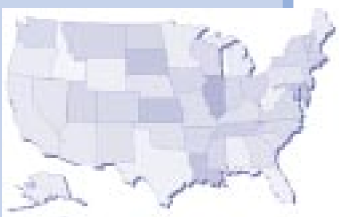
CDFI fund
Investing in America's Communities

SUMMER 2001
QUARTERLY

459 Certified CDFIs

IN ALL 50 STATES

BY BILL LUECHT



With the recent certification of Elk Basin Federal Credit Union as a Community Development Financial Institution (CDFI), the CDFI Fund has reached a new milestone—certified CDFIs in all 50 states, in addition to the District of Columbia, Puerto Rico and the U.S. Virgin Islands.

Located in Powell, Wyoming, Elk Basin Federal Credit Union serves the low-income residents of the city of Powell and nearby areas in Park County. "Elk Basin Federal Credit Union is excited to be part of the CDFI family of institutions and is looking forward to the benefits our small institution can expand to our membership and the community at large," said Gerald McNulty, Manager of Elk Basin Federal Credit Union.

As of June 30th, there are 459 CDFIs serving the capital needs of rural, urban and other underserved communities across the nation. Thirty-two states have five or more CDFIs. The breakdown by organizational type, based on the organization's self-reporting of primary activity, is: 128 (27.9%) housing/facilities loan funds; 104 (22.7%) business loan funds; 82 (17.9%) community development credit unions; 53 (11.5%) banks, thrifts or bank holding companies; 47 (10.2%) microenterprise funds; 16 (3.5%) venture capital funds; 14 (3.1%) multi-bank CDCs; 13 (2.8%) CDFI Intermediaries; and two (0.4%) other loan funds.

INSIDE

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Preliminary Results in:

2000 BEA SURVEY

BY MATT JOSEPHS

The Bank Enterprise Award (BEA) Program provides monetary awards to banks and thrifts for increasing their investments in CDFIs and/or in economically distressed communities. The Fund surveyed each of the 159 banks and thrifts that received BEA Program awards in FY 2000. The purpose of the survey was to determine the influence that the BEA Program may have had on the activities undertaken by program participants, and to determine how awardees are allocating their award dollars. A preliminary review of the survey results indicates that:

- The BEA Program is helping to channel investments into CDFIs.
- The BEA Program allows banks and thrifts to make loans and investments to CDFIs in larger dollar amounts and on more favorable rates and terms than they otherwise would have.
- BEA Program Award dollars are being used in further support of community development initiatives. *("Survey" continued on page 4)*

SIDE PHOTO: CDFI Financial and Program Analyst, Jennifer Westerbeck (Right) visits PNFCU's Marilyn Tedeschi (Left), Youth Outreach Coordinator, and General Manager Melissa Marquez (Middle) in Rochester in May 2000.

Sometimes we can all benefit from a little bit of advice, or counsel. If nothing else, the human experience is the accumulation of lessons learned over the years. This quarter's newsletter features several varied opportunities for learning how the sharing of this knowledge has made a difference in the communities awardees serve. It also contains resources that organizations can tap to obtain advice in further pursuit of their missions.

A quick look at the article about Progressive Neighborhood Federal Credit Union (page 6) illustrates the first point. PNFCU has invented two models for financial and economic literacy that reach out to *adults and youth* in their Rochester, New York community. With a belief that education comes first, the credit union explains that its program participants must graduate from its "advice-giving" programs before being eligible to receive a loan.

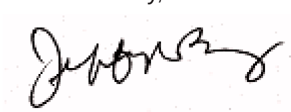
A program on the horizon for the CDFI Fund is also about such planning in a larger sense, and gives applicants the opportunity to acquire expert advice in strategizing. Announced in this issue is the Native American CDFI Technical Assistance Award (NACTA) component. Organizations serving predominately Native Americans, Alaska Native and Native Hawaiians may apply soon for this program specifically aimed at building CDFI capacity for the benefit of these Native populations.

Jeffrey C. Berg, Acting Director

Readers should also check out the Resources page and our newest feature, Compliance Corner, for additional thoughts on how others have used their peers' and audit advice to enhance their abilities to provide community development finance.

My advice to you? Read the newsletter, and let us know if you have some words of wisdom to share as well. Thank you.

Yours truly,



Jeffrey C. Berg
Acting Director

CDFI fund

***The Community Development Financial Institutions Fund** is a wholly-owned government corporation within the U.S. Department of Treasury. **Vision**: An America in which all people have access to capital and financial services. **Mission**: Promote access to capital and local economic growth by directly investing in and supporting community development financial institutions (CDFIs) and expanding financial service organizations' lending, investment, and services within underserved markets.*

The CDFI Fund encourages the dissemination of new ideas and information to further community development in the United States. Articles authored by people who are not CDFI Fund employees, or about programs or products not administered by the Fund, however, may not be endorsed by the Fund nor has the Fund conducted any independent research to determine their accuracy.

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NACTA NATIVE AMERICAN CDFI TECHNICAL ASSISTANCE

BY ROGER BOYD

In FY 2000, $5 million was set aside for a technical assistance and training program designed to specifically benefit Native American, Alaska Native and Native Hawaiian communities and to promote economic development in those areas.

This new component of the CDFI Program, called the Native American CDFI Technical Assistance (NACTA) Component, will be rolled out by the Fund in the very near future.

The intent is that technical assistance grants will be provided primarily to: qualified community development lenders; organizations with experience and expertise in banking and lending in Native American, Alaska Native, and Native Hawaiian communities; Native American, Alaska Native and Native Hawaiian organizations; and other suitable providers.

The NACTA Component has the following goals for Native American, Alaska Native and Native Hawaiian Communities:

- To increase access to capital in urban and rural areas.
- To create more CDFIs.
- To increase financial and technical capacity in Native communities.
- To increase the capacity of 'lending and investing institutions' to better serve these pecial communities.
- To build and strengthen the formal and informal networks that will facilitate investment and the creation of financial institutions.

CDFI FUND *Staff* NEWS

Jeannine S. Jacokes, who had been with the CDFI Fund since its inception, left the Fund on May 1 to become the Executive Director of Partners for the Common Good, Inc. in D.C.

Jeannine was integrally involved in the creation and growth of the Fund over the years, first as Senior Policy Advisor and then as Program Manager for the Bank Enterprise Award Program and for the Presidential Awards for Excellence in Microenterprise Development. "The Fund, and the CDFI field, will reap the benefits of her legacy for many years to come," stated Jeff Berg, Acting Director of the Fund.

Partners for the Common Good, Inc. (PCG), located in Washington, D.C., is a socially responsible investment fund promoting economic justice and social change.

Thanks, Jeannine, and good luck!

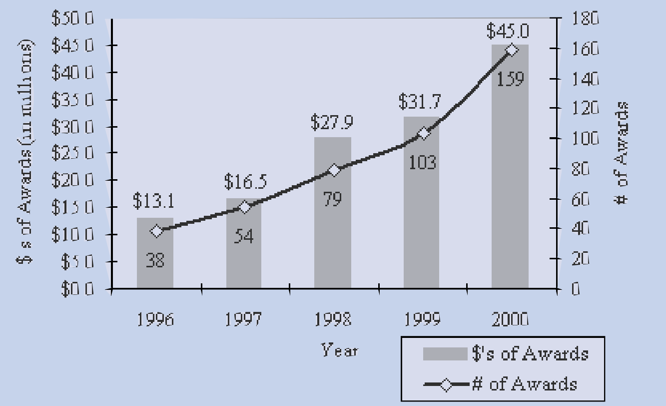
Janet Carter comes to the Fund as a Financial and Program Analyst on the BEA Team. Recently from the Housing Assistance Council, a Washington D.C. based CDFI that provides services nation-wide, she also has worked at another national CDFI, McAuley Institute. Janet, who is a lawyer, has provided legal services for low income tenants and community development organizations and technical assistance for housing development.

JANET CARTER

Lynetta Stevens joins the Fund as an Administrative Support Specialist. She comes to the Fund from the National Institute of Health where she held the position of Procurement Technician and Administrative Officer. With over 18 years of federal service, Lynetta has an A.A.S. in Business Management and is currently working on her B.S. in Business Management and Technology.

LYNETTA STEVENS

Growth in the BEA Program



("Survey" continued from cover)

FY 2000 AWARDEES

A total of 159 banks and thrifts received BEA Program awards totaling $45 million in FY 2000. In every year since the Fund's inception, the number of BEA Program awardees and the dollar amount of awards has increased (see "Growth in the BEA Program" chart).

The 159 awardees represent a wide variety of institutions, including community banks, minority owned banks and certified CDFI banks. Awardees vary significantly with respect to total assets (see pie chart), but the majority (59%) are small institutions (less than $1 billion) or very small institutions (less than $250 million).

The $45 million provided to awardees in FY 2000 is actually a very small percentage of the total amount of activities undertaken by them during the Assessment Period. In FY 2000, awardees provided a total of $244 million in loans and investments to CDFIs (CDFI-related activities), and a total of $1.13 billion in loans, investments and services to distressed communities (Development and Service Activities). These activity levels are higher than in any previous year (see "BEA Related Activities" chart, page 5).

The $244 million of investments in CDFIs in FY 2000 were made to 155 different CDFIs, also considerably more than had been assisted in any previous year under the BEA Program (see "Total Number of CDFIs Served" chart on page 5).

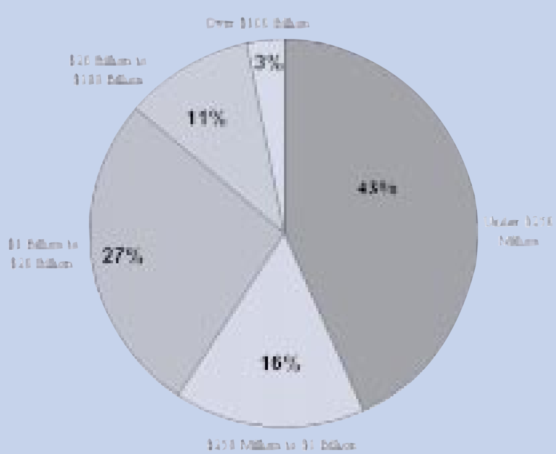
SURVEY FINDINGS:
CDFI-RELATED ACTIVITIES

A preliminary review of the surveys received by FY 2000 BEA Program awardees indicates that the BEA Program has been instrumental in channeling bank investments in CDFIs.

To date, the Fund has collected and reviewed surveys from 100 of the 159 FY 2000 awardees. Of these 100 respondents, 80 engaged in CDFI-related activities. These 80 organizations entered into 212 CDFI partnerships. Because individual CDFIs often receive investments from multiple bank awardees, the total number of CDFI partnerships (212) is greater than the number of CDFIs served (155). The awardees indicated that they had not previously provided as great a level of assistance to 52 of these CDFIs, and had not previously provided any assistance to another 136 of these CDFIs. Thus, 89% of the CDFIs assisted by these 80 awardees received new forms of assistance or greater levels of support from their bank partners.

Much of these activities can be directly attributed to the BEA Program. Fifty-eight percent of the respondents reported that the prospect of receiving a BEA Program award caused them to spend more time cultivating relationships with CDFIs than they would have otherwise. A majority of respondents

Total Assets of 2000 BEA Program Awardees



also reported that they were able to offer products they otherwise wouldn't have. These included loans with more favorable rates and terms, below market rate deposits and new products such as participation loans and pre-development grants. **A mere 11% of the respondents reported that the CDFI-related activities undertaken by the institution would have been undertaken in the same form and fashion without the BEA Program**.

SURVEY FINDINGS:
USE OF BEA AWARD DOLLARS

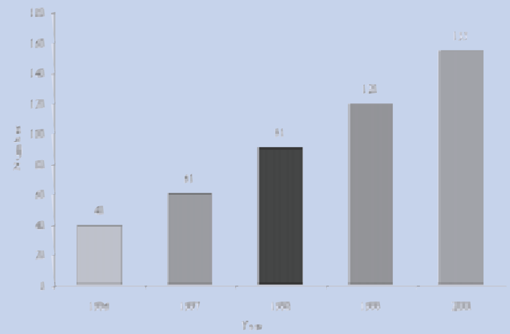
Eighty-three of the 100 respondents have already earmarked their BEA Program award dollars. Of these 83 respondents, 87% reported that they intend to use their BEA award monies to fund additional community development initiatives. This is an important outcome, given that awardees are under no obligation to reinvest BEA Program award funds in this fashion. Forty-one of the 83 respondents reported that they will use their BEA awards to increase their grants and investments in CDFIs and in other non-profit community development organizations. Others intend to use their award money to subsidize below market rate loans to community development institutions and low-income borrowers, to establish loan loss reserves for riskier loans, or to increase the provision of technical assistance to borrowers.

The survey also asked prior recipients of BEA Program awards how they spent their past years' award monies. Again, the overwhelming majority spent these funds on community development initiatives. Some specific examples include:

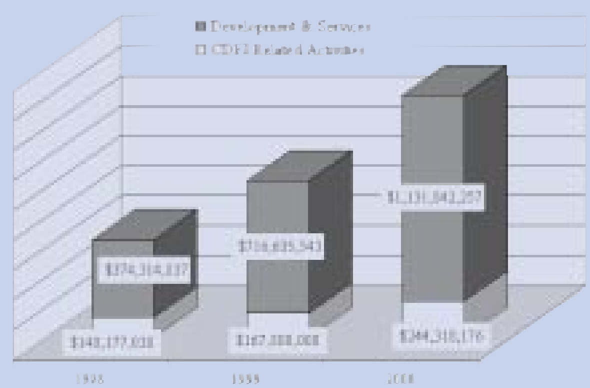
• A community bank in Massachusetts used its award money to establish a charitable foundation to make grants to non-profit organizations that promote community development. The bank indicated that it would not have been able to establish this program without funds from the BEA Program.

• A bank in California used BEA Program award dollars to open a new branch in a distressed community. It also used a portion of the award dollars to subsidize the interest rates of loans made in this new facility.

• A large, national bank places all of its BEA Program award dollars into a single, segregated account. It makes these funds available to its local lending enterprises through a competitive award process. In order to receive an allocation of funds, the entity is required to demonstrate that: 1 • funds will be invested in distressed communities; 2 • there will be significant impact in the distressed communities; and 3 • if possible, the BEA funds will be used to leverage additional funding.



Total Number of CDFIs Served



BEA Related Activities

Advising a Community up the *Stepping Stones* to Success

BY JENN MCMANUS

After six years of community work and signing up 1,800 members, Progressive Neighborhood Federal Credit Union in Rochester, NY isn't solely reaping the benefits of its hard work—so is the community it serves. Founded with only $10,000 in start-up money by Roman Catholic nun Sister Beth LeValley, the small credit union in Rochester's "at-risk" west side neighborhood has had unexpected success enabling it to lend its 2 millionth dollar in January, 2001. PNFCU's Manager, Melissa Marquez, and Assistant Manager, Priscilla Parker, run the institution, which has over $2.4 million in assets.

The credit union's mission is to enable low-income people to cooperatively own and control a financial institution, to encourage savings, to assist members in gaining access to credit and becoming knowledgeable and responsible managers of their finances, and to make available money and expertise for loans for the personal and financial needs of its members.

144 youth members belong to PNFCU's youth program at St. Monica School. During the year-end party, Youth Outreach Coordinator, Marilyn Tedeschi, shows the students their success: an amazing $14,000 in savings.

Good Advice Pays Off !

Receiving a FY 1998 $50,000 Technical Assistance grant and a FY 2000 CDFI Program $1.05 million Core Component award from the CDFI Fund, helped PNFCU in continuing this mission. Because of these awards, PNFCU was able to offer its members more lending products, including mortgage loans, and improved financial counseling programs such as the ***1-2-3 Plan*** and the youth ***IDEA program*** that give savings and credit advice to all of its members.

Students at Edison Tech put together marketing pieces such as this bulletin board to promote savings in the high school.

As Easy as 1-2-3

PNFCU places a huge emphasis on financial counseling. In an effort to make its members more "credit wise" and financially literate, the Credit Union has designed its ***1-2-3 Plan*** to advise those members who previously have been denied credit by PNFCU and other institutions. The program's 3 steps entail:

Step 1: Credit. A PNFCU counselor meets with the member and explains his/her credit situation—why he/she has been denied credit—then works with that member to set up a goal as to what that member can do to fix the problem.

Step 2: Spending. The member and the counselor come up with a manageable financial plan (his/her "budget") designed to assist him/her in saving and establishing good credit after looking over the member's credit report and assessing his/her income and savings. Together, the member and PNFCU figure out where the member is spending money, and where he/she is not spending money to instead, start saving.

Step 3: Savings. PNFCU tries to instill a "pay yourself first" policy in each member in the program, which means to treat one's savings as if it were a bill. Eventually, each member should qualify for a loan with PNFCU and work to pay off that loan on time.

"We often find that people don't know what to do first. So we say, 'here's what you can do first, and here's what you can do on a monthly basis to repair [credit],'" Marquez explained.

After what may take just three weeks, or in some cases up to four years, if PNFCU can see that the member is following the plan he/she agreed to by putting aside money to help him/her maintain credit, he/she can qualify for a loan.

"We've found that for anyone who works the plan and keeps with it, we've been able to do a loan every time," said Marquez of the program's success.

In 2000, PNFCU surpassed its goal of 60 members joining the plan—instead, 85 members signed up. Out of the 85 members, about 64% completed the program. Of that percentage, 34 members received loans from PNFCU and the other 20 decided to not take a loan out and stay debt-free.

Once the member receives a loan, PNFCU sets aside an hour-long meeting for the closing. The meetings are intended to be educational, as Marquez described. "We have our member—[she/he] is here with us—it's an 'educational moment!'" In the meeting, PNFCU counselors discuss loan information such as truth in lending, annual percentage rate, finance charges and what PNFCU expects from the member in the event that he/she cannot repay his/her loan. For those members who have received car loans, PNFCU also talks to them about registration and insurance, making sure that those bills are taken care of and paid on time. Other advice comes in the form of how to maintain good credit once the loan is received.

Marquez commented, "With members who get a loan for the first time, they then get credit card offers which get them into trouble. We try to advise and catch them before this happens."

Coupled with making their members more financially conscious, PNFCU hopes to make them more financially stable as well. With each member on the ***1-2-3 Plan***, PNFCU strives to assist him/her in increasing their credit score. The goal is that one day he/she can eventually obtain a better or newer car, or become a homeowner. Perhaps, in the process, he/she will elect PNFCU as his/her lender of choice.

("Progressive" continued on page 8)

Success Stories

in the making...

Edison Technical and Occupational Education Center is home to a student-run branch of PNFCU. 15-20 students at Edison Tech participate in the Credit Union's IDEA program.

"The [IDEA] program really helped me out a lot because it taught me how to be self-disciplined and not to spend money so quickly. The classes taught me the saving skills that I lost when I was a child. I also learned how much money I spend on unnecessary things. For me, saving the money was a hard thing because every time I put money in my account it seems I would need it for something else-but I haven't tampered with it. Now that I have graduated, I look back and see that saving this money has made me proud of myself and my father proud of me too. The whole Progressive family and my financial mentor Cheryl McKeiver taught me a lot!" ***Monique Peterson, IDEA Program Graduate***

"My first motive for wanting my daughter involved was the matching $500, she could acquire by saving that much, but as she began the required workshops (I drove her to them and stayed and listened), I saw a value in the program that was perhaps a better motive for joining. Excellent speakers talked to teenagers about the pros and cons of credit cards, buying a used car, managing time and money, and investing funds. The organizers of the program reminded students to meet deadlines for SAT's and college applications. In a firm but friendly way they spoke to each member about his/her plans and progress to achieve them. How I wish my other four children had taken such a useful program; every student (and parent) can benefit greatly from the IDEA program." ***IDEA Graduate's Mother, Peggy Finucane***

Progressive (continued from page 7)

Here's an IDEA. . .

In addition to educating adult credit union members about obtaining improved credit, PNFCU has taken strides toward teaching financial education to the youth in West Rochester. Its innovative ***Individual Development Education Account (IDEA) Program*** is achieving just that: trying to help youth understand issues with credit borrowing. Started three years ago, the program now includes 15-20 high school seniors who save up to $500 each, which will go towards paying for college or vocational school. All participants are required to attend six education sessions. The sessions work with the Consumer Credit Counseling Service and cover topics such as financial aid for college, how to be a good consumer, and comparison-shopping, insurance and auto advice in its "deals on wheels" class. "We want to teach both adults as well as youth how to be more money wise," said Marquez.

Along with the classes, students get one-on-one support with a mentor, and work with a youth coordinator to make their own financial plans. For the students who complete the program, PNFCU works with their college or vocational school to give them a dollar-for-dollar match of their savings. The program currently holds $5,000 in IDEA savings.

Future plans for IDEA include maintaining a link between the credit union and the students who have gone on to higher education. PNFCU intends to start a program that will follow the students through college, as well as create a class to continue their financial education and encourage them to keep saving.

Ultimately, PNFCU aims to see the successful completion of each student's education. It also is centering its goals on making the students competent financial managers. PNFCU asks:

- Do they keep saving and have they formed good saving habits?
- Are they making wise credit and purchasing decisions?

Spreading the Word

For those people in the community who don't step into the PNFCU office for one-on-one counseling, PNFCU is trying to get the word out and assist them, too. Through its Public Education Campaigns and Public messages, it's tackling the West Rochester community as a whole.

Group workshops are held for adults—many who say they wish they had learned financial management when they were younger—that include the same advice covered in the individual counseling.

By participating in a coalition striving to bring the "Don't Borrow Trouble" campaign to Rochester, PNFCU has joined the fight against scams existing in market lending. Its classes also furnish advice against avoiding this common trap and what to do after one already falls into the trap. In addition, the credit union sends public messages to its youth, such as the teen pregnancy message, "Not me, not now." The message intends to advise and encourage teens in the community to avoid pregnancy and support the improvement of a better West Rochester community.

For the low-income community of West Rochester, a small credit union like PNFCU has made all the difference. Residents, who were not able to obtain credit or start a savings account before, are now finding that something that was once an impossibility is now a reality. Progressive Neighborhood Federal Credit Union advises them to take that first step—plan, start saving, and build up credit and assets to eventually own their future—whether it is a home, a car that gets them to the job or a college education.

As Marquez adds, "For me, what's exciting is, if we can help people at the level of car and student loans and help them increase their credit score, we helped them with that first step. Let's not forget about that first step."

Jenn McManus is a summer intern in the External Affairs Department at the CDFI Fund.

__Melissa Marquez__ is the General Manager of Progressive Neighborhood Federal Credit Union in Rochester, NY, a five-year-old Community Development Credit Union with $2.4 million in assets, 1300 adult members and 550 youth members. Since its opening, she has helped PNFCU make over $2.2 million in consumer loans to its members. In addition to offering services such as money orders, check cashing and direct deposit, PNFCU introduced a mortgage program in partnership with ESL FCU in October 2000. For its youth members, it sponsors a student-run branch of the credit union in one of the local high schools and three IDA programs. Melissa also serves as the Treasurer of Genesee Co-op FCU, a 19-year old CDCU in Rochester, NY with $4.9 million in assets and 2000 members and represents the Board of Trustees for the Institute for Community Economics, Springfield, MA, as its Senior Vice President.

Divide & Conquer: Meeting the Segregation of Duties Challenge

BY TOVAH RE[illegible]OOD

TO DO LIST:

- Refine market analysis
- Call new board members
- Write reports to funders
- Meet with IT consultant

The list above could be taken from the day planners of most managers at CDFIs across the country. For the smaller CDFIs with a staff of two or three people, the list may also include “fix copier,” “clean microwave,” “answer phones” and “order supplies.” Dedicated staff people at small non-profit agencies have made an art of multitasking for the benefit of the consumers they serve. In one area, though, multitasking is not only undesirable, it’s to be avoided whenever possible.

> “DEDICATED STAFF PEOPLE AT SMALL NON-PROFIT AGENCIES HAVE MADE AN ART OF MULTITASKING”

THE PROBLEM

Internal controls, the means by which agencies manage their financial responsibilities in-house, is a major area covered by the financial statement audits required by the CDFI Fund and other groups. Lack of segregation of duties is the concentration of conflicting financial management responsibilities among too few people, and is the most common finding auditors cite in their internal control reports. This article will offer tips on creative ways to segregate duties even in small agencies.

Lack of segregation of duties is classified differently by different auditors. Some merely cite it as a “management suggestion,” others call it the more serious “reportable condition,” and still others elevate it to the most serious internal control finding of “material weakness.” Auditors often note that they recognize the difficulty in maintaining strict segregation of duties in small entities. Managers may not have control over how the auditors classify a lack of segregation of duties, but they do have control over the financial management of their agencies. Even with few staff members, effective internal controls can be achieved.

Critical functions to be segregated are recording of receipts, disbursements, and reconciliation of cash. Examples of duties which should NOT be performed by the same person are: 1 • the authorized check signer should not be preparing the bank reconciliations, and 2 • the same person should not be responsible for handling and recording cash receipts.

SUGGESTIONS FORIMPROVEMENT

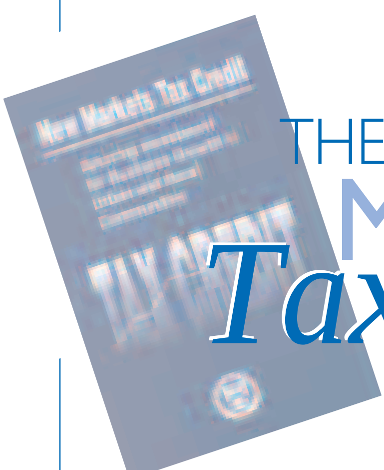
At the very least, agencies should demonstrate awareness of the challenge of segregating duties rather than avoiding the problem. Some audits favorably note a proactive “management response” to the finding. Creative ways to effect proper internal controls call for thinking “outside the box” to take a thorough inventory of the tools available beyond staff members.

Professional volunteers or part-time contractors are two sources CDFIs can use. A part-time, contract bookkeeper can perform the cash reconciliations. Part-time volunteers can open the mail and prepare an

(“Compliance” continued on page 11)

THE New Markets Tax Credit TEAM

BY DEBORAH SMITH



On December 21, 2000, the Community Renewal Tax Relief Act of 2000 was signed into law. The law provides for $15 billion in tax incentives under the New Markets Tax Credit (NMTC) Program to help spur economic growth in new markets in urban and rural communities across the country.

Information about how to apply for an allocation of NMTCs will be available in the near future. In order to assist applicants with questions concerning the NMTC program, the Fund has a New Markets "Team" available.

Matt Josephs, the new Program Advisor working with the Fund's NMTC program, was formerly a Financial and Program Analyst with the Policy and Research component of the Fund. Prior to joining the Fund, Matt served on the Democratic staff of the Committee on Banking, Housing and Urban Affairs of the United States Senate, where he concentrated on issues relating to housing and community development. Matt has also worked as a policy analyst at the U.S. Department of Housing and Urban Development, in the Office of Public and Indian Housing. Matt received a Bachelor of Arts Degree from Emory University in 1990, and a Masters of Public Policy from the University of California at Berkeley in 1997.

Jennifer Westerbeck, Financial and Program Analyst, has worked at the Fund since 1996. In her position as an analyst, Jennifer reviews, analyzes and evaluates applications for the Bank Enterprise Award, Core and SECA Programs. Currently, she is working on the NMTC workgroup and will be evaluating applications under the new program. Before becoming an analyst, Jennifer was a legal assistant at the CDFI Fund and assisted the legal counsel in developing the CDFI Program regulations, assistance agreements, applications and other guidance materials. Prior to working at the Fund, Jennifer was in the Office of Economic Policy at the Department of the Treasury.

Sean Zielenbach, Financial and Program Analyst, has been at the CDFI Fund since March of 1998. Much of his work has focused on developing ways of appropriately evaluating both the organizational health and the social and economic impact of community development financial institutions. Prior to the Fund, Sean coordinated fund-raising efforts and conducted neighborhood assessments for LISC's Chicago office. He previously helped develop programs for City Lights School, an alternative school for emotionally disturbed and delinquent Washington, D.C. teenagers. Sean has a Bachelor's degree from Princeton University and a doctorate from Northwestern University. His book, *The Art of Revitalization*, which examines why certain distressed inner-city neighborhoods are able to turn around, was recently published by Garland Publishers.

For further details on the NMTC Program or to contact any of the team members, please visit our website at www.treas.gov/cdfi or contact the Fund directly at: CDFI Fund, 601 13th Street, NW, Suite 200 South, Washington, D.C., 20005.

Compliance (continued from page 9)

initial listing of cash receipts. Retired professionals are available in some areas through organized volunteer programs. In situations where the number of staff performing financial management responsibilities is at a minimum, management should become involved in overseeing these functions; for instance, reviewing the bank reconciliations and listing receivables.

Management should keep Board members informed regularly. In addition, management can utilize Board expertise in segregating financial management duties. Board members with experience in law, accounting or banking could perform bank reconciliations, or review them. One CDFI manager might make the deposits after the administrative assistant has opened and made a listing of the receipts. Then, a Board member might compare the deposit slip with the cash receipt listing to ensure that all receipts received were in fact deposited. In a similar scenario, an administrative assistant would open the mail, a volunteer-retired accountant would log the checks, a contract bookkeeper would make the deposits, and the manager would prepare the bank reconciliations.

"EFFECTIVE INTERNAL CONTROLS CAN BE ACHIEVED."

OTHER TIPS

Segregating duties isn't the only factor to consider in maintaining effective internal controls. Other means can be just as helpful in earning clean audits. One CDFI manager urges her peers to take a basic accounting course to familiarize themselves with principles and procedures. Another suggests careful scrutiny of auditors. "YOU hire THEM," she said, so ask careful questions about their experience and specialties just as you would any other consultant. In another situation, a lockbox account could be set up with the entity's bank, whereby the bank maintains complete control over all checks received and provides the entity with a listing each day.

The auditor's area of expertise should match the agency's focus. Has the auditor performed single audits if your funding warrants one? With non-profit organizations your size? With community development finance? A venture capital group might seek an auditor with corporate experience, while a revolving loan fund might choose an auditor experienced in the banking industry. Whatever the auditor's specialty, it is crucial to maintain an open, honest relationship with the person who scrutinizes your books and internal controls. Disagreements are bound to arise. Being able to communicate to resolve them is the key.

As for the question of whether to hire CPAs, "you can't not afford it," says one manager. One of the most important products of a financial statement audit is the auditor's report on internal control. This report identifies the most significant areas of financial management that are in need of repair. The auditors can then help management in determining the most effective way to address these internal control issues. Just as important as weighing the expense for a CPA is asking questions of peers in the industry. Like-sized CDFIs may have more tips CDFIs can use in their own operations. Now an established force in community and asset building throughout the country, CDFIs can boast a successful track record. Learning across agencies can only strengthen the field.

COMMUNITY DEVELOPMENT Resources

BY KELLY THEIM

Southern New Hampshire University Graduate Degrees in Community Economic Development

Southern New Hampshire University broke new ground in community economic development (CED) education when they began the first CED graduate degree program in 1982, later adding a Ph.D. They remain the only institution in the world where these degrees can be obtained; students come from around the nation, Canada and Puerto Rico to take advantage of the program, which has recently evolved into the School of Community Economic Development. The National Weekend CED Master's of Science is completed over 17 months, one weekend a month. Those interested without a BA degree can be considered for admission with five years of CED experience. For more information, visit the school online at <http://merlin.nhc.edu/ced/webbook/pg1.htm> or contact Sharon Hunt at (603) 644-3123.

Kelly Theim is a summer intern in the External Affairs Department at the CDFI Fund.

FY 2002

program schedule

CDFI PROGRAM	NOFA DATE	INFORMATION SESSIONS	PROPOSED APPLICATION DEADLINE
CORE/INTERMEDIARY COMPONENT	EARLY SEPTEMBER	OCTOBER	12/13/01
SECA COMPONENT	EARLY SEPTEMBER	OCTOBER	1/24/02
NACTA COMPONENT	EARLY SEPTEMBER	OCTOBER	1/24/02
BEA PROGRAM	EARLY SEPTEMBER	OCTOBER	11/15/01
NEW MARKETS TAX CREDIT			
NMTC PROGRAM: CERTIFICATIONS	SEPTEMBER	OCTOBER	TBD
NMTC PROGRAM: CREDITS	TBD	TBD	TBD

BEA REMINDER: 2001 BEA FINAL REPORTS DUE AUGUST 2ND

The Bank Enterprise Award Program has a two-part application. For the 2001 funding round of the BEA Program, Part One—the Initial Application—was due on November 21, 2000. In May 2001, applicants were sent Part Two—the Final Report—which is due on August 2, 2001. ***In order to be considered for the 2001 funding round, you must have submitted an Initial Application by the November 21, 2000 deadline and submit the Final Report by August 2, 2001.*** *The 2002 funding round of the BEA Program will open in early September, 2001 with the publishing of the Notice of Funds Availability, or NOFA, in the Federal Register. For more information, or to download the application packet after the NOFA date, please visit the Fund web site at www.treas.gov/cdfi.*

CDFI fund

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