

July 29, 2016

Ms. Marcia Sigal
Program Manager, Capital Magnet Fund
Community Development Financial Institutions Fund
U.S. Department of the Treasury
1500 Pennsylvania Avenue, N.W.
Washington, DC 20220

Dear Ms. Sigal:

The members of the Community Development Bankers Association (CDBA) are writing in response to the Notice for Public Comment published on June 3, 2016 by the Community Development Financial Institutions (CDFI) Fund seeking comments on the application for the Capital Magnet Fund (CMF).

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.

Today there are 122 CDFI certified banks and thrifts and 70 certified bank holding companies. These mission-focused financial institutions are a specialized niche within the banking industry. CDFI banks represent only 2% of the 6,122 banks in the nation. CDFI banks, however, are very important to the CDFI sector. While certified banks and their bank holding companies represent only 18.8% of all 1,021 certified CDFIs, by asset size they account for approximately 40% (estimated) of the total assets of the entire industry.

Recommendations

CDBA thanks the CDFI Fund for the opportunity to comment on the CMF application. We fully appreciate the agency's efforts to continuously improve all of its programs. We look forward to working with the CDFI Fund to ensure its programs are responsive to the needs of communities and the institutions that serve them.

We respectfully submit the comments highlighted below based on the experience and recommendations of CDFI bank practitioners that applied or explored application to the 2016 CMF funding round. In addition, CDBA concurs and supports the recommendations submitted by the CDFI Coalition on the CMF application.

Leveraged Costs: In each funding round, the CDFI Fund has some discretion to determine the minimum ratio of non-government sources to support Leveraged Costs to CMF dollars. In the 2016 round, this minimum was set as 10:1. We have concerns that this ratio may have the unintended effect of discouraging participation from applicants engaged certain affordable housing activities. For example, many CDFI banks working in rural communities were dissuaded from applying to CMF when they concluded that the minimum 10:1 leverage costs ratio would be difficult to meet in communities where

single family housing is the most feasible and practical affordable housing solution. CDBA recommends that the CDFI Fund revisit this “one-size-fits-all” ratio and consider developing minimum ratios based on different types of housing or economic development needs. Having a single standard could have the unintended effect of discouraging applicants based on geography or the nature of the housing stock in a local community. Most low income communities have a need for affordable housing and the nature of the need is diverse. We believe the CMF Program should provide tools for a broad range of community needs.

Data Collection for Different Applicant Types: The questions in the Business Strategy section (and related tables) need to be realigned to take into consideration the strategies and use of funds employed by different types of applicants. The 2016 CMF application Business Strategy questions and requested data appear to be oriented to developers rather than CDFIs. For example, having applicants estimate future total project costs does not capture how CDFIs evaluate projects and the leverage chart does not recognize how CDFIs source capital for new projects. In fact, the wording of the leverage chart suggests that an applicant will be scored lower if it uses related party funds at the pre-investment stage. So, a CDFI bank that leverages deposits as a source of funds could be scored lower than a developer using only 3rd party financing. In the interests of risk mitigation, the CDFI Fund should encourage – rather than discourage – applicants from committing their own funds to a project or set of financing activities. Furthermore, CDFIs that are able to leverage and participate in multiple projects through risk-sharing participations with other lenders should be given positive consideration when evaluated for leverage.

We recommend that the Business Strategy section be adjusted to be more inclusive of CDFIs. The statute clearly intended that both types of entities be eligible to participate. Specifically, CDBA recommends that separate tables be developed for applicants engaged in development and financing and questions be crafted to take into consideration how different entities promote the purposes of CMF. These changes will add clarity for applicants, improve the quality of information received by the CDFI Fund, and level the playing field.

Process Improvements: The CDFI Fund should make all practical efforts to ensure that the application periods for all of its major programs (e.g. CDFI, BEA, NMTC, CMF) do not overlap. Most CDFIs are small and have limited staff capacity to manage multiple applications simultaneously. In the case of the 2016 CMF round, many applicants were forced to choose between CMF and the CDFI Program. We fully appreciate that the CDFI Fund does not have control over certain external events (e.g. Congressional appropriations, tax extenders). The main Treasury Departmental officials should make every effort to ensure that the clearance process is timely and does create unnecessary burden on applicants.

In the long run, the launch of the AMIS system creates great opportunities to streamline the application and monitoring process for all programs. We recommend several changes to enhance smooth functioning, including:

- Ensuring the application and reporting systems (AMIS, CIIS) have adequate capacity to function even during times of high usage;
- Enabling data to be uploaded from an Excel spreadsheet to AMIS;
- Providing links to alternative geocoding sites if the CDFI mapping system is not functioning;
- Reducing duplicative data entry for financial information (e.g. financial data must be entered both on an applicant’s main profile as well as within the CMF application section);
- Reducing duplicative data entry by using consistent definitions and reporting categories across multiple programs (where possible); and

- Being transparent about how the CDFI Fund will use data submitted in the evaluation process (i.e. to the extent the CDFI Fund intends to use data submitted via AMIS to calculate ratios, benchmarks or trends, it should be transparent about how such calculations are derived and evaluated).

Application Data Burden: The amount of data and depth of analysis required to complete the CMF application made it challenging to complete within the 52-day application period of the 2016 funding round. CDBA recommends at least 60 days for all program applications.

Compliance Data Burden: The 10-year CMF affordability restrictions create long term monitoring obligations and real costs for successful applicants that may not be obvious on the front end of the program. Given that many CDFIs and other potential applicants are small, CDBA recommends that the CDFI Fund work to streamline the data collection and monitoring requirements lest they discourage some applicants in needy communities from applying and/or needlessly require awardees to deploy resources that could be used for creating other community benefits.

Customer Data: The Equal Credit Opportunity Act (ECOA) places certain limitation on regulated banks and credit unions for use of customer data in making credit decisions. This law was intended to prohibit discrimination on the basis of race, religion, marital status, color, national origin, sex, age, receipt of any sort of public assistance, and exercising in good faith rights under the Consumer Credit Protection Act. Thus, regulated banks and credit unions do not ask for data on race, color, religion, national origin or sex for most borrowers. To the extent that the CMF application or reporting requirements request such data for its CMF Annual Report, it places regulated entities in conflict with regulatory prohibitions. We recommend that the CDFI refrain from requiring submission of such data in the case of regulated CDFI banks and credit unions. We ask for written assurances that the lack of submission of such data does not negatively impact the application competitiveness or perceived effectiveness in meeting CMF program requirements.

Commitments: In the interest of transparency, CDBA recommended that a template copy of the award agreement be publicly available prior to application. Such transparency will allow applicants to fully understand their obligations under the program prior to application.

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 Officer

The Membership of the Community Development Bankers Association

ABC Bank (Chicago, IL)
Albina Community Bank (Portland, OR)
Bank2 (Oklahoma City, OK)
Bank of Anguilla (Anguilla, MS)
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Bank of Lake Village (Lake Village AR)
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BankFirst Financial Services (Macon, MS)
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Broadway Federal Bank (Los Angeles, CA)
Carver Federal Savings Bank (New York, NY)
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Central Bank of Kansas City (Kansas City, MO)
Citizens National Bank (Meridian, MS)
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International Bank of Chicago (Stone Park, IL)
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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)
Northern Hancock Bank (Newell WV)
OneUnited Bank (Boston, MA)
Oxford University Bank (Oxford, MS)
Pan American Bank (Chicago, IL)
Peoples Bank (Mendenhall, MS)

Planters Bank and Trust (Indianola MS)
Priority One Bank (Magee MS)
Richland State Bank (Rayville LA)
RiverHills Bank (Port Gibson, MS)
Savoy Bank (New York NY)
Security Federal Bank (Aiken, SC)
Sycamore Bank (Senatobia MS)
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)