/ inclusiv /

June 7, 2021

Mr. Noel Poyo
Deputy Assistant Secretary
United States Department of the Treasury
1500 Pennsylvania Avenue
Washington, D.C. 20220

Re: Emergency Capital Investment Program (ECIP)

Dear Mr. Poyo,

I write this letter on behalf of Inclusiv credit union members to seek clarification and provide recommendations on the Emergency Capital Investment Program (ECIP) that we believe will improve understanding and enable those credit unions that have had deepest impact in excluded communities to access the program. The Coronavirus Response and Relief Supplemental Appropriations Act of 2021 included a substantial allocation of capital to preserve and grow the network of community development and minority depository institutions (CDFIs and MDIs) to serve low –income and communities of color, with a particular emphasis on those most negatively impacted by the pandemic.

ECIP has the greatest potential to transform this extensive and rapidly growing platform of CDFIs and MDIs and exponentially expand its ability to direct capital to historically excluded individuals and communities. By targeting $9 billion in deeply subordinated long-term capital, ECIP has the potential to inject a level of capital that would enable minority owned and controlled and CDFI credit unions to dramatically increase their impact in communities of color.

Inclusiv is a national association of community development and minority designated credit unions. We are a certified CDFI intermediary that raises and deploys capital into credit unions, builds capacity and supports credit unions to grow and serve their communities. Inclusiv has been the longest and most active private secondary capital lender to credit unions. CDFI and MDI credit unions number 785 institutions with over $200 billion in assets under management. There are 350 Black credit unions and 172 Latinx credit unions around the country. These institutions lend deepest in their communities providing capital to unbanked and underserved consumers, homeowners and businesses.

Inclusiv was from the start a leading advocate for the passage of the $12B of capital in the COVID bill for CDFI and MDIs urging that capital be made available to CDFIs and MDIs to meet the historic need from the pandemic. Since passage, we have advised and advocated for the implementation of the CDFI RRP and Treasury ECIP program be streamlined and easily accessible to a wide range of diverse institutions. We have met with and provided written comments to Treasury, transition officials and NCUA to ensure a coordinated and streamlined process. We are grateful for the interest current Treasury representatives have shown and by their commitment to developing a program that is both equitable and impactful, but at the same time, and given the rapidly approaching submission deadline, we feel imperative to share our concerns.

Since January, we have been engaging in ***non-stop*** training and technical assistance to support CDFI CUs through the paces to access the CDFI Fund and ECIP resources. Specifically the Inclusiv team has:

- Held 21 CDFI training presentations, average of 40-45 per webinar, so roughly 900 total participants
- Conducted weekly CDFI Office Hours for total of 125 participants: this is a drop-in hour where anyone can come with questions and ask for support. This is ongoing.
- Prepared 131 ***free*** detailed Lending Profiles to help ACR credit unions to complete the lending/investment plans for ECIP; and provided data analyses of lending to LMI and BIPOC consumers and communities for 93 credit unions for a rough estimate of 1,100 hours in ***free*** support and assistance.
- Implemented targeted outreach to CDFI certified and MDI designated credit unions both directly and through our credit union industry partners and channels
- Our credit underwriters have worked overtime to walk credit unions applying for secondary capital through the paces in creating strong secondary capital plans that will set their institutions up for success.

We are currently designing guides, tools and templates to help credit unions (unfamiliar with grant writing processes) to better understand the ECIP application, process and Lending\Investment plan. It is through these efforts that we have identified numerous questions with the process overall and specific questions on the application.

Overall questions:

1. After application submission, what will be the Treasury's process to allow applicants to provide additional information, or to submit additional documentation if needed? Will applicants have an opportunity to revise plans/projections after the deadline?
   Given the ambiguity in certain aspects of the application and the delay in the FAQs, we strongly recommend that Treasury allows applicants the opportunity to clarify their responses, add documents or provide additional context as needed during the underwriting process. There are many differences in the approach that Treasury underwriters will take and the review process of NCUA. Credit unions are simply unable to anticipate all of the questions each entity will raise.

2. Is there a denial/approval process? What are the evaluation criteria for that process? If there is a denial of an applicant, is there an appeals process?
   With the ambiguity in the application process, we imagine that many applicants will want to keep their initial lending/investment plans simple and straightforward while they work through the process of expectations from both Treasury and NCUA. The more they can understand about how Treasury will be evaluating the merits of their application, the better they can balance that against the limitations and constraints they expect the regulator to impose.

3. What is the current anticipated loan document and closing process and how soon will Treasury provide the complete set of closing documents you expect?
   Inclusiv and our attorneys can help credit unions prepare for the loan closing package. We would like to help prepare potential applicants now for the work ahead in the closing process. For example, are there specific board documents or resolutions that will be required. Will each

applicant require legal counsel for closing? We have urged already a simple and straightforward process for smaller institutions as the level of resources and risk to Treasury is very low.

4. Can we get confirmation on the rate and terms for **secondary capital.**
   There are a couple of differences regarding the rate and term in the Appropriations Act vs. the ECIP program documents. *There is a mismatch between sub debt interest rate ranges showing in the Annex of the sub debt term sheet for Credit Unions and those showing in the Rate Reduction Incentive Guidelines. Can you confirm that Credit Union interest rates will be as listed in the relevant term sheet? Rate says 2% in most documents but references a max rate of 2.50% for subordinated debt in the rate* ***reduction guidelines.***

5. Rate Reduction Guidelines and Qualifications for Deep Impact Lending
   The application states that reduced interest rate is based on change in lending after ECIP investment. We recommend consideration of lending before ECIP investment and reward the applicants that have been doing targeted lending all along. Otherwise, those institutions with lower relative lending at application period will be more likely to receive preferred pricing. Inclusiv requests more information on how deep impact lending will be assessed. We recommend the explicit inclusion of consumer lending to minority and other target population borrowers be considered deep impact.

Questions Specific to the Lending\Investment Plan

Question 1. Lending to LMI and Other Targeted Populations
The lending table and segmentation is limiting and does not allow applicants to demonstrate the full spectrum of their impact lending. • There is no distinction between low vs. moderate income • Often a significant percentage of their lending to minority borrowers are also LMI borrowers. Without double counting, how can applicants share accurate breakdown of their lending. • What will reviewers be looking for with this table? Recommendation: Allow applicants to report total amount of lending for each impact segment with the understanding that these may not add up to 100%; or clearly ask applicants that surpass 30% to choose the one category that they will report on.
Question 2. Business Strategies and Operating Goals
The response to this question should also include up to five examples of particular business activities that the Applicant will perform in FY 2021 to address community development needs in communities disproportionately impacted by the economic effects of COVID-19. Clarify Treasury means by business activities. • Will account opening, savings mobilization and transactional services be included? • Will financial counseling\coaching be considered a business activity? • Is there a preference for lending activities?
Question 3. Growth Strategy
Question 3a: Can you clarify what Treasury is asking for? Is the intent of this question to provide Treasury with a high-level projection of ***total*** activity that will be financed by applicant as a result of the capital?

- Is this the total amount of lending during the 10 year period?
- Total amount of qualified lending and activities?
- Marginal impact / increase

Question 3b: Explain how the Applicant plans to expand or maintain significant lending or investment activity in LMI Minority communities, especially those that may be disproportionately impacted by COVID-19, to historically disadvantaged borrowers, and to Minorities that have significant unmet capital or financial services needs.

The response should include quantifiable details on the Applicant's planned approach to expanding or maintaining significant levels of lending or investment in these communities related to current/projected types of lending and investment (e.g., small business loans, loans to consumers), current/projected types of projects that will be funded (e.g., housing), and the community needs that projected lending or investment activities would serve.

- We assume Treasury is looking for the applicant to provide their plan to grow their lending activity in LMI and\or Minority target markets. Please confirm.
- What is meant by "quantifiable details"? Is Treasury looking for projections or targets for lending activity over the full period here?
- Will membership\customer growth goals also be expected\encouraged here?

Question 4. Community Outreach and Communications

The question reads: Provide a detailed plan describing how the Applicant will engage in community outreach and communication in communities and with borrowers as identified in the Act, specifically including small businesses, minority-owned businesses, and consumers, especially in low-income and underserved communities, including persistent poverty counties, that may be disproportionately impacted by the economic effects of the COVID–19 pandemic. The Applicant's plan for community outreach and communication may be provided or described through a community benefits agreement between the Applicant and organizations, trade associations, and individuals that represent or work within minority or LMI communities.

The response should include quantitative details on how particular aspects and features of the Applicant's planned community outreach and communication approach (e.g., advertisements to be purchased, sales personnel hired) may help the Applicant achieve the projected FY 2021-2023 lending and/or investment activity amounts set forth in response to Question 1(a).

- Will applicants be expected to present a formal "community benefits agreement" for each partnership? What are you looking for with these agreements? Is there a template you have in mind?
- For quantitative details of planned outreach for the initial three years, are you looking for activities to be tracked and measured? For example, if a CU applicant holds regular community education forums or participates with partner events are you seeking an estimate of the total number of those activities? Do you intend to seek reporting on these activities? Community activities can be quite fluid with opportunities varying from one month to the next.

The Inclusiv membership appreciates the thoughtful consideration of the Treasury and its staff as the Emergency Capital Investment Program are implemented. This is a historic opportunity to expand the positive influence of a long-standing market-based solution within COVID-impacted communities, and we sincerely appreciate the opportunity to comment and offer feedback. We look forward to future discussions on these important issues.

If you have any questions, please contact me at cmahon@inclusiv.org or Pablo DeFilippi, SVP of Membership and Network Engagement at pablo@inclusiv.org.

Sincerely,

Cathleen A. Mahon
President and CEO