

March 27, 2020

Jodie Harris
Director
Community Development Financial Institutions (CDFI) Fund
U.S. Department of the Treasury
1500 Pennsylvania Ave. NW
Washington, DC 20220

Re: Request to Consider Extensions and Program Adjustments in the Wake of the COVID-19 Crisis

Dear Jodie:

On behalf of Opportunity Finance Network (OFN), a national association of 282 CDFIs (community development financial institutions), I am writing to request flexibility and accommodations in the wake of the COVID-19 Crisis. CDFIs face new and unprecedented internal capacity and organizational challenges related to the pandemic while also mobilizing to support the immediate needs of borrower businesses and consumers that have suffered economic harm in recent weeks.

OFN urges the CDFI Fund to take all possible measures to allow CDFIs to prioritize the urgent needs facing their communities and postpone and modify current awardee obligations to the CDFI Fund. OFN welcomes the economic relief guidance from the federal government including the Office of Management and Budget's (OMB) recent memorandum titled [Administrative Relief for Recipients and Applicants of Federal Financial Assistance Directly Impacted by the Novel Coronavirus \(COVID-19\) due to Loss of Operations](#). The memo provides important information that relates to upcoming CDFI Fund deadlines. Specifically, point #10 in the memo states:

Extension of financial, performance, and other reporting. (2 CFR§ 200.327, 2 CFR§ 200.328). Awarding agencies may allow grantees to delay submission of financial, performance and other reports up to three (3) months beyond the normal due date. If an agency allows such a delay, grantees will continue to draw down Federal funds without the timely submission of these reports. However, these reports must be submitted at the end of the postponed period. In addition, awarding agencies may waive the requirement for recipients to notify the agency of problems, delays or adverse conditions related to COVID-19 on a grant by grant basis (200 CFR 200.328(d)(1)).

Provided below are OFN's recommendations regarding steps the CDFI Fund should take to offer additional time and relief to CDFIs during this national emergency.

CDFI and NACA Programs

Waive any penalty or consequence for late reporting and performance requirement submissions. As CDFIs struggle to meet reporting and performance deadlines, OFN urges the CDFI Fund to be flexible and not issue any penalties or consequences for late submissions during the COVID-19 Crisis. OFN also recommends that, in accordance with the cited OMB memorandum, the CDFI Fund allow grantees to delay submission of reporting and performance reports for up to three months beyond the normal due date. OFN has received feedback from multiple CDFIs, many of which are based in rural and Native communities, that have cited difficulties in meeting the upcoming March 31, 2020 reporting deadline. A key challenge for many rural and Native CDFIs is the lack of remote access to their organization's IT infrastructure. This problem impacts accessibility to the financial figures needed to complete their reporting requirement submissions.



Extend the FY2020 application deadline by 30 to 45 days. In recent days, the CDFI industry's first priority has been reaching out to their borrowers impacted by the COVID-19 crisis with emergency measures. While applying for grant dollars from the CDFI and NACA programs has never been more important to CDFIs, this priority has by necessity dropped to second-tier status given the immediate needs of their communities. Disbursed staff working remotely and imperfect access to needed infrastructure are additional challenges facing many CDFIs preparing applications.

Waive FY2020 matching funds requirements. In a time of national crisis, CDFIs must have additional capital that can be deployed at the local level to support borrowers in need of urgent assistance. A key step the CDFI Fund can take to ensure CDFIs have increased capacity is to waive FY2020 matching funds requirements. In addition, we recommend that you eliminate the new minimum portfolio requirements for FY 2020 SECA applicants as outlined in OFN's [letter](#) of March 12, 2020.

Bank Enterprise Awards (BEA)

Extend the use of fund period for BEA Awardees. The ability of 2018 BEA awardees to deploy funds in distressed communities during the period of performance has been adversely impacted by COVID-19, with closing being deferred or cancelled for many new loans and investments during this time. Thus, an extension of 60 days from the period of performance end date deadline of March 31st, 2020 is appropriate and necessary under these circumstances. In the event an extension of the performance period is granted especially in light of increased demands being placed on CDFI bankers as they engage with their communities for COVID-19 relief, an equivalent extension of 60 days of the 2018 BEA use of funds reporting deadline of June 30, 2020 should also be provided.

Capital Magnet Fund (CMF)

Waive any penalty or consequences for late reporting submissions or failing compliance requirements. Similar to the recommendation highlighted in the "CDFI and NACA Programs" section, OFN recommends that awardees who have been challenged to meet the March 31st, 2020 reporting deadline face no penalty and are not deemed "non-compliant" for late submissions. OFN recommends the CDFI Fund issue a hold harmless guidance which states that awardees can miss Schedule 1 compliance deadlines and reporting requirements in the Assistance Agreement for a specific amount of time and not be found non-compliant with their award agreement. This guidance should explicitly state that missing compliance deadlines will not result in any sanctions from the CDFI Fund, including scoring deductions when applying for CDFI Fund administered programs.

Allow greater flexibility in how funds are used and on what timeline.

CMF awardees are required to use award funds to meet production and leverage targets in specific Service Areas with firm deadlines. OFN recommends the CDFI Fund extend greater flexibility to CMF awardees with their Schedule 1 Assistance Agreement requirements. Disbursement of funds, project completion deadlines, and other Schedule 1 requirements should be modified as necessary due to the public health crisis and its impact on affordable housing.

Bond Guarantee Program (BGP)

Payment Relief



12-Month deferment of principal and interest payments on bond loan payments.

Applicable to all debt service payments payable from an ECDFI to Escrow Agent, Escrow Agent to Master/Service Trustee, and Master Servicer / Trustee to Federal Financing Bank.

Issue a waiver of prepayment penalties. Allow CDFIs to prepay Bond Guarantee Program draws without penalty. CDFIs may need to repay BGP debt in order to best meet the needs of their borrowers. In this extremely low rate environment, any prepayment requires a very significant prepayment penalty designed for yield maintenance.

Covenant Relief

Issue a blanket, temporary waiver on BGP covenant compliance requirements for 12 months. A waiver is required to enable CDFIs to offer relief to their borrowers for cash flow disruptions caused by social distancing. In response to the pandemic, many CDFIs are offering principal and/or interest deferment relief options to their borrowers. Current covenant restrictions may cap CDFIs' ability to offer principal and/or interest deferments. (As defined specifically by BGP loan documentation, any modification to an existing loan agreement would be counted against loan portfolio quality. In offering principal and/or interest deferment for a temporary period, the CDFI delays its corresponding revenue for the same time period. In order to continue its own operations, a CDFI may dip into their Net Asset (referred to as Equity in for-profit accounting) position. We propose a temporary waiver to the Net Asset covenant in order to enable CDFIs in this situation to provide appropriate relief to their borrowers.

Collateral Relief

Issue a moratorium on BGP requirements to replace non-performing loans with performing loans as pledged loans. It is anticipated that some of the borrowers currently funded through the BGP will be unable to make their principal and interest payments on their loans. Per the Bond Loan Agreement, CDFIs are required to replace any loans that are late in payment. In a period of severe cash flow disruptions, the stock of new loans is very limited. Further, once a delinquent loan returns to performing status, remove the requirement that it be replaced 60 days after the first delinquency.

Reduce over-collateralization requirements when cash is pledged in lieu of secondary loans. In the case of cash pledged as overcollateralization, request that overcollateralization requirement for pledged cash is 100% of Bond Loan.

Issue a waiver on the requirement for CDFI Fund to review proposed modifications before they are finalized. In working to stabilize their borrowers, speed is of the essence and frequent changes may be required, as the true extent of the crisis is unknown. Requiring CDFIs to send a complete package to the CDFI Fund ahead of time will limit the CDFIs ability to respond appropriately.

Allow flexibility on secondary loan requirements for pledged loans. CDFIs will be originating loans with a wide variety of terms so as to best respond to community needs, as they have done in the past. Providing CDFIs with the ability to originate and pledge loans with an interest-only period of up to 36 months and Loan-to-Value ratios of up to 100% will enable CDFIs to drive capital to communities impacted by COVID-19.



Count pledged loans that are nonperforming or modified in the overcollateralization test for the next 24 months. Current regulations prohibit nonperforming loans from being counted in the Overcollateralization Test.

Timing Relief

Extend drawdown window of existing bonds by 12 months. Each ECDFI has 5 years from Closing Date of each Bond to draw down on 100% of its obligations. To the extent that social distancing prohibits deal sourcing, origination, appraisals, completion of construction periods, ECDFIs face significant challenges in completing their drawdown schedules within the next 12 months.

Extend application deadline for 2020 BGP NOGA to June 19, 2020 to accommodate COVID-related delays. A 30-day extension is necessary given the CDFIs' immediate and timely response to their borrowers impacted by COVID-19.

Thank you for your consideration.

Sincerely

Jennifer A. Vasiloff
Chief External Affairs Officer

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