

# **American Recovery and Reinvestment Act Program Plan Native American CDFI Assistance (NACA) Program**

## **OBJECTIVES**

The American Recovery and Reinvestment Act of 2009 (Recovery Act) provides an additional \$8 million in funding for the Native American Community Development Financial Institutions Assistance (NACA) Program.

The NACA Program is a component of the CDFI Program, which is administered by the Department of the Treasury's CDFI Fund. Through the CDFI Program, the CDFI Fund makes monetary awards (grants, loans and other investments) on a competitive basis to certified CDFIs. A CDFI is a specialized financial institution (community banks, credit unions, loan funds and venture capital funds) that works in low-income communities or serves individuals or businesses that lack access to mainstream financial institutions. Among other financial services, CDFIs provide capital to small businesses and micro-enterprises; mortgage loans to first-time homebuyers; financing to support the development of affordable housing projects and community facilities; and retail banking services to the unbanked.

Through the NACA Program, the CDFI Fund makes grants, loans, and other investments to certified CDFIs, and CDFIs in formation, that serve Native American communities or populations. The NACA Program has three key objectives:

1. To support the sustainability and growth of Native American CDFIs by providing a source of low-cost capital;
2. To increase the availability of affordable credit and the provision of financial services to Native American individuals or communities; and
3. To revitalize Native American communities by developing or supporting, through lending, investing, enhancing liquidity, or other means of finance: (i) commercial facilities that promote revitalization, community stability or job creation or retention; (ii) businesses that provide jobs for or are owned by low-income persons; (iii) affordable housing that facilitates homeownership; or (iv) other community and economic development activities.

The Recovery resources will enable the CDFI Fund to increase the size of awards from \$650,000 to \$750,000 in Financial Assistance Awards and \$150,000 in Technical Assistance or capacity building awards. It will also enable the CDFI Fund to make additional awards to high quality Native American CDFIs.

In addition to the increased funding for the NACA Program, the Recovery Act also waived the matching funds requirement for FY 2009 applicants. By statute, NACA Program applicants are generally required to demonstrate that they have matching funds from non-federal sources equal in amount to the requested NACA Program award. The

Recovery Act waiver of this requirement ensures that communities hardest hit by the economic crisis have access to NACA Program funding, since CDFIs serving such communities are least likely under current economic conditions to be able to raise private capital to serve as a match.

## **ACTIVITIES**

The CDFI Fund anticipates announcing the applicants that have been selected to receive the \$8 million in Recovery Act awards in June of 2009.

In keeping with the three program objectives noted above, the following are examples of how Native American CDFIs have used NACA Program awards: (1) to provide loans and equity investments to small businesses and micro-enterprises; (2) mortgage loans to low-income and first-time homebuyers; (3) pre-development and construction financing for real estate developers to develop low-income housing and community facilities, including charter schools, health clinics and child care facilities; and (4) financial services such as credit counseling, homebuyer education, low-cost depository accounts, IDA accounts, and check-cashing services that bring unbanked individuals into the financial mainstream.

Native American CDFIs have a great deal of flexibility with respect to how they use the award dollars. Unlike many other Federal programs, these funds are not tied to specific projects or transactions; instead, NACA Program dollars build recipient capacity to serve their target markets in flexible and individualized ways. For example, CDFIs typically use award funds in a manner that enables them to increase their net assets or loan loss reserves so that they may borrow additional private capital and significantly increase their lending capacity. CDFIs may also use awards to significantly subsidize more costly operations, allowing them to offer more affordable loan products to borrowers that have been turned away from mainstream financial institutions; to sponsor financial and homebuyer counseling and education initiatives; and to offer lower-cost financial services to their customers.

## **CHARACTERISTICS**

The CDFI Fund will award the entire \$8 million of NACA Program Recovery Act funds as grants to certified CDFIs. Certified CDFIs are non-governmental entities. As noted previously, they include regulated institutions such as community development banks and credit unions, and non-regulated institutions such as loan funds and venture capital funds.

Awardees will be selected on a competitive basis. Each application is reviewed and scored by three independent application reviewers with expertise in community development in native communities. Applications must achieve minimum aggregate scoring thresholds in order to be considered for an award. Awards will be made to applicants in descending order of total aggregate score, until the \$8 million of funding is expended.

The CDFI Fund anticipates that it will make 10 awards totaling \$8 million to certified Native American CDFIs. These awardees were the highest-scoring applicants, based on an independent review of the Fiscal Year 2009 NACA Program applications. Awards will be capped at \$750,000 in Financial Assistance Awards and \$150,000 in Technical Assistance or capacity building award per awardee. Awards will be provided as one-time lump-sum payments, so that recipients may immediately put their Recovery Act funds to use.

While the recipients of the award dollars are CDFIs, the end-beneficiaries of the NACA Program awards include small businesses, individuals, non-profits, builders/contractors/developers, consumers, homeowners and other parties that receive financial assistance, technical assistance and/or financial services from CDFIs.

**DELIVERY SCHEDULE**

<b>Activities by Quarter</b>	
<b>Fiscal Year 2009</b>	
<b>Feb - March 2009 2nd Quarter</b>	Conclude planning for implementing the NACA Program’s Recovery Act provisions. Evaluate applications for NACA Program awards and complete due diligence.
<b>April - June 2009 3rd Quarter</b>	Finalize obligation of NACA Program Recovery Act awards.. Develop Assistance Agreements outlining performance, compliance and reporting for awardees. Make award announcements for Recovery Act awardees (\$8 million). Begin process of finalizing Assistance Agreements with awardees.
<b>July - September 2009 4th Quarter</b>	Complete the closing of Assistance Agreements with all awardees. Disburse Recovery Act awards to all awardees (\$8 million). Provide post-award training and support to awardees.
<b>Fiscal Year 2010</b>	
<b>October - December 2009 1st Quarter</b>	First quarterly report due from NACA Program awardees under Recovery Act. Provide ongoing post-award support to awardees.
<b>January - March 2010 2nd Quarter</b>	Second quarterly report due from NACA Program awardees under Recovery Act. Provide ongoing post-award support to awardees.

<b>April - June 2010 3rd Quarter</b>	Third quarterly report due from NACA Program awardees under Recovery Act. Provide ongoing post-award support to awardees.
<b>July - September 2010 4th Quarter</b>	Fourth quarterly report due from NACA Program awardees under Recovery Act. Provide ongoing post-award support to awardees.
<b>Fiscal Year 2011</b>	
<b>October - December 2010 1st Quarter</b>	Fifth quarterly report due from NACA Program awardees under Recovery Act. Provide ongoing post-award support to awardees.
<b>January - March 2011 2nd Quarter</b>	Publish Annual Report on NACA Program activity under the Recovery Act. Sixth quarterly report due from NACA Program awardees under Recovery Act. Provide ongoing post-award support to awardees.
<b>April - June 2011 3rd Quarter</b>	Seventh quarterly report due from NACA Program awardees under Recovery Act. Provide ongoing post-award support to awardees.
<b>July - September 2011 4th Quarter</b>	Prepare preliminary Final Report on NACA Program activity under the Recovery Act. Eighth quarterly report due from NACA Program awardees under Recovery Act. Provide ongoing post-award support to awardees.

## **NATIONAL ENVIRONMENTAL POLICY ACT COMPLIANCE**

The CDFI Fund has applied its environmental regulations codified at 12 CFR 1815 that implement the provisions of the National Environmental Policy Act (NEPA). The CDFI Program's NEPA regulations list various categories of activities that meet the categorical exclusion standards. (Categorical exclusions cover activities such as actions directly related to training and/or technical assistance; projects involving up to 500 housing units under specified conditions; projects involving up to 200,000 square feet or less of existing commercial space under specified conditions; projects involving CDFI Fund Financial Assistance under a specified dollar threshold, and other specified activities under 12 C.F.R. §1815.110.)

In addition, the regulations indicate that an activity that falls into one of the categorical exclusions may still require the preparation of an environmental impact statement (EIS)

or environmental assessment if the CDFI Fund determines that the activity is one that normally requires an EIS or that the activity involves extraordinary circumstances that may have a significant environmental effect.

In each NACA Program application, there is an Environmental Review Form completed by the applicant. The form directs applicants to review the program's environmental review regulations and indicate whether any of their proposed activities do not constitute "categorical exclusions" and, if so, whether any of their activities would normally require an EIS. On the Environmental Review Form, applicants must also indicate whether their activities involve any of 12 listed areas and sites such as historical sites, wilderness areas, natural landmarks, flood plains, and wetlands.

The CDFI Fund has reviewed these forms for all NACA Program Recovery Act applicants and completed the necessary follow-up inquiries to determine whether additional environmental review or assessment is warranted. The CDFI Fund has determined that all proposed activities by Recovery Act awardees constitute categorical exclusions and are not of a type normally requiring an EIS.

## **MEASURES**

The primary goal of the Recovery Act is to ensure that critical financial resources are provided as quickly as possible to stimulate the economy and create jobs. To this end, the CDFI Fund has selected the following three measures to track its success:

*Measure 1 -- Number of days between the effective application due date and the date of award notification.*

The CDFI Fund is seeking to make Recovery Act awards ***within 120 days*** of the enactment of the Recovery Act . This would be ***an improvement of 135 days (or better than 50 percent)*** over the equivalent period of performance under the FY 2008 NACA Program round, which was 255 days. Data supporting this measure will be available through the Fund's internal award tracking systems, and will be reported on a quarterly basis on the CDFI Fund's Recovery Act website.

*Measure 2 -- Number of days between the date of award notification and the date by which at least 85% of award dollars have been disbursed.*

The CDFI Fund is seeking to disburse 85% of all Recovery Act awards ***within 60 days*** of the date of award notification. This would be ***an improvement of 210 days (or 78 percent)*** over the equivalent period of performance under the 2008 NACA Program round, which was 270 days. Data supporting this measure will be available through the CDFI Fund's internal disbursement tracking systems, and will be reported on a quarterly basis on the CDFI Fund's Recovery Act website.

*Measure 3 – Number of full-time equivalent jobs created or maintained by businesses financed by NACA Program awardees that receive Recovery Act funds.*

The CDFI Fund anticipates that its Recovery Act awardees will be able to create or maintain approximately ***720 full time jobs*** through the provision of loans and

investments to businesses, including real estate developers. These loans are typically to very small businesses or micro-enterprises. This estimate is based on the method that the CDFI Fund uses to track and report its investments in Native CDFIs capacity to serve their target markets. Native CDFIs typically use awards to increase their net assets or loan loss reserves so that they may borrow additional private capital and significantly increase their lending capacity. As a result, the job impact estimates reflect the normal bank leveraging of additional private capital to expand their business lending. The CDFI Fund collects data from its awardees on a number of elements, including jobs created and maintained at businesses financed by the awardee. This data is currently collected on an annual basis through the CDFI Fund's Community Investment Impact System (CIIS).

With respect to Recovery Act reporting requirements, the CDFI Fund will develop guidance for its awardees on how to report Recovery-related jobs information on a quarterly basis to the CDFI Fund. It will roll this information into an annual jobs measure that will be reported on the CDFI Fund's Recovery Act website.

## **MONITORING/EVALUATION**

The CDFI Fund will provide extensive post-award monitoring of Recovery Act awardees. The CDFI Fund will work with award recipients to finalize their award agreements and implement activities as quickly as possible. The CDFI Fund will provide ongoing support to awardees with respect to performance, compliance and reporting goals.

The CDFI Fund will utilize its existing compliance monitoring systems, with some modifications, to collect, analyze and report data from CDFIs regarding the use of their award dollars.

The primary reporting tool is the Community Investment Impact System (CIIS), a web-based system through which CDFIs provide Institution Level Reports (ILR) and Transaction Level Reports (TLR). The ILR report will capture essential information such as income and expense data for the institution. The TLR provides specific information regarding financing, such as loans and investments originated by amount, transaction type, and purpose, and impact data for performance reporting such as the "net change in jobs from businesses at origination". These reports permit tracking of compliance for target markets in disadvantaged areas served; community development impacts (including job creation); and development services (e.g., housing and homeownership and credit counseling).

The CDFI Fund will adjust its reporting systems (all of which are web-based, electronic systems) to enable quarterly reporting from the Recovery Act awardees, and increase its compliance monitoring capabilities to accommodate the larger number of awardees and the increased frequency of reporting. For those financial entities that normally file an annual TLR, the first three quarterly reports will be the shorter ILR reports but their fourth quarter report will be a TLR report.

The use of CIIS will permit the CDFI Fund to provide agency level performance reporting to OMB and to provide quality assurance and compliance monitoring of the information that the awardees will be submitting independently to Recovery.gov. Moreover, the guidance for filing with CIIS will assist awardees in providing consistent reporting to Recovery.gov.

## **TRANSPARENCY**

The CDFI Fund aggregates the data presented by CDFIs and releases this information. Its most recent release of information was a trend report that was released in December of 2007, which is available on the CDFI Fund's website:

[http://www.cdfifund.gov/impact\\_we\\_make/ciis/CDFI3yearTrend.pdf](http://www.cdfifund.gov/impact_we_make/ciis/CDFI3yearTrend.pdf)

This report analyzes and reports out data across the spectrum of CDFIs in a number of key areas, pertaining to both the performance of the CDFIs and the impact on the low-income communities, including:

1. CDFI Characteristics – Size and type of CDFIs; staffing levels; markets served.
2. Portfolio Data – Size and quality of outstanding loan portfolios.
3. Capital under Management – Size of capital; sources of capital; costs of capital.
4. Operating Revenue – Size and sources of operating revenue, both earned capital and contributed capital.
5. Loan and Equity investments originated.
6. Financial Strength of CDFIs – Analysis of various capital ratios and liquidity measurements.
7. Community Benefits – Jobs created and maintained; development services provided; etc.

This report is in the process of being updated with more recent data and, beginning in 2009, will be updated annually.

## **ACCOUNTABILITY**

The CDFI Fund's Chief Operating Officer has been designated as the CDFI Fund's Accountable Official (AO) with respect to the Recovery Act dollars. CDFI's AO has established a working group consisting of representatives from the CDFI Fund's CDFI Program office, the Resource Management office, the office of Legal Counsel, the Compliance office, and the Research office to ensure that all Recovery Act requirements are coordinated across the various units. To further this coordination, the CDFI Fund has posted a position announcement for a senior level staff person to serve as Recovery Act

Program Manager. This person will be directly responsible for implementing all aspects of the Recovery Act program requirements.

CDFI's AO has daily conference phone calls with Treasury's Senior Accountable Official (SAO) to monitor the program. During these conference calls and on a monthly basis, the AO and the SAO monitor and review several items including obligations and outlays, acquisitions, performance measures, and accountability metrics. Corrective and/or preventive actions that are established as a result of the reviews will be tracked for implementation.

### **BARRIERS TO EFFECTIVE IMPLEMENTATION**

There are no significant risks that will impede implementation of Recovery Act activities, primarily because the CDFI Fund will be adhering to existing policies, procedures and protocols with respect to making Recovery Act NACA Program awards and monitoring awardee compliance.

The CDFI Fund's organizational structure is designed, in part, to manage risks in the agency. Critical functions in the award selection, disbursement, and monitoring processes are distributed and coordinated across offices within the CDFI Fund.

Use of integrated IT systems across each office enable the CDFI Fund to further minimize risks associated with improper payments and improper use of funds by awardees. In addition, through the compliance review process and site visits these risks will be mitigated.

### **FEDERAL INFRASTRUCTURE INVESTMENTS**

NACA Program awards will not be used to invest in Federal infrastructure projects.