December 5, 2022

Michael Regan, Administrator
US Environmental Protection Agency
Office of the Administrator, Mail Code 1101A
1200 Pennsylvania Avenue, NW
Washington, DC 20460

Re: Docket ID No. EPA-HQ-OA-2022-0859

Dear Administrator Regan and Environmental Protection Agency Staff,

Inclusiv appreciates the opportunity to share our perspective on the structure and implementation of the EPA's Greenhouse Gas Reduction Fund (GHGRF), in response to the Request for Information (RFI) issued by the EPA. The GHGRF is intended to provide competitive grants to mobilize financing and leverage private capital for clean energy and climate projects that reduce greenhouse gas emissions – with an emphasis on projects that benefit low-income and disadvantaged communities –and further the Administration's commitment to environmental justice, as outlined the Justice40 Initiative[1].

As such, we believe it is critical for EPA to channel capital from the GHGRF to lender intermediaries that are inclusive, diverse, and accountable to the communities most negatively impacted by pollution and climate change. This use of the GHGRF will expand capacity for high-impact green lending in historically redlined communities, counties experiencing persistent poverty, and states that lack effective infrastructure to make GHGRF investments, enabling the GHGRF to address the dual problems of disproportionately high energy burden and devasting climate changes impacts in these communities.

About Inclusiv
Inclusiv is the first and only Community Development Financial Institution (CDFI) Intermediary for credit unions and the national network of community development credit unions. I. Inclusiv's membership network of 500 community development credit unions serves over 18.4 million people across the U.S. and has almost $261 billion in assets under management across predominantly low-income urban, rural, and reservation-based communities in 47 states, DC, the U.S. Virgin Islands and Puerto Rico. Half of our members are Minority Depository Institutions or Puerto Rican Financial Cooperativas that are governed by and predominantly serve people of color, 58% of our members are CDFIs, and 75% are Low-Income Designated.

GHGRF Structure and Eligibility
The EPA should implement the GHGRF to invest in lender intermediaries that are eligible recipients with a proven record of accomplishment of reaching low-income and disadvantaged communities. Concentrating all resources into a single national green bank runs a high risk of excluding community development and racial justice-focused financial institutions and increases the risk that funds will not be deployed in a timely manner to the low-income and disadvantaged communities that the GHGRF is designed to serve.

1 https://www.whitehouse.gov/environmentaljustice/justice40/

Applicants should be inclusive, diverse, and accountable across their leadership and staff, with a demonstrated record of investing in low-income and disadvantaged communities, and commitment to investing in climate solutions with an environmental justice focus. The operational structure should enable community members to drive decision-making related to the investment of these dollars, with a transparent and fair process at all levels.

Purpose and Goals of GHGRF

To mobilize financing and maximize leverage for clean energy and climate-focused projects that reduce greenhouse gas emissions in low-income and disadvantaged communities, we recommend EPA explicitly state in the Notices of Funding Opportunity (NOFO) a preference for:

- Direct financing and technical assistance to activities that reduce greenhouse gas emissions that would not have otherwise been achieved through market solutions.
- Building the capacity of local, community-based lenders to serve their markets by offering accessible and affordable financing solutions for projects that lower greenhouse gas emissions within their communities.
- Prioritizing local (and hyper-local) financing solutions over large-scale development projects to achieve equitable outcomes in greenhouse gas reduction.
- Supporting communities of color in developing their own solutions that address the harmful effects of climate change and air pollution in their communities.
- Prioritizing applicants that develop comprehensive market-building solutions that include residents, businesses, developers, contractors, financing entities, and investors working together to build the greenhouse gas emissions and air pollution reducing solutions that are the most necessary and beneficial for each community.
- Outcomes that both reduce emissions and generate economic opportunity for low- and moderate-income and communities of color.

Targeting Low-income and Disadvantaged Communities

As you grapple with definitions for “low-income” and “disadvantaged” communities, we urge EPA to draw upon definitions already used by government agencies, like the U.S. Department of Treasury’s CDFI Fund. Definitions used for the CDFI Fund’s Equitable Recovery program focused on “majority minority” areas will enable targeting to communities of color most negatively impacted by pollution and greenhouse gas emissions. For financial institutions that are already tracking and reporting data to meet government definitions of low-income and disadvantaged communities, it will be critical that the GHGRF be aligned so that lending data can be easily tracked and reported, and impacts can be measured.

Accountability to Markets and Communities

The GHGRF presents an opportunity to take a comprehensive approach to reducing greenhouse gas emissions with a particular focus on those communities most negatively impacted by climate change. It is not enough that a program aims to place capital inside low-income and disadvantaged communities if the intent is to grow economic and climate investments in these targeted areas. The GHGRF must also focus on the organizations that receive funds for investment and identify whether those organizations are sufficiently tied to the targeted communities they propose to serve. As financial cooperatives that are member-owned, credit unions can ensure that GHGRF dollars reach low-income and disadvantaged communities.

Community-Based Green Lending
Community development credit unions are financial cooperatives, formed by low- and moderate-income people, predominantly in communities of color, to meet the financial needs of their members and communities. As such they have deep ties to their local economies, extensive experience developing financial products to meet the needs of lower-income households and people who have been excluded from the mainstream financial system and have a strong track record of green and clean energy-focused lending.

Our members have a history of designing and scaling loans that work for people who have long been excluded from the financial mainstream. Inclusiv member Self-Help Credit Union established a secondary market for affordable mortgages that facilitated $4.5 billion in financing to over 50,000 homebuyers across the country. Hope Credit Union delivers critical lending to consumers, small businesses and first-time homebuyers throughout the deep south bridging the racial wealth divide by building ownership and equity. Lower East Side People's FCU supports affordable housing and ownership through coop share loans across NYC serving residents from the Bronx to Staten Island create dreams for the future. These are just a handful of credit unions that, with support and training from Inclusiv, have launched green lending programs to reduce energy costs of low-income residents through affordable energy efficient appliances and retrofits to homes and buildings while reducing their greenhouse gas emissions.

In the past 12 months, the credit unions, community banks, and CDFI loan funds that have completed our Inclusiv-University of New Hampshire Solar Finance Training Program invested more than $2.24 billion in green loans that lower greenhouse gas emissions and drive the clean energy transition in low- and moderate-income communities and communities of color. These lenders provide both loan products (consumer, residential, electric vehicle, commercial real estate, small business, and project finance) and technical support (financial coaching, and homeownership assistance, and entrepreneurial assistance) to make sure borrowers are set up for success.

Financial Assistance and Technical Assistance
Financial assistance should be as flexible as possible, including low or no cost financing, and should be committed for as long a period as possible, if not (effectively) permanent. Flexible, low or no cost and long-term (even near-equity) financial support can be leveraged with private sector funds, such as banks or other institutional lenders in the case of loan funds, or individual and investor deposits in the case of banks and credit unions.

The GHGRF should structure its financial assistance to achieve the greatest leverage and impact in both greenhouse gas emissions reduction and in reaching the Justice40 Initiative goals. The GHGRF should ensure that eligible recipients move the funds out quickly into their communities. Community-based lenders are most effective in leveraging capital and lending deeply in their communities and should be provided as flexible capital terms as possible to drive results. Every dollar of equity or equity-like capital in a community credit union can be leveraged 10:1 in new deposits raised.

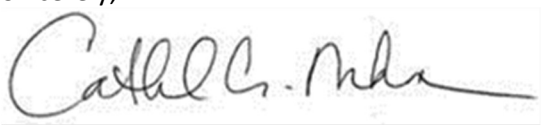
An Inclusiv analysis of the Treasury's Community Development Capital Initiative (implemented under the American Reinvestment and Recovery Act) found that CDFI credit unions leveraged and revolved investments 60 times over in a 5-year period. The GHGRF can enable community-based lenders to do what they do best, to build local financial ecosystems. With this Fund, these community-based lenders will build local financial ecosystems that embrace the adoption of emissions reduction strategies. The

Fund should allow for a full range of lending and financing activities from loans for energy efficient appliances for low- and moderate-income households, to purchasing electric vehicles, to investment in renewable energy generation for single-family homes, multifamily housing, and commercial real estate. Moreover, these community-based lenders will provide affordable and targeted financing to support and build small green services businesses led by and operating in low- and moderate-income and communities of color.

The EPA should evaluate successful applicants on the clarity of their strategy for delivery of financial products with a specific focus on market-building activities. Congress' intent is clear in the IRA's plain language: federal funds must flow for technical assistance as well as grants, loans, and other forms of financial assistance. Without a clear strategy to build the capacity of on-the-ground lenders and borrowers, financial products will sit on eligible recipient balance sheets and not be fully deployed. This technical and financial assistance could include financial coaching, entrepreneurial assistance, down payment assistance, loan loss reserve funds, and infrastructure development to ensure people can use this financing to reduce their greenhouse gas emissions and better engage in their local greening economy.

We thank the EPA for issuing this request for information and urge you to prioritize stakeholder input that emphasizes the importance of Greenhouse Gas Reduction Fund design and implementation that first and foremost benefits low-income and disadvantaged communities.

Sincerely,



Cathleen A. Mahon
President and CEO
Inclusiv

Request for Information – Greenhouse Gas Reduction Fund
Docket ID No. EPA-HQ-OA-2022-0859

Section 1: Low-Income and Disadvantaged Communities

1.1. What should EPA consider when defining "low-income" and "disadvantaged" communities for purposes of this program? What elements from existing definitions, criteria, screening tools, etc., - in federal programs or otherwise - should EPA consider when prioritizing low-income and disadvantaged communities for greenhouse gas and other air pollution reducing projects?

GHGRF dollars will most efficiently and effectively reach "low-income" and "disadvantaged" communities if EPA uses existing government agency definitions that are commonly applied in the community and economic development fields, such as the Community Development Financial Institutions (CDFIs) Fund eligible target market definition.

CDFI Fund Eligible Target Market Definition
CDFIs are specialized financial institutions (banks, credit unions, loan funds, and venture capital funds) serving low-income communities.[2] We recommend that EPA use the existing eligible target market definition that has been developed by the U.S. Department of Treasury's CDFI Fund. The CDFI Fund's target market definition meaningfully identifies low-income and disadvantaged communities and includes consideration of individual borrower characteristics and the characteristics of the communities where target borrowers are located.

The CDFI Fund was created in 1994 as a bipartisan initiative to promote economic revitalization and community development in low-income and distressed communities across the country.[3] Today, CDFIs provide "access to quality, affordable, and credible financial services."[4] For example, in FY2021, CDFIs financed nearly 50,000 affordable housing units and more than $38.7 billion in consumer loans, home improvements and home purchase loans, business and microenterprise loans, and residential real estate transactions.[5]

Adopting the CDFI Fund target market definition would create standardization and lower costs of GHGRF program compliance as the nation-wide network of 1,375+ mission-based lenders that are Certified CDFIs already track and report lending activity according to these CDFI Fund definitions. In addition, the CDFI Fund definitions are focused and targeted enough to ensure that GHGRF dollars reach and impact those communities and households that are actually "low-income" and "disadvantaged," rather than flowing to those that can already afford to purchase zero-emission and low-carbon technologies.

The CDFI Fund defines its target markets as any County, Census Tract or Census Block Group that meets one or more of the following conditions:[6]

[2] https://www.cdfifund.gov/sites/cdfi/files/2022-03/CDFI_PROGRAM_BROCHURE_032522.pdf
[3] https://www.cdfifund.gov/programs-training
[4] https://www.cdfifund.gov/sites/cdfi/files/2022-03/CDFI_PROGRAM_BROCHURE_032522.pdf
[5] https://www.cdfifund.gov/sites/cdfi/files/2022-03/CDFI_PROGRAM_BROCHURE_032522.pdf
[6] https://www.law.cornell.edu/cfr/text/12/1805.201#b

- Has a population poverty rate of at least 20 percent.
- Has an unemployment rate of at least 1.5 times the national average.
- For a metropolitan area, has a median family income (MFI) at or below 80 percent of the greater of either the metropolitan MFI or national metropolitan MFI.
- For a non-metropolitan area, has an MFI at or below 80 percent of the greater of either the statewide non-metropolitan MFI or national non-metropolitan MFI.
- Is wholly located within an Empowerment Zone or Enterprise Community.
- Has a county population loss greater than or equal to ten percent for Metro areas or five percent for non-Metro areas; or
- Is Majority Minority (in which at least 50% of the population self-identifies as a member of one or more racial or ethnic minority population(s), including: American Indian or Alaska Native; Asian; Black or African American; Hispanic or Latino; Native Hawaiian or Other Pacific Islander; Some Other Race)[7].

In addition, the CDFI Fund has a screening tool, their CIMS4 Information Mapping System, that is available for geocoding addresses, mapping census tracts and counties, and determining the eligibility of census tracts and counties under the CDFI Fund's various program distress criteria. CIMS4 users can create and save maps and reports, including Target Market worksheets, and submit saved maps and reports for online applications as well as other uses.[8]

The CDFI Fund's flexibility in allowing either county, or census tract or census block group means that for more densely populated regions and/or areas that have larger groups of wealthy inhabitants, it is still possible to focus investment on the subset of the population that is low-income or disadvantaged.

Additional Considerations for Definition of Low-Income and Distressed

We recognize that not all organizations are already using the CDFI Fund definitions. Beyond the definition of CDFI, we recommend allowing eligible recipients to continue to use other existing definitions created by government agencies, including those used by other regulated financial institutions that serve low-income and disadvantaged communities:

- *CRA - Low- and moderate-income communities*

As defined by the Community Reinvestment Act (CRA) and determined by the Census Bureau, a low-income community means there is a median family income of less than 50 percent of the area median income. A moderate-income community means that the median family income is at least 50 percent and less than 80 percent of the area median income."[9]

- *HUD – Low-income and very-low-income*

U.S. Department of Housing and Urban Development (HUD) already has definitions of low-income and very low-income limits used to determine eligibility for Public Housing, Section 8, and other HUD programs.[10]

[7] CDFI FUND | FY 2022 CDFI Equitable Recovery Program Glossary, page 5 "Majority Minority Census Tract". https://www.cdfifund.gov/sites/cdfi/files/2022-06/FY_2022_ERP_Glossary_Final_508.pdf

[8] https://www.cdfifund.gov/mapping-system

[9] https://www.federalreserve.gov/consumerscommunities/cra_resources.htm#:~:text=A%20low%2Dincome%20community%20means,of%20the%20area%20median%20income

[10] https://www.huduser.gov/portal/datasets/il/fmr98/sect8.html

- *Low-Income Credit Union Designation*

To qualify as a low-income credit union, a majority of the credit union's membership (50.01 percent) must meet certain low-income thresholds, based on data from the Census Bureau and requirements outlined in the NCUA's Rules and Regulations.[11]

- *Minority Depository Institution (Credit Unions)*

The NCUA defines a minority depository institution as a federally insured credit union in which a majority of its current members, its board of directors, and the community it services, as designated in its charter, fall within any of the eligible minority groups as described in Section 308 of the Financial Institutions Reform, Recovery and Enforcement Act of 1989: any Black American, Asian American, Hispanic American, or Native American.[12]

- *Minority Depository Institution (Banks)*

FDIC's Policy Statement defines 'minority depository institution' as any Federally insured depository institution where 51 percent or more of the voting stock is owned by minority individuals. 'Minority' as defined by Section 308 of FIRREA means any 'Black American, Asian American, Hispanic American, or Native American.' The voting stock must be held by U.S. citizens or permanent legal U.S. residents to be counted in determining minority ownership. In addition to institutions that meet the ownership test, institutions will be considered minority depository institutions if a majority of the Board of Directors is minority and the community that the institution serves is predominantly minority. [13]

Air Pollution Considerations

In addition to greenhouse gas emissions reduction, this Fund is designed to reduce air pollution. We urge the EPA to prioritize resources toward CDFIs and other high-impact green lenders that serve low-income and historically redlined communities[14]. This approach will help to start to address historic inequities in adverse environmental impacts in these communities.

1.2. What kinds of technical and/or financial assistance should the Greenhouse Gas Reduction Fund grants facilitate to ensure that low-income and disadvantaged communities can participate in and benefit from the program?

Low-income and disadvantaged communities often lack developed markets that drive financing and deployment of clean energy, electrification, and energy efficiency technologies. To ensure that these communities can access the clean energy transition, the GHGRF design should be intentional about the wrap-around technical and financial assistance services that low-income and disadvantaged communities will need to support overall clean energy market growth.

Assistance to Borrowers

Mission-driven lenders, such as CDFIs and Low-Income Designated Credit Unions, already offer both technical and financial assistance in low-income and disadvantaged communities to help residents access financial services such as financial coaching and mortgage down payment assistance. GHGRF grants could enable these lenders to offer similar services to finance projects that reduction greenhouse

[11] https://www.ncua.gov/support-services/credit-union-resources-expansion/field-membership-expansion/low-income-designation
[12] https://www.ncua.gov/support-services/credit-union-resources-expansion/resources/minority-depository-institution-preservation
[13] https://www.fdic.gov/regulations/resources/minority/mdi-definition.html
[14] https://pubs.acs.org/doi/full/10.1021/acs.estlett.1c01012

gas emissions and air pollution in the same low-income and disadvantaged communities where these CDFIs and credit unions already operate.

Community-oriented technical and financial assistance should include education and capacity-building related to project development and financing as well as a spectrum of services to develop a pipeline of fundable projects, including education, pre-project development, and application support. Specifically, the GHGRF should facilitate:

- Direct grants to low-income and disadvantaged program participants to reduce purchase costs of investments, ideally these grants could replace existing subsidies, such as the solar Investment Tax Credit, for which low-income households often do not qualify.

- Given the rising interest rate environment, subsidies to applicants to lower interest rates for borrowers.

- Partnerships with local, trusted grassroots organizations and community groups to help identify community members who are likely to install projects that reduce greenhouse gas emissions and air pollution.

- Clean energy technology education programs to build awareness, trust, and interest in low-income and disadvantaged communities.

- Free energy audits for low-income and disadvantaged communities.

- A percentage of each loan and/or a portion of the funds overall that can be used for health and safety upgrades in older homes, such as vermiculite, asbestos, and lead paint remediation, that are often necessary before energy retrofits can occur.

- Building a network of local, trusted, vetted, certified energy contractors and installers that are mission-aligned, committed to environmental and racial justice, and serving low-income and disadvantaged communities, and support community members to understand and navigate clean energy and energy efficiency technology and identify the best upgrades for their communities.

- One-stop-shop organizations that support low-income and disadvantaged borrowers through the entire process of adopting a new clean energy or low carbon technology. This could follow a cooperative extension model for a small business support clinic, and services should include:
    - support in-person/by telephone/and online
    - help identifying the appropriate energy technologies
    - vetting of contractors and installers
    - soliciting and evaluating price quotes for energy projects
    - reviewing monthly budgets, energy bills, project costs, and monthly loan payments and comparing to projected project cost savings to understand the specific impact that adopting new clean energy technology will have on budget
    - identifying available financing solutions
    - identifying eligible incentives and subsidies (local, city, state, federal)
    - guidance on managing contractor/installer quality, change orders, and delays

- ensuring the end users are comfortable with how to use the new technology to realize the maximum energy and cost savings

Partnerships Increase Access to the Clean Energy Transition
Partnerships between utilities, non-profits, financial institutions, developers, and other parties can create opportunities for low-income and disadvantaged community participation in solar programs that would not otherwise exist. Here are examples of how these kinds of partnerships work:

Kentucky Habitat for Humanity (KyHFH) and electric utilities, LG&E and KU, established a community solar program, which acts as a solar share gifting model, in leveraging grant funding to subscribe to 180 shares of community solar to then give those shares to 10 LMI households. The households received the benefits from the solar panels' production without taking on the monthly subscription cost. These shares are used to lower LMI households' electricity bills by a minimum of 30 percent. These home performance and energy efficiency investments have made LMI households' actual electricity bill savings even higher. Through this partnership, these households have been able to directly support the buildout of local, clean solar energy.[15]

Boulder Housing Partners (BHP), the city of Boulder, and GRID Alternatives finalized the installation of a new community solar project dedicated to offsetting energy use for BHP and its residents in reducing affordable housing electric bills and operational costs. GRID Alternatives, a non-profit focused on boosting access to renewable energy and providing renewable energy education/training across demographic divides, installed the community solar array while leveraging funding from multiple sources, including a municipal grant, developer equity, construction financing, and a program-related investment from a U.S. foundation. BHP executed a land lease and solar subscription agreement with GRID Alternatives and in turn reduced ongoing management and administration costs significantly. The community solar installation will result in energy cost savings of about $650,000 over 2 decades. As one of the first installations in Colorado dedicated solely to low-income households, this demonstrates how housing authorities and non-profit housing developers can partner to maximize energy and cost savings.[16]

FedEx installed a 915 kW solar facility on a warehouse roof in Washington, D.C., which will generate enough electricity every year to power 150 homes. By partnering with So Others Might Eat (SOME), a local non-profit that provides services to individuals experiencing poverty and homelessness, a portion of the electricity bill credits generated based off production will be allocated to SOME. These credits will be used to significantly reduce its own energy bills with plans to offset electricity costs of 2 SOME facilities, an affordable housing development and a program center for individuals experiencing mental illness or homelessness. Although FedEx's assistance to SOME isn't directly tied to household energy bill savings, the additional services SOME can now provide will have a positive ripple effect on the D.C. community.[17]

[15] https://www.greenbiz.com/article/innovative-partnerships-bring-community-solar-low-income-households-us
[16] https://www.greenbiz.com/article/innovative-partnerships-bring-community-solar-low-income-households-us
[17] https://www.greenbiz.com/article/innovative-partnerships-bring-community-solar-low-income-households-us

Notes from the field: Older Homes in Rural and Urban Communities
Often low-income and disadvantaged households live in older buildings and, due to budgetary constraints, have had to defer maintenance on these buildings. These aging buildings typically need repairs before they can be ready for energy retrofits or rooftop solar installations. For example, many older homes in low-income communities have holes in their floors and roofs and lack update-to-date electrical boxes. The first step for these homes should be repair and weatherization before moving to electrification and/or solar.

In addition, these residents are typically paid low wages and lack cash to pay for home maintenance or modernization. If these residents were to qualify for and take out loans to fund energy retrofits, this would increase their debt-to-income ratio and not all energy upgrades reduce utility bills right away. This financial reality means that clean energy is considered a luxury rather than a benefit or necessity for many households. The GHGRF should consider facilitating grants to specifically support the unique circumstances and needs of older low-income properties.

Assistance to Lenders
For credit unions, the barriers that stand in the way of providing more clean energy financing include lack of financial technology, underwriting costs, liquidity issues, and loan portfolio risk. Financial Assistance should include grants to community-based lenders to fund:

- Startup capital to launch or expand green loan programs, including helping credit unions to build community partnerships, vet and build relationships with installers and contractors, develop green loan policies and procedures, build marketing campaigns, and educate credit union members and staff.

- One-on-one clean energy technology and financial counseling to guide credit union members so they can understand the economic impact of the clean energy project on their budget, including:
    - local/state/federal dollars that impact project economics, such as RECs, subsidies, incentives, and tax credits; and
    - quantified energy savings and loan repayment amounts and the timing of savings and repayment to help plan cashflow and how long it will take for financial benefits after the project closes.

- Hiring and training clean energy lending, underwriting, and back-office staff.

- Expansion of loan application/underwriting/origination/servicing software systems.

- Technology solutions to identify and prioritize low-income and disadvantaged borrowers at the point of loan application.

- Subordinated debt to increase credit union net worth for regulatory purposes so that, while growing and adding a new loan portfolio, credit unions continue to meet minimum capital standards.

- Risk management and mitigation through loan guarantees or loan loss reserve funds that enable lenders to increase their loans to low-income and disadvantaged borrowers.

- Ability to use loan fund and/or grant funds to support borrower building repairs needed to prepare for clean energy retrofits. This could include roof repair, duct work, electrical upgrades, etc.

- Creating transparency around dealer fees that are currently a hidden cost that consumers are paying to buy-down their loan interest rates. For example, a 0.99% interest rate loan to a consumer might have a hidden fee of 26% (or higher) that the dealer pays the lender. This fee is built into the project cost, but not itemized, so the borrower doesn't realize they might have a low interest rate, but they are paying a 26% markup on the total project costs.

- Delayed loan repayment for projects that are delayed due to contractor, permitting, interconnection, and/or supply chain issues.

Case Study: Clean Energy Credit Union
Clean Energy CU is successfully partnering with a non-profit organization to help identify homeowners whose income is between 50% - 80% of the HUD median family income. When working in underserved communities, Clean Energy Credit Union works with trusted partners that advocate for and protect the interests of low-income homeowners in their communities. This trust helps to greatly improve the likelihood of a homeowner taking the next step towards installing clean energy for their home. Clean Energy Credit Union recently originated a solar and energy efficiency improvement loan to Mr. Garcia, an immigrant from Mexico who has lived in his home for 16 years and makes less than 70% of the HUD median family income. The energy costs for his home averaged $7.61 per day. Through Clean Energy CU's low-income program grants and the reduced interest rate for low-income borrowers that is offered through their credit union, Mr. Garcia's new energy payment will equate to $3.02 per day. Even with standard basic charges from the utility, Clean Energy CU calculates that, with this loan, Mr. Garcia will save over $1,300 per year in energy costs and after 12 years he will own the system outright.

1.3. What kinds of technical and/or financial assistance should the Greenhouse Gas Reduction Fund grants facilitate to support and/or prioritize businesses owned or led by members of low-income or disadvantaged communities?

The GHGRF should facilitate workforce development programs, apprenticeship programs, loan guarantees for small businesses, business planning support, and administrative, back-office, and compliance support for businesses that are owned by and serve members of low-income or disadvantaged communities.

There is a gap in available, trained local small businesses with adequate workforce to support increasing market demand, particularly in low-income and disadvantaged communities. Often small business energy contractors and installers are scheduling their projects six months in advance. Building out the capacity of this workforce could accelerate greenhouse gas emissions reductions.

It is in the EPA's best interest to prioritize smaller, community-based projects. We say this with the goal being for these projects to begin a trend of utilizing local businesses while also having a higher multiplier effect in these communities. Programs that create opportunities for local businesses must be at the forefront of this movement. There are many examples of existing programs that could be leveraged, expanded, or duplicated using GHGRF dollars to support and prioritize businesses owned or led by members of low-income and disadvantaged communities, for example:

- Efficiency Vermont provides business energy assessments for SMBs (Small and Midsize Businesses), commercial businesses, or industrial facilities including audits and benchmarking to identify efficiency opportunities. These assessments help identify: a clear understanding of what systems are wasting energy and money, a prioritized plan and resources for cost-effective projects, current financial incentives, and custom rebates to minimize up-front cost, and objective recommendations and a direct contact for all future project needs or questions.[18]

- The HEAT Squad and Elevate Energy (within the Relay Network) provide low-cost working capital loans to small contractors as part of their business model.[19]

- The Small and Medium-Sized Enterprises (SME) Climate HUB was launched to provide companies with resources to help lower emissions while increasing profits.[20]

- More broadly, the Department of Energy (DOE) is providing $53 Million in funding awards for diverse small businesses to pursue advanced scientific instrumentation and technologies to address climate change by supporting 259 projects across 38 states that cover security and resilience, renewable energy, energy storage, carbon capture and conversion, and fusion energy.[21]

Moreover, loans and capacity-building investments in these businesses, especially green businesses, should be considered imperative:

- Legislation like the Jobs and Neighborhood Investment Act, which made a $17.9 Billion investment in low-income and minority communities that were disproportionately impacted by the pandemic, has helped pave the way. The Act's purpose being to provide community development financial institutions (CDFIs) and Minority Depository Institutions (MDIs) with capital, liquidity, and operational capacity to expand the flow of credit to small businesses in underserved, minority, and historically disadvantaged communities.[22]

- Another example is EnerWealth Solutions, which is within the trade association Black Owners of Solar Services (BOSS), a minority-owned solar development company.[23] Companies like this one fall victim to disparities regarding access to capital. Black entrepreneurs are denied loans nearly twice as often as white business owners and lack of access to equity and debt prevents growth for minority-owned clean energy companies.[24] Capacity-building investments in companies like EnerWealth Solutions would unlock the growth potential, improving the pipeline of projects serving communities of color.

[18] https://www.efficiencyvermont.com/services/energy-assessments/business-energy-assessments
[19] https://www.heatsquad.org/
[20] https://www.climatechangenews.com/2022/09/22/sme-climate-hub-launches-in-the-us-to-support-companies-to-decarbonise/
[21] https://www.energy.gov/articles/doe-announces-53-million-small-businesses-pursuing-clean-energy-and-climate-solutions
[22] https://www.brookings.edu/research/small-business-green-recovery-fund-to-power-us-climate-transition/
[23] https://www.enerwealthsol.com/who-we-are
[24] https://www.federalreserve.gov/publications/2017-september-availability-of-credit-to-small-businesses.htm

Section 2: Program Design

2.1. What should EPA consider in the design of the program to ensure Greenhouse Gas Reduction Fund grants facilitate high private-sector leverage (i.e., each dollar of federal funding mobilizes additional private funding)?

When implementing the Fund and considering the question of leverage, we urge the EPA to remember that the largest source of social impact investments come from low-income people themselves in the form of deposits in community development credit unions and banks.

For example, Inclusiv's network of 500 community development credit unions serves over 18.4 million people across the U.S. and has almost $261 billion in assets under management across predominantly low-income urban, rural, and reservation-based communities across 47 states, DC, the U.S. Virgin Islands and Puerto Rico. Fully half of our members are Minority Depository Institutions or Puerto Rican Financial Cooperativas that are governed by and predominantly serve people of color, 58% of our members are CDFIs, and 75% are Low-Income Designated.

Community development credit unions are cooperatively owned and democratically governed financial institutions. As regulated financial institutions, credit unions have a mandate to build programs that are financially sustainable. The greatest opportunity for leverage will be to ensure that as many dollars as possible pass unencumbered directly to these on-the-ground lenders that can leverage every $1 of equity into more than $10 in lending capital.

In addition, community development credit unions and CDFIs are typically able to leverage public investment dollars, like the GHGRF, as much as tenfold and could bring the total impact of the fund to more than $200 billion in green lending over the next three to five years.

2.2. What should EPA consider in the design of the program to ensure Greenhouse Gas Reduction Fund grants facilitate additionality (i.e., federal funding invests in projects that would have otherwise lacked access to financing)?

The EPA should invest in green financing projects that reach low-income and disadvantaged communities, prioritizing programs that offer loan-loss reserves, grants, and interest-rate buydowns; invest in capacity-building activities; and support community solar projects.

Historically, low-income and disadvantaged communities have been unable to access affordable green financing due to the large upfront capital requirements needed to invest in solar and other green technologies; the inability for low-income individuals to qualify for tax incentives that mitigate these upfront capital requirements; the lack of access to desirable financing based on low-credit scores[25] and other traditional underwiring methodologies; the fact that most low-income individuals are renters and do not own their homes; language barriers, which prevent individuals from understanding the benefits

[25] Groundswell, 2022, http://groundswell-web-assets.s3.amazonaws.com/report/LIFT+Finance+Research+Report_20220603.pdf

of these programs; and discomfort with technology, which limits the ability for individuals to apply to programs online, preferring an in-person option.[26]

To ensure that the GHGRF facilitates additionality, grant dollars should focus on programs that can address these barriers to access and support the investment of green financing that reaches low-income and disadvantaged communities. There are several different ways to make access to clean energy and energy efficiency projects more accessible, including:

- Loan-loss reserves, grants, and interest-rate buydowns, which reduce the upfront capital requirements and the overall costs of traditionally structured clean energy and energy efficiency projects.
- Capacity-building investments, including dedicated staff that can support community members who are not comfortable navigating programs virtually and / or require a non-English speaker to provide information on program benefits.
- Community solar projects that offer no-cost subscriptions and on-bill credit to low-income participants, which minimizes the barriers for households to patriciate and increases the savings delivered through these programs.[27]

The EPA should also consider structuring the GHGRF so that funding can quickly reach the organizations on-the-ground, working closest to the members of low-income and disadvantage communities. Community development credit unions are most equipped to reach low-income communities and have a track record for delivering affordable financial products to those historically left out of the mainstream financial system.

2.3. What should EPA consider in the design of the program to ensure that revenue from financial assistance provided using Greenhouse Gas Reduction Fund grants is recycled to ensure continued operability?

Credit unions have an impressive track record of leveraging and recycling government funds, especially when the capital is flexible, and the reporting requirements are reasonable.

Inclusiv's own research on the Community Development Capital Initiative (CDCI) program at Treasury showed that every dollar invested in the 48 Community Development Financial Institution (CDFI) credit unions that participated in the program revolved more than 60 times in new loans into low- and moderate-income communities made over a five-year period. The credit unions that received CDCI loans had an increase in loan originations that was 21% higher than credit unions that did not receive CDCI loans over the same five-year period. The impact on the financial sustainability and growth of the CDFI credit unions was significant. Treasury's secondary capital investments in credit unions were not only repaid, but the participating institutions also increased their own primary equity by 67% and increased their net asset growth by 43% ($557.5 million).

The EPA should use lessons from the CDCI program and allow flexibility in the capital and uses for equity and subordinated debt. Credit unions know their institutions and members best and how to manage their capital and resources to address community needs and the sustainability of the credit unions.

[26] NCSL, 2021, https://www.ncsl.org/research/energy/state-policies-for-low-income-and-moderate-income-customer-access-to-renewable-energy-efficiency.aspx

[27] Groundswell, 2022, http://groundswell-web-assets.s3.amazonaws.com/report/LIFT+Finance+Research+Report_20220603.pdf

In addition, to help GHGRF grant recipients to recycle the financial assistance they provide, the EPA should design a streamlined application process and try to use systems and agencies in place to minimize additional operational and administrative work and burdens so that participating institutions focus on implementation (see Section 2.5 for details).

2.4. What should EPA consider in the design of the program to enable Greenhouse Gas Reduction Fund grants to facilitate broad private market capital formation for greenhouse gas and air pollution reducing projects? How could Greenhouse Gas Reduction Fund grants help prove the "bankability" of financial structures that could then be replicated by private sector financial institutions?

The EPA could look at the lessons learned in the credit union movement for how to create "bankable" financial structures that can be replicated. For example, in its first four years of lending, Clean Energy Credit Union has reached more than 7,000 members and deployed $134 million in clean energy financing. They have demonstrated that clean energy loans perform well and have been selling 70% of their loan portfolio onto a secondary marketplace in the form of loan participation sales to other credit unions.

Inclusiv's 500 credit union members have a history of designing and scaling loans that work for people who have long been excluded from the financial mainstream. Inclusiv member Self-Help Credit Union established a secondary market for affordable mortgages that facilitated $4.5 billion in financing to over 50,000 homebuyers across the country. Hope Credit Union delivers critical lending to consumers, small businesses and first-time homebuyers throughout the deep south bridging the racial wealth divide by building ownership and equity. Lower East Side People's FCU supports affordable housing and ownership through coop share loans across NYC serving residents from the Bronx to Staten Island create dreams for the future.

These are just a handful of credit unions that, with support and training from Inclusiv, have launched green lending programs to reduce energy costs of low-income residents through affordable energy efficient appliances and retrofits to homes and buildings while reducing their greenhouse gas emissions.

In the past 12 months, the credit unions, community banks, and CDFI loan funds that have completed our Inclusiv-University of New Hampshire Solar Finance Training Program invested more than $2.24 billion in green loans that lower greenhouse gas emissions and drive the clean energy transition in low- and moderate-income communities and communities of color. These lenders provide both loan products (consumer, residential, electric vehicle, commercial real estate, small business, and project finance) and technical support (financial coaching, and homeownership assistance, and entrepreneurial assistance) to make sure borrowers are set up for success.

The EPA should evaluate successful applicants on the clarity of their strategy for delivery of financial products with a specific focus on market-building activities. Congress' intent is clear in the IRA's plain language: federal funds must flow for technical assistance as well as grants, loans, and other forms of financial assistance. Without a clear strategy to build the capacity of on-the-ground lenders and borrowers, financial products will sit on eligible recipient balance sheets and not be fully deployed. This technical and financial assistance could include financial coaching, entrepreneurial assistance, down payment assistance, loan loss reserve funds, and infrastructure development to ensure people can use

this financing to reduce their greenhouse gas emissions and better engage in their local greening economy.

2.5. Are there best practices in program design that EPA should consider to reduce burdens on applicants, grantees, and/or subrecipients (including borrowers)?

The EPA should award grants as non-restrictive awards at the enterprise-level, design a short and streamlined application process, and coordinate with other federal agencies to minimize reporting burdens on direct and indirect grant receipts.

Enterprise-Level Awards
To maximize the use of GHGRF dollars, the EPA should award non-restrictive, enterprise level grants that allow for flexibility in how the capital is spent. This will empower grantees to use fund dollars to best serve the goals of the GHGRF, including but not limited to the development of a loan-loss reserve to support project financing, technical assistance and training investments, administrative support, and other related initiatives that advance the mission of reducing greenhouse gas emissions. We do not recommend awarding at a project level, which limits the funds uses and makes compliance and reporting more difficult.

Compensating Lenders on a Pro-Rated Basis
While the Treasury's Paycheck Protection Program (PPP) had significant program design issues, which led to Black- and other minority-owned businesses disproportionately underserved by the relief effort (see 2.6 for more details), one design feature that was helpful and should be considered for the GHGRF was that lenders were compensated on a pro-rated basis, segmented according to loan amount (higher % for smaller loans)[28]. These types of incentives helped to offset some of the challenges and constraints smaller, community-based lenders faced in the first few rounds of PPP funding.

Short and Clear Application Process
The application process to receive government funding can often be a barrier for small credit unions, especially Minority Depository Institutions (MDIs), who do not have the staff, time, or processes in place to submit a detailed application. This can lead to government programs over-investing in large financial institutions, who serve higher-income individuals and communities and have the resources required to complete an application.

To ensure grant dollars are distributed equitably, it is important the EPA design a clear, simple, and low-lift application process. A great example of this is the Treasury's CDFI Rapid Response Program (CDFI RRP). This program rapidly deployed $1.25 Billion to 863 Community Development Financial Institutions (CDFIs) to help lenders respond to the economic challenges created by the COVID-19 pandemic, particularly in underserved communities. The Fund achieved a streamlined application process and evaluation methodology by utilizing and leveraging its existing CDFI Certification and CDFI Program Financial Assistance and Technical Assistance application evaluation processes, as well as the Awards Management Information System (AMIS).[29] The result of this streamlined application process was a more diverse applicant pool with a record number of MDIs applying and receiving funding. We strongly

[28] treasury.gov, https://home.treasury.gov/system/files/136/PPP%20Lender%20Information%20Fact%20Sheet.pdf
[29] CDFI Fund, https://www.cdfifund.gov/programs-training/programs/rrp

encourage the EPA to take a similar approach when designing its application process and evaluation criteria for direct and indirect grant funding.

Reporting Requirements

The EPA should create transparent and clear reporting requirements that are consistent with what the federal government already asks regulated entities to track and report. Creating a new reporting system for the GHGRF will limit the ability of many community development credit unions (CDCUs), many of which are MDIs and serving low-income communities, to participate as they do not have the operational or administrative resources needed to track and report on different metrics for multiple government programs.

One recent example of the burden caused by new reporting requirements was the Treasury Department's Emergency Capital Investment Program (ECIP), which uses different census data and datasets and asked for new metrics than what the CDFI Fund and NCUA usually collect. This resulted in a huge administrative lift for credit unions and prevented others from being able to apply for funding at all.

One of the best ways to minimize the burden of reporting requirements on direct and indirect grantees, especially when it comes to carbon accounting, is for the EPA to create or invest in a shared tool that calculates emissions reductions for different clean energy and energy efficiency products. This will allow lenders to calculate greenhouse gas emission reductions via loans originated, which will simplify reporting and enable a standard way to collect and report on overall greenhouse gas emission reductions.

In addition, the EPA should factor in the administrative costs and time required to track greenhouse gas emissions and ensure funding is ear-marked for these efforts in grant disbursements. This should include a transition period and funding to support any new reporting systems that the EPA requires of grantees. Finally, the EPA should consider leveraging existing data systems that track regulated entities, like credit unions, who already provide reporting to multiple government agencies and prioritize grantees, like Inclusiv, who have a track record of tracking these public dollars and the infrastructure in place to support this type of reporting. This will help maximize grant dollars by investing in systems that work with the federal government, instead of creating new and redundant systems from scratch.

Interagency Coordination and Leverage Existing Systems

When credit unions have access to federal grants and investments, they have a strong track record of leveraging and recycling government funds. One example that highlights the growth potential and asset building of credit unions is the Treasury's 2010 Community Development Capital Initiative (CDCI), a program which invested $69.9 million secondary capital to CDFIs, including 48 credit unions.
Based on Inclusiv's analysis, CDCI credit unions leveraged this capital more than 60 times over to originate more than $2.6 billion in loans, $803.7 million of which was used to provide more than 5,666 mortgages to low-to-moderate income communities. CDCI investees successfully leveraged Treasury's investment to strengthen the financial capability of low-income and other underserved communities and this secondary capital continues to serve as a vital source of funding to scale community development products that are designed specifically to meet the needs of low-to-moderate income consumers.

Since credit unions are regulated institutions, EPA can leverage existing federal processes and systems to implement, track and monitor the impact of GHGRF dollars in a manner that is effective and equitable. The CDCI programs offers an example of how this can be done. CDCI made investments in the form of secondary capital, which required regulatory approval by NCUA. However, CDCI was managed by Treasury. The CDCI application was simple and relied on the existing regulatory requirements[30]. This meant that while approval from both agencies were required, the applications were non-duplicative and relied on pre-existing requirements and structures such as the secondary capital plan submissions to NCUA.

This coordination yielded a higher level of engagement from MDI credit unions and those serving persistent poverty counties, communities that are disparately impacted by climate change. Each CDCI investment dollar was reinvested in the form of community lending, affordable mortgages, and capital for local small businesses more than 60 times over. Further, given the streamlined application process, the capital was able to reach not only CDFIs, but also some of the most underinvested communities that are at the core the Justice40 initiative: 40% of the CDCI dollars were invested in MDI credit unions that served 114,000 members of communities of color. In just five years, $17 million invested in MDI credit unions was leveraged for a total of $803 million back into community-based loans, including $243 million in mortgages. These MDI credit unions increased financial access and asset building opportunities for communities of color by providing capital, as well as development services and technological improvements, which will also be required to successfully implement GHGRF.

CDCI credit union investments increased financial services and resources to strengthen the financial health of households in persistent poverty counties. Credit Unions serving persistent poverty counties received 33% of the CDCI secondary capital investments ($14 million) and served 88,000 members. They increased community held assets by 46% ($215 million) and provided $893 million community-based loans, resulting in each CDCI investment dollar being recycled more than 67 times back into persistent poverty counties.

The percentage of CDCI investments to MDI and credit unions serving persistent poverty counties is significant. However, there were also missed opportunities for impact as less than one-third of eligible institutions applied due to the timing of the coordination and communication from the agencies. Similar lessons were also learned from Treasury's Emergency Capital Investment Program. While there are more than 800 MDI and CDFI credit unions that were eligible, less than 90 credit unions applied and were funded.

Inclusiv strongly encourages EPA to coordinate efforts and meet with different federal agencies to streamline the GHGRF application process. This will significantly reduce burdens and operational inefficiencies for potential grantees and create a more inclusive application process.

Communication Channels - work with Intermediaries and Existing Networks
EPA should provide regular electronic communications as well as virtual town halls and other opportunities to directly ask questions and engage with the EPA.

Working through existing networks and intermediaries to host town halls and platforms to solicit feedback from potential participants on the application process will be important to designing an

[30] NCUA, https://home.treasury.gov/sites/default/files/initiatives/financial-stability/programs/investment-programs/cdci/Documents_Contracts_Agreements/Credit20Union20CDCI20Application20Updated20Form.pdf

inclusive and impactful GHGRF program. Inclusiv has used its platform in the past to support outreach and implementation with large scale initiatives for credit unions such as CDFI Fund programs and Treasury's ECIP, which has helped ensure program information is shared across a wide network of potential applicants.

2.6. What, if any, common federal grant program design features should EPA consider or avoid in order to maximize the ability of eligible recipients and/or indirect recipients to leverage and recycle Greenhouse Gas Reduction Fund grants?

The EPA should take lessons learned from the Treasury's Paycheck Protection Program (PPP) and NUCA's 2022 subordinated debt process to ensure the GHGRF program rules don't inadvertently discriminate against credit unions and other small lenders who serve low-income and disadvantaged communities.

Lessons Learned from the Treasury's Paycheck Protection Program (PPP)
The Paycheck Protection Program (PPP) provides a few important lessons in program design features to avoid:

- First, the program should not solely rely on banks, including green banks, whose business models and underwriting approaches favor higher-income individuals. This will not create the additionality the EPA is looking to leverage with GHGRF grant dollars nor will it advance the Justice40 goals of reaching underserved and low-income communities.
- Second, the GHGRF should invest in grantees that know how to navigate the issues faced by low-income and disadvantaged communities, including language barriers, limited online presence, and limited experience with the federal tax system[31]. These organizations are the ones that know how to design inclusive financial programs and have spent time and resources to build the infrastructure and support needed to help low-income individuals navigate complicated federal programs.
- Third, the GHGRF should ensure the systems and processes used are aligned with the purpose of the fund and are accessible to institutions that serve under-resourced communities. With the initial rollout of PPP, the SBA's application portal and platforms prioritized high volume and larger batches of loans, which effectively prohibited CDFIs from being able to submit applications, and thereby make the PPP program inaccessible to small businesses in low-income and communities of color. After CDFIs advocated on behalf of these underserved communities, the SBA then established an exclusive 14-day application window to prioritize low-income and smaller businesses[32].

Lessons Learned from NUCA's Subordinated Debt Process and Regulations
In January 2022, the NCUA made effective new subordinated debt rules that replaced the agency's previous secondary capital framework. The new rule is designed for large institutions entering complex transactions and requires costly legal counsel, securities issuance expertise, and a 5-month planning and approval process. Compliance with the rule is prohibitively expensive and unduly burdensome for small credit unions, and especially MDI credit unions, that previously relied on simple secondary capital loans to support their growth. The impact of the rule change has meant smaller, financial inclusion focused credit unions are effectively unable to access subordinated debt.

[31] New York Times, 2021, https://www.nytimes.com/2021/04/04/business/ppp-loans-minority-businesses.html
[32] SBA, https://www.sba.gov/article/2021/feb/22/sba-prioritizes-smallest-small-businesses-paycheck-protection-program

The EPA should consider the unintended consequences of rules designed for large institutions and complex transactions on smaller institutions engaged in simpler transactions. The agency should design compliance frameworks that focus on achieving regulatory goals without barring a whole class of community lenders from receiving grant funding. Tailoring compliance requirements to the size of the institution and the complexity of transactions can support increased participation by MDIs and other historically under-resourced lenders.

2.7. What should EPA consider in the design of the program, in addition to prevailing wage requirements in section 314 of the Clean Air Act, to encourage grantees and subrecipients to fund projects that create high quality jobs and adhere to best practices for labor standards, consistent with guidance such as Executive Order 14063 on the Use of Project Labor Agreements and the Department of Labor's Good Jobs Principles?

The EPA should incentivize training opportunities for groups that are traditionally underrepresented in the green economy and encourage grantees to integrate workforce development into clean energy and energy efficiency projects.

There are a few best practices the EPA should consider as a means of supporting the creation of high-quality jobs in low-income communities where clean energy projects are taking place, including:

- Incentivize training opportunities to groups that are traditionally underrepresented in clean energy, including women, people of color and those impacted by the criminal justice system[33]
- Integrating workforce development into clean energy and energy efficiency solar projects, including offering opportunities for local hiring[34]

That said, EPA should recognize integrating training and job programs into a clean energy project is not free and will add time and expense to GHGRF programs. The EPA should also consider exemptions when appropriate, particularly to smaller projects, where there may be high administrative costs and limited or no access to union jobs. And finally, in order to ensure compliance and transparency, the EPA should provide clear definitions for labor categories and jobs definitions.

2.8. What should EPA consider when developing program guidance and policies, such as the appropriate collection of data, to ensure that greenhouse gas and air pollution reduction projects funded by grantees and subrecipients comply with the requirements of Title VI of the Civil Rights Act, which prohibits discrimination on the basis of race, color, and national origin in programs and activities receiving federal financial assistance?

Regulated depository institutions face challenges in collecting data on race and ethnicity for consumer loans. CDFI and MDI credit unions play a critical role in reaching people and communities that mainstream financial institutions fail to serve and are a vital source of capital in many historically redlined neighborhoods. These institutions' commitment to economic and racial justice is reflected in

[33] GRID Alternatives, https://gridalternatives.org/what-we-do/workforce-development
[34] Groundswell, LIFT Solar Toolkit, https://lift.groundswell.org/

the credit union members that they serve. We appreciate EPA's consideration of the appropriate collection of data to comply with Title VI of the Civil Rights Act.

While we strongly believe that the majority of GHGRF dollars should reach communities of color effectively, we would like to note that collecting data on race and ethnicity poses significant challenges for regulated depository institutions, like CDFI credit unions, which have loan portfolios made up primarily of consumer loans and which have historically been barred from collecting borrower race and ethnicity data related to these loans by the Equal Credit Opportunity Act (ECOA).

CDFI credit unions are deeply invested in advancing racial equity but are also concerned about being penalized for collecting data on race and ethnicity by their regulator, NCUA. In addition, regulated lenders will have to consider the implications of asking borrowers to identify their race and ethnicity during loan decisioning. These types of questions may not be welcome and could damage a credit union's ability to serve communities of color in the future by eroding trust between the credit union and its members.

If data collection on race and ethnicity is required, EPA could provide training to the prudential regulators of CDFI and minority depository banks and credit unions to be sure they understand why institutions are collecting race and ethnicity data and the legal framework that makes this data collection permissible. EPA could also advise financial institution regulators to issue clear guidance that lenders may collect data on race and ethnicity under EPA's GHGRF carveout so that regulated depository institutions are not penalized by their prudential regulators for their efforts to comply with GHGRF requirements.

In addition, CDFI credit unions often serve communities that have been historically redlined and whose residents are discriminated against by mainstream banks and targeted by predatory lenders. This pervasive racism has eroded people's trust in financial institutions and can make collecting race and ethnicity information challenging if sufficient guidance, training, and support are not provided to credit union staff to help them manage the process. EPA should consider allowing CDFI and minority depository banks and credit unions the option to use well-tested and rigorous statistical tools to report on race and ethnicity while adhering to the fair lending protections in ECOA.

We recommend EPA allow GHGRF participants to use the Consumer Financial Protection Bureau's (CFPB) Bayesian Improved Surname Geocoding (BISG) system instead of requiring the collection of race and ethnicity data from borrowers directly. This CFPB system can be used at scale, is compliant with ECOA, and allows credit unions to effectively serve members who prefer not to be asked about their identity as part of a financial transaction.

If EPA does not permit the use of BISG as a proxy reporting method, it should provide clear definitions and guidance on acceptable datapoints and methodologies for collecting demographic data.

2.10. What federal, state and/or local programs, including other programs included in the Inflation Reduction Act and the Infrastructure Investment and Jobs Act or "Bipartisan Infrastructure Law," could EPA consider when designing the Greenhouse Gas Reduction Fund? How could such programs complement the funding available through the Greenhouse Gas Reduction Fund?

EPA should consider, and ensure GHGRF prioritizes, existing infrastructure of community development credit unions, CDFIs, community banks, and MDIs. These lenders have demonstrated expertise in lending to communities that will benefit most from GHGRF funding and offer a green lending market already in place and poised to effectively deploy funds.

EPA should consider the existing infrastructure of community development credit unions (CDCUs), CDFIs, community banks, and MDIs in designing the GHGRF. These institutions are deeply connected to the communities they serve and have a proven track record of serving low- and moderate-income and communities of color. They are best positioned to disburse funding from the GHGRF with equity and emissions reductions at the forefront.

Additionally, the CDFI Fund is a longstanding federal program that invests in disadvantaged communities. When GHGRF invests in CDFIs, they would be investing alongside the CDFI Fund. Similarly, the Treasury ECIP program has already invested $8.28 billion into CDFIs and MDIs which those institutions will be leveraging in their lending in the coming years. Designing the GHGRF to fund CDCUs, CDFIs, community banks, and MDIs ensures that the GHGRF complements and leverages federal investments to date.

In the past 10 years, community lenders, such as CDCUs, have developed a strong track record of green and clean energy-focused lending. Inclusiv, in partnership with the University of New Hampshire, provides training as well as peer support and capacity building for credit unions, CDFI loan funds, and community banks seeking to build and expand green lending programs.

In just 22 months, 300 lenders from 150 deeply mission-driven financial institutions have completed our Inclusiv-University of New Hampshire solar lending training course.

In the past 12 months, just 96 of the community-based lending institutions that have graduated from our training courses have invested more than $2.24 billion in green loans that lower greenhouse gas emissions and drive the clean energy transition in LMI and BIPOC communities. These are deals that would not have happened without local, affordable, accessible investment from these community-based lenders.

In addition, our market research on community-based lenders shows that at least 508 credit unions, community banks, and CDFI loan funds currently offer dedicated green loan products with another 39 lenders developing new green lending programs. These 547 community-based lenders manage almost $447 billion in combined assets and serve over 25 million people across the country.

As an extension of these 547 community-based lenders that currently offer green loans, much of the 2.14 trillion-dollar credit union movement (serving 132 million members), the 900+ CDFI loan funds and CDFI banks, and over 150 minority depository community banks, can quickly transition to finance decarbonization projects in climate-impacted communities.

All of these lenders can provide both clean energy products (consumer, EV, residential, small business) and support (financial and homeownership coaching, entrepreneurial assistance) to make sure borrowers are set up for success.

For low-income and low-wealth borrowers to succeed, the ability to match the climate benefits with household budget in the form of reduced consumption is critical. CDFIs, MDIs, community banks, and credit unions already have expertise and proven success doing just that with their borrowers. These lenders are ready to use GHGRF investments to scale affordable financing that makes green projects accessible to the most climate-vulnerable communities.

The GHGRF can rely on the clear strengths of high-impact community-based lenders in reaching low-income people and people of color, and in their demonstrated record of success in green and resilience-focused lending. They are the ideal vehicle to deliver on the goal and commitment to direct the benefits and impact of the GHGRF to climate-impacted communities.

Each of the 508 community-based green lenders have designed green loan products that are uniquely tailored to the clean energy and financing needs of their local communities and customers. They already finance the full range of consumer, residential, affordable multi-family, and small business energy projects, including:

- Efficient home appliance upgrades.
- New and used electric vehicles.
- Solar and solar-powered battery storage projects; and
- Operating capital to grow small businesses that provide clean energy and energy efficiency installation and contracting services.

And some community-based lenders have already become leaders in their local markets.

- Tucson Old Pueblo Credit Union, for example, originated more than $25 million in solar loans in 2022 alone, and is the leading solar lender in Tucson.
- Clean Energy Credit Union has reached more than 7,000 members and deployed $134 million in clean energy financing in the past four years.

CDFIs, MDIs, community banks and credit unions are also well positioned to serve as a link between the GHGRF and other complementary programs in the Inflation Reduction Act and Infrastructure, Investment, and Jobs Act, including:

- The $2.85 billion provided for assistance and support for underserved farmers, ranchers, and foresters.
- The $2.75 billion to support grants and other financial assistance for nonfederal forest management, including funding for urban and community forestry programs.
- The funding provided for rural energy development, including support for renewable energy initiatives for rural development with $13.3 billion for farm bill energy title programs
- Grants for climate and port air pollution reduction

EPA should design the GHGRF to maximize the impact of programs such as these included in the IRA and IIJA, and the way to do so is to take advantage of this existing infrastructure of CDCUs, community banks, MDIs, and CDFIs.

2.11. Is guidance specific to Tribal and/or territorial governments necessary to implement the program? If so, what specific issues should such guidance address?

The EPA should take into consideration the different regulatory environments of tribal and territorial governments and provide additional funding, support, and incentives to make sure they are able to access and benefit from the GHGRF.

Tribal Governments

Tribe communalities face unique obstacles when applying for and receiving federal grants. First, any program that requires use or access to Tribal land requires the federal government to approve a business or home site lease. This process can take years to complete, which could limit the types of clean energy and energy efficiency projects Tribal communities can apply for through the GHGRF. To prevent this from happening, the Federal government needs to streamline the process for managing site lease requests, including investing in additional local surveyors with longer grant terms (currently surveyors serve 6-month terms) and allow local Bureau of Indian Affairs (BIA) offices the ability to sign-off on lease agreements, which would expedite the process. In addition to removing process barriers, the EPA should also reduce reporting and auditing barriers that may be associated with grant funding. This could include leveraging GIS, a system already used to report on other federally funded programs and eliminate individual project audits that take time and expense and end up eating into the costs of running a program.

Inclusiv has worked to support Native communities across the United States and is currently developing a mortgage loan program that can work on Tribal lands. This work has highlighted the need for a nuanced approach, flexible financing and partnerships with local organizations who understand the rules, regulations, and process of working with Native communities.

Puerto Rico

Puerto Rico's network of 104 CDFI eligible financial cooperatives have 1.1M member-owners and control $11.5B in community assets. They originate 40% of all small dollar loans on the island and have $6.1B in loans outstanding. Collectively, financial cooperatives are the third largest financial conglomerate in the island and serve a third of the population. They operate in rural and urban areas, serving primarily low- and moderate-income people and communities, with a footprint of 234 branches that has a presence in 75 of 78 municipalities. Cooperatives are important players that have helped to pioneer the green lending transformation of Puerto Rico. They were the first local financial institutions to offer green loans on the island and have more than 10 years of experience in their development and deployment. In the last four years, they have originated more than 100 million dollars in green loans. It will be important to design the GHGRF, so cooperatives are able to access these funds.

One important consideration for the EPA as it relates to Puerto Rico is language. We encourage the EPA to prioritize investment in grantees that can accommodate Spanish applications and or provide application translation services. This will eliminate access barriers and ensure that indirect grantees in Puerto Rico are able to receive access to the GHGRF.

In addition, the EPA should recognize that financial cooperatives in Puerto Rico operate in a different regulatory environment than credit unions and will need financial programs to be designed and tailored for this regulatory reality. Financial cooperatives deposit and assets are state insured, by the Public Corporation for the Supervision and Insurance of Cooperatives (COSSEC), a public corporation. Any program operating in Puerto Rico should recognize this particularity and include state insured credit unions at the same level as federally insured institutions. Inclusiv has a long track record of working with financial cooperatives in Puerto Rico and has tailored its mortgage and subordinated debt programs to

align with the needs of cooperatives regulatory agency (COSSEC) and unique board and organizational structure.

And finally, it is difficult for Puerto Ricans to take advantage of other government solar incentives, such as the Solar Investment Tax Credit (ITC), as most Puerto Ricans do not file US income taxes due to Puerto Rico's status as a territory. This creates more of a need to invest GHGRF dollars in Puerto Rico clean energy and energy efficiency projects, as their ability to leverage federal tax-based incentives is limited.

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Section 3: Eligible Projects

3.1. What types of projects should EPA prioritize under sections 134(a)(1)-(3), consistent with the statutory definition of "qualified projects" and "zero emissions technology" as well as the statute's direct and indirect investment provisions

The EPA should prioritize projects that will help reduce energy burdens[35], increase energy security, provide local jobs, and reduce the pollution associated with non-renewable / clean energy generation in low-income and disadvantaged communities.

Focusing grant funding on low-income and disadvantaged communities will ensure that the Biden Administration is reaching its Justice40 goals and serving communities who are most impacted by greenhouse gas emissions:

- The national average energy burden for low-income households is at 8.6% vs non-low-income households estimated at 3%[9].[36] A 2020 report from ACEEE found that Black household median energy burdens are 43% higher than non-Hispanic white households; 45% higher for Native Americans than non-Hispanic white households; and 20% higher for Hispanic than non-Hispanic white households[37].
- About one in five households have reduced or given up necessities like food and medicine to pay an energy bill[38].
- 70% of low-income households are in areas with extreme surface urban heat, and 31% of these households face challenges in paying energy bills or adequately cooling and heating their homes[39].
- The median cost of energy per square foot for low-income households is $1.41 vs $1.23 per square foot for high-income households[40].

In addition, in the U.S., about 25% of low-income households (earning 80% or less of the area median income) reside in multifamily housing units where occupants rent and do not own their homes. Community solar projects can benefit those living in multifamily housing units and other low-income renters because they require little to no upfront investment or access to a roof[41]. The Low-income Policy Guide found that successful program strategies include:

- Net metering or other incentives to ensure full value of solar
- Financial incentives to reduce upfront costs, overcome split incentives scenarios, and ensure benefits reach tenants
- Measures to reduce barriers to financing
- Technical assistance to affordable housing providers, participating contractors and service providers
- Pairing solar with energy efficiency programs
- Facilitating waivers from regulatory utility and rent allowance requirements to maximize tenant benefit

[35] Energy burden is the percentage of gross household income spent on energy costs.
[36] DOE, 2018, https://www.energy.gov/eere/slsc/maps/lead-tool
[37] ACEEE, 2020, https://www.aceee.org/energy-burden
[38] Eco-watch, 2022, https://www.ecowatch.com/low-income-solar-incentives.html
[39] Eco-watch, 2022, https://www.ecowatch.com/low-income-solar-incentives.html
[40] Eco-watch, 2022, https://www.ecowatch.com/low-income-solar-incentives.html
[41] EnergySage, https://news.energysage.com/low-to-moderate-income-community-solar/

- Integrating job training and employment opportunities in the solar energy and energy efficiency sectors of the economy[42]

The below case studies illustrate the types of residential solar, multifamily solar, electric vehicle, and energy efficiency clean energy projects that support low-income and disadvantaged communities:

- Residential Solar| Hawaii Green Infrastructure Authority GEMS Financing Program: The Green Energy Market Securitization Program (GEMS) is a green financing program created by the Hawaii State Energy Office to make clean energy improvements more accessible and affordable for Hawaii residents who may otherwise have difficulty obtaining financing for these projects. This program is open to low-credit homeowners and renters, as well as nonprofits and small businesses. A Key feature of the program includes on-bill repayment feature, where borrowers pay for their solar equipment over time through their electricity bill and their energy savings.[43][44]

- Multifamily Solar| Solar on Multifamily Affordable Housing (SOMAH): Solar on Multifamily Affordable Housing (SOMAH) is the largest multifamily housing solar initiative in the United States (10-year, $1 billion program). Approximately 3,500 multifamily affordable properties across California are eligible for SOMAH incentives, with the potential to reach 255,000 individual households. SOMAH provides equitable access to clean energy, lowers tenants' monthly energy bills, and expands local job training. Property eligibility is designed to target residents that have been historically excluded from the benefits of solar: low-income renters and those experiencing disproportionate pollution burden in disadvantaged communities. The program launched on July 1, 2019. As of July 2022, the program had 432 active applications and 45 projects have been completed and paid for. This program is funded entirely from California's utility greenhouse gas (GHG) auction revenue via California's Cap-and-Trade Program.[45]

- Electric Vehicle (EV) | CHDC – Driving Clean Assistance Program: Community Housing Development Corporation's (CHDC) Driving Clean Assistance Program is a needs-based economic empowerment program designed to be more accessible and equitable to marginalized communities. The program seeks to improve the lives of its participants by combining low-interest loans with financial education, budget counseling, and a grant from the State of California Air Resources Board of up to $5,000 for the purchase of a used or new Electric Vehicle (EV). The program serves low-income and disadvantaged communities in 12 California Counties - Santa Cruz, Santa Clara, Alameda, San Francisco, San Mateo, Contra Costa, Solano, Marin, Napa, Sonoma, Sacramento, and Yolo. The program has been running since November 2015 and has served over 400 families providing over $1.8 million in low-interest loans. The program has resulted in over $9 mm in EV sales.[46]

- Energy Efficiency | ACEEE 2022 Report "Meeting the Challenge: A Review of Energy Efficiency Program Offerings for Low-Income Households": ACEEE's 2022 report analyzes 97 ratepayer-funded utility low-income energy efficiency programs from electric and natural gas utilities that serve the 100 largest metro areas in the country. This report finds that while the number of low-income

[42] Low-Income Policy Guide, https://www.lowincomesolar.org/practices/multifamily/
[43] Eco-watch, 2022, https://www.ecowatch.com/low-income-solar-incentives.html
[44] Hawaii.gov, https://gems.hawaii.gov/participate-now/for-homeowners/
[45] Groundswell, 2022, https://groundswell-web-assets.s3.amazonaws.com/lift-solar/case-study/LIFT+Case+Study+-+IOU+-+CA_SOMAH+(Program).pdf
[46] CHDC, https://communityhdc.org/dcap/

energy efficiency programs are expanding, there are still funding and program access gaps. "At current program spending rates, for the utilities covered in this report, it would take an average of 59 years to serve all income-eligible households. Furthermore, many of the customers served receive only limited services (e.g., direct install measures such as efficient lightbulbs) and not comprehensive weatherization services[47]." The report has the following recommendations to improve low-income energy efficiency program offerings including:

- Offering dual-fuel programs wherever possible
- Creating a single point of contact and one-stop-shop approach that simplifies access and information for eligible households
- Setting multiple thresholds or definitions for eligibility to streamline enrollment and reach more households
- Coordinating with other organizations, particularly local community-based organizations, WAP service providers, and bill payment assistance programs on program outreach and delivery
- Addressing health and safety issues to avoid program deferrals
- Offering deep saving energy efficiency measures and a variety of measures to best meet participant needs[48]

3.2. Please describe what forms of financial assistance (e.g., subgrants, loans, or other forms of financial assistance) are necessary to fill financing gaps, enable investment, and accelerate deployment of such projects. AND 3.3. Beyond financial assistance for project financing what other supports – such as technical assistance -- are necessary to accelerate deployment of such projects?

Assistance to Borrowers

Mission-driven lenders, such as CDFIs and Low-Income Designated Credit Unions, already offer both technical and financial assistance in low-income and disadvantaged communities to help residents access financial services such as financial coaching and mortgage down payment assistance. GHGRF grants could enable these lenders to offer similar services to finance projects that reduction greenhouse gas emissions and air pollution in the same low-income and disadvantaged communities where these CDFIs and credit unions already operate.

Community-oriented technical and financial assistance should include education and capacity-building related to project development and financing as well as a spectrum of services to develop a pipeline of fundable projects, including education, pre-project development, and application support. Specifically, the GHGRF should facilitate:

- Direct grants to low-income and disadvantaged program participants to reduce purchase costs of investments, ideally these grants could replace existing subsidies, such as the solar Investment Tax Credit, for which low-income households often do not qualify.

- Given the rising interest rate environment, subsidies to applicants to lower interest rates for borrowers.

[47] ACEEE, 2022, https://www.aceee.org/sites/default/files/pdfs/u2205.pdf
[48] ACEEE, 2022, https://www.aceee.org/sites/default/files/pdfs/u2205.pdf

- Partnerships with local, trusted grassroots organizations and community groups to help identify community members who are likely to install projects that reduce greenhouse gas emissions and air pollution.

- Clean energy technology education programs to build awareness, trust, and interest in low-income and disadvantaged communities.

- Free energy audits for low-income and disadvantaged communities.

- A percentage of each loan and/or a portion of the funds overall that can be used for health and safety upgrades in older homes, such as vermiculite, asbestos, and lead paint remediation, that are often necessary before energy retrofits can occur.

- Building a network of local, trusted, vetted, certified energy contractors and installers that are mission-aligned, committed to environmental and racial justice, and serving low-income and disadvantaged communities, and support community members to understand and navigate clean energy and energy efficiency technology and identify the best upgrades for their communities.

- One-stop-shop organizations that support low-income and disadvantaged borrowers through the entire process of adopting a new clean energy or low carbon technology. This could follow a cooperative extension model for a small business support clinic, and services should include:
    - support in-person/by telephone/and online
    - help identifying the appropriate energy technologies
    - vetting of contractors and installers
    - soliciting and evaluating price quotes for energy projects
    - reviewing monthly budgets, energy bills, project costs, and monthly loan payments and comparing to projected project cost savings to understand the specific impact that adopting new clean energy technology will have on budget
    - identifying available financing solutions
    - identifying eligible incentives and subsidies (local, city, state, federal)
    - guidance on managing contractor/installer quality, change orders, and delays
    - ensuring the end users are comfortable with how to use the new technology to realize the maximum energy and cost savings

Assistance to Lenders

For credit unions, the barriers that stand in the way of providing more clean energy financing include lack of financial technology, underwriting costs, liquidity issues, and loan portfolio risk. Financial Assistance should include grants to community-based lenders to fund:

- Startup capital to launch or expand green loan programs, including helping credit unions to build community partnerships, vet and build relationships with installers and contractors, develop green loan policies and procedures, build marketing campaigns, and educate credit union members and staff.

- One-on-one clean energy technology and financial counseling to guide credit union members so they can understand the economic impact of the clean energy project on their budget, including:

  - local/state/federal dollars that impact project economics, such as RECs, subsidies, incentives, and tax credits; and
  - quantified energy savings and loan repayment amounts and the timing of savings and repayment to help plan cashflow and how long it will take for financial benefits after the project closes.

- Hiring and training clean energy lending, underwriting, and back-office staff.

- Expansion of loan application/underwriting/origination/servicing software systems.

- Technology solutions to identify and prioritize low-income and disadvantaged borrowers at the point of loan application.

- Subordinated debt to increase credit union net worth for regulatory purposes so that, while growing and adding a new loan portfolio, credit unions continue to meet minimum capital standards.

- Risk management and mitigation through loan guarantees or loan loss reserve funds that enable lenders to increase their loans to low-income and disadvantaged borrowers.

- Ability to use loan fund and/or grant funds to support borrower building repairs needed to prepare for clean energy retrofits. This could include roof repair, duct work, electrical upgrades, etc.

- Creating transparency around dealer fees that are currently a hidden cost that consumers are paying to buy-down their loan interest rates. For example, a 0.99% interest rate loan to a consumer might have a hidden fee of 26% (or higher) that the dealer pays the lender. This fee is built into the project cost, but not itemized, so the borrower doesn't realize they might have a low interest rate, but they are paying a 26% markup on the total project costs.

- Delayed loan repayment for projects that are delayed due to contractor, permitting, interconnection, and/or supply chain issues.

Assistance to Small Business Energy Contractors and Providers

There is a gap in available, trained local small businesses with adequate workforce to support increasing market demand, particularly in low-income and disadvantaged communities. Often small business energy contractors and installers are scheduling their projects six months in advance. Building out the capacity of this workforce could accelerate greenhouse gas emissions reductions.

It is in the EPA's best interest to prioritize smaller, community-based projects. Programs that create opportunities for local businesses must be at the forefront of this movement. There are many examples of existing programs that could be leveraged, expanded, or duplicated using GHGRF dollars to support and prioritize businesses owned or led by members of low-income and disadvantaged communities, for example:

- Efficiency Vermont provides business energy assessments for SMBs (Small and Midsize Businesses), commercial businesses, or industrial facilities including audits and benchmarking to identify efficiency opportunities. These assessments help identify: a clear understanding of what systems are wasting energy and money, a prioritized plan and resources for cost-effective projects, current

financial incentives, and custom rebates to minimize up-front cost, and objective recommendations and a direct contact for all future project needs or questions.[49]

- The HEAT Squad and Elevate Energy (within the Relay Network) provide low-cost working capital loans to small contractors as part of their business model.[50]

- The Small and Medium-Sized Enterprises (SME) Climate HUB was launched to provide companies with resources to help lower emissions while increasing profits.[51]

- More broadly, the Department of Energy (DOE) is providing $53 Million in funding awards for diverse small businesses to pursue advanced scientific instrumentation and technologies to address climate change by supporting 259 projects across 38 states that cover security and resilience, renewable energy, energy storage, carbon capture and conversion, and fusion energy.[52]

[49] https://www.efficiencyvermont.com/services/energy-assessments/business-energy-assessments
[50] https://www.heatsquad.org/
[51] https://www.climatechangenews.com/2022/09/22/sme-climate-hub-launches-in-the-us-to-support-companies-to-decarbonise/
[52] https://www.energy.gov/articles/doe-announces-53-million-small-businesses-pursuing-clean-energy-and-climate-solutions

Section 4: Eligible Recipients

4.1. Who could be eligible entities and/or indirect recipients under the Greenhouse Gas Reduction Fund consistent with statutory requirements specified in section 134 of the Clean Air Act? Please provide a description of these types of entities and references regarding the total capital deployed by such entities into greenhouse gas and air pollution reducing projects.

The Environmental Protection Agency (EPA) should plan the implementation of the GHGRF to ensure it achieves both the equity and climate goals of the Inflation Reduction Act. By expanding capacity for high-impact green lending in historically redlined communities, counties experiencing persistent poverty, and states that lack effective infrastructure to make GHGRF investments, the GHGRF can address the dual problems of disproportionately high energy burden and devasting climate changes impacts in these communities. These GHGRF investments can and should be designed and deployed by the local, community-based financial institutions that were created by members of these communities and have been serving the members of these communities for many years.

Community development credit unions specialize in working closely with people who have historically been excluded from the mainstream financial system and provide safe, affordable consumer, mortgage, and small business loans. Their nature as member-owned, not-for-profit financial cooperatives creates strong incentives for them to meaningfully serve people who live in historically redlined communities, areas with persistent poverty, and in other communities the mainstream financial system fails to serve equitably. Community development credit unions' deep experience in community-based lending means that they are an ideal conduit for investments to advance environmental justice while also achieving critically needed energy cost savings for low- and moderate-income households.

For example, low-income people typically have longer commuting distances when driving to work than middle- and upper-income people, forcing them to spend more on transportation and generating more greenhouse gas emissions. Community development credit unions like USC Credit Union in California and Clean Energy Credit Union in Colorado have developed innovative, affordable electric vehicle lending programs specifically designed for low- and moderate-income people to reduce both their emissions and their fuel costs

About Inclusiv & Community Development Credit Unions
Inclusiv is a Community Development Financial Institution (CDFI) Intermediary and nonprofit national network of community development credit unions committed to promoting financial inclusion through credit unions. The Inclusiv network represents 500 credit unions serving more than 18 million people in predominantly low-income urban, rural, and reservation-based communities across 47 states, DC, the U.S. Virgin Islands and Puerto Rico. Fully half of our members are Minority Depository Institutions (MDIs) or Cooperativas that are governed by and predominantly serve people of color, 58% of our members are CDFIs, and 75% are Low-Income Designated.

Community development credit unions are cooperatively owned and democratically governed financial institutions that offer their members:

- Fairly priced loans, including to members with imperfect, limited or no credit history.
- A safe place to save and build assets.
- A place to conduct financial transactions at reasonable cost.

- Financial coaching, first-time homebuyer counseling, and other support services.
- Products, services, and support that can help members to free themselves from high-cost and predatory debt, gain control over their personal finances, and achieve economic well-being.

The existing capillary banking system of over 11,000 community-based financial institutions can quickly transition to finance decarbonization projects in climate-impacted communities providing both clean energy products (consumer, EV, residential, small business) and supports (financial and homeownership coaching, entrepreneurial assistance) to make sure borrowers are set up for success. For low-income and low-wealth borrowers to succeed, the ability to match the climate benefits with household budget in the form of reduced consumption is critical. CDFIs, MDIs, community banks, and credit unions already have expertise and proven success doing just that with their borrowers. These lenders are ready to use GHGRF investments to scale affordable financing that makes green projects accessible to the most climate-vulnerable communities.

4.2. What types of entities (as eligible recipients and/or indirect recipients) could enable Greenhouse Gas Reduction Fund grants to support investment and deployment of greenhouse gas and air pollution reducing projects in low-income and disadvantaged communities?

The ecosystem to best serve low-income and disadvantaged communities consists of Community Development Credit Unions (CDCUs), Low-Income Credit Unions, CDFI Loan Funds, Community Development Banks, Minority Depository Institutions (MDIs). And lender intermediaries are the conduits to deploy capital, guarantees, and credit enhancements in addition to non-financial support to these financial institutions. In addition, some intermediaries are also direct capital providers to the communities, cities, states, and regions they serve.

Advancing Economic Justice in Communities of Color
Community Development Credit Unions (CDCUs) and Minority Depository Institutions (MDIs) often serve as the sole source of household liquidity and are centers of information and guidance that ensure communities of color can access the support systems intended to help them. Credit unions designated as MDIs, led by, and serving African American, Hispanic, Asian American, and Native communities, are at the front of the struggle for equity in access to safe and affordable financial services.

The Great Recession made it evident that CDFI and MDI credit unions can have significant impact on their communities if supported with the capital necessary to thrive. Credit unions that received long-term secondary capital investments during the prior recession increased assets and lending more than their peers. Recipients leveraged an additional $60 in loans for every $1 of secondary capital. If the secondary capital demand of $2.8 Billion from the COVID-19 pandemic is met, this will translate into $168 Billion in loans leveraged. These gains have massive implications for the communities that CDFI and MDI credit unions serve, providing a greater sense of stability on the socioeconomic level. Secondary capital enables community development and MDI credit unions to extend credit and provide safe and affordable financial services.
Inclusiv investment and capacity-building strategies are focused on ensuring that CDFI and MDI credit unions are not only preserved, but thriving, providing communities of color access to financial services dedicated to their needs.[53]

[53] https://inclusiv.org/wp-content/uploads/2021/09/Inclusiv-Racial-Equity-Funds-July-2021-FINAL.pdf

Community Development Credit Unions (CDCUs) Lend Deeply and Responsibly
Serving a low-income area is not sufficient to build more robust and equitable local economies: how (and whom) those lenders serve is key to ensuring capital gaps are addressed while risks are effectively mitigated. CDCUs tend to be more deeply deployed than their mainstream counterparts and loan data reveals that CDCUs routinely direct most of their lending to non-prime borrowers with thin credit files or those seeking to overcome previous credit challenges, individuals who would otherwise lack access entirely or succumb to high-cost predatory financial service providers. CDCUs couple lending with financial counseling and analytical tools to help borrowers access credit today, rebuild credit for tomorrow, and achieve greater financial wellness every day.

Financial access for those in disadvantaged communities is a first step towards more fulsome financial wellness. A lack of access to loans—especially mortgages—and a resulting inability to accumulate wealth has led to systemic, multi-generational financial distress, especially in immigrant communities and communities of color.

CDCUs work to alleviate this distress: they intentionally target those most in need of affordable financial products, who also tend to be those least served by more traditional institutions. These lifelines, often simple transaction accounts or small-dollar loans on fair terms, can be a crucial first step as individuals and communities attempt to achieve financial inclusion in a system stacked against them.

Economic Impact of Black Credit Unions
In 2020, Black credit unions made SBA loans available through the Paycheck Protection Program and provided other types of financial relief. In December 2020, the federal COVID relief bill was passed and $12 Billion was allocated for CDFIs and MDIs in grants and loans. Supporting and guiding credit unions through these new federal grant and loan programs such as the CDFI Fund's Rapid Response Program and US Treasury's Emergency Capital Investment Program (ECIP) has been a major undertaking, but there were unprecedented rewards. In 2021, more than $403 Million in Rapid Response Program grant awards and $50 Million in CDFI Technical Assistance and Financial Assistance awards were granted to CDFI credit unions. In 2022, an additional $1 Billion will be available as part of the CDFI Fund's Minority Lending Program.[54]

CDFIs Lend in Low-Income and Disadvantaged Communities
To become certified, all CDFIs must demonstrate that at least 60% of their lending goes to borrowers in targeted, economically distressed markets. Inclusiv's data shows that CDCUs typically surpass this benchmark: 80% of loans and 72% of loan dollars were deployed in distressed target markets. The results from this sample suggest that CDCUs provided more than $25 Billion in affordable loans to low-income and other targeted consumers in 2018 alone. A separate analysis of 2019 borrower credit scores from 84 CDCUs shows that nearly half of borrowers have credit scores below 670, a typical cut-off level for traditional financial institutions, or no reported credit score at all.

Our analysis also suggests a CDCU propensity to reach disenfranchised borrowers through several creative avenues:

- Cultural—CDCUs are more than twice as likely to provide bilingual services (49% versus 22%) and 18% more likely to allow for remittances (44% versus 26%) than mainstream credit unions

[54] https://inclusiv.org/celebrating-the-economic-impact-of-black-credit-unions/

- Technological—87% of CDCUs report mobile banking access versus only 63% of mainstream credit unions
- Geographic—CDCUs have a presence where banks do not
- Financial recovery—68% of CDCUs, versus fewer than half of mainstream credit unions offer checking account-linked lines of credit, 63% offer credit builder products (versus 26% of mainstream credit unions), and 42% offer first time home buyer support, versus only 16% of noncertified credit unions.[55]

Lender Intermediaries as Eligible Recipients

As a CDFI Intermediary, Inclusiv is dedicated to supporting investment and deployment of greenhouse gas and air pollution reducing projects in low-income and disadvantaged communities. Specifically:

- Inclusiv serves as the designed apex institution to channel resources to MDIs, LICUs, and CDFI-Certified Credit Unions. Leaders of Black-led credit unions drove Inclusiv's formation in 1974 to help represent their needs and their voice in the mainstream credit union industry. Credit unions serving communities of color remain the core of Inclusiv's membership base, directing our program development, capacity building initiatives and investment strategies. As a result, Inclusiv was founded by – and continues to be governed by – leaders of institutions that predominantly serve low-income and communities of color.[56]

- Every Inclusiv Annual Meeting includes the Board of Directors being elected by members. All board members are either staff members or volunteer officials of their credit unions, ensuring that Inclusiv remains accountable to the grassroots institutions that make up our membership. More specifically, 9 out of 15 Board members (60%) represent MDI Credit Unions or Cooperativas and provide key input in all strategic decisions including lending, deposit, and grantmaking strategies.[57]

- In 2020, the Racial Equity Grant Fund was established by Inclusiv to support MDIs and Cooperativas under $100 million in assets as they continue to respond to their communities' needs resulting from the pandemic and economic crises. Inclusiv has distributed over $1.3 Million in grants to 93 MDIs and Cooperativas to date.[58]

- Inclusiv's Board of Directors established the Small & MDI Committee, chaired by board members, to direct programming to support small credit unions and credit unions led by and serving people of color. The committee includes more than 10 leaders of MDI Credit Unions to formulate Inclusiv's development services and establish priorities for Racial Equity Fund grants. Additionally, Inclusiv convenes a grant review committee (composed of credit union leaders of color: African American Credit Union Coalition (AACUC), National Association of Latino Credit Unions & Professionals (NLCUP) and Asociación de Ejecutivos de Cooperativas de Puerto Rico (ASEC)) to oversee those Racial Equity Fund grants.[59]

- Inclusiv's Board of Directors represents diverse interests and capacities, including candidates who reflect and represent the organization's diverse membership and communities. More than one-half

[55] https://inclusiv.org/wp-content/uploads/2020/08/Inclusive-Finance-August-26-2020_inclusiv-images-1.pdf
[56] Inclusiv's application for the 2022 CDFI Fund's Equitable Recovery Program (ERP) Award
[57] Inclusiv's application for the 2022 CDFI Fund's Equitable Recovery Program (ERP) Award
[58] https://inclusiv.org/racial-equity-grant-fund/
[59] Inclusiv's application for the 2022 CDFI Fund's Equitable Recovery Program (ERP) Award

(53%) of board members are women; and more than one-half (53%) of Board members are African American or Latino, with the executive committee 60% women and 60% African American or Latino. More than 50% of Inclusiv member credit unions are led by people of color and more than 75% of members serve predominantly communities of color. Our staff is more than 70% women and 58% people of color, predominantly African American, Asian, and Latino.[60]

- In 2020, Inclusiv launched the Puerto Rico CDFI Program to empower Cooperativas to collectively access capacity building and financing support from the CDFI Fund and other public and private sources of funding. Inclusiv established relationships with local entities that are deeply embedded in the local cooperative sector resulting in over 70% of Cooperativas in Puerto Rico (77 out of 108) now being CDFI certified.[61]

4.5. What kinds of technical and/or financial assistance could Greenhouse Gas Reduction Fund grants facilitate to maximize investment in and deployment of greenhouse gas and air pollution reducing projects by existing and/or new eligible recipients and/or indirect recipients?

For credit unions, the barriers that stand in the way of providing more clean energy financing include lack of financial technology, underwriting costs, liquidity issues, and loan portfolio risk. Financial Assistance should include grants to community-based lenders to fund:

- Startup capital to launch or expand green loan programs, including helping credit unions to build community partnerships, vet and build relationships with installers and contractors, develop green loan policies and procedures, build marketing campaigns, and educate credit union members and staff.

- One-on-one clean energy technology and financial counseling to guide credit union members so they can understand the economic impact of the clean energy project on their budget, including:
    - local/state/federal dollars that impact project economics, such as RECs, subsidies, incentives, and tax credits; and
    - quantified energy savings and loan repayment amounts and the timing of savings and repayment to help plan cashflow and how long it will take for financial benefits after the project closes.

- Hiring and training clean energy lending, underwriting, and back-office staff.

- Expansion of loan application/underwriting/origination/servicing software systems.

- Technology solutions to identify and prioritize low-income and disadvantaged borrowers at the point of loan application.

- Subordinated debt to increase credit union net worth for regulatory purposes so that, while growing and adding a new loan portfolio, credit unions continue to meet minimum capital standards.

[60] Inclusiv's application for the 2022 CDFI Fund's Equitable Recovery Program (ERP) Award
[61] Inclusiv's application for the 2022 CDFI Fund's Equitable Recovery Program (ERP) Award

- Risk management and mitigation through loan guarantees or loan loss reserve funds that enable lenders to increase their loans to low-income and disadvantaged borrowers.

- Ability to use loan fund and/or grant funds to support borrower building repairs needed to prepare for clean energy retrofits. This could include roof repair, duct work, electrical upgrades, etc.

- Creating transparency around dealer fees that are currently a hidden cost that consumers are paying to buy-down their loan interest rates. For example, a 0.99% interest rate loan to a consumer might have a hidden fee of 26% (or higher) that the dealer pays the lender. This fee is built into the project cost, but not itemized, so the borrower doesn't realize they might have a low interest rate, but they are paying a 26% markup on the total project costs.

- Delayed loan repayment for projects that are delayed due to contractor, permitting, interconnection, and/or supply chain issues.

Section 5: Oversight and Reporting

Overall, EPA should look to existing reporting practices and make use of existing definitions, such as those used by the NCUA and CDFI Fund. EPA should integrate reporting requirements within these current practices to make sure lenders serving low-and-middle income communities of color can access the GHGRF.

5.1. What types of governance structures, reporting requirements and audit requirements (consistent with applicable federal regulations) should EPA consider requiring of direct and indirect recipients of Greenhouse Gas Reduction Fund grants to ensure the responsible implementation and oversight of grantee/subrecipient operations and financial assistance activities?

EPA should coordinate with agencies such as NCUA to use existing reporting frameworks for the GHGRF. Credit unions, for example, already submit call reports – reporting and audit requirements should be structured such that there is minimal additional burden on community-based lending institutions. Examples of existing auditing and reporting mechanisms that could and should be leveraged to make reporting burden minimal are 5300 call reports and the impact reporting and analysis submitted by CDFIs. Credit unions, CDFIs, MDIs and community banks have experience to date tracking public dollars, a criterion that should be prioritized by EPA in determining eligibility for GHGRF Funds.

Additionally, to catalyze additional investment in emission reducing activity in low-income and disadvantaged communities, lenders need access to low- or zero-cost capital at longer terms to subsidize projects that have high upfront costs and whose benefits may be monetized over a long-time horizon. We encourage the EPA to provide flexibility in financial assistance structures like the CDFI Fund's Financial Assistance program to maximize deployment in low-income communities.
In terms of governance structures, federal structures and designations exist right now that should be used in GHGRF funding eligibility. In the short term, EPA should leverage the extensive existing network of MDIs, CDFIs, and Low-Income Designated Credit Unions to ensure rapid, equitable investment in all 50 states: across rural, and urban areas' and throughout the economy. In the medium term, EPA should leverage newly certified Minority Lending Institutions. These governance structures, and the experience to date of organizations that fit these criteria, are uniquely positioned to responsibly implement GHGRF funds, ensuring that GHRGF funds create meaningful emissions reductions and legitimate equity benefits for low-and-middle income and communities of color.

5.2. Are there any compliance requirements in addition to those provided for in Federal statutes or regulations (e.g., requirements related to administering federal grant funds) that EPA should consider when designing the program?

The EPA should focus on streamlining compliance requirements as much as possible to avoid overburdening local, grassroots, and community-based organizations. Furthermore, could leverage existing government compliance requirements to ensure that smaller community-based lenders, many of whom are Minority Depository Institutions, can still access GHGRF funding and meet compliance requirements despite having limited staffing and capacity.

Compliance requirements can leverage 5300 call reports, currently used by credit unions and CDFIs impact reporting and analysis. EPA should also ensure that GHGRF funding is available for the additional administrative costs that may be incurred from data tracking and compliance requirement reporting (for example, if EPA requires carbon accounting, there should be budget allocated specifically to institutions to build those capabilities).

EPA should also note that directly collecting race or ethnicity data may not be feasible for regulated institutions under the Equal Credit Opportunity Act, which will impact regulated depositories that participate in this program as indirect recipients. [62] Place-based methodologies, such as majority-minority census tracts, can help ensure funding is reaching communities of color while ensuring regulated institutions comply with federal regulations.
EPA can also use the Rate Reduction Incentive Guidelines from the Treasury Department's Emergency Capital Investment Program as a model for shaping compliance requirements and for ensuring lender accountability.[63]

5.3. What metrics and indicators should EPA use to track relevant program outcomes including, but not limited to, (a) reductions in greenhouse gas emissions or air pollution, (b) allocation of benefits to low-income and disadvantaged communities, (c) private sector leverage and project additionality, (d) number of greenhouse gas and air pollution reduction projects funded and (f) distribution of projects at the national, regional, state and local levels?

In determining metrics and indicators to track relevant program outcomes, EPA should consider the following high-level recommendations:

Although the CDFI definitions are changing as of December 2022, EPA should use the CDFI Transactional Level Report Data Point Guidance to help track allocation of benefits to low-income and disadvantaged communities. EPA should monitor the changes to the definitions and ensure definitions EPA decides to use are synchronized with those of the CDFI Fund.

EPA can use the Global Impact Investing Network's Navigating Impact IRIS+ impact investment strategies and metrics as an example and model for identifying how to best track program outcomes that include both emissions reductions and climate benefits as well as equity and economic opportunities.
Another resource that EPA should leverage is Aeris' "Community Investing Impact Metric Set – Guidance Paper for CDFIs", which includes standard CDFI performance indicators.[64]

In determining metrics and indicators for emissions reductions, we encourage EPA to develop guidance that allows community-based lenders like MDIs, CDFIs, and CDCUs to use the types of loan data they already report on (e.g., 5300 call reports and CDFI reporting requirements) to meet emissions reductions reporting requirements. For example, perhaps EPA could offer a guide that offers figures for emissions reductions per electric vehicle or emissions reductions per kW of solar array installed, allowing simple

[62] https://www.justice.gov/crt/equal-credit-opportunity-act-3
[63] https://home.treasury.gov/system/files/136/Rate-Reduction-Incentive-Guidelines.pdf
[64] https://www.aerisinsight.com/wp-content/uploads/2018/10/Aeris-Impact-Metrics-Guidance-Paper-for-CDFIs-Rev-July-2017.pdf

conversion from lender portfolios to emissions reductions, to ensure community based financial institutions are not overburdened by reporting requirements.

As mentioned earlier, constraints on regulated institutions on collecting data regarding race and ethnicity from borrowers means it is more tenable to identify characteristics of the geographies where the loans are made (i.e., low-income census tracts and/or census tracts where majority of residents are Black or another minority).

Finally, regarding the number of greenhouse gas and air pollution reduction projects funded, EPA should focus on funding a variety of local, community-based projects across regional, state, and local levels nationwide versus funding a few large-scale projects.

5.4. What should EPA consider in the design of the program to ensure community accountability for projects funded directly or indirectly by the Greenhouse Gas Reduction Fund? What if any existing governance structures, assessment criteria (e.g., the Community Development Financial Institutions Fund's Target Market Accountability criteria), rules, etc., should EPA consider?

In structuring the GHGRF, EP should prioritize access to financial institutions with a proven track record of accountability to the communities they serve. EPA should mirror the CDFI certification process and accountability criteria, which says that a CDFI must maintain accountability to residents of its Investment Area(s) or Targeted Population(s) through representation on its governing board and/or advisory board(s). An entity applying for CDFI certification must demonstrate that it meets this requirement.[65]

Regulated depository institutions face challenges in collecting data on race and ethnicity for consumer loans. CDFI and MDI credit unions play a critical role in reaching people and communities that mainstream financial institutions fail to serve and are a vital source of capital in many historically redlined neighborhoods. These institutions' commitment to economic and racial justice is reflected in the credit union members that they serve. We appreciate EPA's consideration of the appropriate collection of data to comply with Title VI of the Civil Rights Act.

While we strongly believe that the majority of GHGRF dollars should reach communities of color effectively, we would like to note that collecting data on race and ethnicity poses significant challenges for regulated depository institutions, like CDFI credit unions, which have loan portfolios made up primarily of consumer loans and which have historically been barred from collecting borrower race and ethnicity data related to these loans by the Equal Credit Opportunity Act (ECOA).

CDFI credit unions are deeply invested in advancing racial equity but are also concerned about being penalized for collecting data on race and ethnicity by their regulator, NCUA. In addition, regulated lenders will have to consider the implications of asking borrowers to identify their race and ethnicity during loan decisioning. These types of questions may not be welcome and could damage a credit union's ability to serve communities of color in the future by eroding trust between the credit union and its members.

[65] https://www.law.cornell.edu/cfr/text/12/1805.201

If data collection on race and ethnicity is required, EPA could provide training to the prudential regulators of CDFI and minority depository banks and credit unions to be sure they understand why institutions are collecting race and ethnicity data and the legal framework that makes this data collection permissible. EPA could also advise financial institution regulators to issue clear guidance that lenders may collect data on race and ethnicity under EPA's GHGRF carveout so that regulated depository institutions are not penalized by their prudential regulators for their efforts to comply with GHGRF requirements.

In addition, CDFI credit unions often serve communities that have been historically redlined and whose residents are discriminated against by mainstream banks and targeted by predatory lenders. This pervasive racism has eroded people's trust in financial institutions and can make collecting race and ethnicity information challenging if sufficient guidance, training, and support are not provided to credit union staff to help them manage the process. EPA should consider allowing CDFI and minority depository banks and credit unions the option to use well-tested and rigorous statistical tools to report on race and ethnicity while adhering to the fair lending protections in ECOA.

We recommend EPA allow GHGRF participants to use the Consumer Financial Protection Bureau's (CFPB) Bayesian Improved Surname Geocoding (BISG) system instead of requiring the collection of race and ethnicity data from borrowers directly. This CFPB system can be used at scale, is compliant with ECOA, and allows credit unions to effectively serve members who prefer not to be asked about their identity as part of a financial transaction.

If EPA does not permit the use of BISG as a proxy reporting method, it should provide clear definitions and guidance on acceptable datapoints and methodologies for collecting demographic data.

Section 6: General Comments

6.1. Do you have any other comments on the implementation of the Greenhouse Gas Reduction Fund?

We urge the EPA to award the GHGRF fund dollars to multiple recipients. Concentrating all resources into a single national green bank runs a high risk of excluding community development and racial justice-focused financial institutions and increases the risk that funds will not be deployed in a timely manner to the low-income and disadvantaged communities that the GHGRF is designed to serve.

When reviewing GHGRF eligible recipient applicants, competitive grantmaking criteria should include:

- A broad and inclusive governance structure with representation from community-oriented finance organizations as well as environmental and energy justice organizations that empower the board to set strategic direction, approve budgets, review performance (of the Executive), and carry out other responsibilities.
- Capability in managing a financial institution, underwriting loans, administering grant programs, administering capacity-building programs, and other required skills.
- Clear plan for management of the complex set of strategies that will have to be implemented to reach across sectors and regions to meet the varying needs of priority communities.

For all applicants that receive GHGRF grants, EPA should ensure implementation of an appropriate process of fairness and transparency as well as allotment of time for organizations to strategize after the availability of funds is announced.