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August 15, 2011

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

Dear Ms. Harris:

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.

I have served my country in several capacities. I began my professional career as a United States Air Force Academy Cadet and, after graduation from the U.S. Air Force Academy, I served in the U.S. Air Force as an officer for five years. At a later point in my career, I served as a federal prosecutor, being appointed by the President as an Assistant U.S. Attorney in the U.S. Attorney's Office in Los Angeles. My most recent service was as a presidential appointee from 2002 - 2007, confirmed by the Senate for two different terms as a Commissioner of the Securities and Exchange Commission (SEC). I was honored to be the first Hispanic American to serve as a Commissioner of the SEC. Today, I am a law partner with the international law firm of Locke Lord Bissell & Liddell LLP. I practice law and specialize in SEC regulatory and enforcement matters, corporate governance, and advise management teams and boards of directors on major transactions and regulatory challenges. I also serve on the boards of several public companies and fund boards. I am also the Chair of a non-profit organization named the New America Alliance, whose members are successful business and professional leaders who seek to engage in philanthropy in the American Hispanic community.

My personal and professional background leads me to appreciate the importance to our country of providing opportunities to communities of lower-income and the less advantaged. America cannot succeed in the 21st Century in the global economy unless all Americans are fully engaged in the economy and have full opportunities to obtain loans and capital to promote businesses and create jobs. I deeply support the mission of the CDFI Fund and am very pleased to see the evolution of the CDFI Bond Guarantee Program ("the Program"). I believe the Program can be the catalyst for huge growth and the unleashing of great untapped potential of millions of Americans and their talents and energies to create the new economic activity that our country desperately needs.

Many commentators today have noted that America's middle and working classes are under siege. The current recession, beginning in 2007-2008 has destroyed millions of jobs and the current unemployment rate of 9.5 % does not include another 10% or more of Americans who are under-employed or have been so discouraged that they have quit trying to find work. Working class communities are desperate for jobs and for capital. Many Americans in communities of color could establish businesses or expand existing businesses, if only they had access to small business loans or equity investments.

CDFIs, which by statue and mission are singularly focused on providing access to capital for these underserved communities, have the opportunity to address this problem. However, they themselves also need access to stable and reliable sources of capital to re-lend and to scale. The CDFI Bond Guarantee Program would be transformational in helping CDFI's do just that: (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 has been provisioned in the past, and (2) the program allows CDFIs to tap, for the first time, the public capital markets for loan capital, dramatically changing the landscape of funding opportunities for their loan portfolios and allowing them a chance to scale their operations in a cost-effective way.

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:

- **Ensuring the Program's Launch**: In order to address the Office of Management & Budget's (OMB's) concern regarding the adequacy of the proposed 3% risk sharing reserve (as mandated by the statue) and availability of budget dollars to losses potentially in excess of such amount, and thereby ensure that this much needed Program is launched without delay in 2012, all applicants, as part of the application process, should be required to either:

  (a) Seek a third party (i.e., a rating agency), as approved by the government, to determine the appropriate risk sharing reserve (as a % of the bond issuance), given the historical performance of the applicant's loan assets, beyond the 3% mandated by law, in order to mitigate any additional risk incurred by the US government who would act as a guarantor of the issuance. Any additional risk sharing beyond the 3% in the statute, as determined by the third party, would be funded via proceeds from the bond issuance, and be required as part of the issuance to receive the government's guarantee.

  (b) Purchase insurance to cover the risk of losses exceeding the 3% risk sharing reserve mandated by the statute and price the cost of such insurance into the cost of funds from the bond issuance in order to mitigate the risk of loss for the US government providing a full guarantee.

- **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. Our 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 back even farther.

- **Structure**: Any entity or subsidiary of a CDFI should be eligible to be an issuer. The preferred structured should be a special purpose subsidiary to which the loans originated by a CDFI are transferred and that issues the debt via the Bonding Program (similar to typical asset backed securitization structures). This structure is important because underwriting by bond investors should be based on the historical performance of the loans made by the CDFI which provide the cash flow to repay the bonds (see note on "Underwriting Criteria"). The Bonding Program should allow other structures, but encourage all applicants to evolve to this special purpose/asset backed structure and document in their application what investment they intend to make in their loan performance reporting capacity in order to eventually be able to issue via this preferred structure (see note below regarding "Bridge to Mainstream Financial Market Access").

- **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.

- **Re-Investment of Bond Proceeds**: Because CDFIs may make multiple loans to the same customer over the life of their relationship and because many loan terms are shorter term in nature, proceeds from the repayment of the underlying loans being financed by the bond issuance should be allowed to be reinvested for the term of the bond in new underlying loans (rather than being required to repay the bond). This type of re-investment is typical in the structured finance market and is commonly referred to as a "revolving" structure.

- **Underwriting Criteria**: CDFIs have special experience in underwriting borrowers unique to their markets (e.g., lower-income communities, underserved, etc.). Therefore, there should be no arbitrary underwriting requirements, such as minimum FICO scores of a borrower. Underwriting of a bond issuance should only be based on the historical credit performance of a CDFI's loans. This, however, only works if a CDFI is able to provide and report (with high data integrity) loan level performance of its assets. The application process should request that CDFIs indicate their capabilities or what steps they are taking to improve their capabilities in these areas (see note on "Bridge to Mainstream Financial Market Access" below).

- **90% Use of Proceeds Requirement Should not include Risk Reserve:** Issuers, as defined in the statute, must use 90% of bond proceeds to make loans or refinance existing debt, backed by previously made loans. The calculation of this 90% should be based upon the proceeds net of the risk reserve requirement and not the gross proceeds of the bond issuance.

- **CDFIs Should be Able to Serve as their Own Servicer:** In many cases, CDFIs collect payments directly from their borrowers. They also have other collection practices that are unique to their markets. For these reasons, the Program must allow a CDFI or any of its subsidiaries to act as the primary servicer of its own loans.

- **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, I strongly 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 over the Pilot Program's tenure to develop those capabilities, such as loan systems of record that can report loan level asset performance detail with high integrity and provide electronic files of loan payment and credit performance and loan document quality assurance and retention processes that meet the collateral requirements of private sector capital markets.

I appreciate very much your consideration of the comments in this letter. I urge you and your colleagues to move with all possible dispatch in permitting the Program to become effective and to serve Americans as soon as possible.

Sincerely,

Roel C. Campos