



Director's Report

Community Development Advisory Board Annual Meeting

Since its inception, the Treasury Department's Community Development Financial Institutions Fund (CDFI Fund) has awarded more than \$3.6 billion to community development organizations and financial institutions; guaranteed \$1.6 billion in bonds through the Bond Guarantee Program; and allocated \$61 billion in New Markets Tax Credits. These awards have leveraged billions of dollars in private sector investment and increased the impact of CDFIs, CDEs, and other community-based development organizations by expanding their capacity to deliver the credit, capital, and financial services needed to generate economic opportunity in underserved communities.

The following update on the CDFI Fund's ongoing programmatic and administrative activities supporting increased access to capital and credit in the nation's distressed and underserved communities is provided to the members of the CDFI Fund's Community Development Advisory Board as part of its FY 2020 annual meeting.

BUDGET ACTIVITIES

The CDFI Fund received a total FY 2020 appropriation of \$262 million which includes funding for the discretionary grant programs, administrative support and funding for the Economic Mobility Corps, which is a partnership with the Corporation for National and Community Service to establish a grant program that will place national service members into CDFIs for the purpose of enhancing their financial counseling and empowerment activities. Specifically, the FY 2020 budget provides:

- \$28.5 million for administration. Currently we have 76 full time employees on board in Programs, CCME, IT, OGC, FS&R and Operations. This also covers our continued development of our Awards Management Information System – or AMIS; our contractual obligations, and training and professional development resources.
- Program funding was appropriated as follows:
 - i. \$165.5 million for the Community Development Financial Institutions Program, which includes:
 1. \$4 million for disability funds-financial assistance (DF-FA); and
 2. \$2 million for the Economic Mobility Corp (EMC);

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- ii. \$16 million for the Native American CDFI Assistance Program (NACA Program);
 - iii. \$22 million for Healthy Food Financing Initiatives (HFFI);
 - iv. \$25 million for the Bank Enterprise Award Program (BEA Program); and
 - v. \$5 million for the Small Dollar Loan Program (SDLP).
- In addition, Congress authorized \$500 million in guarantee authority for the CDFI Bond Guarantee Program.
 - The New Markets Tax Credit Program (NMTC Program) is currently authorized to allocate \$5 billion for calendar year (CY) 2020. The NMTC Program was extended for one year, as part of the Taxpayer Certainty and Disaster Tax Relief Act of 2019 (P.L. 116-94) that was enacted in December 2019, and increased allocation authority from \$3.5 billion to \$5 billion.

PROGRAM UPDATE

As the CDFI Fund comes to the end of the fiscal year, our programs are in different stages of their funding round.

- **Bank Enterprise Award Program (BEA Program):** Provides monetary awards to federally-insured banks and thrifts that demonstrate increased lending, investment, and service activities in the most economically distressed communities and/or CDFIs. For FY 2020, \$25 million is available. Applications are currently under review: 144 applicants requested over \$143 million in awards.
- **Capital Magnet Fund (CMF):** Provides awards to CDFIs and non-profit affordable housing organizations for the development, preservation, rehabilitation, and purchase of affordable housing and for related economic development in low-income communities. The CDFI Fund plans to provide up to \$173.8 million in awards for the FY 2020 round. Applications were due July 27, 2020.
- **CDFI Bond Guarantee Program (BG Program):** Provides long-term capital for CDFIs by guaranteeing bonds issued to support CDFIs that make investment for eligible community or economic development purposes. In FY 2020, the BGP has \$500 million in guarantee authority. Applications are currently under review.
- **Community Development Financial Institutions Program (CDFI Program):** Provides Financial Assistance (FA) and Technical Assistance (TA) awards to help certified and emerging CDFIs sustain and expand their services and build their technical capacity. For FY 2020, \$140.9 million is available for CDFI Program Base-FA and TA awards. Applications are currently under review. A total of 337

organizations requested \$337.9 million in CDFI Program FA awards and 153 organizations requested \$19.1 million in CDFI Program TA awards.

- **Healthy Food Financing Initiative-Financial Assistance (HFFI-FA):** Provides Financial Assistance awards to Certified CDFIs that invest in businesses that provide healthy food options, such as grocery stores, farmers markets, bodegas, food co-ops, and urban farms. For FY 2020, \$22 million is available. A total of 28 organizations requested \$84.6 million.
- **Disability Funds-Financial Assistance (DF-FA):** Provides Financial Assistance awards to Certified CDFIs that wish to expand their financing activities and services to benefit persons with disabilities. For FY 2020, \$3 million is available. A total of 24 organizations requested \$10.4 million.
- **Persistent Poverty County-Financial Assistance (PPC-FA):** Provides Financial Assistance awards to Certified CDFIs that provide Financial Products in Persistent Poverty Counties (PPCs). For FY 2020, \$18.1 million is available for CDFI Program and \$1.5 million is available for NACA Program. A total of 191 organizations requested \$55.9 million in PPC-FA awards.
- **Native Initiatives:** Provides training as well as Financial Assistance and Technical Assistance awards through the NACA Program to build the capacity of CDFIs serving Native American, Alaska Native, and Native Hawaiian communities. For FY 2020, \$14 million is available for NACA Base- FA and TA awards. A total of 30 organizations requested \$23.5 million in NACA Program Base-FA awards and 28 organizations requested \$4.1 million in NACA TA awards.
- **New Markets Tax Credit Program:** Provides tax credit allocation authority to certified Community Development Entities (CDEs), enabling them to attract investment from the private sector and reinvest the funds in low-income communities. For CY 2019, 206 CDEs submitted applications requesting \$14.7 billion in tax credit allocation authority. \$3.5 billion in allocation authority was awarded to 76 CDEs. For CY 2020, \$5 billion in allocation authority will be made available in a forthcoming Notice of Allocation Availability.
- **Small Dollar Loan Program (SDLP):** Section 1206 of the Dodd-Frank Act authorized the CDFI Fund to establish the SDLP, which will support CDFI small dollar loan programs for underbanked populations. The SDLP did not receive funding until FY 2020, when the CDFI Fund received \$5 million for the SDLP pursuant to the Consolidated Appropriations Act, 2020 (P.L. 116-93). On July 27, the CDFI Fund published a Request for Information (RFI) seeking stakeholder feedback to inform SDLP

development. The CDFI Fund's RFI will help provide input to support the launch of this program. The CDFI expects to open the inaugural application round for SDLP in FY 2021.

- **Economic Mobility Corps (EMC):** Provided with \$2 million in FY 2020 appropriations, the Economic Mobility Corps will place national service members into CDFIs for the purpose of enhancing their financial counseling and empowerment activities. CNCS and CDFI Fund are in the process of finalizing an agreement to make funding for EMC available this fall. Grant funds are anticipated to be awarded in spring of 2021.

ADMINISTRATIVE ACTIVITIES

During the current fiscal year, the CDFI Fund has continued the work on several existing administrative initiatives.

CDFI Certification

The criteria and measurements for certifying organizations as CDFIs have not been updated since the CDFI Fund was established in 1994. During this time, the CDFI industry has grown and evolved—the number of Certified CDFIs has grown from 196 at the end of 1997 to now over 1,100 and the overall asset size of the CDFI industry has expanded from \$4 billion to now more than \$160 billion.

In order to ensure certification criteria support the growth and reach of CDFIs, minimize regulatory burden and foster a diversity of CDFI types, the CDFI Fund began reviewing CDFI Certification policies and tests applied to organizations seeking to become recognized as CDFIs in 2016.

In May 2020, the CDFI Fund released for public comment proposed revisions to the CDFI Certification Application. The changes proposed to the CDFI Certification Application embody work the CDFI Fund began in 2016 reviewing CDFI Certification practices.

To coincide with the revisions outlined in the CDFI Certification Application, the CDFI Fund has also proposed changes to the Annual Certification and Data Collection Report (ACR), which Certified CDFIs are required to submit ACRs on an annual basis to verify that they continue to meet CDFI Certification requirements. The proposed revisions to the ACR align with changes being proposed to the CDFI Certification Application. In addition, the CDFI Fund proposed the introduction of a new Certification Transaction Level Report (CTLR) for those Certified CDFIs that are not current CDFI Program or NACA Program FA Recipients. It provides the CDFI Fund a way to examine the degree to which CDFIs are serving distressed and underserved populations.

Together, these three applications and forms will provide the CDFI Fund the ability to better track, measure, and adapt to the ever-evolving CDFI universe. The combined information collected would allow the CDFI Fund to paint a complete picture of the impact and activity of the Certified CDFI community.

Comments on all three forms are due to the CDFI Fund by November 5, 2020. Once all comments have been received and adjudicated, the CDFI Fund will begin the process of considering how to incorporate feedback and suggested revisions that were recommended during the comment period. We do not expect to launch the new application until sometime in FY 2021

Capacity Building Initiative

In FY 2020, the CDFI Fund continued to provide resources and support through its Capacity Building Initiative (CBI). The CDFI Fund delivered a training curriculum focused on building the capacity of Native CDFIs and CDFIs interested in expanding their financial services and products to reach individuals with disabilities. Specifically, the CDFI Fund supported the following CBI offerings:

- **Building Native CDFIs' Sustainability and Impact (BNCSI) II** to enhance the ability of Native CDFIs to serve their communities, by ensuring that the organizations are well positioned to grow and to achieve greater impact. Training focused on specific areas of need or development for Native CDFIs. BNCSI II consisted of in-person workshops and webinars that were initiatives in FY 2019 and continued into FY 2020, as well as individualized technical assistance.
- **Building CDFI Capacity to Serve Individuals with Disabilities** provided specialized training and technical assistance to Certified and uncertified CDFIs that serve or intend to serve individuals with disabilities. A combination of in-person workshops, webinars, and one-on-one technical assistance were provided to participants during FY 2020.

Coronavirus Response

In accordance with guidance issued by the Office of Personnel Management and the Treasury Department, the CDFI Fund transitioned to full-time remote working in March. During this time, the CDFI Fund has continued to operate and deliver program resources without interruption. The CDFI Fund has also recognized that the Covid-19 pandemic has placed substantial stress on many throughout the CDFI community. As a result, the CDFI Fund has been reviewing requests from the industry for relief from a variety of compliance and programmatic requirements. The CDFI Fund is continually reviewing these requests and has been taking action on an as-needed basis.