



# COMMUNITY DEVELOPMENT FINANCIAL INSTITUTIONS FUND

UNITED STATES DEPARTMENT OF THE TREASURY

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## Bank Enterprise Award Program

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### Supplemental Guidance for Applicants

Applicants should use this guidance in conjunction with the BEA Program Regulations, FY 2010 NOFA, and the BEA Program Application (all available on the BEA page of the Fund's website: [www.cdfifund.gov](http://www.cdfifund.gov)).

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## Bank Enterprise Award Program Glossary of Terms

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| TERM   | DEFINITION  |
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| Act  | The Community Development Banking and Financial Institutions Act of 1994, as amended (12 U.S.C. 4701 et seq.);  |
| Affiliate  | Any company that controls, is controlled by, or is under common control with another company or any entity otherwise identified as an Affiliate by the Applicant in its BEA Application.  |
| Affordable Housing Development Loan and Project Investment | The origination of a loan or investment to finance the acquisition, construction, and/or development of single- or multi-family residential real property located in a BEA-qualifying Distressed Community where at least 60 percent of the units in such property are affordable. Affordable is defined as a unit that is or will be sold or rented to a Low- and Moderate-Income Resident. A loan for, or Project Investment in, single-family housing or multifamily housing development projects should be reported as Affordable Housing Development Loans and Project Investments, rather than as Commercial Real Estate transactions.  |
| Affordable Housing Loan                                    | The origination of a loan to finance the purchase or improvement of the borrower's primary residence, and that is secured by such property. In order to be considered a Qualified Activity, the borrower must be located in a BEA-qualifying Distressed Community and must be a Low- and Moderate- Income Eligible Resident. Affordable Housing Loan may also refer to second (or otherwise subordinated) liens or "soft second" mortgages, and other similar types of down payment assistance loans that may not necessarily be secured by such property but are originated for the purpose of facilitating the purchase or improvement of the borrower's primary residence, where such borrower is located in a BEA-qualifying Distressed Community and a Low- and Moderate-Income Eligible Resident. |
| Applicant  | Any insured depository institution (as defined in section 3(c)(2) of the Federal Deposit Insurance Act (12 U.S.C. §1813)) that is applying for a Bank Enterprise Award.   |
| Appropriate Federal Banking Agency                         | Has the same meaning as in section 3 of the Federal Deposit Insurance Act (12 U.S.C. §1813).  |
| Assessment Period  | An annual or semi-annual period specified in the applicable Notice of Funds Availability in which an Applicant will carry out, or has carried out, Qualified Activities.  |
| Authorized Representative                                  | An officer, or other individual, who has the actual authority to sign for and make representations on behalf of the Applicant.  |
| Award Agreement  | A formal agreement between the Fund and an Awardee pursuant to § 1806.300 of the BEA Program regulations.   |
| Awardee  | An Applicant selected by the Fund to receive a Bank Enterprise Award.   |
| Bank Enterprise Award (or BEA Program Award)               | An award made to an Applicant through the BEA Program.  |
| Baseline Period  | An annual or semi-annual period specified in the applicable NOFA in which an Applicant has previously carried out Qualified Activities.   |
| CDFI Partner   | A Community Development Financial Institution that has been provided assistance in the form of CDFI Related Activities by an Applicant.   |

| TERM   | DEFINITION   |
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| CDFI Related Activities                                      | Equity Investments (including Grants), Equity-Like Loans and CDFI Support Activities provided to eligible CDFI Partners.   |
| CDFI Support Activities                                      | Assistance provided by an Applicant or its Subsidiary to a CDFI that meets criteria set forth by the Fund in the applicable NOFA and is Integrally Involved in a Distressed Community. Assistance must be in the form of the origination of a loan, technical assistance, or deposits if such deposits are: (1) Uninsured and committed for a term of at least three years; or (2) Insured, committed for a term of at least three years, and provided at an interest rate that is materially (in the determination of the Fund) below market rates.   |
| Certificate of Deposit                                       | Placed by an Applicant or its Subsidiary in an insured CDFI whereby such deposit is: (1) uninsured and committed for a term of at least three years; or (2) insured, committed for a term of at least three years, and provided at an interest rate that is Materially Below Market Rates. Deposits at FDIC-insured institutions are insured up to at least \$250,000 per depositor until December 31, 2013. Determination of insured or uninsured is determined at the time of issuance and will be counted for the entire three years.   |
| Commercial Real Estate Loans and related Project Investments | An origination of a loan (other than an Affordable Housing Development Loan or Affordable Housing Loan) that is secured by real estate located in a BEA-qualifying Distressed Community and used to finance the acquisition or rehabilitation of a building, or the acquisition, construction and or development of property, used for commercial purposes.  |
| Community Development Entity (or CDE)                        | Any Qualified Community Development Entity that meets the requirements set forth at Internal Revenue Code (IRC) § 45D(c) (1) and that has been certified as such by the Fund.  |
| Community Development Financial Institution (CDFI)           | An entity that has been certified as a CDFI under § 1805.201 of Community Development Financial Institutions Program regulations by the date specified in the applicable NOFA.   |
| Community Facilities Loan                                    | A new origination of a loan used to finance the acquisition, development or renovation of facilities where health care, child care, educational, social services, or religious services are provided. Reported under Commercial Real Estate Loans.   |
| Community Services   | Assistance provided by officers, employees, or agents (contractual or otherwise) of the Applicant including: (1) provision of technical assistance and financial education to Eligible Residents on managing their personal finances through consumer education programs; (2) provision of technical assistance and consulting services to newly formed small businesses located in the Distressed Community; (3) provision of technical assistance and financial education to, or servicing the loans of, Low- or Moderate-Income homeowners that are Eligible Residents homeowners located in the Distressed Community; and (4) other similar services provided for Low- or Moderate-Income persons that are Eligible Residents in a Distressed Community or enterprises integrally involved in a Distressed Community deemed appropriate by the Fund. |

| TERM                                      | DEFINITION   |
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| Deposit Liabilities                       | Time or savings deposits or demand deposits, accepted from Residents at offices of the Applicant, or a Subsidiary of the Applicant, located within the Distressed Community. Deposit Liabilities may only include deposits held by individuals in transaction accounts (i.e., demand deposits, NOW accounts, automated transfer service accounts and telephone or preauthorized transfer accounts) or non-transaction accounts (i.e., money market deposit accounts, other savings deposits and all time deposits), as defined by the Appropriate Federal Banking Agency.  |
| Depository Institution Holding Company    | A bank holding company or a savings and loan holding company as defined in section 3 of the Federal Deposit Insurance Act (12 U.S.C. 1813 (w)(1)).   |
| Distressed Community                      | <p>A geographic community that meets the minimum area eligibility requirements specified in § 1806.200, and such additional criteria as may be set forth in the applicable NOFA. A Distressed Community must meet the following minimum area eligibility requirements:</p> <ul style="list-style-type: none"> <li>– Geographic requirements. A Distressed Community must be a geographic area: (i) that is located within the boundaries of a Unit of General Local Government; (ii) the boundaries of which are contiguous; and (iii) the area must (A) have a population of not less than 4,000 if any portion of the area is located within a Metropolitan Area with a population of 50,000 or greater; or (B) have a population of not less than 1,000 if no portion of the area is located within a Metropolitan Area with a population of 50,000 or greater; or (C) be located entirely within an Indian Reservation.</li> <li>– Distress requirements. A Distressed Community must be a geographic area where: (i) at least 30 percent of the Eligible Residents have incomes that are less than the national poverty level, as published by the U.S. Bureau of the Census in the most recent decennial census; and (ii) the unemployment rate is at least 1.5 times greater than the national average, as determined by the U.S. Bureau of Labor Statistics' most recent data (including estimates of unemployment developed using the U.S. Bureau of Labor Statistics' Census Share calculation method).</li> </ul> |
| Distressed Community Financing Activities | Affordable Housing Loans, Affordable Housing Development Loans and related Project Investments; Education Loans; Commercial Real Estate Loans and related Project Investments; Home Improvement Loans; and Small Business Loans and related Project Investments.   |
| Education Loan                            | An advance of funds to a student, who is a Eligible Resident of a Distressed Community, for the purpose of financing a college or vocational education.  |
| Electronic Transfer Account (ETA)         | An account meeting the requirements, and with respect to which the Applicant has satisfied the requirements, set forth in the <a href="#">Federal Register</a> on July 16, 1999 at 64 FR 38510, as such requirements may be amended from time to time, Direct deposit accounts that are available to individuals who are recipients of Federal benefits, wages, salary, or retirement payments. All Insured Depository Institutions that offer ETAs must do so pursuant to the requirements set forth in an agreement with the U.S. Department of the Treasury.  |
| Eligible Resident                         | An individual that resides in a Distressed Community.  |

| <b>TERM</b>                           | <b>DEFINITION</b>   |
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| Equity Investment                     | Financial assistance provided by an Applicant or its Subsidiary to a CDFI that meets criteria set forth in the applicable NOFA. The financial assistance must be in the form of a grant, a stock purchase, a purchase of a partnership interest, a purchase of a limited liability company membership interest, or any other investment deemed to be an Equity Investment by the Fund.  |
| Equity-Like Loans                     | Loans that have been made under certain terms and conditions that give them equity-like characteristics as set forth in the applicable NOFA.  |
| Financial Services                    | Check-cashing, providing money orders and certified checks, automated teller machines, safe deposit boxes, new branches, and other comparable services as may be specified by the Fund in the applicable NOFA, that are provided by the Applicant to Low-and Moderate-Income individuals in the Distressed Community or enterprises Integrally Involved in the Distressed Community.  |
| CDFI Fund                             | The Community Development Financial Institutions Fund, established under section 104(a) of the Act (12 U.S.C. 4703(a)).   |
| Geographic Units                      | Counties (or equivalent areas), incorporated places, minor civil divisions that are units of local government, census tracts, block numbering areas, block groups, and American Indian or Alaska Native areas (as each is defined by the U.S. Bureau of the Census) or other areas deemed appropriate by the Fund;  |
| Home Improvement Loan                 | An advance of funds, either unsecured or secured by a one-to-four family residential property, the proceeds of which are used to improve the borrower's primary residence.  |
| Indian Reservation                    | A geographic area that meets the requirements of section 4(10) of the Indian Child Welfare Act of 1978 (25 U.S.C. 1903(10)), and shall include land held by incorporated Native groups, regional corporations, and village corporations, as defined in and pursuant to the Alaska Native Claims Settlement Act (43 U.S.C. 1601 et seq.), public domain Indian allotments, and former Indian Reservations in the State of Oklahoma.  |
| Individual Development Accounts (IDA) | Matched savings accounts for qualified individuals that are restricted for use for specific activities, including home purchase, post-secondary education, and business capitalization. Generally, most IDA programs limit eligibility to individuals meeting certain characteristics (e.g. low-income individuals). IDA account requirements are set forth in the U.S. Department of Health and Human Services Program Announcement OCS-2000-04, published on December 14, 1999 in the Federal Register at 64 FR 69824, as such requirements may be amended from time to time. |
| Insured Depository Institution        | Any bank or thrift, as defined in 12 U.S.C. § 1813(c) (2)), the deposits of which are insured by the Federal Deposit Insurance Corporation. Applicant must be insured by the date specified in the applicable NOFA to be considered eligible to apply.  |

| TERM                            | DEFINITION   |
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| Integrally Involved             | (i) For a CDFI Partner, having provided at least five percent of financial transactions or dollars transacted (e.g., loans or equity investments as defined in 12 CFR 1805.104(s)), or five percent of Development Service activities, in the Distressed Community identified by the Applicant or the CDFI Partner, as applicable, in each of the three calendar years preceding the date of the applicable NOFA, or having transacted at least ten percent of financial transactions (e.g., loans or equity investments) in said Distressed Community in at least one of the three calendar years preceding the date of the applicable NOFA, or demonstrating that it has attained at least five percent of market share for a particular product in said Distressed Community (such as at least five percent of home mortgages originated in said Distressed Community) in at least one of the three calendar years preceding the date of the applicable NOFA; or (ii) for a non-CDFI, having directed at least five percent of its business activities (e.g., investments, revenues, expenses, or other appropriate measures) to serving the Distressed Community identified by the Applicant in each of the three calendar years preceding the date of the applicable NOFA, or having provided at least ten percent of its business activities in said Distressed Community in at least one of the three calendar years preceding the date of the applicable NOFA. |
| Low- and Moderate-Income        | Income that does not exceed 80 percent of the median income of the area involved, as determined by the Secretary of Housing and Urban Development, with adjustments for smaller and larger families pursuant to section 102(a)(20) of the Housing and Community Development Act of 1974 (42 U.S.C. § 5302(a)(20)).   |
| Materially Below Market Rates   | An annual rate that does not exceed the rate on a U.S. Treasury bill of comparable maturity (using the discount rate) as of the date the deposit is placed. The rate can be found at the Federal Reserve website: <a href="http://www.treas.gov/offices/domestic-finance/debt-management/interest-rate/yield.shtml">www.treas.gov/offices/domestic-finance/debt-management/interest-rate/yield.shtml</a> . The rate on the website is updated daily at approximately 5:30 p.m. Eastern Time. Deposits closed prior to that time may use the rate posted for the previous day.  |
| Metropolitan Area               | An area designated as such (as of the date of the application) by the Office of Management and Budget pursuant to 44 U.S.C. 3504(d)(3), 31 U.S.C. 1104(d), and Executive Order 10253 (3 CFR, 1949-1953 Comp., p. 758), as amended.   |
| Minority Depository Institution | As defined by the Federal Deposit Insurance Corporation, any entity in which 51 percent or more of the voting stock is owned by socially and economically disadvantaged individuals as defined as Black, Asian, Hispanic, Native American, Native Alaskan, and Native Hawaiian. Depository institutions shall also be considered minority depository institutions if a majority of the Board of Directors is minority and the community that the institution serves is predominantly minority.   |
| Multi-Family Loan               | A new origination of a loan secured by a five-or more family residential property and financing related to the construction or rehabilitation of such property.  |

| TERM                                | DEFINITION  |
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| Notice of Funds Availability (NOFA) | The public notice, published by the Fund in the Federal Register, that announces the availability of BEA Program funds for a particular funding round and that advises Applicants with respect to obtaining application materials, establishes application submission deadlines, and established other requirements or restrictions applicable for the particular funding round including, for example, application contents, further qualifications of Qualified Activities, Priority Factors, related policy directives, and any restrictions on Bank Enterprise Award amounts.   |
| Priority Factor                     | A numeric value assigned to each type of activity within each category of Qualified Activity, as may be established by the Fund in the applicable NOFA.   |
| Project Investment                  | Providing financial assistance in the form of a purchase of stock, limited partnership interest, other ownership instrument, or a grant to an entity that is Integrally Involved in a Distressed Community and formed for the sole purpose of engaging in a project or activity, approved by the Fund, including Affordable Housing Development Loans, Affordable Housing Loans, Commercial Real Estate Loans, and Small Business Loans.  |
| Qualified Activities                | CDFI Related Activities, Distressed Community Financing Activities, and Service Activities.   |
| Reporting Period                    | The period during which an Applicant may disburse on its Qualified Activities. An Applicant may only measure the amount of a Qualified Activity that it reasonably expects to disburse to an investee, borrower, or other recipient within one year of the end of the applicable Assessment Period, or such other period as may be set forth by the Fund in the applicable NOFA.  |
| Service Activities                  | Deposit Liabilities; Financial Services; Community Services; Targeted Financial Services; and Targeted Retail Savings/Investment Products.  |
| Single-Family Loan                  | A new origination of a loan secured by a one- to four-family residential property, including townhouses for purchase and financing related to the construction or rehabilitation of single-family residences.   |
| Small Business Loan                 | An origination of a loan used for commercial or industrial activities (other than an Affordable Housing Loan, Affordable Housing Development Loan, Commercial Real Estate Loan, Home Improvement Loan) to a business or farm that meets the size eligibility standards of the Small Business Administration's Development Company or Small Business Investment Company programs (13 CFR 121.301) or have gross annual revenues of \$1 million or less. This category includes loans and investments that were reported on the institution's Call Report or TFR as either "loans Secured by non-farm or nonresidential real estate" or "Commercial and industrial loans." Applicants may also include small farm loans (i.e., loans reported as either "Loans to Finance agricultural production and other loans to farmers" or "Loans secured by farmland." Such loans may include commercial loans (i.e., a loan to a company to meet business operating expenses or to finance the purchase of inventory), commercial mortgage or income property loans (i.e., a mortgage loan secured by real estate used by a business or to generate income), and agricultural loans (loans to small farmers). |

| TERM  | DEFINITION   |
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| Subsidiary                                  | Has the same meaning as in section 3 of the Federal Deposit Insurance Act, except that a CDFI shall not be considered a subsidiary of any insured depository institution or any depository institution holding company that controls less than 25 percent of any class of the voting shares of such corporation and does not otherwise control, in any manner, the election of a majority of directors of the corporation. |
| Targeted Financial Services                 | Electronic Transfer Accounts, Individual Development Accounts, and such other similar banking products as may be specified by the Fund in the applicable NOFA.   |
| Targeted Retail Savings/Investment Products | Certificates of deposit, mutual funds, life insurance and other similar savings or investment vehicles targeted to Low- and Moderate-Income Eligible Residents, as may be specified by the Fund in the applicable NOFA.  |
| Unit of General Local Government            | Any city, county town, township, parish, village or other general-purpose political subdivision of a State or Commonwealth of the United States, or general-purpose subdivision thereof, and the District of Columbia.   |

## Supplemental Guidance for Applicants

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The following supplemental guidance provides additional information on specific types of Qualified Activities and the Fund's treatment of certain transactions. Any information provided should be considered in conjunction with the BEA Program regulations, FY 2010 NOFA, and the FY 2010 BEA Program Application. The guidance is organized alphabetically by subject.

**Actual Award Amount:** The Fund will determine the eligibility of each transaction for which an Applicant has applied for a Bank Enterprise Award. Based upon this review, the CDFI Fund will calculate the Actual Award Amount for which such Applicant is eligible. The CDFI Fund will determine Actual Award Amounts based upon the availability of funds, increases in Qualified Activities from the Baseline to the Assessment Period, and an Applicant's priority ranking. If an Applicant receives an award for more than one priority category described in this section, the Fund will combine the award amounts into a single Bank Enterprise Award.

**Baseline Activities:** Applicants are not required to submit documentation for Baseline Activities. Applicants are required to certify that their reported Baseline Period Qualified Activities are located in Distressed Communities and are eligible transactions as defined under the BEA Program regulations and NOFA. Applicants are encouraged to use the CDFI Fund's CIMS mapping system to geocode applicable transactions and determine if they are in Distressed Communities.

### Certificates of Deposits:

1. **Materially Below Market Rates for CDFI Deposits:** Insured Certificates of Deposit placed by an Applicant in a CDFI that is bank, thrift, or credit union must earn a rate of interest that is determined by the Fund to be Materially Below Market. A Materially Below Market interest rate is an annual rate that does not exceed 100 percent of the rate on a U.S. Treasury bill of comparable maturity as of the date the deposit is placed. For a three-year deposit, use the three-year rate posted for U.S. Government Securities, Treasury Constant Maturity on the Federal Reserve website at [www.treas.gov/offices/domestic-finance/debt-management/interest-rate/yield.shtml](http://www.treas.gov/offices/domestic-finance/debt-management/interest-rate/yield.shtml). If, at the time the Certificate of Deposit is placed, the posted three-year rate is from the previous day, Applicants should use the posted rate. Applicants must print the rate from the website for the date a Certificate of Deposit is placed. This sheet should be submitted with the application as documentation.
2. **Certificate of Deposit network or service:** A deposit placed by an Applicant directly with a CDFI Partner that participates in a deposit network or service may be treated as eligible under the FY 2010 NOFA if it otherwise meets the criteria for deposits in 1806.103(r) and the CDFI Partner retains the full amount of the initial deposit through a deposit network exchange transaction.

**CDFI Partners:** CDFI Partners are not required to submit Statements of Integral Involvement with their BEA Signature Page and BEA Distressed Community map(s). Applicants will be required to certify that all CDFI Partners meet the definition of Integrally Involved as stated in the applicable NOFA. Applicants are encouraged to have CDFI Partners complete the Statement of Integral Involvement for their records, but they are not required to submit the form with their application.

If determined when reviewing an application that an Applicant's CDFI Partner has not submitted the required BEA Signature Page and Distressed Community map(s) and any other required information, the Applicant will not be notified of the missing documentation.

During the application question and support period as outlined in the applicable NOFA, the Fund will provide information to Applicants on whether or not the required CDFI Partner documentation has been received. Applicants may send an e-mail with a list of their CDFI Partners to [cdfihelp@cdfi.treas.gov](mailto:cdfihelp@cdfi.treas.gov). All responses will be sent via e-mail.

**Compliance Requirement:** All Awardees are required to use an amount equal to their BEA award for BEA Qualified Activities. Awardees that receive awards over \$50,000 will need to report to the CDFI Fund on those activities. Reports are due 6 months from the end of the Performance Period as specified in the Awardee's Award Agreement. Awardees that must report will receive guidance from the CDFI Fund's Certification, Compliance, Monitoring and Evaluation team no later than June of the applicable performance period.

**Community Services:** Community Services Activities must:

1. Promote community development through:
  - Provision of technical assistance and consulting services to Eligible Residents in managing their personal finances through consumer education programs;
  - Provision of technical assistance and consulting services to newly formed businesses located in the Distressed Community;
  - Provision of technical assistance or servicing the loans of Low- and Moderate-Income homeowners or homeowners located in the Distressed Community; or
  - Other similar services provided to Low- and Moderate-Income individuals in a Distressed Community or enterprises Integrally Involved in a Distressed Community deemed appropriate by the Fund;
2. Enhance: (1) access to capital in the form of lending or investment; (2) access to financial services; or (3) organizational capacity or expertise of entities Integrally Involved in a Distressed Community (e.g., small business counseling);
3. Create a direct benefit to Eligible Residents of Distressed Communities or entities Integrally Involved in a Distressed Community (e.g., business or non-profit organizations located in or serving a Distressed Community); and
4. Be provided directly by a bank employee acting as a representative of the bank (i.e., the activity must be undertaken as a bank employee) and the service provided must utilize the financial, banking, or business expertise of the employee.

Applicants should report Community Services based on the administrative costs of providing such services. For staff time, use the number of hours contributed times the hourly salary of the staff member. For other administrative costs (such as printing costs for informational materials), Applicants should report the actual cost. In reporting the cost of Community Service activities, the Applicant should certify that the reported items are an accurate reflection of the actual costs incurred in delivering the service.

**Double Funding:** A BEA applicant may not submit as Qualified Activities any transactions funded with award proceeds from another Fund program. For example:

**Example 1:** JKL Bank is an insured depository institution and a certified CDFI with a Target Market consisting of a single neighborhood on the Southside of Chicago. It received a CDFI Program Award from the CDFI Fund in September 2008. In November 2008, the CDFI Fund and JKL Bank entered into an Assistance Agreement under the CDFI Program. Shortly thereafter, the CDFI Fund disbursed the CDFI Program Award to JKL Bank. The CDFI Program Assistance Agreement covers the period from January 1, 2009 through December 31, 2011. The three-year Comprehensive Business Plan submitted by JKL Bank as part of its CDFI Program Application states that JKL Bank will use its CDFI Program award to provide small business loans to its Target Market. JKL Bank's Target Market also qualifies as a BEA-qualified Distressed Community. Any small business loans JKL Bank made in its BEA-qualified Distressed Community with CDFI Program Award funds are ineligible to qualify as Qualified Activities under the BEA Program because they are the same activities for which JKL Bank received a CDFI Program Award.

**Example 2:** On September 30, 2008, PDQ Bank, an insured depository institution and a certified CDFI, received a CDFI Program Award from the CDFI Fund. In November 2008, the CDFI Fund and PDQ Bank entered into an Assistance Agreement under the CDFI Program. Shortly thereafter, the CDFI Fund disbursed the CDFI Program Award to PDQ Bank. The CDFI Program Assistance Agreement covers the period from January 1, 2009 through December 31, 2011. The Comprehensive Business Plan submitted by PDQ Bank as part of its CDFI Program Application states that PDQ Bank will use its CDFI Program award to increase its home mortgage lending within its Investment Area. PDQ Bank's Investment Area is also a BEA-qualified Distressed Community. At the end of 2009, PDQ Bank found that it had also increased its provision of small business loans within the Investment Area/Distressed Community and decided to seek a BEA Program award. The Comprehensive Business Plan submitted to the Fund did not discuss the bank using its CDFI Program award to provide small business loans. PDQ Bank is eligible to receive a BEA Program Award based on increases for such activities because they are different than the activities for which PDQ Bank received a CDFI Program award.

**Equity-Like Loans:** For purposes of this NOFA, Equity-Like Loans must meet the following characteristics:

1. At the end of the initial term, the loan must have a definite rolling maturity date that is automatically extended on an annual basis if the borrower continues to be financially sound and carrying out a community development mission – unless the borrower and the bank mutually agree to terminate the agreement;
2. Periodic payments of interest and/or principal may only be made out of the CDFI borrower's available cash flow after satisfying all other obligations;
3. Failure to pay principal or interest (except at maturity) will not automatically result in a default under the loan agreement; and
4. The loan must be subordinated to all other debt except for other Equity-Like Loans.

Notwithstanding the foregoing, the Fund reserves the right to determine, on a case-by-case basis, if an instrument evidences an Equity-Like Loan.

**IDAs:** For both the Baseline Period and the Assessment Period, an Applicant may derive the total percentage of Low- and Moderate-Income individuals who are IDA account holders by: (1) providing a certification that such customers are Low- and Moderate-Income individuals and providing a brief analytical narrative with information describing how the Applicant determined that such customers were Low- and Moderate-Income individuals; (2) using the Fund's methodology described in the FY 2010 BEA Application; or (3) the Fund will presume that IDAs established for Project Participants by financial institutions, as published in Program Announcement OCS-2000-04 ("IDA Program Announcement") in the Federal Register (64 FR 69824) in Part II (G)(3) of the IDA Program Announcement, benefit Low- and Moderate Income individuals based on the requirements of the IDA Program.

**In-kind contributions:** In-kind contributions to CDFIs (such as donation of equipment or office space) are not Qualified Activities and should not be reported.

**Letters of Credit:** Instruments issued by an Applicant guaranteeing payment of a borrower's debt obligation (direct-pay letters of credit, stand-by letters of credit, revolving letters of credit, etc.) are not eligible Qualified Activities.

**Participation Loans:** A participation loan is a loan that is made jointly by two or more lenders to a borrower. Some participation loans involve a promissory note that references all of the lenders to the transaction with each independently disbursing loan proceeds to the borrower. However, the most common form of participation loan involves one of the lenders serving as a "lead lender" or "agent" for the group. In this case, the borrower signs the note to the order of the lead lender, solely. The lead lender then disburses all loan proceeds and the borrower makes payments of principal and/or interest solely to the lead lender. The other "participating lenders" usually sign a "participation agreement" that outlines their agreement to fund a portion of the loan issued by the lead lender, their respective rights to loan proceeds, and the obligations of all parties to the transaction. The lead lender and all of the participating lenders generally sign this agreement. It is important to note that the disbursement of funds to the lead lender or agent to fund loans to third parties by one or more participating lenders (i.e., a loan pool) to the lead lender or agent does not constitute an eligible Qualified Activity.

A participation loan is treated as any other loan under the BEA Program. As such, it may qualify as either a CDFI Support Activity or a Distressed Community Financing Activity. In order for a participation loan to be considered a CDFI Support Activity, the borrower must be a CDFI and the monies drawn must be used to support the CDFI's activities. If the CDFI Partner is participating in, or otherwise facilitating, the loan transaction -- but is not the actual borrower -- the transaction will not be considered a CDFI Support Activity. In order for a participation loan to be considered a Distressed Community Financing Activity, the borrower or activity financed must be located within or Integrally Involved in a designated Distressed Community.

As with other loans, in order for a participation loan to be a Qualified Activity under the BEA Program, the loan must be closed and an initial disbursement made during the applicable Assessment Period. Thus, all parties to the transaction must sign and execute the loan documents within the Assessment Period specified in the applicable NOFA. If the transaction

involves a participation agreement between two or more lenders, such agreement may be signed prior to or during the Assessment Period provided that the note or loan agreement is signed within the Assessment Period. A BEA Program applicant will not receive a BEA Program award for a participation loan unless it is specifically named as a lender or party to the original transaction in either the note or the participation agreement. A BEA Program applicant will only receive credit for their share of the participation loan. Accordingly, a BEA Program applicant will not receive credit for purchasing a participation in a loan after the loan's origination.

In some cases, participation agreements between lenders may be in effect for multiple years, involve multiple loan agreements or notes, or involve multiyear disbursements on a single loan. While a participation agreement among lenders may be executed prior to an applicable Assessment Period, a BEA Program applicant shall receive an award only for a loan funding a particular Qualified Activity that is closed during the Assessment Period. Thus, a transaction involving a disbursement on a loan closed prior to the beginning of or after the end of the applicable Assessment Period is ineligible for a BEA Program award.

In some cases, a group of lenders may choose to renew or extend a participation loan the term of which is expected to expire during an applicable Assessment Period. As is the case with all renewed loans under the BEA Program, in the case of a loan that matures, is fully paid and is then renewed during the Assessment Period, the applicant will be ineligible to receive the full value of its share of the principal amount of the renewed participation loan. However, in the case of a participation loan that is not set to expire during the Assessment Period but is refinanced, the BEA Program applicant will be eligible to receive only the value of its share of any increase in the principal amount of the refinanced loan.

**Renewals:** Loans that are renewed during the Baseline Period or the Assessment Period are not eligible as a Qualified Activity. However, Certificates of Deposit to CDFI Partners renewed after the previous three-year term has expired are eligible as a Qualified Activity in the applicable Assessment Period if they meet the requirements for a Qualified Activity as specified in the applicable NOFA.

**Refinancings:** Refinancing of loans (including fixed rate and adjustable rate mortgages) may be valued only at the amount of increase to the principal amount of the loan (i.e., the new credit available). For example, if an Applicant originally financed a loan for \$100,000 and the borrower subsequently wanted to refinance the loan and increase the amount borrowed to \$125,000, the Applicant can only claim an increase in the principal amount (\$25,000) for the purpose of receiving an award.

**Technical Assistance:** Technical assistance provided by an Applicant to a CDFI must be reported based on the administrative cost of providing the services. For staff time, report the number of hours contributed times the hourly salary of the staff member. For other administrative costs (such as printing costs for informational materials), report the actual cost. An Applicant should submit an itemized list of costs that it is seeking to be considered as a Qualified Activity. In reporting the cost of technical assistance activities, the Applicant should certify that the reported items are an accurate reflection of the actual costs incurred in delivering the service.

**Technical Assistance or IDA Match Contributions:** An Applicant shall report any financial literacy training or other types of technical assistance provided to ETA or IDA holders under the Community Services category. An Applicant should also report funds provided to match IDAs, either directly or through a non-profit entity, under Community Services.