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National Association of Federally-Insured Credit Unions



April 28, 2022

Chairman Todd Harper  
National Credit Union Administration  
1775 Duke Street  
Alexandria, Virginia 22314-3428

**RE: CDFI Certification - Other Targeted Populations**

Dear Chairman Harper:

On behalf of the National Association of Federally-Insured Credit Unions (NAFCU) and Inclusiv (the Associations), we are writing to you as Chairman of the National Credit Union Administration (NCUA) to request assistance with the certification of credit unions as Community Development Financial Institutions (CDFIs) based on the Other Targeted Population (OTP) standard. NAFCU advocates for all federally-insured not-for-profit credit unions that, in turn, serve 130 million consumers with personal and small business financial service products. Inclusiv is a national association for CDFIs and low-income credit unions (LICUs). The Associations appreciate the Chairman's time and attention during the recent meeting as well as the Chairman's willingness to address the important issues impacting credit unions' certification as CDFIs.

To become certified as a CDFI under current CDFI Fund standards, an entity must, among other qualifications, direct at least 60 percent of its financial product activities to one or more approved Target Markets. There are three types of Target Markets: Investment Areas (IA), Low-Income Targeted Populations (LITP) and Other Targeted Populations (OTP). The LITP is defined as a low-income population for a specified geographic unit containing individuals whose family income (adjusted for family size) is up to 80 percent of the area median family income for metropolitan areas, and up to 80 percent of the greater of the area median family income or the statewide non-metropolitan area median family income for non-metropolitan areas. OTP-qualifying populations are identified as African-American; Hispanic American; Native American; Native Alaskan, residing in Alaska; Native Hawaiian, residing in Hawaii; and Other Pacific Islander, residing in other Pacific Islands; along with ADA-qualifying Americans.

There are nearly 500 CDFI credit unions today, an increase of more than 50 percent over the last two years. Currently, credit unions represent one-third of all CDFIs; they collectively serve nearly 17 million predominately low-income consumers and communities of color and have combined assets of over \$230 billion. Credit unions have begun to utilize tools that identify these OTP borrowers, consequently increasing the number of credit unions requesting certification based on minority target population response. However, credit unions that have recently submitted this data with their CDFI certification application have had their applications placed on indefinite hold.

Credit unions have an obligation to serve the people in these underserved markets, but their efforts are being met with skepticism by the CDFI Fund. Credit unions are not specifically targeting these populations to achieve certification but given the industry's increased focus on expanding access to financial services, credit unions are trying to be intentional about serving their diverse markets. Rather than being rewarded for these efforts, they are being penalized by the CDFI Fund and their applications are not being processed. The CDFI Fund is seemingly encouraging institutions seeking CDFI certification to refrain from submitting OTP data if their verification process is not already approved by the Fund. This poses a significant problem for several credit unions that may not be able to gain approval for an investment area target market on Accountability grounds, with OTP being their only option for achieving certification.

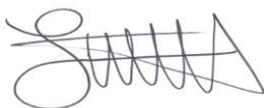
In the recently passed Fiscal Year 2022 omnibus package,<sup>1</sup> Congress appropriated \$1.75 billion to the CDFI Fund under the Minority Lending Program, but only MDIs that are certified as CDFIs on the date that the funding round opens will have access to those funds. Some credit unions submitted their applications well before the announcement of this funding, but because of the CDFI Fund's narrow view of OTP qualifying methodologies, their applications remain on hold. These institutions will likely not be able to access the Minority Lending Program despite their continued work in minority communities and alignment with the CDFI Fund's mission to expand economic opportunity for underserved people and communities.<sup>2</sup>

The Associations appreciate the opportunity to discuss with you this and other issues impacting credit union CDFI certification and thank you for your willingness to hear our concerns. If you have any questions, please do not hesitate to contact Aminah Moore, Regulatory Affairs Counsel, at [amoore@nafcu.org](mailto:amoore@nafcu.org), or Jules Epstein-Hebert, Director of Membership, at [jhebert@inclusiv.org](mailto:jhebert@inclusiv.org).

Sincerely,



Greg Mesack  
Senior Vice President of Government Affairs  
NAFCU



Pablo DeFilippi  
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<sup>1</sup> Consolidated Appropriations Act of 2022, H.R. 2471, 117<sup>th</sup> Congress (2021-2022).  
<https://www.congress.gov/bill/117th-congress/house-bill/2471/text>.

<sup>2</sup> <https://www.cdfifund.gov/about>.