



November 23, 2022

Environmental Financial Advisory Board
U.S. Environmental Protection Agency
1200 Pennsylvania Ave NW
Washington DC, 20460

Re: Comments for EPA on Greenhouse Gas Reduction Fund

Dear EFAB Members,

Inclusiv appreciates the opportunity to share our perspective on the implementation of the Greenhouse Gas Reduction Fund at the EPA. This letter serves as an overview to our recommendations on proposed structure and activities of the Fund. We are working closely with our members to formulate detailed responses to the EFAB charge questions and the EPA's Request for Information. The program 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 such, we believe it is critical for EPA to channel capital to intermediaries that are inclusive, diverse and accountable to communities most negatively impacted by pollution and climate change.

About Inclusiv

Inclusiv is a nonprofit CDFI Intermediary, and a national network of more than 490 community development credit unions serving more than 18 million Americans. 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.** In the past 12 months, alumni of the Inclusiv\UNH 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 LMI and BIPOC communities. These lenders provide both loan products (consumer, EV, residential, commercial RE, small business and project finance) and technical supports (financial and homeownership coaching, entrepreneurial assistance) to make sure borrowers are set up for success.

Structure and Eligibility

The EPA should implement the Greenhouse Gas Reduction Fund to invest in Direct Recipient intermediaries with a proven track for reaching low-to-moderate income and disadvantaged communities. Concentrating all resources into a single national green bank runs a high risk of excluding community development and green finance intermediaries and increases the risk that funds will not be deployed on a timely basis and to the populations the GHGRF is designed to serve.

Applicants should be inclusive, diverse, and accountable with a demonstrated record of accomplishment investing in climate solutions with an environmental justice focus. Leadership (at Board and management level) should be diverse and inclusive; democratic with clear community accountability in the investment of these dollars, with a transparent and fair process at all levels.

Purpose and Goals of Fund

To mobilize financing and maximize leverage for clean energy and climate focused products that reduce greenhouse gas emissions that target low-income and disadvantaged communities we recommend EPA explicitly state in the NOFO a preference for:

- Direct financing and technical assistance to areas, communities and activities that reduce greenhouse gas emissions not otherwise achieved through market solutions.
- Build the capacity of direct lenders and financing entities to reach and serve their markets.
- Prioritize local (and hyper-local) financing solutions to achieve equitable outcomes in greenhouse gas reduction over large-scale development projects.
- Support communities of color developing their own solutions to reducing harmful effects of climate change and greenhouse gas emissions in their communities.
- Prioritize applicants that can demonstrate comprehensive solutions that include residents, businesses, developers\contractors, financing entities and investors working together to build strong ecosystems creating synergies between the delivery and optimal use of energy reducing systems, tools and products.
- Outcomes that both reduce emissions and generate economic opportunity for LMI and BIPOC communities.

Financial Assistance and Technical Assistance

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

GHGRF should structure financial assistance to achieve the greatest leverage and impact in both emission reduction and in reaching Justice40 goals; not to build the balance sheets of large intermediary financing entities. Community based lenders are most effective in leveraging capital and lending deeply in their communities 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 ARRA) found that credit unions leveraged and revolved investments 60 times over in a 5-year period. These funds can enable community lenders to do what they do best; build local ecosystems to embrace the adoption of emission reduction strategies. The Fund should allow for a full range of lending and financing activities from developing energy efficient appliance loan programs for LMI households, to the purchase of electric vehicles and the development of infrastructure to support that to the investment in renewable energy generation on single-family homes, multifamily housing and commercial real estate investment. Moreover, these institutions will complement that with targeted financing to develop green businesses led by and operating in LMI and BIPOC communities.

The EPA should evaluate successful applicants on the clarity of the 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 intermediary balance sheets and not be fully deployed. These supports include financial coaching, entrepreneurial assistance but also could include down payment assistance, loan loss reserves and infrastructure development to ensure the financing activities to ensure people can use this financing well to reduce their emissions and better engage in their local greening economy.

Accountability to markets and communities

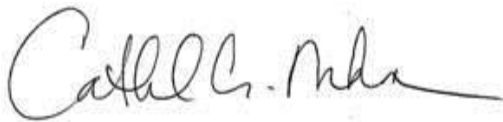
GHGRF presents an opportunity to take a comprehensive approach to reducing greenhouse gas emissions with a particular focus on those communities most negatively impacted. It is not enough that a program aims to place capital inside low-income and disadvantaged communities if the intent is to grow economic and climate investments in these targeted areas. The program 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. Credit unions are ideally suited with their structure as financial cooperatives with leaders directed from the members receiving direct input and feedback on directions, products and needs.

Targeting of 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 Treasury CDFI Fund in the identification of investment areas and low-income populations, and the regulators in defining minority-lending institutions. Definitions used for the CDFI Fund's ERP program focused on "majority minority" areas will enable targeting to communities of color most negatively impacted by pollution and gas emissions. For lenders that are already tracking and reporting data to meet government definitions of low-income communities it will be critical that the GHGRF be aligned so that lending data can be easily tracked and report and impacts measured. Where there may be differences between existing governments agency definitions – ideally EPA would allow flexibility for the lenders to choose which definitions and metrics they track.

As we continue to foster discussion across the vast network of community development lenders, we look forward to providing more detailed feedback on the many questions that you are working through. In addition, we are gathering specific details on successful best-practice strategies that are yielding results in reducing greenhouse gas emissions through equity and inclusion. We are grateful for the opportunity to share this summary and for subsequent comments to come.

Sincerely,

A handwritten signature in black ink, appearing to read "Cathleen A. Mahon". The signature is fluid and cursive, written over a light grey rectangular background.

Cathleen A. Mahon
President\CEO