



May 6, 2010

Mr. Scott Berman
Acting Chief Operating Officer
CDFI Fund
U.S. Department of the Treasury
601 13th Street St. NW, Suite 200 South
Washington, DC 20005

Dear Mr. Berman:

Enterprise Community Loan Fund appreciates the opportunity to comment on the CDFI Fund's authorizing statute and regulations. The programs of the CDFI Fund have a track record of success over the past fifteen years in leveraging limited federal resources with private sector resources to create billions of dollars in investment in worthy community and economic development projects across the nation. The public-private partnership model embedded in the CDFI Fund programs has been proven as an efficient, useful model for federal investment in emerging domestic markets.

Enterprise Community Loan Fund is part of Enterprise, a national nonprofit that has invested over \$10 billion dollars in loans, grants and tax credit equity to create over 270,000 units of affordable housing. Enterprise Community Loan Fund is one of the country's oldest and largest housing CDFIs, with nearly \$176 million in total assets as of December 31, 2009. It is the housing and community facilities lending arm of Enterprise, which for over 25 years has combined the raising of public and private resources with policy advocacy on behalf of community-based organizations that are leading the revitalization of their neighborhoods.

Enterprise Community Loan Fund is a member of the Opportunity Finance Network and endorses the principles that OFN has articulated for the CDFI Fund's programs, particularly the following:

- ***Recognize that equity capital is still the most important resource the Fund can provide to CDFIs.*** As the recent turmoil in the financial markets demonstrates, equity capital continues to be the most pressing need of the loan funds and other CDFIs; institutions' need for equity infusions does not diminish with age, growth, or success.
- ***Continue strong emphasis on performance-based awards.*** The Fund's use of competitive application processes to make performance-based awards is a significant strength which differentiates the Fund from other federal programs. The Fund should continue to ensure that all its programs reward financial performance and excellence in community development impact.
- ***Support institutions, not projects.*** The best CDFIs are flexible and market-responsive, providing the products, services, and expertise that meet market demand. By directing its resources toward building the capacity of permanent institutions, the Fund has helped ensure a vibrant and enduring opportunity finance industry nimble enough to adapt to changing

conditions. The emphasis on supporting institutions, not projects, is a significant strength of the Fund and should be maintained.

- ***Promote the CDFI Fund model of supporting intermediary institutions to leverage private resources.*** Other federal agencies and programs have much to learn from the CDFI Fund approach to government investment. The Fund should use its Community Development Advisory Board to promote its model of making competitive awards based on performance and sound business plans. The Fund can also be an advocate for new federal strategies to support CDFIs.

Enterprise Community Loan Fund's would particularly like to comment on the issues around the geographic and institutional diversity in awards, financial assistance, and the matching requirement.

4. Geographic and Institutional Diversity

One of the strengths of the CDFI industry is its diversity. It is challenging for the Fund to make funding decisions among a mix of credit unions, banks, and loan funds of all sizes with very different target markets. Yet this variety of institutional structures helps ensure that CDFI programs serve many different geographies and types of markets.

Creating set-asides in CDFI programs for various types of institutions such as credit unions would be arbitrary and contrary to the internal logic of the CDFI program design. Awards should be made on the quality of the CDFI's business plan, its market assessment, and its ability to provide quality products and services. Awards should not be made because a CDFI is organized one way or another way.

Enterprise has had extensive experience with other government programs that are full of set-asides and distinctions based how an institution is set up. For example, the HUD programs make distinctions between for profit and nonprofit organizations. The CDFI program model that emphasizes competition and performance is a better way to make funding decisions.

That being said, we do believe that the competition should fairly compare similar types of organizations. It does not seem right to compare a large national organization like Enterprise with a nascent CDFI that serves a single city. There are steps that the Fund can take to ensure fair competition such as:

- Making sure that applications are evaluated by reviewers with expertise in particular sectors; and
- Tailoring applications for different sectors such with relevant questions so that, for example, depository institutions can demonstrate their transaction services or CDFIs with national marketplaces can describe that national market rather than focusing on only part of it.

5. Financial Assistance

Enterprise Community Loan Fund's experience has been that the most valuable aspect of the CDFI Fund's program has been the provision of equity capital to the CDFI industry. We would not want to see any experimentation with new forms of assistance to come out of the funding for Fund's core programs. If it were possible to secure additional appropriations or a new funding source for the

Mr. Berman
May 6, 2010
Page 3 of 3

CDFI Fund's work, however, it may be worthwhile to do a pilot program with long-term, low-interest loans or guarantees.

Enterprise Community Loan Fund, like most non-depository CDFIs, needs long-term fixed-rate funding because that is what the projects we lend to need. As a non-depository CDFI, we borrow from banks and foundations and re-lend these funds to affordable housing projects and community facilities. The financial crisis has made it increasingly difficult for us to raise long-term, fixed-rate funds from banks. It would be worthwhile for the Fund to explore how to use its authority to provide additional liquidity to CDFIs and to foster growth in the industry.

The Fund should consider a pilot program to use either a partial or full guarantee for third parties that make investments or loans to CDFIs. This would obviously increase CDFIs' ability to raise funding they need to support their lending. An alternate way for the CDFI Fund to assist CDFIs in raising funds from the private sector would be for the CDFI to match the term and interest rate of a loan from another party but to take a subordinate position. It would not be desirable to have lending from the CDFI Fund crowd out private sector lending, but a properly-structured pilot program to leverage lending to non-depository CDFIs may make sense.

6. Award cap

The CDFI industry has grown and flourished over the past fifteen years. There are now many CDFIs that can make use of larger award amounts than the statute envisioned in 1994. The Fund should lift the cap limiting an individual CDFI to \$5 million in assistance over three years. The Fund might consider capping the proportion of the total award pool that could go to any one CDFI in a particular year. It does not make sense to codify maximum award amounts in legislation or regulation, but rather maximum awards should be based on the annual appropriation.

7. Matching Fund Requirements

In addition to provision of flexible, institution-based funding, another of the Fund's hallmarks is leveraging of private-sector investment. The match requirement is critical to this strategy and should be generally maintained.

However, the Fund was created to provide equity capital—the most difficult kind of capital for CDFIs to raise. CDFIs would derive significantly more benefit if all awards were made in the form most useful to the CDFI, regardless of match. Removing the restriction that the match be comparable “in form” would allow the Fund to make equity grants that CDFIs matched with loans—generating additional private-sector investment but streamlining the process for CDFIs that have capitalization strategies focused on leveraging smaller amounts of equity.

Thank you for the opportunity to comment. Please contact Kristin Siglin at ksiglin@enterprisecommunity.org if you have questions about our response.

Sincerely,



Lori Chatman
President