/ inclusiv /

May 12, 2023

Michael Regan, Administrator
US Environmental Protection Agency
Office of the Administrator, Mail Code 1101A
1200 Pennsylvania Avenue, NW
Washington, DC 20460

Dear Administrator Regan,

Thank you for the opportunity to provide feedback on EPA's Implementation Framework for the Greenhouse Gas Reduction Fund (GGRF) that was released on April 19, 2023, and for your team's substantial, thoughtful progress to date. The GGRF presents an historic opportunity to direct capital to reduce greenhouse gas emissions, promote an equitable greening economy, and address injustices to low-income and communities of color resulting from pollutants and environmental degradation.

Inclusiv respectfully submits this comment letter with the objective to seek clarification, make recommendations, and offer additional solutions to maximize the transformative potential of the GGRF in reducing emissions and establishing an equitable clean energy transition. Through intentional design and explicit inclusion of credit unions and the clean energy projects they are best poised to finance, the GGRF can exceed the Justice40 Initiative goals, center low-income and disadvantaged communities, and facilitate environmental and economic benefits of clean energy directly to these communities at scale.

Inclusiv is a nonprofit Community Development Financial Institution (CDFI) Intermediary and national network of more than 490 community development credit unions (CDCUs) serving more than 18 million Americans. In our nearly 50 year history, Inclusiv has invested and lent more than $300 million in low-income and disadvantaged communities, both through direct investments in community development credit unions, and indirectly through the purchase of non-conforming mortgage loans that enable first time homebuyers primarily for households of color. Inclusiv intends to be an applicant in at least one of the grant competitions that EPA expects to administer under the GGRF program.

CDCUs are not-for-profit financial cooperatives, formed and owned by low- and moderate-income people, predominantly in communities of color, to meet the financial needs of their members and communities. The vast majority of Inclusiv's member CDCUs are CDFI-certified, low-income designated (LID), and/or minority depository institution (MDI) designated. 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 at this juncture lead in clean energy lending to low-income and disadvantaged communities.

With support from the U. S. Department of Energy and private capital providers, Inclusiv's Center for Resiliency and Clean Energy and the University of New Hampshire (UNH) built a robust clean energy finance training program and network for community-based lenders – including CDCUs, CDFIs, MDIs, LIDs, community development banks, and other mission-driven community-based lenders - that are driving innovation in our financial system to advance equitable decarbonization across the country, particularly in states that lack local support for climate action.

The lenders that Inclusiv and UNH support have transformed access to clean energy and energy efficiency in low-income and disadvantaged communities. In just over two years, Inclusiv and UNH have guided 193 community-based financial institutions that serve 47 states, Washington DC, and Puerto Rico, to develop affordable financing for the deployment of greenhouse gas- and air pollution-reduction projects. A sample of just 73 of these lenders reported investing over $2.24 billion in green loans in the past two to four years, including financing solar installations for almost 20,000 households.

And they are just getting started. These community-based lenders, and hundreds more that Inclusiv and UNH will support as they enter the clean energy financing space in the coming months and years, have a proven track record of leveraging every public dollar received to draw in ten dollars of additional private capital investment.[1] These lenders are positioned to leverage GGRF dollars to raise more than $200 billion in new private capital to advance activities and projects that reduce greenhouse gas emissions and other air pollutants while delivering the benefits of these activities to low-income and disadvantaged communities over the next three to five years.

The comments and recommendations presented here fall into the following categories:

I. The overall design and impact of the GGRF Implementation Framework
    a. Build a diverse portfolio of direct recipients that can support the range of projects that are part of a clean energy transition
    b. Reconsider the distinction between direct and indirect investments
    c. Allow for flexibility and discretion in the use of funding to enable critical market development functions to deploy capital at scale
    d. Include specific examples of priority projects that highlight opportunities relevant to the majority of Americans
    e. Broaden the definition of low-income and disadvantaged communities to be inclusive of the definitions already in use by community lenders

II. The overall design and impact of the National Clean Investment Fund
    a. Clarifying that credit unions are eligible for subawards
    b. Consideration of member deposits as private capital
    c. Explicitly add to Eligible Financial Assistance list, long-term capital advances to community lenders
    d. Governance and equity accountability

III. Financial and technical assistance awards under the Clean Communities Investment Accelerator
    a. Need for greater flexibility in funding uses and allocations

I. Comments on the overall design and impact of the GGRF Implementation Framework

a. Build a diverse portfolio of direct recipients that can support the range of projects that are part of a clean energy transition

The intention of EPA to make a small number of direct awards through the National Clean Investment Fund (NCIF) and Clean Communities Investment Accelerator (CCIA) will streamline the process for directing funding to communities and leverage the capacity and networks that nonprofit organizations have built as intermediaries in the community development finance space.

We recommend that EPA include decision-making criteria to prioritize applicants that incorporate a range of diverse financing activities and strategies, demonstrating a comprehensive approach to

[1] https://www.cdfifund.gov/sites/cdfi/files/documents/cdfi_infogrpahic_v03aaf.pdf

emissions reduction, and building equitable solutions to support low-income households, businesses, and communities. Specifically, EPA should ensure that awards are made to organizations with strategies that range from financing large projects, including those illustrated in the Framework (retrofits of affordable housing and commercial buildings, distributed solar through microgrids, and community solar projects), along with smaller financing to households for energy efficiency retrofits, solar on single-family homes, and low-carbon transportation through consumer electric vehicle purchase and charging.

To achieve scale in greening local economies, GGRF awardees must be able to reach individuals, households, and entrepreneurs. This is particularly important in low-income and disadvantaged communities, where homes and appliances are older and less energy efficient, and low wage workers typically have commutes for employment that are twice as long as higher salaried employees. High volume lending in these communities will achieve far greater impact on emissions reduction, while achieving greater equity in a greening economy.

With such a large opportunity to scale clean energy financing at institutions that provide personal, consumer, and home loans, applicants to both the NCIF and the CCIA should be encouraged to demonstrate how they will support these categories in their strategies, alongside the Priority Project Categories already listed in the Framework. Coordinated, comprehensive approaches will create greater market transformation. Further, the most energy-burdened low-income households and workers can realize the greatest economic benefits by switching to efficient, clean energy technologies.

b. Reconsider the distinction between direct and indirect investments

We strongly support the GGRF's stated goal to "facilitate market transformation by addressing the barriers to mobilizing private capital into clean technology projects in undercapitalized markets." We are concerned that progress on this goal may be impeded by the separation of direct investment and indirect investment into two separate competitions, with direct investment to qualified projects receiving more than twice the funding of the indirect investment competition. Inclusiv views direct investment as integrally linked with investments made to indirect recipients, enabling the greatest leverage of private investment and deployment of capital toward the goals of the overall GGRF.

As private capital providers, CDCUs, already leverage each dollar of capital they receive at a ratio of 10:1, using capital from a variety of private sources including banks, foundations, and member deposits, and will continue to do so as they expand their lending portfolios with GGRF funds to offer more green lending products that meet the needs of the low-income and disadvantaged communities they serve.

The statute that created the GGRF includes a "continued operability" requirement whereby eligible recipients "retain, manage, recycle, and monetize all repayments and other revenue received from fees, interest, repaid loans, and other financial assistance provided using the grant funds" so the GGRF continues to serve communities beyond the initial award. CDCUs are legally required to bolster the health of their own balance sheets for "continued operability" and financial sustainability.

Further, the separation of the direct and indirect investment competitions does not take advantage of the fact that CDCUs are already using a combination of financial instruments to ensure their own continued operability while also meeting the needs of their target communities. A distinction between direct and indirect financing strategies steers away from what we and our peers in the field see as one of the greatest opportunities in the GGRF: the potential for the program to take a "multi-product" approach to expanding and strengthening the network of mission-driven and community-rooted clean energy lenders, such as CDFIs. By providing diversified packages of support (including equity, debt, and non-capital support) and getting out of the asset class structure that characterizes the rest of the clean energy financing market, the GGRF could simplify and streamline the clean energy financing process.

Thus, we recommend that the EPA consider combining the NCIF and CCIA into one competition that does not restrict the ratio of direct to indirect investment in recognition of the higher leverage that CDCUs are able to achieve with indirect investment. For GGRF to maximize its impact, awardees must have the flexibility to build a holistic and dynamic clean energy market ecosystem that can best leverage existing sources of private capital, such as that provided by CDCUs.

Alternately, if the EPA opts to continue with these two separate competitions, we believe the agency should either a) broaden the scope of investment activities under each competition to allow for both direct and indirect investments, or b) give priority to applicants that are applying for or collaborating across both competitions, have a strong track record of leveraging private capital, and a demonstrated ability to diversify a portfolio with debt, equity and grants to support a variety of financial institutions.

We urge the EPA to continue working closely with the staff from the U.S. Department of the Treasury that have experience making these types of investments in mission driven lenders. These Treasury investments include a $12 billion suite of capital and grant programs to support CDFIs, MDIs, and the communities they serve, as well as the renewed State Small Business Credit Initiative (SSBCI) that is supporting up to $100 billion in small business loans, investments, and technical assistance through various state, tribal, and territory government programs.

c. Allow for flexibility and discretion in the use of funding to enable critical market development functions to deploy capital at scale

The current Implementation Framework appears to limit funding for centralized and/or regional market development activities that are critical to expedite clean energy deployment at scale. Specifically, the almost 200 community lenders that Inclusiv, in partnership with the University of New Hampshire, has worked with and trained in solar finance over the past two and a half years have identified the following market gaps that have slowed down their deployment of financing to shovel-ready clean energy projects:

- Consumer, business, and community outreach and education to drive demand and initiate the development of a robust project pipeline
- Lender training on product development, underwriting, customer/project acquisition strategies, etc.
- Technologies and platform approaches that connect borrowers with lenders (e.g., marketplace platforms) and support underwriting, project management and loan servicing
- Workforce development and business support to build and grow the contractors and businesses that are essential in execution across sectors (solar, building decarbonization, charging stations, etc.)

With the provision for predevelopment activities in the NCIF and technical assistance awards in the CCIA, we would like to request additional, specific examples of the types of activities that qualify for these uses of funds. And the restriction of these funds at the lender or project level misses out on the opportunity to build tools and platforms that can serve the field broadly and enable its growth at scale. We recommend that the NOFO specifically allow predevelopment activities, collaborative tools, infrastructure, and technical assistance that serve multiple lenders, projects, or transactions, and thus, build overall capacity and sophistication of the clean energy market serving low-income and disadvantaged communities.

d. Include specific examples of priority projects that highlight opportunities relevant to the majority of Americans

CDCUs, along with other credit unions, certain loan funds and MDIs, are in the business of lending to individuals: homeowners and homebuyers, entrepreneurs and small business owners, and general consumers whose purchasing power have the scale to move and transform the market for clean energy appliances, vehicles and technologies. We believe that EPA is aligned with the amazing potential that the GGRF, in tandem with other opportunities in the IRA, presents to put clean energy technologies in the homes of every American, regardless of their income or where they live. For this reason, we encourage the agency to include specific language in the NOFO that cites the types of projects that are most relevant to low-income consumers and communities and where the greatest opportunity for impact at scale in reducing GHG emissions lies.

Specifically, we recommend the following additions to the list of priority project categories on pages 16 and 31 of the Implementation Framework:

- **Distributed Power Generation and Storage:** examples currently cited include distributed solar, distributed wind, geothermal, stand-alone energy storage, and community-wide microgrids. **We believe EPA intends these broad categories to include rooftop solar and solar-plus-storage for single family residential (1-4 units), and we recommend that this is added as an example.**

- **Decarbonization Retrofits of Existing Buildings:** current examples cited are for multifamily, nonprofit, and institutional building types (i.e. schools, community facilities). We believe that EPA intends for this vital category to **include the single-family (1-4 units) that make up the majority of the housing stock in this country** and recommend that residential retrofits be explicitly cited as Priority Project examples. Given that single-family buildings are the focus of long-established government-funded weatherization and energy efficiency programs, there is an extensive network of organizations that are already engaged in this work and poised to scale.

  Further, we encourage the agency to include a more detailed list of what is considered to be decarbonization and include an efficiency-first approach, which recognizes the critical step of reducing energy demand through upgrades to both the physical building and envelope and its systems and equipment. **Small loans and investments in equipment upgrades and retrofits of single family homes, if done at scale, will have a dramatic impact on greenhouse gas emissions reductions and pollution**, while also reducing the energy burden for low-wealth and low-income families and making their homes healthier and safer. Also, these types of projects are often more feasible for low-income homeowners than wholesale electrification. Please see Appendix for a more comprehensive, but not exhaustive, list of single-family home energy improvements that are commonly funded by community-based lenders serving low- and moderate-income households.

- **Transportation Pollution Reduction:** We are encouraged to see EPA cite Priority Projects that will reduce air pollution in overburdened communities. We recommend that priority projects also acknowledge the dramatic impact of loans to low-income consumers for new and used electric vehicles that reduce emissions and expenses for low-income and disadvantaged workers, who spend up to 2x longer than higher-income peers commuting. **Projects that finance the purchase of new and used electric vehicles and the installation of the charging infrastructure in homes and businesses are poised to take advantage of time-limited tax incentives, which also improves the project economics for borrowers.**

e. Broaden the definition of low-income and disadvantaged communities to be inclusive of the definitions already in use by community lenders

EPA expects to define low-income and disadvantaged communities as inclusive of geographically defined disadvantaged communities identified through the Climate and Economic Justice Screening Tool (CEJST), the publicly available mapping tool developed by the White House Council on Environmental Quality, and inclusive of the limited supplemental set of census block groups that are at or above the 90th percentile for EJ Screen's Supplemental Indexes.

CDFIs have already built their data and reporting systems around definitions of low-income and disadvantaged set by the U.S. Department of Treasury. We recognize that there is a high degree of overlap between environmental justice-burdened communities and low-income and disadvantaged communities due to the intersectional nature of institutional and systemic racism and its legacies. However, using a different definition than the one already in use by a large segment of the potential recipients of GGRF funding poses an administrative burden for CDFIs. Further, requirements to report individual project investments could quickly overwhelm individual lenders as well as any centralized reporting hub that the EPA envisions as CDCUs, that already originate hundreds of thousands of loans each year, expand and scale their green lending activities.

II. Comments on the overall design and impact of the National Clean Investment Fund

a. Clarifying that credit unions are eligible for subawards

Page 14 of the Implementation Framework states that "other types of nonprofit organizations eligible for subawards under the EPA Subaward Policy" may apply to the NCIF as part of a coalition led by an eligible recipient.

We believe that EPA recognizes and acknowledges the critical role that not-for-profit cooperative organizations like credit unions will play in ensuring that the benefits of GGRF are felt throughout this country in thousands of communities and to the millions of Americans, particularly in low-income and disadvantaged communities, that are served by credit unions. As coalition members, credit unions would be able to draw funds to leverage private capital and directly invest in millions of loans to reduce emissions and drive equitable growth.

It is Inclusiv's understanding of 2 CFR 200.1 (as articulated in the footnote on page 14) that credit unions as not-for-profit cooperatives meet the definition of nonprofit organizations that can participate as members of applicant coalitions and are eligible for subawards under the NCIF. We request clarification from EPA to that point.

b. Consideration of member deposits as private capital

The description of the National Clean Investment Fund cites the expectation that the national nonprofit recipients will leverage private capital. We recommend that EPA include a definition of private capital in the NOFO, and that this definition include member deposits in credit unions. Member deposits in credit unions are the largest source of social impact investment capital in the United States. As of December 2022, federally insured member shares and deposits in credit unions totaled $1.68 trillion[2].

[2] https://ncua.gov/files/publications/analysis/industry-at-a-glance-december-2022.pdf

c. Explicitly add to Eligible Financial Assistance list, long-term capital advances to community lenders

We agree with the EPA's definition of eligible financial assistance and appreciate the examples provided. We do hope this list is illustrative, but not exhaustive, given that there are always new innovations when it comes to different types of financing activities. One type of qualified activity we would recommend to be explicitly added to the existing list of Eligible Financial Assistance (page 14 section D) is the ability for community lenders to directly draw long-term low-cost capital advances from the NCIF. As in the development of the mortgage market, providing long-term capital at below market rates will enable community lenders to offer affordable long-term loans at scale. By enabling community lenders to draw capital at significantly below market rates, this essentially enables them to buy down interest rates while still being able to manage their interest rate risk safely.

d. Governance and equity accountability

Community development credit unions are formed to serve low-income and disadvantaged communities, and have been formed directly by the members of those communities. As financial cooperatives, they are owned and governed by their members, who live, work, workshop, and attend schools in the communities that the credit unions are set up to serve. As a direct result of this structure, they are accountable to those same communities while deeply understanding and being responsive to their needs. This is reflected in the make-up of their leadership, including executive staff and boards of directors, as well as in the products and services they offer.

The Governance Plan and Equity Accountability Plan requirements on pages 21 and 37 of the Implementation Framework risk approving applicants that do not have true accountability to low-income and disadvantaged communities or that are able to truly meet Justice40 goals. Advisory boards play a valuable role in community development, but they do not ensure that an eligible recipient remains accountable to the Justice40 goals and to the communities served. It is, unfortunately, not uncommon for large organizations to enter a community as outsiders, and state commitment to equity, but not deliver. Too often, these organizations later blame the very communities they have failed for the large organization's own failure to serve the community well. Direct accountability in governance is an essential component to ensuring that decisions made by leadership are driven by community needs and demand. This is particularly important when directing capital to areas that have a history of disinvestment and denied access to financing.

The make-up of the leadership, including board and executive staff, and how it relates to the demographics of the disadvantaged communities served must be considered in the application evaluation. EPA currently seeks that the board composition only have relevant expertise investing in low-income and disadvantaged community investment, and experience working directly with Tribes, and includes a vague nod to board diversity. The EPA must be explicit that in order to qualify for Justice40 consideration, applicants must demonstrate true leadership from and accountability to low-income, communities of color, and other disadvantaged communities. Simply having experience lending in these communities is woefully inadequate to address the injustices of environmental and energy policy. Further, consultative and advisory functions are not equal to accountability. The only path to accountability is the governance and leadership of the entities.

III. Comments and considerations for financial and technical assistance awards under the Clean Communities Investment Accelerator

a. Need for greater flexibility in funding uses and allocations

We acknowledge and support the desire of EPA to ensure that funds are distributed to many diverse lenders through the CCIA, but as a financial intermediary with almost 50 years experience raising and deploying capital, we have found that it is critical to provide a range of investments based upon the size of the balance sheet of the community lender, the ability of each to deploy that capital well, and the needs for some to receive multiple infusions as they grow and build their lending capacity.

In its current form, the CCIA restricts this type of dynamic and flexible investment in community lenders, particularly in comparison to the broad activities anticipated in the NCIF. The $5 million cap on indirect investments to any community lender, regardless of size or experience, is arbitrary and fails to account for the broad range of asset size and maturity of community lenders that are already operating in the clean energy space or planning to enter it. **Rather than set a firm limit of $5 million on capital to community lenders, we encourage EPA to ask applicants to the CCIA to share their strategy for how they intend to allocate the investment for maximum impact on diverse areas, communities and financing tools.**

Similarly, the $625,000 cap and 12.5% cap on technical assistance spending are limiting in their design. Allocating these dollars at the individual lender level impedes the huge opportunity that exists for intermediaries to conduct field-building activities that can operate at scale and serve the common needs of many lenders. Operating expenses are by far the biggest expense driver for community lenders, far exceeding the cost of capital, so promoting the development of shared training and operating platforms that reduce lender operating expenses will enable lenders to provide capital at lower rates to communities–which is aligned with the overall goals of the GGRF to provide capital at "significantly better than market rates."

In closing, we enthusiastically support the creation of the GGRF and appreciate the opportunity to provide comments that we hope will help maximize the impact of this fund. We would like to extend our gratitude to the EPA, and particularly to the entire GGRF team, for your important work and deep commitment to building the pathways that ensure this unprecedented investment in equitable climate finance has a transformative impact on the lives of millions of Americans. Thank you so much for your time and consideration.

Sincerely,

Cathleen A. Mahon
President and CEO
Inclusiv

Appendix

Home Energy Improvements Commonly Funded by Credit Unions

Home Efficiency and Performance

- ENERGY STAR appliances (refrigerators, ovens, dishwashers, clothes washers, clothes dryers, etc.)
- Sealing (Air, Duct)
- Insulation (Ceiling, Floor, Wall)
- Zone Temperature Controls (heating and cooling)
- Efficient Lighting Systems
- Windows (replacement, solar screens)

Heating, Water Heating, and Cooling

- Heat Pumps (air source, ground source, ductless mini-split, water heater)
- High Efficiency HVAC (boiler, furnace, air conditioner)
- Tankless Water Heater
- Condensing Water Heater

Renewables

- EV home charging
- Micro CHP
- Micro Fuel Cell
- Smart Meter
- Solar Hot Water Heater
- Rooftop Solar PV
- Solar Battery Back-up
- Solar PV Islanding Inverters
- Solar Attic Fans