

Supporting Statement
Community Development Financial Institutions Program
CDFI Program Awardee and NMTC Allocatee Annual Report
OMB Approval Number 1559-0027

A. Justification

1. Circumstances necessitating collection of information

The Community Development Financial Institutions (CDFI) Program provides financial and technical assistance to selected organizations certified by the CDFI Fund as CDFIs, or entities that propose to become CDFIs, in order to enhance their ability to make loans and investments and provide services for the benefit of designated investment areas and targeted populations. According to appropriations legislation, these also include selected Native American organizations certified by the CDFI Fund as CDFIs, or entities that propose to become CDFIs, in order to enhance their ability to make loans and investments and provide services for the benefit of Native American communities and individual Native Americans. Based on an assistance agreement between each Awardee and the CDFI Fund, annual reports are used to collect information for compliance monitoring and recordkeeping purposes. The annual report provides qualitative and quantitative information on the Awardee's compliance with its performance goals, its financial health, and the timeline in which the CDFI Fund's financial and technical assistance was used.

In addition, the legislation that created the New Markets Tax Credit (NMTC) Program, administered by the Fund in coordination with the Internal Revenue Service (IRS), imposes the need to collect data from community development entities (CDEs) that receive NMTC allocations. NMTC Program Allocatees enter into allocation agreements with the Fund, which contain the terms and conditions of their NMTC allocations including submission of an annual report. These reports provide a qualitative and quantitative information on the Allocatee's compliance with its allocation agreement, adherence to IRS regulations (45D of Internal Revenue Code), community impact data and its financial health.

2. Method of collection and use of data

The CDFI Fund collects data on an annual basis according to the Awardee's or Allocatee's fiscal year end. The annual report is typically due 180 days after the Awardee's or Allocatee's fiscal year end. The annual report data will be used to determine an Awardee's compliance with the terms of its assistance or allocation agreement.

3. Use of Information Technology

The CDFI Fund has reduced the submission of all the components of the reporting information being collected for its CDFI program awards by paper submissions to half of the CDFI Program Annual Report now submitted via the web through CIIS and for the remaining reporting documents the Awardee has the choice of submission by mail, e-mail or fax. The Awardee's Institutional Level Report (ILR) and Transaction Level Report (TLR) are submitted through Community Investment Impact System (CIIS) and the Awardee may also choose to submit its financial statement by attaching an electronic version to its ILR. All reporting for the NMTC program is submitted via the web through CIIS.

4. Efforts to identify duplication

All of the information requested is required in order to evaluate Awardee or Allocatee compliance with the CDFI Fund's assistance and allocation agreements and does not duplicate other information collections.

5. Impact on small entities

This collection of information is not expected to have a significant impact on small entities as small entities generally apply for and receive Technical Assistance (TA) capacity building awards. TA award reporting requirements do not include completion and submission of the TLR report through CIIS. The TLR is the largest potential component of the annual report and is only required by Awardees that receive Financial Assistance (FA) awards and Allocatees that receive NMTC allocations. Only NMTC Program Allocatees and CDFI Program FA Awardees will be required to submit the Transaction-Level Report. Those two types of entities are among the most sophisticated CDEs and CDFIs, and generally are larger organizations. Small entities that become Fund Allocatees or Awardees must demonstrate significant management capacity to be selected for an allocation or award. Therefore, the Fund expects that they will have the capacity or the ability to develop the capacity needed to complete the TLR.

In addition, the Fund has made two distinct efforts to minimize the reporting burden on all CDFIs and CDEs, in version CIIS 8.0 which will significantly reduce the time burden of electronic submissions. First, regulated depository CDFIs that must submit TLR reports will no longer have to report on consumer loans at the transactional level and instead will be able to report those loans at the portfolio level through the ILR. This change is expected to reduce the total number of transactions reported through CIIS by at least two-thirds. Second, the NMTC Allocatees will no longer need to report individual disbursement addresses.

6. Consequences of less frequent collection and obstacles to burden reduction

The Fund cannot determine compliance with assistance and allocation agreements, measure its annual performance, or perform program evaluation without this annual collection of data.

7. Circumstances requiring special information collection

Not applicable.

8. Solicitation of comments on information collection

Pursuant to the notice and request for comments published in the Federal Register on May 14, 2010, at 75 FR 25313, the CDFI Fund received detailed comments from the following eight organizations: Western Massachusetts Enterprise Fund, Inc. (WMEF), CDFI Coalition, Self-Help, Opportunity Finance Network (OFN), Brooklyn Cooperative Federal Credit Union, The Reinvestment Fund (TRF), Enterprise Community Investment, Inc., and National Community Investment Fund (NCIF):

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Responder	Comment	CDFI Fund Response
CDFI Coalition and NCIF	The CDFI Coalition and NCIF support data collection and analysis of the CDFI industry but believe that “significant overhaul of the TLR and the Fund’s data collection infrastructure are necessary and overdue.”	The CDFI Fund is developing immediate enhancements to the CIIS version 8.0 data collection which will significantly reduce the time burden of electronic submissions. First, regulated depository CDFIs that currently must submit TLR reports will <i>no longer have to report on consumer loans at the transactional level</i> and instead will be able to <i>report those loans at the portfolio level through the ILR</i> . This change is expected to reduce the total number of transactions reported through CIIS by at least two-thirds. Second, the NMTC Allocatees will no longer need to report individual disbursement addresses.
CDFI Coalition and NCIF	These organizations “...urge the CDFI Fund to make available the necessary resources to undertake and complete this work and make meaningful changes to the data and the data collection infrastructure as soon as possible.”	The CDFI Fund has committed budget resources in the current year to enhance the Fund’s internal IT systems that support CIIS, redesign the CIIS data collection, and explore new software options, including rebidding the CIIS contract.
CDFI Coalition, NCIF, OFN, Self-Help	“The [TLR] system takes an unacceptable amount of time to process uploads, validate transactions, pre-certify validated transactions and respond...”	The CDFI Fund has implemented improvements to the software interface in version 8.0, reduced the number of required transactions to be reported, and invested in the underlying IT infrastructure that supports CIIS to improve reliability and processing speed.
CDFI Coalition and NCIF	Recommend establishing a Research and Analysis Working Group, perhaps under the auspices of the CDFI Fund’s Advisory Board, to discuss and advise the CDFI Fund on the future design and content of ILR and TLR surveys, data collections systems, interface and data dissemination.	The CDFI Fund will raise this recommendation with the CDFI Fund’s Advisory Board and explore the feasibility of initiating such a working group.

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Responder	Comment	CDFI Fund Response
<p>CDFI Coalition, NCIF, OFN, Self-Help</p>	<p>Recommend that the CDFI Fund “...begin to collect annually a small number of data points from all certified CDFIs (e.g. assets, lending and investments).</p> <p>“The TLR is not industry-wide”</p> <p>“...the dataset does not contain information on the same group of CDFIs over time.”</p>	<p>The CDFI Fund recognizes the need for limited data collection on the “universe” of certified CDFIs as such data would permit a stratified analysis of the changing “sample” of CDFIs reporting annually to CIIS. The Fund has already begun exploring the technical requirements for developing an <i>electronic certification system</i> to collect such data <i>and link it to CIIS</i>. Development would be subject to approval of budget requests, further PRA data collection approval, and appropriations.</p>
<p>NCIF and Self Help</p>	<p>“Discontinue the existing TLR. The TLR in its current form is overly burdensome and fails to meet its stated goals of program compliance, effectiveness and research.”</p> <p>“...review the existing TLR to develop a new reporting system...”</p> <p>“Replace the TLR with a more comprehensive ILR”</p>	<p>Beyond the revisions being incorporated in CIIS 8.0 (see first response above), the CDFI Fund is exploring technological options for streamlining and improving CIIS geocoding processes and the functionality of the software design and interface to improve TLR data upload and reporting.</p> <p>The Fund is continuing its review for reducing TLR data points.</p> <p>As an alternative to the TLR, the Fund is exploring statistical sampling as a means to collect valid geographical data on the distribution of transactions for meeting the target market requirements that all CDFI awardees must report. Such an approach could then rely on a more comprehensive ILR combined with statistical sampling of transactions.</p>

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Responder	Comment	CDFI Fund Response
TRF	<p>“The TLR, while more burdensome and costly, is also a valuable dataset because it facilitates more specific micro-level research related to the impact of CDFIs...” Yet, TRF reports, that “...many of the essential data fields were simply not populated consistently...” This suggests “...that data collection may be too burdensome.”</p> <p>TRF suggests that CDFI Fund should instead focus on creating a new universal “...web-based data entry and collection system so flexible, comprehensive and user-friendly that all organizations would gladly substitute it ...for their current impact data system.”</p>	<p>The CDFI Fund is beginning market research to understand the state-of-the-art capabilities and requirements for replacing the current CIIS ILR and TLR reporting system. The aim is to develop a comprehensive set of requirements to include in a RFP to rebid the CIIS contract.</p> <p>The CDFI Fund is interested in determining the feasibility of designing and implementing a universal reporting system tailored to a wide range of needs and capable of generating standard and custom reports and encouraging data entry as transactions close.</p> <p>Yet, the CDFI Fund recognizes the need to address the different regulatory and reporting requirements of depository CDFIs and non-depository CDFIs which places serious constraints on the feasibility of designing a universal system.</p>

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Responder	Comment	CDFI Fund Response
<p>Brooklyn Cooperative Federal Credit Union, WMEF, NCIF, CDFI Coalition</p>	<p>“CIIS geocoder is not flexible enough to deal with an occasional misspelling of an address.”</p> <p>In addition, the CIIS geocoder system creates delays in uploading transactions, and often fails to accurately geocode an address.</p>	<p>In 2009 the CDFI Fund upgraded the CIIS geocoder service provided by ESRI; nevertheless, the service does not function like Google map which provides prompts with alternative addresses. Instead the ESRI system attempts to place a project address within a census tract, and failing that requests that submitter use a FIPS code. (Please note that the use of FIPS codes does not mean that the loan is excluded from the survey.)</p> <p>In CIIS version 8.0, when there are address problems, reporting organizations will have the option to report “x/y” coordinates or longitude and latitude.</p>
<p>Enterprise, Self- Help, NCIF, CDFI Coalition, TRF, OFN</p>	<p>Improve overall IT/data infrastructure and integrate the disparate data systems of the CDFI Fund to prepopulate data into CIIS from the organization profile provided by the certification and application systems through the applicants <i>MyCDFIFund</i> website.</p>	<p>The CDFI Fund is in the process of developing a “to-be architecture” for integrating the Fund’s different business units and data systems, (including certification, applications, CIIS, and compliance); through this process the Fund will assess various options for prepopulating data, updating data, storage and retrieval to facilitate usability of the system.</p>
<p>OFN, NCIF, Enterprise and CDFI Coalition</p>	<p>Make data public, subject to non-disclosure requirements, and improve communication of data.</p>	<p>Publication of the three-year CDFI trend data for 2006-2008, and NMTC data for 2007-2009 will occur this summer. The CDFI Fund has been in the process of finishing a major data quality review and resolving significant IT problems. In addition, all stakeholders should recognize that rapid implementation of Recovery Act reporting diverted limited staff resources. These problems have been largely resolved so publication and access to the data should become regularized.</p>

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Responder	Comment	CDFI Fund Response
CDFI Coalition	<p>“...the CDFI Fund spends several months after the CIIS data is submitted, “cleaning” the data.” The commenter suggests “...that better front- end assistance could reduce the level and time spent on cleaning the data...”</p>	<p>The CDFI Fund has increased CIIS contractor staffing time for data cleansing by 40% which should reduce the “cleaning” time after data submission. In addition, the reduction of the sheer number of transactions for consumer loan reporting and CDE disbursement reporting should reduce the volume of fields requiring cleaning. Finally, the CDFI Fund is clarifying the instructions for the surveys.</p>
OFN	<p>“The Fund should develop a standard way of reporting a CDFI’s service area that does not unduly burden CDFIs that serve a <i>targeted population</i> rather than a <i>geographic target market</i> and make this information public.”</p> <p>“The Fund should develop a better way to collect CDFIs geographic target markets so that it can make this data publicly available.”</p>	<p>The CDFI Fund’s Certification and FS&R offices are examining options for providing standardized methodologies for awardees to measure and report targeted population consistent with Federal practices and law.</p> <p>Through the Fund’s IT Enterprise Architecture efforts, the Fund is examining IT options for electronic submission of certification target market geography so that this data can be analyzed for market analysis and compliance reporting.</p> <p>In addition, as noted above, the Fund is exploring statistical techniques for random sampling of transactions to validate target market geography and to improve and streamline the certification, reporting and compliance processes.</p>

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Responder	Comment	CDFI Fund Response
<p>OFN, TRF, and Enterprise</p>	<p>Separately, OFN, Enterprise and TRF offered detailed questions about clarifying definitions, proposed changes in reporting fields, and recommendations to remove specific questions and data elements.</p> <p>Three comments, however, warrant consideration here:</p> <p>OFN asked: “Will the CDFI be reporting on loans and investments outstanding or loans and investments closed during the year.”</p> <p>TRF notes that “the CDE CIIS offers a project note hierarchy which allows multiple financial notes to be related to a single project—we believe that the CDFI CIIS format should also incorporate the project note hierarchy...” [to avoid double counting of outcome impacts].</p> <p>TRF and Enterprise noted the need for job reporting guidance and whether “direct” and “indirect jobs” should be reported.</p>	<p>The CDFI Fund will review in detail each recommendation, and where these recommendations are feasible and consistent with the policies and regulations of the Fund and the Federal government, seek to implement these changes, particularly if the proposed changes shorten and improve the reporting process.</p> <p>The CDFI Fund has historically required <i>loans and investments outstanding</i>, but is now considering shifting to <i>loans and investment closed</i> to more closely align with the need for annual community impact measures rather than cumulative measures.</p> <p>For the last three years the CDFI Fund has attempted to remedy inconsistencies in reporting by CDEs of multiple investments in the same project. The disbursement address fix has not eliminated this problem so a new solution is being developed for CIIS release 8.1 which is anticipated in December 2010. The Fund will request a technical focus group to ensure that this problem is resolved. Once this problem is resolved the Fund will consider applying the approach to CDFI reporting.</p> <p>CIIS 8.0 has incorporated extensive job reporting guidance.</p>

9. Provision of payment to respondents

No payments or gifts will be made to respondents.

10. Assurance of confidentiality

The CDFI Fund is subject to all Federal regulations with respect to confidentiality of information supplied in the annual report.

11. Justification of sensitive questions.

Questions that may be considered of a sensitive nature are asked for research purposes. These questions are included in the ILR and TLR submitted through CIIS. See attached data release protocol document that lists the protections of the answers to these sensitive questions offered to Awardees and Allocatees.

12. Estimate of the hour burden of information collection.

CDFI Awardees/ NMTC Allocatees Estimated Burden:
Estimated Number of Annual Respondents:
<ul style="list-style-type: none"> • CDFI Annual ILR only: 75
<ul style="list-style-type: none"> • CDFI Annual TLR and ILR: 159
<ul style="list-style-type: none"> • NMTC Annual Report: 207
Burden per Report Type:
<ul style="list-style-type: none"> • CDFI Program TA awardees Estimated Time Burden: 22 hours
<ul style="list-style-type: none"> • CDFI Program FA ILR only awardees Estimated Time Burden: 32 hours
<ul style="list-style-type: none"> • CDFI Program FA TLR/ILR awardees Estimated Time Burden: 100 hours
<ul style="list-style-type: none"> • NMTC Program allocatees Estimated Time Burden: 65 hours
Total Estimated Burden per Reporting Type:
<ul style="list-style-type: none"> • CDFI Program TA reports: 1,518 hours
<ul style="list-style-type: none"> • CDFI Program FA ILR only reports: 2,400 hours
<ul style="list-style-type: none"> • CDFI Program FA TLR/ILR reports: 15,900 hours
<ul style="list-style-type: none"> • NMTC Program CDE reports: 13,455 hours
Estimated Total Annual Burden Hours = 33,273 hours

13. Estimate of total annual cost burden to respondents

In addition to the hour burden described in number 12, costs may include purchase of new or upgraded software, information technology consultants and purchase of hardware to complete the online portions of the Annual Report through CIIS. Once the start-up investments have been made, there should be minimal additional annual costs associated with this data collection.

14. Estimate of annualized cost to the Government

The costs to the Government are those related to the staffing of the CDFI Fund's Compliance Monitoring and Evaluation Unit and the annual maintenance and data collection costs for the ILR and TLR submitted through CIIS are expected to average \$472,000 over three years. This cost is paid according to an awarded contract to EF Kearney Limited. The Fund awarded a contract to EF Kearney Limited to design and develop the Annual Surveys for CIIS, and to collect and cleanse the ILR and TLR data submitted through CIIS.

15. Any program changes or adjustments

Two distinct changes in version CIIS 8.0 will significantly reduce the time burden of electronic submissions. First, regulated depository CDFIs that must submit TLR reports will no longer have to report on consumer loans at the transactional level and instead will be able to report those loans at the portfolio level through the ILR. This change is expected to reduce the total number of transactions reported through CIIS by at least two-thirds. Second, the NMTC Allocatees will no longer need to report individual disbursement addresses. A reduction of 9,457 hours is attributed to program change.

Though the number of reporting transactions has been reduced, an evaluation of the program respondents and burden has been reviewed to provide a more accurate reporting of the burden. An increase in the number of respondents, as well as the hours per response have increased after an evaluation respondents reporting time and consideration of public comments received on the burden calculations. As a result, an increase of 28,544 is attributed to an adjustment.

The total burden associated with this collection of information is 510 responses and 33,273 total burden hours.

16. Plans for information tabulation and publication

Confidential and proprietary information collection through the annual report will not be published.

17. Reasons for not displaying expiration date of OMB approval

The CDFI Fund believes displaying an OMB expiration date on this collection will create the incorrect perception that this information request is to run for a shorter term than the programs of the HFA Initiative.

18. Explanation of exceptions to certification statement

Not applicable.

B. Collections of Information Employing Statistical Methods

This section is not applicable.