

Michael Regan, Administrator

U.S. Environmental Protection Agency
Office of the Administrator, Mail Code 1101A
1200 Pennsylvania Avenue, NW
Washington, DC 20460

December 5, 2022

Dear Administrator Regan:

On behalf of the Opportunity Finance Network (OFN), I am writing to urge you to work with the nation's extensive network of community development financial institutions (CDFIs) to ensure the Greenhouse Gas Reduction Fund (GHGRF) reaches the low-income and disadvantaged communities that are most impacted by climate change.

OFN is a national network of more than 390 CDFIs. CDFIs are specialized lenders - community development banks, credit unions, loan funds, and venture capital funds - that invest to benefit low-income and low-wealth communities across America. OFN's membership has originated \$91 billion in cumulative financing in urban, rural, and Native communities through 2020.

Official responses to the Request for Information are included as Appendix A below.

CDFIs and the Federal Government: Partners in Advancing Environmental Justice

The Environmental Protection Agency (EPA) has an opportunity to design a GHGRF program that ensures good stewardship of these public funds and creates a significant impact. It is critical that these funds reach targeted communities, because like many other challenges in society, climate change is hurting low-income and underserved communities the most. To achieve the goals of the GHGRF, the providers of these funds must have a track record of serving low-income communities.

The Inflation Reduction Act includes many incentives for clean technologies that will not reach low- and moderate-income communities if they are not paired with an attractive package of support, including no- or low-cost financing and hands-on technical services, through trusted partners.

As mission lenders who are held accountable for reaching underserved markets and have specialized expertise in doing so, CDFIs are ideally positioned to finance projects that reduce greenhouse gas emissions in low-income and disadvantaged communities. Clean energy finance in low-income communities requires specialized lending expertise. Investing in the clean energy technologies needed to reduce emissions is unaffordable and inaccessible for many households and communities - especially those already underserved by traditional finance.

Low-income homeowners seeking financial assistance to purchase upgraded heat pumps or install solar panels will face the same barriers to accessing capital as they do when seeking a mortgage. A corner store owner looking to upgrade their refrigeration system might not have the collateral or cash flow needed to secure a bank loan to invest in that technology. Ensuring that GHGRF capital reaches low-income and disadvantaged communities requires partnering with financial institutions



that already have the trust and relationships on the ground and who have expertise in providing products and services designed for these communities.

The CDFI Model: Investing in Communities Other Lenders Overlook

CDFIs are mission lenders with the networks and relationships needed to deploy capital to low-income, under-resourced, and traditionally marginalized communities. As capillaries of the financial system, CDFIs reflect and understand the communities they serve. There are more than 1,300 Treasury-certified CDFIs investing in all 50 states and financing sectors. Based on a 2021 OFN study, nearly 40% of CDFIs analyzed reported lending in persistent poverty areas.¹ As a condition of maintaining their certification, CDFIs are required to direct at least 60% of their financial products to low-income areas or people in their Target Markets – a threshold most CDFIs easily exceed.² Data from the CDFI Fund’s 2020 Annual Certification Report found that, on average, loan funds and venture capital funds direct at least 88% of their lending to their Target Markets, and regulated CDFIs direct at least 75% of their lending to their Target Markets.³

CDFIs are also experts in the type of place-based investing needed to address the localized needs of climate-impacted communities. The overlap between low-income markets and climate-impacted communities intersects with many markets served by CDFIs: flood prone areas like New Orleans’ 9th ward, manufactured housing communities impacted by extreme heat in the Southwest, farmworkers and rural communities displaced by wildfires in California, coastal communities of color in Florida and along the Gulf Coast – all communities served by mission lenders working to address the impacts of climate change.

Further, CDFIs are experts at leveraging philanthropic, public, and private capital (at both the project and organizational level) and collaborating with other lending institutions, including: impact investors, community banks, green banks, and other CDFIs. For example, the Treasury Department has found that CDFIs leverage a grant investment 8:1 with private sector investment from banks, foundations, and other impact investors.⁴ CDFIs will be able to leverage capital from the GHGRF with other funding, deepening its impact.

¹ Loethen and Fabiani, “[Persistent Poverty and the Prevalence of CDFIs](#)”, OFN, (2021).

² The CDFI Fund defines an approved target market or eligible market, as one or more investment areas or targeted populations. Investment area refers to a geographic area that meets requirements set forth in Title 12, Section 1805.201(b)(3)(ii)(D), of the Code of Federal Regulations with a significant unmet need for loans, equity investments, or other financial products or services or is wholly located within an Empowerment Zone currently in effect or Enterprise Community (as designated under Section 1391 of the Internal Revenue Code of 1986 [26 U.S.C. 1391]). Target populations consist of individuals from the following populations: Low-income targeted population is defined as individuals whose family income, adjusted for family size, is not more than (1) for metropolitan areas, 80% of the area median family income in metropolitan areas; and (2) for non-metropolitan areas, the greater of 80% of the area median family income or 80% of the statewide non-metropolitan area median family income. Other targeted populations include African Americans, Hispanics, Native Americans, Native Alaskans residing in Alaska, Native Hawaiians residing in Hawaii, other Pacific Islanders residing in other Pacific Islands, and other groups with CDFI Fund approval.

³ CDFI Annual Certification and Data Collection Report (ACR): A Snapshot for Fiscal Year 2020, Published October 2021. https://www.cdfifund.gov/sites/cdfi/files/2021-10/ACR_Public_Report_Final_10062021_508Compliant_v2.pdf

⁴ [Remarks by Secretary of the Treasury Janet L. Yellen on \\$1.25 Billion Award to CDFIs to Support Economic Relief in Underserved Communities Affected by COVID-19](#), June 15, 2021.



Recommendations for Equitable, Targeted Deployment of GHGRF

Centering the needs of low-income and disadvantaged communities in program design will produce better outcomes. CDFIs and mission lenders have demonstrated that they can provide rapid, equitable, and targeted deployment of federal funds to underserved markets better than other lenders, when supportive policies are coupled with adequate capital and capacity-building resources.

If the GHGRF program does not direct funds to lenders who specialize in low-income borrowers, the funds will not reach low-income borrowers in a meaningful way.

We have the following recommendations to ensure program funds reach targeted communities and achieve the GHGRF's stated environmental justice goals:

1. Develop a separate application for the \$8 billion targeted to low-income and disadvantaged communities.

Lending to low-income and disadvantaged communities requires specialized market expertise, and the organizations that receive funds must be experienced in serving them or the GHGRF program risks failing to meet its policy goals. Applicants should be prioritized based on their track record and accountability to low-income and disadvantaged communities. Effective targeting will also require thoughtful program design that allows for additional flexibility in the use of funds to better meet the needs of the communities served, for example, by permitting funds to be used as grants for lenders and beneficiaries of the program.

2. Allocate funding to multiple entities.

GHGRF funds should not capitalize a single entity or intermediary. Having multiple recipients will maximize GHGRF's ability to achieve its policy goals because it will allow recipients and their subrecipients to develop customized solutions that truly meet community needs. Concentrating all resources into a single entity will risk excluding the communities targeted in the GHGRF statute. Even concentrating money into existing green banks will only allow for funding in some locations where the policy environment has been favorable to green bank development and will leave out many low-income, climate-impacted communities in places like the Deep South. GHGRF money will not reach low-income and disadvantaged communities unless funding is provided to financial institutions with specialized expertise in serving them.

Further, funding cannot be deployed to CDFIs and other mission lenders only as subrecipients. Direct recipients of GHGRF dollars will be making some of the most important governance decisions about what types of projects are funded, which end users receive funds, and the terms of the capital. It is crucial to the success of the program that governance decisions include accountability to local communities. One of the strengths of CDFIs and other mission lenders is that they operate in all 50 states and can offer diverse financing options, products, and services that meet specific community needs. This in turn, allows them to better serve people and places that have historically been disconnected from mainstream financial systems. Allowing for this same type of diversity in the GHGRF program will ensure that funds reach the low-income and disadvantaged communities targeted by statute.



3. Leverage the extensive network of CDFIs to ensure rapid, equitable investment in rural and urban communities across the country.

CDFIs and mission lenders have a successful track record of investing in low-income and disadvantaged communities and are held accountable for serving these communities by virtue of their certification. They are resourceful problem-solvers who provide lending in hard-to-reach communities across all 50 states that traditional financial institutions have failed to serve. In 2020, 807 of the 1,200 CDFIs reported a total of \$111 billion on their organizations' balance sheets across 6.2 million transactions. Of this amount, more than \$81 billion, or 84%, was dedicated to low-income and disadvantaged communities (as defined by the CDFI Fund). **CDFIs are also experienced in providing green products: 55% of the nearly 400 CDFIs that are part of the Opportunity Finance Network already have a green lending product.** Directing funds toward CDFIs would ensure that GHGRF reaches the low-income and disadvantaged communities targeted in statute.

4. Use the CDFI Fund Rapid Response Program as a model for providing flexible capital that has firm accountability requirements.

A robust reporting and accountability infrastructure can provide the structure necessary to allow for maximum flexibility at the local level. The [CDFI Fund's RRP](#) and Financial and Technical Assistance awards provided flexible capital investments to CDFIs that CDFIs in turn used to catalyze transformative change in low-income and disadvantaged communities. The RRP program provided the conditions for fast, creative approaches that were designed to meet community needs by designing the program to have pre-approved categories for the use of funds and specific benchmarks for lending. CDFIs accomplished this while meeting accountability and outcome tracking standards: all recipients report on every transaction in their portfolio and use of funds. This benchmark, reporting, and accountability regime could easily be used for the GHGRF funds if it was modified slightly to also track carbon emissions and federal funds.

5. Balance speed-to-market with long-term transformation.

Marginalized communities did not become so overnight: many have experienced decades of underinvestment and exclusion. As a result, these communities may not have as many "shovel-ready" projects and service providers as their more affluent counterparts. Low-wealth, rural, and Native communities may require additional time to mobilize and build a pipeline to make certain projects possible. For this reason, an overemphasis on rapid deployment of GHGRF could exacerbate existing environmental justice disparities. At the same time, CDFIs are responsive, nimble entities that can build new products quickly from a foundation of community trust, meeting communities where they are and supporting them in both the planning and execution phases of projects. CDFIs have a proven track record of providing attractive and accessible financial products and services that individual households and small business owners trust, and this track record will be crucial if GHGRF is to successfully incentivize the implementation of new green technologies and products.



Why CDFIs Are the Partner You Need

CDFIs and mission lenders' existing portfolios and relationships can be readily converted to GHGRF lending.

When the Paycheck Protection Program was not reaching businesses most in need of help, the federal government turned to the CDFI industry to ensure PPP and other pandemic relief reached low-income and disadvantaged communities. After policy changes to increase CDFI participation, CDFIs and other mission lenders made at least \$34 billion PPP loans to small businesses and were more successful at reaching financially underserved businesses than any other type of PPP lender.⁵

CDFIs are poised and ready to play a similar role in implementing GHGRF. Over 96 CDFIs have graduated from Inclusiv and University of New Hampshire's solar lending training program. Among program graduates, CDFIs lent \$2.25 billion in green products in 2021 alone. Over half of CDFIs—211 organizations that are part of the Opportunity Finance Network already have a green lending product. When provided with appropriate capital, CDFIs have created new financing structures and financed complicated projects that the traditional capital markets have not served, including many in the green financing sector (see Appendix B for examples).

CDFIs and mission lenders have a track record of managing public funds with little to no waste, fraud, or abuse.

Since its inception in 1994, the CDFI Fund has provided more than \$5.1 billion in monetary award programs and \$66.0 billion in tax credits through the New Markets Tax Credit Program, and has guaranteed more than \$1.8 billion in bonds through the CDFI Bond Guarantee Program, all to increase the impact of CDFIs and other community development organizations in economically distressed and underserved communities.

CDFIs and mission lenders have a successful track record of leveraging private dollars.

Every dollar injected into a CDFI catalyzes eight to ten more dollars in private-sector investment on both an organizational and project level. Investing \$8 billion directly into CDFIs and mission lenders could leverage an additional \$64 billion in low-income and disadvantaged communities to slow climate change and transform local economies.

Conclusion

Environmental hazards and climate-driven disasters disproportionately impact low-income communities. The federal government needs CDFIs to implement the Greenhouse Gas Reduction Fund successfully in the communities it is designed to serve. Even without direct federal support for clean energy financing, CDFIs have financed businesses and projects that reduce greenhouse gas emissions and air pollution and are poised to do much more. OFN's network of CDFIs stand ready to partner with EPA to make meaningful progress on reducing greenhouse gas emissions, particularly in the low-income and disadvantaged communities prioritized in the law.

⁵ CDFIs Continue to Outperform Other PPP Lenders. <https://www.ofn.org/cdfis-continue-outperform-other-ppp-lenders/>



For more information or questions on the recommendations, please contact Amber Bell, Chief Strategy and Operations Officer, at abell@ofn.org.

Sincerely,

Beth Lipson

Interim President & CEO, Opportunity Finance Network



Appendix A: Responses to Individual Questions from the Request for Information

Section 1: Low-Income and Disadvantaged Communities

1. What should EPA consider when defining “low-income” and “disadvantaged” communities for purposes of this program? What elements from existing definitions, criteria, screening tools, etc., - in federal programs or otherwise - should EPA consider when prioritizing low-income and disadvantaged communities for greenhouse gas and other air pollution-reducing projects?

We recommend EPA define “low-income and disadvantaged communities” using the established definition of an eligible “Target Market” used by the US Treasury Department’s CDFI Fund. These definitions meaningfully capture low-income and underserved communities, including consideration of individual borrower characteristics as well as the communities where borrowers are located. Adopting it would create standardization and lower costs of compliance as thousands of community finance organizations and mission lenders already track and report lending activity according to CDFI Fund Target Market definitions.

The CDFI Fund defines an approved target market or eligible market, as one or more investment areas or targeted populations, which are defined in the following way:

- **Investment area** refers to a geographic area that meets requirements set forth in Title 12, Section 1805.201(b)(3)(ii)(D), of the Code of Federal Regulations with a significant unmet need for loans, equity investments, or other financial products or services or is wholly located within an Empowerment Zone currently in effect or Enterprise Community (as designated under Section 1391 of the Internal Revenue Code of 1986 [26 U.S.C. 1391]).
- **Target populations** consist of individuals from the following populations: Low-income targeted population is defined as individuals whose family income, adjusted for family size, is not more than (1) for metropolitan areas, 80% of the area median family income in metropolitan areas; and (2) for non-metropolitan areas, the greater of 80% of the area median family income or 80% of the statewide non-metropolitan area median family income. Other targeted populations include African Americans, Hispanics, Native Americans, Native Alaskans residing in Alaska, Native Hawaiians residing in Hawaii, other Pacific Islanders residing in other Pacific Islands, and other groups with CDFI Fund approval.

We recommend an expansion of CDFI Fund’s definitions to include those communities particularly vulnerable to climate change and environmental hazards, though there will likely be considerable overlap in these target populations, as people of color and those who are low income are disproportionately affected by environmental risks. For example, people of color and those who are low income are more likely to live near landfills, municipal waste combustors, or hazardous waste sites; to be exposed to lead or asbestos in old, poorly maintained housing; and to be exposed to pesticides in farm fields.



While the White House “Climate and Economic Justice Screening Tool” is helpful in identifying disadvantaged communities as part of the Justice 40 initiative, it is not as inclusive as the definitions refined by the CDFI Fund. If EPA were to choose to define “low-income and disadvantaged communities” as census tracts that are identified in the Climate and Economic Justice Screening Tool as either “low income” or “disadvantaged,” about 39% of census tracts in the country would qualify for the targeted GHGRF funding. In terms of population, that’s about 35% of the US population. Alternatively, if the EPA were to choose to define “low-income and disadvantaged communities” as census tracts that are identified in one of the CDFI Fund’s “investment areas,” about 46% of census tracts in the country (including approximately 43% of the US population).

We recommend that the EPA use definitions that are more inclusive of low-income and disadvantaged communities in order to most effectively drive climate-forward financing to a more accurate definition of low-income and disadvantaged communities.

2. What kinds of technical and/or financial assistance should the Greenhouse Gas Reduction Fund grants facilitate to ensure that low-income and disadvantaged communities can participate in and benefit from the program?

First and foremost, GHGRF grants should facilitate long-term, low-cost financing products delivered through community finance organizations with an established track record in and long-standing relationships with low-income and disadvantaged communities.

Long-term, low-cost capital is required to meet the financing needs of low-income and disadvantaged communities. Specifically, this financial assistance might take many forms—financial products⁶, capital reserves, development services, grants, guarantees, and loan loss reserves—and GHGRF should be designed so that grantees have the flexibility to provide any of these services that best fit community needs while remaining accountable to the parameters of the law.

Many low-income and disadvantaged communities distrust clean energy projects, and on the ground technical assistance will play a key role in implementing GHGRF grants in these communities. CDFIs offer the track record of trust in working with low-income communities needed to effectively allocate these grants to prioritized communities. Technical assistance to support CDFIs in this role may include funding for personnel compensation and fringe benefits, professional services costs, travel costs, training and education costs, and equipment and supplies.

3. What kinds of technical and/or financial assistance should the Greenhouse Gas Reduction Fund grants facilitate to support and/or prioritize businesses owned or led by members of low-income or disadvantaged communities?

⁶ Financial products are considered loans, equity investments and similar financing activities that reduce greenhouse gas activities (as determined by the EPA) including the purchase of loans, the provision of loan guarantees, credit enhancements, and loans other financial institutions.



To support and/or prioritize funding to businesses owned or led by members of low-income or disadvantaged communities, GHGRF should create a set-aside for community finance organizations (e.g., CDFIs) with a demonstrated track record and pipeline of lending to these priority businesses. CDFIs have this demonstrated track record: they deliver the majority of their lending to borrowers from targeted, historically underserved groups such as low-income or minority borrowers. Within OFN's membership base, CDFIs report that 60% of their clients identify as people of color. The long-term results of OFN members' financing activities through FY 2020 are significant, with CDFIs in our sample providing \$91.2 billion in cumulative financing. This financing has helped to create or maintain 2.19 million jobs, start or expand 535,547 businesses and microenterprises, and support the development or rehabilitation of more than 2.23 million housing units and 13, 266 community facility projects.⁷

For an example of why a set-aside for community finance organizations is important, we need only look back a few years to the start of the COVID-19 pandemic. At the time it was created, the Paycheck Protection Program (PPP) relied heavily on businesses' existing relationships with mainstream financial institutions, and this is one reason why PPP funds ended up disproportionately benefiting high-income households despite their intended policy goals.⁸

In creating PPP, policymakers failed to take into consideration that disadvantaged, very small, women- and minority-led businesses often do not have relationships with a traditional lender. Research from the Federal Reserve has found that less than one quarter of Black-owned employer firms have a recent borrowing relationship with a bank, and for Black-owned firms with no paid employees (also called nonemployer businesses), only 1 in 10 have had a recent borrowing relationship. It wasn't until the enormous disparities in who received PPP loans came to light that PPP was adjusted to accommodate more non-bank lenders, including CDFIs.

Overall, CDFI lenders were much more successful at reaching the smallest, community-based businesses and businesses located in low-income communities, because the implementation mechanism for the program did not take into account the needs of the community it sought to reach. A similar risk is inherent in the GHGRF, which is explicitly targeted to low-income and disadvantaged communities but may not reach them if CDFIs and other mission lenders are not provided an analogous set-aside in the GHGRF.

Allowing GHGRF funds to be used for technical assistance will be a key component of successful outreach to target communities. Such technical assistance could take the form of language translation, community outreach materials, training, assessments to determine energy efficiency needs, and capacity building such as creation of best practice networks that can share successful strategies for reaching target communities and making financial products and services attractive and accessible to them.

⁷ https://cdn.ofn.org/uploads/2022/04/14153742/OFN_Inside_The_Membership_FY2020.pdf

⁸ <https://www.nber.org/papers/w29669>



Section 2: Program Design

1. What should EPA consider in the design of the program to ensure Greenhouse Gas Reduction Fund grants facilitate high private-sector leverage (i.e., each dollar of federal funding mobilizes additional private funding)?

The EPA should drive grants to community finance organizations with demonstrated track records in using a grant from a government agency to mobilize additional private funding. For every \$1 in awards provided by the Treasury Department, CDFIs are able to mobilize enough private-sector leverage to generate \$8 to \$10 in lending activity. CDFIs and community finance organizations are adept and well-practiced in using grants from government agencies to attract and mobilize private sector funding at the project and organizational level. **The GHGRF should consider leverage at the project and organizational level, but be more flexible with the leverage requirements for the funds targeted to low-income and disadvantaged communities.**

2. What should EPA consider in the design of the program to ensure Greenhouse Gas Reduction Fund grants facilitate additionality (i.e., federal funding invests in projects that would have otherwise lacked access to financing)?

To ensure GHGRF grants facilitate additionality, the resulting financial products and services should be characterized by their flexible financing terms, including:

- Longer loan financing (longer tenor and/or longer grace period) than are available in the market;
- Early-stage financing (predevelopment, acquisition, bridge);
- More flexible terms (amortization schedule, interest rate) than available in the market;
- Subordinated/mezzanine positions;
- General recourse financing/no collateral required;
- Flexible participation arrangements;
- No committed take-out; and
- Project waives guarantee from one or more principals.

Similar financing is defined as having similar terms, specifically: term, interest rate, amortization, collateral requirements, level of subordination, draw schedule, maximum loan amount, or other relevant terms.

3. What should EPA consider in the design of the program to ensure that revenue from financial assistance provided using Greenhouse Gas Reduction Fund grants is recycled to ensure continued operability?

EPA should award grants to CDFIs and community finance organizations to manage revolving loan funds specializing in green financing products. For instance,



the program can be designed so that the EPA restricts the GHGRF capital to be used and recycled for the greenhouse reduction activities on a revolving basis as loans are repaid. When the initial loan is repaid, recipients and subrecipients recirculate the loan into the local community for another borrower. Any interest margins are reinvested in the community or used to build sustainable operations. The DC Affordable Housing Preservation Fund is an example of how the EPA can design the program. ⁹

4. What should EPA consider in the design of the program to enable Greenhouse Gas Reduction Fund grants to facilitate broad private market capital formation for greenhouse gas and air pollution reducing projects? How could Greenhouse Gas Reduction Fund grants help prove the “bankability” of financial structures that could then be replicated by private sector financial institutions?

EPA should award grants to CDFIs with specialized expertise in using Federal grants to facilitate broad private market formation for projects in low-income communities.

Facilitating private market capital formation in communities considered “unbankable” has been the historical pattern of CDFI lending activity. CDFIs enter a market that mainstream finance overlooks or underestimates (or considers too risky) and demonstrate that the particular market is viable and bankable. Once proven, mainstream finance steps in and starts lending to customers previously served by first-mover CDFIs. CDFIs have demonstrated this by leading the market creation of charter school lending in low-income communities¹⁰ and community healthcare facility financing.¹¹ With both of these industries, mainstream financial institutions stepped in to support and expand the financial products and services that CDFIs jumpstarted.

CDFIs’ track record in proving markets previously considered “unbankable” is due to their ongoing work with government programs designed to drive affordable capital to low-income and disadvantaged communities.

5. Are there best practices in program design that EPA should consider to reduce burdens on applicants, grantees, and/or subrecipients (including borrowers)?

EPA should streamline reporting requirements to leverage pre-existing definitions and data methodology. The more intricate the reporting requirements, the more burdensome and costly for the applicants, grantees, and subrecipients. If more robust reporting systems are required than those that already exist, grants should be available to

⁹ <https://dhcd.dc.gov/sites/default/files/dc/sites/dhcd/publication/attachments/housing%20Preservation%20Fund%20manager%20full%20RFA%202019.pdf>

¹⁰ “Charter School Facilities Finance: How CDFIs Created the Market, and How to Stimulate Future Growth” <https://www.frbsf.org/community-development/wp-content/uploads/sites/3/wp08-021.pdf>

¹¹ “CDFIs emerge as key partners in improving community health” <https://www.minneapolisfed.org/article/2014/cdfis-emerge-as-key-partners-in-improving-community-health>



fund operational expansions. For instance, if the EPA creates an industry standard for greenhouse gas reduction reporting in low-income communities, community finance organizations and CDFIs should receive grant funding to operationalize the data reporting requirements.

We urge EPA to balance the need for reporting without increasing the regulatory burden that would prevent disadvantaged communities from accessing the GHGRF. This also includes clarifying the definition of Qualified Project to include entities engaged in financial and technical assistance “activities” such as retail lenders participating in GHGRF, which will reduce reporting burden and enhance program participation.

Lastly, we recommend that the EPA provide grantees with clear guidance and flexibility surrounding budget modifications over the course of their grant administration. With new programs, this ultimately supports successful grant administration, allowing grantees to adapt their program based on what is working well.

6. What, if any, common federal grant program design features should EPA consider or avoid in order to maximize the ability of eligible recipients and/or indirect recipients to leverage and recycle Greenhouse Gas Reduction Fund grants?

EPA should consider several federal grant program design elements from CDFI Fund’s Rapid Response Program, which was designed to quickly and broadly deploy capital to Certified CDFIs through streamlined applications and evaluation methodology. Such design elements would include:

- General design elements:
 - Provide affordable financial packages combined with hands on technical support provided by trusted local institutions.
 - Provide institution-level capital instead of project-based finance. In the Rapid Response Program, this allowed CDFIs to respond immediately to the needs of underserved communities during COVID-19.
 - Avoid overly restrictive measures that prevent organizations from deploying funds.
 - Do not require a match to access funds. Low-income communities often have less access to private capital and philanthropic resources. A match would be an unnecessary barrier to access for many in the communities served.
 - Do not use tax credits or rebates to incentivize the behavior of consumers who are low-income. These strategies often fail to meet low-income communities because individuals in these communities:
 - 1) tend not to have a high tax burden;
 - 2) Do not receive the market education or outreach needed to understand that credits or rebates are available and/or outreach is not presented in a culturally competent way that will lead to changes in behavior or interest in beneficial financial services; and
 - 3) it is often not a top priority of a family or individual when other challenges abound and/or they are unable to wait until they file taxes to receive the credit or rebate.



- Accountability and reporting design elements:
 - Use CDFI Funds' Transaction Level Reporting to ensure that GHGRF dollars are serving low-income and disadvantaged communities as intended.
 - Build on CDFI Fund reporting by layering carbon emissions reduction information onto Transaction Level Reporting.

Lastly, it is critical that the EPA does not re-underwrite individual loans under the GHGRF, as done by some federal guarantee and RLF programs (e.g., the USDA or EDA). This process greatly slows down the deployment of the funds with very little gain.

10. What federal, state and/or local programs, including other programs included in the Inflation Reduction Act and the Infrastructure Investment and Jobs Act or "Bipartisan Infrastructure Law," could EPA consider when designing the Greenhouse Gas Reduction Fund? How could such programs complement the funding available through the Greenhouse Gas Reduction Fund?

CDFIs have a long history of collaborating with Federal, state, and local public programs, including those designed for reducing greenhouse gas emissions. We recommend the EPA consider how state and local government programs are available to complement green financing products in low-income communities. A comprehensive list can be sorted through the Database of State Incentives for Renewables & Efficiency on <https://www.dsireusa.org/>.

We would also recommend coordination with Federal programs like the CDFI Bond Guarantee Program, USDA Community Facilities Guaranteed Loan Program, and Department of Energy Weatherization Assistance Program for Low-Income Persons.

Section 3: Eligible Projects

1. What types of projects should EPA prioritize under sections 134(a)(1)-(3), consistent with the statutory definition of "qualified projects" and "zero emissions technology" as well as the statute's direct and indirect investment provisions? Please describe how prioritizing such projects would:
 - a. maximize greenhouse gas emission and air pollution reductions;
 - b. deliver benefits to low-income and disadvantaged communities;
 - c. enable investment in projects that would otherwise lack access to capital or financing;
 - d. recycle repayments and other revenue received from financial assistance provided using the grant funds to ensure continued operability; and
 - e. facilitate increased private sector investment.

The quickest way to ensure that the Greenhouse Gas Reduction Fund reaches low- and moderate-income communities to reduce their household energy costs,



improve their air quality and health, and mitigate climate change is to leverage existing infrastructure and allow community lenders to provide a mix of grants and affordable capital products to low-income and disadvantaged communities.

Qualified projects should include loan portfolios managed by CDFIs and other community finance organizations that offer green financing products as part of their small business loans, consumer loans, solar development loans, and affordable housing loans.

The statute is broad in its application of qualified projects, and therefore CDFIs and other community finance organizations offering green financing products should be eligible for the GHGRF as a qualified project.

The path to the fastest, most equitable impact of the Greenhouse Gas Reduction Fund will come by matching the broad and deep capacity of the community finance industry with tailored, targeted demand generation at the local level. Doing this will require a coordinated strategy that can support this broad network with the right mix of capacity building, technical support, credit enhancement, and low-cost capital. Strong existing networks and intermediaries exist across the entire community finance sector, which will allow for the rapid mobilization of new products and the sharing of best practices across the entire field.

In other words, GHGRF funds should not capitalize a single entity, intermediary, or revolving loan fund. Having multiple recipients increases the government's ability to achieve its policy goals and allows lenders to develop customized solutions to meet their community's needs. Further, unless GHGRF deployment is diversified through multiple lending industries with multiple product and deployment strategies, there is a real risk of under-deployment.

To maximize greenhouse gas emission and air pollution reductions:

EPA should prioritize projects that improve the affordability of individual decisions to reduce greenhouse gas and air pollution. Improved affordability should apply to low-income and disadvantaged communities in a culturally-relevant manner. For example, tax credits and rebates should be avoided, as these often fail to reach low-income communities where many do not have a high tax burden to begin with and because community members do not receive sufficient or effective outreach and education to take advantage of them.

To deliver benefits to low-income and disadvantaged communities:

Community finance organizations and CDFIs are designed to drive affordable capital to low-income and disadvantaged communities and have experience providing outreach and financial services and products that benefit their consumers in these communities.

For example, a discount on an electric vehicle from \$50,000 to \$42,500 still makes that vehicle completely out of reach for most American families. But if a community development credit union, with the help of credit enhancement from the Greenhouse Gas Reduction Fund in the form of a loan loss reserve or guarantee provided by an intermediary, could offer \$0 down, 0% long-term financing to a family to purchase the \$42,500 EV, monthly payments



could reach a level that is more palatable for a much broader set of families. This is especially true if this offer is provided by a community finance organization that the family already knows and trusts with other financial products.

Similarly, the Whole Home Energy Reduction Rebates can provide up to \$8,000 in rebates for households that are under 80 percent of Area Median Income, but this requires significant work of the renter or homeowner to identify a contractor, conduct an assessment of the home's energy savings potential, pay out of pocket for the contractor's services, and then submit the paperwork required to qualify for the rebate. Instead, a local community lender could partner with a network of qualified contractors to go door to door in neighborhoods to offer these services at no upfront or ongoing cost to the family. This could be provided by a mix of grants and low-cost loans to the lender so they can offer a financing package that includes both the value of the rebate as well as the value of ongoing energy savings with a guarantee not to increase (and likely decrease) the family's monthly payments. Some of the funds could also provide added incentives for the contractor to ensure they focus on providing services in low-to moderate-income communities.

To enable investment in projects that would otherwise lack access to capital or financing:

We urge EPA to consider how consistent funding to small scale projects can result in a greater impact. Distributing funds through a network of lenders like CDFIs means smaller projects will receive consideration. As the Carsey Institute notes in the context of small-scale solar projects, "A variety of obstacles contribute to the scarcity of financing for low-income solar, including small project sizes, lack of developer balance sheet capacity, both real and perceived issues with credit risk, elevated technical assistance needs, and greater subsidy requirements to pursue goals such as deep energy affordability, climate resilience, or job creation." It is also important to balance deployment speed with deep community impact. Deploying this capital in a way that funds projects and builds CDFI capacity will result in the sustained investments needed to combat greenhouse gas emissions.

Many CDFIs already offer green lending products: almost 200 or 55% of CDFIs that are part of the Opportunity Finance Network already offer at least one green lending product in the following sectors: commercial building, residential, multi-family, community scale solar, flexible products, and transportation. All of the products below can be also be adapted to support the adoption of clean technologies at the household level with the help of low-cost capital, technical assistance, credit enhancement, and grants from the GHGRF. The design of these products needs to take into account the unique circumstances of rural and low-income communities. For example, only allowing electric vehicles would be inaccessible for rural communities that do not have the infrastructure of charging stations across large geographies.

Qualified projects should include fund-of-funds managed by CDFIs and financial intermediaries with the following look-through asset classes:

Small business loans



- Existing Product: Secured small business loan for building renovations or upgrades
 - Green products(s):
 - Secured loans for energy efficiency and renewable energy upgrades for business properties
 - Small scale C-PACE loans where C-PACE is enabled, bringing attractive financing to a broader set of commercial and industrial buildings
- Existing Product: equipment financing
 - Green product(s):
 - Equipment financing for EV or more fuel-efficient long-haul trucks
 - Equipment financing for more efficient or renewable industrial equipment
- Existing Product: agricultural financing
 - Green product(s):
 - Working capital loans to finance the adaptation of sustainable farming practices
 - Purchase of additional farmland to expand regenerative agriculture

Consumer loans

- Existing Product: unsecured consumer loans for home upgrade or repair
 - Green product(s):
 - Unsecured consumer loans for home upgrades, including heat pump installation, electric water heaters, and other energy efficiency upgrades
 - Unsecured consumer loans for more efficient and/or smart home appliances
- Existing Product: Secured auto loans to purchase new or used vehicles
 - Green product(s):
 - Secured auto loans for new or used electric vehicles
 - Auto loans for emission-reducing, energy efficient vehicles with internal combustion engines
- Existing Product: home mortgages
 - Green product(s):
 - "Green" mortgages that provide pricing incentives for homes purchased that meet certain low-carbon standards

Housing and facility loans

- Existing Product: pre-development and acquisition financing
 - Green products(s):
 - Pre-development and acquisition financing to support new construction or preservation of affordable housing with pricing incentives to develop to net-zero or near net-zero standards
- Existing Product: Construction financing for new construction or substantial renovation
 - Green product(s)



- Loans to support new construction or substantial renovation of affordable housing buildings with pricing
- Existing Product: Permanent financing for buildings
 - Green product(s):
 - “Green” mortgages that provide pricing incentives for buildings that agree to meet certain net-zero or near net-zero standards and commit to ongoing improvements to lower emissions

Solar development

- Construction to permanent financing for solar development with pricing scale dependent on income levels of subscribers
- LMI revenue guaranty to guaranty payments of LMI subscribers for a period of time while payment risk is uncertain
- Pre-development equity and/or loans to solar developers for project preparation with a focus on projects with a significant portion of LMI subscribers

To recycle repayments and other revenue received from financial assistance provided using the grant funds to ensure continued operability:

By driving capital to CDFIs and community finance organizations, the GHGRF grants would capitalize a nation-wide network of revolving loan funds designed to recycle repayments and other revenue received from the initial grant funds.

Revolving loan funds are self-replenishing pools of money, utilizing interest and principal payments on old loans to issue new ones. Establishing a revolving loan fund provides access to a flexible source of capital (like the GHGRF grants) that can be combined with and levered to mobilize more conventional sources of financing. Often, revolving loan funds serve as a bridge between the amount the low-income borrower can obtain on the private market and the amount needed to start or sustain a new project, business, or environmental rehabilitation.

Initial funding, or capitalization, of a revolving loan fund usually comes from a combination of public sources, such as the local, state, and federal governments, and private ones like financial institutions and philanthropic organizations. Initial funding is typically grant funding.

To facilitate increased private sector investment:

The EPA should drive the grants to community finance organizations with demonstrated track records in using a grant from a government agency to mobilize additional private funding. For instance, for every \$1 in awards provided by the Treasury Department, CDFIs can mobilize enough private-sector leverage (on both the organizational and project level) to generate \$8-10 in lending activity. CDFIs and community finance organizations are adept and well-practiced in using grants from government agencies to attract and mobilize private sector funding.



2. Please describe what forms of financial assistance (e.g. subgrants, loans, or other forms of financial assistance) are necessary to fill financing gaps, enable investment, and accelerate deployment of such projects.

We recommend that the EPA ensure that the GHGRF capital is flexible in its use and tools available and should define financial assistance broadly. Financial assistance should take many forms—financial products, capital reserves, development services, grants (including cash incentives), guarantees, and loan loss reserves—and GHGRF should be designed so that grantees have the flexibility to provide any of these services that best fit community needs while remaining accountable to the parameters of the law.

Financial products should be defined as loans, equity investments and similar financing activities that reduce greenhouse gas activities (as determined by the EPA), including the purchase of loans, the provision of loan guarantees, credit enhancements, and loans from other financial institutions.

Flexibility allows lenders to be market responsive and serve customers with different needs in different geographies. Lenders should have flexibility in how to allocate funding between fully repayable loans, forgivable loans, credit enhancements, and grants.

Low-income communities require technical assistance AND low-cost funding to implement greenhouse gas-reducing projects successfully.

Businesses and residents of low-income communities are more likely to have limited cash reserves and will need attractive incentives that reduce the cost of switching to climate-friendly options. For example, providing subsidies to end customers to reduce the cost of purchasing electric vehicles, switching to electric heat, upgrading refrigeration systems, etc. Or, if loans are used, low-cost financing should be provided for the same types of upgrades and climate-friendly purchasing.

Another form of financial assistance that GHGRF could provide would be funding energy audits as part of predevelopment financing, which can help determine which investments in greenhouse gas reducing technology will have the greatest impact or can lead to long-term savings.

GHGRF should also consider allowing funding to be used for energy adjacent measures that would benefit low-income and underserved communities. For example, health and safety remediation and other capital improvements that enable energy improvements like replacing roofs to enable solar, removal of mold and asbestos, or electrical system upgrades. These projects may not traditionally be considered greenhouse gas reduction efforts, but it is often a co-benefit.

For this reason, we also recommend that the EPA think holistically about resiliency improvements, especially as they pertain to home improvements. A homeowner or landlord working on a relatively small property may have to navigate separate financing options for



roof repair, mold abatement, adding solar panels, etc., even if these upgrades are all part of one combined project to modernize a building's roof. It would be better if there was flexibility built into GHGRF so that it is easier to build or renovate safe and healthy 21st century homes or buildings that are climate efficient.

3. Beyond financial assistance for project financing what other supports – such as technical assistance -- are necessary to accelerate deployment of such projects?

Low-income communities require technical assistance AND low-cost funding to implement greenhouse gas-reducing projects successfully.

Examples of technical assistance can include:

- Additional training, templates, and resources for CDFIs and community finance organizations seeking to expand their green financing product line.
- Research and development capital to further study and promote community climate resiliency projects. For example, CDFIs are currently fielding interest from land trusts and other groups interested in developing climate resilient projects in their communities, such as community solar or storm store credits for water retention.
- Technical assistance for carbon accounting and GHGRF reporting. The CDFI industry and its borrowers will need technical assistance on how to track and report carbon emissions. We recommend the EPA set outcomes, allow technical assistance with standardized carbon accounting and prioritizing reducing carbon emissions while allowing CDFIs to do what they do best – reaching low-income and disadvantaged communities.
- Education for GHGRF contractors. Low-income and disadvantaged communities do not have the same depth of project-ready contractors as are available in higher wealth communities. Without contractors, they cannot complete energy efficiency and climate resiliency projects. With technical assistance funding, CDFIs can support training for vetting, quality assurance, and training processes to build contractor capacity in these communities. When considering contractor cultivation, the funds should be allowed to help suitable contractors scale their businesses in order to provide the desired services, particularly minority-owned businesses. Anticipate that cultivating, vetting and training contractor networks for deployment will require significant investment, as well as evaluation, measurement and verification. The development of these contractors in disadvantaged communities also needs to keep consumer protections front of mind to prevent price gouging and predatory pricing.

Section 4: Eligible Recipients

1. Who could be eligible entities and/or indirect recipients under the Greenhouse Gas Reduction Fund consistent with statutory requirements specified in section 134 of the Clean Air Act? Please provide a description of these types of entities and references regarding the total capital deployed by such entities into greenhouse gas and air pollution reducing projects.



CDFIs and community finance organizations should be both eligible entities and/or indirect recipients under the GHGRF. These community finance organizations provide financial products and services that are (a) driving the reduction of greenhouse gas emissions in low- and moderate-income communities or (b) could be quickly adapted to drive the reduction of greenhouse gas emissions in low- and moderate-income communities.

CDFIs are mission lenders with the networks and relationships needed to deploy capital to low-income, under-resourced, and traditionally marginalized communities. As capillaries of the financial system, CDFIs reflect and understand the communities they serve. There are more than 1,300 Treasury-certified CDFIs investing in all 50 states and financing sectors, with nearly 40% of CDFI lending in persistent poverty areas.¹² As a condition of maintaining their certification, CDFIs are required to direct at least 60% of their financial products to low-income areas or people in their Target Markets – a threshold most CDFIs easily exceed.¹³ From 2009 to 2020, CDFI Recipients of the CDFI Program Award reported originating \$127.8 billion (13.6 million) in total loans/investments.¹⁴

- CDFIs lend to low-income and disadvantaged communities: Data from the CDFI Fund’s 2020 Annual Certification Report found that on average loan funds and venture capital funds direct at least 88% of their lending to their Target Markets, and regulated CDFIs direct at least 75% of their lending to their Target Markets.¹⁵
- CDFIs lend across all 50 states: In FY 2020, CDFIs that reported Transaction Level Report (TLR) data reported lending in states ranged from \$3.49 million in North Dakota to \$3.245 billion in Mississippi. The average state-level lending volume was \$510 million.¹⁶

¹² Loethen and Fabiani, “[Persistent Poverty and the Prevalence of CDFIs](#)”, OFN, (2021).

¹³ The CDFI Fund defines an approved target market or eligible market, as one or more investment areas or targeted populations. Investment area refers to a geographic area that meets requirements set forth in Title 12, Section 1805.201(b)(3)(ii)(D), of the Code of Federal Regulations with a significant unmet need for loans, equity investments, or other financial products or services or is wholly located within an Empowerment Zone currently in effect or Enterprise Community (as designated under Section 1391 of the Internal Revenue Code of 1986 [26 U.S.C. 1391]). Target populations consist of individuals from the following populations: Low-income targeted population is defined as individuals whose family income, adjusted for family size, is not more than (1) for metropolitan areas, 80% of the area median family income in metropolitan areas; and (2) for non-metropolitan areas, the greater of 80% of the area median family income or 80% of the statewide non-metropolitan area median family income. Other targeted populations include African Americans, Hispanics, Native Americans, Native Alaskans residing in Alaska, Native Hawaiians residing in Hawaii, other Pacific Islanders residing in other Pacific Islands, and other groups with CDFI Fund approval.

¹⁴ Audit of the Community Development Financial Institutions Fund’s Financial Statements for Fiscal Years 2021 and 2020 Ahttps://www.cdfifund.gov/sites/cdfi/files/2021-12/FY2021_Agency_Financial_Report.pdf

¹⁵ CDFI Annual Certification and Data Collection Report (ACR): A Snapshot for Fiscal Year 2020, Published October 2021. https://www.cdfifund.gov/sites/cdfi/files/2021-10/ACR_Public_Report_Final_10062021_508Compliant_v2.pdf

¹⁶ OFN, 2022, CDFI Fund Transaction Level Report (TLR) Database, 2022. Every year, OFN requests deidentified transactional level data from the CDFI Fund. The TLR includes loan level data submitted by certified CDFIs. OFN analyzes and aggregates the loan level data to shed light on



- CDFIs lend across rural and urban areas: In FY 2020, CDFIs lending activity was \$5.19 billion in rural areas and \$20.86 billion in urban areas.¹⁷

CDFIs are also experts in the type of place-based investing needed to address localized needs of climate-impacted communities. The overlap between low-income markets and climate-impacted communities intersects with many markets served by CDFIs: flood prone areas like New Orleans 9th ward, manufactured housing communities impacted by extreme heat in the Southwest, farmworkers and rural communities displaced by wildfires in California, coastal communities of color in Florida and along the Gulf Coast – all communities served by mission lenders working to address the impacts of climate change.

Further, CDFIs are experts at leveraging philanthropic, public, and private capital (at both the organizational and project level) and collaborating with other lending institutions, including impact investors, community banks, green banks, and other CDFIs. For example, the Treasury Department has found that CDFIs leverage a grant investment 8-10x with private sector investment from banks, foundations, and other impact investors.¹⁸ CDFIs will be able to leverage capital from the GHGRF with other funding on both the organizational and project level to deepen its impact.

In addition to the benefits of the on-the-ground capacity of the existing community finance industry, these organizations also have experience taking, leveraging, and reporting on government funds for the benefit of low- and moderate-income communities. It is paramount for the GHGRF capital to have maximum flexibility. **If funds come with too many strings attached, it will greatly hinder deployment, particularly fast deployment.** The EPA should hold firm to its primary goal of reducing greenhouse gases and allow lenders in the program to determine how to use that capital to create and enhance products to reach it. For example, the EPA should set the program goals and benchmarks and eligible use of funds and let the recipients/subrecipients create the lending products to meet the objectives. The CDFI Fund's Rapid Response Program is a good example of a federal program designed to have these criteria.

Many CDFIs have been lending in their communities for more than thirty years and have developed deep trust and relationships in the communities they serve, and in addition to capital, they provide a wrap-around service model, coupling training and one-on-one technical assistance to their clients to support borrower success.

2. What types of entities (as eligible recipients and/or indirect recipients) could enable Greenhouse Gas Reduction Fund grants to support investment and deployment of greenhouse gas and air pollution reducing projects in low-income and disadvantaged communities?

CDFI activities outcomes at different geographies (e.g., national, by state, by congressional district) and over time.

¹⁷ OFN, 2022, CDFI Fund Transaction Level Report (TLR) Database, 2022.

¹⁸ [Remarks by Secretary of the Treasury Janet L. Yellen on \\$1.25 Billion Award to CDFIs to Support Economic Relief in Underserved Communities Affected by COVID-19](#), June 15, 2021.



The EPA should focus on designing a program for intermediary applicants to maximize the reach and flexibility of the GHGRF. Intermediaries can have the flexibility to allocate and reallocate funds as needed based on programmatic objectives and measures.

All applicants should demonstrate experience with federal grant management; strength of governance, oversight and transparency; operational infrastructure to raise and manage private capital; plans to fund both financial assistance and technical assistance; and systems available to track and report.

At a minimum, intermediary applicants should have transparent and reliable standards that govern how they function – even if they don't have standards that currently extend to clean energy technologies – so that EPA can rely on key guardrails. These standards might include: clear governance, transparency in reporting, adherence to accounting principles, prudent lending, underwriting standards, and reserve requirements. Further, if an applicant is applying as an intermediary, they should be able to demonstrate long-standing relationships within the industry they are representing and a clear-down streaming strategy and methodology.

Applicants should also be able to demonstrate that their staff and board have experience: receiving and managing federal funds, working with low-income and disadvantaged populations, developing and designing inclusive financial products, and providing technical assistance services.

All eligible entities seeking to serve as intermediaries or direct award recipients should meet the following criteria, informed by NRDC's RFI response:

- Have at least a five-year track recording of lending, especially in low-income and disadvantaged communities
- Experience administering federal grants and serving as an intermediary
- Demonstrate long-standing relationships with the industry that they are representing
- Have an existing revenue model and subsequently not plan to use GHGRF funding as their sole source of operations
- Have an effective model for how they will distribute funds in a cost-effective manner
- Demonstrate good, long-standing governance and staffing capacity
- Display a viable pipeline of transactions and seek funding appropriate to the size of that pipeline
- Showcase strong support from the sub-recipients of the GHGRF funding

CDFIs will enable GHGRF grants to support investment and deployment of greenhouse gas and air pollution reducing projects in low-income and disadvantaged communities.

Please refer to Section 4, Question 1 above for greater detail on how CDFIs specialize in driving affordable capital to low-income and/or disadvantaged communities.



As mission lenders with specialized expertise in reaching underserved markets, CDFIs are ideally positioned to finance projects that reduce greenhouse gas emissions. Clean energy finance in low-income communities requires specialized lending expertise. Investing in the clean energy technologies needed to reduce emissions is unaffordable for many households and communities – especially those already underserved by traditional finance.

Low-income homeowners seeking financial assistance to purchase upgraded heat pumps or install solar panels will face the same barriers to accessing capital as they do when seeking a mortgage. A corner store owner looking to upgrade their refrigeration system might not have the collateral or cash flow needed to secure a bank loan to invest in that technology. Ensuring that GHGRF capital reaches low-income and disadvantaged communities requires partnering with financial institutions that already have the trust and relationships on the ground.

3. What types of entities (as eligible recipients and/or indirect recipients) could be created to enable Greenhouse Gas Reduction Fund grants to support investment in and deployment of greenhouse gas and air pollution reducing projects in communities where capacity to finance and deploy such projects does not currently exist?

CDFIs have an existing infrastructure and a track record of serving and building trust in low-income communities, which no new entity can provide. What’s more, 211 or 55% of CDFIs that are part of the Opportunity Finance Network already have a green lending product. CDFIs can easily expand these options through Greenhouse Gas Reduction Fund grants to support investment in and deployment of greenhouse gas and air pollution reducing projects in communities where capacity to finance and deploy such projects does not currently exist.

CDFIs can deliver rapid and targeted deployment of federal funds to underserved markets when supportive policy changes are coupled with adequate capital and capacity building resources. Please refer to Section 4, Question 1 above for greater detail on how CDFIs specialize in driving affordable capital to low-income and/or disadvantaged communities, areas where capacity to finance and deploy greenhouse gas and air pollution reducing projects does not currently exist.

CDFIs are also experts in the type of place-based investing needed to address localized needs of climate-impacted communities. The overlap between low-income markets and climate-impacted communities intersects with many markets served by CDFIs: flood prone areas like New Orleans 9th ward, manufactured housing communities impacted by extreme heat in the Southwest, farmworkers and rural communities displaced by wildfires in California, coastal communities of color in Florida and along the Gulf Coast – all communities served by mission lenders working to address the impacts of climate change.

Further, CDFIs are experts at leveraging philanthropic, public, and private capital and collaborating with other lending institutions, including impact investors, community banks, green banks, and other CDFIs. For example, the Treasury Department has found that CDFIs leverage a grant investment 8:1 with private sector investment from banks, foundations, and other impact investors. CDFIs will be able to leverage capital from the GHGRF with other funding at the organizational and project level to deepen its impact.



4. How could EPA ensure the responsible implementation of the Greenhouse Gas Reduction Fund grants by new entities without a track record?

To best achieve its goals, the EPA should not allow new entities when there is an existing infrastructure of CDFIs and mission lenders ready and able to implement GHGRF. Instead, we recommend that the EPA build capacity and support the growth of CDFIs and mission lenders to provide products and services that will reduce greenhouse gas emissions.

If the EPA does decide to allow a new entity, we recommend the EPA consider requiring standardized investment decision-making criteria and impact reporting for new entities without a track record. The EPA may also consider creating a certification for qualified lenders of green financing products. While creativity and innovation are goals of the GHGRF, it is important that the EPA have measures in place to prevent waste, fraud, and poor governance.

Section 5: Oversight and Reporting

1. What types of governance structures, reporting requirements and audit requirements (consistent with applicable federal regulations) should EPA consider requiring of direct and indirect recipients of Greenhouse Gas Reduction Fund grants to ensure the responsible implementation and oversight of grantee/subrecipient operations and financial assistance activities?

We recommend the EPA consider the governance structures, reporting requirements, and audit requirements utilized by the CDFI Fund. Requirements to ensure the responsible implementation and oversight of grantee/subrecipient operations and financial assistance activities include organizational compliance (e.g., financial audits and single audits) and project compliance (transaction level compliance on volume and impact of projects).

For project compliance, the EPA may consider how CDFIs already submit transaction level data with particular impact data measurements that could be expanded to collect information about green lending activity. The EPA could lever the whole Transaction Level Reporting collection system to expand into data collection on green financing products.

4. What should EPA consider in the design of the program to ensure community accountability for projects funded directly or indirectly by the Greenhouse Gas Reduction Fund? What if any existing governance structures, assessment criteria (e.g., the Community Development Financial Institutions Fund's Target Market Accountability criteria), rules, etc., should EPA consider?

We affirm the EPA's recommendation to consider the CDFI Fund's Target Market Accountability criteria. Due to the critical importance of ensuring sufficient regional and geographic insight and perspectives, as well as maintaining the agility of insight on



emerging technology and other climate-relevant innovations, we recommend that the EPA consider the creation of Advisory Board structures aligned to the Governing Board with specific representation objectives to bring current insights, inputs, and expertise to the Board and Management, as needed.

Section 6: General Comments

1. Do you have any other comments on the implementation of the Greenhouse Gas Reduction Fund?

Environmental hazards and climate-driven disasters disproportionately impact low-income communities. The federal government needs CDFIs to implement the Greenhouse Gas Reduction Fund successfully in the communities it is designed to serve. Even without direct federal support for clean energy financing, CDFIs have financed businesses and projects that reduce greenhouse gas emissions and air pollution and are poised to do much more. OFN's network of CDFIs stand ready to partner with EPA to make meaningful progress on reducing greenhouse gas emissions, particularly in the low-income and disadvantaged communities prioritized in the law.



Appendix B: Examples of CDFI Green Lending

[Bluehub Capital](#), based in **Boston, MA** created an electric vehicle (EV) pilot program using vehicle-to-grid (V2G) technology to lower the costs and increase the reliability of a car for low-income households, identify barriers to low-income household adoption of EVs, and recommend policy changes and business initiatives that enable low-income households to transition from gas to EVs.

[Capital For Change](#), based in **Wallingford, CT** offers both consumer and commercial loans for energy efficiency projects. Their consumer loan programs cover improvements for homeowners to cover ranging improvements from insulation and heating systems to solar panels and geothermal systems. Their Low Income Multifamily Energy (LIME) Loan Program works with property owners to make energy efficiency improvements to multifamily properties.

[Capital Good Fund](#), based in **Providence, RI** is planning to expand their [DoubleGreen](#) loan program for energy-efficiency upgrades. Designed to serve the needs of moderate-to-middle income homeowners with less-than-perfect-credit, the loans serve to upgrade wall insulation, duct sealing, high-efficiency heating & cooling equipment to make your home more energy-efficient and safe. The fund is currently serving Rhode Island, Florida, Massachusetts, Delaware, Illinois, and Texas with hopes of expansion.

[Cincinnati Development Fund](#), based in **Cincinnati, OH**, created the Affordable Energy Fund, targeting developer-borrowers who are creating affordable, multi-family housing in the high-poverty neighborhoods CDFIs serve. The Affordable Energy Fund provides low-cost mezzanine debt as an incentive for developers to identify energy-efficiency solutions and ensure proper implementation, while preventing the creation of a financial barrier for people who are low-income through the added cost of energy-efficient systems.

[City First Enterprise](#), based in **Washington, DC** is launching the [Small Business Renewable and Energy Efficient Fund](#) (REEF) in partnership with Montgomery County, MD's Green Bank. In the first phase, the organizations will provide a \$650,000 loan fund of secured and unsecured debt to Montgomery County-based small businesses to accelerate energy efficiency and clean energy.

[Community Loan Fund of the Capital Region](#), based in **Albany, NY** is supporting affordable housing developers moving into the economically distressed neighborhoods of Arbor Hill and Sheridan Hollow to build out green infrastructure. They also help nonprofits who serve residents in those communities make energy updates to their buildings providing cost savings to their limited budgets. All funds are combined with sustainability education for new and existing residents.

[Kentucky Highlands Investment Corporation](#), based in **London, KY**, makes loans to small businesses for energy efficiency improvements and retrofits so they can reduce operating costs to remain competitive. KHIC has a program that combines energy projects with the USDA's Rural Energy for America Program (REAP) loan and grant program to achieve a 3:1 leverage. Only agricultural producers and rural small businesses are eligible to apply for REAP funds. REAP is a competitive renewable energy and energy efficiency improvement reimbursement program that makes grants up to 25% and loan guarantees up to 75% of eligible costs.



[Neighborhood Housing Services of South Florida](#), based in **Miami, FL** is expanding their operations to provide innovative solutions to communities facing an affordable housing crisis and residential as well as business displacement due to climate change, natural disasters, gentrification, and unexpected economic hardships, such as a pandemic.

[New Jersey Community Capital](#), based in **New Brunswick, NJ** finances projects that upgrade and improve energy efficiency of housing units and other facilities and may lead to LEED certification. Through their Healthy Communities Fund, they provided the financial resources and development expertise to drive the construction of safe, affordable, stable, and environmentally sound housing opportunities in an effort to realize better health outcomes in distressed neighborhoods.

[Northeast South Dakota Economic Corporation](#), based in **Sisseton, SD** will use the grant to educate and provide lending for upgrading or purchasing new energy-efficient products to business loan customers. Providing education to customers on energy-efficient products that will enhance small businesses and lower operating costs.

[On the Road Lending](#), based in **Irving, TX**, provides environmental, social, and financial returns in their enterprise, making loans on fuel efficient transportation for working families. They have seen on average a 35% reduction in greenhouse gas emissions and a 32% fuel consumption reduction since they began making car loans in 2014. They are working with the EPA on a social impact bond that addresses health disparities and high vehicle emissions.

[Opportunities Credit Union](#), based in **Winooski, VT**, created a loan program for energy-efficient home appliances with affordable monthly payments for low-income homeowners in Vermont.

[Rural Community Assistance Corporation](#), based in **West Sacramento, CA**, created the [Biomass Utilization Fund](#) (BUF), a pilot lending program designed to reduce wildfire risk by using low-value forest wood (biomass) to generate sustainable energy and employment for low-to-moderate-income (LMI) rural Californians.

[The National Housing Trust Community Development Fund](#), based in **Washington, DC** will use the grant to support the [Energy Efficiency for All](#) (EEFA), a collaborative that brings together state and local groups from across the country to help increase energy efficiency investment in multifamily housing.

[Triple Bottom Line](#), based in **Lakewood, Colorado** will use the grant to expand and create a loan loss reserve for their work in providing technical assistance and financing for energy efficiency and renewable energy improvements in multifamily affordable housing properties serving low-income residents.

[Virginia Community Capital](#), based in **Richmond, VA** operates a [Clean Energy Lending](#) program by providing solar loans for direct ownership, to small businesses and for third party ownership using power purchase agreements (PPAs) for nonprofits. Virginia Community Capital is also looking to expand this program geographically, and lend in contiguous states (North Carolina, Tennessee, Kentucky, West Virginia, Maryland, and Washington DC).