Ms. Monica Jackson
Office of the Executive Secretary
Consumer Financial Protection Bureau
1700 G. St., NW
Washington, DC 20552

RE: Docket No. CFPB–2013–0002 or RIN 3170–AA34

Dear Ms. Jackson:

Opportunity Finance Network (OFN) appreciates the opportunity to comment on the Ability To Repay Standards Under the Truth in Lending Act, in response to the notice published by the Consumer Financial Protection Bureau in the *Federal Register* of January 30, 2013.

About OFN and CDFIs

Opportunity Finance Network (OFN) is a national network of community development financial institutions (CDFIs) investing in opportunities that benefit low-income, low-wealth, and other disadvantaged communities across America. OFN Members are performance-oriented, responsible investors that finance community businesses, sparking job growth in the areas that need it most, and delivering both sound financial returns and real changes for people and communities. As the Bureau has alluded in its proposal, CDFIs including those in OFN's network extend credit as a primary tool of a community development mission.

Our Network has originated more than $30 billion in financing in urban, rural, and Native communities through 2011. With cumulative net charge-off rates of less than 1.7%, we have demonstrated our ability to lend prudently and productively in unconventional markets often overlooked by conventional financial institutions. CDFIs are profitable but not profit maximizing. They put community first, not the shareholder. For more than 30 years, they have had a proven track record of making an impact in those areas of America that need it most.

CDFIs and Ability-to-Pay provisions

Despite the decline in home values nationwide, many low- and moderate-income working families struggle to afford modest homes. Affordable homeownership programs (alongside assistance for renters) like those financed by CDFIs help to address this housing need.

OFN applauds the Bureau's leadership in protecting consumers who need affordable housing opportunities and appreciates that the Bureau has recognized the unique role that CDFIs play as part of the constellation of lenders responsibly filling this gap. Because CDFIs are mission-focused, ensuring borrowers' ability to repay is core to their business model. Their purpose is generally to lend prudently to provide credit and capital to consumers unable to access more traditional credit. They have developed expertise in underwriting for this market, developing alternative means of determining ability-to-repay that do not fit into a square box of typical mortgage underwriting or traditional credit history.

CDFIs will therefore often make loans considered “risky” by mainstream financial institutions (and their regulators). CDFIs manage this risk with a number of tools: appropriate loan loss reserves, capital reserves much higher than those of regulated financial institutions, and support for borrowers both before and after the loan. Provision of “development services” that support borrowers and potential borrowers is in fact a requirement for certification of CDFIs.

With these safeguards of community development mission and appropriate development services, CDFIs employ flexibility in their underwriting standards. They might feasibly and prudently make loans that do not meet the strict definitions of the Qualified Mortgage rule, but that the CDFI has responsibly determined do not compromise a borrower’s ability to repay the loan. Applying inflexible debt-to-income ratios to CDFI borrowers, for example, could preclude loans to low-income people whose rental burden is higher than the homeownership cost they would incur.

CDFIs are small in scale and lack the compliance capacity of larger, mainstream financial institutions. In addition, because of their markets a larger portion of their lending is likely to fall outside, or nearly outside, the Qualified Mortgage; the compliance burden on CDFIs would be proportionally higher.

Conclusion

CDFIs work at the crossroads of the financial services industry, lending with a mission focus that in the markets about which the CFPB is most concerned. Because CDFIs by nature of this mission lend responsibly, it is appropriate for the Bureau to consider their unique role in the financial services industry and to include them in this narrow exemption to the Ability-to-repay standards.

OFN appreciates your consideration of our views.

Sincerely,

Mark Pinsky
President and CEO