

# NCUA LETTER TO FEDERAL CREDIT UNIONS

## NATIONAL CREDIT UNION ADMINISTRATION 1775 Duke Street, Alexandria, VA

**DATE:** February 2003 **LETTER NO.:** 03-FCU-02

**TO:** All Federal Credit Unions

**SUBJ:** Community Development Financial Institutions  
Financial and Technical Assistance

### DEAR BOARD OF DIRECTORS:

The United States Department of Treasury's Community Development Financial Institutions Fund (Fund) invests in and supports community-based organizations that provide financing and related services to communities and populations lacking access to credit and financial services. Many of the Fund's programs are geared to regulated credit unions, banks, and thrifts in an effort to support increased lending and financial services to these underserved areas. Since its inception over six years ago, the Fund has invested approximately \$37 million in credit unions.

The four types of Fund initiatives credit unions may consider applying for include:

1. **Certification/Recertification.** The Fund certifies organizations as Community Development Financial Institutions (CDFI). Organizations can apply for the CDFI certification concurrent with the submission of their Technical Assistance Component Program application. However, organizations must apply for certification **by March 7, 2003**, in order to submit an application for the Financial Assistance Component Program. Contact the Fund for the certification application deadline. To be certified as a CDFI, the institution must be a legal entity and meet all of the following requirements:

- Has a primary mission of community development;
- Serves an eligible target market (e.g., *underserved area*);
- Is predominantly a financing entity;
- Provides development services;
- Is accountable to the target market; and
- Is a nongovernmental entity.

2. ***Financial Assistance Component Program.*** This program provides funding for certified CDFIs to implement a comprehensive business plan of providing services to create community development impact in underserved areas. Capital awards are in the form of grants, loans, equity, and deposits/shares. CDFI requires a \$1 to \$1 match, in the same form requested (e.g, grant for grant, \$1 retained earnings matched with assets, etc.) from non-federal sources. The annual awards in this category are capped at \$1 million. CDFIs establishing a new affiliate to serve an underserved area may receive additional assistance to a maximum of \$3.75 million. This program has two categories. Credit unions with more than \$25 million in assets must apply under Category II of this program. Organizations serving the most distressed communities, called "Hot Zones" will receive bonus points that are added to their application score. Hot Zones are identified at the Fund's website. **The financial assistance application deadline for receipt of an application for this program has been extended to April 14, 2003.**
3. ***Technical Assistance Component Program.*** This program is designed to address the financial and operational needs of CDFIs, or entities proposing to become CDFIs, except those that have already received over \$250,000 in assistance from the Fund. CDFI will be reviewing prior awardees' compliance with agreements. Technical assistance may include training for management; development of programs, products, services; or improving financial management and internal operations. The awards are up to \$50,000. CDFIs serving or proposing to serve Native Americans, Alaska Native, or Native Hawaiian communities can receive additional funding up to \$100,000. **The Fund encourages organizations to apply early and prior to the application deadline of May 31, 2004.**
4. ***Native American CDFI Development Program.*** This program was revised this year. It provides funding for entities that plan to create CDFIs to principally serve Native Americans, Alaska Native, and/or Native Hawaiian communities. **The application deadline for receipt of an application for this program is May 31, 2004.**

The Fund encourages applicants to apply. The Notice of Funds Availability, applications, and regulations for all of these initiatives can be found at: <http://www.cdfifund.gov/applications/index.asp>. The Fund's regulations include a requirement to consult with the financial institution's regulators during the review process in order to ensure that assistance is placed with safe and sound institutions.

For further information about participating in this initiative, please contact the Fund at 202-622-8662 or visit the Fund's website at [www.cdfifund.gov](http://www.cdfifund.gov).

Sincerely,

/S/

Dennis Dollar  
Chairman