



Community Development Financial Institutions (CDFI) Fund

FY 2011 Native Initiatives Application Training





Your Presenters

CDFI Program Presenters

- Chris James, Associate Program Manager
 - Candace Coram, Portfolio Manager
 - David Scherler, Portfolio Manager
 - Brian Rozental, Portfolio Manager



Agenda

- **CDFI Fund Overview**
- Native Initiatives Program
- Financial Assistance Awards
- Technical Assistance Awards
- Comprehensive Business Plan
- Technical Assistance Proposal (TAP)
- Submitting Applications
- Review Process
- Deadlines and Resources



CDFI Fund Overview

Mission

- The CDFI Fund's mission is to increase economic opportunity and promote community development investments for underserved populations and in distressed communities in the United States.

Vision

- Economically empower America's underserved and distressed communities.



CDFI Fund Overview

CDFI Fund invests in and support CDFIs, CDEs, and other financial institutions through:

- **Native American CDFI Assistance (NACA) Program**
 - **Financial Assistance (FA) Awards**
 - **Technical Assistance (TA) Grants**
- CDFI Program
- Bank Enterprise Award (BEA) Program
- New Markets Tax Credit (NMTC) Program
- Capital Magnet Fund (CMF) Program
- Financial Education & Counseling (FEC) Program



CDFI Fund Overview

Types of certified CDFIs:

- Loan Funds
- Credit Unions
- FDIC-Insured Community Banks
- Bank Holding Companies
- Community Development Venture Capital Funds





FY 2011 CDFI Program

An entity **must meet all** of the following requirements to be certified as a CDFI:

1. Be a **Legally Existing Entity**;
2. Have a **Primary Mission** of promoting community development;
3. Be a **Financing Entity**;
4. Primarily serve an eligible **Target Market**;
5. Provide **Development Services** in conjunction with its financing activities;
6. Maintain **Accountability** to its defined Target Market; and
7. Be a **Non-Governmental Entity**, and not be controlled by any governmental entities.



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Native Initiatives



- Native American CDFI Assistance (NACA) Program
 - Financing award program
- Expanding Native Opportunities
 - Training and developing activities
- Promote economic revitalization and community development
 - Help build the capacity of Native CDFIs
 - Leverage CDFI Fund resources

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Native Initiatives Impact

- Since 2002, the CDFI Fund has awarded more than 220 awards totaling over \$46 million to Native CDFIs serving over 100 Native Communities
- Currently there are 59 certified Native CDFIs; in FY 2001 there were only 14 certified Native CDFIs



Native Award Ceremony, FY 2007

Crazy Horse, SD



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**Due: Midnight,
December 22, 2010**



FY 2011 CDFI Program

Financial Assistance Award Uses

- Financial Products
- Financial Services
- Development Services
- Loan Loss Reserves
- Capital Reserves
- Operations





FY 2011 CDFI Program

FA awards are available to:

- **Certified CDFIs**
- **Certifiable CDFIs:** entities that are not certified, but currently meet all seven certification requirements.
 - Must submit Certification Application by the deadline stated in the NOFA and be certified before entering into an Assistance Agreement.
 - Contact the Fund with questions about the Certification Application by the deadline stated in the NOFA



FA Awards

Support Financing Needs

- FA awards cap: \$750,000 per award
- 1:1 match requirement (form and amount)
 - Was waived in 2010
 - VERY possible that the matching funds requirements may be waived for the FY 2011 Funding Round as well
 - However, such a waiver has not been enacted into law
 - If not waived: **30-day window** to submit matching funds



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TA Eligibility

TA Awards are available to:

- Certified or Certifiable Native CDFIs
- Emerging Native CDFIs
 - Entities that do not currently meet all seven certification requirements, but demonstrate a reasonable plan to become certified in two years
- Sponsoring Entities
 - Entities that propose to create a Native CDFI in three years



TA Grants

- A TA award allows a Native CDFI, an entity proposing to become a Native CDFI, or an entity proposing to create a Native CDFI to build its capacity to serve Native communities
- TA award ceiling: \$150,000
- TA does not require Matching Funds
- All uses of TA must support one of the key sections of the Comprehensive Business Plan or the Applicant's ability to meet a certification requirement (if applicable)
- Generally, all TA awards must be used within 24 months of the Effective Date of the Assistance Agreement



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Utilizing a loan from The Sequoyah Fund, Janet Arch started ML&S Services in 2005 to fill and in fine grading and drain work in Cherokee, NC.



Comprehensive Business Plan (CBP)

SCORING	Maximum Points
Executive Summary	Not Scored
Market Analysis	25 points
Business Strategy	25 points
Community Development Performance & Effective Use	20 points
Management	20 points
Financial Health and Viability	10 points
Technical Assistance Proposal	Not Scored



Executive Summary

Key Components (1 page):

- Provide a narrative describing the Applicant's mission
- Include a paragraph stating the exact amount of the total award request
- Summarize the key elements of the CBP
- Complete an Applicant Profile



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Market Analysis – 25 Points

Narrative (7 pages):

1. Briefly describe the Applicant's current or proposed Target Market
2. Discuss the demand for the Applicant's Financial Products, Development Services, and/or Financial Services within the Target Market
3. Address areas needing improvement and, if applicable, justify requested TA items that will help



Comprehensive Business Plan (CBP)

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Business Strategy

Narrative (9 pages):

4. Describe the Applicant's Financial Products and Financial Services
5. Describe the Applicant's Development Services
6. Describe the Applicant's marketing, outreach, and delivery strategy. Discuss the Applicant's collaboration, coordination, and partnerships
7. Address areas needing improvement and, if applicable, justify requested TA items that will help



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CD Performance / Effective Use – 20 Points

Narrative (5 pages):

8. Describe the Applicant's track record of providing Financial Products, Development Services, and/or Financial Services
9. Describe the Applicant's projected activities and how progress toward these goals is measured
10. Discuss why the Applicant should receive a government subsidy in the form of a CDFI Fund award given the Fund's limited resources
11. Discuss prior Awards
12. Address areas needing improvement and, if applicable, justify requested TA items that will help



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Management – 20 Points

Narrative (8 pages):

13. Describe the capacity, skills, size and experience of the Applicant's current and/or proposed governing board
14. Describe the capacity, skills, and experience of the Applicant's current and/or proposed management team and key staff
15. Describe the Applicant's underwriting policies and procedures
16. Describe the Applicant's portfolio monitoring policies and procedures



Management

Narrative *(continued)*:

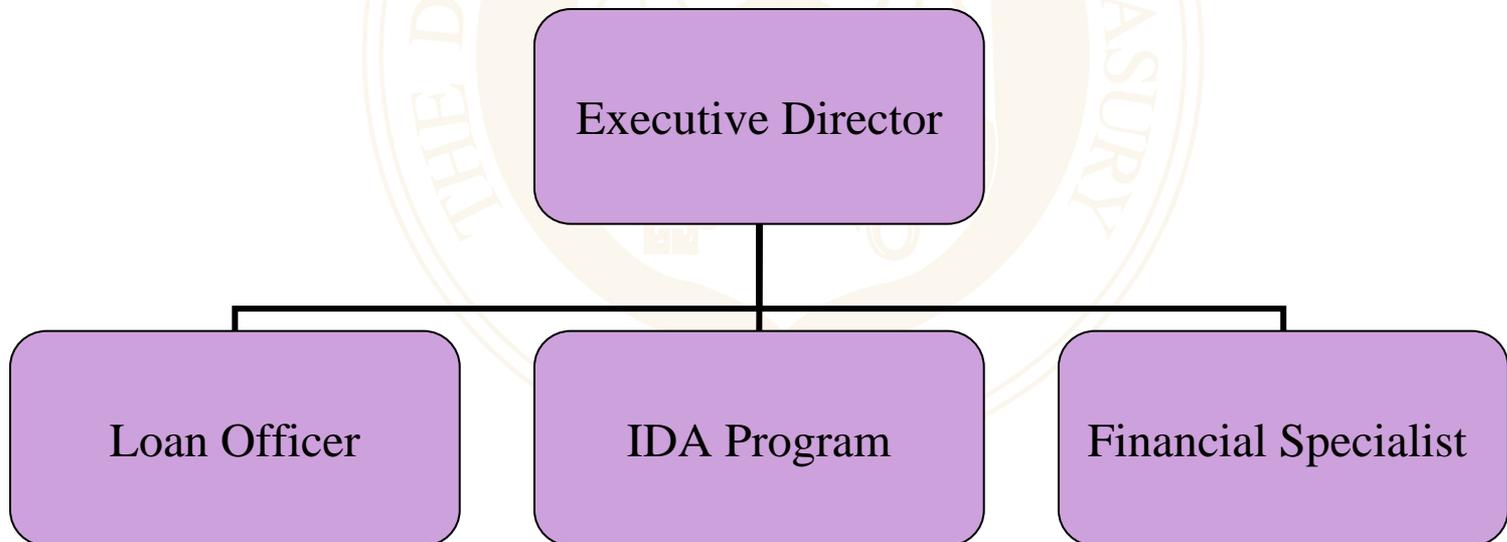
17. Describe the Applicant's financial management policies and procedures
18. Describe the Applicant's Management Information System (MIS)
19. Address areas needing improvement and, if applicable, justify requested TA items that will help



Management

Charts and Attachments:

- Organizational Chart
- Biographies of key board members (*e.g., Board chair, advisory board, key committees, etc.*)
- Current resumes of management, key staff, and consultants





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Financial Health and Viability – 10 Points

Narrative (6 pages):

20. Explain which Financial Statements were included with the Application
21. Provide key assumptions underlying the projections for the projected three years identified in the Financial Data Input Chart
22. Explain Financial Ratios
23. Explain Portfolio Management Ratios
24. Equity Investor Financial Health *(if applicable)*
25. Address areas needing improvement and, if applicable, justify requested TA activities that will help



Financial Health and Viability

Charts and Attachments:

- Financial Data Input Chart (*Chart F1, F2, or F3 depending on organization type*)
- Financial Statements for the 3 most recently completed fiscal years
- Loan Portfolio Quality Chart (*Chart G*)
- Equity Investment Portfolio Valuation Chart (*Chart H*)



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Four Bands Staff– Native CDFI

Cheyenne River Indian Reservation, SD



TA Award Request

3 Components of a TA Request:

- **Completed TA Budget** (*Chart C*) – Snapshot list of requested items with total amount \$ for each
- **Technical Assistance Proposal** (*first box in CBP template*) – Provides overall justification for TA request. Describes each item and calculation in detail
- **CBP TA Questions** (*connect each TA request to at least one CBP component*) – Applicant ties individual TA requests to CBP component



TA Award Request

TA Budget Proposal: Budget Chart

C. TA Budget Chart			
Identify all items and / or tasks to be financed with the TA grant.			
Requested TA may not be expended prior to execution of a Notice of Award.			
A. Personnel (Salary)			
Under Name, list the staff person's name for which salary is requested...			
Name	Position	Computation	Cost
John Smith	Executive Director	10% of annual salary of \$60,000 for time spent developing marketing plan for new loan product.	6,000
Abby Jones	Loan Officer	50% of annual salary of \$45,000 for two years for time spent developing new loan product, underwriting new loan product, and other lending related activities.	24,500
Personnel (Salary) Sub-Total:			<u>\$30,500</u>
D. Travel			
List each travel expenses by purpose ...			
The following type of travel policies will be used by the applicant			own
Purpose of Travel	Location	Computation	Cost
Homebuyer Counseling Certification Course (NeighborWorks)	Waco, TX	2 attendees * \$300 (airfare) + \$30 (per diem for 5 days)	\$900
Business Lending Workshops (ABA)	New York, NY	1 attendee * \$440 (airfare) + \$30 (per diem for 4 days)	\$560
Travel Sub-Total:			<u>\$1,460</u>



TA Award Request

Technical Assistance Proposal: Narrative

- Begins with a summary of the organizational improvements needed to achieve the CBP
- Addresses how the requested TA will facilitate improvements
- Includes one paragraph per line item on the TA Budget Chart describing:
 - The requested use
 - How the use will improve Applicant's capacity
 - How each requested amount was calculated
 - A timeline of when the activity/purchase will be completed*

**(Should not be schedule before the Notice of Award – Applicants may assume a NOA date of Summer 2011).*



TA Award Request

Comprehensive Business Plan TA Questions

- Acknowledge areas needing organizational improvement, whether or not requesting a TA grant
- Reference TA request items from TA Budget Chart – category and amount
- Explain how each TA item will improve capacity



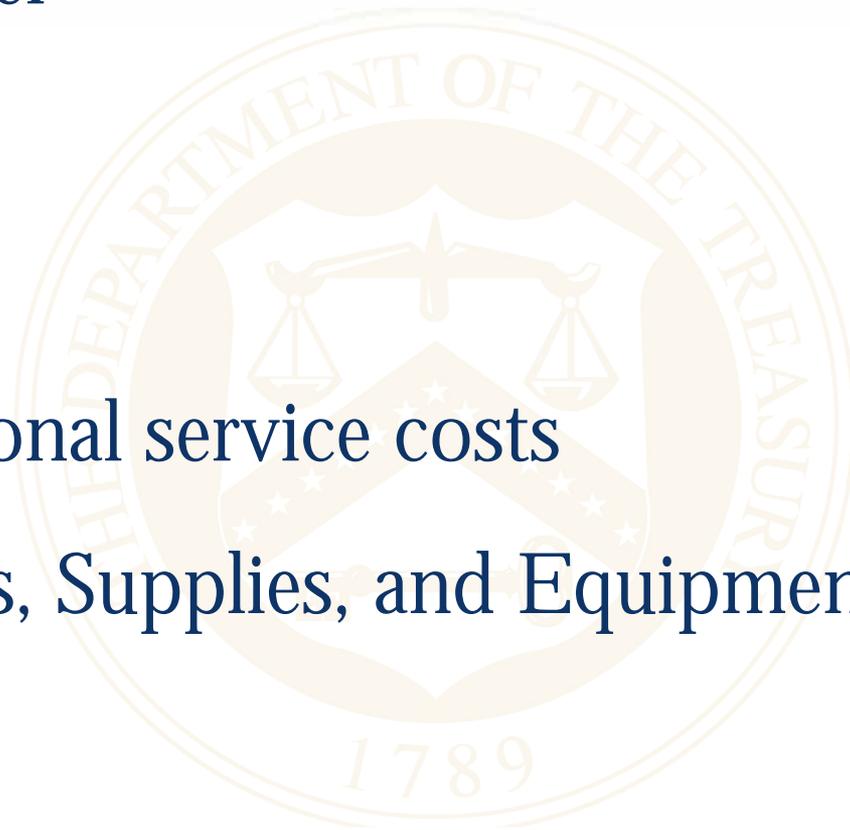
Ineligible TA Uses

- Awardees are **not permitted** to use TA funds for any purpose outside of the approved uses as outlined in the assistance agreement **without prior approval** from the CDFI Fund
- Any costs for a requested activity incurred **prior to receipt** of a Notice of Award **are ineligible**. Applicants may assume Notice of Awards will be sent out no earlier than summer **2011**



TA Eligible Uses

- Personnel
- Training
- Travel
- Professional service costs
- Materials, Supplies, and Equipment
- Other

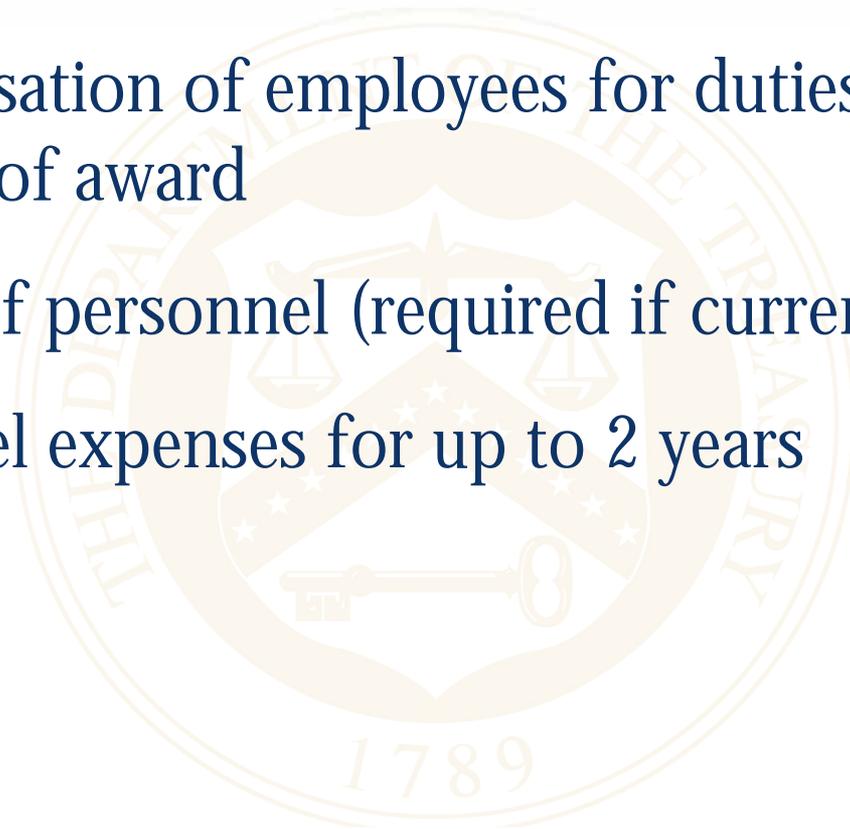




Eligible Uses of TA

Personnel – Salary & Fringe

- Compensation of employees for duties related to the purpose of award
- Names of personnel (required if current staff)
- Personnel expenses for up to 2 years





Eligible Uses of TA

Training

- External training for staff, volunteers, and/or board members
- Training should be related to CBP plan
- Training event and/or conference should be identified
- Expenses may include tuition, fees, materials, and textbooks

Travel

- Travel for staff, volunteers, and/or board members
- Travel should be related to CBP plan and event or conference should be identified
- Expenses may include air, train, bus fare, lodging, mileage, rental car, taxi, per diem
- Must Identify Travel policy (*organizational or federal*)



Eligible Uses of TA

Professional Services

- Provider of professional advice or service
 - If sole sourced restricted to: ES-4 level, see www.opm.gov
- Competitive process to procure a good or service
 - Identify entity – if known at time of Application – meaning individual, company, corporation or business
 - All costs including personnel, compensation, travel, materials should be included in contract price
- Must Identify Procurement policy (*organization or federal*)



Consultants

Professional Services - Consultants

- **FY 2011:** The Level IV hourly rate is **\$74.76**. The current federal reimbursement rates may be found at the Office of Personnel Management website at www.opm.gov/Federal_Salaries_Wages/
- The Level IV rate of basic pay for the Executive Schedule applies if services are obtained through sole-sourcing; this rate ***does not*** apply if consultants are hired through a competitive bidding process.



Eligible Uses of TA

Professional Services Examples

- Develop a strategic plan
- Conduct market research or product feasibility analysis
- Develop job descriptions
- Develop capitalization plan
- Conduct financial audit
- Procure information technology services
- Develop publications
- Develop policies and procedures for: lending, underwriting, risk management, or personnel



Eligible Uses of TA

Materials, Supplies, and Equipment:

- Expendable equipment costing less than \$5,000 and useful life of less than two years
- Non-expendable items (tangible property) with a useful life of more than two years and/or acquisition cost of \$5,000 or more per unit

Other

- Further information in OMB Circular A-122
- Examples: rent, telephone, security, janitorial, services, reproduction, memberships, subscriptions



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myCDFIFund Account

Submission Process

- New Grants.gov users should register ASAP and existing users should verify their account is current and active
- Application materials can be found on both Grants.gov and the CDFI Fund website
- Applicants should download all attachments and work on them offline
- SF-424 needs to be filled out first and will populate information into Applicant Information form
- Applicants **MUST** submit their application and all required attachments through Grants.gov
- All questions concerning application submission should be directed to Grants.gov staff
- MyCDFI Fund is the CDFI Fund's primary source of communication with Applicants and should be kept updated



CDFI Program Application Tips

1. Review Notice of Funds Availability (NOFA) carefully.
2. Sign-up with Grants.gov early.
3. Plan out Technical Assistance request (i.e. determine what the organization needs to purchase, what kind of strategic planning is needed).
4. Make sure that all applicable charts are complete and support narrative.
5. Start completing the application early. Then, submit it early as well.



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Review Process

- Completeness Review
- Eligibility Review
- Two-part Substantive Review
- Selecting Official Award Decisions
- Financial Management Award Obligation
- Award Notifications





Ranking and Awardee Selection

All NACA Applicants:

- Must receive minimum number of points in each category
- Ranked from highest to lowest, based on each Applicant's cumulative scores for all five criteria categories added together
- Selected from the top of the ranking list until available funds are depleted



Awardee Notification

- Notification via e-mail to the designated Authorized Representative
- If selected for an award, an Applicant must go to its MyCDFI Fund account to download and print its Notice of Award
- Only the Applicant's Account Administrator can access the Notice of Award

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Key Reporting Requirements

Annual Report:

- Institution Level Report
- Transaction Level Report
- Financial Report
- Financial Status Report (SF-425)
- Explanation of Noncompliance *(if applicable)*
- A-133 narrative statement or audit *(if applicable)*
- Use of FA and Matching Funds
- Use of TA
- Other requirements as applicable



Performance Expectations

Expected Performance Goals

- Operating Liquidity Ratio of 1:1
- Maximum Portfolio at Risk of 15%
- Equivalent of 85% of award amount for activities in Target Market over 3 years
- Non-certified Awardees: become certified as CDFIs
- Use all TA by completing TA activities and expending TA award by end of second reporting period
- Insured Credit Unions: Maintain acceptable Prompt Corrective Action (PCA) Net Worth Ratio of at least 6%
- Insured Depository Institutions and Holding Companies: Tier 1 Leverage Capital of at least 8% and Net Loans & Leases to Deposits Ratio of at least 50%



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Salt River Financial Services Inst conducting a financial literacy training; Scottsdale, AZ



Deadlines

- Certification of Material Events Form – via fax:
 - Thursday, December 2, 2010
- CDFI Certification Application:
 - Thursday, December 2, 2010
- Last day for Funding Applicant Questions:
 - Monday, December 17, 2010
- Application Submission via Grants.gov:
 - Wednesday, December 22, 2010



CDFI Fund Resources

The CDFI Fund website: www.cdfifund.gov

- Monthly CDFI Certification Tele-conference sessions
- Program applications and related materials
- Impact data, reports, and case studies
- List of Certified CDFIs
- Profiles of Awardees and Allocatees
- Mapping Tool (CIMS)



Contacting the Fund

Chris James: CDFI Associate Program Manager and Native Initiatives

jamesc@cdfi.treas.gov

202.622.8704

Compliance Support:

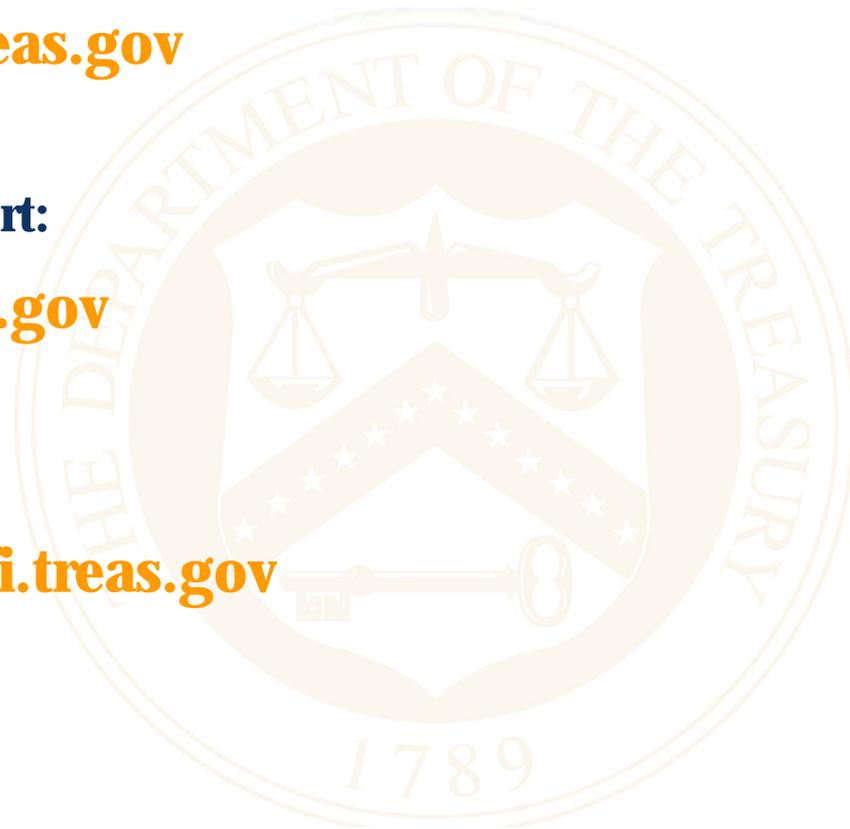
cme@cdfi.treas.gov

202.622.8226

Technical Support:

ithelpdesk@cdfi.treas.gov

202.622.2455





Thank you for listening!

