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Assessment of the Community Development Financial Institutions Fund (CDFI) Program, Training Program & CDFI Certification

Final Report

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Executive Summary

The CDFI Fund was created by the Community Development Banking and Financial Institutions Act, which was passed into law in 1994. It was designed to promote economic revitalization and community development in distressed urban, rural, and Native American communities across the nation. The CDFI Fund does this primarily by awarding financial assistance to Community Development Financial Institutions (CDFIs) and insured depository institutions.

CDFIs have a specific mission to address gaps not filled by other financial institutions. They represent a diverse group of financial institutions that offer a wide range of types of products and services, such as mortgage financing for low-income and first-time homebuyers and not-for-profit developers, flexible underwriting and capital for community facilities, and commercial loans and investments to start or expand businesses in low-income areas. CDFIs may apply to the CDFI Fund for Financial Assistance and Technical Assistance awards. The Fund also certifies CDFIs, which enables the institutions to participate in CDFI funding programs. Between 2000 and 2004, the Fund also sponsored training to CDFIs on a range of topics.

The CDFI Fund contracted with Abt Associates Inc. to conduct an assessment of its programs with the goals of identifying and measuring the benefits of these awards and trainings to the CDFI industry and facilitating better support of CDFIs through refined program design. The study synthesizes data from a number of sources including:

- In-depth interviews with key players in the field including current and former CDFI Fund staff, trade association representatives, funders to the industry, staff from CDFIs around the country, and other experts;
- A web-based survey of a sample of more than 450 CDFIs;
- On-site interviews with staff members of the CDFIs, clients, investors, partners, and local officials at a sample of six CDFIs; and
- Information from the CDFI Data Project (CDP), the Community Investment Impact System (CIIS), CDFI applications to the Fund for Financial Assistance and Technical Assistance awards, and the CDFI Fund's awards and applicants files.

This report and its companion report that includes a cross-site report and a series of case studies conducted at a sample of CDFIs, present the study findings for each of the four CDFI Fund programs: Financial Assistance (FA) awards, Technical Assistance (TA) awards, Certification, and Training.

Study Findings

Financial Assistance (FA) Awards

The CDFI Fund makes FA awards in the form of equity investments, loans, deposits, or grants that CDFIs use to leverage private capital to provide affordable financial products and services in economically distressed areas for low-income families. FA awards are currently capped at $2 million, although in fact, due to budget constraints, the maximum awards in 2006 were $585,000. Through the end of 2006 the Fund has made 667 FA awards totaling over $524 million. (This includes 383 FA-only awards and 284 awards that had both FA and TA components).

CDFI Fund FA awards clearly help CDFIs achieve their goals. Nearly 80 percent of CDFIs that received FA awards were able to achieve their stated goals for the award. In contrast, only about a third of CDFIs that did not receive FA awards were able to achieve the goals they had hoped to achieve.

The ability to meet or exceed goals using FA awards varies by institution size and age. Survey results suggest that smaller CDFIs (those with assets under $5 million) are less likely to meet or exceed their goals compared with larger CDFIs. Similarly, newer CDFIs (5 years or less) are less likely to meet or exceed goals compared to older institutions. The ability to meet goals using FA awards did not vary by institution type.

The main benefit of FA awards comes from the fact that FA awards are a rare and flexible source of equity capital. Equity capital is highly effective in leveraging other internal and external resources. Unlike debt, equity capital allows CDFIs to borrow money. Equity capital also strengthens CDFIs' balance sheets and capital position, making them more attractive to investors. Furthermore, the stronger capital position allows CDFIs to better withstand market downturns, temporary disruptions in the availability of other funding, and other economic impacts. FA awards are particularly flexible in that they can be used for a variety of purposes and by a broad range of organizations. Finally, and perhaps most important, FA awards enable CDFIs to lend or invest more and in some markets are the only source of funding available.

A review of FA applications and awards through 2005 suggests that among applicants for FA awards, loan funds are more likely to be successful compared with banks and bank holding companies and venture funds. It is not clear whether this is a result of features of the application that favor loan funds, or whether the quality of applications from loan funds is higher. In addition, a comparison of certified CDFIs that have and have not applied for awards suggests that among certified CDFIs, banks and bank holding companies and venture funds are less likely to apply for awards compared with loan funds. Thus, there may be requirements of the application that discourage particular types of CDFIs from applying for FA awards.

Technical Assistance (TA) Awards

CDFI Fund TA awards enable recipients to build their capacity by investing in products or services that enable them to expand or improve their operations. Approved uses of TA funds include: technology (usually efficiency-enhancing technology such as computers and loan management software); staff training; consulting services in specific skills areas (such as a market analysis or lending policies and procedures); and staff time to conduct discrete, capacity-building activities (such as website development). TA grants are currently capped at $100,000 each, up from an earlier cap of $50,000. Through the end of 2006, the Fund has awarded a total of 497 TA-only awards totaling more than $24 million, in addition to the 284 awards that had both FA and TA components.

TA awards contribute to CDFI growth and success. Experts and survey respondents see TA awards as a key source of funding for improving organizational operations and expanding capacity. Such funding is difficult to obtain from other sources. In some cases CDFIs reported that they would not have been able to expand their business without the TA awards. Nearly all CDFIs that received TA awards were able to meet their stated goals for the awards. In contrast, only about a third of CDFIs that applied for but did not receive a TA award achieved their stated goals for the awards, and that was generally by diverting funds from other programs.

TA awards are generally used to purchase technology and hire consultants. Successful TA awards were more likely to be intended for these purposes compared with unsuccessful applications, which were often for staff training and staff salaries.

A review of TA applications and awards through 2005 suggests that among applicants for TA awards, credit unions are more likely to be successful compared with banks and bank holding companies and venture funds. It is not clear whether this is a result of features of the TA application that favor credit unions, or whether the quality of applications from this group of CDFIs is higher than applications from other groups.

Certification

CDFI Fund certification is required in order to receive some types of funding from the CDFI Fund and is an indication that the firm has a primary mission of promoting community development, by providing financing activities in a targeted low-income market.

Certification has several important benefits to CDFIs. The primary benefit of CDFI certification is that it is required in order for a CDFI to receive FA awards. (Organizations must be certified in order to receive an FA award, though the certification application can be pending when the FA application is submitted). However, even if an organization does not receive or even apply for an FA award, certification can be an important qualification for other sources of funding. For example, some states have programs that provide funding only to federally-certified CDFIs, as do some financial institutions. One quarter of certified CDFIs that responded to the survey indicated that they received funding from sources other than the CDFI Fund that require CDFI certification. Interviews with industry experts and with staff at a sample of CDFIs also suggests that CDFI certification gives CDFIs "a foot in the door" in getting investments or low-cost loans from banks. Investors can often qualify for CRA credit if they invest in or make loans to certified CDFIs.

CDFIs generally understand the goals of certification, but there are also some misperceptions about the program. The survey results suggest that, in general, CDFIs accurately understand the main purpose of certification – that it is a requirement in order to receive FA awards, and that it indicates that the organization is committed to community and economic development. Most organizations also know that certification is available to all sizes of organizations.

However, nearly a third of responding CDFIs said that certification means that the organization was financially sound, and more than a quarter said that certification is an indication that the organization is well-managed, neither of which is accurate.

Training

The study collected data on the trainings sponsored by the CDFI Fund between 2000 and 2004, and on what CDFIs and other industry stakeholders perceive to be the key training needs for the industry.

It was difficult to obtain feedback on the specific Fund-sponsored trainings, but the information we obtained was positive. Some respondents had completed the trainings as many as seven years prior to the survey. It was often difficult to locate the people who took the trainings, and when we were able to find them, we found that it was difficult for them to remember details about the training. However, when respondents could recall the training, they generally had positive impressions of the training and said they were able to use the information from the training to improve operations at their organization.

Given budget constraints, impressions were mixed about the role of CDFI Fund-sponsored training going forward. Some respondents said that given reduced funding for the CDFI Fund, it might make more sense to use all available funds for FA and TA awards. Others said that training was still needed, particularly in the areas of accessing funding – including how to complete the CDFI Fund's FA and TA applications, and how to obtain funding from other sources.

Abt Recommendations to the Fund

Based on the input from the survey and interview respondents, the report authors developed a series of recommendations for the CDFI Fund. The recommendations for each program are organized into three categories: things the Fund should continue doing as they do now, things the Fund should consider doing more of, and things the Fund should consider avoiding doing. Following is a summary of the most important recommendations for each program studies: the FA and TA programs, Certification, and Training.

FA and TA Programs

The Fund should continue funding the FA and TA programs. All respondents agree that FA and TA awards provide much-needed flexible sources of funding that can be used by a broad range of organizations for a variety of purposes. FA awards are particularly useful as one of the rare sources of equity capital, which CDFIs use to leverage additional sources of capital. Elements of the application process for FA and TA awards are also helpful to organizations in building organizational capacity, such as the requirement to create a business plan and engage in strategic planning. Even when organizations are *not* successful in receiving funding, many find the debriefing they receive from the CDFI Fund to be very helpful in promoting organizational changes that build their capacity and improve their chances of receiving an award in the future.

However, the Fund needs to be strategic about how best to allocate FA and TA funding. The CDFI Fund has had limited resources for supporting CDFIs and the low-income communities and individuals they serve, particularly since 2002, which makes strategic targeting of awards particularly important. Even if, as expected, the Fund's budget for 2008 increases substantially, substantial unmet needs for capital in many communities mean that the Fund must continue to target its resources wisely. The industry has differing views on whether the Fund should use its FA and TA awards to target large CDFIs or smaller CDFIs, newer CDFIs or established CDFIs, innovative programs or proven strategies, or some combination of the above. The Fund should revisit its criteria for making funding awards and then clearly communicate its strategy to the CDFIs, the trade associations, and the public.

The Fund should correct misperceptions about future funding levels of the FA program. Based on our interviews, the perception that the New Markets Tax Credit (NMTC) is being funded at the expense of FA awards is not uncommon. The CDFI Fund should correct this misperception by distributing information annually to CDFIs, trade associations, and others involved with the industry about annual appropriation and authorization levels for the Fund's programs and by staying in regular contact with the people who are most likely to pass information on to others, such as trade association representatives and people who consult for a number of different CDFIs.

The Fund should consider providing FA awards in the form of grants to all types of awardees, regardless of the form of the match. The large majority of CDFIs receive FA awards as grants. However, because venture capital funds receive their match funds as investments, the Fund is required to provide its awards to venture funds in the form of investments rather than grants. Given the benefits of equity capital and the Fund's unique position in providing this type of funding, the Fund should consider enabling all CDFIs to receive awards as grants, regardless of the form of the matching funds.

The Fund should consider revising FA and TA applications to reflect the diverse needs of CDFIs. Currently, the applications are the same for all CDFIs, (with some variations in the financial information required for different types of institutions). This may simplify the evaluation of applications, but it makes the application process substantially more difficult for some types of CDFIs. Preliminary analysis of awards and application data suggests that among applicants for FA awards, loan funds are more likely to receive FA awards than banks or venture funds, and that credit unions are most likely to be successful with their TA applications. While the differences in awards likelihoods may reflect legitimate difference in application quality, allowing greater latitude in completing the application or tailoring applications to different types or sizes of CDFIs or different uses of funds may help to simplify the applications without changing the amount of information provided to the Fund. This may make Fund awards more accessible to a wider range of organizations.

The Fund should consider changing the method of providing technical support for applicants. Survey and interview respondents said that they do not like the current form of the CDFI Fund helpdesk, where they are required to leave questions on an automated telephone system and wait for a call back from a CDFI Fund staff person. According to respondents, it often takes a long time to get a call back, and responses to questions can vary depending on who answers the call. In addition to revisiting the current method of providing technical support, the Fund may want to improve the search capabilities on its website. Information is often on the site, but very difficult to find.

The Fund should assess whether the time it takes to disburse FA awards can be reduced, and if so it should try to disburse FA awards more quickly. The lag between the award and disbursement of financial assistance can pose serious challenges to implementing products and services, particularly for CDFIs with few other funding sources. CDFIs also report that the length of time it takes for CDFIs to receive FA awards affects their ability to meet performance goals because the evaluation period begins before the award disbursement date. CDFI Fund staff note that recently disbursements are being made more quickly. The Fund should use awards data and disbursement date data to assess how long it is actually taking. If times have been shortened, the Fund should communicate this to the industry. If not, the Fund should work to reduce the lag between the award and disbursement of funds to the extent possible. If the time cannot be reduced, the Fund should align the evaluation period with receipt of funding.

Certification

The CDFI Fund should continue to certify all qualified CDFIs. The Fund's certification program has important benefits for the industry. In addition to being a prerequisite for obtaining FA awards, certification helps develop organizational capacity and assists in attracting other investors. Thus, the CDFI Fund should continue to certify all qualified CDFIs, whether or not they apply for FA awards.

The Fund should address misperceptions about the goals of certification. Although most survey respondents accurately understood the Fund's goals for certification, significant minorities said that certification meant that organizations were financially sound or that it was an indication that the organization was well managed, neither of which is accurate. The Fund should make an effort to communicate clearly what certification does and does not represent. This may include providing information to parties that rely on certification, such as banks and other investors, about the requirements for certification.

The Fund should review the certification application documentation. Respondents noted several errors in the certification application documents that should be corrected.

Training

The Fund should develop a strategy around training and communicate that strategy to the industry. In general, although many CDFIs have training needs, training is not viewed by the industry as being as important a priority for the CDFI Fund as the TA and FA programs. To the extent that training comes at the expense of these programs, the CDFI Fund should either not fund training at all or fund it only for very strategic purposes.

If the CDFI Fund decides to offer training, it should be designed to complement and not overlap with other training currently available to the industry, for example through industry associations. The training should also be tailored to meet the diverse needs of different types of CDFIs. The training offered by the CDFI Fund in the past met the needs of the CDFI industry at that time. The industry was younger and less well-developed, and training that was generally applicable to a broad range of CDFIs was appropriate. Since then, CDFIs' needs have evolved and become more specific to particular types, sizes, and experience levels of CDFIs.

The Fund should play a greater role in knowledge sharing among CDFIs. Facilitating knowledge sharing – i.e., creating the infrastructure necessary to take advantage of existing knowledge – could be an important way for the CDFI Fund to address CDFIs' training and technical assistance needs with limited resources. The CDFI Fund should create and support platforms for knowledge sharing among CDFIs, between CDFIs and intermediaries, and between CDFIs and institutions.

Chapter One
Introduction

The Community Development Financial Institutions Fund (CDFI Fund) was created by the Community Development Banking and Financial Institutions Act, which was passed into law in 1994. It was designed to promote economic revitalization and community development in distressed urban, rural, and Native American communities across the nation. The CDFI Fund does this primarily by investing in and otherwise assisting Community Development Financial Institutions (CDFIs) and insured depository institutions.

CDFIs have a specific mission to address gaps not filled by other financial institutions. They represent a diverse group of financial institutions that offer a wide range of types of products and services, such as mortgage financing for low-income and first-time homebuyers and not-for-profit developers, flexible underwriting and capital for community facilities, and commercial loans and investments to start or expand businesses in low-income areas. CDFIs may apply to the CDFI Fund for financial and technical assistance. The Fund also certifies CDFIs, which enables the institutions to participate in CDFI funding programs, and has provided training to CDFIs on a range of topics.

The CDFI Fund began offering annual funding in 1996 and began funding training for CDFIs and the financial services industry in 2000 by underwriting course offerings through several contractors. Through the end of 2006 the CDFI Fund had made a total of 1,164 financial and technical assistance awards to 628 CDFIs,[1] totaling nearly $550 million. Approximately 1,400 individuals have been trained by CDFI Fund-underwritten courses.

The CDFI Fund has been operating for more than 10 years and has been offering assistance to CDFIs for nearly the entire period. Thus, the Fund decided to conduct an assessment of its programs with the goals of 1) identifying and measuring the benefits of these awards and trainings to the CDFI industry and 2) facilitating better support of CDFIs through refined program design. The CDFI Fund contracted with Abt Associates Inc. to conduct this study. This report and a companion report on a series of case studies present the final study findings.

1.1 Study Methodology

The goal of the Assessment of the CDFI Fund Program, Training Program, and Certification (Contract GS-10F-0086K) is to evaluate the impact of CDFI Fund programs on CDFIs and their communities. The study covers four programs:

1. Financial assistance (FA);
2. Technical assistance (TA);
3. Certification designation; and
4. Training.

[1] Based on “All CDFI Program Awardees.xls,” from March 2007.

In addition to assessing the benefits of each of these programs for CDFIs (and their communities), the study also provides recommendations for improvements to program designs and processes.

The study relies on five main data sources:

- ***In-depth interviews*** with representatives of CDFI industry trade associations, current and former CDFI Fund staff, experts in the field, staff from a number of CDFIs, and staff from investors and lenders that provide targeted funding to CDFIs. A number of interviews were conducted in January 2006 as part of the data collection for the study's interim report, which was submitted to the CDFI Fund in February 2006. The remaining in-depth interviews were conducted between October 2006 and February 2007. The list of interviewees is presented in Appendix A and the interview guide is presented in Appendix B.
- ***Web-based survey of all CDFIs.*** A web-based survey was administered to all CDFIs that were either identified in the CDFI Fund databases or received a CDFI Data Project (CDP) survey in the past three years. The survey contained modules about each of the study components: FA awards, TA awards, certification, and training. Each module included questions about application for and receipt of the component, impacts of receiving or not receiving an award, respondent thoughts on future priorities for the component, and recommendations on ways to improve the component design or implementation. The survey had a raw response rate of 41 percent, with 353 out of 1,122 CDFIs completing the survey and 104 CDFIs providing partial responses. The response rate was lower than anticipated due to the length of the survey, which deterred some CDFIs from participating, inaccurate contact information, the number of duplicate organizations, and organizations that are no longer in existence. Although the response rate to the overall survey was lower than anticipated, the respondents provide a good representation of the industry by organization type and size. Survey procedures and response rates are discussed in more detail in Appendix C. The survey instrument is presented in Appendix D.
- ***Data collected through in-person interviews on site at a sample of six CDFIs.*** We interviewed staff members from a range of CDFIs, investors, clients, partners and other knowledgeable individuals at a sample of six CDFIs across the country. These interviews, and data collected from the CDFIs, were used to develop case studies on each of the CDFIs. These case studies, protocols for collected data on site, and a cross-site analysis of the case study findings, are presented in a companion report.[2]
- ***Data maintained by the CDFI Fund and the Opportunities Finance Network (OFN, formerly National Community Capital Association)).*** This includes primarily 2000, 2001, 2003, and 2004 CDFI Data Project (CDP) and 2003 and 2004 Community Investment Impact System (CIIS) data, as well as data from applications to the CDFI Fund for FA and TA awards and the Fund's application and awards data files. These data

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2 Finkel et al. *Assessment of the CDFI Program, Training Program and Certification, Cross Site and Case Study Reports for CDFI site visits,* Abt Associates Inc., June, 2007

were used to describe changes in assets and portfolio outstanding for various types of CDFIs.

- ***Materials provided by vendors of CDFI Fund-sponsored training.*** We interviewed four vendors who provided CDFI Fund-sponsored training during the period 2000-2004 and reviewed their training materials and course evaluations.

The study synthesizes these qualitative and quantitative data sources to analyze the impacts of CDFI Fund programs and provide recommendations on ways to improve the programs. The in-depth interviews with key industry stakeholders and the providers of CDFI Fund-sponsored training enabled us to document and analyze qualitatively the effects of CDFI Fund assistance on local CDFIs and the communities and individuals they serve. The interviews also provided an opportunity to explore the additional funding and training needs of CDFIs, and to solicit input on ways the CDFI programs can be altered to better serve the industry.

The surveys with CDFIs provided less detailed information, but covered a broader range of CDFIs. Thus we were able to provide some numerical estimation of the magnitude of impacts described by interview respondents. We were also able to compare recipients and non-recipients of each type of assistance. Finally, the data from the CDP, CIIS, and application folders allowed us to document changes in assets and portfolio outstanding that occurred over time.

Most of the quantitative analysis relied on simple crosstabulations that compare characteristics of different groups of CDFIs such as recipients and non-recipients of awards, applicants and non-applicants for awards etc. Where sample sizes were large enough, tests of statistical reliability of differences across categories were performed using a Chi-square test.[3] Even when no tests of statistical reliability were performed, the report highlights differences across categories of CDFIs that appear to be meaningful based on the data.

The original study design called for estimating the impacts of awards using a pre/post analysis that compared community development outcomes prior to and after receipt of CDFI awards. Preliminary analysis indicated that available data would not support this analysis because no comprehensive data were available for the "pre" award periods. Thus, the focus of the design shifted to using self-reported survey data to provide a description of impacts.

The remainder of this chapter provides a brief description of the FA and TA programs, followed by a discussion of the history of the CDFI Fund's FA and TA awards and an overview of the characteristics of FA and TA award recipients as compared to other CDFIs. Subsequent chapters then present our findings on the FA program (Chapter 2), the TA program (Chapter 3), certification (Chapter 4), and training (Chapter 5). Each chapter includes information from both the in-depth interviews and the survey respondents, and where applicable from the case studies and from the CDFI data sources as well.[4] The chapters present findings about program impacts, feedback from interview

3 The chi-square test tests for independence between proportions across two or more independent groups within a data set.

4 Throughout the document we refer to respondents to the in-depth interviews as "interview respondents", and respondents to the survey as "survey respondents".

and survey respondents about the program, and the Abt researchers' recommendations for improvements to the various programs.

1.2 Description of the FA and TA Programs[5]

Applicants can apply to the CDFI Fund for an FA award only, an FA award and a TA grant, or for a TA grant only. Currently the Fund makes awards annually.

- ***FA awards*** are made in the form of equity investments, loans, deposits, or grants (depending on applicant needs) and are intended to enable CDFIs to leverage private capital to respond to demand for affordable financial products and services in economically distressed areas for low-income families. FA awards are currently capped at $2 million, although in fact due to budget constraints, the maximum awards in 2006 were $585,000. Applicants have always been required to match the FA award, although the rules governing these matching funds have varied over time. Currently, FA awards must be matched dollar for dollar by the applicant with funds of the same type already committed or obtained from non-federal sources.
- ***TA awards*** allow CDFIs—and entities seeking to become CDFIs—to build their capacity by acquiring approved products or services including: technology (usually efficiency-enhancing technology such as computers and loan management software); staff training; consulting services to acquire needed skills or services (such as a market analysis or lending policies and procedures); and staff time to conduct discrete, capacity-building activities (such as website development). TA grants are currently capped at $100,000 each.

Applications for FA and TA awards are due to the CDFI Fund about 90 days after the publication of the NOFA. Applications are reviewed based on the following five criteria, with different weights given to each criterion for FA and TA applications, and for different categories of CDFIs (small/emerging versus established CDFIs).

- **Market analysis:** The extent and nature of the distress within the target market, with particular consideration to locations in declared disaster areas (such as those affected by Hurricanes Katrina and Rita).
- **Business strategy:** The CDFI's strategy for addressing the market demand and creating community development impacts within the target market.
- **Community development performance and effective use:** This includes the vision for the target market and the particular outcomes or impacts to be used to measure progress towards achieving the vision. The criterion also includes the applicant's track record in

[5] For more details on the FA and TA programs see the NOFA for the FY2007 Funding Round of the Community Development Financial Institutions (CDFI) Program. Federal Register/ Vol. 71, No. 166 Monday August 28, 2006 / Notices. Pp 50983 –50993. Available on the CDFI Fund website. http://www.cdfifund.gov/docs/2006/cdfi/2007NOFA.pdf

achieving its goals in the target market, and the extent to which the proposed activities will likely benefit the target market.

- **Management:** The applicant's organizational capacity to meet its goals.
- **Financial health and viability:** This criterion includes an evaluation of the applicant's past financial performance as well as an assessment of its projected performance.

For TA applications, the Fund also evaluates the needs being addressed through the application and whether the award is likely to address those needs.

All applications are scored and ranked, and awards are made to the top ranking applicants subject to the limit on funds available. All awardees are required to enter into an Assistance Agreement with the Fund in order to receive funds. In addition to describing the amounts and uses of the award, the Assistance Agreement spells out a series of performance goals and measures for each grantee and details reporting requirements. Awardees are required to provide annual information on outcomes, finances, and uses of award funds and matching funds.

1.3 History of FA and TA Awards

Since 1996, the CDFI Fund has made available both FA and TA awards to qualified CDFIs. Although the specific programs through which FA and TA awards have been made have changed over time, for the most part the eligible uses of these funds and the criteria by which applicants are judged have remained fairly consistent. From 1996 through 2002, the Fund operated a "Core" funding competition that was the primary outlet for making FA awards to CDFIs, while a separate program offered TA awards from 1998 through 2000.[6] In 2001 and 2002, in addition to the Core program the Fund also offered a Small and Emerging CDFI Assistance (SECA) program that made smaller FA awards available to CDFIs with less than $5 million in total assets. The SECA program was also the avenue through which TA awards were made available to CDFIs of all sizes during these two years. Beginning in 2003, the Core and SECA programs were reorganized into the current FA and TA programs. There continues to be recognition, however, of the need to provide separate funding mechanisms for small CDFIs, as the FA program allows applicants to apply under two different award categories that essentially conform to the size categories previously used in the Core and SECA programs.

Exhibit 1-1 shows trends in the number of FA and TA awards, as well as awards including both FA and TA components, over time. Overall, the Fund has made a total of 1,164 FA and TA awards between 1996 through 2006, including 383 FA-only awards (33 percent), 284 that included both FA and TA (24 percent), and 497 TA-only awards (43 percent). The number of awards of each type has fluctuated from year to year, reflecting both differences in the amount of funds available and the priorities of the CDFI Fund. The year 2000 was one of the most active award years, with 157 total awards roughly equally divided between those including FA and those that were for TA only. Total awards in 2000 were over $84 million. Funding for the CDFI Fund programs decreased sharply after 2000. In 2001, there was a significant drop in the dollars available (only $57.7 million), and this

[6] During this period the CDFI Fund also provided "Intermediary" funding for CDFIs that in turn provided funding to other CDFIs. This effort is outside the scope of this evaluation.

dropped to an all-time low of $23.6 million in 2003, with only 49 awards. Exhibit 1-2 shows the total dollars of awards by year. As can be seen in Exhibit 1-3, changes in total award dollars closely track changes in appropriations for the CDFI Fund. Annual appropriations grew annually from $45 million in 1996 to $115 million in 2000. In recent years appropriations for the CDFI Fund have been decreasing steadily and reached a low of $54.5 million in 2006.

Exhibit 1-1. Number of FA and TA Awards by Calendar Year

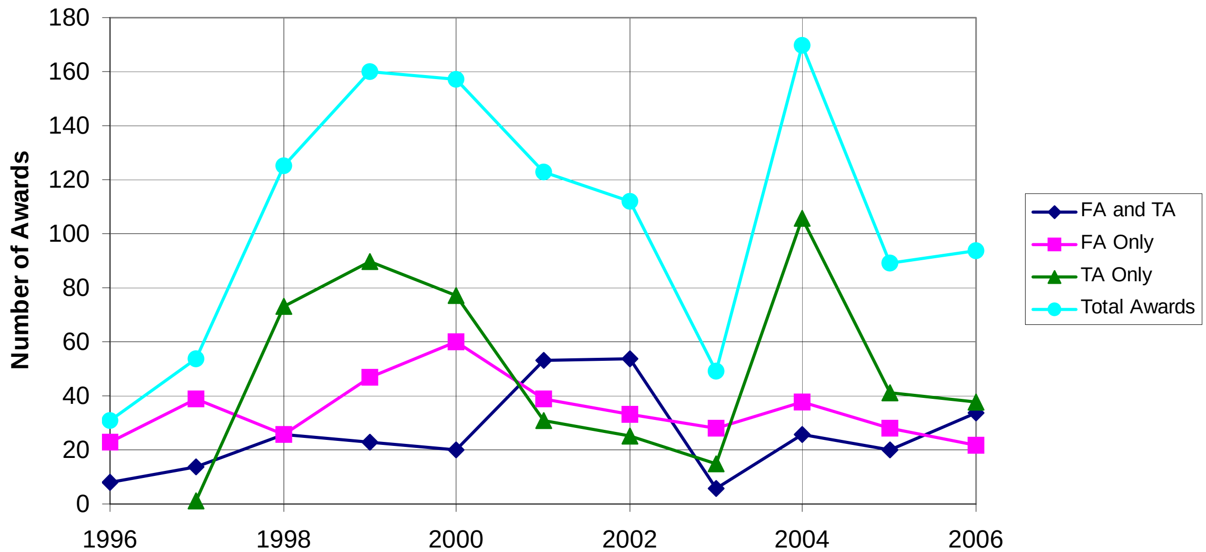


Exhibit 1-2. Dollar Amount of FA and TA Awards by Calendar Year

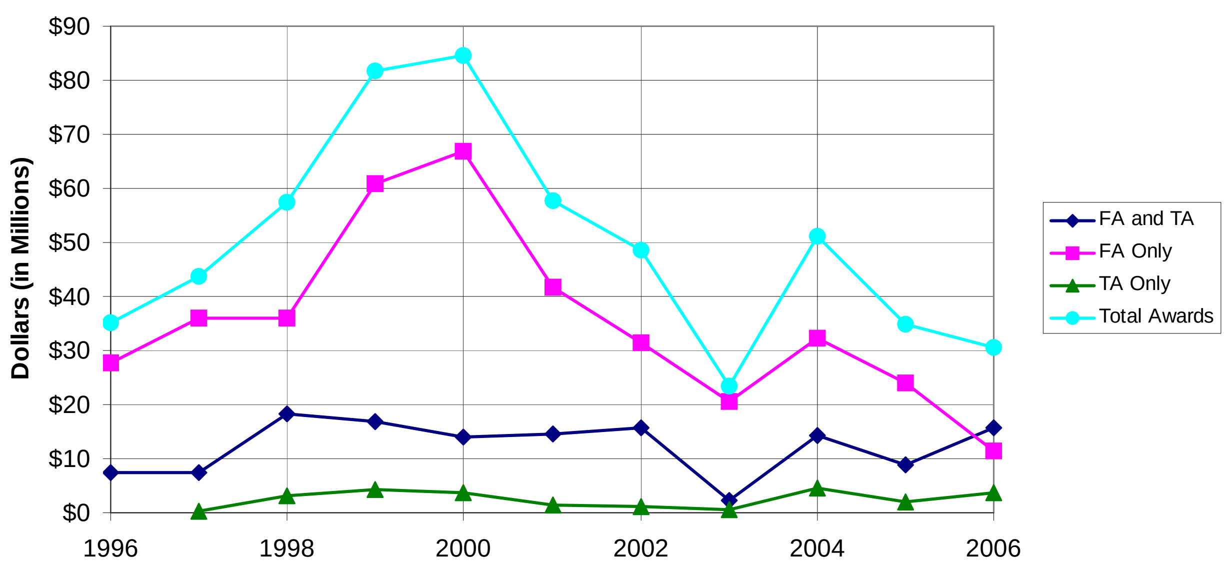


Exhibit 1-3. CDFI Fund Appropriations and FA and TA Awards by Calendar Year

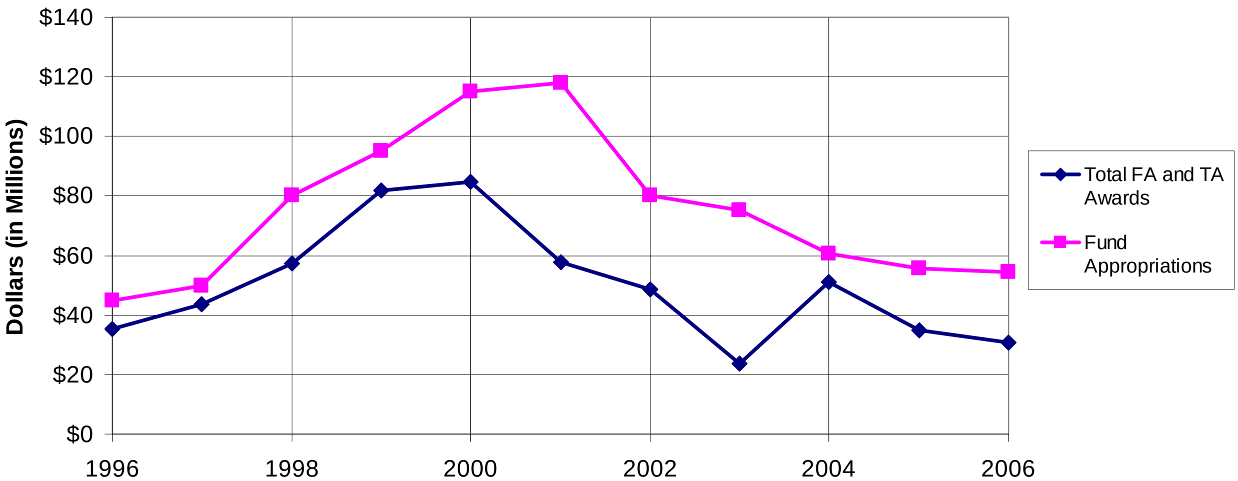
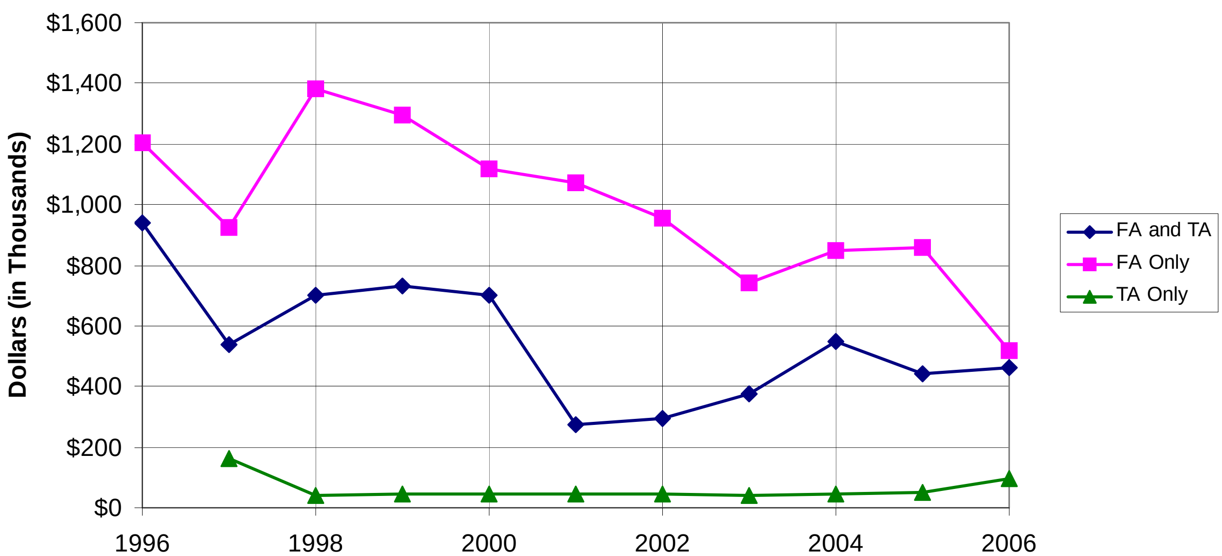


Exhibit 1-4 presents information on the trends in average award amounts by type of award over time. As shown, FA awards without any TA are consistently much larger than other award types. Across all years FA-only awards average nearly $1.0 million compared to $546,000 for awards that include both FA and TA. But FA-only awards have been decreasing steadily over time. Through 2001, FA-only awards averaged over $1 million, while between 2003 and 2006 they averaged about $750,000, and in 2006 the average FA-only award was $520,000. TA-only awards have consistently averaged about $56,000, though in 2006 the average award was higher at $95,000.

Exhibit 1-4. Average Grant Amount by Type of Grant and Calendar Year



The CDFI Fund made a total of 1,164 FA and TA awards to 628 organizations between 1996 and 2006. As shown in Exhibit 1-5, many organizations have received more than one award from the Fund. Approximately 58 percent of the 628 organizations have received only a single award, while 20 percent have received two awards and 21 percent have received three or more awards. Through 2006, almost a third of CDFI Fund awards (367 out of 1,164 or 32 percent) have gone to CDFIs that have received only one award from the Fund, whereas almost half of Fund awards (545 out of 1,164 or 47 percent) have gone to CDFIs that have received three or more awards.

Exhibit 1-5. Number and Type of Awards Received by CDFIs

No. of Awards Ever Received	CDFIs		Awards by Type			
	#	%	FA Only	FA and TA	TA Only	Total
1	367	58%	53	89	225	**367**
2	126	20%	71	69	112	**252**
3 or More	135	21%	259	126	160	**545**
Total	**628**	**100%**	**383**	**284**	**497**	**1,164**

Exhibit 1-6 presents information on the average award amounts based on the total number of awards CDFIs have received through 2006. In general, organizations receiving multiple awards tend to receive slightly larger FA and TA awards, although the differences are not great. However, awards combining FA and TA are substantially larger for organizations that have received multiple awards. Overall, organizations receiving multiple awards account for a large share of the funds distributed, with the 20 percent of organizations that have received at least three awards accounting for 62 percent of all Fund awards.

Exhibit 1-6. Amount of Funding Received by CDFIs by Number and Type of Awards

No. of Awards Ever Received	No. of Organizations	Average Award Amounts ($)			Total Amount Ever Awarded ($)
		FA Only	FA and TA	TA Only	
1	367	$936,953	$399,553	$50,528	$96,587,555
2	126	$949,144	$413,877	$45,450	$101,037,104
3 or More	135	$1,050,600	$566,714	$51,228	$351,707,964
Total	**628**	**$1,016,066**	**$477,196**	**$49,609**	**$549,332,623**

1.4 Characteristics of CDFIs Participating in FA and TA Programs

Exhibit 1-7 presents some of the key characteristics of CDFI Fund awardees. The exhibit is based on responses to the web survey and shows how CDFIs that received FA and TA assistance compare to other CDFIs. As shown in the first row of the exhibit, a large majority of the organizations responding to the survey have at some point received an FA or TA award. Of the 335 with information on award receipt, 222 (66 percent) have received at least one FA award, 63 (19 percent) have received only TA awards, and 50 (15 percent) have never received either an FA or TA award.

Exhibit 1-7 also compares the types of CDFIs across these three categories of involvement with the FA and TA programs.[7] Among all CDFIs that responded to the surveys, 71 percent were loan funds, 18 percent were credit unions, and only small shares are banks and bank holding companies (5 percent) or venture funds (3 percent). Credit unions account for a much larger share of respondents that have received neither an FA nor TA award (37 percent compared to their 18 percent share of all survey respondents), while loan funds account for a relatively small share (52 percent compared to their 71 percent share of all survey respondents).

In terms of total assets held by the CDFIs, organizations receiving only TA awards were much smaller than other CDFIs. Forty-one percent of TA-only awardees had less than $2 million in assets, compared with only 19 percent of FA awardees. Only 12 percent of TA-only awardees had assets of over $10 million, compared with about a quarter of FA awardees.

TA-only awardees were slightly more likely than FA awardees to be young organizations. CDFIs that received neither FA nor TA tended to be the oldest organizations – with half (51 percent) being more than 20 years old. In contrast less than a third of FA and TA awardees were more than 20 years old.

FA awardees were more likely than TA-only or non-awardees to serve major urban markets. TA-only awardees were more likely than others to serve minor urban markets, and FA awardees were less likely to serve these markets. TA-only awardees were slightly less likely than others to serve rural markets, and non-awardees were slightly more likely to serve these markets.

About three quarters of the clientele of all three groups of CDFIs (74 percent) were low-income, with TA-only awardees having a slightly higher low-income clientele (80 percent) than the other two types of CDFIs. Non-awardees had a slightly higher percent of minority clients (65 percent) compared with FA (55 percent) and TA (57 percent) only CDFIs. All three groups serve a similar percent of females (48 percent).

The distribution of loans/investments by activity type varied across the three categories of CDFIs. CDFIs that had neither FA nor TA awards were less likely to provide business loans and home purchase improvement loans and much more likely to provide consumer loans compared with awardees. TA-only CDFIs were more likely to focus on home purchase/improvement loans than the other two categories, and FA awardees were more likely to provide residential real estate loans compared with the other two groups.

In summary, the key conclusion to be drawn from Exhibit 1-7 is that compared to a broader cross section of CDFIs, recipients of FA disproportionately include larger organizations, while recipients of TA are disproportionately smaller CDFIs. Those organizations that have received neither FA nor TA are much more likely to be credit unions, and more likely to be older organizations. In the next

[7] The number of CDFIs in each category is small, thus the findings should be viewed with caution.

chapter, we assess the impact that FA awards have had on recipient CDFIs and their communities and discuss how the FA award program could be improved.

Exhibit 1-8 compares the characteristics of FA or TA awardees with the characteristics of CDFIs that applied for awards but did not receive them, using data from the CDFI Fund's applications and awards data files through 2005. The exhibit also presents information on all certified CDFIs.

The exhibit shows that among all applicants (TA and FA), loan funds and credit unions are more likely to receive awards and other CDFI types are less likely to receive awards. (A Chi-Square test shows that the difference in distributions by CDFI type is statistically significant at the .5 percent level). If CDFIs were equally likely to receive awards regardless of the type of CDFI, we would expect to see the same share of each CDFI type among awardees and non-awardees. Instead, 74 percent of awardees were loan funds, compared with 68 percent of non-awardees, indicating that loan funds were more likely to receive awards than other CDFI types. Similarly, 17 percent of awardees were credit unions, compared with 14 percent of non-awardees. In contrast, banks and bank holding companies represented 5 percent of awardees and 10 percent of non-awardees, and venture funds represent 4 percent of awardees but 8 percent of non-awardees.

The exhibit also shows that very small CDFIs (assets under $2 million) are less likely to receive awards and very large CDFIs (assets over $10 million) were more likely to receive awards. Twenty seven percent of awardees had assets under $2 million, but 36 percent of non-awardees were that small. Thirty three percent of awardees had assets over $10 million, but only 27 percent of non-awardees were that large. The difference in the distributions by size is not statistically significant, perhaps due to the small number non-awardees with size information (44).

The exhibit shows that older CDFIs are less likely than others to receive awards. CDFIs that are more than 20 years old represent 36 percent of awardees and 46 percent of non-awardees, but here too, the differences are not statistically significant.

Exhibit 1-7. Characteristics of CDFIs by Type of CDFI Fund Award Received
(Based on Respondents to the Survey)[8]

	All	FA Awardees*	TA Awardees Only	No FA or TA Award
Number of CDFIs	335	222	63	50
Percent of CDFIs		66%	19%	15%
Type of Organization				
Loan Fund	71%	74%	74%	52%
Credit Union	18%	14%	16%	37%
Bank or Holding Company	5%	5%	5%	7%
Venture Fund	3%	4%	2%	0%
Other	3%	3%	3%	4%
Total Assets				
Less than $2 Million	25%	19%	41%	34%
$2 to $5 Million	22%	21%	31%	16%
$5 to $10 Million	17%	18%	16%	18%
$10 to $20 Million	14%	19%	3%	8%
$20 Million or More	21%	24%	9%	24%
Age				
0 to 5 Years	5%	5%	7%	0%
6 to 10 Years	29%	29%	30%	26%
11 to 20 Years	33%	34%	33%	23%
More than 20 Years	34%	32%	30%	51%
Market Served (Avg Percent)				
Major Urban	33%	36%	26%	25%
Minor Urban	30%	26%	40%	35%
Rural	38%	38%	34%	40%
Clientele Served**				
Low-Income	74%	72%	80%	74%
Minority	57%	55%	57%	65%
Female	38%	48%	49%	48%
Distribution of Loans/Investments ($)				
Business	38%	39%	38%	33%
Home purchase/improvement	19%	19%	25%	10%
Consumer	14%	9%	17%	31%
Residential real estate	16%	18%	9%	14%
Commercial real estate	5%	5%	3%	8%
Community facilities	5%	5%	4%	2%
Other	4%	5%	3%	1%

* Includes CDFIs that received both FA-only and FA and TA awards.
** This column does not sum to 100% because individuals can fall into multiple categories

[8] The exhibit includes only CDFIs with information on receipt of awards.

Exhibit 1-8. Characteristics of CDFIs by Application and Award Type
(Based on the CDFI Fund's Application and Awards Data Files through 2005)

	All Certified CDFIs	All Applicants for Awards	Awardees (of FA and/ or TA)	Applicants that did not Receive Awards
Number of CDFIs	919	777	585	192
Type of Organization*				
Loan Fund	69%	73%	74%	68%
Credit Union	17%	16%	17%	14%
Bank or Holding Company	9%	6%	5%	10%
Venture Fund	5%	5%	4%	8%
Number of CDFIs with data	822	711	552	159
Total Assets				
Less than $2 Million	28%	28%	27%	36%
$2 to $5 Million	22%	23%	23%	20%
$5 to $10 Million	16%	17%	17%	16%
$10 Million or More	34%	32%	33%	27%
Number of CDFIs with data	473	417	374	44
Age				
0 to 10 Years	29%	31%	30%	31%
11 to 20 Years	30%	33%	34%	23%
More than 20 years	41%	37%	36%	46%
Number of CDFIs with data	498	439	391	48

* Indicates that a Chi-Square test of differences in the distributions between awardees and non-awardees is statistically significant at the 0.5 percent level

Chapter Two
Financial Assistance Awards

Virtually every person we spoke with – including industry experts, staff at interviewed CDFIs, staff at the six case study sites, and trade association representatives – characterized the CDFI Fund's FA program as critical to the growth of the CDFI industry and to the well-being of lower-income neighborhoods and people. In addition, almost everyone was able to cite examples of accomplishments by CDFIs that would not have been possible without FA awards. What makes the FA awards particularly effective is the flexibility in how the funds can be used, the ability of the FA awards to leverage other sources of funding, and the fact that FA funds are almost always treated as equity, rather than debt, capital.

Interviewees and survey respondents also had a number of suggestions for improving the FA award process. In addition, a sizeable minority of CDFIs surveyed said they did not apply for FA awards. Their reasons for not applying may be useful to the CDFI Fund in improving its programs.

This chapter incorporates information from in-depth interviews, the web survey of CDFIs, and the case study site visits. It also includes information from the Fund's application and award data files, from application folders for awards to the CDFI Fund and from CDFI Data Project (CDP) and Community Investment Impact System (CIIS) data files. The chapter begins by documenting the intended uses of FA awards, followed by a discussion of the impacts of the awards. The chapter then describes the unique features of the program followed by a discussion of potential barriers to receiving FA awards from various types of CDFIs, and a discussion of future priorities for the program. The chapter then provides feedback from participants on the award process and reporting requirements, and concludes with recommendations from the study authors on ways to improve the FA program.

2.1 Planned Uses of FA Awards

Surveyed CDFIs reported that the primary planned uses for FA awards were for capital, paying for development services, and covering operating expenses and overhead. Exhibit 2-1 presents the average share of FA awards by intended use for successful and unsuccessful FA Award applicants.[9] The intended uses of FA awards were similar for CDFIs that were successful in receiving FA awards and CDFIs that were not successful, though successful CDFIs intended to use a smaller proportion of the FA award for capital. CDFIs that received prior awards from the Fund before the award described in the survey planned to use a larger proportion of the funds for capital (82 percent) compared to the capital proportion planned among CDFIs for which the award in question was the first award (62

[9] Survey respondents were asked detailed questions about the most recent FA application that was successful, and about the most recent FA application that was not successful. As a result, the survey data includes *detailed* information on up to one successful award application experience per respondent and up to one unsuccessful application. The FA applications (and subsequent awards) described by survey respondents occurred as early as 1996 and as late as 2005.

percent). CDFIs for which the award in question was the first award planned to use a larger proportion of the funds for development services (13 percent) or for operating expenses/overhead (8 percent), compared with multiple-award CDFIs, which planned to spend an average of 4 percent of funds on development services and 4 percent on operating expenses/overhead.

Exhibit 2-1. Planned Use of FA Awards

Use	Average Percent for Approved Awards N = 217	Average Percent for Denied Awards N=168
Capital	69%	72%
Loan loss reserve	4%	4%
Reserve capital	4%	4%
Development services	9%	9%
Operating expenses/overhead	6%	7%
Other	7%	4%
Total	100%	100%

The planned uses of FA awards among the case study sites were similar to those of survey respondents. The three loan funds – Florida Community Loan Fund (Orlando, FL), Illinois Facilities Fund (Chicago, IL), and Midwest Minnesota CDC (Detroit Lakes, MN) - used their FA awards primarily for lending capital, and the one venture fund – Pacific Community Ventures (San Francisco, CA) used its FA award for investment capital. The one credit union – Alternatives FCU (Ithaca, NY) - used its FA awards for secondary capitalization, and the one financial intermediary – North Carolina Minority Support Center (Durham, NC) - used its FA awards to capitalize a loan fund, which would provide capital to its client credit unions.[10]

CDFIs that were successful and those that were unsuccessful in applying for FA awards reported similar intended uses for FA award funds along lines of business. Applicants primarily intended to use FA awards for their business lending, residential real estate, and home purchase or improvement products. Exhibit 2-2 shows the planned use of awards by line of business for successful and unsuccessful applications. Successful applicants planned on using slightly less of the award for business lending, and slightly more of the award for home purchase or improvement, consumer loans, and "other" products. Additional analysis not shown in Exhibit 2-2 found that CDFIs that received prior awards from the Fund before the award described in the survey planned to use a larger proportion of their current award funds for residential real estate (25 percent) or business lending (44 percent), compared with CDFIs for which the award in question was the first award (15 percent and 37 percent, respectively).

[10] Please see the companion report, Finkel et. al. *Assessment of the CDFI Program, Training Program and Certification, Cross Site and Case Study Reports for CDFI site visits,* Abt Associates Inc., June, 2007, for more detail on the case study sites.

Exhibit 2-2. Planned Use of FA Award by Line of Business

Use	Average Percent for Approved Awards N = 210	Average Percent for Denied Awards N=168
Business lending	40%	43%
Home purchase or improvement	17%	16%
Consumer loans	7%	5%
Residential real estate	18%	19%
Commercial real estate	3%	3%
Community facilities	4%	4%
Other	11%	8%
Total	100%	100%

The survey also asked whether the goals of the award were to expand existing loan or investment programs, expand the scale of existing services, develop new products, services, or serve new clients or geographies. As shown in Exhibit 2-3, CDFIs that received prior awards from the Fund before the award described in the survey were more likely to plan to use the funds to expand or develop ***new loan or investment products***, while CDFIs for which this was the first award were more likely to plan to use the funds to develop or expand ***existing services such as counseling, financial assistance or literacy programs***. Eighty-seven percent of CDFIs that were reporting about a second or later award planned to use the funds to expand an existing lending or investing program, and 42 percent planned to use funds to develop a new loan or investment product, compared with 74 and 29 percent for first time awardees. Thirty percent of first time awardees planned to use the award to expand services such as counseling financial literacy or technical assistance, and 19 percent planned to use funds to develop new services of this type. This compares with 26 percent and 13 percent respectively for second or later awards

Exhibit 2-3. Goals for the Award by Number of FA Awards

Goal	First Award N=134	Second or Later Award N=76	All N=210
Expand an existing lending or investing program	74%	87%	82%
Develop a new loan or investment product	29%	42%	34%
Expand the scale of services, such as counseling, financial literacy, or technical assistance	30%	26%	29%
Develop new services, such as counseling, financial literacy, or technical assistance	19%	13%	17%
Serve a new geographic market	13%	21%	16%
Serve a new client population	12%	8%	10%

2.2 Impact of FA Awards[11]

Survey Results: Impacts of FA Awards

Survey results suggest that FA awards are important in helping CDFIs achieve their stated goals. Exhibit 2-4 shows that organizations that received an FA award were much more likely to achieve their goals than those whose applications for FA awards were not granted. For example, 78 percent of CDFIs receiving an FA award with a goal of expanding an existing lending or investing program were successful in expanding the program. In contrast, only 35 percent of CDFIs that had a goal of expanding an existing lending or investing program but did not receive an FA award were able to expand the intended program.

Exhibit 2-4. Impact of Receipt of FA Award by CDFI Goal

	Successful FA Award Applicants		Unsuccessful FA Award Applicants	
Goal	**Percent With Goal** N=210	**Of those with goal, percent that met or exceeded goal**	**Percent With Goal** N=168	**Of those with goal, percent that met or exceeded goal**
Expand an existing lending or investing program	82%	78%	76%	35%
Develop a new loan or investment product	34%	80%	36%	30%
Expand the scale of services, such as counseling, financial literacy, or technical assistance	29%	76%	32%	26%
Develop new services, such as counseling, financial literacy, or technical assistance	17%	78%	18%	28%
Serve a new geographic market	16%	79%	22%	42%
Serve a new client population	10%	67%	17%	29%

Not surprisingly, among the surveyed CDFIs that received awards and met or exceeded their goals, nearly all described the FA award as “critically important” or “very important” to their ability to meet their goals. For CDFIs that did not receive FA awards but were nevertheless successful in achieving their goals, most said they either received alternative funding or used existing resources more

11 As noted in the methodology section in Chapter 1 above, the original study design called for estimating the impacts of awards using a pre/post analysis that compared community development outcomes prior to and after receipt of CDFI awards. Preliminary analysis indicated that available data would not support this analysis because no comprehensive data were available for the “pre” award periods. Thus, the focus of the design shifted to using self-reported survey data to provide a description of impacts.

efficiently. Among the non-recipients who did not meet their goals, nearly all felt that not receiving an award was either a critically important or very important factor in not meeting their goals.

We analyzed the likelihood of achieving goals by CDFI characteristics. (See Exhibit E-1 in Appendix E). The likelihood of achieving goals did not vary by institution type. Across all types of CDFIs that received awards, more than 86 percent met or exceeded at least one goal. However, ability to meet or exceed goals did vary by institution size. Only 74 percent of CDFIs with assets under $5 million met or exceeded at least one goal. In contrast more than 93 percent of larger CDFIs did so.[12] Among unsuccessful applicants, ability to achieve goals varied both by institution type and size. Forty-one percent of the loan funds that did not receive the FA awards were able to meet or exceed at least one goal in spite of not receiving the award compared with only 25 percent of credit unions.[13] Very large CDFIs were more likely to meet their goals without the Fund award. About 55 percent of CDFIs with assets over $20 million met or exceeded at least one goal without the CDFI Fund award, compared with only a third of smaller CDFIs.

> ***Case Study Site: Midwest MN CDC***
>
> *Loan fund (Detroit Lakes, MN) that provides business expansion and home mortgage loans in rural communities in MN, with some clients in ND, SD and WI. Also provides housing and economic development services.*
>
> ***Key Impacts of FA Awards:***
>
> Expanded lending capacity, built up its loan portfolio and increased the number of clients the organization has served:
>
> - Made over 2,000 home mortgage loans to low- and moderate-income (LMI) borrowers in rural MN (as of Oct. 2006),
> - Provided more than 300 downpayment assistance loans (as of Oct. 2006),
> - Built 426 homes for LMI buyers (as of March 2005), and
> - Made 509 business loans, creating 2,939 new jobs and maintaining 13,525 jobs (as of March 2005).

Similarly, the ability to achieve goals varied by CDFI age, with older organizations more likely to achieve their goals than newer organizations. Only 56 percent of CDFIs that were 5 years old or less met or exceeded at least one goal with their award. In contrast 84 percent of CDFIs that were between 6 and 10 years of age did so, as did 90 percent of CDFIs that were more than 10 years old. Among unsuccessful applicants, about one quarter of the organizations that were 10 years old or less were able to meet or exceed at least one goal in spite of not receiving the award compared with 42 percent organizations that were more than 10 years old.

Interview Results: Impacts of FA Awards

We spoke with staff from CDFIs across the country as part of the in-depth interviews and case studies, and they described the Fund's FA program as an invaluable, consistent, and stable source of capital. They cited a number of examples of how FA awards allowed them both to expand existing programs, to undertake new initiatives, and to serve new clients and geographic areas. For example:

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[12] We could not run this analysis separately by goal because of small samples in some of the cells.

[13] As with successful CDFIs, the sample sizes by goal are too small for separate analysis. In addition, the sample sizes for some institution types are very small: only 7 banks/bank holding companies and 4 venture capital funds provided information.

- CDFIs reported that they were able to expand lending capacity as a result of their FA awards. All six case study sites reported that with the support of their FA award they were able to increase the number and size of loans (or investments) they made. For example, the Florida Community Loan Fund was able to expand its maximum loan size from $100,000 to $1,000,000 over the course of a decade. The FA award to the Midwest Minnesota CDC enabled the organization to provide and hold in portfolio mortgage loans that would be difficult to sell on the secondary market, enabling them to serve clients that could not be served if all loans had to be sold. At Alternatives, Fund awards enabled the organization to be well capitalized, which allowed it to offer a wide variety of financial products and services, including: financial education programs for individuals and businesses, a student credit union, IDAs and a free tax assistance program. Fund awards increased the amount of general deposits and secondary capital in NCMSC's Loan Fund that could be made available to CDCUs to support the growth of their mortgage lending activity. In all, the CDFI Fund awards account for more than a quarter of the balance of the Support Center's Loan Fund and thus directly accounts for a sizeable share of the funds the organization invests in the CDCU network. Staff from Pacific Community Ventures reported that the FA award enabled their venture fund to invest in a number of additional companies, which in turned provided quality jobs to additional low- income people. In addition, the larger a venture capital fund, the more flexible and powerful it is, and thus the greater its potential impact.
- Three of the six case study sites also reported introducing new products with the support of their FA awards. Fund awards enabled NCMSC to support the creation of robust mortgage lending services at its client CDCUs in rural communities. This support included capital for home mortgage loans as well as technical support, including help developing underwriting policies, creating credit committees, training loan officers, and building software capabilities. The Support Center was also able to create the multi-branch Generations Community Credit Union with the support of Fund awards, and this new credit union has introduced new products and services for underserved communities. In both cases, the NCMSC loan fund capitalized by Fund awards provided both capital and income for these new products and services. With the help of Fund awards, IFF was able to create two new lending products, which serve federally qualified heath centers and nonprofits that needed to build their development capacity. IFF has financed the construction of more than 30 health care facilities with the Community Health Care Capital Fund, which began after the 1998 FA award. Alternatives did not specifically target Fund awards to new programs, but the increase in its financial base allowed them to expand the types of services it offered its clients including providing financial counseling, tax preparation services, and the start of its venture fund.
- Fund awards assisted case study sites to expand their target client base. At Alternatives, Fund awards played an important role in attracting new members and borrowers by supporting the credit union in constructing and moving to a new building in downtown Ithaca. Fund awards enabled the credit union to maintain acceptable net worth ratios while it expanded lending to match the increase in savings from the new members. Fund awards enabled Florida Community Loan Fund to serve new kinds of borrowers,

including economic development organizations, faith-based community development corporations, and rural self-help housing organizations.

- Fund awards also supported geographic expansion in a number of sites. For example, over time PCV has expanded its geographic target market from the Bay Area to most of the urban areas in California. The geographic expansion began with its second venture fund, which included the CDFI Fund award. Fund certification sent a signal to potential investors and partners about the credibility of the organization, which was particularly helpful as PCV expanded its service areas where potential partners were less familiar with PCV and its staff. IFF is using Fund awards to attract more rural borrowers in Illinois.

> ***Case Study Site: Alternatives FCU***
>
> *Credit Union (Ithaca, NY) that provides a range of banking and financial services for individuals and small businesses near Ithaca, NY.*
>
> ***Key Impacts of FA Awards:***
>
> Strengthened the net capital ratio and increased the number of programs the organization could support. Cumulatively through 2005, the organization:
>
> - Made 1,782 home mortgage loans totaling more than $112 million;
> - Made consumer loans totaling $50.5 million;
> - Made 3,514 business loans totaling $12.6 million, creating or retaining 983 jobs; 2,000 clients completed a business education course; and
> - Provided 218 members with IDA accounts.

When asked if similar amounts of growth would have been possible without receiving FA awards, the short answer across all survey and interview respondents was "no." Specific examples offered include:

- One interview respondent said that it would be hard to imagine not having the award, and that the organization simply would not have grown as much, would not have been able to increase its asset size, and would not have served a new market. These sentiments were echoed by the case study sites as well.
- Staff from another CDFI reported that without the FA award, hundreds of non-profits would not have received loans, including many new categories of clients, such as child-care providers. The CDFI's existing programs would also have a more limited reach, as it would have only been able to offer smaller loans and lines of credit.
- Staff from one venture fund noted that FA assistance enables them to raise additional matching funds, thereby significantly increasing the size of their fund. In other words, every dollar awarded by the Fund allows them to invest more in target companies.

Impact of FA awards on CDFI growth

Exhibit 2-5 uses data from the CDP, CIIS, and applications submitted to the CDFI Fund for awards to estimate the impacts of CDFI Fund awards on growth. This pre/post analysis uses information from the year prior to the first successful application to the Fund as the "pre" data for successful awardees. These data were extracted from CDP when available and from application folders otherwise. For CDFIs that never received FA or TA, the year for "pre" data is 2000 or 2001. The "post" data is the latest year for which data were available on CDP or CIIS, typically 2004 or 2003.

Case Study Site: FL Community Loan Fund

Loan fund (Orlando, FL) that provides capital loans for housing and facilities development to nonprofits in FL.

Key Impacts of FA Awards:

Expanded lending capacity (the equity capital leveraged significant debt capital) and increased the number of clients the organization could serve. Cumulatively through September 2006, the organization made 117 loans to over 50 nonprofits, totaling over $25 million, which:

- Supported projects that constructed or rehabbed 333 single-family and 1,203 multi-family homes;
- Created 954 supportive housing units;
- Built 49 community facilities; and
- Provided direct support to nearly 14,000 people.

The analysis compares growth in assets and portfolio outstanding for award recipients compared with other CDFIs. Analysis of annual growth in assets and in portfolio outstanding suggests that CDFIs that received FA awards grew more than CDFIs that received only TA awards, and that CDFIs that did not receive any Fund awards grew the least over time. The median annual growth in assets of FA awardees was 14 percent per year in the years following receipt of an award, compared with 10 percent per year for TA-only awardees and 6 percent per year for CDFIs that received neither FA nor TA awards. Similarly, the median annual growth in portfolio outstanding of FA awardees was 20 percent per year in the years following an award, compared with 13 percent per year for TA-only awardees and 10 percent per year for CDFIs that received neither FA nor TA awards.[14]

[14] The original study design planned to conduct an extensive pre/post analysis to estimate award impact. Due to limited data, the pre/post analysis was limited to these variables which were extracted from CDP when available and from application folders otherwise.

Exhibit 2-5. Median Annual Changes in Total Assets and Financings Outstanding by CDFI Type

	FA (with or without TA)	TA-Only	No FA or TA
Total Assets			
N	178	62	72
Median annual growth	14%	11%	6%
Portfolio Outstanding			
N	144	54	66
Median annual growth	20%	13%	10%

All six case study sites reported similar improvements in their financial health as a result of CDFI Fund awards. For example, Fund awards enabled the FL Community Loan Fund to grow at a rapid rate during its first decade of operation, increasing its loan volume from $115,000 in lending in its first two years to more than $4 million in lending in 2006 alone. This growth has been accompanied by steady improvements in self-sufficiency ratios and an increase in net assets from $473,907 in 1996 to over $14 million in 2006. Fund awards to the IL Facilities Fund (IFF) had the most critical impact in the first few years of its operations as a CDFI – the first two FA awards to IFF essentially doubled the organization's lending capacity, which significantly strengthened its balance sheet. In addition, the $9.1 million in Fund awards comprise 80 percent of IFF's unrestricted net assets.

Case Study Site: Pacific Community Ventures

Venture Fund (San Francisco, CA) that provides equity for CA businesses that provide good jobs to low- and moderate-income workers.

Key Impacts of FA Awards:

Increased the ability of the venture capital fund to invest in businesses and played a key role in attracting additional funders to PCV venture capital funds.

- Through 2005, PCV-financed companies employed 1,531 residents of LMI communities earning an average hourly wage of $13.18. All PCV-financed companies offered medical benefits and paid vacation, and most offered retirement plans.
- By 2006, PCV had invested in and advised over 50 CA firms.

Several people we interviewed for the study commented that it is hard to quantify the full community impact of FA awards. However, FA awards contributed to several important outcomes: more clients receiving loans, more jobs created, more small businesses opening, more homes and facilities being built, and more neighborhoods undergoing revitalization. One trade association representative noted that the amount of money being spent to benefit low-income people has increased significantly as a result of FA awards. Among his trade association's membership, "We've been able to increase by ten-fold the amount of capital going out each year." Other people interviewed said they believe that the CDFI industry owes its growth to FA awards. One person estimated that the industry was about $2 billion annually before the Fund was established, and is now $22 billion. He noted that although growth in the CDFI industry is not as rapid now as it was during the 1990s, deployment of capital has not slowed.

2.3 Unique Features of the FA program

In addition to providing numerous individual examples of how CDFI Fund financial assistance affects CDFIs and the communities they serve, the in-depth interviews allowed us to identify the key benefits of the FA award program for CDFIs and the features that make it unique. Overall, FA awards are unique in that they:

- Are a rare source of equity capital that is highly effective in leveraging other internal and external resources;
- Are a flexible source of funding, in that they can be used for a variety of purposes and can be used by a broad range of organizations; and
- Are often the only sources of funding available in their particular markets.

> ***Case Study Site: NC Minority Support Center***
>
> *Financial intermediary (Durham, NC) that provides loans and TA to rural NC community development credit unions (CDCUs).*
>
> ***Key Impacts of FA Awards:***
>
> Expanded mortgage lending capacity in client CDCUs and enabled them to navigate and respond to a challenging regulatory and economic environment:
>
> - The volume of mortgage loans made by CDCUs aided by the Support Center increased by two and a half times between 1999 and 2006, from $11.9 million to $31.1 million.
> - The Support Center was also instrumental in the merger of eight CDCUs to preserve the CDCU presence in the affected communities in the face of significant financial and regulatory challenges to these small institutions.

These benefits and unique features are described below.

Source of Equity Capital/Permanent Capital that Provides High Leverage Ratio and Multiplier Effect

There was great consensus among the people we spoke with that FA awards are a rare source of equity or permanent capital, which makes them particularly valuable. CDFIs said that permanent capital allows them to grow their organizations by leveraging new deposits, loans, and investments to develop new products and serve new markets. There are reportedly few other sources of permanent capital available in the current market.

As equity capital, FA awards are more powerful in leveraging other sources of capital than debt financing. Equity capital, unlike debt, allows CDFIs to borrow money, for example. It also strengthens CDFIs' balance sheets and capital position, making them more attractive to investors, furthering the leveraging power of equity capital. At the same time, the stronger capital position allows CDFIs to better withstand market downturns, temporary disruptions in the availability of other funding, and other economic impacts. Last, and perhaps most important, FA awards enable CDFIs to lend or invest more. One person said, "The CDFI Fund's money is the money that makes everything else possible. All the millions of dollars from banks are possible because of the equity grants from CDFI Fund."

The reported ability of equity capital to leverage deposits, loans and other investments varies from three to ten times among respondents and case study sites, depending on the type of organization, products, and clients involved. A trade association representative estimated a leverage ratio for FA grants as high as 1:28.

FA awards provide relatively small subsidies that ultimately have a large effect. One trade association representative said, "The key to the stability and growth in the industry is the CDFI Fund's money and the leverage it enables. I dare anyone to find a government program anywhere that's been as effective for its size – there's been no more productive program that I can think of." Representatives of one CDFI explained that had they not received a $1 million FA award, they would have lost out on $1 million in equity capital itself as well as the $8 million in deposits it would have leveraged, for a total of $9 million that would not have been lent out as home mortgages. In the first year of service, with this $9 million, about 80 families received mortgages. They said the cumulative impact over a number of years of the FA award is huge, because new mortgage loans are made as the previous loans are paid down.

> ***Case Study Site: Illinois Facilities Fund***
>
> *Loan fund (Chicago, IL) that provides capital loans to nonprofits in IL, and will add clients in WI, MO, IA and IN.*
>
> ***Impacts of FA Awards:***
>
> Expanded lending capacity (the equity capital leveraged significant debt capital). Cumulatively through 2006, the organization:
>
> - Made nearly 500 capital loans to 300 IL nonprofits, totaling over $140 million, which impacted the lives of almost one million individuals and created 17,000 new jobs;
> - Funded over 6.5 million square feet of new or upgraded facilities;
> - Completed 59 real estate projects;
> - Built or upgraded 75 classrooms; and
> - Funded 153 childcare facilities.

CDFI Fund FA awards enabled each of the six case study sites to leverage other public and private non-CDFI Fund monies. As discussed below in Chapter Four (Certification), several case study sites had at least one investor that required Fund certification. More generally, the case study sites noted that Fund awards played an important role in attracting and encouraging investors by inspiring confidence in the organization. Staff from multiple sites explained that Fund awards act as a kind of "seal of approval" for the organization's mission and ability to achieve its goals.

In addition to leveraging other sources of funding, several respondents noted that FA awards have a multiplier effect. One person said that money loaned to a person is reinvested in the borrower's community, so every loan has a positive impact on the borrower's community.

One common misperception among people we spoke with was that the New Markets Tax Credit (NMTC) is being funded at the expense of FA awards, which go directly to products and services. They see NMTC funds as being useful, but not providing the equity capital CDFIs need in the way FA awards do.

Flexible Source of Funding

A number of interviewees noted that the flexible nature of FA awards makes them particularly effective. Grants are flexible in two ways: CDFIs can use the grant money for a variety of purposes (more so recently than during 2003/2004 when "hot zones" were given priority for funding), and many types of organizations are able to use the awards.

CDFIs we interviewed said they generally do not need to modify their existing programs to use the awards. One respondent elaborated, describing FA awards as being much more flexible than other government programs. For example, for the Small Business Administration's Small Business Investment Companies (SBIC) program and the New Markets Tax Credit, he said, "You have to get licensed[15] as specific types of entities, and then follow the rules exactly. It's a government template you have to follow. The Fund allows for experimenting and flexibility to meet the specific needs of the community, as opposed to trying to make it fit the template."

Similarly, the use of FA awards is more flexible than grants from other organizations. The flexibility of the CDFI Fund's grants result at least in part from the fact that the Fund's capital investments are based on CDFIs' business plans, rather than being project-specific. One person said, "Most other grants … (are) for a very specific purpose, you have to account for every nickel, and you have to spend it this year and then the money is gone." The business plan-based model of the CDFI Fund has a side benefit as well: it requires CDFIs to develop business plans, encouraging more strategic planning.

One interviewee suggested further improvements to the flexibility of the FA program. He said the CDFI Fund should allow FA grants to be used to support a wider range of services, such as community education. For example, he suggested that FA awards be used to finance activities such as student credit unions, community and school presentations about managing money, and volunteer tax preparation services for low-income families. In addition, he said the community development implications of a program are not always directly measurable, but nevertheless have important indirect impacts and should be supported.

FA awards have enabled CDFIs to become more mission-focused than they would otherwise be, and to operate with more stability than would otherwise be possible. One interviewee said, "The Fund's programs have allowed CDFIs to grow and to pursue their mission in a strategic fashion rather than in crisis management mode. They have allowed CDFIs to move from 'what they can do' given challenging circumstances to pursuing 'what they wish to do.'"

FA Awards Allow CDFIs to Serve Underserved Markets

FA awards allow CDFIs to fill important niches. For example, several interviewees said that rural areas and Native American areas desperately need the services provided by small, grassroots CDFIs. One person said, "Without the Fund's programs, these services simply would not happen." He said the Fund's programs have enabled an entire generation of CDFIs to grow and develop, and cited the existence of several new CDFIs in his region that he said are very effective. "The Fund's programs have been extremely effective in mitigating and in some cases eliminating poverty in rural and urban areas," he said.

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15 Both the CDFI Fund's New Market Tax Credit and the Financial Assistance awards program require certification by the CDFI Fund rather than licensing.

Staff from the case study site Florida Community Loan Fund noted that in addition to expanding lending capacity, FA awards provided a critical source of funding for nonprofits in the state that is simply not available elsewhere.

Similarly, traditional venture capital (VC) funds and banks do not serve the communities or clients served by CDFI VC funds. One respondent said, “Our funds operate in places that traditional VCs just don’t cover. Bank financing is not necessarily available. [CDFI] Venture capital is especially important in low-wealth communities because it can be the only source of funding. This dedicated source of equity capital in the community is critical.”

Among other things, FA awards also allow CDFIs to spend extra time with clients in counseling, providing technical assistance and other services. Other financial institutions, such as for-profit banks that are responsible to shareholders to maximize profits, may be unable to make this investment. One person said, “Five extra hours of help and business advice turns it into a loan that’s paid on time. Banks won’t do this.”

Essentially, interviewees report that FA awards allow organizations to be more mission-driven. As an example, one trade association representative said 90 percent of the FA money deployed by his association’s membership creates benefit for low-income and low-wealth individuals and communities.

2.4 Potential Barriers to Receiving FA Awards

Although staff members of the CDFIs we interviewed were nearly unanimous in their positive assessment of the impact of FA awards, representatives of many organizations indicated that they perceive that their organization type is at a disadvantage in competing for awards. As described in more detail below, community development banks, large affordable housing lenders, venture capital funds, intermediaries, and credit unions all detailed aspects of the application process and award criteria that appear to favor loan funds. Small CDFIs also report that they face barriers to receiving FA awards that other CDFIs do not face

To test the perceptions that particular organization types are at a disadvantage in competing for FA awards, we compared the characteristics of successful applicants for FA awards with unsuccessful applicants. Data from the CDFI Fund’s application and award data files through 2005 were used. This file includes information on 442 CDFIs that were successful in receiving at least one FA award, and on 92 CDFIs that applied for at least one FA award but never received any.

The exhibit shows that among all applicants, loan funds are more likely to receive FA awards and banks and venture funds are less likely to receive awards. (A Chi-Square test shows that the difference in distributions by CDFI type is statistically significant at the .5 percent level). Seventy seven percent of FA awardees were loan funds, compared with 63 percent of non-awardees. In contrast, banks and bank holding companies represented 5 percent of FA awardees and 13 percent of non-awardees, and venture funds were 3 percent of awardees but 10 percent of non-awardees.[16] In

[16] There were too few non awardees of FA with size data (20) or age data (24) to provide meaningful comparisons.

addition, as shown in Chapter 4 below, among certified CDFIs, banks and bank holding companies and venture funds were less likely to apply for FA awards. In other words, fewer banks and bank holding companies and venture funds appear to be applying for awards, and among applicants, fewer succeed in becoming awardees.

Thus, while the application form does not appear to have any tables or questions that overtly favor loan funds, the raw data support the claim by venture funds and banks that they are less likely than loan funds to receive FA awards. However, it is critical to note that the findings should be viewed with caution because the raw differences do not control for any differences in the quality of the applications or characteristics of the applicant organizations and the markets they serve. There is not enough data to comment on differences in awards by CDFI size or age.

Exhibit 2-6. Characteristics of CDFIs by Application and Award Type
(Based on the CDFI Fund's Application and Awards Data Files through 2005)

	All CDFIs that Applied for FA Awards	Awardees that Received at Least One FA Award	FA Applicants that did not Receive any FA Awards
Number of CDFIs	534	442	92
Type of Organization*			
Loan Fund	75%	77%	63%
Credit Union	14%	15%	14%
Bank or Holding Company	6%	5%	14%
Venture Fund	5%	3%	10%
Number of CDFIs with data	511	438	73

* Indicates that a Chi-Square test of differences in the distributions is statistically significant at the 0.5 percent confidence level.

Potential Barriers for Community Development Banks

One of the most important barriers to using FA awards for community development banks (CDBs) is unrelated to the program, but comes from regulators. According to a CDB trade association representative, CDBs have found it difficult to use the FA program because regulators do not allow CDBs to treat FA awards as Tier 1 equity capital. Regulators see the CDFI Fund's assistance agreement, which lists reasons why funding could be revoked, as a "put option" on the award. Because the money could theoretically be taken back, regulators require CDBs to treat the award as debt instead of equity. "Loan funds don't have a regulator, so they don't have the same problem," the trade association representative pointed out. Changing regulators' interpretation of the assistance agreement is unlikely to be easily resolved, because it would probably require a statutory change.

Another perceived barrier to competing for FA awards is banks' lack of experience with and capacity for grant writing. Although banks typically have comprehensive business plans, they are unlikely to have a staff person designated to write grants or, in the case of the FA application, to revise the business plan to fit the application. As one person put it, “Banks don’t typically write grants. Non-profits are good at writing applications.”[17]

Potential Barriers for Venture Capital Funds

There are a number of ways in which the FA program does not fit venture capital (VC) funds well, including: the timeline for raising funds, the CDFI Fund’s focus on the institution’s track record, and the for-profit status of VC funds. Interviewees also said that some of the CDFI Fund’s policies are not designed well for VC funds. In spite of the possible barriers for venture capital funds, the FA awards serve as an important source of funding for VC funds that do receive awards, and with some changes to the awards process the FA program could serve even more VC funds. One of the changes might be to amend the definition of a certified CDFI to expand the definition of a financing entity.

Venture capital funds have a different fund-raising timeline than other CDFIs, reducing the potential benefit of applying for an award. Venture capital funds use a “limited-life fund” model, as opposed to the “perpetual life” model used by credit unions, loan funds, and other types of CDFIs. Under the limited-life fund model, all the money for the venture fund is raised before any investments are made. Once the fund is closed, no more money is raised. Thus, the VC funds require a large commitment up front. In comparison, other types of CDFIs can start with a relatively small amount of capital and continually raise money.

The limited-life fund model presents a number of disadvantages for VC funds, according to interviewees. First, unlike other types of CDFIs, they cannot apply for awards multiple times. As a result, the benefit of applying for an award is smaller for venture capital funds because they cannot reuse their application or the experience developed in applying for a first award in a later, potentially improved, application that may have a better chance of success. As one person put it: “VC funds have to decide: spend time talking to another investor? Or spend time on the CDFI application? The chance of success is low with the first application, so it may not be worth the time it takes to apply.” One remedy for this would be for the Fund to make larger awards for venture capital funds because they are unlikely to apply for another award in the future.

A related problem is that because funds are typically only raised once and are separate entities from the organizations that manage them, most VC funds lack an institutional track record, which is an important criterion for FA awards. Although an organization will often raise more than one fund, it is not clear whether the track record of one fund or other organizational activities can be used in applying for an FA award for a subsequent fund. One interviewee explained that venture capital funds are evaluated based on the principals (i.e., the fund managers) involved, not the institution; as a result, he suggested that the CDFI Fund should revisit its criteria for evaluating applications from venture capital funds, and perhaps evaluate the parent company instead of the venture fund.

Because venture capital funds typically receive their match funds in the form of investments, they must also receive their CDFI awards in the form of investments rather than as grants. This is because the CDFI Fund award must be in the same form as the matching funds. Other funders make

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[17] For community development banks that view themselves as facing a disadvantage in applying for an FA award, the Fund’s Bank Enterprise Awards (BEA) may be an alternative.

investments in venture capital funds, and therefore the CDFI Fund awards must also be in the form of investments. VC funds pay the Fund a return on these investments. One trade association representative said he saw the for-profit structure of venture capital funds as being important to achieving their mission. "This for-profit orientation of VC funds is critical in aligning funds' incentives with those of the businesses they invest in," he said. But venture capital funds also need grants to assist with starting up new funds and covering operating expenses. One potential solution to this problem would be for the CDFI Fund to find a structure that would make it possible for VC funds to get grants rather than only investments.

The CDFI Fund's standard assistance agreement can also present a barrier to using the Fund's investment. A VC fund representative interviewed noted that venture funds often have existing operating agreements at the time they receive FA awards that have been signed by other investors and cannot be changed. Allowing VC Funds additional flexibility could alleviate this problem.

Another venture capital fund representative noted that while the FA application has become more applicable to venture funds, it still asks for information in a format not used by these businesses. He recommended that the Fund allow venture funds to use formats standard in the VC industry for due diligence.

Potential Barriers for Credit Unions

Several factors appear to be causing difficulties for credit unions in applying for FA awards. First, like venture capital funds and community development banks, Community Development Credit Unions (CDCUs) do not frequently apply for grants and lack capacity among staff to complete the application.

Second, one person interviewed said he thinks the application readers for CDFI Fund do not have sufficient experience with credit unions to evaluate their applications effectively. As a result, he said the odds of success for a credit union are low, which in turn discourages credit unions from applying for awards. He also said credit unions do not get sufficient explanations for their lack of success: "During debriefings, the reasons given for not succeeding don't seem satisfactory or relevant."[18]

Third, the definition of a government-controlled entity is perceived as creating a barrier to getting funding for credit unions. One interviewee explained that some credit unions have received a low financial safety and soundness rating,[19] and he believes the CDFI Fund has interpreted this rating to mean that the credit union is a government-controlled entity.[20] Further, he said, it may perpetuate the

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[18] We have no independent knowledge of whether this is true, although it is our understanding that the Fund hires a wide range of experts to read the applications.

[19] A rating based on the credit union's Capital Adequacy, Asset quality, Management, Earnings, and Asset/liability Management (CAMEL rating), which ranges from 1 (best) to 5 (worst). According to one interviewee, a credit union with a rating of 4 is considered by the Fund to be a government-controlled entity.

[20] The CDFI Fund has confirmed that the Fund does not consider credit unions with CAMEL ratings of 4 as governmental entities solely based on the CAMEL rating.

problem: "The Fund denies access to capital for institutions that, with help, could develop and achieve higher ratings."[21]

Potential Barriers for Small/New CDFIs

Some smaller CDFIs expressed the opinion that the FA awards process favors larger, more established CDFIs, and that they face a disadvantage in the award process. First they noted that smaller CDFIs are less likely to have staff on hand with the skills needed to craft a successful application; they may also have less staff time available to complete the application. Further, because the application is scored based on previous track record, some small and new CDFIs feel they are at a disadvantage. (As noted above, there is not enough data to analyze awards by CDFI size or age.)

2.5 Future Priorities for the CDFI FA Awards Program

Exhibit 2-7 shows the most important allowable uses of FA awards according to CDFI survey respondents. CDFIs were most likely to identify loan capital as the single most important use of FA awards (38 percent), followed by unrestricted net assets (15 percent), and development services (12 percent). Although funding loan loss reserves was identified as the single most important use of FA awards by only 5 percent of CDFIs, more than half of CDFIs (52 percent) thought this was an important use. Similarly 42 percent of CDFIs thought investment capital was an important use (although only 10 percent said it was the most important use).

Exhibit 2-7. Most Important Allowable Uses of FA Awards

Use	**Percent of CDFIs That Think This is Important** N=346	**Percent of CDFIs That Think This is the *Most* Important Use**
Loan capital	74%	38%
Unrestricted net assets	37%	15%
Development services	51%	12%
Investment capital	42%	10%
Loan loss reserve	52%	5%
Support for financially troubled institutions	21%	5%
Financial services	38%	4%
Credit enhancement	37%	4%
Cost of mergers and acquisitions	12%	2%
Other	9%	4%
Total		100%

21 The Fund notes that, in fact, the opposite is true. According to the Fund, credit unions that receive low ratings from their regulators are still eligible for awards, but the CDFI Fund may wait for the applicant and its regulator to develop a plan, and then determine if a CDFI Fund award can be a helpful part of the plan.

Funding Priorities for Distributing FA Awards

One of the fundamental policy issues the CDFI Fund faces is which organizations to support – whether to focus on large or small CDFIs, many CDFIs or a few, and whether to focus on more innovative programs.

This section presents both sides of these debates. The decision on what types of organizations to fund is ultimately a policy decision, rather than an analytic decision. Thus, there are valid arguments for both sides of each issue. Further, these are not "either or" decisions. The Fund currently makes awards to both large and small organizations, and for innovative and traditional uses, and should certainly continue to do so.

Should the CDFI Fund Focus on Funding Large or Small CDFIs?

In the debate over whether the CDFI Fund should focus on funding large or small CDFIs, the question is whether the Fund can make the most impact by providing Financial Assistance awards early on in organizational development or later to stimulate further growth and stability. On the one hand, some see FA awards as a key source of start-up capital critical to young and small CDFIs. On the other hand, others said that the FA awards are most profitably used to support and stabilize organizations with the proven ability to serve old and new markets effectively.

The primary argument for funding large CDFIs is that they are more efficient – both in terms of overhead costs and in deploying funds in their target market, and thus are more credit worthy. Proponents of funding small CDFIs argue that smaller CDFIs have greater need for funding.

Proponents of funding large CDFIs argue that large CDFIs are more efficient. One person said, referring to funding small CDFIs, "It's tremendously inefficient. You have a lot of duplication of effort, mission, and infrastructure. You need [to fund] three or four non-profit startups in a small area, or you could fund one organization whose reach extends statewide or is multi-state."

Proponents of funding small organizations argue that the relative inefficiency of small CDFIs is not intractable and that CDFI awards can help the organizations become more efficient. One respondent suggested two main ways that the CDFI Fund could help smaller awardees become more efficient. First, he noted that small CDFIs of the same type deal with many of the same issues, and they each spend resources "reinventing the wheel." He suggested that the fund could partner with trade organizations and intermediaries so they can be user-friendly warehouses of business development solutions for their particular constituencies. Second, the Fund could help small CDFIs to be more efficient if it streamlines the application process for FA and TA awards.

Others emphasize the fact that small CDFIs have greater need for funding than larger CDFIs, because they have less ability to get money from regular banks or from the New Markets Tax Credit program. One person said the Fund has directed too much of its funding toward large CDFIs, and believes the Fund has lost sight of its goal to develop new capacity. He believes the Fund must support small, developing CDFIs because nobody else will. He suggested that the CDFI Fund refocus its programs on serving small, developing CDFIs. Specifically, according to this respondent, the Fund should continue to maintain separate Native American CDFI Assistance (NACA), Native Initiatives and

SECA awards programs with set-aside dollar amounts, which mean that small CDFIs do not have to compete with larger organizations. Another person we interviewed agreed, saying smaller that CDFIs cannot compete with bigger organizations; and therefore that they need a separate funding program.[22]

CDFI Fund staff noted that awards are based on score ranking of the five (5) components of the Program Application Comprehensive Business Plan. Using these criteria, the highest scoring institutions tend to be successful CDFIs with a track record. (As shown in Exhibit 1.8 above, FA awardees tend to be larger than non-awardees.) One suggestion for assisting new CDFIs that might face a disadvantage using these criteria is to provide a separate funding program for "high potential" CDFIs, that are not necessarily currently high performing, but have the capacity to improve.

The size of FA awards is also an issue in the debate over whether the CDFI Fund should focus on large or small CDFIs. CDFI Fund staff noted that the Fund's shrinking budget has resulted in relatively small awards in recent years—the largest FA awards were $585,000 in 2006. One CDFI felt the size of the FA awards should be larger even if it meant that awards would go to fewer organizations. Further, this respondent suggested that smaller, newer organizations should be awarded larger grants than more established organizations because of their greater need for the funding.

Another person who also supports a greater focus on small CDFIs argued the opposite: he said the large awards that larger CDFIs tend to get could be shared among many small organizations. He suggested that the Fund make more small awards, and at the same time limit the number and amount of awards to large CDFIs, which he said are "sucking the Fund dry."

The CDFI Fund's statute requires institutional and geographic diversity among the CDFIs it supports. CDFI Fund staff say they have interpreted this in part to mean that they should make many small awards rather than a few large awards to insure that all types of institutions and locations are served.

Should the CDFI Fund Focus on Funding Many CDFIs or a Few?

Another area of debate is over whether there are enough CDFIs already in existence, or whether the CDFI Fund should continue to encourage the creation of new CDFIs. There are valid arguments for both points of view.

Several people noted that the trend in the banking industry in general is toward consolidation, and that there are strong economic reasons for this – market forces do not support small financial institutions. They believe these market forces will result in small loan funds merging as well. One person said the Fund should encourage CDFIs to merge: CDFIs function in the same economy as the larger banking industry, and smaller CDFIs have too little capital and too few customers to survive on their own. This respondent said the Fund is doing the smaller CDFIs a disservice by supporting them.

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22 The Fund previously offered SECA as a separate program, and then reinstated it in 2005, not as a separate program, but rather as a separate applicant category. The NOFA provides information about the amount of money specifically available for SECA applicants. In the 2007 round, the amount that could be allocated to SECA applicants was approximately $2 million. SECA applicants are only evaluated against each other and not against CORE applicants.

The case study describing the North Carolina Minority Support Center ("the Support Center") is an example of how a CDFI Fund award assisted in the consolidation and strengthening of the community development credit unions (CDCUs) in North Carolina. The Support Center is a financial intermediary that provides capital and technical assistance to a network of CDCUs that have historically served the state's rural, low-income, African-American communities.

Since 2000, North Carolina's small CDCUs have been under increasing pressure due to a combination economic hardship among its members, greater competition and complexity in the financial services industry, and increased regulatory scrutiny. As regulators began to impose restrictions on CDCUs in precarious financial conditions, the Support Center developed and implemented a strategy to merge these small organizations so to preserve these institutions in their communities. With the help of the support center, between 2003 and 2006, eight CDCUs were merged into a new entity, Generations Community Credit Union, with a charter to serve members throughout the state through 10 branch locations. The Support Center has also helped the Latino Community Credit Union to absorb two other financially troubled CDCUs and expand to meet the needs of the state's rapidly growing immigrant population.

On the other side of the argument, one person said the CDFI Fund should work to help prevent consolidation, by changing the scoring criteria to avoid penalizing well-focused (small) organizations that are doing a good job. One reason to avoid mergers, she said, is that national organizations don't serve local markets as well as local organizations can. She said, "You have to be in the market and have local knowledge."

Should the CDFI Fund Focus on Funding More Innovative Programs?

A number of respondents view the CDFI Fund as being overly conservative, leading CDFIs to be less willing to take risks on new programs, and emphasizing instead "tried and true" programs with more easily quantifiable outcomes. This view is supported by the survey data. As shown in Exhibit 2-4 above, most FA applicants intended to use their awards to expand existing lending or investment programs (82 percent of successful applicants and 76 percent of unsuccessful applicants). Only 34 percent of successful applicants and 36 percent of unsuccessful applicants planned to use their awards to develop new lending or investment programs. Similarly more CDFIs intended to use their awards to expand the scope of services such as counseling and financial literacy (29 percent of successful applicants and 32 percent of unsuccessful applicants), rather than to develop new services (17 percent of successful applicants and 18 percent of unsuccessful applicants).

The reason that the Fund favors existing programs is reportedly because the application evaluation criteria focus on key measures and outcomes. CDFI Fund staff themselves say that award decisions for FA have shifted from being qualitative to a much more rigorous and detailed process that is based on quantitative measures.

Echoing the view that the CDFI Fund is overly conservative, several people we spoke with believe the CDFI Fund's programs have not kept up with changes in financial models being used by CDFIs. They describe the programs as being designed for portfolio lending, an approach they believe is not sufficient to address the problems faced by low-income neighborhoods and populations.

One person said, “They don’t understand how the business has changed, so they still reward the most simple models – a group of 10 banks pools money and makes loans. More sophisticated leveraging regimes have replaced the pool of funds approach.” For example: “With a lending model, with a $100 million loan pool, you can make 50 $2 million loans. If a loan pool provides investors with equity interest in tax credits, you can do 20 times as much. There’s a much greater multiplier effect.”

Another person agreed, saying, “The certification process/FA award process hasn’t kept up with the industry. There’s a bias toward portfolio lending. Now, because of the shortage of equity capital – there’s such a limited pool – [banks are getting away from that]. There’s a bias in certification and awards. Holding loans on books is the only thing that counts [to the CDFI Fund].” The respondent added, “[The Fund is] not giving as much credit for participations in loans, or sales [of loans] a short time after origination.”

The CDFI Fund may want to consider changing its evaluation criteria to support activities other than portfolio lending. As one respondent noted, “The Fund’s evaluation and certification process needs to reflect reality. Off-balance sheet lending is becoming more the norm, she said. Another respondent noted “one CDFI is selling participations. The CDFI Fund should give awards to allow the institution to build that out. Awards should be more focused on innovation toward systems solutions, to expand financing capacity. Financing is going to dry up – we need to leverage more capital, get other investors to take the senior piece. The Fund can put more equity on CDFIs’ balance sheets so they can do this.” To do so may require amending the definition of a certified CDFI to expand the definition of a financing entity.

2.6 Feedback From Participants About the FA Program[23]

Interview and survey respondents had both positive and negative feedback about the FA applications and awards procedures. While they felt that the application process itself had some benefits, they also suggested ways to make the application and post-award processes easier for applicants and awardees. This section describes feedback from survey and interview respondents about various aspects of the FA program including:

- Benefits from the application process;
- Concerns about the application and awards; and
- Reporting requirements.

Each of these is discussed below.

Feedback from Participants: How the Application Process Benefits CDFIs

Amidst the suggestions for changes in the FA process, several of the people interviewed from CDFIs and trade associations said that the application process was reasonable and had positive impacts on

[23] This section reflects suggestions provided by respondents to the surveys and in-depth interviews. Abt’s recommendations are presented in a separate section at the end of the chapter.

applicants. One trade representative thought the requirement that CDFIs submit a business plan has been important to their development, because they may not have done it otherwise.

The debriefing process is also reported to be beneficial for many CDFIs. According to survey results, about two thirds of CDFIs that submitted an unsuccessful application had a debriefing with the Fund following the rejection of their application, and about 41 percent of those reported making changes in the organization as a result.[24] The main changes they made include developing or improving the organization's business plan (55 percent), adding more experienced staff (43 percent), developing partnerships or collaborations (39 percent), and developing new strategies to educate or reach customers (34 percent). Nearly one third (30 percent) of the organizations that made changes as a result of the debriefing were successful in later applications.

Feedback from Participants: the FA Application and Award Process

Although all respondents agreed that the FA program is critical to the industry, and that award recipients benefited from their awards, 21 percent of surveyed CDFIs did not apply for FA awards. Among those CDFIs that provided reasons for not applying for FA awards, the most common reasons given were:

- Staff felt there was a low probability of receiving an award (38 percent);
- The level of effort required to complete the application was too high (37 percent);
- The organization had other sources of funding (30 percent);
- Could not meet matching fund requirement (24 percent); and
- Staff felt the future reporting requirements were too high (22 percent).

Details on reasons by CDFI type are presented in Exhibit E-2 in Appendix E.

Survey respondents that received FA awards were asked for their opinions on the required reporting and monitoring for awardees. All survey respondents were asked to provide suggestions for improving the FA award application and ongoing monitoring process. The feedback on reporting and monitoring is provided in Exhibit E-3 in Appendix E, and the suggestions for improving the program are provided in Exhibit E-4. The information is summarized below along with feedback from the in-depth interviews.

The most often cited recommendations for changes to the program included:

- Simplifying the amount of information required for the application (71 percent)
- Creating a streamlined application for small/2emerging CDFIs (55 percent)

[24] CDFI Fund staff note that currently all unsuccessful applicants receive a letter debriefing that explains the reasons for rejection of the application. The fact that only two thirds of the unsuccessful applicants in the survey said they had debriefings may be a result of timing (earlier practice did not necessarily include a debriefing), or because respondents did not view the letter as a formal debriefing.

- Support the CDFI's overall strategy instead of instead of requiring them to designate specific plans for and tracking of the CDFI Fund awards. (53 percent)

Other recommendations for changes were by a minority of respondents:

- Provide more technical support for applicants (37 percent)
- Reduce reporting requirements for awardees (38 percent)
- Provide a longer application period (27 percent)

An additional recommendation to disburse funds more quickly came from the in-depth interviews.

Simplify the amount of information required for the application

Seventy one percent of survey respondents suggested simplifying the amount of information required for the application. Venture funds were most likely to suggest this change (82 percent), as were new organizations (85 percent). The recommendation did not vary by organization size or by whether the organization had ever received an FA award.

One expert described the FA application process as being "tedious and overwhelming," particularly for small organizations. He did not see parts of the application as effectively demonstrating a CDFI's qualifications. Similarly, another CDFI described the process as being very difficult, taking more than 200 staff hours to complete.

Several people said they thought that in order to put together a high-quality application, a CDFI would need to hire a consultant or have a staff member with an MBA or employ a full-time development director. Small organizations do not have these resources, and neither do many larger CDFIs, such as credit unions and community development banks, because they write few grant applications. People said that CDFIs without these grant-writing resources are at a disadvantage in the application process.

Several interviewees commented that the application process had become more burdensome over time. One CDFI hypothesized that as a result, fewer small organizations are applying for FA awards and more of the Fund's awards were going to large, fairly self-sufficient organizations that have other funding alternatives. As shown in Exhibit 1-7, recipients of FA disproportionately include larger organizations (although differences in likelihood of award by CDFI size were not statistically significant). Suggestions for resolving these concerns included: streamlining and simplifying the application overall; creating a separate application for small and emerging CDFIs; and/or reinstating a separate dollar set-aside amount for the SECA program to avoid disadvantaging small CDFIs.

One specific suggestion for simplifying the application was to change requirements for business plans. One staff member at a case study site said that the Fund's requirements for business plans are different from those of other funders, and as a result, applicants are required to create a business plan specifically for the CDFI application. This respondent recommended that the Fund be more flexible in its requirements for business plans. In order to identify other items to simplify or remove, CDFI Fund staff and application readers would need to carefully assess their review process to identify the items that are most critical to the review. Items that are either not used or are viewed to be inaccurate should be candidates for simplification.

Although one expert we interviewed also reported that the application is somewhat burdensome, he saw this as a useful screening mechanism for the CDFI Fund. "It is only worth going through the application process if the organization really needs capital," he said, suggesting that a CDFI's willingness to complete the application process is a good indicator of its need for the funds. He also said he thought the application was effective in showing how knowledgeable and committed CDFIs are.

Create a streamlined application for small/emerging CDFIs

Fifty five percent of CDFIs recommended creating a streamlined application for small/emerging CDFIs**.** Credit unions were most likely to suggest this (72 percent), while venture capital funds and banks/thrifts were least likely to (46 percent). Not surprisingly, small CDFIs were much more likely to suggest creating a streamlined application for small/emerging CDFIs (over 70 percent of CDFIs with assets under $10 million suggested this, as did 53 percent of CDFIs with assets between $5 and $10 million). Only about 30 percent of larger CDFIs did so. Nearly all (92 percent) of CDFIs that were 5 years old or less had this recommendation versus about half of the older CDFIs. CDFIs that had never received and FA awards were more likely (69 percent) than those that had received FA awards (46 percent) to suggest that the Fund provide a streamlined application for small/emerging CDFIs.

Support each CDFI's overall strategy instead of requiring them to designate specific plans for and tracking of the CDFI Fund awards.

Fifty three percent of CDFIs recommend that the Fund support each CDFI's overall strategy instead of requiring them to designate specific plans for and tracking of the CDFI Fund awards.[25] Venture capital funds were most likely to suggest this (73 percent), whereas credit unions were least likely to (31 percent). The recommendation did not vary by organization size or by whether the organization had ever received an FA award. Newer organizations were less likely to suggest this compared with older CDFIs.

Provide more technical support for applicants

Thirty seven percent of CDFIs recommend providing more technical support for applicants. Credit unions were most likely to suggest this (42 percent), while venture capital funds were least likely to (18 percent). Small CDFIs and new CDFIs were much more likely to want technical assistance for applicants (over 40 percent of CDFIs with assets under $10 million and 46 percent of CDFIs that were 5 years old or less suggested more technical assistance), compared with larger organizations and older CDFIs. (About 20 percent of CDFIs with assets over $10 million, and about 30 percent of CDFIs that were over 11 years old suggested this). CDFIs that had never received FA awards were more likely (47 percent) than those that had received FA awards (30 percent) to suggest that the Fund provide more technical support for applicants.

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25 It is not clear whether OMB regulations allow the Fund to support overall strategies rather than specific plans.

Several interviewed CDFIs reported that when CDFI Fund staff can be reached with questions they are very helpful, but it can be difficult to reach them. One person said that CDFI Fund staff were not very available during the application period, which is when help is most needed by CDFIs.[26] Others noted that the current form of the CDFI Fund helpdesk requires them to leave a message on an automated telephone system, and a Fund staff member is supposed to call them back. Several people we interviewed felt that it was difficult to reach a "live" person at the Fund; that Fund staff were slow to respond to questions; and that answers to questions sometimes varied depending on which staff person addressed the question.

Reduce reporting requirements for awardees

About 38 percent of survey respondents recommended reducing reporting requirements for awardees. Banks and thrifts were most likely to recommend this (56 percent) and venture funds were least likely (27 percent). Smaller and newer CDFIs were less likely to recommend reducing reporting requirements compared with more established CDFIs. About 35 percent of CDFIs with assets under $5 million recommended that reporting requirements be reduced, as did 31 percent of CDFIs that were 5 years old or less, compared with more than 42 percent of larger CDFIs and older CDFIs. Although it might be expected that smaller and newer CDFIs would be more burdened by the reporting, they may feel they are less in a position to recommend changes relative to more established organizations. The recommendation did not vary by whether the organization had ever received an FA award.

Provide more time to complete the application

Currently CDFIs have about 90 days from the date of the NOFA publication until the applications are due. About a quarter of survey respondents (27 percent) said this was too little time, and suggested a longer application window. Credit unions were most likely to suggest this (34 percent), while venture capital funds were least likely to (18 percent). Small CDFIs were more likely to want a longer application period (over 30 percent of CDFIs with assets under $10 million suggested a longer period) compared with larger organizations (where fewer than 23 percent suggested a longer period). The recommendation did not vary by whether the organization had ever received an FA award or by organization age.

Disburse funds more quickly to awardees

Several interviewees raised the issue that it takes the Fund 7 to 10 months after the award date to actually disburse FA awards, although CDFI Fund staff note that recently disbursements are being made more quickly.[27] This lag affects the implementation of products and services, particularly for smaller CDFIs. The respondents recommended that the Fund explore ways to speed up this process. In addition, one respondent noted that the timing of performance goals is not adjusted as a result of the delayed awards, and suggested that the start date of the performance goals be reset when the assistance agreement is signed.

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[26] CDFI Fund staff explained that, as noted in the application, the only time staff are not available to applicants is during the two business days prior to the due date of the application.

[27] The Fund could measure the actual time it takes to begin disbursing funds by comparing awards dates with disbursement dates. If, in fact, the Fund does disburse awards more quickly than is perceived by the industry, it should communicate this to the CDFIs.

Feedback from Participants: Performance Goals and Reporting Requirements

All CDFIs that receive awards from the Fund are required to provide annual information on finances, uses of funds and matching funds, as well as program outcomes. Feedback on the Fund's reporting requirements for successful FA applicants was mixed.

In general, CDFIs support the concept of performance goals and measures. Most awardees that responded to the CDFI survey (78 percent) said that the Fund should have performance goals and measures associated with the award, and 86 percent said that the performance goals and measures established by the Fund were either very or somewhat appropriate. Opinions regarding performance goals varied by CDFI type. More than 83 percent of the loan funds and venture capital funds surveyed said that the Fund should establish performance goals and measures, compared with only about 64 percent of the credit unions and banks/thrifts surveyed. This disparity in response to performance goals may be due to the fact that credit unions and banks/thrifts typically have other regulators that establish performance goals while loan funds and venture capital funds do not.

Survey respondents were somewhat less positive about the amount and frequency of the reporting requirements for the FA program. Half of the respondents said that the reporting level was "just right," while 40 percent said the level of reporting was too high, and 10 percent said they did not know. (Not surprisingly, nobody said the level of reporting requirements was "too little.") Similarly, 71 percent of respondents said the frequency of reporting was appropriate, while 18 percent said it was too much, and 11 percent did not know. (Again, nobody said the reporting requirements were "too infrequent.") Banks and thrifts were most likely to think that the level of reporting required was too high (63 percent), and too frequent (50 percent). Forty two percent of the loan funds surveyed said that the level of reporting required was too high (and only 17 percent thought it was too frequent. Similarly 32 percent of credit unions and 38 percent of venture capital funds surveyed said the level of reporting was too high, and 18 and 13 percent of credit unions and venture funds respectively said it was too frequent.

The smallest CDFIs and the newest were least likely to indicate that reporting requirements were high or too frequent. All of the young CDFIs and 75 percent of the CDFIs that were between 6 – 10 years old said that the frequency of reporting was just right compared to about 69 percent of older CDFIs. Similarly two thirds of young CDFIs thought that the reporting level was just right compared to about 40 percent of older CDFIs. About 73 percent of smaller CDFIs said that the frequency of reporting was just right compared with 66 percent of CDFIs that were more than 20 years old. (There was not pattern of differences in opinions regarding level of reporting by CDFI size).[28]

In-depth interview respondents gave mixed feedback on reporting requirements, but in general were more critical than survey respondents. Staff members from two of the interviewed CDFIs said that

[28] These findings are generally consistent with respondent recommendations regarding reducing reporting requirements described above – banks were most likely to recommend reducing reporting requirements, and credit unions and venture funds were least likely to. Newer CDFIs were more likely to find the level and frequency of reporting to be just right, and less likely to recommend reducing reporting requirements compared with older CDFIs. Similarly smaller CDFIs were more likely to think that the frequency of reporting was just right (with no difference of opinion on the level of reporting), and less likely to recommend reducing reporting requirements.

the changes in reporting requirements over time have made it difficult for the organizations to have the data required for the CDFI's requested performance measures each year. One interviewee also complained about the ongoing reporting requirements after the funds have been distributed. Several people suggested streamlining reporting requirements.

Staff members at two case study sites said that the application has become too centered on easily quantified performance measures, which forces applicants to fit their outcomes into predetermined categories. One of the sites suggested that this might have the effect of stifling innovation, because newer programs may have outcomes that are harder to predict and/or quantify. Another person interviewed said she believes that the CDFI cannot fully convey the successes and progress of its programs in a narrative format. For example, extra documents such as local news coverage about CDFIs' activities cannot be included. One clear advantage to the CDFI Fund of relying on quantitative performance measures is that they are easier to evaluate and compare than narrative descriptions. Importantly, this approach also enables the Fund to make funding decisions that are as objective as possible.

In contrast, one interviewee from a large CDFI made the point that the Fund's reporting requirements are less burdensome than those of various foundations. This CDFI has been able to establish routine, streamlined, electronic reporting, and the interviewee acknowledged that small CDFIs have more difficulty meeting reporting requirements. The same respondent was supportive of the required loan-level reporting because of its usefulness in documenting impacts of CDFI activity.

2.7 Abt Recommendations Regarding the FA Program

The FA Award program has a number of important strengths. It is seen as being flexible, it is a rare source of equity capital, and it leverages other sources of capital. The extra capital from the CDFI Fund allows CDFIs to stay mission-focused and to serve underserved markets. CDFIs receiving FA awards have been much more likely to achieve their goals than those that have not received awards and the FA awards were important in enabling the CDFIs to meet these goals.

The FA Award program has some perceived weaknesses as well, such as a lack of technical support for applicants. Based on the survey, interviews, and our conversations with CDFI Fund staff, this section provides Abt's recommendations for things the Fund should continue to do in the FA program, and things they should consider doing more of.

Abt Recommendations: The Fund Should Continue to…

- **Provide a flexible source of capital:** As detailed in the section above describing the unique features of the FA awards program, awards are flexible in two ways: CDFIs can use the grant money for a variety of purposes, and many types of organizations can use the awards. FA awards are generally perceived to be more flexible than grants from other organizations, a feature that awardees find valuable. *The CDFI Fund should continue to provide a flexible source of capital that can be used by a variety of types of organizations for a broad range of purposes.*
- **Provide equity capital:** As detailed in the section above describing the unique features of the FA awards program, people we interviewed consistently cited FA awards as one of

the rare sources of equity capital, which makes them more valuable than other sources of funds. As equity capital, FA awards are more powerful in leveraging other sources of capital than debt. For example, equity capital allows CDFIs to borrow money. At the same time, the stronger capital position gives CDFIs greater financial stability. In addition, the awards have allowed CDFIs to remain more mission-focused than they would otherwise. Last, equity capital enables CDFIs to lend or invest more. *The CDFI Fund should continue providing equity capital to CDFIs.*

- **Require business plans as part of the application process:** As detailed in the section above describing participant feedback on the application and awards process, several people we interviewed believe that the requirement that CDFIs create business plans has assisted CDFIs in their development by encouraging more strategic planning. *The CDFI Fund should continue to require that CDFIs submit business plans as part of the application process.*
- **Provide a debriefing for unsuccessful applicants:** As detailed in the section above describing participant feedback on the application and awards process, survey results show that a large share (41 percent) of CDFIs used feedback obtained from the debriefing process to make changes to their organization. These changes both strengthened the CDFIs and improved their chances of receiving an award in the future. *The CDFI Fund should continue to provide feedback to unsuccessful applicants in debriefings.*

Abt Recommendations: The Fund Should Consider Doing More to…

- **Make policy decisions on whether to support large or small CDFIs (or both) and communicate these decisions to the industry:** As detailed in the section above documenting future priorities for distributing FA awards, the CDFI Fund has limited resources for supporting CDFIs and the low-income communities and individuals they serve, and should use these resources strategically. Some of the people we interviewed thought that if the Fund were to support large CDFIs at the expense of small CDFIs, it might end up funding some activities that would have been accomplished even without an FA award. By contrast, other people interviewed said that focusing support on smaller CDFIs could lead to a less efficient use of funds because of the smaller scale of activities. There is some evidence that supporting small CDFIs is less efficient: as noted above, for CDFIs that received awards, large institutions were more likely than small institutions to meet or exceed their goals (93 percent compared with 74 percent). Likewise, older organizations were more likely to achieve their goals than newer organizations (90 percent of CDFIs more than 10 years old compared with 56 percent of CDFIs five years old or less). *The CDFI Fund should decide whether to focus its financial support on large or small CDFIs or both, and should communicate these priorities to the industry.*
- **Make policy decisions on whether to encourage the creation of new CDFIs and communicate these decisions to the industry:** As detailed in the section above documenting future priorities for distributing FA awards, there are valid arguments for both increasing the number CDFIs and for encouraging consolidation in the CDFI industry. In some markets, there may be insufficient capacity among existing CDFIs. In these markets, the CDFI Fund should consider targeting organizations that have not applied for and/or received FA awards and provide assistance to help them become

successful FA applicants. An important step in the development of many CDFIs is applying for a receiving a TA award. Direct contact with these organizations encouraging them to apply for either a TA or FA award may be helpful, as would a simpler TA application (see Chapter 3). In other markets, promoting consolidation of CDFIs may be a more advisable approach. As was shown in the North Carolina Minority Support Center case study, consolidation of a number of smaller CDCUs under one umbrella strengthened the sector in the state. *The market analysis should be considered in the process of rating applications, not simply for its quality, but for whether it demonstrates that the market can support the CDFI. For markets with a large number of small or weak CDFIs, new applicants should be encouraged to partner or merge with existing CDFIs. For under-served markets, the CDFI Fund should consider encouraging organizations that have not received FA awards to apply.*

- **Encourage innovative financing models:** As detailed in the section above documenting future priorities for distributing FA awards, several people we interviewed see the Fund as being too conservative in encouraging new financing models. They see the CDFI Fund's programs as having been designed for portfolio lending, which has limited capacity to create liquidity. These respondents argue that much has changed in the financing world since the creation of the CDFI Fund, and that the Fund should be update its scoring criteria, and perhaps the definition of a financing entity to make it easier to use awards to fund innovative financing approaches, in addition to "tried and true" financing methods. *The CDFI Fund should explore other financing strategies and ways the FA program could support and encourage these strategies.*

- **Determine whether there are delays in disbursing award funds, and if so review and remedy these causes:** As detailed in the section above describing participant feedback on the application and awards process, according to both staff at CDFIs and other industry experts we interviewed, the length of time it takes for CDFIs to receive FA awards can pose serious challenges to implementing products and services, particularly for CDFIs with few other funding sources. CDFI Fund staff note that recently disbursements are being made more quickly. The Fund should review its award and disbursement data to determine how long it actually takes to disburse awards (and whether the time has been reduced recently). If there are any unnecessary delays, the Fund should look for ways to shorten the process. If Funds are disbursed more quickly than is perceived by the industry, or if there are justifications for any delays, the CDFI Fund should communicate this to awardees. The Fund should clearly state the timeframe for award disbursement in application materials. *The CDFI Fund should determine whether there are delays in disbursing funds, and if so, shorten the length of time from award to disbursement of funds or communicate the reasons for the delay and/or communicate the timeframe.*

- **Match the award disbursement date with the evaluation date:** As detailed in the section above describing participant feedback on the application and awards process, CDFIs we interviewed report that the length of time it takes for CDFIs to receive FA awards affects CDFIs' ability to meet performance goals because the evaluation period begins before the award disbursement date. *The CDFI Fund should determine whether this is true, and, if necessary, align the evaluation period with receipt of funding.*

- **Review applications for potential bias by industry type, and consider creating separate applications for each type of CDFI:** As detailed in the section above describing perceived barriers to obtaining FA awards, the CDFI Fund's current one-size-fits all approach to the FA award program creates perceived, and perhaps actual, obstacles for a number of types of CDFIs. (See Exhibit 2-6 above). (Currently the application form is generally the same for all institution types, with some variations in the financial information required for different types of institutions). In addition, there may be requirements of the FA application that discourage particular types of CDFIs from applying. As shown in Chapter 4 below among certified CDFIs, banks and bank holding companies and venture funds are less likely to apply for FA awards. The CDFI Fund should review the FA application to ensure it does not disproportionately discourage particular types of CDFIs from applying and does not disproportionately favor particular types of CDFIs during the review process.

  Allowing flexibility or creating separate applications for each type of CDFI (and for intermediaries) may be one important way to ensure the application does not discourage some types of CDFIs from applying. For example, interviewees from several types of CDFIs reported that revising business plans to fit the application is burdensome. The Fund should consider allowing CDFIs to submit business plans in their own format.

  One important consideration in determining whether to create separate applications for each type of CDFI is whether a statutory change is required. Obtaining a statutory change can be a long process that extends over more than one Congress and entails political risk. The CDFI Fund should revise the FA application to the extent allowed under current law. *The CDFI Fund should conduct additional interviews with representatives of each type of CDFI to gain a thorough understanding of the perceived obstacles to success that may be created by the application. Based on these results, the CDFI Fund should either create separate applications for each CDFI type or revise the application to better fit its constituency.*

- **Streamline and provide more timely information on reporting requirements for successful applicants:** As detailed in the section above describing participant feedback on the performance goals and reporting requirements, although the large majority of CDFIs surveyed felt the performance goals and measures were appropriate, a significant share (40 percent) felt there were too many reporting requirements. Grantees would always prefer to do less reporting, so the CDFI Fund should balance the effort required to report information with its value. The CDFI Fund should consider the specific function of the information reported: is it useful in identifying weak CDFIs that should not receive funds in the future? In determining whether funds are being used appropriately? In reporting accomplishments of CDFIs to Congress? In further developing the industry? If information is being required that is not analyzed, disseminated, and/or acted upon, the CDFI Fund should consider reducing or eliminating these requirements.

  Interviewees noted that the requirements are most burdensome for first-time awardees that are inexperienced in complying with requirements, so the CDFI Fund should provide additional assistance to these organizations with compliance. Options include allowing first-time awardees additional time to meet reporting requirements and designating a specific staff person to answer questions. The Fund should also consider working with trade associations to develop a system for pairing new awardees with an experienced mentor CDFI that could provide guidance.

For all CDFIs, the CDFI Fund should provide timely information on the reporting requirements for successful applicants. Changes in reporting requirements should be announced as early as possible, allowing as much time as possible for CDFIs to comply. They should only be introduced when absolutely necessary to reduce the burden for CDFIs that results from changing reporting requirements.

The CDFI Fund should review the value of information being collected from CDFIs to ensure that the reporting requirements are justified. The Fund should also provide new awardees with assistance in meeting requirements.

- **Provide additional technical support for applicants:** As detailed in the section above describing participant feedback on the application and awards process, interview respondents said that they do not like the current form of the CDFI Fund helpdesk, where they are required to leave a message on an automated telephone system, and a Fund staff member is supposed to call them back. Several people we interviewed felt that it was difficult to reach a "live" person at the Fund; that Fund staff were slow to respond to questions; and that answers to questions sometimes varied depending on which staff person addressed the question. The CDFI Fund should be aware of the level of ill will created by this lack of access, and the perception among some industry stakeholders that it is an unresponsive agency.

  With this in mind, the CDFI Fund should review its decision to provide assistance through an automated helpdesk and call back system. There may be a number of justifications for this decision, including a conscious decision to avoid allocating resources for this purpose or a desire to avoid providing an advantage for some applicants at the expense of others. If the purpose is in the interest of fairness, it is important to point out that some CDFIs believe that applicants with a personal contact at the Fund are able to get assistance, while less well-connected applicants cannot.

  In addition, the Fund should consider improving the search capabilities on its website and providing better access to the "frequently asked questions" documents that can be provided to applicants. The search function on the Fund's website does not appear to be comprehensive. For example, recent searches for "frequently asked questions" turned up no results, although several of these documents are on the website. (A search for "CDFI Fund" and "frequently asked questions" in Google did produce these documents.)

  The CDFI Fund should review its decision to use an automated help desk and call back system to provide assistance to applicants in light of the perception of the agency it creates. Assistance to CDFIs should be unrelated to whether the CDFI has a contact at the Fund, and the amount of assistance that will be provided should be communicated clearly to applicants. The CDFI Fund should ensure that staffing levels are adequate to promptly respond to requests for technical assistance with applications. The Fund should also consider improving the search function on its web site.

- **Correct misperceptions about the FA and NMTC programs:** As detailed in the section above describing unique features of the FA program, the perception that the NMTC is coming at the expense of FA awards is not uncommon. The CDFI Fund should correct this misperception. One approach for doing this might include distributing information annually to CDFIs, trade associations, and others involved with the industry about annual appropriation and authorization levels for the Fund's programs. Another approach might be to identify the people who are most likely to pass information on to others, such as trade association representatives and people who consult for a number of different CDFIs, and stay in regular contact with them. Ensuring that people most likely to spread the word have accurate information may help to correct this as well as other misperceptions about the CDFI Fund.

The CDFI Fund should correct the misperception that the NMTC program is funded at the expense of the FA program.

- **Provide awards in the form of grants to all types of awardees, regardless of the form of the match:** As detailed in the section above describing perceived barriers for venture capital funds, the large majority of CDFIs receive FA awards as grants, which can be treated as equity. However, because venture capital funds receive their match funds as investments, the Fund is also required to provide its awards to venture funds in the form of investments rather than grants. Given the benefits of equity capital and the Fund's unique position in providing this type of funding, the Fund should consider enabling all CDFIs to receive awards as grants. One factor to consider is whether this would require a statutory change. If so, the risks of pursuing such a change likely outweigh the benefits. *The CDFI Fund should consider enabling all CDFIs to receive awards as grants that can be treated as equity capital.*

- **Improve communication with the industry and others:** As noted throughout this chapter and discussed in recommendations above, there are a number of misperceptions about the CDFI Fund and its programs, and much is not known about the CDFI industry. One strategy the CDFI Fund could use to improve communication is to make more use of the information it receives from the Community Investment Impact System and CDFI applications. For example, the CDFI Fund could conduct additional analysis of its data and publish annual reports about the industry that would be useful to CDFIs, investors, and be a forum for the CDFI Fund to address such misperceptions as the types of organizations being served by the Fund. *The CDFI Fund should make more extensive use of its data in order to both serve as a source of information for and about the industry, and to dispel misconceptions about the CDFI Fund and its programs.*

Chapter Three
Technical Assistance

This chapter provides feedback on Technical Assistance (TA) awards. It begins by examining the intended uses and the reported impacts of TA awards. Interview and survey respondents' suggestions for program improvements and their thoughts on future program priorities follow. The chapter ends with recommendations from the study authors regarding the TA program based on analysis of the responses to the web survey of all CDFIs, applications and awards data, as well as input from in-depth interviews with trade associations, CDFIs, case study sites, current and former CDFI Fund staff, and other experts in the field.

3.1 Intended Uses of TA Awards

Exhibit 3-1 compares the intended uses of TA awards by the successful and unsuccessful TA applicants who responded to the survey.[29] As shown in the exhibit, successful TA applicants had planned to use a larger proportion of the award for hiring consultants or purchasing technology, whereas unsuccessful applicants had planned to use a larger proportion of the award for staff training and staff salaries.

Exhibit 3-1. Planned Use of TA Awards

Intended Use	Average Percent for Approved Awards N = 216	Average Percent for Denied Awards N = 96
Hiring consultants	34%	24%
Purchasing technology	36%	31%
Staff training	18%	22%
Staff salaries	9%	13%
Other	3%	9%
TOTAL	100%	100%

Consistent with survey findings, staff from CDFIs interviewed in-depth and case study site staff noted that the TA funds were generally used for hiring consultants or purchasing hardware or software

29 Survey respondents were asked to list the complete history of their application for TA awards, and to note whether each application was successful or not. Respondents were asked detailed questions about the most recent successful TA application and about the most recent unsuccessful application. As a result the survey data includes *detailed* information on up to one successful TA award application experience per respondent and one unsuccessful application. The TA applications (and subsequent awards) described by survey respondents occurred as early as 1996 and as late as 2005.

technology, and to a lesser extent for staff training or staff salaries. Consultants were typically hired to develop loan systems, or marketing plans, and to conduct studies of how to increase business.

The three case study sites that received TA awards shared intended uses with the survey respondents. Alternatives FCU (Ithaca, NY) used its TA awards for technology improvements and training. The Florida Community Loan Fund (FCLF, in Orlando, FL) used its TA awards for hiring a consultant and training. Lastly, the North Carolina Minority Support Center (NCMDC, in Durham, NC) used its TA award for technology improvements to enable the remote provision of TA to its clients.[30]

As was done with FA awards, we used data from the CDFI Fund's application and awards data files to compare the characteristics of TA awardees with the characteristics of unsuccessful TA applicants.

Exhibit 3-2 suggests that credit unions were more likely than other types of CDFIs to submit successful TA applications, though the differences in distributions are not statistically significant. (There were too few observations with size or age data to present).

Exhibit 3-2. Characteristics of CDFIs by Application and Award Type
(Based on the CDFI Fund's Application and Awards Data Files through 2005)

	All CDFIs that Applied for TA Awards	Awardees that Received at Least One TA Award	TA Applicants that did not Receive any TA Awards
Number of CDFIs	349	249	100
Type of Organization			
Loan Fund	70%	69%	72%
Credit Union	21%	23%	14%
Bank or Holding Company	5%	4%	7%
Venture Fund	5%	4%	7%
Number of CDFIs with data	305	219	86

30 Please see the companion report: Finkel et. al. *Assessment of the CDFI Program, Training Program and Certification, Cross Site and Case Study Reports for CDFI site visits,* Abt Associates Inc., June, 2007 for more detail on the case study sites.

3.2 Impact of TA Awards[31]

Staff members of CDFIs, case study site staff, trade association representations, and industry experts interviewed in-depth all suggested that TA awards have an important impact and are even more useful as a result of recent program changes. Specifically, awards are now larger – up to $100,000, up from an earlier limit of $50,000. The people we spoke with said that although the TA awards are used for a variety of activities, they are crucial to the organizations' growth and success. In particular, experts viewed TA awards as being a key source of funding for improving operations and expanding capacity, noting that such funding is difficult to obtain from other sources. In some cases the staff members of the CDFIs reported that they would not have been able to expand their business without the TA awards, or if they could accomplish these goals it would have taken longer and would have required multiple sources of funding.

The opinions provided in the interviews are borne out in the survey data. Exhibit 3-3 shows the intended initiative and the outcome of the award for successful and unsuccessful applications. For each group, the exhibit also shows whether the CDFI achieved its intended goal. As is clear from the exhibit, receipt of a TA award was very important in the ability of CDFIs to meet their goals. For example, the most common intended initiative for both successful (75 percent) and unsuccessful applications (71 percent) was to upgrade computer hardware or software. Nearly all TA recipients were able to achieve this goal (89 percent) compared with only 28 percent of unsuccessful TA applicants.

For all intended uses of awards, the vast majority of TA recipients (77 percent or higher) were successful in accomplishing their goals. In contrast, the majority of those *not* receiving awards were *not* successful in accomplishing their goals. In almost all cases where unsuccessful applicants succeeded in accomplishing their goals without the TA award, it was because they diverted resources from other parts of the organization, rather than because they raised alternative sources of funding.

Nearly all CDFIs surveyed that were successful in accomplishing their goals said that the TA award was either "very significant" or "somewhat significant" in enabling the organization to improve its effectiveness. CDFIs that were successful in accomplishing their goals in spite of having not receiving the TA award generally did so by diverting resources from other parts of the organization or were able to find alternative external funding.

In addition to directly helping organizations achieve their goals, survey respondents often reported that the TA award contributed to their ability later to secure an FA award from the Fund, or to their ability to raise funds from other sources. Seventy-five (75) percent of the TA recipients that later received an FA award felt that the TA award contributed to their getting the FA award, and 82 percent of TA recipients that received funding from other sources felt that the TA award contributed to their ability to obtain that funding.

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31 As discussed in the methodology section in Chapter 1 above, the original study design called for estimating the impacts of awards using a pre/post analysis that compared community development outcomes prior to and after receipt of CDFI awards. Preliminary analysis indicated that available data would not support this analysis because no comprehensive data were available for the "pre" award periods. Thus, the focus of the design shifted to using self-reported survey data to provide a description of impacts.

Exhibit 3-3. Types of Initiatives Supported and Outcomes Achieved by the TA Awards

	Successful TA Award Applicants N = 216		Unsuccessful TA Award Applicants N = 95	
Initiative supported by the TA awards	**Percent with goal**	**Of those with goal, percent for whom TA funding was critically or very important**	**Percent with goal**	**Of those with goal, percent that achieved goal in spite of not receiving a TA award**
Upgrade computer hardware or software	75%	89%	71%	28%
Develop/improve business plan	38%	80%	29%	26%
Develop/improve lending policies or procedures	41%	77%	34%	38%
Develop/improve product or service	40%	80%	53%	26%
Develop/improve market analysis	38%	77%	29%	21%
Improve organizational management	36%	78%	35%	42%
Improve portfolio management	37%	86%	37%	34%
Improve marketing of products and services	38%	78%	48%	28%
Improve client services	36%	77%	34%	25%

The case studies further support these findings. Three of the six case study sites – Alternatives FCU, FCLF, and NCMSC – received TA awards from the Fund. Organizational capacity was increased at all three sites through staff training. At Alternatives, this training enabled staff to develop products and services that were better tailored to its clients. In addition, accounting upgrades at Alternatives also contributed to increased capacity. At FCLF, staff received computer training, enabling employees to take advantage of upgraded technology. New technologies, including software, systems and hardware, increased efficiency at both Alternatives and FCLF.

The TA awards improved overall community development performance at all three of these case study sites. Alternatives and NCMSC both improved customer access to their services via website upgrades, which expanded Alternatives' client base. FCLF used a TA award to hire a consultant to conduct market research, including a customer satisfaction survey. Using the results of the survey, FCLF was better able to tailor its products and services to meet customer needs. More generally at Alternatives, TA awards have increased clients' access to financial services, loans, and financial education. In addition, the TA awards enabled NCMSC staff to provide remote TA services to its network of rural credit unions, which had a significant impact on these organizations. Since the receipt of the TA award, NCMSC has further developed its technology to facilitate remote TA and accounting services for its client organizations.

For both Alternatives and FCLF, the relative amounts of Fund TA awards were very small compared to the overall funds these organizations invest in expanding their capacity. As a result, the overall impacts of the TA awards are relatively small compared to these organizations' ongoing TA-type needs and planned investments. Although FCLF staff reported that the TA awards indirectly improved the organization's financial health by making it more efficient.

3.3 Future Priorities for TA Funds

Key issues facing the Fund for prioritizing the use of TA funds relate to the important question of how to allocate the limited resources available. Even with the potential for a significant budget increase for 2008, the need for TA funds will almost certainly outstrip the funds available. Questions include whether the funds should be allocated to individual institutions or to efforts that support a broader range of CDFIs; whether funding should be targeted to newer, smaller institutions or whether larger CDFIs should also be eligible for TA funds; and whether the funds should go to organizations that can show they will have direct outcomes on the organization, or whether outcomes for the community should be the metric.

Several experts suggested that the CDFI Fund should think more strategically about how to provide technical assistance to CDFIs given its limited resources. For example, one expert noted that almost all small, new CDFIs have similar technical assistance needs, and funding each of them separately to "reinvent the wheel" may not be the best use of funds. He suggested that the CDFI Fund continue to strengthen trade associations and intermediaries so they can become user-friendly warehouses of business development solutions for their constituencies. He saw this as a strategic way to impact a large number of small, growing CDFIs with limited Fund resources.

Similarly, interviewees suggested that the Fund could better leverage its resources by helping CDFIs develop strategic partnerships with existing institutional resources such as academic institutions and traditional banking institutions. For example, universities can help provide research and evaluation services, TA services, and innovative program ideas. Traditional banking institutions can help provide or consult on business development, loan systems, and portfolio management. Similarly, instead of funding many CDFIs to develop financial education systems (for example), the CDFI Fund or a contractor could work with a group of CDFIs on this topic.

Experts we interviewed also recommended that the Fund support building networks and mentor/mentee relationships among CDFIs. Statewide organizations could partner with local organizations as well. They suggested that intermediaries and trade associations could also help with this.

In addition to these strategies for leveraging the CDFI Fund's TA awards, one expert suggested that TA money be restricted to activities that directly generate impacts on the community. For example, she questioned the wisdom of spending TA money on "soft services," such as Board development, whose community impact may be difficult to quantify.

Several people interviewed commented that the TA program was originally viewed as being an award for small organizations and start-ups but over time has evolved into a program for all CDFIs. Some saw the trend as negatively impacting small and emerging CDFIs, which find it harder to compete. Others viewed the change as positive because it provides access to TA funds for larger organizations that can utilize the funds to provide direct benefits in their communities. One expert said she believes it is appropriate that TA grants be available to both large and small CDFIs, because success requires ongoing investment in infrastructure, particularly information technology. The larger award size may also raise interest in applying, further increasing competition for grants.

In addition to the in-depth interviews, the web survey also asked about CDFIs' priorities for TA funds. As shown in Exhibit 3-4, survey respondents cited upgrading computer hardware, developing or improving new services, developing or improving business plans and improving marketing of products and services as the top priorities for TA awards. It is interesting that while the most commonly cited priority was upgrading computer hardware (66 percent of survey respondents said this was an important priority), only 1 percent of survey respondents said it was the most important priority. Survey respondents felt that the most important priorities for TA funds were developing/improving products or services, and developing or improving business or strategic plans.

Exhibit 3-4. CDFIs' Priorities for TA Funds

Priority	**Percent Noting This is a *Priority*** N = 331	**Percent Noting This is the *Most Important Priority*** N = 331
Upgrade computer hardware	66%	1%
Develop/improve product or service	61%	19%
Develop or improve business or strategic plan	57%	13%
Develop/improve lending policies or procedures	49%	6%
Improve client services	43%	10%
Improve fundraising capabilities	40%	10%
Improve organizational management	48%	9%
Improve portfolio management	46%	8%
Improve risk management	44%	5%
Improve marketing of products and services	50%	7%
Develop/improve market analysis	46%	4%
Undertake a social or financial impact analysis of organizational activity	34%	4%
Undertake audit or financial analysis of the organization	25%	1%

3.4 Feedback from Participants about the TA Program[32]

Twenty four percent of survey respondents did not apply for TA awards. The main reasons given for not applying include:[33]

- The level of effort required to complete the application was too high (35 percent);
- Staff felt there was a low probability of receiving an award (28 percent); and
- The organization had other sources of funding (28 percent).

However, the in-depth interviews and case studies suggest that those CDFIs that applied for and received TA awards generally felt that the awards were helpful, particularly the more recent awards that were reportedly larger and had broader flexibility in their allowed use. As is the case with FA awards, the flexibility allowed under the TA program is greatly appreciated by recipients. A number of people noted that activities funded by TA awards were key to organizations' development, and that other sources of funding for such activities are virtually non-existent.

People we interviewed had several suggestions for improving the TA program, including: shortening the TA application, providing technical assistance grants more often than annually, and relaxing the requirements for cost estimates.

Several interviewed staff from CDFIs and case study sites as well as other interview respondents reported that the TA application is overly burdensome and should be shortened. Respondents noted that the application for TA is nearly the same as the FA application, although FA award amounts are significantly higher. The complicated application process has deterred at least some CDFIs from applying for TA awards, which limits the impact of the program. Sixty four percent of survey respondents recommended simplifying the application process, and 24 percent suggested providing more technical support for applicants. More than half the survey respondents (55 percent) suggested creating a streamlined TA application for small or emerging CDFIs.

Staff interviewed from one case study site pointed out that organizations may need technical assistance on a more timely basis than is currently available through the annual TA award process. They suggested implementing a rolling application process so that TA funds are more available throughout the year.

Another staff member at an interviewed CDFI complained that the firm bids required for TA grants are difficult to comply with. Because of the long time lags in obtaining funding, bids obtained are rarely still valid by the time the TA funds are received. This respondent suggested that the CDFI Fund relax these requirements.

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32 This section reflects suggestions provided by respondents to the surveys and in-depth interviews. Abt's recommendations are presented in a separate section at the end of the chapter.

33 Multiple responses were allowed.

The people we interviewed and the CDFIs surveyed did not identify reporting requirements in the TA program as a major area of concern. According to the survey, most TA award recipients are satisfied with the current performance measures. A majority of survey respondents (57 percent) said the program should have performance goals, and nearly all (85 percent) said that the current performance goals are very or somewhat appropriate. Most TA recipients surveyed said the reporting requirements associated with TA awards are appropriate (60 percent), although more than a third (37 percent) recommended reducing the reporting requirements.

3.5 Abt Recommendations Regarding the TA Program

The interviews and survey results suggest that the TA program is very important to CDFIs' growth and success in meeting their goals. Despite the positive impact of the program, however, there is room for improvement. Based on the survey, interviews, and our conversations with CDFI Fund staff, this section provides Abt's recommendations for things the Fund should continue to do in the TA program, consider doing more of, and consider avoiding.

Abt Recommendations: The Fund Should Continue To:

- **Provide a flexible source of funds for organizational development and capacity building:** As detailed in the section above describing program impacts, TA awardees are almost universal in their satisfaction with the uses allowed for TA awards. There are few other sources of funding for these activities, which are seen as being critical to the success and growth of CDFIs. *The CDFI Fund should continue to provide awards for TA activities that can be used for a broad range of purposes.*
- **Make larger awards:** As detailed in the section above describing program impacts, CDFIs have a wide range of needs for TA-type investments, including acquiring hardware and software, developing loan systems, marketing, staff training, and hiring consultants. CDFIs and others we interviewed said the larger awards allowed recently ($100,000 instead of $50,000) are greatly appreciated because they help CDFIs make more progress toward their goals. *The CDFI Fund should continue allowing awards of up to $100,000 for TA activities.*

Abt Recommendations: The Fund Should Consider Doing More To:

- **Use TA funds strategically and leverage other resources where possible:** As detailed in the section above describing future priorities for TA, given the limited funds available, people we interviewed suggested it may be possible for the CDFI Fund to leverage existing resources and deliver technical assistance more efficiently. For example, the Fund should consider prioritizing funding for TA applications that match the Fund's award with funds or in-kind resources from other sources. As another example, experts pointed out that many new CDFIs could benefit from mentor/mentee relationships with more established CDFIs and/or strategic partnerships with organizations such as academic institutions and traditional banks. They suggested that the CDFI Fund could assist in establishing or encouraging these relationships. Similarly, the CDFI Fund could partner with trade associations and intermediaries to improve their ability to provide business development solutions for their constituencies.

Experts interviewed noted that because many small, new CDFIs have similar TA needs, such as advice on infrastructure investments, assistance does not necessarily have to be personalized, and it may be possible to work with CDFIs in groups. However, there are limits to the degree that efficiencies can be achieved while maintaining effectiveness: one-on-one assistance may be more appropriate for some types of CDFIs (such as CDFIs on Native American reservations) and/or for some purposes.

The CDFI Fund should explore ways to leverage TA funds to increase their impact. We also recommend exploring ways to encourage or coordinate mentor/mentee relationships between new CDFIs and more established CDFIs.

- **Make policy decisions on whether to target small/emerging CDFIs:** As detailed in the section above describing future priorities for TA, a policy question to be addressed by the CDFI Fund is whether TA awards should give preference to small and/or emerging CDFIs. Several respondents made arguments for leaving the program open to all sizes of CDFIs, and several argued for a preference for small and/or emerging CDFIs.

  On the one hand, the argument for leaving the program open to all sizes of CDFIs is that both large and small CDFIs have needs for infrastructure, such as information technology, and sources of funds for this type of expense are rare for CDFIs of any size. Furthermore, the larger CDFIs with more experience may use the funds more efficiently. On the other hand, small and/or emerging CDFIs generally have less experience and developing business plans and products from scratch. Their progress and future success is more likely to depend on receiving a TA award. However, some of these fledgling organizations may fail even with the CDFI Fund's investments, or may survive strictly because of assistance from the CDFI Fund.

  The CDFI Fund should decide whether to continue to leave the TA program open to all sizes of CDFIs or to focus TA awards on small/emerging CDFIs, and should communicate its decision to the industry.

The Fund Should Consider Avoiding:

- **Require a time-intensive application:** As detailed in the section above describing participant feedback about the TA program, survey responses indicate that the length of the TA application has deterred some CDFIs from applying for an award, potentially limiting the impact of the program. People we interviewed felt the level of effort required to complete the application should be commensurate with the size of awards. *The CDFI Fund should review the application, and the factors that application readers consider most critical in the TA program, and if appropriate, the Fund should consider streamlining the TA application.*

Chapter Four
Certification

This chapter draws on information from the in-depth interviews, the case studies, CDFI Fund application and awards data, and the web survey of CDFIs to describe the certification process and the benefits of certification to CDFIs and to provide recommendations for improving the program.

Overall, many survey, interview and case study respondents saw CDFI certification as valuable, and some also suggested that the process of getting certified is itself valuable. However, a number of respondents expressed dismay over the perceived low priority placed on certification by CDFI Fund staff. Other interviewees saw the certification process as being particularly difficult for certain types and sizes of CDFIs. In addition to making certification a higher priority, they had a number of other suggestions for improving the process.

4.1 CDFI Fund Certification

Understanding of CDFI Fund Certification

In order to become certified as a CDFI, an organization must submit an application that demonstrates that it meets seven criteria. The organization must:

- Be a legal entity at the time of certification application;
- Have a primary mission of promoting community development;
- Be a financing entity;
- Primarily serve one or more target markets;
- Provide development services in conjunction with its financing activities;
- Maintain accountability to its defined target market; and
- Be a non-government entity and not be under control of any government entity (Tribal governments excluded).[34]

The primary goal of CDFI Fund certification is to identify organizations that meet these criteria and therefore are eligible to receive FA and TA awards. Certification is required in order for an organization to receive an FA award, although the certification application can be pending at the time the FA application is submitted. An organization can apply for a TA award without meeting all of the certification requirements, as long as the CDFI Fund determines that the organization's application materials provide a realistic course of action to ensure that the organization will meet each of the CDFI Certification requirements within two years of entering into an Assistance Agreement with the

[34] Downloaded from the CDFI Fund website: http://www.cdfifund.gov/what_we_do/programs_id.asp?programID=9

Fund. Certification alone does not indicate that the organization is well-managed or financially sound, only that it meets the above criteria.

The web survey of CDFIs included a series of questions designed to gauge CDFIs' understanding of both the criteria for certification and the purpose of the certification program. The results of these questions are presented in Exhibit 4-1.

Exhibit 4-1. CDFIs' Understanding of the Certification Process and Its Goals

Factor	Percent of CDFIs That Believe This is True N= 334
Certification is needed to receive Financial Assistance (FA) from the CDFI Fund	79%
Certification is needed to be eligible to receive Technical Assistance (TA) from the CDFI Fund	58%
Certification lets other funders know that your organization is committed to community and economic development	76%
Certification is available to all sizes of organizations that meet the basic requirements	67%
Certification allows you to access other federal funding sources	28%
Certification means your organization has been determined to be financially sound	30%
Certification shows your organization has strong risk management and mitigation systems in place	25%
Certification shows that your organization is well-managed	28%
Certification is designed to weed out small organizations that cannot handle big grants	5%
Certification means you will definitely get funding from the CDFI Fund	1%
Certification is limited to a fixed number of organizations each year	6%
Organization unaware of CDFI Fund's certification	4%

The survey results suggest that CDFIs generally accurately understand the Fund's goals for certification – that it is a requirement order to receive FA awards (79 percent) and that certification indicates that the organization is committed to community and economic development (76 percent).[35] Most organizations (67 percent) also know that certification is available to all sizes of organizations.

35 Interestingly, only 58 percent of survey respondents said they that certification was required in order to receive TA awards. This confusion might reflect the fact that an organization applying for FA only or a combination of FA and must have submitted a certification application before submitting a funding application and must become certified before receiving an FA award. An organization applying for TA, can be uncertified at the time of award, but must become certified within 2 years of receiving an award.

However, the survey also revealed a number of misperceptions regarding certification. For example, nearly a third (30 percent) of responding CDFIs thought that certification meant they were determined to be financially sound, and more than a quarter (28 percent) thought that it was an indication that the organization was well managed. Several interviewees admitted that although they knew that certification said nothing about management or financial soundness of the organization, but they did nothing to dispel this common misconception because it helped them approach lenders and investors.

There appear to be different levels of understanding about the purpose of certification between survey respondents that were certified and those that were not.[36] Certified CDFIs were more likely to think that:

- Certification is needed to receive Financial Assistance (FA) awards from the CDFI Fund (83 versus 25 percent);
- Certification is needed to be eligible to receive Technical Assistance (TA) awards from the CDFI Fund (59 versus 35 percent);
- Certification lets other funders know that your organization is committed to community and economic development (79 versus 40 percent);
- Certification is available to all sizes of organizations that meet the basic requirements (69 versus 40 percent);
- Certification allows you to access other federal funding sources (29 versus 20 percent);
- Certification means your organization has been determined to be financially sound (32 versus 10 percent);
- Certification shows your organization has strong risk management and mitigation systems in place (27 versus 5 percent); and
- Certification shows that your organization is well-managed (28 versus 20 percent);

In general, certified CDFIs were more likely than uncertified CDFIs to understand the program's goals, but they were also more likely to have the misconception that certification indicates strong organizational management and financial soundness.

Just as there were differences in the understanding of program attributes among certified and non-certified CDFIs, there were also differences in understanding between CDFIs that had received awards from the Fund and those that had not. CDFIs that had received awards were more likely to think that:

- Certification is needed to receive Financial Assistance (FA) from the CDFI Fund (82 versus 72 percent);

[36] The comparison between perceptions among survey respondents that were certified and those that were not should be interpreted with caution due to small sample sizes. Only 20 CDFIs in the survey reported that they ***had never*** applied for certification, whereas 313 CDFIs reported that ***they had*** applied apply for certification, and virtually all that applied for certification were certified.

- Certification lets other funders know that your organization is committed to community and economic development (78 versus 69 percent);
- Certification is available to all sizes of organizations that meet the basic requirements (71 versus 53 percent);
- Certification means your organization has been determined to be financially sound (32 versus 22 percent);
- Certification shows your organization has strong risk management and mitigation systems in place (29 versus 11 percent); and
- Certification shows that your organization is well-managed (31 versus 18 percent);

Again, FA or TA awardees were more likely than CDFIs with no awards to understand correctly the goals of the program, but they were also more likely to have the misconception that certification indicates strong organization management or financial soundness.

Reasons for Applying for Certification

The reasons given by survey respondents for applying for certification are presented in Exhibit 4-2. As shown in the exhibit, the most common reasons for applying for certification are to be eligible for FA awards (86 percent) or TA awards (68 percent). CDFIs also frequently apply for certification to enhance the organization's credentials (68 percent) and because of a perception that certification is viewed favorably by other funders (61percent).

Exhibit 4-2. Reasons CDFIs Applied for Certification

Reasons the CDFI Applied for Certification	**Percent of CDFIs** N= 316
To be eligible to apply for Financial Assistance from the CDFI Fund	86%
To be eligible to apply for Technical Assistance from the CDFI Fund	68%
To enhance our organization's credentials	68%
Because certification is looked on favorably by funders other than the CDFI Fund	61%
To be an eligible partner for a Bank Enterprise Award applicant	26%
To be eligible for loans, investments, or services from Bank Enterprise Award recipients	31%
Because certification is a requirement for funding from sources other than the CDFI Fund	27%
To satisfy a requirement of our Board of Directors	4%
Because certification is looked on favorably by regulatory agencies we report to	17%

Certified CDFIs That Did Not Apply for FA or TA Awards

Although the most common reason for applying for certification is to be eligible for FA or TA awards, a portion of the certified CDFIs surveyed did not apply for FA awards or for TA awards. A total of 21 percent of survey respondents did not apply for FA, and 24 percent did not apply for TA.

Among those CDFIs that provided reasons for not applying for FA awards, the most common reasons given were:

- Staff felt there was a low probability of receiving an award (37 percent);
- The level of effort required to complete the application was too high (36 percent);
- The organization had other sources of funding (29 percent);
- Could not meet matching fund requirement (24 percent); and
- Staff felt the future reporting requirements were too high (23 percent).

Almost one quarter (24 percent) of survey respondents did not apply for TA funds. Among those CDFIs that provided reasons for not applying for TA awards, the most common reasons given were:

- The level of effort required to complete the application was too high (35 percent); and
- Staff felt there was a low probability of receiving an award (28 percent); and
- The organization had other sources of funding (27 percent).

Details on reasons why CDFIs did not apply for FA by CDFI type are presented in Exhibit E-2 in Appendix E. It is also possible to make some comparisons between applicants and non-applicants for FA and TA funding using the CDFI Fund's application data files through 2005. The file includes information on 777 CDFIs that applied for FA and/or TA through 2005, and on 142 certified CDFIs that did not apply for either type of award.

Exhibit 4-3 shows that newer and smaller CDFIs were much more likely to apply for awards than larger/older CDFIs. Only 32 percent of applicants for awards had assets over $10 million, but 46 percent of certified CDFIs that *did not* apply for awards were that large. Similarly, only 37 percent of applicants for awards were more than 20 years old, but 68 percent of certified CDFIs that did not apply for awards were that old. (The difference by age is statistically significant, thought the difference by size is not).

In addition, certified loan funds were more likely to apply for funds than credit unions and banks or bank holding companies.[37] Loan funds accounted for 73 percent of applicants for awards but only 42 percent of non-applicants. Banks or bank holding companies accounted for 6 percent of applicants and 28 percent of non-applicants, and credit unions accounted for 16 percent of applicants and 23 percent of non-applicants. (The difference is statistically significant).

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[37] Information on size, age and institution type is missing for a large fraction of CDFIs, thus the numbers should be viewed with caution.

Exhibit 4-3. Characteristics of Certified CDFIs that did and did not Apply for Awards
(Based on the CDFI Fund's Application and Awards Data Files through 2005)

	All Certified CDFIs	CDFIs that Applied for FA and/or TA Awards	Certified CDFI non-applicants
Number of CDFIs	919	777	142
Percent of CDFIs		85%	15%
Type of Organization**			
Loan Fund	69%	73%	42%
Credit Union	17%	16%	23%
Bank or Holding Company	9%	6%	28%
Venture Fund	5%	5%	6%
Number of CDFIs with data	822	711	111
Total Assets			
Less than $2 Million	28%	28%	31%
$2 to $5 Million	22%	23%	19%
$5 to $10 Million	16%	17%	5%
$10 Million or More	34%	32%	46%
Number of CDFIs with data	476	417	59
Age**			
0 to 10 Years	30%	31%	22%
11 to 20 Years	30%	33%	10%
More than 20 years	40%	37%	68%
Number of CDFIs with data	498	439	59

** Denotes that the differences in distributions between applicants and non-applicants are statistically significant at the 0.5 percent level

4.2 Benefits of the Certification Process

Although many interview, survey and case study respondents had suggestions for improving the certification process, they also noted that that the certification process itself was beneficial to the organization. Interview and case study respondents indicated that the certification process helped their organizations:

- Articulate a business plan, performance goals, business strategies, and priorities;
- Identify current clients, markets served, and competitors;
- Document their current activities and use this documentation to attract other investors;
- Become more diligent about tracking program data and data management; and
- Reorganize their advisory boards to be accountable to the low-income populations they are trying to serve.

As shown in Exhibit 4-4, about half (53 percent) of survey respondents reported that the process of preparing the application for certification was helpful to the organization. Clarifying program priorities and the organization's mission statement or goals were the most common benefits of going through the process.

Exhibit 4-4. Beneficial Aspects of the Certification Process

Helpful Aspects of Certification Process	Percent of CDFIs (among those that thought the process was helpful) N= 144
It helped us clarify our programmatic priorities	59%
It helped us clarify our mission statement and/or goals as an organization	52%
It helped us collect more data on a more regular basis	42%
It helped us define the group of people we want to serve (i.e., a target population)	41%
It helped us define the geographic area we want to serve (i.e., a target area)	40%
It helped us identify areas where help was most needed (i.e., hot zones)	41%
It encouraged us to invest in our infrastructure (office, technology, etc.)	37%
It helped us quantify the services we provide in dollars	33%
It encouraged us to invest in training	24%
It helped us to become more accountable to our community by making changes in our board	17%
It helped us define our staffing structure	16%
It motivated us to get an annual audit	5%

4.3 The Value of Being Certified

Nearly all of the CDFIs that responded to the survey (94 percent) had applied for certification. Among the few that did not apply, about half (47 percent) were not aware of certification. Nearly all the CDFIs that applied for certification were successful in becoming certified (96 percent).

The vast majority of surveyed CDFIs (84 percent), as well as most of the people we interviewed, described certification as beneficial. They reported that certification is a prerequisite for several non-CDFI Fund sources of grants, that it qualifies the organization for investments and loans from banks for CRA credit, and that it provides the organization with a "seal of approval." Exhibit 4-5 summarizes the survey findings on the benefits of certification.

Exhibit 4-5. Benefits of Being Certified

Helpful Aspect of Being Certified	Percent of Certified CDFIs N=250
It enhanced the reputation of our organization in our community	70%
It supported a successful application for Technical Assistance from the CDFI Fund	63%
It supported a successful application for Financial Assistance from the CDFI Fund	60%
It supported a successful application for a Bank Enterprise Award from the CDFI Fund	12%
It helped us obtain loans, investments, or services from a Bank Enterprise Award recipient	26%
It helped us obtain financing from sources that require CDFI certification	38%
It helped us obtain financing from sources that do not require CDFI certification	46%
It supported higher ratings by our regulator	3%
It fulfilled a goal established by our Board	20%

Role of Certification in Leveraging Other Funds

One of the clear benefits of CDFI certification is that it enables organizations to receive FA or TA awards. However, even if an organization does not receive, or even apply for, an FA award, certification is an important qualification for other sources of funding. One person noted, "CDFI certification is a credential with other audiences that are just as valuable as the CDFI Fund." In fact, one trade association representative reported that some organizations apply for certification with no intention of applying for a grant, but in order to attract other potential investors and have access to other federal and state programs. For example, states including New York and Pennsylvania have programs that provide funding only to federally certified CDFIs. In addition, some financial institutions such as Bank of America and Chase Manhattan Bank have programs that fund certified CDFIs as part of their program related investments (PRI) program. Appendix F provides a list of all of the organizations that were named by survey respondents as requiring CDFI Fund certification for investments they made in the CDFI.[38]

CDFI certification also gives CDFIs "a foot in the door" in getting investments or low cost loans from banks. Investors can often qualify for CRA credit if they invest in certified CDFIs.[39] Indeed, some banks have created special low-cost loans for certified CDFIs, and others have created program

[38] Note that this list is based on survey responses, and in fact these investors may or may not actually require CDFI Fund certification.

[39] The OCC newsletter indicates that investments in CDFIs, provision of community development services to CDFIs, and purchase of loans made by CDFI loans can qualify for CRA credit. See http://www.occ.treas.gov/cdd/Summer08Text.pdf for details.

related investments (PRIs) for certified CDFIs. Certification is also helpful in accessing investments and low cost loans from socially motivated investors by differentiating the CDFI from other local organizations.

One quarter of the survey respondents indicated that they received funding from sources other than the CDFI Fund that require CDFI certification. These organizations include for-profit financial organizations (54 percent), non-profit financial organizations (20 percent), public-federal sources (14 percent), public-state sources (22 percent), foundations/philanthropic organizations (25 percent), and corporations (18 percent). A few CDFIs also reported receiving funds from public-local sources, religious organizations or individuals that required CDFI certification.

Exhibit E-5 in Appendix E provides details on the types of organizations that received funding from these sources. Among the organization types, banks/depositories were least likely to receive investments from sources requiring certification, and loan funds and credit unions were most likely. Large organizations were more likely than small organizations to have such investments. Organizations that have had FA awards were most likely to have such investments, and those with neither FA nor TA awards were least likely.

CDFI Fund certification directly enabled three of the six case study sites to leverage other public and private non-CDFI Fund monies.[40] Alternatives, Midwest MN CDC and Pacific Community Ventures each had at least one investor that required Fund certification. For example, the Empire State Development Corporation (ESDC) is a New York State agency that provides services and assistance to encourage business development. Alternatives receives significant grants through an ESDC program that requires Fund certification. One of MMCDC's funders – the Northwest Area Foundation – issued an RFP that was restricted to certified CDFIs, enabling the organization to secure a grant. PCV staff reported that many regional banks are interested in investing in PCV's venture funds because these banks understand that CDFI certification guarantees that the banks will receive CRA credit for their investments. All of the case study sites noted that CDFI Fund certification and awards played an important role in attracting and encouraging investors by inspiring confidence in the organization. Staff from the case study sites explained that CDFI Fund certification and awards act as a kind of "seal of approval" for the organization's mission and ability to achieve its goals.

In addition to the value of CDFI certification in fundraising, certification is also perceived as a validation of the organization's accountability to their market and community, and of the organization's mission-driven focus. One interviewee noted that the performance of community development banks often lags that of mainstream banks, and that CDFI certification gives these banks legitimacy with their regulators. The interviewee noted that without CDFI certification, "They'd be another non-performing small bank."

One respondent suggested that the CDFI Fund consider further expanding the benefits of certification by making it more visible to other agencies of the federal government. The respondent noted that there are community development agencies at HUD, the Department of Agriculture, and other federal

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[40] Please see the companion report: Finkel et. al. *Assessment of the CDFI Program, Training Program and Certification, Cross Site and Case Study Reports for CDFI site visits,* Abt Associates Inc., June, 2007 for more detail on the case study sites.

agencies that are not aware of the CDFI Fund's certification process. She said, "If more agencies were aware of the Fund and the work CDFIs do, there would be mutual benefit." Specifically, certification as a CDFI might automatically qualify organizations for other programs, such as the Rural Development program at the Department of Agriculture. She believed the expanded awareness and benefit of certification would help to expand the number of certified organizations without diluting the quality of the pool of certified CDFIs.

4.4 Safety and Soundness Regulation is not the CDFI Fund's Role

As indicated above, a number of CDFIs (erroneously) believe that certification indicates that an organization is fiscally sound or well managed. In fact this is not the case, and interviewees were unanimous in their view that the CDFI Fund should not play a role in regulating the safety and soundness of CDFIs or in assessing their financial or managerial soundness.

Most importantly, two types of CDFIs (credit unions and community development banks) are already regulated. Second, although some type of regulation or safety and soundness certification may be useful for investors for unregulated CDFIs (primarily loan funds) the people we spoke with believed that an entity other than the CDFI Fund should play the primary role. However, they saw a role for the Fund in supporting such an effort.

Safety and Soundness Regulation Should Come From the Market

Interviewees reported that the current limits on the scope of the Fund's certification process, which exclude any evaluation of financial position, are appropriate. Several people said the market, not a funding agency, was the most appropriate evaluator of financial soundness. One person said, "The certification application doesn't look into the CDFIs' financial soundness – that's okay. The individual investor will do this research itself." Another added, "The market will take care of that – investors have the most at stake."

Other interviewees believed a process of financial certification would be too difficult and time consuming for the CDFI Fund to undertake, especially if it were done as part of the overall certification process. One person said, "Certification is good for three years – an organization's financial picture is more likely to change in three years than their mission-driven focus." She added that investors would prefer to rely on their own evaluation.

CDFI Investors Have Diverse Needs

In addition to feedback from interviewees that the market is a more appropriate source of safety and soundness regulation than the CDFI Fund, the Fund would face an important obstacle to financial certification of CDFIs. Specifically, CDFIs represent a diverse range of organizations, and their investors have a broad range of needs for information. Therefore, as in other areas, a one-size-fits-all approach to regulation or certification of financial position is unlikely to be effective. As noted above, two types of CDFIs are already regulated, and comprehensive financial information for investors is already available. In addition, the CARS™ rating system for loan funds (described below) has recently been introduced.

A fourth type of CDFIs, venture capital funds, may be impossible to regulate. As one interviewee put it, "There are no objective criteria [for certifying VC funds] the way you would in lending – ratios don't exist for VCs." He explained that unlike lenders, who get regular feedback on their performance in the form of delinquency rates and other measures, a VC fund makes only a handful of investments over the life of the fund. When investments are repaid, money is not reinvested elsewhere, but returned to investors. The overall return on the fund's investments, not the performance of any single investment, is essentially the only quantitative measure used for evaluating a VC fund, and the performance of the overall fund cannot be known until well into the life of the fund. "It's not possible to know how they're doing even three to four years into the life of the fund," he said. He described evaluation of venture capital funds as being based primarily on the track record of the fund's managers.

A financial rating system designed for loan funds is currently under development Opportunity Finance Network (OFN), an association of CDFIS. Several respondents mentioned that the CDFI Fund could play a role in supporting the development of this system. Opportunity Finance Network's CARS™ (CDFI Assessment and Ratings System) provides ratings for loan funds in an effort to reduce high transaction costs. Twenty-four CDFIs have been rated as of January 2007, and dozens more were in the process of being rated or were scheduled to be shortly. A barrier to receiving a rating for many CDFIs is the expense, which is on the order of $10,000 per CDFI.

In describing the appropriate role for the CDFI Fund, one person suggested that the CDFI Fund require applicants to have a CARS™ rating. Another suggested that the CDFI Fund provide a grant to support the continued development of CARS™.

4.5 Feedback from Participants: Improving the Certification Process[41]

CDFI certification is primarily intended to define eligibility for receiving CDFI Fund awards, and the process for certification is therefore closely tied to the FA award process. Several interviewees saw this link as a significant weakness of the certification process and made suggestions for changing it. In addition, some interviewees described the eligibility requirements for certification as obstacles for some types of CDFIs, and others found the application itself, particularly the required maps, to be overly burdensome and not well suited to all types of CDFIs. Interview respondents also complained about not being able to reach CDFI Fund staff during the certification process. Each of these concerns is described below.

Certification Application Timing and Process Is Too Closely Linked to the FA Application

Several interviewees believed that the certification application timing is too closely tied to the FA application deadlines. They suggested that the certification process, which may be the only service the Fund provides for many CDFIs, should be open all year.[42]

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[41] This section reflects suggestions provided by respondents to the surveys and in-depth interviews. Abt's recommendations are presented in a separate section at the end of the chapter.

[42] CDFI Fund staff noted that starting July 1, 2007 the certification process will be open all year.

On the flip side of the point of view that the certification and FA process be separated, several CDFIs suggested that the Fund explore ways to combine the certification process with the application for Financial Assistance awards. They see this as a way to reduce the overall level of effort required for these two processes.

In addition to changing the certification application deadline, these interviewees also believe the Fund places low priority on certifying CDFIs not applying for FA awards. They noted that the Fund should be prompt in reviewing applications for certification, regardless of whether the applicant is also applying for an FA award. One said, "There have been whole periods when no applications were considered. The CDFI Fund should review certification applications in a timely way."

One interviewee pointed out that the timing of the certification process is particularly important for venture capital funds, because investment funds are raised for a very limited period of time before the venture fund closes and begins investing in target companies. During the fundraising period, certification can be helpful in getting investments from banks that want CRA credit for their investment. The interviewee said, "If the certification doesn't come through for a year, it does no good."

Another interviewee noted that in the early years of the CDFI Fund, the certification application was used as an informal training process, during which CDFI Fund staff coached applicants on how to improve so they could become certified. The interviewee suggested that promptness in reviewing applications is more important than this kind of training, and that the Fund should focus on more prompt review of applications.

Certification Requirements are Obstacles for Certain CDFI Types

Geographic concentration requirements for certification are seen as a particular obstacle by credit unions and community development banks, and several interviewees saw the certification process as being designed for loan funds. For some organizations, simply identifying the target market is difficult. One interviewee said, "The process of certification is difficult for those that serve a diverse geography. If you serve an identifiable, compact geography the process is easy."

For other organizations, concentrating a majority of activity in a target market is the obstacle. A community development bank representative noted, "Certification requirements work well for small banks, but as a bank grows, your ability to concentrate activity in a small geographical area becomes more difficult." The respondent suggested that community development banks have their own certification standards. Alternatively, the level of geographic concentration required should vary by CDFI size.

Several interviewees also felt the certification process does not serve venture capital funds well. Specifically, by statute, certification requires the CDFI to be a financing entity. However, each venture capital fund is a new entity, and during the time when they are raising money, they have not done any financing yet. After they have begun making investments, certification is not helpful. They see the certification process as a catch-22 for them: It is difficult to get certified until they start financing, and it is equally difficult to raise money to begin financing until they get certified.

Other Certification Application Concerns

Interviewees and case study sites noted other challenges with the certification application as well. Of particular concern was the length and complexity of the application. One trade association representative said his organization would like to encourage more CDFIs to apply for certification, but doesn't do so because of fears that the process would only frustrate the CDFIs. One staff member at a case study site found the financial health and viability charts required to be unclear and wondered whether they were necessary. Another respondent sent a list of very specific concerns with the application that is included as Appendix G to this report.

A number of CDFIs reported difficulty with the required maps. They said the online application system could not handle their statewide or multi-state service areas, and they found it challenging to map their target areas using a system designed for more geographically limited target areas. This was true for larger venture capital funds, loan funds investing in businesses across many states, and credit unions. These organizations would like the Fund to consider modifying or adapting its mapping systems to accommodate organizations with large target areas, as well as other changes that embrace organizations with broader, regional approaches. In addition, the mapping system is reportedly challenging for newer CDFIs in general.

CDFIs with rural target areas also found it difficult to use the mapping system. They found it challenging to describe their target areas at the census tract level because rural census tracts are so large. They suggested that the Fund could add technology that would allow mapping of smaller geographic sub-sections of rural areas when appropriate.

A number of interviewed CDFIs are components of larger organizations and are affiliated with or subsidiaries of other CDFIs. These organizational arrangements result in having staff that work for multiple CDFIs. When applying for certification for new affiliates and subsidiaries, these organizations would like to be able to include the experience and achievements of the parent organization or affiliated organization, and to have these results count in the certification application.

Several CDFIs suggested that the Fund consider ways to abbreviate the recertification process, especially for high-performing organizations, perhaps requiring only the reporting of any changes from the previous application.

Ironically, in light of the number of suggestions made for changing the certification process, one interviewee commented on the seemingly frequent changes to the process. He said, "The number of changes to the certification process has been maddening. The small organizations just cannot stay on top of it all." He suggested that the Fund stop changing the certification process.[43]

Lastly, several interviewees and some case study site staff felt that it was difficult to reach CDFI Fund staff during the certification process. They said it has been difficult to get clear and responses to questions, and recommended that the Fund continue to improve communication on the status of certification applications. One CDFI suggested that the Fund designate a single point of contact for

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[43] CDFI Fund staff note that from their perspective, there have not been any substantive changes to the certification process for several years.

certification issues. This person would be responsible for providing definitive answers on regulations and for providing clear communication about process and timeline.

4.6 Abt Recommendations Regarding Certification

The CDFI Fund's certification is a valuable service to the CDFI industry (in addition to being a requirement for the Fund). The certification process itself strengthens CDFIs and the industry, and certification leverages the CDFI Fund's resources. There are some areas for improvement, however. Based on the survey of CDFIs as well as our interviews with industry experts, CDFIs, and representatives of trade associations, we have developed several recommendations of things the CDFI Fund should continue to do, do more of, and avoid doing in the certification process.

Abt Recommendations: The CDFI Fund Should Continue To:

- **Certify all qualified CDFIs:** As detailed in the description of the value of being certified, certification is beneficial to CDFIs for two main reasons. First, the process itself helps develop the organizations. The process itself requires CDFIs to articulate their business plan; develop documentation about their current activities that helps attract investors; improve diligence about tracking program and data management; and improve their advisory boards' accountability to the populations they serve. The process also helps CDFIs to clarify program priorities and the organization's mission statement or goals. All of these requirements help to strengthen applicants, which inevitably leads to a stronger industry.

  Second, certification assists CDFIs with attracting investors. Funding from the CDFI Fund, of course, requires certification. However, a number of CDFIs also use the certification to attract other investors. Indeed, some people we interviewed said CDFIs applying for certification may never apply for funding from the CDFI Fund, but will only use the certification to approach other investors. Certification helps to leverage the CDFI Fund's resources by enabling CDFIs to obtain investments from other funders.

  The CDFI Fund should continue to certify all qualified CDFIs, whether or not they apply for TA or FA awards.

Abt Recommendations: The CDFI Fund Should Do More to:

- **Review eligibility requirements:** The requirements of the certification program around target markets served and the definition of a financing entity are problematic for some types of CDFIs. As detailed in the participant feedback on improving the certification process, people we interviewed from credit unions and community development banks noted that their relatively large size makes it difficult to concentrate a majority of their activity in a target market. The Fund should consider varying the level of geographic concentration of activity for different types of CDFIs. People we interviewed from venture capital funds said they find it difficult to meet the definition of a "financing entity" needed qualify for certification if they have not yet begun making investments. The Fund should consider changing the definition of a financing entity to allow venture capital funds that have not yet begun making investments to qualify for certification. *The*

CDFI Fund should review its requirements for geographic concentration and the definition of a financing entity. The Fund should consider whether these should be modified to facilitate the certification process for several types of CDFIs.

- **Clarify that the Fund has no role in certifying safety and soundness.** As detailed in the discussion of the role of the Fund in certifying safety and soundness, while most survey respondents accurately understood the Fund's goals for certification, a sizable minority of CDFIs are under the mistaken impression that CDFI certification indicates that an organization is fiscally sound or well managed. All interview respondents, including CDFI Fund staff agree that regulating or certifying safety and soundness **is not and should not be** the role of the CDFI Fund. *The Fund should do more to communicate the requirements of certification to the industry. This may include providing information to parties that rely on certification, such as banks and other investors, about the requirements for certification. One strategy may be to provide a link directly on the CDFI Fund's home page that clearly addresses the purpose and goals of certification. The CDFI Fund should also consider including information for CDFIs when they are notified of certification decisions about the limits of the certification*

- **Review applications promptly:** As detailed in the participant feedback on improving the certification process, some interviewees felt that it takes too long for the CDFI Fund to review applications for certification. As noted above, certification assists CDFIs in attracting investors other than the CDFI Fund, and they view this delay as diminishing their ability to obtain additional investments that are sometimes time-sensitive. The CDFI Fund should ensure that staffing levels are adequate to promptly review certification applications. *The CDFI Fund should ensure it has sufficient staff to review certification applications promptly. The CDFI Fund should also communicate clearly to applicants for certification how long they should expect to wait for approval.*

- **Review mapping system:** As detailed in the participant feedback on improving the certification process, a number of people we interviewed noted that they had difficulties creating the maps required for the certification application. CDFIs serving both relatively small and large geographic areas experienced difficulty. *The CDFI Fund should improve the user-friendliness of the mapping software to accommodate organizations with large and small target areas, for example, by adding functionality that would allow mapping of smaller geographic sub-sections of rural areas.*

- **Consider revising the recertification process:** As detailed in the participant feedback on improving the certification process, several CDFIs we interviewed noted that the process of recertification is burdensome. Given that certified CDFIs have been operating as such for three years, it may reduce the burden on both the Fund and the CDFIs to shorten the recertification process. *The CDFI Fund should consider ways to abbreviate the recertification process, perhaps requiring only that CDFIs report any changes from the previous application.*

- **Provide more technical assistance to applicants:** As with the FA and TA application, CDFIs applying for certification said they do not like the current form of the CDFI Fund's helpdesk, where they are required to leave questions on an automated telephone system and wait for a call back from a CDFI Fund staff person. In addition, newer CDFIs, larger venture capital funds, loan funds investing in businesses across many states, credit unions, and CDFIs with rural target areas reported difficulty with the required maps. *The CDFI Fund should review how it provides assistance to applicants. The amount of assistance that will be provided should be communicated clearly to applicants. The Fund should also consider creating a website that would allow CDFIs to check on the status of their certification application.*

Abt Recommendations: The CDFI Fund Should Avoid:

- **Link the certification application with the TA and FA application:** As detailed in the participant feedback on improving the certification process, people we interviewed said that in addition to its primary purpose of providing access to FA and TA funds, certification is a valuable service that helps to strengthen and develop CDFIs and leverage the CDFI Fund's resources by attracting other investors to the industry. *The CDFI Fund should consider deemphasizing the link between the Certification application and the FA application by opening the certification process all year to allow flexibility for CDFIs seeking funding from other investors*[44].

[44] As noted elsewhere, starting in July 2007 the Certification application will be open year-round.

Chapter Five
CDFI Fund-Sponsored Training

This section provides feedback from participants on the CDFI Fund-sponsored trainings that were offered between 2000 and 2004, provides input on perceived training needs in the industry, and provides recommendations to the Fund regarding CDFI Fund-sponsored training. The information is based on interviews with CDFIs, training providers, trade associations, and other experts; review of training materials and feedback on the trainings offered; and responses to the web-based survey. Further details on the Fund-sponsored trainings are provided in Appendix H.

5.1 CDFI Fund-Sponsored Trainings

The need for CDFI Fund-sponsored training grew out of weaknesses found in some early applications for funding. Fund staff who reviewed the applications found, for example, that applicants often did not understand how to conduct a market analysis – they did not distinguish between "market need" and "demand." The specific topics for the training were selected based on the weaknesses found in these early applications.

Four vendors provided CDFI Fund-sponsored training between 2000 and 2004. The vendors were Southern New Hampshire University, National Federation of Community Development Credit Unions (NFCDCU), Dickerson Knight Group, Inc., and National Community Capital Association (now known as Opportunity Finance Network). These vendors provided a combination of in-person and web-based training on topics including market analysis, financial projections, and community development lending.[45]

It was difficult to obtain feedback on the specific Fund-sponsored trainings through the survey and interviews. In many cases we could not locate the people who took the trainings, and when we were able to find participants, we found that it was difficult for them to remember details about the training that they received, as it had taken place a number of years ago – in some cases, nearly seven years ago.

For example, one participant noted that it was hard to remember much about the training because it was an online course and did not require off-site travel. This respondent indicated that memories of online training tend to blend in with those of other routine work activities, whereas the act of traveling off-site for training makes these experiences more memorable. We asked all survey respondents about their experience with the Fund's training program, and also sent the training portion of the survey to 488 individuals who had enrolled in at least one Fund-sponsored training, based on lists provided by the vendors (we had e-mail information for 417 respondents and mailing

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[45] Details on the trainings were provided in the Interim Report of February 2006.

addresses for 71). We received a total of 115 responses regarding the training, 104 from the overall survey sample and 11 additional responses from the mailing to the "training only" people.[46]

Market Analysis Training

A total of 19 survey respondents reported that they completed the market analysis training, and another 23 respondents said that someone else in their organization completed the training.

Survey respondents reported taking market analysis training from each of the three Fund-sponsored vendors that provided this training. Participants were generally satisfied with the training (according to 13 of the 16 participants who had an opinion). Among the 42 organizations that sent staff to the training, there was a general sense that the training contributed to improvements in the organization, though as shown in Exhibit 5-1, many respondents were unsure of the impact, presumably because such a long time had passed since the training. About half of the respondents who could recall indicated that the organization conducted or revised its market analysis after the training. Nearly all participants who could recall indicated that the training was worth the cost and that they would recommend the training to other organizations.

Exhibit 5-1. Impacts of Participation in the Market Analysis Training on the Organization

Impact of the Market Analysis Training on the Organization's Ability to:	Greatly or Somewhat Improved	Did Not Improve	Unsure
Collect census and other data demonstrating the level of distress in my community	49%	22%	29%
Collect information on potential borrowers and customers	49%	28%	23%
Collect information on potential partners and collaborators	59%	18%	23%
Collect information on competitors	38%	26%	36%
Analyze how my CDFI is positioned in the market and perceived by its customers	55%	23%	23%
Identify and measure the demand for my CDFI's products and services, as distinct from need	54%	18%	28%
Develop realistic economic assumptions about market trends	44%	28%	28%

Includes responses from 41 CDFIs

46 As anticipated, it was difficult to contact training participants due to the long time that had elapsed from the training dates. Nearly half (48 percent) of the e-mails bounced.

Financial Projections Training

A total of 38 survey respondents participated in the financial projections training, and another 27 indicated that someone else from their organization participated in the training.

Respondents reported attending trainings provided by all four Fund-sponsored vendors. Eighty-nine percent of participants indicated they were mostly satisfied with the training. Among the 65 organizations where someone took the training, there was a strong sense that the training contributed to improvements in the organizations, as can be seen in Exhibit 5-2. Note that recall issues were less apparent in this group compared with reactions to the market analysis training: only about 10 percent of respondents were unsure about the financial training's impacts, compared with about a third for the market analysis training. About two-thirds of the respondents who could recall indicated that the organization conducted or revised its financial projections after the training. Most indicated that the training helped improve their organization's financial projections. Nearly all participants indicated that the training was worth the cost and that they would recommend the training to other organizations.

Exhibit 5-2. Impacts of Participation in the Financial Projections Training on the Organization

Impact of the Financial Projections Training on the Organization's Ability to:	Greatly or Somewhat Improved	Did Not Improve	Unsure
Understand how to read, interpret, and analyze the key financial statements used by CDFIs (statement of financial position, statement of activity, cash flow statement)	75%	17%	8%
Understand what types of financial information my CDFI needs to collect	73%	16%	11%
Calculate and interpret the financial ratios used in assessing CDFI financial performance	71%	19%	10%
Develop reasonable and justifiable assumptions for projecting the financial statements of a CDFI	76%	16%	8%
Use appropriate tools and techniques to project the key accounts of the statement of financial position and the statement of activities	68%	20%	11%
Use projections as a management and planning tool	66%	21%	13%
Use key financial statements to analyze and enhance the financial performance of my CDFI	73%	19%	8%

Includes responses from 63 CDFIs

Community Development Lending Training

A total of 36 survey respondents reported that they participated in the community development lending training, and another 36 respondents said that someone else in their organization participated in the training.

Respondents reported participating in community development lending training provided by all four CDFI-Fund sponsored organizations. Half the respondents cited other providers as the source of their training, including the National Development Council and Neighborhood Reinvestment. All 36 participants were mostly satisfied with the training. Among the 72 organizations that sent staff to the training, there was a general sense that the training contributed to improvements in the organizations, though as shown in Exhibit 5-3 below, many respondents were unsure of the impact, again presumably because such a long time had passed since the training. About two-thirds of the respondents who could recall indicated that the organization developed new products or enhanced old products after the training. Nearly all participants who could recall indicated that the training contributed to the decision to change or enhance their organization's lending products. Nearly all respondents felt the training was worth the cost and said that they would recommend the training to other organizations.

Exhibit 5-3. Impacts of Participation in the Community Development Lending Training on the Organization

Impact of the Community Development Lending Training on the Organization's Ability to:	Greatly or Somewhat Improved	Did Not Improve	Unsure
Design products and services for the target market	69%	14%	17%
Understand and develop loan pricing	61%	22%	17%
Develop procedures for servicing, monitoring, and collecting loans, if done in house	69%	14%	17%
Make use of portfolio management tools and techniques	69%	15%	15%
Communicate and market effectively to customers	61%	19%	19%
Measure or assess market demand	56%	14%	30%

Includes responses from 72 CDFIs

Interview-Based Feedback on Fund-Sponsored Training

As part of the data collection we spoke with four people who participated in the Fund-sponsored training. Their feedback is summarized below:

- The first respondent, who took an on-line community development lending course, felt this training was particularly useful because he was new to the CDFI industry at the time, and consequently had a lot to learn. The respondent said the course was well-structured and provided valuable information. The respondent also noted that approximately two years after taking the course, his organization is just now beginning to address issues of pricing and product orientation covered by the training.
- The second respondent participated in an on-line financial projections training course. This respondent had difficulty remembering the specific training. However, she did note that following the training, some of the schedules and reporting mechanisms from the course were adapted for the organization. The respondent's understanding of how to conduct financial projections improved as a result of participating in the training and the organization changed some of its projections as a result. One of the primary benefits was that the format for projections provided in the training mirrored the reporting formats included in the CDFI Fund's applications for assistance.
- The third respondent also participated in an on-line financial projections training. This respondent was satisfied with the training and felt he learned valuable material, but noted that it required a lot of discipline on his part to complete the training because the on-line format did not involve any sort of accountability. This respondent did not know if the organization made any changes as a result of the training. The main value of the training for this respondent was to get a better sense of how his organization compared with other organizations.
- The fourth respondent completed both the market analysis training and the financial projections training off-site. The respondent reported being very satisfied with both trainings and felt that the instructors were well organized, well prepared and knowledgeable. This respondent was new to the CDFI industry at the time of the training and learned a lot through the courses. As a result of the training, the organization was able to improve its market analysis abilities, and the respondent was better able to explain and discuss the various components of the income statement and balance sheet with Board members.

All four respondents felt the trainings were worth the cost to the organization in terms of money and staff time, and would recommend the training to others in their organizations as well as to other organizations in the CDFI industry.

5.2 The CDFI Fund's Role in Providing Training

In this section, we present findings from the in-depth interviews and survey regarding perceived training needs in the industry and possible roles the CDFI Fund could play in addressing those needs.

Industry experts we interviewed were divided about the role the CDFI Fund should play in providing training. Although everyone said that Fund-sponsored training *could* be useful, several emphasized that FA and TA awards were more important, so funding for training should not come at the expense of these programs.[47] However, people said that training is *very* important and were disappointed at the lack of funding for training, though some also had different priorities for training.

Among those who discouraged funding for training, one said: "My opinion is colored by the shrinking pot of money. The next dollar from the CDFI Fund should go into [Financial Assistance awards]. It's so important to the operations of CDFIs – it's an important source of subsidy that allows a lot of other money to come in. Training is not the priority. If the CDFI Fund were back at a budget of $100 million, I would be interested in increasing the budget for training. Working with such a deficit [as currently exists], I would forego training."

Although the CDFI Fund offers four-hour training sessions on NMTC applications, a number of interviewees complained about a general lack of training. One trade association representative said that the CDFI Fund should reinstate the types of training they have previously offered. She said the training that was offered several years ago was quite successful, and that the cost of the strategic development and capacity building was well worth the investment. She added, "My biggest complaint is that training/professional development efforts have been the biggest losers. My sense is that it's been the Fund's bottom-most priority. There's been a tacit shutdown of funding for training. The Fund is not investing in major strategic development initiatives."

Another trade association representative felt strongly that the CDFI Fund should provide training on the New Markets Tax Credit (NMTC), in particular: "The CDFI Fund should definitely provide more training. With the New Markets Tax Credit, they've been unbelievably user unfriendly…" This person went on to say that the lack of training has made the NMTC difficult to apply for, saying, "Very few [of our trade association] members have wanted to sustain the brain damage necessary to apply for funding."

A third interview respondent had a somewhat different take. He stressed the diversity of CDFIs, and said that although training is important, it should be targeted strategically. The respondent said, "There are five industries covered by the CDFI Fund: loan funds, credit unions, development banks, venture capital funds, and microenterprise funds. The Fund needs to treat these types separately. In the private sector, there's totally separate training for banks and venture capital funds. We're under the same roof because we have the same social mission – but other than that we're totally different. They can't use a one-size-fits-all approach. … They need to spend time developing what [CDFIs] need."

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[47] The interviews were conducted in late 2006 and early 2007 before the prospect of increased appropriations for the CDFI Fund became a possibility.

Several people interviewed pointed out that the CDFI Fund is not the only source for training, and that the CDFI Fund may be able to leverage its resources by strengthening training providers and appropriately focusing its own training. For example, some CDFIs have access to high-quality training through their industry organizations. The respondent suggested that the CDFI Fund should not attempt to replicate this type of training, but focus on topics not available elsewhere.

Another suggestion was for the Fund to identify high-quality training providers, including intermediaries, independent providers, and market-based providers. The Fund could consider establishing an approval process for organizations that want to provide training and/or provide incentives to improve training.

5.3 Priorities for Training

About half the staff members of the CDFIs interviewed in-depth said that they did not have substantial training needs, either because their CDFIs were large, experienced organizations or because they were affiliated with such organizations.

Among those who did say they had training needs, the needs included marketing and market analysis, selling strategies, product development, how to take advantage of existing products (such as those of Fannie Mae), portfolio management, financial projections, and fundraising strategies. Some respondents suggested that CDFI Fund-sponsored training focus on areas specific to the CDFI industry, such as an overview of the industry, software options to address Fund reporting requirements, and NMTC.

As an example, one staff member from a growing CDFI said that his organization was currently hiring a lot of new staff who would benefit from a good introduction to the CDFI industry. This CDFI also wants more training in underwriting and in lending to different kinds of non-profits, especially housing organizations. They are also interested in training on financial issues including asset and liability management, finding matching funds, interest-rate risk management, portfolio management, monitoring, restructuring, and stress testing.

In addition to reinstating previously funded training and offering training on NMTC, other specific recommendations for training topics provided by interview respondents included lending on Native American reservations, developing market deal flow, and grant writing, particularly for CDFIs such as credit unions, venture capital funds, and community development banks that do not regularly write grant applications. Several interviewees cited the lack of grant-writing capacity as an impediment to their success in receiving Financial Assistance awards.

Another specific suggestion was to focus on knowledge sharing rather than training. "Knowledge transfer and sharing – making available the knowledge that's out there with less friction – is important," they said. Knowledge sharing can address CDFIs' technical assistance needs as well as their training needs, and is also discussed in Chapter Three. In practice, knowledge sharing for both training and technical assistance purposes could include:

- Developing new online platforms for knowledge sharing (including general business development and industry-specific resources, training modules, advice, list-serves, etc.);

- Supporting mentor/mentee relationships between CDFIs;
- Supporting strategic partnerships between non-profits and for-profits that enable non-profits to learn from and use tools from the for-profit market; and
- Pushing intermediaries to become better facilitators of knowledge sharing.

As part of the survey of CDFIs, respondents were asked to provide their priorities for training. Exhibit 5-4 shows the training priorities for the responding CDFIs and shows the areas of highest priority. The area where CDFIs appear to need the most training relate to accessing funds, whether through new funding sources, the CDFI Fund, or fundraising. Another important area is in developing new products and services for previously unbanked populations. The CDFI industry plays an important role in reaching out to this segment of the population, and organizations would like training on how to do a better job in this area. Two other common topics for training mentioned by survey respondents were assessing program impacts and accessing new technology.

The areas that CDFIs wanted training in varied by CDFI type. In particular, credit unions and small CDFIs (with assets under $10 million) were more likely to want training across nearly all topics compared with other types and sizes of organizations. Newer organizations were more likely to want training on developing loan policies and procedures, and less likely to want training on branding and marketing, strategic planning, and evaluating capital structure.

Preferred Training Formats

Few of the people we interviewed expressed a preference for a particular training format. They generally thought that web-based training was a cost-effective method for conducting training. However, one respondent noted that it was harder to remember the specific content of the web training, which tends to blend in with the rest of work, while off-site training is more distinguishable. Another respondent said that the material covered is often complex and therefore in-person training is preferable to web-based training.

Among survey respondents, most felt that the best way to deliver training was through traditional classrooms at offsite locations (48 percent). A significant portion also liked internet/web-based training that allows interaction with the instructor and other training participants (36 percent).

Sources of Training Opportunities

The survey asked CDFIs about their preferences on sources of information about training opportunities. The most preferred sources were electronic. A full 88 percent prefer receiving notifications by e-mail, and 46 percent prefer the internet/web sites (preferred sources are not mutually exclusive categories). Other preferred sources include mailings from trade associations (38 percent), mailings from vendors other than trade associations (22 percent), trade association conferences (23 percent), and trade association or other publications (25 percent).

Exhibit 5-4. Training Priorities

Training Area	Percent of CDFIs That Would Like Training/TA in This Area N = 324	Percent of CDFIs for Which This is One of the Top Three Priority Area for Training/TA Needs N = 324
Accessing new and traditional sources of capital	56%	35%
Applying for CDFI Fund Technical Assistance and Financial Assistance awards	44%	26%
Developing new products and services for unbanked populations	42%	21%
Fundraising	41%	19%
Assessing individual and community impact	42%	17%
Evaluating my CDFI's capital structure and identifying the optimal capital structure for my CDFI	33%	16%
Preparing a market analysis	33%	10%
Accessing and using new technology that is relevant to the CDFI industry	42%	12%
Preparing financial projections	30%	11%
Accessing and using the New Market Tax Credit Program	33%	14%
CDFI marketing and branding	33%	6%
Strategic planning	32%	12%
CDFI certification	15%	7%
Operating a community development lending program	25%	9%
Developing loan policies and procedures	24%	7%
Training on federal programs	26%	6%
Training specific to organizations serving rural areas	27%	10%
Accessing the secondary market for loans	29%	10%
Improving my CDFI's asset and liability management strategies	30%	9%
Training specific to organizations serving Native American communities	6%	3%
Training specific to community development venture capital organizations	17%	4%
Training specific to microenterprise organizations	24%	7%

Impediments to Receiving Training

Survey respondents were asked to list the impediments to receiving training. These are summarized in Exhibit 5-5. The main impediments to receiving training are financial – whether the direct costs of training (52 percent) or technical assistance (44 percent), or the travel and other indirect costs (61 percent). Other impediments include small staff size (56 percent), lack of information about opportunities (46 percent), or lack of time to take training (43 percent).

Three quarters of survey respondents reported that their organizations had budgets for training. This is generally on the order of $1,000 - $5,000 per year, though a few of the larger CDFIs reported having training budgets on the order of $5,000 - $10,000.

Most training budgets are funded through internally generated funds (78 percent), grants from government agencies (39 percent), grants from foundations and other philanthropic institutions (34 percent), and from private fundraising (26 percent). These sources are not mutually exclusive.

Most CDFIs' training budgets have either grown (43 percent) or stayed the same (42 percent) over the past five years, and only 8 percent have decreased. Seven (7) percent of respondents were unsure about the direction of changes in their training budgets.

Exhibit 5-5. Impediments to Receiving Training

Impediment	Percent of CDFIs Citing This as an Impediment N = 315
Direct cost of training (e.g., registration fees)	52%
Direct cost of Technical Assistance (e.g., consultant fees)	44%
Travel and other indirect costs	61%
Small staff size	56%
Lack of time to take training	43%
Lack of time to find out about training opportunities	31%
Lack of information about training opportunities	46%
Lack of relevant course topics/subjects	23%
Training currently offered is too advanced or too basic	9%
Training currently offered is of poor quality	3%
Lack of available internet/web-based training	11%
Organization lacks the technology (e.g., internet access) to participate in training currently offered	3%

5.4 Abt Recommendations Regarding Training

Overall, there was little consensus among survey respondents and the people we interviewed in-depth on what training the CDFI Fund should provide, or even whether it should provide training. The observations and recommendations in this section are based on views held by a majority of responses we received to interview and survey questions. Recommendations are for things the Fund should continue to do, consider doing more of, and consider avoiding in providing training to CDFIs.

Abt Recommendation: The Fund Should Continue To:

- **Maintain the level of quality of earlier trainings, should it decide to offer training in the future:** As detailed in the descriptions of feedback regarding CDFI Fund sponsored training, people who participated in CDFI Fund-sponsored training in the past were generally pleased with this training. The training improved organizations' abilities and operations for most participants. *If the CDFI Fund decides to offer or sponsor additional training, it should be the same quality of training that was offered in the past.*

Abt Recommendation: The Fund Should Do More To:

- **Make a decision about whether to provide training and communicate the decision to the industry.** As detailed in the descriptions of future training needs, most people we interviewed did not view training as being as high a priority as funding for TA and FA programs. To the extent that training comes at the expense of these programs, the training program should either stay on hold or be used very strategically. For example, a significant share (about half) of CDFIs interviewed said they did not currently have substantial training needs. If the CDFI Fund decides to offer training, it should be aware of the other sources of training that are available for some types of CDFIs, such as through industry associations. These associations may offer better-focused training than the CDFI Fund can offer given its diverse constituency. *The CDFI Fund should review CDFIs' interest in training, the priority of training relative to its grant programs, and other sources of training, and make a decision about whether to provide additional training. This decision, and the motivations for it, should be communicated to the industry. Findings from our interviews suggest that training should not be provided at this time, but should be resumed when the CDFI Fund has a larger budget to work with.*
- **Facilitate knowledge sharing:** As detailed in the descriptions of priorities for future training, experts we interviewed suggested that facilitating knowledge sharing – creating the infrastructure necessary to take advantage of existing knowledge – may be an important way the CDFI Fund can help address both CDFIs' training and technical assistance needs. *The CDFI Fund should create and support platforms for knowledge sharing among CDFIs, between CDFIs and intermediaries, and between CDFIs and institutions. These platforms could facilitate producing and compiling research and evaluation on CDFI-type programs and collecting and communicating best practices.*

Abt Recommendation: The Fund Should Avoid:

- **Providing training that is not specific enough to meet CDFIs' needs:** The training offered by the CDFI Fund in the past met the needs of the CDFI industry at that time. The industry was younger and less well-developed, and training that was generally applicable to a broad range of CDFIs was appropriate. People we interviewed noted that since then, CDFIs' needs have evolved and become more specific to particular types, sizes, and experience levels of CDFIs. The large majority of any future training offered by the CDFI Fund should be tailored to needs of different types of CDFIs.

  The types of general training the CDFI Fund could offer to all types of CDFIs may be quite limited. Three widely-applicable training topics that were suggested by interviewees and survey respondents are the New Markets Tax Credit (which the Fund is already doing), grant writing, and accessing new and traditional sources of capital. *If the CDFI Fund decides to offer training, it should be targeted to the diverse needs of CDFIs. Exceptions to this are training on the New Markets Tax Credit, grant writing, and accessing new and traditional sources of capital, which are generally applicable to a broad range of CDFIs.*

Appendix A
List of Interview Contacts

Dan Cahill, independent consultant

Lori Glass, Manager of the Washington, D.C. office of The Reinvestment Fund (TRF)

Len Goeller, independent consultant

Bob Green, independent consultant

Marcia Krassner, President of the MDK Consulting Group

Jennifer Vasiloff, CDFI Coalition

Mark Pinsky, Opportunities Finance Network (formerly National Community Capital Association)

Cliff Rosenthal, National Federation of Community Development Credit Unions (NFCDCU)

Kerwin Tesdell, Community Development Venture Capital Alliance (CDVCA)

Jeannine Jacokes, Community Development Bankers Association (CDBA)

Judy Kennedy, National Association of Affordable Housing Lenders (NAAHL)

Norma Valdez, Director of Programs, New Mexico Community Development Loan Fund

Jim Test, Executive Director, Arcata Economic Development Corporation

Sarah Lightner, Branch Manager, Schoolworkers Federal Credit Union

Debra Averill, Housing Financial Manager, Coastal Enterprises Inc.

Anne Claire Broughton, Executive Director, SJF Ventures

Deirdre Silverman, Director of Development / Venture Fund Manager, Alternatives Venture Fund

Brenda McDaniel, VP and CFO, Kentucky Highlands Investment Corporation (KHIC)

Elizabeth Ortiz, Chief Operating Officer, and Norah McVeigh, VP of Financial Services, Non-Profit Finance Fund (NFF)

Bob Shaw, Impact Assessment Manager and President who leads fundraising, Center for Community Self-Help

John Berdes, Managing Director, Shorebank Enterprise Pacific

Louisa Quittman, Former Fund Staff member

Fred Cooper, Former Fund Staff member

Yoo Jin Na, Former Fund Staff member

Joanne Fitzgibbon, Program Manager, Empire State Development Corporation

Donna Fabiani, Former Fund Staff member

Jim Greer, Current Fund Staff member

Chasity Savage, Current Fund Staff member

Brian McDonald, Current Fund Staff member

Vanessa Lowe, Current Fund Staff member

Star Wilbraham, Current Fund Staff member

Jamie Davenport, Current Fund Staff member

Bridget Ware, Current Fund Staff member

Linda Davenport, Current Fund Staff member

Pamela Williams, Former Fund Staff member

Appendix B
In-Depth Interview Guides

The guides presented below were modified for each specific interview based on the particular position and organization of the interviewee.

Interview Protocols for In-depth Interviews

CDFI Fund Evaluation: Phase II Interview Guide – TRADE GROUPS AND INDUSTRY EXPERTS

Respondent Name, Title	
Respondent's Organization or Affiliation	
Respondent Phone	
Respondent Email	
Interview Date	
Interviewer	

Introduction

Hello. Thank you for arranging a time to meet with me. My name is __________________, and I am calling from Abt Associates, a research firm based in Cambridge, Massachusetts. Abt Associates was hired by the Department of the Treasury to evaluate the CDFI Fund's certification, training, technical assistance, and financial assistance programs. The goal of the study is to assess the impacts of the CDFI Fund's programs and to find ways to improve these programs to better serve local communities.

For this study Abt is conducting a survey of all CDFIs as well as conducting in-depth interviews with a small group of CDFIs, trade associations, and industry experts to understand program impacts. We would like your help understanding some of the big-picture and policy issues in the industry. Your feedback will enhance our understanding of the various issues that have come up in survey responses and telephone interviews.

This phone call should take no more than an hour. Before we begin, do you have any general questions about our study or about this interview?

NOTE TO INTERVIEWER: THIS INTERVIEW GUIDE SHOULD BE TAILORED TO FIT THE TYPE OF RESPONDENT BEING INTERVIEWED. BEFORE CONDUCTING THE INTERVIEW, MAKE APPROPRIATE MODIFICATIONS TO THE QUESTIONS GIVEN THE TYPE OF RESPONDENT.

1. What kind of organization are you associated with? Is it for-profit or not-for-profit? Is it non-governmental? How old is it?

2. What is your role in the organization? How long have you been in this field?

3. What is your organization's mission or goals? What kinds of organizations do you serve?

   (Probe:
   - ❑ TYPE: credit unions, banks, loan funds, venture capital funds, development corporations, etc.;
   - ❑ LOCATION: geographic, state, urban, suburban, rural, etc.;
   - ❑ SIZE: minimum or maximum loan volume, budget, assets, etc.;
   - ❑ CLIENTS: low-income clients, unbanked clients, minority clients, immigrant clients, underserved clients, etc.;
   - ❑ SERVICES PROVIDED: certain kinds of products, services, loans, etc.)

4. If applicable, what are the requirements for membership in your association or organization? Approximately how many members to you have?

5. Please describe the services you provide to your constituency. Please be specific.

6. What is your involvement with or relationship to the CDFI Fund's programs? Are you very familiar with them? Or with a particular program (training, TA or FA)?

7. Do the organizations you serve interact significantly with CDFI Fund programs? If so, which ones? How significant an impact do the CDFI Fund programs have on the business of the organizations you serve? If the impact is not significant, why is this the case?

8. Does your organization encourage the organizations you serve to apply for funding through the CDFI Fund? If so, what kinds of encouragement or support services do you provide?

   Probe:
   - ☐ Information / bulletins on application rounds, procedures, deadlines, etc.
   - ❑ Technical assistance in completing program applications (through FAQs, consulting services, a hotline, resource materials, example application, peer-to-peer connections, workshops, etc.)
   - ❑ Advocacy on behalf of your members
   - ❑ Lobbying / feedback to the CDFI Fund to better serve your members
   - ❑ Products or services that facilitate the application process or program monitoring
   - ❑ Other services?

9. Overall, what has been your organization's experience with CDFI Fund programs? Do you find them useful? What kinds of impacts have they had on your members and on your members' clients?

10. Do you have any feedback or suggestions to provide to the CDFI Fund about their programs? What are three things you would suggest that the CDFI Fund do to improve their programs? Feel free to comment on specific programs (training, TA and FA).

11. Do you have any particular feedback on whether the CDFI Fund should expand or limit the types of organizations that qualify as CDFIs? Please be specific.

12. Do you have any particular feedback on the CDFI's current certification process? How are CDFI's using their certification outside of applying for TA and FA grants?

13. Do you think that the industry needs a process for certifying the financial and management fitness of CDFIs? What entity is best positioned to provide such "safety and soundness" certification?

14. Do you have any particular feedback on whether the CDFI Fund should broaden the accepted uses of the FA and TA grants? Please be specific.

15. Do you have any particular feedback on the current need for training to expand CDFIs' organizational capacity and their ability to serve their customers? What would you estimate to be the current demand for such training in terms of number of CDFIs? Who, in your opinion, are the best providers of such training? What do you see as the CDFI Fund's role in providing such training?

16. INSERT HERE OR EARLIER, AS APPROPRIATE, SPECIFIC ISSUES THAT HAVE COME UP WITH THE SURVEY DATA WHERE WE NEED POLICY FEEDBACK OR A BIG PICTURE PERSPECTIVE.

That wraps up my questions for you. While we have a fairly exhaustive list of trade associations to contact for feedback, are there any particular people, groups or associations that you would recommend that I contact to learn more about big picture issues in this industry and to get feedback on the CDFI Fund's programs? Is it okay if I use your name when I contact them?

Do you have any questions for me?

Thank you very much for your time and for all of your feedback.

CDFI Fund Evaluation: Interview Topic Guide – CDFI Fund Staff
December 13, 2006

Note: The specific questions to be asked will depend on the specific participants in the group and their areas of expertise.

Introduction

1. Role in the organization? How long have you been at the Fund? How long in this field?

2. How is this group organized? Roles and responsibilities.

Certification

3. Do you think the CDFI Fund should expand or limit the types of organizations that qualify as CDFIs? Please be specific.

4. Do you think CDFI certification (the designation itself) is merely an eligibility criteria for accessing funding from the Fund or does it have more substantive meaning (explain)? Why? What should the role/significance of CDFI certification be (i.e., merely an eligibility criteria for accessing funding from the Fund or have more substantive meaning)? Why?

5. What do you think the industry thinks about certification (the designation itself)? Why?

6. Do you think the certification process is too burdensome for the Fund? What about for CDFIs? Any suggested changes in the process?

7. Do you think that the industry needs a process for certifying the financial and management fitness of CDFIs? If yes, what entity is best positioned to provide such "safety and soundness" certification? Should it be the CDFI Fund – why or why not?

8. What about the role certification plays outside of applying for TA and FA grants? (E.G. with other funders) Do you think it is appropriate for others to use certification as a criterion for being eligible for funding? Why or why not?

FA Program

9. Can you describe the current priorities for FA awards? How has this changed over time and why? What impact has the shifting priorities had on the industry? Is it good to have them change or should they be more constant? Which past or current priorities do you feel are most appropriate for the Fund to adopt?

10. Do you have any thoughts on whether the CDFI Fund should broaden the accepted uses of Funds? If so, how? Should they be more limited? If so, how? What do you feel should be the focus going forward and why?

11. Does the award process focus on potential impacts of award on the CDFI, the community, both? How?

12. What are your thoughts about measuring the impact of FA awards on awardees and on communities?

13. What are the specific measures used? (for financial health of institutions, programs and target markets, community impacts). What data are used to measure the impacts? What additional data would you like to have?

14. Are there other impacts that are important, but harder to quantify? Describe.

TA Program

15. Can you describe the current priorities for TA awards? How has this changed over time and why? What impact has the shifting priorities had on the industry? Is it good to have them change or should they be more constant? Which past or current priorities do you feel are most appropriate for the Fund to adopt?

16. Do you have any thoughts on whether the CDFI Fund should broaden the accepted uses of TA awards? If so, how? Should they be more limited? If so, how? What do you feel should be the focus going forward and why?

17. What are your thoughts about measuring the impact of the TA program on CDFI awardees? Do you also consider impacts on communities? What are the specific measures used? What data are used to measure the impacts? What additional data would you like to have?

18. Are there other impacts that are important, but harder to quantify? Describe.

Training

19. What are your thoughts about current need for training to expand CDFIs' organizational capacity and their ability to serve their customers? What would you estimate to be the current demand for such training in terms of number of CDFIs? Who, in your opinion, are the best providers of such training? What do you see as the CDFI Fund's role in encouraging, supporting, or providing such training?

Trade Associations

20. How does the Fund interact with the various trade associations? Do these organizations help shape the focus of Fund priorities; should this be their role? (for awards, training etc.) What do you think the trade associations view the Fund's main role (just providing awards? Or more?)

Assessment of Fund's strengths and weaknesses

21. What do you think the CDFI Fund does well? (funding, standard setting, research, information dissemination, training, technical assistance, other) Does it play a leadership role in these areas in the industry?

22. What do you think the Fund can do to improve your programs? Regarding FA, TA, training, and certification.

23. What are the current and emerging challenges facing the CDFI industry, and how might the Fund help the industry deal with these challenges?

24. What are the current and emerging challenges facing the CDFI Fund, and what is being done to deal with these challenges?

Interview Protocols for Site Visits

Exhibit 1. Topic Guide for CDFI Respondents

1. Get the CDFI's feedback on the draft background section (corrections, additional information, fill in the gaps)
2. Review any evaluations they may have about the outcomes or impacts of their efforts.
3. Role CDFI Fund FA award played (or did not play) in the ability of the CDFI to expand its financing in its existing market, in mew markets, in new products/services. Review volume of financings, markets and products over time.
7. Role CDFI Fund FA award played (or did not play) in the ability of the CDFI to increase its community development outcomes. Review available data on community development outcomes.
8. Role CDFI Fund FA award played (or did not play) in the ability of the CDFI to strengthen its financial health. Review financial indicators over time.
9. Role CDFI Fund FA award played (or did not play) in the ability of the CDFI to leverage other financing sources. Get information on other funders – amounts applied for, amounts received, application requirements, planned and actual uses of funds.
10. Any other impacts?
11. Impact on the organization of instances where CDFI Fund applications were denied, including their ability to find other sources of funding to pursue these activities.
12. Thinking more broadly about the Financial Assistance and Technical Assistance programs, overall thoughts on the value of the program locally and nationally.
13. Suggestions for improving the Financial Assistance program? Any ideas for:
    - Restrictions on which entities can apply for an award
    - Certification requirement
    - Application process
    - Application requirements
    - Criteria used for evaluating applications
    - Restrictions on how the award can be spent
    - Reporting requirements
    - Matching requirements
    - Marketing of the program
    - Management of the program
    - Monitoring of the program
    - Coordination with other federal, state or local programs
    - Other

For organizations that also had TA awards:

14. In what ways has the TA award impacted the organization? (Staffing, organizational management, marketing, business / strategic planning, lending policies / procedures, product / service development, product / service improvement, develop/improve a business or strategic plan, market analysis, portfolio management, risk management, customer services, organizational audit, financial analysis, evaluation, impact analysis, hardware, software, etc.)
15. Ways in which the TA award impacted the organization's ability to serve your customers.
16. Role of the TA award in the ability to receive additional funding from the CDFI Fund or from other organizations.
17. Other TA resources (organizations, programs, and funding sources) available to your organization? Which ones have you used in the past?
18. Thinking more broadly, based on what you know about other CDFIs in your area and nationally, is there a significant need for technical assistance? If so, what kind?
19. Role of the CDFI Fund's TA program in expanding organization capacity and overcoming barriers to organization effectiveness. How can the CDFI Fund best serve CDFI's in this area?
20. What suggestions do you have for improving the technical assistance program? Any ideas for:
    - Restrictions on which entities can apply for an award
    - Certification requirement
    - Application process
    - Application requirements
    - Criteria used for evaluating applications
    - Restrictions on how the award can be spent
    - Reporting requirements
    - Marketing of the program
    - Management of the program
    - Monitoring of the program
    - Coordination with other federal, state or local programs
    - Other
21. Do you have any further comments or feedback about the technical assistance program?

Exhibit 2. Topic Guide Other Respondents

CDFI CUSTOMERS (individuals and businesses)

Specific questions will be tailored for each respondent

1. Organization name (for business customers only)
2. Respondent Name, Telephone, e-mail, role in the organization
3. Type of organization. For-profit or not-for-profit? (for business customers only)
4. Organization Age? Number of employees? Number of volunteers? (for business customers only)
5. Describe organization's mission or goals. What other organizations or groups are you partnered with to achieve these goals? (for business customers only)
6. Customers / clients / constituency. (for business customers only)
7. Main sources of funding / financing. (for business customers only)
8. For how long has your organization been associated with or impacted by the work of (FILL IN CDFI NAME)? Please describe the nature of your association / interaction with this institution. (for business customers only).
9. To what extent are the products and services provided to your organization by this institution different from other institutions that provide similar products and services to your organization? Are there other places you could get same products and services? If so, why not go there instead? How did you meet your financing needs before you began working with (FILL IN CDFI NAME)
10. Can you think of changes to you (individuals) or your organization (businesses), or more broadly, to your community, that have come about as a result of (FILL IN CDFI NAME)'s work? Please describe.
11. What has been the impact on you (individuals) or your organization (businesses) of receiving (or not receiving) financial assistance from (FILL IN CDFI NAME)?
12. If this institution did not exist, and no organization similar to it existed in its place, what would be the impact on you / your organization / your clients / your community?
13. Do you have ideas about how this institution could better serve your community? Give me your ideal scenario about changes that could take place that would allow them to have a greater impact on you / your organization / on the community. (for business customers only).

CDFI BOARD MEMBER

1. Respondent Name, Telephone, e-mail, role in the organization
2. Describe role outside the CDFI – workplace, etc.
3. Describe their perception of the CDFI's mission or goals.
4. What other organizations or groups are you partnered with to achieve these goals?

5. Get respondent's perception of the community served by the CDFI: Who lives here? What are the biggest challenges for local residents? What kinds of economic help do people need? What kinds of community development needs exist? What efforts are you aware of to meet these needs? How do you / does your organization interact with these issues?

6. For how long have you been associated with (FILL IN CDFI NAME)? Please describe the nature of your association / interaction with this institution. Role on the board.

7. To what extent are the products and services provided by this institution different from other institutions that provide similar products and services? Are there other places that provide the same products and services? If so, why not go there instead?

8. How does the work of (FILL IN CDFI NAME) impact your community? PROBE ON ALL RELEVANT IMPACTS, SOLICITING DETAILS (e.g., housing units provided, jobs created, educational slots provided, etc.). Are these impacts specific to (FILL IN CDFI NAME)?

9. Can you think of changes to your community, that have come about as a result of (FILL IN CDFI NAME)'s work? Please describe.

10. More broadly, what kinds of products or services make the biggest, positive impact on the community development needs of your community? Please describe.

11. If this institution did not exist, and no organization similar to it existed in its place, what would be the impact on your community?

12. Do you have ideas about how this institution could better serve your community? Give me your ideal scenario about changes that could take place that would allow them to have a greater impact on the community.

CDFI PARTNER ORGANIZATIONS and OTHER ORGANIZATIONS THAT ALSO SERVE CDFI'S CUSTOMERS

1. Organization name

2. Respondent Name, Telephone, e-mail, role in the organization

3. Type of organization. For-profit or not-for-profit?

4. Organization age? Number of employees? Number of volunteers?

5. Describe your organization's mission or goals. What other organizations or groups are you partnered with to achieve these goals?

6. Customers / clients / constituency.

7. Main sources of funding / financing.

8. Describe the community served by both your organization and (FILL IN CDFI NAME): Who lives here? What are the biggest challenges for local residents? What kinds of economic help do people need? What kinds of community development needs exist? What efforts are you aware of to meet these needs? How do you / does your organization interact with these issues?

9. For how long has your organization been associated with (FILL IN CDFI NAME)? Please describe the nature of your association / interaction with this institution.

10. To what extent are the products and services provided by your organization and by (FILL IN CDFI NAME) different from other institutions that provide similar products and services in the target community? Are there other places where clients could get the same or similar

products and services? If so, why don't they go there instead? How did clients meet their financing needs before they began working with your organization or (FILL IN CDFI NAME)?

11. How does the work of (FILL IN CDFI NAME) impact you / your organization / your clients / your community? PROBE ON ALL RELEVANT IMPACTS, SOLICITING DETAILS (e.g., housing units provided, jobs created, educational slots provided, etc.). Are these impacts specific to (FILL IN CDFI NAME)?

12. Can you think of changes to your organization, or more broadly, to your community, that have come about as a result of (FILL IN CDFI NAME)'s work? Please describe.

13. More broadly, what kinds of products or services make the biggest, positive impact on the community development needs of your community? Please describe.

14. If this institution did not exist, and no organization similar to it existed in its place, what would be the impact on you / your organization / your clients / your community?

15. Do you have ideas about how this institution could better serve your community? Give me your ideal scenario about changes that could take place that would allow them to have a greater impact on you / your organization / on the community.

CDFI FUNDERS

1. Organization name

2. Respondent Name, Telephone, e-mail, role in the organization

3. Type of organization. For-profit or not-for-profit?

4. Organization age? Number of employees? Number of volunteers?

5. Describe organization's mission or goals. What other organizations or groups do you fund to achieve these goals?

6. Customers / clients / constituency.

7. Main sources of funding / financing.

8. Describe the community served by (FILL IN CDFI NAME): Who lives here? What are the biggest challenges for local residents? What kinds of economic help do people need? What kinds of community development needs exist? What efforts are you aware of to meet these needs? How do you / does your organization interact with these issues?

9. For how long has your organization been associated with (FILL IN CDFI NAME)? Please describe the nature of your association / interaction with this institution.

10. How does the work of (FILL IN CDFI NAME) impact their target community? PROBE ON ALL RELEVANT IMPACTS, SOLICITING DETAILS (e.g., housing units provided, jobs created, educational slots provided, etc.). Are these impacts specific to (FILL IN CDFI NAME)?

11. Can you think of changes in (FILL IN CDFI NAME)'s target community that have come about as a result of (FILL IN CDFI NAME)'s work? Please describe.

12. More broadly, what kinds of products or services make the biggest, positive impact on the community development needs of their community? Please describe.

13. If this institution did not exist, and no organization similar to it existed in its place, what would be the impact on their community?

14. Do you have ideas about how this institution could better serve their community? Give me your ideal scenario about changes that could take place that would allow them to have a greater impact on the community.

LOCAL GOVERNMENT

1. Respondent Name, Telephone, e-mail, role in the organization
2. Describe community where respondent is located: Who lives here? What are the biggest challenges for local residents? What kinds of economic help do people need? What kinds of community development needs exist? What efforts are you aware of to meet these needs?
3. For how long have you been associated with (FILL IN CDFI NAME)? Please describe the nature of your association / interaction with this institution.
4. To what extent are the products and services provided by this institution different from other institutions that provide similar products and services to your community? Are there other places that provide the same products and services? If so, why do you think people use (FILL IN CDFI NAME)?
5. How does the work of (FILL IN CDFI NAME) impact your community? PROBE ON ALL RELEVANT IMPACTS, SOLICITING DETAILS (e.g., housing units provided, jobs created, educational slots provided, etc.). Are these impacts specific to (FILL IN CDFI NAME)?
6. Can you think of changes to your community, that have come about as a result of (FILL IN CDFI NAME)'s work? Please describe.
7. More broadly, what kinds of products or services make the biggest, positive impact on the community development needs of your community? Please describe.
8. If this institution did not exist, and no organization similar to it existed in its place, what would be the impact on your community?
9. Do you have ideas about how this institution could better serve your community? Give me your ideal scenario about changes that could take place that would allow them to have a greater impact on the community.

Appendix C
Survey and Data Abstraction Procedures

Web Survey of CDFIs

The goal of the web survey was to collect data from the universe of CDFIs to identify and measure the benefits these awards and trainings have had within the CDFI industry and to facilitate better support of CDFIs through refined program design.

In order to get a full understanding of the industry, we wanted to survey CDFIs that applied to the CDFI Fund for FA or TA awards or for certification, and those that did not. To reach as large a number as possible of CDFIs, our sample included a list of CDFIs from the Fund that included all CDFIs that ever applied to the CDFI Fund for FA or TA awards or for certification and a list of all CDFIs that were surveyed as part of the CDFI Data Project (CDP) in the years 2003 – 2005.

A total of 862 CDFIs were identified through the CDFI Fund sources and 260 additional CDFIs through the CDP, for a total of 1,122 CDFIs.

The available contact information for these CDFIs was limited and often dated.

- We had possible e-mail addresses for 652 CDFIs. (We originally received preliminary e-mail addresses for 818 CDFIs. A total of 229 "heads up" e-mails to these 818 CDFIs bounced, leaving 589 possibly useable e-mails. We found alternative e-mails for 63 of the CDFIs with bounced e-mails).
- A link to the survey was sent by regular mail to the 470 CDFIs with no useful e-mails.

As shown in the table below, the response rate for the survey (including partial responses) was 40 percent. There were a few reasons for the lower than planned response rate:

- Available contact information was very limited. As noted, potentially usable e-mails were available for only 58 percent of the sample CDFIs. The response rate for CDFIs that had e-mail addresses was much higher than for the portion of the sample with no preliminary e-mail address. (51 versus 23 percent)
- The response burden was high. Several non-responding CDFIs told us that it would take a long time to complete the survey.
- The "relevance" was low. CDFIs did not feel that there would be a consequence for not completing the survey.

Completed Survey Status

Final Sample Disposition	Respondents	% of Total Sample	% of Eligible Sample
Full Questionnaire Component, n = 1122			
Completed Response	320	28.5%	30.2%
Partial Response	104	9.3%	9.8%
NonResponse	599	53.4%	56.6%
NonResponse - Refuse	35	3.1%	3.3%
Ineligible - Self Reported	20	1.8%	
Duplicate Sample	44	3.9%	
Total	**1,122**	**100%**	**100%**

In addition to the full survey, we also sent out a survey to 486 individuals who reportedly participated in CDFI-Fund sponsored training, but were not respondents to the full survey. At the outset, we expected a very low response rate to this portion of the survey due to the poor quality of the contact information. People provided contact information when they took the training between 2000 and 2003, and we had no updated contact information.

A total of 31 respondents completed the training only survey. These responses are added to the overall survey analysis file (and included as "partial completes"). The total number of surveys in the analysis file is thus 455.

Although the response rate to the overall survey was lower than anticipated, the respondents provide a good representation of the industry by organization type and size.

Based on information from the CDFI Fund's application and awards data through 2005, the industry includes close to 1000 certified CDFIs. A comparison of the CDFI estimate of the breakdown with the survey is:

Institution Type	CDFI application data Certified CDFIs	Survey Respondents
Loan Fund	69%	69%
Credit Union	17%	20%
Bank	9%	7%
Venture Fund	5%	4%

A comparison of the size distribution of survey respondents with the universe of certified CDFIs is:

Total Assets	Certified CDFIs	Survey Respondents
<$2 million	28%	23%
$2 – <$5 million	22%	21%
$5 – <$10 million	16%	16%
$10 – <$20 million	13%	16%
> $20 million	21%	25%

A comparison of the age distribution of survey respondents with the universe of certified CDFIs is:

Organization Age	Certified CDFIs	Survey Respondents
5 years or less	4%	5%
6 – 10 years	25%	27%
11 – 20 years	30%	32%
More than 20 years	41%	36%

Data Abstraction

As part of the revised Evaluation Design for this study, the decision was made to extract total asset and portfolio data from applications for Certification or FA. As shown in the table below, we were able to obtain about 80 percent of the applications sought, and 80 percent of those contained some financial information. Among the applications with no financial data, 59 percent came from startup organizations, with an additional 38 percent coming from organizations whose startup status was not known.

Outcomes of Data Abstraction Effort:

Number of applications sought:	**561**	
Number of applications found:	**457**	(81% of those sought)
Number with any financial information:	**367**	(80% of those found)

For those with no financial information:

Startups	**52**	(59% of those with no financial data)
Not startups	**2**	(2% of those with no financial data)
Startup status unknown	**33**	(38% of those with no financial data)

Appendix D
Survey Instrument

Survey of Community Development Financial Institutions to Gather Feedback on the Effectiveness of the CDFI Fund of the U.S. Department of the Treasury

Prepared by Abt Associates Inc.

Introduction

Thank you very much for participating in this important study of Community Development Financial Institutions. Your participation in this study will provide important information that will be used to evaluate the effectiveness of Financial and Technical Assistance provided by the CDFI Fund (the "Fund") of the U.S. Department of the Treasury, through its CDFI Program, and may also help shape future efforts undertaken by the CDFI Fund.

This survey is being conducted by Abt Associates Inc. under contract with the CDFI Fund. The questions included in the survey have been reviewed by the Office of Management and Budget (OMB) under the Paperwork Reduction Act of 1965 (OMB Control # 1559-0030 expiration date 11/31/2009). The estimated time to complete this survey is 30 to 60 minutes, depending upon the degree of your prior involvement with the CDFI Fund. Participation in this Government-sponsored survey is voluntary. It is the intent of the CDFI Fund to encourage open and candid responses. Therefore, subject to applicable law, the CDFI Fund intends that Abt Associates not release identifying information about respondents to the CDFI Fund. Further, subject to applicable law, the CDFI Fund will not release the names or other identifying information, or confidential commercial or financial information, for either individuals or organizations that respond to this survey.

To begin the survey, simply click the "Next" button below. Each screen will provide you with an opportunity to save your results and to complete the survey at a later time. To resume the survey you will be asked to re-enter your username and password. If you would like to review or complete the survey on paper, please print off the pdf version attached below.

If you have any questions regarding the study please contact the CDFI Study at Abt Associates Inc. by phone at 1-617-349-2717 or by e-mail at: CDFIstudy@abtassoc.com.

[PROGRAMMER: INSERT "NEXT" BUTTON HERE, AND ADD PDF FILE AT BOTTOM OF SCREEN]

Section A. Basic Respondent and Organization Information

A1. In case we need to follow up with you to clarify any responses, please provide the following contact information:

a. Name of person completing the survey: ______________________

b. Title: ______________________

c. Organization Name: ______________________

d. Phone number: ______________________

e. E-mail address: ______________________

A2. Which of the following best describes your position in the organization?

- ❑ Executive Director/Director/President/CEO
- ❑ Board Member
- ❑ Other Full-time staff
- ❑ Part-time staff
- ❑ Volunteer
- ❑ Consultant
- ❑ Other - Please describe: ____________

The following questions will be used to create categories of organizations for purposes of analyzing survey results.

A3. Type of Entity (select one):

[PROGRAMMER: PREFILL IF AVAILABLE, ASK RESPONDENT TO VERIFY.]

- ❑ For-Profit
- ❑ Non-Profit

A4. Type of Financial Institution:

[PROGRAMMER: PREFILL IF AVAILABLE, ASK RESPONDENT TO VERIFY.]

- ❑ Loan Fund
- ❑ Depository Institution Holding Company
- ❑ Credit Union
- ❑ Bank or Thrift (National)
- ❑ Bank or Thrift (State Chartered)
- ❑ Bank or Thrift (Federal Association or Savings Bank)
- ❑ Venture Capital Fund
- ❑ Other - Please describe: _________________

A5. Please list up to three **affiliated** or subsidiary organizations that are under the control of the responding organization:

- ❑ Name Affiliate 1: _______________
- ❑ Name Affiliate 2: _______________
- ❑ Name Affiliate 3: _______________

DEFINITION: An affiliated organization is any company or entity that controls or is controlled by your organization or is under common control with your organization.

A6. Year in which your organization was founded (please enter four-digit year):

— — — —

A7. Earliest year in which your organization made its first loan or investment, or first provided banking or credit union services (please enter four-digit year):

— — — —

A8. Please indicate the date of the end of your most recent fiscal year.

_____/_____/________

A8a. Total assets of your organization at end of most recent fiscal year (Please enter a whole number without any abbreviation. For example, enter $1,100,000 not $1.1 million):

$__________

A9. Total net assets of your organization at end of most recent fiscal year (Please enter a whole number without any abbreviation. For example, enter $1,100,000 not $1.1 million):

$__________

A10. Total portfolio outstanding of your organization at end of most recent fiscal year (Please enter a whole number without any abbreviation. For example, enter $1,100,000 not $1.1 million):

$__________

A11. Total **<u>full-time equivalent employees</u>** at end of most recent fiscal year (including consultant/contractor FTEs):

____

> **<u>DEFINITION</u>:** A full-time employee is anyone that works at least a 35-hour workweek. In calculating the number of full-time equivalents, part-time employees should be aggregated to full-time equivalents. For example, two part-time employees that each work 17.5 hours/week should be aggregated to count as one full-time equivalent. Include volunteers who fill regular staff positions. Exclude temporary staff and professional services conducted by third parties such as accounting, bookkeeping, and legal counsel.

A12. Please estimate the percents of the geographic area(s) served that are located in:

Major urban market (population of more than 1 million)	____%
Minor urban market (population of 1 million or less)	____%
Rural	____%
Total	100%

[PROGRAMMER: CHECK THAT SUM EQUALS 100. IF NOT, PROVIDE AN ERROR MESSAGE THAT TOTAL SHOULD EQUAL 100 AND INDICATE WHAT CURRENT TOTAL IS. FOR EXAMPLE: Total should equal 100%. Entered responses currently total 105%. Please review your responses.]

A13. Please estimate the percent of clients served in following categories (enter percent of clients; sum may exceed 100%):

<u>Low-income</u>	____%
Racial or ethnic minority	____%
Female	____%

> **<u>DEFINITION</u>:** "Low income" is an 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.

A14. Please specify loans/investments originated during the year by value (dollar amount) for the most recent fiscal year completed or portfolio outstanding at year end across the following types of activities. The estimates shares should sum to 100%.

Business	____%
Home purchase or improvement	____%
Consumer	____%
Residential real estate	____%
Commercial real estate	____%
Community facilities	____%
Other	____%
Total	**100%**

[PROGRAMMER: CHECK THAT SUM EQUALS 100. IF NOT, PROVIDE AN ERROR MESSAGE THAT TOTAL SHOULD EQUAL 100 AND INDICATE WHAT CURRENT TOTAL IS. FOR EXAMPLE: Total should equal 100%. Entered responses currently total 105%. Please review your responses.]

Section B. Applications for Financial Assistance

The following questions request information regarding your organization's experience in applying for Financial Assistance from the CDFI Fund, through its CDFI Program (including the Core, SECA, or Financial Assistance components). Financial Assistance is funds provided in the form of an equity investment (including, in the case of insured credit unions, secondary capital accounts), grant, loan, deposit, credit union shares, or any combination of these. (A separate section will ask about your organization's experience in applying for Technical Assistance from the CDFI Fund.)

B1. Has your organization ever applied for Financial Assistance from the CDFI Fund?

- ❑ Yes → **Skip to B2**
- ❑ No

B1a. Why hasn't your organization ever applied for Financial Assistance from the CDFI Fund? **(Check all that apply.)**

[PROGRAMMER: THE FOLLOWING RESPONSES SHOULD BE RANDOMIZED (EXCEPT "NOT ELIGIBLE" AND "OTHER".]

- ❑ Not aware of the availability of funding
- ❑ Use of funds is too restrictive
- ❑ Could not meet matching fund requirements
- ❑ Other sources of funds were available and easier to obtain
- ❑ Our staff did not have the skills needed to complete the application
- ❑ The level of effort required to complete the application was too high
- ❑ Felt there was too low a probability of receiving an award
- ❑ Did not need funding
- ❑ Future reporting requirements were too burdensome
- ❑ Other Please describe: __________

Skip to B1c

- ❑ Not eligible for funding → **Continue to B1b**

B1b. Why did you feel you were not eligible for funding **(Check all that apply.):**

[PROGRAMMER: THE FOLLOWING RESPONSES SHOULD BE RANDOMIZED (EXCEPT "OTHER.")]

- ❑ Not a valid, legal, non-governmental entity
- ❑ Could not demonstrate a primary mission of promoting community development
- ❑ Do not serve an investment area or target population as required
- ❑ Could not demonstrate that the organization maintains community accountability
- ❑ Could not demonstrate development services
- ❑ Could not meet requirements to be deemed a financing entity
- ❑ Could not demonstrate that other affiliated parts of our organization met these requirements
- ❑ Other Please describe: __________

B1c. Of the reasons you selected for not applying, which is the <u>primary</u> reason you did not apply? **(Select one)**

[PROGRAMMER: SHOW LIST OF RESPONSES SELECTED IN B1a.]

- ❑ Not aware of the availability of funding
- ❑ Use of funds is too restrictive
- ❑ Could not meet matching fund requirements
- ❑ Other sources of funds were available and easier to obtain
- ❑ Our staff did not have the skills needed to complete the application
- ❑ The level of effort required to complete the application was too high
- ❑ Felt there was too low a probability of receiving an award
- ❑ Did not need funding
- ❑ Future reporting requirements were too burdensome
- ❑ Other Please describe: ___________
- ❑ Not eligible for funding

Skip to B20

B2. Was your organization ever successful in an application for Financial Assistance from the CDFI Fund?

- ❑ Yes
- ❑ No → **Skip to B14**

B3. We would like to ask a few questions about the effects that Financial Assistance from the CDFI Fund has had on your organization. If you have received multiple awards, it would be most useful to focus your responses on the earliest award received. If you cannot separate activities supported by different awards, you can base your response on the effects associated with all of your awards.

In what year or years was the Financial Assistance from the CDFI Fund awarded that you will focus your responses on? **(Check all that apply)**

- ❑ 1996
- ❑ 1997
- ❑ 1998
- ❑ 1999
- ❑ 2000
- ❑ 2001
- ❑ 2002
- ❑ 2003
- ❑ 2004
- ❑ 2005

B3a. Estimate the share of your Financial Assistance award(s) that was intended for each of the following uses (enter percentages in whole numbers; total should sum to 100%).

	Enter % Below …
Capital for loans and investments	_______%
Loan loss reserve	_______%
Reserve capital	_______%
Development Services	_______%
Operating expenses/overhead	_______%
Other	_______%
Total	**100%**

[PROGRAMMER: CHECK THAT SUM EQUALS 100. IF NOT, PROVIDE AN ERROR MESSAGE THAT TOTAL SHOULD EQUAL 100 AND INDICATE WHAT CURRENT TOTAL IS. FOR EXAMPLE: Total should equal 100%. Entered responses currently total 105%. Please review your responses.]

B4. Please estimate the share of your planned and actual use of Financial Assistance across the following types of activities. The estimated shares should sum to 100%.

	Application Enter % for each below …	**Actual (to date)** Enter % for each below …
Business	______%	______%
Home purchase or improvement	______%	______%
Consumer	______%	______%
Residential real estate	______%	______%
Commercial real estate	______%	______%
Community facilities	______%	______%
Other	______%	______%
Total	**100%**	**100%**

[PROGRAMMER: CHECK THAT SUM EQUALS 100. IF NOT, PROVIDE AN ERROR MESSAGE THAT TOTAL SHOULD EQUAL 100 AND INDICATE WHAT CURRENT TOTAL IS. FOR EXAMPLE: Total should equal 100%. Entered responses currently total 105%. Please review your responses.]

B5. What were the intended goals for the awards **(Check all that apply):**

[PROGRAMMER: THE FOLLOWING RESPONSES EXCEPT "OTHER" SHOULD BE RANDOMIZED.]

- ❑ Expand the scale of an existing lending or investment program
- ❑ Develop a new loan or investment product
- ❑ Expand the scale of services, such as counseling, financial literacy, or technical assistance
- ❑ Develop new services, such as counseling, financial literacy, or technical assistance
- ❑ Serve a new geographic market
- ❑ Serve a new client population
- ❑ Other, Please describe: ______________

B6. What were the outcomes of the Financial Assistance from the CDFI Fund that you received in the three years following receipt of the award:

[PROGRAMMER: INCLUDE ONLY THOSE ITEMS CHECKED OFF IN B5.]

			[PROGRAMMER: IF EITHER OF THESE ARE CHECKED OFF ASK B7 (AFTER B6a).]			
	We exceeded our goals	We met our goals	We fell slightly short of our goals	We fell well short of our goals	Too early to tell → **Skip to B8**	Don't know
Expand the scale of an existing lending or investment program	❑	❑	❑	❑	❑	❑
Develop a new product	❑	❑	❑	❑	❑	❑
Expand the scale of services	❑	❑	❑	❑	❑	❑
Develop new services	❑	❑	❑	❑	❑	❑
Serve a new geographic market	❑	❑	❑	❑	❑	❑
Serve a new client population	❑	❑	❑	❑	❑	❑
Other	❑	❑	❑	❑	❑	❑

B6a. How important was the Financial Assistance from the CDFI Fund in meeting or exceeding your goals? Would you say CDFI assistance was …

[PROGRAMMER: INCLUDE ONLY THOSE ITEMS CHECKED OFF IN B5.]

	Critically important – we could not have achieved our goals without this assistance	Very important – could have achieved some, but not all of our goals eventually without this assistance	Was somewhat helpful – we may have achieved our goals eventually, but it would have taken longer	Was of limited help – would have been able to achieve our goals for other reasons	Don't know
Expand the scale of an existing lending or investment program	❑	❑	❑	❑	❑
Develop a new product	❑	❑	❑	❑	❑
Expand the scale of services	❑	❑	❑	❑	❑
Develop new services	❑	❑	❑	❑	❑
Serve a new geographic market	❑	❑	❑	❑	❑
Serve a new client population	❑	❑	❑	❑	❑
Other	❑	❑	❑	❑	❑

B7. **[PROGRAMMER: ASK IF ANY OF B6 = "FELL SHORT OF GOALS" OTHERWISE SKIP TO B8.]** Were there any issues associated with the Financial Assistance from the CDFI Fund that contributed to your *inability* to achieve all of your goals? **(Check all that apply):**

[PROGRAMMER: THE FOLLOWING RESPONSES EXCEPT "OTHER" SHOULD BE RANDOMIZED.]

❑ Restrictions on the use of CDFI Funds were partly to blame for our failure to meet our goals

❑ We were unable to acquire all of the matching funds we had anticipated and so were unable to make full use of our CDFI Fund award

❑ The length of time required to negotiate our Assistance Agreement resulted in delays in obtaining CDFI Funds that impeded progress toward our goals

❑ We experienced operational challenges that prevented full use of our CDFI Fund award

❑ Demand for the products and services supported by the CDFI Fund award was not as strong as anticipated

❑ We made full use of our CDFI Fund award, but experienced other challenges that impeded our progress toward our goals

❑ Significant market or environmental changes occurred between the time of application and receipt of the award

❑ We did not receive the full amount requested

❑ Other, Please describe: ____________

B7a. Of the issues you listed that contributed to your inability to achieve your goal, which is the primary factor? **(Select one)**

[PROGRAMMER: SHOW LIST OF RESPONSES SELECTED IN B7.]

- ❑ Restrictions on the use of CDFI Funds were partly to blame for our failure to meet our goals
- ❑ We were unable to acquire all of the matching funds we had anticipated and so were unable to make full use of our CDFI Fund award
- ❑ The length of time required to negotiate our Assistance Agreement resulted in delays in obtaining CDFI Funds that impeded progress toward our goals
- ❑ We experienced operational challenges that prevented full use of our CDFI Fund award
- ❑ Demand for the products and services supported by the CDFI Fund award was not as strong as anticipated
- ❑ We made full use of our CDFI Fund award, but experienced other challenges that impeded our progress toward our goals
- ❑ Significant market or environmental changes occurred between the time of application and receipt of the award
- ❑ We did not receive the full amount requested
- ❑ Other, Please describe: ____________

B8. How much funding would you estimate your organization was able to secure as a result of the Financial Assistance you received from the CDFI Fund in **[PROGRAMMER: FILL IN YEAR FROM ITEM B3]** (that is, over and above the matching funds required as part of your assistance from the CDFI Fund):

$__________ **[PROGRAMMER: DO NOT ALLOW ENTRIES WITH PERIODS, LETTERS, OR SYMBOLS OTHER THAN "$" AND ",". IF ENTRIES CONTAIN THESE SYMBOLS GIVE ERROR MESSAGE OF: Please enter a whole number without any abbreviation. For example, enter $1,100,000 not $1.1 million.]**

B9. Do you think the CDFI Fund should have performance goals associated with Financial Assistance awards?

- ❑ Yes → **Skip to B10**
- ❑ No
- ❑ Don't know

B9a. What means should the CDFI Fund use to hold awardees accountable to their business plans?

____
____
____

B10. How appropriate were the performance goals and measures established by the CDFI Fund for your organization?

- ❑ Very appropriate
- ❑ Somewhat appropriate
- ❑ Not appropriate
- ❑ Don't know

B11. Was the level of reporting appropriate?

- ❑ Too Much
- ❑ Just right
- ❑ Too Little
- ❑ Don't know

B12. Was the frequency of reporting appropriate?

- ❑ Too Much
- ❑ Just right
- ❑ Too Little
- ❑ Don't know

B13. Did your organization ever submit an application for Financial Assistance from the CDFI Fund that was denied?

- ❑ Yes
- ❑ No → **Skip TO B20**

B14. We would like to ask a few questions about the implications for your organization of having been denied Financial Assistance from the CDFI Fund. If you have been denied more than once, it would be most useful to focus your responses on an application that was denied several years ago so that your organization has had time to adjust to this denial for funding. (For example, denials made between 2000 and 2003.) If your Financial Assistance applications were denied either more recently or further in the past, you can focus your responses on those decisions. If you cannot separate the effects of multiple denials, you can base your response on the effects associated with all of these decisions.

In what year or years was the Financial Assistance from the CDFI Fund denied that you will focus your responses on? (**Check all that apply**)

- ❑ 1996
- ❑ 1997
- ❑ 1998
- ❑ 1999
- ❑ 2000
- ❑ 2001
- ❑ 2002
- ❑ 2003
- ❑ 2004
- ❑ 2005

B14a. Estimate the share of your award that was intended for each of the following uses (enter percentages in whole numbers; must total 100%):

	Enter % for each below …
a. Capital for loans and investments	_____%
b. Loan loss reserve	_____%
c. Reserve capital	_____%
d. Development Services	_____%
e. Other	_____%
Total	**100%**

[PROGRAMMER: CHECK THAT SUM EQUALS 100. IF NOT, PROVIDE AN ERROR MESSAGE THAT TOTAL SHOULD EQUAL 100 AND INDICATE WHAT CURRENT TOTAL IS. FOR EXAMPLE: Total should equal 100%. Entered responses currently total 105%. Please review your responses.]

B15. Please estimate the share of your planned use of Financial Assistance across the following types of activities. The estimated shares must total 100%.

	Enter % for each below …
Business	______%
Home purchase or improvement	______%
Consumer	______%
Residential real estate	______%
Commercial real estate	______%
Community facilities	______%
Other	______%
Total	**100%**

[PROGRAMMER: CHECK THAT SUM EQUALS 100. IF NOT, PROVIDE AN ERROR MESSAGE THAT TOTAL SHOULD EQUAL 100 AND INDICATE WHAT CURRENT TOTAL IS. FOR EXAMPLE: Total should equal 100%. Entered responses currently total 105%. Please review your responses.]

B16. What were the intended uses of the CDFI Funding? **(Check all that apply)**

[PROGRAMMER: THE FOLLOWING RESPONSES EXCEPT "OTHER" SHOULD BE RANDOMIZED.]

- ❑ Expand the scale of an existing lending or investment program
- ❑ Develop a new loan or investment product
- ❑ Expand the scale of services, such as counseling, financial literacy, or technical assistance
- ❑ Develop new services, such as counseling, financial literacy, or technical assistance
- ❑ Serve a new geographic market
- ❑ Serve a new client population
- ❑ Other, Please describe: ______________

B17. Despite not receiving Financial Assistance from the CDFI Fund, was your organization able to achieve its goals (as outlined in the Financial Assistance application) for these activities in the three years following your application?

[PROGRAMMER: INCLUDE ONLY THOSE ITEMS CHECKED OFF IN B16.]

			[PROGRAMMER: IF EITHER OF THESE ARE CHECKED OFF ASK B17]		
	We exceeded our goals	We met our goals	We fell slightly short of our goals	We fell well short of our goals	Too early to tell
Expand the scale of an existing lending or investment program	❑	❑	❑	❑	❑
Develop a new product	❑	❑	❑	❑	❑
Expand the scale of services	❑	❑	❑	❑	❑
Develop new services	❑	❑	❑	❑	❑
Serve a new geographic market	❑	❑	❑	❑	❑
Serve a new client population	❑	❑	❑	❑	❑
Other	❑	❑	❑	❑	❑

[PROGRAMMER: COPY LIST FOR ALL ITEMS WHERE EXCEEDED OR MET GOALS IN B17.]

B17a. How were you able to meet your goals despite not having received Financial Assistance from the CDFI Fund?

❑ We received a comparable level of funding from other sources

❑ Through efficient management of existing resources

❑ We partnered or collaborated with another organization(s) and pooled resources

❑ Other, Please describe: ________________ →

[PROGRAMMER: INCLUDE ONLY ITEMS CHECKED AS “FELL SHORT OF GOALS” IN B17.]

B18. How important was the failure to obtain Financial Assistance from the CDFI Fund in failing to meet your goals? Not receiving the CDFI Funds was …

	Critically important – the primary cause of our inability to meet our goals	Very important – an important contributing factor in our inability to meet our goals	Somewhat important – one of several contributing factors in our inability to meet our goals	Not important – not an important reason for our inability to meet our goals
Expand the scale of an existing lending or investment program	❑	❑	❑	❑
Develop a new product	❑	❑	❑	❑
Expand the scale of services	❑	❑	❑	❑

	<u>Critically important</u> – the primary cause of our inability to meet our goals	<u>Very important</u> – an important contributing factor in our inability to meet our goals	<u>Somewhat important</u> – one of several contributing factors in our inability to meet our goals	<u>Not important</u> – not an important reason for our inability to meet our goals
Develop new services	❑	❑	❑	❑
Serve a new geographic market	❑	❑	❑	❑
Serve a new client population	❑	❑	❑	❑
Other	❑	❑	❑	❑

B19. When the CDFI Fund highlighted areas of organizational weakness through a provided debriefing, did the failure to obtain Financial Assistance lead to any changes in your organization?

❑ Yes
❑ No → **Skip to B20**
❑ Never had a debriefing → **Skip to B20**

B19a. What types of changes were made to your organization? **(Check all that apply.)**

[PROGRAMMER: THE FOLLOWING RESPONSES EXCEPT "OTHER" SHOULD BE RANDOMIZED.]

❑ Added more experienced staff
❑ Provided existing staff with training
❑ Developed or improved organization's business plan
❑ Developed or improved market analysis
❑ Developed or improved management controls
❑ Improved risk management
❑ Found additional sources of capital to improve financial health
❑ Invested in new management information systems or other technology to improve organizational capabilities
❑ Developed partnerships or collaborations with organizations whose expertise complemented that of our organization
❑ Developed new strategies – such as marketing or communications – to better educate and reach our customers
❑ Were able to successfully apply for assistance in a later round
❑ Other - Please describe: ___________

B19b. After making these changes, were you successful in a subsequent application for Financial Assistance from the CDFI Fund?

❑ Yes
❑ No
❑ Don't know

B20. Which of the following uses of funds do you think would be most important for the CDFI Fund to allow through its Financial Assistance efforts over the next few years? **(Check all that apply.)**

[PROGRAMMER: THE FOLLOWING RESPONSES EXCEPT "OTHER" SHOULD BE RANDOMIZED.]

- ❑ Investment capital
- ❑ Loan capital
- ❑ Loan loss reserves
- ❑ Unrestricted net assets
- ❑ Development services
- ❑ Financial services
- ❑ Cost of merger or acquisition
- ❑ Support for financially troubled institutions
- ❑ Credit enhancement
- ❑ Other - Please describe: ______________________

B21. Of the uses of funds you just identified, which do you think would be most important for the CDFI Fund to support? **(Select one)**

[PROGRAMMER: LIST ONLY ITEMS CHECKED OFF IN B20.]

- ❑ Investment capital
- ❑ Loan capital
- ❑ Loan loss reserves
- ❑ Unrestricted net assets
- ❑ Development services
- ❑ Financial services
- ❑ Cost of merger or acquisition
- ❑ Support for financially troubled institutions
- ❑ Credit enhancement
- ❑ Other - Please describe: ______________________

B22. Which of the following improvements to the Financial Assistance from the CDFI Fund application and awards process are needed?

[PROGRAMMER: THE FOLLOWING RESPONSES EXCEPT "OTHER" SHOULD BE RANDOMIZED.]

- ❑ Simplify the amount of information required
- ❑ Provide greater technical support for applicants
- ❑ Create a streamlined application for small or emerging CDFIs
- ❑ Reduce reporting requirements for those receiving funding
- ❑ Support CDFI's overall strategy instead of requiring them to designate specific plans for and tracking of the CDFI Funds
- ❑ Provide a longer application period
- ❑ Other - Please describe: ____________________

B23. Please provide any other recommendation for ways in which the CDFI Fund's Financial Assistance program could be improved:

Please describe: ________________________

Section C. Applications for Technical Assistance

The following questions will gather information on your organization's experience in applying for Technical Assistance from the CDFI Fund, through the CDFI Program (including the Technical Assistance Component or in conjunction with the Core, SECA, or Financial Assistance Components).

C1. Has your organization ever applied for Technical Assistance from the CDFI Fund?

- ❑ Yes → **Skip to C2**
- ❑ No

C1a. Why hasn't your organization ever applied for Technical Assistance from the CDFI Fund? **(Check all that apply.).**

[PROGRAMMER: THE FOLLOWING RESPONSES EXCEPT "OTHER", "DON'T KNOW" AND "NOT ELIGIBLE" SHOULD BE RANDOMIZED.]

- ❑ Not aware of the availability of funding
- ❑ Use of funds is too restrictive
- ❑ Other sources of funds were available and easier to obtain
- ❑ Organization staff did not have the skills needed to complete the application
- ❑ The level of effort required to complete the application was too high
- ❑ Felt there was too low a probability of receiving an award
- ❑ Did not need funding
- ❑ Future reporting requirements were too burdensome
- ❑ Other describe: ________________

Skip to C1c

- ❑ Don't know

- ❑ Not eligible for funding → **Continue to C1b**

C1b Why did you feel you were **not eligible** for funding **(Check all that apply.):**

[PROGRAMMER: THE FOLLOWING RESPONSES EXCEPT "OTHER" SHOULD BE RANDOMIZED.]

- ❑ Not a valid, legal, non-governmental entity
- ❑ Could not demonstrate a primary mission of promoting community development
- ❑ Do not serve an investment area or target population as required
- ❑ Could not demonstrate that the organization maintains community accountability
- ❑ Could not demonstrate development services
- ❑ Could not meet requirements to be deemed a financing entity
- ❑ Could not demonstrate that other affiliated parts of our organization met these requirements
- ❑ Other please describe: _________________

C1c. Of the reasons you selected for not applying, which is the <u>primary</u> reason you did not apply? (Select one) **[PROGRAMMER: SHOW LIST OF RESPONSES SELECTED IN C1a.]**

- ❑ Not aware of the availability of funding
- ❑ Not eligible for funding
- ❑ Use of funds is too restrictive
- ❑ Other sources of funds were available and easier to obtain
- ❑ Organization staff did not have the skills needed to complete the application
- ❑ The level of effort required to complete the application was too high
- ❑ Felt there was too low a probability of receiving an award
- ❑ Did not need funding
- ❑ Future reporting requirements were too burdensome
- ❑ Other describe: ________________

Skip to C18

C2. Was your organization ever successful in an application for Technical Assistance from the CDFI Fund?

- ❑ Yes
- ❑ No → **Skip to C15**

C3. We would like to ask a few questions about the effects that Technical Assistance from the CDFI Fund has had on your organization. If you have received multiple awards, it would be most useful to focus your responses on the earliest award received. If you cannot separate activities supported by different awards, you can base your response on the effects associated with all of your awards.

In what year or years was Technical Assistance from the CDFI Fund awarded that you will focus your responses on? (**Check all that apply**)

- ❑ 1996
- ❑ 1997
- ❑ 1998
- ❑ 1999
- ❑ 2000
- ❑ 2001
- ❑ 2002
- ❑ 2003
- ❑ 2004
- ❑ 2005

C3a. Estimate the share of your Technical Assistance award(s) that was intended for each of the following uses (enter percentages in whole numbers; must total 100%):

	Enter % for each row below …
Hiring consultants	_____%
Purchasing technology	_____%
Providing staff with training	_____%
Paying staff salaries	_____%
Other	_____%
Total	**100%**

[PROGRAMMER: CHECK THAT SUM EQUALS 100. IF NOT, PROVIDE AN ERROR MESSAGE THAT TOTAL SHOULD EQUAL 100 AND INDICATE WHAT CURRENT TOTAL IS. FOR EXAMPLE: Total should equal 100%. Entered responses currently total 105%. Please review your responses.]

C4. Please indicate what types of initiatives or outcomes were supported by the Technical Assistance award. **(Check all that apply.)**

[PROGRAMMER: THE FOLLOWING RESPONSES EXCEPT "OTHER" SHOULD BE RANDOMIZED.]

- ❑ Develop/improve a business or strategic plan
- ❑ Develop/improve lending policies or procedures
- ❑ Develop/improve product or service
- ❑ Develop/improve market analysis
- ❑ Improve organizational management
- ❑ Improve portfolio management
- ❑ Improve risk management
- ❑ Improve marketing of products and services
- ❑ Improve client services
- ❑ Improve fundraising capabilities
- ❑ Undertake audit or financial analysis of the organization
- ❑ Undertake a social or financial impact analysis of organizational activity
- ❑ Upgrade computer hardware or software
- ❑ Other – Please describe: ____________

C5. How important was the Technical Assistance award from the CDFI Fund for undertaking the CDFI Funded activity?

[PROGRAMMER: INCLUDE ONLY THOSE ITEMS CHECKED OFF IN C4.]

	Critically important – without this funding we would not have been able to engage in this activity	Very important – without this funding we may not have been able to engage in this activity	Somewhat important – without this funding we probably would have undertaken this activity, but it may have taken longer to achieve	Not important – we would have found a way to undertake this activity even without funding	Too early to tell
Develop/improve a business or strategic plan	❑	❑	❑	❑	❑
Develop/improve lending policies or procedures	❑	❑	❑	❑	❑
Develop/improve product or service	❑	❑	❑	❑	❑
Develop/improve market analysis	❑	❑	❑	❑	❑
Improve organizational management	❑	❑	❑	❑	❑
Improve portfolio management	❑	❑	❑	❑	❑
Improve risk management	❑	❑	❑	❑	❑
Improve marketing of products and services	❑	❑	❑	❑	❑
Improve client services	❑	❑	❑	❑	❑
Improve fundraising capabilities	❑	❑	❑	❑	❑
Undertake audit or financial analysis of the organization	❑	❑	❑	❑	❑
Undertake a social or financial impact analysis of organizational activity	❑	❑	❑	❑	❑
Upgrade computer hardware or software	❑	❑	❑	❑	❑
Other	❑	❑	❑	❑	❑

C6. How **significant an impact** did the activity funded through Technical Assistance have on your organization? Would you say the Technical Assistance was …

[PROGRAMMER: INCLUDE ONLY THOSE ITEMS CHECKED OFF IN C4.]

	Very significant – fostered a marked improvement in at least one dimension of our organization's effectiveness	Somewhat significant – fostered some improvement in at least one dimension of our organization's effectiveness	Not significant – did not lead to any improvement in our organization's effectiveness	Too early to tell
Develop/improve a business or strategic plan	❑	❑	❑	❑
Develop/improve lending policies or procedures	❑	❑	❑	❑
Develop/improve product or service	❑	❑	❑	❑
Develop/improve market analysis	❑	❑	❑	❑
Improve organizational management	❑	❑	❑	❑
Improve portfolio management	❑	❑	❑	❑
Improve risk management	❑	❑	❑	❑
Improve marketing of products and services	❑	❑	❑	❑
Improve client services	❑	❑	❑	❑
Improve fundraising capabilities	❑	❑	❑	❑
Undertake audit or financial analysis of the organization	❑	❑	❑	❑
Undertake a social or financial impact analysis of organizational activity	❑	❑	❑	❑
Upgrade computer hardware or software	❑	❑	❑	❑
Other	❑	❑	❑	❑

C7. Do you think the receipt of the Technical Assistance award contributed to your organization being able to receive Financial Assistance from the CDFI Fund in subsequent years?

❑ Yes

❑ No

❑ N/A – organization has not received Financial Assistance from the CDFI Fund in subsequent years.

❑ Don't know

C8. Do you think the receipt of the Technical Assistance award contributed to your organization being able to receive funding from sources other than the CDFI Fund in subsequent years?

- ❑ Yes
- ❑ No
- ❑ Too early to tell
- ❑ N/A – organization has not received funding from sources other than the CDFI Fund in subsequent years
- ❑ Don't know

C9. Do you think the CDFI Fund should have performance goals associated with Technical Assistance awards?

- ❑ Yes → **Skip to C10**
- ❑ No
- ❑ Don't know

C9a. What means should the CDFI Fund use to hold awardees accountable to their business plan?

____

____

____

C10. How appropriate were the performance goals and measures established by the CDFI Fund for your organization?

- ❑ Very appropriate
- ❑ Somewhat appropriate
- ❑ Not appropriate
- ❑ Don't know

C11. Was the level of reporting appropriate?

- ❑ Too much
- ❑ Just right
- ❑ Too Little
- ❑ Don't know

C12. Was the frequency of reporting appropriate?

- ❑ Too much
- ❑ Just right
- ❑ Too Little
- ❑ Don't know

C13. Should the reporting requirements vary by Financial Assistance or Technical Assistance?

- ❑ Yes
- ❑ No → **Skip to C14**
- ❑ Don't know → **Skip to C14**

C13a. If there should be separate reporting requirements, how should they differ?

____

____

____

C14. Did your organization ever submit an application for Technical Assistance from the CDFI Fund that was denied?

- ❑ Yes
- ❑ No → **Skip to C18**

C15. We would like to ask a few questions about the implications for your organization of having been denied Technical Assistance from the CDFI Fund. If you have been denied more than once, it would be most useful to focus your responses on an application that was denied longest ago or at least three years ago. If your Technical Assistance application was denied either more recently or further in the past, you can focus your responses on those decisions. If you cannot separate the effects of multiple denials, you can base your response on the effects associated with all of these decisions.

In what year or years was your application for Technical Assistance from the CDFI Fund denied that you will focus your responses on? (**Check all that apply**)

- ❑ 1996
- ❑ 1997
- ❑ 1998
- ❑ 1999
- ❑ 2000
- ❑ 2001
- ❑ 2002
- ❑ 2003
- ❑ 2004
- ❑ 2005

C15a. Estimate the share of your award that would have been intended for each of the following uses (enter percentages in whole numbers; total should sum to 100%):

	Enter % for each row below …
Hiring consultants	_____%
Purchasing technology	_____%
Providing staff with training	_____%
Paying staff salaries	_____%
Other	_____%
Total	**100%**

[PROGRAMMER: CHECK THAT SUM EQUALS 100. IF NOT, PROVIDE AN ERROR MESSAGE THAT TOTAL SHOULD EQUAL 100 AND INDICATE WHAT CURRENT TOTAL IS. FOR EXAMPLE: Total should equal 100%. Entered responses currently total 105%. Please review your responses.]

C16. Please indicate what types of initiatives or outcomes were to have been supported by the Technical Assistance award. **(Check all that apply.)**

[PROGRAMMER: THE FOLLOWING RESPONSES EXCEPT "OTHER" and "don't know" SHOULD BE RANDOMIZED.]

- ❑ Develop/improve a business or strategic plan
- ❑ Develop/improve lending policies or procedures
- ❑ Develop/improve product or service
- ❑ Develop/improve market analysis
- ❑ Improve organizational management
- ❑ Improve portfolio management
- ❑ Improve risk management
- ❑ Improve marketing of products and services
- ❑ Improve client services
- ❑ Improve fundraising capabilities
- ❑ Undertake audit or financial analysis of the organization
- ❑ Undertake a social or financial impact analysis of organizational activity
- ❑ Upgrade computer hardware or software
- ❑ Other - Please describe: ____________
- ❑ Don't know

C17. Despite not receiving Technical Assistance funding from the CDFI Fund, was your organization able to undertake this activity planned for the Technical Assistance grant within the planned time period?

[PROGRAMMER: INCLUDE ONLY THOSE ITEMS CHECKED OFF IN C16.]

	Yes, we found an alternative external funding source	Yes, we diverted resources from other parts of our organization	Not within the planned time period, but we ultimately found an alternative funding source or freed up other resources	No, we never undertook the planned activity	Too early to tell
Develop/improve a business or strategic plan	❑	❑	❑	❑	❑
Develop/improve lending policies or procedures	❑	❑	❑	❑	❑
Develop/improve product or service	❑	❑	❑	❑	❑
Develop/improve market analysis	❑	❑	❑	❑	❑
Improve organizational management	❑	❑	❑	❑	❑
Improve portfolio management	❑	❑	❑	❑	❑
Improve risk management	❑	❑	❑	❑	❑
Improve marketing of products and services	❑	❑	❑	❑	❑
Improve client services	❑	❑	❑	❑	❑
Improve fundraising capabilities	❑	❑	❑	❑	❑
Undertake audit or financial analysis of the organization	❑	❑	❑	❑	❑
Undertake a social or financial impact analysis of organizational activity	❑	❑	❑	❑	❑
Upgrade computer hardware or software	❑	❑	❑	❑	❑
Other	❑	❑	❑	❑	❑

C17a. How important was the inability to undertake the planned activity for your organization?

[PROGRAMMER: INCLUDE ONLY THOSE ITEMS CHECKED AS NO IN C17.]

	Very significant – the development of the organization was significantly hampered by the inability to undertake the planned activity	Somewhat significant – the inability to undertake the planned activity had some negative impact on the organization's development	Not significant – the failure to undertake the planned activity has had no obvious impact on the organization	Too early to tell
Develop/improve a business or strategic plan	❑	❑	❑	❑
Develop/improve lending policies or procedures	❑	❑	❑	❑
Develop/improve product or service	❑	❑	❑	❑
Develop/improve market analysis	❑	❑	❑	❑
Improve organizational management	❑	❑	❑	❑
Improve portfolio management	❑	❑	❑	❑
Improve risk management	❑	❑	❑	❑
Improve marketing of products and services	❑	❑	❑	❑
Improve client services	❑	❑	❑	❑
Improve fundraising capabilities	❑	❑	❑	❑
Undertake audit or financial analysis of the organization	❑	❑	❑	❑
Undertake a social or financial impact analysis of organizational activity	❑	❑	❑	❑
Upgrade computer hardware or software	❑	❑	❑	❑
Other	❑	❑	❑	❑

C18. What do you think are the most important types of activities for the CDFI Fund to support through its Technical Assistance program? **(Check all that apply.)**

[PROGRAMMER: THE FOLLOWING RESPONSES EXCEPT "OTHER" SHOULD BE RANDOMIZED.]

- ❑ Develop/improve a business or strategic plan
- ❑ Develop/improve lending policies or procedures
- ❑ Develop/improve product or service
- ❑ Develop/improve market analysis
- ❑ Improve organizational management
- ❑ Improve portfolio management
- ❑ Improve risk management
- ❑ Improve marketing of products and services
- ❑ Improve client services
- ❑ Improve fundraising capabilities
- ❑ Undertake audit or financial analysis of the organization
- ❑ Undertake a social or financial impact analysis of organizational activity
- ❑ Upgrade computer hardware
- ❑ Other - Please describe: ____________

C18a. Of the uses of funds you just identified, which do you think would be most important for the CDFI Fund to support? **(Select one)**

[PROGRAMMER: SHOW ONLY THE LIST OF RESPONSES SELECTED IN C18.]

- ❑ Develop/improve a business or strategic plan
- ❑ Develop/improve lending policies or procedures
- ❑ Develop/improve product or service
- ❑ Develop/improve market analysis
- ❑ Improve organizational management
- ❑ Improve portfolio management
- ❑ Improve risk management
- ❑ Improve marketing of products and services
- ❑ Improve client services
- ❑ Undertake audit or financial analysis of the organization
- ❑ Undertake a social or financial impact analysis of organizational activity
- ❑ Upgrade computer hardware or software
- ❑ Other: Please describe: ____________________
- ❑ None

C19. Which of the following improvements to the Technical Assistance application and award process are needed?

[PROGRAMMER: THE FOLLOWING RESPONSES EXCEPT "OTHER" and "none" SHOULD BE RANDOMIZED.]

- ❑ Simplify the amount of information required
- ❑ Provide greater technical support for applicants
- ❑ Create a streamlined application for small or emerging CDFIs
- ❑ Reduce reporting requirements for those receiving funding
- ❑ Provide a longer application period
- ❑ Other - Please describe: ____________
- ❑ None

C20. Please describe any recommendations you would make for improvements to the CDFI Fund's Technical Assistance efforts.

Describe: ______________________________

Section D. CDFI Certification

This set of questions relate to your organization's experience in applying to the CDFI Fund for Certification as a CDFI (Community Development Financial Institution).

D1. The CDFI Fund wants to understand how well it is communicating its goals for the CDFI certification designation. What do you understand to be the CDFI Fund's goals for the CDFI certification process? **(Check all that apply.)**

[PROGRAMMER: THE FOLLOWING RESPONSES EXCEPT "OTHER" and "unaware" SHOULD BE RANDOMIZED.]

- ❑ Certification is needed to be eligible to receive Technical Assistance (TA) from the CDFI Fund
- ❑ Certification is needed to receive Financial Assistance (FA) from the CDFI Fund
- ❑ Certification means you will definitely get funding from the CDFI Fund
- ❑ Certification allows you to access other federal funding sources
- ❑ Certification means your organization has been determined to be financially sound
- ❑ Certification lets other funders know that your organization is committed to community and economic development
- ❑ Certification shows your organization has strong risk management and mitigation systems in place
- ❑ Certification shows that your organization is well-managed
- ❑ Certification is designed to weed out small organizations that cannot handle big grants
- ❑ Certification is available to all sizes of organizations that meet the basic requirements
- ❑ Certification is limited to a fixed number of organizations each year
- ❑ Other, Please describe: ____________________
- ❑ I was unaware of the CDFI Fund's certification process

D2. Has your organization ever applied for CDFI Certification by the CDFI Fund?

- ❑ Yes → **Skip to D3**
- ❑ No

D2a. Why hasn't your organization ever applied for CDFI Certification by the CDFI Fund? **(Check all that apply.)**

[PROGRAMMER: THE FOLLOWING RESPONSES EXCEPT "OTHER" AND "UNAWARE" SHOULD BE RANDOMIZED.]

- ❑ Was not interested in seeking funding from the CDFI Fund
- ❑ Did not see any benefit from being certified aside from being eligible for funding from the CDFI Fund
- ❑ Did not believe we would meet the criteria required for certification → **Ask D2b**
- ❑ The application was too difficult or time consuming to complete → **Ask D2c**
- ❑ Would have had to alter our organization's legal structure or board or create a new entity to meet certification requirements
- ❑ Would like to have applied, but did not have time to pursue this

- ❑ The CDFI Fund imposed a moratorium on accepting new CDFI Certification applications
- ❑ Unaware of the certification process
- ❑ Other, Specify_______________________________________

D2b. **[PROGRAMMER: ONLY ASK IF, IN D2a "DID NOT BELIEVE WOULD MEET ELIGIBILITY CRITERIA" WAS CHECKED.]** Why did you feel you were not eligible for certification? **(Check all that apply.)**:

[PROGRAMMER: THE FOLLOWING RESPONSES EXCEPT "OTHER" SHOULD BE RANDOMIZED.]

- ❑ Could not demonstrate a primary mission of promoting community development
- ❑ The organization's predominant business activity is not the provision of financial products and development services
- ❑ Do not serve an investment area or target population as required
- ❑ Could not demonstrate that the organization maintains community accountability
- ❑ Could not meet requirements to be deemed a financing entity
- ❑ Do not provide development services in conjunction with financial products
- ❑ Not a valid, legal, non-governmental entity
- ❑ Could not demonstrate that other affiliated parts of our organization met these requirements

D2c. **[PROGRAMMER: ONLY ASK IF, IN D2a "THE APPLICATION WAS TOO DIFFICULT…" WAS CHECKED.]** Why did you feel the application was too difficult to complete? **(Check all that apply)**

[PROGRAMMER: THE FOLLOWING RESPONSES EXCEPT "OTHER" SHOULD BE RANDOMIZED.]

- ❑ Organization staff did not have the skills needed to complete the application
- ❑ The level of effort required to complete the application was too high
- ❑ Attempted to complete the application, but experienced technical difficulties with electronic portions
- ❑ The CDFI Fund's mapping and geocoding systems are cumbersome or difficult to use
- ❑ Would have required that we report or collect information that is not currently tracked
- ❑ Other reason, Please describe: ______________

D2d. Of the reasons you selected above for not applying, which is the primary reason you did not apply? **(Select one)**

[PROGRAMMER: SHOW ONLY THE LIST OF RESPONSES SELECTED IN D2a.]

- ❑ Was not interested in seeking funding from the CDFI Fund
- ❑ Did not see any benefit from being certified aside from being eligible for funding from the CDFI Fund
- ❑ Did not believe we would meet the criteria required for certification
- ❑ The application was too difficult to complete
- ❑ Unaware of the certification process
- ❑ Would like to have applied, but did not have time to pursue this
- ❑ The CDFI Fund imposed a moratorium on accepting new CDFI Certification applications
- ❑ Other

D2e. Which of the following changes, if any, would lead you to decide to apply for CDFI certification? **(Check all that apply.)**

[PROGRAMMER: THE FOLLOWING RESPONSES EXCEPT "OTHER" SHOULD BE RANDOMIZED.]

- ❑ If the application became entirely electronic
- ❑ If the CDFI Fund posted on its website copies of successful certification applications from a variety of organizations
- ❑ If there was more on-line assistance with the application process
- ❑ If there was more telephone assistance with the application process
- ❑ If we could get in-person assistance with the application
- ❑ If a less burdensome process was developed for small organizations
- ❑ If the re-certification process was streamlined
- ❑ If changes were made to the Financial Assistance (FA) program to make it more attractive by (explain): ______________________________
- ❑ If changes were made to the Technical Assistance (TA) program to make it more attractive by (explain): ______________________________
- ❑ Other reason, Please describe: __________

Skip To D7

D3. Why did you apply for Certification from the CDFI Fund? **(Check all that apply.):**

[PROGRAMMER: THE FOLLOWING RESPONSES EXCEPT “OTHER” SHOULD BE RANDOMIZED.]

- ❑ To be eligible to apply for Technical Assistance from the CDFI Fund
- ❑ To be eligible to apply for Financial Assistance from the CDFI Fund
- ❑ To be an eligible partner for a Bank Enterprise Award applicant
- ❑ To be eligible for loans, investments, or services from Bank Enterprise Award recipients
- ❑ Because certification is looked on favorably by funders other than the CDFI Fund
- ❑ Because certification is a requirement for funding from sources other than the CDFI Fund
- ❑ To enhance our organization’s credentials
- ❑ To satisfy a requirement of our Board of Directors
- ❑ Because certification is looked on favorably by regulatory agencies we report to
- ❑ Other reason, Please describe: __________________

D3a. Was the process of filling out the certification application informative or helpful to your organization in any way?

- ❑ Yes
- ❑ No → **Skip to D4**
- ❑ Don’t know → **Skip to D4**

D3b. How was the process of filling out the certification application informative or helpful to your organization? **(Check all that apply.)**

[PROGRAMMER: THE FOLLOWING RESPONSES EXCEPT “OTHER” SHOULD BE RANDOMIZED.]

- ❑ It helped us clarify our mission statement and/or goals as an organization
- ❑ It helped us to become more accountable to our community by making changes in our board
- ❑ It helped us define the group of people we want to serve (i.e., a target population)
- ❑ It helped us define the geographic area we want to serve (i.e., a target area)
- ❑ It helped us identify areas where help was most needed (i.e., hot zones)
- ❑ It helped us clarify our programmatic priorities
- ❑ It helped us quantify the services we provide in dollars
- ❑ It helped us define our staffing structure
- ❑ It helped us collect more data on a more regular basis
- ❑ It motivated us to get an annual audit
- ❑ It encouraged us to invest in our infrastructure (office, technology, etc.)
- ❑ It encouraged us to invest in training
- ❑ Other reason, Please describe: _____________

D4. Was your organization ever successful in an application for CDFI Certification from the CDFI Fund?

- ❑ Yes → **Skip to D5**
- ❑ No

D4a. What were the impacts on your organization of not receiving certification? **(Check all that apply.)**

[PROGRAMMER: THE FOLLOWING RESPONSES EXCEPT “no impact” and “OTHER” SHOULD BE RANDOMIZED.]

- ❑ We were unable to receive Technical Assistance from the CDFI Fund as hoped
- ❑ We were unable to receive Financial Assistance from the CDFI Fund as hoped
- ❑ We were unable to receive loans, investments, or services from Bank Enterprise Award recipients as hoped
- ❑ We were unable to receive funding from sources in addition to the CDFI Fund that require certification
- ❑ It has made less competitive for funding from sources of funding that do not require certification
- ❑ It has limited our credibility with the community we serve
- ❑ There has been no significant impact on our organization of failing to be certified
- ❑ Other reason, Please describe: ________________ → **Skip to D7**

D5. Did certification have any positive impacts on your organization?

- ❑ Yes
- ❑ No → **Skip to D6**
- ❑ Don’t know → **Skip to D6**

D5a. Which of the following impacts did certification have on your organization? **(Check all that apply.)**

[PROGRAMMER: RANDOMIZE EXCEPT “OTHER.”]

- ❑ It supported a successful application for Technical Assistance from the CDFI Fund
- ❑ It supported a successful application for Financial Assistance from the CDFI Fund
- ❑ It supported a successful application for a Bank Enterprise Award from the CDFI Fund
- ❑ It helped us obtain loans, investments, or services from a Bank Enterprise Award recipient
- ❑ It helped us obtain financing from sources that require CDFI certification
- ❑ It helped us obtain financing from sources that do not require CDFI certification
- ❑ It enhanced the reputation of our organization in our community
- ❑ It supported higher ratings by our regulator

- ❑ It fulfilled a goal established by our Board
- ❑ Other reason, Please describe: _______________

D6. Has your organization ever received funding from sources other than the CDFI Fund that **require CDFI certification**?

- ❑ Yes
- ❑ No → **Skip to D7**
- ❑ Don't know → **Skip to D7**

D6a. What types of organizations (other than the CDFI Fund) have you received funding from that require certification? **(Check all that apply.)**

- ❑ Public-federal
- ❑ Public-state
- ❑ Public-local
- ❑ Foundation /philanthropic organization
- ❑ Religious
- ❑ Corporation
- ❑ Individual
- ❑ For-profit financial organization
- ❑ Non-profit financial organization
- ❑ Other

D6b. Please list the names and location of your three largest funding sources that require certification for funding as well as the amount of funding you have received from these sources for each year received since becoming certified:

Organization	**Location**	**Year**	**Amount of Funding**
____________	____________	__ __ __ __	$____________
____________	____________	__ __ __ __	$____________
____________	____________	__ __ __ __	$____________
____________	____________	__ __ __ __	$____________
____________	____________	__ __ __ __	$____________
____________	____________	__ __ __ __	$____________
____________	____________	__ __ __ __	$____________
____________	____________	__ __ __ __	$____________
____________	____________	__ __ __ __	$____________

[PROGRAMMER: PROVIDE SPACE TO ENTER AN ORGANIZATION NAME WITH ACCOMPANYING CITY, STATE, YEAR, AND FUNDING AMOUNT. FOR FUNDING AMOUNTS DO NOT ALLOW DECIMALS OR LETTERS. PROMPT FOR WHOLE DOLLAR AMOUNTS WITHOUT ABBREVIATION IF DECIMALS OR LETTERS USED.]

D7. Does your organization provide services or products aimed at serving people who do not have formal relationships with traditional financial or banking institutions (the "unbanked")?

- ❑ Yes
- ❑ No → **Skip to D8**
- ❑ Don't know→ **Skip to D8**

D7b. Which of the following activities are you engaged in? **(Check all that apply.)**

- ❑ Financial education
- ❑ Target unbanked – to get them banked
- ❑ IDAs, matched savings accounts
- ❑ Check cashing, money transfers
- ❑ Other, Describe: ____________

D8. Do you think the CDFI Fund should continue to offer certification to the community development industry, or should it only be a prerequisite to accessing funding from the CDFI Fund?

- ❑ Fund should continue to certify all eligible applicants regardless of whether they seek funding from the CDFI Fund
- ❑ Certification should only be used for accessing funding from the CDFI Fund
- ❑ Other, Specify______________________

D9. Do you have other ideas for how the CDFI certification process can be improved?

Please specify: _______________ **[PROGRAMMER: ALLOW TEXT OF ANY LENGTH]**

D10. Assuming adequate funding for the CDFI Financial Assistance and Technical Assistance, Native Initiatives and BEA programs, what additional activities would you want the CDFI Fund to engage in (e.g. identify and disseminate best practices and trends in the CDFI industry, provide guidance and funding to support CDFI mergers, acquisitions or strategic partnerships, support the developments or operation of programs that enhance the liquidity of CDFIs through loan purchases or otherwise.)?

Section E. CDFI Fund-Sponsored Training

The following questions will gather information on training that you or persons within your organization may have received through the CDFI Fund. Between 2000 and 2004, the CDFI Fund sponsored training in three areas: market analysis, financial projections, and community development lending.

Market Analysis Training

E1. Did you or anyone else from your organization take a training course sponsored by the CDFI Fund in market analysis? **(Select one)**

- ❑ I took the training
- ❑ I took the training and one or more other staff in my organization took the training
- ❑ I did not take the training but one or more other staff in my organization took the training → **Skip to E9**
- ❑ As far as I know, no one in my organization has taken the training → **Skip to E16**

Satisfaction with Market Analysis Training

Please answer the following questions based on your personal experience with the market analysis training:

E2. Which organization(s) provided the market analysis training that you took?

- ❑ Southern New Hampshire University (SNHU) (Online training)
- ❑ National Community Capital Association (NCCA, now known as Opportunities Finance Network) (Online training)
- ❑ National Community Capital Association (NCCA now known as Opportunities Finance Network) (In-person training)
- ❑ National Federation of Community Development Credit Unions (NFCDCU) (In-person training)
- ❑ Other organization (specify): ________________
- ❑ Don't know / unsure

E3. Did you complete the market analysis training?

- ❑ I participated in some, but not all, of the training
- ❑ I completed all of the training
- ❑ Don't know

E4. How satisfied were you with the topics covered in the market analysis training?

- ❑ Mostly satisfied → **Skip to E5**
- ❑ Not satisfied
- ❑ Don't know → **Skip to E5**

E4a. Why were you not satisfied with the topics covered in the training? **(Check all that apply.)**

- ❑ The coverage of topics was too complex for my knowledge and experience at that time → **Skip to E5**
- ❑ The coverage of my topics was too basic for my needs → **Skip to E5**
- ❑ Not all of the topics I wanted to learn about were covered
- ❑ The topics were not well-organized → **Skip to E5**
- ❑ Other (Explain): ______________________ → **Skip to E5**

E4a1. What additional topics would you like to have seen covered?

Describe: ____

E5. How satisfied were you with the <u>pace</u> of the market analysis training?

- ❑ Mostly satisfied
- ❑ The training moved too quickly for my needs
- ❑ The training moved too slowly for my needs
- ❑ Don't know

E6. How satisfied were you with the <u>instructor</u> for the market analysis training?

- ❑ Mostly satisfied → **Skip to E7**
- ❑ Not satisfied
- ❑ Don't know → **Skip to E7**

E6a. Why were you not satisfied with the instructor? **(Check all that apply.)**

- ❑ The instructor was not sufficiently knowledgeable on the topic
- ❑ The instructor was not sufficiently organized or did not present well
- ❑ The instructor was not responsive to questions or comments
- ❑ Other (Explain): ____________________________

E7. How satisfied were you with the <u>instructional materials</u> for the market analysis training?

- ❑ Mostly satisfied → **Skip to E8**
- ❑ Not satisfied
- ❑ Don't know → **Skip to E8**

E7a. Why were you not satisfied with the instructional materials? **(Check all that apply.)**

- ❑ The materials were not clear
- ❑ The materials were too detailed
- ❑ The materials were not detailed enough
- ❑ The materials were not available to take home with me
- ❑ Other (Explain): ______________________

E8. How satisfied were you with the <u>format/method</u> (e.g., classroom or internet-based) of the market analysis training?

- ❑ Mostly satisfied → **Skip to E9**
- ❑ Not satisfied
- ❑ Don't know → **Skip to E9**

E8a. What is the <u>main reason</u> you were not satisfied?

Explain: ____

<u>Impact of Market Analysis Training</u>

E9. Did the <u>market analysis</u> training **improve your organization's ability to do** any of the following:

	Greatly improved our ability to …	**Somewhat improved our ability to …**	**Did not improve our ability to …**	**Unsure**
a. Collect census and other data demonstrating the level of distress in my community	❑	❑	❑	❑
b. Collect information on potential borrowers and customers	❑	❑	❑	❑
c. Collect information on potential partners and collaborators	❑	❑	❑	❑
d. Collect information on competitors	❑	❑	❑	❑
e. Analyze how my CDFI is positioned in the market and perceived by its customers	❑	❑	❑	❑
f. Identify and measure the demand for my CDFI's products and services, as distinct from need	❑	❑	❑	❑
g. Develop realistic economic assumptions about market trends	❑	❑	❑	❑

E10. Did your organization either conduct a new market analysis or revise its existing market analysis <u>after receiving the training</u>?

- ❑ Yes → **Skip to E11**
- ❑ No
- ❑ Don't know / unsure → **Skip to E13**

E10a. If your organization did not conduct a new market analysis or revise your existing market analysis after receiving the training, was it because the training helped you to determine that your organization's existing market analysis was sufficient?

- ❑ Yes → **Skip to E13**
- ❑ No → **Skip to E13**
- ❑ Don't know / unsure → **Skip to E13**

E11. Did the market analysis training influence your organization's decision to conduct the new/revised market analysis?

- ❑ Yes
- ❑ No
- ❑ Don't know / unsure

E12. Did the market analysis training enable your organization to complete the new/revised market analysis more effectively?

- ❑ Yes → **Skip to E13**
- ❑ No
- ❑ Don't know / unsure → **Skip to E13**

E12a. **[PROGRAMMER: IF E11 OR E12=2, ASK. ELSE, SKIP TO E13.]** If the market analysis training did not either (a) influence your organization's decision to conduct the new/revised market analysis or (b) enable your organization to complete the new/revised market analysis more effectively, why not? **(Check all that apply)**

- ❑ The person who took the training did not complete the training
- ❑ The person who took the training left the organization before any changes could be implemented
- ❑ The person who took the training did not have the skills or knowledge to benefit from it
- ❑ The training was of poor overall quality
- ❑ The training was not specific enough to be useful to my organization
- ❑ Other reason:___________________
- ❑ Don't know / unsure

E13. Did the market analysis training benefit your organization in any other way?

- ❑ Yes (Describe) ___________________
- ❑ No
- ❑ Don't know / unsure

E14. Was the market analysis training worth the cost to your organization in terms of money and staff time? (Please include travel and other indirect costs.)

- ❑ Yes
- ❑ No
- ❑ Somewhat (Explain) ______________________________
- ❑ Don't know / unsure

E15. Would you recommend the market analysis training to other staff in your organization or to other organizations in the CDFI industry?

- ❑ I would recommend the training
- ❑ I would not recommend the training
- ❑ Don't know / unsure

Financial Projections Training

E16. Within the past five years, did you or anyone else from your organization take a training course in financial projections? **(Select one)**

- ❑ I took the training
- ❑ I took the training and one or more other staff in my organization took the training
- ❑ I did not take the training but one or more other staff in my organization took the training → **Skip to E24**
- ❑ As far as I know, no one in my organization has taken the training → **Skip to E31**

Satisfaction with Financial Projections Training

Please answer the following questions based on your personal experience with the financial projections training:

E17. Which organization(s) provided the financial projections training that you took?

- ❑ Southern New Hampshire University (SNHU) (Online training)
- ❑ National Community Capital Association (NCCA now known as Opportunities Finance Network) (Online training)
- ❑ National Community Capital Association (NCCA now known as Opportunities Finance Network) (In-person training)
- ❑ National Federation of Community Development Credit Unions (NFCDCU) (In-person training)
- ❑ Dickerson Knight Group, Inc. (in-person training)
- ❑ Other organization (specify): ________________
- ❑ Don't know / unsure

E18. Did you complete the financial projections training?

- ❑ I participated in some, but not all, of the training
- ❑ I completed all of the training
- ❑ Don't know

E19. How satisfied were you with the <u>topics covered</u> in the financial projections training?

- ❑ Mostly satisfied → **Skip to E20**
- ❑ Not satisfied
- ❑ Don't know → **Skip to E20**

E19a. Why were you not satisfied with the topics covered in the training? **(Check all that apply.)**

- ❑ The coverage of topics was too complex for my knowledge and experience at that time → **Skip to E20**
- ❑ The coverage of my topics was too basic for my needs → **Skip to E20**
- ❑ Not all of the topics I wanted to learn about were covered
- ❑ The topics were not well-organized → **Skip to E20**
- ❑ Other (Explain): ________________________________ → **Skip to E20**

E19a1. What additional topics would you like to have seen covered?

Describe: ______________________________________

E20. How satisfied were you with the <u>pace</u> of the financial projections training?

- ❑ Mostly satisfied
- ❑ The training moved too quickly for my needs
- ❑ The training moved too slowly for my needs
- ❑ Don't know

E21. How satisfied were you with the <u>instructor</u> for the financial projections training?

- ❑ Mostly satisfied → **Skip to E22**
- ❑ Not satisfied
- ❑ Don't know→ **Skip to E22**

E21a. Why were you not satisfied with the instructor? **(Check all that apply.)**

- ❑ The instructor was not sufficiently knowledgeable on the topic
- ❑ The instructor was not sufficiently organized or did not present well
- ❑ The instructor was not responsive to questions or comments
- ❑ Other (Explain): ________________________________

E22. How satisfied were you with the instructional materials for the financial projections training?

- ❑ Mostly satisfied → **Skip to E23**
- ❑ Not satisfied
- ❑ Don't know → **Skip to E23**

E22a. Why were you not satisfied with the instructional materials? Were the materials … **(Check all that apply)**

- ❑ The materials were not clear
- ❑ The materials were too detailed
- ❑ The materials were not detailed enough
- ❑ The materials were not available to take home with me
- ❑ Other (Explain): ____

E23. How satisfied were you with the format/method (e.g., classroom or internet-based) of the financial projections training?

- ❑ Mostly satisfied → **Skip to E24**
- ❑ Not satisfied
- ❑ Don't know→ **Skip to E24**

E23a. What is the main reason you were not satisfied?

Explain: _____________________________

Impact of Financial Projections Training

E24. Did the financial projections training **improve your organization's ability** to do any of the following:

	Greatly improved our ability to...	**Somewhat improved our ability to...**	**Did not improve our ability to...**	**Unsure**
a. Understand how to read, interpret, and analyze the key financial statements used by CDFIs (statement of financial position, statement of activity, cash flow statement)	❑	❑	❑	❑
b. Understand what types of financial information my CDFI needs to collect	❑	❑	❑	❑
c. Calculate and interpret the financial ratios used in assessing CDFI financial performance	❑	❑	❑	❑
d. Develop reasonable and justifiable assumptions for projecting the financial statements of a CDFI	❑	❑	❑	❑
e. Use appropriate tools and techniques to project the key accounts of the statement of financial position and the statement of activities	❑	❑	❑	❑
f. Use projections as a management and planning tool	❑	❑	❑	❑

	Greatly improved our ability to...	Somewhat improved our ability to...	Did not improve our ability to...	Unsure
g. Use key financial statements to analyze and enhance the financial performance of my CDFI	❑	❑	❑	❑
h. Other describe_______________________	❑	❑	❑	❑

E25. Did your organization either create new financial projections or revise its existing financial projections after receiving the training?

❑ Yes → **Skip to E26**

❑ No

❑ Don't know / unsure → **Skip to E28**

E25a. Did the training help you to determine that your organization's existing financial projections were sufficient?

❑ Yes → **Skip to E28**

❑ No → **Skip to E28**

❑ Don't know / unsure → **Skip to E28**

E26. Did the financial projections training influence your organization's decision to create the new/revised financial projections?

❑ Yes

❑ No

❑ Don't know / unsure

E27. Did the financial projections training enable your organization to create the new/revised financial projections more effectively?

❑ Yes → **Skip to E28**

❑ No

❑ Don't know / unsure → **Skip to E28**

E27a. *[PROGRAMMER: IF E26 OR E27 = 2, ASK. ELSE, SKIP TO E28.]* ***If the financial projections training did not either (a) influence your organization's decision to create the new/revised financial projections or (b) enable your organization to create the new/revised financial projections more effectively, why not?*** *(Check all that apply)*

- ❑ The person who took the training did not complete the training
- ❑ The person who took the training left the organization before any changes could be implemented
- ❑ The person who took the training did not have the skills or knowledge to benefit from it
- ❑ The training was of poor overall quality
- ❑ The training was not specific enough to be useful to my organization
- ❑ Other reason:___________________
- ❑ Don't know / unsure

E28. Did the financial projections training benefit your organization in any other way?

- ❑ Yes (Describe): _______________________
- ❑ No
- ❑ Don't know / unsure

E29. Was the financial projections training worth the cost to your organization in terms of money and staff time? (Please include travel and other indirect costs.)

- ❑ Yes
- ❑ No
- ❑ Somewhat (Explain) ______________________________
- ❑ Don't know / unsure

E30. Would you recommend the financial projections training to other staff in your organization or to other organizations in the CDFI industry?

- ❑ I would recommend the training
- ❑ I would not recommend the training
- ❑ Don't know / unsure

<u>Community Development Lending Training</u>

E31. Within the past five years, did you or anyone else from your organization take a training course in <u>community development lending</u>? **(Select one)**

- ❑ I took the training
- ❑ I took the training and one or more other staff in my organization took the training
- ❑ I did not take the training but one or more other staff in my organization took the training → **Skip to E39**
- ❑ As far as I know, no one in my organization has taken the training → **Skip to E45**

<u>Satisfaction with Community Development Lending Training</u>

Please answer the following questions based on <u>your personal experience</u> with the community development lending training:

E32. Which organization(s) provided the community development lending training that <u>you</u> took?

- ❑ Southern New Hampshire University (SNHU) (Online training)
- ❑ National Community Capital Association (NCCA now known as Opportunities Finance Network) (<u>Online</u> training)
- ❑ National Community Capital Association (NCCA now known as Opportunities Finance Network) (<u>In-person</u> training)
- ❑ National Federation of Community Development Credit Unions (NFCDCU) (In-person training)
- ❑ Dickerson Knight Group, Inc. (in-person training)
- ❑ Other organization (specify): ________________
- ❑ Don't know / unsure

E33. Did you complete the community development lending training?

- ❑ I participated in some, but not all, of the training
- ❑ I completed all of the training
- ❑ Don't know

E34. How satisfied were you with the <u>topics covered</u> in the community development lending training?

- ❑ Mostly satisfied → **Skip to E35**
- ❑ Not satisfied
- ❑ Don't know→ **Skip to E35**

E34a. Why were you not satisfied with the topics covered in the training?

- ❑ The coverage of topics was too complex for my knowledge and experience at that time → **Skip to E35**
- ❑ The coverage of my topics was too basic for my needs → **Skip to E35**
- ❑ Not all of the topics I wanted to learn about were covered
- ❑ The topics were not well-organized → **Skip to E35**
- ❑ Other (Explain): ________________________ → **Skip to E35**

E34a1. What additional topics would you like to have seen covered?

(Explain): _________________________________

E35. How satisfied were you with the <u>pace</u> of the community development lending training?

- ❑ Mostly satisfied
- ❑ The training moved too quickly for my needs
- ❑ The training moved too slowly for my needs
- ❑ Don't know

E36. How satisfied were you with the <u>instructor</u> for the community development lending training?

- ❑ Mostly satisfied → **Skip to E37**
- ❑ Not satisfied
- ❑ Don't know→ **Skip to E37**

E36a. Why were you not satisfied with the instructor? **(Check all that apply)**

- ❑ The instructor was not sufficiently knowledgeable on the topic
- ❑ The instructor was not sufficiently organized or did not present well
- ❑ The instructor was not responsive to questions or comments
- ❑ Other (Explain): ____

E37. How satisfied were you with the <u>instructional materials</u> for the community development lending training?

- ❑ Mostly satisfied → **Skip to E38**
- ❑ Not satisfied
- ❑ Don't know→ **Skip to E38**

E37a. Why were you not satisfied with the instructional materials? **(Check all that apply)**

- ❑ The materials were not clear
- ❑ The materials were too detailed
- ❑ The materials were not detailed enough
- ❑ The materials were not available to take home with me
- ❑ Other (Explain): ______________________________________

E38. How satisfied were you with the format/method (e.g., classroom or internet-based) of the community development lending training?

- ❑ Mostly satisfied → **Skip to E39**
- ❑ Not satisfied
- ❑ Don't know→ **Skip to E39**

E38a. What is the main reason you were not satisfied?

Explain: ____

Impact of Community Development Lending Training

E39. Did the community development lending training improve your organization's ability to do any of the following:

	greatly improved our ability to...	somewhat improved our ability to...	did not improve our ability to...	Unsure
a. Measure or assess market demand – Is this relevant to this training?	❑	❑	❑	❑
b. Design products and services for the target market	❑	❑	❑	❑
c. Understand and develop loan pricing	❑	❑	❑	❑
d. Develop procedures for servicing, monitoring, and collecting loans, if done in house	❑	❑	❑	❑
e. Make use of portfolio management tools and techniques	❑	❑	❑	❑
f. Communicate and market effectively to customers	❑	❑	❑	❑

E40. Did your organization either develop a new community development lending product or enhance an existing community development lending product after receiving the training?

- ❑ Yes → **Skip to E41**
- ❑ No
- ❑ Don't know / unsure → **Skip to E42**

E40a. Did the training help you to determine that your organization's existing community development lending products were sufficient?

- ❑ Yes → **Skip to E43**
- ❑ No → **Skip to E43**
- ❑ Don't know / unsure → **Skip to E43**

E41. Did the community development lending training influence your organization's decision develop a new program or enhance an existing program?

- ❑ Yes
- ❑ No → **Skip to E41b**
- ❑ Don't know / unsure → **Skip to E43**

E41a. What specific changes did your organization make as a result of the training? **(Check all that apply)**

- ❑ Developed a new loan product
- ❑ Increased or enhanced marketing of existing product(s)
- ❑ Changed pricing of existing product(s)
- ❑ Acquired or changed partners
- ❑ Created or revised servicing policies or procedures
- ❑ Created or revised underwriting policies or procedures
- ❑ Other changes (Describe)___________________________
- ❑ Don't know / unsure

Skip to E42

E41b. If the community development lending training did not influence your organization's decision to develop a new program or enhance an existing program, why not? **(Check all that apply)**

- ❑ The person who took the training did not complete the training
- ❑ The person who took the training left the organization before any changes could be implemented
- ❑ The person who took the training did not at the time have the skills or knowledge to benefit from it
- ❑ The training was of poor overall quality
- ❑ The training was not specific enough to be useful to my organization
- ❑ Other reason:____
- ❑ Don't know / unsure

E42. Did the community development lending training benefit your organization in any other way?

- ❑ Yes (Describe): ________________________________
- ❑ No
- ❑ Don't know / unsure

E43. Was the community development lending training worth the cost to your organization in terms of money and staff time? (Please include travel and other indirect costs.)

- ❑ Yes
- ❑ No
- ❑ Somewhat (Explain) ________________________________
- ❑ Don't know / unsure

E44. Would you recommend the community development lending training to other staff in your organization or to other organizations in the CDFI industry?

- ❑ I would recommend the training
- ❑ I would not recommend the training
- ❑ Don't know / unsure

Training Needs

The following questions request information on your organization's current and future training needs. In this survey, we use "training" to describe any type of knowledge transfer activity that helps your organization to operate effectively and/or build capacity, including activities commonly referred to as "Technical Assistance."

E45. In which of the following areas does your organization need training and/or Technical Assistance (service not funding) in order to operate effectively and grow its capacity? **(Check all that apply.)**

[PROGRAMMER: RANDOMIZE ORDER OF ALL RESPONSES EXCEPT "OTHER."]

❑ Applying for CDFI Fund Technical Assistance and Financial Assistance awards ❑ CDFI certification ❑ Preparing a market analysis ❑ Preparing financial projections ❑ Operating a community development lending program ❑ Developing loan policies and procedures ❑ CDFI marketing and branding ❑ Developing new products and services for unbanked populations ❑ Strategic planning ❑ Evaluating my CDFI's capital structure and identifying the optimal capital structure for my CDFI ❑ Accessing new and traditional sources of capital ❑ Fundraising ❑ Accessing the secondary market for loans	❑ Improving my CDFI's asset and liability management strategies ❑ Accessing and using the New Market Tax Credit Program ❑ Accessing and using new technology that is relevant to the CDFI industry ❑ Assessing individual and community impact ❑ Training on federal programs ❑ Training specific to organizations serving rural areas ❑ Training specific to organizations serving Native American communities ❑ Training specific to community development venture capital organizations ❑ Training specific to micro enterprise organizations ❑ Other (specify)____________________________

E46. Which of the training areas identified above are of highest priority to your organization? Identify up to three, where "1" is a top priority and "3" the lowest priority of the 3 priority training areas selected.

[PROGRAMMER: DISPLAY ONLY ITEMS SELECTED BY RESPONDENT IN ITEM TR67]

____	Applying for CDFI Fund Technical Assistance and Financial Assistance awards	____	Strategic planning
____	CDFI certification	____	Evaluating my CDFI's capital structure and identifying the optimal capital structure for my CDFI
____	Preparing a market analysis	____	Accessing new and traditional sources of capital
____	Preparing financial projections	____	Fundraising
____	Operating a community development lending program	____	Accessing the secondary market for loans
____	Developing loan policies and procedures	____	Improving my CDFI's asset and liability management strategies
____	CDFI marketing and branding	____	Accessing and using the New Market Tax Credit Program
____	Developing new products and services for unbanked populations	____	Accessing and using new technology that is relevant to the CDFI industry
____	Assessing individual and community impact	____	Training specific to organizations serving Native American communities
____	Training on federal programs	____	Training specific to community development venture capital organizations
____	Training specific to organizations serving rural areas	____	Training specific to microenterprise organizations
____	Other (specify)_________________________		

E47. For **[PROGRAMMER – FILL ITEM SELECTED AS "1" IN ITEM ABOVE - TRAINING AREA 1]**, what are the specific topics on which you would like to receive training and/or Technical Assistance?

Describe: ____

E48. For **[PROGRAMMER – FILL ITEM SELECTED AS "2" IN ITEM ABOVE - TRAINING AREA 2]**, what are the specific topics on which you would like to receive training and/or Technical Assistance?

Describe: ____

E49. For **[PROGRAMMER – FILL ITEM SELECTED AS "3" IN ITEM ABOVE - TRAINING AREA 3]**, what are the specific topics on which you would like to receive training and/or Technical Assistance?

Describe: ____

<u>**Methods of Receiving Training**</u>

E50. How would your organization <u>prefer</u> to receive training in **[PROGRAMMER – FILL: TRAINING AREA 1]**? Please identify your top three choices by inserting 1, 2, and 3 into the boxes below. If your preferred method of receiving training is not included on this list, please write it in.

[PROGRAMMER: RANDOMIZE ORDER OF ALL RESPONSES EXCEPT "OTHER."]

- ❑ Traditional classroom training at an off-site location
- ❑ Internet/web-based training that allows interaction with the instructor and with other training participants
- ❑ Self-study through internet or CD ROM
- ❑ Conferences and other opportunities for in-person information exchange
- ❑ Regional or national teleconferences
- ❑ Individualized training / technical assistance received on-site at your organization
- ❑ Other (Describe): ____

E51. Which training methods/formats <u>would **not** be acceptable</u> to your organization for **[PROGRAMMER – FILL: TRAINING AREA 1]**? **(Check all that apply.)**

[PROGRAMMER: RANDOMIZE ORDER OF ALL RESPONSES EXCEPT "OTHER."]

- ❑ Traditional classroom training at an off-site location
- ❑ Internet/web-based training that allows interaction with the instructor and with other training participants
- ❑ Self-study through internet or CD ROM
- ❑ Conferences and other opportunities for in-person information exchange
- ❑ Regional or national teleconferences
- ❑ Individualized training / technical assistance received on-site at your organization
- ❑ Other (Describe): ____

E52. How would your organization <u>prefer</u> to receive training in **[PROGRAMMER – FILL: TRAINING AREA 2]**? Please identify your top three choices by inserting 1, 2, and 3 into the boxes below. If your preferred method of receiving training is not included on this list, please write it in.

[PROGRAMMER: RANDOMIZE ORDER OF ALL RESPONSES EXCEPT "OTHER."]

- ❑ Traditional classroom training at an off-site location
- ❑ Internet/web-based training that allows interaction with the instructor and with other training participants
- ❑ Self-study through internet or CD ROM
- ❑ Conferences and other opportunities for in-person information exchange
- ❑ Regional or national teleconferences
- ❑ Individualized training / technical assistance received on-site at your organization
- ❑ Other (Describe): ____

E53. Which training methods/formats <u>would **not** be acceptable</u> to your organization for **[PROGRAMMER – FILL: TRAINING AREA 2]**? **(Check all that apply.)**

[PROGRAMMER: RANDOMIZE ORDER OF ALL RESPONSES EXCEPT "OTHER."]

- ❑ Traditional classroom training at an off-site location
- ❑ Internet/web-based training that allows interaction with the instructor and with other training participants
- ❑ Self-study through internet or CD ROM
- ❑ Conferences and other opportunities for in-person information exchange
- ❑ Regional or national teleconferences
- ❑ Individualized training / technical assistance received on-site at your organization
- ❑ Other (Describe): ____

E54. How would your organization <u>prefer</u> to receive training in **[PROGRAMMER – FILL: TRAINING AREA 3]**? Please identify your top three choices by inserting 1, 2, and 3 into the boxes below. If your preferred method of receiving training is not included on this list, please write it in.

[PROGRAMMER: RANDOMIZE ORDER OF ALL RESPONSES EXCEPT "OTHER."]

- ❑ Traditional classroom training at an off-site location
- ❑ Internet/web-based training that allows interaction with the instructor and with other training participants
- ❑ Self-study through internet or CD ROM
- ❑ Conferences and other opportunities for in-person information exchange
- ❑ Regional or national teleconferences
- ❑ Individualized training / technical assistance received on-site at your organization
- ❑ Other (Describe): ____

E55. Which training methods/formats would **not** be acceptable to your organization for **[PROGRAMMER – FILL: TRAINING AREA 3]**? **(Check all that apply.)**

[PROGRAMMER: RANDOMIZE ORDER OF ALL RESPONSES EXCEPT "OTHER."]

- ❑ Traditional classroom training at an off-site location
- ❑ Internet/web-based training that allows interaction with the instructor and with other training participants
- ❑ Self-study through internet or CD ROM
- ❑ Conferences and other opportunities for in-person information exchange
- ❑ Regional or national teleconferences
- ❑ Individualized training / technical assistance received on-site at your organization
- ❑ Other (Describe): ______________________________

Impediments to Receiving Training

E56. What impediments or barriers have prevented your organization from receiving training or Technical Assistance in the areas where you have identified a need? **(Check all that apply)**

[PROGRAMMER: RANDOMIZE ORDER OF ALL RESPONSES EXCEPT "OTHER."]

- ❑ Direct cost of training (e.g., registration fees)
- ❑ Direct cost of Technical Assistance (e.g., consultant fees)
- ❑ Travel and other indirect costs
- ❑ Small staff size
- ❑ Lack of time to take training
- ❑ Lack of time to find out about training opportunities
- ❑ Lack of information about training opportunities
- ❑ Lack of relevant course topics/subjects
- ❑ Training currently offered is too advanced or too basic
- ❑ Training currently offered is of poor quality
- ❑ Lack of available internet/web-based training
- ❑ My organization lacks the technology (e.g., internet access) to participate in training currently offered
- ❑ Other barriers (Specify): ______________________

E56a. How would your organization prefer to obtain information about training?

[PROGRAMMER: RANDOMIZE ORDER OF ALL RESPONSES EXCEPT "OTHER."]

- ❑ Mailings from vendors other than trade associations
- ❑ Mailings from trade associations
- ❑ Trade association conferences
- ❑ Trade association or other publications
- ❑ Internet/web sites
- ❑ E-mail
- ❑ Word of mouth
- ❑ Other (specify): ________________

E57. Does your organization have a **budget** for training?

- ❑ Yes
- ❑ No → **Skip to E60**
- ❑ Don't know / unsure → **Skip to E60**

E57a. What is the approximate size of the training budget?

- ❑ Less than $1,000 per year
- ❑ $1,000 to $5,000 per year
- ❑ $5,000 to $10,000 per year
- ❑ More than $10,000 per year
- ❑ Don't know / unsure

E58. What sources of funding does your organization use for training?

- ❑ Grants from government agencies
- ❑ Grants from foundations and other philanthropic institutions
- ❑ Private fundraising
- ❑ Internally generated funds
- ❑ Other (specify):_________________________
- ❑ Don't know / unsure

E59. How has your organization's training budget changed over the past five years?

- ❑ Increased → **Skip to E60**
- ❑ Decreased
- ❑ Stayed about the same → **Skip to E60**
- ❑ Don't know / unsure → **Skip to E60**

E59a. Has the decline in the training budget had a negative effect on your organization?

- ❑ Yes. Explain: ____
- ❑ No
- ❑ Don't know / unsure

E60. Please use the space below to provide any additional thoughts your organization has about the need for training and/or Technical Assistance and how it should be provided.

Describe: ____

____

____

____

____

____

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____

Thank you very much for your participation in this survey. If you have any questions regarding the survey, please contact the Survey Director, David Deal of Abt Associates Inc., toll free at 800-XXX-XXXX or by email at David_Deal@abtassoc.com.

Appendix E
Supplementary Tables

Exhibit E-1. Percent of CDFIs that were Able to Meet or Exceed Any Goal
(Percent of CDFIs by type that were successful)

CDFI Type	Percent of CDFIs Able to Meet or Exceed Any Goal (successful applications) (N=204)	Percent of CDFIs Able to Meet or Exceed Any Goal (unsuccessful applications) (N=163)
All	**86%**	**36%**
CDFI Type *		
Loan Fund	86%	41%
Bank/thrift	89%	NA*
Credit Union	85%	25%
Venture Capital Fund	89%	NA*
CDFI Size (Assets)		
<$5M	74%	30%
$5-$10M	97%	32%
$10-$20M	94%	33%
>$20M	93%	55%
CDFI Age *		
<=5 years	56%	NA
6-10 years	84%	28%
11-20 years	89%	42%
21+ years	90%	43%

* Too few banks (8), venture capital funds (4), institutions under 5 years old (4) with unsuccessful applications provided information.

Exhibit E-2. Survey Respondent Feedback on Reasons for not Applying for FA
(Percent of CDFIs by type)

CDFI Type	Percent of non-applicants that thought there was a low probability of award	Percent of non-applicants that thought the level of effort to apply was too high	Percent of non-applicants that had other funding sources	Percent of non-applicants that could not meet match fund requirements	Percent of non-applicants that felt future reporting requirements too high
All (n=75)	**37%**	**36%**	24%	24%	23%
CDFI Type (n=69)					
Loan Fund (35)	51%	46%	435	37%	31%
Bank/thrift (4)	NA	NA	NA	NA	NA
Credit Union (21)	24%	29%	14%	19%	24%
Venture Fund (3)	NA	NA	NA	NA	NA
CDFI Size (Assets) (n=53)					
<$5M (31)	45%	42%	32%	35%	29%
$5-$10M (8)	75%	38%	25%	38%	38%
$10-$20M (4)	NA	NA	NA	NA	NA
>$20M (9)	11%	44%	44%	11%	22%
CDFI Age (n=56)					
<=5 years (2)	NA	NA	NA	NA	NA
6-10 years (15)	47%	20%	13%	27%	13%
11-20 years (14)	50%	50%	50%	50%	43%
21+ years (24)	29%	46%	29%	17%	29%

NA signifies there were fewer than 5 observations in the cell, so no distributions were provided.

Exhibit E-3. Survey Respondent Feedback on Performance Goals and Reporting Requirements (FA Awardees only)
(Percent of CDFIs by type making each suggested this change)

CDFI Type	Percent of FA awardees that agree there should be performance goals for FA awardees	Percent of FA awardees that agree that the performance goals are very or somewhat appropriate	Percent of FA awardees that agree that the level of reporting was just right	Percent of FA awardees that agree that the frequency of reporting was just right
All (n=209)	**78%**	**86%**	**49%**	**70%**
CDFI Type (n=198)				
Loan Fund (151)	83%	88%	49%	77%
Bank/thrift (10)	60%	90%	30%	40%
Credit Union (28)	64%	89%	61%	68%
Venture Fund (9)	89%	88%	63%	88%
CDFI Size (Assets) (n=192)				
<$5M (78)	77%	86%	53%	73%
$5-$10M (34)	88%	91%	39%	73%
$10-$20M (35)	80%	85%	54%	71%
>$20M (45)	73%	89%	48%	66%
CDFI Age (n=195)				
<=5 years (9)	78%	100%	67%	100%
6-10 years (57)	86%	95%	65%	75%
11-20 years (67)	81%	75%	40%	69%
21+ years (62)	70%	95%	44%	68%

Exhibit E-4. Survey Respondent Feedback on Recommended Improvements to the FA Award Process (All Respondents)
(Percent of CDFIs by type making each suggested this change)

CDFI Type	Percent of CDFIs that recommend simplifying the amount of information required	Percent of CDFIs that recommend providing more technical support for applicants	Percent CDFIs that recommend creating a streamlined application for small CDFIs	Percent of CDFIs that recommend reducing reporting requirements for awardees	Percent of CDFIs that recommend supporting overall strategy rather than a specific plan	Percent of CDFIs that recommend providing a longer application period right
All (n=339)	**71%**	**37%**	**55%**	**38%**	**53%**	**27%**
CDFI Type (n=311)						
Loan Fund (220)	71%	35%	52%	40%	57%	25%
Bank/thrift (16)	68%	31%	50%	56%	63%	25%
Credit Union (64)	75%	42%	72%	30%	31%	34%
Venture Fund (11)	82%	18%	45%	27%	73%	18%
CDFI Size (Assets) (n=292)						
<$5M (139)	74%	41%	71%	35%	57%	33%
$5-$10M (49)	76%	45%	53%	45%	43%	31%
$10-$20M (41)	71%	17%	32%	41%	54%	22%
>$20M (63)	71%	24%	30%	44%	59%	22%
CDFI Age (n=298)						
<=5 years (13)	85%	46%	92%	31%	38%	31%
6-10 years (84)	69%	42%	56%	36%	57%	27%
11-20 years (94)	78%	34%	41%	43%	55%	28%
21+ years (107)	73%	28%	58%	42%	50%	27%
Award status (n=311)						
FA award (with or without TA) (205)	73%	30%	46%	39%	55%	25%
No FA award (106)	72%	47%	70%	36%	50%	31%

Exhibit E-5. Receipt of Investments from Sources that Require CDFI Fund Certification

CDFI Type	Number of CDFIs of this type	Percent of CDFIs of this type that received investments from sources requiring certification
All *	**301**	**25%**
CDFI Type	**277**	
Loan Fund	206	27%
Bank/thrift	14	14%
Credit Union	47	26%
Venture Fund	10	20%
CDFI Size (Assets)	**273**	
<$5M	128	23%
$5-$10M	47	23%
$10-$20M	39	38%
>$20M	59	29%
CDFI Age	**273**	
<=5 years	12	42%
6-10 years	77	26%
11-20 years	90	30%
21+ years	94	23%
Awards	**287**	
FA	197	28%
TA only	56	25%
Neither	34	12%

* About 18 percent of respondents did not know whether their organization received funding from sources that require certification.

The number of CDFIs by category may not sum to the total "all" because of missing data.

Appendix F
List of Organizations that Offer Financing Specifically to Certified CDFIs

Survey respondents were asked if they had received funding from non-CDFI Fund sources that required certification. Respondents that answered affirmatively were then asked to provide the names of the three largest sources of funding that required certification (but were not the CDFI Fund). The following list is a compilation of all responses provided by survey respondents, with repeats omitted.

Albina Community Bank
Allfirst/M&T Bank
AmSouth Bank
Appalachian Development Alliance
Banco Popular
Bank of America
Banner Bank
Boston Connects Inc.,
CT Dept. of Economic and Community Development
CT Housing Finance Authority
California Bank & Trust
Calvert Social Investment Foundation
Capital One
Chase Bank
Citibank
City National Bank of NJ
Claude Worthington Benedum Foundation
Colorado Housing and Finance Authority
Comerica
Community and Economic Development Association of Cook County Inc.
Compass Bank
Discover Bank
Empire State Development Corporation
Fannie Mae
First Banks (Colorado)
First City Bank of DC
First National Banks
First Volunteer Bank
FirstBank
Fleet CDC
Ford Foundation
Fremont Investment
Guaranty
HSBC
HUD RHED
J.P. Morgan Chase
Knox County Government
MacArthur Foundation
Miami-Dade County Office of Comm. Ec. Dev.
Mizuho Corporate Bank
NCIF
NCUA
NEEDMOR
NFCDCU
Northwest Area Foundation
Opportunity Finance Network
PA Dept. of Economic and Community Development
RRVB Investors, LLC
SBA
SunTrust Bank
TD Banknorth
Texas Rural Communities
US Bancorp
Wachovia
Walden Asset Management
Washington Mutual
Wells Fargo
Western Financial Bank

Appendix G
Certification Application

Following are specific suggestions for improving the certification application provided by one of the people interviewed in depth:[48]

1. Applicants are required to provide a D&B number on the electronic Signature Page that must be submitted as the cover sheet to all certification applications. However, nowhere in the Certification Application or in the Tutorial for the CDFI Fund Information and Mapping Systems Overview (CIMS) does it make clear that an applicant must have or obtain a Dun & Bradstreet Number in order to become a CDFI.

Recommendation: Include an explanation in both the CDFI Certification Application Instructions as well as the Tutorial for CIMS that a D&B number is required of all organizations applying for certification.

2. In the certification application – the CDFI Completeness Checklist Cover Sheet (page 7) seems to be missing some information – the last box – Development Services looks like it should continue on to another page? In addition, there is no checklist box for Accountability or Non-Governmental Entity status. The page just ends with an unfinished box for Development Services.

Recommendation: Review this page and add missing information including the rest of the *Development Services* information and another box for *Accountability* and *Non-Governmental Entity.*

3. CDFI Certification Criteria – Questionnaire – (page 15) – question #7 asks for "…the total number of Financial Product transactions completed during the most recent fiscal year as reflected on the provided balance sheet." This is a confusing request for applicants as the balance sheet provides a snapshot at a given point in time of the aggregate amount of account items not the amount that can be attributed to the most recent fiscal year. For example, if an applicant were to list all the loans made during the most recent fiscal year – that figure may not be reflected on the balance sheet they have provided if the organization has been making loans for several years. In that case, the applicant's balance sheet would reflect the aggregate amount of loan outstanding rather than those loans made during the most recent fiscal year.

Recommendation: Rephrase the request in #7 by removing the words "as reflected on the balance sheet provided" or reword to say "make sure it is the same fiscal year as the balance sheet provided" so as not to confuse applicants or raise concerns that the numbers in the balance sheet don't match those provided in this particular question.

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[48] These suggestions come from one individual and do not necessarily reflect the views of the Abt research team.

4. The heading for page 19 of the Certification Application contains a spelling error – it reads TABLE MARKET TABLE rather than TARGET MARKET TABLE.

Recommendation: Fix the spelling error.

5. The excel based Accountability Chart that was available to applicants on the Fund's website prior to the October 11, 2006 deadline did not include 2 columns that are included in the PDF version of the Accountability Chart included in the application. Specifically, they are whether the Board members are Government Officials and if so, for what agencies. Applicants are confused by this inconsistency and do not want to be penalized for not providing required information.

Recommendation: Provide the same Accountability Chart for both the PDF version included in the Certification Application and the excel version that should be available on the website for applicants to complete.

6. The excel-based Target Market Table that applicants are asked to fill out and submit does not allow the applicant to enter its Fiscal Year End at the top of the Table. When the applicant attempts to enter its fiscal year end a message pops up indicating that the worksheet is locked and must be unlocked through the use of a password that is not provided to applicants. Presumably most applicants resort to writing this date in by hand.

Recommendation: Unlock the worksheet so that applicants can fill in this information or instruct them to write this date in by hand.

Finally, the Tutorial on the CDFI Fund’s Information and Mapping Services left many questions unanswered. Both the mapping process and the language and instructions provided to applicants were confusing. For example, the instructions never make it clear that the only things applicants will be submitting electronically are the Signature Page and the maps that are attached to this page. A simple statement to that effect would go along way to assisting applicants.

Appendix H
CDFI-Fund Sponsored Training

Southern New Hampshire University

Southern New Hampshire University (SNHU) began offering CDFI Fund-funded training in 2000. They offered three training modules nine times each. The last cycle was completed in December 2004. The majority of people who took the training took all three modules, *How to Conduct a Market Analysis*, *How to Develop and Operate a Community Development Lending Program*, and *How to Prepare Financial Projections*.

Course Format

All training was provided online, and took place over a month. Material was primarily self-study – students downloaded materials and assignments and worked through them at their own pace, although there were interactive components of the course. Each course included a discussion board where participants posted assignments and questions and held online conversations. Real-time group online discussions were also held at scheduled times, which were attended by about 75 percent of participants. In addition, the instructors provided direct feedback to each individual's questions and assignments within 24 hours. This included responding to questions specific to their organization.

Most people who took the training were executive directors and senior staff of new CDFIs or new staff (less than five years' experience) of established CDFIs. Overall, 444 people were trained in three courses for a total of 1,332 training sessions delivered. Courses were expected to take participants 15-18 hours to work through the material.

How to Conduct a Market Analysis

Course Materials

Through the course website, students had access to written material for each section of the course, as well as the following resources:

- A glossary of financial terms
- Related reading materials including selections on the process for designing surveys, the research process used in performing a market analysis, and a case study on the use of census information to make a business decision
- An example of a market survey
- External links to websites for organizations that provide support for CDFIs, statistical software vendors, and sources of data including sites such as the U.S. Census Bureau, FedStats, Statistical Abstract of the United States, the Bureau of Labor Statistics, and others.
- A list of resource including flow charts, consumer data resources, competitive data resources, market data resources, cost data resources, computer data resources, the U.S. census, and software.

Students were also given three brief assignments. They were asked to provide a brief description of their CDFI on the discussion board early in the training. By the end of the second week, they were to develop a brief survey to hypothetically administer to a segment in their CDFI's market, describe who to target with the survey, the size of the population being targeted, the most important pieces of information to be gained from the survey, and the method for administering the survey. They were also asked to obtain secondary data about their CDFI target area. The last assignment, to be completed by the end of the training, was to select a market segment served by the CDFI, determine the number of units in the segment, and design a brief survey for the segment and a survey method.

Course Content

The objectives of *How to Conduct a Market Analysis* were to provide CDFI staff and managers with the tools to:

- Research and define the demographic market in the CDFI service area;
- Define the difference of need versus demand for CDFI products;
- Determine the market demand for the CDFI/constituent service;
- Segment markets by demographic variable in the CDFI area;
- Design data collection/survey strategies for CDFI households and businesses; and
- Determine the market share to be captured and serviced by the CDFI.

An outline and brief description of the course is provided below.

- The ***Introduction*** covered definitions and discussed the kinds of questions market analysis can answer such as products to offer and pricing, market areas that can be analyzed, when analysis can help, and when analysis cannot help.
- ***The Market Analysis Process*** provided a brief review the steps involved in market analysis and a more detailed discussion of components of the market analysis process including demand, the questions addressed at each stage of the process, the strategic planning process and market demand, the sources of information for market analysis, and how to determine market demand using primary data collection.
- ***Collecting Data for Your CDFI Market Analysis*** provided an overview of the desired characteristics of information used in a market analysis, the difference between primary and secondary data, an overview of how to collect primary data, various ways to ask questions in a survey including using open-end and closed-end questions. It also provided more detail on secondary data including their uses, functions, types, and disadvantages and advantages, and discussed pros and cons of primary data collection methods.
- ***More Analysis*** discussed more technical aspects of market demand analysis, including who, how, why, and what to measure; selecting samples; confidence, reliability, and error in the sample; and determining appropriate sample size. It also reviewed steps in preparing for analysis; data tabulation; establishing categories; editing and coding; tabulations; summarizing data; and analysis tools.

- ***Putting It Together*** described the process of combining the concepts and data discussed to prepare a market analysis report, including making a decision about selecting the right combination of primary and secondary data, segmenting the market, determining the market capture percentage, determining demand by size and type of loan, designing the market data collection approach, and coding data collected. It also reviewed data analysis including using descriptive statistics, using cross-tabulations, drawing conclusions from the data, and components of the market plan.

How to Develop and Operate a Community Development Lending Program

How to Develop and Operate a Community Development Lending Program focused on the tools necessary to implement a loan fund. A combination of "lecture" notes, readings, case studies, and links to tools and samples were used during the course. Students were encouraged to learn from each other by working with other students on case studies.

Course Materials
Students were provided with lecture notes for the course online, as well as several other materials:

- External links to sites such as the LISC Online Resource Library, microenterprise links, sites with information about community development and CRA, and sites with information about finance and community development lending.
- Readings and case studies
- Samples and tools on designing, operating, and managing a loan fund including a market analysis checklist; sample applications, loan policies, and closing documents; and portfolio management tools and policies, loss reserve policies, and risk rating systems.

Students were also asked to complete three assignments. The first assignment involved interviewing community members to learn more about the CDFI's community and its financing requirements. The second assignment was due by the end of the third week, and required students to collect loan applications and policies and procedures from several types of financial institutions and then determine what types of loans to offer, whom to serve, and what types of technical assistance to offer. In the third assignment, students wrote memos proposing portfolio management policies, including equity requirements, loan loss reserve requirements, and portfolio diversity.

Course Content
The course was designed to provide CDFI managers and staff with the tools to:

- Design and offer loan product(s);
- Market, service, and collect loans;
- Translate/equate CDFI objectives to portfolio construction;
- Monitor portfolios;
- Understand costing and cost structures of loans;

- Effectively communicate with community and stakeholders; and
- Assess/measure loan performance with community impact on target market.

The course was divided into three main sections: designing a loan program, operations, and managing the portfolio. An outline of the course and a brief description of each component are provided below.

Designing a Loan Program

- ***Introduction*** reviewed the definitions of a community development lending program and a community development financial institution, and characteristics of successful community development programs and defining a mission.
- ***Types of capital*** discussed the difference between equity and debt; various ways to provide debt; common types of loans including term loans, lines of credit, and bridge loans; and rates and terms.
- ***Types of capital need*** discussed housing development, business development, and consumer lending.
- ***Developing the loan product*** described answering questions to develop appropriate loan products, including who are your borrowers and what are the eligible projects you hope to finance.
- ***Managing the risk*** reviewed tools used to mitigate risk, including maximum and minimum loan amounts, collateral and security requirements, equity requirements, underwriting requirements, credit reports, collection terms, technical assistance and development services, and marketing.

Operations

- ***Loan review process*** listed considerations in defining the loan review process and the use of legal counsel.
- ***Application and screening*** described aspects of the loan review process such as the first contact with the borrower, loan requests, information to gather on applications, fair credit considerations, and policies for rejecting borrowers.
- ***Underwriting and decision making*** reviewed credit screening, components of a credit memo, and the use of credit scoring.
- ***Setting terms*** discussed how to balance costs of operating a loan fund with the needs of borrowers, including estimating operating costs, estimating capital costs, loan pricing, and the repayment structure.
- ***Closing the loan*** reviewed commitment letters, pre-closing requirements and the closing schedule, the provisions of a promissory note, corporate borrowing resolutions, loan agreements, collateral documents, assignments, subordinations and other inter-creditor agreements, and recording the loan.
- ***Servicing the loan*** provided an overview of organizing loan files, collecting payments, regular reporting and contact, and extensions and adjustments.

Managing the Portfolio

- ***Monitoring*** discussed reporting on loan performance and board oversight.
- ***Loan loss reserves*** reviewed factors to consider in setting loan loss reserves.
- ***Risk rating systems*** reviewed the purpose of risk rating systems.
- ***Management policies and portfolio ratios*** discussed managing portfolio risk through the equity policy, loan loss reserve ratio, liquidity policies and ratios, and portfolio diversification policies such as product mix, structure mix, and maximum loan size.
- ***Problem loans*** described loan policies on problem loans including pre-default actions, default, workout, and acquisition/liquidation. It also reviewed lender obligations in fiduciary duty.
- ***Evaluating impact*** described assessing the CDFI's success in meeting their mission and goals.

How to Prepare Financial Projections

Financial Projections was designed to help CDFI staff prepare realistic financial projections for their financial institution and to help them understand their clients' financial projections for his/her small business.

Course Materials

- External links to supporting organizations for CDFIs, the SEC database, Spredgar, and CreditGuru.com.
- Glossary of financial terms
- Excel spreadsheets for use in projecting financial statements
- Case studies and readings.

Students were asked to complete two assignments involving analysis of case study companies.

Course Content

Financial Projections was intended to provide CDFI staff and managers with the ability to:

- Create financial statements for their CDFI;
- Read and understand financial statements including balance sheet, income statement, and statements of cash flow;
- Develop integrated financial statements from market research, definition and projection;
- Develop liquidity, profitability, distress, and expense ratios as well as cross-industry peer comparisons;
- Understand the differences between small business and larger business statement preparation and analysis;

- Develop forecasting techniques for sales/service projections; and
- Create budgets from developed projections as a management tool.

The course material was organized into the following sections: Introduction, CDFI Operations and Projections, Making Projections, Financial Statements, CDFI Financial Statement Projections, and Projecting Delinquencies. Each of these sections is described briefly.

- ***Introduction*** reviewed the uses of financial statement projections and simple calculations used in projections. A case study was used to identify assumptions and generate questions based on the assumptions for answering in future planning for the CDFI.
- ***CDFI Operations and Projections*** discussed the types of costs that a financial institution needs to cover with its income, including the cost of funds, loan loss reserves, and operating costs. It also reviewed how to project these costs, as well as the income to the CDFI, the effect of repayment rates on a CDFI's revenue, minimizing idle funds, and a step-by-step description of the process that CDFIs can follow to determine an appropriate rate and interest structure
- ***Making Projections*** reviewed the techniques used in projecting, including using average increase, cyclical projections, compound growth, moving averages, and regression analysis.
- ***Financial Statements*** reviewed the components of balance sheets, income statements, and the statement of cash flows.
- ***CDFI Financial Statement Projections*** discussed projections for a start-up CDFI with no financial history, developing a balance sheet, income statement, and statement of cash flows after one year of operation, projecting these statements for the next four years, and conducting sensitivity analysis to analyze the effects of using different assumptions.
- ***Projecting Delinquencies*** reviewed use of averaging techniques to analyze and project delinquencies; dealing with cyclical data; and using compound growth, moving averages, and regression analysis to make projections.

Course Evaluations

Aggregated course evaluations indicate that the majority of participants were satisfied with the courses. Participants had the highest satisfaction with *Community Lending*, with all respondents agreeing that "overall, this course met my expectations." In comparison, 90 percent of respondents agreed with this statement for *Financial Projections*, and 85 percent of respondents for *Market Analysis*.

Similarly, 100 percent of participants in *Community Lending* agreed with the statement, "I would recommend this training to others in my organization." The same was true for 90 percent of those evaluating *Financial Projections* and 54 percent of participants in *Market Analysis* (and an additional 38 percent said "maybe yes").

Community Lending was rated Excellent by 83 percent and Good by 17 percent of participants; *Financial Projections* was also rated Excellent by 83 percent, Good by 12 percent, and Average by 5 percent of participants; and *Market Analysis* was rated Excellent by 62 percent, Good by 21 percent, and Average by 17 percent of participants.

National Federation of Community Development Credit Unions

The National Federation of Community Development Credit Unions (NFCDCU), an association of credit unions that serve predominantly low-income communities throughout the United States, presented three courses under contract with the CDFI Fund. These were *How to Develop and Operate a Community Lending Program, How to Prepare Financial Projections,* and *How to Conduct a Market Analysis*.

Course Format

All three courses were offered from 2001-2002 through Regional Training Workshops in locations around the country. *Community Lending* covered two full days, *Market Analysis* covered one day, and Financial Projections generally covered two days.[49]

Thirty-four workshops were given, to a total of 436 participants (although some people took more than one course). This included staff from 204 different credit unions. Altogether, 203 people took *How to Conduct a Market Analysis*, 78 people took *How to Develop and Operate a Community Lending Program*, and 155 people took *How to Prepare Financial Projections*.

Course Objectives

According to the NFCDCU: "The long-term goals of the program were to help CDCUs achieve the following objectives:

- formulate and implement strategic plans;
- achieve broader community impacts, reflected in increased overall loan volume, with expanded lending for home ownership and small businesses;
- expand products and services;
- upgrade financial management, operations, and use of leading-edge technology, including automated lending tools;
- compete effectively for capital from community, private and public sector sources;
- expand talent pool and career prospects for CDCU managers and staff; and,
- increase institutional stability of CDCUs."[50]

In addition, NFCDCU had short-term objectives for the courses that included providing training to small and emerging CDCUs that was specifically tailored to their needs; encouraging CDCUs to

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49 Based on the training schedule, it appears that Financial Projections was occasionally offered as a one-day course.

50 Owens, Pamela, "Regional Training Workshops for CDCUs: Market Analysis, Community Development Lending, Financial Projections," Final Report Prepared for U.S. Department of the Treasury CDFI Fund, undated.

pursue CDFI certification and other designations that would expand their access to funding sources; and expand support networks for smaller institutions.[51]

How to Prepare Financial Projections

This course was designed to help participants to develop organizational goals through strategic planning; price new products and services; read and interpret financial statements; and develop justifiable financial projections.

Course Materials

Participants were provided with a manual containing the material covered by the instructor, a case study used during the course, and handouts on:

- Strategic planning;
- Assessing financial condition and performance;
- Pricing of new products and services;
- Financial statement analysis;
- Ratios;
- Financial projections; and
- A glossary of financial terms.

In addition, each participant was given a diskette that contained a spreadsheet with a financial projection model. This model enabled participants to plug in their financial numbers and generate reports needed in forecasting.

Course Content

Day One of *Financial Projections* provided an overview of financial projections, strategic planning, and financial statement analysis. On Day Two, participants worked in small groups to look at the financial performance of a credit union, and then received instruction about preparing financial projections. An outline and brief description of the course is provided below.

- ***How to develop financial projections*** provided an overview of what financial projections are and why they useful for credit unions.
- ***Strategic planning*** discussed the role of strategic planning in financial projections, the steps in strategic planning, the role of boards of directors in planning strategically, and elements of risk.
- ***Assessing the financial condition and performance of a credit union*** included how to conduct a SWOT (strengths, weaknesses, opportunities, and threats) analysis, conduct a basic internal audit, and identify external forces that should be considered.

[51] Ibid.

- ***Pricing of products and services*** reviewed determining the best pricing system by gathering data, comparison shopping, and conducting a planning session; offering services while effectively managing the operating expense ratio; and communicating pricing decisions to members.
- ***Selling to your members*** covered product education including how products will benefit members and the credit union; cross-training staff to sell using role play and "warm calls"; and promoting products and services.
- ***Financial statement analysis*** provided definitions of terms used in financial statement analysis, financial management, and accounting. It also provided an overview of balance sheets, income statements, and cash-flow statements, as well as the differences between cash and accrual accounting.
- ***Ratio analysis*** reviewed five broad categories of ratios, including liquidity, earnings/profitability, solvency, capital adequacy, and asset quality. Definitions and formulas for ratios were provided.
- ***CAMEL (capital, asset quality, management, earnings, and liquidity) ratios*** covered key ratios for credit unions, and provided a method for benchmarking these ratios against peer performance.
- ***Financial projections*** provided additional overview of accounting and projection concepts. These included assumptions, scenarios, and conducting flow analysis to compare income and expense flows. It also provided a set of steps for projecting a balance sheet and income and expense statement.

Students were given a take-home assignment to use the methodology taught to monitor the financial condition of the participants' credit union. Participants were to answer questions such as: Is your credit union profitable? Growing? Are you serving your members? Potential members? What are the growth/weakness patterns? Will your credit union be profitable with the present rate of growth over the next 3-5 years? Technical assistance staff at NFCDCU were available to work with participants on answering these questions.

How to Conduct a Market Analysis

The objectives of *Market Analysis* were to provide students with an understanding of the principles of market research and analysis; familiarity with tools for market research; knowledge of how to analyze data obtained through market research; and ability to make informed decisions about CDFI growth and directions from the market analysis. The course combined presentation, group discussion, and group exercises.

Course Materials

In addition to a manual containing the slides used by the instructor in her presentation, participants were given sample market research surveys and background articles on market research including:

- The Market Research Toolbox: A Concise Guide for Beginners;
- The Arthur Andersen Guide to Talking with Your Customers;

- The Handbook for Focus Group Research;
- American Wealth;
- Show Me the Money! A Survey of Payday Lenders and Review of Payday Lender Lobbying in State Legislatures;
- Rent to Own Firm Struggles to Reassemble 'Credibility';
- Payday Lending Flourishes in Credit Union-Land's Own Backyard;
- NCUA Sees CU's Service to Underserved as Critical to Predatory Lending Fight; and
- Reinvestment Alert: Unregulated Payday Lending Pulls Vulnerable Consumers Into Spiraling Debt.

Course Content
A brief description of the components of the Market Analysis course is provided below.

- ***Definitions*** reviewed terms used in market analysis, the reasons for doing market research, and the components of market research.
- ***Market research methods and tools*** discussed data used in market research, surveys and focus groups, consulting experts, and using information from operations. It also reviewed potential samples used in conducting market research, including the community/neighborhood, users/beneficiaries of the credit union, and the competition.
- In ***Using the tools to research a target market***, students participated in a group exercise analyzing sample data provided for a target market. Students used Census, HMDA, and FFIEC data to identify the community served by the credit union, the key characteristics of the people in the community, and the availability of credit. They also used information from a case study to develop a summary of the membership and identify additional information that would be useful in planning new products and services.
- In ***Using technology to study your market***, the instructor used a computer projector to demonstrate to participants where to find and how to use the CDFI online help desk via the web. The instructor also identified other useful websites.

The course also covered ***Researching the competition*** and ***Integrating the market analysis into strategic planning***.[52]

How to Develop and Operate a Community Lending Program

Community Lending was designed to help participants to develop and operate a community lending program; process loan applications from the initial interview to the collection stage; and expand and provide complete loan services.

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[52] No detail about the discussion was provided in the materials available for analysis for these portions of the course.

Course Materials
In addition to a brief outline of the information covered in the course, students were provided with the following materials:

- Community Development – Frequently Asked Questions;
- Community Development – The Players;
- A sample business loan application;
- A Model of Technical Assistance to Micro and Small Businesses;
- Definitions Adopted by the Virtual Library on Microcredit;
- A sample internal bank loan review;
- Summary of Consumer Credit Laws;
- Credit Union Business Lending Guidelines; and
- Glossary of CDFI accounting and financial terms.

Course Content
In addition to lecture and discussion, the instructor used case studies of loan applicants to give students practice in determining the necessary qualifications for loan approval. The cases also covered actual credit union management of particular loan applications, to provide additional insight into better practices and possible pitfalls in community lending. The topics discussed during the course are summarized below.

- ***Defining "community development" and a "community development lending program"*** covered these definitions as well as the types of CDFIs, gap financing, and market analysis. It also discussed resources for community development organizations.
- ***Overview of the lending process*** included a definition of financial intermediary and a discussion of how a financial intermediary makes money, the needs of savers and borrowers, and the needs of the organization.
- ***Role, responsibilities and needed qualifications of a lending officer*** discussed these aspects of a lending officer as well as the difference between the role of a lending officer in community development versus banking.
- ***Types of borrowers*** reviewed retailers, wholesalers, manufacturers, service businesses, and craftspeople/artisans.
- ***Interviewing techniques and the application process*** included the interview, the application, as well as additional information including references and income verification. Students participated in a role-playing exercise, taking the parts of lenders and borrowers to conduct an interview of a prospective borrower.
- ***Designing and offering loan products*** described how to determine what customers want, what they need, finding out who else is providing the same service, and collaborating with others.

- ***Conducting a loan investigation*** covered the components of an investigation including stability, residence, employment, credit history, and undisclosed information. Students participated in a role- playing exercise of conducting a loan investigation.
- ***Performing loan analysis and underwriting*** covered the process of qualifying an applicant for a loan, including considering the "Cs" of credit and financial statement analysis, reviewing collateral, cosigners, and credit enhancements, and tactfully rejecting an applicant. Students participated in a team exercise of qualifying an applicant.
- ***Loan documentation and loan closing*** reviewed documenting the authority to borrow, how to handle sole proprietors, partnerships, and corporations, documenting the debt, attaching the collateral, "perfecting" the credit union's interest in the collateral, and closing items.
- ***Managing loan accounts*** covered regular contact with borrowers, updating information such as financial statements and insurance coverage, proactive collections, and establishing a loan loss reserve.
- ***Need for additional services*** described cross-selling loan clients and obtaining referrals.

Dickerson Knight Group

The Dickerson Knight Group (DKG) is a management-consulting firm located in New York City with a focus in emerging markets and community development. DKG provides advisory and training services to a variety of clients in the U.S. and internationally. DKG presented two different courses for the CDFI Fund during 2001: *Developing and Operating a Community Development Lending Program*, and *Developing Financial Projections*.

Course Format

Both courses were taught in-person in six different cities and covered three full days. *Developing and Operating a Community Development Lending Progra*m was presented to a total of 70 participants; *Developing Financial Projections* was presented to 67 participants. Although some people enrolled in both courses, many attended only one.

Developing and Operating a Community Development Lending Program

Developing and Operating a Community Development Lending Program involved both lecture/discussion and hands-on exercises. Participants were given a pre-course assignment that involved reading a case study of a community fund and writing a mission statement and recommending loan products for the fund.

Course Content
Material presented in Developing and Operating a Community Development Lending Program was divided into nine modules:

- Day 1: The Strategic Plan and the Lending Program; The Target Market; Determining Loan Products and Services
- Day 2: Policies; Loan Procedures; Servicing and Monitoring Loans
- Day 3: Portfolio Management; Program Evaluation; Getting the Word Out

Participants were provided with a manual that included a detailed outline of the material covered and worksheets used during in-class exercises. Each of the modules presented during class and included in the manual is summarized below.

- ***The Strategic Plan and the Lending Program*** described the role of the strategic plan; internal factors affecting the strategic plan such as the organization's strengths and weaknesses; and external factors affecting the strategic plan such as competition and partners.
- ***The Target Market*** covered selecting parameters to define the target market, exploring target market needs and goals, conducting competitive analysis, and identifying target market needs unmet by the competition.
- ***Determining Loan Products and Services*** addressed the loan features to consider, borrowers' technical assistance service needs, analysis of whether products and services

enable the CDFI to achieve its mission, and an assessment of the organization's capacity (including funding, staffing, and community resources) to operate a lending program.

- ***Policies*** provided a review of the topics that should be covered in a policies and procedures manual, and questions to consider when setting policy. Topics covered in this module included the mission statement, the board of directors, the loan committee, code of conduct, description of products and services, staff descriptions and responsibilities, borrower eligibility, loan pricing, and collateral/loan support.
- ***Loan Procedures*** completed the review of the topics to be included in a policies and procedures manual. Loan procedures discussed included the loan application and supporting documents, processing loan applications, and closing and disbursement.
- ***Servicing and Monitoring Loans*** addressed the policies a CDFI should establish for loans after they are originated. The module addressed payment policies, write-off policies, maintenance and organization of credit files, and risk ratings. The manual stressed the importance of establishing policies in running a well-managed lending program.
- ***Portfolio Management*** described the steps involved in managing loans that are held in the CDFI's portfolio. These included risk mitigation measures such as portfolio diversification and establishing a maximum loan size and one-obligor limit; creating and using aging schedules to evaluate the quality of a loan portfolio; and setting loan loss reserves.
- ***Program Evaluation*** reviewed the tools and methods CDFIs can use to assess their performance. Participants discussed how to measure the impact of their program on the target market, such as number of jobs created or retained, the number of affordable housing units created or rehabilitated, and the number of clients receiving technical assistance. The module also covered management information systems for tracking portfolio and performance measurement.
- ***Getting the Word Out*** addressed the challenge CDFIs face of making potential borrowers aware of the lending program. The module described working with traditional financial institutions to reach potential borrowers as well as other outreach activities, such as advertising and meeting with community groups.

In-Class Exercises

In-class exercises were based both on the pre-course assignment case study and an additional case study (a CDFI business plan). A list of the in-class exercises included in each module is in Exhibit H-1. In addition to the case studies, participants used their own organizations for some exercises, such as determining what non-loan services to provide, recommending appropriate loan products, and writing a staffing plan.

Exhibit H-1

Day / Module	**In-Class Exercises**
Day 1	
The Strategic Plan and the Lending Program	
The Target Market	Defining a target market Exploring target market needs and goals Determining what non-loan services to provide Conducting a competitive analysis Identifying the target market needs unmet by the competition
Determining Loan Products and Services	Identifying appropriate loan products Writing a mission statement Determining staffing including responsibilities and qualifications for each position
Day 2	
Policies	
Loan Procedures	Determining what documents to request with loan applications
Servicing and Monitoring Loans	
Day 3	
Portfolio Management	Completing an aging schedule Determining the loan loss reserve
Program Evaluation	Determining the parameters to use for measuring impact on the target market
Getting the Word Out	

Course Evaluations

Virtually all course attendees who provided course evaluations indicated that the training met their expectations and provided information that would be useful for their organizations. Participants also seemed to value the interaction with the other attendees. They found the modules on determining loan products and services, policies, loan procedures, servicing and monitoring loans, and portfolio management to be the most valuable.

A sample of comments from course evaluations includes:

> *"The program gave me good ideas for tighter controls."*
>
> *"The discussion on the aging schedule and portfolio spreadsheet made me reflect back on some changes I should make to my credit policies."*
>
> *"The program has encouraged me to re-evaluate our policies and procedures and also examine our portfolio management procedures."*
>
> *"The presentation of the loan products and features helped me understand how to match the products to the market."*
>
> *"I thought the discussion on portfolio management was most useful. This is an area of weakness for a lot of CDC/CDFIs."*

Developing Financial Projections

"Developing Financial Projections" was designed to increase the ability of CDFI staff and managers to develop and produce financial projections and to use financial statements, with the ultimate goal of promoting CDFI sustainability and the economic growth they foster in their target markets.

The course involved both lecture/discussion and hands-on exercises. Participants were also given a pre-course assignment that involved answering questions about a case study of a CDFI business plan, with particular focus on the financial projections.

In addition to the manual, participants also received the following reference materials:

- Not-for-Profit Accounting Overview – a presentation-format review of accounting principles
- Glossary of CDFI Accounting and Financial Terms
- CDFI Ratio Definitions and Calculations
- *What a Difference Nonprofits Make: A Guide to Accounting Procedures* – a publication from Accounts for the Public Interest

Course Content
The training was divided into 12 modules:

- Day 1: Overview on Projections; The Not-for-Profit Organization; Not-for-Profit Accounting; CDFI Financial Statements; Historical Analysis of the CDFI
- Day 2: Ratio Analysis of CDFIs; Other Analytical Techniques; Projections Background; Projection Assumptions
- Day 3: Projection Process; Projection Methodology; Sensitivity Analysis

Participants were provided with a manual that included a detailed outline of the material covered and worksheets used during in-class exercises. Each of the modules presented during class and included in the manual is summarized below.

- ***Overview on Projections*** discussed what forecasting is, the reasons for forecasting, and the tools necessary to forecast such as and understanding of the organization's strategic plan, objectives, and credit policies. The module also provided an overview of the strategic plan, including its role, internal and external factors to consider in developing a strategic plan, performance measures, and credit policies.
- ***The Not-for-Profit Organization*** module included its tax-exempt classification, restrictions on activities, and its characteristics and organizational objectives.
- ***Not-for-Profit Accounting*** and ***CDFI Financial Statements*** provided a definition of not-for-profit accounting and an overview of CDFI financial statements. The review of the

statement of financial position, the statement of activities, the statement of cash flows, and notes to the financial statements, included a discussion of definition of components of each statement such as "current assets," "interest receivable," and "grants and contributions."

- In ***Historical Analysis of the CDFI***, participants practiced conducting a historical analysis of a CDFI's performance by "spreading" financial data contained in the financial statements to a form that enables analysis. An in-class exercise based on a case study was used to spread three years of financial statements to prepare data for analysis.
- ***Ratio Analysis of CDFIs*** described the purpose of ratio analysis, definitions of various types of ratios used (such as capital ratio and deployment ratio), and covered the mechanics of ratio calculations. Participants calculated ratios and analyzed the financial performance of the case-study loan fund during the module.
- ***Other Analytical Techniques*** reviewed other methods for evaluating a CDFI's performance, including portfolio aging, establishing loan loss reserves, and portfolio runoff. Participants were involved in two in-class exercises: portfolio aging and calculating a delinquency rate; and establishing loan loss reserves.
- ***Projections Background*** addressed the definition of and reasons for doing projections, who and what is involved in projections, determining appropriate assumptions for use in projections, and briefly reviewed the steps involved in projections.
- ***Projection Assumptions*** went into more detail about the assumptions that should be used in creating projections, including their characteristics (such as logical and consistent), the external factors that affect assumptions, and where to obtain information to use in developing assumptions.
- ***Projection Process*** reviewed the steps involved in making projections, including performing due diligence review, review CDFI historical performance, record key findings and conclusions, select "key driver" accounts, develop assumptions that drive the projections, forecast individual accounts within the statement of position and the statement of activities, balance the financial statements, and conduct sensitivity analysis.
- ***Projection Methodology*** provided detail about the mechanics of forecasting individual "key driver" accounts such as loan portfolio (including existing and new loans and projecting loan loss reserves), interest income, contributions and donations, application fees and other program fees, net assets released from restrictions, and support and program expenses. Based on these key accounts, the module also presented steps for projecting the statement of functional expenses and the statement of financial position.
- The ***Sensitivity Analysis*** module described the reasons for and the process of conducting sensitivity analysis.

Course Evaluations

Most course attendees who provided course evaluations said that the program met their expectations and provided information that would be useful to their organizations.

Based on comments provided on course evaluations, participants seemed to find the manual to be very useful both in class and for future use as a reference. They generally found the amount of material covered was ambitious, which limited in-class exercises and discussion to a degree.

Some comments from course evaluations include:

> *"The workshop has helped me be vigilant about managing my loan portfolio with respect to delinquencies."*
>
> *"The manual is well written and should always be used as a reference on the job and for personal study."*
>
> *"I would like the course to have been more participatory."*
>
> *"I found the discussion on the general industry parameters to use as benchmarks most useful."*
>
> *"As a result of the course, I realize there are certain things that I need to do differently from how I am currently operating."*
>
> *"The program has significantly improved my methodology."*

National Community Capital Association

The National Community Capital Association (NCCA), a national membership organization of CDFIs, presented a variety of courses under contract with the CDFI Fund. Course content is available for two of these: *How to Develop CDFI Financial Projections*, and *Market Analysis* (both offered from 2000-2003). Other courses (all offered in 2003) included *Marketing Your CDFI, Loan Policies, Raising Money, Introduction to CDFIs, Board Orientation* (self-study), and *Finance for Nonfinancial Managers* (self-study). Because course content is available only for the Financial Projections and Market Analysis courses, this section describes these courses.

Course Format

Both *How to Develop CDFI Financial Projections* and *Market Analysis* were presented through NCCA's Virtual Learning Center as well as in-person at conferences. Those participating via the Virtual Learning Center were connected by teleconference and by a virtual classroom (viewed on the student's computer). Participants' screens were divided into sections, allowing them to simultaneously view the presentation slides, a "whiteboard," and a chat area. Participants could participate in discussions by raising their hand (a red hand button), share a message with the group using the chat area, or speak using the teleconference/audio capability of the virtual classroom.

A total of 136 people took *Market Analysis* at 13 different trainings through the Virtual Learning Center, and 195 people took *How to Develop CDFI Financial Projections* through the Virtual Learning Center over a series of 16 different trainings. Information about the dates, locations, and numbers of participants in trainings presented at conferences is not available.

How to Develop CDFI Financial Projections

How to Develop CDFI Financial Projections was presented in two modules to address different skill and experience levels of participants. The first module, Understanding Financial Statements, was presented in one three-hour session. This module was intended for early-stage CDFIs to provide introductory material and background for the second module, CDFI Financial Projections. People who took the first module generally also took the second module. However, more experienced CDFIs could skip the first module and participate in the second module as a stand-alone course. CDFI Financial Projections was presented the next three days in two-hour sessions, for a total of six hours of instruction, or nine hours of instruction for both modules. The course focused on unregulated nonprofit organizations as opposed to CDFIs such as community development credit unions.

Course Materials

Materials provided to participants included the course presentation slides; a financial statement primer; the CDFI Projection Engine; *CDFIs Side by Side: A Comparative Guide*; Technical Assistance Memo, Loan Loss Reserves: A Critical Component of a Comprehensive Risk Management Strategy for CDFIs; a sample financial statement (an Excel-based spreadsheet); and a case study of a community development loan fund.

The CDFI Projection Engine is a financial software tool developed by NCCA to facilitate CDFIs' financial planning. The Projection Engine is an Excel-based tool that includes worksheets for basic inputs, three types of loans (fully amortized, full balloon, and partial balloon), technical assistance and management services, development and capitalization, and budget. The engine uses inputs to create financial statements and projections and a summary of operating results.

CDFIs Side by Side: A Comparative Guide is an annual publication of NCCA and the Corporation for Enterprise Development (CFED) designed as a reference guide for CDFI practitioners, investors, and others interested in assessing the activity and performance of CDFIs. Analysis of data from a sample of CDFIs is divided into peer groups to facilitate peer comparisons. Statistics including size and type of CDFI, staff and board, financing activity and performance, capitalization, efficiency, and impact and technical assistance are provided.

The CDFI Financial Statement Primer provided as a reference to participants included the following sections:

- The Statement of Financial Position
- The Statement of Activities
- The Statement of Cash Flow
- Financial Statement Analysis and Ratios
- Sample Financial Statements and Ratio Calculations
- Glossary of Terms

In addition to the course materials, participants were provided a "help desk" after the completion of the course. This was in the form of email access to course instructors for two weeks after the course for assistance in projections modeling and in the use of the Projections Engine.

Understanding Financial Statements Module

The goals of Understanding Financial Statements were to provide participants a basic grasp of the CDFI financial statements and how they are related; understand some unique aspects of CDFI financial statements; and form a basis for doing financial projections.

During the course, participants were given an overview of the basic financial statements and their components and analysis using financial statements. Specifically, the course covered the purpose of the cash flow statement, the purpose of the statement of financial position and its primary components, the purpose and components of the statement of activity, and how the statements connect. In addition, it provided an overview of trend analysis, ratios, and comparisons of actual to budgeted expenses.

CDFI Financial Projections Module

The objectives of the CDFI Financial Projections module, which built on the introduction provided in Understanding Financial Statements, were to enable students to explain the theory of projections modeling; list and describe the key assumptions involved in making financial projections; use the NCCA Projections Engine to produce financial projections; and create five-year projections. This section provides a brief outline and description of the material covered during each day of the course.

On ***Day One*,** participants were given an introduction to projected financials including the uses of projected financials, the challenges inherent in preparing projections and the theory behind them, the people involved in preparing projections, the inputs needed (such as assumptions and formulas), and general principles for projecting financials. Instructors also provided an overview of the CDFI Projection Engine Model, including its capabilities, the outcomes of the engine, and the limits of the model. Participants used a case study to identify the information necessary to create projections, identify the data required as inputs for the projections engine, and review the formulas used to project various expenses.

On ***Day Two***, participants learned how to use the projection engine's lending worksheets, the assumptions necessary to create projections, and reviewed the method for calculating loan amortization. Identifying the costs of technical assistance and how to project these expenses were also reviewed.

On ***Day Three***, the course covered the types of capital used in financial projections: operating grants, debt, equity equivalents, and capital grants. The approach for projecting each of these types of capital was reviewed, including the information needed and the outputs from the projection engine. The Projection Engine's budget worksheet was described, as well as how to solve problems encountered while using the Engine. The Engine's summary operating results and financial results worksheets were discussed, along with cautions about the dependability of the results given the inputs used.

Market Analysis

Market Analysis, developed and delivered with the Metro Chicago Information Center (MCIC), was presented in two-hour sessions on three days.

Course Materials
Course participants were provided with a manual that consisted of the PowerPoint slides used in presenting the course material; Secondary Data URL List with Annotation and Instructions; *CDFIs Side by Side: A Comparative Guide* (an annual NCCA and CFED publication); a case study (GreenValley Market Analysis); example printouts of secondary data; and survey design examples.

Course Content
The objectives of the course were to:

- Enable participants to define a market study;
- List the purposes for doing a market study;
- Define the difference between need and demand;
- Obtain data about the target market from Internet sources
- Design a questionnaire and interview plan for key informant interviews;
- Identify when to use consultants for analysis and how to select consultants; and
- Compile the analysis into a report that will meet the needs of its intended audience.

A brief description of the components of the Market Analysis course is provided below.

- ***What is a Market Study?*** provided a definition of the CDFI's market and the purpose of a market study including identifying customers, their location, their needs, the appropriate products to meet their needs, and the competition. In addition, a market study helps distinguish between market need and demand for loan products.
- ***Research Methods*** provided an overview of the research and methods used in conducting a market study, including secondary data analysis, GIS mapping, key informant interviews, surveys, and focus groups. It also explained how and why to use secondary demographic and economic data, including population, employment, poverty, income, business and trade, housing, and construction.
- ***Outsourcing Market Studies*** discussed the pros and cons of hiring a consultant to conduct a market study, evaluating whether the CDFI has sufficient in-house resources to conduct the market study, and whether the CDFI has the budget to outsource a market study.
- ***How to Use the Collected Data*** provided a review of the types of data analysis to include in a market study, an overview of GIS mapping, and how to draw conclusions from the data.

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