



## **CSBS NASCUS CDFI Letter 8.25.25**

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Heather Hunt

Program Manager, Office of Compliance Monitoring and Evaluation (OCME)  
CDFI Fund

United States Department of the Treasury  
1500 Pennsylvania Ave NW  
Washington, D.C. 20220

Dear Ms. Hunt:

The Conference of State Bank Supervisors (“CSBS”) [1](#) and the National Association of State Credit Union Supervisors (“NASCUS”) [2](#) (collectively, “state regulators”) write to express our support for Community Development Financial Institutions (“CDFIs”) and share our concerns about the proposed changes to the Certification of Material Events Form (“Material Events Form” or “Form”). [3](#) This proposed reporting requirement would inappropriately require insured depository institutions to share confidential supervisory information (“CSI”) with the CDFI Fund, violating applicable state and federal laws pertaining to CSI. It would also undermine the purpose of the Fund, which is to expand economic opportunities for underserved people and communities by supporting the growth and capacity of CDFIs. [4](#)

The new Material Events Form provisions allow the CDFI Fund, in its sole discretion, to terminate a CDFI’s certification if its composite CAMELS rating drops below a “2”, or if it receives any negative or adverse finding by the appropriate Federal Banking Agency. [5](#) These provisions are unjustifiable on both legal and practical grounds.

State and federal laws prohibit the disclosure of CSI, including composite CAMELS ratings and exam findings, to non-prudential regulators. [6](#) The CDFI Fund is not a prudential regulator, and nothing in the CDFI Fund’s authorizing statutes requires disclosure of CSI

related to CDFI depositories. In fact, Section 116 of the Community Development Banking and Financial Institutions Act directly prohibits the Fund from requiring CDFIs to disclose examination reports. [7](#) Instead, the Fund is required to consult directly with the appropriate Federal Banking Agency regarding safety and soundness or supervisory concerns when deciding whether to provide assistance to a specific CDFI. [8](#) Notably, there is no mention of safety and soundness considerations in connection with certification decisions. [9](#) The term “consult” is unambiguous: the CDFI Fund can discuss with the Federal Banking Agencies, but cannot access CSI.

The revised Form’s reporting standard also means routine supervisory action may trigger a “material event.” [10](#) While adverse findings are meaningful, they generally do not pose an immediate threat. These supervisory findings are intended to improve operational performance and enhance risk management at regulated financial institutions. They are a vital supervisory tool, the confidentiality of which should not be compromised for non-prudential purposes. In fact, CDFI Fund implementing statutes explicitly disclaim any ability for the Fund to affect the supervisory or regulatory authority of the Federal Banking Agencies. [11](#) Leveraging all supervisory findings as “material events” violates this construct and could trigger draconian consequences for CDFI-certified financial institutions and have the unintended effect of compounding any underlying weaknesses. Consultations with the Federal Banking Agencies regarding the safety and soundness of a CDFI are a more appropriate gauge of risk to the CDFI Fund, consistent with the federal statute that established the Fund and applicable federal and state laws governing CSI.

State regulators are directly impacted by the unauthorized disclosure of both Federal Banking Agency and state exam reports. States share their exam reports and may carry out joint examinations with the Federal Banking Agencies, who often adopt state work for alternating exams. The CSI contained in joint examination reports belongs to both the state and the federal regulator, meaning disclosure requires the consent of both agencies. State laws generally prohibit the sharing of these reports and the information contained within the reports except under explicit, limited circumstances. [12](#)

Approximately 60% of financial institution CDFIs are state-chartered entities, [13](#) and as a result, the new Material Events Form disclosure requirement would almost certainly involve unauthorized disclosure of information derived from state exam reports.

State regulators strongly encourage Treasury to eliminate these provisions from the Material Events Form because they exceed the CDFI Fund’s authority, violate state and federal law, and needlessly penalize the underserved communities and financial institutions that the CDFI Fund was created to support.

We appreciate your prompt attention to this matter and look forward to continued engagement to make our financial system stronger, more efficient, and more resilient.

Sincerely,

Brandon Milhorn  
President and CEO  
CSBS

Brian Knight  
President and CEO  
NASCUS

## Endnotes

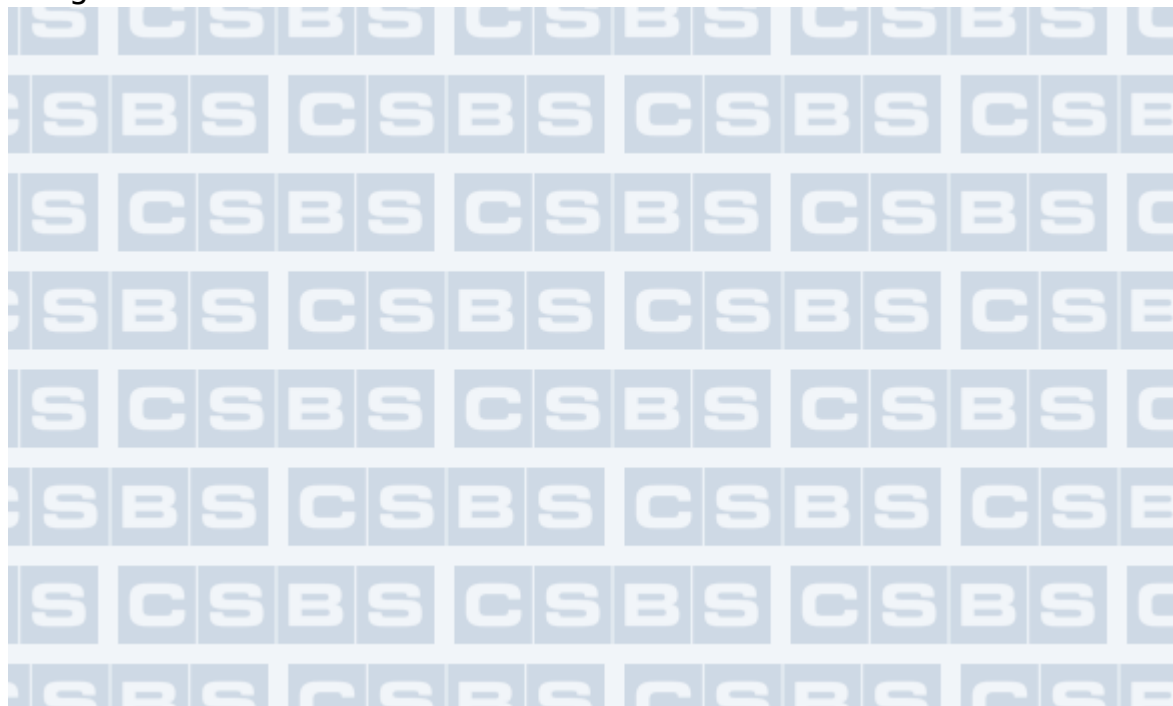
- <sup>1</sup>CSBS is the nationwide organization of state banking and financial regulators from all 50 states, the District of Columbia, and the U.S. territories.
- <sup>2</sup>NASCUS is the professional association of the nation’s 46 state credit union regulatory agencies that charter and supervise over 1,800 state-chartered credit unions. NASCUS membership includes state regulatory agencies, state- and federally-chartered credit unions, and other important industry stakeholders. State-chartered credit unions hold over half of the \$3 trillion assets in the credit union system and are proud to represent nearly half of the 142 million members. The remaining states lack state-chartered credit unions.
- <sup>3</sup>CDFI Fund, U.S. Dept. of Treasury, [Notice of Information Collection and Request for Public Comment](#), 90 Fed. Reg. 26902 (June 24, 2025); CDFI Fund, U.S. Dept. of the Treasury, [Certification of Material Events Form \(For Comment\)](#) (June 24, 2025).
- <sup>4</sup>CDFI Fund, [About Us](#) (accessed Aug. 25, 2025).
- <sup>5</sup>See line 41 on the Material Events Form. *Supra* note 3, at 9.
- <sup>6</sup>FDIC, [FIL-13-2005](#) (Feb. 28, 2005); 12 C.F.R. § 261.22. *See also*, Ga. Comp. R. & Regs. 80-12-4-.09, N.Y. Comp. Codes R. & Regs. tit. 3 § 7.2, Minn. Stat. § 46.07, and 7 Tex. Admin. Code § 3.111.
- <sup>7</sup>12 U.S.C. § 4715(c).
- <sup>8</sup>12 U.S.C. § 4707(f).
- <sup>9</sup>12 U.S.C. § 4702.
- <sup>10</sup>CDFI banks must notify the CDFI Fund if it receives “any negative or adverse finding” from a federal banking agency. *Supra* note 5.
- <sup>11</sup>12 U.S.C. § 4707(h).
- <sup>12</sup>3 N.Y.C.R.R. § 7.2, *supra* note 6.

- [13](#)CDFI Fund, [List of Certified CDFIs](#) (as of June, 2024).

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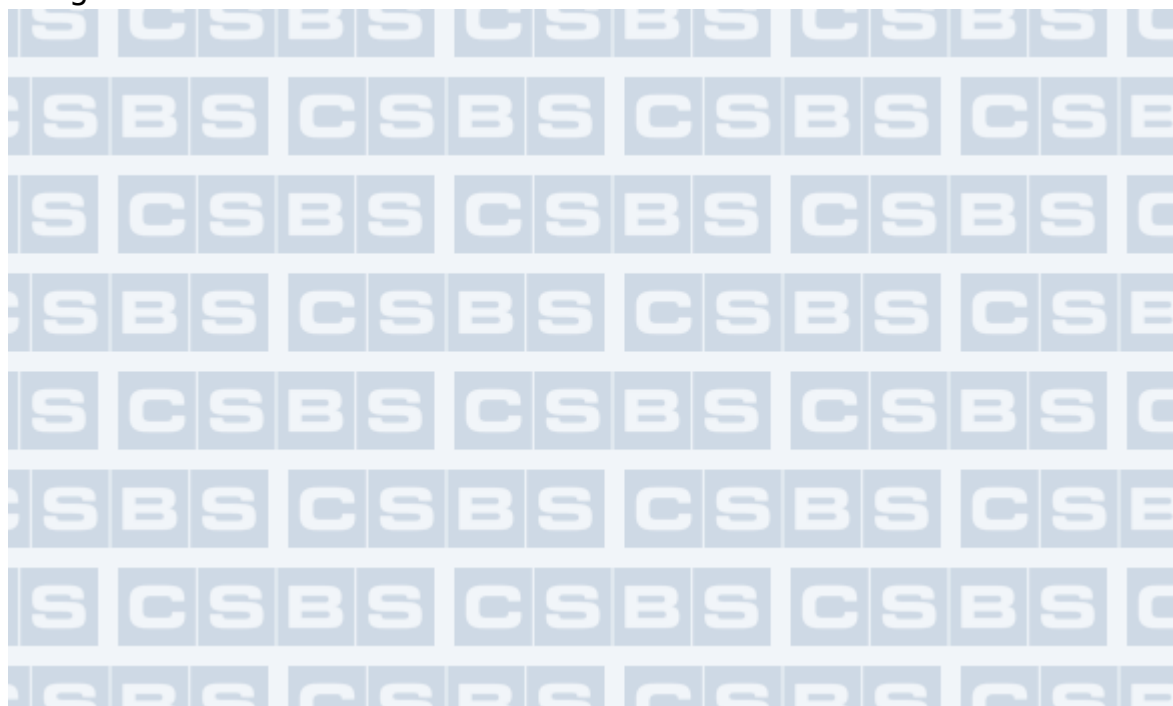
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