CDFI Fund Quarterly

Investing in America's Communities

Winter 2000, Volume 2, Number 1

Secretary Summers hosts 1999 Awards Recognition Reception

Treasury Under Secretary Gary Gensler; Phi Doane, Vermont Development Credit Union; David Sweeney, Greenpoint Manufacturing and Design; Secretary Lawrence H. Summers; Mauro Leija, The Study Hall Learning Center; CDFI Fund Director Ellen Lazar; and Treasurer Mary Ellen Withrow

Inside

Department of the Treasury

Community Development Financial Institutions Fund
601 Thirteenth Street, NW
Washington, D.C. 20005

Recent Revisions to the CDFI Program Regulations

On November 1, 1999, the CDFI Fund published revisions to several provisions of the CDFI Program Regulations ("Regulations") (12 CFR Part 1805) to implement various changes to the CDFI Program. The CDFI Fund decided to revise the Regulations to clarify and streamline its application, evaluation, and reporting processes for the CDFI Program. The substantive changes to the Regulations are discussed in the preamble published along with the Regulations in the

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Certification Extension

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Technical Assistance NOFA Released

The Notice of Fund Availability (NOFA) for the fiscal year 2000 round of the CDFI Program Technical Assistance Component was announced in the January 4 issue of the Federal Register. Application packets are being distributed.

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• Director's Viewpoint • • •

Dear Friends:

On December 9, Treasury Secretary Lawrence Summers, Under Secretary for Domestic Finance Gary Gensler and I hosted a Recognition Reception in the historic Cash Room at the Treasury, for the more than 250 financial institutions that received in aggregate of $112 million in the Fund's 1999 round of awards. These awards represent a 30 percent increase over the previous year.

Since 1996, the Fund has invested more than $300 million in communities throughout the country. As our country prospers, the Fund is enabling poorer communities to enjoy greater economic opportunity. This represents more than $1 billion in overall investments stimulated by the Fund's awards.

In this issue you will read about the launching of the CDFI Fund's Training Program that will become fully realized this year. This program is designed to support the development and delivery of training products and services to better serve CDFIs and other financial organizations (FSOs) engaged in community development finance.

Two articles of note include a description of changes in our regulations, changes in the CDFI Program Core and Intermediary Components application, and changes in the Technical Assistance Component's application deadline from fixed to "rolling."

We are also working to evaluate our investments and determine what our funds have accomplished. I encourage you to answer the questions in our research section and provide us with your valuable input.

We have conducted 13 meetings with tribal leaders, financial institutions, Federal agencies and regulators, businesses and community members in many locations throughout the country to help develop our Native American Lending Study and Action Plan. There is an update on our progress in this issue.

In November I joined the President in Chicago to support his New Markets Initiative — a variety of new efforts to encourage equity investments and technical assistance in distressed areas. The overall goal of this initiative is to stimulate $15 billion of new private capital investment in underserved communities; to build a network of private investment institutions focused on economic development in underserved areas; and to provide expertise to small businesses that will allow them to use new investment to grow. Continued support for the CDFI Fund is part of this initiative.

Congress has appropriated us $95 million to the Fund for FY 2000, which maintains the Fund's prior level of appropriations and will facilitate the growth and development of CDFIs in many significant ways. We look forward to working with you, encourage you to keep in touch with us and wish you a very happy new year.

Director Lazar travelled to Chicago's Englewood neighborhood to join President Clinton's New Markets tour in November. She is photographed with Aida Alvarez, Administrator, Small Business Administration (left) and Connie Evans, President, Women's Self-Employment Project and CDFI Fund Advisory Board member.

Staff Updates at the Fund

The CDFI Fund congratulates several employees who have been promoted:

• ***Joseph Firschein,*** who joined the Fund in April 1997, was promoted to CDFI Program Manager in November of 1999. As CDFI Program Manager, he is responsible for managing the Fund's CDFI Program Core and Intermediary Components. He also oversees the Fund's CDFI eligibility and certification review process.

• ***Louisa Mittelgluck Quittman*** was recently named Financial and Program Advisor for the CDFI Program. Louisa has been a Financial and Programs Analyst at the Fund since September, 1996. As Advisor for the CDFI Program, her new activities will include coordinating certification and re-certification of CDFIs, and assisting in the Core and Intermediary funding components.

• ***Ashanti McAllum*** was recently named Legal Assistant for the Fund. Ashanti has been with the Fund since 1997. Prior to becoming a Legal Assistant, Ashanti was an Awards Management Specialist.

• FY 2000 Program Calendar • • •

CDFI Program

Core Component:	NOFA Published	Nov 1, 1999
	Information Sessions	Nov 8-19, 1999
	Application Deadline	Jan 20, 2000
Intermediary Component:	NOFA Published	Nov 1, 1999
	Information Sessions	Nov 8-19, 1999
	Application Deadlie	Jan 18, 2000
Technical Assistance Component:	NOFA Published	Jan 4, 2000
	Information Sessions	Jan 17-28, 2000
	Application Deadline	May 31, 2000

BEA Program

NOFA Published	Sept 1, 1999
Information Sessions	Sept 13 - 24, 1999
Application Deadline	Nov 23, 1999

Presidential Awards for Excellence in Microenterprise Development

Program Opens	May 2000
Application Deadline	July 2000

The Federal Reserve Bank of San Francisco

The 2000 Community Reinvestment Conference

April 17 -19, 2000 San Francisco, California

For registration or information: Lena Robinson (415) 974-2717

TA NOFA Released

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An inter-active video teleconference informational session will be conducted on February 4, 2000. Potential applicants will be able to participate at any one of 80 HUD office locations. In addition, if one has the technical capacity, it can be received at an individual workstation. There will also be in-person information sessions in five locations. It is preferred that attendees pre-register to attend a HUD location or an in-person information session. For information on the HUD and in-person locations and registration information or for procedures to access the video teleconference individually, please see the Fund's web site.

A new feature of the TA Component is that applications will be reviewed and awarded on a rolling basis. Applications received through February 29 will be reviewed together, those received in March will be reviewed together, those received through April 28 will be reviewed together, and finally those received by May 31 will be reviewed together. Applications must be received by 6 PM on each respective date. See the NOFA for further details.

New CDFI Certifications

by Yoo Jin Na , CDFI Fund

The Fund has certified 356 CDFIs nationwide. For a complete listing, please refer to our website at www.treas.gov/cdfi.

The following are CDFIs certified since August 1999:

Audubon Partnership for Economic Development LDC
New York, NY

Avondale Community Federal Credit Union
Cincinnati, OH

CEN-TEX Certified Development Corporation
Austin, TX

Community Lending & Investment Corporation of Jersey City
Jersey City, NJ

Fulton County Development Corporation
Atlanta, GA

Gateway Economic Development Corporation
Helena, MT

Housing and Economic Development Financial Corporation
Kansas City, MO

Illinois Ventures for Community Action (IVCA)
Springfield, IL

International Bank of Chicago
Chicago, IL

Intl. Bank of Chicago Parent Company Bancorp, Inc.
Chicago, IL

Legacy Bancorp, Inc.
Milwaukee, WI

Legacy Bank
Milwaukee, WI

Louisville Central Development Corporation
Louisville, KY

Manhattan Borough Development Corporation
New York, NY

Massachusetts Housing Investment Corporation
Boston, MA

Mon Valley Initiative
Homestead, PA

NC Institute of Minority Economic Development, Inc.
Raleigh, NC

Neighborhood Housing Services of Provo, Inc.
Provo, UT

Neighborhood Housing Services of Santa Fe, Inc.
Santa Fe, NM

Neighborhood Housing Services of Toledo, Inc.
Toledo, OH

Neighborhood Housing Services of Trenton, Inc.
Trenton, NJ

Oasis Community Development Federal Credit Union
Providence, RI

Pasadena Development Corporation
Pasadena, CA

RNA Community Builders, Inc.
West Rutland, VT

Restoration Capital Fund, Inc.
Brooklyn, NY

Utica Neighborhood Housing Service, Inc.
Utica, NY

Washington Community Reinvestment Association
Seattle, WA

Wisconsin Women's Business Initiative Corporation
Milwaukee, WI

Women's Economic Self-Sufficiency Team
Albuquerque, NM

Women's Economic Ventures of Santa Barbara
Santa Barara, CA

Certification Extension

The Fund is extending the term of certification of all certified CDFIs whose certification is scheduled to expire on or before June 30, 2000 to July 1, 2000. *In addition, if an organization's certification as a CDFI is scheduled to expire prior to October 20, 2000 and the organization plans to apply to the Fund for funding under the 2000 CDFI Program Core, Intermediary or Technical Assistance Components, it will need to complete the Certifications Material* section of the funding application. Organizations seeking recertification may complete either a "stand-alone" certification application or the Certification Materials section of the funding application, if they are applying for funding under the Fund's 2000 CDFI Program. Both the stand-alone certification application and the funding application are available on the CDFI Fund's website at www.treas.gov/cdfi.

The CDFI Fund Launches a New Training Program

by Patricia Krackov, CDFI Fund

A key element of building the capacity of the CDFI industry is increasing the supply of training services available. Toward this end, the Fund launched a Training Program in September 1999 that is designed to support the development and delivery of training products and services to better serve CDFIs and other financial service organizations (FSOs) engaged in community development finance. Examples of FSOs include, among others, microenterprise training organizations and community development corporations that carry out some lending along with their predominant training and technical assistance or real estate development activities.

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CDFI INDUSTRY RESEARCH AGENDA

by Donna Fabiani, CDFI Fund

The CDFI Fund is working with the National Community Capital Association (NCCA), Corporation for Enterprise Development (CFED), Ford Foundation and McArthur Foundation to develop a joint annual survey for CDFIs. This survey will replace the Fund's awardee Accomplishments Report. The goals of the survey are to ease reporting requirements for CDFIs (many of whom fill out multiple surveys for different funders) and to build a more comprehensive industry database which will allow for better analysis of industry trends.

With working on the joint survey, we identified the need to develop a CDFI industry research agenda. The purpose of the research agenda is to promote the growth of the field by providing insights on critical issues confronting CDFIs and their investors, and highlighting innovation and best practices. It is expected that the joint survey will provide data for some of this research.

Below is an initial list of potential research topics for the industry research agenda. Most of these topics were contributed by practitioners and investors at the October National Community Capital Association Annual Training Conference in Denver. With this list as a starting point, we would like to initiate a broader discussion of priority industry research needs.

We are seeking input from practitioners, investors and others in, or interested in, the field on: a) additional research topics; and b) the five priority topics. If you would like to contribute, please e-mail your comments to: Donna Fabiani, Program Advisor for Policy and Research, CDFI Fund (fabianid@cdfi.treas.gov). We will accept comments until February 15, 2000.

Impact

1. Conduct analyses of the impact of CDFI investments in distressed communities and rural areas.

2. Conduct true impact studies, comparing communities/individuals served by CDFIs to communities/individuals that have not been served by CDFIs (i.e., are income levels higher? are streets safer?).

3. Conduct case studies on successful CDFI partnerships (e.g., multi-CDFI partnerships or private-public partnerships).

4. Does gap financing have social impact? Is it mission-driven?

5. What are the lessons learned from CDFIs' experience with workouts? How can the CDFI industry communicate the value of its expertise in managing workout and default situations?

6. What is the value of technical assistance provided by CDFIs?

7. What is the cost savings to families living in affordable housing and what do families do with rent savings from affordable housing?

8. What happens internally to a business after a loan is received (e.g., are their changes in job retention)? In addition to financing, what can CDFIs do to strengthen small businesses most effectively (e.g., how can CDFIs contribute to workforce development and job retention)?

9. Have the community facility loan funds financed by CDFIs developed better systems for investing in the maintenance of their facilities on an ongoing basis?

10. Do place-based strategies work? Does a concentrated effort incorporating multiple initiatives (e.g., neighborhood saturation with job training programs) have the desired impact?

11. Conduct studies to better understand the effect of CDFIs' work at the family level (e.g., perception of banks, financial products and services).

12. Identify the inputs that

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lead to successful program outcomes.

13. What is the impact of retail services offered by CDFIs?

14. Identify best practices for documenting impact for different types of CDFIs. This would involve identifying or developing systems for tracking and documenting the impact of a CDFI's work, especially for smaller/ emerging CDFIs and microenteprise development organizations.

Improve Practices of CDFIs

15. Develop strategies to address the human resource issues facing CDFIs. The issues include identifying capacity gaps, recruitment and retention of management and staff, identifying sources of future leadership in the field. Strategies may include salaries/benefits/incentives packages, developing career paths, identifying internship models, etc.

16. Develop an effective method of doing cost accounting.

17. What is the ability of CDFIs to bring in private sector dollars, either with or subsequent to a particular deal? What is this leveraging experience to date?

18. What is the relationship between CDFI rates of self sufficiency, and the age of the organization, asset size, type of lending, relative amount of training and TA offered, etc.

19. What is the minimum size for an effective and efficient CDFI that can realize economies of scale? To what extent does it make sense for small CDFIs to merge rather than have multiple small organizations competing for capital and serving very small niche markets? Would larger regional CDFIs make more sense than small, local CDFIs?

20. What has been the effect of credit scoring by CDFIs and what are its potential benefits/disadvantages? What can be learned from current initiatives looking at credit scoring (e.g., the ACCION/Fair Isaac project)?

21. How can the CDFI industry participate in a coordinated asset development research agenda, leveraging work already done (e.g., Oliver/Shapiro)? How can the CDFI industry change the asset development language it uses to be consistent with other asset development efforts underway?

Environmental Factors Affecting CDFIs

22. What are the effects of the new economy on the local markets, communities, families, and individuals typically served by CDFIs? How has the financial services industry changed, in particular with respect to typical CDFI clients' access to services? What are the effects of changes in the transnational financial services industry on CDFIs and the communities they serve? How can CDFIs prepare for and respond to an economic downturn?

23. How large is the demand for capital, how has it changed over time, and how much of this change has been caused by CDFI activity? How can CDFIs stimulate additional demand for capital (e.g., identify new market opportunities by conducting market research in such emerging sectors as telecommunications, natural resources, and assisted living)?

24. What are the capital and technical assistance gaps facing Native America communities? What sovereignty issues affect CDFIs work with Native American, Inuit and other ethnic populations.

25. What is the role played by pawnbrokers and informal moneylenders, and how is this financial services sector growing or changing? What impact does this sector have on CDFIs?

26. What is the impact of other related financial products and services (e.g., credit cards, remittances) on the end users and on the demand for CDFIs' products

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and services?

27. What is the relationship between CDFIs serving the same markets? What is the relationship of CDFIs to other lenders in the same markets?

Accessing Resources

28. What is the status of existing secondary market programs (CRF, LIMAC, others) and development of new initiatives (EDA, USDA, CDFI Fund, Self-Help)? How can CDFIs contribute to and benefit from these initiatives?

29. Conduct a market analysis to identify untapped sources of funding for CDFIs (e.g. insurance companies).

30. What are the ingredients of a strong relationship between CDFIs and private sector supporters, particularly traditional financial institutions?

31. How can investors create a coordinated financial system to more efficiently support CDFIs?

Policy

32. How can CDFIs track and influence public policies that affect them and their target markets (e.g., financial modernization policy, Community Reinvestment Act and other community investment/reinvestment legislation, tax policy, and health care)?

CDFI Program - Goal of Core and Intermediary Components Application Revisions

by Joseph Firschein, CDFI Fund

The Fund is seeking to achieve several goals with the new Core and Intermediary Components application, based in large part on comments received from previous applicants and awardees as well as discussions at the Fund on how to improve the process:

The first goal is transparency – clarifying for all applicants the review process and evaluation factors that the Fund will use when reviewing applications. Some examples include:

- The application is a stand-alone document – for the most part, applicants do not have to refer to the program regulations in order to determine the requirements – this will save applicants time and ensure more complete applications.
- The application explains what happens to an application after it is sent in (first stage review, second stage review) – enabling applicants to better understand the process and time frame for making awards.
- The application lists the specific criteria and allocation of points that first-stage reviewers will apply when evaluating the application.

The second (and related) goal is enhancing consistency – both in the information submitted to the Fund and in the Fund's review process. Some examples include:

- The application clearly lists the specific documents that must be submitted, increasing the uniformity of information submitted to the Fund while simultaneously reducing the likelihood that an application will be incomplete.
- By collecting more uniform information from applicants, the application will enable the Fund to maintain and enhance consistency in the application review process.
- The application packet includes a glossary defining each of the terms used in the application – reducing the likelihood of applicants' interpreting application terms differently from applicant to applicant.

The third goal is streamlining – reducing the burdens placed upon applicants not only at the time of application, but throughout the application review, disbursement, and reporting processes. Some examples include:

- The application introduces an Internet-based Help Desk that is intended to save applicants significant time in completing their Investment Area requirements (previ-

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BusinessLINC and Technical Assistance Conference

by Don Graves, US Department of Treasury

On September 15, the CDFI Fund and Treasury's Office of Community Development Policy convened a conference, "BusinessLINC and Technical Assistance to Small Business" in conjunction with the Office of the Comptroller of the Currency (OCC), Office of Thrift Supervision (OTS), Federal Deposit Insurance Corporation (FDIC), the Federal Reserve, the Federal Housing Finance Board and the Small Business Administration (SBA). The conference was organized in the hopes it would bring much needed attention to the obstacles small businesses encounter and technical assistance for their growth.

As successful as CDFI investments have been, small businesses in distressed communities that benefit from these investments can grow if they have market opportunities in the private sector with larger corporations, and the technical know-how that allows them to take advantage of opportunities. Establishing and facilitating these relationships between large and small corporations, whether they be formal contractual partnerships or informal relationships between corporate officers, has always proved to be the greatest obstacle to the realization of the firms full economic potential.

Vice President Gore recognized this problem, and in 1998 he launched an initiative called "BusinessLINC" – Learning, Information, Networking, and Collaboration – to galvanize business-to-business relationships that build the competitive strengths of small business, especially those located in economically distressed urban and rural areas. The Vice President charged the Treasury Department and the SBA with the task of leading the effort to research business-to-business relationships in all contexts and suggest how best practices could be applied in urban and rural economically distressed communities. As a result of that work we have come to understand that not only do businesses in distressed areas often lack access to capital, they also lack access to information, sales opportunities and business advice. At the same time, establishing relationships with smaller firms will allow larger institutions to also benefit from the smaller firms' expanded capacity and the resulting efficiencies.

The product of that research, the Department of Treasury's and SBA's BusinessLINC Report, released in December of 1998, observed that financial institutions have begun to understand the ways they can help small businesses to develop, through mentoring, technical assistance and the like. The Report presented a number of examples of "best practices" in the private sector. These "best practices" are creative programs developed to provide greater access to capital for small businesses without a corresponding increase in their risk, while also responding to small businesses' needs, such as accounting advice, and management assistance.

In August, the President and the Vice President announced the formation of a National BusinessLINC coalition led by the Business Roundtable, and chaired by Peter Bijur, Chairman of Texaco. They also announced the creation of six local BusinessLINC coalitions in regions across the country to implement different best practice models.

The Conference brought together representatives of financial institutions, government, and large and small business to discuss issues of how financial institutions can help small businesses develop, either directly through investment and supplier development, or by supporting large businesses that work with small business.

501(C)(4) Organizations Beware: Lobbying Activities May Be Hazardous To Your Eligibility

by Steve Laughton, CDFI Fund

The new application packet for the CDFI Program – Core and Intermediary Components contains a questionnaire implementing a provision of the Lobbying Disclosure Act of 1995 (the "LDA"). Section 18 of the LDA provides that a 501(c)(4) organization that engages in lobbying activities on or after January 1, 1996 is not eligible to receive Federal funds in the form of an award, grant or loan. The Act defines lobbying activities very broadly. For example, if a 501(c)(4) organization writes to Members of Congress on or after January 1, 1996, to urge the modification or adoption of any legislation, this letter writing might constitute lobbying activities and might render your organization ineligible to receive an award under the CDFI Program.

Congress was well aware of the harsh consequences of such legislation and recognized a means by which a 501(c)(4) organization could avoid the scope of the LDA. Specifically, Congress recognized that a 501(c)(4) organization could form an affiliate organization to carry out lobbying activities with non-Federal funds. The affiliate organization could then make its views on matters of public importance known without the 501(c)(4) organization losing its eligibility to receive Federal grants.

However, if your 501(c)(4) organization has engaged in lobbying activities on or after January 1, 1996, there are at least two means by which your organization can once again become eligible to receive a Federal award, grant or loan. First, your organization could become a 501(c)(3) organization. Second, your organization could spin off the bulk of its operations to an affiliate organization that would not be affected by your organization's previous lobbying activities. Such affiliate could then apply for assistance from the Fund.

While the LDA impacts a 501(c)(4) organization's eligibility to receive Federal awards, grants or loans, the LDA does not affect a 501(c)(4) organization's ability to be certified as a CDFI.

If you represent a 501(c)(4) organization and you have questions or concerns about the LDA, you should contact your legal counsel before submitting an application for assistance under the CDFI Program.

The Federal Home Loan Banks: A Source for "Special Borrowing"

By Bill Glavin, Federal Housing Finance Board

The Federal Home Loan Bank System is a government-sponsored enterprise (GSE) created in 1932 to help provide liquidity for housing finance. It is a nationwide network of 12 wholesale banks that make loans, called advances, at below-market rates to their member institutions. There are over 7,200 FHLBank members, consisting of banks, thrifts, credit unions, and insurance companies. Institutions join the System after meeting certain eligibility requirements and buying stock in one of the FHLBanks.

The 12 District FHLBanks make advances to their members at interest rates that are lower than in the commercial market, particularly on long-term funds. Loans are priced at small spreads over comparable Treasury obligations. The member institutions use the advances to make loans for residential mortgages and targeted economic development projects.

If a CDFI or any other financial institution is interested in becoming a member of an FHLBank, it must meet the following statutory requirements: 1) be duly organized under state or federal law; 2) be subject to inspection and regulation under the banking laws; 3) make long-term mortgage loans; 4) have at least ten percent of its assets in residential mortgage loans; 5)

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be in sound financial condition and 6) have management characteristics and policies consistent with sound home financing.

As of September 30, 1999, 22 certified CDFIs are members of the System. Thirteen of them, including both community development banks and community development credit unions, have borrowed from the FHLBanks, with a total of $391.5 million in outstanding advances as of that date.

The recently enacted major banking reform law, the Gramm-Leach-Bliley Act, includes provisions that make it easier for community banks to join the FHLBank System and to borrow from the System once they become members. These "community financial institutions" (FDIC-insured depository institutions with less than $500 million in assets) will not have to meet the test of ten percent of assets in mortgage loans.

The Federal Housing Finance Board, the FHLBank System's regulator, expects to publish proposed regulations in early 2000 to implement these changes. The Finance Board is responsible for ensuring that the FHLBanks operate in a safe and sound manner and that they maintain their historic mission of providing finances for housing and community development.

In addition to the member institutions, the FHLBanks also make advances to "nonmember mortgagees," financial entities that do not own stock in an FHLBank but meet certain eligibility requirements to qualify for access to advances. At present, there are 43 nonmember mortgagees, almost of all them state or local housing finance agencies. In order to qualify as a nonmember mortgagee, an institution must: be an FHA-approved mortgage lender; be in sound financial condition; be chartered under law; be subject to the supervision of a governmental agency, and must make mortgage loans with its own funds. Through September 30, 1999, 17 of the 43 nonmember mortgagees are borrowers, with over $416 million in outstanding advances.

The Finance Board considers nonmember mortgagees, CDFIs and Native American lending institutions to be "special borrowers" from the FHLBank System. These organizations have special purpose charters and their lending activities when using FHLBank advances are virtually all mission-related – that is, targeted lending specifically for housing finance and community development. As of September 30, these special borrowers had $818.9 million in outstanding advances.

Traditional FHLBank advances to members have always been designed to provide liquidity for housing finance and economic development activities, but there are no restrictions on the income levels of those obtaining credit. The special borrowers of the FHLBank System, however, with their focus on lending to low and moderate-income borrowers, truly exemplify one important aspect of the FHLBank System's mission –namely, meeting unmet credit needs in their communities.

The Federal Housing Finance Board has taken steps to increase the universe of special borrowers. The Board published a final rule in 1997 that expanded the definition of "state housing finance agency" to include all tribally designated housing entities, thereby making many Indian housing agencies eligible. Generally, nonmember mortgagees must pledge FHA-insured mortgages as collateral for advances, but an expanded definition of collateral in the rule allows tribally designated housing entities to pledge, in general, the same types of collateral as members.

The Minnesota Chippewa Housing Corporation, a mortgage company which serves Minnesota's six Chippewa bands, is a nonmember borrower that has been able to put FHLBank advances to good use. Using funds obtained from long-term advances, the MCTH has been able to expand its business to middle-income borrowers. It further capitalized on the low-interest advance rates by making loans that blend borrowed funds with its own assets, allowing MCTHC to offer families interest rates at below cost.

Native American Lending Study and Action Plan

by Rodger J. Boyd, CDFI Fund

Native American Lending Study Workshop in Anchorage, AK - November 1999

During the fall months of 1999, the CDFI Fund Native American Lending Study and Action Plan team facilitated four workshops in its lending study process. The workshops covered the Alaska, Northeast, and Southeast regions of the U. S. As in other regions throughout the U. S., the Fund partnered with Native American and Alaskan organizations to conduct the workshops. In Alaska the Fund partnered with the Alaska Village Initiatives of Anchorage and the Tanana Chiefs Conference, Inc. of Fairbanks. For the workshops in Mystic Connecticut and Tampa Florida, the Fund partnered with the United South and East Tribes, Inc. These workshops concluded a ten-month lending study workshop process that started in March 1999. The Fund conducted a total of 13 regional workshops nation-wide. The participants in these workshops have been tribal government and business representatives, bankers, federal and state agencies, federal financial supervisory agencies and non-profit organizations. The workshops have greatly assisted in developing a database of information necessary to fulfill the study requirements. During the winter months, the Fund will continue the study by conducting a national survey on related issues concerning barriers to accessing capital and drafting a preliminary report. The final report will be submitted to the Congress and the President later in 2000.

Native American Lending Study Workshop in Mystic, CT - November 1999

Native American Lending Study Workshop in Fairbanks, AK - November 1999

Native American Lending Study Workshop in Tampa, FL - November 1999

New Training Program

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In particular, the Fund's Training Program will broaden the array of training delivery, including such diverse methods as class room instruction, web-based distance learning and structured internship-based training, and increasing the accessibility of training to CDFIs and FSOs. The strategy of increasing the supply of training services available for members of the CDFI industry complements the Fund's on-going demand-driven approach of providing grant monies through its Technical Assistance Component to organizations seeking to build internal capacity through obtaining consulting services, technology and training.

The CDFI Fund's first Training Program initiative was the awarding of a contract to Arthur Andersen to perform a market analysis of the training needs of CDFIs and FSOs. The analysis, which is expected to be completed by late January 2000, will also include entities that provide training to these CDFIs and FSOs. The purpose of the market analysis is to obtain data sufficient to determine the: (1) quality and extent of training available for CDFIs and community development-focused FSOs; (2) training needs of such organizations; (3) impediments to obtaining needed and adequate training for such organizations; and (4) strategies for eliminating those impediments. The results of the completed market analysis will inform the Fund's development of a comprehensive and multi-faceted program aimed at bringing high quality and affordable training to broad segments of the CDFI industry. This program will be capable of serving a larger market than the Fund's CDFI Program in that FSOs—organizations that have a community development focus but are not certified CDFIs —are among the audience benefiting from training.

A second ongoing Training Program initiative focuses on the development and delivery of specific training to help CDFIs and FSOs strengthen their ability to analyze their markets, project future financial positions and develop the organizational infrastructure necessary for lending. The Fund expects to issue requests for training proposals by the end of 1999 and to award one or more contracts for implementation of this set of training modules by early 2000.

For more information, contact Pat Krackov at the CDFI Fund on (202) 622-8662.

Core and Intermediary Components New Funding Application

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ously applicants had to go to the library or a local planning office to obtain Census Bureau reports).

• The application uses check-off boxes and tables to reduce the need for long narrative in the application and to minimize the Fund's requests for supplemental materials.

• The application includes charts designed to determine the applicant's key past and projected activities and community development impacts. These charts are intended to reduce the amount of time it takes the Fund to complete the performance goals and measures portion of each awardee's Assistance Agreement, thereby reducing the time between award selection and disbursement.

In conjunction with the revised application, the Fund has reduced the reporting requirements for Awardees – making financial soundness covenant reports and internal financial statements due semi-annually instead of quarterly and making reports on performance goals and measures due annually instead of quarterly.

On December 9, 1999, Treasury Secretary Summers hosted a Recognition Reception in Treasury's historic Cash Room for the 1999 CDFI Program Core, Intermediary and Technical Assistance Component Awardees and the Bank Enterprise Award Program Awardees. More than 250 people attended from thoughout the nation.

The CDFI Fund

1999 Award Recognition Reception

Department of the Treasury

December 9, 1999

Director Lazar, Secretary Summers, Under Secretary Gensler and Treasurer Withrow spoke about the importance of the work of the Fund. To illustrate their points, three individuals who have been helped through the Fund's investments in CDFIs told their stories.

Phi Doane, Vermont Development Credit Union (above left); Mauro Leija, ACCION Texas (above right); and David Sweeny, Nonprofit Facilities Fund, New York (left) were featured speakers at the event.

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Federal Register. We have highlighted below some of the Regulation revisions in order to assist you in understanding the nature of these changes. A more detailed chart comparing the effected prior Regulation provisions with the related revised versions can be found on the CDFI Fund's web site.

Definitions

· The terms CDFI Intermediary and Financial Products have been added to the list of defined terms. The definition of Financial Products includes, in the case of CDFI Intermediaries, grants to CDFIs and deposits in insured credit union CDFIs.

Eligibility

· Applicant must meet eligibility requirements within 24 months from September 30 of calendar year in which the applicable application deadline falls or other period set forth in the Notice of Funds Availability (NOFA). The previous eligibility deadline was deemed to be too uncertain and confusing to Applicants.

Certification

· The primary mission test previously required that an Applicant's and its Affiliates' activities be principally directed toward serving a Target Market. Under the revised Regulations, the activities of an Applicant and its Affiliates must be purposefully directed toward improving the social and economic conditions of disadvantaged people and/or residents of distressed communities.

• In order to pass the financing entity test, the CDFI Fund will determine whether an Applicant's provision of Financial Products and Development Services, in combination, comprise a majority of its activities. If necessary, the CDFI Fund will also evaluate whether an Applicant's other financing activities assist it in passing this test. The prior financing entity test required that an Applicant's predominant business activity be the provision of loans, Development Investments and other similar financing. The revision to this provision of the Regulations is consistent with the CDFI Fund's authorizing statute which requires that a CDFI must provide Development Services in conjunction with loans and Equity Investments.

• County net migration loss (outmigration minus immigration) is added as a distress criteria.

Matching Funds

• The prior Regulations prohibited an Applicant from counting as matching funds, any funds spent on operating expenses prior to the calendar year in which the applicable application deadline falls. The revised Regulations eliminate such provision.

Application

• Matching funds documentation need only be provided by Applicants advancing to phase two of the substantive review process. This will help to streamline the review process.

• The application contains an additional requirement (Effective Use) that the Applicant describe the extent of need for the CDFI Fund's assistance as demonstrated by the extent of economic distress in its Target Market and the extent to which the Applicant needs the CDFI Fund's assistance to carry out its Comprehensive Business Plan. This requirement is consistent with the application content requirements set forth in the CDFI Fund's authorizing statute.

Evaluation

• Effective Use is added as an evaluation factor.

Reporting

• Quarterly reports have been replaced with semi-annual reports. These reports will request internal (unaudited) financial statements and information on compliance with financial soundness covenants, as applicable.

• Awardee's compliance with performance goals will only be reported on annually. Under the previous Regulations, such compliance was reported on quarterly.

• Awardee's will also submit an annual survey which will contain information on its customer profile; activities including Financial Products and Development Services; portfolio quality; financial condition; and community development impact.

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The Community Development Financial Institutions Fund is a wholly-owned government corporation within the U.S. Department of Treasury. Its vision: An America in which all people have access to capital and financial services. Its 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, however, should not be perceived as being endorsed by the Fund.

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