow self-certification of income.

Exempt Native CDFIs from these Accountability exclusions. Accountability requirements that exclude: (1) staff members of the Applicant and/or its Affiliates/Subsidiaries and their families, (2) board members with an active Financial Product from the Applicants, and (3) board members that receive financial compensation for their services (other than board service-related expenses). The Native population is by the far the smallest of the Other Target Populations (OTP) groups. In addition, a large majority of Native CDFIs serve rural and remote areas with limited populations. These factors often make attracting qualified board members quite challenging. Excluding board members with family relations or who have an active loan with the Native CDFI whose board they are sitting on could put many Native CDFIs at risk of falling below the CDFI Fund's proposed Accountability requirements. Furthermore, Native CDFIs strive to use qualified local contractors whenever possible. Sometimes a board member is the most qualified person to perform a contracted service for the organization. Most Native CDFIs have developed and follow strong conflict of interest policies to address these issues while still allowing for the most qualified individuals to serve in important board and staff positions.

Development Services

We have deep concern about the narrow definition of "Development Services". CDFIs development services often lead to referrals for loan fund financial products even when it is not specifically intended to prepare consumers, corporate or governmental borrowers to access and/or be successful with a financial product offered by the applicant. As stated above, members like RCAC take a comprehensive approach to community development. We help communities address critical infrastructure, housing, small business, and economic development needs. The Development Services help a community determine the most appropriate resources to address those needs. Appropriate resources could include public grant and loan resources for infrastructure or even a bank loan if a borrower qualifies. Other times, technical expertise is more needed than capital – for example, helping a local volunteer board to manage a water system through Financial, Managerial, Rate Setting and other operational needs. RCAC offers loan products when that is the best option for clients, but the narrowing definition of Services combined with the proposed definition of Financing Entity would render RCAC ineligible as a CDFI. This would be a devastating unintended consequence.

Eliminating "unstructured conversations with consumers on Development Service matters" as a qualifying Development Service: One-on-one technical assistance and coaching is one of the most important services rural and Native CDFIs offer to potential and existing borrowers. Oftentimes, a client or potential borrower will pick up the phone and call a CDFI or will walk into a Native CDFI office to talk about their business, financial situation, or a larger community development project. These conversations with technical assistance providers are often unstructured, but typically lead to CDFI staff helping the client understand the next steps in preparing to apply for or qualify for a loan.

These are critical conversations to building a strong relationship with many Native CDFI clients who have been distrustful of financial institutions due to past discrimination. These relationships are critical to enhancing clients' odds of success. While we assume the Fund is not trying to eliminate one-on-one technical assistance as a qualifying development service, labeling "unstructured" versus "structured" is unclear and will create additional confusion and complexity when providing and tracking these important services. IT is our recommendation that the CDFI Fund eliminate "unstructured conversations" from the list of activities that do not qualify as Development Services.

Applicant Basic Information: Board and Executive Staff Demographic Information. HOPE strongly supports the inclusion of Board and Executive Staff Demographic Information for every CDFI certified by the CDFI Fund. Currently, the CDFI Fund does not collect / publish data on the leadership of all certified CDFIs. In the absence of this information, it is not possible to conduct a comprehensive disparity analysis on award decisions based on the racial makeup of CDFI leadership. Such an analysis is critically needed as, historically, awards to white led CDFIs have outpaced awards to CDFIs led by people of color.[6]

Barring youth-based services as qualifying Development Services: Under the proposed CDFI Certification changes, "workshops for children or broad audiences" and related types of activities would no longer be considered qualifying Development Services.[7] According to a Native CDFI Network survey in November 2022, over three-quarters of Native CDFIs offer as a prominent part of their services youth-focused financial literacy trainings, entrepreneurship trainings, matched savings programs, and other programs that collectively prepare Native youth to grow their personal assets.

However, under the proposed CDFI Certification Application and policies, these would no longer qualify as Development Services and thus presumably could not be paid for with CDFI Financial Assistance (FA) Award dollars, which would create increased financial strain on Native CDFIs intent on continuing to provide these services. Youth-based services should be counted as Development Services because they have proven to create systemic progress in the communities Native CDFIs serve and cultivate a pipeline of future borrowers. It is critical to note that financial literacy activities would receive Community Reinvestment Act (CRA) credit in the

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[6] Burt, Kiyadh. "Analyzing the CDFI Asset Gap: Examining Racial Disparities in CDFI Fund Awardees from 2003 to 2017. November 5, 2020. http://hopepolicy.org/manage/wp-content/uploads/CDFI-Fund-Time-Series-Analysis-brief-edited.pdf

[7] https://www.cdfifund.gov/sites/cdfi/files/2022-10/CDFI_Certification_Application_Preview_Final_10322.pdf, p. 79.

service test; therefore, CDFIs should get credit for similar activities regarding their certification application.

Given the dramatic cumulative nature of the proposed certification changes and the high likelihood of unintended consequences, we recommend that there be an accessible and timely waiver process to allow CDFIs like PRT members to continue their comprehensive community development work and retain their vital CDFI status.

Closing

Partners for Rural Transformation shares the CDFI Fund's commitment to creating ample and fair access to capital and resources for Native people and communities in persistent poverty areas. We applaud the Fund's desire to strengthen and clarify the Certification/Recertification process, as well as many of the proposed changes. We ask the Fund to please give serious consideration to the issues we have addressed above. Without the changes we have requested, several of our CDFI members who have decades of direct experience lending to the communities hardest to reach as well as many emerging and existing Native CDFIs will no longer qualify for certification, creating a significant setback in the transformative progress we have been able to achieve. We appreciate your dedication to the work we do and look forward to continuing to work with the Fund to ensure that the new CDFI Certification Application explicitly enhances the ability of CDFIs and Native CDFIs serving regions with a high prevalence of rural persistent poverty continue to secure investment capital and provide much-needed serves to underserved people and communities across the country.

Sincerely,

Jose A Quinonez, Director

Partners for Rural Transformation (PRT)

jose@pfrt.org

859-756-6256

PARTNERS FOR RURAL TRANSFORMATION