



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,

I have read all materials currently available pertaining to the CDFI Bond Guarantee Program (the Program) and represented Community Loan Fund of New Jersey, Inc. (CLFNJ) at the informational session in Washington, DC on February 26. The Program's intent to provide CDFI's with long term capital at affordable rates is exactly what CDFI's need to be responsive and effective in our target markets. We applaud the CDFI Fund's efforts to implement the Program before another year of benefits expires.

Certainly, there are many program regulations and guidelines that have not yet been finalized and, as with any program, not every aspect of CLFNJ's operations will fit the program rules. However, we are confident that if we are able to access funds through the Program, we will be able to utilize those funds in accordance with the Program, to further achieve our mission. It is the ability of CLFNJ to access the funds via participation in this first programmatic year that concerns us the most and where we urge the fund to make accommodations in its processes to ensure that CLFNJ and other mid-sized CDFI's are not excluded by administrative and structural requirements.

Accordingly, we feel that the following two aspects of the program have the potential to create barriers to NJCLF's participation:

**Collaborative Structures**

CLFNJ and most other CDFI's desiring to be Eligible CDFI's will be required to partner with other CDFI's through a Qualified Issuer, to meet the \$100 million minimum Bond Issue. The due diligence, negotiations, and legal processes of creating and documenting such a structure is a lengthy process that will be very difficult to shape in time to submit an application or finalize in time to close on the Bond Issue by September 30, 2013. Thus only large CDFI's having the capacity to act independently, apart from other CDFI's, to utilize the minimum \$100 million bond issue through a self-designated Qualified Issuer will likely be able to participate in the 2013 Bond Issue unless the CDFI Fund requires Qualified Issuers to pair larger CDFI's with smaller CDFI's in order to participate. Such a requirement would foster a sense of urgency and necessity to reach agreement on terms among parties who otherwise may have little incentive to do so.

**Full Recourse and Assignment of Collateral**

Full recourse to the Eligible CDFI's, coupled with the requirement to assign collateral from underlying loans to Secondary Borrowers made with the proceeds of a Bond Loan conflicts with the terms of agreements with certain of CLFNJ's existing lenders as it would create a subordination scenario with regards to the collateral related to loans made from the Bond Loan. Thus, CLFNJ, and other CDFI's, would likely have to create new entities to participate in the Program. Most favorably, CDFI Fund would

eliminate the collateral assignment requirement. If that is not possible, the CDFI Fund would need to establish a modified and expedited process for the new entities to achieve CDFI certification so as to qualify as an Eligible CDFI under the Program requirements.

In addition to these barriers to entry, the general matter of all loans requiring hard collateral would likely limit NJCLF to real estate based secondary loans. The Program would more effectively impact our ability to achieve our mission of transforming at risk communities through strategic investments of capital and knowledge if we have the option to use Bond Loan proceeds for small business loans that may not meet the collateral requirements.

In summary, NJCLF's greatest concern is access to the Program in its first year. Under any circumstances, the complexity of the structures needed to participate will be challenging to implement before the sunset date of September 30, 2013. The challenge is only exacerbated for CDFIs that must collaborate with other CDFI's to participate. We trust and hope that the CDFI Fund will make the accommodations required to enable participation by a broad base of CDFIs.

Please contact me at [jrobinson@njclf.com](mailto:jrobinson@njclf.com) or 732-640-2061 ext. 213 if you would like to further discuss NJCLF's concerns.

Regards,



Jacqueline D. Robinson  
Chief Financial Officer

Cc: Wayne Meyer, President