NALCAB
National Association for Latino Community Asset Builders

August 15, 2011

US Department of Treasury
Community Development Financial Institutions Fund
601 13th Street, NW, Suite 200 South
Washington, DC 20005
c/o Jodie Harris, Policy Specialist

To the US Department of the Treasury, Community Development Financial Institutions Fund:

Please find below comments on the proposed CDFI Bond Guarantee Program in response to a Request for Public Comment dated June 23, 2011.

1. Definitions

- The definition of low-income used in connection with the bond guarantee program should be consistent with the common definition published by the U.S. Department of Housing and Urban Development.

- With regard to the definition of rural, we urge the CDFI Fund to avoid making the definition highly restrictive (e.g. only communities with populations under 10,000) and to ensure to include colonias (underdeveloped, unplanned communities with little or no infrastructure in the US-Mexico Border region) identified by a Border State or the US Department of Housing and Urban Development, *even if the colonia is located within an MSA.*

- No definition of eligible community should limit the ability of CDFIs to partner or form consortia (i.e. by limiting the definition of eligible communities to the target area only of the lead applicant).

2. Use of Funds

- Bonds issued under the guarantee program should explicitly be allowed for the financing or refinancing of community or economic development activities or projects (including affordable housing, community facilities, commercial development, public markets, small business lending and microlending, mortgage lending, etc. ) that are located in low-income census tracts and those activities and projects for which the majority of the people served are low-income, as demonstrated through reasonable usage data or market analysis.

- CDFI should act prudently with respect to credit risk and should allow institutions to enter into risk sharing agreements.

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- Requiring a credit rating from a third-party credit rating agency in this context is not useful. It is unclear that credit rating agencies would be able to accurately measure the risk of community and economic development projects targeted to low-income communities.

3.Guarantee Provisions

- Verifiable losses should be defined by the liquidation of collateral and/or the sale of a loan to a bona fide third party purchaser.

4.Eligible Entities

- The CDFI Fund should explicitly recognize consortia of non-profit entities as eligible applicants, so long as the lead issuer is a CDFI.

- The CDFI Fund should ensure diversity of impact in the distribution of the bond guarantee in diverse communities of color.

- The CDFI Fund should avoid being overly prescriptive in developing threshold requirements for eligible issuers. An issuer should be able to demonstrate expertise in understanding community and economic development activities and projects, and demonstrate an ability to determine risk in activities and projects that serve low-income communities. A strong track record of financial management, reporting and auditing should be required.

- The CDFI Fund should not sole source with a single master servicer.

5.Capital Distribution Plan

- The format of the capital distribution plan need not be overly proscriptive. It should be the burden of the qualified issuer to present a clear and precise capital distribution plan. CDFI should require the capital distribution plan to document or reasonably estimate the impact of bond fund investments on people by income levels and race/ ethnicity.

6.Accountability of Qualified Issuer

- It is likely that a major use of bond funds will be to refinance existing real estate projects or loan porfolios that have a demonstrated period of performance as financially stable assets. The amount of capital made available through refinancing that is actually reinvested in community and economic development purposes should be a metric for measuring the success and impact of the program. Also, CDFI should measure the number of community or economic development activities or projects that are made more financially sustainable as a result of the bond investment. Job creation is clearly a critical metric to track.

- CDFI should not place proscriptive requirement of the metrics or outcomes to be achieved, rather, CDFI should evaluate the overall impact of a proposed investment and the extent to which the overall portfolio of guaranteed funds produces measurable impacts and achieves an equitable investment in diverse communities of color. As such, issuers should be required to report on the impact of bond fund investments on people by income levels and race/ ethnicity.

Thank you for taking these comments into account.

Respectfully submitted,

Noel A. Poyo

Noel Poyo
Executive Director

cc: NALCAB Board of Directors