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Ms. Jodie Harris, Policy Specialist
CDFI Fund
U.S. Department of the Treasury
601 13th Street, NW Suite 200 South
Washington, D.C., 20005

Dear Ms. Harris,

Thank you for the opportunity to submit comments on issues regarding the implementation of the Community Development Financial Institutions Bond Guarantee Program (CDFIBG Program). This program represents a tremendous opportunity to infuse needed low-cost capital into communities, including Native Hawaiian communities, which were left behind by or denied access to traditional sources of capital. As the principal public agency in the State of Hawaii responsible for the betterment of the conditions of Native Hawaiians, the Office of Hawaiian Affairs (OHA) is particularly interested in the community and economic development needs of the Native Hawaiian community.

While the CDFIBG Program offers tremendous potential, it is clear that the Federal Government's current tenuous financial situation require that the CDFIBG Program balance flexibility with sound financial practices. Regulations must account for appropriate financial rigor to limit the need to call on the Federal guarantee provided by the Program. Program flexibility, however, is essential and equally important in order for bond proceeds to reach the numerous and diverse distressed communities that are the intended recipients and in critical need of this capital infusion. With this general comment in mind, OHA provides the following specific comments to the proposed rule.

Eligible Community and Economic Development Purpose

Hawaii's unique geography and the history of its indigenous population, the Native Hawaiian people, have meant that application of traditional Federal definitions of rural and low-income (related to a geographic area) have unintentionally excluded certain Native Hawaiian communities.

Hilo, on the island of Hawai'i, for example, is the home to a sizable Native Hawaiian population and a major hub of Native Hawaiian language and cultural revitalization. Currently, this community faces serious economic challenges, and could benefit from the CDFIBG program. Many of the Native Hawaiian families residing in the Hilo area are income-eligible. Yet, the properties located in this jurisdiction are apparently not eligible for the U.S. Department of Agricultural (USDA) single family program (based on a review of their website), intended for "rural" populations.

In similar fashion, the communities of Kailua and Kāne'ohe on the island of O'ahu have sizable populations of low to moderate income Native Hawaiian families that are working full time but cannot make ends meet. Many of these families have resided in these communities for several generations, sometimes tracing their roots to pre-western contact. Already a desirable location, Kailua, in particular, has seen major enhancements to the community and in-migration that has rendered this community high-cost and high-income.

For the Native Hawaiian families that reside in these communities, this has meant increasing costs in the form of sky-rocketing property taxes or rents (for those who do not own). Adding insult to injury, non-profit organizations that work in these communities supporting these families find it difficult to secure government resources that look at need based on the socio-economic characteristics of the location (through census tract information). Kailua and Kāne'ohe are also apparently ineligible for USDA single family mortgage support. The end result is that the Native Hawaiian families residing in these communities while in need are ineligible to receive the assistance.

To prevent this continued unintentional outcome OHA suggests that in addition to traditional definitions of rural and low-income, an eligible community or economic development purpose include projects that are intended to <u>principally address the community and economic development needs of a target Native population such as Native Hawaiians.</u> Such projects could include financial support for: (1) housing to assist low and moderate income Native Hawaiian families (qualification based on client income and not geographic location); (2) Native Hawaiian focused community facilities such as charter schools and health care facilities; and (3) Native Hawaiian owned businesses or businesses that support Native Hawaiian communities, for example.

In addition, projects that are located on lands held for the benefit of Native Hawaiians including Hawaiian Home Lands and properties held by OHA should also be deemed eligible to receive capital investments from the CDFIBG Program.

<u>Set-Aside or Priority Points for Projects Intended for Native Peoples</u>

To proactively pursue community and economic development for Native communities, effort should be made to either set-aside a portion of the bond proceeds for (1) community and economic development projects that principally benefit Native populations such as Native Hawaiians; (2) that are located on properties held for the benefit of Native populations such as properties held by OHA or Hawaiian Home Lands; or (3) are supported by a Native CDFI.

If a set-aside of bond proceeds is not practical, then some kind of priority structure should be included in the criteria utilized to select the qualified issuer CDFI or the CDFIs that are the recipients of the bond proceeds. Such criteria could provide some kind of priority consideration, such as an award of additional points, for loans or other investments that support community or economic development activities that principally benefit a Native population such as Native Hawaiians.

Eligible CDFI

While the number of CDFIs qualified to participate in a sizeable bond issuance may be very small, the number of CDFIs that can ultimately benefit from the bond proceeds should not be. The structure of the program should allow for broad participation of CDFIs large and small, new and old, urban and rural, native and non-native. The very short window of program authorization (program expiration to occur in 2014) indicates that this program may not have a long life.

If this is the case, it becomes even more important to cast the net as wide as possible, although mindful of the need for financial prudence. Therefore, eligible CDFIs should include those that are newly certified, applying for certification, or emerging that can demonstrate the capacity to meet the required financial standards.

Qualified Issuer Entity

The statute defines "qualified issuer" as a "community development financial institution (or an entity designated to issue notes or bonds on behalf of such community development financial institution) that meets the qualification requirements of this paragraph."

To ensure maximum flexibility, the rules should allow for a state or local government agency or quasi-governmental entity with experience in bond issuance to be eligible to serve as the entity selected by the CDFI. The statute already deems these public entities eligible to serve as community partners.

We appreciate the opportunity to submit these comments and to be a part of the discussion regarding implementation of this important and exciting program. Should you have any questions regarding the above, please feel free to contact Jobie Masagatani, Special Assistant to the CEO, at jobiem@oha.org or (808) 594-1835.

'O wau iho nō me ka 'oia'i'o,

Clyde W. Nāmu'o
Chief Executive Officer