



**Community Development Financial Institutions Program**  
FY 2004 Financial Assistance (FA) Component  
Frequently Asked Questions  
April 20, 2004

**Programmatic Priorities**

Q: What is a “Programmatic Priority?”

A: “Programmatic Priorities” are designations made by the Fund of categories of CDFI activities and markets served based upon which it will consider awarding Financial Assistance. These are listed in the Notice of Funding Availability (NOFA) for the FY 2004 Financial Assistance Component, and include such activities as Affordable Housing activities in Housing Hot Zones and Economic Development activities in Economic Development Hot Zones.

Q: How does an organization apply for a particular Programmatic Priority?

A: Applicants do not apply for a particular Programmatic Priority, but rather the Fund will determine the Priority based on the information the applicant provides in its Activities Level Chart within the application, regarding current and projected levels of activity in various market segments (e.g. Hot Zones, Targeted Populations, etc.).

Q: Can an organization be considered under more than one Programmatic Priority?

A: Yes. The various activities listed in the application will be treated separately based on the respective Programmatic Priorities under which they fall. For example, if an applicant has some Affordable Housing activities in a Housing Hot Zone, and some in an Investment Area, then this applicant will have some activities considered under Priority 1 (Housing Hot Zones) and others under Priority 2 (Investment Areas).

**Applicant Categories**

Q: What are the applicant categories?

A: There are three applicant categories described in the NOFA. The applicant categories determine the amount of funding an applicant can request and the review criteria under which it will be evaluated.

Q: Under which applicant category should my organization apply?

A: The Fund will determine an applicant’s category based on the organization’s asset size, date of beginning operations, the amount of funds requested, and the amount of prior funding received. The electronic application will provide you feedback on your category based on the first three of these items. The final element will be confirmed by the Fund upon receipt of your application.

Q: Does the “date Applicant began to incur operating expenses” mean the date the applicant began operations as a CDFI?

A: Not necessarily. This is the date the applicant began to incur operating expenses, regardless of its CDFI status. If the applicant had been in operation prior to its commencing operation as a CDFI, it would use the earlier date.

Q: Can affiliated entities apply for separate awards under different categories?

A: The Fund does not prohibit FA applications from more than one affiliated entity under the same or different categories. However, the Fund encourages closely affiliated entities to apply under one application so that the Fund can better evaluate all the activities of the organization.

**Matching Funds**

Q: What percentage of matching funds must I have in hand in order to apply?

A: While there is no requirement that funds be in hand at the time the application is submitted, Category II and III applicants must have as in hand, committed, or a combination of the two, 100 percent of their requested FA amount *as of the application due date*, while Category I applicants must have 30 percent of the requested FA amount in hand and/or committed *as of the application due date*.

Q: For a Category I applicant to meet the 30 percent requirement, must it meet it in each separate funds type (e.g. grants and loans), or just for the overall total?

A: The 30 percent test for Category I applicants applies to the overall total FA request only, not to each separate type of funds. For example, a Category I applicant requesting \$250,000 in FA, including \$200,000 in grant and \$50,000 in loan would meet the 30 percent requirement if it had \$75,000 in grant—since \$75,000 is 30 percent of 250,000—even though 0 percent of the loan is in-hand.

Q: Does the TA portion of a request require matching funds?

A: No. The TA portion of a request does not require matching funds. The percentages explained in the prior two questions are based on the total amount of FA requested only.

Q: What is meant by “in hand” and “firmly committed” matching funds?

A: “In hand” funds are those funds that have been disbursed to the applicant organization. They may be currently on its balance sheet, or already used (consistent with the purposes of the business plan). “Firmly Committed” funds are those funds for which a funder has provided a written commitment evidencing that it will provide funds at some date in the future. Such commitment may be contingent upon receipt of funding from the Fund (and other contingencies deemed reasonable by the Fund). For the purposes of this funding round, the Fund expects to count only those funds that an applicant will have in hand by April 30, 2005.

Q: Can Qualified Equity Investments for which an investor receives New Markets Tax Credits qualify as matching funds?

A: Yes. Funds provided to an applicant by an investor, for which an investor has received or expects to receive New Markets Tax Credits, may be eligible as matching funds. Be reminded, however, that to be eligible, the matching funds must be received by the applicant entity, not by a Subsidiary or an Affiliate.

Q: Can funding provided by a bank for which the bank plans to apply for a Bank Enterprise Award be used as matching funds for a FA award? Can BEA Program proceeds be used as matching funds for a FA award?

A: Yes. Funds for which a bank has received or plans to apply for Bank Enterprise Award may be used as matching funds for a FA award. Additionally, if a bank provides funds (or commits to provide funds) to an FA applicant and those funds are the proceeds of a BEA Program award, said funds may be used as matching funds for an FA award. However, if a bank is itself a FA applicant, it may not use the proceeds of a BEA Program award as match for a FA award.

Q: Can matching funds provided by an Affiliate be eligible?

A: Matching funds provided by an Affiliate will be considered eligible only if the Affiliate has received what the Fund considers “new money”—meaning a comparable amount and form of new funds from a non-Affiliated entity during the eligible matching funds window. The Applicant must also demonstrate that the non-Affiliate source did not receive the funds from a Federal source and has transferred the funds to the Applicant.

Q: Can an organization that has used retained earnings as matching funds for a prior award use retained earnings as matching funds?

A: An applicant can use retained earnings as matching funds only to the extent that the retained earnings are “new money.” That is, an applicant can use the last year of retained earnings, since that would not have been used as matching funds on a prior award. An applicant cannot use the three-year average of retained earnings if it has used any of those years of retained earnings to match a prior award.

Q: Can a credit union use retained earnings since inception as matching funds if it has previously used those retained earnings to match an award from the Fund?

A: A credit union that has previously used retained earnings since inception to match an award cannot use such retained earnings again. However, such an applicant can use the most recent year of retained earnings, or the three-year average if it received the previous award prior to the three-year period. Please note, because proposed regulation changes that would change the baseline date for measuring increases in loans outstanding or shares (for applicants proposing to use retained earnings since inception) have not yet been approved, the Fund will consider the applicant’s ability to increase either loans outstanding or shares over the previous baseline date of June 30, 2004, and the proposed new baseline date of December 31, 2003.

Q: How does an applicant know whether its matching funds will be eligible and acceptable to the Fund?

A: Matching funds must meet the requirements specified in the applicable NOFA and the regulations that govern the program. These include (1) being comparable in form (meaning a grant must be matched with a grant, and a loan with a loan) and value (meaning a \$1 to \$1 match) to the matching funds requested, (2) being from non-Federal sources, and (3) not being previously used to match another Federal program, among other requirements. If you have questions about whether a particular fund source meets these requirements, you may contact the Fund on or before 5 pm ET, April 26, 2004 to discuss your question.

Q: What happens if matching funds submitted by my organization are determined to be ineligible?

A: If matching funds are deemed ineligible by the Fund, the amount of funding for which you can be considered will be reduced accordingly. For example, if an organization requests \$1,000,000 in FA, but \$250,000 of its proposed matching funds are found to be ineligible, the organization will only be considered for \$750,000 in FA.

Q: Can a finding of ineligible matching funds disqualify my application?

A: Only if the Fund determines that an applicant has no eligible matching funds either in-hand or committed will an application be rejected.

### **Technical Assistance (TA)**

Q: Can an organization apply for Technical Assistance only under this NOFA?

A: The Fund strongly encourages organizations requesting only TA to apply under the TA Component of the CDFI Program. Information about the TA Component may be found on the Fund's website at <http://www.cdfifund.gov/programs/TA/>.

Q: What are the eligible uses of Technical Assistance under the Financial Assistance Component?

A: TA is awarded in the form of a grant which is restricted for specific uses including acquiring consulting services, paying staff salary for certain limited purposes (one time tasks), acquiring technology such as computer hardware and software, and acquiring training for staff and management. The Fund particularly encourages requests for technology enhancements and other TA costs that will allow applicants to participate in efforts to assess the impact of their activities in their communities.

### **Funding Amount**

Q: How will the Fund determine award amounts?

A: Award amounts will take into consideration a number of factors including the level of Capital Need demonstrated, the amount of matching funds available, the projected levels of activity, and the overall level of funding available.

Q: Will the Fund only fund the full amount of our request or not at all?

A: The Fund may award all, a part, or none of the amount requested.

Q: Can an organization specify a minimum amount of funding that it will accept?

A: The FA application does not enable an applicant to specify a minimum amount of funding that it will accept. An applicant may refuse funding if it is not in an acceptable amount.

### **Eligibility – CDFI Certification**

Q: Must my organization be a certified CDFI in order to apply for funding?

A: Yes. Only certified CDFIs or those who are immediately eligible for certification upon submitting an application for CDFI certification are eligible for funding. To be considered, organizations not yet certified as a CDFI must submit an application for CDFI certification – which application must be received by the Fund no later than March 31, 2004.

### **Eligibility - Reporting on Prior Awards**

Q: My organization had submitted annual reports late in the past, but we are now up to date. Are we eligible to apply?

A: Organizations that are overdue in reporting or loan payments to the Fund at the application deadline (April 28, 2004) will be disqualified as ineligible. However, organizations that are fully current in both reporting and loan payments as of that date will not be disqualified solely on the basis of prior late reporting.

### **Eligibility - New Markets Tax Credit Allocates**

Q: My organization has received a New Markets Tax Credit allocation. Is this organization eligible for FA funding?

A: An applicant that has received a New Markets Tax Credit allocation may be eligible if the Fund can determine that the uses of the Tax Credits and the FA funding are different. In general, because the New Markets Tax Credit requires tracing of tax credit to particular investments, as long as the FA award will be not used for the same investments, it may be considered eligible.

### **Hot Zones**

Q: What do I do if I want to designate a Hot Zone or Investment Area at a block numbering area or other level other than tract or county?

A: Hot Zones may only be designated at a census tract level or (for non-metropolitan areas only) county level. Investment Areas may be designated at other levels if desired. However, such data are not available on the Fund's website. You will need to document the eligibility of such units based on 2000 Census data from a reliable source. If you plan to do so, the Fund encourages you to contact us at [cdfihelp@cdfi.treas.gov](mailto:cdfihelp@cdfi.treas.gov) prior to the application deadline to discuss the format of such information.

Q: If my organization applied for FA in FY 2003, can we re-use our Hot Zone maps?

A: Applicants that created Hot Zone or Investment Area maps through MyCDFIFund since February 2003 may access those maps, re-qualify them and use them in the FY 2004 application.

Q: Do Hot Zones need to be contiguous? If Hot Zones are not contiguous, must an applicant report them on separate maps?

A: Hot Zones do not need to be contiguous to qualify. If an applicant wishes to designate Hot Zones that are not contiguous, but are contained within a contiguous Investment Area, they may be reported on one map, or on separate maps.

### **Capital Need**

Q: How is Capital Need determined, and why is it important?

A: Capital Need is determined by comparing the organization's resources available for a particular product or service to the projected level of that product or service. These calculations are made through worksheets in the application which are tailored to different institution types and different types of requested funds. Applicants must complete these charts as part of the application. In order to receive funding, an application must demonstrate Capital Need for one or more of its products and/or services.

Q: What happens if my organization does not show capital need?

A: If you complete the applicable chart(s) in the application, and they do not show capital need, you will be given an opportunity to explain why you think your organization does have capital need. This explanation should include specific financial information that was not considered on the Capital Need chart(s) and why this information is crucial to your demonstrating capital need.

### **Use of Funds**

Q: What are Capital Reserves and why can't non-regulated CDFIs request them?

A: For the purpose of this application, Capital Reserves are funds that an Insured Credit Union (ICU), Depository Institution Holding Company (DIHC), or an Insured Depository Institution (IDI) set aside that enable the entity to meet its regulator's requirements for capital. An IDI, DIHC or ICU may apply for an award in the form of Capital Reserves to increase its capital. For example, an applicant may request such funds if it plans to expand its markets served through the acquisition of new branches or increase penetration of its current market through the provision of more savings or checking accounts in its current market. Non-regulated CDFIs may request funding for liquidity reserves as an Other use of funds.

### **Products**

Q: Are all loans to non-profit organizations included in Community Organization Support?

A: Loans to non-profits for their operations as non-profits and loans for community facilities fall under Community Organization Support. Loans to non-profits for particular purposes may be considered under other categories. For example, a loan to a non-profit for the purpose of affordable housing construction will be considered

as an Affordable Housing product. A loan to a non-profit for the purpose of operating a business operation (such as a retail store) may be considered as a business loan. An investment in another non-profit or not-for-profit CDFI (such as by a CDFI Intermediary) to provide reserve capital that will allow the investee CDFI to provide financial services may be consider as a Community Development Financial Service product.

Q: If an Insured Depository Institution or Insured Credit Union needs capital to serve as equity capital for the institution, what products should it designate?

A: A depository CDFI may request funds that will be used for equity or reserve capital. The applicant must link that request to one or more of the products specified in the application. For example, if a stronger capital position will allow a bank CDFI to make more business loans, it might select the business loan product. If the stronger capital position would allow a credit union to expand its membership, it might select shares as a Community Development Financial Service.

Q: Our organization provides deposits and secondary capital investments to Insured Credit Unions and Insured Depository Institutions; how do we categorize these products?

A: Deposits into Insured Depository Institutions or Insured Credit Unions may be considered a loan product; the use of the funds by the recipient institution will determine the type of loan (Economic Development, Affordable Housing, Community Development Financial Services, or Other). Similarly, secondary capital investments may be considered as loans or equity investments, depending on the characteristics of the investment.

Q: What products will fall under “Other”?

A: The “Other” product is available if an applicant believes it has an eligible activity that does not fit under the definition of any other product. Because “Other” is the lowest Programmatic Priority, the applicant should be certain that its activities do not fit into the other categories before classifying them as “Other”.

Q: How are Individual Development Accounts (IDAs) classified?

A: An Insured Depository Institution or Insured Credit Union may include IDAs as deposits or shares (Community Development Financial Services). Training or counseling related to an IDA program may be considered a Development Service if it is related to a particular loan product, such as homebuyer counseling tied to a down payment assistance loan. The grant match portion of an IDA is considered an Other activity.

### **Product Features Chart**

Q: Our products are based on the prime rate, as opposed to a fixed interest rate. What information should we enter where it asks for rate?

A: In the table indicate the range of rates used for past loans as of the time of closing. In the Product Design and Strategy narrative, explain your pricing methodology.

Q: In the Products Offered chart, should I provide information on my total loans/investments made or total loans/investments outstanding? Is this the same data reported on the Product Features chart?

A: These are two different sets of data. In the Products Offered chart, provide data on all loans/investments closed during the last three complete years. On the Product Features chart, report on the total loans/investments outstanding as of the application date.

### **Impacts**

Q: How does an applicant decide what Impacts to report?

A: An applicant may select the default or “required” impact that the Fund believes typically corresponds to particular product types (such as homebuyers with first mortgages), or may select “optional impact” and provide information on the impact measure that the applicant believes best captures the community development impact of the product. The required impacts are not treated preferentially in scoring this section.

### **2004 Data Required**

Q: In some places in the application it shows FY 2004, our current fiscal year, as “historic;” does an applicant report on year to date information for FY 2004 here, or projections for the year?

A: Unless instructions for data entry specifically indicate to provide year-to-date data for the current Fiscal Year (in most cases, FY 2004), current fiscal year data should show projections for the year based on your year-to-date

performance. This period is considered “historic” in the application to distinguish it from the performance period of 2005 through 2007.

#### **Loan Portfolio Quality Data for Regulated CDFIs**

Q: If a regulated ICU, IDI or DIHC, submits regulator reports in place of a Loan Portfolio Quality Chart, where do we provide narrative explaining any failure to meet minimum prudent standards?

A: This information will need to be provided in an attachment.

#### **Scoring of Prior Awardees**

Q: Our organization has had some instances of non-compliance with prior awards. How will this effect our scoring?

A: The Fund will take into consideration the severity of prior instances of non-compliance in its scoring and scoring of prior award compliance will not effect the minimum score in any section, but rather the applicant’s overall score. Thus, the Fund expects that otherwise strong applications will not be significantly affected by prior instances of minor non-compliance.

#### **Application Attachments**

Q: Is it acceptable to submit some attachments (e.g., financial statements) in paper and some electronically; or should they all be submitted the same way?

A: Applicants may submit both paper and electronic attachments to the same application.

#### **Funding Decisions and Disbursements**

Q: When will applicants be notified about funding decisions?

A: The Fund expects to make funding announcements and decline notifications by September 30, 2004. Applicants found to be ineligible for funding will be so notified earlier.

Q: If selected for an award, when will my organization receive funding?

A: The Fund expects to begin negotiating assistance agreements shortly after award notification. The Fund aims to execute assistance agreements by early 2005.

Q: If my organization is not selected for an award, will the Fund provide feedback on my application?

A: Yes. The Fund expects to provide feedback on unsuccessful applications in a written format. This information will be provided after award announcements are made, approximately December 2004.

Q: If my organization is not selected for Financial Assistance, will it be considered for a TA award?

A: Applicants in Category I (SECA) may, in the discretion of the Fund, be considered for TA if they are rejected for FA. Please note that as part of any such consideration for TA, the Fund may request further information from you, and will notify you in writing of the information we need in order to consider your organization for TA.