Fiscal Year 1998
Annual Report

Community Development Financial Institutions Fund

“Building an America Where All People Have Access to Capital”
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The CDFI Fund’s VISION

An America in which all people have access to capital and financial services

Our MISSION is to promote access to capital and local economic growth by directly investing in and supporting community development financial institutions (CDFIs) and expanding financial service organizations’ lending, investment, and services within underserved markets.
Message from the Director

Dear Friends:

The past year has been one of great growth and progress for the Community Development Financial Institutions Fund. In this annual report you will find details of our organizational development and our programmatic achievements and goals.

The mission of the Fund is to promote access to capital and local economic growth by directly investing in and supporting community development financial institutions (CDFIs) and expanding financial service organizations' lending, investment and services in underserved markets. I have had an exhilarating experience this past year, seeing how the Fund’s investments are working around the country to help further our vision of an America in which all people have access to capital and financial services.

A trip to California early in the year took me to Santa Cruz for the opening of the Watsonville branch of the Santa Cruz Credit Union. The credit union, in business for over 20 years, received a 1996 CDFI Fund award that provided the financing for the new branch in the heart of a rural, Hispanic community adjacent to Santa Cruz. The credit union has financed a myriad of companies in the area: I was particularly impressed with the candlemaking business - HiLite Products, which employs over 23 individuals. Community development credit unions have been in business for many years and have been a great vehicle for community building. Through the Fund, we have invested $12.7 million in community development credit unions over the past three years, including an intermediary award to the National Federation of Community Development Credit Unions. These awards will help develop the community development sector of the CDFI world and allow many of these organizations to expand their lending capability and organizational capacity.

Facilities Funds have creatively sought to finance much needed community facilities - health care centers, day care facilities, arts facilities, homeless centers, commercial space - that provide services to low-income communities. The Nonprofit Facilities Fund in New York, which makes loans throughout the country, and the Illinois Facilities Fund in Chicago, which lends in the State of Illinois, have both received CDFI Fund awards they are putting to good use. I visited projects funded by both organizations this past year which are providing needed services and jobs. The Greenpoint Design Center, in Brooklyn, New York, is a very impressive project funded by the Nonprofit Facilities Fund. The
Design Center is an enormous nineteenth century factory in which space is rehabilitated to create facilities for craftsmen - primarily custom woodworking businesses. The Design Center housed 100 workers at its inception and now provides facilities and jobs for more than 400 people.

In August I had an opportunity to visit a part of the world I had never seen before - the Iron range of northeastern Minnesota. I spent time with the Northeast Entrepreneur Fund, a microenterprise organization that serves a 20,000 square mile area. The Northeast Entrepreneur Fund has assisted 359 businesses since its founding in 1989 and has achieved a 66 percent business survival rate. Carol Willoughby’s home-based sign making business, “Let the Whole World Know”, provides income for her family and for many of her neighbors. Her workshop is a flurry of activity, where technology - creating signs out of vinyl with the aid of two computers - and hard work have created a successful enterprise. Microenterprise organizations around the country have benefited from the Fund’s investments, and are working to provide individuals with the skills and credit they need to realize their goals.

The CDFIs I visited all work closely with their borrowers, providing technical assistance along with financing. CDFI staff are tireless in their commitment to the borrowers they serve and to the communities in which they work. During my travels this year I have seen how CDFIs augment and complement the work done by traditional financial institutions in poor communities and how the partnerships forged by traditional financial institutions and CDFIs have helped strengthen and provide greater opportunities in many of these communities.

We have done much to strengthen the Fund over the past year, to better serve the CDFI industry and to ensure that our investments help spur greater access to credit for all Americans. I look forward to the challenges of the coming year and working with many of you.

Ellen W. Lazar
Director


The Fund awarded $75 million to 190 financial institutions across the nation.
Executive Summary and Highlights

The Community Development Financial Institutions (CDFI) Fund has a vision of an America where all people have access to capital. The Fund pursues this vision by directly investing in and supporting community development financial institutions and expanding financial service organizations’ lending, investment, and services in poor urban, rural, and Native American communities. Access to capital is an essential ingredient for creating and retaining jobs, developing affordable housing, revitalizing neighborhoods, and building local economies.

During FY 1998, the Fund:

• implemented a new Technical Assistance Component of the CDFI program through which capacity building awards were made to 70 institutions.
• increased both the number of awards and dollar amounts invested in community development financial institutions and financial service organizations, and
• expanded its informational workshops throughout the country, explaining the application processes and regulations governing the CDFI and the Bank Enterprise Award (BEA) programs.

Internally, the CDFI Fund also made significant changes. During FY 1998 the Fund:

• prepared its first stand-alone financial statements for 1995 through 1997 which were audited and resulted in an unqualified opinion for the Fund.

With the arrival of a new Director, Ellen Lazar, an organizational plan was created that established Deputy Directors for Management/CFO and for Policy and Programs. After hiring additional staff the Fund then proceeded to:

• correct material weaknesses that were identified by the auditors,
• rewrite the Strategic Plan, and
• implement a Management Control Program.

• The Fund also implemented a new filing and tracking system for the award documents and developed formal awards administration and monitoring procedures.

These enhancements have enabled the Fund to better manage its resources and awards programs in support of communities that are distressed and need access to capital. The CDFI Fund looks forward to the challenges of a future in which the Fund will continue meeting the expanding needs of the CDFI community.
The Community Development Financial Institutions (CDFI) Fund was established by the Riegle Community Development and Regulatory Improvement Act of 1994. In July 1995, the Fund, a wholly owned government corporation, was placed in the Department of the Treasury.

The offices of the Fund are located in Washington, D.C., where major policies and programs are developed and implemented in accordance with applicable laws and regulations. The Fund’s executive team consists of the Director, Deputy Director for Policy and Programs, Deputy Director for Management/Chief Financial Officer, Legal Counsel and External Affairs Officer.
Funding Summary

SOURCE OF FUNDS

Funds are appropriated annually to the CDFI Fund for two fiscal years and, therefore, each year’s operating level for the Fund may include two different appropriations. The operating level may include unspent funds from the prior year appropriation and the current year appropriation. As a result, the operating level may exceed the amount of the appropriation for a given year. The operating level for FY 1998 was comprised of funds carried over to the second year from the 1997 appropriation and the funds from the 1998 appropriation.

For FY 1998, the Fund received an appropriation of $80 million to be used in 1998 and 1999. In FY 1997, the Fund received an appropriation of $50 million of which the Fund used $15 million in FY 1997 and $35 million was carried over for use in FY 1998.

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<th>Sources of Funds</th>
<th>FY 1997 (thousands)</th>
<th>FY 1998 (thousands)</th>
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<td>$80,000</td>
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<tr>
<td>Carry Over From Previous Year</td>
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<td>$35,446</td>
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<td><strong>Total Funds Available</strong></td>
<td><strong>$94,916</strong></td>
<td><strong>$115,446</strong></td>
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USE OF FUNDS

During FY 1997, $54.0 million was used for CDFI programs and the Fund incurred administrative and management expenses in the amount of $5.5 million. The total amount of funds used was $59.5 million.

During FY 1998, $73.9 million was used for CDFI programs and the Fund incurred administrative and management expenses in the amount of $5.1 million. The total amount of funds used was $79 million.

<table>
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<tr>
<th>Uses of Funds</th>
<th>FY 1997 (thousands)</th>
<th>FY 1998 (thousands)</th>
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<tr>
<td><strong>Use of Funds</strong></td>
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<tr>
<td>Award Program</td>
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<tr>
<td>CDFI Program (including direct loan subsidy)</td>
<td>$37,494</td>
<td>$42,952</td>
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<td>Bank Enterprise Award Program</td>
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<td>Training and Technical Assistance Programs*</td>
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<td><strong>Total Award Program</strong></td>
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<td>Program Management &amp; Administration</td>
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<tr>
<td><strong>Total Use of Funds</strong></td>
<td>$59,470</td>
<td>$79,037</td>
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* New program in Fiscal Year 1998
During the last year, the CDFI Fund has made great strides toward meeting its goals of increasing investment in CDFIs, strengthening the capacity of CDFIs to better serve their markets, supporting microenterprise and microentrepreneurship, and expanding community lending and investments by mainstream financial institutions. In addition to administering the CDFI Core and Bank Enterprise Award Programs (BEA), which are discussed later, the Fund implemented two new initiatives in FY 1998—the Technical Assistance (TA) and Intermediary Components of the CDFI Program—and expanded the Fund’s outreach activities.

The TA and the Intermediary Components provide assistance, on a competitive basis, to developing segments of the CDFI industry that have not received wide support through the Core Component. The TA Component seeks to expand the organizational strength, effectiveness and efficiency of new and existing CDFIs. The TA grant awards are made to institutions that demonstrate that technical assistance grants will help them achieve significant community development outcomes. The Intermediary Component awards financial assistance to CDFIs that finance other CDFIs or support the formation of CDFIs. Intermediary CDFIs traditionally provide small amounts of capital, operating support, and technical assistance to a large number of CDFIs.

During FY98, the Fund increased its outreach efforts to ensure that communities across the country are aware of the resources available through its programs. The Fund held approximately 30 informational workshops throughout the country in conjunction with the Notices of Funds Availability inviting applications for the CDFI Core and TA Components as well as the BEA Program. Additionally, Fund staff attended numerous industry-sponsored events at sites across the country. These activities enable the Fund to inform the community development field about the Fund’s programs and assist the Fund in keeping in touch with the issues affecting our constituents.

All of these efforts will continue in the current year and the Fund will begin several new activities that address community development needs. A program to provide direct training to CDFIs and other community development lenders is expected to begin in FY 1999. The Fund has also begun implementing its Native American Lending Study/Action Plan, which includes a study on lending and investment practices on Indian reservations and other lands held in trust. In addition to identifying barriers to private-sector lending and investment in such communities, the study will promote opportunities for such investments and recommend policy changes to facilitate investments. The Fund is also strengthening its research and development efforts, focusing particularly on the community development outcomes or impact of the Fund and its awardees. We will also study the feasibility of developing a secondary market for CDFI investments.

We are proud of our achievements in FY 1998, and we are grateful for the opportunity to pursue this work. As we move into FY 1999, the Fund will continue to seek ways to strengthen and increase the delivery of financial services to underserved communities across the country.

Maurice A. Jones
Program Discussion and Analysis

Community Development Financial Institutions Program

The CDFI Fund makes investments in Community Development Financial Institutions (CDFIs). Through these investments the Fund seeks to enhance the capacity of CDFIs to address unmet community development finance needs in distressed communities across the country. CDFIs are private for-profit and non-profit financial institutions with community development as their primary mission and include community development banks, community development credit unions, non-profit loan funds, microenterprise loan funds, and community development venture capital funds. During FY 1998, the Fund added a new component to its CDFI Program, in addition to the Core and Intermediary Components: the Technical Assistance Component.

Core Component

The Core Component provides, on a competitive basis, technical assistance and financial assistance in the form of loans, equity investments, grants, shares or deposits to CDFIs. Funding through the Core Component supports CDFIs that are seeking to build their capacity and enhance their lending, investment, and community development activities. The 1998 Core Component awardees were selected based on the strength of their financial track record, capacity of their management, quality of comprehensive business plans, and their potential to achieve community development impact and availability of matching funds. Award amounts were based on awardees’ institutional size/capacity, projected community development impact, and potential for raising adequate non-federal matching funds.
1998 Round CDFI Core Component Awardees by Type of Award (in $millions)

- $1.2 in Technical Assistance
- $0.9 in Shares/Non-member Deposits
- $6.5 in Loans
- $4.5 in Equity Investments
- $31.2 in Grants

CDFI Core and Intermediary Component Awards by Rounds

- 1996: $37.2
- 1997: $33.9
- 1998: $44.3

1998 Round CDFI Core Component Awardees by Institution Type

- 14 Business Loan Funds
- 12 Housing/Facilities Loan Funds
- 8 Microenterprise Funds
- 4 Credit Unions
- 2 Banks/Bank Holding Companies
- 1 Venture Capital Fund
- 1 Multibank Community Development Corporation
By the end of FY 1997, organizations in thirty-three states had received CDFI Program Investments.

By the end of FY 1998, ten additional states were added, bringing the total to 43 states plus Puerto Rico that are receiving CDFI Program Investments.
CDFI Certification

In order for an organization to be certified as a CDFI, it must demonstrate that it:

- has a primary mission of promoting community development;
- principally serves an underserved investment area or a targeted population;
- makes loans or development investments as its predominant business activity;
- provides development services (such as technical assistance or counseling);
- maintains accountability to its target market; and
- is a non-governmental entity.

In addition to establishing eligibility to participate in Fund programs, organizations often seek CDFI certification in order to leverage funds from such non-federal sources as banks, foundations, state governments and local governments.

As of December 31, 1998, Certified CDFIs were headquartered in Forty-four states plus Puerto Rico

Puerto Rico

The CDFI Fund made the certification of organizations as CDFIs a priority in Fiscal Year 1998. As of the end of FY 1998, the Fund had certified 262 organizations as CDFIs in 44 states, Puerto Rico, and the District of Columbia, a 38% increase over the prior year.
The Fund has awarded a total of $7.1 million in funds to three Intermediary CDFIs.

Two of the entities serve national markets and one serves a state-wide market.

While all are non-profit loan funds, each serves a different type of CDFI:

- community development credit unions
- business and housing loan funds
- microenterprise loan funds

Intermediary Component

The Intermediary Component provides financial assistance, on a competitive basis, to CDFIs that provide financing primarily to other CDFIs and/or to support the formation of CDFIs—particularly those that are new, small, or geographically isolated. Intermediary CDFIs provide small amounts of capital, operating support, and specialized technical assistance to a number of CDFIs. The CDFI Fund initiated the Intermediary Component in an effort to more efficiently and effectively serve the CDFI industry. The Intermediary model is increasingly popular among private sector funders of community development organizations.

The application process for the Intermediary Component is comparable to that for the Core Component, although the number of applicants is fewer (reflective of the small number of intermediary CDFIs). Among the considerations in selecting awardees is the extent to which the Fund’s assistance to the Intermediary would add substantial benefits to the CDFI field, above and beyond what the Fund could accomplish through the Core Component.

Awards were available in the form of equity investments, grants, loans or deposits. All Intermediary awardees are required to have matching funds that are comparable in form and value to the funds they receive from the Fund.
Use of Fiscal Year 1998 Technical Assistance Grants

- Technology: 26%
- Expertise: 52%
- Training: 22%

Technology: $761,564
Expertise: $1,558,650
Training: $664,457

Fiscal Year 1998 Technical Assistance Awardees by Institution Type

- 2 Community Development Banks or Bank Holding Companies
- 3 Venture Capital Funds
- 8 Microenterprise Loan Funds
- 14 Business Loan Funds
- 18 Credit Unions
- 25 Housing Facilities Loan Funds
In FY 1998, the CDFI Fund received 112 Technical Assistance (TA) Component applications requesting $7.7 million. The Fund awarded 70 TA grants totaling $2,984,671. The organizations selected provide a wide range of financial services and products to distressed urban, rural and Native American communities.

The TA awardees have headquarters in 30 states, the District of Columbia and Puerto Rico, and collectively serve nearly every state.

The 1998 Round of the TA Component added eight new states to the list of states receiving CDFI Program investments.

Of the 70 organizations funded:

• 10 awardees are start-up organizations (in existence less than two years)

• 34 are currently certified as CDFIs

• 7 CDFIs were previously selected to receive an award from the Fund

Technical Assistance Component
Enhancing the Capacity of CDFIs

The provision of technical assistance awards is a key element to enhancing the capacity of the CDFI industry. The Fund, for the first time, issued a Notice of Funds Availability (NOFA) inviting applications for the Technical Assistance (TA) Component of the CDFI Program in FY 1998. The TA Component provides grants, on a competitive basis, to CDFIs, and entities proposing to become CDFIs, to purchase services needed to build the capacity of those institutions to better serve their target markets.

The TA Component enhances the CDFI field by providing organizations with resources to respond to organizational development needs. Most uses of TA Component grants fall into one of three categories: staff or board training; acquiring new technology needed to improve financial management or internal operations; and use of outside expertise to build organizational capacity in specific areas.

Applicants selected for awards are in various stages of organizational growth. They include start-ups needing assistance to sharpen their focus on a target market; existing organizations seeking to define new loan products to better serve their clients; and mature organizations needing to improve efficiency in handling growing loan portfolios.

The TA Component application has two critical substantive parts - a five-year Comprehensive Business Plan and a Technical Assistance Proposal (TAP). The TAP describes the technical assistance needed to enhance the capacity of the organization in order to carry out goals described in the Comprehensive Business Plan. Entities proposing to become CDFIs are eligible to apply and must include in their application a course of action that details on how the entity intends to meet CDFI certification requirements within two years of entering into an assistance agreement with the Fund. The application evaluation criteria are similar to those of the Core Component; however, predominant consideration is given to the extent of the applicant's demonstrated capacity needs and the extent and nature of the community development impact that will be achieved relative to the amount of TA to be provided. There is no matching funds requirement for the TA Component.
Notes from the Field/Program Impact

On November 19, 1998, Treasury Secretary Robert Rubin and the Fund hosted a Recognition Reception for the 190 financial institutions that received FY1998 awards through the Fund’s programs. In an effort to illustrate the impact of the Fund’s investments in the diverse communities that it serves, the Fund invited three individuals to tell the audience their personal stories of how the Fund’s investment made a difference in their lives. In defining the Fund’s successes, it is important to recognize that the Fund supports institutions which in turn support individual efforts. Following are three examples of people helped through the Fund’s support.

Mrs. Lucretia McDonald is the owner of McDonald’s Funeral Home, a family operated business. It is through the Enterprise Corporation of the Delta (ECD), based in Jackson, Mississippi, a 1996 CDFI program awardee that we heard about Mrs. McDonald.

CDFI awarded the ECD $2 million in 1996 to capitalize its revolving loan fund. At that time, ECD had a $6 million loan fund. Fourteen banks have invested $3.6 million in ECD, resulting in $550,000 in BEA awards to these institutions. With the help of the CDFI Core component and the BEA, ECD today, is a $25 million loan.

In 1998, Mrs. McDonald received a $250,000 loan and technical assistance from ECD, after a drunk driver hit her building and collapsed its east wall. “I called my dear friend, and a former instructor of the Fast Track program, Edwin Esser. He immediately looked at my situation and gave me some good advice. His advice was simple: Move out.” The technical assistance that EDC provided Mrs. McDonald was as valuable as the money. “The Fund not only helped us to acquire the property and remodel, but because of their requirements and their regulations with ECD, I then changed my sloppy bookkeeping habits that I had learned from my father and my husband, who were great embalmers, great PR men, but lousy bookkeepers.”
Community Bank of the Bay (CBB) is a certified CDFI, and a 1996 and 1997 BEA awardee. A state-chartered bank, CBB has assets of more than $27 million. In 1997, CBB was awarded $1.6 million for increasing its lending and other services in impoverished neighborhoods in the greater San Francisco Bay area. Based in Oakland, California, with a target community unemployment rate of 45%, CBB is committed to supporting businesses that employ local residents.

Mr. Jesse Jones started his company by buying an almost defunct business called “Gregory Truckbody” with only two employees. After reading an article in the local paper about CBB, Mr. Jones contacted the bank and requested qualification information for a loan. “They said not to worry, just come over and we could sit down and talk about it.”

Through CBB’s financial support and technical assistance, the business has grown to employ 25 plant workers and five office staff. CBB increased its line of credit from $100,000 to $500,000. Mr. Jones and his managers are considering adding a second shift.

In addition to building a successful business, Mr. Jones had a policy for his company to provide opportunities for people who were convicted felons. They hired those that were thought to be conscientious. Mr. Jones saw that they had dreams of their own and would work hard and learn if given the opportunity. “One of the people we hired was a gentleman who had been incarcerated for four years. He had no place to live. He had no means of transportation, and he had quite a few problems. This gentleman, after two years of employment, now has a new vehicle. He has a new home, and he’s gone back to school.”
“I had a dream. This dream of mine was to be a manufacturer. Today, we are the only African American truck manufacturer in the United States, fire apparatus manufacturers, that is, and we are growing by leaps and bounds.”

Jesse Jones, owner - Gregory Truckbody

“One of the persons we hired was a gentleman who had been incarcerated for four years. He had no place to live. He had no means of transportation, and he had quite a bit of problems. This gentleman we hired after two years of employment now has a new vehicle. He has a new home, and he’s gone back to school.”

Jesse Jones, owner - Gregory Truckbody

More than 25 new jobs have been created through the expansion of this Oakland truck manufacturing business.
Coastal Enterprise, Inc. is a 1997 CDFI Program awardee that received $2.5 million for a business loan fund. In addition to financing, CEI makes employment agreements with its borrowers that help place welfare recipients and other “hard-to-employ” people in jobs.

CEI worked with Care Development in Bangor, Maine to expand an innovative foster care support facility. This meant a significant expansion to several rural counties where, prior to this program, children were being taken out-of-state for foster care. CEI invested $150,000 into this project. Care Development provided another $150,000, and that leveraged $450,000 from Key Bank, which has had a 20-year relationship with CEI, for a total project cost of $750,000. The project created 30 new jobs, 15 of which will be filled with newly trained, hard-to-employ people.

A young woman named Amy is a beneficiary of Care Development’s services. The following is Amy’s story.

“Care Development has given me the chance to turn my life around and make it better. Coming from a home that was physically and emotionally abusive, street life was my only choice. At times, I would stay with friends, and when that wasn’t an option, I would stay in a cardboard box along the riverside. I never knew where my next meal was coming from, or when I would have warmth again.

“It was cold and it was lonely. I buried myself in snow banks to keep warm sometimes. When I was really lucky, I would find used, torn up mattresses in the dumpster to sleep on. When times got really desperate, I would confront total strangers out in front of a local bar and ask if they knew of a place I could stay. I mean, after all, who was I to judge character?

“Being on the streets led to a lot of colds and flu. The emergency room of the local hospital is where I turned. Sometimes I think I would have been better off just dealing with my illnesses by myself. The doctors and nurses there treated me like I was an animal. They probably thought that I couldn’t hear all the nasty things they were saying about my hair and my clothes. “Look how dirty that girl is.” “Where did the cat drag here out from.” “Are we going to treat her?” Those things caused more pain than any cold or flu ever could.

“In February of ‘98, DHS took over custody of me. I went to two placements before I was finally introduced to Care Development and two wonderful people who wanted to help me get my life back on track. I give my thanks and my love to Jody Stephenson and Ed Murray. I had forgotten what it felt like to be treated as an individual, to have respect. For the first time in a long time, I felt like a person again.

“Had Care Development and the Adam House not come into my life, I’m not sure you would be looking at the person you are today. I owe the biggest thanks to those who helped me through the hard times, those that stood by me no matter what I looked like, smelled like, or acted like. I plan to attend the University campus in Bangor and get my Associates degree in human services. The Adam House and Care Development have helped me so much that I’ve been inspired to help kids like me as well. After college, I plan to seek employment at Care Development and work at the Adam House.

“I want to thank those who never lost faith in me, those who believed in me, those who pushed me to become a better person. Those people are the ones to whom I give all my heart, my thanks, and my love. Thank you.”

Amy
FY 1998 BEA Awardees by Asset Size

- < $250 million: 23%
- $250 million to $1 billion: 27%
- $1 billion to $20 billion: 35%
- > $20 billion: 15%

FY 1998 BEA Awardees by Type of Activity

- $140 Million in support to CDFIs
- $375 Million in activity in Distressed Communities

Number of CDFIs Receiving Bank Support through the BEA Program

- 1996: 40
- 1997: 61
- 1998: 91
As mainstream financial institutions seek to meet community reinvestment goals, the BEA Program has become a key tool for channeling investments to high impact community development activities. Each year more institutions participate in the program and more dollars are invested in CDFIs and very distressed communities. The total volume of new activity within distressed communities by insured depository institutions reached $194 million in FY 1998.

In the 1998 Round, the Fund made 79 BEA Awards totaling $27,976,608. Awards ranged from $1,575 to $2.9 million, with a median award of $120,628.

Workshops on the BEA Program were held in 13 cities around the country by CDFI Fund staff. The workshops provided attendees, including interested bankers, CDFIs, potential CDFIs, regulatory agencies, and other interested parties with an overview of the program and the opportunity to ask questions about it. These workshops were well received and well attended. The Fund experienced a 39% increase in the number of applications from 75 in 1997 to 104 in 1998.

Bank Enterprise Award Program
Enhancing Community Development Investment through Mainstream Financial Institutions

The Fund recognizes the key role played by mainstream financial institutions - banks and thrifts - in promoting community revitalization. The Bank Enterprise Award (BEA) Program provides incentives for banks and thrifts to invest in CDFIs and increase their lending, investment and service activities within underserved communities. The BEA Program is intended to build on and complement community reinvestment activities of banks and thrifts, by encouraging them to expand their partnerships with CDFIs and increase their activities in some of the most distressed communities in the nation.

The BEA Program provides awards to institutions that increase their investments in distressed communities or CDFIs. In this way, the Fund’s dollars are leveraged to encourage more community development investments each year. Awards are determined on the basis of the total dollar value of increased activity within an evaluation period. In general, award amounts range from 5 to 15 percent of the dollar value of the increased activity, depending on the type of activity.

Institutions that are insured by the Federal Deposit Insurance Corporation are eligible to submit applications for the BEA Program. Awards are made to institutions that can demonstrate that they have increased the dollar volume of eligible activities within the evaluation period. Eligible activities include providing financial or technical assistance to CDFIs, as well as lending, financial or other services in communities with a poverty rate of at least 30 percent and an unemployment rate that is at least one and one-half times the national average.
# Program Measures and Statistics

## CDFI Program

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<th>Core &amp; Intermediary</th>
<th>Technical Assistance</th>
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<td>Number of Applications Received</td>
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<tr>
<td>Total Number of Awards</td>
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<td>Total Amount Awarded</td>
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<td>Grants</td>
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<td>Equity Investments</td>
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<td>Loans (Face Value)</td>
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<td>Technical Assistance</td>
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<td>Deposit/Credit Share</td>
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## BEA Program

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<td>Number of Applications Received</td>
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<td>104</td>
</tr>
<tr>
<td>Total Number of Awards</td>
<td>54</td>
<td>79</td>
</tr>
<tr>
<td>Total Amount Awarded</td>
<td>$16,450,881</td>
<td>$27,976,608</td>
</tr>
<tr>
<td>Highest Award</td>
<td>$2,517,024</td>
<td>$2,911,370</td>
</tr>
<tr>
<td>Lowest Award</td>
<td>1,100</td>
<td>1,575</td>
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<tr>
<td>Average Award</td>
<td>310,394</td>
<td>354,134</td>
</tr>
<tr>
<td>Median Award</td>
<td>62,500</td>
<td>120,628</td>
</tr>
</tbody>
</table>
The CDFI Fund’s Bank Enterprise Award (BEA) Program provides an important positive incentive for financial institutions to increase banking activities – loans, investments, and services – in some of the most distressed communities in the country. Because of BEA funding, banks, thrifts and other financial institutions have been able to help CDFIs develop and grow throughout the nation. These critical funds allow us to make investments that a bank normally could not do.

The best evidence of the BEA Program’s effectiveness, comes from my personal experience at Chase Manhattan Bank. In 1995, Chase made a five-year commitment to provide $25 million in the form of loans investments, and deposits to CDFIs and other financial intermediaries. In 1998 alone, Chase provided over $60 million in the form of loans, grants and equity investments to 53 organizations located in Connecticut, New Jersey, New York City, Long Island, Westchester, Upstate New York, Texas, Delaware, Florida and California bringing the total for the past three years to over $120 million – almost five times the total five-year commitment.

The BEA Program encourages developing relationships with locally-based CDFIs. A prime example is our partnership with the Washington Heights and Inwood Development Corporation (WHIDC) located in New York City. Through its BO$$ Micro-Business Loan Program, WHIDC makes loans for such uses as working capital, debt consolidation and inventory in the Upper Manhattan area. Borrowers are predominately immigrants from the Dominican Republic who run legal street vending businesses, in-home businesses and very small storefronts. The loan pool, started in 1995 with a $50,000 equity grant from Chase, is now capitalized at $590,000. Close to 70 microentrepreneurs (including 18 start-up businesses) have borrowed an average loan of approximately $6,000. Chase has also provided additional equity support, as well as operating grants to WHICD and our relationship also includes a local Chase branch manager serving on the board and a Chase small business lender serving on the loan committee.
Microenterprise Activities  
Administered by the Fund  
Presidential Awards for Excellence in Microenterprise Development

The Presidential Awards for Excellence in Microenterprise Development is an annual non-monetary awards program that recognizes organizations that have demonstrated excellence and leadership promoting microenterprise development. These awards reflect the Administration’s on-going commitment to advance the role of microenterprise development in enhancing economic opportunities of all Americans, especially those who have traditionally lacked access to traditional sources of credit and business development assistance, particularly low-income people. By recognizing outstanding organizations, the program promotes best practices within the microenterprise development field in the United States, and brings wider public attention to the important role and success of microenterprise development in the domestic economy.

Awardees submit applications to the Fund that are reviewed by a panel consisting of Fund staff and experts in microenterprise development from the Federal government and the private sector, including researchers, funders, and practitioners.

Five award categories reflect the diverse and challenges issues facing the field of microenterprise development. Four of the five categories are awards to practitioner organizations- those entities which provide both access to credit and access to training, counseling or technical assistance to microentrepreneurs. These categories are: Excellence in Providing Access to Capital, Excellence in Poverty Alleviation, Excellence in Developing Entrepreneurial Skills and, Excellence in Program Innovation. In addition, organizations that support the effort of practitioner organizations through financial assistance, technical assistance, research, or other activities are eligible for awards in the Excellence in Public or Private Support.

“Eddie Alvarez came from the Dominican Republic to Brooklyn five years ago with just a single statue mold and his ambition. ACCION New York, a 1998 CDFI Fund awardee, made several loans to Eddie, enabling him to significantly expand his successful statue-making business. Eddie’s enormous factory with its thousands of plaster molds is a credit to him and ACCION.”

Margaret Woolley,  
CDFI Fund  
Financial and Programs Analyst
Interagency Workgroup on Microenterprise Development

In 1998, the Interagency Workgroup on Microenterprise Development was officially launched at a meeting convened by the Office of the First Lady.

The Workgroup was established in response to a Presidential directive to the Fund. The Workgroup is co-chaired by Ellen Lazar, Director of the Fund, and John Gray, Associate Deputy Administrator, U.S. Small Business Administration. The Workgroup’s purpose is to provide better coordination among Federal agencies that provide grants, loans or technical assistance to microenterprise development organizations as well as agencies that develop policy that impact microenterprise.

The Workgroup includes participants from several agencies and departments. The Workgroup has established three committees: Policy, Regulatory, and Education. Through these committees, the workgroup will examine Federal policies that effect microenterprises and will address discrepancies in definitions and reporting standards among Federal programs that support microenterprise development.

The Interagency Workgroup Website will be launched in the Spring of 1999 which will include links to relevant agency websites. Published on the website will be a directory of related Federal programs, case studies, discussions of best practices, and performance data about the microenterprise field.
Guest Essay

Microenterprise Development in Today's Economy

By Jack Litzenberg
Program Officer
Charles Stewart Mott Foundation
Community Development Advisory Board

The Community Development Financial Institution (CDFI) Fund's initiative, housed in the Department of Treasury, recognizes that there are few open doors in today's strong economy for residents of low-income communities and that micro-enterprise development offers a simple and effective entry. Today's global economy poses an ever growing set of hurdles for low-income families and the communities in which they live. The paths that have been used to lead to economic security - a high school degree, a well-paid, blue collar job in a large, stable manufacturing firm - are increasingly less viable, or disappearing.

Decreased numbers of low-skilled jobs capable of supporting a family have forced many households to rely on multiple sources of income and to seek to create their own jobs and income streams. But barriers in our economy still threaten to lockout the minorities, and low-income communities still remains. And the emergence of global markets connected by high-technology communications systems raises the specter of low-income communities and neighborhoods being increasingly removed from the flow of critical economic information.

It is in this context that the emergence of microenterprise development and self-employment assumes its full importance. Here is a strategy that is simple enough to be understood and embraced, yet so resonant with the American psyche that it engenders waves of demand and action in even the most demoralized communities. And while microenterprise development so clearly echoes the economic forces facing low-income communities, perhaps its real genius is its simplicity. For self-employment suggests a set of small but achievable steps forward in our economy. In summoning people to match their talent and labor with small amounts of credit, microenterprise development meets low-income communities where they are, introducing new opportunities to create work, income, and assets, and thereby affirming human worth and dignity. Most importantly, it delivers what it promises.

The power of the self-employment strategy is manifested in the growth of the microenterprise field. A little more than a decade ago, American communities began to create programs aimed at helping low-income and unemployed individuals to create jobs for themselves. Today, the microenterprise field comprises more than 200 programs in 44 states across the nation that provide business training and access to credit to entrepreneurs with limited access to economic resources.

Thanks to initiatives like the CDFI Fund that provide funds for credit and technical assistance, more than 250,000 microentrepreneurs have borrowed in excess of $150 million. Microenterprise programs have proven they have the ability to reach low-income and disadvantaged populations effectively, and to create jobs and raise incomes and asset levels among the poor. Initial results also indicate that programs are creating jobs and benefiting low-income populations at costs similar to those of leading job training and business development strategies.

Most of all, however, microenterprise programs convey the message to residents of economically disenfranchised communities on how our economy works and how one can participate in it.
I am pleased to present the FY 1998 audited financial statements for the Community Development Financial Institutions Fund. These statements were audited by KPMG, LLP and their audit resulted in an unqualified opinion for the Fund with no material weaknesses identified. KPMG also confirmed that we have appropriately addressed all material weaknesses identified in last year’s audit. This is a compliment to all Fund staff that worked tirelessly on these efforts and I express my appreciation to each of you.

Our organization on September 30, 1998 was dramatically different than the one that existed on September 30, 1997. After January 1998, the Fund’s new management team made accountability and internal controls the highest priority for the Fund, and established a goal to be in substantial compliance with the Federal Managers’ Financial Integrity Act (FMFIA) and the Federal Financial Management Improvement Act (FFMIA) by the end of the fiscal year. The results of our audit show we met that goal and that our priorities over the past year were well placed.

We have implemented the necessary organization, policies and procedures to ensure that our programs achieve their intended results; resources are used consistent with our mission; programs and resources are protected from waste, fraud, and mismanagement; laws and regulations are followed; and reliable and timely information is obtained, maintained, reported and used for decision making. As stated by Director Lazar in her annual assurance statement on the following page, the Fund’s system of internal management, accounting and administrative control is now in place and operating effectively.

Fund managers have worked vigorously to build an efficient, relationship-based organization that focuses on quality in awards management and administration, valuing customer satisfaction, and ensuring compliance with applicable rules and regulations. Through cooperative management, we are now in a better position to recognize the forces affecting our rising workloads and changing expectations. We have positioned ourselves to meet the demands of today and the challenges of tomorrow.

While the Fund’s accomplishments are many over the past year, the future holds numerous challenges as we continue to deal with ongoing budgetary and economic issues and a growing organization. To support the Fund’s initiatives, we will continue during the next year to improve our processes and develop our information systems.

We hope this is a useful, informative report. We will continue to improve on it over time. Many thanks go the hard working management team for their contributions and commitments during this fiscal year. Because of their efforts, we are able to give you this Annual Report for the fiscal year ended September 30, 1998.

Paul R. Gentille
Deputy Director for Management
and Chief Financial Officer
Financial Discussion and Analysis

Financial Management Systems

The Fund’s financial statements included in this Annual Report represent the second stand-alone statements prepared by the Fund since its inception in FY 1995. With these audited financial statements and stand-alone Annual Report, the Fund, a wholly owned government corporation, is complying with its enabling legislation, and conforming to the spirit of the Chief Financial Officer’s (CFO) Act of 1990 and the Government Performance and Results Act (GPRA) of 1993.

In FY 1997, the Fund prepared its first stand-alone financial statements, which were audited by KPMG Peat Marwick, LLP. Their audit resulted in an unqualified opinion for the Fund.

Description of the CDFI Fund Financial Management System

The CDFI Fund contracts out its administrative accounting services to the Bureau of Public Debt’s Administrative Resource Center (ARC) in Parkersburg, West Virginia. The Fund’s Financial Management System, therefore, includes the records and transactions maintained by ARC in their Federal Financial System (FFS), as well as all the procedures performed by the Fund’s own financial management staff in Washington, D.C. All financial reports produced from the ARC FFS are reviewed and approved by the Fund’s Financial Manager. The Fund’s financial management staff are directly responsible for administrative control of funds, financial planning, budget formulation and execution, and financial statement preparation, reconciliation, review and analysis.

Department of the Treasury
Community Development Financial Institutions Fund

Annual Assurance Statement
Fiscal Year 1998

As the Director of the Community Development Financial Institutions Fund, I recognize the importance of management controls. I have taken the necessary measures to ensure that the evaluation of the system of management control of the CDFI Fund has been conducted in a conscientious and thorough manner. The results indicate that the Fund’s system of internal management, accounting and administrative control in effect during the fiscal year that ended September 30, 1998, taken as a whole, support my conclusion that management controls are in place and operating effectively. Furthermore I can provide a reasonable assurance objectives of Sections 2 and 4 of the FMFIA were achieved; and the Fund’s financial management systems comply substantially with Federal financial management systems requirements, applicable Federal accounting standards, and the United States Government Standard General Ledger (SGL) at the transaction level.

Ellen W. Lazar
Director
Strategic Plan for Fiscal Years 1999 - 2004

With the arrival of a new Director and other executive staff, the Fund began to examine the existing strategic plan and determine if changes were in order. To start the process, senior staff were trained on the Government Performance and Results Act and a two-day planning retreat for senior staff was held in April 1998. After the retreat, the senior staff met several times to review and discuss the draft plan, making additional modifications. In July 1998 a draft plan was presented to the Fund’s Advisory Board. A copy was mailed to each member in advance of the board meeting so members could familiarize themselves with the plan. At the meeting the Advisory Board discussed the Strategic Plan in depth and provided their feedback and recommendations. Later in July, the Fund’s senior staff met and discussed the Advisory Board’s recommendations and incorporated some of their comments in the plan.

As a result of this effort, a revised Strategic Plan covering years 1999 - 2004 was completed. This Strategic Plan includes a new mission statement, new vision statement, new performance goals and performance measures. The revised Strategic Plan was incorporated into the Congressional Budget for Fiscal Year 2000.

Federal Managers’ Financial Integrity Act (FMFIA) Highlights

Management Control Program

In the broadest sense, the Fund’s management controls include the organizational plan and infrastructure and the methods and procedures adopted by management to ensure goals are met. Management controls include all the Fund’s processes for planning, organizing, directing, and controlling program and administrative operations. The Fund’s Management Control Program ensures programs achieve their intended results; resources are used consistent with the Fund’s mission; programs and resources are protected from waste, fraud and mismanagement; laws and regulations are followed; and reliable and timely information is maintained, reported, and used for decision-making. The Fund’s program recognizes that management controls are not a “stand alone” effort, but are the underlying management mechanisms that ensure that mission, policies, and procedures are achieved efficiently and effectively.

Fund managers are responsible for management structures that help ensure accountability for results and that include appropriate cost effective controls; the quality and timeliness of program performance; increasing productivity; controlling costs; mitigating adverse aspects of the Fund’s operations; and assuring that programs are managed with integrity and in compliance with applicable law.

Correction of Material Weaknesses During FY 1998

During the Fund’s FY 1997 audit, KPMG identified two material weaknesses and provided specific recommendations for corrective actions. In FY 1998, the following corrective actions were completed by the Fund to correct all the recommended actions that were identified by the auditors.
Material Weakness: Liabilities incurred as a result of the awards process had not been recorded by the CDFI Fund as earned by the awardees, but rather as the awards were disbursed.

Recommendation: Record payables for grant awards and related grants expense at the point in time when the awards are earned by the awardees, rather than when disbursed in cash.

The Fund met with the Bureau of Public Debt Franchise Service in May 1998 and developed process flow procedures and identified the different general ledger posting transactions for properly recording award payables and expenses and written procedures for identifying payables have been prepared. Monthly financial statements now reflect correct recording of awards payables.

Material Weakness: Lack of a Formal FMFIA Process and Internal Controls over Procedures

Recommendation: Establish a formal management control process and designate the Deputy Director for Management/CFO as the Fund’s Management Control Officer.

The Deputy Directory for Management/CFO was designated the Fund’s Management Control Officer through a formal delegation dated May 28, 1998. A new Financial Manager entered on duty in April 1998. A Management Control Program was completed in July and a training seminar on Management controls was held for all managers on September 24th to implement the Plan and identify accountable units.

Recommendation: Finalize the awards file maintenance program and develop a “file contents checklist” to identify all documents that should be included in the awards files.

A new checklist has been developed and is being used to confirm file contents. A new file system is described in Policy Memo No. 1. Awards files for awards disbursed during FY 1998 have been reviewed and converted to the new system. Staff is in the process of converting all official award files to the new system.

Recommendation: Recruit personnel to fill vacant positions for oversight of awards programs.

An Awards Manager entered on duty in January 1998. The Awards Manager provides oversight for all award closing and award disbursements. The Awards Management area is fully staffed with an Awards Manager and three administrative support personnel to assist in the oversight of the awards program.

Recommendation: Develop formal, ongoing monitoring procedures, and related forms, and place them into operation.

The Awards Manager has conducted an assessment of the Fund’s monitoring needs from both a compliance and program review perspective in conjunction with Program staff. Policies and procedures have been developed and a Monitoring
Control Form was implemented in July. The Awards Manager is monitoring reporting compliance for all awardees that have assistance agreements and staff is reviewing reports received.

**Recommendation:** Establish a formal process for preparing, reviewing and distributing monthly financial statements, including specific procedures for follow-up on any issues identified during the process.

Monthly management reports were prepared for the months of March through September 1998 that included financial statements and review of budget reports and supporting reconciliations prepared by the Franchise Service on behalf of the Fund. The Fund met with the Bureau of the Public Debt Franchise Service in May 1998 to validate processes and procedures. The Fund will continue to prepare monthly management reports in FY 1999.

**Recommendation:** Develop additional financial management positions and recruit personnel to fill these positions are soon as practicable.

The Fund’s Financial Management area is fully staffed with a Chief Financial Officer, Financial Manager, Staff Accountant, Budget Officer and a Financial Assistant. The Fund is performing the full range of financial management activities required by the CFO Act.

**Recommendation:** Delineate organizational responsibilities within the CDFI Fund.

The Fund’s proposed organizational plan was submitted to the Department on February 18, 1998 and approved on April 13, 1998. The approved plan includes functional statements and a delineation of organizational responsibilities for all offices in the Fund. The approved plan also includes organization charts for the Fund and the Fund’s placement in the Office of the Under Secretary for Domestic Finance.

**Recommendation:** Develop policies and procedures for an awards administration and monitoring function.

The following awards administration policy memos have been issued:

Memo No. 1 establishes new procedures for the Fund’s file room and official award files including a new numbering system.

Memo No. 2 restricts access to the official award files and establishes a system for logging files to requestors.

Memo No. 3 defines the Fund’s awards administration policies and procedures and the duties and responsibilities of the Awards Manager.

Memo No. 4 describes the policies and procedures used for the review and notice of awards in the Awards Administration Division under the supervision of the Awards Manager.
Memo No. 5 establishes policies and procedures used to record reporting compliance and program performance compliance for all reporting requirements connected with the CDFI Program.

Memo No. 6 establishes policies and procedures for award obligations (deobligations) and disbursements and implements the Award Obligation and disbursement Request form.

**Recommendation:** Continue the design and development of a portfolio monitoring database.

The Awards Manager has reviewed data requirements and is seeking information on off-the-shelf database systems that can be adapted to the Fund’s awards administration and monitoring processes and requirements as well as program evaluations. Several systems have been reviewed. For the 1998 Core and TA Component rounds, a Microsoft Access database was developed and used. The Fund plans to finalize the system selection in FY 1999.

**Recommendation:** Track the receipt of all required reporting activities for all Fund awardees since the inception of the Fund.

The Awards Manager is tracking all incoming awardee reporting requirements for quarterly and annual reports and sending delinquent letters within two days of the required due date. A status report is being maintained on an Excel spreadsheet. The Awards Manager will focus on audit and compliance monitoring and the program performance reports. Tracking statistics are maintained in the monthly management report.

**Recommendation:** Determine and communicate audit guidelines for Fund awardees to follow.

Written guidelines will be prepared and included in all awardee assistance agreements for awards that approved in FY 1998.

**Year 2000 Compliance**
In confronting the information technology challenges of the Year 2000 (Y2K), the CDFI Fund developed a comprehensive strategy based on best practices in the industry. The Fund’s strategy consists of six phases: 1) Awareness Phase; 2) Assessment Phase; 3) Renovation Phase; 4) Validation Phase; 5) Implementation Phase; and, 6) Independent Verification Phase. In the Awareness Phase, the Fund defined the challenge, identified technical and management representatives, established compliance standards and developed a project plan to overcome the challenge. In the second phase, the Assessment Phase, we conducted a survey of our systems, including hardware and software. During the Renovation and Validation Phases, the CDFI Fund upgraded its hardware from a 486-based platform to a Pentium II platform and upgraded its software tools. During these phases the Fund worked with its vendors in testing and validating their products. By the end of FY 1998 the Fund had upgraded its Information Technology and Communications infrastructure with Y2K compliant systems. Since the Fund is a relatively new agency, there were no in-house legacy systems that required debugging and testing. In the Implementation Phase, the CDFI Fund conducted systems integration and acceptance testing to ensure that all converted or replaced system components performed adequately in a heterogeneous environment. In completing this phase, the CDFI Fund is finalizing its data recovery program and contingency plans. The CDFI Fund plans to complete its Independent Verification Phase in March 1999.
Reports from the Auditors
Independent Auditors' Report on Financial Statements

KPMG

2001 M Street, N.W.
Washington, D.C. 20036
opinion on the financial statements. We have been engaged for the purpose of preparing and presenting the financial statements of the Partnership as of the dates indicated in the notes to those financial statements. Our audit was conducted in accordance with generally accepted auditing standards.

KPMG LLP
February 1999

CDFI Fund
Reports from the Auditors
The effectiveness of the design and operation of policies and procedures may be assessed by examining the outcomes of internal controls in terms of their effectiveness. The policies of internal controls are subject to change over time, and changes in these policies may result in modifications to the procedures used to implement them. Hence, the auditors are required to verify the effectiveness of the internal controls in place.

Transactions are properly recorded, processed, and summarised in accordance with the auditors’ standards. The auditors are responsible for the accuracy and completeness of transactions recorded in the financial statements. The auditors are also required to review the accuracy of transactions recorded in the financial statements.

The CDFI Fund’s management is responsible for establishing and maintaining internal controls. The management is also responsible for designing and implementing systems of internal controls. The management is also responsible for ensuring that the effectiveness of the internal controls is maintained.

The Independent Auditor, in accordance with the Internal Control over Financial Reporting, reports that:

Independent Auditor’s Report on Internal Control over Financial Reporting

Washington, DC 20036

2001 M Street N.W.

KPMG
Reports from the Auditors

February 8, 1999

KPMG LLP

\[ \text{[Content of the report is not visible in the image.]} \]

The finding is considered closed.

Conclusion: Therefore, this finding is considered closed.

Finding I.B. Lack of a structured process for documentation of award files.

1.B.1. A new checklist has been developed and is being used to conduct (awarded) CDFI Fund activities.

2.B.1. A list of all fund management activities was held for all months.


A fund number is used for fund development meetings.

Finding: I.C. Lack of oversight of awarded programs.

The finding is considered closed.

Conclusion: Therefore, this finding is considered closed.

Finding: I.D. Lack of formal post-award monitoring procedures.

The finding is considered closed.
The material weaknesses in internal controls as previously reported in the 2020 CDFI Fund Performance Report continue to remain a significant concern for the CDFI Fund. The Fund has taken significant steps to address these weaknesses, including the implementation of new policies and procedures to enhance financial reporting and internal controls. However, additional improvements are necessary to fully address the material weaknesses.

Finding 1: General lack of documented policies and procedures

The findings indicate that the CDFI Fund did not have sufficient written policies and procedures to address its financial reporting and internal control requirements. The Fund has taken steps to improve its policies and procedures since the 2020 Performance Report, but additional work is needed to fully address the weaknesses.

Finding 2: Inadequate definition of organizational responsibilities within the CDFI Fund

The findings indicate that the CDFI Fund did not have a clear definition of organizational responsibilities, which contributed to the material weaknesses. The Fund has implemented new policies and procedures to improve this area, but ongoing monitoring is necessary to ensure continued compliance.

Finding 3: Ineffective financial management and oversight

The findings indicate that the CDFI Fund did not have effective financial management and oversight, which contributed to the material weaknesses. The Fund has taken steps to improve its financial management and oversight, but additional work is needed to fully address the weaknesses.

Finding 4: Inadequate controls over financial information

The findings indicate that the CDFI Fund did not have adequate controls over financial information, which contributed to the material weaknesses. The Fund has implemented new policies and procedures to improve this area, but ongoing monitoring is necessary to ensure continued compliance.

Finding 5: No formal review of monthly financial statements, accounting records

The findings indicate that the CDFI Fund did not have a formal review of monthly financial statements and accounting records, which contributed to the material weaknesses. The Fund has implemented new policies and procedures to improve this area, but ongoing monitoring is necessary to ensure continued compliance.

Recommendations

The CDFI Fund is encouraged to continue implementing new policies and procedures to address the material weaknesses identified in this report. The Fund should also continue to monitor and evaluate the effectiveness of its financial management and oversight, and ensure that its financial information is accurately reported and reviewed.
Implementing Guidance for OMB Bulletin No. 95-08: As required by OMB Bulletin No. 95-08, we report the results of our reviews of CDFI Fund's financial management and operations. We reviewed CDFI Fund's financial management as of September 30, 1998.

We conducted our financial statement audit in accordance with generally accepted auditing standards. The financial statements are the responsibility of CDFI Fund's management. Our responsibility is to express an opinion on the financial statements based on our audit.

We have audited CDFI Fund's financial statements as of and for the year ended September 30, 1998.
KPMG LLP

is not intended to be and should not be used by anyone other than those specifically engaged in
the U.S. Department of the Treasury, Office of the Inspector General, OMB and Congress, and
this report is intended solely for the information and use of the CDFA fund management.

Exhibit 1, Finding 1.4: "1. A. of our Independent Auditors. Report on Internal Controls over
Financial Reporting Performed as of December 31, 1999." This includes the results of 1.
management systems that do not substantially comply with the requirements discussed in the

The results of our tests disclosed no instances in which the CDFA fund's financial
Financial Statements and Notes
Community Development Financial Institutions Fund  
Statements of Financial Position  
As of September 30, 1998 and 1997

<table>
<thead>
<tr>
<th></th>
<th>1998</th>
<th>1997 (Restated)</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Assets</strong></td>
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<td></td>
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<tr>
<td>Current Assets</td>
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<td>Fund Balance with Treasury (Note 2)</td>
<td>$145,218,555</td>
<td>$104,926,682</td>
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<td>Advances and Prepayments</td>
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<td>22,820</td>
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<td>Long-Term Assets</td>
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<tr>
<td>Loans Receivable, net of allowance for uncollectible amounts of $1,566,500 in 1998 and $900,000 in 1997</td>
<td>4,699,500</td>
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<td><strong>Total Assets</strong></td>
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<td>$113,676,566</td>
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<td><strong>Liabilities and Net Position</strong></td>
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<td>Current Liabilities</td>
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<td>Accounts Payable</td>
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<td>Accrued Payroll</td>
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<td>Accrued Annual Leave</td>
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<td>Awards Payable</td>
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<td>Total Long-Term Liabilities</td>
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<td><strong>Total Liabilities</strong></td>
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<td><strong>Commitments (Note 5)</strong></td>
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<td><strong>Net Position (Note 6)</strong></td>
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<td><strong>Total Liabilities and Net Position</strong></td>
<td>$160,863,682</td>
<td>$113,676,566</td>
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</table>

The accompanying notes are an integral part of these financial statements.
# Community Development Financial Institutions Fund

## Statements of Operations and Changes in Net Position

**Years Ended September 30, 1998 and 1997**

<table>
<thead>
<tr>
<th></th>
<th>1998</th>
<th>1997 (Restated)</th>
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</thead>
<tbody>
<tr>
<td><strong>Revenue and Financing Sources</strong></td>
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<tr>
<td>Appropriated Capital Used</td>
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<td>Interest, Federal</td>
<td>113,000</td>
<td>176,181</td>
</tr>
<tr>
<td>Dividend</td>
<td>5,550</td>
<td></td>
</tr>
<tr>
<td><strong>Total Revenue and Financing Sources</strong></td>
<td>$ 56,992,796</td>
<td>$ 42,779,236</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th></th>
<th>1998</th>
<th>1997 (Restated)</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Expenses</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>CDFI Grants</td>
<td>23,169,583</td>
<td>18,627,562</td>
</tr>
<tr>
<td>BEA Grants</td>
<td>28,721,757</td>
<td>19,348,245</td>
</tr>
<tr>
<td>Administrative (Note 7)</td>
<td>4,960,747</td>
<td>4,619,025</td>
</tr>
<tr>
<td>Allowance for Bad Debts</td>
<td>666,500</td>
<td>900,000</td>
</tr>
<tr>
<td><strong>Total Operating Expenses</strong></td>
<td>$ 57,518,587</td>
<td>$ 43,494,832</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th></th>
<th>1998</th>
<th>1997 (Restated)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Federal Financing Bank/Treasury Borrowing Interest</td>
<td>290,441</td>
<td>251,970</td>
</tr>
<tr>
<td>Other Interest</td>
<td>6</td>
<td>575</td>
</tr>
<tr>
<td><strong>Total Expenses</strong></td>
<td>$ 57,809,034</td>
<td>$ 43,747,377</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th></th>
<th>1998</th>
<th>1997 (Restated)</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Shortage of Revenue and Financing Sources</strong></td>
<td>$ (816,238)</td>
<td>$ (968,141)</td>
</tr>
<tr>
<td>Over Total Expenses</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th></th>
<th>1998</th>
<th>1997 (Restated)</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Changes in Net Position</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Net Position, Beginning of Year as Previously Reported</td>
<td>90,019,632</td>
<td>$ 83,594,249</td>
</tr>
<tr>
<td>Prior Period Adjustment</td>
<td></td>
<td>(38,508)</td>
</tr>
<tr>
<td>Net Position, Beginning of Year as Adjusted</td>
<td>90,019,632</td>
<td>83,555,741</td>
</tr>
<tr>
<td>Shortage of Revenue and Financing Sources Over Total Expenses</td>
<td>(816,238)</td>
<td>(968,141)</td>
</tr>
<tr>
<td>Other Changes (Note 8)</td>
<td>23,221,160</td>
<td>7,432,032</td>
</tr>
<tr>
<td><strong>Net Position, End of Year</strong></td>
<td>$ 112,424,554</td>
<td>$ 90,019,632</td>
</tr>
</tbody>
</table>

*The accompanying notes are an integral part of these financial statements*
# Financial Statements and Notes

## Community Development Financial Institutions Fund
### Statements of Cash Flows
#### Years Ended September 30, 1998 and 1997

<table>
<thead>
<tr>
<th></th>
<th>1998</th>
<th>1997 (Restated)</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Cash Flows From Operations</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Shortage of Revenue and Financing Sources</td>
<td>$ (816,238)</td>
<td>$ (968,141)</td>
</tr>
<tr>
<td><strong>Adjustments Affecting Cash Flow</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Appropriated Capital Used</td>
<td>(56,778,840)</td>
<td>(42,567,968)</td>
</tr>
<tr>
<td>Increase in Advances and Prepayments</td>
<td>(202,783)</td>
<td>(16,138)</td>
</tr>
<tr>
<td>Increase in Accounts Receivable</td>
<td>(7,960)</td>
<td>(14,860)</td>
</tr>
<tr>
<td>Increase in Allowance for Bad Debts</td>
<td>666,500</td>
<td>900,000</td>
</tr>
<tr>
<td>Increase in Accounts Payable and Accrued Payroll</td>
<td>202,362</td>
<td>356,568</td>
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<tr>
<td>Increase (Decrease) in Interest Payable</td>
<td>(251,970)</td>
<td>251,970</td>
</tr>
<tr>
<td>Increase in Awards Payable</td>
<td>23,878,940</td>
<td>9,603,734</td>
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<tr>
<td>Increase in Accrued Annual Leave</td>
<td>73,252</td>
<td>27,439</td>
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<tr>
<td>Prior Period Adjustment</td>
<td></td>
<td>(38,508)</td>
</tr>
<tr>
<td><strong>Net Cash Used by Operations</strong></td>
<td>(33,236,737)</td>
<td>(32,465,904)</td>
</tr>
<tr>
<td><strong>Cash Flows from Investing Activities</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Purchase of Investments</td>
<td>(4,685,000)</td>
<td>(5,996,900)</td>
</tr>
<tr>
<td>Direct Loans Disbursed</td>
<td>(2,666,000)</td>
<td>(3,600,000)</td>
</tr>
<tr>
<td><strong>Net Cash Used by Investing Activities</strong></td>
<td>(7,351,000)</td>
<td>(9,596,900)</td>
</tr>
<tr>
<td><strong>Cash Flows from Financing Activities</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Appropriations Received</td>
<td>80,000,000</td>
<td>50,000,000</td>
</tr>
<tr>
<td>Borrowings from Treasury</td>
<td>879,610</td>
<td>3,712,601</td>
</tr>
<tr>
<td><strong>Net Cash Provided by Financing Activities</strong></td>
<td>80,879,610</td>
<td>53,712,601</td>
</tr>
<tr>
<td>Net Change in Fund Balance with Treasury</td>
<td>40,291,873</td>
<td>11,649,797</td>
</tr>
<tr>
<td><strong>Fund Balance with Treasury, Beginning of Year</strong></td>
<td>104,926,682</td>
<td>93,276,885</td>
</tr>
<tr>
<td><strong>Fund Balance with Treasury, End of Year</strong></td>
<td>$ 145,218,555</td>
<td>$ 104,926,682</td>
</tr>
<tr>
<td><strong>Supplemental Disclosures:</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Interest Paid</td>
<td>$ 542,417</td>
<td>$ 575</td>
</tr>
</tbody>
</table>

*The accompanying notes are an integral part of these financial statements*
Notes to the CDFI Fund Financial Statements  
Years Ended September 30, 1998 and 1997

Note 1 Summary of Significant Accounting Policies

Basis of Presentation

These financial statements have been prepared to report the financial position, results of operations, and cash flows of the Community Development Financial Institutions Fund (the CDFI Fund). The U.S. Department of the Treasury’s (the Treasury) Bureau of the Public Debt-Franchise Services provides administrative accounting services to the CDFI Fund. These financial statements summarize the administrative accounting records maintained by the Bureau of the Public Debt-Franchise Services in its Federal Financial System and are presented in accordance with the CDFI Fund’s accounting policies which are summarized in this note.

Reporting Entity

The CDFI Fund was created as a bipartisan initiative in the Riegle Community Development and Regulatory Improvement Act of 1994 (Public Law No. 103-325). The CDFI Fund was originally created to be a separate, independent wholly owned government corporation subject to the audit and reporting requirements of the Government Corporation Control Act (31 U.S.C. 9105 and 9106). However, the CDFI Fund was placed in the Department of the Treasury (Chapter X of title I, Public Law No. 104-19) and began operations as of July 27, 1995.

The CDFI Fund operates various programs aimed at expanding the availability of credit, investment capital, and financial and other services in distressed urban, rural, and Native American communities. The CDFI Fund is intended to help create a national network of financial institutions dedicated to community development that leverages private resources (financial and human) to address community development needs.

The CDFI Program uses limited public resources to invest in private, for-profit and non-profit financial institutions. This investment helps build the capacity of local CDFIs by leveraging large amounts of private capital and builds on private-sector talent, creativity, and leadership. CDFI program awards may take the form of grants, direct loans, equity investments, or technical assistance to eligible financial institutions.

The Bank Enterprise Awards (BEA) Program provides incentives to insured depository institutions (banks and thrifts) to invest in CDFIs and to increase their lending and financial services in distressed communities. Program participants are selected based on projected achievements. The awards are given only after the activities have been implemented successfully, to ensure that only completed activities are recognized and that the CDFI Fund’s limited dollars are effectively leveraged with private capital.

The CDFI Fund has developed the Presidential Awards for Excellence in Microenterprise Development under the authority of a 1995 Presidential Memorandum to the Secretary of the Treasury. This Microenterprise initiative is designed to help improve the quality of organizations that provide financing and services to the nation’s smallest businesses. These non-monetary awards are designed to provide recognition and share lessons learned from outstanding programs in the field of microenterprise development.
Basis of Accounting

The CDFI Fund’s accounting policies conform to generally accepted accounting principles. The CDFI Fund’s financial statements are presented on the accrual basis of accounting. Under the accrual basis, revenues are recognized when earned and expenses are recognized when a liability is incurred, without regard to receipt or payment of cash.

Revenue and Financing Sources

The CDFI Fund receives the majority of its funding through appropriations from the U.S. Congress. The CDFI Fund receives two-year appropriations that may be used, within statutory limits, for operating expenditures. Appropriations are recognized as revenues to the extent expenses covered by budgetary resources are incurred.

Occasionally the CDFI Fund receives dividends on its equity investments and may use those funds for operating expenditures. Additional revenues are obtained from interest received on direct loans to the public and on uninvested funds in the direct loan financing account with the Treasury.

Fund Balance with Treasury

The CDFI Fund does not maintain cash in commercial bank accounts. The Treasury processes cash receipts and disbursements. Fund Balance with Treasury is comprised primarily of appropriated and borrowed funds (financing and program accounts) which are available to pay current liabilities and finance authorized award and purchase commitments.

Investments

The CDFI Fund provides assistance to certain for-profit CDFI Program awardees by purchasing non-voting equity and convertible debt securities. The CDFI Fund considers the convertible subordinated debenture to be an equity investment because it exhibits sufficient characteristics of an equity security. For example, the convertible subordinated debenture entitles the CDFI Fund to any dividends in the non-voting common stock into which it is convertible as if the CDFI Fund had converted the debentures into such stock prior to the declaration of the dividend. The CDFI Fund is restricted from owning more than 50 percent of the equity of awardees and can not control its operations.

Equity investments are initially recorded at cost, adjusted to market value based on reported market prices or other relevant financial information available for the investees at each year end. Reported market prices are not available for the CDFI Fund’s equity securities. Due to the short duration the investments have been held by the CDFI Fund, financial information is not relevant for determining a market value. At September 30, 1998, and 1997, cost and market values are considered the same.

Loans Receivable

The CDFI Fund provides assistance by making direct loans to certain CDFI Program awardees. Loans are reported as receivables when disbursed, reduced by a 25 percent default allowance. The Office of Management and Budget negotiated with the CDFI Fund a 25 percent default allowance to estimate future losses if adequate historical information is not available. Due to the short length of time the loans have been outstanding, adequate historical information is not available. The majority of direct loans made by the CDFI Fund require balloon payments at maturity. The earliest maturity date for repayment is the year 2002.
Interest Receivable

Interest income is accrued at the contractual rate on the outstanding loan receivable principal balances.

Property and Equipment

Administrative offices are located in office space leased through the General Services Administration. GSA charges the CDFI Fund rent that approximates the commercial rental for similar properties. Equipment purchased, transferred or donated with a cost greater than or equal to $50,000 per unit and a useful life of two years or more is capitalized at cost and depreciated. Other equipment is expensed when purchased. The CDFI Fund has no capitalizable equipment or other property as of September 30, 1998. Normal maintenance and repairs are expensed as incurred.

Debt

Debt represents borrowings payable to the Treasury which were made to fund direct loans made by the CDFI Program. Principal repayments to the Treasury are required to be made based on the collections of loans receivable.

Annual, Sick, and Other Leave

Annual leave and compensatory leave is accrued as a liability when earned, and the accrual is reduced as leave is taken. The balance in this accrued liability account is computed using current pay rates. Sick leave and other types of non-vested leave are expensed as the leave is taken.

Retirement Plans

CDFI Fund employees participate in the Civil Service Retirement System (CSRS) or Federal Employees’ Retirement System (FERS). The FERS was established by the enactment of Public Law 99-335. Pursuant to this law, FERS and Social Security, automatically cover most employees hired after December 31, 1983. Employees hired prior to January 1, 1984, elected to join either FERS and Social Security or remain in CSRS.

All employees are eligible to contribute to the Thrift Savings Plan (TSP). For those employees participating in the FERS, a TSP account is automatically established, and the CDFI Fund makes a mandatory 1 percent contribution to this account. In addition, the CDFI Fund makes matching contributions, ranging from 1 to 4 percent, for FERS eligible employees who contribute to their TSP account. Matching contributions are not made to the TSP accounts established by CSRS employees.

FERS employees and certain CSRS reinstatement employees are eligible to participate in the Social Security program for retirement. In these instances, the CDFI Fund remits the employer’s share of the required contribution. For CDFI Fund employees participating in CSRS, the CDFI Fund makes matching contributions to CSRS equal to 8.51 percent of base pay.

Awards Payable

CDFI program grant expense is recognized and awards payable are recorded when the CDFI Fund is made aware, in writing, of the awardee’s matching funds commitment and an executed agreement is signed. BEA grants expense is recognized and awards payable are recorded at the end of the assessment period in which the awardees demonstrate completion of qualified activities.
Tax Status

The CDFI Fund, as a government corporation, is not subject to federal, state, or local income taxes and, accordingly, no provision for income tax is recorded.

Contingencies

The CDFI Fund may be a party in various administrative proceedings, legal actions, and claims brought by or against it. The CDFI Fund’s management and legal counsel are unaware of any contingencies that would materially affect the CDFI’s financial position or results of operations.

Use of Estimates

The preparation of the financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingencies at the date of the financial statements and the reported amounts of revenues and expenses during the period. Actual results could differ from these estimates.

Reclassification

Certain 1997 amounts have been reclassified to conform to the 1998 presentation.

Restatement

Prior to October 1, 1997, the CDFI Fund reported its financial position and results of operation in conformity with the principles and standards recommended by the Federal Accounting Standards Advisory Board, which is a comprehensive basis of accounting other than generally accepted accounting principles. Under those principles and standards, the CDFI Fund reported on both an accrual and budgetary basis. Effective October 1, 1997, the CDFI Fund reports its financial position and results of operations solely on the accrual basis of accounting as required by the Government Corporation Control Act. As a result of this change, the allowance for doubtful loans receivable was decreased and net position was increased by $439,108. Additionally, subsidy expense of $1,379,810 and $2,025,181 in undelivered orders related to loans receivable previously reflected as deductions from available unexpended appropriations, were restored to unobligated available appropriations for future use.
Note 2 Fund Balance with Treasury

Fund balance with Treasury as of September 30, 1998, and 1997 is comprised of the following components:

<table>
<thead>
<tr>
<th></th>
<th>1998</th>
<th>1997 (Restated)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Available</td>
<td>$40,823,760</td>
<td>$66,949,334</td>
</tr>
<tr>
<td>Obligated</td>
<td>103,655,804</td>
<td>37,470,812</td>
</tr>
<tr>
<td>Expired</td>
<td>738,991</td>
<td>506,536</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>$145,218,555</td>
<td>$104,926,682</td>
</tr>
</tbody>
</table>

Fund balance with Treasury includes appropriated and borrowed funds available to pay liabilities and to finance authorized award and purchase commitments.

Note 3 Investments

Investments to be held until maturity as of September 30, 1998, and 1997 are as follows:

<table>
<thead>
<tr>
<th></th>
<th>1998</th>
<th>1997</th>
</tr>
</thead>
<tbody>
<tr>
<td>Equity</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Less than 20 Percent Ownership</td>
<td>$4,746,900</td>
<td>$4,746,900</td>
</tr>
<tr>
<td>21 to 50 Percent Ownership</td>
<td>3,935,000</td>
<td>1,250,000</td>
</tr>
<tr>
<td>Debenture</td>
<td>2,000,000</td>
<td></td>
</tr>
<tr>
<td><strong>Total Investments</strong></td>
<td>$10,681,900</td>
<td>$5,996,900</td>
</tr>
</tbody>
</table>

Equity includes non-voting common stock of for-profit CDFI Program awardees. The CDFI Fund is restricted from owning more than 50 percent of the equity of awardees and can not control its operations.

It also includes a non-interest bearing convertible subordinated debenture valued at $2 million to mature January 2048. This security is valued at acquisition cost. The CDFI Fund has the option to convert the convertible subordinated debenture into 200,000 shares of non-voting class B common stock at a $10 per share conversion price.
Note 4 Debt

Debt as of September 30, 1998, and 1997 is as follows:

<table>
<thead>
<tr>
<th></th>
<th>1998</th>
<th>1997</th>
</tr>
</thead>
<tbody>
<tr>
<td>Beginning Balance</td>
<td>$3,712,601</td>
<td>$-</td>
</tr>
<tr>
<td>New Borrowings</td>
<td>879,610</td>
<td>3,712,601</td>
</tr>
<tr>
<td>Repayments</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Ending Balance</td>
<td>$4,592,211</td>
<td>$3,712,601</td>
</tr>
</tbody>
</table>

In fiscal year 1998, the CDFI Fund borrowed $797,970 to finance current year direct loan commitments and $81,640 to meet annual interest payments due to the Treasury. The CDFI Fund borrowed from the U.S. Treasury with interest rates of 5.98 and 6.89 percents. No principal was collected on direct loans receivable; consequently, the CDFI Fund did not repay debt.

In fiscal year 1997, the CDFI Fund borrowed $3,657,039 to finance direct loan commitments and $55,562 to meet annual interest payments due to the Treasury. The CDFI Fund borrowed from the U.S. Treasury with an interest rate of 6.89 percent. No principal was collected on direct loans receivable; consequently, the CDFI Fund did not repay debt.

Note 5 Commitments

Operating Lease

The CDFI Fund leases office space from the General Services Administration in the Homer Building located in Washington DC at 601 13th Street NW. The lease will terminate January 8, 2002. Future payments due for operating lease on building and office space as of September 30, 1998, are as follows:

<table>
<thead>
<tr>
<th>Fiscal Year</th>
<th>Estimated Cost</th>
</tr>
</thead>
<tbody>
<tr>
<td>1999</td>
<td>$667,438</td>
</tr>
<tr>
<td>2000</td>
<td>703,093</td>
</tr>
<tr>
<td>2001</td>
<td>723,838</td>
</tr>
<tr>
<td>2002</td>
<td>745,205</td>
</tr>
<tr>
<td>Total</td>
<td>$2,839,574</td>
</tr>
</tbody>
</table>

Commitment Obligations

As of September 30, 1998, authorized award commitments amount to $66,779,215 and purchase commitments amount to $1,780,008.
Note 6  Net Position

The components of net position as of September 30, 1998, and 1997 are as follows:

<table>
<thead>
<tr>
<th></th>
<th>1998</th>
<th>1997 (Restated)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Unexpended Appropriations</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Unobligated Available</td>
<td>$42,116,201</td>
<td>$38,850,622</td>
</tr>
<tr>
<td>Unobligated Expired</td>
<td>738,991</td>
<td>506,536</td>
</tr>
<tr>
<td>Undelivered Orders</td>
<td>60,706,129</td>
<td>45,668,003</td>
</tr>
<tr>
<td>Cumulative Net Results of Operations</td>
<td>8,863,233</td>
<td>4,994,471</td>
</tr>
<tr>
<td>Net Position</td>
<td>$112,424,554</td>
<td>$90,019,632</td>
</tr>
</tbody>
</table>

Unexpended appropriations include the portion of the CDFI Fund’s appropriation represented by undelivered orders and unobligated balances.

Note 7  Administrative Expenses

Administrative expenses by object classification for the years ended September 30, 1998, and 1997 are as follows:

<table>
<thead>
<tr>
<th></th>
<th>1998</th>
<th>1997 (Restated)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Personnel Compensation</td>
<td>$1,609,161</td>
<td>$880,052</td>
</tr>
<tr>
<td>Personnel Benefits</td>
<td>347,201</td>
<td>216,234</td>
</tr>
<tr>
<td>Travel and Transportation of Persons</td>
<td>134,130</td>
<td>25,901</td>
</tr>
<tr>
<td>Transportation of Things</td>
<td>18,274</td>
<td>5,000</td>
</tr>
<tr>
<td>Rents, Communications, and Utilities</td>
<td>449,748</td>
<td>539,945</td>
</tr>
<tr>
<td>Printing and Reproduction</td>
<td>173,800</td>
<td>21,527</td>
</tr>
<tr>
<td>Other Services</td>
<td>1,898,883</td>
<td>2,709,253</td>
</tr>
<tr>
<td>Supplies and Materials</td>
<td>97,425</td>
<td>33,304</td>
</tr>
<tr>
<td>Acquisition of Machinery and Equipment</td>
<td>232,125</td>
<td>187,809</td>
</tr>
<tr>
<td>Total Administrative Expenses</td>
<td>$4,960,747</td>
<td>$4,619,025</td>
</tr>
</tbody>
</table>

Other services include management support and contractual services, training, repairs and maintenance, and leasehold improvements.
**Note 8  Other Changes in Net Position**

Other changes in net position for the years ended September 30, 1998, and 1997 are as follows:

<table>
<thead>
<tr>
<th></th>
<th>1998</th>
<th>1997 (Restated)</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Increase:</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Appropriation Received</td>
<td>$80,000,000</td>
<td>$50,000,000</td>
</tr>
<tr>
<td><strong>Decrease:</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Appropriation Used</td>
<td>56,778,840</td>
<td>42,567,968</td>
</tr>
<tr>
<td><strong>Net Change</strong></td>
<td>$23,221,160</td>
<td>$7,432,032</td>
</tr>
</tbody>
</table>
Appendix A

FY 1998 Awards

FY 1998 CDFI Program
Core Component
Awards Recipients

ACCION New York, Inc.
Brooklyn, N.Y.
Microenterprise Fund  $500,000

ACCION Texas, Inc.
San Antonio, TX
Microenterprise Fund  $1,200,000

Anchorage Neighborhood Housing Services, Inc.
Anchorage, AK
Housing/Facilities Loan Fund  $1,100,000

Appalachian Development Federal Credit Union
The Plains, OH
Credit Union  $610,000

Austin Community Development Corporation
Austin, TX
Multibank CDC  $500,000

Bethex Federal Credit Union
Bronx, NY
Credit Union  $460,000

Cape and Islands Community Development, Inc.
Hyannis, MA
Microenterprise Fund  $52,500

Capital District Community Loan Fund
Albany, NY
Housing/Facilities Loan Fund  $290,000

Cascadia Revolving Fund
Seattle, WA
Business Loan Fund  $1,170,000

Community Development Ventures, Inc.
Baltimore, MD
Venture Capital Fund  $1,250,000

Community Loan Fund of Southwestern Pennsylvania, Inc.
Pittsburgh, PA
Housing/Facilities Loan Fund  $1,250,000

Community Preservation Corporation
New York, NY
Housing/Facilities Loan Fund  $2,000,000

Cooperative Fund of New England
Hartford, CT
Business Loan Fund  $250,000

Delaware Valley Community Reinvestment Fund
Philadelphia, PA
Business Loan Fund  $2,500,000

Enterprise Community Fund
Akron, OH
Microenterprise Fund  $230,000

Enterprise Corporation of the Delta
Jackson, MS
Business Loan Fund  $2,500,000

The Enterprise Foundation, Inc.
Columbia, MD
Housing/Facilities Loan Fund  $2,500,000

First Bank of the Americas SSB
Chicago, IL
Bank/Bank Holding Company  $1,100,000

Hopi Credit Association
Keams Canyon, AZ
Business Loan Fund  $500,000

Illinois Facilities Fund
Chicago, IL
Housing/Facilities Loan Fund  $2,500,000

Lake Agassiz Regional Development Corp.
Fargo, ND
Business Loan Fund  $635,000

Local Initiatives Support Corp.
New York, NY
Housing/Facilities Loan Fund  $1,000,000

Low Income Housing Fund
San Francisco, CA
Housing/Facilities Loan Fund  $2,000,000

McAuley Institute
Silver Spring, MD
Housing/Facilities Loan Fund  $1,246,000

Mountain Economic Development Fund, Inc.
Winchester, KY
Business Loan Fund  $250,000

Neighborhood Housing Services of Phoenix, Inc.
Phoenix, AZ
Housing/Facilities Loan Fund  $1,150,000

Neighborhood Housing Services, Inc.
Boise, ID
Housing/Facilities Loan Fund  $720,000

Neighborhood Trust Federal Credit Union
New York, NY
Credit Union  $210,000

* New Community Federal Credit Union
Newark, NJ
Credit Union  $555,000

New Hampshire Community Loan Fund
Concord, NH
Microenterprise Fund  $2,500,000

New Mexico Community Development Loan Fund
Albuquerque, NM
Business Loan Fund  $325,000

Northeast Community Federal Credit Union
San Francisco, CA
Credit Union  $720,000

Northland Foundation
Duluth, MN
Business Loan Fund  $500,000

Riverside County Community Investment Corp.
Riverside, CA
Microenterprise Fund  $250,000

Rural Community Assistance Corp.
Sacramento, CA
Housing/Facilities Loan Fund  $2,000,000

Rural Development and Finance Corp.
San Antonio, TX
Business Loan Fund  $500,000

Self-Help Ventures Fund
Durham, NC
Venture Capital Fund  $2,000,000

Southern Dallas Development Corp.
Dallas, TX
Business Loan Fund  $850,000

Southern Development Bancorporation
Arkadelphia, AR
Bank/Bank Holding Company  $2,500,000

Southern Kentucky Economic Development Corp.
Somerset, KY
Business Loan Fund  $500,000

William Mann, Jr. Community Development Corp.
Fort Worth, TX
Multibank CDC  $520,000

Women’s Self-Employment Project
Chicago, IL
Microenterprise Fund  $625,000

Working Capital
Cambridge, MA
Microenterprise Fund  $800,000

* Awarded in FY1998 for the 1997 Round
National Community Capital Association
Philadelphia, PA
Intermediary $1,750,000

Nebraska Microenterprise Partnership Fund
Rosalie, NE
Intermediary $350,000

Baltimore Regional Community Development Corp.
Baltimore, MD
Housing/Facilities Fund $33,500

Borinquen Federal Credit Union
Philadelphia, PA
Credit Union $52,500

Business Invest in Growth
Austin, TX
Microenterprise Fund $44,550

Charlotte-Mecklenburg Housing Partnership, Inc.
Charlotte, NC
Housing/Facilities Loan Fund $25,000

Chicago Community Loan Fund
Chicago, IL
Housing/Facilities Loan Fund $25,000

College Station Community Federal Credit Union
College Station, AR
Credit Union $50,000

Colorado Enterprise Fund
Denver, CO
Microenterprise Fund $50,000

Colorado Rural Housing Development Corp.
Westminster, CO
Housing/Facilities Loan Fund $23,000

Community Collaboration for Economic Development
Champaign, IL
Microenterprise Fund $25,000

Community Development Venture Capital Alliance
New York, NY
Venture Capital Fund $115,000

Community First Fund
Lancaster, PA
Business Loan Fund $25,000

Community Works in West Virginia, Inc.
Big Chimney, WV
Housing/Facilities Loan Fund $50,000

Comunidades Federal Credit Union
Los Angeles, CA
Credit Union $ 50,932

Cornerstone Homesource Regional Loan Fund
Cincinnati, OH
Housing/Facilities Loan Fund $35,000

Delta Foundation, Inc.
Greenville, MS
Business Loan Fund $50,000

Demopolis Federal Credit Union
Demopolis, AL
Credit Union $25,000

Development Credit Fund, Inc.
Baltimore, MD
Business Loan Fund $51,246

Enterprise Community Federal Credit Union
Las Vegas, NV
Credit Union $50,000

Enterprise Development Corp.
The Plains, OH
Microenterprise Fund $37,350

First Combined Community Federal Credit Union
Landover, MD
Credit Union $45,500

Genesee Co-Op Federal Credit Union
Rochester, NY
Credit Union $50,000

Growth Finance Corporation of Oxford Hills
South Paris, ME
Business Loan Fund $49,865

Hawaii Community Loan Fund
Honolulu, HI
Microenterprise Fund $50,000

Home Headquarters, Inc.
Syracuse, NY
Housing/Facilities Loan Fund $32,000

The Immigrant Center
Honolulu, HI
Microenterprise Fund $44,800

Inglewood Neighborhood Housing Services, Inc.
Inglewood, CA
Housing/Facilities Loan Fund $43,000

Kekaha Federal Credit Union
Kekaha, HI
Credit Union $48,000

Laredo-Webb Neighborhood Housing Services, Inc.
Laredo, TX
Housing/Facilities Loan Fund $57,200

Legacy Bancorp, Inc.
Glendale, WI
Bank/Bank Holding Company $21,500

Lending Enterprise for Neighborhood Development, Inc.
South Bend, IN
Housing/Facilities Loan Fund $44,000

Lighthouse Community Development Corp.
Moyers, WV
Microenterprise Fund $25,000

Local Economic Assistance Program, Inc.
Oakland, CA
Venture Capital Fund $50,000

Local Enterprise Assistance Fund
Boston, MA
Business Loan Fund $46,500

Lower East Side People’s Federal Credit Union
New York, NY
Credit Union $48,800

Mon Valley Initiative
Homestead, PA
Business Loan Fund $26,000

Mountain Association for Community Economic Development, Inc.
Berea, KY
Business Loan Fund $25,000

Neighborhood Housing and Development Corp.
Gainesville, FL
Housing/Facilities Loan Fund $42,500

Neighborhood Housing Services of Chicago, Inc.
Chicago, IL
Housing/Facilities Loan Fund $67,700

Neighborhood Housing Services of Toledo, Inc.
Toledo, OH
Housing/Facilities Loan Fund $50,000

Neighborhood Housing Services of Trenton, Inc.
Trenton, NJ
Housing/Facilities Loan Fund $50,000

New Community Development Loan Corp.
Newark, NJ
Business Loan Fund $7,000

* Awarded in FY1998 for the 1997 Round

CDFI Fund
<table>
<thead>
<tr>
<th>CDFI Fund</th>
<th>Sacramento Neighborhood Housing Services, Inc.</th>
<th>$50,500</th>
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</thead>
<tbody>
<tr>
<td>Sacramento, CA</td>
<td>Housing/Facilities Loan Fund</td>
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<tr>
<td>Northern California Community Loan Fund</td>
<td>Salt Lake Neighborhood Housing Services, Inc.</td>
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<tr>
<td>San Francisco, CA</td>
<td>Housing/Facilities Loan Fund</td>
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<td>NorthSide Community Federal Credit Union</td>
<td>South Dakota Rural Enterprise, Inc.</td>
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<td>Chicago, IL</td>
<td>Spearfish, SD</td>
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<td>Credit Union</td>
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<td>O.U.R. Federal Credit Union</td>
<td>St. Charles Borromeo Federal Credit Union</td>
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<td>Eugene, OR</td>
<td>New York, NY</td>
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<td>Ponce Neighborhood Housing Services, Inc.</td>
<td>Stillman Community Development Federal Credit Union</td>
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<td>Ponce, PR</td>
<td>Tuscaloosa, AL</td>
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<td>Housing/Facilities Loan Fund</td>
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<td>PPEP Microbusiness and Housing Development Corp., Inc.</td>
<td>Sustainable Jobs Corp.</td>
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<td>Tucson, AZ</td>
<td>Durham, NC</td>
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<td>Venture Capital Fund</td>
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<td>Progress Neighborhood Federal Credit Union</td>
<td>Union Fidelity Fund, Inc.</td>
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<td>Rochester, NY</td>
<td>Belle Glade, FL</td>
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<td>Credit Union</td>
<td>Business Loan Fund</td>
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<td>Quitman County Federal Credit Union</td>
<td>Union Settlement Federal Credit Union</td>
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<td>Marks, MS</td>
<td>New York, NY</td>
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<td>Credit Union</td>
<td>Credit Union</td>
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<td>Renaissance Economic Development Corp.</td>
<td>Utica Neighborhood Housing Service, Inc.</td>
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<td>RNA Community Builders, Inc.</td>
<td>Virginia Community Development Fund, Inc.</td>
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<td>Roberto Clemente Federal Credit Union</td>
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<td>Rocky Mountain Mutual Financial Services, Inc.</td>
<td>Washington Area Community Investment Fund</td>
<td>$50,000</td>
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<td>Denver, CO</td>
<td>Washington, DC</td>
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<td>Housing/Facilities Loan Fund</td>
<td>Housing/Loan Fund</td>
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<td>Sable Bancshares, inc.</td>
<td>Washington County Council on Economic Development</td>
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<td>Chicago, IL</td>
<td>Washington, PA</td>
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<td>Bank/Bank Holding Company</td>
<td>Business Loan Fund</td>
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<td>Androscoggin Savings Bank</td>
<td>Bank of America Community Development Bank</td>
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<td>Lewiston, ME</td>
<td>Walnut Creek, CA</td>
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<td>Bank of America, NT &amp; SA</td>
<td>Bank of America, FSB</td>
<td>$610,592</td>
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<td>Chicago, IL</td>
<td>Portland, OR</td>
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<td>Bank of Yazoo City</td>
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<td>Dallas, TX</td>
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<td>BankBoston, NA</td>
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<td>$11,250</td>
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<td>Caldwell Bank and Trust Company</td>
<td>Columbia, LA</td>
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<td>$3,668</td>
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<td>Chase Bank of Texas</td>
<td>Brownsville, TX</td>
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<td>The Chase Manhattan Bank</td>
<td>New York, NY</td>
<td>$2,215,548</td>
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<td>Chinatrust Bank USA</td>
<td>Arcadia, CA</td>
<td>$17,816</td>
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<td>Citibank, FSB</td>
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<td>$650,698</td>
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<td>Citibank, NA</td>
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<td>$192,500</td>
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<td>Cole Taylor Bank</td>
<td>Skokie, IL</td>
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<td>Community Bank of the Bay</td>
<td>Oakland, CA</td>
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<td>Community Capital Bank</td>
<td>Brooklyn, NY</td>
<td>$143,415</td>
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<td>Compass Bank</td>
<td>Houston, TX</td>
<td>$409,177</td>
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<td>Concordia Bank and Trust Co.</td>
<td>Ferriday, LA</td>
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Crestar Bank  
Washington, DC $738,856

Deposit Guaranty National Bank  
Jackson, MS $150,000

Evergreen Bank, NA  
Glens Falls, NY $137,763

Farmers Bank and Trust Co.  
Blytheville, AR $3,750

Farmers National Bank  
Cynthiana, KY $85,250

First Bank of Oak Park  
Oak Park, IL $41,840

First National Bank of Chicago  
Chicago, IL $450,000

First of America Bank, NA  
Kalamazoo, MI $81,670

First Union National Bank  
Charlotte, NC $2,154,900

Firstar Bank Milwaukee, NA  
Milwaukee, WI $671,968

Fleet Bank, NA  
New York, NY $88,000

Fremont Investment and Loan  
Morgan Hill, CA $15,948

The Fuji Bank and Trust Co.  
New York, NY $894,375

Gateway National Bank  
St. Louis, MO $52,756

Golden Gate Bank  
San Francisco, CA $11,000

Harris Trust and Savings Bank  
Chicago, IL $5,025

Hibernia National Bank  
New Orleans, LA $406,428

International Bank of Commerce  
Brownsville, TX $55,000

KeyBank, NA  
Portland, ME $491,750

Labe Federal Bank  
Chicago, IL $21,000

LaSalle Bank, NA  
Chicago, IL $122,250

Manufacturers and Traders Trust Co.  
New York, NY $2,911,370

Manufacturers Bank  
Los Angeles, CA $29,588

MBNA America Bank, NA  
Wilmington, DE $451,000

Mercantile Bank, NA  
Brownsville, TX $165,000

Merchants and Farmers Bank  
Dumas, AR $3,750

Mid-Peninsula Bank  
Palo Alto, CA $131,893

National Bank of Greece, Chicago Branch  
Chicago, IL $22,000

Nationsbank, NA  
Sarasota, FL $1,252,500

Northeast Bank  
Auburn, ME $1,575

The Northern Trust Co.  
Chicago, IL $316,825

Norway Savings Bank  
Norway, ME $23,250

Norwest Bank Minnesota, NA  
Minneapolis, MN $7,500

Oceanmark Bank, FSB  
North Miami Beach, FL $26,497

Park Federal Savings Bank  
Chicago, IL $115,500

PFF Bank and Trust  
Pomona, CA $7,764

Planters Bank and Trust Co.  
Indianola, MS $3,750

Republic Bank and Trust Co.  
Louisville, KY $118,140

Republic Bank California, NA  
Beverly Hills, CA $84,408

Republic National Bank  
New York, NY $167,875

Roosevelt Savings Bank  
Garden City, NY $105,911

ShoreBank, Cleveland  
Cleveland, OH $103,619

The South Shore Bank of Chicago  
Chicago, IL $1,060,390

SunTrust Bank, Atlanta  
Atlanta, GA $245,660

SunTrust Bank, Tampa Bay  
Tampa, FL $27,500

Susquehanna Bank  
Baltimore, MD $242,649

Texas State Bank  
McAllen, TX $165,000

Texline State Bank d/b/a Banco Tejano  
Houston, TX $41,567

Triangle Bank  
Raleigh, NC $110,000

Union Federal Saving Bank of Indianapolis  
Indianapolis, IN $513,871

University Bank  
Ann Arbor, MI $22,130

Vine Street Trust Company  
Lexington, KY $8,250

Wachovia Bank, NA  
Durham, NC $550,000

Wainwright Bank and Trust Co.  
Boston, MA $128,603

Washington Mutual Bank  
Seattle, WA $750,000

Wells Fargo Bank, NA  
Los Angeles, CA $75,000

Western Financial Bank  
Irvine, CA $24,002
Appendix B

Certified CDFIs
(as of September 30, 1998)

Alabama

Birmingham Community Development Corporation
Birmingham, AL

Demopolis Federal Credit Union
Demopolis, AL

Federation of Greene County Employees Federal Credit Union
Eutaw, AL

Prichard Federal Credit Union
Prichard, AL

Stillman Community Development Federal Credit Union
Tuscaloosa, AL

Alaska

Alaska Growth Capital BIDCO, Inc.
Anchorage, AK

Haa Yakaawu Financial Corporation
Juneau, AK

Tinaa Corporation
Juneau, AK

Tlingit-Haida Regional Housing Authority
Juneau, AK

Arizona

Hopi Credit Association
Keams Canyon, AZ

Arizona Multibank CDC
Phoenix, AZ

PPEP Microbusiness and Housing Development Corporation, Inc.
Tucson, AZ

First American Credit Union
Window Rock, AZ

Arkansas

Southern Development Bancorporation
Arkadelphia, AR

California

Clearinghouse Community Development Financial Institution
Lake Forest, CA

Caribbean-American Credit Union
Los Angeles, CA

Community Thrift & Loan
Los Angeles, CA

Comunidades Federal Credit Union
Los Angeles, CA

FAME Assistance Corporation (d.b.a. FAME Renaissance)
Los Angeles, CA

Los Angeles Community Reinvestment Committee (d.b.a. Community Finance Resource Center)
Los Angeles, CA

NHS Neighborhood Lending Services, Inc.
Los Angeles, CA

South Central People’s Federal Credit Union
Los Angeles, CA

Community Bank of the Bay
Oakland, CA

Riverside County Community Investment Corporation
Riverside, CA

Rural Community Assistance Corporation
Sacramento, CA

ACCIION San Diego
San Diego, CA

Neighborhood Bancorp
San Diego, CA

Low Income Housing Fund
San Francisco, CA

Mission Area Federal Credit Union
San Francisco, CA

Northeast Community Federal Credit Union
San Francisco, CA

Northern California Community Loan Fund
San Francisco, CA

Lenders for Community Development
San Jose, CA

Santa Cruz Community Credit Union
Santa Cruz, CA

Colorado

Colorado Enterprise Fund
Denver, CO

Funding Partners for Housing Solutions
Loveland, CO

Saguache County Credit Union
Moffat, CO

Connecticut

Connecticut Housing Investment Fund, Inc.
Hartford, CT

Cooperative Fund of New England
Hartford, CT

Greater New Haven Community Loan Fund, Inc.
New Haven, CT

Housing Development Fund of Lower Fairfield County, Inc.
Stamford, CT

Need Action Federal Action Credit Union
Waterbury, CT

Delaware

First State Community Loan Fund
Wilmington, DE

Intrust USA, Ltd.
Wilmington, DE

District of Columbia

FINCA USA, Inc.
Washington, DC

Housing Assistance Council
Washington, DC

Unitarian Universalist Affordable Housing Corporation
Washington, DC

Washington Area Community Investment Fund
Washington, DC
Florida

Metro Broward Economic Development Corporation
Ft. Lauderdale, FL

Lee County Employment and Economic Development Corporation
Ft. Myers, FL

BAC Funding Corporation
Miami, FL

Metro Savings Bank, F.S.B.
Orlando, FL

Community Equity Investments, Inc.
Pensacola, FL

Florida Community Loan Fund, Inc.
St. Petersburg, FL

Tampa Bay Community Reinvestment Corporation
Tampa, FL

The Business Loan Fund of the Palm Beaches, Inc.
West Palm Beach, FL

Illinois

ACCI0N Chicago
Chicago, IL

Austin/West Garfield Federal Credit Union
Chicago, IL

Chicago Association of Neighborhood Development Organizations
Chicago, IL

Chicago Community Loan Fund
Chicago, IL

Community Investment Corporation
Chicago, IL

First Bank of the Americas S.S.B
Chicago, IL

Illinois Facilities Fund
Chicago, IL

Israel Methcomm Federal Credit Union
Chicago, IL

National Community Investment Fund
Chicago, IL

National Equity Fund, Inc.
Chicago, IL

Neighborhood Housing Services of Chicago, IL
Chicago, IL

Nonprofit Financial Center
Chicago, IL

NorthSide Community Federal Credit Union
Chicago, IL

Partners for Community Investment (d.b.a. FaithCorp Fund)
Chicago, IL

Sable Bancshares, Inc.
Chicago, IL

Shorebank Corporation, The
Chicago, IL

South Shore Bank of Chicago, The
Chicago, IL

Neighborhood and Family Investment Fund
Harvey, IL

Indiana

Eastside Community Fund, Inc.
Indianapolis, IN

Indiana Neighborhood Housing Partnership
Indianapolis, IN

Near Eastside Community Federal Credit Union
Indianapolis, IN

Lafayette Neighborhood Housing Services, Inc.
Lafayette, IN

Kansas

Douglas Bancorp, Inc.
Kansas City, KS

Communities United Credit Union
Wichita, KS

Kentucky

Central Appalachian People’s Federal Credit Union
Berea, KY

Federation of Appalachian Housing Enterprises
Berea, KY

Human/Economic Development Corporation
Berea, KY

Housing Foundation, Inc., The
Frankfort, KY

Community Ventures Corporation
Lexington, KY

Kentucky Highlands Investment Corporation
London, KY

Louisville Development Bancorp, Inc.
Louisville, KY

Mountain Economic Development Fund, Inc.
Winchester, KY

Louisiana

Gulf Coast Business and Industrial Development Corporation
Baton Rouge, LA
Louisiana Community Development Capital Fund
BIDCO, Inc., The
Baton Rouge, LA

Maine
Waldo Community Development Credit Union
Belfast, ME
Growth Finance Corporation of Oxford Hills
South Paris, ME
Coastal Enterprises, Inc.
Wiscasset, ME

Maryland
Baltimore Regional Community Development Corporation
Baltimore, MD
Community Development Financing Corporation
Baltimore, MD
Development Credit Fund, Inc.
Baltimore, MD
Enterprise Foundation, The
Columbia, MD
Enterprise Social Investment Corporation
Columbia, MD
Salisbury Neighborhood Housing Services
Salisbury, MD
Mcalley Institute
Silver Spring, MD

Massachusetts
Boston Bank of Commerce
Boston, MA
South End Federal Credit Union
Boston, MA
Working Capital
Cambridge, MA
Dorchester Bay Neighborhood Loan Fund
Dorchester, MA
Jobs for Fall River, Inc.
Fall River, MA
Western Massachusetts Enterprise Fund, Inc.
Greenfield, MA

Boston Community Capital, Inc.
Jamaica Plain, MA
Boston Community Loan Fund
Jamaica Plain, MA
Boston Community Ventures Fund
Jamaica Plain, MA
D. Edward Wells Federal Credit Union
Springfield, MA
Institute for Community Economics, Inc.
Springfield, MA

Michigan
Neighborhoods Inc. of Battle Creek
Battle Creek, MI
Greater Detroit BIDCO, Inc.
Detroit, MI
Community Capital Development Corporation
Flint, MI
Michigan Housing Trust Fund
Lansing, MI

Minnesota
Northwest Minnesota Foundation
Bemidji, MN
Anoka Sherburne County Capital Fund
Coon Rapids, MN
Northeast Ventures Corporation
Duluth, MN
Northland Foundation
Duluth, MN
Central Minnesota Initiative Fund
Little Falls, MN
Minneapolis Consortium of Community Developers
Minneapolis, MN
Northcountry Cooperative Development Fund
Minneapolis, MN
Southside Neighborhood Housing Services of Minneapolis, Inc.
Minneapolis, MN

Mississippi
Delta Foundation, Inc.
Greenville, MS
Enterprise Corporation of the Delta
Jackson, MS
Jackson/Hinds Minority Capital Fund, Inc.
Jackson, MS
Quitman County Federal Credit Union
Marks, MS
East Mississippi Development Corporation
Meridian, MS

Missouri
Central Bank of Kansas City
Kansas City, MO
Rehabilitation Loan Corporation
Kansas City, MO

Montana
Blackfeet National Bank
Browning, MT
Montana Community Development Corporation
Missoula, MT

Nebraska
Omaha 100, Incorporated
Omaha, NE
Nebraska Microenterprise Partnership Fund
Rosalie, NE
New Hampshire

New Hampshire Community Loan Fund
Concord, NH

New Jersey

Camden Community Credit Union
Camden, NJ

Cooperative Business Assistance Corporation
Camden, NJ

New Community Development Loan Corporation
Newark, NJ

New Community Federal Credit Union
Newark, NJ

New Jersey Community Loan Fund
Trenton, NJ

New Mexico

ACCCION New Mexico
Albuquerque, NM

New Mexico Community Development Loan Fund
Albuquerque, NM

New York

Capital District Community Loan Fund
Albany, NY

BHA Residents Community Development Federal Credit Union
Binghamton, NY

Bethex Federal Credit Union
Bronx, NY

Credit Incorporated
Bronx, NY

ACCCION New York
Brooklyn, NY

Brooklyn Ecumenical Federal Credit Union
Brooklyn, NY

Central Brooklyn Federal Credit Union
Brooklyn, NY

Community Capital Bank
Brooklyn, NY

North/East Brooklyn Community Capital Corporation
Brooklyn, NY

Regional Economic Development Assistance Corporation
Brooklyn, NY

Jubilee Community Loan Fund, Inc.
Buffalo, NY

CDCLI Funding Corporation
Centereach, NY

Nassau-Suffolk Business Development Fund, LLC
Centereach, NY

Worker Ownership Resource Center
Geneva, NY

Alternatives Federal Credit Union
Ithaca, NY

Greater Jamaica Local Development Company, Inc.
Jamaica, NY

Central Harlem Local Development Corporation
New York, NY

Community Preservation Corporation
New York, NY

Corporation for Supportive Housing
New York, NY

Grow America Fund, Inc.
New York, NY

Homesteaders Federal Credit Union
New York, NY

Local Initiatives Support Corporation
New York, NY

Lower East Side People’s Federal Credit Union
New York, NY

National Federation of Community Development Credit Unions
New York, NY

Neighborhood Housing Services of New York City
New York, NY

Neighborhood Trust Federal Credit Union
New York, NY

Nonprofit Facilities Fund
New York, NY

Primary Care Development Corporation
New York, NY

Project Enterprise
New York, NY

Renaissance Economic Development Corporation
New York, NY

Seedco
New York, NY

The Parondneck Foundation, Inc.
New York, NY

Union Settlement Federal Credit Union
New York, NY

Washington Heights and Inwood Development Corporation
New York, NY

Women’s Venture Fund, Inc.
New York, NY

Greater Rochester Housing Partnership, Inc.
Rochester, NY

Progressive Neighborhood FCU
Rochester, NY

Rural Opportunities Enterprise Center, Inc.
Rochester, NY

Adirondack Economic Development Corporation
Saranac Lake, NY

Syracuse Neighborhood Housing Services, Inc.
Syracuse, NY

Leviticus 25:23 Alternative Fund, Inc.
Yonkers, NY

North Carolina

Tri County Credit Union
Ahoskie, NC

School Workers Federal Credit Union
Charlotte, NC

Self-Help Credit Union
Durham, NC

CDFI Fund

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Self-Help Ventures Fund
Durham, NC

Chowan Credit Union
Edenton, NC

College Heights Credit Union
Fayetteville, NC

Gateway Community Development Credit Union
Henderson, NC

Rowan-Iredell Area Credit Union
Salisbury, NC

St. Luke Credit Union
Winston, NC

Micro-Enterprise Loan Program of Winston-Salem Forsyth County, Inc.
Winston-Salem, NC

Victory-Masonic Mutual Credit Union
Winston-Salem, NC

Ohio

Enterprise Community Fund
Akron, OH

Faith Community United Credit Union, Inc.
Cleveland, OH

Shorebank, Cleveland
Cleveland, OH

The Columbus Growth Fund, Inc.
Columbus, OH

Appalachian Development Federal Credit Union
The Plains, OH

Enterprise Development Corporation
The Plains, OH

Toledo Urban Federal Credit Union
Toledo, OH

Oklahoma

Rural Enterprises, Inc.
Durant, OK

Neighborhood Housing Services of Oklahoma City, Inc.
Oklahoma City, OK

Bank of Cherokee County, Inc.
Park Hill, OK

Cherokee Nation Economic Development Trust Authority
Tahlequah, OK

Greenwood Community Development Corporation
Tulsa, OK

Tulsa Economic Development Corporation
Tulsa, OK

Pennsylvania

Aliquippa Regional Credit Union
Aliquippa, PA

The Progress Fund
Hollidaysburg, PA

Community First Fund
Lancaster, PA

Borinquen Federal Credit Union
Philadelphia, PA

Delaware Valley Community Reinvestment Fund
Philadelphia, PA

National Community Capital Association (formerly NACDLF)
Philadelphia, PA

New Horizons Community Federal Credit Union
Philadelphia, PA

North Philadelphia Financial Partnership
Philadelphia, PA

Philadelphia Neighborhood Housing Services, Inc.
Philadelphia, PA

United Bank of Philadelphia
Philadelphia, PA

Community Loan Fund of Southwestern Pennsylvania, Inc.
Pittsburgh, PA

Neighborhood Housing Services of Reading, Inc.
Reading, PA

Washington County Council on Economic Development
Washington, PA

Puerto Rico

Corporacion Para El Desarrollo Economico, Urbano Y Vivienda E Industrial
Catano, PR

Rhode Island

Minority Investment Development Corporation
Providence, RI

South Dakota

Northeast South Dakota Economic Corporation
Sisseton, SD

Tennessee

Chattanooga Neighborhood Enterprise
Chattanooga, TN

Texas

East Austin Community Federal Credit Union
Austin, TX

Greater Brownsville Community Development Corporation
Brownsville, TX

Neighborhood Housing Services of Dimmit County, Inc.
Carrizo Springs, TX

Southern Dallas Development Corporation
Dallas, TX

ACCIÓN El Paso
El Paso, TX

Greater Houston Small Business Equity Fund, Inc.
Houston, TX

Laredo-Webb Neighborhood Housing Services, Inc.
Laredo, TX

ACCIÓN Texas, Inc.
San Antonio, TX

Rural Development & Finance Corporation
San Antonio, TX

San Antonio Business Development Fund, Inc.
San Antonio, TX
Utah

Salt Lake Neighborhood Housing Services, Inc.
Salt Lake City, UT

Vermont

Vermont Development Credit Union
Burlington, VT

Vermont Community Loan Fund, Inc.
Montpelier, VT

Northern Community Investment Corporation
St. Johnsbury, VT

Virginia

Ethiopian Community Development Council, Inc.
Arlington, VA

Newport News Neighborhood Federal Credit Union
Newport News, VA

Richmond Neighborhood Housing Services, Inc.
Richmond, VA

Virginia Community Development Loan Fund
Richmond, VA

Washington

Snohomish County Private Industry
Everett, WA

Cascadia Revolving Fund
Seattle, WA

Seattle Economic Development Fund
Seattle, WA

Wisconsin

Impact Seven, Inc.
Almena, WI
Appendix C

Glossary of Terms

Bank: Any Insured Depository Institution (IDI) as defined in 12 U.S.C. 1813. These include commercial banks and noncommercial banking institutions, which may be known as savings and loan associations, mutual savings banks, or thrift institutions.

Capital: In general, the amount invested in a business, which may include, among other things, an owner’s equity in the business, the total assets of the business, credit or funds available for investment or funds invested in a business, and the sum total of corporate stock.

CDFI: Community Development Financial Institution - a nongovernmental entity that meets the following eligibility criteria (and is certified by the CDFI Fund as such): (i) it must have a primary mission of promoting community development; (ii) it must serve an eligible investment area or targeted population; (iii) its predominant business activity must be the provision of loans or certain equity investments; (iv) in conjunction with its loans or development investments, it must provide activities and services that promote community development (financial management technical assistance, financial or credit counseling, for example); and (v) it must maintain accountability to residents of the investment area or targeted population through representation on its governing board or otherwise. Certain additional eligibility criteria apply if the entity is a depository institution holding company or an insured depository institution. The CDFI Fund’s requirements for CDFI certification and eligibility are found at 12 CFR 1805.200.

CDFI Fund: A wholly owned Government corporation in the Department of Treasury, created to promote economic revitalization and community development through investment in and assistance to CDFIs, including enhancing their liquidity. It was created by, and has the specific legal duties and responsibilities specified in, the Riegle Community Development and Regulatory Improvement Act of 1994.

CDFI Fund Advisory Board: The Community Development Advisory Board advises the CDFI Fund Director on the policies of the CDFI Fund. It consists of 15 members including the Secretaries of Agriculture, Commerce, Housing and Urban Development, Interior, and Treasury, or their designees; the Administrator of the Small Business Administration or designee; and nine private citizens appointed by the President of the United States, to represent a national geographic representation and racial, ethnic and gender diversity.

Community Development Bank: Any Insured Depository Institution (IDI) as defined in 12 U.S.C. 1813. These include commercial banks and noncommercial banking institutions, which may be known as savings and loan associations, mutual savings banks, or thrift institutions, which focuses on serving Low-Income or otherwise distressed communities. Many Community Development Banks are CDFIs.

Community Development Credit Union: A Credit Union (see below), which focuses on serving Low-Income or otherwise distressed communities. Many Community Development Credit Unions are CDFIs; many are also designated as Low-Income Credit Unions per 12 U.S.C. 1757.

Community Development Venture Capital Fund: An entity whose predominant business activity is the provision of equity investments which result in community development benefits, as well as financial returns.

Community Reinvestment Act (CRA): The Community Reinvestment Act of 1977, Public Law 95-128, requires each appropriate Federal financial supervisory agency to use its authority when examining financial institutions, to encourage such institutions to help meet the credit needs of the local communities, including low- and moderate - income neighborhoods, in which they are chartered, consistent with the safe and sound operation of the financial institution. (12 U.S.C. 2901)

Credit Union: A not-for-profit cooperative association that provides depository services and credit to members as defined in 12 U.S.C. 1752.

Equity: The raising of capital by a corporation issuing or selling its stock (in contrast with “debt,” which is the raising of capital by issuing bonds or borrowing money), conveying an ownership interest in the company. For the purposes of the BEA Program, grants to non-profit entities and certain equity-like loans may be considered equity investments into CDFIs.
Financial Service Organization (FSO): A financial institution that provides a variety of financial services to the public. FSOs include credit unions and Insured Depository Institutions.

Financial Services: Services provided by Financial Service Organizations other than deposit-taking and the provision of credit or equity. These include check-cashing, providing money orders and certified checks, automated teller machines, safe deposit boxes, and other comparable services. For the purposes of the BEA Program, such services must be provided to low-and moderate-income persons in Distressed Communities or to enterprises within distressed communities.

Insured Depository Institutions: See Bank on previous page.

Intermediary CDFI: A CDFI meeting the criteria for certification (see CDFI), that provides financing primarily to other CDFIs and/or to support the formation of CDFIs. These Intermediary CDFIs play a critical role in providing financial and technical assistance to CDFIs and CDFIs in formation—especially those that are new, small, or geographically isolated.

Investment Area: A geographic area served by a CDFI that meets certain distress requirements, as defined in 12 C.F.R. 1805.301.

Loan Fund: An entity, usually a non-profit entity, which is neither an Insured Depository Institution nor a Credit Union whose primary business is the provision of loans. Many CDFIs are Loan Funds.

Microenterprise: A sole proprietorship, partnership, family business, or an incorporated entity that has not more than five employees, including the owner(s), does not generally have access to the commercial banking sector, and has use for and/or seeks a loan of $25,000 or less.

Microenterprise Development: Activities to support or strengthen Microenterprises, including the provision of credit, training, counseling and technical assistance.

Microenterprise Loan Fund or Microloan Fund: A Loan Fund which has the primary activity of providing loans to Microenterprises.

Notice of Funds Availability (NOFA): A notice published in the Federal Register, inviting applicants to submit applications to be selected for financial and technical assistance under the CDFI and BEA programs, among others. The NOFA also provides information on eligibility, type of assistance, application packet requirements, and how applications will be evaluated and selected.

Round: Each application and award is identified with a funding round that corresponds to the year a Notice of Funds Availability (NOFA) is issued. For example, the Fund has issued three NOFAs that are identified as the 1996 Round, the 1997 Round and the 1998 Round. A Round is not tied to one fiscal year or one calendar year. In other words, the Fund may make awards and obligations for a Round in the Fiscal Year after the issuance of the NOFA and obligations may be incurred in more than one appropriation and operating level for a given Round.

Share or Share Certificate: Evidence of money held by a credit union, equivalent to a deposit in an Insured Depository Institution. Low-Income Credit Unions may accept non-member deposits, generally from institutions, for the purposes of increasing the capital available to the Credit Union.

Target Market: Investment Area(s) and/or Targeted Population(s) principally served by a CDFI.

Targeted Population: A population served by a CDFI, which need not be limited to a particular geographic area. Such a Targeted Population may be low-income individuals or an identifiable group of individuals who lack adequate access to loans or equity investments.

Technical Assistance (TA): Activities that enhance the capacity of an organization to carry out its business and purpose, such as training of management and other personnel, the development of programs, loan or investment loan products, improving financial management and internal operations, and enhancing an organization’s community development impact. Technical Assistance provided by a CDFI, FSO, or an organization involved in Microenterprise Development may be to businesses or Microenterprises for the purposes of developing a successful business, to individuals to assist in managing personal finances, or for similar purposes.

Thrift: See Bank on previous page.
Advisory Board (1998 - 1999)

John A. Litzenberg, Chair
Charles Stewart Matt Foundation

Frank Ballesteros
PPEP Microbusiness and Housing Development Corp., Inc.

Arthur Campbell
US Dept. of Agriculture

Richard Carnell
US Dept. of Treasury

Connie Evans
Women’s Self-Employment Project

John Gray
U.S. Small Business Administration

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US Department of Interior
Office of American Indian Trust

Clara Miller
National Community Capital Association

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The Chase Manhattan Bank - Community Development Group

Cardell Cooper
US Dept. of Housing and Urban Development

Charles Straub, Jr.
US Dept. of Commerce

George P. Surgeon
Shorebank Corporation

John Taylor
National Community Reinvestment Coalition

Photo not Available at press

Photo not Available at press
# CDFI Fund Staff

<table>
<thead>
<tr>
<th>Name</th>
<th>Title</th>
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<tbody>
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<td>Jeffrey Berg</td>
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or visit our web site at: www.treas.gov/cdfi