

DEPARTMENT OF THE TREASURY**Community Development Financial Institutions Fund****Notice of Funds Availability (NOFA) Inviting Applications for the Bank Enterprise Award Program**

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.*) authorizes the Community Development Financial Institutions Fund (hereafter referred to as "the Fund") to provide incentives to insured depository institutions for the purposes of promoting investments in or other support to Community Development Financial Institutions ("CDFIs") and facilitating increased lending and provision of financial and other services in economically distressed communities. Insured depository institutions and CDFIs are defined terms in 12 CFR part 1806, which governs the Bank Enterprise Award ("BEA") Program. The Fund intends to award funds under this NOFA up to the maximum amount authorized by law. As of the date of this NOFA, the Fund intends to make available up to \$25 million in BEA Program funds, subject to the availability of appropriated funds. The Fund may award in excess of \$25 million if it deems it appropriate, subject to the availability of appropriated funds.

In connection with this NOFA, the Fund is conducting information sessions to disseminate information to organizations contemplating applying to, and other organizations interested in learning about, the BEA Program. The schedule for the information sessions is as follows:

Monday, September 13, 1999 (New York, New York);
 Thursday, September 16, 1999 (Boston, Massachusetts);
 Friday, September 17, 1999 (Miami, Florida and Minneapolis, Minnesota);
 Tuesday, September 21, 1999 (New Orleans, Louisiana);
 Wednesday, September 22, 1999 (Billings, Montana and Kansas City, Missouri);
 Thursday, September 23, 1999 (San Antonio, Texas);
 Friday, September 24, 1999 (Chicago, Illinois; San Diego, California, and Seattle, Washington);
 Monday, September 27, 1999 (Albuquerque, New Mexico;

Pittsburgh, Pennsylvania; San Francisco, California); and
 Tuesday, September 28, 1999 (Denver, Colorado and Nashville, Tennessee).

For more information, or to register for an information session, call the Fund at (202) 622-8662.

DATES: Applications may be submitted at any time after September 1, 1999. The deadline for receipt of an application is 6 p.m. Eastern Standard Time on Tuesday, November 23, 1999.

Applications received in the offices of the Fund after that date and time will not be accepted and will be returned to the sender. Any entity seeking certification as a CDFI (as described in 12 CFR 1805.200) for the purposes of 12 CFR part 1806 is strongly encouraged to submit the Application Form for Certification, the contents of which are described in 12 CFR 1805.701(b)(1) through (8), by Tuesday, November 23, 1999. If an entity fails to submit such application by this deadline, the Fund cannot guarantee that it will have sufficient time to complete a certification review for the purposes of the current funding round of the BEA Program. In addition, with respect to all requests for certification, the Fund reserves the right to request clarifying or technical information after reviewing materials submitted as described in 12 CFR 1805.701(b)(1) through (8). If the entity seeking certification does not respond to such requests in a timely manner, the Fund cannot guarantee that it will have sufficient time to complete a certification review for the purposes of the current funding round of the BEA Program.

ADDRESSES: Applications shall be sent to: Awards Manager, Community Development Financial Institutions Fund, U.S. Department of the Treasury, 601 13th Street, NW., Suite 200 South, Washington, DC 20005. Applications sent by fax or electronic transfer will not be accepted.

FOR FURTHER INFORMATION CONTACT: All questions regarding this NOFA, the application package, or BEA Program requirements should be directed to the Community Development Financial Institutions Fund, U.S. Department of the Treasury, 601 13th Street, NW., Washington, DC 20005, by telephone at (202) 622-8662 or by facsimile at (202) 622-7754. These are not toll free numbers. If you are requesting an application package, you must allow at least two weeks for delivery. Information on, and application materials for, the Fund's programs may also be obtained through its Website at www.treas.gov/cdfi.

SUPPLEMENTARY INFORMATION:

I. Background

As part of a national strategy to facilitate revitalization and increase the availability of credit and investment capital in distressed communities, the Community Development Banking and Financial Institutions Act of 1994 ("Act") authorizes a portion of funds appropriated to the Fund to be made available for distribution through the BEA Program. The BEA Program is largely based on the Bank Enterprise Act of 1991, although Congress significantly amended the program to facilitate greater coordination with other activities of the Fund. The BEA Program and the Community Development Financial Institutions Program (12 CFR part 1805) are intended to be complementary initiatives that support a wide range of community development activities and facilitate partnerships between traditional lenders and CDFIs. This NOFA invites applications from insured depository institutions for the purpose of promoting community development activities and revitalization.

II. Eligibility

The Act specifies that eligible Applicants must be insured depository institutions as defined in 12 U.S.C. 1813(c)(2).

III. Designation of Distressed Community

In accordance with 12 CFR 1806.200(d), in the case of Applicants carrying out Qualified Activities requiring the designation of a Distressed Community (as defined in 12 CFR 1806.103(r)), the Fund will provide Applicants with data and other information to help identify areas eligible to be designated as Distressed Communities. Specifically, the Fund will provide such information through its CDFI Fund Help Desk Website, a new service that will be available as of September 1, 1999. The Fund requires all Applicants to utilize the Help Desk to produce the Distressed Community worksheets and corresponding maps.

The Help Desk is found at www.cdfifundhelp.gov or through a link at the Fund's main Website at www.treas.gov/cdfi. The Help Desk will provide easy step-by-step instructions on how to designate a Distressed Community. The Help Desk will allow an Applicant to instantly create and print a Distressed Community designation worksheet(s) and corresponding map(s). The Help Desk also lists a customer service telephone number that Applicants may call to ask questions.

IV. Designation Factors

Regulations codified at 12 CFR part 1806 describe the process for selecting Applicants to receive assistance and for determining award amounts. The rating and selection process will give priority to Applicants in the following order: (1) Equity Investments in CDFIs serving Distressed Communities; (2) Equity Investments in CDFIs not serving Distressed Communities; (3) CDFI Support Activities; and (4) Development and Service Activities (as such activities are defined in 12 CFR 1806.103).

Assistance amounts will be calculated based on increases in Qualified Activities that occur during a 6-month Assessment Period in excess of activities that occurred during a 6-month Baseline Period. In general, estimated award amounts for applicants making Equity Investments in CDFIs will be equal to 15 percent of the projected increase in such activities. An Applicant may choose to accept less than the maximum amount of assistance in order to increase the ranking of its application. Estimated award amounts for CDFI Applicants for carrying out CDFI Support Activities will be equal to 33 percent of the projected increase in such activities. Estimated award amounts for non-CDFI Applicants for carrying out CDFI Support Activities will be equal to 11 percent of the projected increase in such activities.

The Regulations at 12 CFR part 1806 also establish the ranking and selection process. For an Applicant pursuing Development and Service Activities, a multi-step procedure is outlined in the interim rule that will be used to calculate the estimated award amount. In general, if an Applicant is a CDFI, such estimated award amount will be equal to 15 percent of the total score calculated in the multi-step procedure. If an Applicant is not a CDFI, such estimated award amount will be equal to 5 percent of the total score calculated in the multi-step procedure. In ranking and funding such Applicants within each category, the Fund will apply criteria contained in the interim rule. The Fund, in its sole discretion: (1) may adjust the estimated award amount that an Applicant may receive prior to the end of the Assessment Period; (2) may establish a maximum amount that may be awarded to an Applicant; and (3) reserves the right to limit the amount of an award to any Awardee if the Fund deems it appropriate.

V. Baseline Period and Assessment Period Dates

As part of its application, an Applicant shall report the Qualified

Activities that it actually carried out during the 6-month Baseline beginning January 1, 1999 and ending June 30, 1999. An applicant shall also project the Qualified Activities that it expects to carry out during the 6-month Assessment Period beginning January 1, 2000 and ending June 30, 2000. Applicants selected to participate in the BEA Program during the Assessment Period will be required to submit to the Fund a Final Report (Part II of the Application) of Qualified Activities actually carried out during the Assessment Period. The deadline for receipt of the Final Report is 6 p.m. Eastern Daylight Time on Tuesday, August 1, 2000. Final Reports received in the offices of the Fund after that date and time will not be accepted and will be returned to the sender. The Fund will evaluate the performance of Applicants in carrying out projected activities to determine actual award amounts. The Fund may request clarifying or technical information after receiving an Applicant's Final Report.

VI. Targeted Financial Services

The lack of availability of Financial Services (as defined in the BEA Program Regulations at 12 CFR 1806.103(u)) tailored to the needs of Low- and Moderate-Income people is a significant challenge in many urban, rural and Native American communities. In an effort to encourage insured depository institutions to provide two specific types of targeted Financial Services, Electronic Transfer Accounts ("ETAs") and Individual Development Accounts ("IDAs"), the Fund is providing the following guidance to BEA Program Applicants.

A. Electronic Transfer Accounts

On September 25, 1998, the U.S. Department of the Treasury ("Treasury") published a final rule in the **Federal Register**, 31 CFR part 208 (the "EFT Rule"), implementing the mandatory electronic funds transfer ("EFT") requirements of the Debt Collection Improvement Act of 1996. The Debt Collection Improvement Act of 1996 requires Treasury to ensure that individuals required to have an account at a financial institution due to the EFT Rule have access to an account at a reasonable cost and with certain consumer protections. The EFT Rule provides that any individual who receives a Federal benefit, wage, salary, or retirement payment shall be eligible to open an electronic transfer account ("ETA") at any Federally insured financial institution offering ETAs. Treasury subsequently published the ETA Notice ("ETA Notice") in the

Federal Register on July 16, 1999, setting forth the attributes for ETAs.

For purposes of this NOFA, the term ETA and all terms related to Treasury's EFT initiative that are not defined in the BEA Program Regulations shall have the same meanings as defined in the EFT Rule and the ETA Notice. Only insured depository institutions that have entered into, and are in compliance with, the Financial Agency Agreement published as an appendix to the ETA Notice may receive an award under the BEA Program for providing ETAs. An Applicant's ETA product must meet all of the requirements set forth in the ETA Notice, and any subsequent guidance issued by Treasury, and be in compliance with the terms and conditions of its Financial Agency Agreement with Treasury. Furthermore, an Applicant's ETA product must be held by individuals who are Low- or Moderate-Income Residents of Distressed Communities, as required by 12 CFR 1806.103(u). Thus, Applicants must collect data on: (1) the geographic unit in which an ETA holder resides as evidence that he or she is a Resident of a designated Distressed Community; and (2) the annual income of said ETA holder as evidence that his or her income meets Low- or Moderate-Income criteria.

As provided in the BEA Program Regulations at 12 CFR 1806.202(c)(3), all Financial Service activities must be valued "based on the administrative costs of providing such services." For purposes of this NOFA, the Fund will value the administrative cost of providing an ETA at \$50.00 per account. Thus, an Applicant seeking a BEA grant for ETA activities does not need to submit documentation of administrative expenses incurred in delivering its product. (However, at a later date, the Fund may distribute a survey questionnaire to Awardees for the purpose of obtaining information regarding the administrative costs incurred in the provision of ETAs.) Instead, the Applicant must indicate the number of ETAs held by Low- and Moderate-Income Residents of designated Distressed Communities, which shall be multiplied by \$50.00 to yield the respective Baseline Period and Assessment Period levels of ETA activity. For purposes of this NOFA, and in keeping with 12 CFR 1806.201(b)(3)-(4) of the BEA Program Regulations, the Fund will assign a priority factor of 2.0 for establishment of ETAs held by Low- and Moderate-Income Residents of Distressed Communities.

The Fund is aware that Treasury will provide insured depository institutions that offer ETAs compensation equal to

\$12.60 per ETA to offset the variable set-up costs of opening an ETA. However, the BEA award amount provided in this NOFA is intended to assist insured depository institutions to cover other costs associated with offering ETAs.

If an Applicant seeks a BEA grant for providing financial literacy classes, related training or one-on-one technical assistance to ETA holders, the Applicant must submit documentation of the costs of providing such services and report such activities as Community Service activities, as described in 12 CFR 1806.103(p).

B. Individual Development Accounts

On January 27, 1999 and July 2, 1999, the Office of Community Services of the Administration for Children and Families of the U.S. Department of Health and Human Services ("HHS") published Program Announcements in the **Federal Register** (OCS-99-04 and OCS-99-08, respectively) to implement the Assets for Independence Demonstration Program ("IDA Program") authorized pursuant to the Assets for Independence Act, 42 U.S.C. 604. Together, the Program Announcements state that HHS intends to provide up to \$9.3 million in FY 1999 appropriated funds over five years to organizations selected to participate as Project Grantees in the IDA Program. The IDA Program is intended, among other things, to determine the extent to which Individual Development Accounts ("IDAs") may be used to enable individuals and families with limited means to increase their economic self-sufficiency. This NOFA provides guidance to BEA Program Applicants on how IDAs can be used to serve Residents of Distressed Communities under the BEA Program.

In brief, IDAs are savings accounts for income-eligible individuals that are specifically restricted for use in activities associated with purchasing a home, obtaining post-secondary education, or capitalizing a business. IDA programs: (1) Are generally targeted to lower income individuals; (2) create savings incentives through the provision of matching funds from third parties; (3) may combine matching fund incentives with financial literacy education and other training or technical assistance; and (4) may be provided by non-profit organizations collaborating with financial institutions (which includes Insured Depository Institutions, as defined under the BEA Program) that may be acting as Trustees, Custodians or in some other capacity. Interested parties are instructed to refer to the HHS Program Announcements for further IDA Program information. Such

information may be found at www.acf.dhhs.gov/programs/ocs/99ASSETS.HTM or through a link at the Fund's main Website at www.treas.gov/cdfi.

While an Applicant is not required to be a participant in the IDA Program to receive a BEA grant for its IDA activities, IDAs must meet the requirements set forth in Part IV (Section G(3) and (4)) of Program Announcement OCS-99-08.

For purposes of this NOFA, the term IDA and all terms related to the IDA Program not defined in the BEA Program Regulations shall have the same meanings as defined in the July 2, 1999 HHS Program Announcement, OCS-99-08.

For purposes of this NOFA, the Fund will presume that IDAs established for Project Participants by financial institutions, as discussed in OCS-99-08, Part IV (G)(2), benefit Low- and Moderate-Income individuals based on the requirements for Eligible Individuals described under Program Announcement OCS-99-08, Part IV G(2)(a), which states that "[e]ligibility for participation in the demonstration projects is limited to individuals who are members of households eligible for assistance under TANF [Temporary Assistance for Needy Families] or of households whose adjusted gross income does not exceed the earned income amount described in Section 32 of the Internal Revenue Code of 1986 (taking into account the size of the household), and whose net worth as of the end of the calendar preceding the determination of eligibility does not exceed \$10,000, excluding the primary dwelling unit and one motor vehicle owned by a member of the household." However, such Applicants must collect data on the geographic unit in which an IDA holder resides to verify that he or she is a Resident of a Distressed Community, as required by 12 CFR 1806.103(u).

In the case of Applicants that are not a participant in the HHS' IDA Program, such Applicants must collect data on: (1) the geographic unit in which an IDA holder resides to verify that he or she is a Resident of a Distressed Community; and (2) the annual income of said IDA holder to verify that his or her income meets Low- or Moderate-Income criteria.

As provided in BEA Program Regulations at 12 CFR 1806.202(c)(3), all Financial Service activities must be valued "based on the administrative costs of providing such services." In order to reduce Applicants' paperwork and administrative burden, the Fund will value the administrative cost of providing an IDA at \$50.00 per account.

Thus, an Applicant seeking a BEA grant for IDA activities does not need to submit documentation of administrative expenses incurred in delivering its product (However, at a later date the Fund may distribute a survey questionnaire to Awardees for the purpose of obtaining information regarding the administrative costs incurred in the provision of IDAs). Instead, the Applicant must indicate the number of IDAs held by Low- and Moderate-Income Residents of Distressed Communities, which numbers shall be multiplied by \$50.00 to yield the respective Baseline Period and Assessment Period levels of IDA activities. For purposes of this NOFA, and in keeping with 12 CFR § 1806.201(b)(3)-(4) of the BEA Program Regulations, the Fund will assign a priority factor of 2.0 for establishment of IDAs held by Low- and Moderate-Income Residents of Distressed Communities.

If an Applicant seeks a BEA grant for providing financial literacy classes, related training or one-on-one technical assistance to IDA holders, the Applicant must submit documentation of the costs of providing such services and report such activities as Community Service activities, as described in 12 CFR 1806.103(p). If an Applicant seeks a BEA grant for providing matching fund grants directly to IDA Program Project Participants' accounts or to Project Grantees for the purpose of providing matching fund grants to Project Participants' accounts, the Fund will consider such activity an administrative cost and it must be reported as a Community Service activity. Such an Applicant must provide documentation that such grant monies have been disbursed to Project Participants' accounts or a Project Grantee.

VII. Disbursement on Lines of Credit

This NOFA provides guidance to Applicants regarding the manner in which the Fund will obligate and disburse a BEA grant to an Awardee for a Qualified Activity that is based on a loan in the form of a line of credit or other similar credit facility. The Fund will obligate an award based on the face amount only of such a line of credit provided that it meets the requirements of a closed transaction set forth in 12 CFR 1806.202(d). The Fund will disburse such obligated amounts after it receives documentation that the Awardee has disbursed monies to the borrower under said line of credit. The Fund will make a disbursement of its award to the Awardee in amounts equal to the corresponding award amount for the Awardee's disbursement to the

borrower, up to the face amount of the line of credit.

Catalog of Federal Domestic Assistance: 21.021.

Authority: 12 U.S.C. 1834a, 4703, 4703 note, 4713; 12 CFR part 1806.

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