

February 5, 2016

The Honorable Amias Gerety
Acting Assistant Secretary for Financial Institutions
U.S. Department of the Treasury
1500 Pennsylvania Avenue, N.W.
Washington, DC 20220

Dear Assistant Secretary Gerety:

The members of the Community Development Bankers Association (CDBA) are writing in response to the January 21, 2016 joint announcement by the U.S Department of Treasury and the National Credit Union Administration (NCUA) to streamline the process for certification as a Community Development Financial Institution (CDFI) for credit unions with an NCUA Low Income Credit Union.

CDBA is the national trade association of the community development banking sector, the voice and champion of CDFI banks and thrifts. CDBA represents Federal and State chartered banks, thrifts, and their holding companies that are certified by the CDFI Fund. CDBA members serve our nation's most distressed and credit-starved communities and are engines of economic inclusion throughout the United States.

First, the members of CDBA wholeheartedly support the Department's goals of promoting financial inclusion for unbanked, underbanked and among low income people and communities. In fact, all CDBA members work every day to promote financial inclusion within their communities. Second, as regulated institutions, we also believe streamlining paperwork and reducing duplicative report requirements are helpful for all financial institutions. Thus, we laud such efforts.

Maintaining Fair Certification Standards:

We are concerned, however, that in implementing the initiative the CDFI Fund will continue to maintain the same standards required of all other CDFIs. While the criteria for Low Income Credit Union designation has some similarities to the CDFI Fund's Target Market requirements, they are not the same. The CDFI Fund's requirements are more rigorous. The NCUA designation should not be a substitute for any portion the CDFI certification process or criteria -- nor should the CDFI Fund cede or otherwise allow another Federal agency to establish eligibility for its programs. CDFI certification establishes eligibility for many of the CDFI Fund's competitive programs. Thus, all CDFIs that compete for scarce resources should be held to the same standard.

Competition for the CDFI Fund's scarce resources is already very intense. Given the anticipated increase in number of new CDFI certifications that will likely result from the initiative launched on January 21, we strongly urge the Department to substantially increase the budget request for all of the CDFI Fund's programs in the coming years.

Streamlining for All Regulated CDFIs

In the spirit of streamlining, we urge the CDFI Fund to reduce duplicative reporting as part of the annual CIIS Institution Level Report and/or new Annual Certification form. Specifically, if a CDFI bank or credit union is already reporting financial data to regulatory agencies and such data is publicly available, the CDFI Fund should not require such data be resubmitted in other reports. In both the annual CIIS Institution Level Report, as well as the new Annual Certification form (as approved and published by the Office of Management and Budget), the CDFI Fund requires regulated CDFIs to resubmit financial data that is already submitted to the bank and credit union regulatory agencies and publicly available. We believe this duplicative reporting should be eliminated.

Recommendations to Promote the CDFI Bank Sector

As the CDFI Fund has launched its initiative with NCUA to promote the credit union subsector of the CDFI industry, CDBA would like to take the opportunity to make suggestions for new ways the agency could promote the CDFI bank sector. Given the Treasury Department's role in formation of tax policy, we you to explore targeted amendments to Federal tax policy to promote and strengthen CDFI banks. For example:

1. Ensuring an Equal Playing Field

The members of CDBA strongly support the work of all CDFIs in promoting financial inclusion among low income people and places. Yet, regulated CDFIs have significantly more regulatory limits, reporting burdens and costs to manage than their non-regulated peers. Even among regulated CDFIs, the playing field is not even – CDFI credit unions are tax exempt and CDFI banks are not. We strongly urge the Treasury Department to advance the concept of exempting banks that are certified CDFIs from corporate taxation as part of any future tax reform proposals. To prevent non-mission focused banks from seeking CDFI certification, such exemption could include requirements that tax savings be retained and reinvested as common equity into the bank -- or for other community development purposes. On a more limited scale, simply exempting for-profit CDFIs from Federal taxation of all CDFI Fund grants (e.g. CDFI Program Financial and Technical Assistance grant, BEA Program grants) would better maximize the effectiveness of these scarce Federal resources to be put to work within low income communities.

2. Creating Incentives for Private Investment in CDFI Banks

Capital is critical for every financial institution. CDFI banks rely on equity capital to increase lending activity and other financial services, take risk, and innovate. CDFI banks share a common mission of serving distressed communities. Yet, this focus can affect a bank's ability to internally generate new capital.

Lack of scale, intense competition and increased regulatory burden created by the Dodd-Frank Act have also increased costs and eliminated some part sources of acceptable regulatory capital. These pressures further reduce CDFI banks' ability to

generate retained earnings and internally create new capital, as well as raise external capital.

Small banks, particularly CDFI banks, struggle to raise needed equity from conventional capital markets due challenges and misperceptions related to risk, return and liquidity. Thus, we strongly urge the Treasury Department advance tax policy that will incent private investment into CDFI banks.

We thank you for the opportunity to comment and look forward to working with you on these important matters. If you have questions, please contact Jeannine Jacokes, Chief Executive and Policy Advisor, at 202-689-8935 ext. 222 or jacokesj@pcgloanfund.org.

Sincerely,



Jeannine Jacokes
Chief Executive and Policy Officer

The Membership of the Community Development Bankers Association

ABC Bank (Chicago, IL)
Albina Community Bank (Portland, OR)
Bank2 (Oklahoma City, OK)
BankFirst Financial Services (Macon, MS)
Bank of Anguilla (Anguilla, MS)
Bank of Commerce (Greenwood, MS)
Bank of Kilmichael (Kilmichael, MS)
Bank of Lake Village (Lake Village AR)
Bank of Montgomery (Montgomery, LA)
BankPlus (Ridgeland, MS)
Beneficial State Bank (Oakland, CA)
Broadway Federal Bank (Los Angeles, CA)
Carver Federal Savings Bank (New York, NY)
Carver State Bank (Savannah, GA)
Central Bank of Kansas City (Kansas City, MO)
Citizens National Bank (Meridian, MS)
City First Bank of DC (Washington, DC)
City National Bank of New Jersey (Newark, NJ)
Community Bancshares of Mississippi (Brandon, MS)
Community Bank of the Bay (Oakland, CA)
Concordia Bank & Trust (Vidalia LA)
Cross Keys Bank (St. Joseph, LA)

Farmers & Merchants Bank (Baldwyn, MS)
First American International Bank (Brooklyn, NY)
First Eagle Bank (Chicago, IL)
First Independence Bank (Detroit, MI)
First Security Bank (Batesville, MS)
First SouthWest Bank (Alamosa, CO)
Guaranty Bank and Trust Company (Belzoni, MS)
Illinois Service Federal Savings and Loan Association (Chicago, IL)
Industrial Bank (Washington, DC)
International Bank of Chicago (Stone Park, IL)
Mechanics and Farmers Bank (Durham, NC)
Merchants and Planters Bank (Raymond, MS)
Metro Bank (Louisville, KY)
Mission National Bank (San Francisco, CA)
Mission Valley Bank (Sun Valley, CA)
Native American Bank (Denver, CO)
Neighborhood National Bank (National City, CA)
Noah Bank (Elkins Park, PA)
OneUnited Bank (Boston, MA)
Oxford University Bank (Oxford, MS)
Pan American Bank (Los Angeles, CA)
Pan American Bank (Chicago, IL)
Peoples Bank (Mendenhall, MS)
Richland State Bank (Rayville LA)
RiverHills Bank (Port Gibson, MS)
Security Federal Bank (Aiken, SC)
Southern Bancorp (Little Rock, AR)
Spring Bank (Bronx, NY)
Start Community Bank (New Haven, CT)
State Bank & Trust Company (Greenwood, MS)
Sunrise Banks (St. Paul, MN)
The Bank of Vernon (Vernon, AL)
The Commercial Bank (DeKalb, MS)
The First, A National Banking Association (Hattiesburg, MS)
The Jefferson Bank (Greenville MS)
United Bank (Atmore, AL)
United Bank of Philadelphia (Philadelphia, PA)
Urban Partnership Bank (Chicago, IL)
Virginia Community Capital (Christiansburg, VA)

Cc:

Ms. Jessica Milano, Deputy Assistant Secretary for Financial Institutions

Ms. Annie Donovan, Director, Community Development Financial Institutions Fund