

ROBERT MENENDEZ
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November 2, 2011

Jodie Harris
Policy Specialist
CDFI Fund
U.S. Department of the Treasury
601 13th Street, NW, Suite 200 South
Washington, D.C. 20005

Dear Ms. Harris:

I am happy to see the CDFI Fund is working to implement the Community Development Financial Institution Bond Guarantee Program (CBGP). This innovative program has enormous potential to invigorate the community development sector with much needed, fresh capital that is critical to rebuilding our neighborhoods. As the author of legislative language authorizing the CBGP, I appreciate the opportunity to offer comments regarding its implementation.

When I introduced the Full Faith and Credit in our Communities Act, my intention was to create a public-private partnership with the Community Development Financial Institution (CDFI) industry, private investors, and the federal government. The objective was to open the doors of CDFIs to investors who would otherwise have little interaction, and develop relationships and a defined track record that would fuel increased investments in CDFIs for decades to come. This is especially true in low-income neighborhoods, which have been chronically underserved in many areas from access to capital to quality healthcare and even to fresh and nutritious food. The potential for enormous growth is there, all we need is a spark to get things moving.

I would like to begin by asking that implementation of the CBGP begin as soon as feasibly possible, with bond guarantee applications being released no later than the first quarter of the 2012 calendar year. The Great Recession has taken an extreme toll on CDFIs and the communities they serve. Now more than ever, we need the job training clinics, small business incubators, health care clinics, and the countless other essential services financed by CDFIs all around the country. We simply cannot afford to wait another year for these critical funds to reach our streets.

I also urge you to consider providing CDFIs with the option to sell guaranteed bonds to private investors in addition to the Federal Financing Bank. While I do not oppose CDFIs selling guaranteed bonds to the FFB, my intention was to connect CDFIs to the private sector to foster a long-term, sustainable partnership for years to come. Prohibiting the sale of guaranteed bonds to

private investors prevents these types of relationships from forming and could have the effect of limiting the potential benefits the CBGP.

As you work on designing bond guarantee applications for CDFIs, I urge you to remember that CDFIs have a different system of recordkeeping and operate lending models that are distinct from mainstream banks. While they may not have the same standardized data that is required of regulated banks, many CDFIs have a proven track record of making high impact investments with very low default rates. So while there must be extensive due diligence in reviewing bond guarantee applications in order to protect taxpayer dollars from default, I urge you to consider developing a review process that looks at the entire picture in terms of risk analysis.

Finally, as you design the parameters of the program, I urge you to keep in mind the spirit in which the Full Faith and Credit in our Communities Act was created. It is the small businesses and unemployed Americans in our most fragile communities, where our most underserved citizens live, that have been hardest hit by the Great Recession. While larger corporations in prosperous areas typically still have the means to access credit and finance their operations, the small businesses located in the markets served by CDFIs have lost the ability to raise the capital they need to survive. The financial services provided by CDFIs are a lifeline to these businesses and therefore to the communities in which they operate. It is my hope that the CBGP will lead to investments that strengthen the small business community and engineer the type of job growth needed to bolster our flagging economy and put our most distressed neighborhoods back on a path to prosperity.

Sincerely,

A handwritten signature in black ink, reading "Robert Menendez". The signature is fluid and cursive, with a large initial "R" and "M".

ROBERT MENENDEZ
United States Senator