



**/ inclusiv™ /**

## **CDFI Office Hours**

# **Pre-Approved Target Market Verification Methodologies**

December 12, 2022



# Pre-Approved Target Market Verification Methodologies

- Comments on are due by December 19<sup>th</sup>
- Significant changes needed for credit unions to remain certified



# CDFI Fund Notices and Information

<https://www.cdfifund.gov/news/489>

U.S. DEPARTMENT OF THE TREASURY  
COMMUNITY DEVELOPMENT  
FINANCIAL INSTITUTIONS FUND

CONTACT

ABOUT | PROGRAMS & TRAINING | RESEARCH & DATA | AWA

Home » News » CDFI Fund Request for Public Comment: CDFI Certification Target Market Verification

## CDFI Fund Request for Public Comment: CDFI Certification Target Market Verification

Wednesday, October 19, 2022

The Community Development Financial Institutions Fund (CDFI Fund), U.S. Department of the Treasury, is soliciting comments concerning pre-approved Target Market assessment methodologies related to the Community Development Financial Institution (CDFI) Certification process.

To be a Certified CDFI, an entity must demonstrate that it serves at least one eligible Target Market (either an Investment Area or a Targeted Population). In addition, it must direct at least 60% of both the number and dollar volume of arm's-length, on-balance sheet Financial Products to one or more eligible Target Market components. As part of its ongoing efforts to revise how new organizations become Certified as CDFIs and how currently Certified CDFIs meet annual reporting requirements, the CDFI Fund is requesting input on a new list of pre-approved Target Market assessment methodologies that entities applying for Certification as a CDFI may use to assess whether the end-users of an entity's Financial Products or Financial Services are members of a pre-approved Target Market. Under the current policies and in the CDFI Certification Application, Applicants must describe and seek approval for each assessment methodology they have used and intend to use to confirm financing activity to their identified Target Market(s).

/ inclusiv /



# CDFI Fund Notices and Information

<https://www.cdfifund.gov/news/489>

The screenshot shows the CDFI Fund website header with the logo and navigation menu. The main content area features the title 'CDFI Fund Request for Public Comment: CDFI Certification Target Market Verification' and a sub-header 'Wednesday, October 19, 2022'. The text below explains that the CDFI Fund is soliciting comments on pre-approved Target Market assessment methodologies. It states that to be a Certified CDFI, an entity must serve at least one eligible Target Market (Investment Area or Targeted Population) and direct at least 60% of its arm's-length, on-balance sheet Financial Products to these markets. The CDFI Fund is currently revising its certification process and is requesting input on a new list of pre-approved Target Market assessment methodologies.

In an effort to increase transparency and reduce burden through the revised CDFI Certification Application, the CDFI Fund intends to publish a list of pre-approved Target Market assessment methodologies that Applicants and Certified CDFIs may use and rely upon to demonstrate that they are serving their identified Target Market(s). **Only those Target Market assessment methodologies that have been approved by the CDFI Fund may be used when compiling Target Market data under the revised CDFI Certification Application.** Through the revised CDFI Certification Application and Annual Certification and Data Collection Report, Applicants and Certified CDFIs will select from a drop-down menu the options in the methodology list that they used for each of their Target Market components (i.e., Investment Area, Low-Income Targeted Population, or Other Targeted Population).





# CDFI Fund Notices and Information

<https://www.cdfifund.gov/news/489>

The screenshot shows the CDFI Fund website header with the logo and navigation menu. The main content area features the title 'CDFI Fund Request for Public Comment: CDFI Certification Target Market Verification' and the date 'Wednesday, October 19, 2022'. The text below explains that the CDFI Fund is soliciting comments on pre-approved Target Market assessment methodologies. It also details the requirements for being a Certified CDFI, such as serving at least one eligible Target Market and directing at least 60% of arm's-length, on-balance sheet Financial Products to those markets.

Through a Request for Comment (RFC), the CDFI Fund seeks feedback from the public on the proposed list of pre-approved Target Market assessment methodologies. The CDFI Fund also seeks any additional information members of the public believe would assist the CDFI Fund in establishing policies and procedures related to the Target Market assessment methodologies. The CDFI Fund intends to consider the feedback received through this RFC prior to establishing a final list of pre-approved Target Market assessment methodologies. Please note, the CDFI Fund will not automatically retain previously accepted Target Market assessment methodologies that do not appear on the list of **Proposed Pre-Approved Target Market Assessment Methodologies** (provided below). Applicants that seek to use an alternative or modified methodology will be permitted to submit a service request through AMIS for consideration of that process to the CDFI Fund.





# CDFI Fund Notices and Information

<https://www.cdfifund.gov/news/489>

The screenshot shows the CDFI Fund website header with the logo and navigation menu. The main content area displays a news article titled "CDFI Fund Request for Public Comment: CDFI Certification Target Market Verification" dated Wednesday, October 19, 2022. The article text reads: "The Community Development Financial Institutions Fund (CDFI Fund), U.S. Department of the Treasury, is soliciting comments concerning pre-approved Target Market assessment methodologies related to the Community Development Financial Institution (CDFI) Certification process. To be a Certified CDFI, an entity must demonstrate that it serves at least one eligible Target Market (either an Investment Area or a Targeted Population). In addition, it must direct at least 60% of both the number and dollar volume of arm's-length, on-balance sheet Financial Products to one or more eligible Target Market components. As part of its ongoing efforts to revise how new organizations become Certified as CDFIs and how currently Certified CDFIs meet annual reporting requirements, the CDFI Fund is requesting input on a new list of pre-approved Target Market assessment methodologies that entities applying for Certification as a CDFI may use to assess whether the end-users of an entity's Financial Products or Financial Services are members of a pre-approved Target Market. Under the current policies and in the CDFI Certification Application, Applicants must describe and seek approval for each assessment methodology they have used and intend to use to confirm financing activity to their identified Target Market(s)."

Through a Request for Comment (RFC), the CDFI Fund seeks feedback from the public on the proposed list of pre-approved Target Market assessment methodologies. The CDFI Fund also seeks any additional information members of the public believe would assist the CDFI Fund in establishing policies and procedures related to the Target Market assessment methodologies. **The CDFI Fund intends to consider the feedback received through this RFC prior to establishing a final list of pre-approved Target Market assessment methodologies.** Please note, the CDFI Fund will not automatically retain previously accepted Target Market assessment methodologies that do not appear on the list of **Proposed Pre-Approved Target Market Assessment Methodologies** (provided below). Applicants that seek to use an alternative or modified methodology will be permitted to submit a service request through AMIS for consideration of that process to the CDFI Fund.





# CDFI Fund Notices and Information

<https://www.cdfifund.gov/news/489>

Home » News » CDFI Fund Request for Public Comment: CDFI Certification Target Market Verification

## CDFI Fund Request for Public Comment: CDFI Certification Target Market Verification

Wednesday, October 19, 2022

The Community Development Financial Institutions Fund (CDFI Fund), U.S. Department of the Treasury, is soliciting comments concerning pre-approved Target Market assessment methodologies related to the Community Development Financial Institution (CDFI) Certification process.

To be a Certified CDFI, an entity must demonstrate that it serves at least one eligible Target Market (either an Investment Area or a Targeted Population). In addition, it must direct at least 60% of both the number and dollar volume of arm's-length, on-balance sheet Financial Products to one or more eligible Target Market components. As part of its ongoing efforts to revise how new organizations become Certified as CDFIs and how currently Certified CDFIs meet annual reporting requirements, the CDFI Fund is requesting input on a new list of pre-approved Target Market assessment methodologies that entities applying for Certification as a CDFI may use to assess whether the end-users of an entity's Financial Products or Financial Services are members of a pre-approved Target Market. Under the current policies and in the CDFI Certification Application, Applicants must describe and seek approval for each assessment methodology they have used and intend to use to confirm financing activity to their identified Target Market(s).

## Related Materials:

- [Federal Register Notice](#)
- [Proposed Pre-Approved Target Market Assessment Methodologies](#)
- [Low-Income Targeted Population Geographic Proxy: List of all qualifying census block groups](#)
- [Low-Income Calculator](#)
- [Hispanic Surnames: List of all qualifying surnames for OTP-Hispanic Designation](#)

- [Pre-Approved Methodologies](#)
- [Low-Income Geographic Proxies](#)
- [Low-Income Calculator](#)
- [Hispanic Surnames](#)



# / Target Market Verification / Pre-Approved Methodologies

## Proposed Pre-Approved Target Market Assessment Methodologies

### Target Market Type: OTP-African American

#### Recipient Type Eligibility

- **Individual:** At least 50% of the individuals named as recipients in the Financial Product and/or Financial Services transaction agreement are assessed as African American.
- **For-Profit Entity:** If all parties named as recipients in the Financial Product and/or Financial Services transaction agreement are for-profit entities that are wholly owned by one or more individuals (i.e., are not owned in whole or in part by another entity) and are not tax exempt, at least 50% of the owners named as recipients are assessed as African American.
- **Nonprofit Entity:** If all parties named as recipients in the Financial Product and/or Financial Services transaction agreement are tax exempt, at least 50% of the end-user recipients of the Financial Product and/or Financial Services transaction are assessed as African American.

#### Pre-Approved Assessment Methodologies

- **OTP-AA.1** – Individual, owner, or end-user self-reports as African American.
- **OTP-AA.2** – If the individual/owner/end-user self-report is not available, the financing entity visually assesses an individual's status as African American in-person or via collection of a government-issued photo identification.

#### Documentation/Record Keeping Requirements

- CDFI or Applicant CDFI must have policies describing the assessment processes used to determine the transaction is Target Market directed.
- CDFI or Applicant CDFI should maintain its records for a minimum of 5 years.

#### Guidance

- African American is defined by the CDFI Fund's CDFI/NACA program as "a person having origins in any of the black racial groups of Africa."<sup>1</sup>
- If the status of the individual as a member of the OTP based on an in-person visual assessment or the government-issued photo ID is uncertain, the individual/owner/end-user should not be counted as such.
- All individuals named as recipients of the Financial Product will be counted as separate individuals when determining the overall percentage of those that qualify for this OTP, even if they are part of the same family, household or entity.
- Nonprofit end-user verification - the nonprofit entity must assess the percentage of end users who receive the service that are members of the Target Market. The financing entity must verify that the nonprofit is using one of the pre-approved methods in order to count the transaction as Target Market directed.

<sup>1</sup> The CDFI Fund relies on the definitions established in the [Revisions to the Standards for Classification of Federal Data on Race and Ethnicity \(OMB Statistical Policy Directive No. 15\)](#).

- 23 Page document with detailed description of Target Market Verification methodologies that the CDFI Fund would consider as “pre-approved”
- Our analysis indicates that no credit union currently certified for Low-Income (LITP) and/or Other Targeted Population (OTP) would be able to re-certify with these methodologies alone





# / Target Market Verification / OTP Methodologies

## **Pre-Approved Assessment Methodologies**

- **OTP-AA.1** – Individual, owner, or end-user self-reports as African American.
- **OTP-AA.2** – If the individual/owner/end-user self-report is not available, the financing entity visually assesses an individual's status as African American in-person or via collection of a government-issued photo identification.



# / Target Market Verification / OTP Methodologies

## **Pre-Approved Assessment Methodologies**

- **OTP-Native American.1** – The financing entity assesses an individual/owner/end-user’s status as Native American with maintained Tribal affiliation or community attachment via collection of a government-issued or Tribal government-issued photo identification or documentation as described below.

(ii) Documents described in [paragraph \(a\)\(5\)\(i\)](#) of this section include, but are not limited to:

- (A) A Tribal enrollment card;
- (B) A Certificate of Degree of Indian Blood;
- (C) A Tribal census document;
- (D) Documents on Tribal letterhead, issued under the signature of the appropriate Tribal official, that meet the requirements of [paragraph \(a\)\(5\)\(i\)](#) of this section.<sup>24</sup>



# / Target Market Verification / OTP Methodologies

## **Pre-Approved Assessment Methodologies**

- **OTP-Native Alaskan.1** – The financing entity assesses an individual/owner/end user’s status as Native Alaskan residing in Alaska with maintained Tribal affiliation or community attachment via collection of a government-issued or tribal government-issued photo identification.

(ii) Documents described in [paragraph \(a\)\(5\)\(i\)](#) of this section include, but are not limited to:

- (A) A Tribal enrollment card;
- (B) A Certificate of Degree of Indian Blood;
- (C) A Tribal census document;
- (D) Documents on Tribal letterhead, issued under the signature of the appropriate Tribal official, that meet the requirements of [paragraph \(a\)\(5\)\(i\)](#) of this section.”<sup>4</sup>



# / Target Market Verification / OTP Methodologies

## **Pre-Approved Assessment Methodologies**

- **OTP-Native Hawaiian.1** – The financing entity assesses an individual/owner/end-user's status as Native Hawaiian residing in Hawaii via collection of a Hawaiian Registry Card.



# / Target Market Verification / OTP Methodologies

## Pre-Approved Assessment Methodologies

- **OTP-Hisp.1** – Individual, owner, or end-user self-reports as Hispanic.
- **OTP-Hisp.2** – If the individual/owner/end-user self-report is not available, the financing entity visually assesses an individual’s status as Hispanic in-person or via collection of a government-issued photo identification.
- **OTP-Hisp.3** – If the individual/owner/end-user self-report is not available, the financing entity may use the surname of an individual to determine status as Hispanic via collection of a government-issued photo identification or primary residence documentation. The surname must have a value of 80% or higher for the “Percent Hispanic or Latino origin” based off of the most recently available “Frequently Occurring Surnames” list from the U.S. Census Bureau.



# / Target Market Verification / OTP Methodologies

- CDFI Fund has released list of 8,257 “Hispanic or Latino” surnames
  - ✗ They have not included any Bayesian Improved First Name/Surname Geocoding methodologies that are statistically more accurate, compliant with ECOA and Reg B, are endorsed by CFPB, and can be used for multiple races and ethnicities

## **Pre-Approved Assessment Methodologies**

- **OTP-Hisp.1** – Individual, owner, or end-user self-reports as Hispanic.
- **OTP-Hisp.2** – If the individual/owner/end-user self-report is not available, the financing entity visually assesses an individual’s status as Hispanic in-person or via collection of a government-issued photo identification.
- **OTP-Hisp.3** – If the individual/owner/end-user self-report is not available, the financing entity may use the surname of an individual to determine status as Hispanic via collection of a government-issued photo identification or primary residence documentation. The surname must have a value of 80% or higher for the “Percent Hispanic or Latino origin” based off of the most recently available “Frequently Occurring Surnames” list from the U.S. Census Bureau.



# / Target Market Verification / LITP Methodologies

## Target Market Type: Low Income Targeted Population (LITP)

### Recipient Type Eligibility

- **Individual:** At least 50% of the individuals named as recipients in the Financial Product and/or Financial Services transaction agreement are assessed as Low-Income.
- **For-Profit Entity:** If all parties named as recipients in the Financial Product and/or Financial Services transaction agreement are for-profit entities that are wholly owned by one or more individuals (i.e., are not owned in whole or in part by another entity) and are not tax exempt, at least 50% of the owners named as recipient are assessed as Low-Income.
- **Non-Profit Entity:** If all parties named as recipients in the Financial Product and/or Financial Services transaction agreement are tax exempt, at least 50% of the end users of the Financial Product and/or Financial Services transaction are assessed as Low-Income.

### Pre-Approved Assessment Methodologies

- **LITP.1** – The financing entity collects income data and primary residence or business location documentation from the individual, owner, or end-user and assesses Low-Income status via a comparison of the entire family income to HUD's Income Limits for the relevant family size and local geography.
- **LITP.2** – If the individual/owner/end-user income data is not available, the financing entity assesses Low-Income status using a programmatic proxy that the financing entity has confirmed applies an income limit that aligns with the CDFI Fund's definition of Low-Income and that meets one of the following conditions:
  - Verification that the Financial Product individual/owner/end-user has been approved to participate in a Federal, State, local or Tribal government program that is Low-Income directed.
  - Confirmation of income-based assistance program participation status for all of the community service provider's end-users.
  - Confirmation of clear, government-established/approved minimum standards regarding the percentage of the project slots that must be reserved for/occupied by Low-Income participants.

### Pre-Approved Programmatic Proxies

The CDFI Fund will allow

- HOME Investment Partnership Program (HOME)
- Social Security Disability Insurance (SSDI) and/or Supplemental Security Income (SSI).
- Housing Choice Voucher Section 8
- Community Development Block Grant (CDBG) Program
- Special Supplemental Nutrition Program for Woman, Infants, and Children (WIC) – Financing entity must ensure program eligibility income limits set at the state level align well with the CDFI Fund's definition of Low-Income

- Low-Income Targeted Population (LITP) methodologies begin on page 15

- Verification and documentation methodologies

➤ cannot be used to evaluate credit union loans at scale

➤ cannot be used to evaluate credit union membership at all



# / Target Market Verification / LITP Methodologies

## Pre-Approved Assessment Methodologies

- **LITP.1** – The financing entity collects income data and primary residence or business location documentation from the individual, owner, or end-user and assesses Low-Income status via a comparison of the entire family income to HUD's Income Limits for the relevant family size and local geography
- **LITP.2** – If the individual/owner/end-user income data is not available, the financing entity assesses Low-Income status using a programmatic proxy that the financing entity has confirmed applies an income limit that aligns with the CDFI Fund's definition of Low-Income and that meets one of the following conditions:
  - Verification that the Financial Product individual/owner/end-user has been approved to participate in a Federal, State, local or Tribal government program that is Low-Income directed.
  - Confirmation of income-based assistance program participation status for all of the community service provider's end-users.
  - Confirmation of clear, government-established/approved minimum standards regarding the percentage of the project slots that must be reserved for/occupied by Low-Income participants.





# / Target Market Verification / LITP Methodologies

## **Pre-Approved Programmatic Proxies**

The CDFI Fund will allow

- HOME Investment Partnership Program (HOME)
  - Social Security Disability Insurance (SSDI) and/or Supplemental Security Income (SSI).
  - Housing Choice Voucher Section 8
  - Community Development Block Grant (CDBG) Program
  - Special Supplemental Nutrition Program for Woman, Infants, and Children (WIC) – Financing entity must ensure program eligibility income limits set at the state level align well with the CDFI Fund’s definition of Low-Income
- 
- Supplemental Nutrition Assistance Program (SNAP)/Food Stamps – Financing entity must ensure program eligibility income limits set at the state level, align well with the CDFI Fund’s definition of Low-Income
  - National School Lunch Program (NSLP) -- Financing entity must ensure program eligibility income limits set at the state level align well with the CDFI Fund’s definition of Low-Income



# / Target Market Verification / LITP Methodologies

- Actual family income: The actual family size of the Financial Product consumer will be determined based on the U.S. Census Bureau's definition of family (currently includes any person living in the same dwelling unit that is related by birth, marriage or adoption). If the family size is unknown, then the default family size is one. If the family size is known, income data must be collected on all members of the family.
- The full family income of the Financial Product consumer must:
  - be calculated based on the income type that must be included when determining adjusted gross income in an IRS 1040 form, family income for the U.S. Census Bureau or household income for HUD's Section 8 Program;
  - include income of the relevant types received by any family member taken into account in the U.S. Census Bureau's definition of family income (currently includes any person age 15 and up who lives in the same dwelling unit and is related by birth, marriage or adoption) even if that family member does not file a tax return to report their income and/or have other formal documentation of the income; and
  - be documented via tax returns, W-2s, recent paystubs, employer affidavits, etc. or similar when such formal documentation is available, via less formal means, as needed, or via combinations of such documents as needed to establish the full relevant income of each relevant family member.



# / Target Market Verification / LITP Methodologies

- For any proxy not shown on the Fund's publically available pre-approved proxy list, the Financing Entity must submit their proposed proxy for approval by the Fund. The proxy must be approved by the Fund prior to its use for Target Market assessment.



# / Target Market Verification / Low-Income Geographic Proxies

- The CDFI Fund has proposed the use of Low-Income Geographies as an LITP proxy, similar in principle to those
  - Used by NCUA for Low Income Designation
  - Developed and used by Inclusiv for our current LITP analysis
- Inclusiv has long advocated for the CDFI Fund to make such standardized geographic proxies publicly available to all CDFIs
- They listened...sort of...



# / Target Market Verification / Low-Income Geographic Proxies

- The Census Block Group proxies proposed by the CDFI Fund:
  - Only classify 10% of the US population as “low-income”
  - 94% of people classified as “low-income” already live in qualified Investment Areas
  - 72% of NCUA’s Low Income Census Block Groups are not classified as “low-income” by the CDFI Fund

	A	B	C	D	E	F	G
	Census Block Group 12-digit			Count of Low-Income persons below 80% of area income	Count of all persons for whom income is availab	Share of Low-Income persons	Share of Low-Income persons is >= 70%
1	FIPS	State	County				
2	010010201001	Alabama	Autauga	230	650	35%	NO
3	010010201002	Alabama	Autauga	315	1300	24%	NO
4	010010202001	Alabama	Autauga	515	1075	48%	NO
5	010010202002	Alabama	Autauga	360	910	40%	NO
6	010010203001	Alabama	Autauga	580	2145	27%	NO
7	010010203002	Alabama	Autauga	440	825	52%	NO



# / Target Market Verification / Low-Income Geographic Proxies

- The Census Block Group proxies proposed by the CDFI Fund:
  - Only classify 10% of the US population as “low-income”
  - 94% of people classified as “low-income” already live in qualified Investment Areas
  - 72% of NCUA’s Low Income Census Block Groups are not classified as “low-income” by the CDFI Fund

*Hypothetically...*

if NCUA used the CDFI Fund’s proposed low-income geographies, more than 2,400 credit unions would no longer be Low-Income Designated



# / Target Market Verification / Inclusiv Recommendations

- ❖ Inclusiv is proposing four modifications and additions to the pre-approved methodologies
- ❖ Our proposed methodologies would enable CDFIs of any scale to
  - ✓ Increase accuracy
  - ✓ Improve efficiency
  - ✓ Ensure regulatory compliance



# / Target Market Verification / Inclusiv Recommendations

❖ The categories of Inclusiv's four proposed modifications and additions are:

1. Investment Areas
2. Geographic Proxy for Low-Income
3. Modeled Household Income
4. Other Targeted Populations

*Let's get nerdy!*





# / Inclusiv Recommendations / Investment Areas

## 1. Extend Qualified Investment Areas to Census Block Groups

- IAs are easiest Target Market to verify with 100% accuracy
  - Geocode address and match with list of qualified geocodes
- CDFI Fund has only ever designated IA Counties and IA Census Tracts, even though:

A CDFI investment area is defined as a geographic unit (state, county, census tract, block group, Indian/Native areas), or as contiguous geographic units entirely located within the United States that meets one of the following criteria: (1) has a population poverty rate of at least 20 percent; (2) or has an unemployment rate of at least 1.5 times the national average; (3) or for a metropolitan area has a median family income (MFI) at or below 80 percent of the greater of either the metropolitan MFI or national metropolitan MFI; (4) or for a non-metropolitan area that has a MFI at or below 80 percent of the greater of either the statewide non-metropolitan MFI or national non-metropolitan MFI; (5) or is wholly located within an Empowerment Zone or Enterprise Community; (6) or has a county population loss greater than or equal to ten percent for Metro areas or five percent for Non-Metro areas.



# / Inclusiv Recommendations / Investment Areas

## 1. Extend Qualified Investment Areas to Census Block Groups

- ✓ IAs are easiest Target Market to verify with 100% accuracy
- ✓ Most CDFIs would be able to certify based on IAs alone, without any need for OTP and/or LITP

A CDFI investment area is defined as a geographic unit (state, county, census tract, **block group**, Indian/Native areas), or as contiguous geographic units entirely located within the United States that meets one of the following criteria: (1) has a population poverty rate of at least 20 percent; (2) or has an unemployment rate of at least 1.5 times the national average; (3) or for a metropolitan area has a median family income (MFI) at or below 80 percent of the greater of either the metropolitan MFI or national metropolitan MFI; (4) or for a non-metropolitan area that has a MFI at or below 80 percent of the greater of either the statewide non-metropolitan MFI or national non-metropolitan MFI; (5) or is wholly located within an Empowerment Zone or Enterprise Community; (6) or has a county population loss greater than or equal to ten percent for Metro areas or five percent for Non-Metro areas.



# / Inclusiv Recommendations / Geographic Proxy for LITP

## 2. Use Low-Income Geographies as LITP Proxy based on IA criteria

A CDFI investment area is defined as a geographic unit (state, county, census tract, block group, Indian/Native areas), or as contiguous geographic units entirely located within the United States that meets one of the following criteria: (1) has a population poverty rate of at least 20 percent; (2) or has an unemployment rate of at least 1.5 times the national average; (3) or for a metropolitan area has a median family income (MFI) at or below 80 percent of the greater of either the metropolitan MFI or national metropolitan MFI; (4) or for a non-metropolitan area that has a MFI at or below 80 percent of the greater of either the statewide non-metropolitan MFI or national non-metropolitan MFI; (5) or is wholly located within an Empowerment Zone or Enterprise Community; (6) or has a county population loss greater than or equal to ten percent for Metro areas or five percent for Non-Metro areas.



# / Inclusiv Recommendations / Geographic Proxy for LITP

## 2. Use Low-Income Geographies as LITP Proxy based on IA criteria

- Investment Area criteria identify Low-Income Geographies
- CDFIs that only serve LITP could use this geographic proxy when unable to collect family income data
- Since LITP geographies are subset of Investment Areas, proxy will always identify borrowers that qualify for at least one eligible Target Market

A CDFI investment area is defined as a geographic unit (state, county, census tract, block group, Indian/Native areas), or as contiguous geographic units entirely located within the United States that meets one of the following criteria: (1) has a population poverty rate of at least 20 percent; (2) or has an unemployment rate of at least 1.5 times the national average; (3) or for a metropolitan area has a median family income (MFI) at or below 80 percent of the greater of either the metropolitan MFI or national metropolitan MFI; (4) or for a non-metropolitan area that has a MFI at or below 80 percent of the greater of either the statewide non-metropolitan MFI or national non-metropolitan MFI; (5) or is wholly located within an Empowerment Zone or Enterprise Community; (6) or has a county population loss greater than or equal to ten percent for Metro areas or five percent for Non-Metro areas.



# / Inclusiv Recommendations / Modeled Household Income

## 3. Accept use of modeled household income data from qualified third-party vendors\* for LITP classification

- Low-Income benchmark based on total family income, adjusted for family size
- Credit unions have no business reason to collect family size and family income data from members, except perhaps small percentage of home mortgages applicants
- Leading providers of core data, MCIF and data analytics systems for banks and credit unions can provide “modeled” estimates of family income for all members based on hundreds of public sources of data for each household.
- Credit unions have used modeled income for LITP classification since early days of certification, as it provides more accurate estimate than geographic proxy or individual borrower income

\* Inclusiv does not offer these services and does not endorse any specific third-party vendor



# / Inclusiv Recommendations / Other Targeted Populations

4. Accept race/ethnicity coding based on Bayesian name/geocoding analyses from qualified third-party vendors\*
  - “Visual identification” of race/ethnicity violates regulations, cannot be conducted at scale and is of biased by subjective decisions of tens of thousands of front-line workers
  - CFPB published a detailed methodology that combines of analyses of both names and geographic locations to determine probable race/ethnicity using Bayesian statistics
  - Research has found these “Bayesian” methodologies to be much more accurate than use of surnames or geographic proxies on their own
  - Multiple qualified third-party vendors offer race/ethnicity coding to banks and credit unions based on the CFPB or enhanced Bayesian methodologies

\* Inclusiv does not offer these services and does not endorse any specific third-party vendor



# / Target Market Verification / Inclusiv Recommendations

1. Investment Areas
  - ✓ Extend Investment Areas to Census Block Groups
2. Geographic Proxy for Low-Income
  - ✓ Use subset of Low-Income Investment Areas as LITP proxy
3. Modeled Household Income
  - ✓ Accept modeled household income data from qualified vendors for LITP determination
4. Other Targeted Populations
  - ✓ Accept race/ethnicity coding based on Bayesian name/geocoding analyses from qualified third-party vendors



## / Target Market Verification / *Bonus Comment!*

- CDFI Fund has yet to release proposed modifications of Transaction-Level Report that would be required as first step in certification application
- Current TLR is not suited to certification, e.g.
  - allows upload of Personally Identifiable Information that could be subject to public exposure
  - requires dozens of extraneous fields of data that have no bearing on certification tests
  - has not demonstrated capacity to handle millions of records

### From Inclusiv Comments on Certification Application

CDFI Fund must as soon as possible release for public comment a complete draft of the modified TLR that prevents the upload of PII, and with clear explanations of how each required data will be used for determining eligibility for certification.



# Audience Discussion

**/ inclusiv™ /**

# Upcoming Events



## Inclusiv CDFI Certification Office Hours

Wednesday afternoons at 3pm ET

To register for the series:

<https://forms.office.com/pages/responsepage.aspx?id=URkTPdR2J06IUEAfCbvyu3PLJRJPufxLqGlvsP1qthUMVIWWkVYTzBUSk9PQVdBM0ZQVEIJRUNSSS4u>

[/inclusiv/](#)



Credit Union Network



**Pablo DeFilippi**  
SVP, Network Engagement  
[Pablo@inclusiv.org](mailto:Pablo@inclusiv.org)  
212.809.1850 ext. 304



**Monica Copeland**  
Senior Program Officer  
[mcopeland@inclusiv.org](mailto:mcopeland@inclusiv.org)



**Jules Epstein-Hebert**  
Director of Membership  
[jhebert@inclusiv.org](mailto:jhebert@inclusiv.org)  
212.809.1850 ext. 211



**Chriselle Martinez**  
CDFI Program Director  
[cmartinez@inclusiv.org](mailto:cmartinez@inclusiv.org)



**Terry Ratigan**  
Senior Consultant  
[tratigan@inclusiv.org](mailto:tratigan@inclusiv.org)

# *Thank you!*

**/ inclusiv /**

39 Broadway Suite 2140  
New York, NY 10006-3003  
[www.inclusiv.org](http://www.inclusiv.org)



**Pablo DeFilippi**

EVP Inclusiv CU Network  
Email: [pablo@inclusiv.org](mailto:pablo@inclusiv.org)  
Tel: 212.809.1850 ext. 304



**Jules Epstein-Hebert**

Director of Membership Growth and Partnerships  
Email: [jhebert@inclusiv.org](mailto:jhebert@inclusiv.org)  
Tel: 212.809.1850 ext. 211

**/ inclusiv /**