



November 25, 2022

Jeff Merkowitz
Senior Advisor
CDFI Fund
1500 Pennsylvania Avenue NW
Washington, DC 20220

RE: CDFI Minority Lending Institution Designation (Docket Number: CDFI-2022-0001)

Dear Mr. Merkowitz:

We are sending this letter on behalf of Inclusiv, the African-American Credit Union Coalition, and the National Association of Latino Credit Unions and Professionals. Our organizations represent three national networks comprised of credit unions, many of which are CDFIs, committed to financial inclusion and equity in low-income and communities of color around the country.

We appreciate the opportunity to comment on the new Minority Lending Institution (MLI) designation for Community Development Financial Institutions. The CDFI Fund's recognition of the key role MLIs play in meeting community credit needs, especially in historically redlined communities, is important and timely. Well-designed MLI designation criteria and benefits have the potential to remedy Minority Depository Institution (MDI) credit unions' historic underrepresentation in CDFI Fund programs. The CDFI Fund, however, has not proposed attaching any material benefits to its MLI designation. This omission unfortunately replicates rather than corrects historical inequities as MLIs will be asked to provide data and invest their time in a designation process that will not, at least not yet, increase their access to capital or provide other tangible benefits to them or to the communities they serve. We urge the CDFI Fund to use the MLI designation to advance racial equity by pairing the designation with clear benefits, such as fast-track CDFI certification and re-certification, additional points on funding applications, and/or creation of specific funding pools for MLI-designated CDFIs.

The CDFI Fund should automatically consider MDI credit unions as MLIs

MDI credit unions are under-represented among CDFIs as only about 20% of MDI credit unions are certified CDFIs. This is largely because MDIs tend to be small, often capital-constrained institutions that struggle to afford the staff time and consulting costs needed to access and report on their participation in CDFI Fund programs. To help address this issue, the CDFI Fund should amend its MLI designation criteria to automatically consider MDI credit unions MLIs. This would spare MDIs additional reporting to maintain their MLI designation and allow them to focus their resources on serving their members and participating in CDFI Fund programming that benefits their members and communities.

Relying on the National Credit Union Administration's (NCUA) MDI definition would be a straightforward way to help MDI credit unions secure MLI designations. The NCUA maintains a public list of all MDI credit unions, which must meet the following criteria to be considered MDIs:

1. More than 50% of the credit union's current members are Asian American, Black American, Hispanic American, or Native American;
2. More than 50% of the credit union's current and eligible potential members combined are Asian American, Black American, Hispanic American, or Native American; and
3. More than 50% of the credit union's current board members are Asian American, Black American, Hispanic American, or Native American.

These criteria align reasonably closely with the CDFI Fund's proposed MLI criteria and the combination of a governing board made up of a majority of people of color and the democratic, member-owned and member-governed structure of credit unions ensures that MDI credit unions are accountable to the communities they serve. MDI credit unions should not be required to report on their lending activities to the CDFI Fund to maintain their MLI designations. Reporting on lending should be required only when MDI credit unions receive CDFI Fund awards and should not be required simply to maintain a designation.

MLI Definitions

The CDFI Fund's proposed definitions for "minority" and "majority-minority census tracts" are both practical definitions that align with the NCUA's MDI designation framework. Using the 5-year ACS and decennial census data strikes an appropriate balance between the accuracy and timeliness of the data.

MLI Designation Criteria

Should the CDFI Fund decide not to automatically consider MDI credit unions as MLIs, the Fund's designation criteria are generally reasonable but should be updated to accommodate the unique needs of regulated depository institutions.

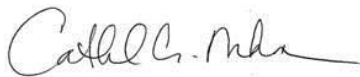
- The Fund's proposal to assess whether more than 50% of an institution's financial products, by both number and dollar volume, are directed at minorities or majority-minority census tracts is appropriate for CDFI loan funds and other CDFIs that are not regulated MDIs.
- For regulated depositories that are subject to the Equal Credit Opportunity Act, a focus on lending to majority-minority tracts is most appropriate, and any assessment of lending directed toward individuals or households should allow the use of proxy data, including but not limited to using the Bayesian Improved Surname Geocoding system, using Home Mortgage Disclosure Act data as a proxy for all lending data, and using any other proxy methodologies accepted by the federal banking and credit union regulators.
- The CDFI Fund's rolling 36-month period to assess an applicant's track record of serving minorities or majority-minority census tracts is appropriate.
- The MLI designation should not consider lending to projects that are neither owned or controlled by people of color nor located in majority-minority census tracts as MLI-qualifying activities. Adopting this criterion would make the MLI designation overly broad and assessing, for example, the racial and ethnic make-up of renters in an affordable housing development on an ongoing basis would pose a significant logistical challenge for lenders.
- Automatically considering MDI credit unions accountable to minority populations is an important acknowledgement of these institutions' commitment to their members and communities. For non-MDI CDFIs, the CDFI Fund should require that a majority of the governing

board or ownership of the institution should identify as people of color, under the definition of minority proposed by the Fund.

Conclusion

Thank you for the opportunity to comment on this important new designation. The CDFI Fund's attention to supporting CDFIs that are accountable to and serve communities of color is critical in advancing racial and economic justice and working toward closing the racial wealth gap. Creating an MLI designation is an important first step, but it must be paired with tangible benefits for MLI CDFIs to be meaningful. Please contact Alexis Iwanisziw, Inclusiv's Senior Vice President of Policy and Communications (aiwanisziw@inclusiv.org) with any questions.

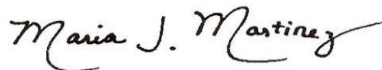
Sincerely,



President and CEO
Inclusiv



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



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

About the Signatories

The African-American Credit Union Coalition (AACUC) was created to increase the strength of the global credit union community. We are a non-profit organization of diverse, multicultural professionals and volunteers in the credit union industry. AACUC is considered a leader in the credit union industry, adopting the 8th Cooperative Principle of Diversity, Equity and Inclusion and providing knowledge of how credit unions can become more diverse and inclusive.

At Inclusiv, we believe that true financial inclusion and empowerment is a fundamental right. We dedicate ourselves to closing the gaps and removing barriers to financial opportunities for people living in historically redlined communities and other communities excluded from the mainstream financial system. Inclusiv is a certified CDFI intermediary that transforms local progress into lasting national change. We provide capital, make connections, build capacity, develop innovative products and services and advocate for our member community development credit unions (CDCUs). Our more than 495 member credit unions serve 18.1 million residents of low-income urban, rural and reservation-based communities across the US and hold \$260 billion in community-controlled assets.

The National Association of Latino Credit Unions & Professionals (NLCUP) is the leading credit union industry advocate for the Hispanic/Latino community. NLCUP is dedicated to providing financial education and services for the Hispanic/Latino community and to drive financial inclusion and equity for this underserved group. NLCUP provides its members and credit union industry with tools and resources to increase economic, asset building, and professional development opportunities.