

Ms. Ruth Jaure
CDFI Program Manager
Community Development Financial Institutions Fund
U.S. Department of the Treasury
601 13th Street NW, Suite 200 South
Washington, DC, 20005

Via email: cdfihelp@cdfi.treas.gov

May 4, 2009

Dear Ms. Jaure:

Opportunity Finance Network (OFN) appreciates the opportunity to comment on the Fund's review of its Financial Assistance and Technical Assistance applications.

We applaud the Fund's efforts to make its application forms and procedures accessible to and easily understood by CDFIs, and to undertake periodic review of the forms. Because the strength of these CDFI Fund programs is that they support institutions and strategies, not projects, it is critical that the Fund's program applications continue to allow CDFIs to tell their own stories and discuss their unique strategies. Any streamlining or simplification of the application must not stifle a CDFI's capacity to make a case for its expertise in understanding and serving its market. Generally, the application should provide CDFIs with an opportunity to highlight their particular strategies and strengths while minimizing burden and redundancy.

OFN understands the Fund's need to balance careful consideration of each application's merits with an urgency to make award decisions in a timely manner. I hope that these comments help the Fund devise a process that works toward both goals.

Since the inception of the CDFI Fund award programs, OFN Members have received more than half the dollars awarded. Our Membership generally has experience and familiarity with CDFI Fund programs; these comments reflect the experience of institutions that have met with success in competing for awards and a level of familiarity with the applications.

Separate Applications for FA and TA Components

Opportunity Finance Network supports the use of a single application for Technical Assistance and Financial Assistance awards. As long as the application makes clear which sections must be completed and which may be skipped in the case of a TA-only application, the use of a single application does not present a burden, and allows CDFIs requesting both FA and TA to understand better the technical assistance application requirements.

Applicant Eligibility Screen

Completing an application for CDFI Fund awards can be time-consuming and daunting; an applicant eligibility screen could prove useful in helping CDFIs, particularly those new to the Fund, understand the application requirements. Such a screen could include information about qualifications for funding and assist CDFIs in determining whether they meet those standards.



However, any screen should be minimal and screen for *eligibility only*, not for likelihood of success. The screen should be self-administered by the CDFI and should be strictly voluntary. It should also be transparent—making clear to the CDFI the elements that the screen reviews and why a CDFI may or may not be eligible based on the screen.

The Fund can and should provide information about characteristics of successful applications, but should not discourage eligible CDFIs from applying. Because the CDFI program funds strategies and not projects or programs, any screen should preserve the broad range of CDFI types and strategies and not lead CDFIs to believe that a particular strategy or ratio would disqualify them. For example, though in its application the Fund uses Minimum Prudent Standards (MPS) as part of its evaluation of a CDFI's financial health, a CDFI is offered the opportunity to explain any deficiencies. Under no circumstances should items such as MPS ratios be used as an eligibility screen or lead CDFIs to believe such ratios or similar issues would make them ineligible.

Matching Funds Documentation

Matching funds are a critical part of the CDFI Fund's mission to leverage private investment. Requiring matching funds documentation at the time of application for the full amount requested has occasionally discouraged CDFIs from requesting the full amount of funding that they could deploy. Especially in rural areas where private capital is scarce, the "seed" of federal funding has shaken loose additional private dollars that might not have been committed absent the CDFI Fund's investment. The Fund should consider adopting the standards for Small and Emerging CDFI match requirements for all FA awards. In the interest of ensuring timely disbursement of awards, the Fund may choose to offer priority points or other favorable consideration for those CDFIs able to document matching funds for 100 percent of their request.

Page Limits

Page limits help CDFIs provide succinct, concise, and targeted information in their Comprehensive Business Plans. However, the diversity of CDFI forms, strategies, and services requires that the Fund provide CDFIs the opportunity to discuss their work with sufficient detail. In particular, the sections in which CDFIs describe their management and leadership require significant space, and CDFIs have reported difficulty including this information in the limited page count allotted in recent rounds.

Because preparing a sound CDFI Fund application could require significant detail or explanation, the Fund should not further reduce the page limits in the narrative portions of the application.

Documenting Proposed Uses of TA Funds

CDFIs experience delay in the TA award process beginning with application for TA funds, through award and disbursement of funds, and then completion of the work envisioned by the TA request. Given this lag, CDFIs would find it burdensome to require the specific documentation the Fund mentions to support TA applications. The specific needs of a CDFI at the time of application may not exactly match those at the time it receives funds. For example, it may appropriately identify a need to conduct strategic planning or additional market research, but the particulars of those needs may change in the year between application and funding. The current documentation requirements are appropriate.



Additional Documentation

Additional documentation could help the Fund collect information in a more standardized format and support review and closing processes. If the Fund chooses to require additional documentation in support of applications, it should limit such documentation to items that a CDFI would have easily available absent an application to the CDFI Fund.

Specifically, requiring the provision of tax returns, certificates of good standing, and operating budgets would be appropriate. Including lists of sources of capital (particularly of sources not to be used as match for and FA application), rate sheets, and borrower characteristic profiles would not, and would prove a significant burden for applicant CDFIs. Even if the CDFI has such information readily available, compiling it into a prescribed format for the CDFI Fund would take significant staff time and effort. In addition, as with technical assistance fund documentation discussed above, such information may vary with a CDFI's market conditions and change between the time of application and of award. A CDFI's Comprehensive Business Plan should describe how it sets rates, attracts capital, and identifies appropriate borrowers—providing the information that would be part of the proposed documentation in the appropriate context.

If the Fund decides against this recommendation and chooses to require additional documentation, it should streamline or eliminate tables or requirements of the application. For example, a requirement to submit an operating budget might prompt changes to the Financial Data Input Charts. In general, the Fund should restructure the application to request only information not available in supporting documentation.

CDFIs that have been rated by the CDFI Assessment and Rating System (CARS™) have compiled extensive documentation in support of that rating, including much of the information the Fund may solicit. The Fund should accept a CARS™ rating in lieu of application materials whenever possible.

Other Issues

The Fund should consider a streamlined process for CDFIs that have recently submitted applications. A CDFI that has received funding in the last two fiscal years has already provided significant information on its market, products and services, and impact, and is regularly reporting to the Fund on its activities. Such an organization could submit a streamlined application consisting of recent audited financial statements, description of the additional impact it expected to make with an award, any material changes to its market or strategy, and information on any issues which the Fund has determined warrant additional or special consideration in the year's NOFA. The Fund's myCDFIFund system allows each CDFI to maintain a repository of information about its Target Market and past applications. The Fund could allow CDFIs to use this information as the basis for an application, supplemented with documents reflecting the current year's details.

Conclusion

Opportunity Finance Network appreciates the effort the Fund has put toward making its program applications clear, comprehensive, and user-friendly. In the last several application rounds, the Fund has significantly improved the application and processes. CDFIs are increasingly familiar with the Fund's requirements and can plan their recordkeeping and fundraising in a way that minimizes the work involved in a Fund application. Significant changes would disrupt the "brand" the Fund has built and the capacity of CDFIs to use the work they put into CDFI Fund



applications for additional fundraising. We urge the Fund to maintain an application process that continues its practice of being rigorous but flexible, holding CDFIs to high standards but recognizing that CDFIs demonstrate their maintenance of those standards in many different ways.

We look forward to continued partnership with the Fund in strengthening CDFIs, and, through them, emerging domestic markets and underserved people and communities across the country. Please do not hesitate to contact me at mpinsky@opportunityfinance.net or 215.320.4304 if you have questions or would like clarification on these comments.

Sincerely,

Mark Pinsky
President and CEO