

**COMMUNITY  
DEVELOPMENT  
FINANCIAL  
INSTITUTIONS  
PROGRAM**

# **Glossary of Terms**

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**GLOSSARY OF TERMS**



Affiliate	Eligible Loan Guarantees
Affordable housing products	Empowerment Zone
African American	Equity
Alaska Native	Equity-equivalent Investment or Equity Like Loan
Alaska Native Village	Equity Investment
American Indian	Equity Investment Closed
Annual Net Loan Loss Ratio	Equity Investment-to-asset-ratio
Applicant	Financial Assistance (FA)
Appropriate Federal Banking Agency	Financial Products
Arms-length Transaction or Arms-length Financing	Financial Services
Assistance Agreement	Financial Statements
Authorized Representative	Financing Entity
Average Outstanding Loan Portfolio	Financing-related Activities
Awardee	Full Time Equivalent (FTE)
Bank or Thrift	Geographic Units
Category I (FA Component)	Gross Loans Receivable
Category II (FA Component)	Hispanic or Latino
Commercial Real Estate	Hot Zones
Community Development Financial Institution (CDFI)	Indian Reservation
CDFI Intermediary	Indian Tribe (also, american Indian Tribe)
Community Facility	Individual Development Account (ida)
Community-governed	Insured Credit Union
Community-owned	Insured Depository Institution
Community Partner	Investment Area
Community Partnership	Loan Closed
Comprehensive Business Plan	Loan Loss Reserves
Comprehensive CDFI Development Plan	Loan Loss Reserve Ratio
Consumer Loan	Loan Purchase
Control	Loan-to-asset Ratio
Current Ratio	Loan-to-deposit Ratio
Delinquency Ratio	Loan-to-share Ratio
Deployment Ratio	Low-income
Depository Institution Holding Company	Low-income Designated Credit Union
Development Services	Low-income-owned Business
Economic Development Products	Low-income Targeted Population
	Matching Funds

Matching Funds Firmly Committed	Subsidiary
Matching Funds In-hand	Target Market
Microenterprise	Targeted Population
Minority-owned Business	Technical Assistance
Multi-bank Community Development Corporation (CDC)	Total Adjusted Notes Payable
Native American	Total Assets
Native American Partner	Total Commitments
Native Hawaiian	Total Current Assets
Net Assets	Total Current Liabilities
Net Asset Ratio	Total Deposits
Net Capital Ratio	Total Earned Income
Net Charge-off	Total Equity
Net Income	Total Equity Capital Available for Financing
Net Worth	Total Financing Capital
Net Worth Ratio	Total Liabilities
net Write-off	Total Loans
Notice of Award	Total Member Shares
Notice Of Funds Availability (or NOFA)	Total Non-member Shares
Operating Liquidity Ratio	Total Off-balance Sheet Resources
Other Pacific Islander	Total Outstanding Equity Investment Portfolio
Other Targeted Population	Total Outstanding Loan Portfolio
Past Due Loans	Total Revenue
Portfolio-at-risk	Tribe, Tribal
Programmatic Priorities	United States
Retained Earnings	Venture Capital Fund
Secondary Capital	Very Low-income
Self-sufficiency Ratio	Village
Start-up Business	Voting Securities
State Regulated Credit Union	Women-owned Business

**GLOSSARY OF TERMS:  
COMMUNITY DEVELOPMENT FINANCIAL INSTITUTIONS (CDFI) PROGRAM**

The following defined terms relate to the Community Development Financial Institutions (*CDFI*) Program. For additional definitions and further *CDFI* Program information, please refer to the regulations that govern the *CDFI* Program, which can be found at 12 CFR §1805, and the *NOFAs* that govern the FY 2003 funding rounds of the *CDFI* Program. If any of the definitions set forth below differ in any way from those that are found in the *CDFI* Program regulations, the regulations shall govern.

**AFFILIATE**

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Any company that *Controls*, is *Controlled* by, or is under common *Control* with another company. 12 CFR § 1805.104(b)

**AFFORDABLE HOUSING PRODUCTS**

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Products that finance affordable multi- and single family housing, including loans and investments for development, rehabilitation and purchase, and related *Development Services*.

**AFRICAN AMERICAN**

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A person having origins in any of the black racial groups of Africa. (OMB Notice, Revisions to the Standards for the Classification of Federal Data on Race and Ethnicity, 10/30/97)

**ALASKA NATIVE**

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See *American Indian*.

**ALASKA NATIVE VILLAGE**

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As defined by 43 U.S.C. 1601 *et seq.*

**AMERICAN INDIAN**

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A person having origins in any of the original peoples of North America and South America (including Central America) and who maintains tribal affiliations or community attachment. (OMB Notice, Revisions to the Standards for the Classification of Federal Data on Race and Ethnicity, 10/30/97)

**ANNUAL NET LOAN LOSS RATIO**

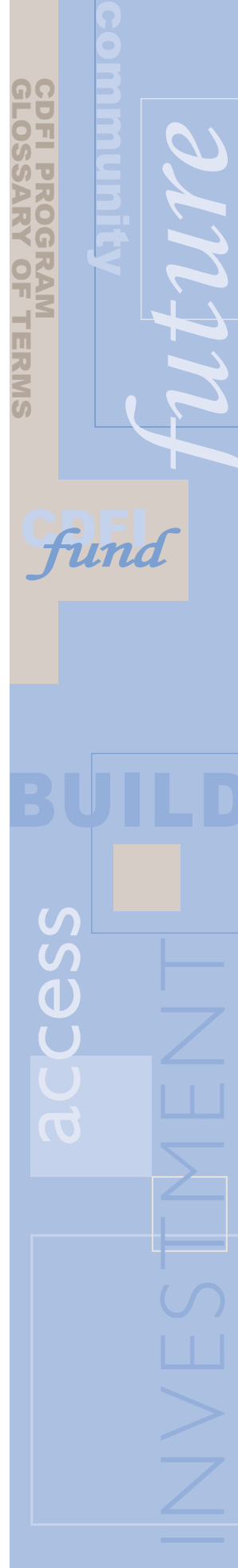
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Calculated by dividing *Net Write-Offs* or *Net Charge-Offs* by *Total Outstanding Loan Portfolio*. The *Annual Net Loan Loss Ratio* represents the portion of an organization's *Total Outstanding Loan Portfolio* that is so delinquent that it has been deemed uncollectible and assumed to be a loss.

**APPLICANT**

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Any entity submitting an application for *Financial Assistance* and/or *Technical Assistance* through the *CDFI* Program. 12 CFR § 1805.104(b).



**APPROPRIATE FEDERAL BANKING AGENCY**

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The primary federal regulator for an *Applicant* that is a *Depository Institution Holding Company*, *Insured Depository Institution*, or *Insured Credit Union*. These include the Federal Reserve System, the Federal Deposit Insurance Corporation, the Office of the Comptroller of the Currency, the Office of Thrift Supervision, and the National Credit Union Administration. 12 CFR § 1805.104(d).

**ARMS-LENGTH TRANSACTION OR ARMS-LENGTH FINANCING**

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A financing transaction (such as a loan or *Equity Investment*) made with a third party that is not an *Affiliate* of the *Financing Entity*. 12 CFR § 1805.104(s).

**ASSISTANCE AGREEMENT**

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A written agreement between the *CDFI* Fund and an *Awardee* specifying the terms and conditions of assistance including, without limitation, performance and financial soundness goals, if applicable. 12 CFR § 1805.104(e).

**AUTHORIZED REPRESENTATIVE**

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An officer, or other individual, who has the actual or authority to sign for and make representations on behalf of the *Applicant*.

**AVERAGE OUTSTANDING LOAN PORTFOLIO**

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Calculated by averaging the organization's *Total Outstanding Loan Portfolio* between two points in time. For example, *Average Outstanding Loan Portfolio* in 1997 equals *Total Outstanding Loan Portfolio* at 12/31/96 plus *Total Outstanding Loan Portfolio* at 12/31/97 divided by 2. The *Average Outstanding Loan Portfolio* reflects the average amount of loans disbursed by an organization to its borrowers throughout the course of the organization's fiscal year.

**AWARDEE**

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An *Applicant* that has been selected by the *CDFI* Fund to receive assistance through the *CDFI* Program.

**BANK OR THRIFT**

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Any entity, the deposits of which are insured by the Federal Deposit Insurance Corporation. See also, *Insured Depository Institution*. 12 CFR § 1805.104(bb).

**CATEGORY I (FA COMPONENT)**

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*CDFI*s that have capitalization needs up to and including \$1,000,000 and total assets, as of December 31, 2002, that range up to \$500 million (for *Insured Depository Institutions* and depository holding companies), up to \$25 million (for *Insured Credit Unions*), or up to \$25 million for other *CDFI*s.

**CATEGORY II (FA COMPONENT)**

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*CDFI*s with assets above the Category I ranges and/or that can effectively deploy funding in an amount in excess of \$1,000,000, either to leverage greater private sector resources in support of their lending and investing activities (such as through funding a loan loss reserve or credit enhancement), or to develop and effectively provide innovative *Financial Products* and *Financial Services* that address the capital needs of particularly underserved markets.

## COMMERCIAL REAL ESTATE

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Real property improved by office, retail, industrial or community facilities.

## COMMUNITY DEVELOPMENT FINANCIAL INSTITUTION (CDFI)

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An organization that has been certified as a *CDFI* by the Fund pursuant to 12 C.F.R. § 1805.201, and such certification is in effect. 12 CFR § 1805.104(g).

## CDFI INTERMEDIARY

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An entity that meets *CDFI* certification eligibility requirements and whose primary business activity is the provision of *Financial Products* to *CDFIs* and/or emerging *CDFIs*. 12 CFR § 1805.104(h).

## COMMUNITY FACILITY

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A facility in which health care, childcare, educational, cultural or social services are provided. 12 CFR § 1805.104(j).

## COMMUNITY-GOVERNED

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An entity with respect to which the residents of an *Investment Area(s)* or members of a *Targeted Population(s)* represent greater than 50 percent of the governing body. 12 CFR § 1805.104(k).

## COMMUNITY-OWNED

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An entity with respect to which the residents of an *Investment Area(s)* or members of a *Targeted Population(s)* have an ownership interest of greater than 50 percent. 12 CFR § 1805.104(l).

## COMMUNITY PARTNER

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An entity (other than an individual) that provides loans, *Equity Investments*, or *Development Services* and enters into a *Community Partnership* with an *Applicant*. A *Community Partner* may be, for example, a *Depository Institution Holding Company*, an *Insured Depository Institution*, an *Insured Credit Union*, a nonprofit or for-profit organization, a State or local government entity, a quasi-government entity, or an investment company authorized pursuant to the Small Business Investment Act of 1958 (15 U.S.C. 661 et seq.). 12 CFR § 1805.104(m).

## COMMUNITY PARTNERSHIP

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A written agreement between an *Applicant* and a *Community Partner* to provide collaboratively loans, *Equity Investments*, or *Development Services* to an *Investment Area(s)* or a *Targeted Population(s)*. 12 CFR § 1805.104(n).

## COMPREHENSIVE BUSINESS PLAN

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A business plan of a minimum of five years that covers an organization's past and projected community development impact, and past and projected financial performance, management capacity, operational capacity, market analysis, program design and implementation plan, as may be described in the applicable *NOFA* and funding application.

## COMPREHENSIVE CDFI DEVELOPMENT PLAN

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A plan that describes an organization's community development and financial track record and its management capacity, market analysis, program design and implementation plan, and the resulting projected community development impact through its own capacity building or through the creation of a *CDFI*, as may

be described in the applicable *NOFA* for the Native American *CDFI* Development (NACD) Program. 12 CFR § 1805.104(o).

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#### CONSUMER LOAN

A new origination of a loan to one or more individuals for household, family, or other personal expenditures.

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#### CONTROL

1. Ownership, control or power to vote 25 percent or more of the outstanding shares of any class of *Voting Securities* of any company, directly or indirectly or acting through one or more other persons;
2. Control in any manner over the election of a majority of the directors, trustees or general partners (or individuals exercising similar functions) of any company; or

The power to exercise, directly or indirectly, a controlling influence over the management, credit, or investment decisions or policies of any company. 12 CFR § 1805.104(p).

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#### CURRENT RATIO

*Total Current Assets* divided by *Total Current Liabilities*.

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#### DELINQUENCY RATIO

The total dollar amount of loans with payments 30 days or more past due divided by the *Total Outstanding Loan Portfolio* (or *Total Loans*, in the case of *Banks or Thrifts*). Past due loans include the entire outstanding balance of loans with payments that are past due. Loans should be considered past due if any part of the payment is past due. In the case of a non-regulated for-profit or nonprofit organization, the *Delinquency Ratio* is measured using a schedule of aging of total loan receivables at 30, 60, and 90 days. In the case of *Insured Credit Unions*, the aging schedule is calculated at 2 months, 6 months and 12 months. In the case of *Banks and Thrifts*, the aging schedule is calculated at 31, 61, and 90 days or more. *Banks and Thrifts* also have a category of loans called non-accrual loans for which the *Banks and Thrifts* are no longer accruing interest due to the borrowers' poor payment performance. The *Delinquency Ratio* is also commonly known as the *Portfolio-at-Risk*.

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#### DEPLOYMENT RATIO

*Total Outstanding Loan Portfolio* and/or *Total Outstanding Equity Investment Portfolio* divided by *Total Financing Capital* (the sum of *Total Adjusted Notes Payable* and *Total Equity Capital Available for Financing*). The *Deployment Ratio* indicates the extent to which debt capital and equity capital (both restricted and unrestricted) are actually deployed in loans or *Equity Investments*, and serves as an indicator of how aggressive an organization has been in using available capital.

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#### DEPOSITORY INSTITUTION HOLDING COMPANY

A bank holding company or a savings and loan holding company as defined in Section 3 of the Federal Deposit Insurance Act (12 U.S.C. 1813 (w)(1)).

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#### DEVELOPMENT SERVICES

Activities that promote community development and are integral to the *Applicant's* provision of *Financial Products*. Such services shall prepare or assist current or potential borrowers or investees to utilize the *Financial Products* of the *Applicant*. Such services include, for example: financial or credit counseling to individuals for the purpose of facilitating home ownership, promoting self-employment, or enhancing



consumer financial management skills; or technical assistance to borrowers or investees for the purpose of enhancing business planning, marketing, management, and financial management skills. 12 CFR § 1805.104(r).

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#### **ECONOMIC DEVELOPMENT PRODUCTS**

Products that finance *Microenterprises*, small businesses, and *Commercial Real Estate*, including both loans and *Equity Investments*, and related *Development Services*.

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#### **ELIGIBLE LOAN GUARANTEES**

A guarantee provided on a loan made by a non-*Affiliated* lender up to \$1 million where the guarantor can verify that the loan would not have been made without the guarantee.

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#### **EMPOWERMENT ZONE**

An area designated pursuant to section 1391 of the Internal Revenue Code of 1986, as amended (26 U.S.C. § 1391).

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#### **EQUITY**

See *Equity Investment*.

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#### **EQUITY-EQUIVALENT INVESTMENT OR EQUITY LIKE LOAN**

A loan that has certain equity-like provisions, including required payments only from cash flow and a flexible maturity. Note that the definition under the *CDFI* Program is more flexible than under the BEA Program.

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#### **EQUITY INVESTMENT**

An investment made by an *Applicant* that, in the judgment of the Fund, directly supports or enhances activities that serve an *Investment Area(s)* or a *Targeted Population(s)*. Such investment must be made through an *Arms-Length Transaction*. An *Equity Investment* includes a stock purchase, a purchase of a partnership interest, a purchase of a limited liability company membership interest, a loan made on such terms that it has sufficient characteristics of equity (and is considered as such by the Fund); or any other investment deemed to be an *Equity Investment* by the Fund. 12 CFR § 1805.104(s).

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#### **EQUITY INVESTMENT CLOSED**

An *Equity Investment* is closed when a legally binding investment document has been signed by the investee in favor of the investor.

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#### **EQUITY INVESTMENT-TO-ASSET-RATIO**

The *Total Outstanding Equity Investment Portfolio* divided by *Total Assets*. If an organization does not own significant non-*Equity Investment* assets (e.g. real estate), the *Equity Investment-to-Asset Ratio* may serve as an indicator of the extent to which an organization's assets are available for making *Equity Investments* and how aggressive an organization has been investing available capital.

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#### **FINANCIAL ASSISTANCE (FA)**

Funds provided by the *CDFI* Fund through the *CDFI* Program in the form of an *Equity Investment* (including, in the case of certain *Insured Credit Unions*, *secondary capital accounts*) a grant, loan, deposit, credit union shares, or any combination thereof.

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#### FINANCIAL PRODUCTS

Loans, *Equity Investments*, and similar financing activities (as determined by the Fund), including the purchase of loans originated by certified *CDFIs* and the provision of loan guarantees; in the case of *CDFI* Intermediaries, grants to *CDFIs* and/or emerging *CDFIs*, deposits in Insured Credit Union *CDFIs* and/or emerging *Insured Credit Union CDFIs*. 12 CFR § 1805.104(t).

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#### FINANCIAL SERVICES

Checking or savings accounts, check cashing, money orders, certified checks, automated teller machines, deposit-taking and safe deposit box services. 12 CFR § 1805.104(u).

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#### FINANCIAL STATEMENTS

Financial reports that reflect the financial condition of an organization at a specific point in time. In the case of a non-regulated for-profit, *Bank or Thrift*, or *Insured Credit Union*, such statements consist of balance sheets or statements of financial position; income and expense statements; statements of cash flows (optional for *Insured Credit Unions*) and, if applicable, auditors' opinion letters and any reports of findings (management letter), single audit reporting package (i.e., report on compliance with requirements applicable to each major program and on internal controls over compliance in accordance with OMB Circular A-133), or any letters prepared by the auditor in compliance with OMB Circular A-133. In the case of a non-regulated nonprofit, such statements may consist of statements of financial condition, statements of activities and/or statements of cash flows.

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#### FINANCING ENTITY

An entity whose predominant business activity is the provision, in *Arms-Length Transactions*, of *Financial Products*, *Development Services*, and/or other similar financing. An *Applicant* for *CDFI* certification may demonstrate that it is such an entity if it is a(n):

- 1) *Depository Institution Holding Company*;
- 2) *Insured Depository Institution* or *Insured Credit Union*; or
- 3) An organization which is deemed by the Fund to have such a predominant business activity as a result of analysis of its financial statements, organizing documents, and any other information required to be submitted as part of its application, use of personnel and total assets. 12 CFR § 1805.201(b)(2).

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#### FINANCING-RELATED ACTIVITIES

Activities that support the *Applicant's* provision of *Financial Products*, including:

- 1) Pre-development grants, provided that, in the sole determination of the Fund, they are offered to the *Applicant's* borrowers or potential borrowers in order to enhance such borrower's or potential borrower's ability to use the *Applicant's* lending or investment products; and
- 2) The provision of loan packaging, provided that, in the sole determination of the Fund, the *Applicant* is financing more than a nominal portion of the loan that is being packaged for another lender.

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#### FULL TIME EQUIVALENT (FTE)

An employee that works at least a 40-hour workweek. In calculating the number of *Full-Time Equivalents*, part-time employees should be aggregated to *Full-Time Equivalents* (e.g. two part-time employees that each work 20 hours per week may be aggregated to count as one *Full-Time Equivalent*).

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#### GEOGRAPHIC UNITS

A unit(s) within an *Investment Area* that is a county (or equivalent area), minor civil division that is a unit of local government, incorporated place, census tract, block numbering area, block group, or *American Indian*

area or *Alaska Native Village* (as such units are defined or reported by the U.S. Bureau of the Census). However, *Geographic Units* in metropolitan areas that are used to comprise an *Investment Area* shall be limited to census tracts, block groups and *American Indian* areas or *Alaskan Native Villages*.

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#### GROSS LOANS RECEIVABLE

The *Total Outstanding Loan Portfolio* at the end of a period. Loans outstanding equals the aggregate dollar amount of all loans receivable without giving effect to any allowance for the collectability thereof (i.e. before deducting for *Loan Loss Reserves*). *Gross Loans Receivable* may also be referred to as *Total Loans* in the case of *Banks or Thrifts*.

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#### HISPANIC OR LATINO

A person of Cuban, Mexican, Puerto Rican, South or Central American or other Spanish culture or origin, regardless of race. (OMB Notice, Revisions to the Standards for the Classification of Federal Data on Race and Ethnicity, 10/30/97)

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#### HOT ZONES

For FY 2003, in order to target its *Financial Assistance* Component resources to areas of greatest need, the Fund has classified certain *Geographic Units* as *Hot Zones*, which are subsets of *Investment Area Target Markets*. *Hot Zones* are classified as either Economic Development *Hot Zones* or Housing *Hot Zones*. Metropolitan Economic Development *Hot Zones* are census tracts with an unemployment rate greater than or equal to 1.5 the national average; a poverty rate greater than or equal to 20 percent; a median family income less than or equal to 80 percent of the metropolitan area median income; and a minimum population of 2,500. Non-metropolitan Economic Development *Hot Zones* are counties with an unemployment rate greater than or equal to 1.5 times the national average; a poverty rate greater than or equal to 20 percent or a median family income less than or equal to 80 percent of the statewide non-metropolitan median family income or the national non-metropolitan median family income (whichever is greater); and a minimum population of 2,500. Housing *Hot Zones* are metropolitan census tracts and non-metropolitan counties with a minimum population of 2,500 and either (1) median monthly rental housing cost that exceeds 30 percent of the gross monthly income of a low-income household; a poverty rate greater than or equal to 20 percent; and median family income less than or equal to 80 percent (for metropolitan census tracts), or the greater of 80 percent of the statewide non-metropolitan median family income or the national non-metropolitan median family income (for non-metropolitan areas). Additionally, all *American Indian* areas and similar entities that are eligible *Investment Areas* but do not meet the above *Hot Zone* definitions are considered to be *Hot Zones*.

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#### INDIAN RESERVATION

Any geographic area that meets the requirements of section 4(10) of the Indian Child Welfare Act of 1978 (25 U.S.C. 1903(10)), and shall include land held by incorporated *American Indian Tribes*, public domain Indian allotments, and former *Indian Reservations* in the State of Oklahoma. 12 CFR § 1805.104(w).

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#### INDIAN TRIBE (ALSO, AMERICAN INDIAN TRIBE)

*Indian Tribe*, band, pueblo, nation or other organized group or community, including *Alaska Native Village* or regional or village corporation, (as defined in or established pursuant to the *Alaska Native Claims Settlement Act*), which is recognized as eligible for special programs and services provided by the United States to Indians because of their status as Indians. See also *Tribe, Tribal*. 12 CFR § 1805.104(x).

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#### INDIVIDUAL DEVELOPMENT ACCOUNT (IDA)

An account that meets the requirements, and with respect to the provision of which the *Applicant* has satisfied the requirements, set forth in the U.S. Department of Health and Human Services Program Announcement

OCS-2000-04, published on December 14, 1999 in the Federal Register at 64 FR 69824, as such requirements may be amended from time to time. 12 CFR § 1806.103(ff).

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**INSURED CREDIT UNION**

Any credit union, the member accounts of which are insured by the National Credit Union Share Insurance Fund. 12 CFR § 1805.104(aa)

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**INSURED DEPOSITORY INSTITUTION**

Any entity, the deposits of which are insured by the Federal Deposit Insurance Corporation. See also *Bank and Thrift*. 12 CFR § 1805.104(bb).

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**INVESTMENT AREA**

A *Target Market* made up of a *Geographic Unit* or contiguous *Geographic Units* that:

1. Is entirely located within the geographic boundaries of the *United States* and either:
2. Meets at least one of the criteria of economic distress as defined under 12 CFR§1805.201(b)(3)(ii)(D) and has significant unmet needs for loans, *Equity Investments*, or *Financial Services*, as described under 12 CFR§1805.201(b)(3)(iii)(E); or
3. Encompasses or is located wholly within an *Empowerment Zone* or Enterprise Community designated under section 1391 of the Internal Revenue Code of 1986. 12 CFR § 1805.104(cc).

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**LOAN CLOSED**

A loan is counted as closed when a legally binding note has been signed by the borrower in favor of the lender.

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**LOAN LOSS RESERVES**

Funds set aside in the form of cash reserves or through accounting-based accrual reserves that serve as a cushion to protect an organization against potential future losses.

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**LOAN LOSS RESERVE RATIO**

The total dollar amount of *Loan Loss Reserves* divided by the *Total Outstanding Loan Portfolio*. The *Loan Loss Reserve Ratio* describes the amount of an organization's *Total Outstanding Loan Portfolio* that it assumes it may lose. The *Loan Loss Reserve Ratio* is also known as the Loan Loss Allowance to *Insured Credit Unions*, and is defined by the National Credit Union Administration.

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**LOAN PURCHASE**

Purchase of loans (notes) originated and disbursed by another entity.

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**LOAN-TO-ASSET RATIO**

*Total Outstanding Loan Portfolio* divided by *Total Assets*. If an organization does not own significant non-lending assets (e.g. real estate), this ratio may serve as an indicator of the extent to which an organization's assets are available for lending and how aggressive an organization has been in its loan production.

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**LOAN-TO-DEPOSIT RATIO**

*Total Outstanding Loan Portfolio* divided by the total dollar value of deposit liability accounts held by a *bank or thrift*. The *Loan-to-Deposit Ratio* is a key indicator for *Banks and Thrifts* that is evaluated by regulators and community groups. The *Loan-to-Deposit Ratio* is used to assess the extent to which deposit liability accounts held by a bank or thrift is being used to make loans. In addition, this ratio may also be used as a

liquidity indicator (i.e., how much of a bank's or thrift's primary source of funds available for lending (deposits) are loaned, and therefore, currently unavailable to be lent).

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#### **LOAN-TO-SHARE RATIO**

*Total Outstanding Loan Portfolio* divided by the sum of the dollar value of *Total Member Shares* and *Total Non-Member Shares*. The *Loan-to-Share Ratio* is a key indicator for *Insured Credit Unions* that are evaluated by the National Credit Union Administration. The *Loan-to-Share Ratio* is used to assess the extent to which deposit liability accounts held by an *Insured Credit Union* are being used to make loans.

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#### **LOW-INCOME**

An annual income, adjusted for family size, of not more than:  
For metropolitan areas, 80 percent of the area median family income; and  
For non-metropolitan areas, the greater of: (i) 80 percent of the area median family income; or (ii) 80 percent of the statewide non-metropolitan area median family income. 12 CFR § 1805.104(dd).

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#### **LOW-INCOME DESIGNATED CREDIT UNION**

A credit union designated as such by the appropriate National Credit Union Administration Regional Director in accordance with the criteria set forth in 12 C.F.R. § 701.34.

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#### **LOW-INCOME-OWNED BUSINESS**

A business that is more than 50 percent owned or controlled by one or more *Low-Income* persons.

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#### **LOW-INCOME TARGETED POPULATION**

A *Target Market* that is made up of individuals who are *Low-Income* and who reside within the boundaries of the *United States*. 12 CFR § 1805.201(b)(3)(F)(iii).

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#### **MATCHING FUNDS**

All *Financial Assistance* awarded through the *CDFI* Program must be matched with funds from sources other than the Federal government on the basis of not less than one dollar for each dollar provided by the *CDFI* Fund. Funds that have been used to satisfy a legal requirement for obtaining funds under either the *CDFI* Program or another Federal grant or award program may not be used to satisfy the *Matching Funds* requirements. Community Development Block Grant Program and other funds provided pursuant to the Housing and Community Development Act of 1974, as amended (42 U.S.C. 5301 et seq.) shall be considered Federal government funds and shall not be used to meet the *Matching Funds* requirements. 12 CFR § 1805.500.

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#### **MATCHING FUNDS FIRMLY COMMITTED**

*Matching Funds* for which the *Applicant* has entered into or received a written, legally binding commitment from the matching funds source that the matching funds have been committed to be disbursed to the *Applicant* and the *Applicant* has documentation (such as a copy of a loan agreement, promissory note or grant agreement) to evidence such firm commitment.

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#### **MATCHING FUNDS IN-HAND**

*Matching Funds* that the *Applicant* has actually received, as evidenced by a check; or wire transfer and documentation indicating the form (e.g. grant, loan, etc.) of such funds.

**MICROENTERPRISE**

A business operated by the owner, usually having no more than two owners, no more than 10 employees, and requiring loans in amounts under \$50,000.

**MINORITY-OWNED BUSINESS**

A business that is more than 50 percent owned or controlled by one or more minorities. If the business is a for-profit concern, 50 percent or more of its owners must be minorities; if the business is a nonprofit concern, 50 percent or more of its board of directors must be minorities (or, its chief executive officer or executive director must be minority).

**MULTI-BANK COMMUNITY DEVELOPMENT CORPORATION (CDC)**

In general, for-profit or nonprofit organization in which multiple *Insured Depository Institutions* collectively play a role in the governance, (e.g., a majority of the board of directors), the investment decisions, and/or the capitalization of the entity.

**NATIVE AMERICAN**

See *American Indian*.

**NATIVE AMERICAN PARTNER**

An entity that serves primarily a *Native American, Alaska Native, and/or Native Hawaiian* community; for example: Tribal governments, *Tribal* entities, *Alaska Native Village* Governments, Village Corporations, Regional Corporations, Nonprofit Regional Corporations/Associations, Inter-Tribal or Inter-Village organizations, or nonprofit community organizations, *CDFIs*, CDCs that by mission and practice primarily serve a *Native American, Alaska Native or Native Hawaiian* population, that partners with an *Applicant* for purposes of a NACD application..

**NATIVE HAWAIIAN**

A person having origins in any of the original peoples of Hawaii. (OMB Notice, Revisions to the Standards for the Classification of Federal Data on Race and Ethnicity, 10/30/97)

**NET ASSETS**

*Total Assets* less *Total Liabilities* as reported in an organization's statement of financial condition. *Net Assets* is applicable to nonprofit organizations and indicates the extent to which an organization's *Total Assets* exceed its *Total Liabilities*.

**NET ASSET RATIO**

*Net Assets* divided by *Total Assets*. The *Net Asset Ratio* serves as an indicator of the underlying financial strength of a nonprofit organization's equity base relative to its *Total Assets* and whether it has sufficient equity to cover unexpected losses.

**NET CAPITAL RATIO**

The total dollar value of an *Insured Credit Union's Net Capital* (or *Net worth*) divided by its *Total Assets*. The *Net Capital Ratio* serves as an indicator of the strength of an *Insured Credit Union's* equity base relative to *Total Assets* and whether it has a sufficient cushion to cover unexpected losses. *Insured Credit Unions* must maintain a minimum *Net Capital Ratio* established by the National Credit Union Administration.



#### NET CHARGE-OFF

The total dollar amount of loans that are determined to be a loss or non-recoverable during the course of an organization's fiscal year and taken off the books less loan amounts charged-off but later collected. A *Net Charge-Off* is also known as a *Net Write-Off* to non-regulated organizations.

#### NET INCOME

Calculated from a for-profit organization's income and expense statement or a nonprofit organization's statement of activities by subtracting *Total Expenses* for each fiscal year from *Total Revenue* or income (including grants or other contributions received). In the case of a for-profit organization, *Net Income* is often called *Net Revenue*. In calculating *Net Revenue*, a for-profit organization should deduct total pre-tax expenses from *Total Revenue*. In the case of a non-regulated organization, *Net Income* is the sum of *Total Earned Income* and total grants and contributions minus *Total Expenses*. For *Insured Credit Union*, *Net Income* or loss is the same as reported on the NCUA 5300. *Net Income* measures whether an organization has the resources to pay its annual operating expenses. Trends in *Net Income* are an indicator of the financial solvency of an organization.

#### NET WORTH

The total dollar value of a for-profit organization's equity and comprises the sum of common stock, paid-in capital and *Retained Earnings*. *Net Worth* is the equity base of a *Bank or Thrift* and other unregulated for-profit organizations and its underlying financial strength. *Net Worth* is also commonly known as *Total Equity*.

#### NET WORTH RATIO

The total dollar value of a for-profit organization's *Net Worth* divided by its *Total Assets*. The *Net Worth Ratio* serves as an indicator of the strength of an organization's equity base relative to *Total Assets* and whether it has sufficient cushion to cover unexpected losses. The *Net Worth Ratio* is also commonly known as the *Equity Ratio*.

#### NET WRITE-OFF

Total dollar amount of loans that are determined to be a loss or non-recoverable during the course of an organization's fiscal year and taken off the books less loan amounts written-off but later collected. A *Net Write-Off* is also known as a *Net Charge-Off* to *Insured Credit Unions* and *Banks and Thrifts*.

#### NOTICE OF AWARD

A document signed by the Fund and the *Awardee*, notifying an *Applicant* of the Fund's decision to provide funding and specifying general terms and conditions underlying the Fund's provision of *FA* and/or *TA*, and pursuant to which the *Awardee* agrees to be bound by such terms and conditions (see applicable *NOFA*).

#### NOTICE OF FUNDS AVAILABILITY (OR NOFA)

The public notice, published in the Federal Register, that announces the availability of program funds and advises *Applicants* with respect to obtaining application materials, establishes application submission deadlines, and establishes other requirements or restrictions applicable to the particular funding round.

#### OPERATING LIQUIDITY RATIO

The total unrestricted of cash and cash equivalents divided by the product of *Total Pre-Tax Expenses* multiplied by .25. The *Operating Liquidity Ratio* is a measure of the extent to which an organization has sufficient operating reserves on hand to pay its expenses. A ratio of 1.0 or greater means that an organization

has at least 3 months of liquid assets on hand to cover three months of expenses. A ratio of less than 1.0 means that an organization may be experiencing operating liquidity problems and has insufficient operating reserves.

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**OTHER PACIFIC ISLANDER**

A person having origins in any of the original peoples of Guam, Samoa or other Pacific Islands. (OMB Notice, Revisions to the Standards for the Classification of Federal Data on Race and Ethnicity, 10/30/97)

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**OTHER TARGETED POPULATION**

A *Target Market* that is made up of an identifiable group(s) of individuals in the *Applicant's* service area for which there exists a strong basis in evidence that the lack of access to loans, *Equity Investments* and/or *Financial Services*. Such a *Targeted Population* may comprise persons who have historically been denied access to loans or *Equity Investments* due to factors, including gender, race, ethnicity, national origin, and creed, among others.

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**PAST DUE LOANS**

*Gross Loans Receivable* or *Total Loans* with payments 30 days or more past due (2 months for *Insured Credit Unions*). Loans should be considered past due if any part of the payment is past due.

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**PORTFOLIO-AT-RISK**

The total dollar amount of loans with payments 30 days or more past due divided by the *Total Outstanding Loan Portfolio*. This is calculated based on *Past Due Loans* and included the entire outstanding balance of loans with payments that are past due. Loans should be considered past due if any part of the payment is past due. In the case of a for-profit or non-depository nonprofit organizations, the *Portfolio-at-Risk* is measured using a schedule of the aging of total loan receivables at 30, 60 and 90 days. In the case of *Insured Credit Unions*, the aging schedule is calculated at 2 months, 6 months and 12 months. *Banks and Thrifts* also have a category of loans called non-accrual for which the *Banks and Thrifts* are no longer accruing interest due to poor payment performance. The *Portfolio-at-Risk* is also commonly known as the *Delinquency Ratio*.

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**PROGRAMMATIC PRIORITIES**

For the FY 2003 *Financial Assistance* Component, the Fund's *Programmatic Priorities* are: (a) to increase homeownership opportunities that are affordable to *Low-Income* households, and (b) to increase homeownership opportunities for *Other Targeted Populations*.

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**RETAINED EARNINGS**

An *Applicant* may propose to meet all or a portion of its *Matching Funds* requirements by committing available earnings retained from its operations. *Retained Earnings* accumulated after the end of the *Applicant's* most recent fiscal year ending prior to the appropriate application deadline may not be used as *Matching Funds*.

1. In the case of a for-profit *Applicant*, *Retained Earnings* that may be used for matching an *Equity Investment* shall consist of: (a) the increase in *Retained Earnings* (excluding the after-tax value to an *Applicant* of any grants and other donated assets) that has occurred over the *Applicant's* most recent fiscal year; or (b) the annual average of such increases that have occurred over the *Applicant's* three most recent fiscal years.
2. In the case of a nonprofit *Applicant* (other than an *Insured Credit Union*), *Retained Earnings* that can be used for *Matching Funds* purposes for a grant shall consist of: (a) the increase in an *Applicant's Net Assets* (excluding the amount of any grants and value of other donated assets) that has occurred over the *Applicant's* most recent fiscal year; or (b) the annual average of such



- increases that has occurred over the *Applicant's* three most recent fiscal years.
3. In the case of an *Insured Credit Union Applicant*, *Retained Earnings* that may be used for *Matching Funds* purposes for a grant shall consist of: (a) the increase in retained earnings that have occurred over the *Applicant's* most recent fiscal year. *Net Capital* shall comprise “Regular Reserves”, “Other Reserves” (excluding reserves specifically dedicated for losses), and “Undivided Earnings” as such terms are used in the National Credit Union Administration’s accounting manual; the annual average of such increases that have occurred over the *Applicant's* three most recent fiscal years; or (b) the entire retained earnings that have been accumulated since the inception of the *Applicant*. If the *Applicant* chooses this option, it must increase its *Total Member/and/or Non-Member Shares* by an amount that is set forth in the applicable *NOFA*. 12 CFR § 1805.504.

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#### SECONDARY CAPITAL

Monies committed to an uninsured account with a *Low-Income Designated Credit Union* for a minimum of five years. Funds in the *Secondary Capital* account (including both principal and interest earned) must be available to cover operating losses realized by such credit union (i.e. losses that exceed its net available reserves and undivided earnings). See 12 C.F.R. §701.34 for more information.

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#### SELF-SUFFICIENCY RATIO

*Total Earned Income* divided by *Total Expenses*. This ratio measures the extent to which an organization is covering its annual expenses through internally generated sources (e.g., interest income, fees) - or *Total Earned Income* - rather than grants or other contributions.

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#### START-UP BUSINESS

A business that has been in operation for fewer than 12 months.

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#### STATE REGULATED CREDIT UNION

Any credit union that is chartered by a state, and is regularly examined by such state for safety and soundness and whose member accounts are insured by an agency of the state or by a private entity as may be approved by the state’s credit union authority.

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#### SUBSIDIARY

Any company which is owned or controlled directly or indirectly by another company and includes any service corporation owned in whole or part by an *Insured Depository Institution* or any *Subsidiary* of such a service corporation, except as provided in 12 C.F.R. §1805.200(b)(4). 12 CFR § 1805.104(hh).

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#### TARGET MARKET

An *Investment Area(s)* and/or a *Targeted Population(s)*. 12 CFR § 1805.104(jj).

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#### TARGETED POPULATION

Individuals, or an identifiable group of individuals, who are *Low-Income* people (e.g., a *Low-Income Targeted Population*) or lack of adequate access to loans or *Equity Investments* in the *Applicant's* service area (an *Other Targeted Population*). 12 CFR § 1805.104(ii).

**TECHNICAL ASSISTANCE**

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Grants provided by the *CDFI* Fund to fund the purchase of technology, consulting services, training, and in some cases staff salary to enhance the capacity of the *Awardee*.

**TOTAL ADJUSTED NOTES PAYABLE**

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The total dollar amount of an organization's notes payable that may be used to support lending or *Equity Investment* activities. *Total Adjusted Notes Payable* is calculated by deducting from total notes payable, all notes payable that are specifically used for non-financing activities (e.g. if an organization has an outstanding mortgage on its office building, the outstanding principal should be deducted from total notes payable).

**TOTAL ASSETS**

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The sum of all assets of the organization.

**TOTAL COMMITMENTS**

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The total dollar amount of loan or *Equity Investment* commitments made by a *CDFI* to borrowers or investees that have not yet been disbursed, but for which the *CDFI* has reserved cash, cash equivalents, or other assets to fund at a later date (e.g., a loan that is closed but not yet disbursed, a loan that has been provisionally approved but will not be closed or disbursed until a borrower meets certain terms and conditions; a loan that has been approved by a loan committee but not yet closed).

**TOTAL CURRENT ASSETS**

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The total dollar value of assets expected to be converted to cash or cash equivalents within the next 12 months.

**TOTAL CURRENT LIABILITIES**

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The total dollar amount of liabilities that is due to be paid within the next 12 months.

**TOTAL DEPOSITS**

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The total dollar amount of deposit liability accounts held by a *Bank or Thrift* that is a Federal Deposit Insurance Corporation insured *Bank or Thrift*.

**TOTAL EARNED INCOME**

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The sum of interest income, loan fees and other program income, excluding all grants and contributions.

**TOTAL EQUITY**

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The total dollar value of a for-profit organization's equity and is comprised of the sum of common stock, paid-in capital and *Retained Earnings*. *Total Equity* is the equity base of a regulated bank or thrift and other unregulated for-profit organizations and its underlying financial strength. *Total Equity* is also commonly known as *Net Worth*.

**TOTAL EQUITY CAPITAL AVAILABLE FOR FINANCING**

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A nonprofit organization's *Net Assets* that are permanently or temporarily restricted for lending or *Equity Investment* activities, and *Net Assets* that are unrestricted, that may be used, or are being used (e.g., loans receivable) to support lending or *Equity Investment* activities. If an organization owns its office building and

equipment or has other non-financing assets, these assets should not be included in *Total Equity Capital Available for Financing*. *Total Equity Capital Available for Financing* shall exclude all sources of debt capital.

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**TOTAL FINANCING CAPITAL**

An organization's *Total Assets* that are either being used for lending or *Equity Investments* and are available for such use. *Total Financing Capital* is calculated by taking the sum of *Total Adjusted Notes Payable* and *Total Equity Capital Available for Financing*. *Total Financing Capital* represents the total dollar amount of debt and equity financing to support lending or *Equity Investment* activities.

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**TOTAL LIABILITIES**

The sum of all liabilities of the organization.

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**TOTAL LOANS**

The aggregate dollar amount of all loans outstanding held by a bank or thrift without giving effect to any allowance for the collectability thereof (i.e. before *Loan Loss Reserves* are calculated). *Total Loans* may also be referred to as *Gross Loans Receivable* or *Total Outstanding Loan Portfolio*.

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**TOTAL MEMBER SHARES**

The total dollar amount of member share accounts deposited in an organization that is an *Insured Credit Union*, as defined by the National Credit Union Administration. A deposit may be in the form of a share, share certificate or a share draft account.

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**TOTAL NON-MEMBER SHARES**

The total dollar amount of non-member share accounts deposited in an organization that is an *Insured Credit Union*, as defined by the National Credit Union Administration. Non-member shares are those deposits made into an *Insured Credit Union* by a depositor who is not a member nor eligible to be a member. A deposit may be in the form of a share, share certificate or a share draft account.

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**TOTAL OFF-BALANCE SHEET RESOURCES**

Total dollar amount of loan or other financial resources committed by third party funders to support an organization's lending or *Equity Investment* activities (e.g., undrawn lines of credit), which are available to, but which have not been drawn upon or otherwise utilized by such organization. This measure excludes all grants or contributions committed by a third party funder to a nonprofit organization, but not yet disbursed.

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**TOTAL OUTSTANDING EQUITY INVESTMENT PORTFOLIO**

The total dollar amount of *Equity Investments* held by an organization in portfolio companies in which it owns stock or other forms of ownership interest. *Total Outstanding Equity Investment Portfolio* should reflect the valuation of the organization's interests after making adjustments for any investment gains or losses.

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**TOTAL OUTSTANDING LOAN PORTFOLIO**

The total dollar amount of *Gross Loans Receivable* (or *Total Loans* in the case of *Banks or Thrifts*) as reported in an organization's statement of financial condition or balance sheet. *Gross Loans Receivable* are the principal amount of loans receivable held by an organization that represents the amount still owed to the organization by its borrowers without giving effect to any allowance for the collectability thereof (i.e. before loan loss reserves are calculated). In the case of an *Insured Credit Union*, *Total Outstanding Loan Portfolio*

has the same meaning as the dollar amount of *Total Other Loans* as reported in the National Credit Union Administration form 5300.

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**TOTAL REVENUE**

The sum of all revenue, including earned income, grants and contributions.

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**TRIBE, TRIBAL**

See *Indian Tribe*.

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**UNITED STATES**

The 50 states, the District of Columbia, any territory of the United States, Puerto Rico, Guam, American Samoa, the Trust Territories of the Pacific Islands, the Virgin Islands, and the Northern Mariana Islands.

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**VENTURE CAPITAL FUND**

An organization that predominantly invests funds in businesses, typically in the form of either *Equity Investments* or subordinated debt with equity features such as a revenue participation or warrants, and generally seeks to participate in the upside returns of such businesses, via such *Equity Investments* or equity features in an effort to at least partially offset the risk investments.

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**VERY LOW-INCOME**

An annual income, adjusted for family size, of not more than 60 percent of the area median family income.

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**VILLAGE**

See *Alaska Native Village*.

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**VOTING SECURITIES**

Shares of common or preferred stock, general or limited partnership shares or interests, or similar interests if the shares or interest, by statute, charter, or in any manner, entitle the holder:

1. To vote for or select directors, trustees, or partners (or persons exercising similar functions of the issuing company); or
2. To vote on or to direct the conduct of the operations or other significant policies of the issuing company. 12 CFR § 1805.104(kk)(1).

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**WOMEN-OWNED BUSINESS**

A business that is more than 50 percent owned or controlled by one or more women. If the business is a for-profit concern, 50 percent or more of its owners must be women; if the business is a nonprofit concern, 50 percent or more of its board of directors must be women (or, its chief executive officer or executive director must be a woman).

**The defined terms above relate to the Community Development Financial Institutions (CDFI) Program. For additional definitions and further CDFI Program information, please refer to the regulations that govern the CDFI Program, which can be found at 12 CFR §1805, and the NOFAs that govern the FY 2003 funding rounds of the CDFI Program. If any of the definitions set forth above differ in any way from those that are found in the CDFI Program regulations, the regulations shall govern.**

**If you have any questions about the programmatic requirements for the CDFI Program, contact the**

**Fund's Program Operations Manager.** If you have questions regarding administrative requirements, contact the Fund's Awards Manager. The Fund's Program Operations Manager and the Awards Manager may be reached by e-mail at [cdfihelp@cdfi.treas.gov](mailto:cdfihelp@cdfi.treas.gov), by telephone at (202) 622-6355, by facsimile at (202) 622-7754, or by mail at CDFI Fund, 601 13th Street, NW, Suite 200 South, Washington, DC 20005. These are not toll free numbers.

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