Community Development Bankers Association
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December 19, 2022

Via Electronic Submission

Ms. Jessica Milano
Chief Program Officer
Office of Recovery Programs
U.S. Department of the Treasury

RE: Community Investment Request for Information Comments - Opportunities and Challenges in Federal Community Investment Programs, Federal Register Document Number Vol. 87, No. 191 / Tuesday, October 4, 2022;

Dear Ms. Milano:

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 Interagency Community Investment Committee (ICIC) in the Federal Register on October 4, 2022. As stated, the ICIC has invited the public to comment on how the ICIC can promote economic conditions and systems that reduce racial disparities and produce stronger economic outcomes for all communities.

CDBA is the national trade association of banks and thrifts with a primary mission of promoting community development. As of November 14, 2022, there are 177 banks and 143 bank holding companies with the Department of Treasury's Community Development Financial Institutions (CDFIs) designation. CDBA membership comprises approximately 67% of the total assets of the certified CDFI bank sector, and 55% of all CDFI banks by number. Many of our members are also Minority Depository Institutions (MDIs), and we represent a growing cadre of mission-focused banks specifically focused on environmental finance.

Collectively, our members work to create real economic opportunity in low- and moderate income, high poverty, high unemployment communities including access to jobs, business expansion, affordable housing, and access to fair and responsible financial services. CDFI and MDI banks and are often the only financial institution in their communities focused on making a difference.

We know that the coming decade will see exceptional transformation as CDFI and MDI banks leverage the capital from approximately $6.2 billion in equity investments via the U.S. Treasury's Emergency Capital Investment Program (ECIP). Investments have also been made and are anticipated from private sources, such as the FDIC's Mission Driven Bank Fund, the recently announced Economic Opportunity Coalition, and investments and partnerships encouraged by provisions included in the May 5, 2022 joint-agency Community Reinvestment Act (CRA) Notice of Proposed Rulemaking (NPR.) CDFI and MDI banks are ready to deploy these funds, incorporating them into their operations in what is already one of the federal government's best market-based strategies for leveraging federal investments and private dollars to restore economic vitality.

GENERAL COMMENTS

Among insured depositories, CDBA members are particularly active in federal programs that promote economic conditions and systems that reduce racial disparities and produce stronger economic outcomes for all communities. The Treasury's CDFI Fund is central to CDFI banks' engagement. The CDFI Fund's programs include grant programs such as the Bank Enterprise Award (BEA), Financial Assistance/Technical Assistance Programs (FA/TA), Small Dollar Lending Program (SDLP), Capital Magnet Fund (CMF), Native American CDFI Assistance Program (NACA) as well as the New Markets Tax Credit Program (NMTC). A majority of CDFI and MDI banks are also Small Business Administration (SBA) approved lenders, active in the 7(a) and 504 programs, and were among the earliest and most active participants in the Paycheck Protection Program (PPP). Many of our members are also active in programs managed by the Department of Agriculture (USDA).

At their best, these programs managed by ICIC members do much to promote the goals referenced in the request for comment. CDFI and MDI banks leverage all of these programs to facilitate the flow of capital and the provision of financial resources into historically underserved communities, including communities of color, rural communities, and Tribal nations.

While already effective, many of these programs would benefit from the standardization of definitions and the streamlining of data submissions via greater information sharing between federal departments and agencies. It is important for the ICIC to work together to help program participants avoid duplicative steps and to keep data collection focused on its purpose.

Federal Funding and Private Investment Opportunities

As one of the federal government's best market-based strategies for leveraging federal investments and private dollars to restore economic vitality, we are pleased to focus our comments on recommendations for "lessons learned from community investment projects that have layered a mix of public, private, and/or philanthropic capital."

Inflation Reduction Act (IRA): Environmental Protection Agency (EPA) Greenhouse Gas Reduction Fund (GHGRF) and Other Departmental Programs

The GHGRF, authorized under Section 60103 of the Inflation Reduction Act of 2022 (IRA), provides an unprecedented opportunity to invest in technologies and projects that will reduce or avoid greenhouse gas emissions, air pollution, and environmental sustainability. The GHGRF also presents an opportunity to help disadvantaged communities adapt to the disproportionate burden of negative climate change impacts. Importantly, Congress specifically set aside $8 billion under Section 134(a)(3) for financial and technical assistance to projects that reduce or avoid greenhouse gas emissions and other forms of air pollution *in low-income and disadvantaged communities (LIDCs)*. (Emphasis added).

In a December 2, 2022 letter, CDBA responded to EPA's request for Information regarding implementation of the GHGRF. In the letter, CDBA provided specific recommendations for the GHGRF to provide an opportunity to dramatically expand climate mitigation in LIDCs while achieving rapid deployment and significantly leveraging GHGRF monies. We urge Treasury and ICIC members to join CDBA and CDFI industry partners in advocating for priorities contained in our letter that advance the stated goals of the ICIC to "promote economic conditions and systems that reduce racial disparities and produce stronger economic outcomes for all communities." Given the GHHRF's scale and its mandate to serve LIDCs, EPA may even be a candidate for inclusion in the ICIC. CDBA's letter to EPA Administrator Michael Regan is located here:

- "2022-12-02 CDBA Comment Letter to EPA on GHGRF,"[1] submitted December 2, 2022

CDBA's recommendations include, but are not limited to:[2]

- EPA should explicitly ensure that ALL Community Development Financial Institutions (CDFIs) as defined under 12 USC 4702 and certified by the CDFI Fund are eligible participants in GHGRF. There is an existing infrastructure of 1,400 regulated *and* nonregulated CDFIs already serving the same LIDCs envisioned by Congress as part of GHGRF. Utilizing this network and their existing definitions will enable the GHGRF to quickly deploy capital to households and businesses in LIDCs.

- In defining areas that are eligible as LIDCs, EPA should adopt the CDFI Fund's Target Market definitions given the strong, established correlation between poverty, income and people and places most affected by climate change, and ensure that funding streams without statutory LIDC mandates also have some requirement to benefit LIDCs.

- To ensure benefits inure to the unique needs of LIDCs, EPA should be flexible in deploying financing, but require reporting to ensure accountability. Given the broad array of potential participants and activities that may be funded, the GHGRF must be flexible and permit a variety of financing instruments, transaction sizes, and delivery strategies to channel capital, training, and support to on-the-ground direct lenders.

- EPA should use an "equity lens" in implementing GHGRF. EPA should prioritize Eligible Recipients applying for Direct Investments that commit to target a significant portion of resources to supporting businesses owned and/or led by members of low-income or disadvantaged communities.

We strongly believe that ICIC members can contribute to their stated goals by working with EPA to ensure that the recommendations of CDFIs are explicitly considered and these institutions are integrated as eligible participants in the GHGRF.

Apart from programs mentioned above, we continue to learn about IRA-funded initiatives with mandates to support low-income, rural, and disadvantaged minority and Native communities[3]. We would welcome the support of ICIC members to identify programs managed by Departments not addressed in this letter (e.g. Department of Energy, etc.) where the expertise of CDFI, MDI and mission-driven banks can assist the federal government's efforts to leverage funds in ways that provide benefits to our communities.

[1] Community Development Bankers Association; www.cdbanks.org/advocacy

[2] For further recommendations detailed in CDBA's December 2, 2022 letter, please contact Brian Blake, Chief Policy Director at blakeb@pcgloanfund.org or visit: www.cdbanks.org/advocacy

[3] Promising examples include Department of Energy managed programs with statutory mandates to serve LMI communities.

Appropriations to the Community Development Financial Institutions (CDFI) Fund

We urge Treasury to work with the White House Office of Budget and Management to achieve the Administration's stated goal of *doubling* the annual appropriation to the CDFI Fund. The CDFI Fund is serving an ever-increasing number of CDFIs, operating with antiquated systems, and distributing awards in increasingly diminished amounts to qualified institutions.

Specifically, we ask that the Administration support an annual appropriation of at least $1 billion for the CDFI Fund, to include a $100 million allocation for the Bank Enterprise Award (BEA) Program. The request for the CDFI Fund represents a necessary increase in funding over levels approved in the FY 2022 appropriations act, and it is justified by the significant demand and over subscription of the programs. Unfortunately, the Administration's FY '23 budget proposed only $331 million for the CDFI Fund, a modest increase that does not begin to meet the needs of the underserved communities it supports.

The $1 billion request in CDFI funding is modest relative to the size and scope of the CDFI Industry, and represents a modest portion of total CDFI industry assets. This capital, however, is critically important, and can be leveraged up to 12-times the $1 billion in private capital (or $12 billion) that will be channeled to local businesses, nonprofits, and others to help vulnerable communities.

BEA in particular is the principal channel for bank participation in CDFI Fund programs, but is increasingly oversubscribed. Since FY 2019, the average award size has declined from $224 thousand to $165 thousand in FY 2021.[4] Since 1996, the BEA Program has awarded $557 million in grants and helped facilitate billions in new investments that benefit the most difficult to serve markets. An analysis by the CDFI Fund found that 90% of all BEA monies go to the lowest income census tracts (30% poverty, 1.5 times the national unemployment rate). A 2017 evaluation of the BEA program by a third party firm concluded that "The BEA Program drives investment into the neediest communities, areas that might otherwise remain marginalized, and complements CRA (the Community Reinvestment Act) by providing incentives to serve more highly distressed communities."

Additionally, BEA principally benefits small CDFI and community banks, not big banks. Over the past five years, 96% of all award dollars have gone to certified CDFI banks. By size, 52.5% of all 2021 award dollars went to the smallest banks with total assets of less than $330 million, and 94.1% of awards went to banks with less than $1.322 billion in total assets. In the interest of promoting job creation and economic vitality in neglected rural and urban communities, we urge Treasury to work with the Administration to: (1) Increase the Administration's proposed CDFI Fund budget to $1 billion in FY 2024; and (2) support the BEA Program at $100 million.

CDFI Investment Tax Credit Act (S. 4418)

We urge the Administration to work with partners in Congress and support S. 4418[5], the "CDFI Investment Tax Credit Act." Introduced in June 2022, this bipartisan act is currently sponsored by Senators Mark Warner, Roger Wicker, Cindy Hyde-Smith, and Christopher Van Hollen. CDBA, our members, and colleagues across the CDFI industry strongly support the bill, which would leverage

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[4] FY 2019: $25.27 million total, 113 awards. FY 2021: $25.99 million total, 158 awards.

[5] S. 4418: "To amend the Internal Revenue Code of 1986 to provide a credit for investment in Community Development Financial Institutions;" www.congress.gov/bill/117th-congress/senate-bill/4418

private sector funding for high-impact investments in low-income communities. The credit itself will be available to private sector investors that provide long-term, patient capital to CDFIs. The potential benefits of the CDFI Investment Tax Credit Act include:

- Incentivizes Long-Term Investments: CDFIs require (1) debt capital to lend and invest and (2) equity to support their organization and lending activities. However, debt capital tends to be short-term, which is not as helpful. Equity is the most difficult form of capital to raise, but is necessary to support CDFIs' lending and ability to expand.
- Meets Growing Demand in Still-Overlooked Sector: The CDFI Fund's programs show that the demand for programs are constantly and significantly oversubscribed. For example, the ECIP program received $4 billion more in requests than it could fulfill, and in FY21, the CDFI Fund's Base-Financial Assistance and Technical Assistance awards had $391 million in demand for the $140 million available.
- Widely Applicable and Flexible: The bill would benefit CDFIs of all types – bank CDFIs, credit union CDFIs, venture capital CDFIs, and CDFI loan funds – and provide the institutions with the maximum flexibility and financial support they need to increase wealth in low-income communities.

The total credit available is capped, starting at $1 billion for 2022, $1.5 billion for 2023, and $2 billion for 2024 and each year thereafter adjusted for inflation. We believe this bill could transform the CDFI industry's capacity by bringing previously inaccessible private investment dollars into the field, and elevating the public/private nature of what is already a very successful partnership.

Standardization of Terms

Sometimes, defined terms that should align across agencies and programs, do not. For example, multiple federal programs that promote the goals of the ICIC include funding to encourage the provision of capital to small businesses and small farms. At the center of these programs is the Small Business Administration. While CDBA members acknowledge the importance of nuance in the definition of "small business" or "small farm," where there is nuance, the standards underlying that definition should be confined to one agency.

For example, in the 2022 interagency request for comments on the CRA Notice of Proposed Rulemaking (NPR), the federal banking agencies had multiple questions[6] requesting input on where and how CRA definitions of small business should align with SBA. (One of the agencies, the Office of the Comptroller of the Currency (OCC), is an independent bureau of the Treasury). As a general rule, where standards are already set elsewhere in the federal government, CDBA urges ICIC members to adopt size standards that conform to those standards.

Standardization of Data Collection

Data collection and reporting for federal programs is often redundant. One example familiar to CDFI banks is the lack of common ground between programs administered by the CDFI Fund and the data

[6] Questions 50, 51, 62, of the NPR (FRB Docket No. R-1769 and RIN 7100-AG29; FDIC RIN 3064-AF81; OCC Docket ID OCC2022-0002) all asked how the Agencies should approach size standards for small business, with specific reference to pre-existing SBA standards.

collected by regulatory agencies for the purposes of examining CDFI bank compliance under the Community Reinvestment Act. While CRA compliance and CDFI Certification run parallel in many ways (though not all), the compliance regime does not always overlap with the program, even when the underlying data required to examine (for CRA) or certify (for CDFI) is the same.

In this example, a CRA examining regulator should gather any data required for the CRA exam from already available government sources. In the case of CDFI banks, the two primary sources will be bank call reports (submitted to the Federal Financial Institutions Examination Council) *and the annual transaction level data (ATR) submitted to the CDFI Fund for the purposes of maintaining certification*. For the purposes of this comment letter, Treasury, via the CDFI Fund, would be one of the ICIC participants responsible for understanding the purpose and use of the submission data and ensuring that it is conveyed to the requesting authority.

The still-outstanding reporting requirements for Treasury's ECIP program and the CFPB's Section 1071 are an example. The CFPB has stated it anticipates issuing a final rule for "Section 1071 Small Business Lending Data Collection" before March 2023. Unfortunately, Treasury's draft quarterly ECIP report does not explicitly acknowledge this anticipated set of reporting requirements although it does align with HMDA reporting. In our August 8, 2022 letter to Treasury, we strongly urged that any ECIP small business reporting fully align with the CFPB's Section 1071 requirements. The principle of this alignment should be applied across ICIC programs. Regulations and programs should not be developed in a vacuum -- they can require program participants and regulated entities to make significant changes in internal processes, amending data systems, training staff, and revamping compliance.

Reporting and Application Deadlines

Reporting deadlines are already a stress point for organizations that participate in federal programs. When reporting or application deadlines align (e.g. end of quarter), organizations engaged in promoting the ICIC's goals often find themselves overwhelmed. This is because many of the organizations pursuing these goals are small and under resourced, and overlapping reporting deadlines force organization to make painful choices between programs.

For one example of a solution, in its January 6, 2022 letter to the CFPB regarding implementation of "Section 1071 Small Business Lending Data Collection" CDBA recommended that the Bureau establish a process for ongoing reporting that could serve as a model for a great variety of federal programs. This reporting could take the form of a central portal or "receiving engine" maintained by individual ICIC members where participants could either enter crucial information into manual entry fields at an appropriate time, or upload conforming files in batches. We believe this option would allow organizations flexibility to provide data on something closer to their own terms rather than conforming to "crunch periods" that divert staff time and resources from their primary mission. In the absence of this option, Agencies should, at the very least, coordinate deadlines so that a new program application or reporting deadline to one Agency is not due on the same day as another.

Recommendations on Existing Programs Administered by ICIC members

Small Business Administration (SBA)

CDBA member banks are active participants in a number of SBA programs, and believe there are several opportunities to enhance SBA's already strong contribution to community and economic development goals. In 2022, CDBA worked with SBA's Office of Capital Access to identify program modifications and new initiatives that might direct more resources to underserved communities. These suggestions include:

- Increased Guarantee Pilot Program for CDFIs and MDIs: SBA might consider a program for mission-based lenders to make SBA loans with an increased guarantee (up to 100%) to women- or minority-owned small businesses and/or small businesses located in CDFI-qualified census tracts. Loans could be capped at $1 million to ensure the program targets the smallest businesses. SBA could limit participation to CDFIs and MDIs to ensure that large banks are not using this program to squeeze mission-based lenders out of the small business market. This program might also include free or reduced fees to the borrower.

  Increasing guarantees would provide several benefits to encourage CDFI and MDI participation. The primary benefit would be from a risk-based capital and credit concentration standpoint. Guaranteed portions of loans do not count against capital or loan portfolio concentrations. Reducing the impact to capital from SBA loans would encourage more CDFIs and MDIs to partner with SBA. Further, balance sheet liquidity is a major concern for many mission-driven lenders. From a liquidity standpoint, a higher guarantee would produce additional liquidity by encouraging demand in the secondary market for loan sales.

- Sale of Unguaranteed Portion of Loans into Secondary Markets: We recommend that SBA consider a program to allow for the securitization of the *unguaranteed* portion of SBA loans. CDFIs and MDIs can sell other types of loans to private investors (insurance companies, pension funds, etc.), but SBA rules limit who can purchase the unguaranteed portion of these loan types. This would also help address the balance-sheet liquidity challenge for mission-driven lenders.

- EIDL Program Assistance from CDFIs and MDIs: SBA might consider a program to allow mission-based lenders to assist SBA in the Economic Injury Disaster Loan (EIDL) program. This would allow local CDFIs to assist SBA in ensuring that those most in need are helped during disasters. A program similar to PPP could be undertaken so that applications could be taken and processed by CDFIs and MDIs, with direct funding or 100% guarantees to be provided by SBA. The lenders could continue to service the loans providing the local borrowers a local contact.

- Areas to Reconsider PARRiS[7] Risk Measurement Methodology and Scoring Guide: SBA's PARRiS review procedures help SBA provide oversight of SBA supervised lenders. Modifications might encourage capital to flow more productively without compromising the important role the procedures play in ensuring the integrity of SBA programs. Some items to consider include:
  - SBA might consider revisions to the five year default rate, perhaps weighting losses less as they age;
  - SBA might reconsider the definition of "early problems" to acknowledge that some on-time payments are incorrectly classified as late;
  - Form 1502 reporting might be reweighted. Currently, anything other than 100% accuracy is deemed an increased risk, but the form's error rate is not an accurate reflection of actual risk;
  - SBA should consider whether he risk of hospitality lending is incorrectly identified and could be reset to reflect actual default rates.

[7] "P"ortfolio Performance, "A"sset Management, "R"egulatory Compliance, "R"isk Management, "S"pecial Items

Further, CDBA members believe more alignment between certain USDA and SBA programs would benefit both Agencies and the communities they aim to assist. (Please see next section.)

United States Department of Agriculture (USDA)

CDBA member banks are active participants in a number of USDA programs. As with SBA, we believe there are several opportunities to enhance USDA programs' already strong contribution to community and economic development goals. Many loans in rural areas (located in persistent poverty counties) would not be possible if not for USDA guarantees. Enhancements and improvements to USDA program design, administration and lender outreach would benefit areas served by rural CDFIs and MDIs. Examples include:

- <u>Increased Guarantee Pilot Program for CDFIs and MDIs</u>: As outlined above, USDA could also consider increasing the guarantee percentages on USDA guaranteed loans for qualified CDFIs and MDIs. Increasing guarantees would provide several benefits that would encourage CDFI and MDI participation.

- <u>Sale of Unguaranteed Portion of Loans into Secondary Markets</u>: As above, USDA could also consider a program to allow for the securitization of the unguaranteed portion of USDA loans. Mission-drive USDA program lenders would benefit from the balance-sheet liquidity.

- <u>Conflict Rules in Parallel or Complimentary Programs</u>: Each federal agency has its own rules and program guidelines. For example, USDA Business & Industry (B&I) lending and SBA 7(a) lending are very similar. Yet the Agencies' guidelines for those programs are very different. More coordination between the agencies would be beneficial to lenders, and would promote easier workflows.

- <u>Localization of USDA Activities</u>: USDA requires local offices to handle loan applications. Each of these local offices have varying degrees of experience and staffing resources available, which can contribute to confusion and limit awareness, both of which depress program participation. We believe USDA would benefit from more standardization and investments in both lender and borrower awareness outreach, modeled after SBA, which would be helpful to streamline the approval process for CDFI and MDI lenders.

Community Development Financial Institutions Fund (CDFI Fund)

CDFI Certification and Target Market Assessment Methodologies

CDBA members deeply appreciate the hard work of CDFI Fund staff to support the CDFI industry. As expressed above, CDFI banks are active participants in most programs administered by the CDFI Fund: Bank Enterprise Award (BEA), Financial Assistance/Technical Assistance Programs (FA/TA), Small Dollar Lending Program (SDLP), Capital Magnet Fund (CMF), Native American CDFI Assistance Program (NACA) and the New Markets Tax Credit (NMTC) tax incentive program. We support the CDFI Fund's efforts to set high standards that protect the integrity of the CDFI program.

Recently however, in response to requests for public comment from the CDFI Fund and the Office of Management and Budget (OMB), we have expressed concern about proposed changes to the CDFI

Certification Application and Target Market Assessment Methodologies. Several substantial changes will force CDFIs to be less flexible and responsive to the needs of LMI communities and reduce the choices available to LMI consumers. Some CDFIs, including active, effective lenders, may conclude that the burden of certification outweighs the benefits, and leave the program. We have addressed these concerns in detail in letters submitted through the respective Public Comment processes. These letters are:

- "CDBA and NBA Comment Letter on CDFI Certification Requirements,"[8] submitted December 5, 2022
- "CDBA Comment Letter on CDFI Target Markets Requirements,"[9] submitted December 12, 2022

We appreciate the CDFI Fund's focus in their proposals on ensuring transparency and consistency, and on ensuring that communities across the nation are reliably served with responsibly priced and structured financial products and services. We urge Treasury to work with the CDFI Fund to address the issues we raised in our letters.

Minority Lending Institution (MLI) Designation

CDBA recently submitted comments to the CDFI Fund in response to a request for public comment on the CDFI Fund's proposal to establish criteria for a Minority Lending Institution (MIL) Designation for certified CDFIs. CDBA applauds the efforts of the CDFI Fund to ensure "high levels of service and accountability to Minority populations." We support establishing a new, permanent MLI designation within the CDFI Fund to advance those goals. Our letter is located here:

- "CDBA Comment Letter on MLI Designation[10]," submitted November 25, 2022

In our letter, we set out general principles, as well as specific recommendations that we believe are central to ensuring the designation advances its professed goals. The general principles are:

- Incentives: The MLI designation should encourage CDFIs to find new ways to pursue impactful lending to Minority populations and within Minority communities that contribute to reducing the racial wealth gap. CDFIs that are already successful in this work should be inspired to apply for the designation and to share their best practices as models for the industry. CDFIs not yet at the standards should view the designation as aspirational, and be encouraged to take steps to reach those standards.

- Accessibility: The MLI designation should be accessible for a wide variety of CDFIs, even as many will need to adjust their business practices to meet the standards. Standards should be set high, and clearly defined, but not be so remote or strict that they feel unattainable. Designation standards should not unduly or disproportionately disadvantage one type of CDFI in relation to others for reasons that are structural to the CDFI type.

- Simplicity and Clarity: Designation standards should be easily explained and understood. Ongoing reporting should be seamlessly incorporated into annual CDFI certification reporting.

[8] Community Development bankers Association; www.cdbanks.org/advocacy
[9] Ibid
[10] Ibid

While there should be several paths to the designation, a CDFI should be able to quickly assess what steps it must take to put itself on a path to success.

- Community Outcomes: To remain consistent with standards for CDFI certification, the MLI designation must focus on ensuring impactful outcomes for Minority communities and populations.

We believe that these principles, along with the specific recommendation in our letter, will help the CDFI Fund guide CDFIs to enhance their services in Minority Communities and to Minority Populations.

Emergency Capital Investment Program (ECIP)

CDBA and its members are firmly committed to making ECIP a success. ECIP is the largest initiative ever created to benefit the communities served by CDFI and MDI banks. It promises to provide much needed long-term support that will grow the capacity and impact of the CDFI and MDI banking sectors. We commend Treasury for the speed of its efforts to roll out the program, and we appreciate the accessibility of Treasury personnel and their willingness to participate in multiple webinars to explain the program and answer participants' questions.

In order to ensure the effective implementation of ECIP, we urge Treasury to continue to work toward adopting recommendations made in our August 29, 2022 response to the ECIP Draft QSR Instructions:

- "2022-08-29 CDBA ECIP QSR Comment Letter,"[11] submitted August 29, 2022

While there are several issues internal to Treasury that we detail in our letter, it is especially urgent that Treasury work actively with the bank regulatory agencies to facilitate the creation of an environment where it is safe for ECIP participants to collect customer demographic data without fear of regulatory agency reprisal.

While we understand that Treasury has raised this issue with the regulatory agencies, the agencies have not yet provided examiners with needed guidance. Regulator action is needed to ensure ECIP participants can collect customer demographic data with confidence, and Treasury must continue to work energetically to ensure this guidance is issued. Such guidance must be shared with ECIP participants such that they understand what they are or are not allowed to do.

State Small Business Credit Initiative (SSBCI)

CDFI and MDI banks are an important part of the network helping Treasury and participating jurisdictions ensure that SSBCI's programs reach target populations, especially those served by very small businesses (VSBs) and business enterprises owned and controlled by socially and economically disadvantaged individuals (SEDI-owned businesses). CDFI and MDI banks excel at providing SEDI-owned businesses and VSBs with both access to credit and one-on-one technical assistance (TA). These banks often provide TA in conjunction with one of their financial products or other services. Recently, CDBA provided comments in response to the Request for Information regarding the provision of technical assistance (TA) to SEDI-owned business. The letter is available here:

[11] Ibid

- "CDBA Comments Treasury SSBCI_10_20_final,"[12] submitted October 20, 2022

Among other specific recommendations, we continue to urge Treasury to ensure that all participating jurisdictions explicitly include CDFIs, MDIs *and the nonprofits and trade associations that serve them*, in the category of institution eligible to receive direct or pass-through funding for the provision of TA. When CDFI or MDI lenders provide TA, the combination of expertise increases the effectiveness of both the financing and the assistance. Inflexible parameters for TA provision would particularly limit the benefits to SEDI-owned businesses and VSBs that require access to a wide range of financial products and services.

CONCLUSION

CDBA member banks fully appreciate the efforts of ICIC members to facilitate the flow of capital and the provision of financial resources into historically underserved communities, including communities of color, rural communities, and Tribal nations. 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, Chief Executive Officer, at (202) 207-8728 or *jacokesj@pcgloanfund.org,* or Brian Blake, Chief Policy Director at (646) 283-7929 or *blakeb@pcgloanfund.org.*

Thank you for considering our recommendations.

Sincerely,

Jeannine Jacokes
Chief Executive Officer

Brian Blake
Chief Policy Director

[12] Ibid