NEW YORK creditunion ASSOCIATION

strength in members.

May 2, 2022

Honorable Charles E. Schumer
United States Senate Majority Leader
322 Hart Senate Office Building
Washington DC 20510

Dear Majority Leader Schumer:

The New York Credit Union Association, the trade group for all New York credit unions, is writing concerning community development financial institutions (CDFIs).

New York's CDFI credit unions provide vital services to almost 400,000 New Yorkers, many of whom have been historically disadvantaged by being excluded from mainstream affordable financial services, and live in low-to-moderate-income (LMI) communities. These CDFIs provide $1.2 billion in community mortgages, $1 billion in local financing, and lend $403 million to local businesses. During the pandemic, CDFIs mobilized to establish critical lifeline services for local businesses and individuals experiencing loss of income, provide mortgage forbearances, loan deferments, and modifications in times of unprecedented risk.

While the Association appreciates the CDFI Fund's efforts in implementing and updating the essential program, we are concerned that enumerated unresolved conflicts and inconsistencies in CDFI compliance and reporting procedures pose a threat to already overburdened financial institutions.

Conflicting standards used by the CDFI Program are duplicative, costly, and unproductive

Understandably, CDFIs are required to demonstrate a minimum of 60% of their activities benefit Target Markets. However, there are conflicting standards used for grant reports (TLRs) and annual recertifications (ACRs) regarding what qualifies as an acceptable Target Market. Current recertification standards financial institutions to demonstrate services to "approved" Target Markers only. TLRs are less restrictive and allow use of "eligible markets." Since the Target Market amendment approval process is slow, using the current standard of approved Target Markets only is overly burdensome and unrealistic. The contradictory standards are hindering CDFIs, the CDFI Fund, and consumers alike.

1021 WATERVLIET-SHAKER RD. ✶ ALBANY, NY 12205 ✶ P.O. BOX 15118 ✶ ALBANY, NY 12212-5118
(518) 437-8100 ✶ (800) 342-9835 ✶ FAX (518) 437-8500 ✶ WWW.NYCUA.ORG

The Association recommends streamlining the ACR review process by adopting the TLR standard for both ACRs and TLRs. A simplified, streamlined process will help ease backlogs, create accessibility, and encourage organizations to seek and maintain certification.

Cure periods are insufficient in duration

We understand that the CDFI Fund needs to apply cure periods to CDFIs that fall short of standards, but suggest that it be carried out more constructively. The cure periods must be structured to allow CDFIs reasonable time to address the specific issues without fear of sudden loss of certification and recapture of funds.

NCUA provides 5-year grace period for credit unions at risk of losing certain designations. The CDFI Fund has proposed that certification and recertification be based on three years of data. All cure periods pertaining to Target Market performance and accountability should similarly be set at a minimum of three years or the end date for any open Assistance Agreements, whichever is later. This allows credit unions to either regain eligibility or unwind financial instruments with minimum disruption to safety and soundness.

We understand the importance and appreciate the effort to build strong certification standards. We look forward to continuing collaborations to maximize the effectiveness of all programs for the benefit of our underserved communities and historically disadvantaged groups.

If you have any questions, please contact Kristina Persaud at Kristina.persaud@nycua.org or (518) 437-8207.

Sincerely,

William Mellin
President/CEO