Community Development Financial Institutions (CDFI) Fund

FY 2009 CDFI Program Application Training Presentation

Presentation Agenda

- Director's Welcome

- CDFI Fund Overview

- FY 2009 CDFI Program
  - Financial Assistance
  - Technical Assistance

- Comprehensive Business Plan
  - Changes for 2009
  - Tips (4 C's)
  - Scoring Summary
  - Executive Summary
  - Narrative Questions 1 thru 25
  - Application Charts
  - Technical Assistance Grants

- Electronic Application Submission Overview

- Application Review Process & Awardee Selection

- Reminders

Fund's Mission

The CDFI Fund's mission is to expand the capacity of financial institutions to provide credit, capital, and financial services to underserved populations and communities in the US.

Fund's Vision

The vision of the CDFI Fund is an America in which all people have access to affordable credit, capital and financial services.

Programs and Initiatives

The Fund achieves its mission by directly investing in and supporting Community Development Financial Institutions (CDFIs), Community Development Entities (CDEs), and other financial institutions through the following programs and initiatives:

- **CDFI Program**
    - Financial Assistance (FA) Awards
    - Technical Assistance (TA) Grants
- **Native Initiatives Program**
- **Bank Enterprise Award (BEA) Program**
- **New Markets Tax Credit (NMTC) Program**

Types of certified **CDFIs**:

- **Loan Funds**
- **Credit Unions**
- **FDIC-insured Community Banks**
- **Bank Holding Companies**
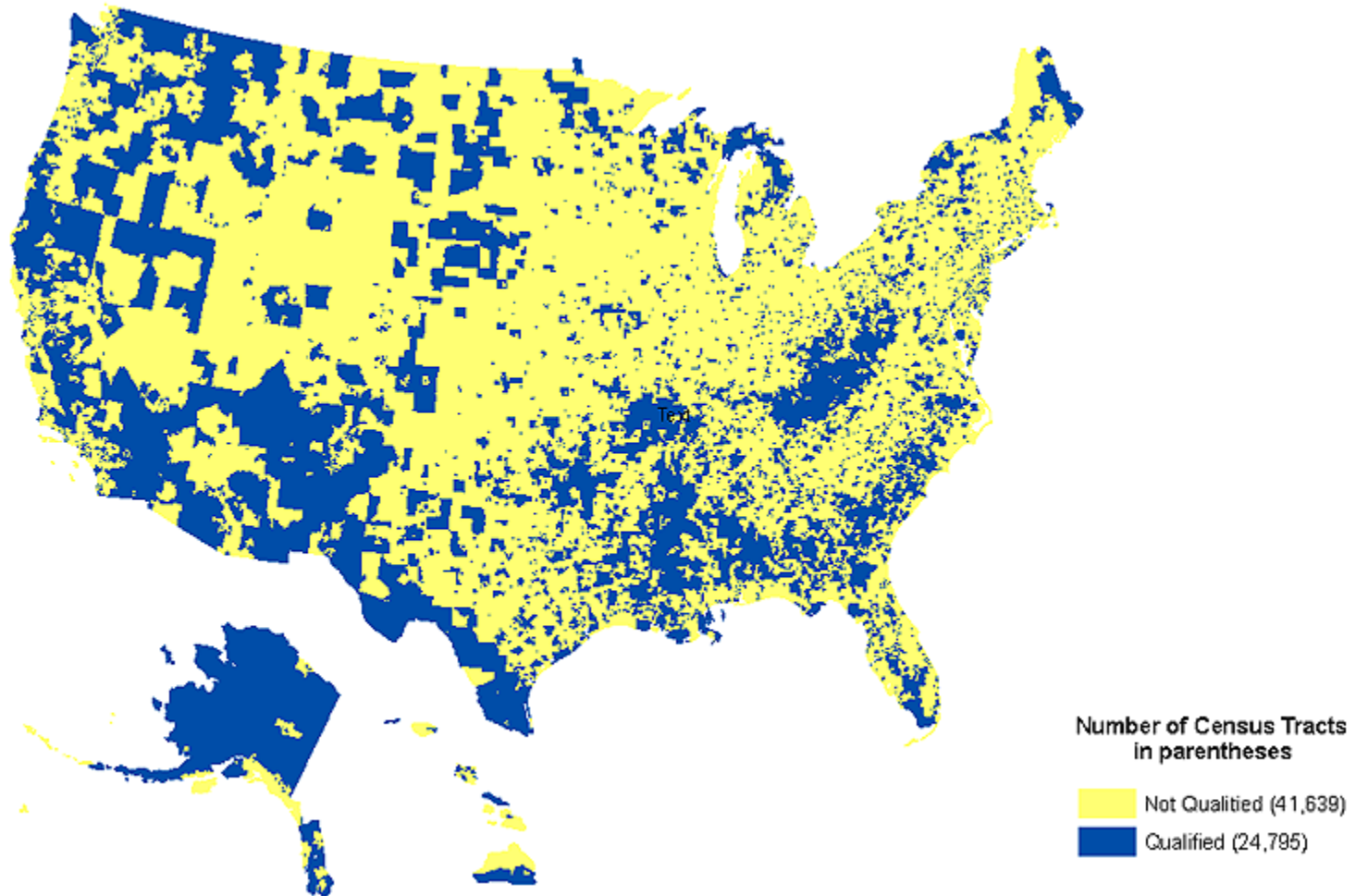- **Community Development Venture Capital Funds**

Average asset size of **depository institution CDFIs** is $35.4 million.

Average asset size of **non-depository institution CDFIs** is $19.5 million.

For the CDFI Program and Native Initiatives Program

Number of Census Tracts
in parentheses

Not Qualified (41,639)
Qualified (24,795)

- **Promote economic revitalization and community development.**

- **Help build the capacity of CDFIs to serve eligible Target Markets.**

- **Leverage CDFI Fund resources.**

Allowable Uses of Funds

Financial Assistance Award Uses

- Financial Products

- Financial Services

- Loan Loss Reserves

- Capital Reserves

- Operations

Technical Assistance Award Uses

- Personnel (Salary)

- Personnel (Fringe Benefits)

- Training

- Travel

- Professional Services

- Materials / Supplies

- Equipment and Other Capital Expenditures

- Other Costs

Financial Assistance Award Overview

- FA Eligibility Factors
- Certification Criteria
- FA Awards & Allowable Uses
- FA Applicant Categories
- Matching Funds

FA awards are available to:

- **Certified CDFIs:** entities with Fund certification that has not expired or been terminated.

- **Certifiable CDFIs:** entities that are not certified, but currently meet all seven certification requirements.
    - Must submit Certification Application by Wednesday, October 1, 2008, and be certified before entering into an Assistance Agreement.
    - Contact the Fund with questions about the Certification Application by Friday, September 26, 2008.

Certification Criteria

An entity **<u>must meet all</u>** of the following requirements to be certified as a CDFI:

1. Be a **Legal** existing entity,

2. Have a **Primary Mission** of promoting community development,

3. Be a **Financing Entity**,

4. Primarily serve an eligible **Target Market**.

5. Provide **Development Services** in conjunction with its financing activities,

6. Maintain **Accountability** to its defined Target Market.

7. Be a **Non-Governmental Entity**, and not be controlled by any governmental entities.

- **Maximum FA Award amount, depends on Applicant type:**
  - **Category I (SECA) - $500,000**
  - **Category II (Core) - $2 million**

- **Requirement of Non-Federal Matching Funds**

Category I: Small & Emerging CDFI Assistance (SECA)

- Generally younger and/or smaller in asset size.
- Maximum prior cumulative/aggregate FA award limit = $500,000.
- Maximum FA request = $500,000.

Category II: Core

- All applicants that do not qualify for SECA category.
- Generally older, larger CDFIs.
- Maximum FA request = $2 million.

Matching Funds

- **Matching Funds are required for all FA awards.**

- **Eligible Matching Funds window begins:**
  - **January 1, 2007.**

- **All Matching Funds must be In-Hand by:**
  - **March 14, 2010.**

- **Three categories of Matching Funds:**
  1. **In-Hand**
  2. **Firmly Committed**
  3. **To Be Raised**

Matching Funds

Category I / SECA Applicants:

- **Must have matching funds equal to 25 percent of requested FA Award In-Hand or Firmly Committed between January 1, 2007 and October 29, 2008.**

Category II / Core Applicant:

- **Must have matching funds equal to 100 percent of requested FA Award In-Hand or Firmly Committed between January 1, 2007 and October 29, 2008.**

- **Must be comparable in form: grant to grant, loan to loan.**
  - Fund does not match in-kind contributions.
  - Fund can match Retained Earnings with grant.

- **Must be comparable in value: $1 to $1.**

- **Must be from non-Federal sources.**

- **Must not have been used to match another Federal program.**

- **Must be disbursed or committed to the Applicant (not an affiliate).**

Matching Funds

Documentation and Other Requirements:

- ### Matching Funds Data Chart
  - Chart A in the Application Charts Excel Workbook

- ### Documentation:
  - **In-Hand:** copy of executed documentation showing (i) the form of match, and (ii) that the match was disbursed.
  - **Firmly Committed:** written documentation evidencing that the Applicant has entered into or received a legally binding commitment.
  - **To Be Raised:** letters of interest or documentation demonstrating the likelihood of raising match by March 14, 2010.
  - Matching Funds documentation should be well labeled and organized in application materials. See application for additional guidance.

Using Retained Earnings As Matching Funds:

- **Matched as a Grant.**

- **Complete the Retained Earnings Chart** *(Chart B1, B2, or B3 depending on organization type).*

- **For Credit Unions using Since Inception: Need to show growth of shares or loans equal to 25% of requested FA Award between December 31, 2007 and December 31, 2008, as demonstrated by the NCUA report.**

Technical Assistance Grant Overview

- Purpose
- Eligibility

- **A TA Grant allows a CDFI or an entity proposing to become a CDFI to build its capacity to serve its Target Market.**

- **TA Grants can be requested to help an entity become certified as a CDFI.**

- **TA Grants do not require Matching Funds.**

TA Grants

- **All uses of TA must support one of the key sections of the Comprehensive Business Plan (CBP) or the Applicant's ability to meet a CDFI certification requirement (if applicable).**

- **TA Award Ceiling: $100,000.**
  - **The Fund will not make a TA award over this amount.**

- **Generally, all TA awards must be used within 2 years.**

TA Grants are available to:

- **Certified CDFIs**

- **Certifiable CDFIs**

- **Emerging CDFIs**
  - Entities that do not currently meet all seven certification requirements, but demonstrate a reasonable plan to become certified by December 31, 2011.
  - Must submit Emerging CDFI Eligibility Questionnaire by October 29, 2008 *(electronically through Grants.gov submission with other Application attachments).*
  - A parent entity CANNOT apply or submit the Questionnaire on behalf of its subsidiary. The Applicant must be the Emerging CDFI itself.

Comprehensive Business Plan (CBP) Overview

- Changes for 2009
- Tips (4 C's)
- Scoring Summary
- Executive Summary
- Narrative Questions 1 thru 25
- Application Charts
- TA Grants Details

Changes for the FY2009 Round

- **No Paper Attachments Accepted – All submissions electronic**

- **Page Limits on Sections**

CBP - Tips

The 4 C's of a Good Application:

- **Concise (mind the page limits)**

- **Complete**

- **Correct**

- **Calendar Conscious – Do not be LATE!**

CBP – Scoring Summary

CBP Section	TA Only Applicants	Category I/SECA	Category II/Core
Executive Summary	Not Scored	Not Scored	Not Scored
Market Analysis	25 points	25 points	20 points
Business Strategy	25 points	25 points	20 points
Community Development Performance and Effective Use	20 points	20 points	20 points
Management	20 points	20 points	20 points
Financial Health and Viability	10 points	10 points	20 points
Technical Assistance Proposal	Not Scored	Not Scored	Not Scored

Key Components:

- Mission & Vision of the Organization

- Highlights of the Comprehensive Business Plan

- Use of FA Award

- Certification Status - If Emerging, what is the plan for achieving Certification?

- Applicant Profile

Narrative:

1. **Briefly describe the Applicant's current or proposed Target Market.**

2. **Discuss the demand for the Applicant's Financial Products, Development Services, and/or Financial Services within the Target Market.**

3. **Address areas needing improvement and, if applicable, justify requested TA activities that will help.**

Narrative:

4. **Describe the Applicant's relevant Financial Products and Financial Services.**

5. **Describe the Applicant's Development Services.**

6. **Describe the Applicant's marketing, outreach, and delivery strategy. Discuss the Applicant's collaboration, coordination, and partnerships.**

7. **Address areas needing improvement and, if applicable, justify requested TA activities that will help.**

Charts and Attachments:

- ## Activities Level Chart *(Chart D)*

D. Activities Level Chart

Instructions: Use this chart to identify up to five primary Financial Products and/or Financial Services…														
	Historic Activity						Projected Activity							
Activity	2005		2006		2007		2008		2009		2010		2011	
	#	%	#	%	#	%	#	%	#	%	#	%	#	%
	$	%	$	%	$	%	$	%	$	%	$	%	$	%
	#	%	#	%	#	%	#	%	#	%	#	%	#	%
	$	%	$	%	$	%	$	%	$	%	$	%	$	%

Narrative:

8. **Describe the Applicant's track record in providing Financial Products, Development Services, and/or Financial Services.**

9. **Describe the Applicant's projected activities and how progress toward these goals is measured.**

10. **Discuss why the Applicant should receive a government subsidy in the form of a CDFI Fund award given the Fund's limited resources.**

11. **Prior Awardees.**

12. **Address areas needing improvement and, if applicable, justify requested TA activities that will help.**
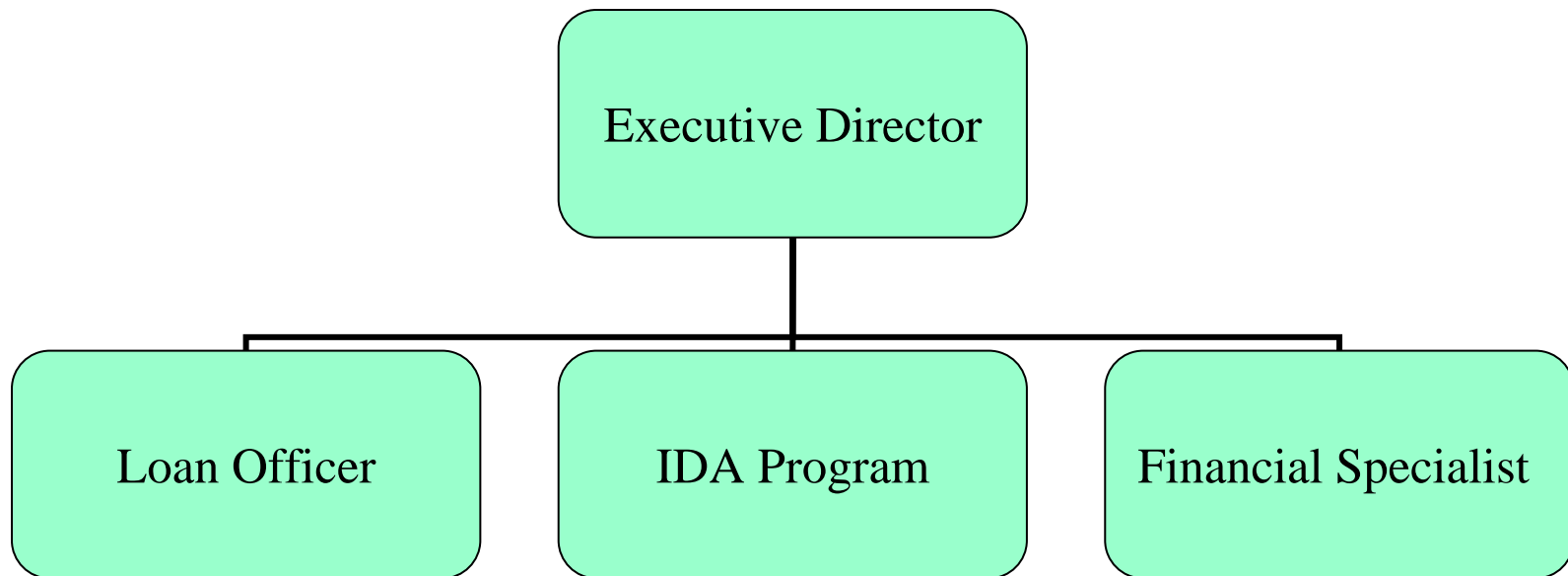
Charts and Attachments:

- ## Activities Level Chart *(Chart D) – shown previously*

- ## Community Development Impacts Chart *(Chart E)*

E. Community Development Impact Chart

Instructions: Use this chart to identify up to five community development impacts related ...														
The chart assumes the Applicant's most recently completed fiscal year was 2006. If the most recently completed fiscal year was 2007, adjust the fiscal years by editing only the entry in cell G6 to 2007 and the other years will update automatically.														
	Historic Activity						Projected Activity							
Activity	2005		2006		2007		2008		2009		2010		2011	
	#	%	#	%	#	%	#	%	#	%	#	%	#	%
	$	%	$	%	$	%	$	%	$	%	$	%	$	%

Narrative:

13. **Describe the capacity, skills, size and experience of the Applicant's Governing Board.**

14. **Describe the capacity, skills, and experience of the Applicant's management team and key staff.**

15. **Describe the Applicant's underwriting policies and procedures.**

16. **Describe the Applicant's portfolio management policies and procedures.**

17. **Describe the Applicant's financial management policies and procedures.**

18. **Describe the Applicant's Management Information Systems (MIS).**

19. **Address areas needing improvement and, if applicable, justify requested TA activities that will help.**

Corresponding Charts and Attachments:

- **Organizational Chart**

- **Up-to-date resumes of all personnel involved in implementing the CBP**

```
┌──────────────────────┐
│  Executive Director  │
└──────────────────────┘

┌──────────────┐  ┌──────────────┐  ┌────────────────────┐
│ Loan Officer │  │ IDA Program  │  │ Financial Specialist │
└──────────────┘  └──────────────┘  └────────────────────┘
```

Narrative:

20. **Describe the type of Financial Statements included with the Application – audited, reviewed, internally prepared.**

21. **Provide key assumptions underlying the projections for the three years (FY 2008-FY 2010) identified in the Financial Data Input Chart.**

22. **Financial Ratios.**

Financial Ratio Minimum Prudent Standards (MPS)

Measure	Non-Regulated CDFIs	Insured Credit Unions	IDIs / DIHCs
Capital Measures the underlying financial strength of an Awardee and whether it has sufficient cushion of assets to cover unexpected losses. The capital ratio identifies the percentage of the CDFI's total assets unencumbered by debt.	**Net Asset Ratio ≥ 20%** Net Assets divided by Total Assets	**Net Worth Ratio ≥ 6%** Net Worth divided by Total Assets	**Tier 1 Leverage Capital ≥ 8%**
Asset-Liability Management Is the structure of the Applicant's debt appropriate for its financial products?	**Current Ratio = 1.25: 1** Current assets divided by current liabilities.	Narrative Only	Narrative Only
Deployment Measures how much of the Applicant's available funds are lent out or invested.	**Deployment Ratio ≥ 50%**	Narrative Only	**Net Loans & Leases To Deposits >50%**
Self-Sufficiency Measures the percentage of operating costs a CDFI can cover with earned revenue.	**Self-Sufficiency Ratio = ≥ 40% (non-profit) ≥ 70% (for-profit)**	Narrative Only	Narrative Only
Operating Liquidity Measures whether the Applicant has sufficient cash to cover at least 3 months of operating expenses. The operating ratio reports the availability of cash to cover short-term operating expenses.	**Operating Liquidity Ratio= 1: 1** Cash and Cash Equivalents that are not restricted in a manner that prevents their use in satisfying obligations represented by operating expenses DIVIDED BY 25% of total operating expenses for the four most recently completed quarters.	Narrative Only	Narrative Only
Earnings Measures whether the Applicant is earning sufficient revenue to cover its expenses.	**Net Income = $0** Gross Revenues (including grants or other contributions) less Total Expenses. For-profit Applicants should deduct total pre-tax expenses from Total Revenue.	Break Even ($0)	Break Even ($0)

Narrative:

23. **Portfolio Management Ratios.**

24. **Equity Investor Financial Health.**

25. **Address areas needing improvement and, if applicable, justify requested TA activities that will help.**

Charts and Attachments:

- **Financial Data Input Chart** *(Chart F1, F2, or F3 depending on organization type)*

- **Financial Statements for the 3 most recently completed fiscal years**

- **Loan Portfolio Quality Chart** *(Chart G)*

- **Equity Investment Portfolio Valuation Chart** *(Chart H)*

• Failure to meet any of the historic and/or projected MPS does not necessarily preclude the Applicant from receiving a Financial Assistance and/or Technical Assistance award. However, the Applicant must explain why it believes it is financially sound despite not meeting the MPS.

A. Matching Funds Data Chart

B. Retained Earnings Calculators *(3 versions)*

C. TA Request Summary Chart

D. Activities Level Chart

E. Community Development Impact Chart

F. Financial Data Input Chart *(3 versions)*

G. Loan Portfolio Quality Chart

H. Equity Investment Portfolio Valuation Chart

Technical Assistance Grants

- Eligible Uses of TA/Categories
- Three Components (Chart, TAP, CBP narratives)

Ineligible TA Uses

- **Awardees are not permitted to use TA funds for any purpose outside of the approved uses as outlined in the assistance agreement without prior approval from the CDFI Fund.**

- **Any costs for a requested activity incurred prior to receipt of a Notice of Award are ineligible. Applicants may assume Notice of Awards will be sent out no earlier than June 2009.**

Eligible TA Uses

- Personnel (Salary)
- Personnel (Fringe)
- Training
- Travel
- Professional service costs
- Materials and Supplies
- Equipment and other capital expenditures
- Other

Personnel – Salary

- Compensation of employees salary for duties related to the purpose of award.

- Narrative & numerical description of salary computation required.

- Names of personnel (required if current staff).

Personnel – Fringe

- Compensation for fringe benefits for employees listed under the Personnel Salary line item.

- Narrative & Numerical description of benefits computation required.

- Fringe benefits on overtime hours are limited to FICA, worker's compensation, and unemployment compensation.

Training

- External training for staff, volunteers, and/or board members.

- Training should be related to CBP.

- Training event and/or conference should be identified.

- Expenses may include tuition, fees, materials, and textbooks.

- Narrative & numerical description of training cost computation required.

Eligible Uses of TA

Training - *examples*

- **Organizational development classes**

- **Lending or underwriting workshops**

- **Shadowing or internship with another CDFI**

- **CDFI mission related conferences and/or workshops.**

Travel

- Air, train, and/or bus fare

- Lodging

- Mileage

- Rental Car

- Taxi

- Per Diem

- Narrative & numerical description of travel cost computation required.

- Travel policy (organizational or federal)

Professional Services

- **Competitive Bid vs ES-4**

- **Identify entity – if known at time of Application – meaning individual, company, corporation or business.**

- **All costs including personnel, compensation, travel, materials should be included in contract price.**

- **Narrative & numerical description of cost computation.**

- **Procurement policy (organization or federal)?**

Professional Services

Examples of goods/services:

- **Conduct financial audit**

- **Procure information technology services**

- **Develop publications**

- **Develop policies and procedures for: lending, underwriting, risk management, or personnel**

- **Develop a strategic plan**

- **Conduct market research or product feasibility analysis**

- **Develop job descriptions**

- **Develop capitalization plan**

Materials and Supplies

- Expendable equipment costing less than $5,000 and useful life of less than two years.

- Examples: office supplies, postage, calculators, brochures, handheld tape recorders, in-house training materials

Equipment

- **Non-expendable items (tangible property) with a useful life of more than two years and/or acquisition cost of $5,000 or more per unit.**

- **Items costing less than $5,000 can be included if recognized as a capital asset.**

- **Narrative & numerical description of equipment computation.**

- **Rented or leased items must be included in the contractual line item.**

Equipment - *examples*

- Laptops

- Personal computers

- Hardware for Internet compatibility

- Database to manage fundraising and investor relations

- Portfolio management software

- Network software

Other

- **Items are listed by type**

- **Narrative & Numerical description of computation.**

- **Example of 'Other' items:**
  - **Rent**
  - **Telephone**
  - **Security**
  - **Janitorial Services**
  - **Reproduction**
  - **Memberships**
  - **Subscriptions**

Technical Assistance Grants

Three Components of a TA Request:

- **Completed TA Budget** *(Chart C)* – **Snapshot list of requested items with total dollar amount for each.**

- **Technical Assistance Proposal** *(first box in CBP template)* – **Provides overall justification for TA request. Describes each item and calculation in detail.**

- **CBP TA Questions** *(connect each TA request to at least one CBP component)* – **Applicant ties individual TA requests to CBP component.**

TA Award Request

TA Budget Proposal: Budget Chart

- **Snapshot list of requested items with cost calculations.**

<table>
<tr><td colspan="4" align="center">C. TA Budget Chart</td></tr>
<tr><td colspan="4">Identify all items and / or tasks to be financed with the TA grant.</td></tr>
<tr><td colspan="4">Requested TA may not be expended prior to execution of a Notice of Award.</td></tr>
<tr><td colspan="4">A. Personnel (Salary)</td></tr>
<tr><td colspan="4">Under Name, list the staff person's name for which salary is requested...</td></tr>
<tr><td>Name</td><td>Position</td><td>Computation</td><td>Cost</td></tr>
<tr><td>John Smith</td><td>Executive Director</td><td>10% of annual salary of $60,000 for time spent developing marketing plan for new loan product.</td><td>6,000</td></tr>
<tr><td>Abby Jones</td><td>Loan Officer</td><td>50% of annual salary of $45,000 for two years for time spent developing new loan product, underwriting new loan product, and other lending related activities.</td><td>24,500</td></tr>
<tr><td colspan="3" align="right">Personnel (Salary) Sub-Total:</td><td>$30,500</td></tr>
<tr><td colspan="4">D. Travel</td></tr>
<tr><td colspan="4">List each travel expenses by purpose ...</td></tr>
<tr><td colspan="3">The following type of travel policies will be used by the applicant</td><td>Federal</td></tr>
<tr><td>Purpose of Travel</td><td>Location</td><td>Computation</td><td>Cost</td></tr>
<tr><td>Homebuyer Counseling Certification Course (NeighborWorks)</td><td>Waco, TX</td><td>2 attendees * $300 (airfare) + $30 (per diem for 5 days)</td><td>$900</td></tr>
<tr><td>Business Lending Workshops (ABA)</td><td>New York, NY</td><td>1 attendee * $440 (airfare) + $30 (per diem for 4 days)</td><td>$560</td></tr>
<tr><td colspan="3" align="right">Travel Sub-Total:</td><td>$1,460</td></tr>
</table>

Technical Assistance Proposal (TAP): Narrative

- **Brief overall summary:**
  - Describe TA request – Show how TA will improve the organization so it can achieve its CBP objectives

- **Distinct narrative for <u>each</u> requested TA item in Chart C:**
  - Describe requested TA item
  - Show how item will improve capacity to serve Target Market; become certified (if applicable); achieve CBP objectives
  - Explain how each item was calculated
  - State timeline for initiating and completing activity

- Applicants requesting TA items that were funded in the past must show how the items further build capacity & are still necessary. The Fund will not provide funding for the same activities funded through prior awards without a compelling justification.

- *Remember - TA items cannot be expensed prior to Notice of Award*

Comprehensive Business Plan TA questions:

- Acknowledge areas needing organizational improvement, whether or not requesting a TA grant.

- Reference TA request items from TA Budget Chart – category and amount.

- Explain how each TA item will improve capacity.

Electronic Application Submission Overview

- Grants.gov overview
- myCDFIFund (creating account and signature page)
- Application Checklist

Grants.gov

- **Before you can apply for a CDFI Fund award, your organization must register with Grants.gov.**

- **The one-time registration process takes several days.**

- **Download Grants.gov's 2-page summary version of the instructions for "Get Started Now…"**

- **You can also go directly to the "Get Registered" screen from the Grants.Gov home page to access registration instructions.**

Open the Grant Application Package file in the Adobe software where you will complete the SF-424 and upload the Mandatory Application materials completed offline.

- **Please start your registration early, submit your application early, and verify the submission is received.**

- Call the Grants.gov support staff for questions about the process. Grants.gov help desk: Via phone 1-800-518-4726 or via email at support@grants.gov. The Grants.gov Contact Center hours of operation are Monday-Friday, 7 a.m. to 9 p.m., Eastern Standard Time.

- You may contact the CDFI Program helpdesk at 202-622-6355.

Start Early!

- An Applicant's myCDFIFund account is the Fund's primary mode of communication

- Applicant's are **REQUIRED** to:
  - Create a myCDFIFund account
  - Submit Application Attachments and Signature Page via the account

- Applicants who already have myCDFI accounts must update their accounts prior to submitting an Application

myCDFIFund Account

Steps to completing Application Signature Page:

1. Log on to myCDFI account.

2. Click Applications (on left).

3. Choose 2009 FA/TA Signature Page.

4. Follow submitting instructions.

Review Process

- **Completeness Review.**

- **Eligibility Review.**

- **Two-part Substantive Review.**

- **Selecting Official Award Decisions.**

- **Grants Management Review.**

- **Financial Management Award Obligation.**

- **Award notifications.**

- **Last 2 complete fiscal years from application deadline date under active awards or recently terminated awards will be evaluated.**
    - See NOFA for specifics or contact CME.

- **Points will be deducted from overall score, not from a specific section.**

- **Any questions, contact the Fund ASAP!**

- **All Applicants:**

  - Must receive minimum number of points in each category.

  - Ranked from highest to lowest, based on each Applicant's cumulative scores for all five criteria categories added together.

  - Applicants are ranked within their own categories: TA-only, SECA, Core.

Reminders

Important Deadlines (12 midnight EDT)

- Certification of Material Event Form:
  - **Wednesday, October 1, 2008**
- CDFI Certification Application:
  - **Wednesday, October 1, 2008**
- Last day for Certification Questions:
  - **Friday, September 26, 2008 (5 p.m. EDT)**
- Application Submission via Grants.gov
  - **Wednesday, October 29, 2008**
- Last day for Applicant Questions:
  - **Monday, October 27, 2008 (5 p.m. EDT)**

Incomplete Applications: Applications received after the submission deadlines noted above and/or missing any of the items listed below will be considered incomplete and immediately rejected from consideration for an award without an opportunity to rectify:

- SF 424
- EIN
- Incomplete CBP section of the Application

Contacting Grants.gov

- Application Materials and Submission:

www.grants.gov

- Grants.gov Contact Center:

Support@grants.gov or 1.800.518.4726

Contacting the Fund

- Programmatic Support:

  cdfihelp@cdfi.treas.gov or 202.622.6355; option #2

- Grants Management Support:
  grantsmanagement@cdfi.treas.gov or 202.622.8226

- Compliance Support:

  cme@cdfi.treas.gov or 202.622.6330

- Technical Support:

  ithelpdesk@cdfi.treas.gov or 202.622.2455

- Legal Counsel Support:

  See "How to Request a Legal Review" at www.cdfifund.gov

Thank you for viewing our Application Training!