

**NATIONAL CREDIT UNION ADMINISTRATION
OFFICE OF SMALL CREDIT UNION INITIATIVES
COMMUNITY DEVELOPMENT REVOLVING LOAN FUND**

**General Guidelines
2006 Technical Assistance Grants
For Credit Unions**

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General Guidelines for 2006 Technical Assistance Grants

1. What is the Community Development Revolving Loan Fund?

The National Credit Union Administration's (NCUA's) Community Development Revolving Loan Fund (CDRLF) was established by Congress (Public Law 96-124, November 20, 1979 and Public Law 99-604, November 6, 1986) to support credit unions that serve low-income communities by making loans and technical assistance grants (TAGs) available to qualifying institutions. Low-interest loans/deposits are made available to low-income designated credit unions to enhance their financial capacity to, in turn, extend financial services to their members.

Congress appropriates funds to the CDRLF for loans and grants. The interest earned on loans is also available as a source of additional funds retained by the program for grant purposes.

2. What is a Technical Assistance Grant?

A technical assistance grant (TAG) is a monetary award provided to assist qualified applicants.

3. How much money is available?

For fiscal years 2006 through 2007, Congress appropriated \$950,000 to the CDRLF for the purpose of making grants. These monies are divided among the Initiatives described in subsequent pages of these guidelines.

4. How does the NCUA's grant process work?

- First, credit unions must apply for a grant before making any expenditure.
- After receiving a grant approval letter, the credit union may purchase the goods or spend the funds, up to the amount approved.
- After making the expenditure, the credit union must then submit copies of receipts and proof of payment to NCUA for reimbursement.
- NCUA will review the receipts and issue a check to reimburse approved expenditures.
- All requests for reimbursement must be received before the end of the commitment period listed in the grant award letter.

5. What is the objective of Technical Assistance Grants?

The objective, or desired outcome, of technical assistance grants is to:

- Improve the quality of financial services to members;
- Make the operations of low-income credit unions more efficient; and, ultimately
- Stimulate economic activities in the communities served by the credit unions.

6. How is the objective measured?

The success of the CDRLF’s grant program is measured, in part, by the improvement in the financial condition of the credit unions that participate in the program. In the context of the technical assistance grant program, the ability of the credit union to serve the community is measured by growth in its loans, shares, assets, net worth, and membership.

NCUA uses the growth rates for all federally insured credit unions for the five ratios listed above as one of the measures of success of the CDRLF. The table below depicts average growth rates for all federally insured credit unions. Credit unions requesting grant funds should strive to meet these minimum growth rates.

	<i>Percent</i>
Annual growth in loans	10.15%
Annual growth in shares	5.30%
Annual growth in assets	6.05%
Annual growth in net worth	8.50%
Annual membership growth	1.40%

By applying for technical assistance grant funds, the credit union is committing to working toward the purpose and measurement objectives of the CDRLF.

7. Who is eligible?

To participate in the Program, a federally chartered credit union must be currently designated as a “low-income” credit union as set forth in NCUA’s Rules and Regulations, Section 701.34. A state chartered credit union must have the equivalent low-income designation from its respective state supervisory authority (SSA) and concurrence from NCUA.

In addition, based on an Office of Management and Budget (OMB) policy directive effective October 31, 2003, credit unions must have a Dun and Bradstreet Universal Numbering System (DUNS) number in order to be eligible to receive grant or loan funding from the CDRLF. As of this printing, a DUNS number may be obtained by calling Dun and Bradstreet, toll-free, at 1-866-705-5711.

Grant applications from credit unions which do not meet statutory or regulatory eligibility requirements will be returned unprocessed to the credit union.

8. What grant initiatives for credit unions are there?

There are five specific grant initiatives, entitled as follows:

- Student Internship Initiative;

- Volunteer Income Tax Assistance (VITA) Initiative;
- Staff, Official, and Board Member Training Initiative;
- Outreach and Partnering Initiative;
- Building Internal Capacity Initiative.

In addition, the Office will set aside limited funds for the Urgent Needs Grant, to be used by credit unions in cases of extreme necessity.

9. List of Initiatives

A brief description of each grant type follows. Detailed descriptions are found in the specific grant applications.

Student Internship Initiative

The purpose of this initiative is to provide low-income credit unions an opportunity to introduce college students to credit unions and credit union operations, in order to potentially recruit and develop the next generation of credit union managers. Grant funds enable the credit union to offset some of the expenses, such as travel for a student intern.

Volunteer Income Tax Assistance (VITA) Initiative

The purpose of this initiative is to provide financial assistance to credit unions wishing to help existing and potential members prepare their tax returns, especially those eligible for the Earned Income Tax Credit. Grant funds enable the credit union to offset administrative and operational costs associated with providing free income tax preparation services.

Staff, Official, and Board Member Training Initiative

This initiative is designed to provide funds for training staff, officers, and board members of credit unions. Courses, seminars, workshops, and training should provide credit union representatives with knowledge and skills that will help improve the operations or financial condition of the credit union, and ultimately enable the credit union to better serve its members.

Outreach and Partnering Initiative

This initiative is designed to provide funds for projects that provide new or better services to existing members and those projects which will extend services to potential members and the community.

Grants awarded under this initiative might include, but are not limited to, the following types of projects:

- Providing financial education;
- Providing homeownership opportunities;
- Developing marketing and outreach programs;
- Adding share draft, debit and credit card services;
- Creating or enhancing an Individual Development Account Program; and
- Establishing an International Remittance Network.

NCUA believes that credit unions that establish partnering agreements with other entities may be able to implement projects that are far reaching and take advantage of the partnering entity's strengths. Credit unions may elect to establish a partner relationship with another credit union, a local, state, or federal government entity, or a non-governmental community service or related entity. A partner organization is not a requirement for this initiative.

Building Internal Capacity Initiative

This initiative is designed to provide funds for projects that improve the overall operations or financial condition of the credit union, and ultimately enable the credit union to better deliver services to its members.

Grants awarded under this initiative might include, but are not limited to, the following:

- Enhancing or improving technologies;
- Developing strategic, business, and succession plans;
- Preparing emergency and business resumption strategies;
- Enhancing facilities;
- Creating office efficiencies;
- Addressing items of supervisory concern.

Urgent Needs Grant

The urgent needs grant is provided to ensure the continued growth and viability of a credit union with an immediate and pressing need for improving its financial condition or operations. The grant will be awarded to credit unions that definitively demonstrate that failing to implement the project would adversely affect the credit union's operations or financial condition. Credit unions that cannot fund the project without an adverse impact on the credit union's financial condition will receive priority consideration. The project described in this grant typically would not fit under another grant initiative.

Examples of urgent needs might include, but are not limited to activities such as obtaining an audit; updating records; or, collecting on delinquent loans. The primary purpose of a request for an urgent needs grant must remain consistent with the overall purpose and intent of the CDRLF program.

10. When will credit unions know that grant funds are available?

OSCUI will notify credit unions of available grant monies by means of additional Letters to Credit Unions and through postings on the NCUA website at www.ncua.gov.

The table below summarizes the available grants and the respective application periods for 2006.

11. Initiative Summary Table

<i>Grant Initiative</i>	<i>Application Acceptance Period</i>	<i>Total Grant Funds</i>	<i>Maximum Grant Amount</i>	<i>Grant Approval Procedure</i>
Student Internship Initiative	Opens March 10, 2006. Closes when funds are exhausted.	\$55,000	\$2,500	Rolling. Applications evaluated as received.
Volunteer Income Tax Assistance Initiative	Opens July 7, 2006. Closes November 3, 2006 or when funds are exhausted.	\$75,000	\$6,000	Rolling. Applications evaluated as received.
Staff, Official, and Board Member Training Initiative	Opens March 3, 2006. Closes January 31, 2007.	\$120,000	\$1,500/\$3,000	Applications evaluated as received. Credit unions are limited to \$1,500 semi-annually or a maximum of \$3,000 for the year.
Outreach and Partnering Initiative	Opens May 5, 2006. Closes July 7, 2006.	\$400,000	\$10,000	All grants evaluated at end of open period. Applications with best meet evaluation criteria will be awarded.
Building Internal Capacity Initiative (1st Round)	Opens April 14, 2006. Closes May 19, 2006.	\$150,000	\$3,500	All grants evaluated at end of open period. Grant applications which best meet evaluation criteria will be awarded.
Building Internal Capacity Initiative (2nd Round)	Opens September 15, 2006. Closes October 20, 2006.	\$150,000	\$3,500	All grants evaluated at end of open period. Grant applications which best meet evaluation criteria will be awarded.
Urgent Needs Grant	Year-round	Funded from CDRLF Earnings	\$3,000	Rolling. Applications evaluated as received.

To read the above table:

Grant Initiative means the type of grant or indicates the purpose of the grant monies.

Application Acceptance Period means the first and last day that applications will be accepted for each grant category. Grants with no application closing date will be awarded until allocated funds are exhausted.

Total Grant Funds means the total dollar amount of funds that the NCUA has allocated to each grant category.

Maximum Grant Amount means the expected maximum dollar amount that will be awarded to any individual credit union for any grant category.

Grant Approval Procedure means the time frame within which each type of grant will be evaluated and approved. Grants evaluated on a rolling basis will be based on the merit of the application and awarded until total available funds are exhausted. For those grants with closing dates, all applications will be evaluated at the end of the open period and awarded based on the merit of the application.

12. How are grant applications evaluated?

Subject to funds availability, grants are awarded after careful consideration of the merits of an application. Grant applications will be evaluated based on the financial and non-financial factors listed below.

Financial factors* include, but are not necessarily limited to, the following:

NCUA CAMEL Rating

Net Worth Ratio

Delinquency Ratio

Return on Assets Ratio.

Financial factors are used to determine the overall financial condition of the credit union and its ability to carry out the project as described in the grant application.

Non-Financial factors include the following:

Assessment of Management is a determination of whether management has been responsive to examiners and whether management has the ability to carry out the project described in the grant application.

Purpose is a determination of whether the outcome of the project, as described in the grant application, is consistent with the purpose of the CDRLF as described in Section 705.2 of the NCUA's Rules and Regulations. That purpose would be: (1) providing basic financial and related services to residents in their communities; and (2) stimulating economic activities in the communities they serve which will result in increased income, ownership and employment opportunities for low-income residents, and other community growth efforts.

Assessment of Impact is a determination of the scope and reach of the proposed use of the grant funds. Grant applications which indicate that grant funds will have an impact on credit union members and the community as whole receive priority consideration.

Previous Funding is a determination of whether the credit union has received previous CDRLF grant funding. Section 705.2(b) of NCUA's Rules and Regulations states that the purpose of the CDRLF is to gain maximum economic impact on as many participating credit unions as possible. Therefore, credit

* CAMEL ratings are explained in NCUA Letter to Credit Unions No. 161, dated December 1994. Financial ratios are explained in the Users' Guide for NCUA's Financial Performance Report. Both documents are available on the NCUA website at <http://www.ncua.gov>.

unions which have NOT received funding in the past will receive priority consideration.

Ability to Self-Fund is an assessment of the credit union's net worth, cash, and liquidity to determine whether the credit union has the ability to fund the project on its own. Priority consideration is given to those credit unions which cannot completely fund the project as described in the grant application.

For those TAG requests submitted as an Urgent Needs Grant, the OSCUI will determine the appropriateness of the request, basing its decision on financial and non-financial factors, as listed above. An eleventh evaluation criterion, Urgency, will be added.

Urgency is defined as a circumstance where a credit union has a compelling need for immediate action or attention and where receipt of a grant is expected to mitigate that urgency. For a grant application to meet the criteria of an Urgent Needs Grant, the credit union must definitively show, in its application, that failing to implement the project described would have an adverse affect on the credit union's operations or financial condition.

13. Where can credit unions obtain grant applications?

Grant application forms and instructions are available on the NCUA website. Grant applications are also available in paper copy for those credit unions without access to the internet.

14. What information needs to be submitted with the grant application?

Each application form contains a description of the information that the credit union must submit. The application contains several questions regarding the proposed use of the grant funds, which the credit union should answer on separate sheets, as necessary.

15. Where do credit unions send completed applications?

Credit unions should submit their applications electronically, either by fax or by email.

Fax: (703) 519-4088

Email: oscuiapps@ncua.gov

Applications must be received by OSCUI by 5 p.m. Eastern Time on or before the acceptance period closing date. Applications received after the closing date will be returned unprocessed to the applicant.

Credit unions that are unable to submit their grant application electronically should contact the Office of Small Credit Union Initiatives at the address listed below.

16. Is there anything that would cause an application to be immediately denied?

Yes.

1. Grants from the CDRLF are reimbursable grants. Credit unions applying for TAGs must obtain approval of the proposed expenditures before making those expenditures. Therefore, the OSCUI will not fund any grant where the credit union has committed to, procured, or purchased the good or service in advance of grant approval.
2. TAG funds are generally not provided for recurring operational expenses such as salaries, rent, office occupancy or office supplies.
3. TAG funds may not be used to reimburse NCUA for any activity.

17. What is the credit union's reporting requirement after receiving a grant?

Credit unions receiving awards must provide a summary of the impact of the grant funding to OSCUI as stated on the grant application form. The time frame for submitting the summary is listed in the grant application guidelines. The submission deadline allows reasonable time for the credit union to ascertain the benefits of the grant.

The summary should discuss the overall project and how the funding enabled the credit union to accomplish its objective. Credit unions must specify the impact that grant funds have had on the credit union's delivery of service and the consequences upon the community the credit union serves.

18. How can an applicant contact OSCUI with questions?

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1775 Duke Street
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