

November 5, 2020

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

Mr. Greg Bischak
Financial Strategies and Research (FS&R) Program Manager
Community Development Financial Institutions Fund
U.S. Department of Treasury
1500 Pennsylvania Avenue NW
Washington, DC 20220

RE: Responses to Proposed Annual Certification and Data Collection Report Form (ACR) /
Certification Transaction Level Report (CTLR), Federal Register Document Number 2020-09746

Dear Director Harris and Mr. Bischak:

The members of the Community Development Bankers Association (CDBA) respectfully submit the enclosed comments on the Notice of Information Collection and Request for Public Comment published by the Community Development Financial Institutions Fund (CDFI Fund) in the Federal Register on May 7, 2020. As stated, the CDFI Fund is seeking comment on the content of the Proposed Annual Certification and Data Collection Report Form (ACR) / Certification Transaction Level Report (CTLR).

CDBA is the national trade association of banks and thrifts with a primary mission of promoting community development. There are 147 banks and 104 bank holding companies with the Treasury's Community Development Financial Institutions (CDFIs) designation. CDBA membership comprises 64% of the total assets of the certified CDFI bank sector and 56% of all CDFI banks by number.

CDBA members appreciate the hard work of CDFI Fund staff to support the CDFI industry. We appreciate the CDFI Fund's focus on ensuring transparency and consistency through annual reporting. We are concerned, however, that the proposed new reporting process puts the CDFI Fund potentially on a path to a process that is expensive to implement and uncertain in its rewards. These well-intentioned steps may have the unintended consequence of screening out

a large portion of current CDFIs and discouraging small and new organizations from seeking certification.

We strongly support the recommendations of the CDFI industry trades joint letter dated November 4, 2020. In particular, we ask that, following receipt of public comments, the CDFI Fund engage in direct conversations with the CDFI industry to discuss and fully understand the complexity of issues and challenges associated with implementing such dramatic changes in the annual reporting.

We also wish to emphasize our agreement with the recommendation of the CDFI Coalition that the CDFI Fund grandfather in existing certified CDFIs after the CDFI Certification application is finalized and allow a grace period of at least 18 months for organizations to make any changes necessary to maintain their certification.

COMMENTS ON PROPOSED DATA COLLECTION AND ANNUAL REPORTING

We appreciate the value of data collection to evaluate CDFIs' work in qualified Investment areas and underserved populations. We understand that the data collected allows the CDFI Fund to gain insight on the CDFI industry and strengthens the CDFI Fund's ability to fulfill its obligations to Congress. Therefore we believe there is strong justification for this effort.

Several aspects of the effort have the potential, with some revision, to strengthen the CDFI Certification standard and decrease applicant burden by automating processes and streamlining the application process. For example, along with the CDFI Coalition, we support incorporating the CDFI Certification application into the Awards Management Information System (AMIS) and linking it with the new annual report. Further, the basic elements of the CTLR provide a strong framework to build on.

However, we are concerned that the revised CTLR requires expensive investments, particularly for small CDFIs, that will not necessarily yield consistent or useful data based on current capacity, and will result in a disproportionate burden falling on small and regulated CDFIs and MDIs. We are also concerned that the CDFI Fund's existing technology systems would require major upgrades before they could accommodate the volume of reporting indicated by the proposals. The combined effects of expense and uncertainty could force our colleagues at otherwise effective CDFIs to reconsider their participation in the CDFI program. We therefore respectfully urge the CDFI Fund to reconsider the structure and content of the reporting.

RECOMMENDATIONS:

While necessarily incomplete, we humbly suggest that an alternative process should aim to facilitate data collection, require more consistent effort across institutions, and minimize the burden on those with more modest goals, such as those simply trying to maintain their certification.

One suggestion for beginning to proceed with a revised approach is to consider the standards for data collection articulated by our colleagues at Inclusiv. We agree with Inclusiv that data collection should be:

- Limited to information required for specific and identifiable business purposes (e.g., compliance with Assistance Agreements, reports to Congress);
- Proportionate to participation in — and benefits from — CDFI programs (e.g., CDFI Financial Assistance, Capital Magnet Fund, NMTC awards, etc.);
- Consistent with other CDFI and regulatory reporting systems in terms of timing and content without duplication, conflict, or redundancy;
- Limited in risk that a data breach would compromise sensitive and confidential consumer information; and
- Consistent and complementary with CDFI performance management information systems.

An appropriate level of oversight could still be maintained by allowing data aggregation and matching the level of reporting to the level of a CDFI's engagement with the CDFI Fund. Under such an alternative approach, the following conditions could apply:

- FA awardees, who already provide significant reporting, should be exempted from annual transaction level recertification reporting.
- Non-awardees who do not intend to apply for FA should be able to submit a streamlined report on target market lending with activities aggregated at the institutional level. If the CDFI Fund needs better data on the geographic distribution of loans for its reports to Congress, non-awardees could be required to report loan data aggregated at the county level.
- Non-awardees who intend to apply for FA can reasonably be asked to provide more detailed activity data for the review of their FA application, as they do now. This supplemental data could be aggregated at the census tract level, as is done with the CLR.
- Prior to implementation, the CDFI Fund should consult across the range of CDFI industries to ensure that all reporting fields are reliably collected, easily tracked, and consistent with existing reporting systems and regulatory requirements as appropriate to the industry. Where available, the CDFI Fund should refer to existing public sources of information, which for bank CDFIs includes quarterly Call Reports.
- Further, a thorough systems review should be undertaken prior to implementation of any reporting changes to understand and upgrade the range of bandwidth, processing, and storage required to accommodate the vast amount of data that is suggested by these updates.

CHALLENGES LEADING TO DISPROPORTIONATE BURDEN

Our main concern is that the process as proposed will create a disproportionate burden for small CDFI and MDI banks. We note that the proposed CTLR requires individual reporting of every loan of every type, from every CDFI, every year. Processes for the existing TLR are already time consuming and expensive. Our members' experience with that process suggests that effort would be best spent improving systems rather than building new processes within those systems.

VOLUME AND CAPACITY OF DEPOSITORY CDFIs: To begin, individual depository CDFIs are already especially burdened, as they conduct a much higher volume of business by number than most loan funds — thousands of loans compared to often less than 100 for loan funds. The proposed CTLR will multiply the steps required during report preparation and error correction. For the existing TLR, banks of any substantial size must already code distinctive custom reports, manually manipulate the reports into subsets, create error-prone lookups, correct the errors, and format the files for upload into AMIS, which is already difficult because of system processing limitations.

Further, much of the data collection required by the CTLR is inconsistent with what many banks currently collect. Banks are limited in their ability to add additional fields in their core systems due to the number of fields used for other, often regulatory, purposes for which there is not an overlapping need. Moreover, banks must often spend money on third party geocoding systems because the CDFI Fund's CIMS system is adequate only for very small batches of data or manual input. CDBA's working group identified only three fields on the proposed CTLR which it felt asked for information that would be consistently accessible across banks — "Transaction ID," "Date Originated," and "Loan/Equity Investment Amount." Further, in one example where the information is already collected but not necessarily tracked ("Transaction Purpose"), CDBA members reported that extracting that information could require time-consuming manual inputs or error-prone lookup tables as the dropdown selection criteria required might not be defined in some banks' core systems. Complexity increases from there — our members were unable to identify a field from Fields 6 through 11 that was universally either consistently collected or extractable.

NON-AWARDEES: The reporting required of non-awardees is not proportional to the gain. Because the CTLR is an annual requirement of every CDFI, even institutions which receive no award benefit will have to invest and shoulder this burden. We cannot identify a business purpose for non-awardees to make these extensive annual investments.

SYSTEMS ADEQUACY: Experienced CDFI bankers fear that the AMIS system has insufficient capacity to manage the volume of data required. As above, the burden of reporting falls especially on depository CDFIs. If all of the CDFI banks and credit unions were to attempt to upload even pristine reports in time to meet reporting deadlines, the likelihood of system failures would still be very high.

In summary, we do not find that the data for the proposed CTLR can be a simple download from any bank's core system due to the nature of the data requested, the external census tract

geo-coding that takes place outside of core systems, the manual work required to format and prepare upload templates, and the work required to successfully upload the data into AMIS. Given the number of uncertainties within the 11 fields themselves and the variations in potentially thousands of rows of transactions — particularly for any bank with robust small business or consumer lending portfolios — responding to AMIS error reports alone has the potential to absorb hours of scarce staff time.

The costs involved are considerable and fall disproportionately on under-resourced institutions which may see no benefit from undertaking the investments required. Systematic improvements in the upload process are absolutely required before introducing a new data process.

CONCLUSION:

The membership of CDBA sincerely hopes that the CDFI Fund will consider the suggestions outlined above. They are based on concerns born of experience and combined with a desire for actionable information to serve the needs of the industry. We believe that the suggestions will go some way towards aligning the very justifiable reporting goals with the needs and capacity of the diverse members of our industry.

We fully appreciate the thoughtful consideration of the CDFI Fund and its staff in continuously seeking to improve the effectiveness of the CDFI recertification process and we sincerely appreciate the opportunity to comment and offer feedback. We look forward to future discussion on these important issues.

If you have any questions, please contact Jeannine Jacokes, CDBA Chief Executive Officer, at 202-689-8935 ext. 222 or jacokesj@pcgloanfund.org.

Thank you for considering our recommendations.

The Membership of the Community Development Bankers Association

Bank of Anguilla (MS)
Bank of Brookhaven (MS)
Bank of Cherokee County, Inc. (OK)
Bank of Commerce (MS)
Bank of Franklin (MS)
Bank of Kilmichael (MS)
Bank of Lake Village (AR)
Bank of Moundville (AL)
Bank of St. Francisville (LA)
Bank of Winona (MS)
BankFirst Financial Services (MS)
BankPlus (MS)

Bay Bank (WI)
Beneficial State Bank (CA)
BNA Bank (MS)
BOM Bank (LA)
Broadway Federal Bank (CA)
Carver Federal Savings Bank (NY)
Carver State Bank (GA)
Central Bank of Kansas City (MO)
Century Bank of the Ozarks (MO)
Citizens Bank & Trust Company (MS)
Citizens National Bank of Meridian (MS)
City First Bank of D.C., N.A. (DC)
Commercial Bank, Kemper County (MS)
Commercial Capital Bank (LA)
Community Bank of the Bay (CA)
Copiah Bank (MS)
Farmers & Merchants Bank (MS)
Farmers State Bank (MS)
FBT Bank & Mortgage (AR)
First Bank (MS)
First Eagle Bank (IL)
First Independence Bank (MI)
First NaturalState Bank (AR)
First Security Bank (MS)
First SouthWest Bank (CO)
FNBC Bank (AR)
Friend Bank (AL)
GN Bank (IL)
Great Southern Bank (MS)
Guaranty Bank & Trust (MS)
Harbor Bank of Maryland (MD)
Homes County Bank and Trust Company (MS)
Industrial Bank (DC)
Industrial Bank of Chicago (IL)
Legacy Bank & Trust Company (MO)
M&F Bank (NC)
Merchants & Planters Bank (MS)
Mission Valley Bank (CA)
Native American Bank, N.A. (CO)
New Haven Bank (CT)
Noah Bank (PA)
OneUnited Bank (MA)
Optus Bank (SC)

Pan American Bank & Trust (IL)
Partners Bank (AR)
Peoples Bank (MS)
Planters Bank and Trust (MS)
Priority One Bank (MS)
Quontic Bank (NY)
Security Federal Bank (SC)
Security State Bank of Oklahoma (OK)
Southern Bancorp Bank (AR)
Spring Bank (NY)
Sunrise Banks, N.A. (MN)
Sycamore Bank (MS)
Texas National Bank (TX)
The Bank of Vernon (AL)
The Cleveland State Bank (MS)
The First National Bank & Trust (AL)
The First, A National Banking Association (MS)
The Jefferson Bank (MS)
The Peoples Bank (MS)
Tri-State Bank of Memphis (TN)
Union Bank & Trust Company (AK)
United Bank (AL)
United Bank of Philadelphia (PA)
United Mississippi Bank (MS)
Virginia Community Capital Bank (VA)