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National Association of Federally-Insured Credit Unions

January 12, 2022

Michelle Dickens
Program Manager
Office of Certification, Compliance Monitoring and Evaluation
Community Development Financial Institutions Fund
Department of the Treasury
1500 Pennsylvania Avenue, NW
Washington, D.C. 20220

RE: CDFI Application Backlog

Dear Ms. Dickens:

On behalf of the National Association of Federally-Insured Credit Unions (NAFCU), I am writing to the Community Development Financial Institutions Fund (CDFI Fund) within the U.S. Department of the Treasury (Treasury) to request enhanced transparency and communication regarding pending applications for credit unions seeking CDFI certification. NAFCU advocates for all federally-insured not-for-profit credit unions that, in turn, serve 127 million consumers with personal and small business financial service products. NAFCU and its member credit unions appreciate Treasury's commitment to the CDFI Fund, which equips financial institutions with greater resources to offer Americans more affordable credit and financial services. However, NAFCU is concerned about the current CDFI application backlog and the lack of communication from the CDFI Fund or Treasury to applicants.

NAFCU requests Treasury work to allocate more resources to address the application backlog and streamline the CDFI application process as soon as possible. There are over 400 CDFI credit unions today, and that number has grown over the last two years. NAFCU has supported additional funding for the CDFI Fund and recently shared with Congress the need for a modernized and streamlined application process. In the meantime, so long as the application backlog remains, Treasury should openly communicate with applicants regarding expected delays and expected approval times, providing regular updates to applicants throughout the application process, especially as they approach and exceed the 90-day timeline within which the CDFI Fund normally reaches a decision. This will ensure that credit unions and other financial institutions that have applied for CDFI certification can properly understand and prepare for delays in the process and keep their boards of directors updated for strategic planning purposes.

NAFCU and credit union CDFI applicants are cognizant of constraints on the CDFI Fund's resources; however, the application process as it currently exists is opaque and byzantine. The failure to be forthright with applicants can result, and is currently resulting, in applicants becoming

disillusioned with the application process, and potential applicants becoming hesitant to enter a complicated and costly endeavor with an indefinite end date. It is critical that the Treasury and the CDFI Fund fully understand the value of transparency and timely communication with current applicants so as not to discourage future applicants and jeopardize the continued success and impact of the CDFI program.

The credit union industry embodies a cooperative and collegial approach. One of the most common ways in which credit unions support one another is by sharing information, often regarding the costs and benefits of engaging in programs. As it currently stands, a credit union involved in the CDFI application process would be unlikely to tell a colleague at another credit union that the CDFI application process is transparent, or that CDFI Fund or Treasury provide regular and meaningful communication regarding expected approval times. If the current backlog and lack of communication persists, the obvious result will be fewer credit unions participating in the CDFI application process and fewer CDFIs being approved to help underserved communities. Credit unions and other applicants should receive realistic and timely information regarding the progress of their application and the timeframe for their expected approval or certification.

Credit unions in general, and especially CDFI credit unions, play a vital role in supporting underserved communities. CDFIs demonstrated their unwavering commitment to their communities during the pandemic and programs like the Emergency Capital Investment Program, which recently announced it is injecting nearly \$9 billion into CDFIs and Minority Depository Institutions, approximately 46 percent of which are credit unions, further evidence the ongoing need for more resources and investment in such community-focused institutions. As the economy continues to recover, we urge Treasury to ensure that credit unions applying for CDFI certification receive greater support and that those already certified as CDFIs have the resources necessary to better assist their members most in need.

For example, as the CDFI Fund continues to provide awards to CDFI institutions to help them offer mortgage loans to first-time homebuyers and to provide flexible underwriting for community facilities, the Treasury and CDFI Fund should support further opportunities to bolster those programs at CDFIs. NAFCU has recently called upon the Federal Housing Finance Agency to establish pilot programs at Fannie Mae and Freddie Mac to purchase non-conforming CDFI mortgage loans. NAFCU would appreciate the opportunity to discuss with you and Treasury staff the potential benefits of such a pilot program. Additionally, CDFIs often provide educational services such as credit counseling and homebuyer classes to help their borrowers use credit effectively and ensure they can keep up with their loan obligations. Treasury and the CDFI Fund should increase coordination with the National Credit Union Administration so that CDFI credit unions have the tools and resources to continue to offer or expand these financial literacy programs.

NAFCU appreciates the work you and your team do at the CDFI Fund to help underserved communities across the country gain access to financial services. NAFCU is concerned about the current CDFI application backlog, and we support measures to streamline and modernize the requirements and application process to make it easier for qualified institutions to become certified CDFIs. Thank you for your attention to this matter and we look forward to working with you to ensure the continued success of the CDFI program. If I can answer any questions or provide you

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with additional information, please do not hesitate to contact me directly, at (703) 842-2212 or akossachev@nafcu.org.

Sincerely,

A handwritten signature in black ink, appearing to read "Ann C. Kossachev". The signature is fluid and cursive, with the first name "Ann" being the most prominent.

Ann C. Kossachev

Vice President of Regulatory Affairs