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April 7, 2010

Mr. Scott Berman

Acting Chief Operating Officer

CDFI Fund

U.S. Department of the Treasury

601 13<sup>th</sup> Street, NW Suite 200 South

Washington, DC 20005

Re: **Community Development Financial Institutions Fund, Community Development Financial and Technical Awards, Native Initiatives, and Bank Enterprise Awards**

Dear Mr. Berman:

I am contacting you from Woodstock Institute, a leading nonprofit research and policy organization in the areas of fair lending, wealth creation, and financial systems reform, to request that Financial Assistance (FA) and Technical Assistance (TA) funding criteria be expanded to include de novo financial institutions planning to organize as CDFIs.

One of the most significant challenges for a de novo, particularly in the current economic environment, is raising the substantial level of capital required to begin operations. Under the current statute, a financial institution must be operating to receive certification and be eligible for funding.

To encourage the establishment of new CDFIs, eligibility criteria should be expanded to include de novo banking institutions planning to obtain CDFI certification prior to opening – allowing for possible equity investments in the institution's initial capitalization.

Since funding from the CDFI Fund is an extremely competitive process, and it is important that resources be directed to those organizations best able to use funding to meet the financial needs of low-wealth communities, Woodstock proposes that additional criteria be included to ensure that de novo institutions applying for funding have, as their primary purpose, serving the financial needs of low-wealth people:

These criteria could include:

- Does the de novo financial institution have the primary purpose of providing financial services to the underserved and is this purpose clearly delineated in its charter application?
- Does the financial institution's offering circular make clear to prospective investors that the financial institution is a community development bank, and detail the mission-related scope of its services?

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- Will the financial institution have, as its primary customers, low-wealth people or people living in low-wealth communities, and will it be located in a low-wealth census tract?

As the capital thresholds for de novo financial institutions increase, accessing funding from the CDFI Fund could play an important role in the creation of new CDFIs. I appreciate your attention to this important issue and I hope that this important change is included in the proposed revisions of the CDFI Fund authorizing statute.

Sincerely,

Tom Feltner  
Vice President

cc: Matthew Roth, Generations Community Bank