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Capital for Communities –  
Opportunities for People®

February 3, 2014

U.S. Securities and Exchange Commission  
100 F Street, NE  
Washington, D.C. 20549

Re: JOBS Act, Proposed Rule for Title III Crowdfunding

Dear Rulemaking Staff:

We appreciate the opportunity to comment on the SEC's Proposed Rule for Title III Crowdfunding published in the Federal Register on October 23, 2013.

The Jumpstart Our Business Startups (JOBS) Act was passed with an explicit goal to “increase American job creation and economic growth.” Community Reinvestment Fund, USA (CRF) is a national nonprofit Community Development Financial Institution (CDFI) with a mission to improve lives and strengthen communities through innovative finance. As the first CDFI to issue rated securities collateralized by community development assets we have first-hand experience adapting capital markets tools and techniques to finance revitalization activities in communities outside the economic mainstream. It is in this context that we write to urge the SEC to implement rules for Crowdfunding that will promote this goal and allow domestic mission-driven capital efficiently and safely to reach the low-income, low-wealth communities where job creation and economic growth are needed most.

As one of only two CDFIs that currently offer the SBA 7(a) loan product nationally, CRF is particularly interested in how these new Crowdfunding rules will enable underserved small business borrowers (minorities, women, and veterans) and those located in low-income communities to raise equity capital and/or subordinated debt. Often these borrowers cannot qualify for an SBA loan without additional equity or subordinated debt. The JOBS Act rules have the potential to unleash additional credit resources to support the expansion of our small business sector and create more jobs by addressing the equity/subordinate debt gap so many small companies face.

To ensure an opportunity for CDFIs and their borrowers to participate in the new Crowdfunding marketplace, the SEC should carefully weigh requirements placed on both issuers and so-called Funding Portals that operate with a focus in the domestic community development finance sector. This sector operates with low margins – indeed most entities operating in the sector rely on various sources of subsidy, either direct or indirect, to do the hard work of strengthening poor neighborhoods and low-wealth households. It should be noted that CDFIs have extensive experience underwriting a wide variety of loans under sophisticated federal programs, such as the Low Income Housing Tax Credit, New Markets Tax Credit, and the new CDFI Bond Guarantee Bond Program. CDFIs' expertise to underwrite to commercially reasonable standards enables these lenders to comply with complex rules and regulations that afford significant protections for investors participating in this new marketplace.



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While we appreciate the need for appropriate oversight, we ask that the SEC work with the CDFI industry to develop safeguards or mechanisms to protect investors without burdening Funding Portals with significant operating or issuance costs that would ultimately be passed on to the issuer. We anticipate most of mission investment offerings will consist of low-yield debt. Finding ways to ensure adequate investor protection without incurring additional costs not anticipated in the JOBS Act could determine whether CDFIs and their borrowers will be able to utilize the new Crowdfunding marketplace and gain access to a critical new source of capital.

We encourage the SEC to promulgate final rules for Crowdfunding that allow the many CDFIs across the country efficiently to access this new source of capital with its great potential for underserved neighborhoods. CDFIs are U.S. Treasury-certified, mission-driven financial institutions with track records of providing responsible, affordable financing that creates jobs and drives economic development in underinvested communities all across the country. CDFIs and the communities they serve need more patient, flexible, mission-driven capital. The growing number of individuals seeking mission-investing opportunities demonstrates a missing marketplace for local community- and impact-focused finance. If crafted appropriately, the rules will allow CDFIs and the communities they serve to utilize Crowdfunding to raise much-needed capital while introducing supplementary investor protections, creating a safe and robust Crowdfunding market.

The SEC is charged with fulfilling the intended goals of the JOBS Act, and we urge the Commission to work with the CDFI industry to develop rules that allow these innovative lenders to mobilize capital for underinvested neighborhoods, while maintaining strong investor protections, and creating a fair and orderly market.

Thank you for your consideration. Please do not hesitate to contact me with questions regarding our comments included in this letter.

Sincerely,

A handwritten signature in blue ink, appearing to read "Frank Altman".

Frank Altman  
President and CEO