Small Dollar Loan Program

FY 2022 Pre-Application Webinar
April 27, 2022

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Pre-Application Webinar

Welcome to the FY 2022 Small Dollar Loan Program (SDL Program) Pre-Application Webinar! As a reminder, participants will be muted until we open the phone lines for questions at the end of the presentation.

Webinar Agenda

- SDL Program Staff

- SDL Program Overview

- FY 2022 SDL Program Application Logistics

- Questions

- We Will <u>Not</u> Cover:

  - Application components, submission, and review

  - Instructions on how to enter data into an Application in the CDFI Fund's Awards Management Information System (AMIS)

Program Staff

SDL Program Staff:

- Tanya McInnis, Program Manager

- Julie Sandler, Senior Management and Program Analyst

- Michael Fulton, Management and Program Analyst

Program Overview

- Authorized by the Dodd -Frank Wall Street Reform and Consumer Protection Act of 2010.

- Up to $11 million is available for the FY 2022 funding round.

- The SDL Program was created to help:

  – Certified Community Development Financial Institutions (CDFIs) address the issue of expanding consumer access to mainstream financial institutions and provide alternatives to high cost small dollar loans; and

  – Unbanked and underbanked populations build credit, access affordable capital, and allow greater access into the mainstream financial system.

Program Eligibility

- Per the SDL Program statute (12 U.S.C. 4719), SDL Program grants may only be used to support small dollar loan programs that offer small dollar loans to consumers that:

  - are made in amounts that do not exceed $2,500;

  - must be repaid in installments;

  - have no prepayment penalty; and

  - have payments that are reported to at least one of the consumer reporting agencies that compiles and maintain files on consumers on a nationwide basis.

Eligible Uses of Awards

- Awards must be used for:

  – Loan Loss Reserves (LLR) to defray the costs of a new or existing small dollar loan program, or

  – Technical Assistance (TA) for technology, staff support, and other costs associated with establishing or maintaining a small dollar loan program.

  Note: SDL Program grants cannot be used to provide direct loans to consumers.

Eligible Uses of Awards – Examples from Past Successful Applicants

- Attract additional capital to increase deployment. Because of the historic loss rates that occur with small dollar lending programs, many investors require at least a 15% reserve. (LLR Award)

- Track the impact outcomes of its small dollar lending program by assessing credit pulls at the time the applicant applied for an award and one year later. (TA Award)

- Partner with a technical services company to provide quick processing capabilities and a user friendly interface for its small dollar lending program. (TA Award)

- Increase its loan loss reserves for a new small dollar loan product that is unsecured and available to borrowers with a lack of credit history or lower than average credit scores. (LLR Award)

Applicant Eligibility

- The SDL Program statute allows for three types of eligible Applicants:

  – Certified CDFIs; or

  – Partnerships between a Certified CDFI and any Federally Insured Depository Institution (FIDI) with a primary mission to serve targeted Investment Areas; or

  – Partnerships between two or more Certified CDFIs.

Applicant Eligibility by Award Type

Per statute, eligible Applicants are allowed to receive the following types of awards:

- For LLR grants
  - a Certified CDFI; <u>or</u>
  - a partnership between a Certified CDFI and a FIDI with a primary mission to serve targeted Investment Areas.

- For TA grants
  - a Certified CDFI; <u>or</u>
  - a partnership between two or more Certified CDFIs.

- For both an LLR grant and TA grant
  - a Certified CDFI

Prohibited Practices

SDL Program awards will not be eligible for programs/products with the following lending practices and loan characteristics:

- High-rate loans

- Coerced automated loan payments

- Excessive number of refinancings

- Loan add-ons, e.g., credit insurance

- Security interests in household goods, vehicles, or deposit accounts Exception: loans with a savings account component or credit builder loans

- Excessive late fees on missed loan payments

- Abusive overdraft practices

- Aggressive debt collection practices

- Forced arbitration clause and class action ban

Preferred Loan Characteristics

The CDFI Fund will prioritize funding for Applications that propose to offer small dollar loan programs with any of the following characteristics:

– small dollar loan terms that are at least ninety (90) days;

– ability to repay underwriting that considers the borrower's ability to repay a loan based on both the borrower's income and expenses;

– loan decisions within one business day (or twenty-four (24) hours) after receipt of required documents;

Preferred Loan Characteristics (cont'd)

- offer a reduction in the borrower's loan rate if the borrower elects to use automatic debit payments;

- offer automatic savings features that are built into the regularly-scheduled payments on a loan – provided that the resulting payment is still affordable – or, at a minimum, loans that can be structured so that, subject to the borrower's consent, payments continue for a period of time after the loan is repaid with all of the payments going into a savings vehicle; and

- offer access to financial education/credit counseling

SDL Program Award Sizes

The SDL Program will have the following minimum and maximum award sizes:

- TA Award amount (range: $10,000 - $150,000)

- LLR Award amount - amount determined by request and projected portfolio. Range of awards: Up to 20% of the Applicant's three-year projected total to be closed on-balance sheet small dollar loans, not to exceed $350,000

- Award sizes will be based on demand and the following factors:
  - Due diligence review
  - The Applicant's requested amount
  - The Applicant's three-year projected total small dollar loans to be closed
  - Whether preferred lending practices and loan characteristics stated in the NOFA are proposed.
  - Risk rating

Application Submission

- The CDFI Fund has a two-step process that requires the submission of Application documents on separate deadlines and different online systems.

  - Step 1: The Standard Form-424 (SF-424) (submitted through Grants.gov). This form starts your Application and contains important fields about your organization's tax and payment information.

  - Step 2: The SDL Program Application (submitted through AMIS). The SDL Program Application will ask for information about your organization, such as your organization's financial data; the small dollar loan products and development services you currently provide (if applicable); and your organization's objectives for your SDL Program Award.

Timeline for Applicants

Description	Deadline
Notice of Funds Availability (NOFA) Release	TBD
SF-424 Application for Federal Assistance	30 days after NOFA publication
Enter Employer Identification Number (EIN) and Unique Entity Identifier (UEI) into AMIS Account	30 days after NOFA publication
SDL Program Application due in AMIS	60 days after NOFA publication

Getting Started

- Obtain an Employer Identification Number (EIN) and Unique Entity Identifier (UEI) number.

- Register and/or update your accounts in the following systems:
    1. System for Award Management (SAM.gov)
    2. Grants.gov
    3. AMIS

- Download and familiarize yourself with the FY 2022 SDL Program NOFA and application materials found on the SDL Program website.

EIN and UEI Number

- An Applicant should ensure the accuracy and uniformity of its EIN and UEI number across its SAM.gov, Grants.gov, and AMIS accounts.

- The CDFI Fund reserves the right to reject an Application if the EIN and UEI number in an Applicant's AMIS account do not match the EIN and UEI number in its SAM.gov and Grants.gov accounts.

- The CDFI Fund will **<u>reject</u>** an Application submitted with the EIN or UEI of a parent or affiliate organization.

SAM.gov (System for Award Management)

- New SAM.gov users should register **as soon as possible**. Existing users should ensure that their account is **active** and **up-to-date**.

- The CDFI Fund will not consider Applications from organizations that fail to register or activate their SAM.gov account and, as a result, are unable to submit their SF-424 through Grants.gov by the deadline (30 days after NOFA publication).

- The CDFI Fund **does not** maintain SAM.gov, so Applicants must contact the Federal Service Desk for technical assistance.

Grants.gov

- **Only the SF-424 will be submitted via Grants.gov.**
- All Applicants **<u>MUST</u>** submit their SF-424 through Grants.gov by the deadline (30 days after NOFA publication).
  - *Note*: If the SF-424 is not successfully accepted in Grants.gov by the deadline listed in the SDL Program NOFA, the CDFI Fund will not review any of the materials submitted in AMIS and the Application will be deemed ineligible.
- The SF-424 must be submitted under the correct Program Funding Opportunity Number
  - Applicants that submit their SF-424 under the incorrect Program Funding Opportunity Number will be deemed ineligible.
- If the amount of the SDL Program award requested on the SF-424 is different from the amount an Applicant requests in its Application submitted via AMIS, the CDFI Fund will only consider the amount requested in the Application submitted in AMIS.

Awards Management Information System (AMIS)

- Each Applicant **must register as an organization in AMIS** and submit all required applicable Application materials via AMIS.
  - The SF-424 is the only required Application document that will not be submitted via AMIS. The SF-424 MUST be submitted in Grants.gov.

- ALL Applicants must enter their EIN and UEI number in AMIS by the deadline in the NOFA (30 days after NOFA publication).

- An Applicant is required to designate at least one Authorized Representative and Point of Contact in its AMIS account (Authorized Representatives may **not** be consultants).

- An Applicant that fails to properly register and update its AMIS account may miss important communications from the CDFI Fund and may not be able to successfully submit an Application. To ensure you receive email communications, AMIS@cdfi.treas.gov should be listed as a safe sender by your email system.

Questions and Next Steps

Three Ways to Contact Us:

1. Submit a Service Request in the CDFI Fund's Awards Management Information System (AMIS).

2. Email sdlp@cdfi.treas.gov.

3. Contact the CDFI Fund Help Desk at (202) 653-0421.

- Watch for the Notice of Funds Availability (NOFA) in the Federal Register.

- Register in GovDelivery to hear about additional webinars and CDFI Fund announcements. Here's the link to subscribe: https://service.govdelivery.com/accounts/USTREASCDFI/subscriber/new

Questions and Answers

…for participating in today's webinar!

We will now open the line for questions.