



3138 10th Street North
Arlington, VA 22201-2149
703.522.4770 | 800.336.4644
f: 703.524.1082
nafcu@nafcu.org | nafcu.org

National Association of Federally-Insured Credit Unions

June 5, 2023

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

RE: Greenhouse Gas Reduction Fund – Clarification on the Design Elements of the Implementation Framework

Dear Administrator Regan:

On behalf of the National Association of Federally-Insured Credit Unions (NAFCU) and the nation’s credit unions, I am following-up on our prior letter of May 12, 2023, regarding several major potential design problems concerning the implementation of the Greenhouse Gas Reduction Fund (GHGR Fund or Fund). NAFCU advocates for all federally-insured not-for-profit credit unions that, in turn, serve over 135 million consumers with personal and small business financial services products. Although these design problems are a major concern for credit unions, including Community Development Financial Institution (CDFI) credit unions, these problems also apply across the board to all lending institutions, including green banks and other types of community organizations that provide loans and financial support to borrowers and local communities.

As explained below, NAFCU and its members are concerned that these design problems—if not adequately addressed in the upcoming Notice of Funding Opportunity (NOFO)—could significantly impair the effectiveness of the GHGR Fund to the detriment of the American people, particularly those in low-income and minority communities. To that end, we urge that the upcoming NOFO for the GHGR Fund clearly reflect the following design elements for how the grant program works under the National Clean Investment Fund (Investment Fund).

Make Explicit That the Investment Fund Allows Eligible Grant Recipients to Make Direct and Indirect Investments

As provided in the proposed EPA framework issued on April 19, 2023, the Investment Fund is expressly limited to only direct investments. This means that the two or three national nonprofits to whom EPA plans to award grant funding under the Investment Fund will only be allowed to use that funding for direct investments by providing financial assistance directly to qualified clean energy projects. By contrast, these national nonprofits could very likely be barred from providing

any amount of the grant funding to credit unions, green banks, and other types of community lenders. This outcome would effectively preclude these lending institutions from receiving funding as indirect recipients and thereby place an unrealistic burden on the few eligible recipients to deploy billions of dollars directly without the assistance of the established network of thousands of existing non-profit financial institutions.

As a result, the proposed framework would impair the ability of EPA to achieve the core goals of the Fund to provide financial assistance to borrowers—particularly those in low-income and minority households, as expressly authorized under the statute. Although several possible ways have been identified for fixing this underlying structural problem, the simplest and best way to do so is to restructure the proposed Investment Fund so that grant recipients can make both direct investments and indirect investments as authorized by section 134(b) of the Clean Air Act (CAA).

Clarify How the Statutory Prohibition Against Taking Deposits Applies to Grant Applicants

CAA section 134(c)(1)(B) bars grant applicants from receiving funding if they have “take[n] deposits other than deposits from repayments and revenue received from financial assistance provided using grant funds” under the GHGR Fund. This statutory requirement raises important threshold questions on whether and how any existing non-profit intermediary can receive grant funding if they have had prior experience in making loans and providing other types of financial assistance that have resulted in those intermediaries taking deposits and receiving revenue generated from those prior loans or other financial activities unrelated to those allowed under the GHGR Fund.

It also raises important questions regarding the eligibility of newly-formed lending organizations that were established to assure compliance with this requirement but may be required by the EPA to demonstrate a track record and proven capacity based on past activities. NAFCU urges the EPA to resolve this critically important threshold issue in an equitable and even-handed manner that does not exclude or diminish the ability of these newly-formed entities from receiving grant funding based on their efforts to comply with the explicit statutory requirements for eligibility.

Conclusion

Thank you for your prompt attention to these matters. Quickly resolving these issues is important to ensure the effectiveness of the GHGR Fund and its ability to facilitate rapid deployment of qualified clean energy projects that can reduce greenhouse gas emissions and deliver benefits to low-income and disadvantaged communities, while fully leveraging financing and capital to stimulate further deployment of additional clean energy projects in our local communities. NAFCU is committed to ensuring that credit unions are able to assist their communities through access to the GHGR Fund and is confident that credit union participation, to the fullest extent possible, will benefit consumers and best fulfill the intended goal of the GHGR Fund as enacted by Congress.

U.S. Environmental Protection Agency

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If I 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,

A handwritten signature in black ink, appearing to read "Ann C. Petros". The signature is fluid and cursive, with the first name "Ann" and last name "Petros" clearly legible.

Ann C. Petros

Vice President of Regulatory Affairs