



# Community Development Financial Institution Certification Application and Related Tools

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## OVERVIEW OF REVISED APPLICATION AND RELATED TOOLS

December 7, 2023

COMMUNITY DEVELOPMENT FINANCIAL INSTITUTIONS FUND

[www.cdfifund.gov](http://www.cdfifund.gov)

# CDFI Certification Application and Related Tools Revisions Modifications



## Summary

In November 2022, revisions to a proposed new Community Development Financial Institution (CDFI) Certification Application were published for a final round of public comment by the Office of Management and Budget (OMB).

Separately, modifications to the revised Annual Certification and Data Collection Report (ACR) and abbreviated Transaction Level Report (TLR) were also released by OMB for a final round of public comment, to which 40 separate comment letters were submitted. These are information collection tools related to the CDFI Certification Application that are used to maintain a CDFI's Certification and gather data.

After conducting a thorough review of comments, the CDFI Fund has made further revisions to the CDFI Certification Application and related tools (i.e., the ACR and abbreviated TLR) to provide greater transparency and clarity around the criteria that entities must meet to obtain, maintain, and measure CDFI Certification.

The following presentation outlines the requirements of CDFI Certification and the OMB-approved revised CDFI Certification Application, ACR, and abbreviated TLR.

# Presentation Roadmap



## About the CDFI Fund and Community Development Financial Institutions

CDFI Certification and CDFI Fund Review of Certification Policy

The Revised CDFI Certification Application-in-Brief

The Revised CDFI Certification Application: Section-by-Section

The Annual Certification and Data Collection Report and Transaction Level Report

# CDFI Fund Overview



## OUR MISSION

The CDFI Fund's mission is to expand economic opportunity for underserved people and communities by supporting the growth and capacity of a national network of community development lenders, investors, and financial service providers.

# CDFI Fund Overview



## OUR VISION

The vision of the CDFI Fund is an America in which all people and communities have access to the investment capital and financial services they need to prosper.

# About the CDFI Fund



The CDFI Fund manages nine separate programs authorized through six different statutes:

- Riegle Community Development and Regulatory Improvement Act of 1994
  - Bank Enterprise Award Program (BEA Program)
  - Community Development Financial Institutions Program (CDFI Program)
  - Native American CDFI Assistance Program (NACA Program)
- Community Renewal Tax Relief Act of 2000
  - New Markets Tax Credit Program (NMTC Program)
- Housing and Economic Recovery Act of 2008
  - Capital Magnet Fund (CMF)
- Small Business Jobs Act of 2010
  - CDFI Bond Guarantee Program (BG Program)
- Dodd-Frank Wall Street Reform and Consumer Protection Act
  - Small Dollar Loan Program (SDL Program)
- Consolidated Appropriations Act of 2021
  - CDFI Equitable Recovery Program (CDFI ERP)
  - CDFI Rapid Response Program (CDFI RRP)

# What is a Community Development Financial Institution (CDFI)?



- CDFIs are community-based organizations that expand economic opportunity in low-income communities and provide financial products and services to individuals and businesses often underserved by traditional financial institutions.
- CDFIs help families finance their first homes, support small and start-up businesses, establish and rebuild credit histories, and invest in local health, education, and community facilities, as well as provide financial services and training.
- CDFIs include banks, credit unions, loan funds, and venture capital funds.

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# CDFI Certification



- The CDFI Fund is responsible for certifying CDFIs in accordance with the statutory requirements outlined in the Riegle Community Development and Regulatory Improvement Act of 1994 and supporting regulations.
- Certification as a CDFI is required to participate in most CDFI Fund programs.
- The CDFI Fund verifies that an organization meets certification requirements through a series of validations and tests in the Certification Application.
- The CDFI Fund uses a standardized application form to collect information and data, submitted through its Awards Management Information System (AMIS), necessary to make a certification determination.
- On an annual basis, CDFIs are required to confirm they continue to meet certification requirements, as well as report on their yearly lending and investment activity, through submission of the Annual Certification and Data Collection Report (ACR).

# CDFI Certification



- To become a Certified CDFI, an organization must submit a CDFI Certification Application to the CDFI Fund for review and approval. The organization must demonstrate it meets each of the following requirements at the time of application:
  - Be a legal entity;
  - Have a primary mission of promoting community development;
  - Be a financing entity;
  - Primarily serve one or more Target Markets;
  - Provide Development Services in conjunction with its financing activities;
  - Maintain accountability to its defined Target Market(s); and
  - Be a non-government entity and not under control of any government entity (Tribal governments excluded).

# CDFI Fund Review of Certification Policy



- CDFIs have evolved over the past two decades in scope, scale, and sophistication.
  - The number of Certified CDFIs has grown from 196 in 1997 to nearly 1,500 today, with more than \$300 billion in total assets.
  - CDFI Certification is a qualifier for other Federal, State, and local government and private sector programs and benefits.
  - The types of CDFI Financial Products and Financial Services have expanded, as has the use of technology to increase market reach.

# Review of CDFI Certification



- Accordingly, the CDFI Fund undertook a review of the CDFI Certification Application to ensure it is responsive to the evolving nature of CDFIs and sufficiently protects government resources.
- Specifically the revisions to the Application is meant to
  - Providing a greater understanding about what it means to promote community development of CDFIs, especially as it relates to their ability to innovate and take advantage of new technologies.
  - Continue to foster a diversity of CDFI types, activities, and geographies.
  - Minimize administrative burden on CDFIs, while improving data quality and collection methods.
  - Promote efficiency for CDFI Fund staff in rendering CDFI Certification determinations.

# CDFI Fund Review of Certification Policy



- To assist the CDFI Fund in its review and garner public input, a Request for Information (RFI) was published in January 2017 seeking comments on current CDFI Certification policies and procedures.
- The public responded to the RFI with 28 letters containing over 200 pages of comments.
- Based on input provided through the RFI, the CDFI Fund developed an initial draft of a revised Certification Application and its related tools that it released for public review and comment in May 2020.

# CDFI Fund Review of Certification Policy



- In response to the May 2020 request for public comment, the CDFI Fund received 55 letters with more than 600 individual comments on the Application and its related tools.
- The CDFI Fund spent nearly two years reviewing and adjudicating comments and recommendations, and OMB published a revised Application for a final round of comments in November 2022 and the revised ACR and abbreviated TLR for final round of comments in December 2022.
- A total of 275 letters with nearly 1,200 individual comments were submitted in response to this final solicitation of public input with an additional 40 letters and 442 individual comments submitted on the ACR and abbreviated TLR.
- The CDFI Fund thoroughly reviewed these comments and made substantive revisions to the Certification Application, and its accompanying tools that were submitted for review and approval to OMB.

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# CDFI Certification Application-in-Brief



The CDFI Certification Application is arranged around the CDFI Certification requirements and is used to validate an Applicant's ability to meet these criteria.

Application Section	Description
Eligibility Determinations	Optional information collected prior to the submission of a CDFI Certification Application to allow Applicants to seek eligibility determinations on non-prequalified Financial Products, Financial Services, disregarded and qualified assets/staff time, Targeted Populations, Target Market assessment methodologies, and/or financing practices.
Basic Information	Collects general information about the CDFI Certification Applicant and any Affiliates that must be reviewed in connection with any of the CDFI Certification requirements. Data collected includes information on Financing Entity type, organization contacts, fiscal year, organizational demographics, affiliates, and Financial Products and Financial Services.
Legal Entity	Information collected verifies that an Applicant is duly organized and validly exists under the laws of the jurisdiction in which it is incorporated or established.
Primary Mission	A Certified CDFI must have a primary mission of promoting community development. Information collected helps evaluate whether an Applicant's activities are purposely directed toward improving the social and economic conditions of underserved people and/or residents of economically distressed communities.



# CDFI Certification Application-in-Brief



Application Section	Description
Financing Entity	Collects information that verifies that an Applicant's predominant business activity is the provision of Financial Products and/or Financial Services.
Target Market	Collects information that demonstrates that at least 60% of an Applicant's financing activity is in eligible Target Markets (either an Investment Area or Targeted Population).
Development Services	An Applicant must provide Development Services in conjunction with and connected to its Financial Products. The application verifies the Development Services provided by the Applicant.
Accountability	Applicants provide information demonstrating that they maintain accountability to their Target Markets - the residents of an Investment Area and/or members of a Targeted Population - through representation on their governing and/or advisory boards.
Non-Government Entity	A CDFI cannot be an agency or instrumentality of the United States, any State or political subdivision. The application verifies that the Applicant is a non-government entity.
Native American CDFI Designation	Organizations seeking designation as a Native American must verify that at least 50% of their activity is directed to Native Communities and demonstrate accountability to a Native Community.

# Presentation Roadmap



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# CDFI Certification Application Changes: Section-by-Section Analysis



- The following slides are intended to provide a **general overview** of each section of the revised CDFI Certification Application that was published by the CDFI Fund in December 2023. Detailed Application guidance will be made available once AMIS opens to accept CDFI Certification Application submissions.
- Please refer to the complete CDFI Certification Application and guidance material for more information, which is available on the CDFI Fund’s website at [www.cdfifund.gov/cdficert](http://www.cdfifund.gov/cdficert) under “Step 1: Apply.” Please check this page regularly, the CDFI Fund will post updates to this site on an ongoing basis.
- For information on prior iterations of the revised CDFI Certification, visit the CDFI Fund’s website at [www.cdfifund.gov/programs-training/certification/cdfi/certification-pra](http://www.cdfifund.gov/programs-training/certification/cdfi/certification-pra).

# CDFI Certification Application Changes: Eligibility Determination



## Certification Requirement:

- Applicants must meet the standards for CDFI Certification based on existing regulations and policy as reflected in the Application.

## Revised CDFI Certification Application:

- The Application contains an optional Eligibility Determination section for Applicants seeking to present non-prequalified Financial Products, Financial Services, disregarded and qualified assets/staff time, Targeted Populations, Target Market assessment methodologies, and/or financing practices and request a determination as to whether they meet the standards for CDFI Certification prior to the submission of the full Application.

# CDFI Certification Application Changes: Basic Information



## CDFI Certification Requirement:

- General information about the Applicant, its Affiliates, Financial Products/Services, and leadership is collected to determine the appropriate questions relevant to the Applicant entity type.

## Revised CDFI Certification Application:

- The Basic Information section of the CDFI Certification Application collects general information about the CDFI Certification Applicant and its Affiliates that must be reviewed in connection with the CDFI Certification requirements.
- The Application collects information about the entity such as Financing Entity type, organization contacts, fiscal year timeframe, and Affiliates. Much of the Applicant Information in this section is auto-populated based on data from the Applicant's AMIS account. Applicants should review the information to ensure it is accurate and complete.
- Applicants are now required to provide information on the demographics of their governing leadership and executive staff. This data is collected for information purposes and has no bearing on the CDFI Certification determination.

# CDFI Certification Application Changes: Legal Entity



## CDFI Certification Requirement:

- To satisfy the Legal Entity test for CDFI Certification, the CDFI Fund requires evidence of an entity's incorporation, organization, and/or establishment, such as IRS documentation, establishing documents filed with appropriate authorities, or charter numbers for insured depository institutions and credit unions, at the time of submission of the Certification Application.

## Revised CDFI Certification Application:

- Applicants are required to register with SAM.gov. It has been determined that this sufficiently meets the Legal Entity requirements for CDFI Certification and no additional documentation requirements will be necessary.

# CDFI Certification Application Changes: Primary Mission



## CDFI Certification Requirement:

- Per statute, a CDFI must have a “primary mission of promoting community development.”
- CDFI Fund regulations require that in “determining whether an Applicant has such a primary mission, the CDFI Fund will consider whether the activities of the Applicant are purposefully directed toward improving the social and/or economic conditions of underserved people and/or residents of economically distressed communities.”

## Revised CDFI Certification Application:

- In determining whether an entity has a primary mission of promoting community development, the CDFI Fund will consider whether the activities of the Applicant are purposefully directed toward improving the social and/or economic conditions of underserved people and/or residents of economically distressed communities. As part of its assessment, the CDFI Fund will consider whether the entity has a community development mission and strategy and whether the entity meets the CDFI Fund’s standards for responsible financing practices consistent with a community development mission.
- **Documenting Mission.** An Applicant must demonstrate that it has had a primary mission of promoting community development in place for at least the six full completed months immediately prior to submission of the Application and must present documentation that the Applicant’s mission has been approved by the Applicant’s governing board or owner.

# CDFI Certification Application Changes: Primary Mission



## Revised CDFI Certification Application:

- **Community Development Strategy.** Application includes fields for the Applicant to demonstrate that it has an acceptable community development strategy such that products/services offered are intentionally provided to support community development objectives for underserved populations or economically distressed communities.
  - Applicants must submit a board-approved (or owner-approved) strategic plan evidencing a community development strategy. If the Applicant does not have a strategic plan, it must submit a board- or owner-approved narrative describing community development outcomes the Applicant believes will result from the provision of its Financial Products and Financial Services, and how those Financial Products and Financial Services lead to those outcomes.
- **Responsible Financing Practices.** An Applicant must demonstrate their financing activities meet a set of standards for responsible financing practices. The questions reflect the policy that Financial Products and Financial Services should not harm consumers, be affordable and originated based upon an assessment of whether a borrower is able to pay back a loan and have terms and conditions that are transparent and understandable to the borrower.



# CDFI Certification Application Changes: Primary Mission



## Revised CDFI Certification Application:

- **Ineligible Financing Practices.** The questions explore whether an Applicant either directly or through an Affiliate engages in the following ineligible practices:
  - Offers consumer loans that allow for an APR exceeding 36% (as measured by the Military Annual Percentage Rate (MAPR)) *and*
    - the loans have an annual default rate over 5%;
    - the loans in question include a leveraged payment mechanism;
    - any such loans of \$1,000 or less have repayment timeframes that exceed 12 months;
    - for a period of 12 full months after the issuance of any such loan, the Applicant does not waive any upfront fees for any refinance or new loan issued to the same borrower;
    - any fees associated with such installment loans are not spread evenly over the life of the loan or pro rata refundable in the event of early repayment (including through a refinance); *or*
    - all payments on any such installment loans are *not* substantially equal and do not amortize smoothly to a zero balance by the end of the loan term;
  - Originates or offers loans exceeding interest limits that apply to non-depository institutions in the state where the borrower resides;

# CDFI Certification Application Changes: Primary Mission



## Revised CDFI Certification Application:

- **Ineligible Financing Practices (Cont.).** An Applicant that directly or through an Affiliate engages in the following practices is ineligible for CDFI Certification:
  - With some exceptions, offers single-family, owner-occupied, residential mortgage loan products secured by a non-subordinate lien:
    - for which the Applicant fails to verify the income or assets of the borrower;
    - that include negative amortization or interest-only payments;
    - that charge upfront points and fees to the consumer that exceed 3% or the Qualified Mortgage limits for smaller loans; or
    - that is underwritten at less than the maximum rate in the first five years;
  - Sells its charged off consumer or small business debt to debt buyers;
  - Has a current Community Reinvestment Act rating below Satisfactory;
  - Uses its Equity Investment Financial Products to gain Control over an investee (except if the Applicant must save a business through ownership as a last resort for a limited time); or
  - Leverages, for its own benefit, the assets of any of its active equity investees.

# CDFI Certification Application Changes: Primary Mission



## Revised CDFI Certification Application:

- **Financing Practices Requiring Further Explanation.** The Application contains questions about practices that require explanation to clarify how they promote community development. Unless an acceptable explanation is provided, an Applicant may also be determined to be ineligible for CDFI Certification for engaging in the following activities:
  - Does not evaluate the ability of mortgage, consumer, or small business borrowers to pay back a loan;
  - Offers small business loans that allow for an APR exceeding 36%;
  - Offers certain mortgages with balloon payments or that carry an original maximum term longer than 30 years (unless provided through a government program); or
  - Charges excessive overdraft or nonsufficient funds fees or have practices that are related to these fees that are harmful.

# CDFI Certification Application Changes: Primary Mission



## Revised CDFI Certification Application:

- Beginning January 1, 2026, new Applicants that offer small business loan products that do not disclose in writing the periodic payment due, the total amount to be repaid over the life of the loan, the total finance charges over the life of the loan, and APR of the loan will be ineligible for CDFI Certification. Certified CDFIs that offer small business loan products will be required to attest in their ACR to making such disclosures no later than October 1, 2026, in order to maintain their Certification.

# CDFI Certification Application Changes: Primary Mission



## Revised CDFI Certification Application:

- **Affiliates:** Parent entities of all CDFI Applicants and Affiliates that provide Financial Products and/or Financial Services will now be required to meet the standards of the Primary Mission test – *thereby extending an existing rule that previously applied only to depository institutions* – including demonstrating a mission that supports and/or is consistent with that of the Applicant’s and meeting the standards for responsible financing practices.
- **Amending Standards for Responsible Financing Practices.** The Application explores certain circumstances under which an otherwise disqualifying practice might serve an acceptable community development purpose. Applicants seeking to engage in financing activities that do not currently meet the standards for responsible financing practices of the Primary Mission test may seek an amendment to the standards that allows for additional activity that serves a community development purpose.
- **Further Information.** *Complete details on covered financing activity is specified in the “Responsible Financing Practices” section of the CDFI Certification Application.*

# CDFI Certification Application Changes: Financing Entity



## CDFI Certification Requirement:

- CDFI regulations require that “a CDFI shall be an entity whose predominant business activity is the provision, in arms-length transactions, of Financial Products and/or Financial Services.”

## Revised CDFI Certification Application:

- To meet the CDFI Certification Financing Entity test, an Applicant must demonstrate the following:
  - The predominance of its assets are derived from or dedicated to, and the predominance of its staff time is dedicated to, the provision of Financial Products and/or Financial Services.
  - Its predominant business activity is the provision of allowable Financial Products and/or Financial Services and that it has been engaged in such activity for at least one full fiscal year. Unless otherwise indicated, the provision of Financial Products must be arm’s-length and on-balance sheet.
  - It has or will have access to sufficient capital to close at least one new Financial Product transaction during the upcoming three months from the date the CDFI Certification Application is submitted.
- Insured Depository Institutions, Depository Institution Holding Companies, and Credit Unions with federal insurance are deemed automatically to meet the financing entity criterion.
- Revised Application includes new fields that assist Applicants in allocating assets and staff time spent toward financing related activity to clearly demonstrate they meet the Financing Entity requirements and for those Applicants that have been spun off from another entity.
- Staff time dedicated to the provision of Development Services may be disregarded as counting toward the predominance test.

# CDFI Certification Application Changes: Target Market



## CDFI Certification Requirement:

- Per statute a CDFI must “[serve] an investment area or targeted population,” defined by regulation as a CDFI’s Target Market. Target Market(s) may be:
  - **An Investment Area(s):** Must meet at least one economic distress criteria, based on poverty, income, unemployment or population decline.
  - **A Low-Income Targeted Populations:** Individuals with a median family income not greater than 80% of the area or state median family income.
  - **An Other Targeted Population(s):** Groups with a demonstrated lack of access to capital and/or Financial Products or Services.

# CDFI Certification Application Changes: Target Market



## Revised CDFI Certification Application:

- An Applicant must demonstrate that it serves at least one eligible Target Market (either an Investment Area or a Targeted Population). It must direct at least 60% of both the number and dollar volume of arm's-length, on-balance sheet Financial Products to one or more eligible Target Market(s).
- **Financial Services Option.** A Depository Institution that has directed less than 60% but at least 50% of either the dollar volume or the total number of its Financial Products to one or more eligible Target Market(s), has the option of meeting the Target Market test by demonstrating that at least 60% of its total unique depository account holders are members of one or more eligible Target Market(s) and that it delivers to one or more eligible Target Market(s) at least:
  - **60%** number of Financial Products and **50%** dollar volume of Financial Products; *or*
  - **50%** number of Financial Products and **60%** dollar volume of Financial Products.



# CDFI Certification Application Changes: Target Market



## Revised CDFI Certification Application:

- **Three-Year Average Target Market Benchmark.** If a Certified CDFI fails to meet the Target Market benchmark over its most recently completed fiscal year, it may maintain its certification by demonstrating that it met the benchmark over the three-year period through its most recently completed fiscal year.
- **Geographic Boundaries on Pre-Qualified Investment Areas and Targeted Populations.** A pre-qualified Investment Area consists of census tracts that the CDFI Fund has determined meet statutory economic distress criteria. Applicants serving these pre-qualified areas and/or pre-qualified Targeted Populations (LITP or OTPs) are not required to develop a map of their Target Market.

# CDFI Certification Application Changes: Target Market



## Revised CDFI Certification Application:

### Customized Investment Areas

Applicants may also establish a Customized Investment Area consisting of specially designated geographic areas that include a contiguous mix of both qualified and non-qualified (based on distress criteria) geographic units of a single type, which may be census tracts or non-Metro counties or parishes; **and** validate as a distressed community per the CDFI Information Mapping System (CIMS) by meeting the following criteria:

- More than 85% of the population must be in qualified geographic units.
- The geographic units must be contiguous.
- Only the Financial Products and/or Financial services activity that falls within the boundaries of the designated census tracts is counted as being within a Target Market.
- Applicants must direct at least 85% of their Customized Investment Area financing activity within the individually qualifying census tracts of that customized Investment Area for activity in the non-qualifying tracts of the Customized Investment Area to count toward the 60% Target Market benchmark.
- **Non-Metro Customized Investment Areas, Counties, and Parishes.** Until October 1, 2026, an Applicant serving a non-metro Customized Investment Area, county or parish must direct at least 75% of its financing activity within the individually qualifying census tracts of the respective non-Metro geography for activity in the non-qualifying tracts of the non-Metro geography to count toward the 60% Target Market benchmark. Beginning October 1, 2026, all Applicants will need to meet the 85% standard highlighted above.

# CDFI Certification Application Changes: Target Market



## Revised CDFI Certification Application:

- **Other Targeted Populations (OTPs).** The Revised Application includes the addition of Filipinos, Vietnamese, and Persons with Disabilities as approved OTPs.
- **Compiling Target Market Data.** Target Market data that was collected in the aggregate in the previous CDFI Certification Application is now collected by transaction in the TLR and abbreviated TLR.
- **Target Market Assessment Methodologies.** An approved Target Market assessment methodology or combination of such methodologies must be used to verify whether Financial Products, depository accounts, board members, and/or credit union members meet the Target Market criteria. Only those methodologies approved by the CDFI Fund may be used when compiling Target Market data. The CDFI Fund will maintain a list of pre-approved Target Market assessment methodologies on its website.
  - Applicants that seek to use a Target Market assessment methodology other than the list of pre-approved methodologies, must first request a determination from CDFI Fund in advance of completing their Application for submission.

# CDFI Certification Application Changes: Development Services



## CDFI Certification Requirement:

- Per statute, a CDFI must provide “development services in conjunction with equity investments or loans, directly or through a subsidiary or affiliate.”
- To meet this test, per the regulation, a CDFI “directly, through an Affiliate, or through a contract with another provider, must have a track record of providing Development Services in conjunction with its Financial Products and/or Financial Services.”

## Revised CDFI Certification Application:

- An eligible Development Service is a structured training, counseling, or technical assistance service that promotes access to and/or success with an entity’s Financial Products and Financial Services. CDFI Certification Applicants must:
  - demonstrate that at least one Development Service is regularly offered to their clients and is provided at least once annually;
  - demonstrate that Development Service(s) provided via contract with a third-party entity are routinely reviewed and monitored; and
  - clearly identify how the Development Service(s) prepares or assists current or potential borrowers, or investees to use at least one of the Applicant’s Financial Products or Financial Services.

# CDFI Certification Application Changes: Development Services



## Revised CDFI Certification Application:

### Development Services Delivered to Youth

- Depository institution Applicants are allowed to identify financial education as a Development Service for youth if it promotes the youth opening a depository account or building savings in an account with the Applicant.
- Although financial education for youth under 18 years old that does not promote opening a depository account or building savings in an account with the Applicant does not fall under the definition of Development Services and thus is not eligible to support Certification, the CDFI Fund allows FA award funds to be used to provide a broader range of such financial education. See the applicable Notice of Funds Availability for more information on programmatic parameters.

# CDFI Certification Application Changes: Accountability



## CDFI Certification Requirement:

- Per statute, a CDFI must “[maintain], through representation on its governing board or otherwise, accountability to residents of its investment area or targeted population.”

## Revised CDFI Certification Application:

- **Individual Accountability.** Individual accountability to a Target Market may be demonstrated through any of the following sources documented in the table on the *following slide*.

# CDFI Certification Application Changes: Accountability

## Individual Accountability (Continued)

Investment Area (IA)	Low-Income Targeted Populations (LITP)	Other Targeted Population (OTP)
Primary residence in a qualified census tract	Status as a Low-Income individual	Status as a member of the Targeted Population
Status as an owner of a small business primarily located in a qualified census tract(s) or owner of a small business that principally employs and/or principally provides goods or services to residents of the qualified census tracts of an IA	Status as a staff member of a non-Affiliated third party, community development mission-driven organization that primarily provides services to Low-Income people	Status as a staff member of a Certified CDFI (OTP-CDFI only)
Status as an elected official primarily representing residents of qualified census tracts		Status as a staff member of a non-Affiliated third party, community development mission-driven organization that primarily provides services to people with disabilities (OTP – Persons with Disability only)
Status as a staff member of a non-Affiliated third party, community development mission-driven organization that primarily provides services to residents of a qualified census tract(s)		Status as a family member of a person with disability (OTP – Persons with Disability only)
Enrollment in a federally-recognized Tribe (Applicants serving IAs located in Native geographies only)		

# CDFI Certification Application Changes: Accountability



## Revised CDFI Certification Application:

**Accountability Methods.** CDFI Certification Applicants must demonstrate individual and, if required, collective accountability to their proposed Target Market(s) by reporting one of four options:

- **Option 1: Governing Board Only**
  - At least one governing board member is accountable to each proposed Target Market type, *and*
  - At least 33% of the governing board is accountable to the overall proposed Target Market(s).
- **Option 2: Governing Board Supplemented by Advisory Board**
  - At least 20% of the governing board members are accountable to the overall proposed Target Market;
  - At least one advisory board member is accountable to each proposed Target Market type;
  - At least 60% of the advisory board is accountable to the overall proposed Target Market(s);
  - At least one governing board member is also a member of the advisory board; *and*
  - The Applicant has adopted an advisory board policy.



# CDFI Certification Application Changes: Accountability



## Revised CDFI Certification Application:

**Accountability Methods (cont.).** CDFI Certification Applicants must demonstrate individual and, if required, collective accountability to their proposed Target Market(s) through one of four options:

- **Option 3: Advisory Board Supplemented by Credit Union Membership (Credit Union Applicant Only)**
  - At least 33% of the credit union's members are determined to be members of at least one Target Market;
  - At least one advisory board member is accountable to each proposed Target Market type;
  - At least 60% of the advisory board is accountable to the overall proposed Target Market(s);
  - At least one governing board member is also a member of the advisory board; and
  - The Applicant has adopted an advisory board policy.
- **Option 4: Advisory Board Only (Depository Institution Holding Companies and Insured Depository Institutions, and entities without a formal governing board only)**
  - At least one advisory board member is accountable to each proposed Target Market type;
  - At least 80% of the advisory board is accountable to the overall proposed Target Market(s);
  - At least one governing board member or partner/owner of the Applicant entity is also a member of the advisory board; and
  - The Applicant has adopted an advisory board policy.

# CDFI Certification Application Changes: Accountability



## Revised CDFI Certification Application:

### Multiple Target Markets/National Investment Area

- The revised Certification Application enables Applicants to have a national Investment Area because geographic requirements are now separate from the board member accountability tests.
- For Applicants with multiple Target Markets, the revised Certification Application allows for Target Market representatives to meet accountability standards collectively, not for each proposed Target Market separately.

# CDFI Certification Application Changes: Accountability



## Revised CDFI Certification Application:

- **Financial Interest Conflict.** Governing or Advisory Board members with certain types of financial interest in a CDFI Certification Applicant (either directly or via a family member) may not be identified in the application as being accountable to any of the Applicant's Target Market components, as the financial interest may conflict with the board member's ability to effectively represent the interests of the Target Market.
  - **Board Compensation.** The revised Certification Application does not reflect policy that excludes/disallows compensated board members from potentially being accountable to a Target Market.
  - **Active Financial Products.** The revised Certification Application does not reflect policy that excludes/disallows board members from being accountable to a Target Market if they hold an active Financial Product with the Applicant. However, the revised Certification Application requires the Applicant to have a policy requiring such board members to recuse themselves from decisions that may involve their Financial Product or relationship.

# CDFI Certification Application Changes: Non-Governmental Entity



## CDFI Certification Requirement:

- Per statute, a CDFI shall not be “an agency or instrumentality of the United States, or of any State or political subdivision of a State.”

## Revised CDFI Certification Application

- Applicants must answer a series of binary questions designed to determine issues or circumstances that may prevent an entity from meeting this criteria.

# CDFI Certification Application Changes: Native American CDFI Designation



## Native American CDFI Designation:

- To be designated a Native American CDFI, an Applicant must demonstrate it directs at least 50% of its Financial Products to one or more Native Communities and maintain accountability to a Native Community.

## Revised CDFI Certification Application:

- Applicants must submit information to demonstrate they primarily serve Native Communities, as evidenced by at least 50% of their Financial Products in the abbreviated TLR.
- New Native American CDFI designation data fields mimic those in the general Accountability section of the revised CDFI Certification Application.

# Presentation Roadmap



**About the CDFI Fund and Community Development Financial Institutions**

**CDFI Certification and CDFI Fund Review of Certification Policy**

**The Revised CDFI Certification Application-in-Brief**

**The Revised CDFI Certification Application: Section-by-Section**

**The Annual Certification (ACR) and Data Collection Report and Transaction Level Report (TLR)**

# Changes to the ACR and TLR



## Transaction Level Report: Overview

- In general, the purpose of the Transaction Level Report (TLR) is to:
  - Ensure award compliance for CDFI/NACA Financial Assistance, CDFI ERP or CDFI RRP Award Recipients.
  - Provide a method to evaluate the extent to which Certified CDFIs serve distressed areas and underserved populations.
  - Enhance the quantitative evaluation of Certified CDFIs and CDFI Certification Applications.
  - Support the new CDFI Certification Application and the ACR by replacing unverifiable summary information regarding lending and investments in Target Markets with transactional data.

# Changes to the ACR and TLR



## Transaction Level Report: Overview

- The primary function of the abbreviated TLR is to:
  - Provide a method to evaluate the extent to which CDFI Certification Applicants serve proposed Target Market(s) and Certified CDFIs serve approved Target Market(s).
  - Capture information on all loans and investments that the CDFI Certification Applicant or Certified CDFI originated or purchased during the reporting period, as determined by its Certification Application or, for Certified CDFIs, by its Fiscal Year End.
  - Build from Certified CDFIs' familiarity with the existing CDFI Program and NACA Program TLR and its various reporting forms/templates.
- CDFI Certification Applicants and Certified CDFIs that do not have an active Assistance Agreement for a CDFI Program, NACA Program, CDFI ERP, or CDFI RRP award will be required to report on new transactions closed during the most recently completed fiscal year in the abbreviated TLR.



# Changes to the ACR and TLR



## Summary of TLR Revisions

### Current TLR Form

- Used for award compliance reporting and research purposes only.
- Consists of the TLR and the Consumer Loan Report (CLR).
- CLR requires entities to report an overall OTP activity.

### New TLR Form

- Used for Target Market activity verification in addition to existing uses.
- New data fields capture Target Market activity overlaps, as well as Climate-Centered Financing.
- CLR will require entities to report counts for individual OTP categories.
- Has two new tables– Financial Services Table & Loan Purchases Table.
- Creation of the new *abbreviated* TLR form–to collect data from Certified CDFIs without active Assistance Agreements and organizations applying for CDFI Certification.

# Changes to the ACR and TLR



Below are the 29 data points that comprise the abbreviated TLR

- CDFI Certification Applicants and Certified CDFIs that are not current award recipients would potentially see all in their TLR form.
- The number of data points will vary based on the transaction type.
- A total of 27 of the data points are from the CDFI/NACA/RRP Program TLR collected through AMIS.

TLR Submission Year	Interest Rate	Hispanic Origin
Date Originated	Forgivable Loan	Low-Income Status
Original Loan/Investment Amount	Equity-Like Features	Other Targeted Populations
Purpose	Client ID	Description of Other Approved OTP
Climate-Centered Purpose	Investee/Borrower Type	IA End Users
Transaction Type	Entity Structure	LITP End Users
Loan Status	Minority Owned or Controlled	OTP End Users
Originator Transaction ID	Women Owned or Controlled	Description of Other Approved OTP-End Users
Points	Low-Income Owned or Controlled	Designated Target Market Type
Origination Fees	Race	

# Changes to the ACR and TLR



## TLR Submission Process: Certification Application

- New CDFI Certification Applicants will complete and submit an abbreviated version of the existing CDFI/NACA Program TLR prior to the submission of their CDFI Certification Application.
- The abbreviated TLR will be used to assess applicable Target Market percentage benchmarks in the Applicant's proposed Target Market(s).
- Applicants must report on origination activity for their most recently completed fiscal year prior to the submission of their CDFI Certification Application.

# Changes to the ACR and TLR



## TLR Submission Process: ACR

- All Certified CDFIs will be required to submit their TLR records prior to their ACR submission.
- New CDFI Certification Applicants, and Certified CDFIs will be required to submit an abbreviated version of the existing TLR with their ACR if they do not have an active:
  - CDFI Program Financial Assistance (FA) Assistance Agreement;
  - NACA Program FA Assistance Agreement;
  - CDFI Rapid Response Program Assistance Agreement; or
  - CDFI Equitable Recovery Program Assistance Agreement.
- Certified CDFIs that are current CDFI/NACA FA, CDFI ERP or CDFI RRP recipients will be required to submit a TLR based upon their existing submission calendar outlined in their Assistance Agreement(s) with their ACR.

# Changes to the ACR and TLR



## ACR: Overview

- The CDFI Fund's ACR is used to ensure that Certified CDFIs continue to meet the requirements of Certification.
- Certified CDFIs are required to submit an ACR on an annual basis through AMIS.
- The data collected also allows the CDFI Fund to gain insight on the CDFI industry.
- The current ACR consists of four sections collecting information on the organization, financial data, financial products portfolio, and development services.

# Changes to the ACR and TLR



## Summary of ACR Revisions - Structure

Current ACR Form:

- Four sections:
  - Section 1: CDFI Annual Certification Report Detail
  - Section 2: Development Services Detail
  - Section 3: Financial Data Detail
  - Section 4: Financial Products Portfolio Breakdown Detail

New ACR Form:

- Seven sections. The three new sections are:
  - Section 5: Source of Investment Capital Table
  - Section 6: Contributed Operating Revenue Table
  - Section 7: Loans and Leases Table
- Addition of “Eligibility Determination” section prior to Section 1 modeled after the one in the Certification Application.

# Changes to the ACR and TLR



## New Section 5: Sources of Investment Capital Table

- Consists of 11 new data fields:
  - CDFI Annual Certification Report (Auto-generated in AMIS);
  - Source of Investment Capital Table ID (Auto-generated in AMIS);
  - Type of Capital (Select from picklist);
  - Source of Capital (Select from picklist);
  - If Type is Other Source of Capital, Describe;
  - Amount;
  - Interest Rate;
  - Origination Date;
  - Maturity Date;
  - Remaining Term; and
  - Multiple Dates.
- Reporting Entities must list at least one investment source in their ACR submission.

# Changes to the ACR and TLR



## New Section 6: Contributed Operating Revenue Table

- Consists of four data fields:
  - CDFI Annual Certification Report (Auto-generated in AMIS);
  - Contributed Operating Revenue Table ID (Auto-generated in AMIS)
  - Type of Donor (Select from picklist)
  - Amount
- Reporting Entities must have at least one revenue source entry for ACR submission.



# Changes to the ACR and TLR



## New Section 7: Loans and Leases Table

- All reporting entities will provide the weighted (dollar amount) average interest rate, total number and total amount for each type of loan or lease as of the last day of the reporting entity's most recently ended fiscal year.
- Data points on the type of loan or lease will vary by financial institution type.
- Federal regulator call report data will be used to populate select data points for banks and thrifts, credit unions, and Depository Institutions Holding Companies.

# Changes to the ACR and TLR



## Summary of ACR Revisions – Submission Deadline

### Current ACR Form:

- Submission is due 90 days after the reporting entity's most recent fiscal year ends.

### New ACR Form:

- Submission is due 180 days after the reporting entity's most recent fiscal year ends.

# Changes to the ACR and TLR



## Summary of ACR Revisions – Use of Other Public Data

### Current ACR Form:

- Use of regulator call report data restricted to banks and thrifts and credit unions.
- Thirteen (13) data fields in the Financial Data Detail section are populated by call report data for at least one financial institution type.

### New ACR Form:

- Use of regulator call report data expanded to depository institution holding companies with future plan for cooperativas.
- 27 data fields in in the Financial Data Detail section are populated by call report data for at least one financial institution type.
- Use of regulator call report data to populate the new Loans and Leases Table for credit unions, banks and thrifts, and depository institution holding companies.

# Changes to the ACR and TLR



## Summary of ACR Revisions – Existing Data Field Changes

### Current ACR Form:

- Primary and Secondary Business Line questions are self-reported and based on dollar volume of activity.
- Questions in the Human Resources and Staffing; Strategic Plan; Governance; Management Information Systems; Legal; Organizational Structure; Credit and Portfolio Management are optional for all Certified CDFIs.
- Target Market Activity answered via attestation question.

### New ACR Form:

- Primary and Secondary Business Line questions are populated based on TLR results and reported based on dollar volume of activity as well as total number.
- Questions in the Human Resources and Staffing; Strategic Plan; Governance; Management Information Systems; Legal; Organizational Structure; Credit and Portfolio Management are now required of all Certified CDFIs.
- Target Market Activity confirmed via attestation based on TLR results.

# Changes to the ACR and TLR



## Summary of ACR Revisions – New Data Fields

New to the ACR Form:

- Minority Depository Institution indicator data field.
- Demographic make-up of CDFI governing leadership and executive-level staff.
- Data fields to track Affiliates, Spinoff Entities and their activities.
- Questions on Community Development Objectives and Goals in the Primary Mission subsection.
- Addition of a Responsible Financing Practices subsection, as well as Native American CDFI Designation subsection.

# Changes to the ACR and TLR



## Conclusion

- The CDFI Fund recognizes the extension of transaction level reporting to all CDFIs creates an additional burden for many CDFIs.
- There are significant benefits to the CDFI Fund and to the CDFI industry with this universal level of reporting including:
  - Ability to better identify gaps in CDFI financing (geography and product type).
  - Enhance CDFI accountability and maintain a high standard for CDFI Certification.
  - Present a more complete picture of the impact of the industry, as a whole, leading to potential new and additional investment in CDFIs.

# For Additional Information



- For questions about CDFI Certification contact the CDFI Fund's Office of Certification Policy and Evaluation via email at [ccme@cdfi.treas.gov](mailto:ccme@cdfi.treas.gov) or AMIS Service Request.
- For questions about the ACR or TLR contact the CDFI Fund's Office of Financial Strategies and Research via [cdfi-financialstrategiesandresearch@cdfi.treas.gov](mailto:cdfi-financialstrategiesandresearch@cdfi.treas.gov) or AMIS Service Request.
- Detailed guidance information is also available in a Frequently Asked Questions (FAQs) document available on the CDFI Fund website at <https://www.cdfifund.gov/programs-training/certification/cdfi/apply-step> please check this page regularly for updated information.