THE REINVESTMENT FUND
Capital at the point of impact.

April 2, 2013

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

Dear Ms. Jones:

On behalf of The Reinvestment Fund (TRF) I am providing comments on the CDFI Fund's Interim Rules for the CDFI Bond Guarantee Program (Program). We at TRF appreciate the large effort of introducing the Interim Rules, and also are thankful of the efforts to disseminate the information through various convenings and Q&A sessions.

The Reinvestment Fund (TRF) is a leading innovator in the financing of neighborhood and economic revitalization. We maintain the highest CARS rating of AAA+1 (reaffirmed over 3 full reviews). Central to our mission is a commitment to put capital and private initiative to work for the public good. TRF manages over $674 million in capital and has made over $1.2 billion in community investments, financing over 2,715 projects since its inception in 1985. Our financing has created or preserved 57,050 jobs, 19,855 homes, 10.5 million square feet of commercial space, 36,480 charter school seats, 10,360 childcare seats, 617 businesses and created more than 4.7 million MWh of clean energy, enough to power almost 500,000 homes for a year. TRF has also financed 119 healthy foods projects totaling over $151 million and financed community health centers that serve 120,000 patients annually. Throughout our 28-year history, we estimate that we have borrowed and repaid well over $1 billion without any loss of, or delay in repaying, investor capital.

In pursuit of its mission, TRF finances homes, community facilities, schools, supermarkets, commercial real estate and sustainable energy projects using loan, equity and other financing tools. TRF supports this financing with a strong research and policy analysis capacity that has become a highly regarded source of unbiased information for public officials and private investors. TRF's analytical strength is also reflected in its national online data and mapping platform that is available for all internet users at www.policymap.com. PolicyMap offers thousands of data indicators and analytical tools to help users understand places. Across our mid-Atlantic service area, TRF also engages in real estate development in distressed neighborhoods through housing investments that reinforce community assets, revitalize downward markets and create suitable environments for growth.

TRF has signed onto the comments on the Interim Rule from the Opportunity Finance Network (OFN) and the Housing Partnership Network (HPN) and endorses their suggestions on how to make the program more workable and effective.

The primary objective of this comment letter is to align the program's operations with the legislators' intent – to afford the CDFI industry with a federally-guaranteed source of long term, affordable capital ***to fuel the work CDFIs currently perform***. It is essential, before other considerations, that the CDFI Fund assure that bond proceeds will be operable in the credit niches currently served by CDFIs, and will be issued to CDFIs as they exist today. The Interim Rules do not provide these assurances in their present form, and we anxiously await the descriptions of Secondary Loan Requirements. It is important that these yet to be released loan requirements reflect current CDFI lending practice.

TRF's comments appear below categorized, sometimes with more than one recommendation per topic:

Recourse plus Collateral
We are confident that you have already heard from the CDFI industry that our present creditors, largely unsecured, and our present business model of raising unsecured investments, may be destabilized by the Program's requirement for a secured collateral position. It is not an industry-building effect if the CDFI Bond displaces an entire community of socially responsible private sector investors. TRF has over 850 unique investors, each unsecured. These investors include individuals, churches, corporations, civic institutions, and local governments. We believe the Program does not need to require both unlimited recourse plus full collateralization. If there is precedent in other FFB bonds for limited or no recourse (or recourse to an affiliate SPE), then that practice should be offered here as well. If there is precedent for the FFB to purchase general obligation bonds (without direct assignment of collateral) then that practice should be offered here.

Further, TRF believes that if full recourse is to be offered then it should be calculated into the NPV model for an issue's risk of repayment. Requiring each issuance to have a credit score of zero or higher, while giving no positive value to the eligible CDFI's guarantee, seems both unfair and inaccurate. TRF presently has $124 million in net asset position (net worth) and a very low leverage ratio (debt to equity) of only 1.2:1. To ascribe zero value to our corporate guarantee is not fair or accurate. If recourse must be required, the CDFI Fund and OMB should highly value the recourse provision in its assessment of risk of loss.

Risk Share Pool
We would suggest that the Interim Rules be clear that the Risk Share Pool can be funded with cash owned by the subject CDFI(s), a third party, or even the Qualified Issuer. This flexibility in accepting cash credit enhancement from numerous sources will facilitate the creation of national credit enhancement pools, and increase the likelihood of philanthropy in this area.

Credit Enhancement
The Interim Rules should expand the described methods of credit enhancement. While it is clear that a larger than 3% Risk Share Pool is one way to increase the credit enhancement of a bond issue, the rules should also list over-collateralization, third-party guarantees, parental or affiliate guarantees, letters of credit, etc. Additionally, just as a deposit to the Risk Share Pool is a finite amount at risk – so should the CDFI Fund allow other finite enhancements (partial, finite guarantees).

CRA Eligibility
We concur with other comment letters in supporting that banks should obtain CRA investment test credit for playing the role of Qualified Issuer (QI) in whole or in part. We believe the role of QI is under-described in the Interim Rules, but should CRA credit be given for the activities, it may open an opportunity for bank investors to capitalize and own (in whole or in part) a QI entity. The Program would benefit from harnessing the skills and capacities of the conventional banking industry, and a prompt CRA ruling would assist in this effort.

Banks should also receive CRA service credit for assisting an issuance's CDFI or QI with technical services. We believe Treasury should coordinate an addition to the pending bank regulator Q&A revisions, or have the OCC issue a determination on this CRA benefit as soon as possible. CRA regulations, Q&As and other determinations move slowly, and it is important that there be CRA relevance for the Program.

Lastly, we do not believe that CRA presently offers investment (or lending) test credit for the issuance of Letters of Credit. Since this credit tool could be very helpful in the issuances of the Program, we would also recommend that CRA investment test credit be offered to banks that issue Letters of Credit in support of the Program.

Qualified Issuer
The role of QI is *de minimis* in the Interim Rules, and the Program would benefit from greater clarity on the breadth of what a QI may do within an issuance. The Interim Rules are clear that a QI may not be a related party to the eligible CDFI(s) that utilize its bond proceeds. This discouragement is understandable given the checks and balances Treasury desires from the Program. Yet, we would suggest that the CDFI Fund permit with an affirmative statement that the QI may aggregate credit enhancement funds and assets for the benefit of its issuance(s). This function does not present a conflict of interest. In fact, it makes the QI invested in the performance and validity of the reps and warranties it is making to Treasury and the FFB by having capital at risk. We believe this alignment of interests in itself could lower the risk of loss in the Program. If this Program is to be reauthorized, we also see a role for a national QI with a strong balance sheet, which it can use to enhance selected eligible CDFIs and their borrowings.

Further, as in other bond issuances, we would encourage the Fund to make clear that a QI may issue multiple tranches of bonds, or parallel issuances, where only the senior tranche is purchased by the FFB and guaranteed by Treasury. This practice would allow an eligible CDFI or a QI to issue a subordinate bond which would become the method of funding over-collateralization for the Treasury, or in posting additional credit enhancement in some other form. By allowing the QI to have activities beyond the Program bond issue, the role of the QI is broadened to allow for more creativity in issuances, permit lower risks, and expedite the use of third party credit enhancements.

CDFI Sponsorship
TRF urges the CDFI Fund to prioritize the use of this Program by long established, highly successful CDFIs and their affiliates. We urge caution in connecting this program to non-CDFIs who apply for designation as a CDFI merely to gain access to scarce federally guaranteed funds. We ask the Fund to build the existing industry's capacity and capital access prior to broadening the industry's population. TRF views this Program as part and parcel of the decades of our mission dedication and service to low-income communities. We hope the CDFI Fund will agree that eligible CDFIs should be well established, highly capitalized, and familiar and comfortable with the mission obligations of being a designated CDFI.

TRF also recommends that the Program not discourage applications which will serve multiple asset classes with Secondary Loans (housing, community facilities, small businesses), and inadvertently encourage single-asset class applications. The work of CDFIs in building wealth and rebuilding place is, by its nature, wider than one asset class.

Model Transaction
The CDFI Fund is party to a large data set comprised of the applications and underwriting of a large population of CDFIs from both its FA, NMTC and SBLF programs to name a few. The knowledge from these programs' implementation should permit the Fund to create a model bond transaction. Such a model transaction could clarify the base-line characteristics of an eligible CDFI and the Secondary Loan portfolio, which combined, would meet the minimum Risk Pool requirement of 3%. From your educational presentations across the country, it is clear that the CDFI industry would benefit from a model transaction, scored by OMB for the minimum 3% reserve. Each CDFI could then measure their bond ideas against this model transaction to better predict the likelihood of their own ability to meet Treasury's requirements.

Thank you for the opportunity to comment on the Interim Rule. Please feel free to contact me directly at donald.hinklebrown@trfund.com if you have any questions about our comments.

Sincerely,

Donald Hinkle-Brown
President and CEO