Small Dollar Loan Program

FY 2022 Application Webinar

May 31, 2022
SDL Program Webinar Agenda

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- SDL Program Overview
- SDL Program Application Logistics
- SDL Program Application Overview
- SDL Program Application Updates
- Important Reminders
- Contact Information
- Questions
SDL Program Webinar Agenda

SDL Program Staff:

- Tanya McInnis, Program Manager
- Julie Sandler, Senior Management and Program Analyst
- Michael Fulton, Management and Program Analyst
- Amy Apitz, Management and Program Analyst
OUR MISSION

The CDFI Fund’s mission is to expand economic opportunity for underserved people and communities by supporting the growth and capacity of a national network of community development lenders, investors, and financial service providers.
Program Overview

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

• The SDL Program was created to help:
  – Certified 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.
  – Up to $11.1 million is available for this funding round.
Program Eligibility

- Per the SDL Program statute (12 U.S.C. 4719), SDL Program grants may only be used to support new and existing small dollar loans that offer loans to consumers that:
  - are made in amounts that do not exceed $2,500;
  - must be repaid in installments;
  - have no prepayment penalties;
  - have payments that are reported to at least one of the consumer reporting agencies that compiles and maintains files on consumers on a nationwide basis; and
  - are underwritten with standards that consider the consumer’s ability to repay.
Eligible Uses of Awards

• Awards must be used for:

  – Loan Loss Reserves (LLR) to cover losses on small dollar loans associated with starting a new small dollar loan program or expanding an existing small dollar loan program; or

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

**Note:** SDL Program grants cannot be used to provide direct loans to consumers.
• 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)
The SDL Program has the following minimum and maximum award amounts:

- **TA Award Range:** $10,000 - $150,000
- **LLR Award Range:** $20,000 - $350,000
  - Amount determined by request and projected small dollar lending.
  - Award amounts range from $20,000, 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.
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

Eligible Applicants will be limited to the following types of Awards:

- **LLR grants:**
  - a Certified CDFI; or
  - a partnership between a Certified CDFI and a FIDI with a primary mission to serve targeted Investment Areas.

- **TA grants:**
  - a Certified CDFI; or
  - a partnership between two or more Certified CDFIs.

- **Both an LLR grant and TA grant:**
  - a Certified CDFI
Prohibited Practices

SDL Program Awards may not be used for small dollar loan programs/products with any of the following lending practices and loan characteristics:

- High-rate loans
- Coerced automated loan payments
- Excessive refinancing
- Loan insurance or credit card add-ons
- 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
The CDFI Fund will prioritize funding for Applicants that propose to offer small dollar loan programs that include any of the following characteristics:

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

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

– make loan decisions within one business day (or 24 hours) after receipt of required documents;
– 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.
The CDFI Fund will evaluate Applications based on the following:

- Application Assessment Tool Analysis (currently used in the CDFI Program to complete the Financial Analysis and Compliance Risk Evaluation)
- Business Strategy and Community Impact Review
  - Community analysis and financing gaps
  - Proposed use of Award
  - Affordable and responsible loan characteristics and lending practices
  - Track record
  - Growth and projections

Applicants will receive a “Low Risk”, “Medium Risk” or “High Risk” score. Applicants that receive a score of “High Risk” will not receive further consideration for an Award.
Award Sizing

- 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 FY 2022 SDL Program Notice of Funds Availability (NOFA) are proposed;
  - Applicants with headquarters that are located in Persistent Poverty Counties (PPCs). The SDL Program is subject to the statutory 10% PPC requirement. Award sizes will be adjusted, if needed, to award funds to Applicants located in PPCs; and
  - The Applicant’s risk rating level.
Each Applicant that is selected to receive an Award must enter into an Assistance Agreement with the CDFI Fund in order to become a Recipient and receive Payment. Each Small Dollar Loan Program Assistance Agreement has a three-year Period of Performance.

The Assistance Agreement will set forth certain required terms and conditions of the Small Dollar Loan Program Award, which will include, but not be limited to:

– The amount of the Award;
– The approved uses of the Award;
– Performance Goals and Measures (i.e., expected dollar volume and number of small dollar loans); and
– Reporting requirements for all Recipients.
Application Submission

A Complete FY 2022 SDL Program Grant Application package consists of the following two parts:

– **Part I.** The **Standard Form-424** (SF-424) (*Grants.gov Submission*):
  - This form starts your Application and contains important fields about your organization’s tax and payment information.

– **Part II.** The **SDL Program Application** (*AMIS Submission*):
  - 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.
NOTE: If applying as a partnership, all Application questions and data supplied relate only to the designated lead Certified CDFI.

• Organizational Questions
• Executive Summary
• Part 1. Business Strategy and Community Impact:
  – Community Analysis and Financing Gaps
  – Proposed Use of SDL Program Award (LLR, TA, LLR & TA Combination)
  – Affordable and Responsible Loan Characteristics and Lending Practices
  – Description of Applicant’s Small Dollar Loan Products
  – Track Record and Projections
Application Overview (Cont’d)

Part 2. Organizational Capacity:
- Key Personnel
- CDFI Fund Previous Awards
- Financial Health
- Compliance Risk Evaluation
Based on the responses to the Request for Public Comment and CDFI Fund staff proposals, the CDFI Fund made the following enhancements to the application:

• Reduced the number of tables that Applicants must complete;
• Reduced the number of data points collected in the Track Record and Projections tables;
• Reduced the number of years of history collected in the Track Record table from five years to three years; and
• Increased the character limits for certain narrative questions.
Important Reminders

• **Application Submission:**
  – Applicants must submit the Required Application Documents listed in Table 2 of the FY 2022 SDL Program Application.
  – Applicants must use the official Application templates provided on the Grants.gov and AMIS websites. Applications submitted with alternative or altered templates will not be considered.
  – Applicants are only allowed one FY 2022 SDL Program Application submission in AMIS.
## Important Dates

<table>
<thead>
<tr>
<th>Activity</th>
<th>Date</th>
</tr>
</thead>
<tbody>
<tr>
<td>Application and NOFA Released</td>
<td>May 16, 2022</td>
</tr>
<tr>
<td>Part 1 – Grants.gov SF-424 Mandatory Deadline (11:59 p.m. ET)</td>
<td>June 15, 2022</td>
</tr>
<tr>
<td>Last Day to Register a user and update organization’s Employer Identification Number and Unique Entity Identifier number in AMIS (11:59 p.m. ET)</td>
<td>June 15, 2022</td>
</tr>
<tr>
<td>Last day for SDL Program Help Desk Questions (5:00 p.m. ET)</td>
<td>July 13, 2022</td>
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<tr>
<td>Last day for IT Help Desk Questions (5:00 p.m. ET)</td>
<td>July 15, 2022</td>
</tr>
<tr>
<td>Part 2 – SDL Program Electronic Application in AMIS Deadline (5:00 p.m. ET)</td>
<td>July 15, 2022</td>
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## Contact Information

<table>
<thead>
<tr>
<th>Department</th>
<th>Phone</th>
<th>Electronic Contact Method</th>
<th>Description</th>
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</thead>
<tbody>
<tr>
<td>CDFI Fund</td>
<td>202-653-0300</td>
<td><a href="#">www.CDFIFund.Gov</a></td>
<td>General Inquiries; phone numbers for support; access to program web page.</td>
</tr>
<tr>
<td>SDL Program</td>
<td>202-653-0421</td>
<td>AMIS Service Request</td>
<td>Questions regarding the SDL Program, Program Application or related materials.</td>
</tr>
<tr>
<td>Certification, Compliance Monitoring and Evaluation</td>
<td>202-653-0423</td>
<td>AMIS Service Request</td>
<td>Questions related to CDFI certification or compliance.</td>
</tr>
<tr>
<td>IT Support</td>
<td>202-653-0422</td>
<td>AMIS Service Request</td>
<td>Questions related to registering or creating an account in AMIS.</td>
</tr>
<tr>
<td>Grants.gov</td>
<td>800-518-4726</td>
<td><a href="mailto:support@grants.gov">support@grants.gov</a></td>
<td>Questions related to the SF-424 submission process.</td>
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Questions and Answers

THANK YOU

...for participating in today’s webinar!

We will now open the line for questions.