July 20, 2021

Thomas Vilsack
Secretary
US Department of Agriculture
1400 Independence Avenue, SW
Washington, DC 20250

Justin Maxson
Deputy Undersecretary for Rural Development
US Department of Agriculture
1400 Independence Avenue, SW
Washington, DC 20250

Dear Secretary Vilsack and Deputy Undersecretary Maxson:

Opportunity Finance Network (OFN), the national network of Community Development Financial Institutions (CDFIs), strives to ensure low-income and other under-resourced communities have access to affordable, responsible financial products and services. We share the Biden-Harris Administration's commitment to increase investment in low-wealth communities in rural America.

I am contacting you today regarding the Community Facilities (CF) Relending program, an initiative of the Obama Administration that was recently extended for five years beyond its original authorization. This pilot program has delivered valuable financing to high and persistent poverty rural communities through the use of specialized lenders, in most cases CDFIs.

With new leadership at USDA and more time for CF Relenders to source and execute deals, I urge the Department to implement reforms that will allow these critical resources to reach communities as originally intended.

Immediate action by USDA is needed to:

Communicate a Departmental Priority to Deploy CF Relending Funds.

Leadership matters. The Trump Administration failed to communicate to state offices and other stakeholders that implementing the CF Relending program was a priority. CF Relenders understood that it would take time to on-board a new set of lenders working with a new program. At the same time, repeated delays in the issuance of guidance and the general lack of clarity around rules and procedures hampered the ability of CF Relenders to draw down funds to finance needed community facilities within the time period originally authorized.

Insist on Consistency and Responsiveness Across State Offices

CF Relenders in different states report receiving widely varying experience with USDA state offices. Some state offices have been slow to offer guidance or issue eligibility determinations. State directors should be required to expedite project eligibility decisions within 30 days in most cases. In addition, CF Relenders welcome referrals and other collaborations with the main CF program.

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Update Guidance Promptly

New guidance should cover topics including, but not limited to, the following:

- The use of New Market Tax Credits (NMTC) in a CF Relender project. Rural NMTC projects have a harder time securing leverage loan financing because there are fewer lenders working in rural communities that make loans of the size and nature necessary. Many NMTC projects are large, transformational projects, which the CF Relending funds could leverage to catalyze significant outcomes in high-distress rural communities. One CF Relender that utilized program loan proceeds to fund New Market Tax Credit ("NMTC") leverage loans discovered that some lenders are uncomfortable with the structure and collateral position (due to the indirect collateral position that the loan proceeds receive during the 7-year NMTC period). Guidance should confirm that use of CF Relending funds for NMTC leverage loans is an appropriate and high-impact use of funds.
- Determination of whether a project meets eligibility requirements for a persistent poverty county or high poverty area based on service-area (eligible census tracts) and/or population (users of the facility meet low-income criteria).
- Confirmation that CF Relenders can sweep the excess interest rate spread in their accounts.
- Confirmation that separate Deposit Account Control Agreements are not required for each CF Relending program project.
- Clarification on the degree to which CF Relending funds may be used for refinancing.
- Clarification on how Civil Rights compliance is handled.

Allow Loan Participations

Loan participations among multiple CF Relenders have been prohibited, raising the cost to borrowers and complicating transactions on large projects. This prohibition caused the demise of at least one promising deal involving multiple lenders. We believe it is unreasonable for a borrower to be required to deal separately with several lenders. Changing this policy would expedite draw downs and help direct more of the program's resources to persistently poor counties and high poverty areas.

Update USDA's payment system – SIPS – to include the CF Relending program.

Currently, it is necessary for a CF Relender to select "Other" when making monthly payments. Payments have been misapplied regularly, especially to RMAP, leading to an unnecessary waste of staff time.

Conclusion

At the urging of OFN and current participants in the CF Relending program, Congress agreed to extend the deadline for the deployment of these critical resources by five years. Streamlining and clarifying procedures and insisting that all state offices collaborate with CF Relenders could make a big impact for rural communities in high poverty areas.

I would like to request a meeting with you to discuss these recommendations at your earliest convenience. I am eager to talk with you on how to engage the CDFI industry in USDA initiatives to foster greater access to capital in underinvested rural communities.

Sincerely,

Lisa Mensah

Cc: Building Hope
CEN-TEX Community Development Corporation (BCL of Texas)
Coastal Enterprises, Inc.
Community Ventures
Craft3
Dakota Resources
Federation of Appalachian Housing Enterprises, Inc.
Hope Enterprise Corporation
Hope Credit Union
Kentucky Highlands Investment Corporation
Local Initiative Support Corporation
National Council on Agricultural Life & Labor Research Fund, Inc.
Rural Community Assistance Corporation
Rural Electric Economic Development, Inc.
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