



# Small Dollar Loan Program

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FY 2022 Application Webinar

*May 31, 2022*

# SDL Program Webinar Agenda



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# 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

# CDFI Fund Overview



## 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.

# 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)



# Award Amounts



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 (FDI) 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

# Program Priorities



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;

## Program Priorities (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.

# Application Evaluation



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.



# Assistance Agreement, Compliance and Reporting



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.

# Application Overview



**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

# FY 2022 SDL Program Application Updates



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



Activity	Date
Application and NOFA Released	May 16, 2022
Part 1 – Grants.gov SF-424 Mandatory Deadline (11:59 p.m. ET)	June 15, 2022
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)	June 15, 2022
Last day for SDL Program Help Desk Questions (5:00 p.m. ET)	July 13, 2022
Last day for IT Help Desk Questions (5:00 p.m. ET)	July 15, 2022
Part 2 – SDL Program Electronic Application in AMIS Deadline (5:00 p.m. ET)	July 15, 2022

# Contact Information



Department	Phone	Electronic Contact Method	Description
CDFI Fund	202-653-0300	<a href="http://www.CDFIFund.Gov">www.CDFIFund.Gov</a>	General Inquiries; phone numbers for support; access to program web page.
SDL Program	202-653-0421	AMIS Service Request	Questions regarding the SDL Program, Program Application or related materials.
Certification, Compliance Monitoring and Evaluation	202-653-0423	AMIS Service Request	Questions related to CDFI certification or compliance.
IT Support	202-653-0422	AMIS Service Request	Questions related to registering or creating an account in AMIS.
Grants.gov	800-518-4726	<a href="mailto:support@grants.gov">support@grants.gov</a>	Questions related to the SF-424 submission process.
SAM.gov	866-606-8220	<a href="https://www.fsd.gov/fsd-gov/login.do">https://www.fsd.gov/fsd-gov/login.do</a>	Questions related to registering an organization in order to apply for Federal grants via Grants.gov.



# Questions and Answers



...for participating in today's webinar!

We will now open the line for questions.