

FREQUENTLY ASKED QUESTIONS (FAQ): MATERIAL EVENT OCCURRENCE AND REPORTING

Q. What is a Material Event?

A. For a Community Development Financial Institution (CDFI), the CDFI Fund defines a “*Material Event*” as an occurrence that affects an organization’s strategic direction, mission, or business operation and, thereby, its status as a certified Community Development Financial Institution (CDFI), and/or its compliance with the terms and conditions of its Assistance agreement.

Q. Can you provide specific examples of Material Events?

A. The list below provides examples of *Material Events* that should be reported to the CDFI Fund on the Certification of *Material Event* Form. Please note these examples may not apply to all covered entities and this list may not be exhaustive. If you have questions regarding an event that is not listed in this document, you may contact the CDFI Fund’s staff at cdfihelp@cdfi.treas.gov for additional guidance.

- A merger, acquisition, or consolidation with another entity
- A change in the organization’s legal status (e.g., dissolution or liquidation of the organization, bankruptcy, receivership, etc.)
- An event which materially changes the strategic direction, mission, or business of the organization such that the organization no longer meets a certification requirement (e.g., no longer providing Financial Products or Development Services)
- An event which materially changes the organization’s balance sheet composition such that Financial Products no longer represent 50% or more of its total assets
- An event which materially changes the organization’s tax and/or corporate structure (e.g., changing from for-profit to non-profit status)
- An event that results in a change in control of the organization (e.g., control by, controlling relationships, loss of control - as such term is defined in the Assistance agreement - by any entity that is a party thereto)
- An event that results in the organization being a government entity or controlled by a government entity (as such term is defined in the CDFI Program regulations)
- An event in the market served by the organization such that its previously certified *Target Market* is now less than 60% of the organization’s annual activities (i.e., number or volume of loans; number of Development Services clients)
- An event in the composition of the organization’s Board of Directors (or other governing body) such that the percentage of the governing or advisory board members representing the organization’s *Target Market* is diminished or altered
- Relocation of the organization’s primary office to another state which alters the organization’s ability to serve or be accountable to its *Target Market* (based on its most recent certification prior to the relocation)
- Any other event determined by the CDFI Fund, in its sole discretion, to constitute a *Material Event*.

Once an organization has entered into an assistance agreement with the CDFI Fund, the following are considered to be reportable *Material Events*:

- A proceeding instituted against the awardee in, by or before any court, governmental or administrative body or agency, which proceeding or its outcome could have a material adverse effect upon the operations, assets or properties of the awardee as it relates to any Assistance agreement;
- A material adverse change in the condition, financial or otherwise, or operations of the awardee that would impair the awardee’s ability to carry out the authorized uses of the assistance/allocation;
- Loss of the awardee’s Insured Credit Union existence as defined in 12 U.S.C. § 1752(7) (if applicable);
- An Event of Default, as that term is defined in Section 6.1 of the Assistance agreement, or any event which upon notice or lapse of time, or both, would constitute an Event of Default;
- Loss of the awardee’s Depository Institution Holding Company existence under 12 USC § 1813(w)(1) or Insured Depository Institution existence under 12 USC § 1813(c)(2) (if applicable);
- A change in the awardee’s shareholders or organization that results in (i) the CDFI Fund’s ownership of equity in the awardee exceeding 50 percent and/or (ii) the CDFI Fund controlling the awardee’s operations; or
- The debarment, suspension, exclusion or disqualification, by the Department of Treasury, or any other Federal department or agency, of any individual or entity (or principal thereof) that received any portion of the assistance/allocation in a procurement or nonprocurement transaction, as defined in 31 C.F.R. §19.970.

Q. Do such events have to be reported?

- A. Yes, *Material Events* such as those listed above should be reported to the CDFI Fund within thirty (30) days of occurrence. Additionally, any certified CDFI that plans to submit a FY 2005 Financial Assistance (FA) Component or Technical Assistance (TA) Component application is required to certify its *Material Event* status by January 14, 2005. CDFI's that have outstanding Assistance agreements with the CDFI Fund may have additional compliance related reporting requirements, and should contact the Compliance Monitoring and Evaluation Manager for additional guidance.

Fund staff will review any reported *Material Events* to determine whether the organization continues to meet the certification requirements for CDFI's. Your organization may be required to submit additional or clarifying information to assist the CDFI Fund in making a final determination.

Q. What form does a certified entity and/or awardee use to report Material Events?

- A. Complete the "Certification of *Material Event* Form" that is available for download from the CDFI Fund's website at www.cdfifund.gov. From the website's homepage click on "Certification", then "CDFI Certification Program." The form is listed in the "Application Materials" section.

The Certification Form must be certified and submitted even if an organization has not incurred a *Material Event*.

Q. Who is authorized to sign the certification?

The form should be signed by the Authorized Representative registered in the organization's myCDFIFund account for the application the organization anticipates submitting (i.e., FY 2005 Financial Assistance or Technical Assistance Component), if applicable. If the organization does not have such an account, the Authorized Representative from the most recent certification (re-certification) application must sign the form.

Q. Does an amendment to the organization's Target Market constitute a Material Event?

- A. Generally, an amendment to an organization's *Target Market* does not have to be reported as a *Material Event*. An organization seeking to amend its *Target Market* should submit the *Target Market* and Accountability sections of the CDFI Certification Application, based on the revised *Target Market*, to the CDFI Fund for review. Such an amendment would be reportable as a *Material Event* if the organization reduces its activity level within its *Target Market* (based on its most recent certification) to less than 60% of its total activities (i.e., Financial Products, Development Services, deposits).

Q. Will a receipt notification be provided once the form is submitted?

- A. No. Certification forms received by the January 14, 2005 submission deadline for the FY2005 FA and TA Components will be recorded in an organization's existing certification file. The CDFI Fund may request additional clarification information concerning *Material Events* reported. Such request may occur in conjunction with the CDFI Fund's review of the organization's funding application, if applicable. The CDFI Fund will notify the organization of its determination once the review is concluded.

Q. Can a Material Event also affect my organization's compliance with an active Fund Assistance agreement?

- A. It is possible that a *Material Event* could affect your organization's compliance with an active Fund Assistance agreement. Fund staff will review the information you submit and contact you if any of the reported *Material Events* affect your compliance status or if further action is required to ensure future compliance with all terms and conditions of your Assistance agreements.

NOTE: All terms in *italics* are defined in the CDFI Fund's Glossary, which is available on the CDFI Fund's website at: www.cdfifund.gov.