

# COMMUNITY DEVELOPMENT FINANCIAL INSTITUTIONS FUND

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# Getting Acquainted with Your FY 2016 Assistance Agreement

FY 2016 CDFI Program and NACA Program Awards

# Purpose of this Presentation



- The purpose of this presentation is to help FY 2016 CDFI & NACA Program Recipients understand the requirements, terms, and conditions of their awards.
- References to Financial Assistance (FA) and Technical Assistance (TA) awards in this presentation include both CDFI & NACA Program Recipients, unless otherwise stated.
- The information presented in this presentation is for educational purposes only.
- Your Assistance Agreement is the legally binding document governing your award.



# Presentation Objectives

- Describe the Assistance Agreement and its purpose.
- Demonstrate what the Assistance Agreement looks like.
- Explain what the Assistance Agreement contains.
- Provide instructions on what to do with your Assistance Agreement.
- Deliver information about amending your Assistance Agreement.
- Explain the difference between an Assistance Agreement and an award application.



# Presentation Topics

- Assistance Agreement Overview
- Assistance Agreements Availability
- Assistance Agreement Screenshots
- Other Important Assistance Agreement Information
- Authorized Financial and Technical Assistance Activities
- Making Changes to an Assistance Agreement
- Loan Documents and Standard Loan Product

# Assistance Agreement Overview



- The Assistance Agreement is a legally binding agreement between the CDFI Fund and the Recipient.
- The CDFI Fund executes an Assistance Agreement with all CDFI & NACA Program Recipients.
- The terms of the Assistance Agreement are based on the Recipient's institution type, award type, information submitted in the application, and other factors, such as matching funds.

# Assistance Agreement Overview



- The Assistance Agreement contains the following:
  - Annual Reporting requirements, and associated deadlines
  - Performance Goals & Measures (PG&Ms)
  - Authorized Activities for Award funds
  - General Award Terms and Conditions
  - Promissory Note and Loan Terms (loans only)

# Assistance Agreement Overview



- **Recipients should:**
  - Read the entire Assistance Agreement
    - Recipients with Awards from multiple funding rounds should read each agreement closely, as terms and conditions change year to year.
  - Keep a copy of Assistance Agreement on file
    - The Assistance Agreement will be available in the Notes & Attachments related list in each Recipient's FY 2016 Award Record in the Award Management Information System (AMIS).
  - Adhere to the reporting requirements, PG&Ms, and associated deadlines outlined in the Assistance Agreement (not AMIS).
    - **IMPORTANT: Due to system limitations, the Reporting Schedule and PG&Ms included in the AMIS Award Record are currently incorrect for FY16 awards. These will be updated in the future.**
  - Set up tickler system with due dates for reports

# Assistance Agreement Overview



- Throughout the performance period of the Assistance Agreement, the Recipient is required to report on its performance toward meeting the Performance Goal and Measure benchmarks.
  - Recipients that meet all the terms and conditions, are considered to be compliant with the Assistance Agreement.
  - Recipients that fail to meet the terms and conditions of the Assistance Agreement are considered to be non-compliant.

# Assistance Agreement Overview



- The Assistance Agreement must be signed by an Authorized Representative listed in the Recipient's AMIS account.
- The Authorized Representative must have the legal authority to enter into an Assistance Agreement on behalf of the Recipient's organization.
- The CDFI Fund will contact the Authorized Representative if additional information regarding the Assistance Agreement is needed.
- The CDFI Fund urges Recipients to review the commitments in the Assistance Agreement very carefully before signing the document as the CDFI Fund expects Recipients to fulfill all terms and conditions and meet timelines therein.

# Assistance Agreement Changes



- The following PG&Ms have new language for FY 2016:
  - Goal 1.4 – Operating Liquidity Ratio- At the end of each Year of the Performance Period, the CDFI Fund will review the financial data entered into the Recipient's CDFI Fund Account ensuring that the following standards, at a minimum, are met:
    - The Recipient must demonstrate an operating liquidity ratio of at least 1.0, calculated as follows:....
    - Goal 3 - Data Collection- The data for Goal 3 shall be obtained and/or calculated by the CDFI Fund from data entered into the Uses of Funds report and data entered into the Recipient's CDFI Fund account.
    - Goal 4 - CDFI Creation- The Recipient must establish a legal entity that will be certified as a CDFI.
    - Goal 5 - Data Collection- Data entered into the Recipient's CDFI Fund account.
- Language was added to further highlight the responsibility of Core FA Recipients to ensure the eligibility of Matching Funds used for the FY16 award (see Slide 28)
- Language was added to clarify the roles and responsibilities of Depository Institution Holding Company (DIHC) Recipients and the Subsidiaries of DIHC Recipients (see Slide 29)

# Presentation Topics



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- Loan Documents and Standard Loan Product

# Assistance Agreement Notification



- An email notification will be sent when the Assistance Agreement is available in each Recipient's AMIS account.
  - The email will be sent to the Authorized Representative and Point(s) of Contact listed in each Recipient's FY16 application
- Recipients will also receive a Transmittal Letter that will contain detailed instructions regarding the Award closing process.
- The Assistance Agreement will be available in the Notes & Attachments related list in each Recipient's FY 2016 Award record in AMIS.
  - HFFI Recipients will receive only one Assistance Agreement that will cover both the FA and HFFI awards.

# Assistance Agreement Timeline



- The following Recipient types will receive Assistance Agreements in December 2017:
  - TA Recipients;
  - SECA and NACA FA Recipients; and
  - Core FA Recipients that have provided 100% in-hand matching funds.
- Core FA Recipients that did not have 100% in-hand matching funds at the time of award will receive their Assistance Agreements after demonstrating that they have in-hand matching funds totaling their award amount.
  - It is anticipated that CDFI/NACA staff will conduct post-award matching funds reviews in February-March 2017. Therefore, Core FA Recipients with outstanding matching funds should not expect to receive their Assistance Agreement until March-April 2017.

# Presentation Topics



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# Assistance Agreement Screenshots



- The following slides:
  - Contain screenshots of the more relevant and frequently referenced pages and schedules found in the Assistance Agreement.
  - Designed to familiarize you with the Assistance Agreement.
- Applicable Annual Reporting Requirements will be marked “Yes.”
- All PG&Ms will be listed in the Assistance Agreement to find the PG&Ms you will be held to refer to the charts in this presentation and the agreement.
- Note that screenshots are for informational purposes and the Assistance Agreement you receive may differ in format and content.

# Assistance Agreement Cover Page



## COMMUNITY DEVELOPMENT FINANCIAL INSTITUTIONS FUND ASSISTANCE AGREEMENT

|  |   |  |   |
|--|---|--|---|
| <b>Recipient:</b> [2]  |   | <b>CDFI Fund Award Number:</b> [1]   |   |
| <b>Address:</b>  |   | <b>DUNS Number:</b>  |   |
| <b>Applicable Program:</b> [CDFI/NACA] Program   |   | <b>Employer Identification Number:</b>   |   |
| <b>CFDA Number:</b>  |   | <b>Announcement Date (Performance Period Start Date):</b>                              |   |
| <b>Date of Applicable NOFA:</b>  |   |  |   |
| By signing this Assistance Agreement and in consideration of the mutual covenants, conditions and agreements herein set forth, the parties hereto, by their respective Authorized Representatives, agree to the following: (i) the award of Assistance hereunder shall be administered pursuant to the General Award Terms and Conditions, attached hereto as Schedule 3 and made a material part hereof, and (ii) the award of Assistance shall be further subject to the provisions, terms, conditions, requirements, certifications and representations set forth in all such additional schedules that are attached hereto and constitute a material part hereof. In witness whereof, the parties hereto do hereby execute and enter into this Assistance Agreement. |   |  |   |
| <b>Community Development Financial Institutions Fund</b>   |   | [2]  |   |
| <b>By:</b><br>Authorized Representative: Amber Bell<br>Title: Program Manager<br>Federal Award Date**  |   | <b>By:</b><br>Authorized Representative:<br>Title:                                     |   |
| <b>Recipient Information</b>   |   |  |   |
| <b>Entity Type:</b> [Regulated/Non-regulated/Sponsoring Entity]  |   |  |   |
| <b>CDFI Depository Institution Holding Company:</b> [Y/N]  |   |  |   |
| Subsidiary CDFI Depository Institution (if applicable):  |   | Subsidiary CDFI Depository Institution Employer Identification Number (if applicable): |   |
| <b>CDFI Certification Status as of Announcement Date:</b> [Certified/Not Certified]  |   |  |   |
| <b>Financial Assistance</b>  |   |  |   |
| <b>Matching Funds:</b> [Applicable or Not Applicable]  |   |  |   |
|  | <b>Amount and Form of Financial Assistance (FA) Award</b> | <b>Initial FA Payment</b>  | <b>Amount and Form of HFFI Financial Assistance (HFFI-FA) Award</b> |
|  |   |  | <b>Initial HFFI-FA Payment</b>                                      |
| <b>Grant</b>   |   |  |   |
| <b>Loan</b>  |   |  |   |
| <b>Equity</b>  |   |  |   |
| <b>Secondary Capital</b>   |   |  |   |
| <b>Deposit</b>   |   |  |   |
| <b>Technical Assistance (TA) Award:</b>  |   | <b>Initial TA Payment:</b>   |   |

Amount and Form of FA Award and/or HFFI FA (HFFI-FA): Grant, Loan, Equity, Secondary Capital, Deposit  
-----  
Specific Authorized FA Activities are Outlined in Schedule 2-B

TA Award Amount  
-----  
Specific Authorized TA Activities are Outlined in Schedule 2-A

CDFI Fund Award Number can be found in the upper right corner of the Cover Page  
HFFI will have a second number

Announcement Date is located here. It is the Performance Period Start Date and Beginning of Year 1 of the Performance Period  
-----  
Performance Period Schedule is found in Schedule 1-C.

Note Initial Payment

# Annual Reporting Requirements (Schedule 1-A)



## Financial Condition Report Requirements

| Report   | Description   |
|--|---|
| Single Audit Report (A-133 Audit)  | A Nonprofit Recipient must complete Single Audits (A-133 Audit) pursuant to the Uniform Requirements (2 C.F.R. 200.500) if they expend \$750,000 or more in Federal awards in their fiscal year, or such other dollar threshold established by OMB pursuant to 2 C.F.R. 200.500. If a Single Audit is required, it must be submitted via the Recipient's CDFI Fund AMIS account.  |
| Financial Statements and Related Auditor's and Accountant's Review Report (Nonprofit Recipient)  | <p>If a nonprofit Recipient is not required to submit a Single Audit (A-133 Audit) for any given fiscal year, the Recipient shall submit to the CDFI Fund the Recipient's most recent statements of financial condition audited or reviewed by an independent certified public accountant, if any are prepared. Under no circumstances should this be construed as requiring the Recipient to conduct or arrange for additional audits not otherwise required under Uniform Requirements or otherwise prepared at the request of the Recipient or parties other than the CDFI Fund. Statements must be submitted via the Recipient's CDFI Fund AMIS account.</p> <p>[Not required for Insured Credit Union, Insured Depository Institution, Depository Institution Holding Company, or Sponsoring Entity]</p> |
| Financial Statements and Related Auditor's and Accountant's Review Report (For-profit Recipient) | <p>A For-profit Recipient must submit statement of financial condition audited or reviewed by an independent certified public accountant.</p> <p>Financial statements will be reviewed by the CDFI Fund to determine the Recipient's financial and managerial soundness. [Not required for Insured Credit Union, Insured Depository Institution, Depository Institution Holding Company, or Sponsoring Entity]. Statements must be submitted via the Recipient's CDFI Fund AMIS account.</p>  |

# Annual Reporting Requirements (Schedule 1-A)



## Financial Condition Report Requirements

| Report                         | Description  |
|--------------------------------|--|
| Institution Level Report (ILR) | All Recipients must submit the ILR. The ILR must be submitted electronically through the CDFI Fund's Community Investment Impact System (CIIS), which the Recipient will access through its CDFI Fund account.   |
| Transaction Level Report (TLR) | <p>If the Recipient receives financial assistance, it must submit the TLR to the CDFI Fund. The TLR must be submitted electronically through the CDFI Fund's Community Investment Impact System (CIIS), which the Recipient will access through its CDFI Fund account.</p> <p>If the Recipient receives financial assistance, it must submit the TLR to the CDFI Fund. The TLR data for CDFI Depository Institution Holding Company award Recipients should capture data on the individual loans and investments made by its Subsidiary CDFI Insured Depository Institution.</p> |
| Shareholders Report            | If the Recipient receives FA in the form of an Equity Investment, the Recipient must submit shareholder information to the CDFI Fund showing the class, series, and number of shares and valuation of capital stock held or to be held by each shareholder. The Shareholder Report must be submitted for as long as the CDFI Fund is an equity holder in the Recipient.  |

# Annual Reporting Requirements (Schedule 1-A)



## Performance Report Requirement

| Report   | Description  |
|--|--|
| Performance Progress Report                    | All Recipients must submit the Performance Progress Report to the CDFI Fund via the Recipient's CDFI Fund AMIS account.                                  |
| Uses of Funds Report                           | All Recipients must submit the Uses of Funds Report to the CDFI Fund via the Recipient's CDFI Fund AMIS account.   |
| Federal Financial Report/OMB Standard Form 425 | If the Recipient receives technical assistance, it must submit the Federal Financial Report to the CDFI Fund via the Recipient's CDFI Fund AMIS account. |

# Annual Report Submission Deadlines (Schedule 1-B)



| Report  | Due   |
|---|---|
| Performance Progress Report   | Three (3) months after the end of each year of the Performance Period |
| Uses of Funds Report  | Three (3) months after the end of each year of the Performance Period |
| Federal Financial Report/OMB Standard Form 425  | Three (3) months after the end of each year of the Performance Period |
| Institution Level Report (ILR)  | Six (6) months after the end of each year of the Performance Period   |
| Transaction Level Report (TLR)  | Six (6) months after the end of each year of the Performance Period   |
| Shareholders Report   | Six (6) months after the end of each year of the Performance Period   |
| Financial Statements and Related Auditor's and Accountant's Review Report (Unregulated For-Profit and Nonprofit Recipients) | Six (6) months after the end of each year of the Performance Period   |
| Single Audit Report (A-133)   | Nine (9) months after the end of each year of the Performance Period  |

# Performance Goals (Schedule 1-C)



| Goal and Measure Numbers                          | <u>Goal 1 Measures</u>  |
|---|---|
| 1-1<br><br>[Regulated Credit Union CDFIs; FA, TA] | <p><b>Regulated CDFI Safety and Soundness (for Insured Credit Unions only):</b> At the end of each Year of the Performance Period, the CDFI Fund will review the financial data available through the Recipient's CDFI Fund account ensuring that the following standards, at a minimum, are met:</p> <ul style="list-style-type: none"> <li>◆ Prompt Corrective Action (PCA) Net Worth Ratio of at least 6%</li> </ul>   |
| 1-2<br><br>[Regulated CDFIs; FA, TA]              | <p><b>Regulated CDFI Safety and Soundness (for Insured Depository Institutions and Depository Institution Holding Companies only):</b> At the end of each Year of the Performance Period, the CDFI Fund will review the financial data available through the Recipient's CDFI Fund account ensuring that the following standards, at a minimum, are met:</p> <ul style="list-style-type: none"> <li>◆ Tier 1 Leverage Capital of at least 8%</li> </ul>   |
| 1-3<br><br>[Regulated CDFIs; FA, TA]              | <p><b>Regulated CDFI Safety and Soundness (for Insured Depository Institutions and Depository Institution Holding Companies only):</b> At the end of each Year of the Performance Period, the CDFI Fund will review the financial data available through the Recipient's CDFI Fund account ensuring that the following standards, at a minimum, are met:</p> <ul style="list-style-type: none"> <li>◆ Net Loans &amp; Leases to Deposits Ratio of at least 50%</li> </ul>   |
| 1-4<br><br>[Non-regulated CDFIs; FA; NACA; TA]    | <p><b>Operating Liquidity Ratio:</b> At the end of each Year of the Performance Period, the CDFI Fund will review the financial data entered into the Recipient's CDFI Fund Account ensuring that the following standards, at a minimum, are met:</p> <p>The Recipient must demonstrate an operating liquidity ratio of at least 1.0, calculated as follows:<br/>[Cash and cash equivalents available for operating expenses] divided by [0.25 x the Recipient's total (pre-tax) operating expenses for the most recently completed fiscal year less provision of loan loss reserves]. The resulting number is the operating liquidity ratio.</p> |

- PG&Ms are the minimum benchmarks that must be attained in order for a Recipient to remain in compliance with the Assistance Agreement with regard to performance
- **PG&Ms for all institution and award types will be visible in the Assistance Agreement.**
- NOTE: In addition to meeting the PG&Ms, compliance is also dependent upon timely report submission and, if applicable, an unqualified audit opinion and an absence of material weakness findings in the Single Audit (A-133).

# Performance Goals (Schedule 1-C): FA Recipients



- Below chart displays the Goals and Measures for FA Recipients by institution type

| Financial Assistance Recipients |                                |  |                                |                                |                                |
|---------------------------------|--------------------------------|--|--------------------------------|--------------------------------|--------------------------------|
| Performance Goal & Measure      | Insured Depository Institution | Insured Depository Institution Holding Company | Insured Credit Union           | Loan Fund                      | Venture Capital Fund           |
| 1-1                             |                                |  | X                              |                                |                                |
| 1-2                             | X                              | X  |                                |                                |                                |
| 1-3                             | X                              | X  |                                |                                |                                |
| 1-4                             |                                |  |                                | X                              | X                              |
| 1-5                             |                                |  |                                | X                              |                                |
| 1-6*                            |                                |  |                                | X                              | X                              |
| 2-1                             | X                              | X  | X                              | X                              | X                              |
| 2-2                             | X<br>(HFFI-FA Recipients Only) | X<br>(HFFI-FA Recipients Only)                 | X<br>(HFFI-FA Recipients Only) | X<br>(HFFI-FA Recipients Only) | X<br>(HFFI-FA Recipients Only) |
| 3-1                             | Not applicable                 |  |                                |                                |                                |
| 3-2                             | Not applicable                 |  |                                |                                |                                |
| 4-1                             | Not applicable                 |  |                                |                                |                                |
| 5-1                             | Not applicable                 |  |                                |                                |                                |
| 5-2                             | Not applicable                 |  |                                |                                |                                |

\*Only applicable to Loan Fund and Venture Capital Fund FA Recipients that reported historic and/or current year Equity Investment Portfolio Valuation activity in the Application

# Performance Goals (Schedule 1-C): TA Recipients



- Below chart displays the Goals and Measures for TA Recipients by institution type

| Technical Assistance Recipients |                                    |  |                                    |                                    |                                    |                   |
|---------------------------------|------------------------------------|--|------------------------------------|------------------------------------|------------------------------------|-------------------|
| Performance Goal & Measure      | Insured Depository Institution     | Insured Depository Institution Holding Company | Insured Credit Union               | Loan Fund                          | Venture Capital Fund               | Sponsoring Entity |
| 1-1                             |                                    |  | X                                  |                                    |                                    |                   |
| 1-2                             | X                                  | X  |                                    |                                    |                                    |                   |
| 1-3                             | X                                  | X  |                                    |                                    |                                    |                   |
| 1-4                             |                                    |  |                                    | X                                  | X                                  | X                 |
| 1-5                             | Not Applicable                     |  |                                    |                                    |                                    |                   |
| 1-6                             | Not Applicable                     |  |                                    |                                    |                                    |                   |
| 2-1                             | Not Applicable                     |  |                                    |                                    |                                    |                   |
| 2-2                             | Not Applicable                     |  |                                    |                                    |                                    |                   |
| 3-1                             | X                                  | X  | X                                  | X                                  | X                                  |                   |
| 3-2                             |                                    |  |                                    |                                    |                                    | X                 |
| 4-1                             |                                    |  |                                    |                                    |                                    | X                 |
| 5-1                             | X<br>(Uncertified Recipients Only) | X<br>(Uncertified Recipients Only)             | X<br>(Uncertified Recipients Only) | X<br>(Uncertified Recipients Only) | X<br>(Uncertified Recipients Only) |                   |
| 5-2                             |                                    |  |                                    |                                    |                                    | X                 |

# Authorized Technical Assistance Activities (Schedule 2-A)



Schedule 2-A  
Award No.: [1]  
Recipient: [2]

## TECHNICAL ASSISTANCE BUDGET

The Recipient shall use the Technical Assistance for the following activities\*:

| TOTAL TA AWARD:                  |        |          |
|----------------------------------|--------|----------|
| ACTIVITY                         | AMOUNT | COMMENTS |
| Compensation (Personal Services) | \$     |          |
| Compensation (Fringe Benefits)   | \$     |          |
| Training and Education Costs     | \$     |          |
| Travel Costs                     | \$     |          |
| Professional Service Costs       | \$     |          |
| Equipment                        | \$     |          |
| Supplies                         |        |          |

\* The Recipient should refer to Section 3.8 of this Assistance Agreement for further guidance on Authorized Technical Assistance Activities as well as permissible modifications to Budget activities and amounts per category.

- Lists approved TA Budget.
- Further guidance related to allowable uses and permissible modifications to Authorized TA Activities and amounts are found in Sections 3.8 and 7.9 of the Assistance Agreement.
- TA funds can be expended for any approved TA Activity, at the Recipient's discretion, without prior approval from the CDFI Fund.

# Authorized Financial Assistance Activities (Schedule 2-B)



Schedule 2-B  
Award No.: [1]  
Recipient: [2]

## FINANCIAL ASSISTANCE BUDGET

The Recipient shall use the Financial Assistance for the following activities:

| TOTAL FA AWARD:      |           |                |
|----------------------|-----------|----------------|
| ACTIVITY             | FA Amount | HFFI-FA Amount |
| Financial Products   | \$        | \$             |
| Financial Services   | \$        | \$             |
| Development Services | \$        | \$             |
| Loan Loss Reserves   | \$        | \$             |
| Capital Reserves     | \$        | \$             |
| <b>Total</b>         | \$        | \$             |

\* The Recipient should refer to Section 3.7 of this Assistance Agreement for further guidance on Authorized Financial Assistance Activities as well as permissible modifications to Budget activities and amounts per category.

- Authorized FA Activities include Financial Products, Financial Services\*, Development Services, Loan Loss Reserves, and Capital Reserves\*.

\*Financial Services and \*Capital Reserves are only authorized for Insured Depository Institutions.

FA funds can be expended for any approved FA Activity, at the Recipient's discretion, without prior approval from the CDFI Fund.

Further guidance related to allowable uses and permissible modifications to Authorized FA Activities and amounts are found in Sections 3.7 and 7.9 of the Assistance Agreement.



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# General Award Terms & Conditions (Schedule 3): Sec. 3.3 - Payments



- In order to receive award payments, Recipients must:
  - Electronically sign the Assistance Agreement and upload all required documentation (e.g. Certificate of Good Standing) into AMIS.
  - Provide In-Hand Matching Funds documentation for 100% of FA award amount (Core FA Recipients only)
  - Be in compliance with terms & conditions of any prior award from the CDFI Fund.
  - Maintain accurate banking information in the System for Award Management (SAM) (see forthcoming *Payments* presentation for more detail).
  - **SAM information must be updated every 6 months!**

# Application Vs. Authorized Award Activities



- Even though a Recipient included certain projects and activities in their application, those activities may not be Authorized uses.
- The Recipient must ensure that activities performed with CDFI Fund dollars are allowable, allocable, and necessary.
  - Allowable – Allowed by CDFI Fund and Uniform Administrative Requirements (2 CFR 200)
  - Allocable – Incurred specifically for this award
  - Necessary – Required to achieve the organization’s strategic goals, implement its comprehensive business plan, and/or build the organization’s capacity to serve or expand service in its Target Market.
- Example:
  - An applicant requested \$100,000 in its application for indirect costs such as rent, salaries, supplies.
  - Indirect costs are not allowable under the CDFI and NACA Programs



# Award Budgets

- Approved budgets are located in Schedule 2 of the Assistance Agreement (demonstrated in earlier screenshots)
  - TA budget is in Schedule 2-A
  - FA budget is in Schedule 2-B
- Authorized activities are based on requests made in the application and can be thought of as the Award budget.
- The CDFI Fund approves activities, not specific related financial transactions.
- Award funds can be expended on activities different than those requested in the application without prior CDFI Fund approval.
  - Modifications do not need to be approved by the CDFI Fund and can be implemented by the Recipient. (See later slides on Amendments and Modifications)
- **The funds must always be used for allowable direct costs.**

# General Award Terms & Conditions (Schedule 3): Sec. 4.12 – Matching Funds



- This slide is only applicable to Core FA Recipients
- It is the responsibility of Core FA Recipients to ensure that any Matching Funds used for the FY16 award meet the following criteria:
  - Have not been used by the Recipient to satisfy a legal requirement under another Federal grant or award program;
  - Are considered non-federal in nature;
  - Have documentation to prove receipt of funds and eligibility; and
  - Adhere to the guidance published by the CDFI Fund.

# Depository Institution Holding Company (DIHC) Recipients



- This slide is only applicable to DIHC Recipients.
- DIHC Recipients that deploy a FA award through a Subsidiary CDFI Insured Depository Institution, must use the award funds to capitalize the Subsidiary CDFI Insured Depository Institution to carryout Authorized FA Activities.
- The name and Employer Identification Number (EIN) of the Subsidiary CDFI Insured Depository Institution that will carryout the award activities will be included in the Assistance Agreement.
- The DIHC Recipient must ensure that the transfer of funds to the Subsidiary CDFI Insured Depository Institution meets the requirements described in section 200.331 of the Uniform Requirements.
- DIHC Recipients should consult their regulators to determine if a FA award that a DIHC passes through to a Subsidiary CDFI may be considered Tier 1 capital.



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- **Authorized Financial and Technical Assistance Activities**
- Making Changes to an Assistance Agreement
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# General Award Terms & Conditions (Schedule 3): Authorized Activities



- Award funds can be spent on the following Authorized Activities outlined in the General Terms & Conditions (GT&C) section of the Assistance Agreement:
  - Financial Assistance (GT&C 3.7)
    - Financial Products, Financial Products, Development Services, Loan Loss Reserves, Capital Reserves
    - 15% of total Award can be used on Direct Administrative Expenses related to the above activities.
      - Direct Administrative Expenses are defined and described in slide 35
  - Technical Assistance (GT&C 3.8)
    - Personnel Compensation (Salary & Fringe Benefits), Travel, Training and Education, Professional Services, Supplies, Equipment

# General Award Terms & Conditions (Schedule 3): Authorized Activities - (Continued)



- Direct Expenses
  - Include costs that can be identified specifically with a particular final cost objective such as a federal Award, or other internal or external activity, or that can be directly assigned to such activities with a high degree of accuracy. *2 CFR 200.413 ( See next slide for additional detail).*
- Indirect Expenses are **not allowable**.
  - They include costs that are incurred for common or joint objectives and therefore cannot be identified readily and specifically with a specific sponsored project. *2 CFR 200 Appendix 3*
  - Indirect expenses include salary not directly tied to the provision of Financial Products, Facilities and Administration (F&A) costs, depreciation, interest to pay off debt, construction, marketing, supplies and equipment.

# General Award Terms & Conditions (Schedule 3): Authorized Activities (Continued)



- Direct Administrative Expenses
  - Direct Administrative Expenses are Direct Costs, as described in section 200.413 of the Uniform Requirements, which a Recipient incurs carrying out a FA Project.
  - These costs must be able to be specifically identified with the Project and not also recovered as Indirect Costs.
  - Include FA expended to carry out the Recipient's eligible FA Activities. **Recipients can use no more than 15% of their Award for Direct Administrative Expenses.**
- For example, the salary for a loan officer is a Direct Administrative Expense for Financial Products; the salary expense would be proportional to the loan officer's Financial Products workload. The salary for maintenance staff in the building where loans are provided is an indirect expense, and not allowable.
- There are no Direct Administrative Expenses for TA Awards as all expenses made towards the authorized activities are direct expenses.

# FA Authorized Activities



| Activity             | Direct Expense  | Direct Administrative Expense   |
|----------------------|---|---|
| Financial Products   | <ul style="list-style-type: none"> <li>Loans, equity investments and similar financing activities to the Target Market.</li> </ul>  | <ul style="list-style-type: none"> <li>Costs of personnel (salary and fringe), travel costs, and professional services expended to carry out loans, equity investments, and similar financing activities to the Target Market.</li> </ul> |
| Loan Loss Reserves   | <ul style="list-style-type: none"> <li>Funds set aside in the form of cash reserves or through accounting-based accrual reserves that serve as a cushion to protect the Recipient against future losses</li> </ul>  | <ul style="list-style-type: none"> <li>Costs of personnel (salary and fringe) directly tied to LLR.</li> </ul>  |
| Development Services | <ul style="list-style-type: none"> <li>Costs to provide financial or credit counseling; homeownership counseling; and business planning and management assistance</li> <li>For example, staff salary providing the credit counseling to the Target Market.</li> </ul> |   |

# FA Authorized Activities (Continued)



| Activity            | Direct Expense   | Direct Administrative Expense  |
|---------------------|--|--|
| Financial Services* | <ul style="list-style-type: none"> <li>• Cost to provide checking, savings accounts, check cashing, money orders, certified checks, equipment (such as automated teller machines), deposit taking, safe deposit box services, and other similar services to the Target Market</li> <li>• Costs of personnel (salary and fringe) providing the above services.</li> </ul> | <ul style="list-style-type: none"> <li>• Travel costs, and professional services contributing directly to providing financial services.</li> </ul> |
| Capital Reserves*   | <ul style="list-style-type: none"> <li>• Funds set aside in the form of cash reserves or through accounting-based accrual reserves that serve as a cushion to protect the Recipient against future losses</li> </ul>   |  |

\*Financial Services and Capital Reserves are only allowable for Insured Depository Institutions.



# TA Authorized Activities

| Activity               | Direct Expense  |
|------------------------|---|
| Personnel Compensation | <ul style="list-style-type: none"><li>A Recipient may use a TA grant to cover the salary and/or the fringe benefits paid currently or accrued by the organization for services rendered by its permanent staff in carrying out a distinct project or for a set period during the performance period defined in the Assistance Agreement.</li></ul>                            |
| Training and Education | <ul style="list-style-type: none"><li>A Recipient may use a TA grant to acquire external training for its staff, volunteers, or board members in order to increase the effectiveness of its existing and future administrative operations and programs by developing its human capital.</li></ul>   |
| Travel                 | <ul style="list-style-type: none"><li>A Recipient may use a TA grant to cover travel expenses for staff, consultants, or board members. Allowable travel-related expenses include air or train fare, lodging, mileage, rental cars, taxi and subsistence (e.g., meals). Travel expenses must be reasonable and consistent with the Recipient's own travel policies.</li></ul> |

# TA Authorized Activities (Continued)



| Activity              | Direct Expense   |
|-----------------------|--|
| Professional Services | <ul style="list-style-type: none"> <li>A Recipient may use a TA grant to pay for professional and consultant services rendered by persons who are members of a particular profession or possess a special skill, and who are not officers or employees of the Recipient, subject to the applicable provisions of the Uniform Requirements. Payment for a consultant’s services may not exceed the daily equivalent of the current maximum rate paid to an Executive Schedule Level IV Federal employee.</li> </ul> |
| Equipment             | <ul style="list-style-type: none"> <li>A Recipient may use TA to pay for tangible personal property, having a useful life of more than one year and a per-unit acquisition cost of at least \$5,000 and subject to the applicable provisions of the Uniform Requirements.</li> </ul>   |
| Supplies              | <ul style="list-style-type: none"> <li>A Recipient may use TA to acquire tangible personal property with a per unit acquisition of less than \$5,000 and subject to the applicable provisions of the Uniform Requirements. A laptop is a supply if the acquisition cost is less than \$5,000, regardless of the length of its useful life</li> </ul>   |

# Authorized Activity Questions



- If something you are going to spend your money on does not fit neatly into the previously mentioned Authorized Activities categories, or if you are unsure, first consult the Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (2 CFR 200)
  - Cost principles are found in Subpart E
  - [Link to access the GPO e-Code of Federal Regulations site](#)
  - Contact the CDFI Fund **before** expending funds if you have questions (contact information is available at the end of the presentation)
  - Recipients are responsible for funds expended on unallowable activities.

# Presentation Topics



- Assistance Agreement Overview
- Assistance Agreements Availability
- Assistance Agreement Screenshots
- Other Important Assistance Agreement Information
- Authorized Financial and Technical Assistance Activities
- Making Changes to an Assistance Agreement
- Loan Documents and Standard Loan Product

# Making Changes to an Assistance Agreement



- An Amendment allows the terms of the Assistance Agreement to be amended, modified, or supplemented only by the mutual written consent of the Recipient and the CDFI Fund.
- Amendments need to be approved by the CDFI Fund. Modifications do not need to be approved by the CDFI Fund and can be implemented by the Recipient.
- The following slides explain when you may need an Amendment versus when a Recipient can make a modification.
- Amendments can be requested via AMIS service request and/or email at [amendments@cdfi.treas.gov](mailto:amendments@cdfi.treas.gov)

# Making Changes to an Assistance Agreement



- Why you would need to amend an Assistance Agreement:
  - Changes to the organization's Fiscal Year End, or business structure.
  - Unable to meet Performance Goals and Measures.
  - Need additional time to complete Performance Goals and Measures for which the award funds have been expended.
- The following can be modified without an Amendment:
  - Transfer funds between Authorized Activities;
  - Use cost savings from one Authorized Activity for a new Activity; and/or
  - Add or Eliminate an Activity
  - Organizational name change – please submit a Service Request in AMIS.
- Previous CDFI Fund Award Recipients should note that this differs from previous CDFI Fund amendment policies.
- The CDFI Fund reserves the right to require the Recipient to repay all or a portion of the Award if the Recipient expends funds for an Activity(ies) that does not meet the aforementioned criteria for allowable activities.
- The CDFI Fund intends to strictly enforce Assistance Agreements, amendments other than those to change the Recipient's fiscal year end will be permitted on a very limited basis and at the discretion of the CDFI Fund.

# Amendments and Modifications: Technical Assistance Activities



## Examples of TA Authorized Activities Modifications without an Amendment

- TA Recipients do not need prior approval from the CDFI Fund to:
  - Transfer funds between TA Authorized Activity categories:
    - Example: Recipient received \$10,000 to hire a consultant for strategic planning (Professional Services), but consultant is no longer available, and Recipient would like to send 10 of its staff members to an underwriting training instead (Training).
  - Use cost savings from one Authorized TA Activity for a new TA Activity:
    - Example: Recipient received \$10,000 to hire a consultant for strategic planning (Professional Services), but consultant only charged \$5,000, and Recipient would like to send 5 of its staff members to an underwriting training using the remaining balance of funds (Training).

# Amendments and Modifications: Technical Assistance Activities



## Examples of TA Authorized Activities Modifications without an Amendment

- TA Recipients do not need prior approval from the CDFI Fund to:
  - Eliminate a TA Authorized Activity
    - Example: Recipient received \$10,000 to hire a consultant for strategic planning (Professional Services), but the final amount of the consultant's bid was \$15,000 and more than the original budget. The Recipient determined that the consulting services exceeded their Authorized Activity amount, and they do not have extra money to pay the difference. Therefore the Recipient is allowed to eliminate the strategic planning consulting, and instead contract out their collections and hire a collections servicing agent for \$10,000 or less (Professional Services).
- As long as the modified budget items are allowable and the uses will build your organization's capacity to meet your strategic goals and serve your target market(s), then you may proceed with the modification without prior approval.

# Amendments and Modifications: Financial Assistance Activities



## Examples of FA Authorized Activities Modifications without an Amendment

- Per 2 CFR Part 200, FA Recipients do not need prior approval from the CDFI Fund to modify the following:
  - Transfer funds between or within Authorized FA Activities categories:
    - Example: A Bank Recipient received \$500,000 to for loan loss reserves (Loan Loss Reserve) and \$500,000 for affordable housing predevelopment loans (Financial Products) for a total award of \$1 million, but they determine that they only need \$250,000 for loan loss reserves. The Recipient decides to spend the remaining \$250,000 on affordable housing predevelopment loans (Financial Products) and therefore has \$750,000 of Financial Services Authorized Activities and \$250,000 for Loan Loss Reserves.
  - Use cost savings from one Authorized FA Activity for a new allowable Activity; and/or
    - Example: A credit union Recipient received \$500,000 to for loan loss reserves (Loan Loss Reserve) for a total award of \$500,000, but their write offs were not as high as they originally anticipated and the determine that they actually need \$250,000 in loan capital for affordable housing predevelopment loans (Financial Products) and therefore decide to use \$250,000 of the award affordable housing predevelopment loans (Financial Products) and only \$250,000 on loan loss reserves (Loan Loss Reserves).

# Amendments and Modifications: Financial Assistance Activities



## Examples of FA Authorized Activities Modifications without an Amendment

- Per 2 CFR Part 200, FA Recipients do not need prior approval from the CDFI Fund to modify the following:
  - Eliminating a FA Authorized Activity or task
    - Example: A small business loan fund Recipient received \$500,000 for loan loss reserves (Loan Loss Reserves), but they received another grant from a foundation that also provides them with \$500,000 of Loan Loss Reserve capital. Because they only need \$500,000 of loan loss reserves, they can now use their CDFI Fund award to continue to provide small business loans, even though they did not request lending capital in their original application.
- As long as the modified budget items are allowable under the Assistance Agreement and Uniform Administrative Requirements, and the uses will build your organization's capacity to meet your strategic goals and serve your target market(s), then you may proceed with the modification on your own.

# Presentation Topics



- Assistance Agreement Overview
- Assistance Agreements Availability
- Assistance Agreement Screenshots
- Other Important Assistance Agreement Information
- Authorized Financial and Technical Assistance Activities
- Making Changes to an Assistance Agreement
- **Loan Documents and Standard Loan Product**

# Loan Documents



- When Core FA Recipients submit loans as matching funds, the CDFI Fund provides a standard loan product.
- Based on the amount of loan submitted as matching funds, a Recipient will receive a standard loan with a rate of 2.2% with a thirteen year term.
- The loan is interest only for the first ten years and will fully amortize for the last three years of the term.
- For Recipients with loan components to Core FA Awards, a promissory note will be included in the Assistance Agreement package in Attachment A.
  - The promissory note sets the principal, interest rates and term of the loan and is a legal agreement between the Recipient and CDFI Fund stating that the Recipient agrees to repay principal and interest to the government.
- Loan Repayment Schedule
  - The repayment schedule for the loan component will be included in the Assistance Agreement package in Attachment B.

# Loan Documents- Promissory Note



**Attachment A**  
**Award No.: [1]**  
**Awardee: [2]**

## PROMISSORY NOTE

\$ \_\_\_\_\_

Washington, DC

Date: \_\_\_\_\_

Total Loan Amount

FOR VALUE RECEIVED, the undersigned, \_\_\_\_\_ (the Recipient) hereby promises to pay to the order of the Community Development Financial Institutions Fund (the CDFI Fund), a wholly owned government corporation within the U.S. Department of the Treasury, at 1500 Pennsylvania Avenue, N.W., Washington, DC 20220, or to order, up to the principal sum of \$ \_\_\_\_\_ (or such lesser amount as shall equal the aggregate unpaid principal amount of the loan paid by the CDFI Fund to the Recipient under the Assistance Agreement), payable in its entirety in \_\_\_\_ years by the date of maturity of this promissory note (this Note), \_\_\_\_\_, \_\_\_\_\_ (the Maturity Date). The loan funds will be paid to the Recipient in one or more payments as described in section 3.3 and 3.4 of the Assistance Agreement.

The Recipient further promises to pay interest at the rate of \_\_\_\_\_ (\_\_\_\_%) per annum, accruing daily from the date hereof on the unpaid principal balance from time to time outstanding on this Note. Interest shall be payable semi-annually in arrears on the last day of June and December of each year until the Maturity Date, beginning on the first June or December after payment of the loan funds. Interest shall be computed on the basis of a year of 360 days comprised of twelve (12) 30-day months and for the actual number of days elapsed in any partial month. Beginning in year eleven (11) of the loan and each year thereafter until the Maturity Date, the Recipient further promises to pay semi-annual principal payments in an

# FY 2016 Standard Loan Product



| Term Sheet              |   |
|-------------------------|---|
| Amount                  | Based on approved Matching Funds                                  |
| Rate                    | 2.2% fixed rate   |
| Term                    | Thirteen (13) years   |
| Principal               | Principal amortized payments due in years eleven through thirteen |
| Interest Payments       | Semi-annual   |
| Collateral Requirements | None  |
| Lender Position         | Senior  |



# Additional Guidance

- The following forthcoming materials will provide more information about these topics:
  - **Payments**
    - How to receive your award payment
  - **Post-Award Matching Funds Requirements (Core FA Recipients only)**
    - How to submit outstanding matching funds information

# Contact Information



For questions on general terms and conditions of an award,  
and allowable uses of funds:

Contact the CDFI and NACA Program office

[cdfihelp@cdfi.treas.gov](mailto:cdfihelp@cdfi.treas.gov) or 202.653.0421, option #1

You may also contact your assigned Portfolio Manager, designated  
in your FY 2016 Award record in AMIS

For questions on reporting requirements,  
please submit through AMIS Service Request