

**DEPARTMENT OF THE TREASURY****Community Development Financial Institutions Fund**

[No. 982-0154]

**Notice of Funds Availability (NOFA) Inviting Applications for the Community Development Financial Institutions Program—Technical Assistance Component**

**AGENCY:** Community Development Financial Institutions Fund, Department of the Treasury.

**ACTION:** Notice of Funds Availability (NOFA) inviting applications.

**SUMMARY:** The Community Development Banking and Financial Institutions Act of 1994 (12 U.S.C. 4701 *et seq.*) (the "Act") authorizes the Community Development Financial Institutions Fund (the "Fund") to select and provide assistance to eligible applicants under the Community Development Financial Institutions ("CDFI") Program. Such assistance may include financial assistance and technical assistance. Technical assistance ("TA") may be used for activities that enhance the capacity of both CDFIs and entities proposing to become CDFIs, such as the training of management and other personnel, the use of consulting services for the development of programs, loan or investment products, improving financial management and internal operations, enhancing a CDFI's community impact, the acquisition of technology to increase operating efficiencies and other activities deemed appropriate by the Fund.

Since the advent of the CDFI Program, the Fund has issued NOFAs inviting applications for both TA and financial assistance. This NOFA is for a TA only component ("TA Component") of the CDFI Program to enable the Fund to address more effectively the unmet capacity needs of CDFIs and entities proposing to become CDFIs. This NOFA is intended to award grants to eligible applicants with capacity needs and potential for increasing their community development impact if such capacity needs are addressed. This NOFA provides guidance on the contents of the necessary application materials and program requirements. Subject to funding availability, the Fund intends to award up to \$5 million in appropriated funds under this NOFA. The Fund reserves the right to award in excess of \$5 million in appropriated funds under this NOFA provided that the funds are available and the Fund deems it appropriate. It is anticipated that 80 to 100 awards will be made under this

NOFA. The anticipated maximum award amount per applicant is \$50,000. However, the Fund in its sole discretion, reserves the right to award amounts in excess of \$50,000 if an applicant demonstrates, to the satisfaction of the Fund, the need for such additional amounts and the added potential community development impact resulting from such additional amounts.

**DATES:** The original and three copies of the application may be submitted at any time following January 29, 1999. The deadline for receipt of the original and three copies of the application for TA Component funds is 6 p.m. EST on April 27, 1999. Applications received in the Fund's office after that date and time will be rejected and returned to the sender.

**ADDRESSES:** Applications must be sent to: Awards Manager, Community Development Financial Institutions Fund, U.S. Department of the Treasury, 601 13th St., NW., Suite 200 South, Washington, DC 20005. Applications sent electronically or by facsimile will not be accepted.

**FOR FURTHER INFORMATION CONTACT:** If you have any questions about the programmatic requirements of the TA Component contact the Technical Assistance Program Manager. If you wish to request an application package or have questions regarding application procedures, contact the Awards Manager. They can be reached by phone at (202) 622-8662, by facsimile at (202) 622-7754 or by mail at CDFI Fund, U.S. Department of the Treasury, 601 13th St., NW., Suite 200 South, Washington, DC 20005. (The phone and facsimile numbers are not toll free.) Allow at least one to two weeks for the receipt of the application package. Applications and other information regarding the Fund and its programs may be downloaded from the Fund's website at <http://www.treas.gov/cdfi>.

**SUPPLEMENTARY INFORMATION:****I. Background**

Credit and investment capital are essential ingredients for creating and retaining jobs, developing affordable housing, starting or expanding businesses, revitalizing neighborhoods, and empowering people. As a key urban and rural policy initiative, the CDFI Program is fostering the creation of a national network of financial institutions that are specifically dedicated to community development. CDFIs make loans, investments and provide development services to economically distressed investment areas and disadvantaged targeted

populations. In order to facilitate the development of a national network of CDFIs, the Fund is seeking to support the efforts of such entities to build their organizational capacity to make loans and investments and provide development services. In order to use the TA funds strategically, it is the Fund's intention to target such funds to CDFIs and entities proposing to become CDFIs that have demonstrated capacity needs and possess significant potential for increasing their community development impact with the assistance of a limited amount of TA. The anticipated maximum award per applicant under this NOFA is \$50,000. However, the Fund, in its sole discretion, reserves the right to award amounts in excess of \$50,000 if an applicant demonstrates, to the satisfaction of the Fund, the need for such additional amounts and the added potential community development impact resulting from such additional amounts.

On October 26, 1998, the Fund published in the **Federal Register** a NOFA for financial assistance under the CDFI Program Intermediary Component and a NOFA for financial assistance and TA under the CDFI Program Core Component. Under the Intermediary Component NOFA, the Fund is making available up to \$7.5 million in appropriated funds to CDFIs that provide financing primarily to other CDFIs or to support the formation of CDFIs. Under the Core Component NOFA, the Fund is making available up to \$50 million in appropriated funds to CDFIs that serve their target markets directly. Applicants under that Core Component NOFA may apply for both financial assistance and TA. All applications for financial assistance, TA or both under the Core Component will be evaluated separately and apart from the applications under this TA Component. Moreover, the application requirements and the selection criteria under the Core Component NOFA differ from those contained in this TA Component NOFA, because the TA Component NOFA is singularly focused on providing TA to enhance the capacity of CDFIs and entities proposing to become CDFIs. Interested applicants are encouraged to apply for TA under one NOFA or the other; however, applicants are not prohibited from applying for TA under both NOFAs.

**II. Eligibility**

The Act and the interim rule governing the CDFI Program (12 CFR part 1805), which was published in the **Federal Register** on April 4, 1997 (62 FR 16444), specify the requirements that

each applicant must meet to be eligible to apply for TA. At the time an entity submits its application, the entity must meet or propose to meet the CDFI certification requirements under § 1805.200. In general, a CDFI must have a primary mission of promoting community development, provide loans or development investments, serve an investment area or a targeted population, provide development services, maintain community accountability, and be a nongovernment entity. At the time an entity submits its application, the entity must be duly organized and validly existing under the laws of the jurisdiction in which it is incorporated or otherwise established. The details regarding these requirements and other program requirements are described in the interim rule and the application packet.

### III. Form of Assistance

An applicant under this NOFA may only submit an application for a TA grant.

### IV. Application Packet

Section 1805.701 of the interim rule provides that unless otherwise specified in an applicable NOFA, each application must contain the information specified in the application packet, including the items described in §§ 1805.701(a)–(j). For purposes of this NOFA, the Fund is specially tailoring the collection of information requirements. Specifically, applicants need only submit the information required by the TA Component application packet. The TA Component application packet requires the submission of the following information:

(a) Applicant Information. The applicant's name, address and name and telephone number of the applicant's authorized representative and contact person.

(b) Award Request. The dollar amount of the TA grant requested by the applicant.

(c) Eligibility Verification. If the Fund has not certified an applicant as a CDFI and an applicant does not have an application for certification pending with the Fund, the applicant must provide information necessary to establish that it is, or will be, a CDFI. An applicant must demonstrate whether it meets the CDFI eligibility requirements by providing the information described in §§ 1805.701(b)(1)–(8). If an applicant is currently certified by the Fund as a CDFI, it may submit a copy of the Fund's letter of certification and the Certification of Material Changes form

contained within the application in lieu of the information described in §§ 1805.701(b)(1)–(8). However, an applicant may include in its application for a TA grant information that it believes is otherwise relevant to the Fund's evaluation of the application under the criteria set forth in this NOFA. An entity that proposes to become a CDFI is eligible to apply for a TA grant if the Fund determines that such entity's application materials provide a realistic course of action to ensure that it will meet the requirements described in §§ 1805.200(b)–(h) within two years of entering into an Assistance Agreement with the Fund.

(d) Comprehensive Business Plan. An applicant must submit a five-year Comprehensive Business Plan that addresses the items described in this paragraph (d) (the TA Component Comprehensive Business Plan is an abbreviated version of what is required under the Core Component NOFA). The Comprehensive Business Plan should, to the maximum extent practical, be limited to ten pages or less (applicants may provide attachments, including supplemental documents, as appropriate, on items referenced in the Comprehensive Business Plan).

(1) Management capacity. An applicant must provide a narrative description of its current management capacity, including detailed information on the background and capacity of the applicant's management team, key personnel and governing board members as appropriate.

(2) Track Record and Historical Financial Performance. An applicant must provide information on its historical and current financial condition, including a copy of audited financial statements, financial statements that have been reviewed by a certified public accountant, or financial statements that have been reviewed by the applicant's Appropriate Federal Banking Agency (its Federal regulator) for the last three completed fiscal years, and the most recent internal financial statements since the beginning of the applicant's current fiscal year. The applicant must also provide information on its loans and Development Investments for the three most recent fiscal years, including information on the total number and dollar amount of such loans and Development Investments during each fiscal year during this time frame. If an applicant has been in operation for less than three years, the applicant must describe such activities for each fiscal year since inception. The applicant must provide information necessary to

assess trends in its financial and operating performance (such as, portfolio delinquencies, defaults and charge-offs).

(3) Market Analysis and Strategy. An applicant must provide an analysis of its target markets, including a description of the needs of the Investment Area(s) and Targeted Population(s), as applicable. An applicant must also describe its five-year strategy for meeting the demand for loans or Development Investments generated by the needs of its target market(s) through its products and services. The strategy description may include plans for growth of lending volume and lending products, expansion of Development Services, staffing and management appropriate to meet such growth and growth of the operating budget. Projected changes in overall capital structure (asset and liability composition) may also be described. The narrative discussion may be supplemented with quantitative projections.

(4) Coordination Strategy. An applicant must describe:

(i) Its plan to coordinate use of assistance from the Fund with existing Federal, State, local, and tribal government assistance programs and private sector resources;

(ii) How its proposed activities are consistent with existing economic, community, and housing development plans adopted for an Investment Area(s) or Targeted Population(s); and

(iii) How it will coordinate with community organizations, financial institutions, and Community Partners (if applicable) that will provide loans, equity investments, secondary markets, or other services to an Investment Area(s) or a Targeted Population(s).

(5) Funding Sources. An applicant must provide information:

(i) On its current and projected sources of capital and other financial support. Such projections must relate to and be consistent with the strategy description provided under paragraph (3); and

(ii) To demonstrate that it has a plan for achieving or maintaining financial viability within the five-year period. Such information must demonstrate that the applicant will not be dependent on future awards of assistance from the Fund for its continued viability.

(6) Community Partnership. In the case of an applicant submitting an application with a Community Partner, the applicant must include in its application the information described in § 1805.701(d)(12).

(e) Technical Assistance Proposal. An applicant must provide a Technical

Assistance Proposal ("TAP") that includes information on the TA needed to enhance the capacity of the organization to carry out its Comprehensive Business Plan. Such information must include the items described in this paragraph (e). The TAP should, to the maximum extent practicable, be limited to ten pages or less (applicants may provide attachments, including supplemental documents, as appropriate, on items referenced in the TAP). An applicant must provide:

(1) An evaluation of its capacity needs (this may be a self-evaluation);

(2) A detailed description of the type(s) of TA needed to meet the identified capacity needs. Eligible types of TA may include, but need not be limited to, the following: (i) consulting services; (ii) technology items; and (iii) training for staff or management. The Fund will not consider requests under this NOFA for expenses that, in the interpretation of the Fund, are deemed to be ongoing operating expenses rather than non-recurring expenses (for example, the cost of design of marketing materials for a loan product through a consulting contract is a non-recurring expense but the cost of production or distribution of printed marketing materials is an ongoing expense; salary expenses for staff are ongoing but the cost of a consulting contract for a discrete scope of services is a non-recurring expense);

(3) A detailed description of the strategy for obtaining such TA, including proposed providers of TA and their qualifications or the specific technology items to be acquired. If an applicant cannot identify specific providers of TA in its application, it must identify the requisite qualifications that it will seek for such TA providers;

(4) An estimate of the cost to obtain the TA for each year that will include use of TA funds. This cost estimate must include expense projections for each of the specific activities to be funded with TA funds; and

(5) A projection of the benefits expected to be created within its Investment Area(s) or for its Targeted Population(s) with the enhanced capacity resulting from the TA.

(f) Conflict of Interest. An applicant must submit a copy of its conflict of interest policies, consistent with the requirements of § 1805.906.

(g) Lobbying Disclosure Act of 1995. An applicant must identify whether the Internal Revenue Service (IRS) has recognized it as exempt from Federal income tax under section 501(c)(4) of the Internal Revenue Code.

(h) Miscellaneous. An applicant must indicate and describe the circumstances underlying any back taxes due to the IRS, any delinquent debts owed to Federal, State or local governments, and whether it has ever filed for bankruptcy.

(i) Environmental Information. An applicant must review and complete the Environmental Review Form contained in the application.

(j) Applicant Certification. An applicant and Community Partner (if applicable) must review and complete the assurances and certifications form contained in Appendix A of the application.

(k) Previous Awardees. In the case of an applicant that has previously received assistance under the CDFI Program, the applicant must demonstrate that it:

(1) Has substantially met its performance goals and other requirements described in its previous Assistance Agreement(s); and

(2) Will expand its operations into a new Investment Area(s), serve a new Targeted Population(s), offer more products or services, or increase the volume of its activities.

(l) Previous History. In the case of an applicant with a prior history of serving Investment Area(s) or Targeted Population(s), the applicant must demonstrate that it:

(1) Has a record of success in serving Investment Area(s) or Targeted Population(s); and

(2) Will expand its operations into a new Investment Area(s), serve a new Targeted Population(s), offer more products or services, or increase the volume of its activities.

#### V. Evaluation and Selection

In evaluating and selecting applicants, the Fund will use the evaluation criteria found in § 1805.802(b), except that the Fund will not consider the evaluation criteria relating to matching funds in §§ 1805.802(b)(2)(i), (ii) and (iv). Under the Act, the Fund has express authority to consider evaluation criteria in addition to those set forth in 12 U.S.C. 4706 and 1805.802(b). The Fund also has broad discretion in evaluating the relative importance of each such criterion. For purposes of this TA Component NOFA, the Fund has added as an additional evaluation criterion the extent of the applicant's demonstrated capacity needs.

In conducting its substantive review of applications, the Fund will initially evaluate applications using a 100 point maximum point scale. In selecting applicants for TA grant awards, the Fund will accord predominant weight to the following two evaluation criteria:

(a) The extent of the applicant's demonstrated capacity needs, 30 points; and

(b) The extent and nature of the potential community development impact that will be achieved by the applicant with the assistance of the Fund's TA, relative to the amount of TA to be provided by the Fund, 30 points.

The Fund will continue to evaluate applications using the remaining applicable criteria set forth in § 1805.802(b) described below; however, such evaluation criteria will receive less weight than the two criteria set forth above:

(a) The capacity, skills and experience of the applicant's management team and other key personnel (overall organizational structure, lending/investing activities, community development involvement), 14 points for established applicants and 24 points for start-ups;

(b) The applicant's track record, financial strength and current operations (including its general financial operations and lending/investment operations), 10 points for established applicants and no points for start-ups;

(c) The market analysis, strategy and (if applicable) Community Partnerships, 12 points;

(d) Coordination strategy, 2 points; and

(e) Funding sources, 2 points.

As shown above, the Fund will utilize two different 100 point scales for the application evaluation, depending on whether an applicant is deemed by the Fund to be a start-up organization or an established organization. The Fund defines a start-up organization as an entity that has been in operation for less than two years. The Fund will find an organization to be a start-up if it began incurring operating expenses after January 29, 1997, based on a review of submitted income and expense statements and/or other information by an applicant as part of its application. In evaluating applications of start-up organizations, the Fund will place greater emphasis on the experience, strength and background of an applicant's management team and key personnel than on the breadth and depth of its financial resources and its trends in operating performance.

Once the initial evaluation is completed, the Fund will determine which applications will receive further consideration for funding based on the application scores (standardized if deemed appropriate), the recommendations of the individuals performing the initial reviews and the amount of funds available. Applicants

selected for further review or a second stage evaluation may be contacted for purposes of obtaining clarifying or confirming information. A final review panel will consider the results of the initial and second stage evaluations and the geographic and institutional diversity of those applicants being considered for funding in accordance with 12 CFR 1805.801 and 1805.802(b)(5). The final review panel will make recommendations to the Fund's selecting official.

In assessing the extent of demonstrated capacity need, the Fund will consider the extent of funding previously awarded by the Fund to the applicant. While previous awardees are eligible to apply under this NOFA, given the focus on applicants with demonstrated unmet capacity building needs, it is the expectation of the Fund

that a substantial majority of the funds awarded under this NOFA will be to applicants that are not previous awardees. On the other hand, success in a previous funding round will not prevent an applicant from receiving a TA grant under this NOFA provided that it is consistent with the Act and the interim rule governing the CDFI Program (12 CFR part 1805).

The Fund has exclusive discretion in the selection of applications for assistance. The anticipated maximum award per applicant under this NOFA is \$50,000. However, the Fund, in its sole discretion, reserves the right to award amounts in excess of \$50,000 if it deems it appropriate.

#### **VI. Workshops**

The Fund expects to host workshops during the period from March 1 to

March 19, 1999, to disseminate information to organizations interested in applying for assistance under this NOFA. If you wish to be on the mailing list to receive information about such workshops, please fax your request to the Fund. Information about these workshops will also be available on the Fund's website at <http://www.treas.gov/cdfi>.

**Authority:** 12 U.S.C. 4703, 4703 note, 4704, 4706, 4707, 4717, 4718; 12 CFR part 1805.

Dated: January 22, 1999.

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