



August 12, 2011

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

Dear Ms. Harris:

Self-Help is a large and diversified community development lender with over 26 years of experience in the field. Self-Help includes three CDFIs (Self-Help Ventures Fund, Self-Help Credit Union and Self-Help Federal Credit Union) and actively partners with the CDFI Fund to deliver impact to our nation's low-income people and places.

Self-Help appreciates the opportunity to comment on the design of the new CDFI Bond Guarantee Program (CBGP). This program promises to provide CDFIs for the first time the opportunity to borrow directly from capital markets in significant amounts. If structured correctly, it can provide liquidity for a large number of CDFIs to help increase their impact, and spur new innovations in community development finance. Bob Schall, President of Self-Help Ventures Fund, serves on the OFN Bond Policy Group and helped to craft that group's Position Paper. OFN has taken careful steps to incorporate thoughts from a broad group of CDFIs fashioning this paper. Self-Help supports these positions which represent, as much as is possible, a consensus of the industry's interests.

It is worth emphasizing several of the points raised in this Position Paper that relate to risk assessment and mitigation. We support the notion that the CBGP should be operated on a revenue neutral basis. The cost associated with the program (including loan losses) should be covered with revenue derived from the program. It will be necessary for the CDFI Fund to estimate any losses associated with each of the guarantees it provides and establish one or more means of paying for those losses from a source other than the federal budget. From the perspective of a CDFI that has many years of experience in providing credit protection to creditors this is not much different than any other credit facility. Self-Help is practiced in structuring our credit facilities with a variety of tools to protect lenders against credit losses. Certainly Self-Help would certainly expect to do the same to obtain a guarantee from the federal government.

Perhaps most critically, **the CDFI Fund must assess each of the bond issuances separately** to determine the risk associated with the issuance and the best mitigants to address that risk. CDFI lending is a very diverse. To ensure that the CBGP is relevant to more than just a few CDFIs the CDFI Fund must be willing to apply the guarantee to a broad variety of issuance types and structures. This will require individual assessment of each issuance. To do otherwise in all probability would severely limiting the program's scope and effectiveness.

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There are several questions in the Request for Public Comment, repeated below, related to the issue of risk assessment and mitigation. Self-Help's general response follows.

2(d)(i) In the event that the CDFI Fund determines that there is a risk of loss to the government for which Congress has not provided an appropriation, what steps should the CDFI Fund take to compensate for this risk?

2(d)(ii). How should the CDFI Fund assess and compensate for different levels of risk among diverse proposals without unduly restricting the flexible uses for a range of community development purposes?

2(d)(iii) Are there restriction, covenants, conditions or other measures the CDFI Fund should not impose?

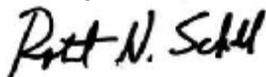
3(b)(ii) Should bonds that are used to fund certain asset classes be required to have specific terms or conditions. Should riskier asset classes or borrowers require additional enhancements?

It is likely that there will be some issuances that carry estimated losses that are greater than the 3% risk share pool and the 10 basis points fee provided by the legislation. The CDFI Fund should employ a variety of methods that are appropriate for the issuances and the CDFIs associated with the issuance. The OFN Position Paper identifies some of these methods. Not all will be equally effective in every issuance, which underscores again why the CDFI Fund must not use a 'one size fits all' approach to the issue of risk mitigation. For example, recourse to the issuer will provide more or less credit risk protection depending on the financial strength of the issuer. In asset-backed issuances, the collateral value of the loans can vary, even within the same type of loans.

The CDFI Fund should request that issuers estimate the risk of their issuances and give the basis for this assessment. This will provide a solid starting point. The CDFI Fund will also have to develop, internally and with the use of consultants, the capacity to estimate the risk of each issuance and devise a set of measures to compensate for these risks. There are many institutions that have years of experience in assessing the risk of CDFIs and their assets including banks, other financial institutions and foundations. The CDFI Fund should base its risk assessment on this existing expertise, rather than other risk rating parties (such as major credit ratings agencies) that have no experience in this industry.

Self-Help is excited by this program's potential impact. It provides an innovative approach to supporting CDFIs on a large scale at a minimal cost to the federal government. Self-Help looks forward to working with the CDFI Fund to employ these resources to create significant impact in low-income communities across the nation.

Sincerely,



Robert N. Schall, President
Self-Help Ventures Fund

