Final and Approved
CDFI Cetification Recommendations
presented by the
Community Development Advisory Board
to
CDFI Fund Acting Director Marcia Sigal
July 31, 2023

INTRODUCTION

This advisory board strongly supports the CDFI Fund's goals of ensuring that CDFIs lend responsibly and serve low-income people and people of color equitably. CDFI certification should foster a diversity of CDFI types, activities, and geographies; allow for innovation that supports the growth and reach of CDFIs; and signify confidence in an organization's strong community development mission. The CDFI Fund (the Fund) has a responsibility to keep certification standards high to prevent untrustworthy and dishonest financial service providers in low-wealth communities from becoming certified CDFIs. CDFI certification is a privilege, and the Fund must safeguard it to ensure those receiving the designation are truly community development focused and demonstrate accountability to low-income communities. The committee applauds the work of the Fund in seeking to further define, improve, and strengthen the certification guidelines in a changing financial environment.

Substantial agreement exists among CDFIs regarding proposed changes. This memo focuses on key issues of the proposed certification changes that could negatively affect emerging, new, or existing CDFIs and suggest potential remedies. It does not focus on the many excellent recommendations in the proposed new certification rules. The key issues outlined below should be monitored closely by CDFI Fund staff as certification is implemented to minimize negative outcomes. Ideally, certification should be adjusted on a more frequent basis, ideally every three years, to accommodate a rapidly changing operating environment for CDFIs of all types.

GENERAL RECOMMENDATIONS

Ability to Repay

- **Ability to Repay Requirements for Mortgage Lenders.** While CDFIs are exempt from the Ability-to-Repay/Qualified Mortgage Rule (ATR/QM Rule) established by the CFPB, product protections consistent with the ATR/QM rule should be required for any CDFI engaged in mortgage lending.

CDFIs should be held to a standard where all loans are underwritten based on a borrower's ability to repay and mortgages should meet QM standards. At the same time, as with any development finance lending, exceptions may be warranted – particularly in instances where a clear community development purpose with no predatory intention is advanced. Rather than a bright line that automatically excludes a CDFI from certification if a such a product is offered, the Fund should allow CDFIs a narrative option to explain why these products have a legitimate community development purpose and how the entity is ensuring the product is affordable and responsible.

In addition, the proposed certification application is unclear on whether this provision applies to single family mortgages only, or also to mortgages for commercial real estate, multifamily housing, or community facilities.

Target Markets

- **Add Asian-Americans to Other Targeted Population.** Exclusion of Asian-Americans does not account for income and wealth differences within the Asian community. Although household median income for Asian-Americans is 38% greater than the national median income of $63,179, these numbers mask the true inequality. Income inequality in the U.S. is rising most rapidly among Asian-Americans, as Burmese Americans make a median income of $36,000. In addition, many Asian-Americans still face economic insecurity with large discrepancies between income and wealth among Asian-American nationalities. According to 2017 Census data, Filipino Americans faced a 6% poverty rate, compared to more than 16% for Hmong Americans. A wholesale exclusion of an entire race is not appropriate. OFN urges the CDFI Fund to expand the definition of Other Targeted Population to ensure that CDFIs can direct resources to underserved Asian communities.
- **Clarify Income Verification of Indirect Beneficiaries.** The proposed certification application does not allow an applicant to include loans and investments that primarily benefit a Targeted Population indirectly, especially for Low Income Targeted Populations. Both the Riegle Act and CDFI Fund regulations are clear that a Targeted Population may be served directly via loans to members of the Targeted Population, but also indirectly by providing employment or services.

This omission may have serious repercussions for small business lenders. The assessment methodologies listed in certification application require the CDFI to collect individual or household data from beneficiaries. It is not feasible to expect the CDFI financing the community facility to require the facility to collect tax returns or other forms of income verification. For example, this is challenging if a CDFI lends to a small business that is committed to employing low-income people but does not have the ability to require income verification from employees, or to share that data with the CDFI. Such a requirement would be burdensome for the employer and intrusive for the worker. Similarly, a community facility that serves low-income people may rely on self-reporting to verify income of its users.

We recommend the Fund consider a more flexible approach to income verification and explicitly include options to include indirect impact. The Fund should also provide clarity about how financing community facilities could qualify under the new certification application.

Financing Entity

- **Allow Staff Time on Development Services to Count Towards Financing Entity Test.** Changes to the Financing Entity test will require entities applying for certification to dedicate a predominance of both assets and staff time to the provision of financial products and/or financial services. Assets and staff dedicated to development services no longer count towards these tests, even though to become certified, a CDFI must provide these Development Services.

This change ignores the reality of CDFI lending in which many borrowers require extensive coaching and technical assistance before they are ready to receive capital.

Several CDFIs, in particular Native, small, and rural CDFIs, have raised concern about their ability to meet the financing entity test. A significant part of their financial success is the provision of credit building services.

We recommend the Fund maintain the most recent requirement that a majority of staff time must be dedicated to a combination of financing activities and development services. At a minimum, this provision should provide the CDFI the option to explain the cause of the imbalance and enter a cure period to remediate it.

Development Services

- **Reconsider Narrowed Definition of Development Services.** The updated definition of development services is narrow. While it is important for certified CDFIs to offer meaningful development services to their customers, the Fund should not implement a one size fits all approach. A critical component of the CDFI business model is providing customized technical assistance to meet each customer's needs.

Classroom-based training is not always a feasible or accessible way to offer technical assistance. The Fund must build more flexibility into this requirement and allow for different models. The proposed certification application also states that "online TA" is not allowed – the Fund should clarify if this applies to the use of online meetings via Zoom or other videoconferencing platforms, which are an adequate and often most cost-effective substitute to in-person meetings for customers residing in remote locations.

- **Remove Prohibition on Youth-Based Services.** Under the proposed CDFI Certification changes, "workshops for children or broad audiences" and related types of activities would no longer be considered qualifying Development Services. This change would have an especially negative impact on the work of Native CDFIs. A November 2022 Native CDFI Network survey found more than 78 percent of respondents offer youth-focused financial literacy trainings, entrepreneurship trainings, matched savings programs, and other programs that collectively prepare Native youth to grow their personal assets and wealth and eventually successfully utilize loan products offered by Native CDFIs.

Offering youth development services help Native and other CDFIs build a future pipeline of qualified borrowers and responsible financial managers. For example, many Native CDFIs have offered financial literacy or entrepreneurship training to high school-aged youth (and many schools around the country require courses in financial literacy education). Once the youth turn 18, they are eligible for a microenterprise or credit builder loan, which can help a young person build their financial capacity and lay the foundation for wealth building.

The Fund should allow CDFIs to offer youth-based financial literacy as long as the CDFI can demonstrate how this development service is critical to advancing the community development mission of the CDFI.

Accountability Requirements

- **Reconsider Executive Level Requirements for Board Accountability.** Executive level requirements for CDFI board service may be challenging for some CDFIs. In addition, in some markets non-executive level staff, such as lending staff, could make valuable contributions to the board of a certified CDFI.
- **Allow Service on Other Qualified Boards to Demonstrate Accountability.** The proposed certification application would "eliminate the existing option of utilizing an Applicant's board member's participation on the governing or advisory board of an unconnected organization as a means of demonstrating accountability to a Target Market."

As the CDFI Coalition notes, members of a board can offer specific expertise in areas like finance or real estate while demonstrating accountability through meaningful work with organizations representing or serving low-income people and places. Some board members may join while employed by such an organization and then move on or retire but continue to provide valuable expertise to other organizations. Board members who serve on other qualifying boards should be able to provide accountability via that board service.

- **Reassess Financial Conflict of Interest Policy for Board Service.** The proposed certification application would "prevent board members with certain types of financial interest in an organization from being considered accountable to any Target Market component, as the financial interest may conflict with a board member's ability to effectively represent the interests of the Target Market."

The potential for conflict of interest is valid. While safeguards and policies are essential to prevent conflicts of interest, we do not agree with the prohibition against providing financing to a board member. Additionally, client representation on a CDFI board provides invaluable insight into the needs, challenges, and opportunities of the communities being served and embeds this perspective at the core of the CDFI's influence. These perspectives should be encouraged and contribute to accountability without precluding the client from receiving financial support.

There are numerous examples of how this policy will have unintended consequences. For example, in some rural markets, the local CDFI is the only affordable source of financing in the region. Community members should not have to choose between accessing capital from their CDFI or providing valuable service to the board. This policy also ignores CDFIs whose boards are elected by their membership. OFN's own Board of Directors is elected from our members, and more than 36% of our members are current borrowers. Credit unions, whose members are also elected to their boards, should not be prohibited from offering mortgages or small business loans to board members who choose to serve.

Other industries and many CDFIs have mitigated this potential conflict by having clear disclosure and conflict of interest policies and practices. The most important is that Board/Advisory Committee members with an active financial product should be recused from any decision or meeting that may involve decisions, directly or indirectly, on their financial product or relationship. Other recommended governance practices include having a specific Conflict of Interest policies; Annual Conflict of Interest training; and Annual Conflict of Interest attestations."

Other Target Populations

- The CDFI Fund should allow Native American, Native Alaskan, and Native Hawaiian Other Target Population (OTP) assessments to include the following methods accorded to other OTPs: (1) the individual, owner, or end-user self-reports, or (2) if the individual/owner/end-user self-report is not available, the financing entity visually assesses an individual's status as OTP-Native American/Native Alaskan/Native Hawaiian or via collection of a government-issued photo identification. These options are available for all other OTPs and should also be available to Native OTPs.

Credit unions specific – Key Recommendations

- **Ensure all demographic and household income data collection requirements allow regulated financial institutions to comply with the Equal Credit Opportunity Act (ECOA) and avoid burdening people of color and low-income people with data collection requests that are not required at mainstream financial institutions.** The CDFI Fund must allow CDFI credit unions to use well-tested, objective, and non-intrusive methodologies to determine race, ethnicity, and family income when the collection of that data is not already required for underwriting or compliance with federal law (e.g., mortgage lending/HMDA and Small Business Lending data collection). It is both operationally infeasible for credit unions that can have tens of thousands of members to collect this data on a member-by-member basis, and it can be alienating to members, especially those who have experienced discrimination in the mainstream financial system.

- **Target Market Methodologies must allow the use of well-tested, non-intrusive methodologies to determine race, ethnicity, and family income.** As detailed above, collection of race and ethnicity data at the scale needed for CDFI credit unions requires the use of rigorous methodologies based on names and geographic locations. Similarly, regulated financial institutions like credit unions are barred from collecting family income data in many circumstances, and the Fund must allow the use of modeled household income data and low-income census areas to ensure CDFI credit unions can remain compliant with ECOA while meeting the Fund's requirements.

- **The Fund's proposed Financial Interest Policy is inappropriate for credit unions.** The Financial Interest Policy blocks accountable credit union board members from using their institutions' lending services. Credit unions are member-owned and member-governed and must treat all members equally—a principle the Fund violates with this proposed policy. In addition, board members often provide critical feedback on products and services to their credit unions, so it is vital that they have access to loans, not just transaction accounts. The Fund did not account for the significant regulatory safeguards already in place to protect against board conflicts of interest when designing this policy and keeping it in place will make it impossible for boards of credit unions and cooperativas to meet the Fund's Accountability standards.

- **The proposed definition of Development Services will disqualify valuable, responsive technical assistance, such as supporting people in successfully using transaction accounts or managing debt.** This change overlooks the critical role CDFI credit unions play in helping low-income people achieve financial well-being, and recent research on best practices in financial coaching, which finds that reaching people informally at "teachable moments" is more effective at increasing financial well-being than structured classes. Development Services for Financial Services are particularly important for depositories, which help members through both formal classes and informal, one-on-one interactions to better manage their personal finances and ultimately qualify for Financial Products. The Fund should include Development Services for Financial Services and informal, one-on-one interactions as eligible Development Services.

- **Ensure Primary Mission criteria consider the broader regulatory context in which credit unions operate.** Credit unions are regulated institutions and are examined annually not only for safety and soundness but also for compliance with consumer protection laws and regulations. The CDFI Fund's efforts to ensure all CDFIs lend responsibly are critical, and the Fund should ensure its requirements match the Consumer Financial Protection Bureau's requirements for regulated lenders. In addition, the Fund must take into account realities like asset-liability management when setting standards for mortgage lending as not all credit unions are able to hold enough 30-year deep-impact, non-conforming mortgages on their books to meet member demand for ITIN and low-down payment loans and must instead use balloon mortgages to meet members' needs.
- **Align all definitions in Fund materials with the relevant regulatory definitions for all financial and portfolio reporting data to be sure reporting is feasible and non-duplicative.** The Fund has taken steps to use credit union Call Report data in some reporting and expanding that effort would both help the Fund capture the full impact of CDFI credit unions and would ease the significant burden of CDFI reporting for credit unions.
- **Ensure security of confidential data and remove 10-year record retention requirement from Certification Agreement.** The draft of the proposed Agreement includes provisions that permit the Fund to publish membership and transaction-level data uploaded by CDFIs, which can include Personally Identifiable Information. The proposed record retention requirement vastly exceeds Federal requirements for financial awards and is inappropriate for a non-financial certification.

Venture Capital Fund CDFIs Specific – Key Recommendations

Due to the nature of venture capital funds and the typical structure of venture capital funds, the following recommendations are relevant:

- **Treat the fund management group and all its managed funds as one CDFI, disregarding the separation of different corporate entities**. A certified VC CDFI should consist of the management entity (the entity that has the employees and makes investment decisions) plus all funds that the management entity manages. In other words, if an entity is certified as a CDFI, and then such entity forms venture capital funds that operate consistent with the mission of the CDFI, such funds would themselves be certified as CDFIs.
- **There should be a presumption that a new fund formed by the same CDFI VC management group is included under the umbrella certification of the original CDFI.**
- **Consistent with this recommendation, the various CDFI certification tests should be applied to the entire VC/CDFI family of entities, disregarding corporate form.** For example, the mission

test, the low-income target market test, etc. should be applied to the entire fund family, not corporate-entity-by-corporate-entity.

- **If necessary, there could be a CDFI VC "Fund-in-Formation" designation, which would help newly formed CDFI VC funds raise capital prior to operationalizing a new fund.** The CDFI VC Fund-in-Formation designation would be given to a CDFI VC fund that meets all the requirements of CDFI designation except the financing entity test. In place of the financing entity test, the CDFI Fund would determine whether, if the CDFI VC fund invests in accordance with its organizational documents (e.g., Private Placement Memorandum and Limited Partnership Agreement—which a venture capital fund is legally required to follow), it will qualify as a CDFI. This would be analogous to the IRS's practice of providing an Advance Ruling with respect to 501(c)(3) status. In that case, for example, donors to a 501(c)(3) organization with an Advance Ruling letter can rely on the ruling in taking tax deductions for contributions to the organization.

CDFI Banks – Key Recommendations

- **The use of Military Annual Percentage Rate (MAPR) standard will create unnecessary burdens on bank's infrastructure.**

The MAPR calculation is non-standard. The infrastructure that supports CDFI bank lending, both operations and technology, are aligned on a common standard (APR). As a regulated depository, banks are already subject to calculation of APRs for consumer and business loans in compliance with the Truth in Lending Act (TILA). Most CDFI banks do not engage in lending covered under the Military Lending Act (MLA). Thus, it is an inappropriate standard to apply to all CDFI lending. Requiring CDFls to comply with two competing regulations (TILA and MLA) will be very expensive, possibly prohibitively so. Regulated CDFls will need to amend all consumer financing disclosures, the methodology underpinning them, and make expensive programming changes to their core systems to allow for fees to be calculated under the MAPR standard even if the loan is not a covered MLA loan to a covered borrower. Instead of MAPR, we strongly recommend all CDFls use the widely accepted TILA standards for calculating APRs unless, of course, MLA is triggered by the lending product.

- **As some CDFI banks seeks to provide alternatives to payday loans, the proposed interest rate threshold of 36% MAPR may have the effect of chilling, if not right out eliminating, fair, equitable and safe access to short term consumer financing as an alternative to predatory lending.**

For example, in some CDFI bank target markets, there is an unquestionable and enormous demand for short-term, small dollar, consumer financing for car repair, healthcare, family emergencies, and other situations that unfortunately are all too common in low-income communities. It is well understood that more than 1/3 of Americans cannot pay an unexpected $400 expense. Absent policy interventions at the state level, predatory payday lenders are quite successful at serving this market.

Many CDFI banks operate in markets where payday lenders are the primary solution for short term credit needs of low-income communities. Here's an example of a payday loan in Mississippi for $200. The effective APR on this financing was in the range of 300-600%. In response to this type of lending, a CDFI bank is developing a behavioral economics aligned digital solution that allows customers to borrow small amounts of short-term credit for a modest flat fee. Borrowers that honor their loan obligations at lower loan amounts can increase their loan amounts in subsequent borrowings. Thus, when a customer borrows $100 and successfully pays it back, the customer can borrow increasing amounts over time. This product is currently in testing and is not broadly available, but the potential success of this digital solution in meeting the market demand for short-term consumer credit needs is real. However, very small loans with modest fees like the product we are developing quickly exceed a 36% APR but carries an annual rate significantly less than what is currently being charged consumers by payday lenders in our markets. A strict APR limit without the Fund accessing whether the product is beneficial to customers may have the unintended consequence of increasing the business of harmful, predatory payday lenders, while at the same time stifling interest in developing more consumer-friendly alternatives.

We understand the desire by the Fund to put guardrails on consumer lending to ensure that CDFIs are not engaging in predatory product offerings. However, the proposed Certification Application applies a blanket standard that limits CDFIs' ability to innovate and challenge predatory lenders already in the market whose lending practices shock the conscience. With the mission lens required of all CDFIs, the Fund should take a broader look at these products and provide CDFIs with an option to narrate its underlying mission driven reason for its product offerings and the consumer safeguards embedded in such products.

- **The impact of an Ability to Repay {ATR) underwriting standard test against all consumer (including mortgage) and small business loan products.**

In general, this test has the potential to damage the communities that banks serve and stifle useful and responsible products, particularly in small dollar lending, but also for credit building small dollar loans, overdraft, and earned wage advance loans. The requirement is simply too narrow to capture the wide variety of credit products that very reasonably do not require an ATR standard. The likely impact of this rule is that many banks would have to stop making consumer loans under $1,000, as the underwriting cost to do so would be unsustainable. Simply put, the intent of the Fund to promote access to capital among low-income people and these requirements may be at odds. We believe the Fund's underlying goal of ensuring that consumer lending by CDFIs is done responsibly can be met with a less rigid standard of verification of a borrower's income.

- **The impact of prohibiting certain mortgage loan features including interest only payments, balloon payments, negative amortization.**

Many CDFIs empower their loan officers to make credit decisions and to work with borrowers to create loan structures that position each unique borrower for success. The blanket prohibition of these loan features would mean many CDFIs will no longer have flexibility to serve their customers and communities. Although these features, offered from a non-mission orientation, have the potential to be harmful to borrowers, there are circumstances in which these loan features are appropriate to a given circumstance. For example, a rural homebuyer living where there is limited comparable sales data, and therefore no secondary market for the loan, may need a loan structure with a balloon payment and a commitment to renew in order to get into a home. The prohibition of these features serves as a limitation that would prevent CDFIs from serving customers with varied needs.

In many rural markets, home loans are almost always structured with balloon payments with a commitment to renew at maturity. A balloon product is used by many CDFIs, when a loan does not qualify for secondary market, which is common in rural and underserved communities where appraisals are limited. In these instances, CDFIs get creative (in alignment with regulatory oversight) in order to meet the community's needs for mortgage financing. Most CDFI banks would not have the capital base or be able to assume the interest rate risks of originating 30-year mortgages that remain on their books. As a result, many CDFIs typically structure these loans with three-to- five-year terms with a balloon payment and a commitment to renew at maturity. A prohibition of balloon payments will compromise mortgage financing, particularly in rural markets.

This limitation also has a negative impact on a CDFI's ability to work with a struggling homeowner. Many CDFIs, banks encourage their loan officers to work with borrowers when unexpected circumstances, like involuntary loss of income, occur limiting the borrower's ability to make scheduled payments. Often, the modification of payment terms to meet the borrower's needs includes payment of interest-only for a period, which causes the scheduled amortization to dip into the negative. The alternative is for the homeowner to default causing a much more catastrophic effect on the homeowner's credit and future.

- **The challenges/consequences presented by the requirement for 85% of customized investment area (CIA) activities to go to individually qualified CTs in the CIA before activity in non-qualifying tracts can count toward the 60% Target Market benchmark.**

For many CDFIs, it is difficult to apply a new set of rules and require a look-back at lending data that reflects full compliance with the old set of rules. Specifically for this new 85% rule, forward looking may also be problematic.

For example, on many Native American reservations and in the rural Mid-South, a thriving local economy requires an ecosystem of regional activity. Arbitrary census tract boundaries are not a proper unit of analysis for what type and volume of lending capital is helpful and not helpful to any given community. In order to properly support regional economies, CDFIs must make a combination of loans in the deeply poor places and the places proximate thereto, because that is what communities need.

Demand for lending is often regional. Arbitrary census tract boundaries within a CIA should not drive lending. These rules would force CDFIs to manage lending to even more narrowly defined arbitrary boundaries. Furthermore, in a rural context, some of these qualifying census tracts within CIAs have very few people, thus limiting overall loan volume. For example, in the Mississippi Delta and elsewhere, communities are losing population at rates outpacing the government's collection of census data. Loan volume must frequently follow customers and potential customers, and that may or may not be drilled down to a qualifying tract. It would not make sense for the availability of CDFI products and services to be limited by, in some cases, one side of a county road. And more, for ECIP recipients, the 85% threshold would cut against ECIP incentives to lend in a broader geographic target community.

While the Fund's underlying concern to be remedied by this requirement is obvious, the practical effect is not helpful to the populations that many CDFIs serve. Ideally, all lending and investing within a CIA should count toward Target Market lending. If the CDFI Fund insists that a standard first be met within qualified census tracts before activity in non-qualified tracts can be counted, it may make sense for that standard to be 60%, and not 85%.

- **The impact of eliminating the current option of utilizing a board member's participation on the governing or advisory board of an unconnected organization as a means of demonstrating accountability to a Target Market and Mission Driven Organization Executive Level Staff.**

As mentioned earlier, many CDFIs have governing boards that include people from unconnected organizations. These board members provide valuable insight into and have meaningful relationships with the communities and people they aim to serve. The "executive staff' prohibition is a bit short-sighted and can have the effect of preventing CDFIs from having access to people who actually "know" and "do" the work.

Oftentimes, these unconnected organizations offer programs and services that help to support the community development ecosystem, and board members of these organizations have a wealth of knowledge and expertise in the target market. It is critical for CDFIs to be able to attract board expertise from these organizations that have aligned missions and that help support the broader ecosystem. A board member's participation on other governing (or advisory) boards is a fair and appropriate way to enable CDFIs to attract the talent and expertise needed for their board makeup.

Further, mission aligned organization staff beyond the executive staff can also provide meaningful insight, guidance, and often hands-on expertise in low-income communities. For example, one of a CDFI's bank board members is the director of housing for a broad-based community development organization; however, he does not serve as a C-suite executive for this non-profit. His expertise in helping to assist low-income people obtain and sustain affordable housing has been invaluable to the CDFI. Among various theories of change and a key element for many CDFIs is to help low-wealth people build wealth through homeownership. Who better to help provide strategic direction for this work than a non-profit housing director (non-executive level staff).

- **Impact of limiting accountability based on board member's use of financial products and/or financial compensation for board services beyond travel and expense reimbursement.**

As with the credit unions, it may be counterproductive to prohibit representatives from CDFI Target Markets from receiving compensation for their work, or from having access to the products provided by the local CDFI. At some CDIF banks, board members receive compensation for their service, and at the bank and holding company these board members are also shareholders. Some CDFIs compensate their directors modestly, as they require that directors spend a significant amount of time in service to the organization, time taken away from their work. Additionally, some bank CDFIs compensate board members for the regulatory responsibility and liability that they assume for serving on the boards particularly of regulated institutions. For individuals with the most sought-after skills and abilities, CDFIs must compete with other entities not restrained by limited compensation offerings. This creates a much larger challenge for CDFIs to recruit accountable boards that have the combination of the level of skill and commitment to mission-focused work required to govern. The proposal both assumes first, that every individual involved in helping a CDFI achieve its mission in LMI communities should be a volunteer, and that those volunteers should not have access to the tools provided by the local CDFI. Neither of these assumptions are just, and neither is logically tied to an outcome of preventing conflicts of interest.

CONCLUSION

CDFI certification is a valued credential relied upon by public and private sector investors. The Advisory Board commends the CDFI Fund for introducing reforms to the CDFI certification application to strengthen accountability to the customers and communities that CDFIs serve. The CDFI Fund is trying to strike a balance between offering flexibility and maintaining the integrity of the CDFI credential.

There are areas where there could be improvement or additional flexibility, as responsible products might look differently based on the market conditions on the ground. We urge the CDFI Fund to continue to provide flexibility for truly mission driven CDFIs to develop and tailor financial products to best meet the needs of their communities.

Certified CDFIs will need time to comply with the new certification requirements and to prepare to reapply under the new rules. The CDFI Fund should provide greater clarity for its anticipated timing for recertification and allow at least a one-year grace period. In addition, particularly as it relates to the points outlined above, the CDFI Fund staff should pay special attention to how the changes affect CDFIs and be prepared to adjust as necessary to support CDFIs as they pursue their missions. Ideally, the CDFI Fund, every third year, will take into account any potential negative outcomes from the new certification requirements and adapt certification to a growing and changing operating environment for CDFIs of all types and geographies.