

CDFI Certification Application Tips

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The CDFI Fund offers the following tips in an effort to provide applicants with information to assist with completing a CDFI Certification Application. This document should be used in conjunction with other CDFI Certification Application materials such as the CDFI Certification Application, the “How To Become A Certified CDFI” webcast, the CDFI Certification Frequently Asked Questions, and other materials located on the CDFI Fund’s website at www.cdfifund.gov.

Certification Criteria – Legal Entity

An applicant must be a legal entity as of the date the Certification Application is submitted, with articles of incorporation (or other applicable organizing documents) filed with the state or other appropriate body in which it was incorporated and/or legally established.

TIP...

- Be sure to review the organizing document(s) being submitted for the following assurances - state date stamp, state seal stamp, and signatures.

Examples:

Possible organizing documents:

- Articles of Incorporation
- Certificate of Incorporation
- Organization Certificate
- Regulatory Charter
- Other

Certification Criteria – Primary Mission

An applicant must have a primary mission of promoting community development by providing activities directed towards improving the social or economic conditions of Low-Income people or residents or Target Markets.

TIPS...

- An applicant may meet the primary mission requirement by demonstrating that it has signed, board-approved incorporating documents, bylaws, annual reports or other board-approved organizational documents evidencing a specific mission of serving Low-Income individuals or Target Markets.

- If the mission statement does not clearly state the intent to provide services to Low-Income residents of or target markets, the applicant may submit a resolution passed by the board that clarifies that the applicant has a primary mission to serve Low-Income individuals or Target Markets.

Examples:

Materials that do NOT qualify as eligible Primary Mission documentation:

- Pamphlets
- Brochures
- Printed articles
- Other marketing materials

Certification Criteria – Financing Entity

A non-regulated certification applicant must demonstrate that its predominate business activity is the provision in arms-length transactions, of Financial Products, Development Services, and/or other similar financing. Regulated certification applicants are deemed to automatically meet the Financing Entity criteria. Thus, regulated institutions do not have to submit any forms or attachments to demonstrate this certification criteria.

TIPS...

- The entity must be actively engaged in (using its own capital, as evidenced on its balance sheet) the provision of Financial Products to non-affiliated entities.

Examples:

May meet criteria: The applicant originates and funds loans, which are evident on the applicant's balance sheet as loans receivable.

May not meet criteria: The applicant identifies borrowers and originates loans, but another institution directly funds the loans. At the end of these transactions, the applicant does not have any lending assets on its balance sheet.

- The narrative should include an explanation and description of the Financial Products provided for the Target Market.
- The entity should explain how the dollar amounts on the Asset Information Table were derived from the financial statements/balance sheets.
- On the Asset Information Table, Financial Products should only include assets, loans receivable and equity investment resulting from arms-length transactions, loans purchased from certified CDFIs, as well as cash, cash equivalents, contract receivable, grants receivable and other assets, as directed in footnote #1 on the Asset Information Table. Any cash, cash equivalents, contract receivable, grants

receivable and other assets should only be those assets that have been dedicated (by the source or applicant governing board) for the provision of financial products.

Example:

May not meet criteria: Investments in affiliates and subsidiaries generally can not be counted as Financial Products assets on the Asset Information Table.

- If the entity does not have audited statements with notes, the interim statements submitted should have accompanying explanation in the appropriate narrative.
- Applicants may use a combination of financial products assets and development services assets to meet the Financing Entity criteria.

CDFI Certification Criteria – Target Market

The applicant must serve at least one eligible Target Market, such as an Investment Area or Targeted Population.

TIPS...

- The applicant must be actively engaged in providing Financial Services to its Target Market as of the date the application is submitted.
- Providing one (1) transaction does not show active service to the Target Market.
- The applicant should provide a clear explanation regarding how it actively provides Financial Products and Financial Services to the Target Market.
- Applicants may serve as many Target Markets, and in a variety of combinations, as needed.
- The applicant must include in its narrative response an explanation of how it verifies that its financing transactions are in or to its Target Market(s) (i.e. how does the applicant know and document that it is serving those that it purports to serve?).
- The applicant must demonstrate that a minimum of 60% of its financing activities are to its Target Market(s). Note: A certified CDFI may request to modify its Target Market(s) after its initial certification, as the areas and populations it serves change, in order to continue to meet the 60% threshold.

Examples:

1. **Investment Areas:** “ABC Loan Fund serves a Target Market made up of 55 contiguous census tracts in New York City.”
2. **Low Income Targeted Population:** “ABC Loan Fund’s Target Market consists of an LITP in Johnson County, Georgia.”
3. **Other Targeted Population:** “ABC Loan Fund’s Target Market consists of African Americans in the city of Los Angeles, California.”

CDFI Certification Criteria – Accountability

The applicant must maintain accountability to residents of its Investment Area or Targeted Population through representation on its governing board or otherwise.

TIPS...

- When using board members (governing or advisory) to demonstrate accountability, the applicant should clearly explain how each such board member is accountable to specific Target Market(s).
- The applicant should provide as much information as necessary in the Accountability Table to clearly show how board members are accountable. The narrative fields in the Excel version of the Accountability Table expand as information is entered.
- If the entity is serving a Low Income Targeted Population (LITP) or Other Targeted Population (OTP), the geographic parameters for which each board member represents should be provided.
- If the applicant is using an advisory board, focus groups, community meetings, and/or customer surveys for accountability, the applicant should be sure to describe in the narrative the following: the process for how community feedback/input/comment is obtained and relayed to the governing board, and how the information is used by the governing board to develop policies/strategy and make decisions.

Examples:

Governing or Advisory Board – *State whether accountability is met through a Governing or an Advisory Board. List the members who represent the Target Market.*

“ABC Loan Fund’s Governing Board has six members, two of whom are Low Income residents of the LITP service area. Another is the President of Jobs for Georgia, a non-profit that trains Low Income workers for entry-level jobs. Jobs for Georgia serves residents of the LITP Target Market.”

Other Method of Accountability – *Identify the method(s) used to maintain accountability and explain how this method provides for representation for the designated Target Market.*

“ABC Loan Fund is a member of the Neighborhood Advisory Council for each community identified in our Target Market. Through these councils we attend meetings with our LITP community members no less than quarterly. After each meeting, management makes a presentation and makes recommendations to the board based on the input of residents represented at the Neighborhood Advisory Council meetings.”

CDFI Certification Criteria – Development Services

The applicant must demonstrate that it provides Development Services in conjunction with the Financial Products it provides.

TIPS...

- The entity must show a clear and direct link between the Development Services and Financial Products.
- The entity should explain how it directs the provision of the Development Services, particularly if the services are provided by a non-Affiliate.

Example:

“ABC Loan Fund’s monthly class called “How to Get a Loan for your Small Business” educates participants about the underwriting process used by banks and the process used by ABC Loan Fund. Attendees who submit a loan application receive one hour of one-on-one financial and credit counseling ending in a written plan for meeting the ABC Loan Fund financial soundness criteria.”

CDFI Certification Criteria – Non-Government Entity

The applicant must demonstrate that it is not an agency or instrumentality of the United States, nor any State or political subdivision, nor that it is controlled by any governmental entity.

TIPS...

- In general, the CDFI Fund will consider an applicant to be controlled by a government entity if one or more of the following apply:
 - ✓ One or more government entities control the election or appointment of a majority of the members of the board of directors, or even control a substantial minority of such directors.
 - ✓ One or more government entities have veto power over the selection of the executive director (or comparable officer).
 - ✓ Employees of the organization are government employees or employees of an organization controlled by one or more government entities.
 - ✓ The organization primarily carries out functions of government.
 - ✓ Organizing documents (e.g., charter, enabling statute) indicate that the applicant is a government entity.
 - ✓ The organization exhibits other characteristics that, in the assessment of the CDFI Fund, indicate that it is controlled by a government entity or entities.

- If any of the situations listed above exists for the applicant, provide an explanation for each applicable situation.

Example:

“Our bylaws require that one of the 12 seats on our Governing Board be filled by a representative from the county office of economic development, and that the remaining board seats are filled by four neighborhood residents and seven community organizations. Therefore, the decision making for the organization is not concentrated with any government entity or representative.”