



FY 2024 BASE-FINANCIAL ASSISTANCE APPLICATION EVALUATION PROCESS

FY 2024 CDFI Program and NACA Financial Assistance Application

THE CDFI FUND
U.S. DEPARTMENT OF THE TREASURY

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Introduction

This document details the evaluation process for all Base-Financial Assistance (Base-FA)¹ Applications received under the fiscal year (FY) 2024 Community Development Financial Institutions Program (CDFI Program) and Native American CDFI Assistance Program (NACA Program) funding round. Capitalized terms not defined herein shall have the meaning specified in the applicable CDFI Program or NACA Program FY 2024 Notice of Funds Availability (together, NOFAs), the Authorizing Statute, the Regulations, this Base-FA Evaluation Process document, the Application materials, or the Uniform Administrative Requirements.

The evaluation process described in this document is outlined in the FY 2024 NOFAs and is governed by the CDFI Program regulations (12 CFR 1805 and 1815). Details regarding the FA Application content and requirements for Base-FA and supplemental FA awards can be found in the NOFAs and related guidance materials.

The CDFI Fund reserves the right to modify these procedures in future funding rounds, consistent with requirements specified in the applicable NOFAs and related Application materials.

Reviewers

The CDFI Fund uses a combination of CDFI Fund staff and external reviewers to evaluate the Base-FA Application. External reviewers independently review and evaluate each Application. The external reviewers include non-Federal government professionals with strong credentials in community development finance. They are selected based on factors such as their knowledge of community and economic development finance and experience in business or real estate finance, mortgage finance, business counseling, secondary market transactions, banks, credit unions, Native Communities, and financing of community-based organizations. All reviewers, including CDFI Fund staff, must complete the CDFI Fund's conflict of interest process and be approved by the CDFI Fund.

Overview of the Evaluation Process

The evaluation process includes five steps (outlined in Figure 1 and discussed in detail in subsequent sections of this document):

Step 1: Eligibility Review, conducted by CDFI Fund staff.

Step 2: Financial Analysis and Compliance Risk Evaluation, conducted by CDFI Fund staff and using the Application Assessment Tool (AAT).

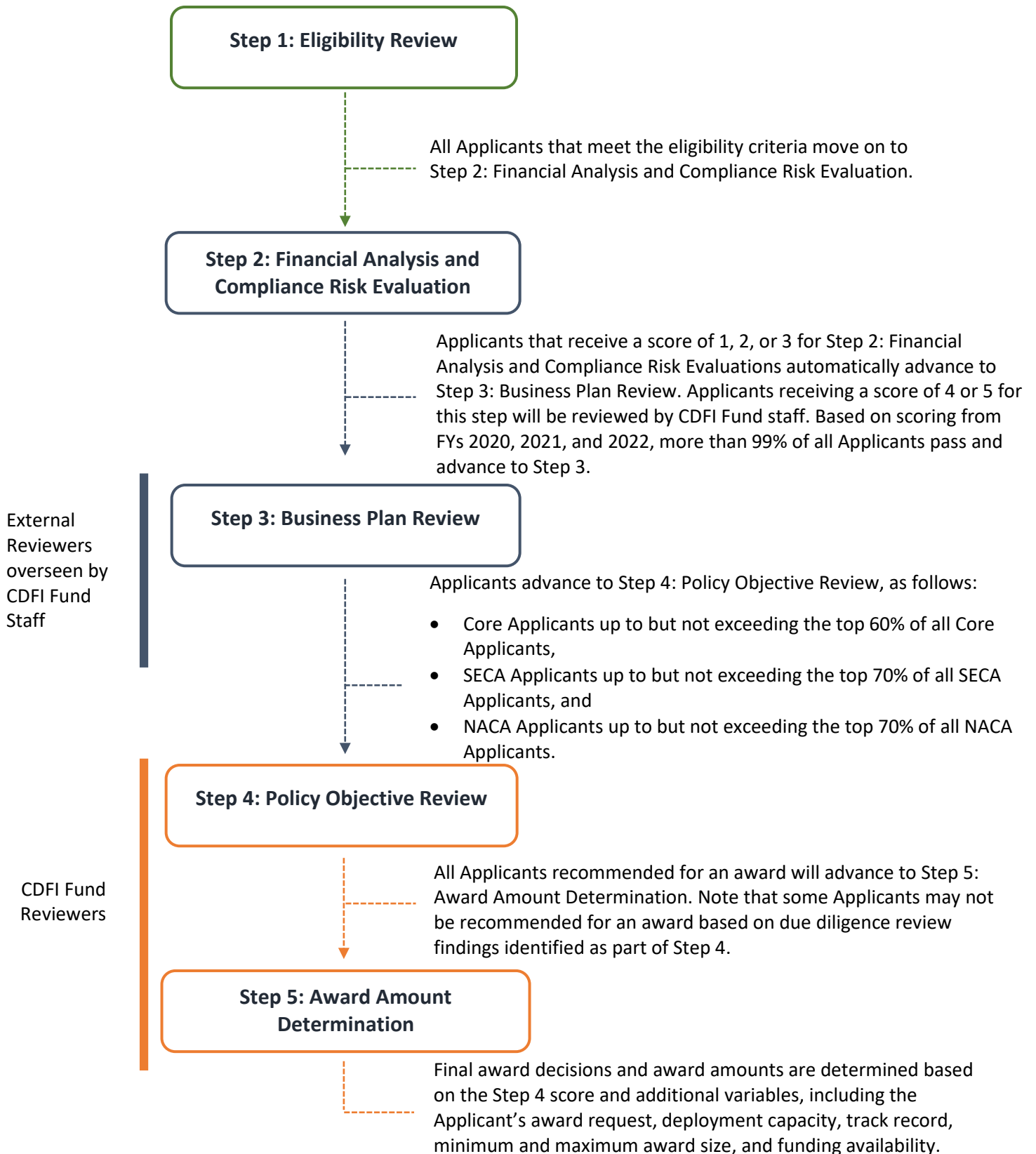
Step 3: Business Plan Review, conducted by external reviewers and overseen by CDFI Fund staff.

Step 4: Policy Objective Review, conducted by CDFI Fund staff.

Step 5: Award Amount Determination, conducted by CDFI Fund staff.

¹ Note that Applicants may also apply for the following awards that are provided as a supplement to the Base-FA award: Persistent Poverty Counties Financial Assistance (PPC-FA), Disability Funds-Financial Assistance (DF-FA), and Healthy Food Financing Initiative-Financial Assistance (HFFI-FA). The PPC-FA, DF-FA, and HFFI-FA Applications will be evaluated independently from the Base-FA Application and **will not affect the Base-FA Application evaluation or Base-FA award amount.**

Figure 1. How Applicants Move through the Review Steps



Step 1: Eligibility Review

The CDFI Fund evaluates each Application to determine if it meets the eligibility requirements listed in the applicable NOFA. Certain eligibility requirements are assessed automatically through the CDFI Fund's Awards Management Information System (AMIS), while others require CDFI Fund staff review. Applicants that do not meet all eligibility requirements are deemed ineligible and therefore are unable to proceed to Step 2: Financial Analysis and Compliance Risk Evaluation. Applicants that meet eligibility requirements advance to Step 2.

Applicants should pay particular attention to NOFA requirements regarding the use of their correct Unique Entity Identifier (UEI) and Employee Identification Numbers (EIN) in Grants.gov, their SF-424 Mandatory Form, and their AMIS Organization Profile, as errors here can result in an Applicant being deemed ineligible. Please see the applicable NOFA regarding the required submission of Title VI Compliance Worksheets, which is a new requirement for all Applicants.

To receive an FA award, FA Applicants must be Certified CDFIs prior to the date of award announcement. Uncertified FA Applicants must submit their CDFI Certification Application to the CDFI Fund by the deadline specified in the NOFA or they will be deemed ineligible. The CDFI Fund will make CDFI Certification determinations for these Applicants prior to the award announcement date. If the CDFI Certification Application is denied for an uncertified FA Applicant, the Applicant will not be eligible to receive an FA award.

If a Certified CDFI loses its CDFI Certification at any point prior to the award announcement, the Application will be deemed ineligible and no longer be considered by the CDFI Fund.

Step 2: Financial Analysis and Compliance Risk Evaluation

Overview

Step 2 contains two components: Financial Analysis Evaluation and Compliance Risk Evaluation. The CDFI Fund chose the financial and compliance metrics to measure financial and compliance performance reliably, comprehensively, and with limited reporting burden for Applicants. The intent of the Financial Analysis and Compliance Risk Evaluation is not to significantly limit the number of Applicants, but rather to ensure that, at a minimum, Applicants are capable of maintaining financial health and complying with the terms and conditions of the requested FA award funds throughout the Period of Performance. The Financial Analysis and Compliance Risk Evaluation uses an automated tool developed by the CDFI Fund, the Application Assessment Tool (AAT). The AAT consists of two separate scoring models, one for the Financial Analysis Evaluation and one for the Compliance Risk Evaluation. In cases where Applicants receive a score of 4 or 5 through the AAT, CDFI Fund staff conduct an additional review to ensure accuracy.

Financial Analysis Evaluation

For Unregulated Applicants, the CDFI Fund assesses financial safety and soundness using financial information provided by the Applicant. For the initial Financial Analysis Evaluation, the AAT produces a Total Financial Composite Score on a scale of one (1) to five (5) rating, with 1 being the highest score possible. Unregulated Applicants must receive one (1), two (2), or three (3) in the Total Financial Composite Score to progress to Step 3: Business Plan Review. Unregulated Applicants that receive a Total Financial Composite Score of four (4) or five (5) will be reviewed by CDFI Fund Staff using standard evaluation guidance to ensure accuracy. If the Applicant is deemed high risk after CDFI Fund staff review, the Applicant will not advance to Step 3. Please see [Appendix A: Financial Analysis Evaluation Application Assessment Tool](#) for a detailed overview of the Financial AAT used for the Financial Analysis Evaluation.

For Regulated Applicants, the CDFI Fund uses the CAMELS/CAMEL (the safety and soundness ratings issued by regulators for banks and credit unions, respectively) or other feedback from the Applicant's respective regulator, to assess financial safety and soundness. To advance to Step 3, each Regulated Applicant must have a CAMELS/CAMEL rating of at least "3", or equivalent feedback, from its regulator, and a Community Reinvestment Act (CRA) rating of at least "Satisfactory." The CDFI Fund will also evaluate material concerns identified by the regulators in determining the eligibility of Regulated Applicants. For Depository Institution Holding Company Applicants that intend to implement the award through a Subsidiary Depository Institution, the CDFI Fund will consider the CAMELS/CAMEL and CRA ratings for both the Depository Institution Holding Company Applicant and the Subsidiary Depository Institution that will implement the award.

Compliance Risk Evaluation

The purpose of the Compliance Risk Evaluation is to ensure that the Applicant does not have major internal management or compliance deficiencies. The Compliance Risk Evaluation is conducted using the same method for both Unregulated and Regulated Applicants. To produce a Total Compliance Composite Score, the AAT uses responses provided by each Applicant to the Compliance Evaluation Questions in the FA Application, as well as an Applicant's reporting history and reporting capacity with respect to meeting the Performance Goals and Measures (PG&Ms) in its Assistance Agreement(s) for Applicants with existing or prior awards from the CDFI Fund.

The AAT produces a Total Compliance Composite Score on a scale of one (1) to five (5) rating for each Applicant, with 1 being the highest score possible. All Applicants must receive one (1), two (2), or three (3) in the Total Compliance Composite Score to progress to Step 3: Business Plan Review. Applicants that receive a Total Compliance Composite Score of four (4) or five (5) will be reviewed by CDFI Fund Staff based upon standard evaluation guidance to ensure accuracy. If the Applicant is deemed high risk after CDFI Fund staff review, the Applicant will not advance to Step 3.

Step 3: Business Plan Review

The intent of Step 3: Business Plan Review is to ensure that each Applicant's comprehensive Business Plan is sound and achievable. Step 3 is conducted by two external, non-CDFI Fund reviewers who are experts in community development finance.

External reviewers use Application information to assess and score each component of the Applicant's Business Plan using the general guidance in Table 1.

Table 1. Step 3: Business Plan Reviewer Criteria

Step 3 Business Plan Reviewer Criteria	
Base-FA Application Section	Reviewer Question
Business Strategy	1. Do the Applicant’s strategic goals support its overall mission and its selected FA objective?
	2. Does the Applicant identify risks and weaknesses that would prevent it from implementing its strategic goals and selected FA Objective? Does the Applicant demonstrate an understanding of these risks and propose feasible contingencies to mitigate the risks and improve the areas of weakness?
Market and Competitive Analysis	3. How well does the Applicant understand its competitive environment? Does the Applicant demonstrate that it understands the market demand for its products and services?
Products and Services	4. Do the Applicant’s current and/or proposed products and services meet the identified needs of the communities and populations it serves or is proposing to serve?
	5. Does the Applicant’s selected FA Objective address the identified needs of the communities and populations it serves or is proposing to serve?
Management and Track Record	6. Does the Applicant demonstrate that its management and key staff have the expertise and track record to achieve its strategic goals?
	7. Does the Applicant have the necessary financial policies, procedures, and controls in place to achieve its strategic goals and selected FA Objective?
Growth and Projections	8. To what extent does the Applicant demonstrate, through its strategic plan and historic activity, that it can achieve its proposed growth goals and its selected FA Objective?

Each reviewer is provided with the Application questions (and data inputs) where relevant information may be found. A total score is calculated based on the reviewer’s analysis of the sections listed in Table 2.

Table 2. Step 3: Business Plan Reviewing Scoring Criteria

Step 3: Business Plan Review Scoring Criteria	
Base-FA Application Section	Points Possible
Mission and Community Needs	Scored as a component of the other Base-FA Application Sections
Business Strategy	12
Products and Services	12
Management and Track Record	12
Market and Competitive Analysis	7
Growth and Projections	7
Total Business Plan Review Score	50

Each reviewer analyzes their assigned Applications independently. The total score of each reviewer is combined to generate a Total Business Plan Review Score. In instances where the two scores differ significantly, a CDFI Fund staff member will review the variance and request external reviewers to provide further justification, address any errors or omissions, and/or revisit any relevant areas of the evaluation.

The CDFI Fund then determines which Applicants advance to Step 4: Policy Objective Review. Base-FA Applications will be grouped first by Applicant type of Small and/or Emerging CDFI Assistance (SECA), Core, or NACA, then ranked within each category of Applicant type based on Total Business Plan Scores, in descending order. The following Applicants are eligible to advance to Step 4 within each category:

- **Core Applicants:** In order to be eligible to advance to Step 4, Core Applicants must receive a Total Business Plan Score within the top 60% of the Core Applicant pool.
- **SECA Applicants:** In order to be eligible to advance to Step 4, SECA Applicants must receive a Total Business Plan Score within the top 70% of the SECA Applicant pool.
- **NACA Applicants:** In order to be eligible to advance to Step 4, NACA Applicants must receive a Total Business Plan Score within the top 70% of the NACA Applicant pool.

In the case of tied Total Business Plan Scores, all Applicants with that same score will progress to Step 4.

Based on funding availability for Core, SECA, and NACA Base-FA Applicant types, the CDFI Fund reserves the right to limit the number of Applicants that progress from Step 3 to Step 4 to ensure that the CDFI Program can

meaningfully vary award amounts among Applicants with different Step 4: Policy Objective scores, while maintaining minimum award amounts specified in the NOFAs.

Per the FY 2024 NOFAs, the CDFI Fund may consider the geographic diversity of Applicants based on primary geographic market served (Major Urban Area, Micropolitan Area, Minor Urban Area, and Rural Area) when making its funding decisions. The CDFI Fund will perform a geographic proportionality check after Step 3 and will add Applications to the Step 4 pool to ensure proportionality between the Applicant pool and the pool of candidates being considered for an award in Step 4. No Applications that initially qualified for Step 4 are removed during this process, but additional Applications may be forwarded to Step 4 to achieve the appropriate proportionality.

Step 4: Policy Objective Review

The intent of the Step: 4 Policy Objective Review is to evaluate the ability of the Applicant to meet the policy objectives of the CDFI Fund’s authorizing statute listed in Table 3.

Table 3. Step 4: Policy Objective Review Criteria

Step 4: Policy Objective Review Criteria	
Policy Objective	General Reviewer Guidance
<p>Economic Distress <i>12 U.S.C. 4706(a)(4): the extent of economic distress within the investment areas or the extent of need within the targeted populations, as those factors are measured by objective criteria</i></p>	<ol style="list-style-type: none"> 1. To what extent are the communities and populations being served economically distressed based on beneficiary income data provided in the Application, focusing on deeper distress? 2. To what extent does the Applicant demonstrate that it serves communities and populations experiencing economic distress?
<p>Economic Opportunities <i>12 U.S.C. 4706(a)(8): the extent to which the proposed activities will expand economic opportunities within the investment areas or the targeted populations</i></p>	<ol style="list-style-type: none"> 3. Does the Applicant demonstrate that the activities related to its selected FA Objective, strategic goals, and other products or services will result in the meaningful and quantifiable expansion of economic opportunities for communities and populations it serves?
<p>Community Collaboration <i>12 U.S.C. 4706 (a)(12): the extent to which the Applicant will increase its resources through coordination with other institutions or participation in a secondary market</i> (Note: This is not an assessment of whether or not an Applicant has formal Community Partnerships, but an assessment of how the Applicant works with other organizations and stakeholders generally to achieve outcomes.)</p>	<ol style="list-style-type: none"> 4. To what extent does the Applicant collaborate and partner with other entities and engage with community stakeholders to achieve impacts in the communities it serves?

Under Step 4, CDFI Fund staff conduct a thorough review of each Step 4 Application to measure each Applicant’s impact within the communities and populations it serves by evaluating:

- 1) the extent of economic distress of the communities and population the Applicant serves,
- 2) opportunities created by the Applicant to improve the level of economic distress for these communities and populations, and
- 3) the extent to which the Applicant is collaborating with partners and engaging with its stakeholders in a meaningful way.

Each Applicant is scored in accordance with Table 4, on a scale of one (1) to five (5), with one (1) being the highest score.

Table 4. Step 4: Policy Objective Review Scoring Criteria

Step 4: Policy Objective Review Scoring Criteria		
Policy Objective	Possible Scores	Highest Score
Economic Distress	1, 2, 3, 4, 5	1
Economic Opportunities	1, 2, 3, 4, 5	1
Community Collaboration	1, 2, 3, 4, 5	1
Total Policy Objective Review Score <i>(All scores advance to Step 5)</i>	1, 2, 3, 4, 5	1

Applicants that score more favorably in the Policy Objective Review should demonstrate that they are:

- Serving communities and populations experiencing the deepest distress as substantiated by data on actual beneficiaries and clients served, rather than using proxy beneficiary data and general characteristics of their communities.
- Creating economic opportunities that meet the needs of low-income individuals and populations experiencing the deepest distress, as substantiated by fact-based information and robust examples that speak both to the quantity and the quality of the Applicant’s impacts and interventions.
- Collaborating effectively with community partners as substantiated by direct outcomes serving communities and populations in need and meaningful engagement with stakeholders.

The CDFI Fund also conducts a due diligence review on all Applications that could influence the Step 4 Policy Objective Review Score and award recommendation. This includes, but is not limited to, an analysis of the Applicant’s:

- Selected FA Objective;
- History of performance in managing federal awards (including timeliness of reporting and compliance);
- Reports and findings from audits; and
- Ability to effectively implement federal requirements.

All Step 4 Applicants that are being recommended for an award will advance to **Step 5** of the review process. Note: Some Applicants may not be recommended for an award based on the due diligence review conducted in Step 4 and will therefore not advance to **Step 5**.

Step 5: Award Amount Determination

In Step 5: Award Amount Determination, the CDFI Fund determines the award amount for each successful Applicant based on a number of variables including, but not limited to:

- The Total Policy Objective Review Score,
- The Applicant's requested amount,
- The Applicant's deployment track record,
- Minimum award size, and
- Funding availability.

As a result of this analysis, some awards may not be funded, and other award amounts may be reduced from the requested award amount.

Appendix A: Financial Analysis Evaluation Application Assessment Tool

For Applicants subject to the Financial AAT, the Financial AAT uses twenty-eight (28) financial inputs from the Applicant to calculate twenty-three (23) financial indicators, which collectively assess an Applicant’s assets, liability, net asset composition, revenue, expense, cash flow, and trends in performance over time. Each financial indicator belongs in one or more of the following financial risk categories:

- Capital Adequacy
- Asset Quality
- Earnings
- Capital Liquidity
- Operating Liquidity

These categories generally conform to the CAMELS/CAMEL rating system used by regulators.

Step 2: Financial Analysis Scoring Criteria

Step 2: Financial Analysis Scoring Criteria Application Assessment Tool (AAT)		
AAT Ratio Name	AAT Ratio Formula	Possible Scores (High Score =1)
Annual Net Loan Loss Ratio	$\frac{["\text{Charge-offs } (\$)"] - ["\text{Recoveries } (\$)"]}{["\text{Total Equity Investments Portfolio } (\$)"] + ["\text{Total On-Balance Sheet Loan Portfolio } (\$)"]}$	1, 2, 3, 4, or 5
Delinquency Ratio	$\frac{["\text{Loans Delinquent 61 to 90 days } (\$)"] + ["\text{Loans 90 Days (or more) Past Due } (\$)"]}{["\text{Total Equity Investments Portfolio } (\$)"] + ["\text{Total On-Balance Sheet Loan Portfolio } (\$)"]}$	1, 2, 3, 4, or 5
Loan Loss Reserve Ratio	$\frac{["\text{Allowance for Loan and Lease Losses } (\$)"]}{["\text{Total Equity Investments Portfolio } (\$)"] + ["\text{Total On-Balance Sheet Loan Portfolio } (\$)"]}$	1, 2, 3, 4, or 5
Portfolio at Risk Ratio (PAR)	$\frac{["\text{Loans 90 Days (or more) Past Due } (\$)"] + ["\text{Other Real Estate Owned (OREO) } (\$)"] + ["\text{Troubled Debt Restructuring } (\$)"]}{["\text{Total Equity Investments Portfolio } (\$)"] + ["\text{Total On-Balance Sheet Loan Portfolio } (\$)"]}$	1, 2, 3, 4, or 5
Change in Portfolio at Risk Ratio	$\frac{["\text{PAR}"] - ["\text{PAR (Prior)}"]}{["\text{PAR (Prior)}"]}$	1, 2, 3, 4, or 5

Step 2: Financial Analysis Scoring Criteria Application Assessment Tool (AAT)		
AAT Ratio Name	AAT Ratio Formula	Possible Scores (High Score =1)
Net Asset Ratio	$\frac{\text{"Total Net Assets or Equity (\$)"}}{\div \text{"Total Assets (\$)"}}$	1, 2, 3, 4, or 5
Change in Net Asset Ratio	$\frac{[\text{"Net Asset Ratio"} - \text{"Net Asset Ratio (Prior)"}]}{\div \text{"Net Asset Ratio (Prior)"}}$	1, 2, 3, 4, or 5
Total Assets	$\frac{\text{"Total Assets (\$)"}}{\div \text{"Total Assets (Prior)"}}$	1, 2, 3, 4, or 5
Change in Total Assets	$\frac{[\text{"Total Assets"} - \text{"Total Assets (Prior)"}]}{\div \text{"Total Assets (Prior)"}}$	1, 2, 3, 4, or 5
Unrestricted Net Asset Ratio	$\frac{\text{"Unrestricted Net Assets (\$)"}}{\div \text{"Total Assets (\$)"}}$	1, 2, 3, 4, or 5
Income Ratio	$\frac{\text{"Total Revenue (\$)"}}{\div \text{"Total Expenses (\$)"}}$	1, 2, 3, 4, or 5
Interest Coverage Ratio	$\frac{\text{"Interest Revenue (\$)"}}{\div \text{"Interest Expense (\$)"}}$	1, 2, 3, 4, or 5
Interest Coverage Ratio II	$\frac{[\text{"Operating Revenue (\$)" - "Operating Expenses (\$)" - "Interest Expense (\$)"}]}{\div \text{"Interest Expense (\$)"}}$	1, 2, 3, 4, or 5
Change in Net Income	$\frac{[\text{"Net Income"} - \text{"Net Income (Prior)"}]}{\div \text{"Net Income (Prior)"}}$	1, 2, 3, 4, or 5
Reliance on Government Funding Ratio	$\frac{\text{"Government Grants (\$)"}}{\div \text{"Total Revenue (\$)"}}$	1, 2, 3, 4, or 5
Self-Sufficiency Ratio	$\frac{\text{"Earned Revenue (\$)"}}{\div \text{"Operating Expenses (\$)"}}$	1, 2, 3, 4, or 5
Change in Self-Sufficiency Ratio	$\frac{[\text{"Self-Sufficiency Ratio"} - \text{"Self-Sufficiency Ratio (Prior)"}]}{\div \text{"Self-Sufficiency Ratio (Prior)"}}$	1, 2, 3, 4, or 5
Financing Capital Liquidity Ratio	$\frac{\text{"Available Financing Capital (\$)"}}{\div \text{"Commitments (\$)"}}$	1, 2, 3, 4, or 5

Step 2: Financial Analysis Scoring Criteria Application Assessment Tool (AAT)		
AAT Ratio Name	AAT Ratio Formula	Possible Scores (High Score =1)
Current Ratio	$\frac{\text{“Current Assets ($)”}}{\text{“Total Current Liabilities ($)”}}$	1, 2, 3, 4, or 5
Deployment Ratio	$\frac{[\text{“Total Equity Investments Portfolio ($)”} + \text{“Total On-Balance Sheet Loan Portfolio ($)”}]}{\text{“Total Financing Capital ($)”}}$	1, 2, 3, 4, or 5
Change in Deployment Ratio	$\frac{\text{“Deployment Ratio - Deployment Ratio (Prior)”}}{\text{“Deployment Ratio (Prior)”}}$	1, 2, 3, 4, or 5
Operating Cash Ratio	$\frac{[\text{“Unrestricted Cash \& Cash Equivalentts ($)”} + \text{“Cash Restricted for Operations ($)”}]}{\text{“Total Expenses ($)”} - \text{“Non-cash Expenses ($)”}}$	1, 2, 3, 4, or 5
Operating Cash Ratio II	$\frac{[\text{“Unrestricted Cash \& Cash Equivalentts ($)”} + \text{“Cash Restricted for Operations ($)”}]}{\text{“Operating Expenses ($)”}}$	1, 2, 3, 4, or 5
Total Financial Composite Score	Automatically calculated based on the score for each ratio above.	1, 2, 3, 4, or 5
Total Financial Composite Score Needed to Advance		1, 2, or 3