December 19, 2022

Mr. Viraj Parikh
U.S. Department of the Treasury
1500 Pennsylvania Avenue NW
Washington, DC 20220

RE: Community Investment Request for Information Comments

Dear Mr. Parikh:

The Local Initiatives Support Corporation (LISC) is pleased to offer comments in response to the U.S. Department of the Treasury's Interagency Community Investment Committee's (ICIC) request for information on "Opportunities and Challenges in Federal Community Investment Programs."

LISC is a national nonprofit housing and community development organization and certified Community Development Financial Institution (CDFI) dedicated to working with residents and partners to forge resilient and inclusive communities of opportunity across America – great places to live, work, visit, do business and raise families. LISC mobilizes corporate, government and philanthropic support to provide local community development organizations, nonprofits, and small businesses with loans, grants, and equity investments, as well as technical and management assistance. Our organization has a nationwide footprint with offices in 38 cities throughout the country, and a rural network encompassing over 130 partners serving 48 different states. LISC invests approximately $2 billion each year in these communities and our work covers a wide range of activities, including housing, economic development, building family wealth and incomes, education, and creating healthy communities.

LISC applauds the creation of the ICIC and the Administration's ongoing commitment to advancing equity, civil rights, racial justice, and equal opportunity. This federal collaborative will not only more help direct capital into underserved communities but will also increase the capacity of CDFIs, Minority Depository Institutions, and community financial institutions providing loans, grants, and technical assistance for low-income families and underserved communities.

LISC's Commitment to Racial Equity

Structural racism and individual discrimination generate racial wealth, health, and opportunity disparities that systematically undermine Black, Indigenous, and people of color (BIPOC) households. Barriers to economic mobility and opportunity negatively impact wealth building among BIPOC families. White family wealth is nearly ten 10 times greater than Black family wealth and eight times greater than Hispanic family wealth—a divide that's wider than it was in 1963 and that is still growing.

LISC is committed to advancing racial equity in local communities and eliminating the racial wealth, health and opportunity gap across all of our work. We are supporting BIPOC entrepreneurship by creating access to capital for BIPOC business owners; we are working to increase wages and help people build twenty-first century job skills with our investments in Financial Opportunity Centers; we are promoting housing affordability and homeownership opportunities; and we are investing in quality child care centers, primary schools and health care centers serving communities of color. These are just some of the concerted ways that LISC is hoping to address the racial equity gap.

Creating communities of opportunity for all is a multisector, shared responsibility. We believe that the federal government—which in many instances established policies that exacerbated the wealth gap—is an essential partner in dismantling inequitable systems by adopting policies and approaches that intentionally address racial wealth inequality.

General Comments

The ICIC is comprised of federal representatives from the Department of the Treasury, Small Business Administration, Department of Commerce, Department of Transportation, Department of Housing and Urban Development, and Department of Agriculture (the Agencies). The Agencies request comment on how the ICIC can promote economic conditions and systems that reduce racial disparities and produce stronger economic outcomes for all communities.

LISC recommends that the ICIC be expanded to also include the Environmental Protection Agency, which was provided $27 billion in the Inflation Reduction Act (IRA) for the Greenhouse Gas Reduction Fund (GGRF), which will provide flexible capital, capacity building, and technical assistance resources for projects which lower greenhouse gases. By law, the majority of this funding will be used for projects in low-income and disadvantaged communities, and will be administered by CDFIs and mission-based lenders. EPA also received $3 billion for an Environmental and Climate Justice Block Grant program provided in the IRA. We believe it's essential that EPA participate in the ICIC, so they can learn from their peers and importantly design programs that align with existing federal programs. This will improve efficiency in utilizing federal resources for critically needed community investment projects.

Specific Comments

LISC offers the following comments in response to the questions posed in the Federal Register Notice.

Question 1: Please describe examples of best practices and lessons learned from community investment projects that have layered a mix of public, private, and/or philanthropic capital. How could these projects have been more impactful or more cost effective to implement?

CDFIs such as LISC play a lead role in financing opportunities in underserved communities and for low-income populations. CDFIs are experts at leveraging funding from corporations, foundations and government agencies to provide financing (loans, grants and equity) and technical and management assistance to community investment projects. Our intermediary role also puts us in the position of engaging in partnerships with the private sector and multiple levels of government to promote best practices across a range of areas and ensure that public sector resources are effectively leveraged. These partnerships are integral to addressing the needs of traditionally underserved, high-need low-income urban and rural communities. Below are illustrative examples of successful public sector partnerships we've recently undertaken, with respect to housing, child care, community safety and justice and tax credit financing.

Housing: Congress provided $46 billion in Emergency Rental Assistance (ERA) to assist distressed renters economically impacted by the Covid-19 pandemic. The funding was distributed by formula to states and localities and represented the most significant amount of emergency rental assistance resources in our nation's history. Due to the scale of this funding and the need to reach underserved populations, many states partnered with community-based organizations that have longstanding relationships in the communities they serve. LISC was selected by the state of California to bring together our network of community-based partners throughout California as the state implemented its ERA program. We engaged diverse and trusted organizations to coordinate a community centered outreach campaign to ensure landlords and renters were aware of the state's program. This helped ensure resources were deployed to some of the state's most distressed renters and shows the value of allowing local partnerships for federal resources administered by state and local governments.

Child Care: LISC has engaged philanthropy and forged public/ private partnerships to support child care providers' capital needs. Founded in 2001 and housed at LISC Rhode Island, the Rhode Island Child Care and Early Learning Facilities Fund (RICCELFF) is an innovative public-private partnership dedicated to expanding access to quality child care and early education in low-income communities throughout Rhode Island. RICCELFF provides the state's child care and early learning centers with technical assistance on all aspects of facility design and development, and administers facility predevelopment and planning grants, recoverable grants and loans. The Building Innovation for Equitable Child Care program, administered by LISC's Child Care and Early Learning Program and supported by Pivotal Ventures, funds predevelopment costs for community partners pursuing a "co-location" approach, incorporating high-quality, affordable child care facilities in an assortment of development projects. Both initiatives reveal that there are very few resources that provide grant dollars or long-term patient capital that can be utilized to support the facilities needs of child care providers.

Congress allocated nearly $50 billion in pandemic recovery resources via the Child Care Development Block Grant and a new Child Care Stabilization Grant program to prevent the child care sector from collapsing. Long-standing work in child care led LISC to pursue several opportunities to deploy pandemic recovery resources in the states of Arizona, Connecticut, and Rhode Island. Currently, there are no dedicated federal resources to support child care facilities, and while flexible, the new federal recovery child care resources cannot be used to support facility acquisition, new construction, or major renovation. This constraint complicates integrating federal funding into child care infrastructure projects and in many instances means that Child Care Development Block Grant resources cannot be used to address facilities concerns. *We strongly recommend the establishment of dedicated sources of federal funding for child care facilities.*

Safety and Justice: LISC is administering $60 million in partnership with the Los Angeles County CEO's for the Alternative to Incarceration Initiative (ATI Initiative) which expands the capacity and reach of two pre-trial diversion programs – the Pre-Booking/Pre-Filing Diversion Project and the Rapid Diversion Program. These programs aim to divert an estimated 10,000-15,000 individuals from incarceration each year, helping them avoid the negative consequences of justice system involvement. LISC will also launch the ATI Incubation Academy to identify and build capacity of additional local nonprofit organizations to provide services to the County though ATI. $66.7 million of American Rescue Plan Act resources were deployed by LA County as a complement to efforts to reverse the trajectory of a jails-first approach, including the Alternatives to Incarceration Initiative. The sizable federal investment will enhance the effectiveness of the LISC-directed initiatives by strengthening the community-based program safety net.

Tax Programs: LISC's most successful engagements with layering public and private resources been spurred by federal tax incentives, most notably the Low-Income Housing Tax Credit (LIHTC) and the New Markets Tax Credit (NMTC). It is critical that these and other federal community investment programs continue to be improved by ensuring that other federal subsidy sources in LIHTC and NMTC financed projects are administratively aligned.

The LIHTC was enacted as part of the Tax Reform Act of 1986. Housing Credits are allocated to the states through a formula allocation, and then awarded through competition to developers of qualified projects. Developers offer the credits to investors to raise equity capital for construction of their projects, thus reducing the debt service and allowing the projects to provide affordable rents to low-income families (generally those making less than 60% of area median income). To date, the Housing Credit has leveraged more than $100 billion in private capital, and financed the development of more than 3 million affordable homes in every state. However, the program is stretched to thinly, with far more projects needing financed than can be awarded tax credits. *Congress should enact the Affordable Housing Credit Improvement Act, which includes two dozen provisions to enhance the program and could lead to the development of two million more housing units over the next ten years.*

The NMTC was launched in 2000 as the next community development investment program. The NMTC provides an incentive in the form of a tax credit for investors to make equity investments in U.S. Treasury-certified Community Development Entities, which in turn deploy the capital to support operating businesses, commercial real estate projects and community facilities in low-income communities throughout the country. To date, over $60 billion of equity has been invested in low-income communities through the NMTC Program. *This program needs to be made a permanent part of the tax code.*

Community investment projects, such as affordable rental housing, often leverage numerous sources of public and private subsidy, each with different administrative requirements. The need for additional subsidy sources has increased in recent years as construction costs have risen nationally. LIHTCs are generally the largest subsidy source in an affordable rental housing project although the federal government also provides other critical funding for projects through the HOME Investment Partnership, Community Development Block Grant, Housing Trust Fund, and multifamily loan insurance programs through the Federal Housing Administration. *LISC recommends that the Administration restart the Rental Policy Working Group, which was established in 2010 by the Domestic Policy Council to improve interagency coordination of federal rental policy and practices*. The RPWG produced a set of recommendations to promote cost savings and reduce regulatory burden for owners and developers of affordable rental housing, many of which are still outstanding. The ICIC and the federal government should seek to align existing and new community investment programs as much as possible, to create efficiencies and reduce transaction costs.

It's important that leverage expectations from federal community investment programs are flexible enough so they can be utilized to meet the needs of specific project types and the places in which they are located. Some of our nation's most vulnerable communities, such as underserved rural areas, should have additional flexibilities from federal leverage requirements, since these markets have structural barriers to accessing private and public capital. *Award recipients serving these communities should receive appropriate accommodations from Agencies so federal leverage requirements don't preclude the use of these resources in smaller communities.*

Question 2: From the examples provided in response to question 1, what specific changes could agencies consider to facilitate the layering of federal funds to attract greater private follow-on funding, as they implement new community investment programs and contemplate modifications to others?

LISC encourages the Administration, to the extent possible, to align compliance requirements on federal community investment programs with the largest federal funding source in a project. As mentioned in question 1, LIHTCs are generally the largest subsidy source in affordable rental housing developments, so the federal government should ensure that smaller sources of federal funding that are a portion of the total development costs have similar rent standards, income verification, physical inspection, and other compliance practices. These efforts would support the Administration's Housing Supply Action Plan, which seeks to ensure that federal programs work together to address our nation's growing affordable housing crisis.

We recommend HUD update the HOME Investment Partnership program's regulations to better align it with other federal housing programs. For instance, HUD should allow HOME funding recipients to use the approved environmental review developed by another responsible entity when providing HOME assistance to the same project. In addition, HUD should update its physical inspection requirements so recipients can inspect based on a national standard, such as the Uniform Physical Condition Standards, as allowed by almost all other federal housing programs. LISC supports recommendations provided to HUD through the HOME Coalition on ways to improve the program's impact while decreasing burden.

LISC recommends the U.S. Department of the Treasury engage stakeholders on improving the Capital Magnet Fund (CMF). CMF resources are critical subsidies for nonprofit housing developers and CDFIs financing affordable homeownership, rental housing, and community facility projects. The program though has overly rigid compliance practices, which often cause funding recipients to divert needed resources and capacity from deploying capital to administration. Specifically, the layering of geographic, Program Income, income targeting, and multiple leveraging compliance requirements can make the award difficult to utilize. LISC supports recommendations provided from the Capital Magnet Fund Coalition to better align it with other programs and improve its overall impact.

We note that there are recent examples of federal agencies updating program regulations and guidance to better align to larger community investment program resources. The U.S. Department of the Agriculture updated the regulations for their Rural Development credit programs to simplify requirements, including provisions which align these programs with NMTC practices. For instance, the final rule eliminated the requirement to provide an exit strategy for NMTC investors and included a provision to address forbearance limitations for sub-Community Development Entities.

As noted earlier, Child Care Development Fund (CCDF) resources, and resources subject to regulations applicable to CCDF funding, cannot be used to support child care facility acquisition, construction, or major renovation (except for the flexibility provided to Tribes and Tribal Organizations). It is well documented that quality facilities play an important role in helping existing providers serve additional children, and in allowing new providers to start their businesses and serve families. Despite the undeniable benefits and ongoing advocacy, there has been no legislative action that establishes dedicated, stand-alone federal resources to support the acquisition, construction, or renovation of child care facilities. While Congress must enact statutory changes, the Administration for Children and Families and other federal agencies could publish specific examples or case studies of how COVID recovery resources – including resources governed by CCDF regulations -- can be used to support facilities projects. *The agency should also consider publishing examples of how states are pairing COVID recovery resources to meet child care facilities needs. This action would signal that physical infrastructure is a priority, and would likely stimulate philanthropic and private sector complementary investments.*

Lastly, with respect to the Low-Income Housing Tax Credit, LISC believes the IRS needs to provide guidance to better ensure that nonprofit operators of Housing Credit properties can obtain ownership of those properties after "year 15", when the initial tax credit investors typically sell their ownership interests. The statute authorizing the program includes a provision [Section 42 (i)(7)] allowing nonprofits a Right of First Refusal (ROFR) to purchase the properties, but increasingly, there are bad actors trying to take advantage of ambiguities in the statutory language and subsequent legal documents to try and prohibit nonprofit owners from exercising their ROFR option, in clear contravention of statutory intent. The IRS could mitigate this by providing more clarity, through guidance or regulations, around Section 42(i)(7). Specifically, the IRS could:

- Clarify that no offer from a third party is required to trigger the ROFR rights of the nonprofit unless the partnership agreement provides otherwise.

- Clarify that the right of first refusal specified in section 42(i)(7) is not a state or common law right of first refusal but a special right of first refusal under federal law which does not require application of state common law principles, including with respect to the definition of what constitutes a bona fide offer.

- Clarify that the term "property" in section 42(i)(7) includes all partnership assets, including reserves, and not just the real estate.

- Clarify that unless the partnership agreement specifically provides otherwise, limited partner consent is not required to exercise the ROFR, and that the ROFR may be initiated by an offer from any entity, including a party related to the nonprofit sponsor.

Question 3: As agencies are implementing new programs under recent CHIPS and IRA legislation, how can they best incorporate these lessons to streamline design and delivery, as well as ensure historically underserved communities benefit from federal funds?

Congress has authorized and appropriated substantial domestic funding through recent legislation, including the bipartisan infrastructure bill, CHIPS and Science Act (CHIPS), and the IRA. *LISC recommends that programmatic definitions and practices for new community investment programs in these bills are aligned with like federal programs*. For instance, the Greenhouse Gas Reduction Fund (GHGRF) in the IRA requires the EPA to define "low-income and disadvantaged communities" for the purpose of targeting these resources. Aligning this definition with existing federal community investment programs' low-income community definitions will ensure this funding can be utilized seamlessly with other federal programs. In addition, it will allow federal agencies to distribute resources more quickly since they won't be tasked with developing discrete definitions.

Key authorizing provisions within CHIPs also offer an opportunity to more intentionally direct federal resources to historically underserved communities. The authorization of $1 billion for the Rebuilding Economies and Creating Opportunities for More People to Excel Pilot Program and $10 billion for the Regional Technology and Innovation Hub Program provides the Economic Development Administration (EDA) with new and critically needed frameworks to advance inclusive economic development. *Should funds be made available, we encourage EDA to dedicate funds to support high-quality and long-term technical assistance in addition to direct program support*. By investing in technical assistance, EDA can help ensure these programs are coupled with capacity-building resources. Technical assistance is essential to close longstanding resource gaps, particularly within rural communities, and has a demonstrated impact on alleviating economic distress.

Question 4: Community financial institutions play a critical role in providing safe, affordable capital and financial services to historically underserved communities. How can federal agency coordination help build the capacity of these organizations to serve their communities?

As mentioned previously, LISC believes that it's critical that the federal government coordinate between programs to ensure resources can be utilized for their fullest impact. This requires aligning programmatic requirements and practices, where possible. We also believe that the Agencies should provide ongoing technical assistance (TA) activities for CDFIs to ensure they are aware of how new and existing resources can be utilized for community investment projects. *LISC recommends that the CDFI Fund utilize its Capacity Building Initiative, in conjunction with other Agencies, to provide TA to CDFIs on how federal community investment programs can be utilized for their work.* We believe the CDFI Fund should be the lead agency since they are the primary federal agency for most CDFIs, although believe they should work with their Agency colleagues to disseminate training and TA opportunities with their resources. Coordinated TA and training can help build the capacity of CDFIs to scale their work for low-income people and in underserved communities.

The coordination of federal agencies is essential to supporting the work of community financial institutions and effective partnerships can help to drive impact at the local level. The Economic Mobility Corps (EMC), funded for the first time in the FY 2020 appropriations bill for the CDFI Fund, is an example of how interagency coordination can support community financial institutions. The EMC is the result of a new partnership between the CDFI Fund and AmeriCorps, which expands AmeriCorps national service opportunities by placing service members at certified CDFIs. CDFIs foster financial inclusion—filling critical gaps in the provision of financial services, products, and wealth-building opportunities for low- and moderate-income consumers, small business owners, and underserved geographic areas. Despite this critical work, these organizations are often under-resourced and strained for human capital as federal funding typically restricts staff operation costs to 15 percent of funds. As an inaugural grantee, LISC is expanding national service opportunities for our EMC members while strengthening the capacity of CDFIs to support historically disinvested neighborhoods and expand economic opportunity.

LISC understands that effective federal coordination also requires investments that enable intermediaries to bridge longstanding gaps between federal agencies and community-based organizations. The Small Business Administration's (SBA) Community Navigator Pilot Program (CNPP) authorized by the American Rescue Plan is an example of how federal resources can be used to deliver high-quality programs and build an infrastructure that streamlines feedback loops and enhances coordination for increased community impact. CNPP is helping community financial institutions reach more aspiring and existing entrepreneurs, particularly those in historically underserved communities, and creating a continuum of services that better connects community financial institutions with SBA resources. By investing in organizations and supporting their capacity to deliver critical services, the CNPP programs offers insight into how federal agencies can develop innovative approaches to bridging divides and building trust. *<u>The CNPP needs to be permanently authorized.</u>*

Question 5: What specific changes to federal credit or securitization programs could facilitate additional private investment in community financial institutions, and what are the most important existing limitations of these programs that may prohibit additional scale that could be achieved?

Federal credit programs are utilized by many CDFIs to support their community investment programs. These programs provide direct loans, loan guarantees, and other forms of credit to support CDFI lending efforts broadly. LISC believes the most successful federal credit programs operate under a delegated lending model, where the CDFI is approved as a financial institution, and then provided flexibility in approving downstream loans for community investment projects. This model allows CDFIs to better meet local market needs and avoids transaction delays and lowers costs otherwise associated with government agencies reviewing specific projects.

LISC recommends that the ICIC examine how changes to the following community investment programs could increase the impact of these resources:

- **CDFI Bond Guarantee Program (Treasury)**. The CDFI Bond Guarantee Program (BGP) provides long-term, low-cost capital to CDFIs, which be used to support the financing of community investment projects. Currently, the Department of the Treasury offers a 100 percent guarantee on these loans, which has required the Qualified Issuers (CDFIs or their designees) to sell the government-backed bonds to the Federal Financing Bank (FFB). Bond proceeds are used for community development purposes. *LISC recommends that the ICIC review BGP and federal credit program requirements to see if allowing a guarantee below 100 percent would help improve CDFI access to private capital markets, since it would presumably avoid the need to sell the bonds to the FFB. A lower guarantee would likely increase participation in the BGP since it would allow CDFIs to access a larger set of investors for these loans.*

- **Federal Housing Administration Section 542(b) Risk Sharing (FHA/HUD)**. HUD's Risk-Sharing programs, Section 542(b) and Section 542(c), allow qualifying participating entities and housing finance agencies to enter into risk-sharing agreements with FHA to provide insurance for affordable multifamily housing loans. Both programs allow entities to participate only if they meet stringent financial health standards for sharing in the risk of FHA-insured multifamily affordable housing loans and account for a substantial portion of FHA's annual affordable housing production volume.

  Unlike other FHA multifamily programs, Risk-Sharing loans are not eligible for Ginnie Mae securitization, which increases pricing. Due to this, HUD and the U.S. Department of the Treasury established an initiative in 2014 to provide a Ginnie Mae-like execution through the Federal Financing Bank. The FFB support reduced the cost of affordable housing financing through the Section 542(c) program and helped increase FHA's affordable housing insurance volume. This initiative was ended by the previous Administration at the end of 2018 and restarted by the current Administration last year.

  LISC recommends that CDFIs be permitted to participate in the FHA Section 542(b) Risk-Sharing program. In 2015, HUD published a Federal Register Notice implementing a Small Buildings Risk Sharing (SBRS) initiative and invited CDFIs and other lenders to participate as Qualified Participating Entities. Under this initiative, CDFIs would have received a 50 percent risk-sharing agreement for originating affordable housing loans for small affordable multifamily housing, and FFB would have purchased the loans. In 2017, the SBRS was indefinitely deferred. HUD should reinstitute this initiative.

- **Community Development Block Grant (HUD)**. Community Development Block Grant (CDBG) resources are one of the most important federal resources for supporting community investment projects nationally. CDBG can be utilized as a resource for CDFI revolving loan fund (RLF) activities although the regulations only allow for the program income generated through CDBG supported lending to revolve over time, versus allowing the assistance to be used to help capitalize a RLF. *LISC recommends that HUD update its regulations and guidance to allow for CDBG to be used to capitalize a RLF. In addition, LISC recommends that as a part of its updates, HUD clarify that all CDBG eligible uses are permitted, since the current guidance is only specific to housing rehabilitation activities.*

- **Community Facilities (CF) Relending Program (USDA)**. The CF Relending Program was established in 2016 to better target CF Direct Loan funds to persistently poor communities by delivering them through CDFIs and other relenders with deep local networks and capacity for technical assistance. Under the program, CF relenders are responsible for identifying eligible community facility projects, originating and underwriting eligible loans, and submitting them to USDA for approval. The program was recently reauthorized for another five years, and we recommend USDA:

- *Request authority to lower pricing*. CDFIs and other CF relenders add a small spread to the credit provided through USDA. This is required to cover costs associated with making a loan, but it limits the ability to deploy funds -- since USDA CF Direct Loans don't require a spread and therefore offer a cheaper and more advantageous product to the borrower. *USDA should request authorities and resources needed from Congress to ensure CF Relending participants are able to lend at the same cost as USDA's CF Direct Loan program*.

- *Engage Stakeholders to Examine Program Rules that Limit Impact.* The CF Relending program functions primarily through a delegated lending model, where the participating lender originates loans after receiving USDA's approval. The program though has various administrative constraints, which impede relenders ability to deliver timely credit. For instance, current guidelines require participation loans from multiple CDFIs be structured as separate loans instead of one loan with an overall lead lender. CDFIs often originate larger loans in participation with other CDFIs to mitigate risk. Requiring that each be a separate loan results in long credit approval timelines, diminishing the ability to use the program. LISC recommends that USDA work with current relenders and stakeholders to make program improvements. There is a standing working group of CF relenders available to work with the Department to improve the program.

- **Transportation Infrastructure Finance and Innovation Act (TIFIA) (Transportation**). The TIFIA program provides loans, loan guarantees and related credit assistance to support investments in transportation infrastructure – historically very large projects focusing on highways, railroad infrastructure, etc. In 2015, Congress expanded the eligible uses of these funds to support related transit-oriented development (TOD) activities, including investments in businesses, commercial facilities, community facilities, and in some instances, housing.

  Despite these modifications, TIFIA funds have yet to be used to finance any TOD projects. The $10 million minimum project size and the DOT credit review process (including the requirement that each project be credit-rated by a credit rating agency) create significant barriers to entry for most equitable TOD projects. LISC applauds DOT for recently increasing the amount of TIFIA credit which can be used for TOD projects. *We recommend that DOT examine if it can utilize other existing authorities to further TIFIA's use for equitable TOD work, and if not, request modifications from Congress, as necessary. LISC supports HR 2206, Equitable Transit Oriented Development Support Act, which would provide DOT authorities for working through CDFIs with TIFIA resources for TOD projects benefitting low-income people or undeserved communities.*

- **Economic Development Administration Revolving Loan Funds (EDA RLF).** The EDA makes Economic Adjustment Assistance (EAA) grant awards to eligible entities to support the establishment of revolving loan funds (RLFs) focused on businesses that lack access to traditional financing. While the EDA RLF Program is an important form of federal credit that directly supports economic growth and access to capital, administrative barriers have historically limited this as a feasible resource many community financial institutions. In 2020, Congress reformed the RLF program by eliminating the program's burdensome "in perpetuity" reporting requirement, however, other reforms are needed to maximize community impact.

  To increase the accessibility of the EDA's RLF Program, LISC recommends that the EDA consider how reporting can be further streamlined and increase programmatic and outcome alignment with other federal credit programs. LISC also encourages EDA to consider how rural communities might benefit from broader geographic footprints that leverage intermediary infrastructure to deliver capital in high-need, low-capacity areas.

- **Credit Enhancement for Charter Schools Program (Education)**
  The Credit Enhancement for Charter School Facilities Program (CEP) was established by the U.S. Department of Education (ED) to help charter schools overcome financial challenges that can limit their ability to access appropriate accommodations. CEP provides grants to eligible entities (states, local governmental entities, private nonprofits, and state/local/private nonprofit consortiums) to help public charter schools improve their credit in order to obtain private-sector capital to buy, construct, renovate, or lease academic facilities. CEP funds can only be used to support private-sector lending through loan guarantees and other credit-enhancing means. While the program has been tremendously effective, the restriction on utilization of funding limits the more substantial impact that the resources could have if they were made more flexible after their initial deployment.

  To improve the overall effectiveness of the CEP program, we recommend that CEP awardees be provided with the authority to re-deploy CEP dollars for a range of mission-aligned education-sector activities (buying down interest rates, direct loans to charter schools, supporting early care and education, etc.) once the original guaranteed loans have been fully repaid.

Question 6: How can the Agencies incentivize or structure data collection and reporting to promote increased private sector and philanthropic investment in community financial institutions?

The federal government collects and disseminates a large amount of data related to the community investment work of CDFIs and mission-based lenders. For federal community investment programs, these data collections are typically structured to measure compliance with Agency award agreements.

LISC recommends that the Office of Management and Budget (OMB) instruct federal agencies to provide the most granular data possible from federal community investment programs on an ongoing basis to increase investment from the private sector and philanthropy, and to inform *stakeholders on the impact from these resources.* Where possible, OMB should direct Agencies to align compliance reporting definitions and terms, so the public is comparing similar data points between federal programs. Data disclosure is a powerful and budget neutral tool that can be utilized to drive increased private investment since it provides outside funders a greater understanding of investment activities, and where their resources can be best utilized for community development projects. While many federal programs have ongoing data releases, some do not, limiting understanding of how resources can be most effectively utilized. We note that the CDFI Fund does not currently release annual Capital Magnet Fund investment data, which limits the public's understanding of how these resources are leveraged and utilized.

Question 7: How can further alignment of and coordination between federal agencies in the four areas of substantive focus result in stronger outcomes with regards to reducing racial economic disparities, improving financial security and economic mobility, and generating broadly shared economic opportunity?

As discussed, LISC has leveraged numerous federal programs and funding streams to deploy direct capital and other supports to low-income, low-wealth, and underserved communities. Our ultimate goal is to ensure that everyone, regardless of zip code is able to join the economic mainstream. Given our role, we have a unique perspective on barriers, obstacles, and opportunities to equitably connect communities to resources and promote policy solutions that are both responsive to local needs and can voice demands that advance racial and economic justice.

LISC encourages the federal government to support robust investments in workforce development, and to advance legislation that helps to ensure that all individuals have access to pathways of opportunity that can lead to living-wage employment and foster economic stability for themselves, their families, and their communities. Achieving this requires that Congress strengthen and expand the core programs that support workforce training, apprenticeships, community and technical colleges and other avenues to high paying jobs with benefits for workers without four year degrees.

LISC believes the federal government can do more to facilitate robust support for small businesses, entrepreneurship, and innovation policy, particularly within historically underserved communities and populations. Inclusive economic development policies can have transformational impacts on individuals, families, businesses, and neighborhoods, and are a critical component of closing the racial wealth gap. The provision of financing, resources, and technical support for entrepreneurs grows businesses, expands employment and asset-building opportunities, and strengthens local economies. Yet a pervasive gap in traditional financing and training regularly limits the growth of businesses in low- and moderate-income communities and of businesses owned by veterans, women, and minority entrepreneurs.

LISC believes that comprehensive approaches to data collection that intentionally incorporate race are essential to generating shared prosperity. The Consumer Financial Protection Bureau's (CFPB) Section 1071 proposal is an example of a reporting framework that stands to help close longstanding racial disparities, particularly for entrepreneurs of color. Importantly, the proposed requirements will provide communities, governmental entities, and other stakeholders with the data needed to strengthen fair lending laws, address structural challenges, and advance access to capital opportunities for underserved entrepreneurs. The CFPB's leadership in significantly increasing the public data on small business lending practices will afford greater lender accountability and expand entrepreneurial opportunities while strengthening local economies. LISC recommends other Agencies consider how similar approaches might be adopted within existing frameworks.

Question 8: What data should the Agencies consider collecting to better understand and report the impact of community investments in reducing racial, gender, and geographic, or other economic disparities?

Agencies should be encouraged to disaggregate race from other factors when gathering and reporting on community investment program data. Factors including but not limited to economic status, disability and geography directly influence the ability of local residents and community based organizations to access federal resources and programs. Historically, programmatic metrics have been reported for entire groups, or as aggregates (for example, the total number of small businesses). In order to advance goals like racial equity, metrics for all programs should be broken apart not just by race, but by economic status and other demographic variables. This way agencies can identify who exactly is being served by specific programs and who is being left out. A more granular understanding of who is able to access programs provides opportunities for agencies in identifying barriers diverse individuals have in accessing supports at a local level.[1] Articulating those differences and the obstacles associated with them are important to ensuring that agencies fully understand the drivers and influencers for different outcomes in a community context.

LISC also recommends that agencies deliberately consider geographic equity in program design and allocation to ensure that people living in rural areas do not continue to be underserved. Anti-poverty and social justice programs and policies have most often targeted what is typically referred to as places in need. There are multiple frameworks for identifying these places that will benefit from proposed solutions. These policy design choices matter, determining who and where can benefit, who gets left out and how resources will be distributed or concentrated.

LISC's research report "From the Ground Up: Affordable Housing as the Building Block for Stability in California's Coachella and San Joaquin Valleys" highlights the disparities and challenges places that are more sparsely populated or unincorporated such as rural communities face in accessing federal and state resources.[2] Consistently, practitioners, civic leaders, and advocacy organizations interviewed in the study shared that government's practice to require a large administrative infrastructure, and its emphasis on disbursement of resources at a grander scale, often disadvantage areas with fewer people, resources, and/or projects. Given this reality, it is important to intentionally consider geographic equity in program design and allocation to ensure that people living in rural areas do not continue to be overlooked and deprived of resources.

Some coalition proposals, including the New Deal for Housing Justice, have advocated for the creation of a Rural Opportunity Task Force to identify and address barriers to effective rural program implementation, calling for reforms from creating more responsive funding formulas and resource-allocation procedures to making program requirements and implementation plans more reflective

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[1] Rubin, V., Ngo, D., Ross, A., Butler, D., Balaram, N. (2018). Counting a Diverse Nation: Disaggregating Data on Race and Ethnicity to Advance a Culture of Health.
[2] https://www.lisc.org/our-resources/resource/from-ground-up/

of rural realities.[3] They have also advocated for increased resources for the U.S. Census Bureau's American Community Survey sampling to create more accurate estimates of housing needs and population in rural areas, and to allow better use of administrative data for research and programmatic purposes. Practitioners also emphasized that set-asides in all programs for high-need communities such as those in persistent-poverty counties could have substantial impact.

While the above principles are important ones for federal agencies to assess progress within and across initiatives, there is also a need to make agency data on people and places more available to the public and to practitioners, as long as appropriate privacy and confidentiality assurances are in place. One case of the use of confidential data to inform the public's decision-making is the College Scorecard of the Department of Education, which allows individuals to search by institution to understand career and income trajectories of graduates. LISC believes a replication of the College Scorecard methodology for place-based initiatives would be helpful for the public and for practitioners; generally, these data are currently available only to well-positioned researchers. For example, linked Department of Health and Human Services, Census and/or Internal Revenue Service microdata could be used to explore the role of residential mobility in neighborhood change. Neighborhoods change because the people who live there experience economic gains or declines, and also due to the in- and out-flows of different populations. Public census data do not generally allow portraits of in- and out-migration by different income and racial groups, or to differentiate economic gains or declines by longer-term residents vs. those experienced by newer residents. Prior to recent advances in researcher access to confidential microdata, scientists were unable to measure the extent to which neighborhood change was driven by residential mobility, or by changes in the well-being of longer-standing residents. Currently, researchers with access to confidential administrative data are able to explore these dynamics, but our 38 local offices are all interested in understanding neighborhood change in their markets in nuanced ways, in order to develop initiatives to support residents. They are also interested in understanding how gentrification may lead to displacement, and whether different kinds of displacement dynamics are at play in different kinds of neighborhoods, cities or regions.

Question 9: How can the Agencies collaborate on providing technical assistance, opportunities for peer-to-peer learning, and other non-financial resources to support the deployment of capital or implementation of community-serving projects in historically underserved communities?

LISC believes that the Economic Development Administration (EDA) is uniquely positioned to support the deployment of capital and stimulate inclusive economic growth within historically underserved communities. An example of this work, is EDA's innovative use of American Rescue Plan resources to fund the establishment of Communities of Practices focused on advancing an equitable recovery and increasing the capacity of local organizations through technical assistance and peer-to-peer learning. LISC recommends that Treasury, Small Business Administration, and the Minority Business Development Agency increase the coordination and alignment of their programs and outcomes to increase the ability of communities to leverage resources.

We must also ensure that small businesses, particularly those owned by historically disadvantaged populations, have access to high-quality technical and place-based assistance that supports

[3] Community Change. (2021). New Deal for Housing Justice: A Housing Playbook for the New Administration. https://communitychange.org/wp-content/uploads/2021/01/New-Deal-for-Housing-Justice.Policy- Paper.Community-Change.1.2020.pdf

entrepreneurs and the communities they operate within*. LISC supports passage of the Revitalizing Small and Local Businesses Act (S.3340), which would increase federal support for small businesses and help drive business district revitalization in low-income, rural, and minority communities.*

Question 10: Please describe best-in-class examples of how federal technical assistance has been best implemented through public-private partnerships.

The federal government provides community investment resources for projects across the country. These resources are essential to catalyzing opportunity, however many recipients of this funding often need assistance to properly manage their federally funded programs and achieve their programmatic goals. Federal technical assistance (TA) resources are typically designed to help recipients of federal funding overcome challenges by equipping them with the knowledge, skills, tools, and capacity to ensure successful program implementation. This TA is carried out by providers, such as LISC, which work in partnership with the federal funder.

Community and economic development intermediaries such as LISC are structured to support community-based efforts by bridging the gap between public and private funding and local community development activities. We do this through our role both as a grant maker and as a CDFI, which allows us to serve as a funding aggregator while also providing technical assistance for locally led community investment programs and projects.

Our experience is that federal technical assistance works best when it's designed to be flexible for providers to meet local needs. For instance, most federal TA programs are structured to help with federal compliance requirements. This work is essential to ensure recipients are good stewards of federal funding, although LISC also recommends that the Agencies provide broader TA, which allows providers to build the capacity of local communities on a wide variety of needs. A good example of this is LISC's administration of HUD's Distressed Cities TA (DCTA) Program, which allows LISC to provide TA to smaller communities recovering from natural disasters, in addition to community and economic development assistance. The DCTA program allows HUD, through LISC and our TA providers, to reach some of the hardest to serve communities, and provide TA based on their local challenges, which may include federal funding, although often includes other needs. LISC recommends that the Agencies utilize their TA resources to provide ongoing, flexible TA, which assists communities with their goals and ultimately helps leverage other funding.

We thank you for the opportunity to offer suggestions and please contact Mark Kudlowitz (mkudlowitz@lisc.org), LISC's Senior Director of Policy, if you have any questions.

Sincerely,

Matthew Josephs
Senior Vice President, Policy