

November 29, 2023

Hon. Adewale O. Adeyemo
Deputy Secretary
U.S. Department of the Treasury
1500 Pennsylvania Ave. NW
Washington DC 20220

Re: Proposed CDFI Program—Certification Application and Annual Reporting

Dear Deputy Secretary Adeyemo,

The undersigned civil rights organizations strongly support the CDFI Fund’s proposal to adopt the new CDFI Certification Application (“Application”). In recent years, many harmful financial products and practices have been pushed on underserved communities. Most CDFIs stay away from these harmful products and are true to their mission but far too many entities have obtained CDFI status despite engaging in these irresponsible financial practices. CDFI status should be reserved for only those entities that exemplify the gold standard of responsible lending; it should *not* be available to companies lending at interest rates approaching 200% APR or to lenders peddling unsustainable mortgages similar to those that helped cause the Great Recession.

Unaffordable, high-cost loans cause unmanageable debt and default. They inflict misery of all kinds on borrowers and their families, ultimately leaving them worse off than when they started. Communities of color are targeted and disproportionately harmed by such lending, which exploits and fuels the racial wealth gap.¹ A legacy of racial discrimination in housing, lending, banking, policing, employment, and other areas, has produced dramatically inequitable outcomes that persist today. Communities of color, often largely segregated due to the history and continuing practices of redlining and other racially discriminatory policies, experience higher rates of poverty, lower wages, and higher cost burdens to pay for basic living expenses.

The CDFI Program, of course, was created to combat these forces that have marginalized certain communities economically. It is sadly ironic that certain CDFIs, rather than being part of the solution, are exacerbating this marginalization by offering harmful products to the communities they are supposed to serve. The new Application addresses this problem by holding CDFIs to tenets of responsible lending, including lending based only on demonstrated ability to repay and restricting the ability of CDFIs to lend at predatory rates.

¹ See Center for Resp. Lending et al., Comments to the Office of the Comptroller of the Currency in Docket ID OCC-2020-026 (Sept. 3, 2020) at 43-44, *available at* <https://www.responsiblelending.org/sites/default/files/nodes/files/research-publication/comment-occ-true-lender-3sep2020.pdf>.

In addition to protecting consumers, and communities of color in particular, the changes to the Application also help ensure the continued viability of the CDFI program itself, as they guarantee that CDFI status is a true marker of mission-driven service for underserved communities.

We understand, however, that the new Application has come under attack from those who would permit CDFIs to continue to be allowed to offer predatory products to consumers. This lobbying effort confirms exploitation of CDFI status has infected the market. The Application should contain straightforward, common sense rules that support access to responsible financial products and services. We strongly urge the Fund to finalize the Application with its key components that will ensure CDFIs truly serve their communities rather than abusing certification status.

The recent phenomenon of exploitation of CDFI status has demonstrated that entities that are not truly mission-driven will seek to take advantage of CDFI status for their own ends. To guard against such behavior, it is critical that the Fund draw clear, bright lines that are less susceptible to manipulation. Thus, we are pleased to strongly support the Application, and to urge the Fund to finalize the Application and vigorously enforce it to ensure that CDFI certification is truly reserved for mission-driven, community development organizations.

Signatories

Center for Responsible Lending
Leadership Conference on Civil and Human Rights
NAACP
National Association of Latino Community Asset Builders (NALCAB)
National CAPACD
National Urban League
UNIDOS US

CC: Hon. Graham Steele, Assistant Secretary for Financial Institutions
U.S. Department of the Treasury