

COMMUNITY DEVELOPMENT ADVISORY BOARD
Community Development Financial Institutions Fund (CDFI Fund)
United States Department of the Treasury

Minutes

Date: Thursday, August 23, 2018

Place: Main Treasury Building
The Media Room
1500 Pennsylvania Avenue NW
Washington, D.C. 20220

Presiding: Shane Jett, Chair of the Community Development Advisory Board (CDAB)

Board Members in Attendance:

Shane Jett, Chair, CDAB; CEO, Citizen Potawatomi Community Development Corporation
Curtis Anderson, Chief of Staff, Rural Housing Service, U.S. Department of Agriculture (for
Anne Hazlett)

Faith Bautista, President and CEO, National Asian American Coalition

Cara Dingus Brook, President and CEO, Foundation for Appalachian Ohio

Jovita Carranza, Treasurer of the United States, U.S. Department of the Treasury

Judy Chapa, Vice President of Corporate Social Responsibility, Financial Services Roundtable

Greg Fairchild, Isidore Horween Professor of Business Administration, Darden School of
Business, University of Virginia

Stanley Gimont, Deputy Assistant Secretary for Grant Programs, U.S. Department of Housing
and Urban Development (for Neal Rackleff)

Clinton Gwin, President and CEO, Pathway Lending

Robert R. Jones III, President and CEO, United Bank

William Manger, Associate Administrator for Capital Access, U.S. Small Business
Administration

Todd McDonald, Vice President of Strategy, Liberty Bank and Trust

L. Ray Moncrief, President and CEO, Mountain Ventures Inc., Kentucky Highland Investment
Corporation

Tara Sweeney, Assistant Secretary for Indian Affairs, U.S. Department of the Interior

Remarks and Presentations:

Craig Phillips, Counselor to the Secretary of the Treasury

Annie Donovan, Director, CDFI Fund

Marcia Sigal, Deputy Director of Policy and Programs, CDFI Fund

Daniel Aiello, Acting Program Manager, Capital Magnet Fund, CDFI Fund
Lisa Jones, Program Manager, CDFI Bond Guarantee Program, CDFI Fund
Amber Kuchar-Bell, Program Manager, CDFI Program and Native Initiatives, CDFI Fund
Rosa Martinez, Acting Program Manager, New Markets Tax Credit Program and Bank Enterprise Award Program, CDFI Fund
Tanya McInnis, Acting Program Manager, Certification, Compliance Monitoring and Evaluation, CDFI Fund
Mia Sowell, Associate Program Manager, BEA Program, CDFI Fund

Also Present:

Bill Luecht, Designated Federal Official for the CDAB, CDFI Fund

Welcome Remarks and Introduction of Annie Donovan, Director of the CDFI Fund, by Board Chair Jett

At 9:00 a.m., Board Chair Jett welcomed everyone in attendance to the U.S. Department of the Treasury and to the meeting of the Community Development Advisory Board of the Community Development Financial Institutions Fund (CDFI Fund). Board Chair Jett extended a special welcome to the three newest members of the Board: Dr. Gregory Fairchild, Mr. Ray Moncrief, and Ms. Tara Sweeney. Board Chair Jett also welcomed the members of the public who were present, in person as well as online, and thanked them for their interest in the CDFI Fund.

Board Chair Jett stated that Mr. Craig Phillips, Counselor to the Secretary of the Treasury, would speak shortly, and asked CDFI Fund Director Annie Donovan to introduce Mr. Phillips.

Introduction of Mr. Craig Phillips, Counselor to the Secretary of the Treasury, by CDFI Fund Director Annie Donovan

Director Donovan stated that it was a pleasure and an honor to introduce Mr. Phillips. Director Donovan reflected that Mr. Phillips joined the Treasury Department in January 2017 and, as the only political appointee for a while, held up the entire department during that time. Director Donovan stated that Mr. Phillips assists the Secretary in a wide range of matters, including domestic finance, domestic financial institutions policy, housing finance policy, and regulatory reform.

Director Donovan summarized Mr. Phillips's background, noting that Mr. Phillips served as Managing Director and Member of the Global Operating Committee of BlackRock Inc. from 2008 to 2017 and was the global head of the Financial Markets Advisory Group in BlackRock Solutions, which provided analytical and risk consulting services to a wide range of private and public sector organizations globally.

Director Donovan also noted that Mr. Phillips had previously held leadership positions at Morgan Stanley and Credit Suisse First Boston, where he managed global, securitized product platforms. Director Donovan added that Mr. Phillips holds a B.A. in economics and business administration from Vanderbilt University.

On a personal note, Director Donovan thanked Mr. Phillips for his direct engagement with the CDFI Fund, noting that he is a very busy man and shoulders a lot of responsibility, but has never missed a beat when it comes to attending to the CDFI Fund.

Director Donovan invited Mr. Phillips to speak.

Remarks by Mr. Craig Phillips, Counselor to the Secretary of the Treasury

Mr. Phillips thanked Director Donovan for her introduction and welcomed everyone to the Treasury Department. Mr. Phillips expressed his appreciation to the Board Members for their commitment to engaging in the activities of the Board.

Mr. Phillips stated that the Administration has made breaking the low cycle of economic growth a high priority. Mr. Phillips stated that that priority is inherent in all our Treasury's policies and recognizes that CDFIs can play an important part in distressed communities, helping low- and moderate-income people get the capital and financial services that they need to prosper. Mr. Phillips stated that the CDFI Fund is an important program and that Treasury appreciates the efforts of Director Donovan and the whole team in this.

Mr. Phillips stated that the capital provided by CDFIs is being used by entrepreneurs to open or grow small businesses, to redevelop commercial real estate, to preserve the availability of affordable housing for low-income families, and to build community facilities, such as charter schools and healthcare centers, in underserved communities.

Mr. Phillips added that CDFIs also provide a wide range of technical assistance services, such as business planning, credit counseling, and homebuyer education. Mr. Phillips stated that this is a suite of activities that are critical for economic growth and building the foundations of communities.

Mr. Phillips again thanked the Board Members from both the public and private sector for their willingness to serve and for their expertise and insights.

Mr. Phillips requested that the swearing in ceremony begin.

Swearing in of Private Citizens Appointed to the Community Development Advisory Board, by Director Donovan and Mr. Phillips

Director Donovan invited Dr. Gregory Fairchild and Mr. Ray Moncrief, the two private citizens appointed to the Community Development Advisory Board, to step forward.

Mr. Phillips administered the oath of office to Dr. Fairchild and Mr. Moncrief.

Roll Call, by Board Chair Jett

Board Chair Jett congratulated Board Member Fairchild and Board Member Moncrief.

Board Chair Jett stated that it is an honor to be a part of the Board and to be able to represent the many CDFIs that are not present but are represented in spirit, along with the organizations that each Board Member represents, because back home those organizations are making a difference.

Board Chair Jett noted that what these organizations do would not be possible without the CDFI Fund, and thanked Director Donovan and the CDFI Fund's staff for their efforts.

Board Chair Jett formally began the meeting and conducted a roll call of the Board. Board Chair Jett instructed the Board Members in attendance to respond "present" when he called their names. Board Members Bautista, Dingus Brook, Carranza, Chapa, Fairchild, Gwin, Jones, Manger, McDonald, Moncrief, and Sweeney each responded "present."

Board Chair Jett noted that Board Member Anne Hazlett was unable to join the meeting and that Mr. Curtis Anderson, Chief of Staff of the Rural Housing Service at USDA, would be representing her. Mr. Anderson replied "present" when Board Chair Jett called his name.

Board Chair Jett also noted that Board Member Neal Rackleff was unable to attend and that Mr. Stan Gimont, Deputy Assistant Secretary for Grant Programs, U.S. Department of Housing and Urban Development, would represent him. Board Chair Jett added that Mr. Gimont would join the meeting presently.

Board Chair Jett called the meeting to order.

Review of Agenda, by Board Chair Jett

Board Chair Jett provided an overview of the agenda for the meeting.

Board Chair Jett stated that after a brief round of introductions of the Board Members, Director Donovan would present the Director's Report, followed by updates from five senior staff members of the CDFI Fund on the various programs of the CDFI Fund.

Board Chair Jett stated that, following a short break, three of the Board's federal representatives would speak about how they are creating synergy with CDFIs and CDEs through the programs at their respective agencies.

Board Chair Jett stated that the meeting would break for lunch at noon and reconvene at 1:00 p.m.

Board Chair Jett stated that in the afternoon session, the Board would hear presentations from the CDFI Fund on two issues—the re-examination of CDFI certification policies, and the maximizing of the impact of CDFI Fund's awards in Persistent Poverty Counties—that the CDFI Fund would like the Board to consider through the formation of two proposed subcommittees. Board Chair Jett stated that the Board would discuss and vote on the formation of these subcommittees.

Board Chair Jett stated that the meeting would adjourn at 2:00 p.m.

Board Chair Jett reminded the audience that participation in the discussion is limited to the Board Members and the CDFI Fund and Treasury staff.

Introduction of Board Members, by Board Chair Jett

Board Chair Jett invited the Board Members to introduce themselves by providing their name, title, organization or federal agency, and city and state. Board Chair Jett stated that Board Members Fairchild, Moncrief, and Sweeney, would, as new members, be provided with additional time to introduce themselves.

Director Donovan, Board Chair Jett, and Board Members Anderson, Bautista, Dingus Brook, Carranza, Chapa, Gwin, Jones, Manger, and McDonald introduced themselves.

Board Member Moncrief introduced himself, noting that he has returned for his second tour of duty on the Board, because he believes that CDFIs might be the single most important grassroots delivery organization that exists, especially where he works, in the middle of eastern Kentucky. Board Member Moncrief noted that that area consists of nothing but Persistent Poverty Counties, and that but for the CDFI Fund, many entrepreneurial starts would not exist.

Board Member Sweeney introduced herself, stating that she is from Utqiagvik, Alaska, formerly known as Barrow, Alaska, and that she is the Assistant Secretary for Indian Affairs at the Department of the Interior.

Board Member Fairchild expressed his gratitude to those Board Members who toil in the fields with CDFIs, and to those who help administer the CDFI Fund's programs. Board Member Fairchild recalled his five years of research focusing on CDFIs, which involved looking at their financial and business models and spending time with their leaders to learn how they do what they do in their communities.

Board Member Fairchild noted that his work with CDFIs and the CDFI Fund has given him an appreciation for institutions that do the work that many people in the finance industry question can be done in prudent ways and in communities that might otherwise be overlooked. Board Member Fairchild stated that the work of CDFIs and the CDFI Fund proves that that thesis is not true, and thanked the Board Members and CDFI staff.

Board Chair Jett thanked Board Member Fairchild for his comments and invited Director Donovan to present the Director's Report

CDFI Fund Director's Report, by Director Donovan

Director Donovan stated that her report would highlight the CDFI Fund's accomplishments since the Board's last meeting in November 2017 and its priorities for fiscal year (FY) 2019.

Director Donovan stated that the CDFI Fund's budget for FY 2018 is \$250 million, noting that that amount is an increase of \$2 million over FY 2017 and that the CDFI Fund was very grateful to Congress for the increase.

Director Donovan added that Congress authorized \$500 million in guarantee authority for the CDFI Bond Guarantee Program. Director Donovan noted that the CDFI Fund's FY 2018 appropriations included up to \$3 million for Financial Assistance and Technical Assistance to enable CDFIs to expand investments to individuals with disabilities, and that this amount was in addition to the \$3 million appropriated for the same purpose in FY 2017.

Director Donovan stated that the New Markets Tax Credit Program is currently authorized to allocate \$3.5 billion annually through calendar year 2019.

Director Donovan stated that the number of CDFIs has grown from 196 at the end of 1997 to just over 1,100 today, and that the overall asset size of the CDFI industry has expanded from \$4 billion in 1997 to \$150 billion today. Director Donovan added that since 1996 the network of CDFI Fund Program awardees has provided more than \$34 billion in loans and investments across America.

Director Donovan then offered the following brief reviews of the CDFI Fund's programs:

- **Community Development Financial Institutions Program (CDFI Program)** – The CDFI Fund has awarded more than \$2 billion over 22 rounds of its flagship program, the CDFI Program. The program uses limited federal resources to build the capacity of CDFIs, and, since the first awards were made in 1996 to 31 CDFIs, has enabled the national network of CDFIs to expand to more than 1,100 organizations located in every state, the District of Columbia, Guam, and Puerto Rico.
- **Native Initiatives** - The Native Initiatives program was formed in response to the CDFI Fund's Native American Lending Study, released in 2001, and the first awards through the Native Initiatives were made to Native CDFIs in 2002. Since then, there has been tremendous growth in the Native CDFI sector; there are now more than 70 Native CDFIs creating economic opportunity in American Indian, Alaska Native, and Native Hawaiian communities. Director Donovan noted that in September the CDFI Fund would announce the 2018 awardees for the CDFI Program and Native Initiatives.
- **Bank Enterprise Award Program (BEA Program)** - The CDFI Fund has awarded more than \$470 million over the first 22 rounds of the BEA Program, which provides awards to FDIC-insured banks and thrifts that increase investment in CDFIs in distressed communities throughout the nation. In June 2018, the CDFI Fund announced awards for the FY 2017 round of the program to 113 banks that received approximately \$23 million in funding and received 119 applications requesting more than \$131.7 million in awards. The FY2018 round of the program is currently underway. The CDFI Fund has \$25 million to award in this round. The CDFI expects to announce these awards during winter 2019.

- **New Markets Tax Credit Program (NMTC Program)** - Over the 18-year history of the NMTC Program, the CDFI Fund has awarded \$54 billion in tax credit authority to Community Development Entities to spur growth and breathe new life into neglected, underserved, low-income communities by attracting private investment capital.
- **CDFI Bond Guarantee Program** - Over the first five rounds of the CDFI Bond Guarantee Program, which provides CDFIs with access to fully guaranteed loans with up to 30-year terms at below-market interest rates, 26 eligible CDFIs have been issued bonds totaling \$1.4 billion. The 2018 round of the program is currently underway, and the CDFI Fund will announce new issuances in September.
- **Capital Magnet Fund Program (CMF Program)** – The CDFI Fund concluded the third funding round of the CMF Program in March 2018, awarding \$120 million to 40 organizations. The fourth funding round opened on July 18, 2018, and the application deadline is September 17. The CDFI Fund plans to provide approximately \$143 in awards in this round.

Director Donovan then provided the following updates on administrative initiatives the CDFI Fund undertook during FY 2018 to maximize performance, efficiency, and program results:

- **Implementing the Awards Management Information System (AMIS)** – AMIS is a cloud-based platform that, once completed, will support all CDFI Fund programs through each phase of the program life cycle, including certification, program awards, and allocations, data analysis, and reporting. To date, the CDFI Program, Native American CDFI Assistance Program (NACA Program), and BEA Program have been integrated into AMIS. The NMTC Program and CMF Program also have been integrated, except for portions of post-award compliance, have also been integrated. Applicants will use AMIS to apply for the Bond Guarantee Program in November 2018. In addition, the CDFI Fund has retired its Community Investment Impact System, and beginning September 1, 2018, award recipients will submit their Institutional Level Reports and Transactional Level Reports in AMIS. Finally, AMIS supports the CDFI Fund’s CDE Certification process and will include CDFI Certification on November 1, 2018.

This has been a long process of moving all of the CDFI Fund’s legacy, siloed, and clunky systems into the cloud and into an enterprise-level program that will be more flexible. This initiative is integral to all of the CDFI Fund’s programs, as well as to the agency’s strategic plan, which calls for making the CDFI Fund’s programs better and more data-driven. The implementation of the AMIS platform enables another key administrative initiative: the development of the CDFI Program Assessment and Risk Management Framework.

- **Developing the CDFI Program Assessment and Risk Management Framework (ARM Framework)** – The ARM Framework is a suite of tools that the CDFI Fund will use to assess CDFI program applicants’ and awardees’ financial and programmatic risk, to enhance data-driven decision making, and to mitigate post-award compliance reporting risks. Development of the ARM Framework began in 2017, and its data and analysis

tools will support the needs of multiple CDFI Fund business units.

Due to the expiration of its prior contract, the CDFI Fund conducted a procurement during 2018 and awarded a new contract in July. The full suite of tools will be developed by the end of 2020.

- **Supporting investment in Persistent Poverty Counties (PPCs)** - The Consolidated Appropriations Act of 2017, the bill that funded the CDFI Fund, mandates that 10 percent of the FY 2017-appropriated funds awarded by the CDFI Fund support activities in PPCs. In support of this requirement, one-third of the CDFI Program and NACA Program awardees indicated that they will be providing lending and investment services in PPCs, which are defined as counties where 20 percent or more of the population has lived in poverty over the past 30 years.
- **Supporting the designation of Opportunity Zones** - The 2017 Tax Cuts and Jobs Act created Opportunity Zones, a tax incentive for investors to invest capital gains and qualified opportunity funds in low-income communities. The CDFI Fund entered into an Interagency Agreement with the IRS to support the designation of Opportunity Zones by the nation's governors, who were required to identify and nominate 25 percent of the qualified low-income communities in their states, using a definition of low-income communities that matched the definition used in the NMTC Program.

The CDFI Fund created the nomination tool for governors, processed the nominations, and prepared the materials for IRS's announcement of the Opportunity Zones. All of this was required to be completed within 90 days of the enactment of the law, and the CDFI Fund's team did a great job, getting instructions to the governors and running the process. By mid-June 2018, more than 8,700 Opportunity Zones were designated in all 50 states, the District of Columbia, and all of the territories.

- **Modifying the CDFI Fund's organizational chart** – The CDFI Fund's strategic plan calls for the CDFI Fund “to increase the impact of the CDFI Fund by supporting the growth, reach, and performance of CDFI Fund awardees” and also “to create organizational excellence by enhancing team performance and improving operational efficiency.” To align its organizational structure with these strategic goals, the CDFI Fund in FY 2018 created a new position: Deputy Director for Policy and Programs.

The CDFI Fund's former organizational structure had just one Deputy Director, Dennis Nolan, through whom everything ran, from Operations to Compliance to Information Technology and Programs and Policy. When that structure was created, the CDFI Fund had fewer programs and was less complex. Since then, the agency has launched and grown the CMF Program and the CDFI Bond Guarantee Program, and its budget has grown, as well. So the CDFI F Fund now has two Deputy Directors, one for Policy and Programs and another for Finance and Operations.

This change will allow the CDFI Fund, on the Operations side, to handle the greater complexity that the CDFI Bond Guarantee Program and CMF Program have created on

the agency's balance sheet. On the Policy and Program side, the change will allow the CDFI Fund to break down silos across programs, to better utilize staff resources and to improve the customer experience as well, another one of our strategic goals.

The CDFI Fund conducted a search for a Deputy Director for Policy and Programs, and selected Marcia Sigal for the position. Ms. Sigal joined the CDFI Fund in 2015 from HUD to relaunch the Capital Magnet Fund. Ms. Sigal has extensive experience in both the public and private sectors and is deeply knowledgeable about affordable housing and economic development policies.

Director Donovan expressed gratitude to the CDFI Fund's staff for the exceptional dedication and hard work that made these accomplishments possible, and stated that these accomplishments clearly demonstrate that the CDFI Fund continues to succeed in its mission to increase economic opportunity and to promote community development in distressed communities throughout the nation.

Director Donovan briefly discussed the CDFI Fund's priorities for 2019, noting that the agency will continue to do the work involved in implementing AMIS and the ARM Framework. Director Donovan stated that the CDFI Fund will also be reexamining its policies for CDFI certification—a process that the Board may also engage in through a subcommittee. Director Donovan added that the CDFI Fund will relaunch the Capacity Building Initiative, in addition to running the six major programs it runs, and will continue to progress toward achieving all five goals in the CDFI Fund's strategic plan.

Update on CDFI Fund Programs, Remarks by Ms. Marcia Sigal, Deputy Director of Policy and Programs, CDFI Fund

Board Chair Jett thanked Director Donovan for her report and stated that the Board would now hear program updates from senior CDFI Fund staff members.

Board Chair Jett invited Ms. Marcia Sigal, Deputy Director of Policy and Programs, to speak.

Ms. Sigal stated that she was honored to have been selected for the new position of Deputy Director of Policy and Programs, and expressed gratitude for the opportunity to serve the CDFI Fund in this role.

Ms. Sigal stated that, in her new role, she will look at the CDFI Fund's entire menu of programs to see how the agency is achieving the objectives of its strategic plan, particularly the objectives related to impact and program policies. Ms. Sigal added that the CDFI Fund also will look at ways to refine the efficiency and effectiveness of its programs, management, and processes in order to achieve the agency's impact objectives, and, very importantly, ways to provide outstanding customer service and support for program participants and award recipients.

Ms. Sigal noted that, with the development of AMIS and the ARM Framework, the CDFI Fund will be equipping its teams with tools that will enable the agency to evaluate its program applications and outcomes with a new level of analysis and accuracy that it has never had. Ms.

Sigal noted that, under Director Donovan's leadership, the CDFI Fund's teams have focused a great deal on collaboration over the past two years, and that the new organizational structure will enable that kind of collaboration across programs to continue in a new and effective way.

Ms. Sigal stated that, because she had served as a program manager at the CDFI Fund before taking on her new role, she knew that the agency has a very talented team of program managers whom she is very pleased to be working with. Ms. Sigal then briefly introduced the five program managers who would provide updates on their programs:

- Ms. Amber Kuchar-Bell, Program Manager for the CDFI Program and Native Initiatives, which includes the Native American CDFI Assistance Program
- Mr. Daniel Aiello, Acting Program Manager for the Capital Magnet Fund
- Ms. Rosa Martinez, Acting Program Manager for the New Markets Tax Credit Program and the Bank Enterprise Award Programs
- Ms. Mia Sowell, Associate Program Manager for the Bank Enterprise Award Program
- Ms. Lisa Jones, Program Manager of the CDFI Bond Guarantee Program.

Ms. Sigal invited Ms. Kuchar-Bell to speak.

Update on the CDFI Program and NACA Program, Remarks by Ms. Amber Kuchar-Bell, Program Manager of the CDFI Program and Native Initiatives, CDFI Fund

Ms. Kuchar-Bell began her remarks by briefly reviewing the significant changes that the CDFI Fund made in FY 2017 to streamline the application process for the CDFI Program and NACA Program. Ms. Kuchar-Bell stated that the CDFI Fund reduced the number of questions for the Financial Assistance (FA) and Technical Assistance (TA) applications and tried to create an application process that allowed every type of institution to tell its story and to convey the depth and breadth of its work and impact.

Ms. Kuchar-Bell added that the CDFI Fund also aligned the application and the evaluation process to make sure the CDFI Fund is rewarding impact and is ensuring that applicants have a sound business plan and are financially safe and sound. Ms. Kuchar-Bell stated that, as a result of that process, the CDFI Fund required each FA applicant to commit to achieving one of four FA objectives: to increase the volume of its current products and services, to provide a new financial product or service, to expand operations into a new geography, or to serve a new targeted population. Ms. Kuchar-Bell stated that this pushes applicants to have more impact.

Ms. Kuchar-Bell stated that the CDFI Fund expects to make the award announcements for the current round of the CDFI Program and NACA Program by the end of September 2018. Ms. Kuchar-Bell noted that in 2017 the CDFI Fund significantly increased the number of FA award recipients, going from a little less than 100 to more than 200. Ms. Kuchar-Bell stated that, as a

result, the sizes of the awards went down and that the maximum FA award was capped at \$1 million.

Ms. Kuchar-Bell stated that the CDFI Fund has had a lot of demand for awards in the 2018 round of the CDFI Program and NACA Program. Ms. Kuchar-Bell noted that the current round includes a new type of awards, Disability Fund-Financial Assistance (DF-FA) awards, and that the CDFI Fund received \$3 million for these awards last year and \$3 million this year. Ms. Kuchar-Bell stated that the CDFI Fund will combine those amounts and expects to issue \$5 million in DF-FA awards this year, using the remaining \$1 million for a capacity building initiative.

Ms. Kuchar-Bell stated that the goal of the DF-FA awards and capacity building initiative is not only to enhance the work of organizations that support the disability community but also to create a wider net to bring more CDFIs into this space.

Update on the Capital Magnet Fund, Remarks by Mr. Daniel Aiello, Acting Program Manager of the Capital Magnet Fund, CDFI Fund

Mr. Aiello stated that since the last meeting of Board, the CDFI Fund announced awards for the 2017 round of the Capital Magnet Fund (CMF) and awarded \$120 million to 40 organizations serving 40 states and the District of Columbia.

Mr. Aiello noted that each recipient of a CMF award is required to leverage the award at least 10:1, and so those awards of \$120 million will result in at least \$1.2 billion in public and private investment in affordable housing and related economic development activities. Mr. Aiello stated that most of the awardees are projecting far more than that minimum 10:1, and so the CDFI Fund expects that the total investment will be greater than \$1.2 billion.

Mr. Aiello stated that the awardees project that more than 20,000 affordable housing units will be financed or developed under this round of the CMF program and added that that figure is estimated to include more than 3,000 home ownership units and nearly 18,000, rental units. Mr. Aiello noted that CMF awardees have the option to request to use 30 percent of their awards for economic development activities related to affordable housing, and that six of the 40 recipients are going to do that.

Mr. Aiello stated that 25 of the 40 awardees were CDFIs and 15 were non-profit affordable housing organizations.

Mr. Aiello stated that the 2018 round of the CMF program is open and that approximately \$142.9 million will be available during the round. Mr. Aiello stated that applications are due on September 17, 2018, and that the CDFI Fund expects to make the award announcement in early 2019.

Mr. Aiello discussed two changes that the CDFI Fund make to the CMF program between the 2017 and 2018 rounds.

Mr. Aiello stated that the first change relates to the definition of non-metropolitan areas. Mr. Aiello explained that the program has a statutory objective to proportionately serve metropolitan and non-metropolitan areas of the United States, and that, in the past, the CDFI Fund has used the Office of Management and Budget's definition of non-metropolitan areas to define what non-metropolitan areas are.

Mr. Aiello stated that, for the 2018 round of the CMF program, the CDFI Fund will use a definition of rural areas that was adopted by the Federal Housing Finance Agency for the duty-to-serve rule for Fannie Mae and Freddie Mac.

Mr. Aiello stated that this change may sound a bit technical but that it will result in more areas that most people think of as rural. Mr. Aiello stated that the non-metro definition is a county-based definition, which creates a number of problems in states, particularly western states, where counties are larger. Mr. Aiello noted that the rural county definition is a census tract-based definition and allows portions of counties, including those closer to urban areas, to be designated as rural, which the CDFI Fund thinks will work better for the program.

Mr. Aiello stated that the CDFI Fund also added a slight scoring advantage for applicants proposing to serve disaster areas severely affected by the 2017 natural disasters, including Hurricane Harvey and Hurricane Maria, and that this is in line with the Administration's focus on serving those areas and helping them recover.

Mr. Aiello stated that the second change that the CDFI Fund made to the CMF Program was to divide applicants into two categories—financing entities and housing developers/managers—during the first phase of the review process. Mr. Aiello stated that applicants in each category would be scored and ranked against each other during the first phase and that the applicants in both categories would be combined in a single pool during the final review in which the CDFI Fund selects which ones get an award. Mr. Aiello stated that this change would let the CDFI Fund do a more apples-to-apples comparison of applicants during the first phase of the review process.

Update on the New Markets Tax Credit Program, Remarks by Ms. Rosa Martinez, Acting Program Manager of the New Markets Tax Credit Program, CDFI Fund

Ms. Martinez stated that in 2018 the CDFI Fund has not done a great deal that is new or different with the New Markets Tax Credit Program (NMTC Program) but has continued to do more of the same.

Ms. Martinez stated that the CDFI Fund announced the awards for the 2017 round of the NMTC Program in February 2018, making awards to 73 Community Development Entities (CDEs).

Ms. Martinez added that Congress requires the NMTC Program to ensure that there are proportional allocations to non-metropolitan counties, and that the CDFI Fund committed to 20 percent in non-metropolitan counties. Ms. Martinez stated that the CDFI Fund gets to that goal by giving applicants the opportunity to receive higher awards by committing to invest in non-metropolitan counties.

Ms. Martinez stated that the 2017 NMTC Program allocatees committed to investing \$685 million in non-metropolitan counties and that 30 of the 73 CDEs committed to investing 20 percent or more of their allocations to that goal. Ms. Martinez added that four CDEs committed to investing \$52 million in Native areas, including federal Indian reservations, off-reservation trust lands, Hawaiian homelands, and Alaska Native village statistical areas.

Ms. Martinez stated that the NMTC Program's awards serve all 50 states, Puerto Rico, and Guam.

Ms. Martinez stated that the CDFI Fund is reviewing applications for the 2018 round of the program. Ms. Martinez noted that the CDFI Fund has \$3.5 billion in tax credits available to allocate this year but that applicants have requested \$14.8 billion.

Ms. Martinez stated that in between rounds of the NMTC Program, CDFI Fund staff visit CDEs that have received allocations in order to see firsthand the types of projects that are being funded and the outcomes, which helps inform the application process and review process. Ms. Martinez stated that this year CDFI Fund staff visited six CDEs in four states: Michigan, Ohio, North Carolina, and New York.

Ms. Martinez added that this year the CDFI Fund collaborated with the Federal Reserve Bank of Minneapolis's Center for Indian Country Development on a one-day workshop to help Native CDFIs understand how the NMTC Program can work in Native areas and how they can participate. Ms. Martinez stated that 43 participants representing a variety of Native entities, including CDFIs, CDEs, and Native banks, participated in the workshop and that the CDFI Fund received positive feedback from them. Ms. Martinez noted that Board Chair Jett shared the stage at the workshop and that the CDFI Fund appreciated his taking the time to join them.

Update on the Bank Enterprise Award Program, Remarks by Ms. Mia Sowell, Associate Program Manager of the Bank Enterprise Award Program, CDFI Fund

Ms. Sowell discussed the FY 2017 round of the Bank Enterprise Award Program (BEA Program), stating that the CDFI Fund opened the round at the end of FY 2017 and announced the awards at the end of June 2018. Ms. Sowell stated that 113 banks received awards totaling nearly \$22.8 million and that applicants had requested more than \$130 million.

Ms. Sowell noted that 76 of the 113 awardees committed to deploy more than \$3.7 million of their awards—or about 16.4 percent of their award dollars—in Persistent Poverty Counties (PPCs), and so the round achieved more than the Congressional mandate of 10 percent investment in PPCs.

Ms. Sowell added that the CDFI Fund executed all of the payments and award agreements very quickly, towards the end of July.

Ms. Sowell stated that the CDFI Fund opened the FY 2018 round of the BEA Program on July 19, 2018, and that there are two parts of the application: the Standard Form 424 Mandatory grant

application, which is submitted in grants.gov and is due on August 23, 2018, and the electronic portion of the application in AMIS, which is due on September 20, 2018. Ms. Sowell stated that the CDFI Fund expects to announce the awards towards the end of CY 2018.

Ms. Sowell discussed two changes that the CDFI Fund made to the application this year.

Ms. Sowell stated that the first change is related to the release of the new eligibility data. Ms. Sowell explained that the eligibility data that applicants use when determining BEA-distressed communities is based on the 2011-2015 American Community Survey. Ms. Sowell stated that the FY 2018 round of the program will serve as a transition period during which applicants can use either the 2011-2015 data or the legacy data of 2006-2010 to determine if those activities qualify as BEA-eligible, based on their location.

Ms. Sowell stated that the second change is that the CDFI Fund has made it easier for CDFIs to receive support from banks seeking a BEA Program award. Ms. Sowell stated that certified CDFIs that receive support, such as loans, CDs, or technical assistance, from banks that are applying to the BEA Program are required to demonstrate that their CDFI is what the CDFI Fund calls “integrally involved” in one or more BEA-distressed communities.

Ms. Sowell stated that these CDFIs must meet specific eligibility criteria, which are often higher for the BEA Program than for other CDFI Fund programs, for determining that level of integral involvement. Ms. Sowell stated that the CDFI Fund reviewed some of those criteria this year and identified an additional opportunity for development services, such as financial or credit counseling offered to individuals or businesses, to be included in the criteria.

Ms. Sowell noted that the CDFI Fund believes that this is an option that more CDFIs may consider using forward and that it will be less burdensome for them to gather and collect that information, since usually the volume of those activities is obviously lower than the volume of loans and other investments.

Update on the CDFI Bond Guarantee Program, Remarks by Ms. Lisa Jones, Program Manager of the CDFI Bond Guarantee Program, CDFI Fund

Ms. Jones provided an overview of the CDFI Bond Guarantee Program’s activities from last year, stating that the CDFI Fund opened the award round early, in November 2018. Ms. Jones stated that the program had \$500 million in guarantee authority and received applications for \$432 million. Ms. Jones stated that the CDFI Fund closed two bond issues with nine CDFIs, for \$245 million.

Ms. Jones noted that that was the most CDFIs that the program has ever served, which has been a challenge because it takes just as much time to underwrite, say, a \$100 million transaction as it does a \$10 million transaction.

Ms. Jones stated that last year many CDFIs participating in the program wanted to do home mortgages, which was a challenge because of the way the program’s escrow instructions are set up in terms of receiving payments. Ms. Jones stated that the CDFI Fund was able to overcome

those challenges by creating a new escrow environment which would allow CDFIs that wanted to do home mortgages to participate in the programs. Ms. Jones noted that, as a result, quite a few CDFIs applied for that area.

Ms. Jones stated that the round this year opened on July 12, 2018. Ms. Jones stated that the CDFI Fund has received two guarantee applications for \$250 million and is in the process of closing a transaction right now. Ms. Jones stated that a closing is a long process but that the CDFI Fund will close the transaction before the end of the fiscal year on September 30, 2018.

Ms. Jones stated that since 2013, 26 CDFIs have participated in the program, for \$1.4 billion in bonds guaranteed. Ms. Jones noted that the CDFIs have five years to disburse the funds from the date when they close their bond issuance, and so approximately \$690 million has been disbursed into a diverse set of ten asset classes that includes charter schools, rental housing, and small businesses. Ms. Jones added that CDFIs are disbursing the funds into 23 states and also tribal communities.

Ms. Jones stated that, going forward, the CDFI Fund is always concerned about how to get more of the smaller CDFIs into the program. Ms. Jones noted that participating in the program is a strenuous process for CDFIs, especially smaller CDFIs that may not have the internal controls and the credit review board policies that are documented a certain way. Ms. Jones stated that the CDFI Fund has therefore been focusing on how to prepare CDFIs that would take, say, \$10 million out of a \$100 million bond issuance to be in the program.

Ms. Jones said that one thing the CDFI Fund is doing is conducting more outreach with the Qualified Issuers—the entities that package together the bonds to present to the CDFI Fund for an underwriting—so they can prepare these CDFIs to be in the program. Ms. Jones stated that it is an extensive process, but that the CDFI Fund believes the funds are very valuable because they can finance long-term projects at a very attractive cost of capital and so the agency wants more of the smaller CDFIs to participate in the program.

Ms. Jones stated that, to that end, the CDFI Fund will be conducting what it calls mechanics meetings, not just providing outreach but actually doing mock case studies that can help CDFIs apply to the program. Ms. Jones noted that the CDFI Fund has done this in the past and it was instrumental in helping tribal communities become involved in the program and also in helping the CDFI Fund develop a structure for CDFIs that wanted to offer home mortgages through the program.

Questions and Comments from Board Members

Board Chair Jett thanked the CDFI Fund staff members for their presentations and invited Board Members to ask questions.

Board Member Moncrief commented that there is much to be done in the area of Persistent Poverty Counties (PPCs) and that Ms. Kuchar-Bell had stated in her remarks that her programs are doing new development services with some of the CDFIs that they are working with. Board

Member Moncrief asked Ms. Kuchar-Bell if the word “entrepreneurship” came up anywhere in the equation of what Ms. Kuchar-Bell is looking at.

Ms. Kuchar-Bell replied that one of the brilliant things about the CDFI Program and NACA Program is that it is an organic process and that the CDFI Fund doesn’t say it is going to fund this project but not that project, but instead relies on assessing the CDFI itself to determine if it is being responsive to the needs of its community.

Ms. Kuchar-Bell stated that in the application process the CDFI Fund is trying to allow each CDFI to discuss what it has decided are the benefits of its programs. Ms. Kuchar-Bell stated that entrepreneurship and that kind of engagement are very important.

Ms. Kuchar-Bell stated that each specific CDFI and each type of CDFI will highlight the benefits of its programs differently—for example, small business CDFIs will talk about their development services in terms of small business planning. Ms. Kuchar-Bell stated that, while the CDFI Fund does not specifically highlight entrepreneurship in its guidance materials for applicants, it does evaluate it appropriately as each CDFI discusses it.

Ms. Kuchar-Bell stated that, regarding PPCs, she wanted to clarify that the CDFI Fund separates out, from the total funds that Congress has provided, 10 percent to make sure that those funds will go specifically to eligible markets in PPCs. Ms. Kuchar-Bell noted that those funds cannot go to a PPC that doesn't qualify as a low-income person or an Other Targeted Population or a defined investment area, which is a smaller-than-a-county area.

Ms. Kuchar-Bell stated that she just wanted to clarify that not only are the PPCs highlighted, but this is a floor for funding and the CDFIs are investing more in these distressed counties. Ms. Kuchar-Bell stated that the CDFI Fund did that specifically to highlight that it cares very much care about these communities.

Board Member Moncrief thanked Ms. Kuchar-Bell for her response and commented that he would encourage the CDFI Fund and Board, as they move towards developing new policies and products, to look at entrepreneurial training.

Board Member Moncrief stated that, after serving 40 years in this particular space, he thinks that the key to poverty alleviation is entrepreneurial training, and that he is investing heavily in it because he believes there are many latent entrepreneurs in low-income areas that can create their own businesses in their own communities. Board Member Moncrief stated that the CDFI Fund and the CDFI industry need to provide that infrastructure framework, support, and technical service so those entrepreneurs can flourish and employ people in their own communities.

Ms. Kuchar-Bell replied that a specific way that the CDFI Fund can respond to Board Member Moncrief’s suggestion is through the Capacity Building Initiative, which the CDFI Fund will be relaunching and which gives the CDFI Fund more flexibility to be directive in addressing specific needs.

Board Member Moncrief agreed and thanked Ms. Kuchar-Bell and Board Chair Jett.

Board Chair Jett invited Board Member Manger to speak.

Board Member Manger commented to Mr. Aiello that the SBA is looking at changing its definition of rural, just as the CMF has done. Board Member Manger asked Mr. Aiello how the CDFI Fund settled on the HUD definition as the best one for the CMF, and whether the CDFI Fund looked at any USDA definitions, such as the B&I program, or at any other government definitions.

Mr. Aiello stated that the government does have a lot of definitions, and that when he worked on the NMTC Program, before coming over to the CMF, they talked about this a lot.

Mr. Aiello explained that the CMF is funded by allocations from Fannie Mae and Freddie Mac and the Federal Housing Finance Agency (FHFA), which is outside of HUD. Mr. Aiello asked Ms. Sigal to confirm that FHFA is independent of HUD. Ms. Sigal indicated that it is.

Ms. Sigal explained that the FHFA is the regulatory agency that oversees Fannie Mae and Freddie Mac. Ms. Sigal stated that part of the reason that the CDFI Fund chose FHFA's definition of rural is that the CMF is an affordable housing program and that many CDFIs in some way work with Fannie Mae and Freddie Mac.

Ms. Sigal stated that FHFA had just come out with its new definition of rural, and that the CDFI Fund received feedback indicating that FHFA's new definition would address the concern that many had expressed to the CDFI Fund—i.e., that the OMB definition that the CMF had been using was too limiting, and, as Mr. Aiello had explained in his presentation, made it hard for some parts of the country to participate in the CMF program because the entire county did not meet the OMB definition of rural.

Ms. Sigal stated that the CDFI Fund looked at many definitions of rural but decided that the FHFA definition seemed like a better fit.

Mr. Aiello stated that the big thing the CDFI Fund was looking for was a housing-focused definition of rural, noting that many of the USDA definitions are more business-focused.

Mr. Aiello added that FHFA had just gone through a public comment process in finalizing the rule and had actually adjusted its definition based on public comments from the field. Mr. Aiello stated that the CDFI Fund believed it was not in a position at the time to go through its own public comment process and decided the FHFA definition was a good solution for the CMF, because the definition was housing-focused, public comment had been received, FHFA had made adjustments, and people seemed to be receptive to the new definition. Mr. Aiello acknowledged to Board Member Manger that SBA has a lot of options for definitions of rural.

Board Chair Jett thanked Mr. Aiello and invited Board Member Bautista to speak.

Board Member Bautista commented that the Capacity Building Initiative is so important for new non-profits and CDFIs, and that she notices a lot of CDFIs that have been around and are not

doing anything under certification, because they don't have the capacity. Board Member Bautista asked if the Capacity Building Initiative is the program that would help new CDFIs start their program or hire the right person to manage their CDFIs.

Ms. Kuchar-Bell explained that there was a five-year period during which the CDFI Fund had regular capacity building initiatives, and that this was allowed through Congressional language that permitted the CDFI Fund to take some of its Financial and Technical Assistance award funds and put it into the capacity building initiatives. Ms. Kuchar-Bell stated that that language was somewhat curtailed for a few years, which aligned with the CDFI Fund's pause in that area.

Ms. Kuchar-Bell noted that there is still language in the Native American CDFI Assistance Program (NACA Program) that allows the program to provide capacity building programs, and that through the NACA Program the CDFI Fund has offered a wide array of technical assistance and capacity building programs, ranging from creating and running a CDFI and managing a portfolio to growing a CDFI and taking it to the next level.

Ms. Kuchar-Bell stated that NACA Program has been very successful in growing the Native CDFI industry. Ms. Kuchar-Bell added that the CDFI Fund plans to launch a capacity building program for the Disability Fund program, hopefully in the next year.

Ms. Kuchar-Bell invited Director Donovan to speak about the vision for the Capacity Building Initiative going forward.

Director Donovan stated that the Capacity Building Initiative is something that she cares a lot about, because it is very important to the field, and that it is something that the CDFI Fund statutorily can do, as long as Congress provides for it in the CDFI Fund's appropriation. Director Donovan noted that, as Ms. Kuchar-Bell had said, a few years ago Congress wrote the language in the appropriation in a way that restricted the CDFI Fund's ability to use resources for the kind of capacity building it wanted to do.

Director Donovan stated that that has changed and that the CDFI Fund this year issued a procurement request for someone to design the Capacity Building Initiative. Director Donovan stated that the program will be created in two phases: a design phase, because the capacity building programs that the CDFI Fund has done in the past, such as the training and technical assistance it did in the NMTC Program for minority CDEs, have been very successful; and an input from the field phase, because in the past the CDFI Fund didn't presume to know exactly what was needed, and it built into the design process interaction with the people who were going to use the training.

Director Donovan stated that her vision is that the Capacity Building Initiative would have different modules, one focused on the fundamentals and others providing offerings around growth, innovation, and scaling. Director Donovan noted that the nice thing about the CDFI field is that there is so much diversity, in terms of size, geography, strategy, and stated that the CDFI Fund needs to have a Capacity Building Initiative that reflects the needs of a field that is that diverse.

Director Donovan stated that there is a grand design for the Capacity Building Initiative in her head and on paper, but that the CDFI Fund has to align its resources so that it is able to spend its appropriation on doing that.

Director Donovan commented that, in general, there is a natural inclination for appropriators to feel that they would rather have the money out in communities directly, rather than having the CDFI Fund spend money for consultants. Director Donovan stated that that is something the CDFI Fund has been working on this year, going up to the Hill several times to talk about it.

Director Donovan expressed the hope that, if there are people from the Hill listening in to this webcast of the Board meeting, they will hear how the Capacity Building Initiative is an important and necessary investment that pays dividends down the road, because the CDFI Fund wouldn't spend more than 1 percent of its budget on it, but that 1 percent would take the CDFI Fund a long way.

Board Member Carranza recommended to Director Donovan that there be some outcomes, some data, where housing growth or ownership numbers would be reflective; that "Persistent Poverty" take a new name eventually, especially if the CDFI Fund is investing billions of dollars in these communities; and, regarding the entrepreneurship piece, that how many small businesses were started and the impact of that employment of 30 percent be measured.

Director Donovan agreed, noting that one of her critiques coming in of the capacity building work that the CDFI Fund has done in the past it is not sufficient for the CDFI Fund to judge it by how many people attend. Director Donovan stated that the CDFI Fund has to be looking at the developmental outcomes and aiming for those as well. Director Donovan stated that part of the reason the CDFI Fund wanted to have a design phase for the Capacity Building was so that it could be very thoughtful about the outcomes it expects.

Board Chair Jett invited Board Member Brook to speak.

Board Member Brook thanked the CDFI Fund staff members for the work they are doing.

Board Member Brook stated that, as a grant maker, she often finds that her organization's programs are designed around the supply: We've got this program, this will really help you, but at the community level, what does that mean for them? Board Member Brook asked how we stimulate entrepreneurship and the interest in even starting a CDFI. Board Member Brook stated that so often what she has noticed with some of the technical assistance is that it starts once the organizations are ready for it, and that in those places of really persistent poverty, they don't know what's available, and they haven't lined what's available up to actually know what the local opportunity is. Board Member Brook stated that it goes so much deeper than asking, what is the economic driver for our community, that then we could layer CDFI and other programs on?

Board Member Brook stated that she was interested in hearing a little bit more about, when the CDFI Fund is challenged to meet the ten percent investment requirement in Persistent Poverty Counties, what that really looks like on the ground, in terms of where you meet them and where their needs are.

Director Donovan stated that that is a really good question and asked Ms. Kuchar-Bell if she wanted to respond.

Ms. Kuchar-Bell stated that the CDFI Fund is going to have a whole working group on that topic, and that she hoped that Board Member Brook would be part of it, because she herself is going to be on it and wants to think very deeply about this topic. Ms. Kuchar-Bell added that there is a perspective from the program angle and a perspective from the CDFI angle, and that it would really be valuable to flesh out that discussion in the working group.

Ms. Sowell stated that the BEA Program is the other program that has the Persistent Poverty County requirement, and that the BEA Program does not limit applicants to serving just their own bank service areas but encourages them to step outside of that, which also will incentivize them for award consideration.

Board Chair Jett invited Board Member Sweeney to ask a question.

Board Member Sweeney stated that she wanted some clarification about the definition of non-metropolitan and asked whether, under the NMTC Program and maybe the NACA Program, the definition is the HUD definition or the OMB definition.

Mr. Aiello stated that for the NMTC Program, the definition is the OMB definition.

Ms. Sigal noted that several HUD programs have used the OMB definition.

Board Member Manger stated that he thought the confusion arose with the Federal Housing Finance Administration, where they have a definition for rural.

Mr. Aiello agreed.

Board Member Sweeney stated that the FHFA does have a definition for rural.

Mr. Aiello stated that OMB has a definition that they update perhaps every three years, and that it is a county based definition that divides areas into metropolitan/non-metropolitan areas. Mr. Aiello stated that the CDFI Fund has traditionally used that definition in its programs, noting that the New Markets statute actually uses the term “non-metropolitan areas.”

Mr. Aiello stated that the CMF statute uses the word “rural,” but, as Board Member Manger mentioned, there is a host of rural definitions across the federal government. Mr. Aiello stated that just for the current round of the CMF program, the CDFI Fund has adopted the FHFA definition, in part to address some of the county-based issues he had discussed in his presentation earlier in the meeting.

Board Member Sweeney asked if the definition is based on census tract population statistics as the threshold, or income statistics, or a combination of both.

Mr. Aiello replied that the definition is typically based on commuting patterns. Mr. Aiello stated that both the OMB definition and the primary USDA definition are based on what they call RUCA codes, and that FHFA definition is a combination of the OMB definition and uses some RUCA codes from USDA to address certain census tracts.

Mr. Aiello stated that the intent is to look at where people live and work and to define the difference between exurban communities and real rural communities, where people are focused around businesses and things that are outside of urban areas altogether, versus people who maybe just drive a little further to work.

Board Member Sweeney stated that she would follow up with Mr. Aiello on the details of that a bit later. Board Member Sweeney stated that she would suggest, with respect to Indian Country and Indian affairs, that Native Communities would be interested in working with the CDFI Fund on a definition that captures even a larger population of Native American communities that don't entirely fit into either an OMB definition, and that there are other ways of looking at how to capture those populations.

Board Member Sweeney offered an example involving Hawaii and the homestead. Board Member Sweeney stated that there may be a homestead right next to a high-rise in Hawaii and that the homestead and community may need funding, but because it's a census tract definition or threshold they are kicked out of eligibility. Board Member Sweeney stated that there are anecdotal examples like that across the country that she would be willing to partner with the CDFI group on.

Director Donovan stated that the CDFI Fund would love to work with Board Member Sweeney on that. Director Donovan noted that it is very difficult, particularly in the NMTC Program, because it is statutory. Director Donovan stated that the CDFI Fund has many, many examples—for example, one where the census tract was redrawn and an area that is mostly subsidized housing got put into a census tract with high-income housing, which can happen in urban areas, and so the area no longer qualifies for New Markets. Director Donovan acknowledged that it is tough.

Board Chair Jett stated that it is not uncommon in rural Oklahoma for a very wealthy individual to come in and create a very opulent ranch in Indian Country, and, as a result, his income suddenly skews it so much that no one in that particular tract is eligible because Dr. So-and-So has a ranch there now.

Board Chair Jett invited Board Member Fairchild to speak.

Board Member Fairchild stated that in his research he uses the same codes and data sources that OMB uses, and that he has noted the shifts and changes that occur over time. Board Member Fairchild stated that the policies or, more specifically, the incentives change more quickly than people can move and programs can adjust.

Board Member Fairchild stated that, in addition to the ongoing discussions with entities, organizations, and communities about the definitions, what would be useful is an analysis of any

particular program or cross-programs to determine when changes occur and which communities or programs that were in are now out.

Board Member Fairchild stated that he suspected that if you talk to people who offer programs in these areas—people such as Board Chair Jett and Board Member Moncrief—they would say that they have operated for years in certain areas but that the underlying policies and incentives have changed during that time, and so there is a mismatch between the program they are running and the people and communities they serve.

Board Member Fairchild stated that there is an opportunity to look at where the changes occur in a given time period and what actually changes for the people and entities on the ground. Board Member Fairchild stated that this is a type of analysis that universities conduct and that he would encourage the CDFI Fund to consider.

Ms. Sigal stated that she wanted to clarify that, the CDFI Fund does not use the OMB definition not as a threshold for eligibility in the program but for the CDFI Fund's disbursement objectives for the CMF program. Ms. Sigal acknowledged that there can be a data lag, because the CDFI Fund is dealing with American Community Survey data that may be two or five years old, and so using that OMB definition can be limiting. Ms. Sigal stated, however, that many statutes prescribe that the CDFI Fund use the OMB definition, and so sometimes the CDFI Fund has no choice in which definition it uses, because of what is in the statute.

Board Chair Jett invited Board Member Anderson to speak.

Board Member Anderson noted that USDA had been mentioned many times in the preceding discussion, and remarked that USDA's definitions come directly from the statute.

Ms. Sigal concurred.

Board Member Anderson stated that USDA does not have a choice of what the definition is. Board Member Anderson stated that Congress has a different definition for each program and even now is looking at changing some of those definitions—for example in USDA's program. Board Member Anderson stated that maps on the USDA's website show what the USDA considers rural for each program and that the Secretary himself has said he wants there to be just one definition.

Board Chair Jett invited Board Member Chapa to speak.

Board Member Chapa thanked Director Donovan and her entire staff for their great work. Board Member Chapa noted that the CDFI Fund's annual report for 2017 was exceptional and congratulated the team that worked on it for its efforts.

Board Member Chapa stated that she didn't hear anything about financial literacy and financial education in the presentations by the CDFI Fund program managers, and asked any of the managers to speak about how their programs are incorporating that in their outreach.

Board Member Chapa noted that she had gone with Director Donovan on a road trip to McAllen, Texas, where she was pleased to see firsthand a very innovative financial education program that was part of a housing program. Board Member Chapa stated that it is necessary for consumers to be educated about their own financial empowerment in order for them to move forward.

Ms. Kuchar-Bell stated that, as part of the definition of being a CDFI, an organization has to provide development services hand-in-hand with its financial products. Ms. Kuchar-Bell added that the application for Financial Assistance (FA) through the CDFI Program asks the applicant to identify the development services it offers to support its lending and financial services, and that development services is one of the five categories of activities for which an FA award recipient can use the funds.

Board Member Chapa asked if Ms. Kuchar-Bell sees a lot of the CDFIs using FA funds specifically for financial capability.

Ms. Kuchar-Bell replied that she reads a lot of applications and that she can state anecdotally that CDFIs think very, very deeply about financial capability and development services, because those services allow the CDFI Fund's loans to perform better and evidence has shown that lending and development services have to go hand-in-hand.

Director Donovan added that what Board Member Chapa and she saw in McAllen, Texas, was typical of the very interesting financial education that is being offered.

Board Chair Jett noted that Mr. Stan Gimont, Deputy Assistant Secretary for Grant Programs, U.S. Department of Housing and Urban Development, had joined the meeting. Board Chair Jett invited Board Member Gimont to introduce himself.

Board Member Gimont introduced himself, stating that he was sitting in for Assistant Secretary Neal Rackleff.

Board Chair Jett invited Board Member Gwin to speak.

Board Member Gwin commented that Ms. Sowell had mentioned the BEA Program's targeted effort towards PPCs. Board Member Gwin stated that in Tennessee, all of the PPCs are very rural, and that a lot of CDFIs focus on urban areas. Board Member Gwin asked Ms. Sowell if she had looked at how the BEA Program's effort to target PPCs is going to impact the number of CDFIs that a financial institution can make a contribution to and how it may shape the movement of that capital to fewer CDFIs.

Ms. Sowell stated that the BEA Program application enables applicants to demonstrate both a minimum and a maximum commitment in PPCs, and that the CDFI Fund recognizes that some states don't even have PPCs, and so they can indicate their minimum as zero percent.

Ms. Sowell stated that according to the FY 2018 Notice of Funds Availability, the CDFI Fund would make the amount of a BEA Program applicant's commitment a priority for award selection only if the applicants did not indicate enough of a commitment to enable the program to

meet the mandated 10 percent commitment to PPCs. Ms. Sowell stated that in the past four rounds that the BEA Program has had that mandate, it has always met the 10 percent mandate and so the CDFI Fund has not had to consider prioritizing applicants that indicate a higher commitment amount.

Ms. Sowell added that one of the features of the BEA Program is that applicants are not limited to serving their own service area and can go outside of it if they want to expand and have an interest in serving PPCs. Ms. Sowell noted that committing to serving PPCs is not a requirement, and that the CDFI Fund has not had to prioritize applicants that are willing to make that commitment when making award decisions.

On behalf of the Board, Board Chair Jett thanked the CDFI Fund program managers for their excellent presentations.

Board Chair Jett announced that the Board would take a 10-minute break.

Break

The meeting went off the record at 10:51 a.m. and resumed at 11:03 a.m.

Introduction of Board Member Jovita Carranza, Treasurer of the United States, U.S. Department of the Treasury, by Board Chair Jett

Board Chair Jett stated that the Board would hear next from federal representatives about programs and initiatives within their agencies that CDFIs or CDEs should not only know about but also look into as they try to create better linkages and synergies.

Board Chair Jett stated that the first federal speaker would be Board Member Jovita Carranza, Treasurer of the United States, who would discuss the work her team is doing on financial education, which is critical to the communities CDFIs and the CDFI Fund serve.

Board Chair Jett invited Board Member Carranza to speak.

Remarks by Board Member Carranza, Treasurer of the United States

Board Member Carranza thanked Board Chair Jett.

Board Member Carranza stated that, before speaking about the history and work of the Financial Literacy and Education Commission (FLEC), she wished to acknowledge that the FLEC has been working with the CDFIs and that they have been instrumental in cooperating and assisting in the reform efforts. Board Member Carranza mentioned the following organizations in particular: Opportunity Finance Network, Association for Enterprise Opportunity, Pacific Community Ventures, Accion, Credit Builders Alliance, Aspen Institute, and SourceLink.

Board Member Carranza stated that the FLEC consists of 20 agencies that administer programs to educate America about a wide array of financial literacy topics, and was created in 2003 to

improve coordination among federal agencies and state, local, non-profit, and private entities. Board Member Carranza stated that the FLEC is outcomes-driven and is looking at making an impact in the area of behavior changes, and not only information sharing.

Board Member Carranza stated that she would share with the Board a limited interpretation of what is being developed, because the recommendations have yet to be reviewed with the Secretary, Vice Chair Mick Mulvaney, and OMB. Board Member Carranza stated that she would cover some of the key objectives that impact CDFIs as well.

Board Member Carranza stated that efforts focus on coordination with the FLEC, and that the FLEC is looking to develop a formal mechanism to allow for continuous communications with financial service firms engaged in financial education.

Board Member Carranza stated that one significant step that has been taken in this area is a breakout box in the CRA reform, where it makes reference to the FLEC as a reference point to provide the technical assistance. Board Member Carranza stated that it provides in the service test some accreditation, noting that the FLEC hasn't put a weighted value to it but that it definitely is something to be considered in the service test.

Board Member Carranza stated that the other significant step is a law that just passed, 2155, that also includes the term Financial Literacy and Education Commission. Board Member Carranza stated that it is really not out in the open as it relates to the curriculum because the FLEC is developing it, adding that the FLEC has until next year to develop that curriculum as the standards for financial literacy and education.

Board Member Carranza stated that it started out as a reform and then became integrated in particular law and programs, and so FLEC is very pleased about that. Board Member Carranza stated that she hopes the CDFI and the architecture will also include the FLEC's work.

Board Member Carranza stated that the FLEC is looking for best practices and developing a particular curriculum based on best practices for financial education that can be shared to the public and the private sector. Board Member Carranza briefly discussed one example of an opportunity to provide the financial literacy and education curriculum to general citizens, stating that if someone develops housing and is going to rent their apartments, they would want their renters to be financially literate so there would be no issues about rent or utility payments and other issues.

Board Member Carranza stated that the CDFI Fund could collect more data about financial education being provided by CDFIs and urge broader adoption of best practices and measures of effectiveness. Board Member Carranza noted that, as a commission, the FLEC is not allowed to collect data, although many of the constituents, private sector partners that FLEC develops, or the not-for-profits do collect data.

Board Member Carranza stated that that will help in the development of some very strong strategies on how FLEC can provide financial literacy and by what mechanism. Board Member Carranza noted that FLEC currently has 40 websites and talks about streamlining. Board

Member Carranza added that she has advised by Senator Enzi that certain terms like “merging” are much more appropriate, but that she looks at consolidation and collaboration because FLEC is looking at redundancy.

Board Member Carranza stated that when the Board was discussing the term “rural,” she could only think about the work FLEC is doing with SBA to develop a business financial curriculum portal that focuses on women in rural communities. Board Member Carranza stated that the FLEC is going to discuss that soon after she leaves the board meeting, and that she would like to lock in the term they are going to use.

Board Member Carranza stated that financial literacy tools are in abundance and that FLEC 20 agencies that provide websites, publications, seminars, and other resources. However, Board Member Carranza stated, the measurements, the metrics, are not captured in any of those venues and so FLEC’s goal is going to be to have some analytics associated with all of its efforts.

Questions and Comments for Board Member Carranza

Board Chair Jett thanked Board Member Carranza for her remarks and asked Board Members for their questions and comments.

Board Chair Jett recognized Board Member Bautista.

Board Member Bautista thanked Board Member Carranza for her commitment to financial literacy. Board Member Bautista stated that there are many types of financial literacy programs and a curriculum should not be one size fits all. Board Member Bautista noted that sub-ethnic groups in the Asian community are typically lumped into one category and that financial literacy for the community should address each sub-ethnic group.

Board Member Bautista added that financial literacy training should be about behavioral change, noting that nonprofit organizations or the churches, especially the pastors, are the best ones to change behavior. Board Member Bautista stated that the training must include capacity-building for the organizations—not just distributing brochures but helping them really understand what the brochure is about. Board Member Bautista added that the materials also must be written in the language of the ethnic group they are intended for. Board Member Bautista stated that if the FLEC is implementing financial literacy education, it should make it different than what already is in existence.

Board Member Carranza thanked Board Member Bautista for her comments and stated that FLEC has met with various demographics, communities, populations, and genders, including universities, women’s colleges, and the presidents and faculty of those colleges. Board Member Carranza noted that she visited West Point to get some insight and that FLEC is very engaged with the Department of Defense on financial literacy.

Board Chair Jett thanked Board Member Bautista for her comments and invited Board Member Jones to speak.

Board Member Jones stated that he certainly applauds the focus on financial literacy and education and that the diverse offerings are very confusing, noting that trade associations, the American Bankers Association, and foundations have been a part of financial education for many years.

Board Member Jones stated that there are multiple challenges, both culturally and foundationally, and that as a society and as a country, we don't address financial literacy in the K-12 program. Board Member Jones stated that we continue to try to deal with it in this patchwork after-effect research, and that the student debt crisis in the U.S. is evidence of the challenges, adding that students affected by that crisis are bright people that obviously have made poor choices.

Board Member Jones stated that he realizes that higher education is a state issue, but that, if we believe that this is a problem, we need to bring educational outreach into this conversation. Board Member Jones stated that he believes the whole financial crisis at its core was poor choices, and that if we had prepared people to make better choices, then maybe we could have averted some of these issues.

Board Member Jones stated that he encouraged a more inclusive look and not just after the fact. Board Member Jones stated that we are putting a patchwork on a problem that needs to be systemically addressed. Board Member Jones stated that financial education is desperately needed but has to be a much larger initiative.

Board Member Carranza thanked Board Member Jones for his input and stated that the FLEC has eight working groups that include the military, entrepreneurs, and K-12. Board Member Carranza stated that this a dire focus of the FLEC because it wants to develop a particular discipline related to learning about the dynamics of debt and other issues. Board Member Carranza noted that students can learn that very early on and that FLEC is looking at technology to be the solution because every child has a phone.

Board Member Jones commented that he has had multiple conversations about financial literacy training in technical education with Congressman Bradley Byrne, who represents his district and was the chancellor of the two-year system in Alabama. Board Member Jones stated that we turn out people who have technical skills and are increasingly in demand for apprenticeships and trades, and even though they have completed a degree program and make far more than a college graduate does, they don't know how to balance a checkbook. Board Member Jones stated that they make very poor choices right out of the gate, and so the challenge is to provide training not just to K-12, but to technical and higher education both. Board Member Jones stated that financial education just has to be a part of the degree-granting process.

Board Member Jett invited Board Member Fairchild to speak.

Board Member Fairchild stated that he couldn't agree more with Board Member Jones and thanked him for bringing up those issues.

Board Member Fairchild stated that he wanted to pivot to something Board Member Carranza had mentioned earlier. Board Member Fairchild stated that financial capability is the connection between the knowledge of the relevant financial products and relevant financial information, but is also having the right products attached as well.

Board Member Fairchild stated that behavioral economics has shown that people do not make rational decisions, even when trained to do so. Board Member Fairchild stated that this finding has changed what those in the field of economics do, because their models were based on the notion that if someone knew they shouldn't do something, they would not do it. Board Member Fairchild stated that we know better now, particularly in the domain of finance.

Board Member Fairchild stated that he is encouraged by the notion that FLEC would tie the financial education efforts at a university or in a school to the entities that are located in the communities in which FLEC wants to make the change. Board Member Fairchild stated that it is that linkage between the two, having the knowledge and then having the right product and the hand-in-hand CDFIs do so well, that is so important.

Board Member Fairchild briefly discussed an employee loan program that Board Chair Jett had started years ago to deal with some issues that employees of Board Chair Jett's organization were having. Board Member Fairchild noted that the program was an educational enterprise that was also attached to a set of products, such as Individual Development Accounts, that would help build credit and knowledge of financial services products in Native American communities in which they serve. Board Member Fairchild stated that this was a substantial issue and that he believes strongly, from both his training in economics and his experience in the field, that when a CDFI or other entity can be paired with an educational enterprise, it can do amazing work.

Board Member Carranza thanked Board Member Fairchild for his input and stated that the FLEC's team would be reaching out to him and to Board Member for their insights as FLEC is formulating its recommendations. Board Member Carranza added that FLEC's report will be out sometime next year.

Board Chair Jett invited Board Member Brook to speak.

Board Member Brook thanked Board Member Carranza for her efforts.

Board Member Brook stated that she comes from a community of persistent poverty that her organization is working to make a place of persistent prosperity by addressing the philanthropy gap. Board Member Brook stated that her community has 90 percent fewer charitable assets supporting it, which often articulates into the struggles that the community has even getting these sorts of financial literacy programs deployed. Board Member Brook stated that when we step back and think about prosperity in America, we see that the importance of the philanthropic sector is integral, but when we structure financial literacy, we play to the basics.

Board Member Brook stated that to build the culture that we need, we need to expect success and to teach philanthropy as a part of financial literacy. Board Member Brook stated that too many curriculums do not express that an individual can be a giver, can be a contributing member of

society and help create a cultural norm and practice. Board Member Brook stated that where there has not been wealth to manage, that is sometimes left out.

Board Member Carranza thanked Board Member Brook for her comment.

Board Member Carranza stated that she wishes she could give FLEC all the credit for thinking of faith-based initially, but that when she spoke with faculty at a Catholic university about how they implement financial literacy, they told her that financial literacy has to do with giving and showed her a different philosophical approach that FLEC was not considering. Board Member Carranza stated that FLEC had been considering the STEM protocols and balance sheets and budgeting and credit scores but had missed the component of philanthropy and tithing, which is the route that university uses in teaching financial literacy.

Board Member Carranza stated that FLEC now has a group looking into philanthropy and noted that cultural issues affect philanthropy and need to be considered.

Board Member Jett invited Board Member Chapa to speak.

Board Member Chapa congratulated Board Member Carranza for continuing the excellent work in financial literacy, and stated that she wanted to comment on Board Member Jones's remarks about financial education for K-12.

Board Member Chapa stated that, as someone who wrote a white paper on incorporating financial literacy in K-12 16 years ago, she recognizes that it is an uphill battle and a state-by-state issue.

Board Member Chapa stated that she always takes any chance she has to advocate for financial literacy at the local school board and even to people in the supermarket. Board Member Chapa encouraged Board Members to attend local school board meetings and to talk about why they are not teaching financial literacy in classes, because the change needs to start at that very basic level. Board Member Chapa stated that she knows that Board Member Carranza understands this as well, because she has been up against the same challenges.

Board Member Carranza described a meeting she had had with Secretary DeVos to discuss financial literacy in K-12. Board Member Carranza stated that when she told Secretary DeVos that FLEC needed her assistance or her staff's assistance and whatever resources she could allocate to help FLEC, Secretary DeVos gave her commitment to supporting the financial literacy and education reform objectives and offered to provide whatever assistance FLEC needed for curriculum development. Board Member Carranza stated that the White House is very committed to financial literacy and has accepted it as one of Treasury's priorities for 2019.

Board Chair Jett thanked Board Member Carranza for carving out time to be on the Board and to speak at the meeting.

Board Member Carranza thanked Board Chair Jett and apologized for having to leave the meeting early. Board Member Carranza thanked the Board Members for the fine work they have done and for their participation in the meeting.

Introduction of Federal Speakers, by Board Chair Jett

Board Chair Jett stated that the Board next would hear from three federal speakers: Board Member Curtis Anderson (standing in for Board Member Ann Hazlett), Chief of Staff for Rural Housing Services at USDA, who would discuss the USDA's new pilot program aimed at increasing home ownership opportunities on Native lands; Board Member Stan Gimont, who is the Deputy Assistant Secretary of Grant Programs at HUD and oversees its disaster relief programs and who would discuss HUD's Community Development Block Grant Program; and Board Member Bill Manger, the Associate Administrator of Capital Access at SBA, who would discuss SBA's lending programs for small businesses, including veteran-owned small businesses.

Board Chair Jett invited Board Member Anderson to speak.

Remarks by Board Member Anderson, Chief of Staff, Rural Housing Service, U.S. Department of Agriculture

Board Member Anderson thanked Board Chair Jett and conveyed regrets from Board Member Hazlett, who could not attend the meeting because she was in Albuquerque leading a roundtable to address the opioid epidemic in rural America.

Board Member Anderson stated that USDA had recently announced a pilot program focusing on how to increase home ownership and USDA's lending program in Native tribal areas. Board Member Anderson stated that one of the obstacles to Native homeownership is higher cost—that to get something built on tribal lands costs at least 20 percent more than in a rural area right off the tribal lands. Board Member Anderson stated that significant portions of Native American lands are in persistent poverty.

Board Member Anderson noted that USDA has a program, called the 502 Lending Program, that targets very low- and low-income people and is the only federal homeownership program targets this population. Board Member Anderson stated getting a mortgage and a house is the first step towards individual and community prosperity.

Board Member Anderson stated that another issue is the lack of indigenous contractors in Native lands and that that is part of the reason their costs are higher. Board Member Anderson stated that he had seen two programs, one in Montana and one in South Dakota, which are trying to address this issue. Board Member Anderson noted that both programs have significant possibilities but that getting people to where they can be plumbers, electricians, carpenters, or general contractors is a huge challenge, partly because of transportation issues on some of these reservations. Board Member Anderson stated that people start these licensing programs and then miss some of the sessions because they can't find someone to give them a ride or something happens back at home and they can't complete the program.

Board Member Anderson stated that the Sioux nation's program had 20 people start the program and six graduate. Board Member Anderson stated that the participants who didn't complete the program were capable and wanted to participate but could not make it to all the meetings.

Board Member Anderson stated that the biggest issue that USDA has had in Rural Development is the different types of ownership in tribal areas. Board Member Anderson stated that there is fee simple land, there are tribal trust lands, and there are fractured ownerships, and this creates challenges in collateralizing a loan. Board Member Anderson stated that if a loan in a town right next to tribal land defaults, you can go and find someone else to take over that property; but if the loan is in tribal lands and it defaults, the market is limited to people who can buy a home in that particular community. Board Member Anderson stated that this makes it harder to collateralize the mortgage and harder to sell these mortgages in the secondary market.

Board Member Anderson suggested that the Board think about how to develop the secondary market for Native American mortgages, because it is difficult for the local bank to take on those mortgages and so this is a huge issue in Native areas.

Board Member Anderson stated that there is also a question in Native Communities of trust in the federal government coming in and doing a mortgage, and that this is where Native CDFIs are making the difference for USDA.

Board Member Anderson stated that USDA partnered with two Native CDFIs that each had had more than five years of experience doing mortgages in the Sioux Nation, and that that was the key to USDA's decision to give the pilot program a shot.

Board Member Anderson stated that USDA's loan is actually through the Native CDFI, and that USDA is doing two \$800,000 loans to the Native CDFIs, which are each putting up \$200,000 of their own money. Board Member Anderson stated that if an individual homeowner defaults, then the Native CDFIs find the next homeowner and keep the loan, noting that these Native CDFIs have a mission to keep the loan in the community and they have experience working in the community. Board Member Anderson added that, to date, the Native CDFIs haven't had any of their mortgages default.

Board Member Anderson stated that USDA looked at how to set up the program and recognized that all the documentation, all the pieces of paper, and all the websites are not going to make a difference unless there is an individual who sits down with the borrower and goes over it. Board Member Anderson stated that USDA talked a lot about setting up the program so that Native CDFIs would go in, make the mortgages, do the re-lending, and do the financial literacy training.

Board Member Anderson stated that there is no way someone who has been in a family that has never owned a home or never owned a vehicle or never had a loan could understand the responsibilities they are undertaking, even if the document is written in their own language, unless there is someone who cares to help. Board Member Anderson stated that Native CDFIs and USDA's Rural Development staff work with the borrowers, or USDA has partnerships with community organizations that work with borrowers and teach them what it means to take the

loan and how to fill out the application, and, after they have the loan, what their responsibilities are to maintain that house and to continue to pay the loan.

Board Member Anderson stated that he has learned that what makes a difference in these communities is leadership—that you can have all the programs you want, but if there isn't that individual leader who takes the bull by the horns, the programs will not succeed. Board Member Anderson stated that that is where the Native CDFIs come in. Board Member Anderson stated that they have already found some leaders, and hopefully they will develop additional leaders who will really make a difference.

Board Member Anderson noted that USDA's 502 program lends at 1 percent through these Native CDFIs, and that they can re-lend at anywhere from 1 percent up to the current 502 rate, which Board Member Anderson believed is 3.75 percent, depending upon the borrower's ability to pay.

Board Member Anderson stated that, for the USDA, the pilot program will mean perhaps 20 additional homes financed in one year, which would more than double the number of homes financed in that community. Board Member Anderson stated that the USDA will review the program periodically—in six months, a year, two years, and three years.

Board Member Anderson noted that, because the program is a pilot, there is significant interest from delegations in North Dakota and South Dakota and in other areas, but that USDA wants to prove the concept before trying to implement it elsewhere. Board Member Anderson added that USDA doesn't know if Congress will appropriate additional funds for the pilot and that USDA hasn't requested additional funds because it has just announced the program.

Remarks by Board Member Stan Gimont, Deputy Assistant Secretary for Grant Programs, U.S. Department of Housing and Urban Development

Board Chair Jett thanked Board Member Anderson for his remarks and invited Board Member Gimont to speak.

Board Member Gimont stated that he works within HUD's Office of Community Planning and Development, which is responsible for a variety of programs, including the Home Affordable Housing Production Program, the Community Development Block Grant Program, and the related Loan Guarantee Program, known as Section 108 Loan Guarantees, which is often used in conjunction with New Markets Tax Credit deals.

Board Member Gimont stated that he would focus his comments on the Community Development Block Grant Program (CDBG Program), because it tends to be where most of the opportunities lie for the interaction between the CDFI community and the HUD funding.

Board Member Gimont stated that CDBG Program has been around since 1974 and is a formula-driven program that provides funding to state and local government for a wide range of community development activities. Board Member Gimont stated that these activities can be

grouped into the areas of public facilities and infrastructure, housing, economic development, public services, and real estate-based activities, including acquisition, disposition, clearance, site improvement, things of that nature. Board Member Gimont stated that grantees also get a fairly substantial administrative and planning allowance.

Board Member Gimont stated that the CDBG Program is an annual program that is at this point funded at about \$3.3 billion a year, and that HUD anticipates the same level of funding in 2019. Board Member Gimont noted that the funding is allocated on a formula basis as set by statute.

Board Member Gimont stated that more than 1,200 state and local government grantees around the country receive funding on an annual basis through the program and that these grantees choose the individual activities that they are able to carry out or wish to carry out.

Board Member Gimont added that, overlaying that set of eligible activities, grantees also must have their eye focused on achieving the primary goal of the CDBG Program, which is to provide benefit to low- and moderate-income individuals. Board Member Gimont stated that about 70 percent of the funds that grantees expend must go to activities that primarily benefit low- and moderate-income individuals.

Board Member Gimont stated that local decision making is a key component to CDBG, and so this is an opportunity and a place where the CDFI community probably has a greater opportunity for involvement, as there is a prescribed citizen participation process on a year-in, year-out basis as grantees develop their plans to use these dollars.

Board Member Gimont stated that he would certainly urge leaders of local CDFIs to be engaged with local officials as they develop those plans and to be present at those hearings and to submit comments to ensure that the local decision makers are, in fact, knowledgeable about the things that CDFIs are doing in their community. Board Member Gimont also urged CDFIs to seek out opportunities for coordination.

Board Member Gimont stated that these basic program characteristics carry through to HUD's long-term disaster recovery programs, noting that within the last 12 months, Congress has appropriated a total of \$35.4 billion to HUD to put into these disaster recovery programs through the CDBG effort.

Board Member Gimont stated that almost \$20 billion of that funding will be dedicated to Puerto Rico, which is a significant investment in the Commonwealth of Puerto Rico going forward. Board Member Gimont added that an additional \$10 billion is headed for Texas, with lesser amounts to Florida, the U.S. Virgin Islands, Georgia, Missouri, and California for disasters that occurred in 2017. Board Member Gimont stated that a significant component of that funding is to be allocated for mitigation purposes, to help state-level governments make long-term investments that put them in a better position against future disasters.

Board Member Gimont stated that there is always a need for strong partners at the local level, not just in the public sector but in the for-profit and non-profit sectors, as well as in the philanthropic sector. Board Member Gimont stated that HUD has been developing a number of different

relationships over the last five to seven years in those areas as its efforts in long-term recovery have grown.

Board Member Gimont noted that CDBG Program funding for disaster recovery purposes needs to benefit low- and moderate-income individuals. Board Member Gimont stated that HUD is certainly cognizant of the need to find every asset that is available to help those who have the least assets to recover, because if you can't help everybody across the spectrum recover, communities are going to fail. Board Member Gimont stated that it is important to ensure that the necessary financial resources are on the ground and focused on recovery to ensure that those communities do recover.

Board Member Gimont stated that from HUD's perspective, it would be useful to understand better how CDFIs are working at the local level in the wake of disasters to reinvest in those communities.

Board Member Gimont stated that some of the things Board Member Anderson discussed about the need for contractors are certainly present in the post-disaster world, noting that after any major disaster, one of the toughest things that any individual faces in trying to put their home back together is finding contractors. Board Member Gimont stated that this is a business investment opportunity and job creation opportunity at the local level.

Board Member Gimont stated that promoting small-business lending to either start or expand contracting businesses at the local level is a tremendous opportunity, and that combining the lending with appropriate technical education and trade education is a very useful thing as well.

Board Member Gimont noted that Board Member Anderson also mentioned the problems in the tribal areas with respect to the lack of title, the lack of clear ownership of property, and that that is something else that HUD faces in many disasters as well, particularly in Puerto Rico, given the history of informal housing there.

Board Member Gimont stated that there a lot of opportunities to make investments at the local level, and that HUD is looking forward to more opportunities to work more closely with CDFIs and encourages its grantees to do the same.

Remarks by Board Member William Manger, Associate Administrator for Capital Access, U.S. Small Business Administration

Board Chair Jett thanked Board Member Gimont for his remarks and invited Board Member Gimont to speak.

Board Member Manger stated that he would talk about the intersection of SBA's loan programs with CDFIs.

Board Member Manger stated that SBA's mission lending programs include its microloan program, which provides loans up to \$50,000, the average being only \$14,000. Board Member Manger stated that the SBA also has a pilot program that is a subsection of SBA's flagship 7(a)

program called Community Advantage. Board Member Manger noted that this program provides loans up to \$250,000 and is mostly utilized by CDFIs right now.

Board Member Manger stated that of the 126 approved Community Advantage lenders, 84 are CDFIs. Board Member Manger added that 60 are also micro-lenders and 50 are CDCs, i.e., certified development companies that the SBA licenses, primarily for its 504 loan program.

Board Member Manger noted that many Community Advantage lenders have more than one designation—for example, there are 12 lenders that are approved as a CDC, a CDFI, and a micro-lender, and so they are able to use all three programs.

Board Member Manger stated that the Community Advantage program has made 3,788 loans for almost \$500 million since its inception in February 2011, and that average loan size in the Community Advantage program is just under \$130,000. Board Member Manger stated that this program has grown steadily year over year and is enabling SBA's lending partners to make money available to those that would otherwise not be able to access capital.

Board Member Manger stated that SBA's microloan and Community Advantage program participants utilize the resources available from other federal agencies, including Treasury through the CDFI Fund, USDA, HUD, and other agencies, to diversify their sources of capital for lending, training, technical assistance, and operations and to sustain and expand their services and capacity.

Board Member Manger stated that while many microloan intermediaries are also CDFIs, the SBA estimates that at least half of the CDFIs are also microlenders. Board Member Manger stated that these microlenders concentrate on the smaller loans the SBA helps make, and they usually use some of the resources for lending capital, loan loss reserve funds that are required in some of the SBA's programs, capital reserves, and operating capital.

Board Member Manger stated that SBA microloan and Community Advantage participants use the CDFI Fund's technical assistance awards to build their organizational capacity—for example, to purchase equipment, materials, and supplies, to pay salaries of certain personnel, and to train staff and board members.

Board Member Manger stated that the CDFI Fund's financial assistance awards and technical assistance awards complement the SBA microloan and Community Advantage programs by providing funds to allow organizations to grow and to achieve greater organizational stability.

Board Member Manger noted that SBA does not provide funding to incubate young or small mission lenders, and that it approves only experienced and financially stable organizations to participate in the microloan and Community Advantage programs. Board Member Manger Board Member Manger stated that the SBA tries to ensure that organizations have underwriting capabilities, so that SBA is making the loans responsibly.

Board Member Manger spoke briefly about the intersection with the 504 loan program, stating that these loans can be large—up to \$5 million—and are made for the purchase hard assets, tangible assets, fixed assets.

Board Member Manger Board stated that SBA’s microloan and Community Advantage programs are focused on small programs, its Community Advantage program provides variable interest rate financing. Board Member Manger stated that the 504 loan program provides long-term, fixed-rate financing, which is a great advantage to those in a rising interest rate environment. , Board Member Manger added that 504 loan participation can assist lenders with their community and reinvestment credits, which increases access to capital.

Board Member Manger stated that there are 14 CDCs across the country that are also CDFIs, and that the CDCs that intersect with CDFIs are involved with the loan program, the Community Advantage program, the microloan program, and the New Markets Tax Credits Program, as well as with HUBZones, Historically Underutilized Business Zones.

Board Member Manger stated that the SBA also offers programs that support veterans by providing training and counseling assistance and access to capital and federal contracts. Board Member Manger stated that through July 2018, the SBA has supported veteran entrepreneurs and small business owners through nearly \$900 million in loans through the 7(a), 504, and microloan programs and \$18 billion in contracts to veterans.

Board Member Manger added that the SBA's veteran business outreach centers have supported nearly 55,000 veterans through training and counseling assistance, and its veteran entrepreneurship training program provides customized curriculums, in-person classes, and online courses that teach the fundamentals of business ownership, SBA resources, and small business expertise and give veterans the training to succeed.

Board Member Manger briefly discussed Boots to Business, a flagship SBA entrepreneurial program offered on military installations around the world and on the training track of the Department of Defense Transition Assistance Program, known as TAP. Board Member Manger stated that the Boots to Business reboot extends the entrepreneurship training offered in TAP to veterans in all areas in their communities.

Board Member Manger stated that the SBA offers the Women Veteran Entrepreneurship Training program, which provides entrepreneurial training to women veterans, women service members, and women spouses of service members and veterans as they start or grow a business.

Board Member Manger stated that the SBA also offers the Service-Disabled Veteran Entrepreneurship Training Program, which provides entrepreneurship training programs to service-disabled veterans who aspire to own or currently own a small business and need additional technical help and assistance.

Board Member Manger stated that the SBA also offers the Veteran Federal Procurement Entrepreneurship Training Program, which delivers entrepreneurship training to veteran-owned

and disabled veteran-owned small businesses nationwide that are interested in pursuing or are already engaged in federal procurement and contracting.

Board Member Manger added that an analysis that was conducted by Syracuse University's Institute for Veterans and Military Families and came out this past year indicates that veteran respondents exhibit a higher percentage of turn-downs for requests made for credit. Board Member Manger stated that the analysis showed that almost 24 percent of veterans are turned down, compared to 18.5 percent of non-veterans.

Board Member Manger stated that the SBA has done research of its own using data from the Federal Reserve banks last year. Board Member Manger stated that this is the most substantial data comparing veteran and non-veteran business owner borrowers to date and for the first time provides substantial evidence that veteran business owners face greater difficulty in accessing capital than do non-veteran business owners.

Board Member Manger stated that the data was really quite astounding and in conjunction with the analysis by Syracuse University gives us a lot to think about regarding how we can better provide access to capital to veterans. Board Member Manger stated that the data showed that the most common lending sources of capital are large banks, small banks, and online lenders, and that veteran-owned businesses are equally underserved by all three sources, noting that the loan approval rates from all three sources are approximately 10 percent lower on average for veteran-owned business than for non-veteran-owned businesses.

Board Member Manger stated that these across-the-board lower approval rates suggest that veteran business owners face financing challenges irrespective of the lending sources. Board Member Manger stated the SBA has been looking at this very carefully and found that during the economic recovery, between 2010 and 2017, SBA-guaranteed loans increased 82 percent to non-veteran small business owners but only 48 percent to veteran small business owners. Board Member Manger stated that the SBA wants to see these numbers change.

Board Member Manger added that the SBA has seen a steady decrease in the number of loans going to veterans over the last four years.

Board Member Manger stated that the slower growth in SBA-backed loans to veterans is surprising, given that the SBA offers fee relief statutorily mandated by Congress on loans up to \$250,000. Board Member Manger noted that even with that fee relief, SBA is still seeing a lower engagement by veterans in its loan programs and wants to address that. Board Member Manger stated that while it is unclear whether these lower trends for SBA-backed loans to veterans compared to non-veterans are demand- or supply-driven, the evidence provided by Federal Reserve banks suggests that veteran demand for business loans is no lower than non-veteran.

Board Member Manger stated that it is also important to note that these capital barriers can create financial challenges for veteran-owned businesses, as 36 percent of veteran-owned businesses with financial challenges—compared to only 30 percent of non-veteran-owned businesses with the same financial challenges—report that the challenges are due to credit availability.

Board Member Manger stated that there is some work to be done and that he looks forward to working with the Board to help provide more access to capital to our veterans.

Questions and Comments for Board Messrs. Anderson, Gimont, and Manger

Board Chair Jett thanked the three federal representatives for their excellent presentations and invited Board Members to ask questions.

Board Chair Jett recognized Board Member Moncrief.

Board Member Moncrief stated that Kentucky Highlands was the first approved Community Advantage lender in the United States and asked Board Member Manger if there is any thought to referring to the Community Advantage program as something beyond a pilot and if there is any thought to raising the limit above \$250,000.

Board Member Moncrief stated that his reason for asking is that in Appalachia, small community banks shy away from 7(a) loans, because they require submission, critique, resubmission, critique, resubmission, and another critique and resubmission many times, and small banks are not staffed sufficiently to do that.

Board Member Moncrief stated that he takes on the role of 7(a) preparer for small community banks, and so he wonders why he is doing this for small community banks and not for his own organization. Board Member Moncrief stated that it would have the Community Advantage loan limit raised to above \$250,000 because the higher limit would be particularly advantageous to those in rural communities who are doing work for the small community-based banks.

Board Member Manger thanked Board Member Moncrief for his question.

Board Member Manger stated that the pilot program currently runs through 2020 and that the SBA is evaluating whether to ask Congress to make it a permanent program and whether there should be any changes to the program, including the level of financing available. Board Member Manger added that the average size of these loans is just under \$130,000, and so the program is hitting a spot there because the loan amount can go up to \$250,000. Board Member Manger stated that increasing the maximum loan amount is something that the SBA can look at.

Board Member Manger added that several years ago SBA's regular 7(a) program introduced SBA One, an online, step-by-step, screen-by-screen tool that a bank that does not have a large SBA complement can use to input the information necessary to ensure that the guarantee is going to be on the loan they are making. Board Member Manger stated that the SBA has had great success with that program.

Board Member Manger added that the SBA also has had some amazing increases in the turnaround times at its loan processing centers over the last year and a half that have improvement and efficiency in the centers by 50 percent. Board Member Manger offered an example, stating that two years ago it would have taken about a week to process a loan that was

under \$350,000, but that now the centers are turning that type of loan around in two or three days. Board Member Manger added that the centers are now processing large loans from \$350,000 to \$5 million, which had taken two weeks to process, in seven or eight days.

Board Member Manger stated that the SBA has made incredible improvements. Board Member Manger stated that he wanted to make sure the public knows that because the SBA is no longer the SBA of, say, five years ago and has automated electronically all of its systems for submission.

Board Member Moncrief thanked Board Member Manger and stated that those were great points.

Board Member Moncrief commented that he is involved with the Appalachian Regional Commission in discussing capital access in Appalachia. Board Member Moncrief stated that some large regional banks in Appalachia do 7(a) loans, but that those loans are clustered around metro areas. Board Member Moncrief stated that there are some smaller banks that have never done one and that there are some large regionals that do them only when they are forced to do so. Board Member Moncrief stated that that is why he is hoping that the SBA will consider converting the pilot program to a permanent program and raising the loan limit for CDFIs that are using the Community Advantage program.

Board Member Manger stated that he wanted to add that last summer the SBA launched a free online tool called Lender Match, which allows potential borrowers to indicate through SBA's system that they are looking for capital and to enter some parameters about what they are looking for. Board Member Manger stated that that information is sent to SBA-approved lenders in the immediate area, as well as lenders outside the area, who then decide whether to reach out to any of the potential borrowers.

Board Member Manger stated that Lender Match has had more than 3 million hits on its website and has made more than 146,000 direct connections between a borrower and a lender. Board Member Manger stated that this is a tool that the SBA has been using to get capital to borrowers that don't have a brick and mortar bank in their town or to enable borrowers to find a lender that is far removed but is the perfect lender to make that loan.

Board Chair Jett thanked Board Member Manger and invited Board Member Fairchild to speak.

Board Member Fairchild stated that the topic of veterans is near and dear to his heart, as he grew up on military bases and his father is buried in Arlington Cemetery.

Board Member Fairchild stated that military servicemen often live below the poverty level and that military families tend not to have some of the drivers that allow them to get credit—for example, they frequently move and tend to own cars but not other hard assets. Board Member Fairchild noted that his father, even as a colonel, did not own property until Board Member Fairchild was 15 years old and the family had retired from moving every three years.

Board Member Fairchild stated that his family's experience showed him that some of the drivers that are associated with credit and credit scoring actually run against military families, and that military families are excluded from a lot of other products, such as insurance.

Board Member Fairchild stated that he felt the pain of the research regarding the difficulties veteran small business owners face in accessing capital that Board Member Manger had discussed and that he is curious about the degree to which it was a demand or supply problem.

Board Member Fairchild stated that he could imagine problems on both sides—that on the demand side, there would be, even with all the wonderful financial education programs that were discussed, a lack of understanding of how credit works. Board Member Fairchild stated that he thinks that that probably is real and that the credit scores of any serviceman in transition are probably damaged.

Board Member Fairchild stated that on the supply side, many of the places where the bases are located or people are retiring to probably do not have banks and so these people do not have banking relationships.

Board Member Fairchild stated that he strongly supports SBA's efforts to partner with CDFIs, both in recognizing this population—many of whom are rural—and tying to analyses like the ones Board Member Manger talked about. Board Member Fairchild stated that CDFIs may be able to engage with underwriting and scoring in ways that perhaps other types of institutions cannot, and that this might be part of the supply/demand problem the SBA has been having.

Board Chair Jett recognized Board Member Jones.

Board Member Jones offered a comment to Board Member Manger, stating that, as a community banker, he has found that, justifiably or not, one of the reputations the SBA has is that applicants can get an application in but that the resolution side, and not the application process, is the ultimate decision maker.

Board Member Jones stated that there is a great contradiction between resolution and the applications, and so the applicants' reluctance to go through that process is that once they get it in there, they get a completely different experience when they need to call upon that guarantee

Board Member Jones stated that as the SBA looks at the willingness to participate in these programs, it has to put resolution and application at the same table because they often don't talk to each other.

Board Member Jones stated that application and resolution are completely different experiences, and so banks cannot count on that guarantee and do not avail themselves of it, unless it is part of the core deliverables.

Board Member Jones stated that, whether it's right or not, that is the thinking among the community bank community.

Board Member Manger stated that he doesn't believe that that perception is quite accurate, because the SBA fully pays out 95 percent of the loans that have gone bad and come into SBA's center for purchase. Board Member Manger stated that that is not to say that the other loans have been completely denied as well, noting that there are some where the SBA actually has an agreement and says, "All right, we can take this much," but there is only 5 percent of loans that do not get some sort of full repayment on the guarantee. Board Member Manger stated that he thinks that is a pretty strong number.

Board Member Jones stated that, as he had said at the outset, it is a perception.

Board Member Manger stated that the SBA needs to dispel that perception.

Board Member Jones stated that that is the reason he brought it up.

Board Member Manger stated that he is here to do that today.

Board Member Jones stated that the success of the SSBCI program was in part because of banks' willingness to use that as an alternative to SBA. Board Member Jones stated that the perception is out there, whether it is right or not.

Board Chair Jett stated that Board Member Jones was highlighting the reason the Board is here—to bring that expertise.

Board Chair invited Board Member McDonald to speak.

Board Member McDonald commented to Board Members Gimont and Manger that, after Hurricane Karina, New Orleans saw a lot of disparities in how resources were deployed geographically for months or years, even after a lot of resources had been deployed. Board Member McDonald stated that it seemed as if a lot of the programs or products were not properly weighed and that some parts of community received resources and others were left behind.

Board Member McDonald stated that a lot of those individuals that were left behind were minorities that were low-income or lacked access to capital. Board Member McDonald asked how the agencies measure that or make sure that things stay balanced.

Board Member McDonald noted that the individuals that are left behind get hit with increased insurance or more crime because the resources and infrastructure don't follow their tax rolls, and that this creates an imbalance in which a middle-income area skyrockets and the lower-income continues to go on a downturn.

Board Member Gimont stated that HUD learned a lot from the Katrina experience, noting that HUD funding through the CDBG program was not deployed in a substantial way prior to that incident, and that HUD has brought a lot of things that it learned in Louisiana and Mississippi after Katrina to bear as it goes forward.

Board Member Gimont stated that some of these things relate to what HUD allowed its grantees to implement in what it calls the compensation program. Board Member Gimont stated that, at that point, the compensation program wasn't necessarily tied to the property but was looking at the uncompensated loss that a homeowner incurred as a result of the storm.

Board Member Gimont stated that that led to a leakage of funding from a housing perspective, and that now HUD requires that the money be tied into a particular property as opposed to just being given to homeowners to enable them to deal with their long-term housing situation.

Board Member Gimont stated that the low-income housing advocate community is much more active now in watching long-term recovery nationwide with regard to how HUD grantees structure their programs to ensure that some of the concerns that Board Member McDonald discussed are, in fact, being addressed by HUD grantees in the design of their overall program.

Board Chair Jett invited Board Member Bautista to speak.

Board Member Bautista directed her comments to Board Members Anderson and Manger, stating that, in her experience, small businesses run as fast as they can when they hear about an application for SBA, but that she is also confident that under the leadership of the new administration, the SBA is doing a lot of innovative programs. Board Member Bautista encouraged the SBA to do a lot of outreach, noting that most Asians, including a lot of Filipinos, are very entrepreneurial but don't have access to SBA loans, even SBA loans for veterans, because they do not know about the programs or do not know how to apply.

Board Member Bautista added that the SBA cannot do technical assistance well, stating that people are scared of the SBA and are not confident to talk to the banks, because when they go to the banks, there are more denials than approvals.

Board Member Bautista stated that the SBA needs to create a pilot program in which it can use CDFIs and give them a capacity-building grant to do the outreach and to educate these small businesses. Board Member Bautista stated that 95 percent of businesses are small businesses, but that there is a not a lot of help for them to access capital. Board Member Bautista noted that the CRA reform is a way to encourage the banks to do more loans. Board Member Bautista emphasized the importance of getting community banks to do more SBA loans, noting that the number of banks doing SBA loans is very tiny, especially in the African-American, Latino, and Southeast Asian communities.

Board Member Manger stated that in FY 2017, the SBA set an all-time record in the Microloan Program, deploying \$69 million in loans with an average size of only \$14,000. Board Member Manger added that all three categories that SBA lenders voluntarily report on—loans to veterans, loans to women, and loans to minorities—increased last year under the Microloan Program.

Board Member Manger stated that the SBA is doing better but acknowledged that it has a long way to go.

Board Member Manger stated that the, in FY 2017 and FY 2018, SBA implemented training on outreach to make all of its field employees more familiar with what they're supposed to do when they go out in the field and talk to our lending partners, including CDFIs.

Board Member Manger added that SBA also recently implemented enhancements to its entrepreneurial development programs, including its small business development centers, women's business centers, SCORE mentors who volunteer to help small business owners that are pursuing the American dream.

Board Member Manger stated that the effects of these enhancements will start to be seen in the next year or two, and that the SBA is trying to make an effort to do more outreach.

Board Chair Jett thanked the federal representatives from the USDA, SBA, and HUD for taking the time to answer these questions.

Board Chair Jett announced that the Board would break for lunch and asked if Director Donovan had anything to add.

Director Donovan thanked everyone for a really great, robust discussion.

Lunch

The meeting broke for lunch at 12:19 p.m. and resumed at 1:16 p.m.

Introduction to Presentations on Proposed Subcommittees, by Board Chair Jett and Director Donovan

Board Chair Jett stated that over the years being certified as a CDFI has grown in importance and cited as an example the fact that being certified now serves as a qualifier for other federal government and private sector programs and benefits such as the SBA's Community Advantage program.

Board Chair Jett also stated that Congress has asked the CDFI Fund to target Persistent Poverty Counties (PPCs), areas where 20 percent or more of the population has lived in poverty over the last 30 years.

Board Chair Jett stated that Director Donovan has asked for the Board to consider forming two subcommittees to advise her on these topics, and that next the Board will hear presentations from CDFI Fund staff on these two issues.

Board Chair Jett stated that the Board will hear first from Ms. Tanya McInnis, who is the Acting Program Manager of the Certification, Compliance Monitoring and Evaluation Unit and will speak about the re-examination of CDFI certification policies.

Board Chair Jett stated that Ms. Mia Sowell, the Associate Program Manager for the BEA Program, and Ms. Amber Kuchar-Bell, the Program Manager of the CDFI Program and the NACA Program, will follow and discuss Persistent Poverty Counties.

Board Chair Jett asked Director Donovan if she wanted to add anything.

Director Donovan stated that the CDFI Fund set its certification policies by 1996, two years after the CDFI Fund was created, and hasn't made significant changes to them since then, even though the financial services sector has changed tremendously in that time.

Director Donovan stated that CDFIs operate in a much different environment than they did in the mid-1990s, and that the CDFI Fund wants to modernize its certification policy and accomplish two things simultaneously: make it easier for CDFIs to grow, expand, build scale, and use technology; and safeguard CDFI certification because it has become a proxy for so many other things. Director Donovan stated that certification was intended only to be the gateway to CDFI programs but has taken on a whole new meaning out there in the world, and that this is part of the reason why the CDFI Fund wants to reexamine its certification policy.

Regarding PPCs, Director Donovan stated that, for the last several years, Congress has asked the CDFI Fund to make sure it is hitting certain thresholds in the BEA Program and CDFI Programs, and so CDFI Fund staff thought that it ought to come to the Advisory Board and use its expertise on ways that the CDFI Fund might optimize its results in PPCs.

Director Donovan stated that a naturally occurring attention to PPCs is already built into the activities of CDFIs, and so the thresholds that Congress has given the CDFI Fund are not that hard for CDFIs to meet. Director Donovan stated that the question is, what are the ways that the CDFI Fund can use its programs to make sure that it is going as deeply as possible in persistent poverty places?

Board Chair Jett thanked Director Donovan and invited Ms. McInnis to speak.

Presentation on the Reexamination of CDFI Certification Policies, by Ms. Tanya McInnis, Program Manager, Certification, Compliance Monitoring and Evaluation, CDFI Fund

Ms. McInnis thanked Board Chair Jett and Director Donovan.

Ms. McInnis stated that she was pleased to update the Board on the deep dive that the CDFI Fund has been doing to reexamine its certification policy and would start by reviewing the certification criteria.

Ms. McInnis stated that to receive certification from the CDFI Fund, an organization must meet several criteria:

- Be a legal entity
- Have a primary mission that is supportive of community development
- Serve an investment area or targeted population

- Provide development services in support of its financial products
- Have accountability to its target market
- Cannot be or be controlled by a government entity

Ms. McInnis stated that one reason why the CDFI Fund is reexamining its certification policies is that the CDFI industry has grown. Ms. McInnis stated that the CDFI Fund certified about 196 organizations in 1997 and now has more than 1,000 certified organizations that have more than \$136 billion in total assets and represent all 50 states, D.C., and some U.S. territories.

Ms. McInnis stated that, because of this phenomenal growth, the CDFI Fund wants to ensure that it is continuing to meet its regulatory and statutory requirements and is being responsive to the evolving nature of the CDFI industry.

Ms. McInnis stated that another reason for doing this deep dive is the significance of the CDFI certification, which has evolved over the years to enable organizations not only to receive financial assistance from the CDFI Fund but also to receive access and benefits from other agencies.

Ms. McInnis stated that another major reason is the change in technology, noting that new tools have been created that provide new opportunities for CDFIs to expand their reach, and so the CDFI Fund wants to make sure that it understands these changing technologies and adapts its policies and processes to respond to the needs of CDFIs so they can support their communities.

Ms. McInnis stated that the CDFI Fund's certification policy review has several objectives, including making sure that the CDFI Fund is fostering a diversity of CDFI types, activities, and geography; supporting the growth and the reach of the CDFIs, especially as it relates to their ability to innovate and to take on new technologies; protecting the CDFI brand; easing the customer experience and minimizing the burden on applicants while improving data quality for CDFIs; and promoting the efficiency with which the CDFI Fund conducts business.

Ms. McInnis stated that the CDFI Fund started the policy review process a couple years ago and in January 2017 published a Request for Information seeking comments from the public about the CDFI Fund's policies and procedures. Ms. McInnis noted that the CDFI Fund received 28 letters and more than 200 pages of comments about its certification policies and since then has formed a working group to deliberate on those comments, and has proposed some recommendations for potential changes to its policies and procedures. Ms. McInnis stated that the CDFI Fund will talk more about this in the subcommittee meeting, and will convene a focus group in September to talk about the changes it is proposing.

Ms. McInnis noted that the CDFI Fund has already started revising the certification application and will put that out for public comment and then update or revise it as needed.

Ms. McInnis stated that this is the first time the CDFI Fund has done a deep dive on its certification policies, and that the staff is really excited about the changes it is proposing and hopes the Board also will be after the staff presents the changes to them.

Board Chair Jett thanked Ms. McInnis and invited Ms. Kuchar-Bell and Ms. Sowell to speak.

Presentation on Maximizing Impact in Persistent Poverty Counties, by Ms. Amber Kuchar-Bell, Program Manager of CDFI Program and Native Initiatives, and Ms. Mia Sowell, Mia Sowell, Associate Program Manager, BEA Program

Ms. Sowell stated that the overall objective of the subcommittee on Persistent Poverty Counties (PPCs) is to provide the CDFI Fund with recommendations to consider for encouraging and increasing investments in PPCs.

Ms. Sowell stated that PPCs are counties where 20 percent or more of the population has lived in poverty over the past 30 years, as measured by the U.S. Census Bureau. Ms. Sowell noted that for investments in PPCs to be considered for award from the CDFI Fund, the geographic areas and investment types still must use the eligibility criteria for either the BEA Program or the CDFI and NACA Programs.

Ms. Sowell stated that there have been several fiscal years in which Congress has mandated that the CDFI direct 10 percent of its appropriations to counties that meet the criteria for PPC designation. Ms. Sowell stated that the mandate has been in effect in FY 2012, FY 2013, FY 2017, and FY 2018, adding that the CDFI Fund anticipates receiving a similar mandate for FY 2019.

Ms. Sowell noted that, since the mandate references the CDFI Fund's appropriations, it affects only the CDFI Fund's grant programs—the BEA Program, CDFI Program, and NMTC Program—and doesn't include the New Markets Tax Credit Program or CDFI Bond Guarantee Programs, which are not grant programs, and also doesn't include the Capital Magnet Fund, because its funding comes from Fannie Mae and Freddie Mac.

Ms. Sowell noted that metropolitan areas represent 29 percent of the total number of PPCs and non-metro areas represent 71 percent. Ms. Sowell also noted that, although that there are more non-metro PPCs than metro, there are significantly more people living in metro PPCs than in non-metro.

Ms. Sowell stated that 35 states and Puerto Rico have PPCs and that 15 states and Washington, D.C., don't have any PPCs.

Ms. Sowell stated that Puerto Rico has the most PPCs—78—and that every county in Puerto Rico is designated as a PPC, and so there is definitely a lot of need and opportunity to increase investments there.

Ms. Sowell stated that the CDFI Fund has multiple collection tools to help it identify where its award recipients have made investments, as well as when they made those investments and what the dollar amounts were.

Ms. Sowell stated that there are two main collection tools: the Uses of Awards Report and CIIS or application data. Ms. Sowell stated that the Uses of Awards Reports are used by BEA, CDFI,

and NACA Program award recipients to report how they use their actual award dollars. Ms. Sowell stated that CDFI and NACA Program recipients also use CIIS to report on various performance measurements of their awards. Ms. Sowell noted that both programs have various data points in their applications that allow the CDFI Fund to gather various community investment data from a larger universe.

Ms. Sowell invited Ms. Kuchar-Bell to speak more about PPCs.

Ms. Kuchar-Bell stated that, as Director Donovan mentioned, the CDFI industry really does care about communities in distress and people in distress, and so it will naturally invest its portfolio in these areas. Ms. Kuchar-Bell stated that, as Director Donovan stated, the CDFI Fund is already meeting the 10 percent mandate from Congress. Ms. Kuchar-Bell noted that, historically, 6 percent of the U.S. population has lived in PPCs, but that CDFI Program award recipients have invested 20 percent of all dollars and have made 24 percent of all transactions in PPCs. Ms. Kuchar-Bell added that 19 percent of all CDFIs have headquarters in PPCs.

Ms. Kuchar-Bell stated that this reflects that the CDFI Fund is already invested in PPCs and that what the CDFI Fund wants the Board to think about is how the CDFI Fund can go deeper.

Ms. Sowell stated that the BEA Program currently has data on the use of awards in PPCs from the earlier mandates in FY 2012 and FY 2013, and that in those rounds, 15 percent of actual award dollars were invested in PPCs. Ms. Sowell noted that the CDFI Fund doesn't yet have data for FY 2017, because the award announcement was made a couple months ago, but that in FY 2015 and FY 2016, even when the PPC mandate was not in effect, almost 15 percent of the activity reported took place in PPCs.

Ms. Sowell stated that the CDFI Fund looks forward to working with the Board Members who serve on the PPC subcommittee.

Vote on the Formation of the Proposed Subcommittees

Board Chair Jett thanked Ms. Sowell and Ms. Kuchar-Bell for their very informative presentation.

Board Chair Jett asked the Board to deliberate, if necessary, on the formation of the two proposed subcommittees and stated that, if there are no questions, he would ask for a vote to form the two subcommittees.

Board Chair Jett asked if there were any questions.

Board Chair Jett stated that, seeing no questions, he would entertain a motion to approve the two subcommittees.

Board Member Gwin moved to approve the two subcommittees.

Board Chair Jett stated that there is a motion and asked if there is a second.

Board Member Moncrief seconded the motion.

Board Chair Jett asked all in favor to signify by raising their hands and then asked all opposed to do the same.

Board Chair stated that the ayes have it and the motion to form two new subcommittees is approved.

Board Chair Jett congratulated the Board and stated that he looks forward to hearing from these two subcommittees at the next Board meeting. Board Chair Jett noted that the Board has more work ahead of it and urged the Board Members to roll up their sleeves and get to work.

Closing Business and Adjournment

Board Chair Jett asked if there was any unfinished business to be addressed.

Board Member Jones raised a question about recertification, asking how the evolution of CDFIs in rural areas, particularly insured depositories, is weighing into this consideration on the new certification requirements. Board Member Jones noted that there are many that believe the new entrants may be coming from a different background, and asked if that is a consideration.

Ms. McInnis stated that that is a consideration, noting that the CDFI Fund received many comments around CDFIs that serve rural communities or are located in rural communities, and that the CDFI Fund would go into that in detail in the certification subcommittee.

Board Chair Jett stated that one of the presentations compared metro and non-metro PPCs and discussed the disparate population sizes and disparate geographical sizes. Board Chair Jett stated that it is not really a uniform unit of measure, apples to apples comparison and asked if there is a different unit whereby the CDFI Fund could make a comparison.

Board Chair Jett noted that some states are really large and some are really small, and that the further east you go the smaller the counties are, and the further west you go the larger the counties are. Board Chair Jett stated that he didn't know if there is a right way to measure that, but that there are 78 counties in Puerto Rico and 11 in Oklahoma and he is curious to know what the apples-to-apples comparisons actually are.

Director Donovan suggested that census tracts would be a more accurate measure.

Board Chair Jett stated that that makes sense.

Board Chair Jett asked if the Board had any more questions. Board Chair Jett stated that, seeing none, he would entertain a motion to adjourn.

Board Member Chapa moved that the Board adjourn the meeting.

Board Chair Jett asked if there was a second.

Board Member Manger seconded the motion to adjourn.

Board Chair Jett thanked the Board Members and asked them to stick around so they could decide who would be sitting on which subcommittees and could form a plan for working together.

Board Chair Jett thanked the public for its interest and continued support.

Board Chair Jett adjourned the meeting at 1:40 p.m.

Respectfully submitted,



Shane Jett
Chair
Community Development Advisory Board