

April 8, 2013

Lisa M. Jones
Manager, CDFI Bond Guarantee Program
CDFI Fund, Department of the Treasury
1500 Pennsylvania Avenue, NW
Washington, DC 20220

207.882.7552
877.340.2649
fax 207.882.7308
cei@ceimaine.org
www.ceimaine.org

Dear Ms. Jones:

Coastal Enterprises, Inc. (CEI), appreciates the opportunity to provide comments on the CDFI Fund's Interim Rule for the CDFI Bond Guarantee Program (the Program).

CEI is pleased that the Program is coming to fruition after many years of advocacy and planning. We applaud and support the intent of the Program to provide access to long-term, flexible and affordable capital to CDFIs, especially Community Development Loan Funds such as CEI, which have historically been challenged to access this type of capital. We recognize that the implementation of the Program will be a learning experience for all parties involved, and appreciate the work the CDFI Fund has done and is continuing to do to put a workable implementation plan in place.

CEI has signed onto the comment letter of the Opportunity Finance Network (OFN), and shares the concerns and fully supports the recommendations in that letter. In addition, CEI's wholly-owned New Markets Tax Credit affiliate, CEI Capital Management, LLC (CCML), has submitted its own comment letter focusing on the use of the Program with the NMTC program and other concerns specific to CCML. In this letter we wish to focus on several issues that specifically affect the potential for CEI and other CDLFs that finance micro, small and medium-sized businesses to effectively access and deploy the very significant resources made available through the Bond.

Background

Founded in 1977, Coastal Enterprises, Inc. (CEI), is a Maine-based, 501(c)(3) private nonprofit community development corporation (CDC) and community development finance institution (CDFI). CEI's mission is *to help create economically and environmentally healthy communities in which all people, especially those with low incomes, can reach their full potential*. One of the nation's leading rural CDC/CDFIs, CEI creates assets for people with low incomes, while benefiting the wider economy and residents of the communities in which it operates. CEI provides development financing, individual consultation and training to support the development of micro and small businesses, community facilities and affordable housing. CEI also engages in policy development in areas strategic to its mission. With rural Maine as its primary market, CEI also provides development financing to projects in primarily rural communities in other regions of New England and upstate New York, and in rural communities nationally in conjunction with its New Markets Tax Credit subsidiary, CEI Capital Management, LLC.

CEI was one of the first CDFIs certified in 1995. Since its inception in 1977 CEI has invested \$958 million in 2,251 enterprises, creating/retaining 27,181 jobs and 1,483 units of affordable housing. CEI has provided individual consultation or training to over 41,000 individuals and businesses.

Small Business Financing: As OFN's letter points out, the proposed collateral and Relending Account requirements make it very difficult, if not impossible, for CDFIs to use bond proceeds to finance small businesses. Another barrier is that proposed eligible uses are limited to first lien financing. A significant portion of CEI's lending and investments is subordinated to other lenders. Also, because we lend primarily to job-creating small and medium-sized enterprises (SMEs), collateral may not be real estate or fixed assets, and is often a combination of equipment, personal assets and other assets that it appears would not work well with the Program as currently proposed. CEI urges the Fund to consider ways to balance risk mitigation and the need for a zero-subsidy Program with the realities of CDFI lending and investment which require us to be flexible, creative and sometimes unorthodox in our financing.

The Relending Account limit of 10% is also problematic for business lenders. CEI's loans are typically in the \$100,000-\$400,000 range, and come to us based on the needs of enterprises that may be seasonal and unpredictable, making it challenging to plan to deploy large amounts as quickly as this limit will require. We fully understand the need to commit the initial Secondary Loans within quickly, but would urge the Fund to allow a higher maximum limit in the Relending Account and to adopt the recommendations put forward by OFN to provide greater flexibility.

CEI recommends that the Fund work with CDFIs to develop collateral and relending approaches that meet the Fund's goals of risk mitigation and rapid redeployment while acknowledging the realities of SME lending. CEI also recommends that the Fund broaden the eligible use of Bond Loan proceeds to include second lien and subordinated loans.

CEI is an SBA (7a) lender with a national license. We would like to understand whether it will be possible to use this guarantee program (or other federal or state guarantees) in conjunction with the Bond Program.

CDFI/Subsidiary Applicant Eligibility: CEI is a certified CDFI that executes national development finance activity through its NMTC subsidiary, CCML. CCML is in a position to undertake implementation of the Bond Program, but is not currently a certified CDFI. CEI and CCML would like to understand whether under the proposed Program guidelines 1. CEI may serve as the Qualified CDFI with CCML as the Program implementer; or 2. whether there will be a fast track process to allow CCML and other similar qualified entities to gain CDFI certification in time to apply; or 3. could CEI as a Qualified CDFI serve as the initial applicant until such time as CCML is able to gain CDFI certification?

Conclusion: Again, CEI is very pleased that the Program appears to be moving close to implementation. We hope to be able to take advantage of the extraordinary access to long-term, affordable capital in order to increase the impact and scale of our work. We urge the Fund to seriously consider the recommendations of CEI, CCML, OFN and other CDFIs so that implementation can be successful and achieve the policy and impact goals of the Program.

Thank you for your consideration,



Ronald L. Phillips
President and CEO