



October 23, 2023

Pooja Patel, CDFI Program and NACA Program Manager
CDFI Fund
Department of the Treasury
1500 Pennsylvania Avenue NW
Washington, DC 20220

RE: CDFI Program and NACA Program Applications (OMB Control Number: 1559–0021)

Dear Ms. Patel:

Thank you for the opportunity to comment on the CDFI Fund's changes to the FA Application and TA Applications for the CDFI and NACA Programs. We appreciate the Fund's responsiveness to public feedback on the previous versions of the applications and encourage the Fund to make three additional improvements to the FA Application.

About Inclusiv

Inclusiv is the first and only CDFI Intermediary for credit unions and the national network of community development credit unions, with nearly 500 members serving more than 19 million people in primarily low-income urban, rural and Tribal communities. More than 300 of our members have achieved CDFI certification.

Many Proposed Changes to the Applications Are Positive

A number of CDFI Fund's changes to the applications are positive, particularly:

- Pro-rating goals when applicants receive a smaller award than the amount for which they applied;
- Limiting applicants to one Financial Assistance Objective and removing Objectives, like New Financial Service(s) and New Development Service(s), that were not widely used; and
- Allowing CDFIs to request to omit anomalous historic lending resulting from emergency funding (like lending driven by the Paycheck Protection Program) when applying for funding under Financial Assistance Objective 1-1.

Three Additional Improvements are Needed

As the Fund works to finalize the application materials and continues improving them in the future, we urge the Fund to:

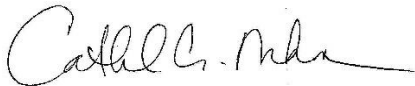
- Allow three options for Financial Assistance Objective 1-1 to better support CDFIs in expanding lending in underserved communities:
 - Increase overall volume of Financing Activities, as proposed;
 - Increase volume of Financing Activities in CDFI Target Markets in selected county (or counties), using 3-year historical financing in Target Markets plus the amount of the FA grant request; and
 - Increase volume of Financing Activities in CDFI Target Markets for a specific product, using 3-year historical financing using the specific product in CDFI Target Markets plus the amount of the FA grant request.
- Financial Assistance Objective 1-2 was restored after being removed in the prior proposal. Given that there is not a clear standard for measuring Financial Services, we recommend that Financial Services be once again removed as an option. However, if the Fund keeps this

Objective in the final materials, we recommend that performance goals be based on the number of unique account holders served by depository CDFIs, rather than the number of accounts, as has been used at times in the past. The number of accounts is a poor proxy for financial services for two reasons. First, since higher-income people will generally have higher savings capacity than lower-income people, they will, on average, open more deposit accounts (e.g., share certificates, money market shares, IRA/KEOGH accounts). Second, the number of deposit accounts is a highly volatile measure that responds dramatically to changes in economic conditions, and specifically to interest rates. For example, the number of total accounts in CDFI credit unions as of December 2022 was more than 10% *less* than the total for the same credit unions in December 2018, even though total membership in these credit unions had increased by 21% over the same period. However, in the first six months of 2023, these same credit unions recorded a 42% *increase* in the total number of accounts, as high interest rates have sparked demand for deposit products. The combination of extreme volatility and inherent bias makes the number of accounts an inappropriate proxy for financial services. By comparison, the number of unique account holders accurately reflects the reach of a depositories' deposit and transaction services.

- Broaden Financial Assistance Objectives 1-3, 1-4 and 1-7 from covering only new areas, products and populations to cover new, improved or expanded activities to support CDFIs in deepening their impact in communities by expanding and improving programs and products that are working well.

Thank you for the opportunity to comment on this important aspect of the CDFI Fund's work. If you have any questions about this comment letter, please contact Alexis Iwanisziw, Senior Vice President of Policy and Communications, at aiwanisziw@inclusiv.org.

Sincerely,



Cathie Mahon
President/CEO, Inclusiv