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May 7, 2010

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

Dear Mr. Berman:

Thank you for providing IFF the opportunity to comment on the CDFI Fund's authorizing statute, the Riegle Community Development and Regulatory Improvement Act of 1994. The Fund is one of the federal government's most successful efforts to leverage public funds into additional private sector investment. As the largest CDFI in the Midwest with the sole focus of serving nonprofit corporations, IFF has received $10 million in grant awards from the Fund since its inception, which we have leveraged into community development projects at more than 12 times that amount.

Founded in 1988, IFF provides flexible, affordable capital to nonprofit corporations that serve low-income communities and special populations. Specifically, we provide long-term, below-market rate loans (and real estate consulting and development services) to finance facilities, equipment and vehicles for nonprofits that operate child care centers, charter schools, community health clinics, and affordable and supportive housing. Through the first quarter of 2010, IFF has made 789 loans totaling $278 million, which in turn have supported more than $800 million in total community investment and created or maintained 40,000 jobs. We have developed more than 10 million square feet of new or renovated space, and saved nonprofit corporations more than $25 million in combined loan fees, interest and the cost of professional real estate advice. Currently, IFF has total assets of $164 million and an outstanding loan portfolio of almost $200 million.

IFF is both a member and board representative of the Opportunity Finance Network (OFN) and CDFI Coalition, and supports the comments submitted by each regarding the Fund's authorizing statute. In carefully considering our position as one of the leading CDFIs in the Midwest and nation, in these comments we emphasize specific thoughts that we have regarding the Fund's reauthorization. They are:

1. **Be clear that the Fund's number one priority is to provide CDFIs with equity capital.** The Fund's primary value to CDFIs is the provision of equity capital. This is the most difficult capital to raise, and CDFIs of every size require it above all else. With occasional grants of equity from the Fund, a well managed CDFI can obtain private debt, leverage additional resources, manage liquidity and grow its lending. Without the Fund's grants of equity, it will take CDFIs substantially more time and

effort to grow their net assets and their ability to leverage additional resources will be severely constrained.

2. **Raise the bar on the certification and recertification processes.** IFF supports a more rigorous certification and periodic recertification process by which the Fund can protect and enhance the CDFI brand that it has built over the past 15 years. Although we do not believe that the recently developed Federal Housing Finance Board's criteria for CDFI membership translate to the certification process (they are too restrictive and serve a different purpose), we do believe that the certification criteria should speak not just to an organization's mission, but also to its financial and operational capacity to meet that mission. At a minimum, for instance, prospective CDFIs should submit an independent audit of their most recent financial statement, more recent quarterly statements and financial statements for two years prior to the audited statement.

   On recertification, IFF supports recertifying CDFIs at least every three years and requiring material events to be reported annually, as the Fund does with its current grantees. We also support the Fund taking a more proactive approach to decertification; revoking the certifications of CDFIs that do not file the required annual reports or which are not actively engaged in financing.

3. **Avoid set asides that detract from the core Financial Assistance program.** Although IFF appreciates and supports the intention behind certain set asides or special initiatives, we are opposed to them as a matter of principle. One of the Fund's primary strengths is that it invests hard-to-raise equity capital in a network of market-driven and locally responsive institutions – not short-term policy priorities or one-time projects. As a result, through the Fund's support, CDFIs across the nation are able to deploy capital quickly and flexibly to respond to such problems as the foreclosure crisis, the credit crunch and state budget crises, and to incubate new ideas, often before the federal government steps in. Shifting funds from the core Financial Assistance program to temporary special initiatives undermines this flexibility and innovation.

4. **Integrate the CDFI model into other federal agency programs and include representatives from those agencies on the Fund's advisory board.** The Fund's authorizing statute should make clear that its mission includes exporting the CDFI model to other federal agencies and linking it to those programs in which CDFIs play an important role. There are many possibilities here, but one example would be connecting the Department of Health and Human Services (HHS), which has limited experience with the CDFIs, with those CDFIs engaged in financing child care and health care facilities that are funded largely through HHS' programs. Collaboration on such programs could begin by including an HHS representative (and other representatives from key agencies) on the CDFI Fund Advisory Board.

5. **Use the Fund to strengthen and scale the CDFI industry in a strategic way.** Fifteen years after it was first established, the Fund has an opportunity to strengthen

and build on the national network of CDFIs – like IFF – that it has helped to create, grow and succeed. Although Technical Assistance grants and other resources should continue to be made available for *de novo* CDFIs, we believe the Fund should develop a specific strategy to support the growth of larger, high-performing CDFIs that can more quickly and efficiently reach underserved geographies, expand their financial services and products and help create a system of permanent access to affordable financing for low-income communities.

Again, thank you for the opportunity to comment on the Fund's reauthorization. If you have any questions about IFF's comments or require additional information, please do not hesitate to contact me at 312-629-0060 or tlogue@iff.org.

Sincerely,

Trinita Logue
President and CEO