



COMMUNITY DEVELOPMENT FINANCIAL INSTITUTIONS FUND

Request for Comment: CDFI Certification Application & Reporting Tools Supporting CDFI Growth and Innovation through New Certification Application and Reporting Procedures



At the Community Development Financial Institutions Fund (CDFI Fund), we value the important work that Certified Community Development Financial Institutions (CDFIs) do. We know that CDFIs are being asked to do more than ever before in delivering capital and credit to families, businesses and communities across the nation. And we want to continue to support CDFIs the best way that we can, evolving our policies where possible to meet the modern needs of CDFIs.

That's why we've been working for the past several years to update our CDFI Certification Application and reporting requirements, which I am pleased to be able to share with you today. Specifically, we are making available for your comment and feedback new forms and reports that will be used to certify, evaluate, and recertify CDFIs. You can view the Requests for Public Comment on the new CDFI

Certification Application and reporting forms on the CDFI Fund's website [here](#).

To help make sense of the reporting and Certification changes that are being proposed, the CDFI Fund has developed a [dedicated page](#) on its website where you can access the proposed Application, reporting forms, and explanatory materials, as well as information on how to submit comments. I have also provided additional background information below.

We are keeping the public comment period open for 90 days, instead of the standard 60, to give organizations more flexibility to respond to this request while balancing the many other pressing needs facing all of us today. Comments must be submitted by August 5, 2020 to be considered by the CDFI Fund.

Please read on to preview some of the changes we are proposing.

Revisions to CDFI Certification Application

In 2017, the CDFI Fund initiated a review of its CDFI Certification policies and procedures. This review was conducted to ensure that our practices continue to reflect and represent the evolving nature of CDFIs, as well as to safeguard government resources. As part of this process, the CDFI Fund requested public input on various aspects of CDFI Certification. The proposed Certification Application and reporting forms consider that feedback and reflect the CDFI Fund's strategic priorities. In making these revisions, the CDFI Fund has maintained the following 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.

I think it is important to emphasize that the criteria for becoming a CDFI was established by the [Riegle Community Development and Regulatory Improvement Act](#) more than 25 years ago, and nothing the CDFI Fund is proposing alters these underlying tenets. However, the way in which the CDFI Fund implements these requirements into the CDFI Certification Application have been refined, and, in some cases, revamped.

For example, one proposal is the elimination of geographic restrictions on most Target Markets. CDFIs are currently required to draw a map around their Target Markets and when we measure organizations' adherence to the Target Market test, only that activity that falls inside that defined geographic area is counted. If a CDFI engages in activity outside of its approved area—even if it's investing in activity that would otherwise qualify as an eligible Target Market activity—we don't count it. We have heard from many that this inhibits CDFI growth. Eliminating this constraint should empower all CDFIs to serve their designated Target Markets at whatever level they are capable, without concern it will adversely impact their Certification.

Another proposal would be a change to the way in which we evaluate an organization's Primary Mission. The Riegle Act requires a CDFI to have a "primary mission of promoting community development," which means community development finance is at the core of an organization's activities and that those activities are purposefully directed toward improving the social and economic conditions of underserved people and communities.

The way the CDFI Fund has measured an organization's Primary Mission has been to look at board approved organizational documents, mission statement, and a brief narrative statement. But the CDFI Fund should dig deeper and evaluate how a CDFI's Primary Mission is evidenced in its strategy and products. We are proposing that the CDFI Fund use a more rigorous approach and examine alignment between an organization's mission, its strategy, and its products.

Annual Certification and Data Collection Report & Certification Transaction Level Report

To coincide with the revisions outlined in the CDFI Certification Application, the CDFI Fund has also proposed changes to the Annual Certification and Data Collection Report (ACR).

As you may be aware, Certified CDFIs are required to submit ACRs on an annual basis to [verify](#) that they continue to meet CDFI Certification requirements.

The CDFI Fund is proposing revisions to the existing ACR to align with the changes being proposed to the CDFI Certification Application. This will ensure that existing CDFIs are being held to the same evaluation, benchmarks, and review criteria as newly Certified CDFIs.

The existing ACR will be streamlined and improved, and will still be mandatory for all Certified CDFIs to complete annually. However, many of the existing data collection questions in the ACR will be standardized through the introduction of the new Certification Transaction Level Report (CTLR) as described below.

The CTLR is a proposed requirement for CDFI Certification Applicants and those Certified CDFIs that are **not** current CDFI Program or NACA Program Financial Assistance (FA) Recipients. It provides the CDFI Fund a way to examine the degree to which CDFIs are serving distressed and underserved populations. It would collect a complete year of loan and investment origination data for new CDFI Certification Applicants, as well as for Certified CDFIs that are not current FA Award Recipients (those recipients already submit the more extensive Transaction Level Report as part of their award commitments). The CTLR will create a more data-driven, quantitative evaluation of Certified CDFIs and CDFI Certification Applicants, and automate key validation processes.

Together, these three applications and forms—the CDFI Certification Application, ACR, and CTLR—will provide the CDFI Fund the ability to better track, measure, and adapt to the ever-evolving CDFI universe. And for the first time, the combined information collected would allow the CDFI Fund to paint a complete picture of the impact and activity of the Certified CDFI community. Having a greater sense of the CDFI industry will serve to build awareness; illustrate and evaluate the comprehensive effects of CDFIs in distressed communities; better assess and target financing gaps and needs; as well as aid in attracting new sources of capital. We also hope that CDFIs will be able to use the data collected by the CDFI Fund to assist in their own planning and strategy development.

While we believe the changes proposed for CDFI Certification position the CDFI industry for growth and innovation, input from CDFI practitioners and the public is still critically important to this process. We urge you to take time to consider these revisions and provide us your thoughts.

Please view all of the documents currently available for public comment, and information for how to submit your thoughts on these changes, [here](#).

Thank you in advance for your critical feedback,



Jodie L. Harris
CDFI Fund Director
