April 8, 2013

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

Dear Ms. Jones,

Thank you for the opportunity to provide comments on the CDFI Fund's Interim Rule for the CDFI Bond Guarantee Program. NCB Capital Impact is a national nonprofit CDFI that provides approximately $200 million in financing annually to nonprofit community facilities and retail grocers in low income communities around the country. We see this program as a way to significantly expand our lending activity and to provide our community borrowers with the kind of long term capital that is not readily available outside of the traditional bond markets, especially for smaller projects.

This program has tremendous potential to have a transformative impact on the work of CDFIs to benefit people in low income communities by enabling CDFIs to provide substantial long term fixed rate capital to projects. We have joined the Opportunity Finance Network and other CDFIs nationwide to urge the Fund to ensure that the Program supports CDFIs as they continue to bring much needed capital to low-income and underserved communities nationwide. We have full confidence that the Fund will work to do just that. Rather than reiterate the letter from Opportunity Finance Network and its CDFI signees (including NCB Capital Impact), we want to highlight the following recommendations that apply specifically to our circumstance:

Align the Bond Program with the Experiences and Needs of the CDFI Industry
Limited Recourse Structures: The proposed requirements to pledge hard collateral as security and agree to100% recourse debt would either severely limit CDFI participation in the program or breach existing debt relationships with private capital providers. It is critical that the Program allow existing Affiliates or Newly-Formed Affiliates of Eligible CDFIs (NFAs), created solely for the purpose of the Program, to be Eligible CDFIs. Under this concept, the parent CDFI would be obligated to capitalize the Affiliate or NFA and to provide additional Credit Enhancement as needed to fully protect the Guarantee. This would also require expedited CDFI certification processes for existing Affiliates and NFAs.

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Small Business Financing: The proposed collateral and Relending Account requirements make it very difficult, if not impossible, for CDFIs to use bond proceeds to finance small businesses. The Fund should work with the CDFI Industry to overcome these barriers to small business financing.

Relending Constraints: To ease the challenges of asset-liability matching, we recommend a 12-month window to reduce Relending Subaccount balances, similar to reinvestment provisions that exist in the NMTC program. In addition, the Fund should measure the Relending Subaccount at a given time (i.e. on a date certain, such as 12/31). This would make it possible for Eligible CDFIs to adjust accordingly, and for the Master Servicer/Trustee to monitor those accounts effectively, without triggering a series of "Notification Dates" and "Calculation Dates," as outlined in the Interim Rule.

Disbursement of Bond Loan Proceeds: We support allowing Eligible CDFIs up to five years to disburse Bond Loan proceeds. Within this timetable, we recommend that the Fund adjust the requirement for Secondary Loan commitments so that Eligible CDFIs have three years to commit Secondary Loans.
Reporting: The Fund should create reporting requirements for the Bond Program in conjunction with existing data collection systems, formulated in collaboration with the CDFI industry.

CRA Credit: The Program should offer CRA investment credit for the provision of Credit Enhancement to an Eligible CDFI or Bond Issue, and other activity that does not involve direct investments.

Accessing Capital Markets: The founding idea of Bond Program legislation was to help CDFIs access capital markets. We are pleased that the Interim Rule envisions a path to capital markets and we strongly encourage the Treasury to work with the CDFI Industry to pursue this option.

Address Outstanding Concerns as Soon As Possible
Covenants: Covenants should be developed uniquely for each Eligible CDFI in each Bond Issue. We recommend that the Fund allow Eligible CDFIs to utilize a "toolbox" of credit enhancements, including but not limited to overcollateralization, third-party guarantees, bond insurance and affirmative covenants.

Qualified Issuers: Qualified Issuers will exercise significant discretion. The Fund should place a high priority on a Qualified Issuer's mission orientation, including its history of mission-based financing, proposed fee structure and ability to execute on its requirements.

Implementation Documents: The CDFI Fund has stated that the Notice of Guarantee Authority and other supporting documents will be released shortly and will present information that will answer outstanding questions about the Program's operation. We recommend that the Fund solicit public comment on these materials while implementing the program in a way that does not delay execution.

Prepayments: The Fund should clarify that the 3 percent risk-share pool would not be subtracted from amounts permitted to be in the Relending Accounts at any time during which the outstanding principal amount of Bond Loans equals or is lower than the 3 percent risk-share pool amount.

Conclusion

Throughout its history, the CDFI Fund has stayed true to its mission to increase economic opportunity and promote community development investments for underserved populations and in distressed communities in the United States and will continue to demonstrate this mission and allow CDFIs the tools to increase economic opportunity. This program is a transformative program that will provide CDFIs greater success in providing capital to communities that need it the most and we urge the Fund to ensure that the BGP supports CDFIs. Please contact our Director, Policy Development John Holdsclaw at 202-349-7448 or me at 510-496-2233 if you have questions about these recommendations.

Sincerely,

Scott Sporte
Chief Lending Officer
NCB Capital Impact

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