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November 24, 2022

Jodi L Harris
Director
Community Development Financial Institutions Fund
U.S. Department of the Treasury
1500 Pennsylvania Avenue, NW
Washington, DC 20220

RE: [CDFI-2022-0001] Request for Comment on the Minority Lending Institution Designation

Dear Ms. Harris:

The Independent Community Bankers of America¹ (“ICBA”) welcomes the opportunity to respond to the Community Development Financial Institutions Fund at the U.S. Department of the Treasury’s (“CDFI Fund” or “Fund”) request for comment regarding the criteria to designate a certified Community Development Financial Institution (“CDFI”) as a Minority Lending Institution (“MLI”). The Consolidated Appropriations Act,² defines an MLI as a CDFI that (i) directs a majority of its financial products to Minority populations or communities; and (ii) either (a) is a Minority Depository Institution (“MDI”) or (b) demonstrates accountability to minority populations.

The CDFI Fund is proposing to implement an MLI designation to recognize certain CDFIs for high levels of service and accountability to minority populations, as well as to identify barriers such CDFIs experience in providing access to capital. The CDFI Fund issued this notice to solicit

¹ *The Independent Community Bankers of America® creates and promotes an environment where community banks flourish. ICBA is dedicated exclusively to representing the interests of the community banking industry and its membership through effective advocacy, best-in-class education, and high-quality products and services.*

With nearly 50,000 locations nationwide, community banks constitute 99 percent of all banks, employ nearly 700,000 Americans and are the only physical banking presence in one in three U.S. counties. Holding more than \$5.8 trillion in assets, over \$4.9 trillion in deposits, and more than \$3.5 trillion in loans to consumers, small businesses and the agricultural community, community banks channel local deposits into the Main Streets and neighborhoods they serve, spurring job creation, fostering innovation and fueling their customers’ dreams in communities throughout America. For more information, visit ICBA’s website at www.icba.org

² Division N Section 523 Pub. L. 116-260

feedback on the criteria and process for designating a CDFI as an MLI, and relevant policies and procedures. There is no federal funding associated with the designation.

In light of proposed revisions to the CDFI certification process³ that are currently under consideration, ICBA requests a delay in establishing the process and criteria for an MLI designation. We also urge the Fund to ensure that the difference between the MLI designation and an MDI is clearly distinguished and require CDFIs seeking an MLI designation to meet the same criteria as an MDI.

ICBA's Comments

Minorities and low-income communities have historically suffered from various financial disparities, including income inequality, access to capital, sustainable home ownership, and access to affordable housing. These disparities contribute to the diminished economic opportunities and mobility of people of color and those with low-income, and further widens the racial wealth gap. These historically targeted and neglected populations are less likely to be granted opportunities for affordable loans, or access to banking products and services that can help build wealth and improve the quality of their lives, their families, and surrounding communities.

CDFIs⁴ play a unique role serving as catalysts for economic growth and revitalization in minority and low-income communities. CDFIs provide a myriad of financial opportunities for their customers, such as specialized and flexible underwriting for subprime borrowers; first time auto loans and mortgage programs; first time credit card programs to help borrowers build credit; and a general menu to financial services and products that may otherwise not be available to certain communities. They know the granular details and circumstantial information about their borrowers and can provide the labor-intensive work needed to demonstrate that these borrowers are trustworthy and can be successful. CDFIs are also able to leverage the capital from public and private organizations to finance small businesses, first-time home buyers, and provide financial education and counseling.

MDIs⁵ also serve minority and low-income communities. In a 2019 Annual Report to Congress titled, *Preservation and Promotion of Minority Depository Institutions*, the FDIC credits MDIs with originating a greater share of their mortgages to borrowers in LMI census tracts and to minority borrowers when compared to non-MDIs⁶. MDIs also bring a unique perspective to the financial services landscape because they are owned by minorities or have boards that are primarily comprised of minorities; they typically operate in minority communities; some specifically place branches in

³ [CDFI CERTIFICATION APPLICATION & DATA COLLECTION REPORTING REVISIONS | Community Development Financial Institutions Fund \(cdfifund.gov\)](#)

⁴ CDFIs must be a legal entity; have a primary mission of promoting community development; be a financing entity; serve Target Markets; provide development services in conjunction with its financing activities; and maintain accountability to its defined Target Market. <https://www.cdfifund.gov/sites/cdfi/files/documents/cdfi-cert-app-supplemental-guidance-and-tips-12-2018-508c-final.pdf>

⁵ An MDI may be a federal insured depository institution for which 51 percent or more of the voting stock is owned by minority individuals; or a majority of the board of directors is minority and the community that the institution serves is predominantly minority. <https://www.fdic.gov/regulations/resources/minority/mdi.html>.

⁶ FDIC (2019) *Preservation and Promotion of Minority Depository Institutions*, The Federal Deposit Insurance Corporation Report to Congress for 2019, p.5

communities that would otherwise not have a bank presence; and they hire personnel that reflect or can relate to the communities they serve. In addition to sharing the same benefits as CDFIs, MDIs also enjoy the benefits of penetrating cultural and language barriers; empowering minority, immigrant, and LMI communities with access to credit; offering financial products and services that many mainstream banks no longer provide, such as passbook savings accounts; and providing financial education and services designed for targeted communities.

While MDIs and CDFIs may have different business models they often share common attributes. MDIs and CDFIs are both mission-focused financial institutions that provide community development services and foster economic viability, often in underserved areas. MDIs and CDFIs must also meet similar requirements for their designations. Both designations focus on minority and low-income populations, serve specified markets, and demonstrate accountability through representation on governing boards. They both have unique business models that are designed to meet the regulatory requirements but are localized and tailored to their customers. Both institutions are also small businesses that face the challenge of having access to capital.

ICBA agrees that CDFIs that work to address financial inclusion in minority communities should be lauded. While a special designation for this type of work may be warranted, the designation proposed by the CDFI Fund appears duplicitous to the MDI designation. Because they are both mission oriented financial institutions with vast similarities, MDI's and CDFIs are not only closely aligned, but often referenced together, and referenced interchangeably, when it pertains to public awareness, federal programs and funding, legislation, and general policy initiatives. Creating a designation that is substantially similar to the MDI designation may dilute the value and mission of both designations and cause confusion among financial institutions and customers. We understand that the MLI designation is to recognize CDFIs that serve minority communities but the distinction between them and MDIs is unclear and may give the impression that one designation has more advantages over the other. As such, we urge the CDFI Fund to clearly distinguish the difference between MDIs and the MLI designation.

The CDFI Fund is considering whether non-MDI CDFIs should be able to demonstrate accountability to minority populations by having minorities represented on loan committees, non-governing advisory boards, or among executive staff. Having several options available to meet the accountability requirement appears to lower existing standards and may result in tokensim. Advisory boards and loan committees have no formal authority in the decision-making process of a financial institution and should not be used to meet the accountability standard. Additionally, if one member of a specific race no longer serves on the advisory committee or loan committee, the CDFI will need to find a replacement of the same race in order to meet the criteria and give the appearance of equality

in the workplace. As such, CDFIs seeking MLI status should be required to meet the same criteria as MDIs⁷.

Finally, ICBA submits that implementing an MLI designation, at this time, may be premature as many CDFIs are currently reviewing new and annual certification requirements that are yet to be finalized and, if finalized in current form, will be burdensome for filers. ICBA's CDFI members have expressed concern about their ability to maintain their CDFI status, given these new requirements. In fact, many of our rural CDFI members believe that the process disregards their geographical banking needs and fear their ability to continue providing access to financial products and services to targeted markets. ICBA warned of this unintended outcome in our response⁸ to the CDFI Fund's request for comment on revisions to the certification process in November 2020⁹. We noted our concern that the proposed changes would harm existing CDFI banks and significantly deter interest from new CDFI applicants. The net effect of diminishing the number of CDFI banks in the country will threaten the survival of the overall program, and render moot, MLI and other special designations.

Conclusion

ICBA respectfully requests the CDFI Fund to delay defining criteria for MLI designations until it finalizes changes to the CDFI certification process. Thereafter, ICBA urges the CDFI Fund to clearly distinguish an MLI designation from an MDI, and require that MLIs meet the same criteria as MDIs.

We appreciate the opportunity to provide comments in response to this request. If you have any questions, please do not hesitate to contact me at Kianga.Lee@icba.org or (202) 659-8111.

Sincerely,

/s/

Kianga Lee
Vice President, Administrative Operations

⁷ 51 percent or more of the voting stock owned by minorities, or a majority of the board of directors is minority and the community that the institution serves is predominantly minority.

<https://www.fdic.gov/regulations/resources/minority/mdi.html>.

⁸ ICBA's response to the Request for Public Comment on CDFI Certification Application and Reporting Tools [cdfi-fund-comment-letter.pdf \(icba.org\)](#)

⁹ [Federal Register :: Agency Information Collection Activities; Proposed Collection: Comment Request; Extension of Comment Period; Annual Certification and Data Collection Report Form \(ACR\) and the Certification Transaction Level Report \(CLR\)](#)