



BILLING CODE 4810-70-P

**DEPARTMENT OF THE TREASURY**

**Community Development Financial Institutions Fund**

**Notice of Information Collection and Request for Public Comment**

**ACTION:** Notice and request for public comment.

**SUMMARY:** The Department of the Treasury, as part of its continuing effort to reduce paperwork and respondent burden, invites the general public and other Federal agencies to take this opportunity to comment on proposed and/or continuing information collections, as required by the Paperwork Reduction Act of 1995. Currently, the Community Development Financial Institutions Fund (CDFI Fund), Department of the Treasury, is soliciting comments concerning the Community Development Financial Institutions Program – Certification Application, which Applicants will submit through the CDFI Fund’s Awards Management Information System (AMIS).

**DATES:** Written comments must be received on or before **[INSERT DATE 90 DAYS AFTER DATE OF PUBLICATION IN THE FEDERAL REGISTER]** to be assured of consideration.

**ADDRESSES:** Submit your comments via email to Tanya McInnis, Program Manager for the Office of Certification, Compliance Monitoring and Evaluation, CDFI Fund, at [ccme@cdfi.treas.gov](mailto:ccme@cdfi.treas.gov).

**FOR FURTHER INFORMATION CONTACT:** Tanya McInnis, Program Manager for the Office of Certification, Compliance Monitoring and Evaluation, Community Development Financial Institutions Fund, U.S. Department of the Treasury, 1500 Pennsylvania Ave. NW, Washington DC 20220 or by phone at (202) 653-0300. Other information regarding the CDFI

Fund and its programs may be obtained through the CDFI Fund's website at <http://www.cdfifund.gov>.

**SUPPLEMENTARY INFORMATION:**

Title: Community Development Financial Institutions Program – Certification Application

OMB Number: 1559-0028

Type of Review: Regular Review.

Abstract: A certified Community Development Financial Institution (CDFI) is a specialized financial institution that works in markets that are underserved by traditional financial institutions. CDFIs provide a range of financial products and services in economically distressed target markets, such as mortgage financing for low-income and first-time homebuyers and not-for-profit developers, flexible underwriting and risk capital for needed community facilities, and technical assistance, commercial loans and investments to small start-up or expanding businesses in low-income areas. CDFIs include regulated institutions such as community development banks and credit unions, and non-regulated institutions such as loan and venture capital funds. CDFI certification is a designation conferred by the CDFI Fund and is a requirement for accessing Financial Assistance awards from the CDFI Fund through the CDFI Program and Native American CDFI Assistance Program, and bond guarantees through the CDFI Bond Guarantee Program, as well as certain benefits under the Bank Enterprise Award Program, to support an organization's established community development financing programs. A financial institution seeking to become a Certified CDFI and qualify to access assistance from the CDFI Fund must complete the CDFI Certification Application.

The CDFI Fund is authorized by the Riegle Community Development Banking and Financial Institutions Act of 1994 (Pub. L. No. 103-325, 12 U.S.C. 4701 et seq.) (the Act). The regulations

governing CDFI certification are found at 12 CFR. 1805.201 (the Regulations). Capitalized terms found in this notice are defined in the regulations that govern the CDFI Program, at 12 CFR 1805.104.

Since 1997, the universe of Certified CDFIs has grown from 196 to nearly 1,100 organizations, with nearly \$159 billion in total assets and headquarters in all fifty states, the District of Columbia, Guam, and Puerto Rico. The significance of CDFI Certification also has increased over the years, as CDFI status has come to serve as a qualifier for other Federal government and private sector programs and benefits.

As part of a review to ensure the CDFI Certification policies and procedures continue to meet the statutory and regulatory requirements, are responsive to the evolving nature of the CDFI industry, and protect government resources, the CDFI Fund published a Request for Information (RFI) in January 2017 seeking comments from the public regarding current CDFI Certification policies and procedures. The public responded to the RFI with 28 letters and over 200 pages of comments.

The revised application reflects changes to CDFI Certification policy that resulted from this review. In developing the revised policies and application, the CDFI Fund maintained five policy objectives:

1. Continue to foster a diversity of CDFI types, activities, and geographies;
2. Support the growth and reach of CDFIs, especially as it relates to their ability to innovate and take advantage of new technologies;
3. Protect the CDFI brand;
4. Minimize burden on CDFIs while improving data quality and collection methods; and
5. Promote efficiency for CDFI Fund staff in rendering CDFI Certification determinations.

The revised Certification policies and application attempt both to provide the flexibility necessary for CDFIs to grow and to serve the hardest to reach distressed communities, and to maintain the integrity of what it means to be a certified CDFI from a mission perspective. In addition, where existing policy was considered appropriate, changes were made to the application and guidance to provide greater transparency and clarity around the criteria that entities must meet to obtain and maintain CDFI Certification. (Currently certified CDFIs, following a sufficient grace period, will be expected to demonstrate compliance with the revised policies in order to maintain their certification.)

In addition to revisions to reflect changes in policy, the application form incorporates new tools to ease the burden on Applicants. In place of the existing paper application, Applicants will be able to complete the revised application in the CDFI Fund's Award Management Information System (AMIS). This will streamline the process by pulling data provided by Applicants elsewhere in AMIS to auto-complete portions of the application. The use of AMIS furthermore will reduce the overall number of questions an Applicant is required to answer by presenting only those relevant to the Applicant, as determined by entity type and/or responses to other questions in the application.

The revised application also will pull data provided by the Applicant through a new data collection tool, the Certification Transaction Level Report (CTLR). The CTLR provides a method to evaluate the extent to which an entity serves distressed areas and underserved populations. Data provided through the CTLR will be used to automatically complete portions of the CDFI Certification Application and determine the share of an entity's Financial Products and/or Financial Services that are deployed to the entity's proposed Target Market(s). For additional information on the CTLR, see OMB 1559-0046.

With the CTLR, the existing “Target Market CY” and “Target Market FYE” sections of the application will be eliminated. Data collected through the CTLR also will facilitate revised policies that allow for the elimination of the Target Market mapping requirement for most Applicants. Although the revised application includes a number of new questions, the CDFI Fund anticipates that the overall effect of the changes to the application will be a net reduction in burden to Applicants.

Affected Public: Businesses or other for-profit institutions, non-profit entities, and State, local, and Tribal entities participating in CDFI Fund programs.

Estimated Number of Respondents: 150.

Estimated Annual Time Per Respondent: 35 hours.

Estimated Total Annual Burden Hours: 5,250 hours.

*Request for Comments:* Comments submitted in response to this notice will be summarized and/or included in the request for OMB approval. All comments will become a matter of public record at <http://www.cdfifund.gov>. The CDFI Fund is seeking input on the content of the revised CDFI Certification Application. The application and related guidance may be obtained on the CDFI Fund’s website at <https://www.cdfifund.gov/programs-training/certification/cdfi/Pages/default.aspx>. Comments are invited on all aspects of the information collection, but commentators may wish to focus particular attention on: (a) the cost for CDFIs to operate and maintain the services/systems required to provide the required information; (b) ways to enhance the quality, utility, and clarity of the information to be collected, including which data might be useful to publish to provide the public a concise organizational profile of each certified CDFI’s Financial Products, Financial Services, Asset Size, and Target Markets; (c) whether the collection of information is necessary for the proper

evaluation of the effectiveness and impact of the CDFI Fund's programs, including whether the information has practical utility; (d) the accuracy of the CDFI Fund's estimate of the burden of the collection of information, and; (e) ways to minimize the burden of the collection of information including through the use of technology.

In addition, the CDFI Fund requests comments in response to the following questions:

1. Is the information that will be collected by the revised application necessary and appropriate for the CDFI Fund to consider for the purpose of CDFI certification?
2. Are certain questions or tables redundant or unnecessary?
3. Should any questions or tables be added to ensure collection of relevant information?
4. Are there questions where the intent or the purpose of the question is not clear? If so, which questions, and what needs to be clarified in order to provide a comprehensive response?
5. Are there questions that would require additional guidance to respond adequately? If so, which questions, and what type of instructions would be helpful in order to be able to provide a response?
6. What is a reasonable grace period for currently certified CDFIs to come into compliance with the new certification criteria?
7. Currently applicants are allowed to submit CDFI Certification Applications at any time throughout the year. The CDFI Fund is considering transitioning to a quarterly submission schedule, which would allow applicants to submit CDFI Certification Applications only within a specific time period every three months. Should the CDFI Fund transition to a quarterly CDFI Certification Application cycle?

*Primary Mission – Financial Products and Services:* The Act states that a CDFI must have “a primary mission of promoting community development.” Further, the Regulations state that, “In determining whether an Applicant has such a primary mission, the CDFI Fund will consider whether the activities of the Applicant are purposefully directed toward improving the social and/or economic conditions of underserved people and/or residents of economically distressed communities.”

To strengthen the primary mission test and examine the extent to which an entity’s Financial Products and Financial Services align with that mission, the CDFI Certification Application will evaluate an entity’s Financial Products and Financial Services, with a focus on the strategies, policies, and practices related to the products and services offered by that entity.

Given the CDFI Fund’s limited resources to review an entity’s products or services individually, the application asks entities a series of questions and/or attestations about their activities. The aim of these questions is to determine, to the extent possible, whether an entity – and the Financial Products and Financial Services it offers – adheres to a set of mission related principles. These include:

- **Community Development Intent:** Be purposefully directed toward improving the social and/or economic conditions of underserved people and/or residents of economically distressed communities.
- **Responsible Financing Practices:** Engage in providing products and services in a way that does not harm consumers. Financial Products should be affordable and based upon a borrower’s ability to repay and CDFIs should practice transparency, fair collections, and compliance with federal, state, and local laws and regulations.

The CDFI Fund is considering whether certain practices that do not align with these principles should be considered disqualifying for the purposes of CDFI Certification.

*Questions Related to Primary Mission – Financial Products and Services:*

8. Are the questions in the revised application appropriate to determine an entity's community development intent?
9. Are there other practices related to the provision of Financial Products and/or Financial Services that should be considered indicators of an entity's community development intent?
10. Should any of the questions in the application related to responsible financing practices be used as a basis to automatically disqualify an Applicant from eligibility for CDFI Certification, or are there alternative criteria that should be met or used in such a manner?
11. If there are practices that should be considered either disqualifying or a prerequisite for CDFI Certification, should there be exceptions for any entities that engage or fail to engage, respectively, in such practices and, if so, under what circumstances?
12. Are there any other practices related to the responsible provision of Financial Products, especially those related to mortgage or other real estate lending, and to equity investments, for which either the presence or absence of which should be considered for purposes of CDFI Certification?
13. For purposes of CDFI Certification, should an entity be required to indicate that it offers or engages in at least one or more of the types of Financial Services and practices identified in the questions on "Responsible Financing Practices – Financial Services?"

14. Are there any practices related to the provision of Financial Services for which either the presence or absence of which should be considered disqualifying for purposes of CDFI Certification?

*Primary Mission – Affiliates:* Subsidiaries of Insured Depository Institutions (IDIs), Depository Institution Holding Companies (DIHCs), and Affiliates or Subsidiaries of DIHCs currently are required by statute to meet the certification test collectively. To avoid disparate treatment among financial service providers, the CDFI Fund is proposing to apply the primary mission test, regardless of entity type, to all parent entities and to any Subsidiary or Affiliate that engages in financing activities.

*Questions Related to Primary Mission – Affiliates:*

15. Are there circumstances that the CDFI Fund should consider as an exception to this rule?

*Target Market – Mapping:* Under the new certification policy, entities serving an Investment Area consisting solely of individual qualified census tracts (i.e., those that the CDFI Fund has determined meet one or more of the statutory economic distress criteria) as their Target Market will be able to count all activity in qualified census tracts toward their Target Market requirements. Similarly, entities that serve certain Targeted Populations will be able to count all qualifying activity toward their Target Market requirements, regardless of location.

Currently, for purposes of certification, entities are required to identify the specific geographic area(s) within which they propose to serve an Investment Area(s) and/or Targeted Population(s) as their Target Market. Furthermore, only transactions within that specified geographic area(s) for which an entity seeks or has received CDFI Certification are eligible to count toward the percentage level of Financial Product activity to the eligible Target Market(s) required for certification.

With the revised policies, the CDFI Fund will remove the geographic boundaries on most Target Market designations and will measure all of an entity's eligible activity to its designated Target Market type(s) (i.e., Investment Areas and/or Targeted Populations) toward the applicable percentage threshold. This change, in effect, will allow any CDFI to serve its designated Target Market type(s) at whatever level it is capable, including nationally and/or through the use of financial technology, without having to seek additional approval.

Mapping an entity's geographic Target Market area still will be required under certain circumstances. The Regulations permit CDFIs to serve an Investment Area consisting of "a geographic unit that is a county (or equivalent area), minor civil division that is a unit of local government, incorporated place, census tract, or Indian Reservation." Furthermore, an entity may designate a Customized Investment Area that consists of a group of contiguous geographic units that together meet certain identified distress criteria.

For entities that propose Customized Investment Area Target Markets comprised of contiguous geographic units that include non-qualifying census tracts, only the activity within the designated Customized Investment Area will count toward their Target Market requirements. Similarly, CDFIs that have a Target Market consisting of a non-predesignated Other Targeted Population (OTP) that has been approved only at a local level will be able to count activity to that OTP only within an approved geographic area.

*Questions Related to Target Market – Mapping:*

16. Are there other circumstances under which the CDFI Fund should continue to require entities to map their Target Markets and, by implication, limit eligible Target Market activity to such geographic areas?

*Target Market – Financial Services:* In addition to Financial Products, the Regulations allow Financial Services as a means of demonstrating that an entity serves a Target Market. The CDFI Fund proposes to operationalize the measurement of Financial Services toward the Target Market test by providing credit for the number of depository accounts offered to an entity's Target Market. Under this policy, entities will be able to meet the test if at least 60% of the entity's depository accounts and at least 50% of its Financial Products are provided to the Target Market.

*Questions Related to Target Market – Financial Services:*

17. Are there other Financial Services that the CDFI Fund should consider measuring toward the Target Market test? If so, how should they be incorporated into a single measure, with depository accounts, of an entity's Financial Services activity?
18. Are the proposed thresholds for Financial Product and Financial Services activity appropriate when both are used to meet the Target Market test?

*Accountability:* The revised board membership standards emphasize a preference for accountability through governing boards (as the source of decision-making authority), while providing greater flexibility on the geography of board members and their total numbers for entities with multiple Target Markets.

*Questions Related to Accountability:*

19. Are any of the revised accountability requirements unduly burdensome? Please be specific to type of CDFI (e.g., regulated, non-profit, private sector) if the requirements create disparate impact.
20. Are there alternative ways an entity can demonstrate decision-making accountability to its Target Market(s) that the CDFI Fund should consider?

21. Should the methods to demonstrate accountability differ based on type of CDFI (e.g., regulated, non-profit, private sector)?

Authority: 12 U.S.C. 4703, 4703 note, 4704, 4706, 4707, 4717; 12 CFR part 1805.

Jodie L. Harris,

Director,

Community Development Financial Institutions Fund.

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