



# Community Development Financial Institution Certification Application

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Community Development Advisory Board Meeting

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COMMUNITY DEVELOPMENT FINANCIAL INSTITUTIONS FUND

[www.cdfifund.gov](http://www.cdfifund.gov)

# CDFI Certification



- The CDFI Fund is responsible for certifying CDFIs in accordance with the statutory requirements outlined in the Riegle Act.
- CDFI Certification is required to access most CDFI Fund programs.
- The CDFI Fund verifies that an organization meets the certification requirements through a series of validations and tests in the Certification Application.
- The CDFI Fund uses a standardized application form to collect information and data, submitted through its Awards Management Information System (AMIS), necessary to make a Certification determination.
- CDFIs are required to confirm they still meet certification requirements on an annual basis, as well as report on their yearly lending and investment activity, through the Annual Certification and Data Collection Report (ACR).

# CDFI Certification



- To become Certified, an organization must submit a CDFI Certification Application to the CDFI Fund for review and approval. The organization must demonstrate it meets each of the following requirements at the time of application:
  - Be a legal entity;
  - Have a primary mission of promoting community development;
  - Be a financing entity;
  - Primarily serve one or more Target Markets;
  - Provide Development Services in conjunction with its financing activities;
  - Maintain accountability to its defined Target Market(s); and
  - Be a non-government entity and not under control of any government entity (Tribal governments excluded).

# CDFI Fund Review of Certification Policy



CDFIs have evolved over the past two decades in scope, scale and sophistication.

- The number of Certified CDFIs has grown from 196 in 1997 to nearly 1,400 today.
- Assets of Certified CDFIs now total almost \$160 billion.
- CDFIs are comprised of a mix of regulated financial institutions, loan funds, and venture capital funds.
- CDFI certification is a qualifier for other Federal, State and local government and private sector programs and benefits.
- CDFI Financial Products and Financial Services have expanded, as has the use of technology to increase market reach.

# CDFI Fund Review of Certification Policy



In developing the revised CDFI Certification Application, the CDFI Fund maintained five policy objectives:

- Protect the CDFI brand.
- Support the growth and reach of CDFIs, especially as it relates to their ability to innovate and take advantage of new technologies.
- Continue to foster a diversity of CDFI types, activities, and geographies.
- Minimize administrative burden on CDFIs, while improving data quality and collection methods.
- Promote efficiency for CDFI Fund staff in rendering CDFI Certification determinations.

# CDFI Fund Review of Certification Policy



- In 2016, the CDFI Fund began a review process to ensure Certification policies are responsive to the evolving nature of CDFIs and sufficiently protect government resources.
- This led to an initial request for information that we disseminated in 2017 to gather input on our CDFI Certification policies and procedures.
- In May 2020, the CDFI Fund released for public comment proposed updates to the CDFI Certification Application. The CDFI Fund received 55 unique comment letters in response to this request.
- On November 4, 2022, the CDFI Fund published further revisions to the proposed application and the Office of Management and Budget (OMB) solicited a second round of public comments. Over 270 letters were submitted in response to this request.

# Certification Application Changes-in-Brief



Application Section	Description
Basic Information	<ul style="list-style-type: none"><li>• Non-regulated entities will be required to submit Affiliate information.</li><li>• Addition of questions to collect demographic data on board members and executive staff.</li></ul>
Legal Entity	No substantive changes
Primary Mission	<ul style="list-style-type: none"><li>• Must have a community development mission in place for at least six months.</li><li>• Must have a board-approved community development strategic plan in place.</li><li>• Demonstrate that products/services do not harm consumers and reflect responsible financing practices.</li><li>• Parent entities of CDFI Applicants and Affiliates that provide Financial Products and/or Financial Services are required to demonstrate a supports and/or is consistent with that of the Applicant's.</li><li>• NCUA Low-Income Designation is no longer acceptable documentary evidence of a primary mission of community development.</li></ul>

# Certification Application Changes-in-Brief



Application Section	Description
Financing Entity	<ul style="list-style-type: none"><li>• Must have a minimum of 12 months of activity.</li><li>• “Spin off” entities can use transferred activity to meet test</li><li>• Loans purchased from non-Certified CDFIs can count as an eligible Financial Product.</li></ul>
Target Market	<ul style="list-style-type: none"><li>• Geographic boundaries and mapping requirements eliminated for most Target Markets.</li><li>• For Customized Investment Areas and counties that consists of both qualified and non-qualified census tracts, at least 85% of financing activity must be directed within the individually qualified census tracts of that CIA or county for activity in non-qualifying tracts to count toward the 60% Target Market benchmark.</li></ul>



# Certification Application Changes-in-Brief



Application Section	Description
Target Market (cont'd)	<ul style="list-style-type: none"><li>• Regulated institution Applicants are able to meet the Target Market test if at least 60% of their Financial Services depository accounts and 50% of their Financial Products are directed to a Target Market(s).</li><li>• Added persons with disability as a pre-qualified Other Targeted Population.</li><li>• Financial Products and, if elected, Financial Services activity would be measured for new CDFI Certification Applicants over the most recently completed 12-month period.</li></ul>

# Certification Application Changes-in-Brief



Application Section	Description
Accountability	<ul style="list-style-type: none"><li>• Removed geographic criteria to conform with the removal of the geographic boundaries for most Target Markets.</li><li>• Set clear board member percentages standards and added advisory board options.</li><li>• Applicants that rely on an advisory board to maintain accountability must maintain an organizational accountability policy.</li><li>• Eliminate the existing option of utilizing an Applicant board member's participation on the governing or advisory board of an unconnected organization as a means of demonstrating accountability to a Target Market.</li><li>• Allows family members of a person with disability to serve as an accountable board member.</li></ul>

# Certification Application Changes-in-Brief



Application Section	Description
Development Services	No substantive changes.
Non-Governmental Entity	No substantive changes.
Native CDFI Designation	<ul style="list-style-type: none"><li>• The Native CDFI designation would conform to the revised CDFI Certification Application.</li><li>• Applicants must demonstrate accountability to a Native Community.</li><li>• Applicants must direct at least 50% of their Financial Products/Financial Services to one or more Native Communities during the most recently completed full fiscal year.</li></ul>

# Next Steps



- On October 1, 2022, the CDFI Fund instituted a blackout period on the submission of new CDFI Certification Applications until the new Application is implemented.
- In January 2023, the CDFI Fund announced that it will update its timeline for rolling out the new CDFI Certification Application and anticipates revising the version that was released for public comment in late 2022.
- A grace period will be provided for existing CDFIs to come into compliance with the new Application.
- The CDFI Fund will be able to provide a more definitive sense of its revised timeline after it has conducted a thorough review of the comments from this most recent submission.