

COMMUNITY DEVELOPMENT
FINANCIAL INSTITUTIONS FUND
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CDFI Certification Policy Review

OFN Annual Meeting
September 27, 2017

The CDFI Fund is an equal opportunity provider.

Reasons for CDFI Certification Policy Review



Changes since 1997:

- Growth of CDFI industry
- Significance of CDFI certification
- Technology

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10/5/2017

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CDFI Certification Policy Review Objectives



- Continue to foster a diversity of CDFI types, activities, and geographies.
- Support the growth and reach of CDFIs, especially as it relates to their ability to innovate and take advantage of new technologies.
- Protect the integrity of CDFI certification.
- Minimize burden on Applicants while improving data quality about certified CDFIs.

CDFI Certification Policy Review Process



- Request for Information.
- CDFI Fund review of comments and deliberation of potential changes.
- Notice of proposed changes to application and, if necessary, regulation.

RFI Comments Themes: Overarching



- Retain flexibility and case-by-case analysis in CDFI certification; an opposition to additional bright-line tests.
- Equal standards, regardless of CDFI type or tax status.

RFI Comments Themes: Legal Entity



- General support for current rules.

RFI Comments Themes: Primary Mission



- Broad support for higher standards.
- Support for a closer examination of products offered by CDFI applicants.
- Divided opinion on a requirement for parent, subsidiary, and affiliate organizations of a non-regulated applicant to collectively meet the primary mission test.

RFI Comments Themes: Financing Entity



- General support for most current rules.
- Suggest consideration of off-balance sheet activity in meeting test.
- Opposition to eligibility for organizations that engage only in servicing or brokering loans, or that have made only very few transactions using their own capital or credit.

RFI Comments Themes: Target Market



- General support for the 60% threshold, though some suggested eliminating the requirement that it apply to both number and dollar amount of investment activity.
- Support for the consideration of Financial Services toward the 60% threshold, especially if a CDFI is slightly short with products alone.
- Support for looking beyond financial activity during an Applicant's most recent fiscal year.

RFI Comments Themes: Target Market (cont.)



- Suggestions on use of different geographic units to designate an Investment Area.
- Support for expanding automatically eligible Other Targeted Populations.
- Support for allowing all CDFIs serving Targeted Populations to serve such Target Markets nationally.
- Opposition to minimum geographic dispersion of investments requirement for national Target Markets.

RFI Comments Themes: Development Services



- General support for current definitions.
- Opposition to requirements to provide a corresponding Development Service for each Financial Product and Financial Service.

RFI Comments Themes: Accountability



- Support for alternative methods to demonstrate accountability:
 - Reinstatement of “other mechanisms”
 - CDE accountability standards
- Divided opinion on the use of advisory boards.
- Opposition to local accountability requirements for CDFIs with a national Target Market.

RFI Comments Themes: Non-Government Entity



- General support for current standards.

CDFI Certification Review



- Questions?