

November 5, 2020

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U.S. Department of the Treasury,
1500 Pennsylvania Ave. NW

Re: Annual Certification and Data Collection Report Form and the Certification Transaction Level Report OMB 1559-0046

OFN appreciates the opportunity to comment on the CDFI Fund's proposed Annual Certification and Data Collection Report Form and the Certification Transaction Level Report. OFN is a national network of more than 300 community development financial institutions (CDFIs) investing in opportunities that benefit low-income, low-wealth, and other under-resourced communities across America. OFN's membership has originated \$74 billion in financing in urban, rural and Native communities through 2018.¹

OFN supports the CDFI Fund's efforts to monitor compliance and collect data on the CDFI industry. Improving data collection industry is critical to deepening understanding of the CDFI industry's size and impact. These new reporting requirements will fill an important information gap. The implementation of the Annual Certification Report (ACR) requirement for all certified CDFIs in 2016 was an important step in collecting industry-wide data on CDFIs but does not provide loan level information. Data is also collected from current awardees of CDFI Fund programs. CDFIs receiving Financial Assistance awards complete the Transaction Level Report (TLR), which captures detailed transaction-level information. Unfortunately, this data also does not provide a full picture of the CDFI industry because it is only reported by awardees in their three-year compliance period. The proposed Certification Transaction Level Report (CTLR) will be a helpful tool in collecting robust, industry-wide data that allows loan-level analysis of the entire CDFI industry.

As CDFIs access more federal programs and new investors enter the industry, the demand for high quality data will only grow. In addition, many have called for streamlined data collection across the CDFI industry, with agencies sharing data and information to reduce the compliance burden on CDFIs required to report to multiple entities. For example, as the Consumer Financial Protection Bureau moves forward on the rulemaking to implement Dodd-Frank Section 1071 and collect small business lending data, if the CFPB could use CDFI data collected and reported to the CDFI Fund, this would greatly reduce the compliance burden on CDFIs. In order to facilitate that, the data collected by the CDFI Fund must be as comprehensive and accurate as possible.

At the same time, OFN members have expressed serious concerns about the Fund implementing major changes to certification, reporting and compliance amid a major health and economic crisis. The COVID-19 pandemic has impacted CDFI capacity, leaving some organizations stretched thin

¹ Opportunity Finance Network, "Inside the Membership: Statistical Highlights from OFN Membership: 2018", Published December 6, 2019. https://ofn-drupal-pub.s3.amazonaws.com/s3fpublic/insidemembership_fy2018.pdf.



and making tough choices about how to use limited resources, like whether to offer additional flexibility to their current borrowers, meet the growing demand for new lending and technical assistance, allocate additional funds to loan loss reserves, or to retain staff.

Investing in the technological or staff resources needed to comply with the new certification requirements and updated reporting requirements in the Annual Certification Report and new Certification Transaction Level Report will cause financial and capacity strain on organizations at a time they can least afford it. The impacts of COVID-19 make it even more difficult to make the major, upfront investments in new software or systems needed to accurately report and capture this information, especially for smaller CDFIs. In particular, the new requirement that CDFIs that are not Financial Assistance awardees complete and submit Transaction Level Reporting generated concern from OFN members that this might impose a significant new compliance burden.

OFN urges the CDFI Fund to carefully consider the timing of implementation of the CTRLR and the requirement for current CDFIs to be recertified under the new criteria, and to provide a minimum transition period of 18 months.

OFN would like to offer the following comments on the Certification Transaction Level Report:

- **Census Block Group Geocoding** - CDFIs expressed concern about the Census Block Group geocoding, which is a new concept for many organizations. CDFIs currently use a variety of software and programs to capture and report data – it is not known how many currently have geocoding ability. There is also concern concerned that the CDFI Fund has not yet built the geocoding model or program tool, and no clear guidance about when this tool will be available.
- **Geocoding small business loans** - There were questions about how the Census Block Group geocoder would be used for small business loans that use End Users to qualify their Low Income Targeted Population (LITP). The CTRLR guidance has instructions for how to code End User transactions but then states that CDFIs using the geocoder must report the “location for which the loan or investment is being used”, meaning the address of the business. This generated several questions:
 - In situations where the business address does not qualify the loan as serving an LITP Target Market, would the geocoder be used to geocode the addresses of the employees? If so, CDFIs note that this could be burdensome and challenging.
 - If the Census Block Group geocoder is used to geocode employee addresses, is there a predetermined number of employees that have to qualify as LITP in order for a loan to be deemed an LITP loan?
- **P.O. Box Addresses** - The treatment of loans with P.O. box addresses was also of concern. If a CDFI is unable to obtain the latitude and longitude from a GPS locator for a transaction that uses a P.O. Box address (as described on page 16 of the CTRLR), is it simply impossible to qualify this transaction and if so, what are the implications for CDFIs with large numbers of transactions where only a P.O. Box address is available?



Additional Recommendations on the ACR and CTLR:

- **Collecting demographic data on CDFI Leadership** – OFN strongly recommends the CDFI Fund reinstate collecting demographic information about the leadership of the CDFI industry. This information was collected until the Institution Level Reporting (ILR) requirement was discontinued in 2017, removing an important source of data on a key portion of the CDFI industry. Without collecting demographic data, the CDFI Fund has no way to accurately measure how CDFIs led by people of color are faring. It is nearly impossible to develop targeted solutions to close the asset gap for minority-led CDFIs without full understanding of the demographics of the CDFI industry.
- **Access to geocoded data files** - CDFIs would like access to the cleaned, geocoded data files being created by the Fund. In previous years, CDFIs that uploaded their transaction level data to the CDFI Fund were able to access that data after it was cleaned and validated by the Fund. The Fund could generate better buy-in from the industry on these additional reporting requirements if CDFIs could have access to their data that can then be used for reporting to other agencies, to share with funders and investors, to share with policymakers, and to help understand impact.
- **Testing new systems** - We strongly suggest the Fund offer multiple demonstrations of the new system so CDFIs can become familiar with how it works. The Fund should also produce trainings with screenshots to guide users through the process. There also must be extensive testing of this new reporting system before rolling it out to the CDFI industry. Previous technological updates have been clunky and not user-friendly. The Fund should take the time to ensure the interfaces between the various applications and reporting documents are working properly.
- **Additional training for CDFIs** - CDFIs could use additional training for how to properly collect high quality data, especially on some of the new data points requested like the calculation of Annual Percentage Rate (APR) using the Military Lending Act methodology. Additionally, CDFIs do not have standard practices for collecting certain demographic information like race and gender, leading to variable quality in the data. Training on best practices and CDFI Fund reporting standards would help CDFIs better understand the new requirements and help ensure the CDFI Fund is receiving reliable data that can be used for meaningful analysis.
- **Technical Assistance Funds** - The CDFI Fund should make Technical Assistance funds available for CDFIs that will need to make substantive changes to their systems to comply with new reporting requirements. Certain CDFIs will be impacted by the new compliance burden more than others. Larger, better resourced CDFIs tend to have better systems in place and can make investments in technology or staff time needed to adjust to new reporting requirements. Making technical assistance funding available that CDFIs can use to invest in new systems will reduce the burden on CDFIs and improve the quality of the data collected.



OFN supports the CDFI Fund's efforts to collect high quality, comprehensive data on the CDFI industry. Once fully implemented, these new tools will be able to reduce the compliance burden and provide data on the entire CDFI industry. We look forward to working with the CDFI Fund to ensure that these changes are implemented in a manner that minimizes the burden and cost to CDFIs. Please do not hesitate to contact me if you have questions or concerns about these recommendations via email or phone at dwilliams@ofn.org or 202.868.6922.

Thank you,

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