Community Development Financial Institutions Fund, Department of the Treasury

Supporting Statement

Community Development Financial Institutions Bond Guarantee Program

OMB Control Number 1559-0044

**A. Justification**

1. Circumstances necessitating collection of information

The purpose of the Community Development Financial Institutions (CDFI) Bond Guarantee Program (BG Program) is to support CDFI lending by providing Guarantees for Bonds issued by Qualified Issuers as part of a Bond Issue for Eligible Community or Economic Development Purposes. The BG Program provides CDFIs with a new source of long-term capital and furthers the mission of the CDFI Fund to increase economic opportunity and promote community development investments for underserved populations and distressed communities in the United States. To date the BG Program has guaranteed $1.792 billion in Bonds. The CDFI Fund achieves its mission by promoting access to capital and local economic growth by investing in, supporting, and training CDFIs.

Through the BG Program, applicants apply to be approved as a Qualified Issuer (QI), using the Qualified Issuer Application (QI Application). Qualified Issuers may submit Guarantee Applications to be approved for a Guarantee under the BG Program. Applicants are required to provide financial and program related information and, subject to approval, will enter into agreements that require the collection of reports that will be used for credit underwriting, compliance monitoring, and program evaluation purposes. The application information is required in order for program management to evaluate an applicant’s capacity to effectively execute its obligations under the Bond Documents.

In compliance with the Office of Management and Budget’s (OMB) *Circular No. A-129: Policies for Federal Credit Programs and Non-Tax Receivables* (OMB Circular A-129), the BG Program collects all necessary information to manage the portfolio effectively and to track progress towards policy goals. The Department of the Treasury’s authority to collect the requested information, as well as the specified data collection areas and parameters, are consistent with the annual and periodic financial reporting requirements for the BG Program as defined in 12 CFR 1808.619[[1]](#footnote-2) of the Final Interim Rule. The information outlined in the reporting requirements is crucial for adequately managing and monitoring the BG Program’s total portfolio of outstanding Bond Loans. In order to do so, the CDFI Fund proposed the use of four reports: the Financial Condition Monitoring (FCM) Report, the Pledged Loan Monitoring (PLM) Report, the Annual Assessment, and the Secondary Loan Commitment Form and Certification. The CDFI Fund also seeks to require Eligible CDFIs to complete the Tertiary Loan Monitoring (TLM) Report. The purpose of the TLM Report is to verify the amount of collateralization pledged against the secondary loans for approved CDFIs that use the CDFI-to-financing entity asset class. These five reports are in addition to the Qualified Issuer Application, Guarantee Application, and Secondary Loan Requirements Certification.

The Financial Condition Monitoring (FCM) Report adds significantly to the Department of the Treasury’s review of Borrower’s (known as Eligible CDFIs (ECDFIs) within the Program) financial health and supports the CDFI Fund in proactively managing portfolio risks and performance surrounding Bond Loan repayment. The FCM Report is collected quarterly and it allows the BG Program to monitor and compare ECDFIs’ balance sheets, income statements and cash flows, and portfolio quality in a standard format. The FCM Report supports risk detection and mitigation, which are crucial activities for the long-term operation and viability of the BG Program.

The Pledged Loan Monitoring (PLM) Report adds significantly to the Department of the Treasury’s review of the use of Bond Loan Proceeds in underserved communities and supports the CDFI Fund in proactively managing portfolio risks and performance surrounding Bond Loan collateral. The PLM Report is a monthly report submission, allowing the BG Program to monitor the terms, payment performance and value of the underlying collateral (e.g., pledged loan receivables) for the Bond Loans on essentially a real-time basis. The PLM Report supports risk detection and mitigation, which are crucial activities for the long-term operation and viability of the BG Program.

The Annual Assessment adds significantly to the Department of the Treasury’s review of Qualified Issuer’s and ECDFI Borrower’s ongoing capacity to fulfill their programmatic roles and responsibilities including, but not limited to, maintaining their financial capacity and ensuring the integrity of their internal controls. The Annual Assessment is an annual submission, allowing the BG Program to monitor compliance with the Bond Guarantee Program Regulations and executed Bond Issuance documents. The Annual Assessment supports risk detection and mitigation, which are critical activities for the long-term operation and viability of the BG Program.

The BG Program Secondary Loan Commitment Form and Certification will enable the BG Program to monitor ECDFIs and their compliance with certain requirements of the Interim Rule, namely that ECDFIs and Secondary Borrowers must execute Secondary Loan documents (i) for 50 percent of the Bond Loan proceeds no later than 12 months after the Bond Issue Date (Year 1 Commitment Test), and (ii) for 100 percent of the Bond Loan proceeds no later than 24 months after the Bond Issue Date (Year 2 Commitment Test) per 12 CFR 1808.307(b). This information is essential to ensure compliance with programmatic requirements, mitigate risk, prevent Guarantees from being called and the Secretary of the Treasury from paying the obligation, and to protect taxpayer dollars.

The Tertiary Loan Monitoring (TLM) Report adds significantly to the Department of the Treasury’s review of the use of Bond Loan Proceeds in underserved communities and supports the CDFI Fund in proactively managing portfolio risks and performance surrounding certain Bond Loan collateral. The TLM Report is either a quarterly or monthly report submission, allowing the BG Program to monitor the terms, payment performance and value of the underlying collateral (e.g., tertiary pledged loan receivables for those approved CDFIs that are using the CDFI-to-Financing Entity Asset Class) for the Secondary Loans on essentially a real-time basis. The TLM Report supports risk detection and mitigation, which are crucial activities for the long-term operation and viability of the BG Program.

2. Method of collection and use of data

Qualified Issuer (QI) Application and Guarantee Application

The CDFI Fund collects the Qualified Issuer Application and Guarantee Application on annual basis upon the annual Congressional authorization to issue Guarantees for the BG Program. The BG Program staff uses all application materials to determine an applicant’s organizational expertise, experience and capacity to adhere to the requirements of the BG Program.

Financial Condition Monitoring (FCM) Report

ECDFIs submit the FCM Report to the BG Program’s Master Servicer via the Master Servicer’s web-based portal. Within the Master Servicer’s web-based portal, the BG Program’s Credit and Risk Management (CRM) staff analyze the FCM Report data for each ECDFI individually, within ECDFI asset size categories, and across the entire BG Program portfolio. Specifically, the CRM unit assesses financial and portfolio quality trends to ensure that ECDFIs remain capable of repaying the outstanding Bond Loan principal.

Pledged Loan Monitoring (PLM) Report

QIs administering approved Bond Issues and ECDFIs submit the Pledged Loan Monitoring (PLM) Report, for each ECDFI, to the BG Program’s Master Servicer via the Master Servicer’s web-based portal. The Master Servicer hosts all PLM Reports for each ECDFI on their web-based portal for the duration of the Bond Loan. The PMLM staff analyze the PLM Report data for each ECDFI individually across fiscal year cohorts and across the entire BG Program portfolio. Specifically, PMLM assesses delinquency trends, ensures that loan-to-value ratios remain adequate for the underlying assets of the collateral, reviews loan receivable balances, and analyzes lending patterns geographically and across asset classes.

Annual Assessment

QIs administering approved Bond Issues and ECDFIs submit the Annual Assessment report to the BG Program’s Master Servicer via the Master Servicer’s web-based portal. The BG Program’s Compliance Management and Monitoring (CMM) staff analyze the results of the Annual Assessment of the QIs and ECDFIs across fiscal year cohorts and across the entire BG Program portfolio. Specifically, CMM staff analyze each participant’s financial strength, portfolio management and servicing capability, management and governance policies, systems and information technology, and internal controls.

Secondary Loan Commitment Form and Certification of Secondary Loan Commitment Form

QIs administering approved Bond Issues and ECDFIs will submit the Secondary Loan Commitment Form and the Certification of Secondary Loan Commitment Form to the BG Program’s Master Servicer via the Master Servicer’s web-based portal. The BG Program’s CMM staff will review the submitted materials to conduct an assessment of the ECDFI’s ability to pass the Year 1 or the Year 2 Commitment Test.

Tertiary Loan Monitoring (TLM) Report

QIs administering approved Bond Issues and ECDFIs submit the Tertiary Loan Monitoring (TLM) Report, for each ECDFI, to the BG Program’s Master Servicer via the Master Servicer’s web-based portal. The Master Servicer hosts all TLM Reports for each ECDFI on their web-based portal for the duration of the Bond Loan. Data from the TLM Report is used to monitor the performance of pledged collateral for secondary loans that are in the CDFI-to-Financing Entity Asset Class, to ensure that required over collateralization for the Bond Loan is being maintained by loans pledged in this asset class.

3. Use of Information Technology

The CDFI Fund eliminated paper submission of all reporting information being collected for the BG Program. The Qualified Issuer Application and the Guarantee Application are submitted via the web through the Awards Management Information System managed portal at www.cdfifund.gov. The following reports are submitted by the ECDFIs and QIs via the Master Servicer’s web-based portal: the Financial Condition Monitoring (FCM) Report, the Pledge Loan Monitoring (PLM) Report, the Annual Assessment, and the Secondary Loan Commitment Form and Certification. The Tertiary Loan Monitoring (TLM) Report will also be submitted via the Master Servicer’s web-based portal. The Master Servicer Trustee manages their web-based portal and hosts these reports on their portal for the duration of the Bond Loan. The CDFI Fund evaluated the burden on utilizing this information technology for the aforementioned reports and found it to be the most efficient means available for the ECDFIs, QIs, and the BG Program staff. Collecting these reports via the Master Servicer’s web-based portal permits the ECDFIs to minimize reporting burden by retaining previously populated information for static data points from previous reports and only updating those data fields that change on a periodic basis. The BG Program participants pay the Master Servicer on a monthly basis. The CDFI Fund does not have a contractual relationship with the Master Servicer and the CDFI Fund does not pay the Master Servicer to access this information.

4. Efforts to identify duplication

All of the information requested in the Qualified Issuer (QI) Application and the Guarantee Application is required to evaluate an applicant’s ability to adhere to the requirements of the BG Program. The BG Program staff conducted a review of the reporting forms of other programs administered by the CDFI Fund and other Federal agencies to identify and eliminate duplication where possible. The BG Program staff also evaluated the public comments on the following forms to identify ways to eliminate the duplication of data collection through the CDFI Fund’s other information collection systems: the Financial Condition Monitoring (FCM) Report, the Pledge Loan Monitoring (PLM) Report, Tertiary Loan Monitoring (TLM) Report, the Annual Assessment, and the Secondary Loan Commitment Form and Certification. These forms are critical to assessing the ECDFIs and QIs compliance with the BG Program regulations and Bond and Bond Loan Documents.

5. Impact on small entities

This collection of information is not expected to have a significant impact on small entities. The BG Program application process includes an extensive review of an organization’s capacity to manage a number of requirements and responsibilities, including sufficient organizational capacity and experience to manage the reporting requirements outlined in the Bond Loan Agreement. Due to the fact that the BG Program application process includes an extensive review of each organization’s capacity to comply with post-award requirements up-front, BG Program staff expects that all Program participants possess the staff and knowledge capacity to complete the FCM PLM, and TLM Reports and possess the organizational infrastructure to undergo the Annual Assessment and Secondary Loan Commitment Form and Certification tests.

6. Consequences of less frequent collection and obstacles to burden reduction

The CDFI Fund will not be able to properly evaluate an applicant’s and a borrower’s ability to execute the BG Program’s requirements without this collection of data. The borrower’s monitoring reports (PLM, TLM, and FCM), Annual Assessment, and Secondary Loan Commitment Form and Certification test comply with the requirements of OMB Circular A-129 and the Final Interim Rule that governs the BG Program (12 C.F.R. 1808.307(b)). These reports, the Annual Assessment, and the Secondary Loan Commitment Form and Certification tests inform the CDFI Fund of changes in ECDFIs’ financial conditions; effectively manage portfolio risk and credit, add significantly to the Department of the Treasury’s review and outcome analysis on the current and proposed use of Bond Proceeds in underserved communities; and support the CDFI Fund in proactively managing regulatory compliance.

7. Circumstances requiring special information collection

Not applicable.

8. Consultation with Persons outside the Agency

Pursuant to the notice and request for comments published in the *Federal Register* on September 15, 2021, at 86 FR 51445, the CDFI Fund received detailed comments on the Secondary Loan Commitment Form and Certification. Tables 1 and 2 in Appendix 1 identify the commenters and comment summaries for the Secondary Loan Commitment Form and Certification.

9. Provision of payment to respondents

No payments or gifts will be made to respondents.

10. Assurance of confidentiality

The CDFI Fund is subject to all Federal regulations with respect to confidentiality of information supplied in the Qualified Issuer (QI) Application, Guarantee Application**,** FCM, PLM, TLM, Annual Assessment, and the Secondary Loan Commitment Form and Certification. The Qualified Issuer and the Guarantee Applications are submitted through the CDFI Fund’s Award Management Information System (AMIS). Access to the submitted Qualified Issuer and the Guarantee Applications is restricted to the applicant and their designated representatives through an authenticated and secure applicant profile. Access to the Qualified Issuer and Guarantee Applications are limited to the BG Program staff who are subject to all Federal regulations and completed annual privacy and cybersecurity training.

The FCM, PLM, TLM, Annual Assessment, and the Secondary Loan Commitment Form and Certification are submitted to the Master Servicer via the Master Servicer’s web-based portal. The ECDFIs and QIs have a contractual relationship with the Master Servicer and receive services from the Master Servicer to maintain these reports. The Master Servicer hosts all these reports for each ECDFI and QI on its web-based portal for the duration of the Bond Loan. Access to the Master Servicer’s web-based portal to submit these aforementioned reports is restricted to the QIs, the ECDFIs, and designated representatives of the QIs and ECDFIs through an authenticated and secure QI and ECDFI profile. The BG Program staff is granted access to these reports. BG Program staff are subject to all Federal regulations and complete annual privacy and cybersecurity training.

11. Justification of sensitive questions.

No sensitive personally identifiable information (PII) is collected.

12. Estimate of the hour burden of information collection.

**Bond Guarantee Program Application Materials**

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| **Information Collection**  | **No. Respondents**  | **No. Responses Per Respondent**  | **Annual Responses**  | **Hours Per Response**  | **Total****Burden**  |
| Qualified Issuer Application  | 20 | 1 | 20 | 240 | 4,800 |
| Guarantee Application  | 50 | 1 | 50 | 50 | 2,500 |
| Secondary Loan Requirement  | 20 | 1 | 20 | 50 | 1,000 |
| TOTALS  | 90 | 1 | 90 | 92.222 | 8,300 |

**Financial Condition Monitoring (FCM) Report - Estimated Reporting Burden**

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| **Responsible Party** | **Number of Respondents** | **No. of Responses Per Respondent** | **Number of Annual Responses** | **Hours Per Response** | **Total Burden** |
| ECDFI | 30 | 4 | 120 | 2 | 240 |
| QI | 10 | 4 | 40 | 1 | 40 |
| TOTALS | 40 | 4 | 160 | 1.666 | 280 |

**Pledged Loan Monitoring (PLM) Report - Estimated Reporting Burden**

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| **Responsible Party** | **Number of Respondents** | **No. of Responses Per Respondent** | **Number of Annual Responses** | **Hours Per Response** | **Total Burden** |
| ECDFI | 30 | 12 | 360 | 2 | 720 |
| QI | 10 | 12 | 120 | 1 | 120 |
| TOTALS | 40 | 12 | 480 | 1.666 | 840 |

**Tertiary Loan Monitoring (TLM) Report - Estimated Reporting Burden**

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| **Responsible Party** | **Number of Respondents** | **No. of Responses Per Respondent** | **Number of Annual Responses** | **Hours Per Response** | **Total Burden** |
| ECDFI | 10 | 12 | 120 | 2 | 240 |
| QI | 5 | 12 | 60 | 1 | 60 |
| TOTALS | 15 | 12  | 180 | 1.666 | 300 |

**Annual Assessment – Estimated Reporting Burden**

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| **Responsible Party** | **Number of Respondents** | **No. of Responses Per Respondent** | **Number of Annual Responses** | **Hours Per Response** | **Total Burden** |
| ECDFI | 30 | 1 | 30 | 2 | 60 |
| QI | 10 | 1 | 10 | 2 | 20 |
| TOTALS | 40 | 1 | 40 | 2 | 80 |

 **– Estimated Reporting Burden**

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| **Responsible Party** | **Number of Respondents** | **No. of Responses Per Respondent** | **Number of Annual Responses** | **Hours Per Response** | **Total Burden** |
| ECDFI | 30 | 1 | 30 | 4 | 120 |
| QI | 10 | 1 | 10 | 1 | 10 |
| TOTALS | 40 | 1 | 40 | 3.14 | 130 |

**All Forms – Estimated Reporting Burden**

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| **Form** | **Number of Respondents** | **No. of Responses Per Respondent** | **Number of Annual Responses** | **Hours Per Response** | **Total Burden** |
| Bond Guarantee Program Application Materials | 90 | 1 | 90 | 92.222 | 8,300 |
| Financial Condition Monitoring (FCM) Report | 40 | 4 | 160 | 1.666 | 267 |
| Pledged Loan Monitoring (PLM) Report | 40 | 12 | 480 | 1.666 | 800 |
| Tertiary Loan Monitoring (TLM) Report | 15 | 12 | 180 | 1.666 | 300 |
| Annual Assessment | 40 | 1 | 40 | 2 | 80 |
| Secondary Loan Commitment Form and Certification | 40 | 1 | 40 | 3.14 | 126 |
| TOTAL |  |  |  990 |  | 9,873 |

13. Estimate of total annual cost burden to respondents

There are no additional capital, start-up or ongoing operational, or maintenance costs associated with the information collection for the Bond Guarantee Program. No purchases of equipment or services are necessary to complete the Bond Guarantee Program Application Materials, the Financial Condition Monitoring (FCM) Report, the Pledged Loan Monitoring (PLM) Report, the Tertiary Loan Monitoring (TLM) Report, the Annual Assessment, and the Secondary Loan Commitment Form and Certification.

The following are the estimated personnel costs associated with completing the Application Materials and FCM Report, PLM Report, TLM Report, Annual Assessment and Secondary Loan Commitment Form and Certification. The Time Values are based on amounts per the Bureau of Labor Statistics (BLS).

**Bond Guarantee Program Application Materials – Estimated Annualized Cost Burden**

|  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- |
| **Affected Public** | **Number** **of Respondents** | **Number of Responses****Per** **Respondent** | **Total** **Annual Responses** | **Hours** **Per** **Response** | **Total** **Hours** | **Time****Value****(per****Hour)** | **Monetized****Burden** **Hours**  |
| Private Sector | 90 | 1 | 90 | 92.222 | 8,300 | $72.84[[2]](#footnote-3) | $604,572.00 |
| Total | 90 | 1 | 90 |  | 8,300 |  | $604,572.00 |
|  |  |  |  |  |

**Financial Condition Monitoring (FCM) Report - Estimated Annualized Costs to Respondents**

|  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- |
| **Affected Public** | **Number** **of Respondents** | **Number of Responses****Per** **Respondent** | **Total** **Annual Responses** | **Hours** **Per** **Response** | **Total** **Hours** | **Time****Value****(per****Hour)** | **Monetized****Burden** **Hours**  |
| Private Sector | 40 | 4 | 160 | 1.666 | 267 | $72.84¹ | $19,416.00 |
| Total | 40 | 4 | 160 |  | 267 |  | $19,416.00 |
|  |  |  |  |  |

**Pledged Loan Monitoring (PLM) Report - Estimated Annualized Costs to Respondents**

|  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- |
| **Affected Public** | **Number** **of Respondents** | **Number of Responses****Per** **Respondent** | **Total** **Annual Responses** | **Hours** **Per** **Response** | **Total** **Hours** | **Time****Value****(per****Hour)** | **Monetized****Burden** **Hours**  |
| Private Sector | 40 | 12 | 480 | 1.666 | 800 | $46.46[[3]](#footnote-4) | $36,368.00 |
| Total | 40 | 12 | 480 |  | 800 |  | $36,368.00 |

**Tertiary Loan Monitoring (TLM) Report - Estimated Annualized Costs to Respondents**

|  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- |
| **Affected Public** | **Number** **of Respondents** | **Number of Responses****Per** **Respondent** | **Total** **Annual Responses** | **Hours** **Per** **Response** | **Total** **Hours** | **Time****Value****(per****Hour)** | **Monetized****Burden** **Hours**  |
| Private Sector | 15 | 12 | 180 | 1.666 | 300 | $46.46[[4]](#footnote-5) | $13,932.00 |
| Total | 15 | 12 | 180 |  | 300 |  | $13,932.00 |

**Annual Assessment – Estimated Annualized Cost to Respondents**

|  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- |
| **Affected Public** | **Number** **of Respondents** | **Number of Responses****Per** **Respondent** | **Total** **Annual Responses** | **Hours** **Per** **Response** | **Total** **Hours** | **Time****Value****(per****Hour)** | **Monetized****Burden** **Hours**  |
| Private Sector | 40 | 1 | 40 | 2 | 80 | $46.46[[5]](#footnote-6) | $3,717.00 |
| Total | 40 | 1 | 40 |  | 80 |  | $3,717.00 |

**Secondary Loan Commitment Form and Certification – Estimated Annualized Cost to Respondents**

|  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- |
| **Affected Public** | **Number** **of Respondents** | **Number of Responses****Per** **Respondent** | **Total** **Annual Responses** | **Hours** **Per** **Response** | **Total** **Hours** | **Time****Value****(per****Hour)** | **Monetized****Burden** **Hours**  |
| Private Sector | 40 | 1 | 40 | 3.14 | 126 | $46.46³ | $5,854.00  |
| Total | 40 | 1 | 40 |  | 126 |  | $ 5,854.00 |

**All Forms – Estimated Annualized Cost to Respondents**

|  |  |
| --- | --- |
| **Form** | **Total Annualized Cost** |
| Bond Guarantee Program Application Materials | $604,572.00 |
| Financial Condition Monitoring (FCM) Report | $19,416.00 |
| Pledged Loan Monitoring (PLM) Report | $36,368.00 |
| Tertiary Loan Monitoring (TLM) Report  | $13,932.00 |
| Annual Assessment | $3,717.00 |
| Secondary Loan Commitment Form and Certification | $5,854.00 |
| TOTAL | $683,859.00  |

14. Estimate of annualized cost to the Government

Annual costs to the Government consist of the staff time associated with following up with applicants, reviewing and qualifying the applicants for approval, and reporting the results. Although consultant development costs are estimated at $15,000, it is not possible to accurately estimate the annualized cost to the Government of staff time due to variations in staff size, grades, and level of effort over the course of a given year.

15. Any program changes or adjustments

Per the Final Interim Rule that governs the CDFI BG Program, 12 C.F.R 1808.307(b), the BG Program is responsible for the review and outcome analysis on the current and proposed use of Bond Proceeds in underserved communities. The increase in burden associated with this revision to the CDFI BG Program information collections can primarily be attributed to the addition of one collection to enhance the BG Program’s ability to evaluate the use of Bond Proceeds. This additional collection is the Tertiary Loan Monitoring Report. This additional information collection increases the burden by 300 hours and the total estimated annualized costs by $13,932.00. Additionally, the burden has increase by 297 hours due to better estimates on the number of respondents for the various compliance reports.

The BP Program also made revisions to the applications to enhance clarity and the ability to more accurately assess applicants. The changes in the Qualified Issuer Application include requests to have applicants submit internal controls and policies and the most recent four years of audited financial statements and management letters. The changes in the Guarantee Application include requests to: submit the application conflict of interest policies; the number and average size of loans pledged as collateral to meet an overcollateralization requirement; the proposed net interest margin between the Bond Loan and the Secondary Loan interest rates; the certification of any Affiliates of a Controlling CDFI entity; explanation of how the Affiliate’s assets would be commingled in a bankruptcy estate; permission from other Federal Credit programs if a credit enhancement will be used from another Federal Credit program; four years of audited financial statements; and management letters for the Eligible CDFI and the third-party credit enhancement entity.

The total requested hours increases to 9,873 and the estimated annualized cost for all current and proposed information collections under this OMB Control Number will be $683,859.00.

16. Plans for information tabulation and publication

No information will be published. In keeping with Federal regulations and laws, confidential and proprietary information collected through the all Bond Guarantee Program materials associated with this Information Collection Request (ICR) will not be published.

17. Reasons for not displaying expiration date of OMB approval

Display of the OMB expiration date may cause confusion for the applicants and borrowers due to the different reporting timelines for information collections and long-term nature of the financial instrument. Therefore, the non-display of the OMB expiration date is requested.

18. Explanation of exceptions to certification statement

Not applicable.

**B. Collections of Information Employing Statistical Methods**

This section is not applicable.

**Appendix 1: The Bond Guarantee Program Secondary Loan Commitment Form and Certification Respondents and Comment Summary**

**Table 1: Secondary Loan Commitment Form and Certification Respondents**

|  |  |  |  |
| --- | --- | --- | --- |
| **No.** | **Organization Name** | **Organization Representative** | **Date Submitted** |
| 1 | Community Reinvestment Fund  | Frank Altman, Jennifer NovakLinnea Dockter  | November 15, 2021  |
| 2 | African American Alliance of CDFI CEOs | Lenwood V. Long, Sr. | November 15, 2021 |
| 3 |

|  |
| --- |
| Chicago Community Loan Fund  |

 | Calvin L. Holmes  | November 15, 2021 |

**Table 2: The Bond Guarantee Program Secondary Loan Commitment Form and Certification Comment Summary**

| **Organization** | **Comment** | **BG Program Response** |
| --- | --- | --- |
| Community Reinvestment Fund  | TLM Secondary Loan OC Calculation Tab:Over-collateralization requirement percentage should not be hardcoded for 125%. Over-collateralization template provides only the reporting feature as assessed and negotiated during the credit review process upfront or as waivers or amendments are being considered during the term of the facility. | The document is not hardcoded but rather it was locked during the PRA process to prevent editing. The document will be unlocked when users are completing the form and be able to reflect any negotiated overcollateralization rates.  |
| Community Reinvestment Fund | TLM Data Template Tab:We recommend that all collateral types on the Tertiary Loan Report be included as eligible collateral types consistent with the Secondary Loan Requirements. The current complete list includes:* Real estate
* Leasehold interests
* Machinery, equipment, and movables
* Cash and cash equivalents
* Accounts receivable
* Tertiary Loans receivable
* Letters of credit
* Inventory
* Fixtures
* Contracted revenue streams
* Principal Loss Collateral Provision
 | This comment is recommending a change to program policy related to tertiary collateral that will not be undertaken at this time. The form will allow for any collateral that is authorized under the Bond Documents. Currently there are only three types of collateral approved, owner occupied homes, commercial real estate, and multi family. If in the future there are additional types of collateral approved for Tertiary Loans then we will allow the ECDFI to add the additional types of collateral.  |
| Community Reinvestment Fund | TLM Data Template:Items H and I, Address 1, and Address 2: For small business loans, please clarify if address information should be left blank, as this blank is required to be blank for owner-occupied home mortgages.Item AC, Loan Financing Structure Type: Please provide additional details in the definitions for *Origination, Refinance – Origination and Refinance – Acquisition* to ensure Eligible CDFIs understand the distinguishing differences for each option.Item AN, Current LTV: The current guidance states, “Enter Current Loan to Value of this loan.” CRF recommends the definition to define the calculation of column T divided by column AM. This would then be a calculated field. | Items H and I: The address information for owner-occupied home mortgages is left blank to limit exposure to Personally Identifiable Information (PII). The CDFI Fund will determine if that approach should apply to small business loans on a case-by-case basis.Item AC: These terms are referenced in the applicable Bond Loan Agreement.Item AN: BGP requires the loan to value ratio at the time the loan was pledged in order to ensure program compliance; the purpose of the field is not to get a continuous update of the LTV ratio.  |
| Community Reinvestment Fund | TLM Loans Dropped from Prior Month:Items F and G, Address 1, and Address 2: For small business loans, please clarify if the address should be left blank for purposes of personal identifiable information.Item K: Reason for Drop: CRF recommends making this a standard drop-down field with the following categories: paid off, non-performing and other. | Items F and G, Address 1, and Address 2: BGP has updated the instructions to provide further clarity. Item K: BGP has updated the form accordingly.  |
| Update Community Reinvestment Fund | TLM Secondary Loans OC Calculation:Item D7, Tertiary Loans Unpaid Principal Balances (a): *The guidance currently states, “Enter the total sum of all current pledged tertiary loan balances from column T from the 'Data Template' tab*.CRF recommends a programmed link from the sum of unpaid balances on the Data Template tab to Item D7, Tertiary Loans Unpaid Principal Balances (a), on the Secondary Loans OC Calculation tab. A programmed link between these two identical cells will lead to fewer errors and report revisions.Item D8, Cash held in lieu of Tertiary Loans (b): *The guidance currently states, “Enter the amount from the 'Restricted Account' balance used to fulfill OC amount, if needed. If no funds were used to fulfill OC, then list as $0.”*CRF recommends Item D8 field be reported consistent with Bond Loan Overcollateralization Test (OC Test), in which all Required Overcollateralization Account (ROCA) funds that are in the account on the report period end date are included in the Bond Loan OC Test calculation. Please note this is consistent with standard operating procedures for the CRF co-hort of Eligible CDFIs since the inception of the Tertiary Loan Monitoring (TLM) reports since 2017.As further clarification, reporting the full amount of Restricted Cash Account, as permitted in the Escrow/Cash Management Agreement provides a complete picture of the total collateral (loans and cash) securing the Secondary Loan and provides for reporting consistency when reviewing and approving the release of the Net Excess Spread.Item D14, Required Overcollateralization rate (Tertiary Loan Report): CRF recommends, consistent with our Secondary Loan Report comment above, over-collateralization requirement percentage should not be hardcoded for 125%. Over-collateralization template provides only the reporting feature as assessed and negotiated during the credit review process upfront or as waivers or amendments are being considered during the term of the facility. | Item D7: BGP will take this comment under advisement but it is not feasible to update the form as suggested at this time due to how the data is transferred into BGP’s compliance and portfolio management system. This field cannot auto populate in order for the system to recognize it and import the data. Item D8: There are other Eligible CDFIs that have different terms approved and are not required to report the way that is suggested. For consistency amongst all participants in the Bond Guarantee Program, BGP will retain the current format. Item D14: The document is not hardcoded but rather it was locked during the PRA process to prevent editing. The document will be unlocked when users are completing the form and be able to reflect any negotiated overcollateralization rates.  |
| Community Reinvestment Fund | Guarantee Application: B-ID-6G Management Biographies: CRF recommends changing the title to Management Information. Based upon our experiences, management biography does not represent the extent of information required to provide a complete and thorough response to the due diligence needs when the instructions call for significantly more information. This change is being requested to aid the Qualified Issuers in coaching clients through the application process.B-ID-9B-Pipeline (History): Presently, the Eligible CDFI Application instructions do not include information, or a description of the B-ID-9B-Pipeline (History) template required to be populated for a complete submission.CRF recommends the following clarifications to the Pipeline (History) template: (i) the Eligible CDFI instructions specifically reference the excel workbook; (ii) clarify in the instructions that a 5- year period (vs. 3- year period) is required to be reported; and (iii) all Eligible CDFI lending is required – not just eligible Bond Guarantee Program lending activity.B-ID-9I Cumulative Financing Transaction: CRF recommends clarification in the Eligible CDFI Guarantee Application that information (i) reported only all eligible Bond Guarantee secondary and/or tertiary loans; (ii) historical data of 5 years is required and (iii) finally a distinction of the proposed asset classes.9H. Loan Portfolio by Risk Rating and Loan Loss Reserves: CRF recommends that the instructions clarify that a PDF of risk rating policies and procedures be allowed versus an excel format. The required excel format requires a significant amount of copying and pasting, which is busy work that does not add additional impact to assessing the credit quality of the Eligible CDFI or its assets. | B-ID-6G Management Biographies: BGP agrees to update the Guarantee Application accordingly and will re-title Management Biographies to Management Information. B-ID-9B-Pipeline (History): For underwriting purposes, BGP’s policy is to consider a 3-year pipeline history. We will consider and address this comment outside of this PRA process because this comment is outside the scope of the PRA process. B-ID-9I Cumulative Financing Transaction: We will consider and address outside of this PRA process because this comment is outside the scope of the PRA process. 9H: BGP needs this information in a standard format to conduct application analysis. The commenter’s suggestion would not ensure the information is reported to be BGP in a standard manner. |
| Community Reinvestment Fund | Bond Guarantee Program Improvements:Principal Collateral Loss Position (PCLP) Account within Trust Estate:History of Request for Additional Trust Estate Account: In recent years, Eligible CDFIs have requested to pledge Secondary Loans with LTVs greater than 80% for numerous reasons outlined below. In order to do so, Eligible CDFIs would be required to deposit cash into an account to meet Secondary Loan Eligibility Requirements and have it secured by a Deposit Account Control Agreement (DACA or provide a Letter of Credit (LOC)).Unfortunately, Eligible CDFIs have experienced considerable challenges and expense in acquiring either a DACA or LOC.CRF recommends a trust estate account for purposes of holding Principal Collateral Loss Provision (PCLP) in accordance with the Secondary Loan Requirements. PCLP as under current commercial lending practices.Having a program wide standard account and process for depositing a PCLP would assist ECDFIs in being able to utilize this feature of the Secondary Loan Requirements and pledge eligible collateral as needed.Reasons for Use:As the program matures, CRF has had an increasing need for collateral substitutions and/or temporarily pledging of loan collateral to fill an immediate need, until more permanent loan collateral becomes available. CRF has completed approximately $40 million in collateral substitutions for our last two fiscal years, and we are on track to do near that amount by the end of our second quarter for our current fiscal year.Examples of when an ECDFI has requested having a PCLP account include but are not limited to: unexpected payoffs tie up significant cash in the ROCA until the ECDFI can find suitable substitution collateral to pledge to BGP. At times, there can be significant time lapse due to construction, etc. In these instances, it is beneficial to maintain options to provide alternative collateral to manage Secondary Loan Eligibility in the form of PCLP.An ECDFI’s five-year draw period expiration is approaching, there are delays for their intended loan collateral to pledge, and the ECDFI can use this option by pledging temporary collateral that will later be swapped out when their permanent pledged loan is available. Please note that in instances like this timing is key.CRF has received nearly 10 Secondary Loan Eligibility requests to be able to fund a PCLP within the trust estate, that met these guidelines. As the Bond Guarantee Program matures, we see this need arising more often. We believe a systematic and standardized protocol would aid in the efficiency and ensuring appropriate security and control for the bondholder and guarantor. | Regarding all comments falling under Bond Guarantee Program Improvements: while this is outside the scope of the PRA, BGP will take these suggestions into consideration in the future.  |
| Chicago Community Loan Fund  |

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| The Bond Guarantee Program (Program) could significantly improve reporting by aligning its requirements with standard industry practices and building off of existing documentation that financial institutions already produce. This will help reduce redundancy and duplication of efforts to obtain information that already exists in a separate format.  |

 | BGP tries to match as closely as possible to industry standards, but there are instances where specific reporting requirements are necessary to ensure compliance with Bond Guarantee’s program requirements and regulations.  |
| Chicago Community Loan Fund  |

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| The current reporting requirements significantly increase the cost of capital from the Program due in large part to added staff labor needed to complete the necessary reports in a prompt and accurate fashion, which ultimately hinders this Program’s intended purpose of providing an affordable and reliable source of funding. The initial years of participation in the Program are particularly difficult for CDFIs who are new to the program, as a plethora of unintended consequences and costs exist, including extensive training on unique and often rigid programs and systems and the required opening of more than a dozen new bank accounts of which the CDFIs have little to no control, all of which necessitates the hiring of additional accounting and consultancy services in order to maintain compliancy with the Program. Of course, this all comes at the expense of the CDFI. These unforeseen costs undercut the ability of CDFIs to deploy capital to help those who are most in need in a timely fashion.  |

 | Reporting requirements for the BGP participants are required to ensure compliance with program requirements, which are mandated by program statute, regulations and/or OMB Circulars.  |
| Chicago Community Loan Fund  | We believe that substantive changes to the underwriting process, particularly the Pledged Loan Monitoring (PLM) requirements, can significantly improve the efficiency of the Program. Current PLM requirements create an undue burden on participants by requiring an individual to manually update each loan and provide unique delinquency documentation in a manner which is solely useful to the CDFI Fund when this same information could be derived from a delinquency report that is more broadly applicable. Once the PLM is submitted, participants are required to complete a detailed questionnaire and then reiterate the same information submitted via e-mail on a monthly phone call, which we would propose be changed to a quarterly review.  | While this is outside the scope of the PRA, BGP will take these suggestions into consideration.  |
| African American Alliance of CDFI CEOs | In addition, to access to the CDFI Bond Program several of our members noted the costs to maintain and effectively meet the reporting requirements is another barrier to program access. The costly reporting requirements significantly increase the cost of capital from the Bond Guarantee Program and deter this program’s intended purpose of providing an affordable and reliable source of funding. The first few years of participation in the Bond Program are particularly costly and difficult for CDFIs new to the program, as there are several unanticipated costs such as, extensive training on unique and often rigid programs and systems. In order to maintain the Bond program’s federal compliance requirements a CDFI must hire additional staff and consultants that are familiar with the accounting processes. The unexpected costs hinder the ability of CDFIs to release capital to those in the community that are in dire need.  | Reporting requirements for the BGP participants are required to ensure compliance with program requirements, which are mandated by program statute, regulations and/or OMB Circulars.  |
| African American Alliance of CDFI CEOs | The Alliance applauds the Bond Program’s efforts in reviewing reduction of paperwork for the program. It is critical that the Tertiary Loan Monitoring (TLM) Report mirror the standard reporting requirements that financial institutions are most familiar. The reduction in paperwork for CDFIs is most beneficial, as noted above the federal compliance requirements for the Bond Program have unintentionally brought on additional costs. This report should aim to strike a balance of mitigating risk for the federal lender (the Bond Program) while maintaining ease of use for the CDFI. For example, the Bond Program could consider reviewing in detail their approach to collateralization requirements for CDFIs as well as the associated paperwork.  | The TLM reports mirrors standard reporting requirements where practicable; however, the collection of certain data is necessary to effectively monitor performance relative to specific BGP requirements |

1. Authorized under The Small Business Jobs Act of 2010, [Pub. L. 111-240](https://www.law.cornell.edu/rio/citation/Pub._L._111-240), §§ 1134 and 1703 [↑](#footnote-ref-2)
2. Bureau of Labor Statistics, Mean Hourly Wage. May 2020, http://www.bls.gov/oes/current/oes113031.htm. Mean Hourly Wage was reported as $72.84. [↑](#footnote-ref-3)
3. Bureau of Labor Statistics, Mean Hourly Wage, May 2020, <http://www.bls.gov/oes/current/oes132051.htm>. Mean Hourly Wage was reported as $46.46. [↑](#footnote-ref-4)
4. Bureau of Labor Statistics, Mean Hourly Wage, May 2020, <http://www.bls.gov/oes/current/oes132051.htm>. Mean Hourly Wage was reported as $46.46. [↑](#footnote-ref-5)
5. Bureau of Labor Statistics, Mean Hourly Wage, May 2020, <http://www.bls.gov/oes/current/oes132051.htm>. Mean Hourly Wage was reported as $46.46. [↑](#footnote-ref-6)