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August 15, 2011

Ms. Jody Harris
 Policy Specialist
 CDFI Fund, US Department of Treasury
 601 13th Street, NW, Suite 200 South
 Washington, DC 20005

RE: Federal Register, Volume 76, Number 127 – *Community Development Financial Institutions (CDFI) Bond Guarantee Program*

Dear Ms. Harris,

On behalf of the Silicon Valley Leadership Group, I am writing to respond to your request for public comment on the Community Development Financial Institution Bond Guarantee Program created by the Small Business Jobs Act of 2010.

With the struggling U.S. economy, access to capital has been increasingly difficult to attain due to the reluctance from financial institutions to lend much of the needed financing right here in Silicon Valley. While billions of dollars have been approved by the government, many businesses have been unable to access the funds due to the current regulatory framework. Equally troubling, underserved communities are often the hardest hit by the impact of the unavailability of financing. CDFIs, which by statute and mission are singularly focused on providing access to capital for these underserved communities, have the opportunity to address this problem, but lenders such as Progreso Financiero who engage in lending to the most underserved find themselves also need access guarantees to stable and reliable sources of capital to re-lend and scale.

The CDFI Bond Guarantee Program would be transformational for three reasons:

- 1) The amount of capital (\$5 billion) that could be unlocked to CDFIs, and in turn, to lower-income communities, is significant and exponentially more than CDFIs have had access to in the past.
- 2) The program allows CDFIs to tap into the public capital markets (for the first time) for loan capital, which would dramatically alter the landscape of funding opportunities available to CDFIs (and their loan portfolios) and allow CDFIs a chance to scale their operations with reliable and lower-cost sources of funding.
- 3) Increasing the availability of debt capital would also ignite interest from private sector capital providers and unlock venture capital into CDFIs that have developed innovative models in serving low-income and hard to serve communities.

As the Department of Treasury puts together the regulations for this program, I would like to share some of my comments and responses to the questions set forth in the Federal Register, Volume 75, Number 127, published on July 1, 2011:

- **Eligibility:** All CDFIs (as per the CDFI certification process) are providing loans that serve low-income and underserved communities. Therefore, all CDFIs should be eligible, regardless of the types of loans they make (e.g., mortgage, real estate/project finance, small business, small dollar credit building, etc.) and the structure, terms and rates of their loans. These communities already suffer from a severe lack of capital access. Putting additional limitations on those institutions that already provide responsible access would set our lower-income communities even farther back.
- **Ensuring the Program's Launch and Full Deployment:** The program should require a two-step application process and should be on a first serve, first come basis. In order to ensure the public-private appeal of this program and to contribute to reducing government's spending, the first step of the application should require issuers to seek a third party evaluation to determine the appropriate risk reserve required above the 3% mandated in the statute. This evaluation should be based on the type (mortgage, small business, unsecured small loans, etc.) and historical loss performance of the underlying assets.

Silicon Valley Leadership Group Public Comment

Jody Harris, Policy Specialist CDFI Fund, US Department of Treasury

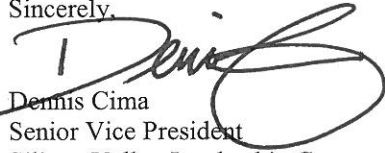
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Additionally, all applicants should undergo a “means assessment” to determine the appropriate size of the proposed bond issuance. The assessment should be based on historical loan origination volume and the capital plan of each applicant so that the \$1B guarantee is allocated appropriately across CDFIs. As low income communities suffer from a continued lack of access to capital, the application process will ensure that \$900 million per year or 100% of new lending capacity enabled by this program is actually deployed in our hardest hit communities.

- **Loan Proceeds Can Be Used to Refinance Existing Debt:** Provided that existing debt being refinanced was used to finance loans that are consistent with the mission and purpose of CDFIs, proceeds from a bond issuance under the program should be allowed to repay and refinance existing debt. Furthermore, the proceeds used to refinance existing debt should count towards the requirement that 90% of all bond proceeds be used for making loans that are consistent with the purpose of CDFIs.
- **Bridge to Mainstream Financial Market Access:** While this program will be transformational, it only lasts for five years. If this pilot program is not renewed by Congress, it would be most unfortunate if the participating CDFIs would then suffer from a lack of capital after 5 years of tremendous access. Therefore, this program must also prepare participating CDFIs to be ready to meet the requirements of mainstream financial market access. For this reason, we recommend that the CDFI Fund, as part of its application, require participants who are not yet ready for mainstream financial market access (without a government guarantee) to take the necessary steps duringP the pilot program’s tenure to develop those capabilities.

Thank you for your consideration.

Sincerely,



Dennis Cima
Senior Vice President
Silicon Valley Leadership Group