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November 12, 2008

Neel Kashkari
Assistant Secretary for Financial Stability
Office of Financial Stability
U.S. Department of Treasury
1500 Pennsylvania Avenue NW
Washington DC 20220

Donna Gambrell
Director
Community Development Financial Institutions Fund
U.S. Department of Treasury
601 – Thirteenth Street, Suite 200 South
Washington DC 20005

Dear Assistant Secretary Kashkari and Director Gambrell:

On behalf of the members of the Coalition of Community Development Financial Institutions (CDFI Coalition), we commend the U.S. Department of Treasury for its efforts to ensure the stability of the U.S. and global financial markets. In this context, we urge you to ensure that the credit and investment needs of low- and moderate-income communities and people are not left behind.

The Emergency Economic Recovery Act of 2008 gave the Treasury Department broad authority to purchase distressed assets, bolster capital and catalyze lending in response to the current fiscal crisis. We propose that a portion of these funds be dedicated to the promotion of lending and investing in the low- and moderate-income communities that have suffered most from the current crisis.

We propose that a Capital for Communities Recovery Program be created that (1) sets aside \$1 billion of the \$700 billion Emergency Economic Recovery Act for capital to Community Development Financial Institutions (CDFIs) to support lending to and investing in low- and moderate-income communities and people; and (2) establishes an affirmative obligation on institutions that receive funding under the Capital Purchase Program to support CDFIs.

Impact of the Crisis on Low Income Communities

Over the past several years, tragically, many of the communities CDFIs serve were targeted by unscrupulous predatory lenders. These lenders took advantage of borrowers and have stripped wealth from families and communities. They have reversed much of the progress created by our institutions and the economic expansion that began during the post civil rights era and more recently in the mid-1990s. It will require resources, hard work and committed partners to return these communities and their residents to economic stability. Directing resources through CDFIs will help to contain the credit and financial crisis and increase the much needed-flow of capital to low- and moderate-income communities.

Who We Are

CDFIs are for-profit and not-for-profit financial institutions—development banks, credit unions, loan funds, venture capital funds, and microenterprise funds—whose primary mission is to lend and invest in low- and moderate-income communities. CDFIs offer an effective vehicle for achieving the goals of the Capital Purchase Program by providing an efficient delivery mechanism for rapid deployment of much-needed debt and equity finance to the nation's homeowners, small businesses and community infrastructure. CDFIs have an established track record of delivering loan and investment capital in an efficient and prudent manor to people and regions that have traditionally been underserved by the nation's financial system and that are currently among those hardest hit by the financial crisis.

CDFIs work in urban, rural, and reservation-based markets in all 50 states, the District of Columbia and Puerto Rico, where they produce jobs, affordable housing, and facilities for vital social services. Today there are approximately 800 CDFIs across the nation that are certified by the U.S. Treasury Department's CDFI Fund as targeting 60% or greater of their total activity to low income communities and people. Our memberships include many more institutions with CDFI missions that have not gone through the process of being certified.

The CDFI Coalition is a group of leading CDFIs and national intermediaries that represent all sub sectors of CDFIs—banks, thrifts, credit unions, loan funds, venture capital funds and microenterprise funds. It is the unified national voice of community development financial institutions. Our mission is to encourage fair access to financial resources for America's underserved people and communities.

Since 1995, the CDFI Fund has invested \$942 million in CDFIs. The Treasury Department has documented that for every \$1 CDFIs receive through a CDFI Fund award, CDFIs leverage between \$19 and \$27 in private sector financing for emerging domestic markets across the nation. These federal dollars have been leveraged not only efficiently but also prudently, as CDFIs have cumulative net charge-offs of about 0.5%, an enviable record in comparison with that of the mainstream financial industry.

Capital for Communities Recovery Program

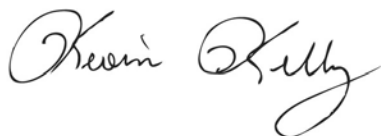
We propose that the following be included as a component of the Capital for Communities Recovery Program to assure that it reaches all parts of the nation, including low-income, underinvested communities.

- Capital for CDFIs: To act as an economic stimulus in low income communities, we propose that \$1 billion of the \$700 billion authorized by the Emergency Economic Recovery Act 2008 be set aside for a new “Capital for Communities Recovery Program.” Through this program, the Treasury would directly infuse equity and debt capital into Community Development Financial Institutions (CDFIs). The program could also reach institutions that are not currently certified CDFIs through awards to CDFI intermediary organizations. The Office of Financial Stability should delegate administration of the initiative to the Director of the CDFI Fund. Like other funds distributed under the TARP’s Capital Purchase Program, we strongly recommend that such funds be disbursed to CDFIs on an expedited basis and therefore be exempt from matching funds requirements to maximize their effectiveness as a stimulus and begin the rebuilding process.
- Affirmative Obligation: We propose that an affirmative obligation to support CDFIs be placed on all recipients of capital from the Capital Purchase Program. The amount of such support should be at least equivalent to 1% of the total amount of capital each institution receives under the program. Support would be provided in the form of equity investments, loans, deposits, credit unions shares, grants, or other forms deemed appropriate by the Treasury.

Institutions receiving an equity infusion under the Capital Purchase Program are receiving a significant taxpayer-funded public benefit and these funds will be leveraged by banks up to 10 times to raise deposits and make loans. We believe it is imperative that these beneficiaries be required to engage in activities to stimulate the economy and support low income communities and people that have borne much of the brunt of the subprime meltdown and economic recession.

If you have any questions, please do not hesitate to contact Fred Zeytoonjian, Executive Director of the CDFI Coalition, at 703-294-6970 or zeytoonjian@cdfi.org.

Sincerely,



Kevin Kelly
Association for Enterprise Opportunity



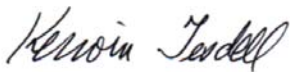
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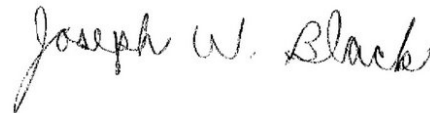
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