

awardee fails to return the Notice of Award, signed by the authorized representative of the awardee, along with any other requested documentation, within the deadline set by the Fund.

#### VII. Assistance Agreement

Each applicant that is selected to receive an award under this NOFA must enter into an Assistance Agreement with the Fund. The Assistance Agreement will set forth certain required terms and conditions of the award, which will include, but not be limited to:

- (a) The amount of the award;
- (b) The approved uses of the award;
- (c) The approved Target Market to which the award must be targeted;
- (d) Performance goals and measures; and
- (e) Reporting requirements for all awardees.

Assistance Agreements under this NOFA will generally have two-year performance periods. The Fund reserves the right, in its sole discretion, to rescind its award if the awardee fails to return the Assistance Agreement, signed by the authorized representative of the awardee, along with any other requested documentation, within the deadline set by the Fund.

#### VIII. Reporting and Monitoring

The Fund will collect information, on at least an annual basis, from all CDFI Program awardees, including:

- (a) Annual reports related to, among other matters, awardee compliance with the performance goals and measures set forth in the Assistance Agreement;
- (b) Audited financial statements;
- (c) Annual surveys; and
- (d) Such other information as the Fund may require, including loan level data.

The Fund will use such information to monitor each awardee's compliance with the requirements set forth in the Assistance Agreement. The Fund will also use such information to assess the impact of the CDFI Program. The Fund reserves the right, in its sole discretion, to modify these reporting requirements if it determines it to be appropriate and necessary; however, such reporting requirements will be modified only after due notice to the awardee.

The Fund reserves the right, in accordance with applicable Federal law and if authorized, to charge award reservation and/or compliance monitoring fees to all entities receiving CDFI Program awards. Prior to imposing any such fee, the Fund will publish additional information concerning the nature and amount of the fee.

#### IX. Information Sessions

In connection with the Fiscal Year 2003 funding rounds of its programs, the Fund may conduct Information Sessions to disseminate information to organizations contemplating applying to, and other organizations interested in learning about, the Technical Assistance and Financial Assistance Components of the CDFI Program, the NACD Program, and the BEA Program. For further information on the Fund's Information Sessions, dates and locations, or to register online to attend an Information Session, please visit the Fund's Web site at <http://www.cdfifund.gov> or call the Fund at (202) 622-8401.

(Catalog of Federal Domestic Assistance: 21.020)

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

Dated: January 27, 2003.

**Tony T. Brown,**

*Director, Community Development Financial Institutions Fund.*

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**BILLING CODE 4810-70-P**

#### DEPARTMENT OF THE TREASURY

#### Community Development Financial Institutions Fund

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

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

**ACTION:** Notice of Funds Availability ("NOFA") inviting applications for the FY 2003 funding round of the Financial Assistance Component of the Community Development Financial Institutions ("CDFI") Program.

**SUMMARY:** This NOFA is issued in connection with the FY 2003 round of the Financial Assistance Component of the CDFI Program. Through the Financial Assistance Component, the Community Development Financial Institutions Fund (the "Fund") makes financial investments in and may provide Technical Assistance ("TA") grants to CDFIs that have comprehensive business plans for creating demonstrable community development impact through the deployment of capital within their respective target markets for community development finance purposes.

The Financial Assistance Component is designed to address capitalization needs of two types of CDFIs: (i) Category I includes CDFIs that have capitalization needs up to and including \$1,000,000 and total assets as of December 31, 2002 that range up to \$250 million (for insured depository institutions and depository institution holding companies), up to \$25 million (for insured credit unions), or up to \$15 million for other CDFIs, and (ii) Category II includes CDFIs with assets above those ranges and/or that can effectively deploy funding in an amount in excess of \$1,000,000, either to leverage greater private sector resources in support of their lending and investing activities (such as through funding a loan loss reserve or credit enhancement), or to develop and effectively provide innovative financial products and services that address the capital needs of particularly underserved markets.

Through this NOFA, the Fund intends to target its resources and provide financial assistance awards to CDFIs that will use award proceeds to:

(a) Serve *Hot Zones*, meaning geographic areas designated by the Fund as having greater levels of economic distress, and/or

(b) Achieve the Fund's FY 2003 *Programmatic Priorities*, which are:

(i) To increase homeownership opportunities that are affordable to Low-Income households, and

(ii) To increase homeownership opportunities for Other Targeted Populations (as described below). For purposes of the FY 2003 NOFA for the Financial Assistance Component, the Hot Zones (and the Fund's methodology for Hot Zone designation) are identified through the Fund's Web site at <http://www.cdfifundhelp.gov>.

Subject to funding availability, the Fund expects that it may award approximately \$30 million in appropriated funds under this Financial Assistance Component NOFA. The Fund reserves the right to award in excess of \$30 million in appropriated funds under this NOFA provided that the funds are available and the Fund deems it appropriate. Under this NOFA, the Fund anticipates making awards up to \$1,000,000 per award for Category I CDFIs and up to \$2,000,000 per award for Category II CDFIs. However, the Fund, in its sole discretion, reserves the right to award amounts in excess of the anticipated maximum award amount if the Fund deems it appropriate. Further, the Fund reserves the right to fund, in whole or in part, any, all, or none of the applications submitted in response to this NOFA. The Fund reserves the right

to re-allocate funds from the amount that is anticipated to be available under this NOFA to other Fund programs, particularly if the Fund determines that the number of awards made under this NOFA is fewer than projected.

While the Financial Assistance Component offers TA grants in conjunction with financial investments, entities seeking TA awards only should apply for funds through the Technical Assistance Component.

The interim rule governing the CDFI Program (12 CFR part 1805), revised and published in this issue of the **Federal Register**, provides guidance on evaluation criteria and other requirements of the CDFI Program. Detailed application content requirements are found in the application related to this NOFA. The Preamble to the Fund's NOFAs, published in this issue of the **Federal Register** also specifies other program information, including eligibility requirements, for each of the Fund's programs. The Fund encourages applicants to review the revised interim rule and the Preamble to the NOFAs; in addition, all of the application content requirements and the evaluation criteria set forth in the revised interim rule are set forth in the application.

**DATES:** Applicants may submit applications under this Financial Assistance Component NOFA either electronically or in paper form. In order to expedite application review, however, the Fund expects applicants to submit Financial Assistance Component applications electronically (via an Internet-based application) per the instructions provided on the Fund's Web site. Submission of an electronic application will facilitate the processing and review of applications and the selection of awardees.

Shortly following the publication of this NOFA, the Fund will make available the FY 2003 Financial Assistance Component funding electronic application on its Web site at <http://www.cdfifund.gov>. If an applicant is unable to submit an electronic application, it must submit to the Fund a request for a paper application and the request must be received by the Fund by February 21, 2003. The request must contain the applicant's name; the name and phone number of a contact person; a mailing address (provide a physical address for overnight deliveries) for delivery of the paper application; and an explanation of why the applicant cannot complete the electronic application. The request for a paper application should be directed to the Fund's Program Operations Manager

and must be sent by e-mail to [paper\\_request@cdfi.treas.gov](mailto:paper_request@cdfi.treas.gov) or by facsimile to (202) 622-6453.

Applicants will need access to Internet Explorer 5.5 or higher or Netscape Navigator 6.0 or higher and at least a 56Kbps Internet connection in order to meet the electronic application submission requirements. Electronic applications must be submitted solely by using the format made available at the Fund's Web site for the Financial Assistance Component. Additional information, including instructions relating to the submission of signature forms and supporting information, is set forth in further detail in the electronic application.

The Fund will provide program and technical support for the Financial Assistance Component application between the hours of 9 a.m. and 5 p.m. starting Monday, February 3, 2003, through Friday, March 7, 2003. The Fund will not respond to phone calls or e-mails concerning the application that are received after 5 p.m. on March 7, 2003, until after the Financial Assistance Component application deadline of March 10, 2003. Program support can be obtained by calling (202) 622-6355. Technical support can be obtained by calling (202) 622-2455 and selecting option 1, then option 2, and then option 9. Program or technical support can also be obtained by e-mail at [cdfihelp@cdfi.treas.gov](mailto:cdfihelp@cdfi.treas.gov).

The deadline for receipt of either paper or electronic applications is 5 p.m. ET on March 10, 2003. Paper applications must be received in their entirety by this time and date, including attachments. Electronic applications timely submitted may submit an original signature page not later than 5 p.m. ET on March 12, 2003. See application instructions, provided in the electronic application, for further detail. Applications received after this date and time will be rejected and returned to the sender.

Applications sent by facsimile or by e-mail will not be accepted.

**ADDRESSES:** Paper applications must be sent to: CDFI Fund Awards Manager, Financial Assistance Component, Bureau of Public Debt "Franchising, 200 Third Street, Room 211, Parkersburg, WV 26101. The telephone number to be used in conjunction with overnight mailings to this address is (304) 480-5450. Applications will not be accepted at the Fund's offices in Washington, DC. Applications received in the Fund's offices will be rejected and returned to the sender. Electronic applications must be submitted solely by using the Fund's Web site and must

be sent in accordance with the submission instructions provided in the electronic application form.

**FOR FURTHER INFORMATION CONTACT:** If you have any questions about the programmatic requirements for this program, contact the Fund's Program Operations Manager. If you have questions regarding administrative requirements, contact the Fund's Awards Manager. The Program Operations Manager and the Awards Manager may be reached by e-mail at [cdfihelp@cdfi.treas.gov](mailto:cdfihelp@cdfi.treas.gov), by telephone at (202) 622-6355, by facsimile at (202) 622-7754, or by mail at CDFI Fund, 601 13th Street, NW., Suite 200 South, Washington, DC 20005. These are not toll free numbers.

#### **SUPPLEMENTARY INFORMATION:**

##### **I. Eligibility**

The Act and the interim rule specify the eligibility requirements that each applicant must meet in order to be eligible to apply for assistance under this NOFA. The following sets forth additional detail and certain additional dates that relate to the submission of applications under this NOFA:

(1) *Certification:* For purposes of this Financial Assistance Component NOFA, an application for an award will not be considered unless:

(a) An applicant is already certified as a CDFI with a certification expiration date after June 30, 2003; or

(b) The Fund receives from an applicant a complete CDFI certification application no later than February 14, 2003, evidencing that the applicant can be certified as a CDFI. With respect to any CDFI that is currently certified by the Fund and whose certification expiration date is on or before June 30, 2003, the Fund must receive an application for re-certification no later than February 14, 2003, evidencing that the applicant can be re-certified as a CDFI. Applicants may obtain CDFI certification applications through the Fund's Web site at <http://www.cdfifund.gov>. Applications for certification and re-certification must be submitted as instructed in the application form.

(2) *Previous Awardees:* Applicants must be aware that success in a previous round of the CDFI Program or the Native American CDFI Technical Assistance ("NACTA") Program is not indicative of success under this NOFA. Previous awardees are eligible to apply under this NOFA, except as follows:

(a) Any entity that has received a Notice of Award from the Fund for a previous CDFI Program or NACTA Program funding round, but that has not

submitted a CDFI certification application nor been certified as a CDFI, is not eligible to receive funding under this NOFA (see Certification section, above);

(b) The Fund is generally prohibited from obligating more than \$5 million in assistance, in the aggregate, to any one organization and its Subsidiaries and Affiliates during any three-year period (further guidance on the calculation of the \$5 million cap is available on the Fund's Web site at <http://www.cdfifund.gov>);

(c) The Fund will not consider an application submitted by an applicant that is a previous Fund awardee under any Fund program or component of the CDFI Program if the applicant has failed to meet its reporting requirements, set forth in the previously executed assistance or award agreement(s), as of the application deadline of this NOFA; and

(d) The Fund will not consider an application submitted by an applicant that is a previous Fund awardee under any Fund program or component of the CDFI Program that has a balance of undisbursed funds under said previous award, as of the application deadline of this NOFA. Accordingly, applicants that are previous awardees are advised to:

(i) Submit all required reports by the deadlines specified in the assistance or award agreements governing said prior awards and to comply with all requirements found therein and

(ii) Contact the appropriate Program Operations representative of the Fund to ensure that all necessary actions are underway for the disbursement of any outstanding balance of said prior award.

(3) *Other Targeted Populations*: Other Targeted Populations are defined as identifiable groups of individuals in the applicant's service area for which there exists a strong basis in evidence that they lack access to loans, Equity Investments and/or Financial Services. The Fund has determined that there is strong basis in evidence that the following groups of individuals lack access to loans, Equity Investments and/or Financial Services on a national level: Blacks or African Americans, Native Americans or American Indians, and Hispanics or Latinos. In addition, for purposes of this NOFA, the Fund has determined that there is a strong basis in evidence that Alaska Natives residing in Alaska and Native Hawaiians or Other Pacific Islanders residing in Hawaii or other Pacific Islands lack adequate access to loans, Equity Investments or Financial Services. An applicant designating any of the above-cited Other Targeted Populations is not required to provide additional narrative

explaining the Other Targeted Population's lack of adequate access to loans, Equity Investments or Financial Services. Additionally, the Fund recognizes that there may be other such groups for which there is strong basis in evidence that they lack access to loans, Equity Investments and/or Financial Services. Such groups may be identified, and evidence of such lack of access may be provided, in the Market Need section of the application associated with this NOFA, and the application for CDFI certification (if not identified in the Target Market of a currently certified CDFI).

For purposes of this NOFA, the Fund will use the following definitions, set forth in the Office of Management and Budget (OMB) Notice, Revisions to the Standards for the Classification of Federal Data on Race and Ethnicity (October 30, 1997):

(a) American Indian, Native American or Alaska Native: a person having origins in any of the original peoples of North and South America (including Central America) and who maintains tribal affiliation or community attachment;

(b) Black or African American: a person having origins in any of the black racial groups of Africa (terms such as "Haitian" or "Negro" can be used in addition to "Black or African American");

(c) Hispanic or Latino: a person of Cuban, Mexican, or Puerto Rican, South or Central American or other Spanish culture or origin, regardless of race (the term "Spanish origin" can be used in addition to "Hispanic or Latino"); and

(d) Native Hawaiian or Other Pacific Islander: a person having origins in any of the original peoples of Hawaii, Guam, Samoa or other Pacific Islands.

For further detail, please visit the Fund's Web site at <http://www.cdfifund.gov>, under Certification\Supplemental Information.

## II. Types of Assistance

An applicant may submit an application either for financial assistance ("FA") only or for FA and a TA grant, under this NOFA. FA may be provided by the Fund through an equity investment (including, in the case of certain insured credit unions, secondary capital accounts), a grant, loan, deposit, credit union shares, or any combination thereof. The Fund reserves the right, in its sole discretion, to provide FA in a form other than that which is requested by an applicant, or a TA grant for uses other than that which are requested by an applicant.

Applicants for TA grants under this NOFA shall describe the type(s) of TA requested, when the TA will be acquired, the provider(s) of the TA, the cost of the TA, and a narrative description of how the TA will enhance their community development impact. Eligible types of TA grant uses include, but are not limited to, the following:

(1) Acquiring consulting services;

(2) Paying staff salary for the limited purposes of completing tasks and/or fulfilling functions that are otherwise eligible TA grant uses under this NOFA (use of TA for this purpose is limited to applicants with total assets not exceeding \$5 million as of December 31, 2002);

(3) Acquiring/enhancing technology items; and

(4) Acquiring training for staff or management.

The Fund will not consider requests for TA grants under this NOFA for expenses that, in the determination of the Fund, are deemed to be ongoing operating expenses rather than non-recurring expenses. The Fund will consider requests for use of TA to pay for staff salary only when the applicant demonstrates, to the Fund's satisfaction, that:

(i) The staff salary relates directly to building the applicant's capacity to serve its target market;

(ii) The proposed staff time to be paid for by the TA grant will be used for a non-recurring activity that will build the applicant's capacity to achieve its objectives as set forth in its Comprehensive Business Plan;

(iii) The proposed capacity-building activity would otherwise be contracted to a consultant or not be undertaken; and

(iv) The staff person assigned to the proposed task has the competence to successfully complete the activity. Further guidance on the limited uses of TA grants for staff salary expenditures is available on the Fund's Web site at <http://www.cdfifund.gov>.

## III. Application

An applicant under this NOFA must submit all materials described in the application. An application must include a valid and current Employer Identification Number, issued by the Internal Revenue Service, or the application will be rejected as incomplete and returned to the sender.

## IV. Matching Funds

Applicants responding to this NOFA must obtain non-Federal matching funds from sources other than the Federal government on the basis of not less than one dollar for each dollar of

FA provided by the Fund (matching funds are not required for TA grants). Matching funds must be at least comparable in form and value to the FA provided by the Fund (for example, if an applicant seeks a FA grant from the Fund, the applicant must obtain matching funds through grant(s) from non-Federal sources that are at least equal to the amount requested from the Fund).

Due to funding constraints and the desire to quickly deploy CDFI Fund dollars, the Fund will not consider for funding any applicant that does not have at least the following level of matching funds committed or in-hand: 25 percent of requested FA in-hand and 50 percent of requested FA firmly committed. Matching funds in-hand (received), or firm commitments for matching funds made, on or after January 1, 2002, and before April 30, 2004, will be considered when determining matching funds eligibility. The Fund reserves the right to recapture and reprogram an award if an applicant fails to raise the required matching funds by April 30, 2004 (with documentation of such receipt received by the CDFI Fund not later than May 15, 2004), or to grant an extension of such matching funds deadline for specific applicants selected to receive FA, if the Fund deems it appropriate. For purposes of this NOFA, "matching funds in-hand" means that the applicant has actually received the matching funds and has documentation (such as a copy of a check) to evidence such receipt; "firm commitment for matching funds" means that the applicant has entered into or received a legally binding commitment from the matching funds source that the matching funds have been committed to be disbursed to the applicant and the applicant has documentation (such as a copy of a loan agreement, promissory note or grant agreement) to evidence such firm commitment.

Funds used by an applicant as matching funds for a previous award under the CDFI Program or under another Federal grant or award program cannot be used to satisfy the matching funds requirement. If an applicant seeks to use as matching funds monies received from an organization that was a previous awardee under the CDFI Program, the Fund will deem such funds to be Federal funds, unless the funding entity establishes to the reasonable satisfaction of the Fund that such funds do not consist, in whole or in part, of CDFI Program funds or other Federal funds.

## V. Evaluation

All applications will be reviewed for eligibility and completeness. If determined to be eligible and complete, the Fund will conduct the substantive review of each application in accordance with the criteria and procedures described in the interim regulations, this NOFA and the application. First, the Fund will determine whether the applicant has a need for capital, based on the applicant's projections of capital available and activities projected. Applicants not projecting a need for capital will not be considered. Next, the Fund will determine whether the applicant has a minimum of 25 percent of the requested FA in matching funds in-hand and 50 percent of the matching funds for the requested assistance firmly committed. If this level of matching funds is not documented as in-hand or firmly committed, the applicant will not be considered for funding. Following these determinations, the Fund will evaluate each application on a 100-point scale, comprising the four criteria categories set forth below; each applicant must obtain a minimum score in each section to be considered for funding. Numeric scores will be related to:

(1) *Market Need and Community Development Performance*: including an evaluation of:

(a) The applicant's understanding of its market context and its current and prospective customers, the extent of economic distress within the designated Investment Area(s) (including serving Hot Zones) or the extent of need within the designated Targeted Population(s), the extent of need for Equity Investments, loans, Development Services, and Financial Services within the designated Target Market, and the extent of demand within the Target Market for the applicant's products and services;

(b) The extent to which the applicant demonstrates that it will target its activities to Hot Zones and/or the Fund's Programmatic Priorities;

(c) The applicant's realistic projections for community development impact, including the extent to which the applicant will concentrate its activities on serving its Target Market, and the extent to which the activities proposed in the Comprehensive Business Plan will expand economic opportunities or promote community development within the designated Target Market (including achieving the Fund's Programmatic Priorities);

(d) Product design and strategy, including an assessment of the

applicant's products and services, marketing and outreach efforts, and delivery strategy (including the applicant's track record in community development and serving the target market);

(e) The extent to which the applicant will provide products that meet key community development needs (such as low-down-payment mortgage products for Low-Income homebuyers and provision of financial services to individuals previously lacking such services); and

(f) The degree to which the applicant's strategy is integral to Federal community development initiatives (for example, Empowerment Zones) particularly targeted to benefit Low-Income people or underserved communities. For any entity that has already received an award from the Fund, the applicant also will be evaluated on the extent to which it proposes to create greater community development impact than to be achieved through the prior award and its track record in meeting previous performance goals and other Assistance Agreement requirements (maximum of 40 points; minimum of 20 points required to be considered for an award);

(2) *Management and Underwriting*: including an evaluation of:

(a) The applicant's underwriting and portfolio quality;

(b) Risk mitigation strategies; and

(c) The capacity, skills and experience of the applicant's management team as appropriate to deliver the proposed products and services (maximum of 20 points; minimum of 10 points required to be considered for an award);

(3) *Financial Health*: including an evaluation of the applicant's liquidity and other elements of financial strength, including earnings, capital adequacy, and deployment of resources (maximum of 20 points; minimum of 10 points required to be considered for an award); and

(4) *Financial Sustainability and Matching Funds*: including an evaluation of:

(a) The applicant's projected financial health, including its ability to raise operating support from sources other than the Fund and its capitalization strategy (including participation in a secondary market); and

(b) Extent to which the applicant has matching funds in-hand or firmly committed, as described above. Applicants must demonstrate 100 percent of the requested FA can be matched with matching funds in-hand or fully committed in order to receive more than 15 out of 20 points in this section. Under this category, applicants

are expected to have strategies for ensuring financial viability (of both financing capital and operating funds) and reasonable amounts of matching funds in-hand, committed or likely to be raised (maximum of 20 points; minimum of 10 points required to be considered for an award).

The Fund will consider the institutional and geographic diversity of applicants in making its funding determinations.

Fund reviewers will evaluate and score each application and make recommendations for funding to the Fund's selecting official. A minimum of 50 points total, and the required minimum number of points in each section (with points allotted per evaluation criterion, as set forth above), is required for an application to be further considered for an award. As part of the substantive review process, applicants may receive a telephone interview or an on-site visit by Fund reviewers for the purpose of obtaining, clarifying, or confirming application information. During the review process, the applicant may be required to submit additional information about its application in order to assist the Fund in its final evaluation process. Such requests must be responded to within the time parameters set by the Fund.

In the case of an applicant that has previously received funding from the Fund through the Bank Enterprise Award (BEA) Program, CDFI Program or the NACTA Program, the Fund will consider, as appropriate:

(a) The applicant's level of success and extent of compliance in meeting its performance goals, financial soundness covenants (if applicable) and other requirements set forth in the assistance or award agreement(s) with the Fund, including submission of required reports on time;

(b) The benefits that will be created with new Fund assistance over and above benefits created by previous Fund assistance; and

(c) The extent and effectiveness to which the applicant has used previous assistance from the Fund.

The Fund's selecting official will make a final funding determination based on the applicant's file, reviewer scores and recommendations, and the amount of funds available. In the case of regulated CDFIs, the selecting official will take into consideration the views of the appropriate Federal banking agencies.

Each applicant will be informed of the Fund's award decision either through a Notice of Award if selected for an award (see Notice of Award section, below) or a declination letter, if not selected for an

award, which may be for reasons of application incompleteness, ineligibility or substantive issues. Any applicant that is not selected for an award due to application incompleteness or ineligibility, and that believes that such decision was made in error, may appeal said decision by notifying the Fund's Awards Manager in writing or by e-mail (at [cdjihelp@cdfi.treas.gov](mailto:cdjihelp@cdfi.treas.gov), Attention: Awards Manager); such appeals must be received by the Fund within five business days of the date of the declination letter. Such appeal requests will be reviewed by the Fund's Deputy Director for Management and the Deputy Director for Policy and Programs, as appropriate, whose decision will be final. All applicants that are not selected for awards based on substantive issues, will be given the opportunity to request feedback on the strengths and weaknesses of their applications. This feedback will be provided in a format and within a timeframe to be determined by the Fund, based on available resources.

The Fund reserves the right to change these evaluation procedures, if the Fund deems it appropriate; if said procedural changes materially affect the Fund's award decisions, the Fund will provide information regarding the procedural changes through the Fund's Web site.

#### VI. Notice of Award

The Fund will signify its selection of an applicant as an awardee by delivering a signed Notice of Award to the applicant. The Notice of Award will contain the general terms and conditions underlying the Fund's provision of assistance including, but not limited to, the requirement that an awardee and the Fund enter into an Assistance Agreement. The applicant must execute the Notice of Award and return it to the Fund. By executing a Notice of Award, the awardee agrees that, if prior to entering into an Assistance Agreement with the Fund, information comes to the attention of the Fund that either adversely affects the awardee's eligibility for an award, or adversely affects the Fund's evaluation of the awardee's application, or indicates fraud or mismanagement on the part of the awardee, the Fund may, in its discretion and without advance notice to the awardee, terminate the Notice of Award or take such other actions as it deems appropriate. Moreover, by executing a Notice of Award, an awardee agrees that, if prior to entering into an Assistance Agreement with the Fund, the Fund determines that the awardee is not in compliance with the terms of any previous Assistance Agreement entered

into with the Fund, the Fund may, in its discretion and without advance notice to the awardee, either terminate the Notice of Award or take such other actions as it deems appropriate. The Fund reserves the right, in its sole discretion, to rescind its award if the awardee fails to return the Notice of Award, signed by the authorized representative of the awardee, along with any other requested documentation, within the deadline set by the Fund.

#### VII. Assistance Agreement

Each applicant that is selected to receive an award under this NOFA must enter into an Assistance Agreement with the Fund. The Assistance Agreement will set forth certain required terms and conditions of the award, which will include, but not be limited to,

- (a) The amount of the award;
- (b) The type of award;
- (c) The approved uses of the award;
- (d) The approved Target Market to which the award must be targeted;
- (e) Performance goals and measures; and

(f) reporting requirements for all awardees. Assistance Agreements under this NOFA will generally have three-year performance periods. The Fund reserves the right, in its sole discretion, to rescind its award if the awardee fails to return the Assistance Agreement, signed by the authorized representative of the awardee, along with any other requested documentation, within the deadline set by the Fund.

In addition to entering into an Assistance Agreement, each awardee that receives an award either:

- (a) In the form of a loan, equity investment, credit union shares/deposits, or secondary capital, in any amount, or
- (b) A FA grant in an amount greater than \$500,000, must furnish to the Fund an opinion from its legal counsel, the content of which will be specified in the Assistance Agreement, to include, among other matters, an opinion that the awardee:

- (i) Is duly formed and in good standing in the jurisdiction in which it was formed and/or operates;
- (ii) Has the authority to enter into the Assistance Agreement and undertake the activities that are specified therein; and
- (iii) Has no pending or threatened litigation that would materially affect its ability to enter into and carry out the activities specified in the Assistance Agreement.

#### VIII. Performance Rating: PLUM

In order to better manage its portfolio of awards, the Fund is developing a

performance rating system, entitled "PLUM," that will grade each CDFI according to its overall financial strength and potential for creating community development impact. Initially, PLUM will serve as the Fund's portfolio risk rating tool. PLUM will cover four areas: Performance effectiveness/community development impact; Leverage, liquidity and solvency; Underwriting (including portfolio quality); and Management. The Fund will analyze and grade several indicators under each of those areas, and aggregate them into an overall rating. The Fund is currently conducting the analyses needed to identify appropriate peer groups and target ranges for each indicator. Based on this information, the Fund will conduct targeted analyses of its portfolio, highlight "best practices" that can be shared with the CDFI field, and better assess CDFIs' ability to expand or stabilize underserved market areas. In order that additional data can be collected for the Fund's analyses, indicators within the above four areas have been incorporated into the FY 2003 Financial Assistance Component application.

#### VIII. Reporting and Monitoring

The Fund will collect information, on at least an annual basis, from all CDFI Program awardees, including:

- (a) Annual reports related to, among other matters, awardee compliance with the performance goals and measures set forth in the Assistance Agreement;
- (b) Audited financial statements;
- (c) Annual surveys; and
- (d) Such other information that the Fund may require, including loan level data. The Fund will use such information to monitor each awardee's compliance with the requirements set forth in the Assistance Agreement. The Fund will also use such information to assess the impact of the CDFI Program.

The Fund reserves the right, in its sole discretion, to modify these reporting requirements if it determines it to be appropriate and necessary; however, such reporting requirements will be modified only after due notice to the awardee.

The Fund reserves the right, in accordance with applicable Federal law and if authorized, to charge award reservation and/or compliance monitoring fees to all entities receiving CDFI Program awards. Prior to imposing any such fee, the Fund will publish additional information concerning the nature and amount of the fee.

#### X. Accounting

The Fund will require each awardee that receives FA and TA under this NOFA to account for and track the use of said FA and TA awards. This means that for every dollar of FA and TA received from the Fund, the awardee will be required to inform the Fund of its specific uses. This may require awardees to establish separate administrative and accounting controls, subject to the applicable OMB Circulars. OMB Circular A-110 (Uniform Administrative Requirements for Grants and Agreements with Institutions of Higher Education, Hospitals and Other Non-Profit Organizations) states that, as applicable, recipients of Federal funds "must be able to account for the receipt, obligation, and expenditure of funds." Further, OMB Circular A-110 states that "Recipients shall maintain advances of Federal funds in interest bearing accounts unless (1), (2), or (3) apply:

- (1) The recipient receives less than \$120,000 in Federal awards per year;
- (2) The best reasonably available interest bearing account would not be expected to earn interest in excess of \$250 per year on Federal cash advances; or
- (3) The depository would require an average or minimum balance so high that it would not be feasible within the expected Federal and non-Federal cash resources." The Fund will provide guidance to awardees outlining the format and content of the information to be provided on an annual basis, outlining and describing how the funds were used.

#### XI. Information Sessions

In connection with the Fiscal Year 2003 funding rounds of its programs, the Fund may conduct Information Sessions to disseminate information to organizations contemplating applying to, and other organizations interested in learning about, the Technical Assistance and Financial Assistance Components of the CDFI Program, the NACD Program, and the BEA Program. For further information on the Fund's Information Sessions, dates and locations, or to register online to attend an Information Session, please visit the Fund's Web site at <http://www.cdfifund.gov> or call the Fund at (202) 622-8401.

Catalog of Federal Domestic Assistance: 21.020.

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

Dated: January 27, 2003.

**Tony T. Brown,**

*Director, Community Development Financial Institutions Fund.*

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#### DEPARTMENT OF THE TREASURY

##### Community Development Financial Institutions Fund

##### Notice of Funds Availability (NOFA) Inviting Applications for the Community Development Financial Institutions Program, the Native American CDFI Development Program, and the Bank Enterprise Award Program

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

**ACTION:** Preamble for Notices of Funds Availability ("NOFA") inviting applications for the FY 2003 funding round of the Technical Assistance Component and Financial Assistance Component of the Community Development Financial Institutions ("CDFI") Program, the Native American CDFI Development ("NACD") Program, and the Bank Enterprise Award ("BEA") Program.

#### SUMMARY:

##### I. Legislative Background

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") of the U.S. Department of the Treasury to promote economic revitalization and community development through investment in and assistance to Fund-certified community development financial institutions ("CDFIs") through the CDFI Program. The Act also authorizes the Fund to provide incentives, through the BEA Program, to insured depository institutions for the purposes of promoting investments in or other support to CDFIs and facilitating increased lending and provision of financial and other services in economically distressed communities. In addition, the Departments of Veterans Affairs and Housing and Urban Development, and Independent Agencies Appropriations Act, 2002 (Pub. L. No. 107-73) authorizes the Fund to provide technical assistance grants to promote economic development in Native American, Alaska Native and Native Hawaiian communities by building the capacity of