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May 1, 2014

Dear Adam:

Thank you for the opportunity to comment on the CDFI Program and Native American CDFI Assistance Program applications. Opportunity Finance Network Members boast a track record of success with the CDFI Fund programs, each year accounting for as much as two-thirds of the awards. Our network's success comes because OFN shares with the Fund a commitment to performance and to recognizing high-performing institutions to high-performing institutions. The CDFI Fund's applications are key to deploying its funding according to this strategy and we are pleased to provide recommendations on those applications to help the Fund continue this practice.

The strength of the CDFI Fund as a federal program has been its unique model of investing in strong institutions through an entrepreneurial, merit-based selection process. The Fund has made awards based on an institution's overall strategy and is obligated by statute to review applicants' comprehensive business plans. This process works best when the application allows CDFIs the flexibility to tell their stories and make their own best cases to the CDFI Fund.

OFN has noted with some concern movement away from this flexible approach and toward more rigid and burdensome requirements. We are concerned about the increasing trend toward reporting and recordkeeping requirements that run counter to the Fund's history as a source of flexible capital to be used by the institution in pursuit of its strategy. It is critical that the Fund maintain its unique character and that the awards disbursed through the CDFI Program continue to be in the form of flexible capital that rewards CDFIs for strong strategies and, more importantly, are in a form that allows them to execute those strategies.

The heart of the CDFI Fund application is, by statute, the comprehensive business plan. To reflect this charge, the information requested in the application should be forward-thinking and allow the CDFI to adequately present its strategy.

### **OFN Members' General Experience with the FY2014 Application Process**

#### *New Application*

The CDFI Fund made some significant changes to the FY2014 application, replacing fillable PDF files with a Microsoft Excel spreadsheet and a Word document. OFN Members welcomed this change, finding the new documents much easier to work with. A critical



weakness of the application, however, came from applicants' inability to share the documents internally. At many CDFIs, completion of a funding application is a collaborative process. Locked cells and sections inhibited coordination and editing. As the CDFI Fund considers further changes to the application, it should ensure that CDFI staff can easily work together on the application.

OFN Members were fairly evenly split in assessing whether the new application took more time or less to complete than the previous version. Those who took more time generally attributed the additional work to the challenge of meeting character and space limits (discussed on pages 2-3 of this letter) and familiarizing themselves with the new format. CDFIs suggested that the time required to complete the application could be reduced if they could draw basic information from previous applications rather than having to reenter it. They anticipated that, if the Fund maintained the general format of this application, future years' applications would take less time to complete. Several CDFIs also noted that the application deadline's timing was a challenge and suggested moving the application calendar earlier in the fall.

Most OFN Members found the instructions and guidance clear and helpful, though some found it confusing to refer to several different documents to understand, for example, a definition that might require consulting the application, the guidance, and the glossary.

#### *Outreach by the CDFI Fund*

OFN Members generally found the outreach conducted by the CDFI Fund to be useful. It was particularly helpful to have separate videos for various aspects of the application, so that a CDFI could more easily refer to specific instruction for a particular section. However, these webinars and outreach tended to answer only general questions. For more specific questions or interpretations that required specialized responses from CDFI Fund staff, CDFIs reported less favorably on the Fund's effectiveness in this capacity. Many CDFIs did not receive timely answers to their questions or requests for clarification, which inhibited their ability to complete the application. OFN Members were quick to praise CDFI Fund staff for their help but reported difficulty reaching someone who *could* help.

The information summarizing changes to the FY2014 application and Notice of Funds Available was also extremely helpful to CDFIs.

#### *Space and Character Constraints*

Some OFN Members welcomed space constraints as a reminder to ensure that responses were concise. Among CDFIs that did find the space constraints challenging, almost all sections of the application received at least one mention for posing this difficulty. The sections in which space constraints presented the greatest problems for the largest number of OFN Members were:



- Products (Section 2). CDFIs that cited this section as one with too small a character limit reported that it was difficult to describe all of their products in the space allowed. As CDFIs grow, their product mix diversifies, and they would like to tell the CDFI Fund about the rationale and story behind these products. In addition, depository CDFIs tend to have an array of products that cannot be described in the space available. CDFIs reported concerns along these lines for several sections referring to the Products table in Tab 5 of the Excel workbook. Intermediary CDFIs, including OFN itself, faced particular challenges in describing their work.
- Policies (Section 3). In FY2014, the Fund asked that CDFIs upload their policies and procedures rather than describe those policies. However, the CDFI Fund provided no opportunity for CDFIs to explain the absence of a particular policy. In the same way that Minimum Prudent Standards (MPS) are used for guidance and a prompt for a CDFI to explain how it intends to remedy any deficiencies, the absence of a particular policy the Fund asks for should involve the CDFI explaining how it alternatively accounts for prudent management.
- Management/People (Section 4). In a complex CDFI with a broad array of products and services, many employees are involved in the successful execution of the strategy. Limiting the number of Board and staff members whose work and qualifications can be described constrains some CDFIs' ability to make the best case.

CDFIs that reported challenges with the space and character limits also noted that they found these challenges because two or more sections of the application requested the same or repetitive information.

### **General Recommendations on the Application**

Based on the comments detailed above, OFN offers the following recommendations as the CDFI Fund considers its applications:

- Implement technical changes that facilitate sharing the application among CDFI staff.
- Provide an opportunity for CDFIs to explain any "missing" items in the list of policies and procedures the CDFI Fund asks them to upload.
- Maintain a similar application format in future funding rounds, and incorporate a way to automatically input past years' data and information.
- As the Fund considers separate applications, include ways to meet the specific needs of intermediary CDFIs that are several steps removed from end borrowers to explain their strategies, markets, and impact.



- Respond quickly and definitively to applicant questions that require one-on-one conversations.

## Other Issues

In addition to these general recommendations about the application itself, OFN urges the CDFI Fund to consider the following issues:

- **Allow all applicants to apply for TA funds.** Limiting eligibility to TA funding to only a subset of CDFIs precludes a CDFI from requesting the funding that is most suited to its needs. A CDFI's need for financing depends upon its goals and financial strategy, not its age, size or previous success with the CDFI Fund. A large, mature CDFI may need technical assistance support to explore the market for a new product or to conduct strategic planning, and should not be restricted from applying for those resources. The Fund should also reinstate its previous practice of allowing an applicant to apply for both FA and TA in a single funding round.
- **Activities Level Projections.** The CDFI Fund should NOT hold awardees to the projections they provide in the application. The long lag time between application and award disbursement could mean significant changes in operating environment and affect a CDFI's ability to meet the projections.
- **Standard Loan Product.** CDFIs that provided loan as match for CDFI Fund awards this year approved of the standard loan product developed by the Fund. The Fund should continue to use this strategy for awards disbursed as loans.

## Conclusion

The CDFI Fund's FY2014 Application was a technical step forward, improving significantly over past documents. The CDFI Fund should maintain the basic format of this application in future rounds to streamline repeat applicants' ability to complete it.

In general, however, the CDFI Fund application should be a place for CDFIs to tell their particular stories and support the CDFI Fund's strategy of making awards based on performance. To this end, the application should provide sufficient space for CDFIs to explain their markets, products, and capacity. It should include a CDFI's track record but should emphasize a forward-thinking strategy.

It is also critical that the Fund's approach to applications and awards reflect the way the Fund and CDFIs work: that the Fund is a source of flexible capital provided to institutions, not to specific projects, as those institutions respond to their markets.



Replacing this approach with a more segmented or bureaucratically-driven method would undermine the very characteristics that have made the CDFI Fund a model for federal investment in community development strategies.

OFN appreciates your consideration of our views and looks forward to continued partnership with the CDFI Fund in building the CDFI industry and increasing access to capital for underserved communities across the United States. Please do not hesitate to contact me if you have questions or concerns about these comments.

Sincerely,

Mark Pinsky  
President and CEO