

FREQUENTLY ASKED QUESTIONS

# OFFICE OF CERTIFICATION POLICY AND EVALUATION



## CDFI CERTIFICATION APPLICATION & RELATED TOOLS

FREQUENTLY ASKED QUESTIONS

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# CDFI Certification Application Frequently Asked Questions

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Note: Questions highlighted in **green** are new or updated from the previous version.

## **Application - General Information**

### **1. We are interested in applying for CDFI Certification. Is there a list that provides all the requirements for obtaining a CDFI Certification?**

For a brief outline of the CDFI Certification requirements, please see the "[Overview of CDFI Certification, ACR and TLR](#)" slide deck. Additionally, the [CDFI Certification Supplemental Guidance and Tips manual](#) walks through each of the CDFI Certification requirements in detail and includes "Appendix B – CDFI Certification Application Checklist" that lists the necessary steps to submit a CDFI Certification Application.

### **2. Does an organization need to sign the CDFI Certification Agreement to be a Certified CDFI?**

Yes. Organizations must sign the CDFI Certification Agreement to be Certified as CDFIs, and are subject to the terms and conditions in the Agreement to maintain their Certified status. The [CDFI Certification Agreement template](#) can be viewed on the CDFI Fund's website.

Successful CDFI Certification Applicants will receive an AMIS notification that their Application has been accepted and that their CDFI Certification Agreement is available for their review. Successful Applicants have 30 calendar days from the date of the notification to sign the Agreement.

Please note: if an organization has applied for a CDFI Fund program award, or if an organization is a recent recipient of an award where one of the conditions is that it must be a Certified CDFI, that organization will not be able to access the award funds until this Agreement is executed.

### **3. If an organization was notified that its CDFI Certification Application is declined, will the CDFI Fund offer an explanation why?**

If an organization's CDFI Certification Application is declined, the CDFI Fund will provide a detailed debriefing document within 30 days of notifying the organization of the declined Application. The debriefing document will specify the CDFI Certification criteria that were not met by the Applicant as well as the reason why the Applicant did not meet the criteria.

For example, Loan Fund XYZ's Application was declined due to the Applicant not using a pre-approved Target Market Assessment Methodology in identifying Financial Product originations as Target Market-directed. The debriefing memorandum will first identify the Applicant's issue meeting the CDFI Certification Target Market requirements. Then, the CDFI Fund will explain that the financing activity presented as directed to a proposed Target Market component could

not be accepted due to the improper use of Target Market Assessment Methodologies for proposed Target Market type.

### **Eligible Financial Products**

#### **4. Are deferred loans with the payment due on sale considered eligible Financial Products?**

Yes, a deferred loan with the payment due on sale, even if no other prior payment is made, is an eligible Financial Product and should be included in the activity presented in connection with the Financing Entity and Target Market requirements for CDFI Certification. To be considered an eligible Financial Product, a loan (including a deferred loan) must include an expectation of repayment, regardless of the timing of that repayment.

#### **5. Are forgivable loans considered eligible Financial Products?**

Yes. There are two instances where forgivable loans can be considered as eligible Financial Products and can be counted for Target Market activity.

The first instance is a forgivable loan with at least one payment within twelve (12) months of the loan closing date.

The second instance is a forgivable loan that meets each of the following seven (7) conditions:

- Purpose of the debt is for the purchase of a single-family, owner-occupied residence and is in a subordinate position;
- Debt is subject to a credit contract requiring repayment if certain terms specified in the contract are not met and full forgiveness of the loan may not be made until the end of the loan period. The creditor has verified that the borrower has sufficient income or assets (other than the value of the property being purchased) to repay the debt according to its terms;
- Loan term of five (5) years or longer;
- Borrower has pledged adequate security;
- Debt is documented by a valid and enforceable promissory note, and security interests are properly perfected;
- Interest (even a nominal amount) is charged at least annually (may be accrued and capitalized); *and*
- Debt is reflected as a loan on the creditor's balance sheet.



## Collective Review

### 6. Which Applicants are subject to the CDFI Certification Collective Review Process?

If the Applicant seeking to obtain or maintain CDFI Certification is:	Entities relevant to and included in the Applicant's CDFI Certification collective review process are:
Depository Institution Holding Company (DIHC)	all Affiliates of the DIHC that are either bank/thrift holding companies or that engage in eligible Financial Product and/or eligible Financial Services activity
Affiliate of a DIHC(s)	the Affiliated DIHC(s) and all Affiliates of the Affiliated DIHC(s) (including entities that are not directly Affiliated with the Applicant) that are either bank/thrift holding companies or that engage in eligible Financial Product and/or eligible Financial Services activity
Subsidiary of an Insured Depository Institution(s) (IDI[s]); which is an entity with Federal Deposit Insurance Corporation (FDIC) insurance	the Controlling IDI(s) and all Subsidiaries of the Controlling IDI(s) that are either bank/thrift holding companies or that engage in eligible Financial Product and/or eligible Financial Services activity

**Please note:** the CDFI Fund defines an *Affiliate* as a [company](#) or entity that [Controls](#), is [Controlled](#) by, or operates under common [Control](#) with another [company](#) (12 CFR 1805.104). *Control, Controlled, or Controlling* are defined by the CDFI Fund as:

- (1) Ownership, control, or power to vote 25% or more of the outstanding shares of any class of voting securities of any company, directly or indirectly or acting through one or more other persons;
- (2) Control in any manner over the election of a majority of the directors, trustees, general partners, or individuals exercising similar functions of any company; or
- (3) Power to exercise, directly or indirectly, a Controlling influence over the management, credit, or investment decisions or policies of any company.

(12 CFR 1805.104)

## **7. How does the CDFI Fund evaluate the collective financing activity of all entities subject to the collective review process for the CDFI Certification Target Market requirements?**

DIHCs, Affiliates of DIHCs, and Subsidiaries of IDIs are subject to the Collective Review process for CDFI Certification. This means that during the CDFI Certification application review process the CDFI Fund will review (1) the **individual** activities of the Applicant and (2) the activities of the Applicant's Affiliates to make sure that the Applicant and its Affiliates **all** meet the requirements for CDFI Certification.

An Applicant subject to Collective Review must identify its individual CDFI Certification Target Market as part of the CDFI Certification Application. In addition, the Applicant must identify a Collective Review Market for each of its Affiliates, which can be either the same Target Market components as the Applicant or a different Target Market type. The CDFI Fund will evaluate the combined Collective Review Markets of all of the Applicant's Affiliates as well as the Applicant's proposed CDFI Certification Target Market for the CDFI Certification Collective Review process.

- The Applicant must dedicate at least 60% of its individual financing activity to its Target Market.
- At least 60% of the combined financing activity of the Applicant and its Affiliates must be dedicated to their collective Certification Market. The Affiliates do not need to meet the 60% threshold individually for their Target Market components of the collective Certification Market.

**Please note:** If the Applicant is a DIHC that does not engage in its own direct eligible Financial Product activity, at least one Affiliate relevant to that DIHC's CDFI Certification collective review process must have been engaging in eligible Financial Product and/or eligible Financial Services activity for at least one full 12-month fiscal year.

## **8. How do entities subject to the collective review process meet the CDFI Certification Accountability requirements?**

To meet the Accountability test when subject to the CDFI Certification Collective Review process, each Applicant must demonstrate Accountability to its identified Target Market through a governing board or advisory board. In addition, each Affiliate must demonstrate Accountability to its own Collective Review Market components through its own governing board or advisory board—even if an Affiliate's Collective Review Market type(s) is the same as the Applicant's proposed CDFI Certification Target Market.

**Section Zero: Obtaining Determination of Responsible Financing Practices, Similar Financial Products, Similar Financial Services, Disregarded or Included Use of Major Assets/Staff Time, Targeted Populations, and Target Market Assessment Methodologies**

**9. What is a Section Zero determination?**

Section Zero is a set of questions at the start of the CDFI Certification Application for Applicants that wish to seek a determination on the acceptability of:

- new Financial Products (not already approved by the CDFI Fund),
- new Financial Services (not already approved by the CDFI Fund),
- amended standards for responsible financing practices,
- the ability to disregard or include use of major assets and/or staff time,
- new Targeted Populations, or
- the use of alternative or modified Target Market assessment methodologies.

**Basic Information**

**10. How should an Applicant demonstrate that an Affiliate's<sup>1</sup> sole line of business is the administration of another federal financing program(s)?**

Applicants are required only to attest in question BI-A06 whether or not an Affiliate's sole line of business is the administration of another federal financing program(s) (e.g., the SBA 7(A) loan program) and, if the answer is yes, then identify the program. Affiliates whose sole activity is the participation in other federal financing programs, as evidenced in organizing documents, are presumed to meet the CDFI Certification primary mission requirements and Applicants are not required to include additional information on such Affiliates when completing the Primary Mission section of the Application. Confirmation of an Affiliate's line of business is subject to review during CDFI Certification compliance checks (e.g., site visits, desk audits). An Affiliate that engages in other activities in addition to the administration of another federal financing program is not covered by this exemption.

**11. Under what circumstances would an organization need to create an eligible spin-off entity for the purposes of Certification?**

An organization may choose to create a spin-off entity for the purposes of Certification when the organization's predominant activity is non-financing or non-eligible financing and the organization is therefore unable to meet the Financing Entity criterion for Certification. To be eligible for Certification, the newly created entity (i.e., the spin-off entity):

- must have received a transferred (not purchased) Financial Product portfolio from one or more separate entity(ies) that were Affiliates of the entity at the time the transfer took place and for which the portfolio consists of arm's-length Financial Product transactions closed by the Affiliate(s); and

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<sup>1</sup> [12 CFR § 1805.104](#) Affiliate - a company or entity that Controls, is Controlled by, or operates under common Control with another company.

- must continue Financial Product activity of the same type as received from the Affiliate(s).

Entities seeking to participate in the CDFI Bond Guarantee Program also may create an Affiliate spin-off entity to do so as part of a proposed Bond Issue. Such entities may need to meet additional parameters and restrictions established via an applicable Notice of Guarantee Availability (NOGA) for a CDFI BG Program application round (see 12 CFR 1805.201(b)(2)(ii)).

## **Legal Entity**

### **12. Does an Applicant need to fully register with SAM.gov to apply for CDFI Certification or is just obtaining a Unique Entity Identifier (UEI) sufficient?**

Yes. An organization applying for CDFI Certification must fully register with SAM.gov. Simply obtaining the UEI without fully registering with SAM.gov is not sufficient. Additionally, once certified, a CDFI must continue to demonstrate that it maintains an active SAM.gov account. A lapse in the SAM.gov account may result in loss of certification as maintaining an active SAM.gov account is required to meet the Legal Entity requirement for Certification.

## **Primary Mission**

### **13. How must an Applicant demonstrate a Primary Mission of promoting Community Development?**

In determining whether an entity has a primary mission of promoting community development, the CDFI Fund will consider whether the activities of the Applicant (and of certain Affiliates, including those subject to the CDFI Certification collective review process for Depository Institution Holding Companies (DIHCs), Affiliates of DIHCs, and Subsidiaries of Insured Depository Institutions (IDIs)) are, per regulation,<sup>2</sup> *purposefully* directed toward improving the social and/or economic conditions of underserved people<sup>3</sup> and/or residents of economically distressed communities. As part of its assessment, the CDFI Fund will consider whether the entity:

- has a documented community development mission;
- has a board-approved strategic plan or narrative that shows evidence of a community development strategy to implement the mission (see [Question 17](#) of this FAQ for additional information); and
- meets the CDFI Fund's standards for responsible financing practices.

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<sup>2</sup> [12 CFR § 1805.201\(b\)\(1\)](#)

<sup>3</sup> Includes Low-Income persons and/or, as approved by the CDFI Fund, other persons who lack adequate access to capital and/or Financial Services.

#### **14. Do the Affiliates of an Applicant need to meet the Primary Mission test?**

Yes, any Affiliate that Controls the Applicant (except if the Controlling entity is a Tribal Government) or engages in the provision of Financial Products and/or in Financial Services, including those subject to the CDFI Certification collective review process, must each individually meet the following primary mission requirements:

- demonstrate that it has a mission currently in place that supports and/or is consistent with that of the Applicant's;
- describe how the activities of any Affiliate(s) support and/or are consistent with the community development mission of the Applicant; and
- meet the CDFI Fund's standards for responsible financing practices.

Affiliates that are separately Certified CDFIs or Community Development Entities (CDEs), as well as Affiliates whose sole activity is the participation in other federal financing programs and that have been identified as such in the Basic Information section of the Application – are presumed to meet the CDFI Certification primary mission requirements. Therefore, Applicants are not required to include such Affiliates in their responses when completing the Primary Mission section of the Application.

#### **15. Are covered Affiliates required to have a community development mission?**

Question PM28 asks Applicants to describe the activities of any Affiliate subject to the Primary Mission test (i.e., a covered Affiliate, as described in **Question 14**) and how the Affiliate's mission and activities support and/or are consistent with the community development mission of the Applicant.

Affiliates that are not themselves Certified CDFIs or Certified CDEs are not required to have a community development mission for the purposes of CDFI Certification. However, if a covered Affiliate's mission is not specifically focused on community development, it must demonstrate that it has a mission currently in place that supports and/or is consistent with that of the Applicant's.

The intent of this provision is to limit potential backdoor access to the benefits of CDFI certification by organizations with missions or activities that do not demonstrate broader alignment with the goals of the statute. An Applicant with a covered Affiliate that does not have a mission that supports and/or is consistent with that of the Applicant's would be determined ineligible for CDFI Certification.

See **Question 16** for examples of Affiliate missions subject to the Primary Mission test.

**16. What are some examples of an Affiliate mission that supports and/or is consistent with that of the Applicant's as well as examples of those that do not support or are inconsistent with that of the Applicant's?**

An Affiliate mission that supports or is consistent with that of the Applicant's would be one that may broadly benefit a community even if it is not specifically focused on community development. For example, a parent entity (i.e., the Controlling Affiliate) that has a mission related to environmental protection or sustainability may be considered consistent with a mission of community development, especially if the Applicant offers climate-related financing to a Target Market. Similarly, an Affiliate that offers responsible Financial Products to non-Target Market moderate income borrowers may also be considered to have a mission consistent with an Applicant's community development mission.

A covered Affiliate that is primarily profit-driven, targets higher-income/wealth populations, or whose activities do not provide an apparent benefit to a Target Market might be considered to not have a mission that is consistent with an Applicant's community development mission, unless it could show that substantial portion of the Affiliate's profits are directed at subsidizing activities of the Applicant to further community development in the Target Market.

**17. What if an Applicant does not have a board-approved strategic plan to demonstrate that it has a stated Primary Mission to promote Community Development?**

If the Applicant does not have a board-approved strategic plan, it must submit a board- or owner-approved narrative that describes the community development outcomes that the Applicant believes will result from the provision of its Financial Products and Financial Services, and how those Financial Products and Financial Services lead to those outcomes.

As evidence of a community development strategy, the Applicant's strategic plan or narrative should include references to:

- the Applicant's geographic and/or demographic Target Market and the needs of and/or opportunities in the Target Market, which might include quantitative data or qualitative input from members of that Target Market;
- one or more community development goals and objectives and/or how the Applicant intends to meet those goals and objectives; and
- how the Applicant's Financial Products and Financial Services, Development Services, and/or other activities are expected to improve the social and/or economic conditions of that Target Market.

**18. How will the CDFI Fund evaluate an Applicant's adherence to the responsible financing practices requirements?**

To meet the CDFI Certification standards for responsible financing practices, an Applicant (and its Affiliates) should provide Financial Products and Financial Services that are consistent with promoting community development. Such Financial Products should not harm consumers, be affordable and originated based upon an assessment of whether a borrower is able to repay a loan



and have terms and conditions that are transparent and understandable to the borrower. CDFIs should practice transparency, fair collections, and be in compliance with federal, state, and local laws and regulations. The CDFI Fund also considers the safety, affordability, and transparency of an Applicant's Financial Services to be an important aspect of the Applicant's commitment to its primary mission of community development.

Any Applicant that either directly or through an Affiliate engages in any of the following practices is ineligible for CDFI Certification:

- Originates or otherwise offers loans that exceed the interest limits that apply to non-depository institutions in the state where the borrower resides;
- Offers consumer loans that allow for a rate in excess of 36%, using the Military Annual Percentage Rate (MAPR) standard, *and*
  - the loans have an annual default rate over five percent;
  - the loans in question include a leveraged payment mechanism;
  - any such loans of \$1,000 or less have repayment timeframes that exceed 12 months;
  - for a period of 12 full months after the issuance of any such loan, the Applicant does not waive any upfront fees for any refinance or new loan issued to the same borrower;
  - any fees associated with such installment loans are not spread evenly over the life of the loan or pro rata refundable in the event of early repayment (including through a refinance); *or*
  - all payments on any such installment loans are *not* substantially equal and do not amortize smoothly to a zero balance by the end of the loan term;
- Offers certain single-family, owner-occupied, residential mortgage loan products secured by a non-subordinate lien:
  - for which the Applicant fails to verify the income or assets of the borrower;
  - that include negative amortization or interest-only payments;
  - that charge upfront points and fees to the consumer in excess of 3%, or in excess of the Qualified Mortgage limits for smaller loans; or
  - that are underwritten at less than the maximum rate in the first five years;
- Sells its charged off consumer or small business debt to debt buyers;
- Has a current Community Reinvestment Act rating below Satisfactory;
- Uses its Equity Investment Financial Products to gain Control over an investee (except if the Applicant must save a business through ownership as a last resort for a limited period of time); or
- Leverages, for its own benefit, the assets of any of its active equity investees.

In addition, an Applicant may also be determined to be ineligible for CDFI Certification for engaging in any of the following practices, unless the Applicant provides an acceptable explanation of how the practices are consistent with a community development mission:

- Does not evaluate the ability of certain mortgage, consumer, or small business borrowers to pay back a loan;

- Offers small business<sup>4</sup> loans that allow for an APR in excess of 36%, using the Truth in Lending Act (TILA) methodology in [12 CFR § 1026](#) (Regulation Z);
- Offers certain mortgages with balloon payments or that carry an original maximum term longer than 30 years (unless offered through a government program); or
- Charges excessive overdraft or nonsufficient funds (NSF) fees or have practices that are related to these fees that are harmful.

Other questions provide Applicants an opportunity to further demonstrate community development intent, such as how they assist struggling borrowers. Depository institution Applicants must also provide information on checking or share account features they offer.

Beginning January 1, 2026, new Applicants that offer small business loan products that do not disclose in writing the periodic payment due, the total amount to be repaid over the life of the loan, the total finance charges over the life of the loan, and APR of the loan will be ineligible for CDFI Certification. Certified CDFIs that offer small business loan products will be required to attest in their Annual Certification and Data Collection Report (ACR) to making such disclosures no later than October 1, 2026, in order to maintain their Certification.

(See [Question 37](#) of this FAQ on seeking an amendment to any of the standards for responsible financing practices.)

**19. Do the standards for responsible financing practices apply to all of an Applicant’s Financial Products (and those of any covered Affiliate), or only those directed to a Target Market?**

The Application includes a series of questions related to an Applicant’s (and its covered Affiliates’) Financial Products and Financial Services to determine whether they are consistent with a set of community development principles and the standards for responsible financing practices established by the CDFI Fund for the purposes of CDFI Certification. These questions apply to *all* Financial Products and Financial Services offered by an Applicant and its Affiliates, not just those directed to one or more of the Applicant’s Target Markets.

**20. Are CDFIs required to use the ability to repay standards and metrics established by the Consumer Financial Protection Bureau (CFPB) to demonstrate they have underwritten a consumer, mortgage, and/or small business loan to ensure the borrower has the ability to pay back that loan?**

No, CDFIs are not required to use the ability to repay standards and metrics established by the CFPB to demonstrate they have underwritten a consumer, mortgage, and/or small business loan to ensure the borrower has the ability to pay back that loan. Question PM14 of the Application asks whether “the Applicant’s underwriting standards for each of its covered mortgage, consumer, and/or small business loan products include an assessment of the borrower’s ability to

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<sup>4</sup> For purposes of CDFI Certification, “small business” has the same meaning as the term “small business concern” in 15 U.S.C. 632(a), as implemented in 13 CFR § 121.101 through 121.107. Notwithstanding the size standards set forth in 13 CFR § 121.201, for purposes of this subpart, a business is a small business if its gross annual revenue, as defined in 12 CFR § 1002.107(a)(14), for its preceding fiscal year is \$5 million or less.

pay back the loan according to the terms of the loan, meet any of the borrower’s other major financial obligations, and still pay basic expenses, without having to reborrow or refinance (except for any final mortgage balloon payment)?”

CDFIs are exempted from CFPB’s Ability to Repay/Qualified Mortgage (ATR/QM) rule ([12 CFR § 1026.43](#)) and the CDFI Fund does not require Applicants for Certification to meet the specific ATR requirements prescribed by the rule. However, for the purposes of CDFI Certification, the CDFI Fund regards the consideration of a borrower’s ability to pay back a loan a basic principle of responsible financing practices. The CDFI Fund also notes that regulated entities already are subject to prudential standards that require the consideration of a borrower’s ability to repay a loan.<sup>5</sup>

The CDFI Fund’s Certification standards for responsible financing practices do not dictate how an Applicant underwrites its loans to determine a borrower’s ability to pay back a loan. An Applicant that does not use the underwriting standards prescribed by CFPB may still meet the standard for Certification through alternative underwriting approaches that consider a borrower’s ability to pay back a loan including, for example, the use of qualitative compensating factors, alternative data (such as a cash flow analysis based on deposit account activity or rent payment history), or alternative or more inclusive credit models (including higher debt to income ratios).

If an Applicant does not consider a borrower’s ability to pay back a loan for any of its covered mortgages, consumer or small business loan products, it may offer an explanation of how this otherwise ineligible practice serves a community development purpose and is consistent with a community development mission.

**21. If an Applicant does not consider a borrower’s ability to pay back a loan for any of its covered mortgage, consumer, or small business loan products, what information should it include in any explanation of how this practice serves a community development purpose?**

For Question PM14, an Applicant that does not include an assessment of a borrower’s ability to pay back a loan as part of its underwriting standards for each of its covered mortgage, consumer, and/or small business loan products may offer an explanation of how this practice serves a community development purpose. In addition to the community development purpose of the relevant loan product, examples of the types of information the Applicant could provide to support such an explanation include, but are not limited to:

- The rates, terms, and conditions of the relevant loan product(s).

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<sup>5</sup> See, for example, the FDIC’s Interagency Guidelines Establishing Standards for Safety and Soundness ([12 CFR Appendix A to Part 364, Title 12](#)), which state in part that “An institution should establish and maintain loan documentation practices that... [i]dentify the purpose of a loan and the source of repayment, and assess the ability of the borrower to repay the indebtedness in a timely manner” ([12 CFR Appendix-A-to-Part-364 C.2](#)). The guidelines similarly state that the institution also “should establish and maintain prudent credit underwriting practices that [p]rovide for consideration, prior to credit commitment, of the borrower’s overall financial condition and resources, the financial responsibility of any guarantor, the nature and value of any underlying collateral, and the borrower’s character and willingness to repay as agreed” ([12 CFR Appendix-A-to-Part-364 D.3](#)).

- Any protections that mitigate potential harm to consumers of the loan product (e.g., those that support borrower affordability and successful repayment of principal, interest, and fees in a reasonable time frame rather than reborrowing, rollovers, or immediate collectability – including the absence of recourse – in the event of default).
- Any evidence that consumers are not harmed (e.g., the rate of successful repayments under the original rates, terms, and conditions of the product).
- Whether the credit risk of the loan product is retained by the Applicant or transferred (e.g., through sale of the loan product).

See also the [Interagency Lending Principles for Offering Responsible Small-Dollar Loans](#), for additional information.

## **22. What types of mortgages are covered by question PM14 related to a borrower’s ability to pay back a mortgage loan product?**

Question PM14 asks whether the underwriting standards for the Applicant’s covered mortgage loan products (as well as for its consumer and/or small business loan products) include an assessment of the borrower’s ability to pay back the loan. For purposes of this question PM14, a covered mortgage loan product is limited to a consumer credit transaction that is secured by a lien (including subordinate liens) on a single-family, owner-occupied residence **other than:**

- (i) A home equity line of credit subject to 12 CFR 1026.40 and 12 CFR 1026.43(h);
- (ii) A reverse mortgage subject to [12 CFR § 1026.33](#);
- (iii) A temporary or “bridge” loan with a term of 12 months or less, such as a loan to finance the purchase of a new dwelling where the consumer plans to sell a current dwelling within 12 months or a loan to finance the initial construction of a dwelling;
- (iv) A construction phase of 12 months or less of a construction-to-permanent loan;
- (v) An extension of credit made pursuant to a program administered by a Housing Finance Agency, as defined under [24 CFR § 266.5](#);
- (vi) An extension of credit made pursuant to a program administered by the U.S. Department of Housing and Urban Development, the U.S. Department of Veterans Affairs, or the U.S. Department of Agriculture;
- (vii) A transaction that does not require payment of interest; or
- (viii) A transaction made for the purpose of foreclosure avoidance or prevention.

Applicants that offer any of the types of mortgages listed among the exceptions (i – viii above) do not need to include those mortgages in their responses to the question PM14.

Note that the covered mortgages included in the scope of the questions in PM14 is different than the covered mortgages included in the scope of PM19 on the consumer product protections of the Applicant’s mortgage loan products. (Cf. [Question 29](#) of this FAQ.) Covered mortgages under PM14 include transactions secured by a subordinate lien, as well as transactions with a payment

schedule that is adjusted to the seasonal or irregular income of the consumer, both of which are excepted under PM19.

### **23. Are Applicants required to calculate the MAPR for all of their consumer loans?**

No, for purposes of Certification the CDFI Fund does not require that an Applicant calculate, disclose, or report the MAPR of each of its consumer loan products, unless otherwise required by statute or regulation to do so. Applicants only must attest as to whether any of its consumer loan products “allow for” a MAPR in excess of 36%.

Applicants that do not wish to calculate the MAPR for their consumer loans and still attest that none of their consumer loan products allow for a MAPR in excess of 36% may pursue one of two options: 1) Applicants can set internal policies to ensure no consumer loan exceeds a 36% MAPR and avoid any costs that could cause a loan to exceed that rate; or 2) if an Applicant determines that it does not charge any of the fees included in the MAPR methodology that are not a part of TILA, it may rely on the standard TILA APR calculation in [12 CFR Part 1026](#) (Regulation Z). Such MAPR fees that are not a part of TILA include:

1. Any credit insurance premium or fee, any charge for single premium credit insurance, any fee for a debt cancellation contract, or any fee for a debt suspension agreement;
2. Any fee for a credit-related ancillary product sold in connection with the credit transaction for closed-end credit or an account for open-end credit; and
3. Except for a bona fide fee (other than a periodic rate) charged to a credit card account, which may be excluded if the bona fide fee is reasonable for that type of fee:
  1. Finance charges associated with the consumer credit;
  2. Any application fee charged to a covered borrower who applies for consumer credit, other than an application fee charged by a federal credit union when making a short-term, small amount loan provided that the application fee is charged to the covered borrower not more than once in any rolling 12-month period; and
  3. Any fee imposed for participation in any plan or arrangement for consumer credit other than as permitted under [§232.4\(c\)\(2\)\(ii\)\(B\)](#) .

### **24. For consumer loans that allow for a MAPR in excess of 36%, is the Applicant and/or its Affiliates required to meet all of the other consumer loan characteristics?**

Yes. If any of the consumer loan products (including credit cards and purchased loans) of the Applicant or its Affiliates allow for a MAPR in excess of 36%, each of the following standards must be met as well:

- the loans must have an annual default rate less than 5%;
- the loans in question may not include a leveraged payment mechanism;
- any such loans of \$1,000 or less may not have repayment timeframes that exceed 12 months;

- for a period of 12 full months after the issuance of any such loan, the Applicant must waive any upfront fees for any refinance or new loan issued to the same borrower;
- any fees associated with such installment loans must be spread evenly over the life of the loan or pro rata refundable in the event of early repayment (including through a refinance); *and*
- all payments on any such installment loans must be substantially equal and amortize smoothly to a zero balance by the end of the loan term.

An Applicant that fails to meet all of the listed standards, in combination with a consumer loan product that allows for a MAPR in excess of 36%, will be disqualified.

**25. NCUA allows Federal credit unions to offer payday alternative loans (PALs) that charge up to 28% plus a reasonable application fee, not to exceed \$20, which in some cases could result in an APR in excess of 36%, as determined using the TILA methodology. Are such loans permissible for purposes of CDFI Certification?**

Question PM15 in the revised Certification Application asks whether an Applicant originates, purchases interests in, offers, arranges, markets, or services any consumer loan products (including credit cards and purchased loans) that allow for an APR in excess of 36% when that rate is calculated using the MAPR (rather than TILA) standard. If any of the consumer loan products of the Applicant or its Affiliates, including a PAL, allow for a MAPR in excess of 36%, those loans must meet a set of additional standards (see [Question 18](#)) to be permissible for purposes of CDFI Certification.

However, although the MAPR methodology requires inclusion of an application fee when calculating the MAPR, per [32 CFR 232.4\(c\)\(1\)\(iii\)\(B\)](#), it also includes an exclusion of such a fee “charged by a Federal credit union or an insured depository institution when making a short-term, small amount loan, provided that the application fee is charged to the covered borrower not more than once in any rolling 12-month period.” Therefore, the application fee on an initial PAL should not by itself result in a consumer loan with a rate that exceeds 36% MAPR. (If the Applicant issues additional consumer loans to the same borrower within a 12-month period, it must include any new application fee in the rate measurement, though the lender may also choose to waive the fee if its inclusion would push the rate above 36% MAPR.)

**26. Are Applicants allowed to offer credit life insurance or other products that are included in the MAPR calculation if doing so would result in a loan carrying a rate that exceeds 36% MAPR?**

For purposes of CDFI Certification, the CDFI Fund does not explicitly prohibit fees or premiums for credit life insurance, credit-related ancillary products, or any other fee included in the calculation of MAPR. However, if the premium or fee charged would result in a MAPR in excess of 36% for any of the Applicant’s consumer loan products, the Applicant must meet a set of additional consumer protection standards (see [Question 18](#)) for such lending to remain eligible for Certification.



**27. Is there a maximum rate that an Applicant can charge on its consumer or small business loans if the Applicant meets each of the standards identified in the secondary questions?**

No. PM15.1 and PM 16.1 ask Applicants that offer consumer and/or small business loans with rates in excess of 36% to indicate the current highest allowable rate that the Applicant charges on any of the Applicant's consumer and/or small business loan products. This data is collected for information purposes and does not affect the eligibility of the Applicant at this time.

**28. What if an Applicant attests that it does not originate, purchase interests in, offer, arrange, market, or service any consumer or small business loan products that allow for an APR in excess of 36%, but later determines that one of its consumer loan products did include loans with an APR in excess of 36%?**

If a Certified CDFI that has attested it does not offer consumer or small business loans that allow for an APR in excess of 36% later determines that a transaction's APR exceeds 36%. it must inform the CDFI Fund of the misreported information through an AMIS Service Request. The CDFI may remain eligible for CDFI Certification without having to meet the additional conditions for consumer loans above 36% provided:

- the CDFI, within 210 days after consummation, makes any necessary rate correction and
- pays to the consumer the dollar amount by which the transaction's total points and fees and/or interest payments caused the transaction to exceed a 36% APR.

If the CDFI does not make this correction, the CDFI Fund will terminate its Certification.

**29. What types of mortgages are covered by question PM19 regarding consumer protections for an Applicant's mortgage loan products?**

Question PM19 asks a series of questions related to the consumer protection features of an Applicant's covered mortgage loan products. For purposes of this question PM19, a covered mortgage loan product is limited to a consumer credit transaction that is secured by a lien on a single-family, owner-occupied residence **other than:**

- (i) Transactions secured by a subordinate lien;
- (ii) A home equity line of credit subject to 12 CFR 1026.40 and 12 CFR 1026.43(h);
- (iii) A reverse mortgage subject to [12 CFR § 1026.33](#);
- (iv) A temporary or "bridge" loan with a term of 12 months or less, such as a loan to finance the purchase of a new dwelling where the consumer plans to sell a current dwelling within 12 months or a loan to finance the initial construction of a dwelling;
- (v) A construction phase of 12 months or less of a construction-to-permanent loan;
- (vi) An extension of credit made pursuant to a program administered by a Housing Finance Agency, as defined under [24 CFR § 266.5](#);

- (vii) An extension of credit made pursuant to a program administered by the U.S. Department of Housing and Urban Development, the U.S. Department of Veterans Affairs, or the U.S. Department of Agriculture;
- (viii) A transaction that does not require payment of interest;
- (ix) A transaction made for the purpose of foreclosure avoidance or prevention; or
- (x) For Question PM19.2 (loans with interest-only payments) and Question PM19.3 (loans with balloon payments) only, a transaction with a payment schedule that is adjusted to the seasonal or irregular income of the consumer.

Applicants that offer any of the types of mortgages listed among the above exceptions (i-x) do not need to include those mortgages in their responses to the questions in PM19.

Note that the covered mortgages included in the scope of the questions in PM19 are different than the mortgages covered in the scope of Question PM14. (Cf. [Question 22](#) of this FAQ.) Question PM19 includes additional exceptions not listed under Question PM14 for (i) transactions secured by a subordinate lien and (x) transactions with a payment schedule that is adjusted to the seasonal or irregular income of the consumer, as it relates to loans with interest-only or balloon payments.

**30. Does the restriction on mortgage loans that include interest-only payments include a loan modification that includes interest-only payments for a period of time to keep a borrower in their home?**

No, the modification of a borrower’s mortgage loan to include interest-only payments to keep a borrower in their home does not affect an Applicant’s eligibility for CDFI Certification.

Question PM19.2 asks Applicants whether they offer covered mortgage loans that include interest-only payments. If Yes, the Applicant is not eligible for CDFI Certification. However, the scope of this question **excludes** any transaction made for the purpose of foreclosure avoidance or prevention.

**31. How should an Applicant demonstrate that any covered mortgage loan products with ballon payments are consistent with a community development mission?**

PM19.3 asks whether an Applicant offers covered mortgage loans that include balloon payments, i.e., a payment that is more than two times a regular periodic payment. If yes, the Applicant must indicate:

- PM19.3a: whether the covered mortgage loans meet the criteria set forth in [12 CFR §§ 1026.43\(f\)\(1\)\(i\)-\(vi\)](#);
- PM19.3b: whether the Applicant renews the loan at the time the balloon payment is due and if so whether the new loans retain the original amortization period; and
- PM19.3c: if the Applicant renews the loan at the time the balloon payment is due, whether the Applicant (as permitted by regulation) waives the need for a new appraisal and limits application and origination fees.

If the Applicant responds “Yes” to each of the questions PM19.3a through PM19.3c, it will be determined to meet the relevant standard for responsible financing practices.

If the Applicant responds “No” to any of the questions PM19.3a through PM19.3c, in order to demonstrate eligibility, it must describe in PM19.3d how such loans are advantageous to the borrower, any additional protections that limit potential harm to the borrower, and why the loan should be considered consistent with an acceptable community development mission.

In addition to the community development purpose and the borrower benefits of the relevant loan product, examples of the types of information the Applicant could provide to support such an explanation include, but are not limited to:

- The rates, terms, and conditions of the relevant loan product(s).
- Whether the credit risk of the loan product is retained by the Applicant or transferred (e.g., through sale of the loan product).
- Any protections that mitigate potential harm to consumers of the loan product (e.g., those that support borrower affordability and successful repayment of principal, interest, and fees in a reasonable time frame, minimize the cost of refinancing the balloon payment, or avoid immediate collectability in the event of default).
- Any evidence that consumers are not harmed (e.g., the rate of successful repayments under the original rates, terms, and conditions of the product).
- In addition:
  - If the Applicant responded “No” to PM19.3a, in addition to the community development purpose of the covered mortgage loan product, it should include in its narrative which of the criteria in [12 CFR §§ 1026.43\(f\)\(1\)\(i\)-\(vi\)](#) it does not meet and provide an explanation.
  - If the Applicant responded “No” to PM19.3b, it should explain (1) if it does not renew the covered mortgage loan at the time the balloon payment is due, how it assists borrowers to refinance the mortgage with another lender at reasonable rates and terms or otherwise ensures that the borrower is able to make the balloon payment without having to sell the home; or (2) if it does renew the covered mortgage at the time the balloon payment is due, but the new loan does not retain the original amortization period, why not and how the Applicant helps the borrower to build equity.
  - If the Applicant responded “No” to PM19.3c, it should explain (1) if it does not renew the covered mortgage loan at the time the balloon payment is due, how it assists borrowers to refinance the mortgage with another lender at reasonable rates and terms or otherwise ensures that the borrower is able to make the balloon payment without having to sell the home; or (2) if it does renew the covered mortgage at the time the balloon payment is due, but the Applicant does not waive the need for a new appraisal or limit application and origination fees to the extent permitted by regulation, why not

and how the Applicant minimizes the cost to the borrower of refinancing the balloon payment.

**32. Does the requirement that adjustable-rate mortgages be underwritten at no less than the maximum rate in the first five years prohibit Applicants from making such loans for which the rate may increase in less than five years?**

No, an Applicant that offers adjustable-rate mortgages with a rate that may adjust in less than five years may do so and remain eligible for CDFI Certification so long as it underwrites the mortgage at no less than the maximum rate permitted by the loan in the first five years. For examples of how to determine a mortgage loan product's maximum interest rate during the first five years, see CFPB's [official interpretation of Paragraph 43\(e\)\(2\)\(iv\)](#) of 12 CFR § 1026.43.

**33. How should a CDFI verify the income or assets of a mortgage borrower?**

Question PM19.6 asks whether an Applicant verifies the income or assets of the borrower of a covered mortgage loan product. For purposes of CDFI Certification eligibility, an Applicant that offers covered mortgage loan products must verify the borrower's income or assets using third-party records that provide reasonably reliable evidence of the borrower's income or assets. The Applicant may verify the consumer's income using a tax-return transcript issued by the Internal Revenue Service (IRS). As described in [12 CFR 1026.43\(c\)\(4\)](#), examples of other records the Applicant may use to verify the consumer's income or assets include, but are not limited to:

- Copies of tax returns the consumer filed with the IRS or a State taxing authority;
- IRS Form W-2s or similar IRS forms used for reporting wages or tax withholding;
- Payroll statements, including military Leave and Earnings Statements;
- Financial institution records;
- Records from the consumer's employer or a third party that obtained information from the employer;
- Records from a Federal, State, or local government agency stating the consumer's income from benefits or entitlements;
- Receipts from the consumer's use of check cashing services; and
- Receipts from the consumer's use of a funds transfer service.

**34. Does the restriction on selling charged-off consumer debt to debt buyers include owner-occupied residential mortgages?**

Yes. Question PM21 ask whether an Applicant sells its charged-off consumer or small business debt to debt buyers. An Applicant that sells its charged-off consumer debt – including owner-occupied residential mortgages – or small business debt to debt buyers is ineligible for CDFI Certification.

### **35. How should an Applicant demonstrate that its overdraft program is consistent with a community development mission?**

Question PM26 asks Applicants to describe certain features related to the fees associated with any of an Applicant's overdraft programs. If an Applicant charges overdraft fees that can exceed the amount of the item being cleared (see PM26.2a), or if an account holder of the Applicant may be charged overdraft fees on more than six occasions in a rolling 12-month period (see PM26.4a), Applicants are asked to explain how such practices should be considered consistent with an acceptable community development mission.

As part of any response, an Applicant should describe how it mitigates the risks to account holders associated with automated overdraft payment programs and any meaningful and effective action it takes to limit the use of overdraft by customers as a form of short-term, high-cost credit. Examples of such actions can be found in the FDIC's 2010 guidance on "Overdraft Payment Programs and Consumer Protection" ([FIL-81-2010](#)), and include, but are not limited to:

- Monitoring programs for excessive or chronic customer use and contacting such customers (e.g., in person or via telephone) to discuss less costly alternatives to the automated overdraft payment program such as a linked savings account, a more reasonably priced line of credit consistent with safe and sound banking practices, or a safe and affordable small-dollar loan, and giving the customer a reasonable opportunity to decide whether to continue fee-based overdraft coverage or choose another available alternative.
- Offering consumers who have excessive or chronic use of overdraft fees access to free or low-cost financial education workshops or individualized financial counseling.
- Promptly honoring customers' requests to decline coverage of overdrafts (i.e., opt-out) resulting from non-electronic transactions.
- Giving consumers the opportunity to affirmatively choose the overdraft payment product that overall best meets their needs.
- Instituting appropriate daily limits on overdraft fees (see PM26.3) and not charging overdraft fees for transactions that overdraw an account by a de minimis amount (see PM26.2); and
- Processing transactions in a manner designed to minimize the cost to consumers.
- Additional consumer protection features such as those listed in PM26.5

### **36. How should an Applicant demonstrate that its nonsufficient funds (NSF) fees are consistent with a community development mission?**

Question PM27 asks Applicants to describe certain features related to any NSF fees their customers may be charged. If an Applicant charges NSF fees that can exceed the amount of the item returned unpaid (see PM27.2a), or charges NSF fees more than once for the same transaction, regardless of whether the item is re-presented (see PM27.4a), it must explain how such practices should be considered consistent with an acceptable community development mission.

As part of any response, an Applicant should describe how it mitigates the risks to account holders associated with NSF fees and any meaningful and effective action it takes to limit the incurrence of such fees by customers. Examples of such actions include, but are not limited to:

- Monitoring accounts for excessive or chronic customer incurrence of NSF fees and contacting such customers (e.g., in person or via telephone) to discuss less costly alternatives such as a linked savings account, a more reasonably priced line of credit consistent with safe and sound banking practices, or a safe and affordable small-dollar loan, and giving the customer a reasonable opportunity to decide whether to choose another available alternative.
- Offering consumers with excessive or chronic incurrence of NSF fees access to free or low-cost financial education workshops or individualized counseling to learn how to manage personal finances more effectively.
- Reviewing customer notification or alert practices related to NSF transactions and the timing of fees to ensure customers are provided with an ability to effectively avoid multiple fees for re-presented items, including restoring their account balance to a sufficient amount before subsequent NSF fees are assessed.
- Taking full corrective action when re-presentation NSF fee issues are identified, including providing restitution to harmed customers, consistent with the restitution approach described in the FDIC's 2022 "Supervisory Guidance on Multiple Re-Presentation NSF Fees" ([FIL-40-2022](#)).
- Additional consumer protection features such as those listed in PM27.6.

**37. Can an Applicant seek flexibility regarding any of the standards for responsible financing practices?**

The current standards for responsible financing practices allow for certain circumstances under which an otherwise disqualifying practice might serve an acceptable community development purpose. For example, Applicants that offer consumer loans that exceed an MAPR of 36% may still be determined eligible for certification if certain conditions are met, such as a default rate no greater than 5%, limits on fees to refinance the loan, substantially equal loan payments that amortize to a zero balance, among other conditions. Similarly, certain otherwise disqualifying residential real estate mortgage loan characteristics are allowable for the purposes of CDFI Certification if the Applicant meets additional criteria. In some cases, Applicants may have the opportunity to offer an explanation as to how an otherwise disqualifying practice is consistent with a community development mission.

Applicants seeking to engage in financing activities that do not currently meet the standards for responsible financing practices of the Primary Mission test may also seek amendment to the standards that allows for additional activity that serves a community development purpose. To do



so, Applicants must provide the following information<sup>6</sup> for the CDFI Fund’s consideration in advance of an Application submission:

- Description of the financing activity;
- Current standard that the financing activity does not meet;
- Reasons the Applicant believes the financing activity serves a community development purpose;
- Protections that ensure the financing activity does not harm consumers;
- Evidence that consumers are not harmed (e.g., if discussing a Financial Product characteristic, the rate of successful repayment under the original rates, terms, and conditions of the Financial Product);
- Conditions or parameters under which the financing activity should be considered an acceptable community development activity (e.g., limits on rates charged, purpose, borrower characteristics, etc.); and
- Any additional relevant information.

The CDFI Fund will not approve individual exceptions to the Primary Mission test and any amendment to the standards for responsible financing practices will be made available to all CDFIs and future Applicants.

### **Financing Entity**

#### **38. For the CDFI Certification Financing Entity test, how does the CDFI Fund define “predominance” when measuring whether an Applicant’s predominant business activity is the provision, in arms-length transactions, of Financial Products and/or Financial Services?**

The CDFI Fund’s regulations state that a “CDFI shall be an entity whose predominant business activity is the provision, in arms-length transactions, of Financial Products and/or Financial Services.”<sup>7</sup> To be predominant, the provision of Financial Products and/or Financial Services does not have to be the majority of the Applicant’s overall activity, but must be the activity that reflects the greatest use of the Applicant’s assets and staff time when compared to any other separate and distinct type of activity in which the Applicant engages. No other single activity type should claim more of an Applicant’s assets and staff time.

#### **39. My CDFI provides grants through funds we’ve received from a Federal, State government, or municipal public assistance program – like the EPA’s Greenhouse Gas Reduction Fund. Do I need to include this grant making activity when calculating our organization’s predominant financing activity for the Financing Entity test?**

An Applicant or Certified CDFI may disregard grant funds provided through a Federal, State government, or municipal community development-focused or public assistance program for the

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<sup>6</sup> See question OD02 of the “Obtaining Determination for Responsible Financing Practices, Similar Financial Products, Similar Financial Services, Disregarded or Included Assets/Staff Time, Targeted Populations, and Target Market Assessment Methodologies” section of the Application.

<sup>7</sup> [12 CFR § 1805.201\(b\)\(2\)](#)

purposes of the Financing Entity predominance test if the following conditions are met:

- The majority of the funds were awarded to the Applicant/Certified CDFI for a community development, public assistance, or other purpose approved by the CDFI Fund.
- The grant funds are intended for and are ultimately delivered to an approved Target Market or Eligible Market in the form of grants, Financial Products and/or Financial Services, or other acceptable form of assistance or support as approved by the CDFI Fund.

If these conditions are met, grant funds received in a specific fiscal year may be disregarded for the next two subsequent fiscal years that serve as the basis for the relevant Financing Entity criteria review. For example, funds received in FY 2023 can be disregarded as financing activity for FYs 2023, 2024, and 2025, for a total of three fiscal years. All disregarded funds are subject to final approval by the CDFI Fund.

The CDFI Fund may grant an extension to the three-year period in the case of a Federal or Presidential declared disaster.

Although these funds may be disregarded for the purposes of the Financing Entity test, Certified CDFIs must still report on their grant making activities annually in the ACR.

**40. Can staff time dedicated to the provision of Development Services count as financing activity for the purposes of the Financing Entity test?**

Consistent with CDFI Fund regulations, Development Services are not considered as assets or staff time that support the direct provision of Financial Products and/or Financial Services. However, Applicants may disregard staff time dedicated to the provision of Development Services when calculating their predominant activity.

**41. How will the CDFI Fund treat a Certified CDFI whose predominant activity during a given fiscal year is something other than the provision of Financial Products and/or Financial Services (as measured by assets and/or staff time), as a result of economic conditions and/or a temporary spike in a non-financing activity?**

The CDFI Fund may allow a Certified CDFI to maintain its certification status by demonstrating compliance with the predominance test over a three-year fiscal period through the last day of its most recently completed fiscal year.

**Target Market**

**42. How must an Applicant demonstrate that it is serving a Target Market?**

To become a Certified CDFI, an Applicant must demonstrate that it serves at least one eligible Target Market (either an Investment Area or a Targeted Population) through its Financial

Products and/or Financial Services activity (see **Question 43** of this FAQ) in its proposed Target Markets. In addition, it must direct at least 60% of both the number and dollar volume of arm's-length, on-balance sheet Financial Products to one or more eligible Target Market(s). To confirm activity to the Target Market, transaction level data will be submitted annually through the Transaction Level Report (TLR)<sup>8</sup>.

All Applicants must meet the applicable Target Market percentage benchmarks as stated above or as described in **Question 48** of this FAQ for certain Investment Areas. If an Applicant falls below the required level for any of the applicable Target Market percentage benchmarks, it will not be eligible for CDFI Certification.

To meet the Target Market requirements, an Applicant may serve multiple eligible Target Market types. (For example, an Applicant may demonstrate compliance with the Target Market percentage benchmarks by serving both an Investment Area and one or more Targeted Populations). However, for the purposes of calculating the overall Target Market percentage of an Applicant's activity, each Financial Product transaction or Financial Service item shall be counted towards only one Target Market component (even if the transaction or account qualifies as having been directed to more than one Target Market component), via the 'Designated Target Market Type' data point within the TLR.

NOTE: The benchmarks must be met without any rounding of decimal points, i.e., 59.9% will not be rounded to 60% for Certification purposes.

#### **43. Are Applicants able to use Financial Services to demonstrate service to a Target Market?**

A Depository Institution that has directed less than 60% but at least 50% of *either* the dollar volume or the total number of its Financial Products to one or more eligible Target Market(s), also has the option of meeting the Target Market test by demonstrating that at least 60% of its total unique depository account<sup>9</sup> holders are members of one or more eligible Target Market(s) AND that it delivers to one or more eligible Target Market(s) at least:

- **60%** number of Financial Products and **50%** dollar volume of Financial Products; *or*
- **50%** number of Financial Products and **60%** dollar volume of Financial Products.

#### **44. For the purposes of meeting the Target Market requirements through the Financial Services option, what is the definition of a "unique depository account holder"?**

A unique depository account holder is an individual or other legal entity, other than a government entity, that can be identified through the use of a unique identifier – such as a Taxpayer Identification Number; a passport number and country of issuance; an alien

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<sup>8</sup> For the purpose of the CDFI Certification Application, all references to the Transaction Level Report include the abbreviated TLR (for entities that are not CDFI Fund Financial Assistance [FA] award recipients with a TLR reporting requirement) and the full-length TLR (for entities that are recipients of CDFI Fund Financial Assistance [FA] awards with a TLR reporting requirement).

<sup>9</sup> Depository accounts are savings/share accounts, checking accounts, and money market accounts.

identification card number; or a number and country of issuance of any other government-issued document evidencing nationality or residence and bearing a photograph or similar safeguard – and that holds a depository account (e.g., share, checking, certificates of deposit, money market) at a depository institution.

Each unique depository account holder should be counted only once, regardless of the number of depository accounts held by the account holder, when measuring an Applicant's or CDFI's level of Target Market unique depository account holders.

**45. To meet the Target Market test using the Financial Services option, should an Applicant assess the Target Market qualifications of all of its unique depository account holders, or only those that opened an account during the most recently completed fiscal year?**

A Depository Institution Applicant that chooses to meet the Target Market test using the Financial Services option must demonstrate that at least 60% of its total unique depository account holders are members of a Target Market, regardless of when the account holder opened their first depository account with the Applicant.

**46. Once an entity is certified, what happens if a CDFI falls below the Target Market benchmarks during a given fiscal year?**

Once Certified, to maintain Certification, Certified CDFIs must demonstrate compliance with the Target Market percentage benchmarks each fiscal year. After initial certification (or recertification) through the current Application and a Certified CDFI's first two ACR submissions, a Certified CDFI that fails to meet the Target Market benchmarks, based on its Financial Products and/or Financial Services activity, over its most recently completed fiscal year may maintain its Certification by demonstrating that it met the benchmarks over a three-year period through the last day of its most recently completed fiscal year – as measured by the data submitted in the CDFI's three most recent TLRs, including as part of its Certification Application if necessary (a Certified CDFI that fails to meet the Target Market benchmarks for the previous fiscal year in its first ACR submission will have the option to be evaluated over a two-year period through the last day of its most recently completed fiscal year). Certified CDFIs that still fall below the Target Market benchmarks over three full fiscal years of financing activity in their TLR (or over two full fiscal years for those with less than two years of Certification under the current Application) will be decertified and no additional cure period will be granted.

**47. Are Applicants still required to submit a map of their Target Market?**

The revised Application no longer requires Applicants to submit a map for a pre-qualified Investment Area consisting only of individual census tracts that the CDFI Fund has determined meet one or more of the statutory economic distress criteria, or for a pre-qualified Targeted Population (either Low-Income Targeted Population or Other Targeted Population). However, Target Market maps must be created for each proposed customized Investment Area Target Market, Non-Metro counties/parishes, and for any newly requested Other Targeted

Populations not currently on the CDFI Fund's list of currently recognized Other Targeted Populations. Any customized Investment Area Target Market map, including Non-Metro counties/parishes, must be created **BEFORE** submitting the related transaction level data in the TLR ahead of the Certification Application Submission and/or ACR.

Applicants creating maps must utilize the most recent set of eligible census tracts deployed for use by the CDFI Fund. (Refer to the CIMS user [guidance](#) for further information on creating Target Market maps.)

**48. If an Applicant is serving a Target Market consisting of a customized Investment Area or a non-Metro county or parish Investment Area, how much of the Applicant's financing activity must be directed to the individually qualifying census tracts within the Investment Area geography in order to meet the applicable Target Market benchmarks?**

CDFIs must dedicate 60% of their financing activities to eligible Target Markets. For Applicants wishing to use a customized Investment Area or a non-Metro county or parish Investment Area, activity in individually non-qualifying census tracts may be counted toward the 60% threshold if certain additional conditions are met.

An Applicant with a customized Investment Area Target Market must direct at least 85% of its customized Investment Area financing activity, in both number of and dollar volume of transactions (or unique account holders if relying on the Financial Services option), within the individually qualified census tracts of that customized Investment Area. If the 85% threshold is met, then the Applicant can count activity in the non-qualifying tracts of the customized Investment Area toward the 60% Target Market benchmark..

The requirement to direct at least 85% of customized Investment Area activity within the individually qualified census tracts of the Investment Area geography ensures an Applicant serving such a geography still directs at least 51% of its financing activity within qualifying census tracts, given that the Applicant's financing activity outside of its Investment Area geography may be directed entirely to non-qualifying census tracts. For example, if the Applicant directs 60% of its Target Market activity within a customized Investment Area, and 85% of that activity within the individually qualified census tracts of the customized Investment Area,  $85\% \times 60\% = 51\%$ . This means that up to 49% of the Applicant's combined Target Market and non-Target Market investments may be directed to non-qualifying areas. The benchmarks must be met without any rounding of decimal points, i.e., 84.9% will not be rounded to 85% for Certification purposes.

While the overall Target Market threshold is still 60% when using a customized Investment Area, the 51% in the example above represents the minimum amount of an Applicant's total activity that would need to be within qualified tracts if an Applicant had a Target Market consisting only of customized Investment Areas and had no eligible activity outside of those Investment Areas, either in pre-qualified tracts or directed to a Targeted Population.

**Non-Metro customized Investment Area, county, or parish:** Prior to October 1, 2027, an Applicant that serves a non-Metro customized Investment Area,<sup>10</sup> county, or parish must direct at least 75% of its Financial Product and/or Financial Services activity, in both number of and dollar volume of transactions (or unique account holders if relying on the Financial Services option), in such Investment Area within the individually qualified census tracts of the respective non-Metro geography in order for activity in the non-qualifying tracts of the Investment Area to count towards the 60% Target Market benchmark.

Beginning October 1, 2027, an Applicant that serves a non-Metro customized Investment Area, county, or parish Target Market must direct at least 85% of its Financial Product and/or Financial Services activity in such Investment Area(s) within the individually qualified census tracts of the respective non-Metro geography in order for activity in the non-qualifying tracts of the Investment Area(s) to count towards the 60% Target Market benchmark.

See [Question 51](#) for additional discussion on options if an entity is unable to direct the minimum level of financing activity to individually qualified census tracts within a customized Investment Area or non-Metro county or parish Investment Area.

**49. Does an Applicant that serves both Metro and non-Metro customized Investment Areas (or non-Metro county or parish Investment Areas) need to meet the 75% or 85% threshold for qualifying tracts?**

Prior to October 1, 2027, an Applicant that serves a Metro customized Investment Area and also serves a non-Metro customized Investment Area (or a non-Metro county or parish Investment Area) must:

- direct at least 85% of its Metro customized Investment Area financing activity within the individually qualified census tracts of any Metro customized Investment Area for activity in the non-qualifying tracts of the Metro customized Investment Area to count toward the 60% Target Market benchmark; and
- direct at least 75% of its non-Metro customized Investment Area, county, or parish Financial Product and/or Financial Services activity within the individually qualified census tracts of the respective non-Metro geography for activity in non-qualifying tracts of the non-Metro geography to count toward the 60% Target Market benchmark.

Beginning October 1, 2027, an Applicant that serves any customized Investment Area, regardless of Metro status, or any non-Metro county or parish Investment Area, must direct at least 85% of its customized Investment Area or non-Metro county or parish Investment Area Financial Products and/or Financial Services activity within the individually qualified census tracts of the respective geography for activity in the non-qualifying tracts of the geography to count toward the 60% Target Market benchmark.

See [Question 48](#) for additional discussion about customized Investment Area Target Market benchmark requirements.

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<sup>10</sup> A non-Metro customized Investment Area must consist exclusively of non-Metro geographic units.

**50. Can an Applicant’s Target Market include a combination of different Investment Areas, e.g., both a pre-qualified Investment Area and a customized Investment Area?**

Yes, an Applicant may be certified to serve both a pre-qualified Investment Area and a customized Investment Area and/or a non-Metro county-wide or parish-wide Investment Area. In such cases an Applicant must submit a map of any Customized Investment Areas and/or non-Metro county-wide or parish-wide Investment Areas in CIMS and meet the accountability requirements for each Investment Area type. For the purposes of measuring Target Market activity, the Applicant may count all eligible activity within the Customized Investment Area and/or non-Metro county-wide or parish-wide Investment Area, as well as all financing activity that falls within qualified census tracts anywhere within the United States.

**51. What if a CDFI with a customized Investment Area or non-Metro county or parish Investment Area does not direct the minimum level of financing activity to individually qualified census tracts within those Investment Areas?**

If a CDFI fails to deliver at least 85% of its financing activity within the individually qualified census tracts of a Metro customized Investment Area or, prior to October 1, 2027, at least 75% (and at least 85% beginning October 1, 2027) within the individually qualified census tracts of a non-Metro customized Investment Area or county-wide or parish-wide Investment Area, it will still be able to treat the activity within the individually qualified census tracts of the respective geography as Investment Area Target Market activity, but will not be able to recognize the activity within non-qualified tracts as such. In such situations, the CDFI may still retain CDFI Certification if that CDFI’s customized Investment Area and/or county or parish Investment Area activity – in combination with activity to any other of the CDFI’s Target Market components – meets the 60% Target Market threshold necessary for CDFI Certification.

If a CDFI has started a TLR and discovers that it does not meet the threshold requirements to count the non-qualifying census tract financing activity for any of its customized Investment Areas or non-Metro county or parish Investment Areas, it will need to go back into the uncertified TLR and re-tag any transactions in qualified tracts of that geography as “IA—Pre-qualified” instead of “IA-Customized,” “IA-Non-Metro Customized,” or “IA-Non-Metro Counties/Parishes” for the “Designated Target Market Type” data field in order to still count that activity towards its Target Market benchmarks. In such cases, transactions in non-qualified tracts may still be recognized as Target Market activity if tagged as “LITP” or one of the various “OTP” types based on a determination using one of the pre-approved Target Market assessment methodologies. If a transaction cannot qualify for a Target Market component, then it should be tagged as “Non-Target Market.”

The process will be slightly different for the Consumer Loans TLR involving regulated entities. For the Consumer Loans TLR, the number and dollar amount of the transaction(s) needs to be removed from Investment Area data fields and added to the data fields for LITP or OTP if appropriate or not included for any Target Market component data field at all.



**52. Can loans that were originated by an entity that was acquired count towards meeting the Target Market requirements of the acquiring entity?**

If an entity acquires another entity, the financing activity of the acquired entity may count toward the Target Market requirements of the acquiring entity only if that activity is included in the non-consolidated financial statements of the acquiring entity at the end of the acquiring entity’s fiscal year. Generally, such activity may not count toward the Target Market requirements of the acquiring entity if the acquired entity remains a separate legal entity, even if its financing activity is included in the consolidated financial statements of the acquiring entity. However, if the acquiring entity is a DIHC, an Affiliate of a DIHC, or a Subsidiary of an IDI, the financing activity of the acquired entity will be included as part of the collective review of the acquiring entity.

**53. When must a CDFI begin abiding by the new pre-approved Target Market Assessment Methodologies?**

TM07 asks Applicants to attest “that only a CDFI Fund-approved Target Market assessment methodology(ies) was and will continue to be used to determine whether or not Financial Product transactions and/or depository accounts have been directed to an eligible Target Market,” while TM08 asks Applicants to identify the Target Market assessment methodology(ies) used by the Applicant. The list of approved Target Market assessment methodologies was announced on December 7, 2023, and can be found on the CDFI Fund’s [website](#). Applicants that seek to use a Target Market assessment methodology other than one that appears on the list of approved methodologies may request separate approval of that methodology through Section Zero of the Application.

For a Non-Certified CDFI Applicant, the attestation in TM07 must signify that all of the Target Market activity reported in its TLR was assessed using one or more of the approved methodologies that it identifies in its response to TM08.

Currently Certified CDFIs that have been using a Target Market assessment methodology other than one that appears on the list of pre-approved methodologies may use the grace period until their application submission deadlines either to request approval of that methodology or to adopt one or more of the pre-approved methodologies. For such a currently Certified CDFI, the attestation in TM07 must signify that the CDFI has begun using – and will continue to use – only one or more of the approved Target Market assessment methodologies that it identifies in its response to TM08 by the time it submits its application for CDFI Certification under the revised standards.

**54. Can a wholesale lender that buys loan participations from other CDFIs be designated as serving an OTP-Certified CDFIs Target Market?**

Yes, a wholesale lender that purchases loan participations (i.e. a portion of a loan originated by a retail lender) from other Certified CDFIs may be designated as serving an OTP-Certified CDFIs Target Market. In addition, wholesale lenders that engage in such participation lending by

providing the loan capital to a third-party entity that delivers the loans to and maintains the relationship with the end-borrowers has the option of selecting a Target Market based on that of the end-borrowers that it serves through its participation loans, as well as selecting an OTP-Certified CDFIs Target Market. Regardless of which Target Market(s) a wholesale lender selects, it also must be able to demonstrate accountability to each Target Market component it selects to receive approval of that Target Market for Certification purposes. The wholesale lender also must be able to demonstrate that at least one of its Development Services is directed to members of at least one of its Target Market components in conjunction with its Financial Products.

### **55. Does it matter what naming convention is used for creating a Target Market in CIMS and AMIS?**

Yes, it does matter. Part of the TLR's Target Market Calculator's logic is based on the names given to a Target Market in AMIS and CIMS. For AMIS, the relevant data field is the "Market Name" data field on the "CDFI Certification Market" object. For CIMS, the relevant data field is the "Map Name" data field for each Target Market map created. In order for the Target Market Calculator to work correctly when analyzing Target Market activity in any type of customized Investment Area, the name of each customized Investment Area map created in CIMS must match the name of the "Market Name" data field entered into the CDFI Certification Market. If the names do not match exactly and an Applicant has more than one type of customized Investment Area or multiples of the same type, then the Target Market Calculator may not correctly calculate Target Market activity—which affects whether a CDFI Certification Application can be submitted.

For example, if an Applicant enters "NonMetro CIA Fulton County" for the "Map Name" field in CIMS when they create their non-metro county-wide customized Investment Area, then they must enter "NonMetro CIA Fulton County" for the "Market Name" data field on the "CDFI Certification Market" object and select "IA – Non-Metro counties/parishes" for "Market Type" data field.

### **Development Services**

#### **56. What counts as an eligible Development Service for the purposes of CDFI Certification?**

An eligible Development Service is a structured training, counseling, or technical assistance service that promotes access to and/or success with an entity's Financial Products and Financial Services. A structured Development Service should be offered regularly to eligible clients, have a defined curriculum or written set of goals and objectives, and for which the outcome of success may be the completion of a specific step that prepares current or potential customers to access or increase their knowledge about the CDFI's Financial Products and Financial Services.

#### **57. Are one-on-one meetings with customers an eligible Development Service?**

Yes, a Development Service may be delivered in a classroom setting or one-on-one, e.g., a series of one-on-one, goal-oriented conversations with consumers that have measurable outcomes. A Development Service, however, is separate and distinct from routine customer service, marketing or origination activity, such as providing a prospective or existing customer, borrower, or investee information about, or assistance with completing an application for an Applicant's Financial Products or Financial Services. Development Services should address subject matter that prepares consumers to access and be successful in using an entity's Financial Products (e.g., first-time homebuyer counseling for prospective mortgage borrowers, financial or credit counseling; or business planning and management assistance) and Financial Services (e.g., financial education that promotes the opening of a depository account or promotes savings).

**58. Can a Development Service be delivered online or virtually?**

Yes, a Development Service may be delivered in person or online and may be delivered with or without a live instructor or facilitator. Development Services delivered without a live instructor or facilitator must be well-developed, online trainings with learning modules that include a method of requiring the engagement of the viewer and measuring increased knowledge.

**59. Can an Applicant meet the Development Services requirements if it provides financial education or training that is not connected to a Financial Product or Financial Service offered by the Applicant, even if it assists a beneficiary to access Financial Products or Financial Services offered by another entity?**

Per regulation, a Development Service must be directed toward the use of the Applicant's Financial Products or Financial Services and not those of another entity. A CDFI does not need to establish that participants in any Development Service secured financing from the CDFI—only that the Development Service reasonably prepares them to access a Financial Product or Financial Service that the CDFI offers at the time the Development Service was offered.

For example, homebuyer counseling is a Development Service that may occur well in advance of a client being prepared to access mortgage financing. However, a CDFI could not count housing counseling as a Development Service if it does not offer a Financial Product or Financial Service related to home purchase.

**60. Are financial education classes or workshops for youth an eligible Development Service?**

Depository institution Applicants are allowed to identify financial education as a Development Service for youth if it promotes the youth opening a depository account or building savings in an account with the Applicant.

**61. What is an eligible development service and what does the Applicant need to submit in the narrative?**

An eligible Development Service is a formal structured training, counseling, or technical assistance service that promotes access to and/or success with an entity's Financial Products and

Financial Services is offered regularly to eligible clients, have a defined curriculum or written set of goals and objectives, and the outcome of success may be the completion of a specific step that prepares current or potential customers to access or increase their knowledge about the CDFI's Financial Products and Financial Services.

A Development Service may be delivered in a classroom setting or one-on-one, in person or online, and with or without a live instructor or facilitator. Development Services delivered without a live instructor or facilitator must be well-developed online trainings with learning modules that include a method of requiring the engagement of viewers and measuring their increased knowledge.

Applicant will need to outline its approach and detailed planned activities towards achieving the Development Services component. The organization must describe in detail the nature of the technical assistance to be provided and describe the systems in place to deliver these services. This includes identifying the specific financial literacy needs of the target populations and outlining the resources, workshops, and strategies that will be utilized to effectively deliver this education. It is imperative that the organization demonstrates a comprehensive understanding of the educational needs of their target community and has a clear plan in place to address these needs.

### **Accountability**

#### **62. How must an Applicant demonstrate Accountability to its proposed Target Market(s)?**

Applicants must demonstrate individual and, if required, collective accountability to their proposed Target Market(s) through one of the following options:

##### **Option 1: Governing Board Only**

- At least one governing board member is accountable to each proposed Target Market type, *and*
- At least 33% of the governing board is accountable to the overall proposed Target Market(s);

##### **Option 2: Governing Board Supplemented by Advisory Board**

- At least 20% of the governing board members are accountable to the overall proposed Target Market;
- At least one advisory board member is accountable to each proposed Target Market type;
- At least 60% of the advisory board is accountable to the overall proposed Target Market(s);
- At least one governing board member is also a member of the advisory board; *and*
- The Applicant has adopted an advisory board policy.

**Option 3: Advisory Board Supplemented by Credit Union Membership (*Credit Union Applicant Only*)**

- At least 33% of the credit union’s members are determined to be members of at least one Target Market type in the overall proposed Target Market, using a CDFI Fund-approved Target Market assessment methodology;
- At least one advisory board member is accountable to each proposed Target Market type;
- At least 60% of the advisory board is accountable to the overall proposed Target Market(s);
- At least one governing board member is also a member of the advisory board; *and*
- The Applicant has adopted an advisory board policy.

**Option 4: Advisory Board Only (*DIHCs and IDIs, and entities without a formal governing board only*)**

- At least one advisory board member is accountable to each proposed Target Market type;
- At least 80% of the advisory board is accountable to the overall proposed Target Market(s);
- At least one governing board member or partner/owner of the Applicant entity is also a member of the advisory board; *and*
- The Applicant has adopted an advisory board policy.

**63. How can an individual board member demonstrate accountability to the Applicant’s proposed Target Market(s)?**

Individual accountability to a Target Market may be demonstrated through any of the following means:

<b>Investment Area (IA)</b>	<b>Low-Income Targeted Populations (LITP)</b>	<b>Other Targeted Population (OTP)</b>
Primary residence in a qualified census tract	Status as a Low-Income individual	Status as a member of the Targeted Population
Status as an owner of a small business primarily located in a qualified census tract(s) or owner of a small business that principally employs and/or principally provides goods or services to residents of the qualified census tracts of an IA	Status as a staff member of a non-Affiliated third party, community development mission-driven organization that primarily provides services to Low-Income people	Status as a staff member of a Certified CDFI (OTP-CDFI only)
Status as an elected official primarily representing residents of qualified census tracts		Status as a staff member of a non-Affiliated third party, community development mission-driven organization that primarily provides services to people with disabilities

Investment Area (IA)	Low-Income Targeted Populations (LITP)	Other Targeted Population (OTP)
		(OTP – Persons with Disabilities only)
Status as a staff member of a non-Affiliated third party, community development mission-driven organization that primarily provides services to residents of a qualified census tract(s)		Status as a family member <sup>11</sup> of a person with disability (OTP – Persons with Disabilities only)
Enrollment in a federally recognized tribe (Applicants serving IAs located in Native geographies only)		

**64. Can board membership with a non-Affiliated, third-party, community development mission-driven organization that primarily provides services to Low-Income people be used as a means of accountability to a particular Target Market?**

No, for the purposes of CDFI Certification the CDFI Fund does not consider status as a board member of a third-party, mission-driven organization by itself to demonstrate a sufficient level of accountability to a Target Market. However, such an individual still may be treated as accountable to a Target Market if it meets one of the other accepted means of accountability, for example, as resident of a qualified Investment Area census tract or as a member of a Targeted Population.

**65. What is the definition of a “community development, mission-driven entity”?**

A community development, mission-driven entity is an organization that focuses on improving the quality of life of underserved people and/or distressed geographies. Examples of promoting community development include:

- the provision of responsible Financial Products and Financial Services to Low-Income borrowers, Other Targeted Populations, and/or residents of and businesses located in economically distressed communities;
- efforts to promote affordable housing, community-serving facilities, and economic development in economically distressed communities; and/or
- supporting the provision of community services such as child care, education, health care, social services, or workforce development.

**66. Can a board member meet the accountability test for more than one Target Market?**

Yes. For example, an African American resident of an Investment Area may serve as a board member of an Applicant that has a Target Market of Pre-qualified Investment Areas and OTP-

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<sup>11</sup> Family members include those related by blood (including half-siblings), adoption, or marriage.

African American and meet the accountability criteria for both Target Markets. However, the Applicant still must meet other minimum accountability requirements, e.g., that at least 33% of the governing board is accountable to the overall proposed Target Market(s) when using a governing board to meet the Accountability test. See [Question 67](#) for additional discussion.

#### **67. What are some examples of eligible board representation for the Accountability test for entities with more than one Target Market?**

To meet the Accountability test through an Applicant's governing board, an Applicant must demonstrate that at least one governing board member is accountable to each proposed Target Market, and at least 33% of the governing board is accountable to the overall proposed Target Market(s).

For example, a CDFI with a Target Market of Pre-qualified Investment Areas, LITP, and OTP-Hispanic, and a governing board consisting of fifteen members would have to have:

- at least five board members (i.e., 33% of the board) who meet at least one of the accountability criteria for each of the three different Target Markets – one accountable to an Investment Area, one accountable to an LITP, one accountable to an OTP-Hispanic; and
- two additional members accountable to any of the Target Markets.

If one of the board members meets the accountability criteria for more than one Target Market, the board would still need at least five members who meet the accountability criteria—such as a board member accountable to both an Investment Area and an LITP, another member accountable to an OTP-Hispanic, and three additional members accountable to any of the Target Markets.

If the Applicant has a governing board but seeks to meet the Accountability test in combination with an advisory board, the Applicant must demonstrate that at least one advisory board member is accountable to each proposed Target Market; at least 60% of the advisory board is accountable to the overall proposed Target Market(s); at least 20% of the governing board members are accountable to at least one proposed Target Market; and at least one governing board member has a seat on the advisory board.

For example, the same CDFI with a Target Market of Pre-qualified Investment Areas, LITP, and OTP-Hispanic, and a governing board consisting of fifteen members and an advisory board consisting of ten members would have to have:

- at least six advisory board members (i.e., 60% of the advisory board) who meet at least one of the accountability criteria for each of the three different Target Markets – one accountable to an Investment Area, one accountable to an LITP, and one accountable to an OTP-Hispanic;
- three additional advisory board members accountable to any of the Target Markets;
- at least one advisory board member who was also a member of the governing board; and
- at least three governing board members (i.e., 20% of the governing board) who meet at least one of the accountability criteria for any of the three different Target Markets.



**68. What are the advisory board policy requirements for an Applicant using an advisory board to demonstrate accountability to a proposed Target Market(s)?**

An organizational advisory board policy can be a stand-alone document or can be incorporated into an Applicant's governance or organizing document. At minimum, an advisory board policy must include a description of all of the following:

- the purpose of the advisory board and the scope of topics or strategic policy matters on which the advisory board provides input or advice to the governing board or owners;
- how the input that the advisory board provides to the governing board is documented (for example: regular meetings with the governing leadership, the inclusion of advisory board meeting minutes in governing leadership meeting packets, written reports providing feedback on decisions related to strategic policy matters, etc.);
- the process by which individuals are selected and approved as members of the advisory board; and
- how the advisory board seeks input from, and/or reviews data on the financial needs and opportunities in, the Target Market(s) for which it provides accountability.

**69. Are board members who have active loan products from the Applicant or who are compensated for their board service eligible to meet the accountability requirements?**

Yes, board members who have active loan products or are compensated for their board service are eligible to meet the individual accountability requirements. However, to avoid a financial conflict of interest, if an Applicant's board member, the board member's employer, or any covered member of the board member's family has an active Financial Product(s) from the Applicant, the Applicant should have policies requiring such board members to recuse themselves from any decision that may affect, directly or indirectly their Financial Product or relationship.

**Native American CDFI Designation**

**70. Can an entity lose its CDFI Certification but still be allowed to maintain its Native American CDFI designation?**

No. To receive and/or maintain the Native American CDFI designation, an Applicant must also meet and maintain the requirements for CDFI Certification.

**Annual Certification and Data Collection Report (ACR)**

**71. Which version of the ACR does an entity file and what is its due date?**

An entity that is certified under the new Certification policies, released in December 2023, is required to submit the new version of the ACR according to the submission date shown on their

ACR Reporting Schedule in AMIS. The submission date will be 180 days after the FYE of its most recently completed Fiscal Year (FY) unless directed otherwise by the CDFI Fund.

An entity that is certified under the prior Certification policies is required to submit the current version of the ACR according to the submission date shown on its ACR Reporting Schedule in AMIS. The submission date is 90 days after the FYE of its most recently completed FY, unless directed otherwise by the CDFI Fund.

AMIS will automatically determine which ACR an entity must complete based on the Certification date in its AMIS Org Profile.

## **72. Can an entity lose its certification based on its ACR submission?**

Yes, an entity that is certified under the new Certification Application, published in December 2023, can lose its certification based on its ACR submission. The entity's answers in the ACR submission may show that the entity is no longer fulfilling all of the requirements of Certification and therefore should not have its Certification status reaffirmed. For example, if the Target Market activity thresholds are not met based on the submitted and certified Transaction Level Report (TLR) results, then the entity is not eligible for CDFI Certification renewal. There are also a series of questions in the Responsible Financing Practices section where a CDFI's Certification will not be reaffirmed if they respond that they do engage in certain practices that the CDFI Fund has deemed are contrary to the community development mission of CDFIs. All questions where the reporting entity's CDFI Certification status will be automatically terminated based on the Yes/No response to the question are clearly marked in the ACR guidance materials.

For entities that are certified under the prior Certification policies, the CDFI Fund will continue its current policy whereby currently Certified CDFIs will NOT lose their Certification or be subject to a cure based on analysis or responses to their ACRs. However, to maintain their status as Certified CDFIs, organizations must adhere to the prior CDFI Certification Application eligibility and reporting requirements until they are notified by the CDFI Fund that they have been recertified under the new CDFI Certification Application. This includes submitting the ACR per their ACR Reporting Schedule in AMIS.

CDFIs that submit their ACR will receive notification that their Certification status has been reaffirmed. This is only a notification that the CDFI remains Certified under the prior CDFI Certification policies. Organizations are still required to submit a new CDFI Certification Application by their application submission deadlines to remain Certified after that date.

## **73. Can an entity submit the new ACR before it has submitted its Transaction Level Report (TLR)?**

No, entities must complete and submit their TLR before they can submit the new ACR. There are data fields in the new ACR whose value is based on information in the TLR, so the TLR must be submitted and certified for those new ACR data fields to be populated with values.

**74. Are regulated financial institutions required to complete the Source of Investment Capital section and the Contributed Operating Revenue section?**

All entities are required to complete the Source of Investment Capital section and the Contributed Operating Revenue section. Each section is required to have at least one entry. Guidance has been added to the new ACR Instruction document to provide examples of how a regulated financial institution might complete the sections.

**75. How will a regulated entity know which call report fields are being used to populate data fields in the new ACR?**

The CDFI Fund will provide a crosswalk between the data fields from the various call report forms and their respective data field in the new ACR guidance materials. The applicable call report forms include:

- Consolidated Reports of Condition and Income (For Banks and Thrifts only); or
- Parent Company Only Financial Statements for Small Holding Companies—FR Y-9SP (For Holding Companies only); or
- Parent Company Only Financial Statements for Large Holding Companies—FR Y-9LP (For Holding Companies only); or
- 5300 Call Report (For Credit Unions (CUs) only); or
- AITSA Call Report (For Cooperativas only).

Regulated entities are required to attest to the accuracy of the values populated into the ACR from the various call reports and alert the CDFI Fund when an error is found.

**76. Which geocoding datasets for Investment Areas will be used for transactions closed prior to 12/31/2022? 12/31/2023? and later?**

For transactions closed prior to 1/4/2023, the entity should use the 2011-2015 ACS data file available [here](#). For transactions closed between 1/5/2023 and 1/4/2024, the entity has the choice to use either the 2011-2015 ACS data file referenced above or the 2016-2020 ACS data file available [here](#). For any transactions occurring on 1/5/2024, or later, the entity is required to use the 2016-2020 ACS data file available [here](#). The transition date is based on the date in which the ACS data file was originally released to the public.

The CDFI Fund does require for reporting purposes that an entity choose one vintage of the ACS data file and use it consistently for all transactions during that fiscal year. For example, an entity whose fiscal year runs from 1/1/2023 to 12/31/2023 may use the 2016-2020 ACS data for the transactions that took place from 1/1/2023 to 1/4/2023 if it is using the 2016-2020 ACS data file for any transactions that took place from 1/5/2023 to 12/31/2023. Likewise, an entity whose fiscal year runs from 1/1/2024 to 12/31/2024 must use the 2016-2020 ACS data for the transactions that took place from 1/1/2024 to 1/4/2024 because it has to use the 2016-2020 ACS data file for any transactions that took place from 1/5/2024 to 12/31/2024.

Additional guidance is forthcoming for CDFI Equitable Recovery Program (CDFI ERP) award recipients.

## **77. How will the CDFI Fund assess the 3-year Target Market percentage in the new ACR?**

The 3-year Target Market percentage will be calculated by assessing an entity's cumulative Target Market activity over three full fiscal years (the most recently completed fiscal year being reported on in the ACR and the two preceding fiscal years) divided by their total lending activity over the same time period to assess whether the Target Market activity thresholds for dollar amount and count of transactions have been met. It is not an average of the Target Market activity percentages for each of the three years. The three-year assessment will commence once an entity has been Certified under the revised CDFI Certification application.

The CDFI Fund will allow entities to have a mix of ACS datasets across the three years. For example, year 1 could use the 2011-2015 ACS data file while years 2 and 3 use the 2016-2020 ACS data file. However, entities cannot mix ACS data file vintages within a reporting year. An entity must pick one ACS data vintage and use it throughout that year.

Entities will not be required to recode the geography of previously submitted TLR records.

Certified CDFIs that still fall below the Target Market benchmarks over three full fiscal years of financing activity in their TLR (or over two full fiscal years for those with less than two years of Certification under the current Application) will be decertified and no additional cure period will be granted.

## **Transaction Level Report**

### **78. Which version of the TLR does an entity file and what is its due date?**

- Entities completing the new Certification Application for the first time are required to complete the abbreviated TLR. The TLR is required to be submitted and certified prior to submission of the Certification Application. Once Certified, these entities are required to submit the abbreviated version of the TLR on an annual basis as part of their ACR submission unless they receive a financial assistance award which has a full-length TLR reporting requirement. Both the TLR and ACR are due 180 days after the end of the entity's most recently completed fiscal year.
- Currently Certified CDFIs that do not have an active Assistance Agreement for a CDFI Program, NACA Program, CDFI ERP, or CDFI RRP award are required to submit the abbreviated version of the TLR as part of the process to become certified under the new Certification Application. They are then required to submit the abbreviated version of the TLR on an annual basis as part of their ACR submission unless they receive a financial assistance award which has a full-length TLR reporting requirement. Both the TLR and ACR are due 180 days after the end of the entity's most recently completed fiscal year.
- Currently Certified CDFIs with an active Assistance Agreement for a CDFI Program, NACA Program, or CDFI Rapid Response Program (CDFI RRP) award will submit the

full-length version of the TLR according to the deadlines in their Award Reporting Schedule in AMIS. Typically, this deadline is 180 days after the end of their most recently completed fiscal year.

- Previously Certified CDFIs with an active Assistance Agreement for a CDFI Program, NACA Program, or CDFI Rapid Response Program (CDFI RRP) award will submit the full-length version of the TLR according to the deadlines in their Award Reporting Schedule in AMIS. Typically, this deadline is 180 days after the end of their most recently completed fiscal year. This case is applicable to Applicants who have an active Assistance Agreement as described above, but a status of “Not Certified” for their “CDFI Certification Status” data field in their AMIS Organization Profile page.

Additional guidance is forthcoming for CDFI Equitable Recovery Program (CDFI ERP) award recipients.

**79. Are all entities required to complete the Financial Services section of the TLR?**

No, all entities are not required to complete the TLR’s Financial Services section. The Financial Services section should only be completed by those depository institutions that are using eligible Financial Services activity to meet the required Target Market Activity thresholds. For such purposes, the Financial Services section measures the total percentage of unique depository account holders who are members of one or more eligible Target Market(s).

**80. Are all entities required to complete the Loan Purchases section of the TLR?**

No, the Loan Purchases section of the TLR must be completed as part of the TLR package submission only if an entity has loan purchases on its balance sheet and the loans were purchased within the reporting period. Such entities should complete the Loan Purchases section of the TLR even if they did not use loan purchases to meet their required Target Market activity thresholds.

**81. Can a single transaction be counted for multiple approved Target Market types in the Target Market activity threshold calculation?**

No, while a transaction may qualify for multiple approved Target Market types, it can only be counted once in the calculation. For example, a mortgage could be located in an Investment Area to a low-income, Hispanic borrower. However, for purposes of the Target Market activity thresholds, a transaction can only be counted once, so an entity will be required to select which Target Market type should be assigned to a transaction. The entity can only select one of its approved Target Market types. In the cited example, the CDFI would have to tag the transaction in the TLR as either IA or LITP or OTP-Hispanic for the “Designated Target Market Type” data field.

**82. Where should consumer loans be reported in the TLR?**

If an entity is a regulated financial institution such as a bank or credit union, then consumer loan transactions should be entered into the Consumer Loans/Investments TLR Object with a value of “CONSUMER” for the “Purpose” data field.

If an entity is an unregulated financial institution, then consumer loans transactions should be entered into the main section of the TLR by selecting “CONSUMER” for the “Purpose” data field and selecting ‘IND’ within the ‘Investee/Borrower Type’ field for a loan issued to an individual borrower.

### **83. Do regulated financial institutions need to report on specific OTP types in the Consumer Loans section of the TLR?**

Yes, if a regulated financial institution intends to serve an OTP Target Market, it now must report the aggregated consumer loan transaction totals for each specific OTP type in the Consumer Loans/Investments TLR Object. This information is necessary to determine how regulated financial institutions are serving their proposed or approved component(s) of their Target Market.

Applicants must count a transaction for only one OTP category regardless of whether it qualifies for more than one.

- The dollar amount entered for the “OTP Amount” data field must add up to the dollar amount sum of the individual OTP category data fields, such as “OTP Amount Native American,” “OTP Amount Native Alaskan,” and so on.
- The number entered for “OTP Number” data field must add up to the number sum of the individual category data fields, such as “OTP Number Native American” or “OTP Number Native Alaskan,” and so on.