



Entity Spin-Off Provision

March 20, 2025

COMMUNITY DEVELOPMENT FINANCIAL INSTITUTIONS FUND

www.cdfifund.gov

Presentation Roadmap

A yellow graphic consisting of a solid circle at the top, followed by a vertical line that passes through three open circles below it. The line starts from the top circle and ends at the bottom circle.

What is a Spin-Off?

Spin-Off Provision & Eligibility

Relevant Certification Application Sections

Additional Information & FAQs

What is a spin-off?



Spin-Off

A spin-off refers to a new, independent entity created from an existing business of a parent company.

What is a spin-off?



Spin-Off



Merger

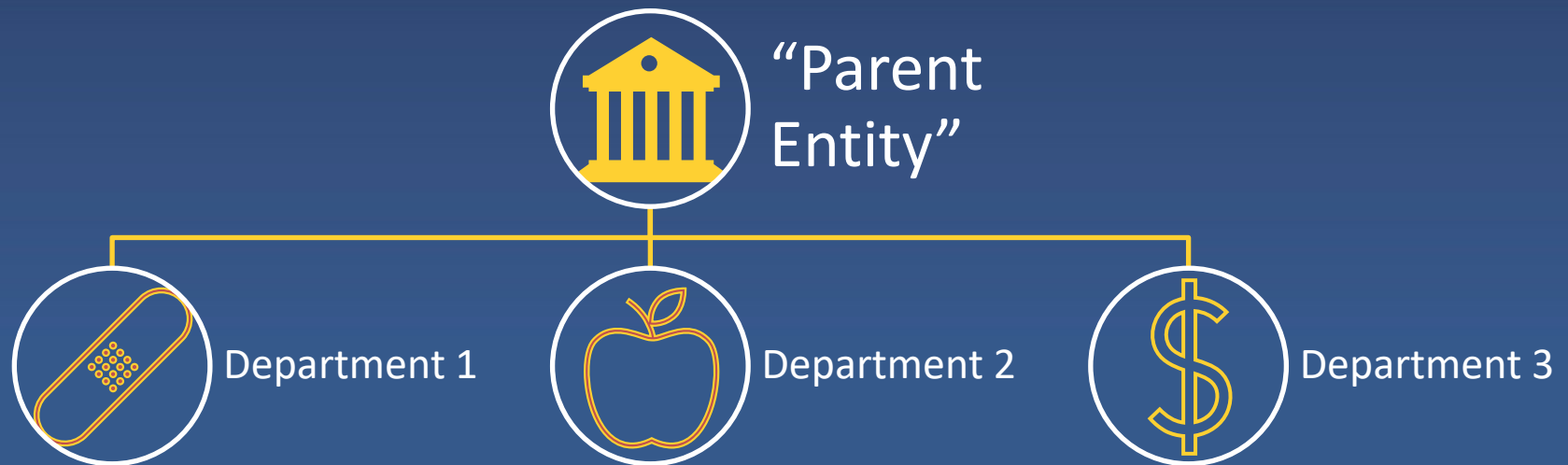
What is a spin-off?



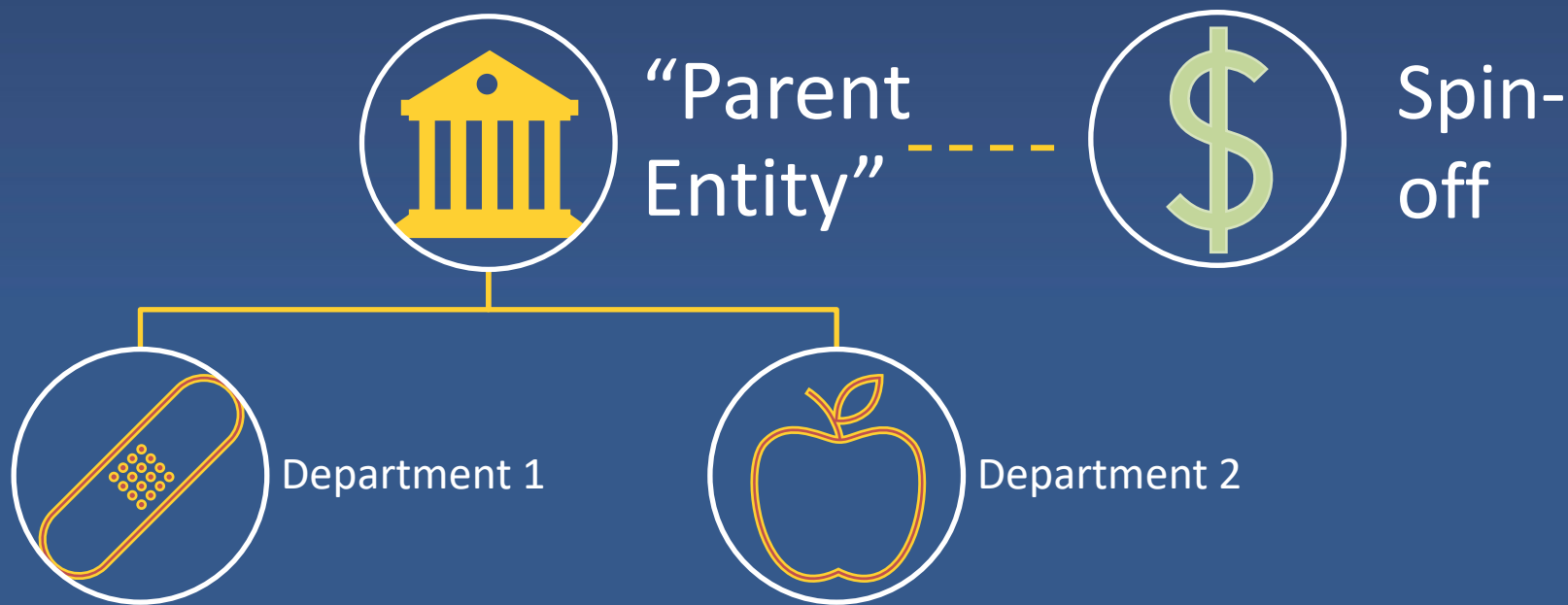
“Parent”
Entity

Aka “Spin-off related Affiliate”

What is a spin-off?



What is a spin-off?



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Why create a spin-off?



- An organization may choose to create a Spin-Off entity when
 - » the organization's predominant activity is non-financing or non-eligible financing, and
 - » the organization is therefore unable to meet the Financing Entity criterion for Certification.

What is a spin-off?



Spin-Off

An entity that

- (1) has received a transferred (not purchased) Financial Product portfolio from one or more separate entity(ies) that was an Affiliate at the time the transfer took place and for which the portfolio consists of arm's-length Financial Product transactions closed by the Affiliate; and
- (2) will continue Financial Product activity of the same type as the Affiliate.

Spin-off provision general information



What is it?

A provision that allows a component of an organization to apply for CDFI Certification without having to wait for a full fiscal year of financing activity

Why does it matter?

This helps when an organization can't meet the predominance test being predominantly a financing entity

General Eligibility



- The Applicant must demonstrate that it or an eligible Spin-off-related Affiliate:
 - » is an Affiliate as of the date the CDFI Certification Application using the Spin-off provision is submitted;
 - » was an Affiliate at the time the eligible Financial Product portfolio transfer took place; and
 - » was not a Certified CDFI at any point during the 12 months of what would have been, if it was in existence at that time, the Spin-off's most recently completed fiscal year timeframe

General Eligibility (Continues)



- » An entity using the CDFI Certification Spin-off provision does not have to meet the CDFI Certification requirements related to the length of time that eligible Financial Product and/or eligible Financial Services activity has been underway.

Find more details about eligibility requirements for the spin-off provision in the “Spin-off Entities – Primary Mission, Financing Entity, and Target Market Requirements” section of the Supplemental Guidance and Tips document found on the CDFI Fund’s Certification webpage under Step 2: Apply.

Eligibility for Spin-Off Provision



- Not all spin-offs are eligible for the spin-off provision.
- To use the CDFI Certification spin-off provision, the entity must meet the following conditions:

Eligibility for Spin-Off Provision (continued)



Eligibility:

- Be a separate and independent legal entity that is the primary holder of its own EIN number.
- Received at least one portfolio of Financial Product transactions transferred to it at no cost.
- Not be “spun off” from an entity that was a Certified CDFI in the past 12 months.
- Offer at least one of the products of the “parent” entity.
- The spin-off and/or “parent” entity has had a primary mission of community development for at least six months.
- Closed one eligible Financial Product transaction within the last 12 months.

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What areas of the Certification Application are impacted by spin-off entities?



Areas Of Impact:



What areas of the Certification Application are impacted by spin-off entities? (Continues)



Area(s) Of Impact:

A large, light yellow arrow pointing to the right, which serves as a background for the "Primary Mission" text.

Primary Mission

What areas of the Certification Application are impacted by spin-off entities? (Continues)



Primary Mission:

- If an Applicant seeks to use the CDFI Certification provision for Spin-off entities, it must meet the CDFI Certification primary mission timeframe requirement. (At least 6 months)
- Spinoffs also must demonstrate that each relevant current Affiliate and, if the Spinoff is subject to the CDFI Certification collective review, that each entity relevant to its collective review process each individually meet all applicable Primary Mission criteria.

What areas of the Certification Application are impacted by spin-off entities? (Continues)



Area(s) Of Impact:

Financing Entity

A large, light-yellow arrow points horizontally from the left towards the right. Inside the arrow, there is a smaller, rounded yellow rectangle. The text "Financing Entity" is written in blue, sans-serif font inside this rectangle.

What areas of the Certification Application are impacted by spin-off entities? (Continues)



Financing Entity:

- An entity using the CDFI Certification Spin-off provision should include as part of its overall eligible Financial Product and eligible Financial Services activity asset amounts:
 - All assets that appear on its own, nonconsolidated balance sheet
 - Specifying assets that are dedicated to its eligible Financial Product and/or eligible Financial Services activity or
 - Specifying assets that were derived from a Financial Product transaction(s) closed arm's-length and as a financing entity of record in associated transaction closing documents by an eligible Spin-off-related Affiliate. (Even if they were transferred to it by an eligible Spin-off-related entity)

What areas of the Certification Application are impacted by spin-off entities? (Continues)



Area(s) Of Impact:



Target Market

What areas of the Certification Application are impacted by spin-off entities? (Continues)



Target Market:

- If an entity is eligible for the CDFI Certification provision for Spin-offs, it must include the following Financial Product and Financial Services activity data for review in connection with the Target Market requirements:
 - » Financing activity from most recently completed fiscal year timeframe.
 - » Financial Product portfolio transferred to Spin-Off entity at no cost.
 - » Financial Services option eligibility.

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Additional Information



Fine Print:

- » The CDFI Certification Spin-off provision can only be used at the time an entity applies for CDFI Certification.
- » Not all entities that qualify for the CDFI Certification Spin-off provision will need to use it. Some Spin-offs may be able to meet all the CDFI certification requirements without it.
- » The CDFI certification status does not extend to a parent entity or to any other Affiliate of the Certified CDFI. The CDFI Certification only covers the entity that applied for and received it.

Contact Information



- For questions about CDFI Certification contact the CDFI Fund's Office of Certification Policy and Evaluation (OCPE) via AMIS Service Request.
- For questions about the ACR or TLR contact the CDFI Fund's Office of Financial Strategies and Research (FS&R) via cdfi-financialstrategiesandresearch@cdfi.treas.gov or AMIS Service Request.
- Detailed guidance information is also available on the CDFI Fund website at <https://www.cdfifund.gov/programs-training/certification/cdfi/apply-step> please check this page regularly for updated information.

CDFI Certification Conference Call Schedule



Date	Time	Presentation Topic
April 3, 2025	3:00-4:15 PM ET	Topic TBA
April 17, 2025	3:00-4:15 PM ET	Topic TBA
May 1, 2025	3:00-4:15 PM ET	Topic TBA



This concludes the presentation.

Thank you for participating!