



Community Development Financial Institutions (CDFI) Fund

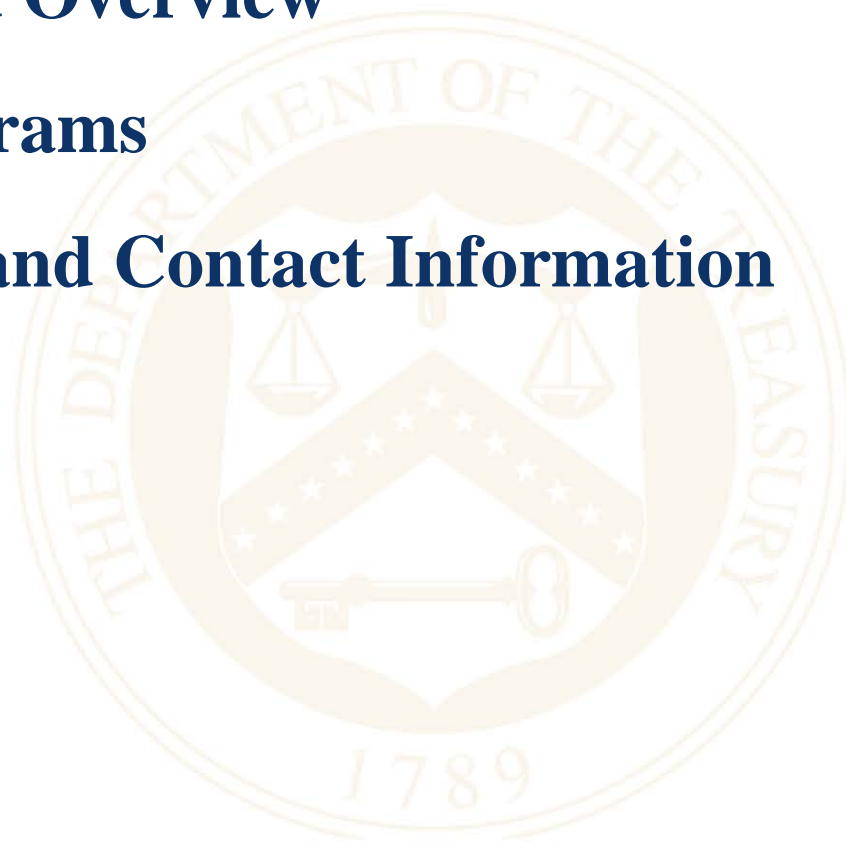
**FRB- Philadelphia MDI Webinar
March 11, 2010**





Agenda

- **CDFI Fund Overview**
- **CDFI Programs**
- **Resources and Contact Information**





CDFI Fund Overview

The mission of the CDFI Fund (The CDFI Fund) is to expand the capacity of financial institutions to provide credit, capital, and financial services to underserved populations and communities in the United States.



CDFI Fund Overview

The CDFI Fund achieves its mission by directly investing in and supporting **Community Development Financial Institutions (CDFIs)**, **Community Development Entities (CDEs)**, and **other financial institutions** through the following programs and initiatives:

- **Certification Programs (CDFI and CDE)**
- **CDFI Program - Financial Assistance (FA) and Technical Assistance (TA)**
- **Bank Enterprise Award (BEA) Program**
- **New Markets Tax Credit (NMTC) Program**
- **Native Initiatives**
- **Financial Education and Counseling (FEC) Pilot Program**
- **Capital Magnet Fund (CMF)**



CDFI Fund Programs

CDFI Programs – Financial Assistance (FA)

- Requires non-federal **Matching Funds**.
- **Category I: Small & Emerging CDFI Assistance (SECA)**
 - *Award request maximum: \$500,000*
- **Category II: Core**
 - *Award request maximum: \$2 million*
- **Award Uses:** Financing Capital, Loan Loss Reserves, Capital Reserves, Operations

CDFI Programs – Technical Assistance (TA)

- A **TA grant** allows a CDFI or an entity proposing to become a CDFI to build its capacity to serve its Target Market
- Does not require Matching Funds
 - Can be requested to help become certified as a CDFI
 - *Award request maximum: \$100,000*
 - **Award Uses:** Personnel (Salary and Fringe), Training, Travel, Professional Services, Materials / Supplies/ Equipment, Other Costs



CDFI Fund Programs

Native Initiatives

- Provides technical and financial assistance awards using appropriations earmarked by Congress for CDFIs serving Native communities.
- Maximum FA Award Amount: \$500,000
- Maximum TA Award Amount: \$150,000

Financial Education and Counseling

- Provides grants to organizations providing financial education and counseling to prospective homebuyers.
- Inaugural round opened November 2009. \$2 million available.

Capital Magnet Fund

- Provides grants to certified CDFIs and non-profit organizations having as one of their principal purposes the management or development of affordable housing.
- Inaugural round opened March 2010. \$80 million available.
- Applications due April 15, 2010



CDFI Fund Programs

Bank Enterprise Award (BEA) Program:

- Provides awards to insured depository institutions for engaging in lending, investment and service activities to CDFIs or to economically distressed communities.
- Rewards actual increases in the dollar volume of qualified activities in three funding priorities:
 - CDFI-Related Activities
 - Distressed Community Financing Activities
 - Service Activities



CDFI Fund Programs

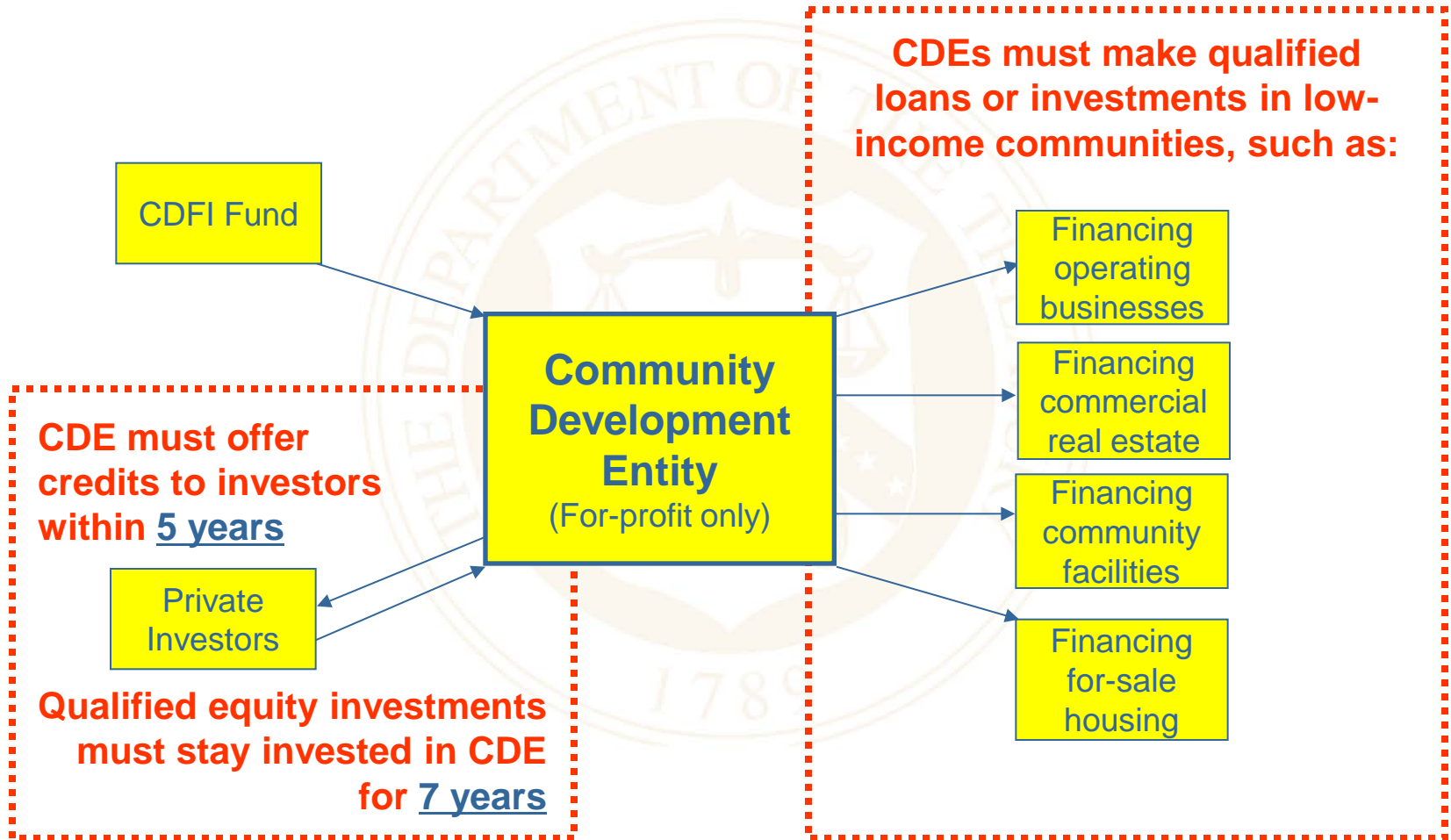
New Markets Tax Credit (NMTC) Program

- Provides a credit against Federal income taxes for investors that make Qualified Equity Investments (QEIs) into Community Development Entities (CDEs).
- CDEs in turn use the proceeds of these investments to make make Qualified Low-Income Community Investments (QLICIs).
- QLICIs include, among other things, investments in businesses and real estate projects in low-income communities.



CDFI Fund Programs: NMTC

New Markets Tax Credit Program (NMTC)





CDFI Fund Programs: NMTC

Example:

The Fund awards an allocation of \$1 million to a CDE. The CDE offers the tax credit to a single investor in exchange for a \$1 million equity investment. How much can the investor claim as a credit on its Federal taxes?

Years 1-3 Tax Credit at 5% Value \$50,000 per year

Years 4-7 Tax Credit at 6% Value \$60,000 per year

TOTAL VALUE OVER 7 YEARS.....\$390,000



CDFI Fund Programs: NMTC

A Qualified Equity Investments (QEIs) is:

- Offered to investors by the CDE
- Stock in a corporation or any capital interest in a partnership
- Must be acquired by the investor at its original issue solely in exchange for cash
- Must be invested in QLICIs within 12 months
- Must remain invested in the CDE during a **7-year** credit period
- investors claim credits as of the date a QEI is initially made



CDFI Fund Programs: NMTC

Eligible Qualified Low-Income Community Investments (QLICIs):

- Any capital or equity investment in, or loan to, any Qualified Active Low-Income Community Business (QALICB)
- Purchase of a loan from another CDE if the loan is a QLICI
- Financial Counseling and Other Services (FCOS) to businesses located in, or residents of, LICs
- Any equity investment in, or loan to, any CDE



CDFI Fund Programs: NMTC

Typical Qualified Active Low Income Community Businesses (QALICBs):

- An operating business located in a LIC
- A business that develops or rehabilitates commercial, industrial, retail and/or mixed-use real estate projects in a LIC
- A business that develops or rehabilitates community facilities, such as charter schools or health care centers, in a LIC
- A business that develops or rehabilitates for-sale housing units located in LICs



CDFI Fund Programs: NMTC

Application Tips:

1. Demonstrate that NMTC will enable the applicant CDE to offer financial products that are significantly more flexible or non-traditional than industry standards
2. Demonstrate the ability to deploy an award within 3 years by providing a strong pipeline of proposed projects, and a track record of deployment
3. Provide a commitment to target investments to severely distressed communities
4. Demonstrate the ability to achieve both economic development impacts (e.g. jobs) and community development impacts (e.g. jobs to Low Income Persons) in areas of particularly high distress
5. Demonstrate the ability to coordinate with local development plans and obtain feedback from Low Income Community representatives



CDFI Fund Programs: NMTC

6. Show management has experience raising and deploying capital, managing assets and ensuring compliance
7. For prior-year awardees, demonstrate successful deployment of NMTC authority from prior year awards
8. Demonstrate the ability to raise capital close to the requested allocation amount – particularly at market or near-market terms
9. Demonstrate the ability to pass the economic benefits of the NMTC to borrowers and investees (QALICBs).
10. Show a commitment to minimize fees and administrative costs so that more capital is available to be deployed into Low Income Communities



Resources and Contact Information

Resources on the CDFI Fund Website: www.cdfifund.gov

- Monthly CDFI Certification Tele-Conference Q&A Sessions
- Program Applications and Related Materials
- Impact Data and Reports: Cross Site and Case Study
- Lists of Certified Organizations
- Lists and Profiles of Awardee and Allocatee Organizations
- Mapping Tool (CIMS)



Resources and Contact Information

Contacting the CDFI Fund:

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