

May 18, 2012

Ruth Jaure
CDFI Program Manager
Community Development Financial Institutions Fund
U.S. Department of the Treasury
601 13th Street NW., Suite 200 South
Washington, DC 20005

Via email to cdfihelp@cdfi.treas.gov

RE: CDFI Program Application Comments

Dear Ms. Jaure,

Thank you for the opportunity to submit comments on the CDFI Program Application. The Housing Partnership Network (HPN) is a certified CDFI serving a national Target Market of households and individuals with incomes below 80% of median income. With our affiliate, the Housing Partnership Fund, we have successfully applied to the CDFI Fund five times, receiving more than \$5 million in FA and TA award funds. HPN has made more than 120 loans to members totaling more than \$73 million. These loans have supported projects with total development costs of more than \$1.5 billion that have produced more than 14,800 housing units.

Below are our recommendations related to the four specific questions raised in the invitation to comment.

(1) Targeting CDFI Program award funds into highly distressed communities

Incentives to serve the most highly distressed communities and households are welcome, but they should be flexible and not tied to specific small geographic areas. Targeting CDFI Program award funds into highly distressed communities is an appropriate use of CDFI Program funds. However, in practice, targeting funds for use in specific geographic areas can restrict the flexibility of the funds and can therefore reduce a CDFI's ability to respond to the needs in its Target Market (which may be defined by geography or by population). Because the CDFI Fund's FA awards are one of the most flexible, impactful sources of capital available to CDFIs, any restrictions on the use of awards should still allow CDFIs to be nimble and responsive to Target Market needs.

- **HPN does not recommend continuing the system used in the 2012 application**, which awarded distress points to CDFIs who committed to deploy their funds in specific predetermined census tracts. For CDFIs like HPN with national, population-based Target Markets, as well as for CDFIs who serve large urban areas or regions, targeting funds to specific census tracts—more than a year in advance of actual receipt of those funds—is impractical and inconsistent with typical lending pipeline operations.

- **Award funds should be targeted into highly distressed communities while also allowing CDFIs to be more flexible within a certain set of characteristics.** For example, a CDFI could commit to serving census tracts rating “4” on the distress index in its Target Market, in general, but should not have to commit in advance to serving one or two particular census tracts. This would allow the CDFI to be responsive to target market demand in any census tract which met the particular distress rating.

(2) Fillable PDF application form

The PDF application form used in the 2012 CDFI Program application made completing the charts more burdensome than it had been in the past, when the charts were in Excel format. The primary challenge is that the PDF application form is very difficult to share among the members of a team –at our organization, multiple people are involved in providing information to the application. It is impossible to extract individual pages from the file as a whole, or to create different working versions of the application for internal use. A secondary challenge is that, because the fillable PDF requires hard-keying all numerical information, it presents a significant number of opportunities for data entry error and requires intensive proofreading.

- **HPN recommends returning to the Excel attachment format for the chart portions of the application,** because of the relative ease of sharing, copying and pasting, and editing data in Excel format.
- **If the charts *must* be submitted in fillable PDF format in future program years, HPN strongly recommends that the CDFI Fund also provide a working version of application charts in Excel format,** with the requisite formulas embedded, for the use of applicants while completing their drafts of the application. HPN, along with most other applicants, used the FY 2011 application chart workbook in this fashion as a work-around in order to complete the charts for the FY 2012 application.

(3) Matching Funds documentation collection process

HPN does not have any concerns about the current Matching Funds documentation requirements.

(4) Appropriateness of questions to determine applicant’s financial health and viability

One area of concern in the financial health and viability section of the application is the section related to profitability and change in net assets. The application’s framework assesses profitability based on overall change in net assets, without regard to results by category of net assets. For an organization such as HPN that regularly receives large temporarily restricted grants that are deployed over several years, this standard means that the organization appears to be generating large surpluses (when large temporarily restricted commitments come in) and losses (when they get deployed).

- **We recommend that the application focus on change in *unrestricted net assets* in the assessment of profitability,** which would offer reviewers a clearer picture of CDFIs’ true financial strengths or weaknesses.

HPN appreciates the opportunity to submit these comments. Please do not hesitate to contact us with any further questions or to clarify our recommendations. We look forward to future opportunities to apply to the CDFI Fund for capital to invest in the revitalization of low- and moderate-income communities nationwide.

Sincerely,

W. Matthew Perrenod
Chief Lending Officer