



June 16, 2022

Ms. Jodie Harris
Director
Community Development Financial Institutions Fund
U.S. Department of Treasury
1500 Pennsylvania Avenue NW
Washington, DC 20220

RE: CDFI Program Equitable Recovery Program

Dear Director Harris:

Thank you for your continued leadership and engagement as the CDFI Fund deploys unprecedented resources for communities affected by COVID-19. The funding already deployed as part of the Consolidated Appropriations Act of 2021 (CARES Act) has been historic for community development financial institutions, and the impact of the Equitable Recovery Program (ERP) on low- and moderate-income minority communities could be transformational.

On behalf of the Inclusiv Network, I am writing to reiterate the importance that ERP reflect the intent of Congress in awarding the majority of the funds allocated to institutions for “which a majority of both the number dollar [SIC] volume of arm’s-length, on-balance sheet financial products of the CDFI are directed at minorities or majority minority census tracts or equivalents.” The Inclusiv network represents more than 455 credit unions, including 289 CDFIs, serving over 17 million predominantly low-income urban, rural, and reservation-based communities across 47 states, DC and Puerto Rico. More than 46% of our members are governed by and predominantly serve people of color. Inclusiv channels capital and builds the capacity of these institutions dedicated to expanding financial access. We design, implement, and track numerous initiatives aimed at enabling members to use their credit unions to build wealth and assets.

In February, Inclusiv was joined by our partners the African American Alliance of CDFI CEOs, African American Credit Union Coalition, and the National Association of Latino Credit Union Professionals to recommend the CDFI Fund, in deploying the \$1.75 billion allocated by Congress for the Minority Lending Program, prioritize investment in those institutions that have historically been led by and serve minority communities; and minimize obstacles for high-impact small MDIs to access these resources. We appreciate the ongoing dialogue we have had with Treasury and CDFI Fund officials before and after submitting that letter. But we believe it is critical that we underscore certain points we have raised and present new solutions to the challenges identified in those discussions.

- Inclusiv strongly reiterates the importance that the ERP initiative be targeted to minority lending institutions as defined by Congress. This definition explicitly includes Minority Depository Institutions (MDIs) as core to the definition of minority lending institution along with those institutions predominantly serving people and communities of color. We recognize that Treasury has decided not to exclusively allocate the funds to Minority led and lending



institutions. We are concerned that if we do not center MDIs and other minority led CDFIs, these historically disinvested institutions will continue to be pushed to the margins of investment and resources. Inclusiv disagrees with Treasury's decision and we want to point out that MDIs have been an accepted definition amongst banking regulators since at least the Financial Institutions Reform, Recovery and Enforcement Act of 1989. And regulators have demonstrated that this designation offers an opportunity to acknowledge and actively address the historic disinvestment in these institutions and the communities they serve. We urge Treasury to reconsider moving away from a Minority Lending Institution definition, but if the application is open to a wider range of CDFIs, we seek explicit criteria that prioritizes those institutions led by and predominantly serving communities of color now.

- The Fund has indicated that ERP must be limited only to certified CDFIs by the statute. This accounts for less than 20% of all MDI credit unions and effectively excludes roughly 400 MDIs. Inclusiv understands that the CARES lists "certification status" as an **example** of criteria that can be considered, alongside "status as a Minority Lending Institution". When it comes to Minority Lending Institutions, the Fund explicitly includes "non-MDI status", but when it comes to certification, they have chosen to bar organizations with "non-certified" status.
- If the ERP program does not provide an explicit targeting of resources to minority lending institutions, the Fund could still comply with the intent of Congress by allocating a substantial portion of the resources to institutions based on size and historic investment levels. Among the credit union sector, the best proxy is to direct a substantial amount of these resources to CDFIs with assets under \$100MM. More than 70% of minority designated credit unions are under \$100MM and more than 90% of African American CUs are under \$100MM. Our analysis further suggests that prioritizing those CDFIs most active in communities of color that have never had previous access to the Fund's Financial Assistance awards would help to correct historic disinvestment in these institutions.
- Administratively, we recommend the CDFI Fund take steps to increase the pool of MDIs that apply for and access the Fund. Specifically, we urge the Fund to prioritize and expedite pending CDFI certification applications submitted by minority led CDFIs. We also encourage the CDFI Fund to split the pool of funds into two rounds to allow for more MDIs to see the success of their peers in round one. This would be a catalyst for more MDIs to complete the certification process and seek ERP funds in a subsequent round.

We ask the CDFI Fund to exercise its authority to ensure that MLIs are the primary beneficiaries of ERP funds and to address the challenges minority depositories have in achieving and maintaining CDFI certifications. From Puerto Rico to Hawaii, minority CDFIs serve as anchors in their communities and provide vital access to capital for their members, and the CDFI Fund can ensure its programs are accessible to these institutions.

The membership of Inclusiv appreciates this opportunity to share our concerns in order to maximize the effectiveness of the Equitable Recovery Program for the benefit of the most-underserved communities in the nation. We look forward to future discussions on this critical issue. If you have any questions,



please contact me at cmahon@inclusiv.org or Jules Epstein-Hebert (jhebert@inclusiv.org).

Thank you for your consideration.

Sincerely,

A handwritten signature in black ink that reads "Cathleen A. Mahon". The signature is fluid and cursive, with a long horizontal stroke at the end.

Cathleen A. Mahon
President and CEO