

UNITED STATES
DEPARTMENT OF
THE TREASURY



Community Development Financial Institutions (CDFI) Fund

CDFI Fund Certification and Programs

Central Appalachia Community
Investment Forum Series
October 2009

Agenda



- **CDFI Fund Overview**
- **CDFI Fund Certification**
- **CDFI Fund Programs**
- **Resources and Contact Information**

CDFI Fund Overview



The mission of the CDFI Fund (The Fund) is to expand the capacity of financial institutions to provide credit, capital, and financial services to underserved populations and communities in the United States.

CDFI Fund Overview



The CDFI Fund achieves its mission by supporting **Community Development Financial Institutions (CDFIs)**, **Community Development Entities (CDEs)**, and **other financial institutions** through the following programs and initiatives:

- **Certification Programs (CDFI and CDE)**
- **CDFI Programs - Financial Assistance (FA) and Technical Assistance (TA)**
- **Native Initiatives**
- **New Markets Tax Credit (NMTTC) Program**
- **Bank Enterprise Award (BEA) Program**
- **Financial Education and Counseling (FEC) Pilot Program (October 2009)**
- **Capital Magnet Fund (FY 2010)**

CDFI Fund Certification



What is a certified CDFI?

– Types of Certified CDFIs:

- Insured Depository Institutions (banks and thrifts)
 - Depository Institution Holding Companies
 - Insured Credit Unions
 - Loan Funds (non-profit and for-profit)
 - Venture Capital Funds
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- Average asset size of depository institution CDFIs is \$32 million.
 - Average asset size of non-depository institution CDFIs is \$21 million.

CDFI Fund Certification



How is an organization certified as a CDFI?

A certified CDFI is a for-profit or not-for-profit entity that meets the following requirements:

- Is a **Legally-existing** entity
- Has a **Primary Mission** of Community Development
- Is predominantly a **Financing Entity**
- Provides **Development Services** in conjunction with financing
- Principally serves a **Target Market**
- Is **Accountable** to the Target Market
- Is a **Non-governmental Entity**

CDFI Fund Certification



What is a certified CDE?

A certified CDE is a domestic corporation or partnership that is an intermediary vehicle for the provision of loans, investments or financial counseling in “Low-Income Communities” (LICs).

How is an organization certified as a CDE?

A certified CDE is a for-profit or not-for-profit entity that meets the following requirements:

- Is a legal entity
- Has a primary mission of serving or providing investment capital for LICs or Low-Income Persons
- Is accountable to residents of the LICs that it serves

CDFI Fund Programs



CDFI Program: Financial Assistance (FA)

A **FA grant** allows a CDFI to leverage private capital to respond to demand for affordable financial products and services in economically distressed markets and by low-income families.

- Requires non-federal Matching Funds

Category I: Small & Emerging CDFI Assistance (SECA)

- Generally younger and/or smaller in asset size
- Award request maximum: \$500,000

Category II: Core

- All applicants that do not qualify for SECA category
- Generally older, larger CDFIs
- Award request maximum: \$2 million

CDFI Fund Programs



CDFI Program: Technical Assistance (TA)

A **TA grant** allows a CDFI or an entity proposing to become a CDFI to build its capacity to serve its Target Market.

- Does not require Matching Funds
- Can be requested to help become certified as a CDFI
- *Award request maximum: \$100,000*

CDFI Fund Programs



Native Initiatives

- Provides technical and financial assistance awards using appropriations earmarked by Congress for CDFIs serving Native communities.
- Maximum FA Award Amount: \$500,000
- Maximum TA Award Amount: \$150,000

CDFI Fund Programs



New Markets Tax Credit Program

- Provides a credit against Federal income taxes for investors that make Qualified Equity Investments (QEIs) into Community Development Entities (CDEs).
- CDEs in turn use the proceeds of these investments to make make Qualified Low-Income Community Investments (QLICIs).
- QLICIs include, among other things, investments in businesses and real estate projects in low-income communities (LICs).

CDFI Fund Programs



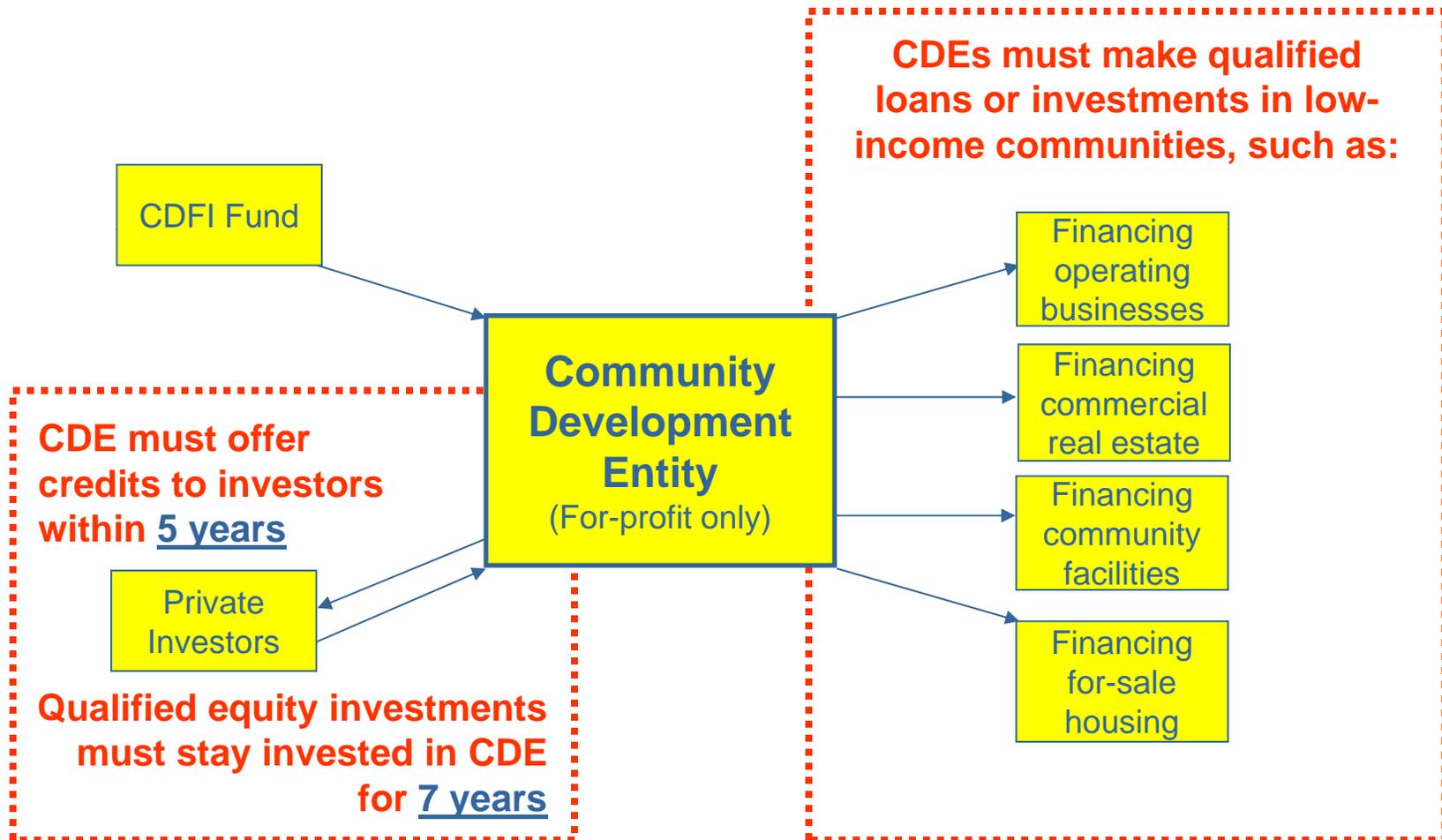
A Typical Qualified Active Low Income Community Business (QALICB) is:

- An operating business located in a LIC
- A business that develops or rehabilitates commercial, industrial, retail and mixed-use real estate projects in a LIC
- A business that develops or rehabilitates community facilities, such as charter schools or health care centers, in a LIC
- A business that develops or rehabilitates for-sale housing units located in LICs

CDFI Fund Programs



How NMTC Works:



CDFI Fund Programs



Bank Enterprise Award (BEA) Program

- Provides awards to insured depository institutions for engaging in lending, investment and service activities to CDFIs or to economically distressed communities.
- Rewards actual increases in the dollar volume of qualified activities, with a statutory funding priority for CDFI Related activities.

CDFI Fund Programs



BEA Funding Priorities:

1. **CDFI-Related Activities**: Grants, equity-like loans, investments, loans, deposits, or technical assistance to certified CDFIs (“CDFI Partners”).
2. **Distressed Community Financing Activities**: Loans or investments for affordable home mortgages, affordable housing development, education, small businesses, and commercial real estate development in BEA distressed communities.
3. **Service Activities**: Deposits, financial services (e.g., money orders), electronic transfer accounts, individual development accounts, or community services provided to residents of BEA distressed communities.

CDFI Fund Programs



BEA Distressed Communities are census tracts with:

- Geographic requirement:
 - A total population of at least 4,000 if near a MSA with a population of 50,000 or greater
 - A population of at least 1,000 if no portion is located near a MSA
 - Located within an Indian Reservation

- Economic requirement:
 - At least 30% of population living in poverty, and
 - Unemployment rate at least 1.5 times the national average

CDFI Fund Programs



BEA Application Worksheet						
Service Activities						
	Baseline Period	Assessment Period	Change in Activity	Weight	Weighted Value	Score
Deposits	\$25,000	\$45,000	\$20,000	1	\$20,000	
Community Services	\$0	\$0	\$0	1	\$0	
Financial Services	\$0	\$0	\$0	1	\$0	
Targeted Financial Services	\$0	\$0	\$0	3	\$0	
Targeted Retail Savings/Investment Products	\$0	\$0	\$0	3	\$0	
Total Score						\$20,000
Estimated Award for Service Activities				9% if a CDFI, 3% if not		\$600
Distressed Community Financing Activities						
Affordable Home Mortgage Loans	\$0	\$0	\$0	3	\$0	
Affordable Housing Development Loans and Project Investments	\$0	\$0	\$0	2	\$0	
Small Business Loans and Project Investments	\$0	\$439,000	\$439,000	3	\$1,317,000	
Home Improvement Loans	\$0	\$0	\$0	3	\$0	
Education Loans	\$0	\$0	\$0	3	\$0	
Commercial Real Estate Loans and Project Investments	\$0	\$2,855,400	\$2,855,400	2	\$5,710,800	
Total Score						\$7,027,800
Estimated Award for Distressed Community Financing				9% if a CDFI, 3% if not		\$210,834
CDFI Related Activities						
	Baseline Period	Assessment Period	Change in Activity	Award Pct.	Award Amount	
CDFI Equity Investments	\$0	\$0	\$0	0	\$0	
CDFI Support Activities	\$0	\$100,000	\$100,000	0	\$6,000	
Estimated Award for CDFI Related Activities				18% if a CDFI, 6% if not		\$6,000
				Total Award	not CDFI	\$217,434
					CDFI	\$652,302

CDFI Fund Programs



FY 2009 Funding Rounds

	CDFI Program	Native Initiatives	BEA Program	NMTC Program (tax credit authority)
Available Funds	\$53 million	\$8 million	\$22 million	\$3.5 billion
Recovery Act	\$90 million	\$8 million	---	\$1.5 billion
Applications Received	452 260 (initial) 192 (supplemental)	66 49 (initial) 17 (supplemental)	58	249
Total Requested	\$529 million	\$26 million	\$57 million	\$22 billion
Awards	121 59 (initial) 62 (supplemental)	20 10 (initial) 10 (supplemental)	55	TBA – October 2009

Resources and Contact Information



Resources on the CDFI Fund Website: www.cdfifund.gov

- Monthly CDFI Certification Tele-Conference Q&A Sessions

**Next Session: October 22 at 1:30pm-2:30pm EDT –
no registration is required**

- Program Applications and Related Materials
- Impact Data and Reports: Cross Site and Case Study
- Lists of Certified Organizations
- Lists and Profiles of Awardee and Allocatee Organizations
- Mapping Tool (CIMS)

Resources and Contact Information



Contacting the CDFI Fund:

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