

September 1, 2022

Ms. Jodie Harris
Director
Community Development Financial Institutions Fund
U.S. Department of the Treasury
1500 Pennsylvania Avenue NW
Washington, DC 20220

Dear Director Harris:

In recent years, Congress has appropriated an unprecedented amount of funds for the Community Development Financial Institutions (CDFI) Fund ("Fund"). This historic funding increase was designed to blunt the effects of the COVID-19 pandemic on the availability of credit to struggling and underserved areas. We expected the Fund to quickly direct these funds to CDFI-certified banks, credit unions, and other loan funds. Further, we anticipated that this infusion of billions of dollars in the Fund would allow these certified entities to direct desperately needed resources to struggling communities.

Rather, we are hearing from many CDFI credit unions that the process for recertifying as a CDFI has become more difficult. Many established CDFI credit unions are suddenly struggling with the recertification process. These entities are wasting valuable time and resources to meet confusing and opaque standards amid Fund-erected time constraints in order to retain CDFI certification and access already-awarded funding.

Unnecessary New Delays that Block Assistance to Struggling Communities

The CDFI Fund announced in late July that it will pause acceptance of new CDFI Certification Applications and Target Market Modifications requests for six months to prepare to launch its new application process.¹ CDFI credit unions therefore have until midnight of September 30, 2022, to submit applications. Otherwise, they must wait until after April 3, 2023, to submit an application or funding request. Against the backdrop of this time constraint, CDFI credit unions seeking their Annual Certification or a Target Market Modification from the CDFI Fund are reporting significant concerns regarding the application or target market modification process. The result is that roughly 10-15% of CDFI credit unions report the inability to retain their CDFI certification and, for some, the anticipated loss of grant awards under Federal programs. These outcomes do not reflect the intention of Congress.

Cure Status Notifications Without Timely and Meaningful Communication

¹ CDFI Fund Update on CDFI Certification Application Process dated July 20, 2022, *available at* <https://www.cdfifund.gov/news/470>

CDFI credit unions report receiving form letters stating their applications to the Fund have been placed into a “cure status” with a specified resolution deadline, after which their CDFI certification will be terminated. The letters do not inform the credit unions of the specific issues with their applications, nor how they might fix it. The Fund places applications into cure status and sends the same form letter whether a CDFI simply needs to provide documentation or the CDFI’s application has significant compliance issues that must be addressed. The Fund expects these entities to be able to intuit the precise issue, and if they cannot, to open a “service request” within the Fund’s system to inquire as to the reason for the cure status. CDFI credit unions that open a service request and are able to obtain detailed information about the specific issues have very little guidance or compliance materials to determine how they should proceed.

Cure Status Without a Pathway for Correction

CDFI credit unions are reporting that their applications are frequently being placed into cure status or denied because they fail to meet the CDFI Fund’s Accountability standard. Reportedly, this Accountability standard is often failed by credit unions because of the racial, ethnic, employment, and/or residency of the credit union’s democratically elected board. CDFI credit unions report that guidance on how to address the Accountability standard has been difficult to obtain. While it appears credit unions can establish advisory boards to meet the requirement, this clarification has been provided very recently and without detailed guidance, leaving credit unions to establish a compliant and meaningful advisory board in a matter of weeks.

Other credit unions report that while they have met the CDFI Fund’s 60% threshold for Target Market activity with regard to the number of transactions, they struggle to meet the Fund’s 60% threshold for dollar amounts due to the extraordinary number of home refinances that occurred during the pandemic. Congress passed a funding increase for the Fund to improve funding to these communities due to the COVID-19 pandemic, not to increase the difficulty of retaining the CDFI certification due to unique financial circumstances that resulted from the pandemic.

Conclusion

We believe that the CDFI Fund’s lack of meaningful communication and guidance is placing unreasonable requirements on CDFI-certified credit unions as it works towards unveiling a new application for all entities currently scheduled to launch in April 2023.

Given the time constraints, and in order to address concerns regarding the high number of CDFI credit unions currently in a cure status (or a terminated status following an expired cure status), we ask the Fund to develop a pathway that does not threaten termination of CDFI certifications. The Fund should offer a provisional CDFI certification to any CDFI credit union which retained certification during the previous recertification year and has an application for recertification submitted by September 30, 2022. This provisional status will allow credit unions to continue serving their previously approved target markets, collect grants and awards, and complete

Emergency Capital Investment Program (ECIP) loans through the completion of the application moratorium.

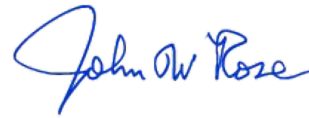
This will permit both CDFIs and the Fund to shift focus to the new application process in 2023. The confusion and disruption for the entities eager to serve CDFI target markets is hurting Americans and small businesses struggling to overcome the economic devastation left in wake of the pandemic.

Your quick attention to this matter is urgently needed and we request a response on this matter in no more than 10 business days.

Sincerely,

A handwritten signature in blue ink that reads "Andy Barr". The signature is fluid and cursive, with a long horizontal stroke at the end.

ANDY BARR
Member of Congress

A handwritten signature in blue ink that reads "John W. Rose". The signature is cursive and includes a large initial "J" and "R".

JOHN ROSE
Member of Congress

Cc: Janet Yellen, Secretary, U.S. Department of the Treasury