March 12, 2020

Ms. Amber Kuchar-Bell
CDFI Program and NACA Program Manager
CDFI Fund
1801 L St NW
Washington, DC 20006

Dear Ms. Kuchar-Bell:

Opportunity Finance Network (OFN) is writing with questions and concerns about several changes in the FY 2020 Notice of Funds Availability (NOFA) regarding applicants to the Small and Emerging CDFI Assistance (SECA) category of the CDFI Financial Assistance Program. This year's NOFA establishes a new eligibility criteria for SECA Applicants based on minimum portfolio size. The FY 2020 NOFA also changes the eligibility criteria pertaining to asset size for different types of CDFIs seeking SECA awards.

CDFIs seeking SECA awards in 2020 must have a total portfolio outstanding of at least $466,700 as of the most recent fiscal year-end audit to be eligible to apply to the program. There is no explanation presented in the NOFA for the introduction of this new eligibility test.

During recent comments at the CDFI Institute, you stated that the new portfolio requirements resulted from the CDFI Fund's analysis of grantee performance and the ability of smaller CDFIs to successfully administer and comply with the requirements of their awards. **OFN and many others in the industry would like to understand the Fund's decision by having the opportunity to review the data and analysis that led the Fund to establish this new minimum portfolio size criteria.**

OFN shares the CDFI Fund's commitment to CDFI performance, including the performance of smaller CDFIs. At the same time, compliance procedures already in place would seem adequate to assuring that CDFIs – of any size – are held to the commitments outlined in their assistance agreements. Setting a new size threshold at the application stage, without explaining why this level is appropriate, risks denying high performing small CDFIs from accessing Fund resources unrelated to any problematic behaviors or non-compliance with CDFI Fund requirements on their part.

We also question why the CDFI Fund has changed the SECA asset limits as follows:

CDFI Type	2019 NOFA	2020 NOFA
Insured depository Institutions and Depository Institution Holding Companies	Up to $250 million	Up to $250 million
Insured credit unions	**Up to $10 million**	**Up to $100 million**
Venture Capital Funds	**Up to $10 million**	**Up to $5 million**
Other CDFIs	Up to $5 million	Up to $5 million

As you know, capitalization structures for regulated and nonregulated CDFIs are very different. For nonprofit loan funds, equity capital is typically in the form of capital grants and retained earnings. For smaller or newer CDFIs, it can be extremely difficult to raise equity capital as there are limited sources of these critical dollars. Smaller CDFIs are often competing with larger, more established organizations for grant funds and may not have enough retained earnings to sustain their organization.

The CDFI Fund has been the largest source of equity capital for the industry and is especially important for small and new organizations. OFN is concerned that the changes in the FY2020 NOFA will hamper the ability of small loan funds to access the critical equity capital that allows them to leverage funds to use for community development financing. This is especially concerning for certain types of CDFIs that tend to be smaller and already face challenges accessing resources including CDFIs led by people of color, micro and small business lenders, lenders making small dollar loans, and CDFIs in rural communities.

The new portfolio requirements combined with the increased asset threshold for small credit unions will dramatically change the composition of the SECA applicant pool. Based on OFN's analysis of Annual Certification Report data, these two changes will make the number of loan funds eligible to apply for SECA decline by 46 percent from 200 to 137 while the number of credit unions eligible to apply increase from 40 to 129 or nearly 70 percent. **Was this the intent of the 2020 NOFA changes?**

On behalf of the CDFI industry, OFN requests that the CDFI Fund publish the data and analysis leading to the modifications in the 2020 SECA program. Thank you for your attention to this issue and your response.

Sincerely,

Jennifer A Vasiloff

Jennifer A. Vasiloff
Chief External Affairs Officer

CC: Connie Evans, Association for Enterprise Opportunity
Jeanine Jacokes, Community Development Bankers Association
Cathie Mahon, Inclusiv
Lisa Mensah, Opportunity Finance Network
Bob Rapoza, CDFI Coalition
Kerwin Tesdell, Community Development Venture Capital Alliance