March 10, 2017

Mr. David Meyer
Program Manager
Certification, Compliance Monitoring and Evaluation
Community Development Financial Institutions Fund
U.S. Department of the Treasury
1500 Pennsylvania Avenue NW
Washington, DC 20020

Re: Request for Information on CDFI Certification

Dear Mr. Meyer:

OFN appreciates the opportunity to comment on the CDFI Fund’s Request for Information on CDFI Certification. OFN is a national network of community development financial institutions (CDFIs) investing in opportunities that benefit low-income, low-wealth, and other under-resourced 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 $48 billion in financing in urban, rural, and Native communities through 2015. 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 supports the CDFI Fund’s efforts to ensure that certification continues to foster a diversity of CDFI types, activities, and geographies; allows for innovation that supports the growth and reach of CDFIs; and signifies confidence in a strong 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 it as a common description of an organization’s function and purpose. OFN agrees that it is important that certification remain a mark of confidence in an organization’s commitment to a community development mission.

CDFI certification has become highly desirable for many organizations, as state and federal agencies as well as private sector investors include CDFI certification as a requirement for participation in a growing number of programs. As “certified CDFI” status increases opportunity for CDFIs and opens the door to additional investors, ensuring that certified CDFIs maintain that status, and that the CDFI Fund feels that it can reliably verify that status, will become even more critical.
OFN appreciates the opportunity to comment on the following aspects of the CDFI certification criteria:

**I. Certification Criteria**

**A. Legal Entity**

*Question 1.* The statute does not indicate how long an organization must be in existence to be considered a "person (other than an individual)." Should there be a minimum period of time an organization should be in existence before applying for CDFI certification? If so, how long? If not, why not?

No, there should not be a particular time period an organization must be in existence before applying for CDFI certification. There is no statutory requirement related to the this issue, and the CDFI Fund should not impose additional restrictions and allow flexibility for Applicants. OFN agrees with the CDFI Coalition that the maturity, experience and performance of an CDFI is better evaluated and assessed when an organization seeks a Financial or Technical Assistance award.

*Question 2.* Is there additional documentation, beyond an organization’s establishing documents filed with State jurisdictions, that should be accepted to demonstrate that an organization is a legal entity?

The CDFI Fund currently requires evidence of an Applicant’s incorporation, organization, or establishment, such as IRS documentation, establishing documents filed with appropriate authorities or charter numbers for Insured Depository Institutions and Credit Unions is sufficient. These documents are sufficient to demonstrate an organization is a legal entity.

**B. Primary Mission**

*Question 1.* Should the currently required board-approved documentation and narrative statement be sufficient to demonstrate an Applicant's primary mission, or should the CDFI Fund apply a more prescriptive primary mission test? For example, should the CDFI Fund provide a more explicit, possibly quantitative, definition of what it means to “promote community development” that Applicants would be required to meet? If so, what should be the definition and what test should be applied? Are there criteria that the CDFI Fund should not consider and why?

The statute states that a CDFI must have “a primary mission of promoting community development,” but specifies few criteria for meeting that test. The CDFI Fund currently allows Applicants to meet this test by providing:

- Board-approved organizational documents demonstrating the Applicant has a primary mission of promoting community development;
• Narrative statement describing how the Applicant’s mission is consistent with the CDFI Fund’s; and
• a brief description of Financial Products offered.

While OFN does not believe there needs to be a more quantitative definition of what it means to promote community development, The CDFI Fund should consider additional factors and information when determining if an organization qualifies as meeting the community development mission test. OFN offers suggestions throughout this section for ways the CDFI Fund can assess the mission of Applicants.

**Question 2. Should there be different standards for meeting the primary mission test for nonprofit versus for-profit organizations, particularly for-profits that are not Insured Depository Institutions? If so, what different standards should be applied?**

Currently, organizations with no mission focus, or are predatory in nature could create subsidiaries or affiliates that can be certified as CDFIs. Without deeper assessment of the Financial Products and Services provided, some payday and predatory lenders could qualify for certification by engaging in financing activities in CDFI-qualifying low income census tracts. As the lending landscape rapidly evolves and more activity takes place online, the CDFI Fund must enhance its ability to assess the financing activity of all entities seeking CDFI certification.

Under the existing CDFI Fund statute and regulations, depository CDFIs are required to meet the certification criteria based on the entirety of their activities, including those of affiliates.¹ OFN recommends this standard be applied to all CDFI types, and require Applicants to demonstrate the mission focus of their parent and affiliate organizations to meet the primary mission test. This will help determine if an Applicant is truly serving low-income people and communities by providing affordable, responsible financial products and services, and prevent organizations that are not mission-driven from creating subsidiaries or affiliates that can be certified as CDFIs.

**Question 3. What evidence can the CDFI Fund use to confirm an Applicant’s adherence to a stated community development mission? For example, how can the CDFI Fund distinguish between an organization that is fully committed to a community development mission and one that targets the same communities or populations as a CDFI and claims a community development mission, but whose actions do not demonstrate intent to create community development and/or are predatory in nature?**

The CDFI Coalition’s 2016 paper, “Modernizing the CDFI Certification Process”, details a variety of methods the CDFI Fund could use to evaluate an Applicants adherence to their stated mission including but not limited to:

• Chartering or other formal documents establishing the organization’s community and economic development mission;
• Reports or publications that convey the results or impact of its mission;
• Information on collaborations, partnerships or community engagement activities;

¹ 12 CFR §1805.201(b)(1); 12 CFR 1805.200(b)
• Affiliates and subsidiaries that demonstrate primary missions of community and/or economic development that complement the work of the CDFI; and
• Information on terms, rates and fees on loan products geared towards low income and other underserved borrowers.²

Question 4. To what extent should the CDFI Fund evaluate the Financial Products and/or Financial Services offered by an Applicant to determine its ability to meet the primary mission test? What test would the CDFI Fund apply in any such evaluation of Financial Products and/or Financial Services?

OFN urges the CDFI Fund not to be overly prescriptive in evaluating the Financial Products and Services offered by applicants, allowing CDFIs maximum flexibility to develop the resources needed to meet the needs of their Target Markets. However, OFN recognizes the need to provide safeguards against unscrupulous lenders seeking CDFI certification. To that end, we urge the CDFI Fund to develop methods to assess whether predatory-like products are being offered from lenders, or whether such products provided are having a negative community development impact.

In recent comments to the Office of the Comptroller of the Currency (OCC), OFN identified ways that the OCC could evaluate fintech companies’ financial inclusion practices as a condition of receiving a special purpose national bank charter.³ The CDFI Fund could apply some of that same criteria to lenders seeking CDFI certification.

Question 5. Currently, by statute, Depository Institution Holding Companies wishing to be certified as CDFIs must provide documentation that their parent, Subsidiaries, and Affiliate organizations collectively meet the primary mission test. Should the CDFI Fund also make this a requirement for Non-Regulated CDFIs, for example, a Non-Regulated for-profit financial institution? Why or why not?

Yes. Please see response under Question 2.

C. Financing Entity

Question 1. The CDFI Fund does not currently define the term “predominance,” but in practice accepts a plurality of assets as meeting this criterion. Should the term “predominance” be defined more specifically, and if so, how?

Yes, Members of our network suggested the CDFI Fund should numerically define the term “predominance of assets”. In addition, the current calculation of the “Predominance of assets” tests reflect a CDFI’s financial position only at fiscal year-end. The CDFI Fund could

consider using a yearly average instead of a moment in time that may not accurately reflect the organization’s activities throughout the year. The CDFI Fund should also continue to maintain flexibility for CDFIs, and allow Applicants to provide a narrative if they do not meet the “predominance of assets” test.

**Question 3.** Currently, the amount of assets and staff time dedicated to financing activities are used to measure the level of a CDFI’s financing activity. How else could a CDFI’s level of financing activity be measured?

The current method using staff time and assets dedicated to financing activities is an acceptable way to measure an Applicant’s level of financing activity.

**Question 4.** For Non-Regulated CDFIs, is the current “predominance of assets” test appropriate, or should alternatives or additional considerations be permitted?

The current “predominance of assets” test is appropriate for Non-Regulated CDFIs. As mentioned in Question 1 of this section, Applicants should be able to provide a narrative explanation to the CDFI Fund if they do not meet the “predominance of assets” test.

**Question 5.** Should Non-Regulated CDFIs be permitted to include the financing or Financial Services activity of a mission-driven Subsidiary as part of the assessment of the parent CDFI’s financing activities?

Yes, Non-Regulated CDFIs should be permitted to include the financing or Financial Services activity of a mission-driven Subsidiary as part of the assessment of the parent CDFI’s financing activities. The activities of affiliates and subsidiaries should be considered throughout the CDFI certification application, from meeting the primary mission test, to financing, to the provision of Development Services.

**Question 6.** Should Non-Regulated CDFIs be permitted to rely upon the financing or Financial Services activity of a parent CDFI as part of the assessment of the Subsidiary’s or Affiliate’s financing activities?

Yes. In general, OFN feels that Applicants for certification should meet all the certification criteria at the time of application. However, if a parent CDFI seeks to create a new CDFI affiliate with a limited track record, the Applicant should, for a period determined by the Fund, be able to rely on the financing activity of a parent CDFI to meet this qualification with a few caveats. The CDFI Fund should impose a deadline by which the Affiliate must meet the financing entity requirement based on its own merit or activity, and require the parent CDFI maintain its CDFI certification until the Affiliate is able to meet all CDFI certification requirements.

**Question 9.** Should certified CDFIs be required to offer loans or Equity Investments each year, in order to maintain certification status?

Yes, unless there is a good reason. The CDFI Fund should allow CDFIs to explain why they have not made any loans or investments in that year to provide an explanation, but in general CDFIs should be providing financing every year to maintain certification.
D. Serves an Investment Area or Targeted Population

Question 1. Threshold Target Market Test

Part a. Is the current standard that 60 percent of a CDFI's Financial Product activities must be in qualified Target Markets the right standard? If not, what percentage of transactions should be in and/or to a qualified Target Market to demonstrate that an organization serves that Target Market and why?

OFN believes the 60 percent of dollar amount and transaction volume is an acceptable standard as a benchmark, but with some flexibility for CDFIs that may not quite meet the requirement. However, CDFIs in our network felt the requirement that both the number and dollar amount of the organization's Financial Product activities be at least 60 percent of all its Financial Product activities in the most recent fiscal year is challenging and limits flexibility. OFN recommends the CDFI Fund consider allowing a CDFI to demonstrate that 60 percent of either the dollar amount or total number of loans be directed to the Target Market is an acceptable way to meet the test.

This is especially useful for CDFIs that provide both microloans and small business loans. A CDFI that primarily makes microloans in the Target Market might make one larger business loan outside of the approved Target Market that could skew the entire portfolio and make a CDFI look noncompliant even if nearly all the other lending activity is in the Target Market. Allowing the “either/or” approach would allow CDFIs additional flexibility and the chance to more fully represent its lending activity.

Additionally, as the CDFI Coalition points out, the 60 percent test is applied only to those activities in approved Target Markets. A CDFI certified to serve a Low Income Targeted Population (LITP) nationwide cannot include, for purposes of meeting the 60 percent test, loans made to borrowers in qualified CDFI census tracts or to certain populations that are not also low-income. CDFIs must separate out lending activity to determine what can be reported on as financing activity in the Target Market, creating burdensome reporting requirements. This may also result in CDFIs that are lending in CDFI-designated Target Markets being deemed noncompliant with the threshold test.

Another issue of major concern for CDFIs in our network is the lack of clarity around meeting the threshold test when there is a pending request to modify the Applicant’s Target Market. CDFIs need certainty around any reporting requirements that could impact certification, but delays in receiving approvals from the CDFI Fund make it difficult to plan and develop lending pipelines. OFN agrees with the CDFI Coalition’s recommendation that CDFIs that have submitted modifications to their Target Markets to the CDFI Fund should be able to include any activity in that modified market, even if the CDFI has not yet been approved for those specific markets.
Additionally, CDFIs expressed concern about significant wait times when seeking approval from the CDFI Fund to adjust their Target Market. The CDFI Fund should make the approval process for adjusting a target market as simple as possible, and consider moving to an automated system that allows for Target Market adjustments online.

Part b. Should there be different thresholds for different institution types (i.e., Insured Depository Institutions and Credit Unions, nonprofit loan funds, and venture capital funds)?

No, the threshold should remain consistent across different institution types.

Part c. The CDFI Fund currently relies on self-reported summary data submitted by Applicants to demonstrate that they meet the Target Market threshold test. Should statistical sampling of transactions be required to establish a current baseline of activity and document the Target Markets that they are serving?

Yes, the CDFI Fund should require a statistical sampling of transactions from Applicants, and conduct a random sampling to test a percentage of all CDFIs on an annual basis. However, OFN urges the CDFI Fund to maintain flexibility in this requirement and allow CDFIs to provide an explanation of any changes or unusual activity in their portfolio.

Part d. The August 31, 2015 Interim CDFI Program Regulations added the provision of Financial Services as a means of demonstrating that an applicant serves a Target Market. However, the CDFI Fund does not currently have a method of recognizing or applying the provision of Financial Services toward the current 60 percent threshold test for certification. In addition to the level of Financial Products provided by an Applicant, how should an Applicant receive credit for the provision of Financial Services toward meeting any threshold test? How should this be measured? If an Applicant requests credit for providing Financial Services, should there be a separate minimum level of Financial Products that must be provided by the Applicant?

OFN recommends Financial Services count toward the Threshold Test. The current Threshold test only includes lending, and CDFIs in our network pointed out that although borrowers may not be qualified or ready to borrow yet, the provision of Financial Services geared toward low income people like credit builder checking accounts should still count towards meeting the 60 percent requirement, as it shows the prospective CDFI is serving a low-income market.

CDFIs in our network also indicated that Development Services should specifically be included in the 60 percent threshold so Applicants that direct 60 percent of their Financial Products, Financial Services, and Development Services to their Target Market be deemed to meet the Threshold Test.

Part e. The CDFI Fund currently first considers an Applicant's financial activity during its most recent fiscal year in determining whether it meets the threshold test. Is this
the appropriate time period to consider, or should a longer period of time be considered? If so, should the applicant be required to meet the threshold in each year of the test, for a time period, or should an average be considered? Should the CDFI Fund consider an Applicant’s portfolio of loans outstanding?

The CDFI Fund should consider a longer period that the most recent fiscal year when determining if an Applicant meets the threshold test. OFN recommends the CDFI Fund consider a three-year average for certification Applicants.

**Question 2. Investment Areas**

*Part b. Currently the CDFI Fund allows Investment Areas to be composed of a set of contiguous geographic units that may include a small portion of units that individually do not qualify as Investment Areas. Should the CDFI Fund continue this practice, or should all units within the Investment Area meet the Investment Area qualifications?*

The CDFI Fund should continue to allow a small portion of units that individually do not qualify as Investment Areas. The contiguous census tract requirement ignores the reality community and neighborhood structure, and prohibits capital from flowing to where it is needed most. In some instances, there may be a number of distressed communities where CDFIs could potentially invest but cannot because it is not part of a contiguous census tract of their designated Investment Area. One CDFI noted that to meet the Fund’s criteria, they essentially gerrymander an Investment Area to fit into the CDFI Fund’s model instead of focusing on the neighborhoods in a service area that are underserved but may not be in a contiguous census tract.

OFN agrees with the CDFI Coalition that the CDFI Fund should waive the contiguous census tract requirement rule in its regulations to solve this problem until the regulations can be amended. The New Markets Tax Credit program’s CDE service area requirements can serve as an improved model for CDFIs to serve Investment Areas.

For CDFIs serving regional and national Target Markets, the definition of Investment Areas makes it difficult for CDFIs to become certified to serve multiple states, restricting the ability of CDFIs to deploy capital where it is needed most. As CDFIs grow and expand their geographic coverage, placing limitations on Investment Areas will impede the ability of national and regional CDFIs to reach their full potential, leaving communities underserved. CDFIs in our network also suggested Applicants should also be able to designate all rural areas in a state as an Investment area.

Members also noted the requirement that a CDFI serve an Investment Area before it can be certified to serve that Target Market is also confusing and counterintuitive to the CDFI Fund’s 60 percent threshold criterion, as it makes it more difficult for Applicants to reach that threshold if the activities in the new Investment Area are not counted. As we mentioned in a previous question, CDFIs should be able to count
activities in Target Markets for which they have not yet been certified towards meeting the 60 percent Threshold Test.

Finally, as online lending becomes a more prevalent part of the financial services market, CDFI Investment Areas are less connected to a geographic location and more CDFIs are focusing on a borrower type rather than a geography. OFN urges the CDFI Fund to adopt policies that enhance flexibility for CDFIs when assessing current and potential target markets to ensure CDFIs can innovate and expand.

3. Targeted Populations

Part a. Should the Targeted Populations be expanded to automatically accept more specifically defined Other Targeted Populations (OTP) that are eligible for other Federal programs that support economic development in Low-Income communities? If so, which ones and why?

The CDFI Fund currently includes, for a specific geographic unit(s), African-Americans, Hispanics, Native Americans, Native Alaskans, Native Hawaiians, and Other Pacific Islanders among the groups automatically considered eligible for an OTP Target Market. Applicants are permitted to seek OTP recognition for other populations by demonstrating that the group lacks access to capital. Suggestions for Other Targeted Populations include Asian Americans, Veterans, and rural communities.

OFN also agrees with the CDFI Coalition that other federal programs that share community development goals similar to the CDFI Fund should be allowed to be considered Targeted Populations. The CDFI Fund should also clarify if CDFIs be considered as serving a Low Income Targeted Populations (LITPs) by providing LITP jobs, as allowable under the Community Development Block Grant Program.

Part b. CDFIs currently are approved to serve Targeted Populations within a defined geographic unit at below and up to a national level. Should all Applicants proposing to serve Targeted Populations be approved to serve such target markets nationally?

CDFIs in our network recommend that applicants proposing to serve Targeted Populations be approved to serve such target markets nationally.

4. National Target Markets

Part a. Given that it is unlikely that most CDFIs that work broadly across the nation will complete transactions in every State every year, how can organizations demonstrate that they serve a national Target Market, whether for an Investment Area or for a Targeted Population? Should there be a certain minimum geographic dispersion of actual investments?

CDFIs in our network felt there should not be a minimum number of states nor a minimum geographic dispersion of actual investments required to demonstrate serving a national Target Market. The CDFI Fund should not be overly restrictive
when certifying Target Markets and instead encourage CDFIs to determine where their capital can flow to meet the needs of underserved communities.

Further, CDFIs pipelines are malleable and change based on market conditions; CDFIs may need to make adjustment to their business plans or investment strategies throughout the year. Adhering to a certain dispersion or commitment to dispersing capital in a certain area will limit flexibility and result in confusing and onerous reporting and compliance requirements.

The CDFI Fund could instead focus on other factors to determine certification of target markets such as an applicant’s active clients, loan volume, and how the loan portfolio that is disbursed to the proposed target population to determine if the Applicant is serving a National Target market.

Part b. Some CDFIs serve multiple markets that are part of a multi-State region or are comprised of geographically unconnected markets. When should the CDFI Fund recognize these practices as constituting a national Target Market?

OFN recommends that if an organization is serving an approved Low Income Targeted Population, they should be recognized as serving a national target market as suggested in Question 3b. This will give CDFIs room to expand without needing to submit a new request to expand their Target Market each time. Additionally, organizations serving multiple states that are certified in one target market should also be certified for those same target markets in other states they serve.

E. Development Services

Question 1. Should the CDFI Fund more explicitly define Development Services? If so, how should it be defined?

No, the CDFI Fund should not more explicitly define Development Services and instead support broad definitions including development services that are tied to community development goals even if they do not necessarily lead to on-balance sheet lending.

OFN also agrees with the CDFI Coalition’ recommendation that applicants offering financial counseling services, regardless of whether they are linked to a specific loan product, should be considered as offering Development Services.

Question 2. Should the CDFI Fund require CDFIs to provide a corresponding Development Service for each Financial Product and Financial Service?

No, Applicants should not be required to provide a corresponding development service for each Financial Product and Financial Service. Further, not all CDFI clients will want or have a need for a Development Service. Allowing CDFIs to assess for themselves the best Development Services to deliver to their borrowers and respond to a client’s needs by providing different development services will ensure CDFIs have the flexibility to provide the products and services that meet their needs of their communities.
Question 3. Should a certified CDFI be required to offer each Development Service each year to maintain certification status?

No, CDFIs should not be required to offer each development service each year to maintain certification status. The CDFI Fund should provide latitude to the Applicants to determine which products and services are offered to their clients each year.

F. Accountability

Question 1. What percentage of a CDFI’s board members should satisfy accountability rules?

CDFIs in our network expressed concern about the challenges of using board membership as the sole method to maintain accountability to a Target Market. OFN recommends the CDFI Fund adopt the approach it uses to certify Community Development Entities (CDEs) in the New Markets Tax Credit program, in which to be a certified CDE, 20 percent of the governing or advisory board members must be accountable and can be accountable to larger geographic areas.4

Question 3. Is representation on an advisory board sufficient to demonstrate accountability?

Representation on an advisory board could be sufficient to demonstrate accountability, especially for CDFIs serving Target Markets that are limited in scope. However, some CDFIs in our network, especially those serving large, complex Target Markets, find the requirement to have “one to one” board or committee representation to a Target Market overly burdensome. Further, CDFIs question whether strong Board Level Accountability correlates with strong Target Market service delivery, and if Board composition is an effective way to measure it.

In addition, the accountability mechanism may inadvertently restrict the ability of CDFIs to attract the most qualified Board members. As CDFI operations become more complex, organizations need the ability to create boards that can support the strategic needs of the organization. That does not exclude "accountable" board members, but it should not be the defining characteristic when CDFIs are seeking Board Members. The accountability mechanism needs to balance the needs of ensuring local accountability and engagement in the decision-making process with the ability of CDFIs to attract Board Members with a set of skills and experience that align with service the needs of the Target Market.

Question 4. Should CDFIs be able to demonstrate accountability through means other than board membership? If so, how?

CDFIs should be able to demonstrate accountability through means other than board membership. The CDFI Fund should allow Applicants to supplement board representation by demonstrating accountability through other mechanisms such as focus groups, community

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meeting, and/or customer surveys, enhancing flexibility. CDFIs in our network suggested the CDFI Fund consider successful deployment of capital in the Target Market as evidence of accountability. For example, if loans and/or amount lent to Target Market meets the Threshold Test, this could be deemed to meet the accountability test.

**Question 6. Should accountability requirements differ based on a CDFI’s type of Target Market, and if so, how?**

No, the CDFI Fund should not have different accountability requirements based on CDFI type.

**Question 7. How should the CDFI Fund assess accountability if a CDFI’s Target Market includes borrowers or investees who are not members of a Targeted Population themselves (e.g., small businesses, micro businesses, and affordable housing developers, charter schools), but whose “end-beneficiaries” are?**

OFN agrees with the CDFI Coalition that for compliance purposes, the CDFI Fund needs to develop guidelines for the types and levels of end beneficiaries that fulfill the accountability requirements. There needs to be clear guidance so CDFIs know what to document and report to remain certification-compliant if serving a Target Market through the end beneficiaries’ path.

**Question 8. How should a CDFI demonstrate accountability to a national Target Market, in particular an Investment Area national in scope? Should there be a requirement to have local accountability to supplement a national governing or advisory board? In this context, how should the term “local” be defined?**

CDFIs in our network serving a multistate or national Target Market found it particularly challenging to meet the accountability requirements. One organization that has grown to serve five states with four Target Markets across multiple states noted that the Board representation accountability mechanism is unwieldy for their organization. CDFIs with national Target Markets should not have to demonstrate requirement for local accountability, and instead should be evaluated under the NMTC accountability requirements for Community Development Entities, in which a CDE with a statewide, multi-state, or national service area must demonstrate that at least 20 percent of the advisory board is representative of a cross-section of the low-income community within the state(s) that it serves.

**G. Non-Governmental Entity**

**Question 1. Are the current standards for establishing that an Applicant is not owned or controlled by a governmental entity sufficient?**

OFN agrees with the CDFI Coalition that for CDFIs with a connection to a local, county or statewide agency, the CDFI Fund should ask additional questions about the relationship with governmental entities concerning whether the potential CDFI works closely with city, county
or state agencies, whether the CDFI manages any of their loan funds, and whether any government official can veto the CDFI’s loan decisions. The Applicant could also be asked to provide a narrative statement describing relationships with city, county or state agencies and the extent to which the applicant coordinates its lending activities with such agencies.

II. Certification Policy and Procedures

A. Should the CDFI Fund request information on the reason for applying for certification and intended use (e.g., funding requirement, marketing)?

No, CDFIs in our network did not feel it was necessary to request information on the reason an Applicant seeking certification, and that it would just add unnecessary paperwork to the process.

III. General Certification Questions for Public Comment

Part D. Should CDFI certification standards have more “bright-line” tests, i.e. specific thresholds and benchmarks that are, where possible, quantitative in nature, or should the CDFI Fund maintain flexibility to evaluate Applicants on a case by case basis, even at the expense of certainty for applicants?

OFN encourages the CDFI Fund to continue to remain flexible in all its programs. The strength of the CDFI industry lies within its diversity and the ability of organizations to develop customized solutions based on the needs of the communities in which they work and operate every day. Diversity of markets, organization types, sectors served, and geographic needs means imposing strict requirements and thresholds will restrict the ability of CDFIs to deploy capital where it is needed most.

While a bright line test or threshold might make it easier to evaluate if an Applicant meets a certain criterion, the opportunity finance industry still needs the CDFI Fund to retain its ability to accurately assess the strategy and activities of certification Applicants. The CDFI Fund serves as a barrier between CDFIs that are deeply rooted in communities and providing capital to those left out of the mainstream, and those entities seeking certification to bypass regulation or received favorable status from other agencies. OFN urges the CDFI Fund balance the need to streamline processes with the needs to maintain the integrity of the “CDFI certification” brand.

Part F. Should “start-up” entities be able to be certified? How should the term “start-up” be defined?

Yes, as long as they can meet all the certification criteria.

Part G. Are there additional areas of CDFI certification policy or the CDFI certification application review process that could use improvement? If so, how?

OFN urges the CDFI Fund to find ways to streamline the certification process. CDFIs remain concerned about the uncertainty created when recertification applications are left pending for extended periods of time, some stretching more than a year. Incomplete information about certification status can impact deployment and investment decisions, and potentially
jeopardize covenants with other funders who require certification to be maintained as a condition of funding. CDFIs needs quick turnaround on certification decisions from the CDFI Fund to appropriately plan for future business decisions.

**Conclusion**

CDFI certification is one of the most critical components of the CDFI Fund’s mission. OFN appreciates the opportunity to offer suggestions to improve the process. We appreciate your consideration of these comments and look forward to the continued success of the CDFI Fund programs. Please do not hesitate to contact me if you have questions or concerns about these recommendations via email or phone at dwilliams@ofn.org; 215.320.4318.

Thank you,

Dafina Williams

Vice President, Public Policy

cc: Liz Lopez, Executive Vice President, Public Policy