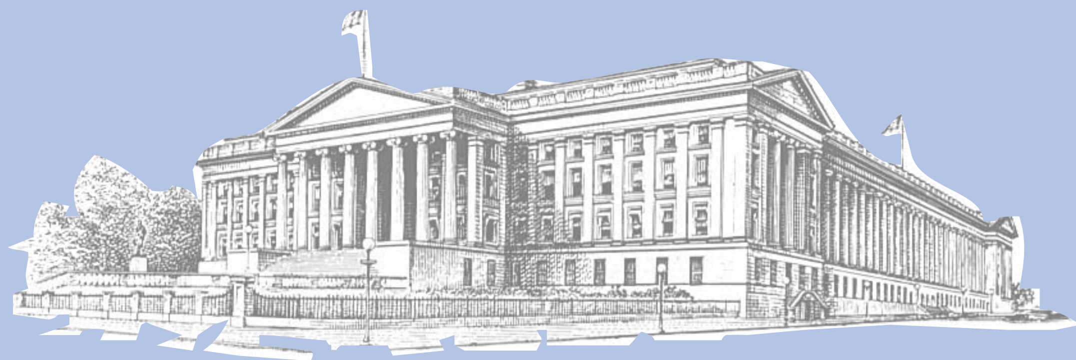
Community Development Financial Institutions *Fund*



FISCAL YEAR 2002 ACCOUNTABILITY REPORT

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MESSAGE FROM THE DIRECTOR'S OFFICE

I am pleased to present the fiscal year 2002 Accountability Report for the Department of Treasury's Community Development Financial Institutions Fund (CDFI Fund). The activities in this report represent the hard work and dedication of a committed staff. We characterize fiscal year 2002 as a transition year where the Fund shifts from an organization seen primarily as a grants-making organization to one that addresses the economic ills of low-income communities through targeted investments and community development finance.

The Fund's new Performance Plan has one goal and four objectives, which state that our strategic focus is to "improve economic conditions in underserved areas through better access to capital and financial services." Our tools of delivery are certified community development financial institutions (CDFIs), regulated banks and thrifts and now, with the introduction of the New Markets Tax Credit Program, we can include certified community development entities (CDEs).

The Fund promotes access to capital and contributes to the improvement of local economic conditions in three ways: 1) through our CDFI Program by directly investing in and supporting CDFIs; 2) through our Bank Enterprise Award (BEA) Program by providing an incentive to banks and thrifts (FDIC-insured depositories) to invest in their communities and in other CDFIs; and 3) through our newest program - the New Markets Tax Credit (NMTC) Program - by providing an allocation of tax credits to CDEs which enable them to attract investment from the private sector and reinvest these amounts in low income communities.

The organizations we support are able to lend and invest in ways that are more flexible or innovative than traditionally regulated financial institutions. To date, we have certified 603 financial institutions as CDFIs across the country and over 600 organizations have been certified as CDEs under the NMTC Program. Our communities, through compassion and community activism, have built a financial network that is dedicated to improving the lives of our most economically deprived communities and citizenry. The reach of this financial network is unprecedented and impressive.

The Fund is determined to see the unique delivery of financial services through CDFIs and CDEs strengthen and grow to achieve President Bush's vision of a prosperous America for all Americans. The CDFI Fund is a lifeline and we are committed to our mission of expanded access to capital. We are committed to building the financial strength and capacity of this CDFI financial network so that they can do more as financial partners to improve the lives of Americans.

Tony T. Brown

Tony T. Brown
Director

MESSAGE FROM THE DEPUTY DIRECTOR FOR MANAGEMENT/ CHIEF FINANCIAL OFFICER

Fiscal Year 2002 is the fifth consecutive year in which the auditors rendered an unqualified opinion on our financial statements and in which no material weaknesses or reportable conditions were identified. This achievement is notable because the Fund, as part of an accelerated Department-wide audit reporting initiative, was able to produce its annual financial statements within 30 days after the close of the fiscal year. Significant cooperation, teamwork, and dedication among our staff and that of the Bureau of Public Debt, our auditors, and Treasury's Office of the Inspector General, made this financial challenge an overwhelming success.

Completion of the audit of the Fund's financial statements was one of several financial management processes that were streamlined during the past year. One major area of change during the year was in the area of awards. Virtually all award decisions for the CDFI Program were made by the end of June 2002, a full three-months earlier than the prior year. Further, award decisions for the BEA program were made by the end of August 2002 (one month earlier than the prior year), but FY 2002 also marks the first year in which a significant amount of these awards were disbursed by year-end. Other significant achievements include:

- Began the process to enable the Fund to move toward an "e-government environment" as the Fund successfully implemented its first electronic application this past year. Over 340 applicants made an electronic application under the first round of the New Markets Tax Credit Program for an allocation of tax credits to support $2.5 billion in private sector investment. This also served as a test bed for converting the application for the Fund's other award programs to an electronic process. With this technology, the review and scoring of the applications will occur more quickly and efficiently;
- Made significant improvements in the oversight of the Fund's award portfolio. We now have a database that provides the capability to check on the compliance status of any awardee, and have begun to develop a process to evaluate CDFIs according to their overall financial strength and their potential for creating community development impact.

The above indicates the significant transformation started by the Fund to re-engineer our business processes. We have developed the framework but the challenge for tomorrow is implementation. We have the talent and capabilities to meet this challenge, and with our strong internal control environment and effective leadership, we will be able to make significant strides in meeting our agency's goals and mission.

Owen M. Jones

Owen M. Jones
Deputy Director for Management/Chief Financial Officer

COMMUNITY DEVELOPMENT FINANCIAL INSTITUTIONS FUND OVERVIEW

OVERVIEW

The Community Development Financial Institutions (CDFI) Fund was created to expand the availability of credit, investment capital, and financial services in distressed urban and rural communities. The Fund was authorized by the Riegle Community Development and Regulatory Improvement Act of 1994, as a bipartisan initiative.

The Fund promotes access to capital and local economic growth in the following ways: 1) through its CDFI Program by directly investing in and supporting community development financial institutions (CDFIs) that provide loans, investments, financial services and technical assistance to underserved people in economically distressed communities; 2) through its Bank Enterprise Award (BEA) Program by providing an incentive to banks to invest in their communities and in other CDFIs;, and 3) through its New Markets Tax Credit (NMTC) Program by providing an allocation of tax credits to Community Development Entities (CDEs) which enable them to attract investment from the private sector and reinvest these amounts in low-income communities.

Since its creation, the Fund has made more than $613 million in awards to community development organizations and financial institutions.

FUND MISSION

The Fund's vision is an America in which all people have access to affordable credit, capital and financial services. Its mission is to expand the capacity of financial institutions to provide credit, capital, and financial services in economically distressed urban and rural communities. CDFIs are specialized financial institutions that work in market niches that are underserved by traditional financial institutions. CDEs are legally established entities that have a mission of serving or providing investment capital for low-income communities or low-income persons, and maintaining accountability to residents of low-income communities.

These CDFIs and CDEs provide a unique and wide range of financial products and services, such as mortgage financing for low-income and minority first-time homebuyers and not-for-profit developers, flexible underwriting and risk capital for needed community facilities, commercial loans and investments to start or expand small businesses in low-income areas. In addition, these institutions provide services that help ensure that credit is used effectively, such as technical assistance to small businesses and credit counseling to consumers. CDFIs and CDEs include regulated institutions such as community development banks and credit unions, non-regulated loan funds, venture capital funds, microenterprise loan funds, and real estate developers, among others.

FUND GOALS

To accomplish its mission, the Fund has identified four goals:

1. Increase financing to businesses and individuals desiring to start or expand businesses with low wealth, limited capital and that are located in underserved communities;
2. Fund CDFIs whose financing activities expand the supply and quality of housing units for underserved communities and populations; as well as increase homeownership rates among minority groups;
3. Expand access to affordable financial services to the unbanked, low-income persons and others in underserved communities, and expand financial literacy for low-income persons; and
4. Expand the capacity of CDFIs to lend and provide financial services in our nation's distressed and underserved communities.

FUND PROGRAMS

The Fund administers several programs that directly address the above goals. Fund programs put capital to work by providing financial assistance to both established and emerging CDFIs. The programs also strengthen relationships between CDFIs and mainstream financial institutions and help build the CDFI industry as a whole.

The Fund's programs are as follows:

Community Development Financial Institutions Fund Program — The CDFI Program has four separate components: the Core Component; the Intermediary Component (no amounts were awarded under this component in FY 2002); the Small and Emerging CDFI Assistance (SECA) Component; and the Native American CDFI Technical Assistance (NACTA) Component.

The Core and SECA Components provide technical and financial assistance to CDFIs, based on their asset size: the SECA Component for smaller CDFIs (those with less than $5 million in assets) and the Core Component for larger CDFIs (assets greater than $5 million). The Core Component is the Fund's main program under which CDFIs, or entities proposing to become CDFIs, may apply for financial and technical assistance.

The SECA Component, new for FY 2001, is designed to better meet the unmet capacity needs of CDFIs, or entities proposing to become CDFIs, that have significant potential for increasing their community development impact. Through SECA, eligible entities may receive financial and/or technical assistance. The NACTA Component is designed to provide technical assistance grants that will specifically benefit Native American, Alaska Native and Native Hawaiian communities and to promote the development of CDFIs that serve these communities. FY 2002 was the first year in which awards were made under this component.

Bank Enterprise Award Program — The Bank Enterprise Award (BEA) Program recognizes the key role played by traditional financial institutions in community development lending and investing. It provides incentives for regulated banks and thrifts to invest in CDFIs and to increase their lending and provision of financial services in the nation's most distressed communities (those with high poverty and unemployment). The BEA Program supports the community reinvestment efforts of these financial institutions.

New Markets Tax Credit Program — On December 21, 2000, the Community Renewal Tax Relief Act of 2000 was signed into law. This legislation will spur the investment of $15 billion over seven years in new private capital into a range of privately managed investment vehicles that make loans and equity investments in New Markets businesses. By making an equity investment in an eligible "community development entity" (CDE), individual and corporate investors can receive a New Markets Tax Credit worth approximately 39 percent of the amount invested over the life of the credit, in present value terms.

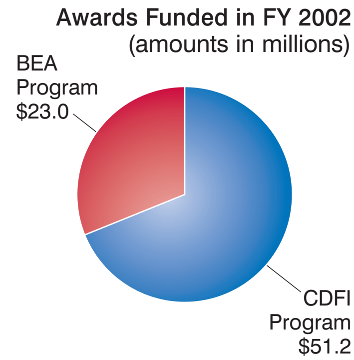
FY 2002 was the first year in which applications for tax credits were submitted to the Fund. The initial allocation of approximately $2.5 billion in tax credits is expected to occur in the first quarter of 2003.

Native American Lending Study — The CDFI Fund has completed its study on lending and investment practices on Indian reservations and other lands held in trust by the United States. The final report was transmitted to members of Congress and the President in January 2002. The major findings of the study identified the need to 1) maintain investments for physical, telecommunications and utility infrastructure; 2) finance the creation of a public-private equity fund, and support an array of vehicles for training, technical assistance for both Tribal governments and businesses; and 3) facilitate linkages to financial markets.

Additional information on the Fund's programs is provided in the Program Discussion and Analysis section of this report.

ALLOCATION OF FUNDING

Total program amounts funded during FY 2002 totaled $74.2 million.



Additionally, the Secretary has delegated authority for the Fund to allocate tax credits under the New Markets Tax Credit Program for up to $2.5 billion in private capital equity invested in CDEs beginning in FY 2002. This authority is not a funding source and so is not reflected in the above chart, even though this program requires a significant administrative commitment on the part of the Fund.

Sources of Funding — Funds are appropriated annually to the CDFI Fund for two fiscal years. Therefore, each year's available funding may include unobligated funds from the prior year ("carryover" funding) plus the current year's appropriations. Sources of funding also include borrowing authority to fully fund loans awarded.

SOURCES OF FUNDING

(amounts in millions)

	FY 2002	FY 2001
Appropriations	$80.0	$117.7
Amounts Deobligated	.4	1.0
Carryover from Prior Year	4.5	.2
Borrowing Authority Used	5.1	8.1
Total Sources of Funds	**$90.0**	**$127.0**

Uses of Funding — During FY 2002, the Fund incurred obligations totaling $84.9 million. Total funds provided were used as follows:

USES OF FUNDING
(amounts in millions)

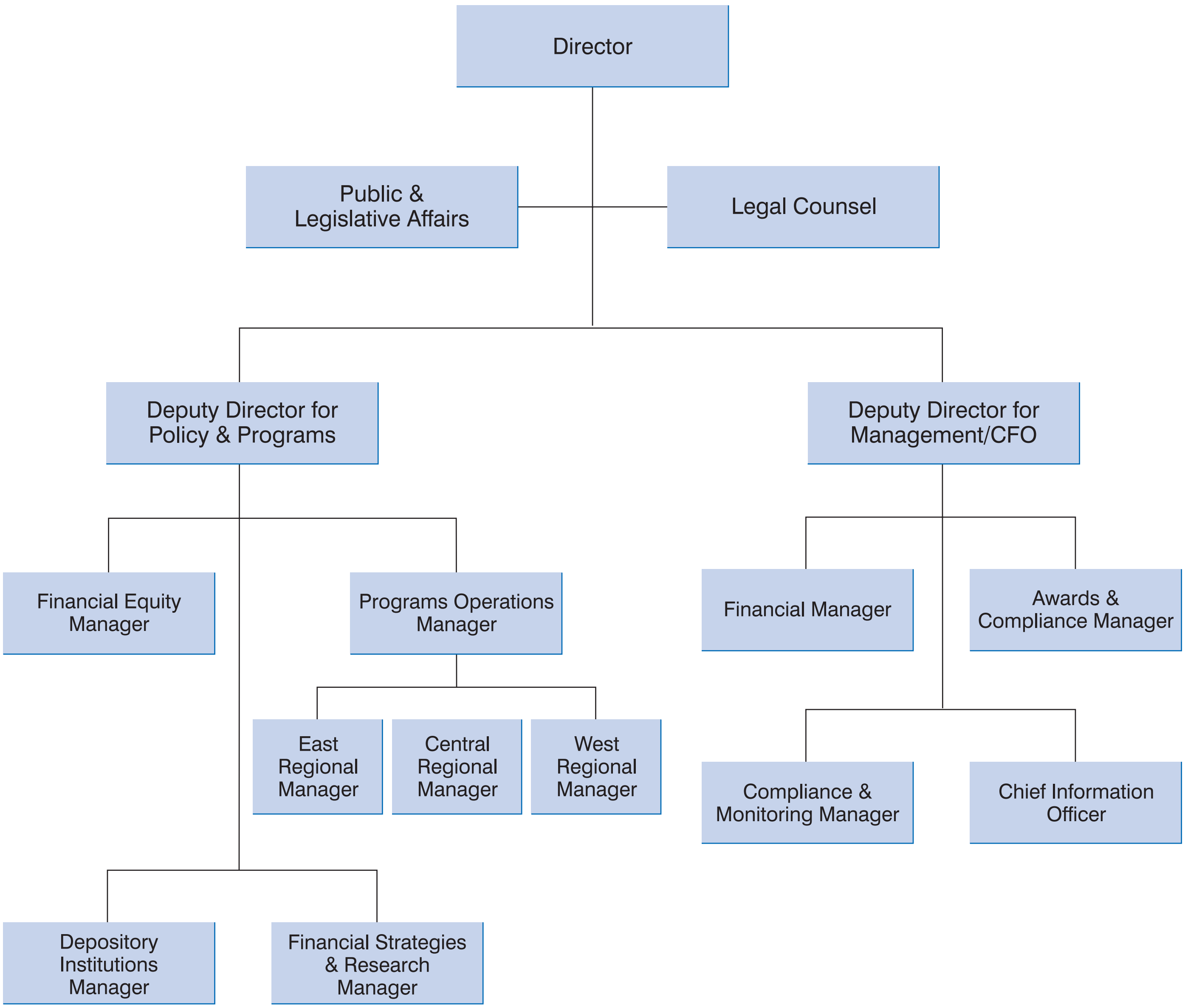
Awards Funded	FY 2002	FY 2001
CDFI Program:		
Core and Intermediary	$41.6	$55.1
SECA Grants	6.9	8.6*
NACTA Grants	2.7	1.5
Total, CDFI Program	$51.2	$65.2
Bank Enterprise Award	23.0	48.0
Total Awards	$74.2	$113.2
Program Management and Administration	10.7	9.5
Total Amounts Obligated	$84.9	$122.7
Amounts Not Obligated	5.1	4.3
Total Funding	**$90.0**	**$127.0**

** Includes $.2 million for training contracts*

ORGANIZATION OF THE FUND

The Fund's structure consists of a Director, a Deputy Director for Policy and Programs, a Deputy Director for Management/Chief Financial Officer, and various program and administrative support offices. The organization chart of the Fund is shown below.

COMMUNITY DEVELOPMENT FINANCIAL INSTITUTIONS FUND SEPTEMBER 2002



PERFORMANCE HIGHLIGHTS

During FY 2002, the Fund continued to support an ever-increasing number of CDFIs and Financial Service Organizations (FSOs) in distressed communities throughout the country. Its efforts created greater access to capital in these communities, resulting in increased employment, more affordable housing, revitalized neighborhoods, and strengthened local communities. FY 2002 also marked the first year in which applications for New Markets Tax Credits were submitted to the Fund, and awards were made under the Native American CDFI Training component.

Highlights of the Fund's program and financial performance during FY 2002 are summarized below.

COMMUNITY DEVELOPMENT FINANCIAL INSTITUTIONS PROGRAM

(dollar amounts in millions)

	FY 1998	FY 1999	FY 2000	FY 2001	FY 2002
Number of certified CDFIs at year-end	262	334	415	468	625
Core Component					
Total amount of awards funded	$44.3	$71.4	$72.2	$53.1	$41.6
Number of applications received	131	153	160	153	136
Number of awards	42	78	75	59	51
Intermediary Component*					
Total amount of awards funded	$7.1	$8.2	$3.1	$2.0	N/A
Number of applications received	N/A	8	7	7	N/A
Number of awards	3	4	2	2	N/A
Small and Emerging CDFI Technical Assistance Component/ Technical Assistance Component**					
Total amount of awards funded	$3.0	$4.1	$3.1	$8.6	$6.9
Number of applications received	112	160	141	196	123
Number of awards	70	89	66	79	61
Number of awardees that are start-ups	10	19	15	32	34
Native American CDFI Technical Assistance Component***					
Total amount of awards funded	N/A	N/A	N/A	N/A	$2.7
Number of applications received	N/A	N/A	N/A	N/A	47
Number of awards	N/A	N/A	N/A	N/A	38
Number of awardees that are start-ups	N/A	N/A	N/A	N/A	14

**No Intermediary awards were made during FY 2002.*

***The SECA component replaced the TA component during FY 2001.*

****FY 2002 was the first year in which awards were made under the NACTA component.*

BANK ENTERPRISE AWARD PROGRAM

(dollar amounts in millions)

	FY 1998	FY 1999	FY 2000	FY 2001	FY 2002
Total amount of awards funded	$28.1	$31.8	$46.5	$46.1	$23.0
Number of awards	79	103	159	145	81
Amount of financial and technical assistance BEA awardees provided to CDFIs	$140	$168	$244	$277	$142
Amount of loans, investments, and services BEA awardees made in distressed communities	$374	$717	$1,132	$915	$504
Number of CDFIs receiving assistance from banks	89	95	165	164	114

NEW MARKETS TAX CREDIT PROGRAM

	FY 2002
Number of Community Development Entity (CDE) applications received	1,119
Number of CDE applications approved to date*	558
Number of applications received requesting an allocation of tax credits/ credit amount requested	346 / $26 Billion
Number of allocations awarded / credit amount**	TBD

**Applications are still being reviewed as of November 30, 2002.*

***Tax credit allocations will be made during early calendar year 2003.*

SUMMARIZED CDFI FUND FINANCIAL DATA

(dollar amounts in millions)

	FY 2001	FY 2002
Assets	$231.5	$190.6
Liabilities	$84.2	$64.8
Net Position	$147.3	$125.8
Revenue and Financing Sources	$111.2	$100.9
Expenses	$111.5	$101.3
(Shortage) of Revenue and Financing Sources Over Expenses	($.3)	($.4)

PROGRAM DISCUSSION AND ANALYSIS

CERTIFICATIONS OF COMMUNITY DEVELOPMENT FINANCIAL INSTITUTIONS AND COMMUNITY DEVELOPMENT ENTITIES

For an organization to be eligible to receive funding or benefit from an allocation of New Markets Tax Credits, it must be a certified Community Development Financial Institution (CDFI) or a Community Development Entity (CDE).

COMMUNITY DEVELOPMENT FINANCIAL INSTITUTIONS

A certified CDFI is one that has been certified by the Fund as meeting all of the following criteria:

- has a primary mission of promoting community development;
- serves principally an investment area or an underserved 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.

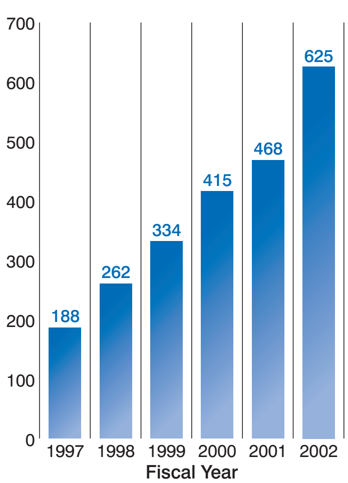
CDFIs include community development banks, credit unions, loan funds, venture capital funds, and microenterprise loan funds, among others.

In addition to seeking certification to receive financial assistance from the Fund, organizations pursue CDFI certification to leverage funds from non-federal sources such as banks, foundations, and state and local governments.

The certification of organizations as CDFIs has been a long-standing goal of the Fund. By the end of FY 2002, the Fund had certified a total of 625 CDFIs serving both rural and urban areas in all states and the District of Columbia, Puerto Rico, and the Virgin Islands.

These CDFIs, through compassion and community activism, have built a financial network that is dedicated to improving the lives of our most economically deprived communities and citizenry. These CDFIs serve 98 percent of the nation's most distressed urban and rural communities. The reach of this financial network is unprecedented.

Increase in CDFI Certifications



COMMUNITY DEVELOPMENT ENTITIES

A CDE is a legally established entity that has a mission of serving, or providing investment capital for, low-income communities or low-income persons and maintains accountability to residents of low-income communities. As of September 30, 2002, the Fund had certified 558 organizations as CDEs. FY 2002 marked the first year in which applications for designation as a CDE were accepted, and this large number of CDEs is an indication of the significant amount of interest in this program.

The Fund is not a Federal regulator like the Office of the Comptroller of Currency, which regulates national banks. The Fund is a financial partner to CDFIs and CDEs and has grown into one of the nation's leading investors in CDFIs. We view our partnership with CDFIs and CDEs as a catalyst for vigorous community and economic development growth through financing activities.

We are determined to see our partnerships with CDFIs and CDEs and their local communities strengthen and grow to achieve President Bush's vision of a prosperous America for all Americans. The Fund is a lifeline and we are committed to our mission of expanded access to capital. We are committed to building the financial strength and capacity of this CDFI and CDE financial network so that they can do more to improve the lives of all Americans.

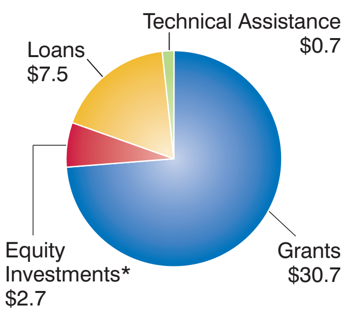
COMMUNITY DEVELOPMENT FINANCIAL INSTITUTIONS PROGRAM

The Community Development Financial Institutions (CDFI) Fund uses limited federal resources to invest in and build the capacity of private, for-profit and nonprofit financial institutions to provide capital and financial services to underserved people and communities. The Fund invests in CDFIs using flexible tools such as equity investments, loans, grants, and deposits, depending on market and institutional needs. The applicant CDFI demonstrates these needs in a required business plan and in its ability to raise comparable non-federal matching funds, both requirements of the application process. The Fund evaluates each applicant CDFI in a manner similar to a private investor's determining the investment-worthiness of an institution. This evaluation for an award decision includes an assessment of the applicant's financial performance, management capacity, market analysis, and potential community development impact. Thus, the Fund effectively assists these organizations in their ability to meet community needs, develop, and grow.

The CDFI Program provides financial and technical assistance grants through four separate components: the Core Component, the Intermediary Component, the Small and Emerging CDFI Assistance (SECA) Component, and the Native American CDFI Technical Assistance (NACTA) Component. No awards were made during FY 2002 under the Intermediary component.

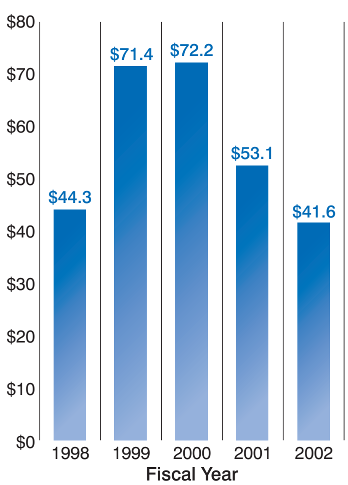
Financial assistance awards enable CDFIs to expand services through their loan fund programs, qualify for lines of credit through private sector financing vehicles and provide basic financial services such as checking or savings accounts. Technical assistance awards are grants that may be used for the training of staff and management, the acquisition of technology to improve operations, and the use of outside experts to build organizational capacity.

FY 2002 CDFI Core Awards
(amounts in millions)



** Includes Secondary Capital investments in credit unions*

Total Amount of Core Awards
(amounts in millions)



CORE COMPONENT

The Core Component is where the Fund makes its largest financial assistance and technical assistance awards to CDFIs, or to entities proposing to become CDFIs. Funding through this component supports CDFIs seeking to build their capacity and enhance their lending, investment, and community development activities. Selection of Core awardees is based on several factors, including their financial track record, the capacity of their management, their strategy for achieving community development impact, their ability to obtain matching funds in a form and value similar to the Fund's award, and their effective use of the Fund's dollars.

During FY 2002, Core awards totaling $41.6 million were made to 51 organizations. The awards ranged from $50,000 to $2.0 million. Nearly $31 million in Core awards (75 percent of the total) were matched by grant funds, followed by $7.5 million (or 18 percent) in matching loan funds. Less than $3 million were equity match awards (7 percent). The Fund made over $700,000 in technical assistance awards to 18 organizations, which required no match funding.

Applications for Award — During FY 2002, the Fund received 136 Core applications for awards requesting over $198 million, which represents a decrease from the 153 applications requesting $224 million in awards in FY 2001. Sixteen percent of the 51 organizations receiving a FY 2002 award were start-up organizations (organizations that have been operating for two years or less); this percentage increased slightly from 14 percent in FY 2001. Thirty eight percent of the FY 2002 applications were approved for an award, compared to 39 percent and 47 percent approval rates in FY 2001 and 2000, respectively.

Geographic Reach — In the FY 2002 Core funding round, organizations selected for funding are headquartered throughout the continental United States and Alaska. By region, 20 awards were made to organizations based in the West, 17 awards were made in the Central Region, and 14 awards were made in the East Region.

Core Awardee Survey — For the fourth consecutive year, the Fund administered a survey to collect performance and outcome data from Core awardees. These surveys include organizations receiving Core Component awards from FY 1996 through FY 1999.

The purpose of the survey is to identify the volume and types of activities carried out by awardees, the client profile of these awardees (who they serve), information on the amount of matching funds received, and the community development impact created by Core awards.

The following table shows results during FY 2000 for 122 of the CDFIs that received Core awards from FY 1996 through FY 1999. These institutions received awards totaling $202 million in these four years.

PERFORMANCE OF 122 FY 1996 THROUGH 1999 CORE AWARDEES DURING 2000

Core awards totaling $202 million over the four year period provided the following benefits during FY 2000:

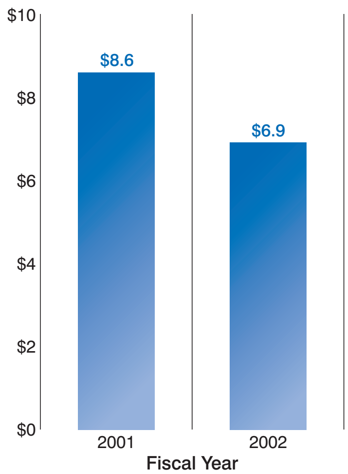
Dollar amount of loans and investments made	$2.0 billion
# / Dollar amount of checking and savings accounts	141,440/$257 million
# of micro enterprises financed	10,611
# of jobs created or retained	38,420
# of affordable housing units to be developed or rehabilitated	33,643
# of community development facilities financed	436

SMALL AND EMERGING CDFI TECHNICAL ASSISTANCE (SECA) COMPONENT

The objective of the SECA Component of the CDFI Program is to meet the capacity needs of the smaller CDFIs or entities proposing to become CDFIs. Organizations receiving an award for financial assistance under this component are limited to those with less than $5 million in assets, and which have never received a prior financial assistance award from the Fund.

SECA allows for two types of funding requests, one for Technical Assistance (TA) only, and one for TA and Financial Assistance (FA). The TA was a continuation of the basic structure of the Fund's prior TA Component. Applicants for TA only were not limited in assets or other special eligibility requirements. They did however tend to be smaller than Core applicants. TA awards are made in the form of grants and do not require matching funds. These awards are used for training of staff and management, the acquisition of technology to improve operations, and the use of outside experts to build organizational capacity.

Total Amounts of SECA Awards (amounts in millions)



In FY 2002, the Fund received 123 applications of which 61 were selected to receive $6.9 million in SECA awards. This is in contrast to the 79 awardees that were awarded $8.6 million in FY 2001 (this amount includes seven awards totaling $430,000).

Community Development Credit Unions represented 20 percent of the FY 2002 SECA applicants and 25 percent of the FY 2002 SECA awardees. Credit unions often have limited opportunities to raise external matching funds and therefore frequently rely on retained earnings as a source of match. The Fund however allows credit unions to increase member shares or deposits as a means to "match" the retained earnings.

Thirty-four (56 percent) of the FY 2002 awardees represent start-up organizations, compared to 32 (41 percent) of the prior year SECA awardees.

The Fund managed a TA only program from 1998 through 2000. That experience coupled with SECA suggests that there is an on-going demand for TA.

Geographic Reach — The organizations selected for a FY 2002 SECA award are headquartered throughout the continental United States and Hawaii. By region, 26 awards were made to the West region, 15 awards were made to the Central Region, and 20 awards were made to the East Region.

NATIVE AMERICAN CDFI TECHNICAL ASSISTANCE (NACTA) COMPONENT

The NACTA Component is designed to meet the needs of Native American and Alaska Native communities that are critically underserved in their access to financial services and capital. The objective of the program is to establish and strengthen the capacity of CDFIs to serve Native American and Alaska Native communities through training and technical assistance. FY 2002 marks the first year in which NACTA awards were granted.

The inaugural NACTA funding round generated 47 applications, of which 38 were selected to receive $2.7 million in awards. The NACTA awards were provided in the form of technical assistance grants. The grants are used to acquire prescribed types of technical assistance, including technology, staff training, and capacity building of existing CDFIs serving Native American and Alaska Native communities.

The FY 2002 NACTA awardees serve a wide range of markets and reflect a diversity of institutions in various stages of development, from organizations in the early planning stages, to tribal entities with existing lending components, to established CDFIs in need of further capacity building assistance.

NACTA is designed to provide opportunities for Native American and Alaska Native communities to obtain technical assistance resources for the development of a CDFI. In this regard, NACTA is unlike the CDFI Program which may only be used to develop the capacity of existing organizations.

GEOGRAPHIC REACH

In the 2002 NACTA funding round, organizations selected for funding are headquartered in 16 different states throughout the continental United States and Alaska. The awardees serve 18 states of which 12 are in the CDFI Fund's Western Region, 4 are in the Central Region and 2 are in the Eastern Region. The Fund was able to reach a large number of Native communities in this inaugural round of NACTA and achieve measurable penetration of this small but highly economically distressed community.

BANK ENTERPRISE AWARD PROGRAM

The Bank Enterprise Award (BEA) Program recognizes the key role played by traditional financial institutions in community development lending and investing. It provides incentives for these regulated banks and thrifts to invest in CDFIs and to increase their lending and financial services in distressed communities. Providing monetary awards for community reinvestment leverages the Fund's dollars and puts more capital to work in distressed communities throughout the nation.

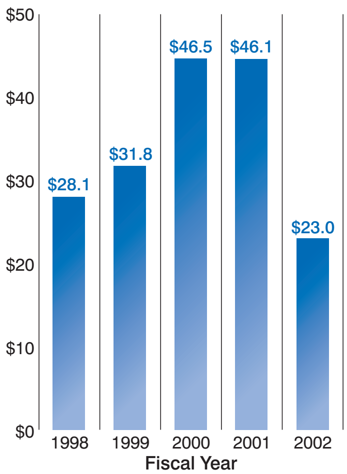
All depository institutions insured by the Federal Deposit Insurance Corporation are eligible to apply for a BEA Program award. The Fund determines awards based on the increase in the total dollar value of activities within an assessment period compared with the value of the activities during the same period in the previous year. Awards range from five percent to 33 percent of the dollar value of the increased activities, depending on the type of activity and whether the applicant is a certified CDFI. Eligible activities include providing financial or technical assistance to CDFIs as well as lending, investing, and providing services in Distressed Communities. Distressed Communities are geographic areas, including Native American reservations, which meet certain criteria of economic distress. Specifically, a Distressed Community must be a geographic area where (1) at least 30 percent of the residents have incomes which are less than the national poverty level (based on the most recent Census); and (2) the unemployment rate is at least 1.5 times greater than the national average (based on the U.S. Bureau of Labor Statistics' most recent data). Using 1990 Census data, there are 1,955 census tracts that qualify for the BEA Program on their own merit, plus Native American Reservations/ Trust Lands.

PROMOTING CDFI INVESTMENTS THROUGH THE BEA PROGRAM

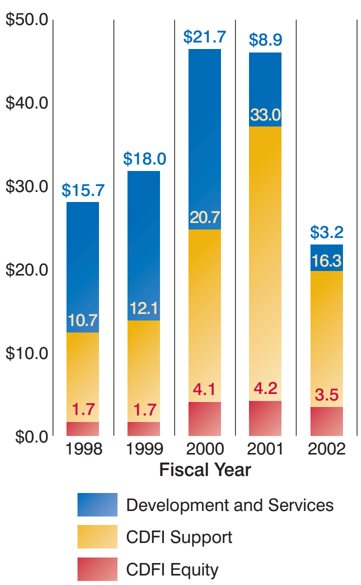
The BEA Program has a dual purpose. The first is to build the capacity of FDIC-insured depository institutions (banks) to expand their community development lending and investments within severely underserved areas (referred to as Development and Services). The second is to increase banks' investment in CDFIs in order to build their self-sufficiency and capacity (referred to as CDFI Related Activities). The BEA Program statute calls for the Fund to "give priority" to this second objective (i.e., applicants that have provided assistance to CDFIs). By providing low cost capital and operating support to CDFIs through the BEA Program, banks have helped to create and sustain a network of CDFIs that now covers 98 percent of the nation's most distressed areas. CDFIs can serve as a delivery mechanism for banks to partner with in order to better serve highly distressed neighborhoods or very low-income persons.

In the past four funding rounds, the CDFI Fund has seen growing interest in the BEA Program as banks and CDFIs have realized the important role a BEA Program award can play in enabling community development activities. As a result, about two-thirds of BEA Program awards have been made for CDFI Related Activities while only one-third has been made for the Development and Services category.

Total Amount of BEA Awards
(amounts in millions)



Distribution of BEA Program Awards by Category
(amounts in millions)



TOTAL AMOUNT OF BEA AWARDS

Over the last several years, there has been a significant increase in the number of financial institutions applying for a BEA Program award and a corresponding increase in the number and amount of awards. In FY 1997, there were 75 applicants for BEA Program awards of which 54 received awards totaling $16.5 million. In FY 2002, there were 115 applicants requesting $53 million, of which 81 received awards totaling $23.0 million.

The decrease in BEA Program awards from FY 2001 to FY 2002 is due to a decrease in the amount appropriated for the program.

Since inception of the BEA Program, the Fund has awarded over $205 million. Awards for increasing equity investments in CDFIs have always been the smallest portion of BEA Program awards. In FY 1998, awards for equity investments in CDFIs comprised 6 percent of BEA awards for that year. In FY 2002, awards for equity investments in CDFIs represented 15 percent of awards (and the highest portion ever.) Awards for Development and Services Activities was the largest category up until FY 2001 when it dropped below the CDFI Support Category. The Fund believes that this shift is due to the growing popularity of the CDFI Related Category. The CDFI Support Category and the Development and Services Category were both significantly smaller in FY 2002 than in FY 2001.

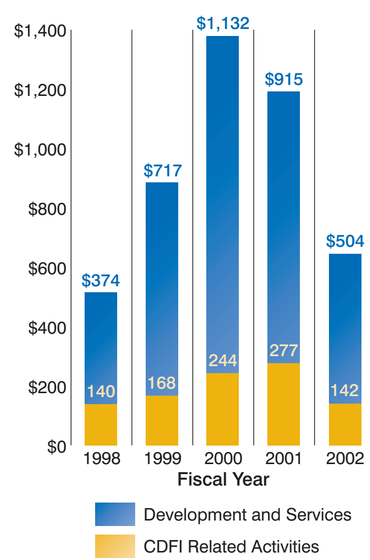
Banks apply for a BEA Program award based, in part, on their perceived probability of receiving an award. The number of applicants that did not receive an award in FY 2001 reduced the perceived probability of receiving an award in FY 2002, and thus had a negative effect on the number of banks applying for an FY 2002 award.

BEA PROGRAM AWARDEE ACTIVITIES

To date, BEA awardees have provided more than $3 billion to distressed communities in the form of direct loans, investments, and services, and more than $1.5 billion in financial support and technical assistance directly to CDFIs. FY 2002 BEA awardees provided $142 million in loans, deposits and technical assistance to CDFIs and $504 million in loans, investments and services in distressed communities. This represents a leverage factor of 36:1.

As mentioned above, the decrease in awardee activity in the Development and Services Category between FY 2000 and FY 2002 is due to the growing popularity of the CDFI Related Category combined with the effects of the reduced probability of receiving an award in the Development and Services Category.

Amount of Qualified Activities by BEA Applicants
(amounts in millions)

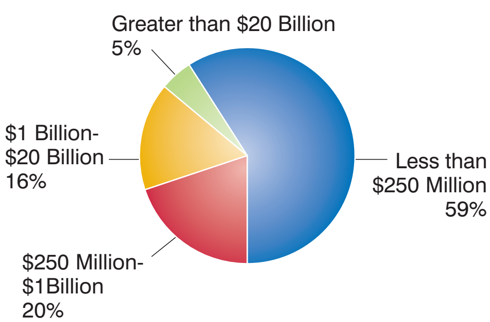


DIVERSITY OF BEA AWARDEES

The Fund attempts to ensure that a variety of banks and financial institutions—in terms of asset size and type—participate in the BEA Program. Over the last several years, the number of awards provided to the smallest banks and thrifts (i.e., those with less than $250 million in assets) has increased from 27 percent of the FY 1998 awardees to 59 percent of the FY 2002 awardees, a significant increase. In addition, the percentage of banks in the over $250 million to $1 billion in assets category has decreased slightly during the past year, from 22 percent of the FY 2001 awardees to 20 percent of the FY 2002 awardees.

Similarly, the dollar amount of BEA awards made to small banks has also increased. About 8 percent of the dollar amount of awards were made to small banks in the 1998 round while 53 percent were awarded to the same size category in the FY 2002 round. This growth in the percentage of smaller institutions receiving awards is most likely attributable to outreach efforts and increased awareness within the financial services industry of the BEA Program.

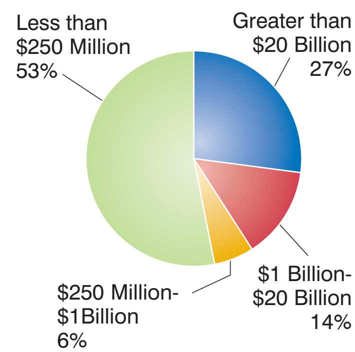
Percentage of Number of FY 2002 BEA Awards by Awardee Asset Size



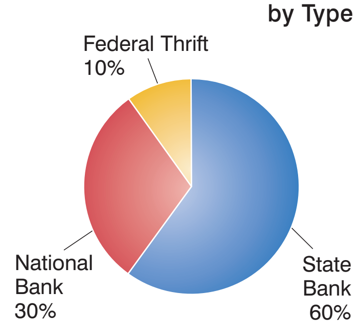
In the FY 1998 round, of the 21 awardees with less than $250 million in assets, 11 received awards for Development and Services and 11 received awards for CDFI Related Activities. In the FY 2002 round, of the 35 awardees with less than $250 million in assets, 5 received awards for Development and Services and 34 received awards for CDFI Related Activities. All of the awardees in the Development and Services Category have less than $250 million in assets. As is mentioned above, not all of the 35 applicants seeking an award in the Development and Services Category received an award. Those that did were at the top of the ranking list, which ranks applicants according to the ratio of total assets to total award. As a result, small institutions are ranked at the top of the list.

Participation by type of organization (bank or thrift) has varied each year. The most significant change is the steady increase in the total number of state-chartered banks, from 25 percent of the FY 1997 awardees to almost 60 percent of the FY 2002 awardees (in both number and dollar amount). This trend is most likely related to the Fund's outreach efforts. State-chartered awardees, with average assets of about $7 billion, tend to be smaller than awardees that are national banks (average assets of $11 billion) or federal savings associations (average assets of $9 billion).

Percentage of Dollar Amount of FY 2002 BEA Awards by Awardee Asset Size



FY 2002 BEA Awardees by Type



TOTAL DOLLAR AMOUNT AND NUMBER OF BEA PROGRAM AWARDS BY AWARDEE CHARTER

Institution Type	$ Amount	%	#	%
Federal Savings Bank	$755,557	3%	6	7%
National Bank	9,393,033	41%	30	37%
State Chartered Bank	12,869,013	56%	45	56%
TOTAL	$23,017,603	100%	81	100%

The BEA statute calls for applicants that are certified CDFIs to receive three times the award percentage than that for non-CDFI applicants. In FY2002, 20 of the 81 BEA Program awardees were certified CDFIs. These 20 institutions received $11.2 million — almost half of the $23 million in total awards for FY 2002. Due to a modification adopted in FY 2002 calling for the Fund to rank CDFI applicants first within the Development and Services Category, all five awardees in that Category were certified CDFIs. Nineteen more CDFIs applied for but did not receive an award in the Development and Services Category. Of the 20 awardees that are certified CDFIs, ten are state-chartered, eight are national banks, and two are federal savings associations. The average asset size of awardees that are CDFIs is $117 million, with the largest having $588 million in assets and the smallest having total assets of $9 million.

BEA AWARDEE SURVEY

In FY 2002, the Fund surveyed 106 organizations applying for an FY 2002 BEA award. The purpose of the survey was to determine the uses of potential BEA awards, the level of influence the BEA Program may have had on the community development finance and related activities undertaken by program participants, and to determine how the awardees allocate award dollars.

The uses that BEA applicants project for potential BEA awards vary to a large extent by type of bank, although the most common use is subsidizing operating expenses for current and future community development activities.

The 2002 BEA Survey also indicated that the BEA Program prompts banks to offer innovative products and services that they would not have, but for the program. Twenty out of 106 BEA applicants surveyed (19 percent) indicated that they offered new, innovative products or services due to the prospect of receiving a FY 2002 BEA Program Award.

Results of this survey also indicate that the BEA Program serves to channel investments into CDFIs, allows banks and thrifts to make loans to and investments in CDFIs in larger dollar amounts and with more favorable rates and terms then they otherwise would have made, and that program dollars are used to further support community development activities.

NEW MARKETS TAX CREDIT PROGRAM

On December 21, 2000, the Community Renewal Tax Relief Act of 2000 was signed into law. This landmark legislation includes the New Markets Tax Credit (NMTC) Program, which is designed to spur the investment of $15 billion in new private capital into a range of privately managed investment vehicles that will make loans and equity investments in New Markets businesses located in and serving economically distressed places.

The NMTC Program permits taxpayers to receive a credit against Federal income taxes for making qualified equity investments in designated Community Development Entities (CDEs). Substantially all of the qualified equity investment must in turn be used by the CDE to provide investments in low-income communities. The credit provided to the investor totals 39 percent of the cost of the investment and is claimed over a seven-year credit allowance period. In each of the first three years, the investor receives a credit equal to five percent of the total amount paid for the stock or capital interest at the time of purchase. For the final four years, the value of the credit is six percent annually. Investors may not redeem their investments in CDEs prior to the conclusion of the seven-year period.

In order to be certified as a CDE, an organization must be a legally established entity that: 1) has a mission of serving, or providing investment capital for, low-income communities or low-income persons; 2) maintains accountability to residents of low-income communities through their representation on a governing board or advisory board to the entity; and 3) has been certified as a CDE by the CDFI Fund. As of September 30, 2002, 558 organizations have been certified as CDEs by the CDFI Fund.

Low-income communities include census tracts with at least a 20 percent poverty rate or where the median family income is below 80 percent of the area median family income. About 40 percent of census tracts in the nation qualify for this status.

Throughout the life of the NMTC Program, the Fund is authorized to allocate to CDEs the authority to issue to their investors tax credits which will support equity investments up to an aggregate amount of $15 billion.

AMOUNT OF ANNUAL EQUITY TO BE RAISED FROM TAX CREDIT ALLOCATION AUTHORITY

Fiscal Year	Annual Equity To Be Raised
2002	$2,500,000,000
2003	1,500,000,000
2004	2,000,000,000
2005	2,000,000,000
2006	3,500,000,000
2007	3,500,000,000
	$15,000,000,000

The Fund published its first annual NMTC Program Notice of Allocation Availability (NOAA) in the *Federal Register* on June 11, 2002. The NOAA invited CDEs to compete for tax credit allocations in support of an aggregate amount of $2.5 billion in qualified equity investments in CDEs. Demand for the tax credits was high, as $26 billion in tax credits were requested from 346 applications from 46 states and the District of Columbia. The deadline for receipt of applications was August 29, 2002. The initial allocations of New Market Tax Credits are expected to be awarded by the Fund in early calendar year 2003.

NATIVE AMERICAN LENDING STUDY

In the Community Development Banking and Financial Institutions Act of 1994, Congress found that many of the Nation's urban, rural and Native American communities face critical social and economic problems arising in part from the lack of economic growth, people living in poverty, and the lack of employment and other economic opportunities. Indeed, many communities located on Indian Lands face economic and social challenges that place them significantly behind the rest of the U.S. economy. This legislation required the CDFI Fund to conduct a study of lending and investment practices on Indian reservations and other lands held in trust by the US. The purpose of the study was to identify barriers to private financing on such lands and identify the impact of such barriers on accessing capital and credit for Native American, Alaska Native, and Native Hawaiian populations.

The study was conducted from FY 1999 through FY 2001. It was designed to produce a broad qualitative review of the state of lending and investment on Indian Lands and Hawaiian Home Lands. To perform the study, the Fund convened 13 regional and two national workshops involving Tribal, Alaska Native, and Native Hawaiian leaders and economic development professionals, Native American, Alaska Native, and Native Hawaiian business people, private investors and bankers, federal and state government officials and other stakeholders. Participants discussed the major barriers to Native American, Alaska Native, and Native Hawaiian access to capital and developed strategies and actions to overcome these barriers.

In addition to workshops, the Fund conducted a financial survey of Tribal and Alaska Native government housing and economic development directors, Native Hawaiian economic development professionals and commercial banks located on or near Indian Lands, to identify the barriers to lending and providing financial services on Indian and Hawaiian Home Lands.

Some examples of the difficulty in obtaining access to capital and financial services were provided by respondents to the financial survey as follows:

- 65% of the respondents to the survey reported that conventional mortgages were difficult or impossible to obtain;
- Business loans were rated as impossible to obtain by 24% of respondents and as difficult to obtain by 37% of the respondents;
- Larger business loans (over $100,000) were rated as either difficult or impossible to obtain by 67% of respondents; and
- Private equity investments were rated as either difficult or impossible to obtain by 66% of all respondents.

STUDY RESULTS

The study identified 17 national barriers to capital access relating to the following areas:

- Legal Infrastructure
- Federal and Tribal governmental operations
- Capital Access
- Financial and Physical Infrastructure
- Education and Cultural Differences

For each barrier identified the study also identified at least one potential remedy. The study includes next step initiatives for each of the stakeholders in the process. Examples of these initiatives include reaching out to federal agencies and private financial organizations to explore options and feasibility of establishing a public-private equity fund and working with bank regulators and lending institutions to see how banking services can be improved on Indian reservations and Alaska Native villages. Improvement of banking services may include exploring alternatives for bank underwriting criteria and the establishment of additional financial institutions in reservations and villages.

A copy of the final Native American Lending Study report can be found at the following web address: *www.cdfifund.gov/docs/2001_nacta_lending_study.pdf*

STEPS TAKEN

In response to the issues raised by the Fund's Native American Lending Study, the Fund designed two initiatives; the Native American CDFI Technical Assistance (NACTA) Component; and the Native American Training Program. These initiatives are designed to improve the availability of credit for Native Americans, Alaska Natives, and Native Hawaiians and particularly the 20.7% of the nation's 2.47 million Native Americans that live on federal and state reservations, and trust lands.

The objective of the NACTA program is to help Native American, Alaska Native, and Native Hawaiian communities develop CDFIs to serve their communities and to enhance the capacities of existing and start-up CDFIs to better serve these communities. Applications for competitive grant funding under NACTA were received by January 24, 2002 and were awarded in July of 2002. The Fund made 38 awards under NACTA and awarded $2.7 million in capacity building technical assistance grants. Most of these awards were made to organizations located on reservations or trust land. NACTA is unique among the Fund's award programs in that the Fund is able to provide assistance to not only currently incorporated entities that are, or will likely qualify as, CDFIs but may also consider applications from Native American entities, or others with Native American partners, proposing to create a CDFI to serve a native community.

The Native American Training program consists of two courses expressly designed to guide Native American communities to building CDFIs. One course will help the Native American, Alaska Native, and Native Hawaiian communities determine if a CDFI is needed and, if so, what kind of CDFI would be most appropriate for the needs of their communities. This course will be provided in both an on-line format and traditional classroom settings. The second "course" is a skill development institute, intended to build a cadre of well-trained individuals prepared to lead or play key roles in CDFIs serving Native American, Alaska Native, and Native Hawaiian communities. The training institute is expected to last about one-year and involve intensive training. Classroom training will be supplemented with on-line resources and on-site technical assistance. The Fund has issued a formal request for quotations to procure technical support services to develop, conduct, and administer training courses designed to promote CDFIs for Native American, Alaska Native, and Native Hawaiian communities. Contract awards for the training courses are expected to be made in FY 2003.

POLICY AND RESEARCH INITIATIVES

In FY 2002, the Fund's Financial Strategies and Research Unit (FS&R) embarked on several key initiatives to help the CDFI Fund better target its limited resources.

TARGETING FUNDING AND STRATEGIC INITIATIVES

Strategic Planning — FS&R led the Fund's strategic planning process which successfully shifted the Fund's performance plan from one that measures outputs such as the number of awards made, to a plan that measures community development impact, such as jobs created and affordable housing units financed by Fund awardees. This plan measures the community development benefits resulting from the Fund's investments.

Improved Targeting — The Fund has adopted the term "Hot Zones" to describe those areas of greatest distress within the Fund's eligible investment areas. The CDFI Fund plans to give funding priority to applicants that target Hot Zones, thereby focusing the Fund's limited resources to the areas of greatest economic need.

Secondary Market Study — The CDFI Fund is conducting a study to explore the possibility of expanding the secondary market for CDFI loans. Selling loans on the secondary market, while common among traditional lenders, is not a general practice among CDFIs. In fact, very few CDFIs have engaged in loan sales to date. If CDFI loans can be made attractive to potential investors at a reasonable price, the CDFI industry will gain a major source of private sector capital that is likely to grow with the industry's needs and will limit the CDFIs need for ongoing re-capitalization. The Fund's study examines the current and future capital needs of CDFIs, and will make recommendations on how the Fund can promote the secondary market for CDFI loans.

IMPROVED PERFORMANCE MEASURE REPORTING

PLUM — To better manage its portfolio and to better target its resources, the Fund is developing a performance rating system that will rank CDFIs according to their overall financial strength and their potential for creating community development impact. The PLUM rating system will assess the CDFI's quality in four components: **P**erformance effectiveness/ community development impact; **L**everage, liquidity and solvency; **U**nderwriting; and **M**anagement. The Fund plans to use PLUM to monitor its portfolio of awardees and to assist in its underwriting of future CDFI awards. Additionally, it will use PLUM to conduct targeted analyses on its portfolio and highlight best practices that can be shared with the CDFI field.

Geo-Analysis — In FY 2001, FS&R acquired the software and human resources needed to map CDFI activities. This capability allows the Fund to analyze CDFIs' activities relative to local demographics, the presence of traditional financial institutions, and other socio-economic factors. It also allows for the measurement of the coverage of certified CDFIs/CDEs, awardees, and allocatees, another tool in the Fund's efforts to improve targeting to areas of greatest economic need.

Data Collection — FS&R began developing a system to collect transaction-level data from Fund awardees. This data will demonstrate the location of each loan, the characteristics of each borrower, and the community development outcomes associated with each loan made by a CDFI or CDE. The Fund will use this data to measure, with significantly greater precision, the community development impact of CDFIs and CDEs. The Fund plans to contract out the development of a transaction-level data collection system that minimizes the reporting burden on CDFIs and CDEs. This system will become the Fund's primary data collection vehicle for the CDFI and NMTC programs.

STATUS OF FINANCIAL MANAGEMENT

This section includes the assurance statement required under the Federal Managers' Financial Integrity Act, a summary of the results of the FY 2002 financial statement audit, a summary of the financial management initiatives of the Fund during FY 2002, and a discussion of our financial position and results of operations during the past fiscal year.

FEDERAL MANAGERS' FINANCIAL INTEGRITY ACT ANNUAL ASSURANCE STATEMENT

DEPARTMENT OF THE TREASURY COMMUNITY DEVELOPMENT FINANCIAL INSTITUTIONS FUND ANNUAL ASSURANCE STATEMENT FOR FY 2002

As the Director of the Community Development Financial Institutions Fund, I have established internal controls that enable me to provide reasonable assurance that laws and regulations are followed; programs achieve their intended results free from waste and mismanagement and resources are used consistently with our overall mission. Furthermore, continuity of operations planning in critical areas is sufficient to reduce risk to a reasonable level. With the exception of certain performance information that is provided by program awardees, performance data is reliable. I base my assurance on internal evaluations, management assessments and the results of our prior and current year financial statement audits. Also, I can provide reasonable assurance that the objectives of Sections 2 and 4 of the Federal Managers' Financial Integrity Act were achieved.

In addition, the fund substantially complies with the requirements of the Federal Financial Management Improvement Act. The Fund's financial management systems substantially comply with the federal financial management systems requirements, applicable accounting standards, and use the United States Standard General Ledger at the transaction level

Tony T. Brown

Tony T. Brown
Director

Description of the CDFI Fund Financial Management System — Since the inception of the Fund, accounting services have been contracted under a franchise agreement to the Bureau of the Public Debt's Administrative Resource Center (ARC) in Parkersburg, West Virginia. While the ARC maintains the accounting system relating to the Fund's transactions, the Fund is responsible for generation of all source documents and the accuracy of all accounting information.

The Fund's Financial Management System includes the records and transactions maintained by ARC in their Federal Financial System (FFS), as well as procedures performed by the Fund's financial management staff in Washington, D.C. The Fund's financial management staff is directly responsible for the administrative control of its funds; financial planning, budget formulation, and execution; and review and analysis of financial information.

RESULTS OF FY 2002 FINANCIAL STATEMENT AUDIT

The Fund received an unqualified opinion on its FY 2002 financial statements. In addition, the auditors did not identify any material weaknesses, reportable conditions, nor any areas of non-compliance with laws and regulations.

FY 2002 FINANCIAL MANAGEMENT

Information Technology (IT) — The Fund's major financial management initiative consists of its "electronic handbooks" project. The objective of this project is to enable Fund applicants to submit their application for an award or allocation of tax credits on-line, which will save applicants time in preparing the application, reduce delays in transmitting this information to the Fund, and enable the Fund to compile and monitor application information electronically.

During FY 2002, the Fund completed the phase of the system enabling applicants for an allocation of tax credits under the New Markets Tax Credit Program to submit their applications on-line. This phase was implemented with great success with the following results:

- It enabled all applicants to submit their applications on-line, gave them the ability to save information entered and come back to it at their convenience, and to electronically use the help tool to complete their applications;
- enabled the Fund to track the status of each application during the entire application preparation process;
- electronically time-and date-stamped all applications submitted, enabling the Fund to ascertain the exact time each application was submitted; and
- disabled the ability to submit an application once the deadline for submission had passed.

The system was able to document the reasons for non-acceptance of any application and to compile statistical information on all completed applications submitted, and on those prepared but not submitted timely.

For FY 2003, the Fund plans on rolling out the electronics application system for the remaining Fund programs.

Planned IT Initiatives — During FY 2002, Fund management identified other IT initiatives. Most of these initiatives are designed to provide the Fund with important information regarding the specific uses of the Fund's awards and the related impacts. The major projects are as follows:

1. **Identification of Hot Zones on the Fund's web site:** "Hot Zones" is the term used by the Fund to identify counties and census tracts with the greatest community development need, least banking services availability, and least Awardee coverage. The intent is to give priority to those CDFI Program awards which target Hot Zones, so that the Fund's dollars benefit those with the greatest need. The IT initiative in this area consists of reflecting Hot Zone information on the Fund's web-site to enable applicants to correctly identify these areas in their applications.

2. **Geocoding:** In FY 2001, the Fund acquired the software needed to map CDFI activities. With this software the Fund will be able to analyze CDFIs' activities relative to local demographics, the presence of traditional financial institutions, and other socio-economic factors. It also allows for the measurement of the coverage of certified CDFIs/CDEs, awardees, and allocates, another tool in the Fund's efforts to improve targeting to areas of greatest economic need. Additional IT costs will be incurred over the next two fiscal years to augment this software and utilize it for its intended purpose.

3. **Ranking of CDFIs:** The Fund will be developing software during FY 2003 which will rank CDFIs according to their overall financial strength and their potential for creating community development impact. This methodology, called PLUM, is discussed in more detail in the Policy and Research Initiatives section of this report.

4. **Compliance with Presidential Management Agenda Initiatives:** The President has initiated a number of initiatives designed to streamline the grant application and monitoring process. One main objective of these initiatives is to avoid requiring an applicant for Federal funds from providing the same information to various grant-making agencies. The Fund participates in the government-wide task force on E-grants, and is also implementing other procedures to enable it to meet these objectives.

MANAGEMENT RESPONSIBILITIES

CDFI Fund management is responsible for the fair presentation of information contained in the principal financial statements in conformity with accounting principles generally accepted in the United States of America. Management is also responsible for the fair presentation of the Fund's performance measures in accordance with the Office of Management and Budget requirements. The quality of the Fund's internal control structure rests with management, as does the responsibility for identification of and compliance with applicable laws and regulations.

LIMITATIONS OF THE FINANCIAL STATEMENTS

The financial statements included as part of this report present the financial position and results of operations of the Community Development Financial Institutions Fund for the years ended September 30, 2002, and 2001 in conformity with accounting principles generally accepted in the United States of America. The statements are different from the financial reports used to monitor and control budgetary resources that are prepared from the same records and are subsequently presented in federal budget documents. Therefore, readers are advised that direct comparisons are not possible between figures found in the financial statements and similar financial concepts found in the FY 2001 Budget of the United States Government.

ANALYSIS OF FINANCIAL POSITION AND RESULTS OF OPERATIONS

SUMMARIZED FINANCIAL DATA

(amounts in millions)

	FY 2002	FY 2001
Assets	$191	$231
Liabilities	$65	$84
Net Position	$126	$147
Revenue and Financing Sources	$101	$111
Expenses	$101	$112
(Shortage) of Revenue and Financing Sources Over Expenses*	($.4)	($.3)

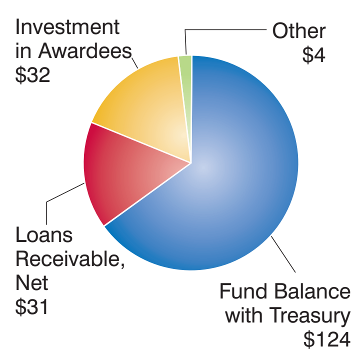
** With the exception of this line item, all other amounts are rounded to the nearest $1 million since amounts less than this are not considered significant.*

Assets — Assets decreased significantly during the year, from $231 million at the beginning of the year to $191 million at year-end. This $40 million decrease consisted primarily of a $60 million decrease in Fund Balance with Treasury offset by an increase in loans receivable of $13 million and an increase in investments of $6 million.

Any change in Fund Balance with Treasury during the year results from the difference between the amount of appropriated funds received during the year (including amounts borrowed) and the amount expended. FY 2002 marked the first year in the Fund's history that the amount of appropriated funds received was less than the amount expended. This $60 million decrease occurred primarily for two reasons: 1) the amount of appropriated funds received during the year was the lowest since FY 1998, and 2) during FY 2002 Fund management made it a priority to disburse awards as quickly a possible, including significantly reducing the amount of prior year undisbursed awards. The Fund was successful with this initiative: FY 2002 was the first year in which a significant amount of current year awards were disbursed prior to year end, and the amount of prior year undisbursed awards was also significantly reduced. This success was accomplished by contacting awardees with undisbursed award balances and encouraging them to obtain the necessary matching funds so that they could then draw down undisbursed amounts. The Fund considers an awardees ability to obtain matching funds on a timely basis to be extremely important: FY 2002 marks the first year in which applicants' prior success in obtaining matching funds on a timely basis was used as one criteria for determining which applications to approve.

The allocation of CDFI program awards for loans, investments, and grants during any given year is based primarily on the type of matching funds an awardee is able to obtain. Accordingly, while it's expected that the amount of loans receivable and investments will increase annually, the specific amount of the increase is outside the control of the Fund. In addition, most of the loans made

Allocation of Fund Assets September 30, 2002 (amounts in millions)



by the Fund do not require annual principal payments (most require payment of principal at loan maturity); accordingly, the amount of loan awards made by the Fund on an annual basis will exceed the amount of principal repayments required on existing loans. Therefore, the Fund's loan and investment portfolios increased collectively by $19 million this past year and should continue to increase in the future.

Liabilities — The decrease in liabilities during the year of $19 million consisted of a decrease in awards payable of $26 million, offset by an increase in debt of $7 million.

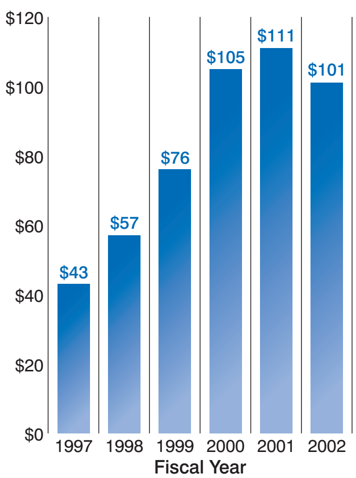
The $19 million reduction relates primarily to a reduction in the amount of undisbursed BEA awards (these awards are recorded as a liability at the time of award). The amount of FY 2002 funding used for the BEA program was significantly less than the amount in prior years, and this coupled with the Fund's initiative of reducing the amount of prior year undisbursed awards had the effect of significantly reducing awards payable.

The increase in debt of $7 million relates to additional borrowings (net of repayments) necessary to fund the amount of loans made during the year to awardees (the amount of loans made to awardees is funded by borrowings from Treasury and from an annual appropriation from Congress).

Net Position — Net position decreased during the year by $21 million. Net position will change during the year as a result of the following: 1) the difference between appropriations received and appropriated capital used (and less appropriations cancelled); and 2) to the extent of the excess or shortage of revenue and financing sources over expenses. During FY 2002, appropriations received totaled $80 million, appropriated capital used totaled $100 million, and appropriations cancelled were $1 million. These amounts result in the decrease of $21 million. The shortage of net revenue and financial sources over expenses contributed an additional $.4 million of the decrease.

Revenue and Financing Sources, Expenses, and Shortage of Revenue and Financing Sources Over Expenses — Pursuant to grant accounting requirements, the amount of appropriated capital used (the largest component of the Fund's revenue) is generally equal to the amount of operating expenses for the year. Accordingly, in any given year, the shortage of revenue and other financing sources over expenses will generally be the amount that interest expense exceeds investment income, adjusted for any change in accrued annual leave (a non-funded expense). It's for this reason that the shortage of revenue over expenses in any given year will be most affected by the difference between the interest rate the Fund pays on borrowings from Treasury compared to the rate the Fund charges on its loans to awardees. This is evidenced by a comparison of the total FY 2002 expenses of $101 million to the FY 2001 expenses of $112 million: this difference does not translate into any significant change in the shortage of revenue and other financing sources over expenses for these two years.

Revenue and Financing Sources (amounts in millions)



The change in the Fund's operating expenses during FY 2002 consisted of the following:

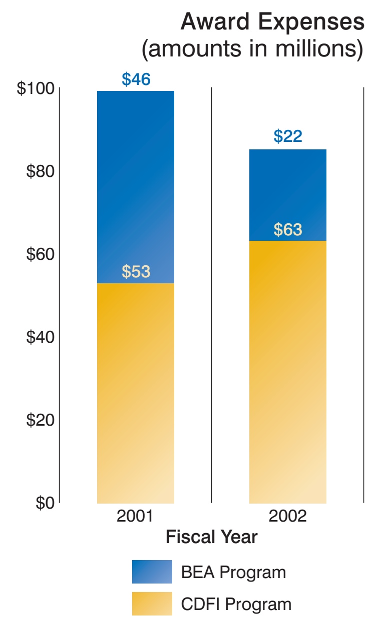
COMPARISON OF OPERATING EXPENSES

(amounts in millions)

	FY 2002	FY 2001	Difference
Award Expenses	$85	$99	($14)
Administrative Expenses	10	9	1
Bad Debt Expense	4	2	2
	$99	$110	($11)

The decrease in award expenses of $14 million during the year consisted of an increase in CDFI Program grant expense of $10 million, offset by a reduction in BEA Program expense of $24 million.

This difference relates to the accounting requirements for recognition of an expense between these two programs. Under the CDFI Program, grant expenses are recognized at the time grants disbursements are approved. CDFI Program grant expenses increased during the year because the Fund made it a priority to reduce the amount of prior year undisbursed grants and accelerated the disbursement of current year grants. Unlike the CDFI Program, BEA Program expenses are recorded at the time the awards are approved. The amount of FY 2002 BEA awards was approximately $24 million less than the prior year, which is why the related expense is lower by that amount.



REPORTS FROM THE AUDITORS

KPMG

2001 M Street, N.W.
Washington, D.C. 20036

Independent Auditors' Report on Financial Statements

The Inspector General, U.S. Department of the Treasury, and
Director, Community Development Financial Institutions Fund:

We have audited the accompanying statements of financial position of the U.S. Department of the Treasury's Community Development Financial Institutions Fund (the Fund) as of September 30, 2002 and 2001, and the related statements of operations and changes in net position, and cash flows for the years then ended. These financial statements are the responsibility of the Fund's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and applicable provisions of Office of Management and Budget (OMB) Bulletin No. 01-02, *Audit Requirements for Federal Financial Statements*. Those standards and OMB Bulletin No. 01-02 require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the U.S. Department of the Treasury's Community Development Financial Institutions Fund at September 30, 2002 and 2001, and the results of its operations and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards,* we have also issued reports dated November 1, 2002 on our consideration of the Fund's internal control over financial reporting and its compliance with certain provisions of laws and regulations. Those reports are an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Our audits were conducted for the purpose of forming an opinion on the financial statements taken as a whole. The information in the Management Discussion and Analysis and appendices is presented for the purposes of additional analysis and is not a required part of the basic financial statements. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of this information. However, we did not audit this information and, accordingly, we express no opinion on it.

KPMG LLP

November 1, 2002

2001 M Street, N.W.
Washington, D.C. 20036

Independent Auditors' Report on Internal Control over Financial Reporting

The Inspector General, U.S. Department of the Treasury, and
Director, Community Development Financial Institutions Fund:

We have audited the statement of financial position of the U.S. Department of the Treasury's Community Development Financial Institutions Fund (the Fund) as of September 30, 2002, and the related statements of operations and changes in net position, and cash flows for the year then ended, and have issued our report thereon dated November 1, 2002. We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and applicable provisions of Office of Management and Budget (OMB) Bulletin No. 01-02, *Audit Requirements for Federal Financial Statements*.

In planning and performing our fiscal year 2002 audit, we considered the Fund's internal control over financial reporting by obtaining an understanding of the Fund's internal control, determining whether internal controls had been placed in operation, assessing control risk, and performing tests of controls in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements. We limited our internal control testing to those controls necessary to achieve the objectives described in OMB Bulletin No. 01-02, as applicable to the Fund, and *Government Auditing Standards*. We did not test all internal controls relevant to operating objectives as broadly defined by the Federal Managers Financial Integrity Act of 1982. The objective of our audit was not to provide assurance on the Fund's internal control over financial reporting. Consequently, we do not provide an opinion thereon.

Our consideration of internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses, under standards issued by the American Institute of Certified Public Accountants. Material weaknesses are conditions in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements, in amounts that would be material in relation to the financial statements being audited, may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Because of inherent limitations in any internal control, misstatements due to error or fraud may occur and not be detected. We noted no matters involving the internal control and its operation that we consider to be material weaknesses as defined above.

However, we noted other matters involving internal control and its operation that we have reported to the management of the Fund in a separate letter dated November 1, 2002.

This report is intended solely for the information and use of the Fund's management, the U.S. Department of the Treasury Office of Inspector General, OMB, and U.S. Congress, and is not intended to be and should not be used by anyone other than these specified parties.

KPMG LLP

November 1, 2002

2001 M Street, N.W.
Washington, D.C. 20036

Independent Auditors' Report on Compliance with Laws and Regulations

The Inspector General, U.S. Department of the Treasury, and
Director, Community Development Financial Institutions Fund:

We have audited the statement of financial position of the U.S. Department of the Treasury's Community Development Financial Institutions Fund (the Fund) as of September 30, 2002, and the related statements of operations and changes in net position, and cash flows for the year then ended, and have issued our report thereon dated November 1, 2002. We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and applicable provisions of Office of Management and Budget (OMB) Bulletin No. 01-02, *Audit Requirements for Federal Financial Statements*.

The management of the Fund is responsible for complying with laws and regulations applicable to the entity. As part of obtaining reasonable assurance about whether the Fund's financial statements are free of material misstatement, we performed tests of the Fund's compliance with certain provisions of laws and regulations, noncompliance with which could have a direct and material effect on the determination of the financial statement amounts, and certain provisions of other laws and regulations specified in OMB Bulletin No. 01-02, including certain requirements referred to in the Federal Financial Management Improvement Act (FFMIA) of 1996. We limited our tests of compliance to the provisions described in the preceding sentence, and we did not test compliance with all laws and regulations applicable to the Fund. However, providing an opinion on compliance with laws and regulations was not an objective of our audit, and, accordingly, we do not express such an opinion.

The results of our tests of compliance with certain provisions of laws and regulations described in the preceding paragraph, exclusive of FFMIA, disclosed no instances of noncompliance that are required to be reported herein under *Government Auditing Standards* or OMB Bulletin No. 01-02.

Under FFMIA, we are required to report whether the Fund's financial management systems substantially comply with (1) Federal financial management systems requirements, (2) applicable Federal accounting standards, and (3) the United States Government Standard General Ledger at the transaction level. To meet this requirement, we performed tests of compliance with FFMIA Section 803(a) requirements.

The results of our tests disclosed no instances in which the Fund's financial management systems did not substantially comply with the three requirements discussed in the preceding paragraph.

This report is intended solely for the information and use of the Fund's management, the U.S. Department of the Treasury Office of Inspector General, OMB, and U.S. Congress, and is not intended to be and should not be used by anyone other than these specified parties.

KPMG LLP

November 1, 2002

FINANCIAL STATEMENTS AND NOTES

STATEMENTS OF FINANCIAL POSITION

As of September 30, 2002 and 2001

Assets	2002	2001
Current assets:		
Fund balance with Treasury (note 2)	$123,726,588	$184,122,672
Advances and prepayments	2,916,842	3,236,647
Loans receivable, net of allowance for bad debts of $37,645 in 2002 and $200,000 in 2001	112,935	600,000
Investments (note 3)	490,000	—
Interest receivable	145,575	133,480
Other receivables	2,094	—
Total current assets	127,394,034	188,092,799
Long-term assets:		
Loans receivable, net of allowance for bad debts of $10,129,671 in 2002 and $5,525,479 in 2001	30,389,012	16,576,439
Investments, net of fair value adjustments of $750,000 in 2002 and $0 in 2001 (note 3)	31,714,361	26,783,386
Internal-use software, net of accumulated amortization of $15,978 in 2002 and $0 in 2001 (note 4)	814,127	—
Internal-use software in development	230,504	—
Other receivables	37,923	—
Total long-term assets	63,185,927	43,359,825
Total assets	$190,579,961	$231,452,624

Liabilities and Net Position	2002	2001
Current liabilities:		
Accounts payable	$797,007	$728,567
Awards payable	20,865,948	46,619,772
Accrued payroll	124,210	325,957
Accrued annual leave	286,518	249,496
Total current liabilities	22,073,683	47,923,792
Long-term liabilities:		
Debt (note 5)	25,053,861	18,168,568
Awards payable	17,672,487	18,094,366
Total long-term liabilities	42,726,348	36,262,934
Total liabilities	64,800,031	84,186,726
Commitments (note 6)		
Net position (note 7)	125,779,930	147,265,898
Total liabilities and net position	$190,579,961	$231,452,624

The accompanying notes are an integral part of these statements.

STATEMENTS OF OPERATIONS AND CHANGES IN NET POSITION

Years Ended September 30, 2002 and 2001

	2002	2001
Revenue and financing sources:		
Appropriated capital used	$99,821,360	$110,470,623
Interest, non-federal	556,354	318,581
Interest, federal	379,022	380,813
Dividends	134,829	58,592
Total revenue and financing sources	100,891,565	111,228,609
Expenses:		
CDFI grants	62,459,483	52,854,343
BEA grants	22,108,559	46,452,604
Native American Lending Study	—	306,481
Administrative	10,058,485	8,862,850
Bad debt expense	4,441,837	1,971,590
Total operating expenses	99,068,364	110,447,868
Treasury borrowing interest	1,454,455	1,062,015
Unrealized loss on investments	750,000	—
Total expenses	101,272,819	111,509,883
Shortage of revenue and financing sources under expenses	$(381,254)	(281,274)
Changes in Net Position:		
Net position, beginning of year	$147,265,898	$143,243,893
Shortage of revenue and financing sources under expenses	(381,254)	(281,274)
Other changes (note 8)	(21,104,714)	4,303,279
Net position, end of year	$125,779,930	$147,265,898

The accompanying notes are an integral part of these statements.

STATEMENTS OF CASH FLOWS

Years Ended September 30, 2002 and 2001

	2002	2001
Cash flows from operating activities:		
Shortage of revenue and financing sources under expenses	$(381,254)	$(281,274)
Adjustments affecting cash flow:		
Appropriated capital used	(99,821,360)	(110,470,623)
Amortization expense	15,978	—
Unrealized loss on investments	750,000	—
(Increase) decrease in advances and prepayments	319,805	(1,666,392)
(Increase) in interest receivable	(12,095)	(84,976)
(Increase) in other receivables	(40,017)	—
Increase in allowance for bad debts	4,441,837	1,971,590
Increase (decrease) in accounts payable and accrued payroll	(133,307)	5,696
Increase (decrease) in awards payable	(26,175,703)	8,604,758
Increase (decrease) in accrued annual leave	37,022	(22,755)
Net cash used by operating activities	(120,999,094)	(101,943,976)
Cash flows from investing activities:		
Investments in awardees	(6,170,975)	(2,460,039)
Acquisition of internal-use software	(1,060,609)	—
Loans disbursed	(18,763,436)	(8,010,000)
Collection of loan principal	996,091	123,639
Net cash used by investing activities	(24,998,929)	(10,346,400)
Cash flows from financing activities:		
Appropriations received	80,000,000	118,000,000
Appropriations cancelled	(1,275,354)	(2,963,098)
Appropriations rescinded	(8,000)	(260,000)
Appropriations transferred (out)	—	(3,000)
Borrowings from Treasury	7,857,901	3,435,945
Repayments to Treasury	(972,608)	(239,084)
Net cash provided by financing activities	85,601,939	117,970,763
Net change in Fund balance with Treasury	(60,396,084)	5,680,387
Fund balance with Treasury, beginning of year	184,122,672	178,442,285
Fund balance with Treasury, end of year	$123,726,588	$184,122,672

The accompanying notes are an integral part of these statements.

NOTES TO FINANCIAL STATEMENTS

September 30, 2002 and 2001

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Reporting Entity

The Community Development Financial Institutions Fund (the Fund) was created as a bi-partisan initiative in the Riegle Community Development and Regulatory Improvement Act of 1994 (Public Law No. 103-325). The 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. The Fund was placed in the Department of the Treasury and began operations in July 1995.

The 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 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 major programs operated by the Fund are the Community Development Financial Institutions (CDFI) Program, the Bank Enterprise Awards (BEA) Program and the New Markets Tax Credit (NMTC) Program. 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 take the form of grants, direct loans, equity investments, and 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 disbursed only after the activities have been implemented successfully, to ensure that only completed activities are recognized and that the Fund's limited dollars are effectively leveraged with private capital.

The Fund implemented the NTMC Program during FY 2002. Under this program, the Fund provides an allocation of tax credits to Community Development Entities (CDEs), which use these credits to attract private sector investment. Proceeds from these investments are used for community development purposes. Unlike the Fund's grant programs, the allocation of tax credits to CDEs has no effect on the financial statements of the Fund.

(b) Basis of Presentation

The Fund has historically prepared its financial statements in accordance with generally accepted accounting principles, based on accounting standards issued by the Financial Accounting Standards Board (FASB), the private-sector standards-setting body. In October 1999, the American Institute of Certified Public Accountants (AICPA) designated the Federal Accounting Standards

Advisory Board (FASAB) as the standards-setting body for financial statements of federal government entities, with respect to the establishment of generally accepted accounting principles. FASAB has indicated, however, that financial statements prepared based upon accounting standards published by the FASB may also be regarded as in accordance with generally accepted accounting principles for those federal entities, such as the Fund, that have issued financial statements based upon FASB accounting standards in the past. Accordingly, consistent with historical reporting, the Fund financial statements are presented in accordance with accounting standards published by the FASB.

(c) Fund Balance with Treasury

The Fund does not maintain cash in commercial bank accounts. The U.S. Department of the Treasury (Treasury Department) processes cash receipts and disbursements. Fund Balance with Treasury is composed primarily of appropriated and borrowed funds (financing and program accounts) that are available to pay liabilities and finance authorized award and purchase commitments.

(d) Fair Value of Financial Instruments

The fair value of the Fund's financial instruments was determined as discussed below:

1) Fund balance with Treasury

The carrying amount approximates fair value for Fund balance with Treasury because of the liquid nature of the funds with Treasury.

2) Loans Receivable and Debt

The carrying amount of loans receivable and debt approximates fair value because the related interest rates approximate current rates for similar loans and debt.

3) Investments

None of Fund's investments are in publicly traded entities for which a share price can be readily obtained, accordingly, the Fund estimated the fair value of investments as follows:

- Non-voting equity securities and limited partnership interest – Several factors were considered in estimating fair value for these investments, including, the cost of the investment, developments since the acquisition of the investment, the financial condition and operating results of the investee per their financial statements, the long-term potential of the business, recent share or unit prices paid, and other factors generally pertinent to the valuation of investments. The Fund, in making its evaluation, has relied on financial data of awardees and, in many instances, on estimates by the management of the awardees as to the potential effect of future developments.
- Convertible debt securities – Fair values were estimated using the same methodology as used for non-voting equity securities described above, based on the assumption that the securities were converted into stock.

- Secondary capital securities – These investments have terms similar to loans, and accordingly fair values were estimated by discounting future projected cash flows at the Treasury rate of securities with similar maturities.
- Certificates of deposit – The carrying amount approximates fair value because of the liquid nature of the investments.

4) Advances and Prepayments, Interest Receivable, Other Receivables, and Other Liabilities

The carrying amount of advances and prepayments, interest receivable, other receivables, and other liabilities approximate fair value as they represent the amounts expected to be realized or paid.

(e) Loans Receivable

The Fund provides assistance by making direct loans to certain CDFI Program awardees. Loans are reported as receivables when disbursed, reduced by a 25% default allowance. The Office of Management and Budget negotiated a 25% default allowance with the Fund to estimate future losses if adequate historical information is not available. Historical information is not available, and will not be available for some time due to the following: 1) the short length of time the loans have been outstanding; and 2) the majority of loans made by the Fund require either balloon payments at maturity, or principal payments commencing shortly before the maturity date. The borrowers, in accordance with the repayment schedules, have made timely interest and principal payments and there have not been any write-offs to date.

(f) Interest Receivable

Interest is accrued on the outstanding loan receivable principal balances and investments based on stated rates of interest.

(g) Investments

The Fund provides assistance to certain for-profit CDFI program awardees by purchasing non-voting equity and convertible debt securities and to Federal credit union awardees by purchasing certificates of deposit and by providing secondary deposits. Investments in CDFI program and Federal credit union awardees are stated at fair value. In the event the Fund's evaluation results in an adjustment to fair value, an unrealized gain or loss is recorded and the investment balance is adjusted accordingly.

The Fund is restricted from owning more than 50% of the equity of awardees and from controlling their operations. The Fund considers convertible subordinated debentures to be equity investments because they exhibit sufficient characteristics of equity securities. For example, convertible subordinated debentures entitle the Fund to any dividends in the non-voting common stock into which it is convertible as if the Fund had converted the debentures into such stock prior to the declaration of the dividend.

(h) Internal-Use Software

Internal-use software represents the completed phases of the electronic handbooks software (net of accumulated amortization) placed in service as of September 30, 2002. The electronic handbooks software will be used to automate the administration of the Fund's award programs and will contain several separate phases.

The software is amortized using the straight-line method over the estimated useful life of seven years.

Internal-use software in development represents costs incurred for phases of the electronics handbooks software not yet placed in service.

(i) Awards Payable

CDFI Program grant expense is recognized and awards payable are recorded when the fund is made aware, in writing, that the awardee has met the conditions required for payment and the Fund approves a grant disbursement to be made. BEA Program grant expense is recognized and awards payable are recorded when the Fund approves the BEA award to be made (i.e. at the time the funds are obligated).

The current and long-term portions of awards payable represent amounts estimated to be paid within the next twelve months (current portion) and thereafter (long-term portion) based on prior award payment experience.

(j) Retirement Plans

CDFI Fund employees participate in the Civil Service Retirement System (CSRS) or the 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, were provided an opportunity 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 Fund makes a mandatory 1% contribution to this account. In addition, the Fund makes matching contributions ranging from 1% to 4% 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 Fund remits the employer's share of the required contribution. For CDFI Fund employees participating in CSRS, the Fund makes matching contributions to CSRS equal to 8.51% of base pay.

(k) Annual, Sick and Other Leave

Annual leave and compensatory leave is accrued as a liability when earned by the employee, 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.

(l) Debt

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

(m) Contingencies

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

(n) Revenue and Financing Sources

The Fund receives the majority of its funding through appropriations from the U.S. Congress. The Fund receives two-year appropriations that may be used, within statutory limits, for operating expenses. Appropriations are recognized as revenues at the time the Fund's grants are recorded as liabilities, and when administrative expenses and provision for bad debts covered by budgetary resources are incurred.

Occasionally, the Fund receives dividends on its equity investments and may use those funds for operating expenses. Additional revenue is obtained from interest received on direct loans to the public and on uninvested funds in the direct loan financing account held by the Treasury Department.

(o) Tax Status

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

(p) 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, 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.

(2) FUND BALANCE WITH TREASURY

Fund balance with Treasury as of September 30, 2002 and 2001 consisted of the following components:

	2002	2001
Available	$ 6,133,006	$4,981,079
Obligated	114,194,550	177,158,319
Expired	3,399,032	1,983,274
	$123,726,588	$184,122,672

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

(3) INVESTMENTS

Investments relate to capital provided to CDFI Program awardees. The Fund is prohibited from owning more than a 50 percent interest in any awardee, and controlling the operations of any awardee.

Investments consist of the following as of September 30, 2002 and 2001:

	2002	2001
Non-voting equity securities	$23,590,479	$19,519,504
Convertible debt securities	2,573,882	2,573,882
Secondary capital securities	3,150,000	1,150,000
Limited partnership interest	2,750,000	2,000,000
Certificates of deposit	890,000	1,540,000
Investments at cost	32,954,361	26,783,386
Unrealized gains (losses), net		
Non-voting equity securities	(287,544)	—
Debt securities	(207,286)	—
Secondary capital securities	(255,170)	—
Total unrealized gains (losses), net	(750,000)	—
Investments at fair value	$32,204,361	$26,783,386

Non-voting equity securities consist of non-voting common stock held in for-profit CDFI Program awardees (preferred non-voting stock is held in one awardee).

Debt securities consist of non-interest bearing convertible subordinated debentures. As of September 30, 2002 and 2001, one debenture of $2 million matures January 2048 with the option to convert into 200,000 shares of non-voting class B common stock at a $10 per share conversion price. The other debenture of $573,882 as of September 30, 2002 and 2001, matures December 2013 with an option to convert to 1,434,706 shares of non-voting class E common stock.

The Limited Partnership interest consists of a Class B limited partnership interest in Sustainable Jobs Fund, LP and three units of preferred interest in Shorebridge Capital LLC.

Secondary capital securities consist of investments that cannot be redeemed prior to scheduled redemption dates.

Certificates of deposits are investments in federal credit union awardees, and have interest rates ranging from 0 percent to 3 percent.

Investments included as current assets represent certificates of deposit that mature within the next twelve months.

(4) INTERNAL-USE SOFTWARE, NET

The components of internal-use software as of September 30, 2002 and 2001 are as follows:

	2002	2001
Internal-use software	$830,105	—
Accumulated amortization	(15,978)	—
Internal-use software – net	$814,127	—

Internal-use software in development represents the cost of software being developed not yet placed in service.

(5) DEBT

Debt consists of amounts borrowed from the U.S. Treasury Department and included the following activity for the years ended September 30, 2002 and 2001:

	2002	2001
Beginning balance	$18,168,568	$14,971,707
New borrowings	7,857,901	3,435,945
Repayments	(972,608)	(239,084)
Ending balance	$25,053,861	$18,168,568

The earliest principal repayment due date to Treasury is September 30, 2008.

During fiscal year 2002, the Fund borrowed $7,448,532 to finance current year direct loan commitments and $409,369 to meet annual interest payments due to the Treasury Department, at interest rates ranging from 4.63% to 5.62%, depending on maturity dates. The Fund repaid principal to the U.S. Treasury in the amount of $972,608. The $972,608 was composed of collections of direct loans receivable and a deobligation of a previous loan obligation.

During fiscal year 2001, the Fund borrowed $3,067,896 to finance current year direct loan commitments and $368,049 to meet annual interest payments due to the Treasury Department, at interest rates ranging from 4.76% to 5.75%, depending on maturity dates. Principal of $239,084 was repaid based on collection of direct loans receivable and deobligation of a previous loan obligation.

Interest expense (and interest paid) for the years ended September 30, 2002 and 2001 was $1,454,455 and $1,062,015, respectively.

(6) COMMITMENTS

(a) Operating Leases

The Fund leases office space from the General Services Administration in the Homer Building located in Washington, D.C. under the terms of an operating lease, which expires in January 2007. The Fund also leased equipment under the terms of an operating lease, which expired during fiscal year 2002. The total operating lease expense was $810,936 and $824,883 for the years ended September 30, 2002 and 2001, respectively.

Future minimum payments due under these operating leases as of September 30, 2002 were as follows:

Fiscal Year	Minimum Lease Payments
2003	$1,099,164
2004	1,104,685
2005	1,110,280
2006	1,115,949
2007	303,792
	$4,733,870

(b) Award and Purchase Commitments

As of September 30, 2002 and 2001, award commitments amounted to $87,845,661 and $126,003,904, respectively. Award commitments relate to awards, which were approved by Fund management but not disbursed as of the end of the year. Award commitments relating to the CDFI Program are not considered liabilities at year-end because the awardees have not met the conditions required for payment. Purchase commitments were $885,829 and $2,169,112 as of September 30, 2002 and 2001, respectively. These commitments relate to the unexpired portion of contracts, and purchase orders relating to goods and services not yet received.

(7) NET POSITION

Net position as of September 30, 2002 and 2001 consisted of the following:

	2002	2001
Unexpended appropriations:		
Unobligated available	$ 20,723,326	$21,133,977
Unobligated expired	3,399,032	1,983,274
Undelivered orders	69,781,927	98,358,116
Total unexpended appropriations	93,904,285	121,475,367
Cumulative results of operations	31,875,645	25,790,531
	$125,779,930	$147,265,898

(8) OTHER CHANGES IN NET POSITION

Other changes in net position for the years ended September 30, 2002 and 2001 were as follows:

	2002	2001
Increase:		
Appropriations received	$80,000,000	$118,000,000
Decrease:		
Appropriation Cancelled	(1,275,354)	(2,963,098)
Appropriation Rescinded	(8,000)	(260,000)
Appropriation Transfer	—	(3,000)
Appropriation Used	(99,821,360)	(110,470,623)
Total other changes in net position	$(21,104,714)	$4,303,279

APPENDICES

Appendix A

FY 2002 CDFI FUND AWARD ACTIVITIES

	Core Awards		SECA Awards	
STATE	Number	Amount	Number	Amount
Alabama			1	$50,000
Alaska	1	$1,525,000		
Arizona	1	$1,000,000		
Arkansas				
California	6	$3,712,500	3	$277,000
Colorado	3	$2,572,000	2	$186,700
Connecticut			1	$35,100
Delaware				
District of Columbia	2	$3,000,000	2	$318,200
Florida	2	$2,500,000		
Georgia			1	$97,000
Hawaii			2	$80,000
Idaho				
Illinois	4	$5,263,066	2	$162,000
Indiana			1	$178,500
Iowa	1	$500,000		
Kansas				
Kentucky	1	$500,000		
Louisiana	1	$400,000	2	$204,000
Maine	2	$800,000		
Maryland			1	$160,000
Massachusetts	2	$2,000,000	3	$474,000
Michigan	1	$285,000		
Minnesota	2	$2,100,000	2	$235,000
Mississippi	2	$1,100,000		
Missouri				
Montana	1	$285,000	2	$75,200
Nebraska			1	$170,000
Nevada				
New Hampshire				
New Jersey				
New Mexico	2	$1,750,000		
New York	6	$4,734,400	6	$411,300
North Carolina	1	$520,000	3	$293,840
North Dakota				
Ohio	1	$270,000	2	$400,000
Oklahoma				

NACTA Awards		BEA Awards		Total Awards	
Number	Amount	Number	Amount	Number	Amount
		1	$293,725	2	-
2	$185,250			3	**$1,710,250**
2	$196,000			3	**$1,196,000**
		2	$55,000	2	**$55,000**
1	$68,566	7	$2,936,817	17	**$6,994,883**
1	$70,000			6	**$2,828,700**
				1	**$35,100**
		1	$1,182,500	1	**$1,182,500**
		2	$2,011,000	6	**$5,329,200**
		3	$13,707	5	**$2,513,707**
		1	$815,908	2	**$912,908**
		1	$75,000	3	**$155,000**
				0	**$0**
		9	$3,104,780	15	**$8,529,846**
		1	$55,000	2	**$233,500**
		2	$44,000	3	**$544,000**
1	$25,000	2	$352,000	3	**$377,000**
		1	$16,500	2	**$516,500**
				3	**$604,000**
		1	$37,500	3	**$837,500**
1	$95,040	2	$255,750	4	**$510,790**
		2	$528,000	7	**$3,002,000**
1	$50,000			2	**$335,000**
1	$50,000	2	$406,132	7	**$2,791,132**
		1	$1,220,336	3	**$2,320,336**
		5	$143,000	5	**$143,000**
5	$281,900	1	$18,750	9	**$660,850**
1	$76,000	1	$35,813	3	**$281,813**
		1	$11,000	1	**$11,000**
				0	**$0**
				0	**$0**
		1	$22,000	3	**$1,772,000**
1	$96,000	3	$1,140,275	16	**$6,381,975**
2	$157,450	5	$4,683,375	11	**$5,654,665**
				0	**$0**
		2	$22,000	5	**$692,000**
5	$345,000	2	$385,000	7	**$730,000**

Appendix A *(Continued)*

FY 2002 CDFI FUND AWARD ACTIVITIES

	Core Awards		SECA Awards	
STATE	Number	Amount	Number	Amount
Oregon			1	$185,000
Pennsylvania	2	$2,250,000	5	$871,000
Puerto Rico				
Rhode Island			2	$389,900
South Carolina				
South Dakota	1	$1,000,000	1	$50,000
Tennessee	4	$2,415,000	1	$125,000
Texas	1	$843,000	6	$518,000
Utah			1	$20,000
U.S. Virgin Islands				
Vermont			1	$45,000
Virginia	1	$250,000	2	$179,680
Washington			2	$300,000
West Virginia			1	$194,965
Wisconsin			1	$192,000
Wyoming				
Amounts Awarded to FY 2002 Funding Round Applicants	51	$41,574,966	61	$6,878,385
Above Amount Funded From FY 2001 Funding		($1,393,681)		
Amounts Awarded in FY 2002 to FY 2001 Funding Round Applicants			1	$46,822
Training Contracts Awarded		$118,467		
Total Amounts Funded with FY 2002 Funding	51	$40,299,752	62	$6,925,207

NACTA Awards		BEA Awards		Total Awards	
Number	Amount	Number	Amount	Number	Amount
		1	$1,014,750	2	**$1,199,750**
		5	$285,325	12	**$3,406,325**
				0	**$0**
				2	**$389,900**
				0	**$0**
5	$367,100	3	$105,000	10	**$1,522,100**
1	$95,000	1	$330,000	7	**$2,965,000**
		6	$1,206,160	13	**$2,567,160**
				1	**$20,000**
				0	**$0**
				1	**$45,000**
				3	**$429,680**
3	$262,000			5	**$562,000**
				1	**$194,965**
3	$188,800	3	$211,500	7	**$592,300**
2	$139,753			2	**$139,753**
38	$2,748,859	81	$23,017,603	231	**$74,219,813**
(33)	($2,571,319)		($17,603)	(33)	**($3,982,603)**
				1	**$46,822**
					$118,467
5	$177,540	81	$23,000,000		
		Total Amounts Awarded Using FY 2002 Funding		199	**$70,402,499**

Appendix B
TOTAL FUND AWARDS FROM INCEPTION

STATE	Core and Intermediary Awards	TA/SECA Awards	NACTA Awards	BEA Awards	Total Awards from Inception
Alabama	$145,000	$411,500		$615,075	$1,171,575
Alaska	$7,912,500	$306,000	$185,250	$0	$8,403,750
Arizona	$5,400,000	$147,458	$196,000	$454,780	$6,198,238
Arkansas	$7,200,000	$100,000		$3,914,277	$11,214,277
California	$34,978,614	$1,159,112	$68,566	$31,288,862	$67,495,154
Colorado	$5,497,000	$1,401,700	$70,000	$1,413,500	$8,382,200
Connecticut	$1,758,500	$285,100		$56,125	$2,099,725
Delaware	$645,000	$28,000		$2,459,236	$3,132,236
District of Columbia	$5,835,000	$612,700		$5,208,954	$11,656,654
Florida	$13,730,000	$1,035,950		$6,349,773	$21,115,723
Georgia	$1,771,000	$122,000		$5,155,241	$7,048,241
Hawaii	$1,000,000	$455,800		$913,949	$2,369,749
Idaho	$2,000,000	$200,000		$0	$2,200,000
Illinois	$27,570,501	$1,056,700		$24,358,467	$52,985,668
Indiana	$2,308,000	$262,500		$1,383,651	$3,954,151
Iowa	$3,990,000	$265,050		$497,250	$4,752,300
Kansas	$1,903,000	$200,000	$25,000	$1,336,994	$3,464,994
Kentucky	$12,341,500	$405,000		$2,999,414	$15,745,914
Louisiana	$930,000	$275,000		$1,934,109	$3,139,109
Maine	$9,060,000	$473,365		$1,141,852	$10,675,217
Maryland	$13,065,610	$539,246	$95,040	$1,633,404	$15,333,300
Massachusetts	$15,603,600	$1,347,100		$1,982,130	$18,932,830
Michigan	$4,415,000	$94,000	$50,000	$1,226,686	$5,785,686
Minnesota	$13,058,000	$455,000	$50,000	$563,632	$14,126,632
Mississippi	$8,877,500	$126,500		$1,610,336	$10,614,336
Missouri	$660,000	$99,000		$2,412,642	$3,171,642
Montana	$745,000	$350,500	$281,900	$315,962	$1,693,362

STATE	Core and Intermediary Awards	TA/SECA Awards	NACTA Awards	BEA Awards	Total Awards from Inception
Nebraska	$350,000	$245,000	$76,000	$97,832	$768,832
Nevada	$0	$225,000		$11,000	$236,000
New Hampshire	$7,500,000	$52,000		$1,132,000	$8,684,000
New Jersey	$8,265,000	$454,975		$3,333,630	$12,053,605
New Mexico	$5,590,500	$47,000		$185,705	$5,823,205
New York	$51,845,762	$3,132,280	$96,000	$40,279,230	$95,353,272
North Carolina	$18,940,000	$1,132,799	$157,450	$26,764,049	$46,994,298
North Dakota	$635,000	$0		$0	$635,000
Ohio	$5,335,000	$722,850		$3,164,050	$9,221,900
Oklahoma	$1,668,500	$0	$345,000	$2,353,680	$4,367,180
Oregon	$3,077,000	$273,000		$3,696,997	$7,046,997
Pennsylvania	$28,343,533	$1,773,300		$1,735,477	$31,852,310
Puerto Rico	$300,000	$115,000		$0	$415,000
Rhode Island	$750,000	$389,900		$0	$1,139,900
South Carolina	$500,000	$68,500		$170,197	$738,697
South Dakota	$3,892,000	$541,500	$367,100	$472,500	$5,273,100
Tennessee	$6,415,000	$125,000	$95,000	$2,019,629	$8,654,629
Texas	$10,678,300	$1,684,450		$14,489,242	$26,851,992
Utah $2,000,000	$342,500		$120,000	$2,462,500	
U.S. Virgin Islands	$770,000	$0		$0	$770,000
Vermont	$6,799,500	$378,000		$0	$7,177,500
Virginia	$2,450,000	$886,240		$11,000	$3,347,240
Washington	$5,123,000	$629,500	$262,000	$2,295,626	$8,310,126
West Virginia	$270,000	$269,965		$0	$539,965
Wisconsin	$5,848,000	$293,500	$188,800	$1,677,377	$8,007,677
Wyoming	$0	$0	$139,753	$0	$139,753
TOTALS	**$379,746,419**	**$25,996,540**	**$2,748,859**	**$205,235,522**	**$613,727,340**

Appendix C
GLOSSARY OF TERMS

BANK

Any organization engaged in any or all of the various functions of banking, i.e., receiving, collecting, transferring, paying, lending, investing, dealing, exchanging, and servicing (safe deposit, custodianship, agency, trusteeship) money and claims to money both domestically and internationally. In its more specific sense, the term bank refers to institutions providing deposit facilities for the general public, including insured depository institutions. Banking institutions may be classified into two broad groups: (1) commercial banks and their central banks; and (2) noncommercial bank institutions. Included in the latter group are such institutions as savings and loan associations, mutual savings banks, and credit unions. These institutions are often referred to as thrift institutions, although commercial banks also provide savings and time deposit accounts.

BEA PROGRAM

The Bank Enterprise Award (BEA) Program provides awards to insured depository institutions that increase their level of activities in the form of loans, investments, services, and technical assistance within distressed communities. The program also provides financial assistance to CDFIs through grants, stock purchases, loans, deposits, and other forms of financial and technical assistance. In general, an award is made based on the lender's success in certain BEA Program-qualified activities that were projected in the application for BEA funds. The BEA Program regulations are found at 12 CFR Part 1806.

CDE

Community Development Entity – a duly organized entity treated as a domestic corporation or partnership for federal income tax purposes that (a) has a primary mission of serving, or providing investment capital for, Low-Income Communities or Low-Income Persons; (b) maintains accountability to residents of Low-Income Communities through their representation on any governing board of the entity; and (c) has been certified by the Community Development Financial Institutions Fund (the Fund) of the United States Department of the Treasury.

CDFI

Community Development Financial Institution – a non-governmental 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. 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 the 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.

DISTRESSED COMMUNITY

For the CDFI Program, a group of people living within a geographic area (or areas), including an Indian reservation, that meet certain criteria of economic distress. Determining factors include the percentage of the population living in poverty, median family income levels, unemployment rates, the percentage of occupied substandard housing, and/or the level of an area's population loss.

For the BEA Program, a group of people living within a geographic area (or areas), including an Indian reservation, that meet certain criteria of economic distress. Determining factors include the percentage of the population living in poverty and rates of unemployment.

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).

FINANCIAL SERVICES ORGANIZATION (FSO)

A financial institution that provides a variety of financial services to the public. Under the CDFI and BEA Programs, financial services are defined to include check-cashing, providing money orders and certified checks, automated teller machines, safe deposit boxes, and other comparable services to low- and moderate-income people in distressed communities or enterprises integrally involved with the distressed community.

HOT ZONES

Hot Zones are areas with high levels of distress (i.e., Poverty Rate of at least 20% and the Median Family Income at or below 80% of the Area Median Income, with an Unemployment Rate that is at least 1.5 times the national average. The term identifies areas of the greatest community development need, least banking services availability, and least Awardee coverage. Business Hot Zones are counties and census tracts in Metropolitan Statistical Areas (MSAs) ranked by level of unemployment, median family income, and poverty. Housing Hot Zones are counties and census tracts in MSAs ranked by median family income, poverty, and housing cost burden. Hot Zone counties and census tracts in MSAs are grouped by state. CDFI Program awards target those applicants serving Hot Zones. The request for additional funding relating to the strategic targeting of Hot Zones will take place primarily within the Small Capitalization (SECA) Component of the CDFI Program. This is due to the greater number of awards (both technical and financial assistance) that can be made to the smaller CDFIs, enabling a greater amount of CDFI presence in, and services to, Hot Zones, and the potential to grow these CDFIs into larger organizations to better serve these distressed areas.

NACTA

The Native American CDFI Technical Assistance (NACTA) Component provides awards that can be used for training and other types of technical assistance. Under the NACTA Component, there are three eligible categories of applicants: 1) CDFIs and institutions proposing to become CDFIs that primarily serve a Native American, Alaska Native or Native Hawaiian community; 2) Tribes and Alaska Native Village governments, non-profits and colleges serving a Native American, Alaska Native or Native Hawaiian community; and 3) Technical Assistance Providers, other entities with experience in banking or lending, or other suitable providers in partnership with an entity that primarily serves a Native American, Alaska Native or Native Hawaiian community may apply for TA grants to help them create a CDFI that will serve a Native American, Alaska Native or Native Hawaiian Community.

NMTC

The New Markets Tax Credit Program provides an allocation of tax credits to Community Development Entities (CDEs). The CDEs will in turn provide tax credits to private sector investors in exchange for their investment dollars; investments received by the CDEs will be used to make loans and equity investments in low-income communities.

ROUND

Each application and award is identified with a funding round that corresponds to the year a Notice of Awards Availability (NOFA) is issued. For example, the Fund 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.

SECA/ SMALL CAPITALIZATION COMPONENT

To meet the capacity needs of the smaller CDFIs or entities proposing to become CDFIs. When this component was originally launched in FY 2001, organizations receiving an award were limited to those with less than $5 million in assets, and which had never received a prior financial assistance award from the Fund. The Small Capitalization Component allows for two types of funding requests, one for Technical Assistance (TA) only, and one for TA and Financial Assistance (FA). The TA was a continuation of the basic structure of the Fund's prior TA Component. Applicants for TA only are not limited in assets or other special eligibility requirements. They tend to be significantly smaller than Core applicants. TA awards are made in the form of grants, and are used for training of staff and management, the acquisition of technology to improve operations, and the use of outside experts to build organizational capacity.

TECHNICAL ASSISTANCE

Activities that enhance the capacity of an organization to carry out its business and purpose, such as training of management and other personnel; developing programs and loan or investment loan products; improving financial management and internal operations; and enhancing an organization's community impact.

UNDERSERVED MARKETS

A distressed community or a group of people or entities, not necessarily in one geographic area, that meets the CDFI Fund's criteria of economic distress (see Distressed Community above).

US DEPARTMENT OF THE TREASURY

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