September 12, 2016

Ms. Amber Bell
CDFI Program and NACA Program Manager
CDFI Fund
U.S. Department of the Treasury
1500 Pennsylvania Avenue NW
Washington, DC 20220

Re: OMB Number 1559-0021

Dear Ms. Bell:

Thank you for the opportunity to comment on OMB Number 1559-0021, the Community Development Financial Institutions Program (CDFI Program) and the Native American CDFI Assistance Program (NACA Program) Financial Assistance and Technical Assistance Applications for the FY 2017-FY 2019 funding rounds, published in the Federal Register on July 12, 2016.

Opportunity Finance Network (OFN) is a national network of community development financial institutions (CDFIs) investing in opportunities that benefit low-income, low-wealth, and other disadvantaged communities across America. OFN Members are performance-oriented, responsible investors that finance community businesses, sparking job growth in the areas that need it most, and delivering both sound financial returns and real changes for people and communities.

Our network has originated more than $42 billion in financing in urban, rural, and Native communities through 2014. With cumulative net charge-off rates of less than 1 percent, we have demonstrated our ability to lend prudently and productively in unconventional markets often overlooked by conventional financial institutions.

OFN shares with the CDFI Fund (the Fund) a commitment to performance and to recognizing high-performing institutions. The Fund provides capital to CDFIs according to its unique model of investing in strong institutions through an entrepreneurial, merit-based selection process. Our network has a solid record of receiving CDFI Program awards, and we are pleased to provide recommendations to the Fund based on their experience and insights with the application process.

The Fund’s application materials should provide sufficient space for CDFIs to explain their markets, products, and capacity. It should include a CDFI’s track record but emphasize a forward-thinking strategy. It is also critical that the Fund’s approach to applications and awards reflect the way the Fund and CDFIs work: that the Fund is a source of flexible capital provided to institutions, not to specific projects, as those institutions respond to their markets. Replacing this approach with a more
segmented or bureaucratically-driven method would undermine the very characteristics that have made the Fund a model for federal investment in community development strategies.

OFN has noted with some concern movement away from this flexible approach and toward more rigid and burdensome requirements. This trend runs counter to the Fund’s history as a source of flexible capital to be used by the institution in pursuit of its strategy. The CDFI Program provides capital to CDFIs that not only assists in delivering financing to underserved borrowers and communities, but also in leveraging additional capital on the CDFI’s balance sheet to increase its resources and financing activities. It is critical that the Fund maintain its unique character and that the awards disbursed through the CDFI Program continue to be in the form of flexible capital that rewards CDFIs for strong strategies.

We offer the following specific comments on the CDFI and NACA Program Financial Assistance and Technical Assistance Applications for the FY 2017-FY 2019 funding rounds, but note that without clarity on how the information requested for each section will be scored, it is difficult to assess the impact of any one proposed change on the overall application.

**Executive Summary (Questions 1-4)**

- Question 1, which asks for the applicant’s Mission Statement, should have an increased character limit from the proposed 500 characters to 1,000 characters, allowing applicants space to provide the most comprehensive statement of their organization’s mission.

- Question 2, which asks applicants to provide information about the types of products they provide in the communities they serve, should be modified to reflect the financial products and services offered by CDFIs. For example, several CDFIs in our network indicate they provide financial products not captured in the “Financing/Loan Guarantees/Financial Services Currently offered” chart. One Member, for example, provides unsecured loans and technical assistance to rural water and wastewater systems that share some characteristics with community facilities but are not secured by real estate. OFN also recommends adding a small narrative section in case a CDFI’s products do not fit in the existing options.

CDFIs in our network also expressed concern that the charts in this section lacked consistency and clarity. The charts on pages 1 and 2, both entitled “Financing/Loan Guarantees/Financial Services Currently Offered”, appear duplicative. OFN Members requested the Fund provide definitions of each Line of Business. In addition, the Lines of Business should be expanded to include equity investments, as not all CDFI financial products are in the form of loans.
While this could be captured in the “Other” portion of the chart, OFN Members felt it should be listed as a distinct Line of Business. The “Development Services Currently Offered” chart should also have an “Other” category with space for a small narrative.

There were also concerns about the “Activities Level” chart on page three. The categories of information requested in this chart are inconsistent with the categories in the previous “Financing/Loan Guarantees/Financial Services Currently offered” charts, causing unnecessary confusion. OFN recommends Commercial Facilities loans be separated from Small Business and Microenterprise loans, as is done in the previous chart, and that the four types of commercial real estate loans be consistent in both charts.

In addition, intermediary lending to other CDFIs and lending to nonprofits are different types of lending with different risk profiles; as such there should be a distinction between these two categories. Similarly, the chart should separate single family and multifamily lending under “Residential Real Estate Lending”, as there are distinctions between making mortgage loans to individuals and lending to affordable housing developers. There should also be an “Other” category for this chart for CDFIs making loan types not captured in the existing options.

Question 3, which asks applicants to provide demographic data on their clients, should list the number of clients separately from the number of beneficiaries where relevant, most likely in the case of affordable housing, community facilities and business loans. OFN agrees with the CDFI Coalition that the Fund should define what constitutes a beneficiary. Some CDFIs stated their lending is primarily business to business, and often demographic information of the end beneficiaries is not collected and is unknown. This section should also include a “N/A” option as well as a small narrative section for applicants to explain anything that is not clear from their submissions in AMIS.

Question 4, which asks applicants to provide data on their target markets, could result in potentially burdensome information collection for CDFIs serving multiple target markets. Members also questioned whether AMIS was configured to allow CDFIs to input demographic information from multiple target markets.

**Business Strategy (Questions 5-10)**

Question 5, which asks applicants to indicate the proposed uses of their Financial Assistance (FA) request by providing specific dollar amounts to be invested into asset classes, caused much concern among our Members. This
request appears to restrict the use of FA dollars into the specific asset classes identified at the time of application, limiting the ability of organizations to deploy capital as it is needed and where it is needed most. In prior years, the Fund has not narrowly aligned funding amounts with specific asset classes, provided the proposed uses were within the CDFI’s mission as approved through the certification process.

CDFIs often prepare funding applications based on an anticipated pipeline of investments. With disbursement of funds coming months after the submission of the application, changes in pipeline and market conditions mean a CDFI may not invest in the same projects it identified at the time of application, particularly CDFIs that lend to multiple asset classes. The flexibility of the Fund’s capital is one of the most important characteristics of the CDFI Program. OFN strongly urges the Fund to allow CDFIs to provide a general sense of how funds will be allocated to each asset class, but not penalize recipients that do not strictly adhere to projected uses of funds listed at the time of application.

Question 6, where applicants are asked to describe how they will use their FA award to achieve one or more FA objectives, could use additional guidance and clarity. Question 6c's chart on page 9 should clarify if applicants are to enter the dollar amount of their portfolio currently outstanding in each line of business, or project future financing activity. If it is the former, it is unclear how a CDFI requesting funds to develop a new product or service should answer this question if they do not currently have any financing activity to report in that sector. If it is the latter, and the Question relates to projected activity, that information is collected Growth and Projections section of the application and should be deleted from this section.

Question 7, which asks applicants to connect their FA objectives with their organization’s institutional goals is a critical piece of strategic information for award decision-making. CDFIs expressed appreciation for the increased character count in this section of the application from previous applications.

Question 8, which asks previous award recipients to explain how this year’s funding request differs from previous requests, caused much concern among our Members. CDFIs requested additional guidance on whether organizations building on a successful existing strategy, rather than proposing an entirely new strategy, will be penalized in the award phase. CDFIs often use their FA awards to continue their existing successful programs and strategies; a shift in the Fund’s priorities for awards in this area could result in extremely impactful strategies going unfunded while newer but unproven ideas receive more attention.
OFN understands the Fund is challenging the opportunity finance industry to expand customer type, asset type, product type and geographic coverage to ensure needs of all under-resourced communities can be met. We urge the Fund to balance the need to spur innovation with the need to support sustained progress by funding, replicating and expanding existing successful models that create long-term structural change. The Fund should clarify if applicants are expected to present a new strategy for an application each year, and if failure to do so will negatively impact award prospects.

The chart associated with Question 8 lacked clarity and needs additional guidance. For example, it was unclear whether respondents should simply check the box next to the relevant FA award uses, or if they should enter a dollar amount. It was also unclear how many years of information the Fund expects applicants to submit for review, as this request could be quite burdensome for CDFIs that have received numerous awards through the FA program. The Fund should also clarify if applicants are expected to include all award requests or report only on requests that were actually funded.

OFN Members also noted they are already required to report on use of awards in their assistance agreements. The Fund should not require CDFIs to provide the same data multiple times in one year, and should allow CDFIs to use existing reporting information already submitted to the Fund to meet this requirement. At a minimum, applicants should be able to upload into AMIS the previous year’s Use of Award reporting form.

Question 9, which asks how an organization’s products and services create positive outcomes in the communities served, is an important question for award decision-making, allowing CDFIs to connect their products with the needs of their communities, and making CDFIs more accountable to the people they serve. However, the Fund could provide additional clarity around some of the language in this section, particularly the definition of “evidence-based”.

While OFN supports using data-driven approaches to provide targeted solutions to complex problems, CDFIs also need space to innovate, and develop new product and services, especially if the Fund is planning to channel resources to organizations proposing new strategies as indicated by the new application. It may be difficult for CDFIs to provide evidence to support a new strategy or intervention if there are currently no studies or academic literature to support its efficacy. We encourage the Fund to provide latitude to CDFIs to meeting the threshold for evidence-based approaches, and to provide further guidance on how they are defining the term.
Question 10, which asks about any risks that may prohibit an applicant CDFI from achieving their strategic goals over the next five years, seems more suited for the Growth and Financial Projections section of the application where respondents are asked to provide portfolio information, financial data, and report on risk management practices.

Products and Services (Question 11)

Question 11, which asks applicants to describe how their CDFI’s financial products, financial services, and development services meet your mission and the needs of the communities you serve, seems remarkably similar to Question 9, where applicants explain how their organization’s products and services create positive outcomes in the communities they serve. OFN recommends combining those two questions into one question and eliminating either Question 9 or Question 11.

Market and Competitive Analysis (Question 12-13)

Question 12, which asks applicants to describe any trends or competition in their markets, should have an increased character count from the proposed 2,000 to 4,000.

Question 13, which asks CDFIs to justify and quantify the demand for their products, as well as their current and projected market share, caused some concern among our network. CDFIs indicated the Fund’s expectations were unclear and this question could generate additional expenses for applicants. For smaller nonprofit loan funds, potential expenses associated with developing market research needed to quantify demand and market share could be quite burdensome. Many of these organizations are already operating with limited capacity; the Fund should carefully consider the impact this question could have on their ability to develop a competitive application. This requirement could also burden larger CDFIs. Based on the information requested in Questions 8 and 21, CDFIs may be expected to propose a new strategy in each application round, and to undertake new market research each year activity in support of that strategy. That has the potential to be incredibly costly and burdensome, especially for CDFIs with a regional or national footprint serving multiple target markets. Further, in many difficult to serve areas, studies or quantitative data to demonstrate demand and market share may not even exist.

The Fund should clarify how applicants can satisfactorily complete this section of the application, if applicants are expected to provide a formal market study, and what specific types of information and data can be submitted.
Management and Staffing (Question 14 and AMIS uploads)

Question 14, which asks applicants to provide information on their organization’s Management and Staffing, was straightforward and easy to understand. However, some proposed changes generated comments from our Members, particularly Board Member accountability to the applicant’s target market. CDFIs questioned why applicants needed to include Board Member accountability in the application if their organizations are now recertified annually and must report on Board accountability during that process. They recommended the narrative focus more on management and relevant experience rather than accountability.

Other recommendations for this section include:

- Increasing the number of Key Staff from seven to ten, and the number of Board Members from five to seven;
- Removing the combined years of experience data point, as it provides no qualitative information about the relevance and quality of that experience; and
- Increasing the character limit in this section from 500 to 750 to allow sufficient space for organizations to explain each individual's capacity.

Financial Position (Questions 15-20)

- Question 15, which asks applicants to describe their financial position and any large fluctuations and trends, needs a higher character limit and additional guidance.
- Question 17, which asks applicants to describe and audit findings and how they were remedied, should include a small narrative section for applicants who cannot provide audited statements within 180 days of fiscal year end.
- Question 19, which asks applicants to indicate if their CDFI has ever formally defaulted on any outstanding debt, needs additional guidance. The Fund should clarify how they are defining default, and whether defaulting on a prior debt includes negotiating a note buy-down or writing off debt.
- Question 20, which will calculate where an applicant falls on a scale from 1 to 5 for Minimum and Prudent Standard Ratios (MAPS), also needs additional guidance to explain any changes in MAPS ratios or their calculations.

Growth and Financial Projections (Questions 21-27)

- Question 21, which asks applicants to explain how they will use their award to achieve their strategic objectives and how this award request differs from previous requests, is very similar to the information requested in Questions 7 and 8. OFN recommends moving this question to the Business Strategy section, or eliminating the question and modifying Questions 7 and 8 and increasing the character counts.
Question 25 should clarify if the question explicitly refers to risks associated with financial growth; otherwise it asks for the same information provided in Question 10 and should be deleted.

Question 27, which asks applicants what would happen to their timeline, productivity, and execution of strategic goals if their organization does not receive an FA award, was confusing for some OFN Members, who questioned how the Fund intends to use this information in award decisions. OFN has also noted a shift in the proposed application that seems to discourage CDFIs from relying too heavily on an FA award for continued growth and fiscal solvency.

While OFN understands the Fund seeks to ensure recipient CDFIs have the financial capacity to succeed even without an annual FA award, we are concerned that a change in how applications are viewed and scored could have consequences for CDFIs that are small, Native, rural and/or led by people of color. For these organizations, the FA program is a critical financing tool that allows them to attract private capital from other investors. These organizations also already experience difficulty in accessing the flexible capital provided by the Fund due to the highly competitive nature of the program.

We strongly encourage the Fund to provide guidance to applicants and the opportunity finance industry about changes in policy priorities that will impact the distribution of FA and TA awards, especially changes that could have a disparate negative impact on CDFIs serving the most distressed communities. Additionally, OFN Members requested clarity on the definition of productivity and an increase in the character count for this section.

Appendix - Financial Inputs for all Institution Types
The Appendix, which asks applicants to provide financial and portfolio data, should clarify the time period for which the applicant is expected to enter information, as entering information from one fiscal year is far less burdensome than providing data for the previous five years. Our Members also expressed appreciation to the Fund for keeping the three "Other" impact fields in the Appendix.

NACA Application
The FY 2017 proposed CDFI Program application, which allows applicants to the Native American CDFI Assistance Program (NACA Program) to apply using the same application as Financial Assistance applicants, lacks any distinguishing characteristics to differentiate the NACA Program from the FA and TA programs nor does it take into account what makes the NACA Program valuable and important.
Although the Fund provides most of the guidance for the NACA Program in the annual Federal Register Notice, CDFIs noted they would like to see guidance in the application instructions that defines a NACA eligible entity and describes the program goals of the NACA Program. There should also be specific questions asking applicants to detail how their strategy will be effective in Indian country.

Technical Assistance Application
The FY 2017 proposed Technical Assistance application is much shorter and more concise than previous applications. Since the application is much shorter than previous years, the Fund should consider increasing character counts throughout the Technical Assistance application. This will be helpful for CDFIs trying to tell their story, especially emerging CDFIs.

The new Technical Assistance application also asks applicants to submit the same financial data as FA applicants. CDFIs indicated Emerging CDFIs and Sponsoring Entities may not be able to provide the same level of financial detail as FA applicants. The application should include an “N/A” option in the financial data questions, and the Fund should allow CDFIs to explain any missing or incomplete information. The application should also include a space for a narrative alongside any new data requests, and the Fund should clarify how these new data points will be used in the application process.

General Comments on the Application
OFN would like to offer a few additional comments on the overall application and process:

Application System
The application system, AMIS, remains confusing for CDFI applicants to navigate, especially if multiple staff are working together to complete the application. CDFIs in our network overwhelmingly requested that in each section where data will be entered through AMIS, the Fund include a corresponding, downloadable Excel spreadsheet that applicants can use outside AMIS, to gather and assess their data before entering it into the online system. The Excel sheet should include the same calculations the AMIS system will use to compute financial information so applicants can understand how key ratios and other information is being calculated, and identify any potential inaccuracies. This will substantially reduce the burden on applicants as they can gather and analyze data in a functional format before the transfer into the AMIS system, which does not present the chart data in a concise format. This would also facilitate sharing information when multiple staff members are working in AMIS. The Fund should also consider providing
additional training and support on AMIS to improve the experience for applicants.

**CDFI Fund Programs Application Timelines**
This year’s overlapping timeline for several Fund program applications created challenges for many organizations. This has a disparate negative impact on small CDFIs who have limited staff capacity and may not have the resources to complete multiple applications at once. These time and resource constraints could cause CDFIs to miss out on key funding opportunities, which can have lasting impacts on the organization’s long term financial sustainability. OFN urges the Fund to revise the timeline for award applications, allowing adequate time between each program application for thoughtful analysis of any changes to application materials, rules, or compliance that may impact an institution’s decisionmaking about applying for funding.

**Application Guidance and Outreach**
OFN recommends that the Fund add "hints" and "tips" to the proposed application to provide helpful guidance for applicants similar to the technique used currently in the New Markets Tax Credit application. The application should also define any new terms and data points. OFN also strongly recommends the Fund conduct outreach to potential applicants to explain the changes in the new application, ideally before the FY 2017 application period opens so that CDFIs can focus on preparing strong applications rather than attempting to navigate the new system.

OFN appreciates your consideration of our recommendations. We look forward to a continued partnership with the Fund in building the CDFI industry and increasing access to capital for underserved communities across the United States. If you have any questions, please feel free to contact me at dwilliams@ofn.org or 215.320.4318.

Thank you,

Dafina Williams
Vice President, Public Policy

cc: Liz Lopez, Executive Vice President, Public Policy
Nancy Santiago Negron, Chief External Affairs Officer