

June 26, 2017

Greg Bischak
Program Manager for Financial Strategies and Research
Community Development Financial Institutions Fund
U.S. Department of the Treasury
1500 Pennsylvania Ave. NW
Washington, DC 20220

Re: CDFI Program and NMTC Program Annual Report including CIIS; OMB Number:
1559-0027

Dear Mr. Bischak:

Opportunity Finance Network (OFN) appreciates the opportunity to respond to the U.S. Department of the Treasury request for comments concerning the Community Development Financial Institutions CDFI Program (CDFI Program) and New Markets Tax Credit Program (NMTC Program) Annual Report including the Community Investment Impact System (CIIS). 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. Our Members offer responsible financial products and services in all types of communities—urban, rural, and Native—across the U.S, connecting communities to capital that creates jobs, supports small business, builds affordable housing, cultivates healthy food and energy efficiency, and promotes safe borrowing and lending.

OFN commends the CDFI Fund for its efforts to improve awardee reporting and data collection practices. The transaction-level reporting (TLR) and institution-level reporting (ILR) provide the CDFI Fund with a rich source of data that can be used beyond evaluating compliance and impact, including facilitating research on the CDFI industry and its role in the financial services sector, helping CDFIs better understand their own markets and performance, and increasing transparency for public and private sector investors.

While the annual reports are an important tool in assessing the impact of the CDFI industry, OFN has identified a few key areas for improvement. Our recommendations are informed by consultation with our network of CDFIs, who represent a significant portion of past and current CDFI Program awardees and NMTC Program allocatees; our experience as a CDFI Fund awardee; and more than twenty years of data collection for OFN's annual survey of its Membership and our use of that data for advocacy, consulting and other purposes.

OFN would like to provide the following specific comments on the annual reports:

Transaction-Level Reporting



■ Updated Job Creation Guidance

OFN Members expressed serious concerns about the new guidance for calculation of job creation. The guidance states that jobs supported by working capital loans must be prorated, no jobs should be reported for loans used for fixed assets, jobs supported by business expansion and startup must be prorated, and microloan jobs should be calculated using the same method. OFN has comments on several aspects of the updated guidance:

- **Fixed Asset Investments**

Members of OFN's network did not feel it was necessary to differentiate between types of investment and to not count jobs associated with fixed assets investments. While it is true that many of these investments could also be classified as start-up or expansion, there are instances when equipment may need to be replaced or purchased simply to stay in business. In those instances, the fixed asset investment is most often just as important to preserving jobs as any other type of investment. A loan for fixed assets may free up other funds that a business could use for working capital or other needs. OFN recommends CDFIs continue to be able to report on jobs created from loans for fixed asset investments.

- **Prorating Certain Jobs Numbers**

The updated TLR guidance directs CDFIs to prorate the number of jobs based on the proportion of their investment to the total project costs. While CDFIs in OFN's network understand the importance of collecting accurate jobs data, the new guidance in the 2016 TLR instructions requiring CDFIs to calculate and report on prorated jobs adds a significant burden onto the reporting CDFIs and the data systems used to produce CDFI Fund reports.

CDFIs in our network pointed out the new guidance could lead to a significant under-calculation of the true impact of CDFI lending and investment while not necessarily yielding more accurate results. CDFI investments must be viewed in the context of the overall impact on the business. A loan made to a business, whether for working capital, a fixed asset, expansion, or startup impacts the whole business, not just by the prorated amount. If financing provided by a CDFI enables a business to hire more workers, all those jobs should be counted as part of the CDFI's impact.

OFN Members also noted that often transactions require multiple layers of financing and partners, with the CDFI instrumental in developing the full financing package. In many cases, but for the CDFI's participation in the project, the whole deal would not be viable, and all the jobs might be lost. Additionally, other investors may be private, for-profit entities that do not



report on job creation to the federal government, in which case the jobs impact will be lost or underreported.

Allocatees of the NMTC Program are also concerned about the impact of the change in job creation. Most NMTC deals are real estate collateral acquisition, construction, etc. loans. Restricting the ability of allocatees to fully report that financing's impact on job creation means the program's job outcomes would plummet. OFN urges the CDFI Fund to consider the ramifications of this change in reporting on job creation and if this change will truly paint a more comprehensive picture of the impact of CDFI investments.

OFN is also concerned that although the updated guidance was not required for the fiscal year (FY) 2016 TLR, in future reporting years the new job calculations will be mandatory and the legacy fields will disappear. OFN urges the CDFI Fund to reconsider making this reporting change mandatory for FY 2017 and beyond. The burden of implementing such a complex change that seemingly runs counter to the longstanding job creation reporting methodology of CDFIs across the industry should not fall on compliance-weary organizations.

We recommend the CDFI Fund allow CDFIs to keep reporting jobs under their existing methodology, and to add revenue and expense fields for business working capital loans. The CDFI Fund can then use the TLR data to perform any necessary internal calculations. The CDFI Fund could also allow any CDFIs that want to use the new calculations to opt-in to these changes, and provide a TLR version that includes the new fields for those organizations.

Finally, OFN urges the CDFI Fund to be transparent about the changes to such an important impact measurement. If the changes to the guidance reflect a larger, government-wide effort to more accurately assess the impact of federal dollars on job creation, the CDFI Fund should make efforts to communicate that to the industry. Such a major shift in how key metrics are calculated should be open for public comment rather than relegated to the back pages of the TLR guidance document.

Mandatory Fields

The CDFI Fund has converted formerly optional fields to mandatory fields. This can create a significant burden for some CDFIs, especially if the changes are retroactive and require additional reporting of data from previous years. OFN recommends the CDFI Fund make such changes sparingly and not make them retroactive. In



addition, the TLR includes many optional fields that makes navigating the report cumbersome. OFN recommends the CDFI Fund review these fields to determine how many of them are providing useful data and consider eliminating those not widely used.

■ Coordination with Other Technology

Members of our network indicated that improving technology for reporting and data gathering would ease the compliance burden. Reporting is somewhat cumbersome due to the complexity of transporting data from certain loan servicing software to the CIIS, which often takes several hours and needs to be validated before it can be accepted and certified. Certain industry loan servicing software companies have taken the initiative to make their products compatible with the existing reporting requirements by coordinating with the CDFI Fund on changes to reporting requirements each year and continually updating their system to add fields that are used by the CDFI Fund for reporting. As the CDFI Fund continues to develop the AMIS system, OFN encourages the CDFI Fund to consider how popular loan servicing software will integrate into the new system, and make efforts to have these systems work together seamlessly.

■ Institution-Level Reporting

CDFIs in our network, in general, found the ILR process easier than the TLR but identified a few areas for improvement. CDFIs in our network suggested the CDFI Fund should provide as many examples as possible, particularly for data points that require multi-year entries. The examples should show exactly what the CDFI should enter for each item, and within each time period. More detailed instructions and a clear multi-year example would help minimize any confusion and misunderstanding about what data should be reported. In addition, CDFIs should be able to upload Excel spreadsheets to complete the ILR as they can with the TLR.

■ Compliance Burden

CDFIs in our network agree CDFI Fund data collection and associated reporting and research yields valuable information about the industry, but the significant burden of the TLR has proven for many CDFIs to be a challenging and burdensome part of their relationship with the CDFI Fund that can consume significant resources. Some organizations estimate that their reporting and compliance burden to the CDFI Fund costs more than \$28,000 annually, while others found it difficult to come up with a reasonable estimate of how much it costs to operate and maintain the services/systems associated with compliance and reporting. Many organizations,



especially organizations without sophisticated loan and portfolio monitoring software and systems, must compile their TLR data from various sources.

OFN's own reporting to the CDFI Fund requires coordination of multiple lines of business and dozens of hours of staff time to complete the required reporting each year. While the reporting is key to ensuring compliance with assistance agreements and understanding the impact of the industry, OFN encourages the CDFI Fund to continue to assess the overall utility of the information collected in the ILR and TLR reports and make all efforts to streamline processes that will improve the reporting experience and reduce the time and cost to CDFIs.

Additionally, the lack of timely release of CDFI Fund data may be limiting the utility of the CDFI Fund's data collection. One OFN Member noted the difficulty of obtaining required information from borrowers in a timely manner is also an obstacle in completing CDFI Fund reporting and cites a disconnect between borrowers and the data released by the CDFI Fund. Their organization is considering providing incentives like from forgiving or reducing a payment, or punitive measures like a penalty fee if the borrower regularly reports late or not at all. However, a lack of clarity about how the CDFI Fund is planning to use the data collected makes it challenging for CDFIs to express to clients the importance of the timely reporting of this information. The CDFI Fund should make efforts to publicly share more impact data and reports.

Transition to AMIS

Members of our network appreciate the CDFI Fund's efforts to transition to the AMIS system and encourage this transition to happen as quickly as possible. This shift to the AMIS system is an important step in streamlining CDFI Fund requirements related to annual certification and reporting for allocatees and awardees. Currently, there is a lot of duplicative data entry: organizational information, financials, and portfolio information must be entered in the ILR and AMIS. As the AMIS system comes online, the CDFI Fund could improve the overall reporting process by providing more opportunities for training for CDFIs, webinars and in-person sessions on compliance, increased access to CDFI Fund staff and more rapid response time from the help desk.

Timing of Changes to TLR and ILR Guidance

The timing of the recent changes to the TLR guidance related to reporting job creation data was problematic for CDFIs. OFN recommends any updates and changes made to the TLR and ILR guidance be made at least six months prior to the reporting deadline. In addition, when major changes to financial reporting requirements are considered, the CDFI Fund should publicize those changes and solicit public input. This will allow organizations the opportunity to provide input and sufficient time to adjust their systems and data collection to accommodate any changes in the way information is



collected and shared with the CDFI Fund. The CDFI Fund should also consider discussing any proposed changes with industry groups with a specialized financial knowledge and focus, such as OFN's Performance Counts collaborative, before the changes are made.

The CDFI Fund annual reporting instruments are an important source of information on the CDFI industry. OFN looks forward to continuing to work with the CDFI Fund to minimize the compliance burden on CDFIs and streamline reporting. Thank you for the opportunity to comment. Please do not hesitate to contact me if you any questions about these recommendations via email or phone at dwilliams@ofn.org; 215.320.4318.

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cc: Liz Lopez, Executive Vice President, Public Policy