



National Association
of Latino Credit
Unions & Professionals

February 4, 2022

Ms. Jodie Harris
Director, CDFI Fund
United States Department of the Treasury
1500 Pennsylvania Avenue
Washington, D.C. 20220

Re: Minority Lending Program

Dear Ms. Harris,

We are sending this letter on behalf of Inclusiv, the African American Alliance of CDFI CEOs, the African American Credit Union Coalition, and the National Association of Latino Credit Unions and Professionals. Our organizations represent four national networks comprised of credit unions and CDFIs committed to financial inclusion and equity in low-income and communities of color around the country. The purpose is to summarize and highlight the recommendations we have made to the CDFI Fund on the implementation of the \$1.75 billion Minority Lending Program (MLP).

The credit union movement has a rich history of minority designated credit unions dating back to the federal credit union act that first formalized the structures around financial cooperatives. The purpose of all credit unions was to promote thrift and access to capital to individuals and communities not well served by the banking system. The earliest credit unions chartered were Black credit unions that formed to provide capital in redlined communities. The NCUA has an established designation for a **minority depository institution** as a federally insured credit union in which a majority of its board of directors, and current members and the community it services are people of color. According to NCUA data, there are 526 Minority designated credit unions, of which 255 are Black American credit unions, 74 Hispanic American credit unions, 51 Asian American, 11 Native American and 135 serving multiple communities. In addition Puerto Rico and the Virgin Islands have networks of more than 120 credit unions and cooperativas all led, governed, and predominantly serving people of color.

Inclusiv's analysis of CDFI credit unions finds that MDIs regularly lend deepest in their communities, delivering flexible products tailored to borrowers formerly excluded from mainstream affordable capital. MDI credit unions design and deliver products that are particularly attuned to their member and community needs whether through bilingual and bicultural service or by establishing the means by which people can establish and/or repair credit to begin building their financial lives.

MDIs have been on the frontlines of serving members and their families with immediate response to local and national emergencies fostering resiliency and the ability to rebuild local communities and economies. Throughout the pandemic, CDFI and MDI credit unions have been critical partners in their communities: facilitating access to more than \$3 billion in Paycheck Protection Program forgivable loans



for minority businesses and entrepreneurs; providing loan forbearance; developing emergency lending programs; opening accounts to facilitate government payments; delivering critical financial coaching and ensuring access to funds to their members.

The Coronavirus Response and Relief Supplemental Appropriations Act of 2021 included a \$12 billion allocation of capital to preserve and grow 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. Of the \$3 billion in assistance allocated to the CDFI Fund in the COVID relief bill, \$1.75 billion is intended to build and grow minority lending institutions to scale their high impact. The bill established “minority lending institutions,” as a new category of CDFIs that predominantly serve minority communities and are either Minority Depository Institutions (MDIs) or meet other standards for accountability to minority populations as determined by the CDFI Fund.

We urge the Fund to implement the Minority Lending Program in a manner that ensures access to these funds by institutions that have been led, governed, and predominantly serving communities of color. In the case of credit unions, some of the highest impact MDIs may be small and hyper-local but deliver the most essential services to populations otherwise completely underserved. We urge the Fund to seek opportunities to invest in a broad range of high-impact MDIs that may not have previously been successful in accessing the Fund’s resources either due to their small size, the perception that this size limits their effectiveness or their own concerns they would not be competitive. To make the MLP as effective as possible, we urge the Fund staff and reviewers learn the models for effective and impactful small grassroots MDIs.

We recommend the following:

- **Ensure that for all CDFIs, “minority lending institution” is defined as any CDFI with leadership, governance *and* predominant lending activity that is determined to be of and for people and communities of color.** We urge the definition of “minority lending institution” as a CDFI “where a majority of both the number and dollar volume of arm’s-length, on-balance sheet financial products of the CDFI are directed at minorities or majority minority census tracts or equivalents; and is (1) an MDI as defined by FDIC or NCUA or (2) meets comparable standards of accountability to minority populations as the existing MDI definitions. To ensure these funds are directed to addressing historic inequities in the distribution of capital, the beneficiary institutions must be both of, for and investing in communities of color. If the Fund were to simply define eligibility on current leadership, we fear that the true transformative nature of this investment would not be achieved.
- **Fast-track CDFI certification of minority lending institutions to ensure there is maximum opportunity to participate.** As Inclusiv noted in its 1/4/22 letter to Director Harris, the Fund is currently experiencing long delays in the review of new certification applications. The requirement for the Minority Lending Program is that the institution must be certified at the



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point of application. For years, the challenges for small MDI credit unions to access CDFI funding left many discouraged and disenfranchised. There are **526 MDIs in the system and only 97 are CDFI Certified**, even though Inklusiv estimates that roughly 90% appear to meet the criteria. We have been working diligently over the last 18 months to try to change perceptions and encourage as many to apply as possible. However, there remain many that are still submitting. We urge rapid response.

- **Maintain program application and review processes to be simple, streamlined, and accessible to small high-impact MDIs.** We urge the CDFI Fund to simplify the applications for those who clearly meet the standards of being Minority Lending Institutions to help them access the capital needed to build their business and balance sheets. We recommend the Fund use application and underwriting criteria modeled from the Rapid Response Program and/or the Technical Assistance Program than the traditional and highly competitive CDFI Financial Assistance Program. Congress authorized these funds dedicated to MDIs and other Minority lending institutions because these institutions have historically not fared well in the CDFI Financial Assistance Programs which have been more targeted to high-resourced, white-led, and governed institutions over small Black, Latino and Native American led institutions. The Fund will not be able to break this pattern by replicating the very structures that limit access. In the past 18-24 months, we have seen far greater participation and awards to Black, Latino and Native led credit unions than ever before in the CDFI Fund's history.
- **Invest in the future potential of Minority Lending Institutions rather than prior experience raising capital.** MDIs have experienced significant and sustained disinvestment throughout their decades of existence. Most commonly, MDI credit unions have only been able to raise capital slowly through earnings and have not had access to outside bank or investor capital. This is a story of resilience, self-reliance and persistence that needs to be rewarded and celebrated, not a cause for continuing the pattern of disinvestment. We urge the Fund to look at the tenacity, determination, and pure hard work from committed community members as the greatest indicator of future potential. MDI credit unions have relied upon themselves –MLP criteria must find a way to acknowledge and celebrate these models and help to lift them up to the level of other CDFIs that have benefited in the past from Fund or private investment.
- **Include a technical assistance component for those not yet certified.** Even if the Fund expedites the processing of existing CDFI certification applications, the truth is that roughly 80% of all MDI credit unions will not be able to participate in the MLP. This sizable group has either never applied for certification or had previously been certified and not renewed from frustration and despair. We urge the Fund to dedicate some portion of these funds toward those that are prima facie "eligible" as CDFIs if not as capital at least through technical assistance funds.



Overall, we urge you to see the MLP as the opportunity to invest in the overlooked and undervalued, yet critical- part of our financial system that has operated often over generations in an unseen and invisible manner. We look forward to the Fund's proposed definition and hope we will have multiple opportunities to submit comments to ensure we all get this right.

Sincerely,

A handwritten signature in black ink that reads "Cathleen A. Mahon".

Cathleen A. Mahon
President and CEO
Inklusiv

A handwritten signature in black ink that reads "Lenwood V. Long, Sr.".

Lenwood V. Long, Sr.
President/CEO
African American Alliance of CDFI CEOs

A handwritten signature in purple ink that reads "Renée Sattiewhite".

Renée Sattiewhite, CUDE, CDP
President/CEO
African American Credit Union Coalition (AACUC)

A handwritten signature in black ink that reads "Maria J. Martinez".

Maria J. Martinez
Chairwoman
National Association of Latino Credit Unions and Professionals (NLCUP)