

July XX, 2026

Office of Management and Budget
Office of Federal Financial Management
725 17th St NW,
Washington, DC 20503

Re: Proposed Rule on Regulation for Federal Financial Assistance

To Whom It May Concern:

Opportunity Finance Network (OFN) respectfully submits the following comments in response to the Office of Management and Budget (OMB)'s government-wide proposed changes to the regulation for federal financial assistance, its Uniform Guidance (hereafter "Guidance"), which would have significant consequences across all applicants for and recipients of federal financial assistance.

About OFN

OFN is the nation's leading network and intermediary focused on community development investment, managing over \$1 billion in total assets and a membership of more than 490 community development financial institutions (CDFIs). OFN's membership includes community development loan funds, credit unions, banks, and venture capital funds, many of whom leverage federal financing through the CDFI Fund, the Small Business Administration (SBA), the Department of Housing and Urban Development (HUD), and the U.S. Department of Agriculture (USDA).

OFN members channel capital into low- and moderate-income (LMI) communities. Since its founding in 1986, OFN members have originated \$136 billion in financing, helping to create or maintain more than 3.8 million jobs, start or expand more than 1.2 million businesses and microenterprises, and support the development or rehabilitation of nearly 3 million housing units and more than 16,000 community facility projects in rural, urban, and Native communities across the United States. With cumulative net charge-off rates near one percent, OFN members lend prudently and productively in LMI communities.

OFN is a certified CDFI, a Qualified Issuer of the CDFI Fund's Bond Guarantee Program (BGP) Program and a recipient of the Financial Assistance awards. Since 2014, OFN has cumulatively originated nearly \$1 billion through the BGP, resulting in affordable long-term financing for educational facilities in rural and distressed markets at no direct cost to taxpayers.

CDFIs are low-risk, high-impact intermediaries with a proven ability to deploy federal resources efficiently while maintaining strong financial performance. OMB's approach to oversight should reflect this demonstrated performance and community impact.

OFN Comments



We share the Administration's interest in ensuring that federal funds are deployed in compliance with applicable law. OFN appreciates the objectives of the proposal to promote transparency, accountability, and integrity in federal financial assistance. However, we have significant concerns that several major provisions would substantially increase administrative burden, reduce funding certainty, and give federal agencies broad discretionary authority that could undermine the effectiveness of federal programs without producing corresponding improvements in program integrity.

OFN's primary concerns are that the proposal:

- significantly increases compliance costs without commensurate gains in program integrity;
- introduces broad and subjective agency discretion that undermines predictability;
- relies on vague and undefined standards that increase legal and operational risk; and
- applies a one-size-fits-all framework across diverse federal programs instead of relying on agency- and program-specific solutions that support existing accountability frameworks like the CDFI certification process.

Several major provisions of the proposal use vague language, impose disproportionate compliance burdens, grant agencies and political appointees overly broad and subjective discretion in award review and monitoring, and create legal and operational uncertainty that could have unintended consequences for capital access and economic activity in the communities that federal programs are intended to serve. The proposed rule, as written, may result in OMB exercising pre-emptive authority over individual agencies.

A *balanced* oversight framework is possible. A framework that reduces tax-payer funded waste and reinforces strong programmatic outcomes should still allow for federal government's partners, like CDFIs, to flexibly work on the ground to advance Administration priorities such as financing for affordable housing, small businesses, and rural investments. Federal financial assistance programs are most effective when recipients operate under clear, predictable, and consistent rules. Instead of top-down blanket solutions, there are tailored programmatic solutions, like supporting the CDFI certification process for CDFIs, that can better address OMB's accountability concerns.

OFN Supports Several Proposed Improvements

OFN supports several provisions in the proposed rule that strengthen the administration of federal financial assistance while maintaining appropriate flexibility for recipients. These provisions promote transparency, competition, and program integrity without imposing significant additional administrative burdens on recipients.

Specifically, OFN supports the proposal to:

- Clarify that additional audits may only be imposed when expressly authorized by statute, providing recipients with greater certainty regarding oversight expectations and helping ensure that additional audit requirements are applied consistently across agencies.



- Encourage the use of multi-year awards, which provide recipients with greater funding stability and improve long-term planning for programs that require sustained investment. For CDFIs, multi-year awards better align with the long-term nature of lending, affordable housing development, technical assistance, and community development activities.
- Require discretionary funding opportunities to be publicly announced through Grants.gov, absent statutory exceptions or agency-head approval. Open competition improves transparency, expands access to federal funding opportunities, and helps ensure that qualified applicants have equitable opportunities to compete for federal resources.
- Require Notices of Funding Opportunity (NOFOs) and application materials to be written in plain language. Clear and understandable application requirements reduce unnecessary administrative burden, improve applicant compliance, and make federal funding more accessible, particularly for smaller community-based organizations with limited administrative capacity.
- Clarify that faith-based organizations may participate in federal financial assistance programs on the same basis as other eligible entities, consistent with longstanding principles of nondiscrimination and equal access to federal programs.

Collectively, these provisions improve the administration of federal financial assistance by promoting fairness, transparency, and accountability while preserving the flexibility recipients need to successfully carry out statutory program objectives. OFN encourages OMB to prioritize similar reforms throughout the Guidance—those that strengthen stewardship of federal resources without creating unnecessary compliance costs or uncertainty for recipients.

Increased Compliance Burden Diverts Resources from Community Investment

Conversely, several provisions of the Guidance raise significant concerns. The proposal would substantially increase documentation, reporting, and administrative requirements in numerous areas. Among other changes, we are concerned by the Guidance's attempt to:

- eliminate fixed-amount awards except where required by statute;
- require more extensive payment documentation;
- increase required documentation related to allowable costs;
- require additional certifications and reporting concerning subawards;
- increase required documentation relating to outreach, training, and technical assistance; and
- narrow allowable activities unless they demonstrate direct statutory nexus.

New compliance requirements necessitate ongoing investments in legal review, internal controls, and monitoring systems. The transition to lengthier and more bureaucratic processes that rely on cost-reimbursement funding, elongated review processes, increased documentation, invoicing, and recordkeeping will significantly increase the costs of compliance.



These increased costs shift resources away from core functions like lending, product development, and technical assistance toward legal review and compliance.

The proposed requirements impose an unnecessary compliance burden on CDFIs who are working in the most distressed areas with thin margins. CDFIs operate under a community-first model that prioritizes access to affordable credit over profit maximization. They frequently offer below-market financing, serve non-conventional borrowers, and provide technical assistance alongside lending, all of which increase operating costs while limiting revenue. As a result, CDFIs, especially smaller CDFIs, typically do not maintain large operating margins or have buffer administrative capacity. With the support of critical government programs, CDFIs typically leverage each dollar of federal funding into approximately eight dollars of private capital, amplifying the impact of public investment. The added compliance costs would only decrease the efficiency of government funding and lower this leverage ratio.

Compliance Uncertainty to Lead to Unintended Consequences

OFN is particularly concerned with several provisions in the proposed Guidance that introduce unnecessary uncertainty and subjectivity into the administration of federal financial assistance. Certain provisions expand agency discretion and rely on broadly defined standards, reducing the predictability and consistency that recipients need to responsibly administer federal awards, leverage private capital, and successfully carry out statutory program objectives. The provisions of particular concern will:

- authorize agencies to add, modify, or remove award conditions throughout the period of performance based on evolving assessments of recipient "risk"
- preserve appeal rights for traditional noncompliance determinations but not necessarily for discretionary terminations or similar adverse actions; and
- introduce a new layer of senior political review into the merit review process.

The Guidance significantly broadens agencies' authority to terminate awards, impose new conditions during performance, or determine recipient eligibility using vague or subjective standards. Vesting agencies with broad discretion to eliminate grants for vague reasons such as "meeting agency priorities" or "the federal government's interest" makes it exceedingly difficult for recipients to successfully administer federal awards and leverage private resources.

We are also concerned that adding senior political review may introduce subjectivity into the merit review process and thereby increase uncertainty regarding award decisions. Federal financial assistance programs are most effective when applicants understand that awards are evaluated using objective statutory and regulatory criteria. Introducing additional layers of discretionary political review may slow award decisions and reduce confidence that awards will be administered consistently across administrations.

Moreover, because past performance and compliance history frequently influence future award eligibility, discretionary findings could affect recipients well beyond a single award while providing limited opportunity to challenge agency determinations. It is unclear whether allegations, investigations, or unresolved enforcement matters could negatively affect eligibility even when there are no evidential findings of wrongdoing. Because federal awards often



depend upon recipients' ability to demonstrate strong compliance histories, these provisions could create significant uncertainty without adequate procedural protections. OFN urges OMB to retain objective, clearly defined standards governing termination and special award conditions and preserve meaningful administrative appeal rights whenever agency actions may affect future funding eligibility.

The significant uncertainty jeopardizes the many programs that depend upon long-term financial planning. CDFIs cannot prudently originate loans, commit financing to affordable housing developments, capitalize revolving loan funds, or make multi-year investments if funding may be withdrawn based upon shifting agency priorities rather than objective compliance standards. Programs administered by the CDFI Fund, SBA, HUD, USDA, and other agencies support multi-year lending strategies, capitalization efforts, technical assistance, affordable housing development, and community investment initiatives that require stable funding commitments, certainty, consistency of expectations, and clear compliance obligations.

One of CDFI industry's strengths is the ability to leverage federal awards with private investments, philanthropic capital, and debt financing. Investors and lenders make commitments based on the reasonable expectation that federal awards will remain available throughout the period of performance. Increased compliance uncertainty—particularly where requirements may be subject to evolving interpretations or prolonged legal disputes—may lead investors to pull back from CDFIs, decreasing the availability of private capital. CDFIs would have little choice but to reduce lending, rely more heavily on legal review, delay time-sensitive financing, and avoid more complex transactions involving layered capital stacks. The downstream effect would be reduced lending for affordable housing, small businesses, manufacturing, rural communities, veterans, and other hard to reach populations.

Federal financial assistance oversight should be grounded in a balanced assessment that recognizes both the importance of accountability and the substantial public value generated by the vast majority of federal award recipients, rather than assuming systemic wastefulness across programs or institutions. CDFIs have a long and well-documented track record of delivering capital effectively in underserved markets while maintaining strong financial performance, including consistently low net charge-off rates, strong balance sheets, and growing net assets. This performance reflects prudent underwriting, disciplined portfolio management, and deep knowledge of the communities they serve. In addition, key federal partnership tools, such as the CDFI Bond Guarantee Program, have demonstrated that CDFIs can deploy significant volumes of capital in support of community development with no loss to taxpayers, underscoring the program's effectiveness as a low-risk, high-impact federal investment.

Taken together, this history of impact and financial stability demonstrates that CDFIs are not inherently high-risk recipients, but rather strong intermediaries capable of efficiently deploying federal resources while leveraging substantial private capital to expand access to credit in underserved communities. The Guidance should therefore prioritize consistency, transparency, and objective standards over broad discretionary authority. If the Guidance is to be truly uniform, it should limit politicized review processes that produce inconsistent expectations across the federal government.



Vague Language Increases Liability Without Improving Community Outcomes

The Guidance requires adherence to policies that increase the scale of potential exposure, particularly when tied to broadly defined and evolving legal standards, creating a level of risk that is difficult for federal awardees to manage. Increased compliance uncertainty, especially one that is subject to an ongoing, fluid, and potentially prolonged legal dispute, may lead CDFIs to reduce lending. The combined impact of allowing for excessive, politicized discretion over the award process with the proposal's vague language increases CDFIs' reliance on legal review while delaying time-sensitive financing in deals involving layered capital stacks and tight closing timelines. Even perceived shifts in compliance standards can slow underwriting, shrink deal pipelines, and limit participation in higher-impact transactions, ultimately reducing the effectiveness of capital deployment.

For example, the Guidance makes updates to conflict-of-interest and disclosure standards to allow agencies to consider an applicant's "affiliations" with organizations engaged in activities that violate Federal law, undermine public safety or national security, or advocate for the overthrow of the U.S. Government. Similarly, agencies would be permitted to evaluate an applicant's history of financial mismanagement, fraud, or other "questionable practices" as part of award decisions, along with a broad set of risk factors including financial capacity to manage high-dollar awards, overall financial stability, prior performance, compliance with foreign disclosure requirements, and affiliations with organizations engaged in illegal or other broadly defined disqualifying activities.

While OFN supports strong safeguards against fraud, waste, and abuse, these provisions lack sufficient definition and risk inconsistent interpretation across agencies and administrations. Terms such as "affiliations," "questionable practices," and "undermine public safety" are not clearly defined and could be applied in ways that extend beyond substantiated findings of wrongdoing. It is unclear whether allegations, investigations, or unresolved enforcement actions without evidentiary findings could negatively affect eligibility or award decisions, including across unrelated federal programs.

OFN is particularly concerned that this ambiguity could result in the use of subjective or unverified information to disqualify otherwise eligible CDFIs from federal funding opportunities. Determinations based on "questionable practices" or loosely defined affiliations could vary significantly depending on the interpreting agency, creating inconsistency and uncertainty in award administration. OFN urges OMB to ensure that any such considerations are limited to documented, substantiated findings of fraud, material noncompliance, or demonstrated financial mismanagement, and that clear evidentiary and procedural standards govern any adverse determinations.

Second, the proposed programmatic restrictions related to DEI and DEIA activities would require agencies and pass-through entities to ensure that federal awards are not used to support practices that violate Federal anti-discrimination laws. While OFN supports compliance with applicable civil rights laws, the proposal does not provide sufficient clarity on how these restrictions would be interpreted or applied in practice.



In addition, the scope and meaning of certain DEI-related definitions and restrictions are currently the subject of ongoing litigation and evolving agency interpretation across the federal government. As courts and agencies continue to address the boundaries of what constitutes impermissible “DEI” activity in federally funded programs, there is not yet a consistent or settled standard governing application of these concepts. This unsettled legal landscape increases the likelihood of inconsistent implementation across agencies and creates additional uncertainty for recipients attempting to comply with federal requirements in real time. Absent clearer regulatory definitions and harmonized guidance, these provisions could create ambiguity for recipients operating in good faith compliance with existing statutory and regulatory frameworks, increasing the risk of inconsistent enforcement and unintended liability exposure.

Finally, the proposed clarification of nonprofit eligibility requirements would require Notices of Funding Opportunity to specify applicable Internal Revenue Code designations (such as 501(c)(3)) and explicitly exclude other nonprofit categories not listed, such as 501(c)(4) organizations. OFN recommends caution in applying categorical exclusions without regard to the functional role of eligible organizations. Not all 501(c)(4) organizations are advocacy-oriented, and some may engage in community development or public benefit activities similar to other nonprofit entities. A more appropriate approach would be to define eligible activities and prohibit the use of federal funds for lobbying or other restricted purposes, rather than broadly excluding entire categories of nonprofit organizations.

Collectively, these provisions introduce ambiguity into key eligibility and award decision-making standards, increasing the risk of inconsistent interpretation across agencies. OFN encourages OMB to replace vague or subjective terminology with clearly defined, objective criteria that rely on documented findings and established due process protections to ensure consistent and fair administration of federal financial assistance programs.

One-Size-Fits-All Approach is Overbroad and Overinclusive

The Guidance is structured as a government-wide regulation that would be broadly applicable across all federal agencies and all forms of federal financial assistance, regardless of target markets, geographies, or program purpose. This one-size-fits-all approach fails to recognize the unique statutory purposes, risk profiles, and operating models of programs such as those administered by the CDFI Fund, SBA, and HUD. A more tailored approach would preserve agencies’ ability to exercise programmatic expertise while avoiding the imposition of unnecessary liabilities and compliance burdens on recipients.

OFN supports strong oversight of recipients of federal financial assistance and shares the goal of ensuring that federal resources are directed to qualified, impactful institutions that effectively serve statutory program purposes. However, OFN believes that program integrity is most effectively achieved through clear, objective eligibility standards and robust front-end certification processes, rather than expanded post-award discretion or broadly applied compliance requirements that treat all programs as though they present the same risks.

For CDFIs, the CDFI certification process already serves as a rigorous and effective mechanism for promoting accountability and safeguarding taxpayer resources. Institutions seeking



certification must demonstrate that they meet statutory eligibility requirements, including a primary mission of community development, accountability to defined target markets, and engagement in financing activities that serve underserved communities. Certification also requires governance standards that ensure accountability to community stakeholders, as well as detailed reporting and documentation regarding financial activities and portfolio composition. Importantly, certification is not a one-time determination; certified CDFIs remain subject to ongoing reporting, compliance monitoring, and recertification, and may be decertified if they no longer meet program requirements.

This structure provides a meaningful safeguard against bad actors entering or remaining in the CDFI ecosystem while allowing the CDFI Fund and other relevant agencies to apply subject-matter expertise in evaluating eligibility based on objective statutory and regulatory criteria. In practice, it promotes transparency and accountability without imposing unnecessary administrative burden on all participants.

Rather than layering additional government-wide compliance requirements or expanding discretionary authority across federal financial assistance programs, OMB should build upon these existing certification and eligibility frameworks. Agencies with programmatic expertise including the CDFI Fund, SBA, HUD, and USDA are best positioned to identify program-specific risks, evaluate applicant qualifications, and distinguish between institutions with strong community development track records and those that do not meet program standards.

Rather than expanding discretionary termination authority or adding layers of post-award uncertainty, the federal government should focus on strengthening the effective and timely administration of existing federal financial assistance programs through closer collaboration with awarding agencies. OFN encourages OMB to work with agencies to improve the speed and consistency of award disbursement, ensure that funds are apportioned and deployed in a timely manner, and address operational bottlenecks that can delay implementation. In many cases, delays in obligation and disbursement stem less from recipient performance issues than from internal agency capacity constraints, including staffing limitations, outdated systems, and complex internal approval processes. Strengthening agency staffing capacity, investing in modernization of grants management systems, and improving coordination across program offices would have a more immediate and measurable impact on program effectiveness than expanding compliance burdens on recipients. A more collaborative approach between OMB and administering agencies would help ensure that federal resources reach communities more efficiently while preserving strong accountability standards.

Potential Negative Impacts on Housing Finance

CDFIs are often the primary providers of capital for borrowers and projects that cannot access conventional financing, including first-time homebuyers and affordable housing developments in underserved markets. In FY2024 alone, CDFI Program awardees supported more than



45,000 affordable housing units¹, and across the industry, tens of thousands of additional units are financed each year.

In affordable housing, CDFIs routinely employ place-based investment strategies to address documented gaps in access to credit, particularly in low-income, rural, and persistently underinvested communities. These projects often rely on complex, layered capital stacks that include tax credits, local subsidies, and private investment and operate on tight closing timelines. But uncertainty regarding how longstanding, place-based approaches may be interpreted under evolving federal compliance standards threaten to slow project pipelines or deter participation in these structures. A CDFI may face uncertainty in financing a first-time homebuyer participating in targeted technical assistance or community-based programs, leading to more conservative underwriting decisions despite otherwise sound credit fundamentals.

Even modest increases in compliance risk can have outsized effects by delaying closings, increasing transaction costs, or reducing overall capital availability, ultimately limiting housing production and reducing the impact of federal investment.

Potential Negative Impacts on Rural Communities

CDFI lending and investment activities are grounded in objective measures such as income, persistent poverty, access to credit, and economic distress. Such approaches have long been central to federal policy design. From 2019 to 2023, in rural communities alone, OFN member CDFIs financed \$14 billion, supporting small businesses, housing, agriculture, and community facilities. This financing created more than 11,800 affordable housing units and over 233,000 jobs, including nearly 147,000 in small businesses.

Policies that introduce ambiguity into these frameworks may have broad-based effects across underserved communities, including those defined by geography, economic isolation, and limited access to capital. For example, in rural Bell County, Kentucky, a metal fabrication company received financing and technical support from a member CDFI that targets products, training and services to Southeastern Kentucky community members, and uses federal capital to do so. Today, the company supports local jobs, serves coal-dependent communities across eastern Kentucky, and has earned state and national Rural Excellence Awards from the SBA. Under the OMB proposal, projects like this could be threatened because it would be unclear to CDFIs whether the targeted support and assistance they provide would unknowingly implicate them under vague prohibitions in the Guidance.

In many rural regions and smaller communities, CDFIs are among the only consistent providers of financing for housing, small businesses, and community facilities. Any reduction in institutional participation or increased caution in underwriting may have disproportionate effects in these areas, where alternative sources of capital are limited.

Conclusion

¹ US Department of the Treasury, Community Development Financial Institutions Fund, *CDFI Program FY 2024 Award Book* (2024) https://www.cdfifund.gov/sites/cdfi/files/2024-12/FY2024_CDFI_Program_Award_Book.pdf accessed 27 March 2026.



OFN appreciates OMB's efforts to strengthen accountability, transparency, and integrity in federal financial assistance. However, the Uniform Guidance succeeds only when it provides recipients with consistent expectations, objective standards, and sufficient flexibility to accomplish statutory purposes.

CDFIs play a vital role in advancing federal priorities by efficiently deploying capital into communities that would otherwise lack access to financing. Requirements that introduce uncertainty may unintentionally slow capital deployment, reduce participation in federal programs, and dampen economic activity in the very markets these programs are designed to support. The OMB proposal imposes an undue compliance burden and creates excessive liability that is not proportional to the effectiveness of the proposal in reducing discrimination.

We are grateful for the opportunity to submit this comment. For questions, please contact Susie Han Vice President, Regulatory Affairs at shan@ofn.org or me at dwilliams@ofn.org.

Sincerely,

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Opportunity Finance Network