

**VERONICA STANFORD, PRINCIPAL**

**Veronica Stanford Consulting**

4508-B Montgomery Street  
Oakland, CA 94611

Telephone: 510-595-9194

E-mail: [stanford.veronica1@att.net](mailto:stanford.veronica1@att.net)

May 4, 2010

Email: [cdfihelp.@cdfi.treas.gov](mailto:cdfihelp.@cdfi.treas.gov)

Re: Native Initiatives of the CDFI Fund

To whom it may concern:

The following is provided in response to the request for public comments on the authorizing statute and program implementation for the CDFI Fund, particularly with respect to the Native Initiatives program. These comments are informed by observations made as an independent consultant working under the Native Communities Financing Initiative supported by the CDFI Fund. Although the CDFI Fund requested input on a number of issues, the scope of the following is limited to these questions:

1. What other services should the CDFI Fund provide to Native Communities?
2. Should there be a limit on the number of technical assistance grants an applicant can receive?
3. Should the CDFI Fund provide "seed funding" financial assistance to non-certified, emerging Native CDFIs for the purpose of increasing lending in Native Communities?
4. Is there a point where Native CDFIs should be seen as having "graduated" from NACA financial assistance and be required to compete for a CDFI financial and technical assistance award? If so, what should be the criteria?

Additional Services for Native Communities: Programs offered under the Native Initiatives of the CDFI Fund were developed as a result of the *Native American Lending Study*, issued in 2001, which documented the lack of access to capital, unsatisfied financing demand and institutional and cultural barriers experienced by Native Communities across the nation. Although there are now nearly 60 certified Native CDFIs, the breadth of obstacles faced by Native Communities remains extensive. Moreover, the number Native Communities that remain unserved by alternative financing institutions such as CDFIs is vast, while disparities in access to financing continue to be highly significant even as compared to other underserved communities. This is best demonstrated by the fact that the FY 2010 NACA program received applications for financial and technical assistance from Native CDFIs in only 19 states. However, the *Native American Lending Study* is the only comprehensive assessment of lack of access to capital and financing. An update to this study that also quantifies unmet financing demand and lack of access to capital on a national basis would support continuing efforts to inform potential funding sources, including the CDFI Fund, of the unmet need in Native Communities. This study could also highlight individual Native CDFIs that are successfully addressing these challenges in their communities, thus providing additional support for future

investment in Native CDFIs from a range of funding sources including foundations, financial institutions and other private sector investors.

Limitations on Technical Assistance Grants: Since many Native CDFIs are operating in remote locations with severely limited local resources, the technical assistance grants available through the NACA Program are essential to support ongoing lending operations and the delivery of development services to many Native Communities. The elimination of this source of operating support could potentially erase some of the gains made in improved access to financing, capital and development services that have proven to be integral to increased economic health of these communities and of increased economic independence of Tribal members. If the CDFI Fund should determine that such a limit on technical assistance grants may be appropriate, the threshold for this determination should not be based on the number of technical assistance awards already received. Instead an appropriate consideration may require the applicant to demonstrate a lack of access to other resources, as well as efforts to secure other resources.

Seed Funding for Emerging Native CDFIs: A number of emerging Native CDFIs have experienced significant delays in implementing their lending programs despite having sound business plans based on a thorough assessment of market need and demand. Often these emerging Native CDFIs are located in remote locations with limited potential funding sources, including substantially limited Tribal resources in light of extensive health and human service needs. As the CDFI Fund provides technical assistance grants to support staffing and other costs, the lack of financing capital often proves to be the most significant obstacle to commencement of lending operations. Inability to overcome this hurdle prevents certification as a Native CDFI and thus further limits access to financial assistance through the NACA program. Available seed funding could be based on a percentage set-aside such as 10% of annual funding availability under the NACA program and should be limited to a one-time grant of up to, for example, \$100,000. However, the CDFI Fund may also wish to consider that such a limit on initial seed funding would be insufficient for residential purchase loans in high cost areas and therefore may need to be further evaluated. In any event, awards of seed funding should be based on a competitive assessment of the Native CDFI's comprehensive business plan in order to facilitate investment in emerging Native CDFIs that have the organizational and program elements in place to ensure effect business plan implementation.

Graduation from NACA Financial and Technical Assistance: Any determination that a Native CDFI should be deemed to have graduated from the NACA program to the CDFI Program should reflect the significant lack of available resources in many Native Communities. As demonstrated by the *Native American Lending Study*, disparities in access to financing, capital and other resources is substantial in Native Communities even as compared to other underserved communities. Successful Native CDFIs will still encounter challenges in securing operating funds and loan capital given these market constraints. However, at a certain point, a Native CDFI should be considered sufficiently established to compete on a national level for funding from the CDFI Fund and other sources. Guidelines could be formulated based in part on those established for a SECA award under the CDFI Program which limits applicants to \$5 million in total assets or prior financial assistance awards of \$500,000. However, given significantly limited resources for Native Communities and the lack of access to financing, a more reasoned approach would reflect these considerations by providing alternative benchmarks for graduation from the NACA program such as when they have met all of the following criteria:

Comments on Native Initiatives

May 4, 2010

Page 3

1. Total assets of \$5 million or more;
2. Prior financial assistance awards of \$1 million to \$2 million (to be determined based on further evaluation by the CDFI Fund); and
3. At least five to seven years of lending operations (also to be determined by the CDFI Fund).

A Native CDFI would be deemed to graduate from the NACA program only when all three criteria have been met. The larger total of financial assistance awards, as compared to SECA awards, recognizes the significant resource limitations of many Native Communities. The five to seven years of lending operations would allow the Native CDFI to establish a strong track record in achieving significant community impacts, managing its loan portfolio and demonstrating financial stability. By combining all three criteria, the CDFI Fund could ensure that Native CDFIs are only deemed to graduate from the NACA Program when they are sufficiently well established (1) to compete against CORE applicants for the CDFI Fund program, and (2) to secure funding and capital investments from other sources.

Thank you for the opportunity to provide these comments.

Sincerely,

Veronica L. Stanford