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National Association of Federally-Insured Credit Unions

December 5, 2022

U.S. Environmental Protection Agency
1200 Pennsylvania Avenue, NW
Washington, DC 20460

RE: Request for Information – Greenhouse Gas Reduction Fund (Docket ID No. EPA-HQ-OA-2022-0859)

Dear Sir or Madam:

On behalf of the National Association of Federally-Insured Credit Unions (NAFCU) and the nation's credit unions, I urge the Environmental Protection Agency (EPA) to permit credit unions, including Community Development Financial Institution (CDFI) credit unions, to obtain funds as indirect recipients under the Greenhouse Gas Reduction (GHGR) Fund to support greenhouse gas emissions and air pollution reduction projects that will benefit low-income and disadvantaged communities. Credit unions already serve many low-income and disadvantaged communities across the country, are sophisticated lenders with strong underwriting practices, and are committed to helping support their members' efforts to fight the impacts of climate change as many credit unions offer green loans and support energy efficiency projects in their communities. Credit unions are also highly regulated, federally- and state-supervised financial institutions that put people over profits because they are established as not-for-profit, member-owned cooperatives. Accordingly, community lenders like credit unions are best positioned to assist the EPA in achieving the statutory mission of the GHGR Fund grant program. The EPA should reject the idea of a single, national "green bank" recipient of these funds and instead rely on existing community-based lenders like credit unions to effectively execute the intent of the GHGR Fund.

General Comments

The Inflation Reduction Act of 2022 added new Section 134 to the Clean Air Act to establish the GHGR Fund grant program to offer competitive funding to support zero-emission technologies and funds for financial and technical assistance for projects that reduce or avoid greenhouse gas emissions and other forms of air pollution, especially in projects in low-income and disadvantaged communities.[1] Although credit unions do not qualify as an "eligible recipient" of direct investment of the funding, credit unions may obtain indirect investment under Section 134(b)(2) as not-for-profit, community- and low-income-focused lenders, along with partner

[1] Pub. L. No. 117-169, § 60103, 136 Stat. 1818, 2065-67 (2022).

nonprofits and credit union service organizations (CUSOs) that support the credit union mission of offering affordable financial products and cultivating financial strength in the communities they serve.

Credit unions are established and chartered under the Federal Credit Union (FCU) Act or their relevant state chartering laws and subject to regulation and supervision by the National Credit Union Administration (NCUA) and/or their state supervisory authority. Credit unions are also subject to the consumer financial protection laws and regulations overseen by the Consumer Financial Protection Bureau (CFPB) and those credit unions over $10 billion in assets are also examined by the CFPB. Credit unions are generally risk-averse institutions that pride themselves on working through a relationship banking model that always puts consumers' interests first.

Historically, credit unions emerged as mission-focused cooperatives offering financial products to financially underserved areas. Credit unions are statutorily limited in their fields of membership; chartered as single common bond, multiple common bond, or community-based institutions; and focus on developing products and services that suit the unique needs of their communities. CDFI credit unions are formed by low- and moderate-income individuals, predominantly in communities of color, to meet the needs of their members. CUSOs are organizations that are owned in whole or in part by credit unions and provide certain financial services primarily to credit unions or credit union members and are subject to regulation and oversight by the NCUA.[2] CUSOs embody the cooperative nature of the credit union movement by helping credit unions reach larger audiences within their fields of membership to offer products and services that the individual credit union owners may not have the resources to provide on their own.

The vast network of credit unions and their partners are prepared to mobilize billions of dollars on their balance sheets to support this effort to promote clean energy and reduce greenhouse gas emissions. CDFI credit union groups are already deeply involved in this GHGR Fund process and are eligible and equipped to receive grant monies to quickly deploy the capital to credit unions in the form of technical and financial assistance grants to the credit unions or directly to borrowers through (1) grants to reduce the purchase cost of the greenhouse gas emissions reduction investment (e.g., an electric vehicle loan, solar panel loan, or green loan to finance the purchase of energy-efficient appliances); (2) interest rate subsidies to reduce financing costs; and (3) loan guarantees to creditors to reduce risk and expand the availability of loanable funds. Credit unions have a strong track record of offering green and clean energy-focused lending and hundreds of credit unions currently have dedicated green loan products, including solar loans and electric vehicle loans. For example, in the past 12 months alone, participants in the Inclusiv/UNH Solar Finance Training Program have invested more than $2.24 billion in green loans to facilitate a transition to clean energy in low- and moderate-income and BIPOC communities, specifically through loan products and technical assistance.

[2] *See* 12 C.F.R. 712.

Moreover, some of NAFCU's members have already established an eligible non-profit organization, Ecority, through a consortium of credit unions and CDFI credit unions that are ready and willing to assist the EPA in dispersing funds to communities that have historically lacked access to credit. The safe, government-backed, and low-risk loan origination and servicing platform that such an organization is equipped to establish for the use of any credit unions and CDFI credit unions interested in participating will allow for the efficient distribution of funding benefits from the GHGR Fund. CUSOs may also partner with an EPA-eligible recipient and such a consortium of credit unions and CDFI credit unions to offer low-cost liquidity to an expanded market of low-income consumers. As the credit unions and CDFI credit unions that would use the consortium-established platform are already highly regulated depository financial institutions, all applicable consumer financial protection laws and lending laws will be complied with from the onset and no ramp-up process would be necessary.

The best vehicle through which to disperse GHGR Fund monies is credit unions and their partners, including CUSOs. The EPA has broad authority to determine the types of non-profit entities that meet the requirements of "eligible recipient" in Section 134(c)(1) and the indirect recipients that may receive funding under Section 134(b)(2). Credit unions are not-for profit organizations and low-income-focused lenders that undoubtedly fall within the scope of entities contemplated as indirect recipients in Section 134(b)(2), and NAFCU would like to underscore the importance of bringing credit unions into this process along with their wealth of experience as community-based, cooperative lenders. A diverse set of indirect recipients will ensure that the long-term success of the GHGR Fund does not depend solely on nonprofit 501(c)(3) organizations' ability to negotiate with Wall Street and private capital.

NAFCU urges the EPA to reject the proposal of a single, national "green bank" for the distribution of the GHGR Fund monies as this entity would not have the reach, diverse and inclusive relationships, and specialized knowledge and competency to create a foothold in the communities that credit unions and CDFI credit unions are already serving. A single entity recipient would lack familiarity with local markets, potentially expose the GHGR Fund to more concentrated risk, and lack the inclusivity necessary to make this program a success. A single recipient might also lack accountability to the communities that are most in need of access to this capital to support the reduction of greenhouse gas emissions. Instead, the EPA should adopt a community lender, communities first approach and engage community lenders like credit unions as indirect recipients of the available funding in the GHGR Fund. Credit unions and CDFI credit unions are the key to the effective management of and distribution of funding from the GHGR Fund.

Definition of Low-Income Communities

In defining "low-income" and "disadvantaged" communities, the EPA should rely upon existing statutory definitions that are currently applicable to financial institutions that focus on lending to these communities. Relying on existing definitions will reduce regulatory burden for community lenders that already meet the low-income definitions of other government agencies. For example, the NCUA's regulations define low-income members in a low-income designated credit union as those who earn 80 percent or less than the median family income or total median earnings for individuals for the metropolitan area where they live, or the national metropolitan area, whichever is greater.[3]

Additionally, the CDFI Fund defines "low-income" as "income, adjusted for family size, of not more than: (1) For Metropolitan Areas, 80 percent of the area median family income; and (2) For non-Metropolitan Areas, the greater of: (i) 80 percent of the area median family income; or (ii) 80 percent of the statewide non-Metropolitan Area median family income."[4] The EPA should adopt a definition that uses similar, Census-based geographic units as the basis for assessing area income and which recognizes the focus of the $8 billion made available in Section 134(a)(3) specifically for projects that benefit low-income and disadvantaged communities. The EPA should seek to create uniformity with federal statutory definitions and the definitions used by federal financial regulators as this will minimize the potential for conflicting and confusing standards and most accurately reflect the communities intended to be served.

Credit Unions are Best Positioned to Serve as Indirect Recipients

Leveraging the existing network of community financial institutions that focus on serving underserved populations will best assist the EPA in establishing new avenues for capital access with funding benefits from the GHGR Fund. There is no need to recreate the robust financial services structure already in place, where depository institutions are subject to a panoply of consumer financial protection laws and have the experience and compliance programs in place to effectively manage lending of this magnitude. Credit unions already track loan-level underwriting, another critical element to ensure the appropriate amount of financial assistance is fairly allocated to applicants. Working within the existing structure will reduce transaction costs associated with obtaining the funds, eliminate barriers to access of funds, and allow lenders to utilize their existing programs and processes to support projects to install technologies that reduce greenhouse gas emissions and other air pollutants.

Credit unions also have a proven track record of serving low-income and disadvantaged communities, and actively seek to serve these communities whereas other institutions have retreated from these areas. By extending research originally published by the Federal Reserve, NAFCU has found that between 2012 and 2019, community banks decreased rural branches by 5 percent and large banks decreased rural branches by 19 percent, while credit unions grew their branch presence in rural areas by 2 percent over that span.[5] The EPA should avoid calls to divert

[3] *See* 12. C.F.R. 701.34(a)(2).
[4] 12 C.F.R. 1805.104.
[5] *See* NAFCU, Report on Credit Unions, 18 (2020), available at https://www.nafcu.org/sites/default/files/2020%20NAFCU%20Annual%20Report%20on%20Credit%20Unions.pdf;

the majority of funding to a single, national green bank as such an entity would likely seek to lever the grant money with private capital from big Wall Street banks that do not have the same community focus and mission as credit unions, essentially opening the door for additional terms and conditions and pricing that would make the monies less accessible to the borrowers that need it most. This levering process would also essentially cut out small, community-based lenders entirely and forego an opportunity to directly pass on the grant money from EPA-eligible entities to community lenders to immediately deploy to borrowers in the form of green loans. A single, national green bank would also likely rely on fintech companies instead of partnering with traditional community lenders to disperse the funds to communities. NAFCU has repeatedly called for enhanced federal supervision of fintech companies because these institutions pose risks to consumers and the financial system.

On the other hand, credit unions are trusted, insured, and highly regulated and supervised financial institutions that are accountable to the communities they serve and are the best choice for assisting the EPA in offering communities in need access to the funding benefits from the GHGR Fund. Credit unions are also better able to make use of these funds to provide ongoing benefits to their communities as the loan money can revolve at a much higher rate, as compared to leveraging private capital, resulting in the ability to offer even more access to credit to support greenhouse gas emissions reduction projects.

NAFCU also continues to advocate for additional changes to the statutory limitations on credit unions' fields of membership so that they can expand their relationship-based, mission-focused approach to banking to more consumers in underserved areas. Specifically, NAFCU has been supportive of the Expanding Financial Access for Underserved Communities Act, S. 4879 and H.R. 7003, which would expand the ability of FCUs to add underserved areas to their fields of membership. The proposed bill would also provide that an underserved area includes an area that is more than 10 miles from the nearest branch of an insured depository institution. NAFCU supports this legislation as it would not only improve access to consumer financial services but would also make it easier for credit unions to offer critical member business loans to small businesses in underserved communities.

Credit unions, CDFI credit unions, and CUSOs integrated with an EPA-eligible recipient will provide the most effective means of (1) leveraging capital; (2) ensuring compliance with consumer financial protection laws and lending laws, including but not limited to the Equal Credit Opportunity Act, Fair Credit Reporting Act, Truth in Lending Act, and Servicemembers Civil Relief Act; (3) offering accountability that encourages public trust; and (4) establishing a frictionless process that cuts out middlemen to quickly deliver low-cost efficient lending and servicing across the nation. The EPA should rely on community lenders like credit unions and avoid establishing any additional regulatory oversight or compliance requirements that may only frustrate the

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see also Board of Governors of the Federal Reserve, "Perspectives from Main Street: Bank Branch Access in Rural Communities" (Nov. 2019), https://www.federalreserve.gov/publications/november-2019-bank-branch-access-in-rural-communities.htm process and objective of reaching underserved communities to facilitate greenhouse gas reduction programs. The EPA should also not bog down the grant process with an endless list of grant agreement criteria as that would inevitably make it more challenging for community lenders with limited resources like credit unions to work with their EPA-eligible recipients and only serve to create a competitive advantage for larger recipients.

Conclusion

Thank you for your consideration and we look forward to working with you to help credit unions access this critical funding to support greenhouse gas reduction projects that will benefit the low-income and disadvantaged communities that credit unions serve. If we can answer any questions or provide you with additional information on any of these issues, please do not hesitate to contact me at 703-842-2212 or apetros@nafcu.org.

Sincerely,

Ann C. Petros
Vice President of Regulatory Affairs