Community

Development

Financial

Institutions

Fund

CDFI Certification Application

COMMUNITY DEVELOPMENT FINANCIAL INSTITUTIONS FUND

PAPERWORK REDUCTION ACT NOTICE

CDFI - 0005
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This submission requirements package is provided to applicants for certification as Community Development Financial Institutions. Applicants are not required to respond to this collection of information unless it displays a currently valid OMB number. The estimated average burden associated with this collection of information is thirty seven and a half hours per applicant. Comments concerning the accuracy of this burden estimate and suggestions for reducing this burden should be directed to the Certification and Training Program Manager, Department of the Treasury, Community Development Financial Institutions Fund, 601 13th Street, NW, Suite 200 South, Washington, DC 20005.

CDFI Certification Application

COMMUNITY DEVELOPMENT FINANCIAL INSTITUTIONS FUND (CDFI FUND) MISSION

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

WHAT IS A COMMUNITY DEVELOPMENT FINANCIAL INSTITUTION (CDFI)?

Generally, CDFIs are community-based specialized financial institutions that serve Low-Income people or work in economically distressed communities, often working in market niches that may be underserved by traditional financial institutions. CDFIs provide a unique and wide range of Development Services, Financial Products and Financial Services that help their customers build wealth and achieve the goal of participating in the "ownership" society. While the types of products made available may be similar to those provided by mainstream financial institutions (such as mortgage financing for Low-Income and first-time homebuyers, small business lending, and lending for community facilities), CDFIs generally lend to and make equity investments in markets not served by traditional financial institutions. CDFIs may offer rates and terms that are more flexible than those provided by traditional financial institutions. CDFIs also seek to provide services that will help ensure that credit is used effectively, such as technical assistance to small businesses, and home buying and credit counseling to consumers. CDFIs include regulated institutions such as community development banks and credit unions, and non-regulated institutions such as loan funds and venture capital funds, among others.

CDFI CERTIFICATION DESIGNATION

CDFI certification is a designation conferred by the CDFI Fund. In order to be certified as a CDFI, a financial institution must meet each of the following seven certification criteria at the time a CDFI Certification Application is submitted to the CDFI Fund:

- Be a **legal entity**;
- Have a **primary mission** of promoting community development;
- Be a **financing entity**;
- Primarily serve one or more **Target Markets**;
- Provide **Development Services** in conjunction with its financing activities;
- Maintain **accountability** to its defined target market; and
- Be a **non-government entity** and not be under control of any government entity (tribal governments typically excluded).

<u>CDFI Certification does not constitute an opinion by the CDFI Fund as to the effectiveness or financial viability of the Applicant.</u>

CDFI CERTIFICATION BENEFIT

An entity must be certified by the CDFI Fund as a CDFI in order to be eligible to receive a Financial Assistance award through the CDFI and Native American CDFI Assistance (NACA) programs. In addition, a certified CDFI can partner with an FDIC-insured depository institution to apply for a Bank Enterprise Award (BEA) from the CDFI Fund to support investments in the CDFI. CDFI certification may provide access to the New Markets Tax Credit Program by allowing the CDFI to become a Community Development Entity (CDE). CDFI certification may also enhance a financial institution's ability to attract private sector capital, including funding from foundations, state and local governments, and other banks and financial institutions.

SPECIAL PROVISIONS FOR DEPOSITORY INSTITUTION HOLDING COMPANIES AND INSURED DEPOSITORY INSTITUTIONS

(1) A Depository Institution Holding Company (DIHC) may qualify as a CDFI only if it and its Affiliates collectively satisfy each of the certification criteria;
(2) No Affiliate of a DIHC may qualify as a CDFI unless the holding company and all of its Affiliates collectively meet the requirements described for each certification criteria;
(3) No Subsidiary of an Insured Depository Institution (IDI) may qualify as a CDFI if the IDI and its Subsidiaries do not collectively meet the requirements for each certification criteria; and
(4) For the purposes of this application, an Applicant will be considered to be a Subsidiary of any IDI or DIHC that controls 25 percent or more of any class of the Applicant's voting shares, or otherwise controls, in any manner, the election of a majority of directors of the Applicant.

APPLICATION PROCESS OVERVIEW

Note: Each CDFI Certification Applicant must have its own valid Employer Identification Number (EIN) and be a legal entity at the time it submits the CDFI Certification Application. Failure to include this information for any entity will result in the rejection of the entire application without a substantive review. Additionally, an EIN and a Dun & Bradstreet Number are required in order to establish a "myCDFI Fund" organizational account.

Additional Questions and Resources: Please contact the CDFI Program staff if you have questions regarding the CDFI Certification application. CDFI Program staff can be contacted by telephone at (202) 622-6355, and by e-mail at cdfihelp@cdfi.treas.gov. Information regarding the CDFI Certification application and process can also be obtained by visiting the CDFI Fund's CDFI Certification page located at www.cdfifund.gov.

Application Completion Steps:

- Carefully review the CDFI Program Revised Interim Regulations, 12 CFR Part 1805, also available on the CDFI Fund's CDFI Certification page located at www.cdfifund.gov.
- Consult the Glossary of Terms and the CDFI Program Revised Interim Regulations (12 CFR Part 1805) for clarification of defined and capitalized terms. These documents may be found on the CDFI Fund's CDFI Certification page located at www.cdfifund.gov.
- Review the supplemental CDFI Certification Application guidance documents provided on the CDFI Fund's CDFI Certification page located at www.cdfifund.gov.
- Create a (or access your existing) customized web portal "myCDFI Fund" user account located at the CDFI Fund's homepage, www.cdfifund.gov.
- Create a (or access your existing) customized web portal "myCDFI Fund" organizational account for the Applicant from your myCDFI Fund user account.
- Open a CDFI Certification Application for the Applicant from your "myCDFI Fund" organizational account.
- Complete and submit the CDFI Certification Application electronically, making sure to answer all required questions and attach all required documents, including the spreadsheet data tables and maps.

BASIC INFORMATION

Enter name of Applicant:

Enter the information requested in the worksheets “Basic Information” and “Affiliates” in the spreadsheet workbook “Attachment A – Applicant Data”.

If the Applicant issues stock, **provide** a brief narrative indicating the proportion of voting securities held by IDIs or DIHCs and any control that could be exercised by IDIs or DIHCs over the election of a majority of directors of the Applicant:

Attach (to the CDFI Certification Signature Page), if the Applicant issues stock, stock certificate summary reports that support the above narrative indicating the proportion of voting securities held by IDIs and DIHCs. Name the attachment, “Attachment B – Stock Summary Reports”.

Attach (to the CDFI Certification Signature Page) a copy of the Applicant’s board-approved by-laws, (by-laws must demonstrate evidence that they are board-approved). Name the attachment, “Attachment C – By-Laws”.

Criteria: LEGAL ENTITY

As of the date its CDFI Certification Application is submitted (signed by Authorized Representative), the Applicant must be duly organized and validly exist under the laws of the state jurisdiction in which it is incorporated or established. The Applicant must also have a valid Employer Identification Number (EIN).

Enter the information requested in the worksheet "Legal Entity" in the spreadsheet workbook "Attachment A – Applicant Data".

EMPLOYER IDENTIFICATION NUMBER (EIN)

Attach (to the CDFI Certification Signature Page) one of the following, (name the attachment "Attachment D – EIN Documentation"):

- Official letter from IRS providing EIN;
- Confirmation fax from local IRS office with the organization's name and EIN; or
- A printout of completed and submitted online SS-4 (with organization's EIN in upper right hand corner) from IRS' website, accompanied by a printout of the online confirmation of receipt of EIN from IRS' website.

EVIDENCE OF INCORPORATION/ORGANIZATION/ESTABLISHMENT

For Non-Regulated Institutions

Attach (to the CDFI Certification Signature Page) a copy of one of the following (documents must be signed, stamped, and filed with the appropriate state agency) – Name the attachment, "Attachment E1 – Legal Documentation":

- Articles of Incorporation
- Certificate of Incorporation
- Organization Certificate
- Other (list):

Attach (to the CDFI Certification Signature Page) any amendments to attached organizing documents, (documents must be signed, stamped, and filed with the appropriate state agency) - Name the attachment(s), "Attachment E2 – Legal Documentation":

For Regulated institutions

Attach (to the CDFI Certification Signature Page) a copy of one of the following issued by the appropriate Federal Banking agency or State agency, (documents must be signed, stamped, and filed with the appropriate agency) - Name the attachment, "Attachment E1 – Legal Documentation":

- Regulatory Charter
- Certificate of Incorporation
- Organization Certificate
- Other (list):

Attach (to the CDFI Certification Signature Page) copies of any amendments to attached organizing documents, (documents must be signed, stamped, and filed with the appropriate agency) - Name the attachment(s), "Attachment E2 – Legal Documentation".

Criteria: PRIMARY MISSION

A CDFI shall have a primary mission of promoting community development. In determining whether an Applicant has such a primary mission, the CDFI Fund will consider whether the activities of the Applicant are purposefully directed toward improving the social and/or economic conditions of underserved people (which may include Low-Income persons and persons who lack adequate access to capital and/or Financial Services) and/or residents of economically distressed communities (which may include Investment Areas).

Enter the information requested in the worksheet “Primary Mission” in the spreadsheet workbook “Attachment A – Applicant Data”, which includes the Product Table.

Attach (to the CDFI Certification Signature Page) a copy of the Applicant’s organizational documents, as indicated in Attachment A, that provide evidence of a primary mission of promoting community development. (Do not submit a second copy of these documents, if they will be submitted in response to an earlier section of the application) – Name the attachment, “Attachment F – Primary Mission”.

Enter primary mission of Applicant (as stated in the submitted board-approved document(s)):

Provide a narrative describing how Applicant’s primary mission is consistent with the CDFI Certification definition regarding primary mission, as stated above – be sure to include, (1) discussion of how the Applicant’s activities and financial products and services support the Applicant’s primary mission; and (2) a brief profile of the Applicant’s customers/clients:

For Depository Institution Holding Companies (DIHCs), Affiliates of DIHCs, and Subsidiaries of Insured Depository Institutions – provide the following information for each Affiliate or Subsidiary, repeat as necessary:

Enter Affiliate or Subsidiary Name:

Attach Applicant Affiliate's or Subsidiary's organizational documents, as indicated in Attachment A, that provide evidence of a primary mission of promoting community development. (Do not submit a second copy of these documents, if they will be submitted in response to an earlier section of the application) – Name the attachment, "Attachment G – Affiliate Primary Missions". If the Applicant has multiple affiliates/subsidiaries, increment the attachment names as "G1", G2", "G3", etc, as necessary.

Enter primary mission of Applicant's Affiliate or Subsidiary (as stated in the submitted board approved document(s):

Provide a narrative describing how Applicant Affiliate's or Subsidiary's primary mission is consistent with the CDFI Certification definition of primary mission, as stated above – be sure to include: (1) discussion of how the Applicant Affiliate's or Subsidiary's activities and Financial Products and Services support the Applicant Affiliate's or Subsidiary's primary mission; and (2) a brief profile of the Applicant Affiliate's or Subsidiary's customers/clients:

Criteria: FINANCING ENTITY

A CDFI shall be an entity whose predominant business activity is the provision, in arms-length transactions, of Financial Products, Development Services, and/or other similar financing.

Enter the information requested in the worksheet "Financing Entity" in the spreadsheet workbook "Attachment A – Applicant Data", which includes the Asset Table and Staff Table.

For regulated institutions

A regulated Insured Depository Institution, Depository Institution Holding Company, and Insured Credit Union is presumed to meet the financing entity certification criterion by virtue of being chartered by an appropriate federal banking agency, which licenses such entities to provide Financial Products. The organization does not have to submit any additional information to demonstrate this certification criterion.

For non-regulated institutions

Attach (to the CDFI Certification Signature Page) the Applicant's most recent audited year-end financial statements) – Name the attachment, "Attachment H1 – FYE Financial Statements".

Attach (to the CDFI Certification Signature Page) the Applicant's most recent year-to-date internal financial statements) – Name the attachment, "Attachment H2 – YTD Financial Statements".

Provide narrative discussions that address the following:

Describe how the Applicant's activities and financial products and services, as indicated in the primary mission criteria narratives and Product Table, are reflected in the Applicant's financial statements and Asset Table.

Describe how each FTE position (including significant volunteer positions) supports Financial Product and Development Services activities. Explain how the organization utilizes consultants or Affiliate staff to provide the above-stated activities:

Describe the types and amounts of liquid assets that are available for financing activity and how they meet the demand in the Applicant's pipeline of transactions:

Criteria: TARGET MARKET

An Applicant may be found to serve a Target Market by virtue of serving one or more Investment Areas and/or Targeted Populations.

Types of Target Markets

> Investment Area (IA)
> Low-Income Targeted Population (LITP)
> Other Targeted Population (OTP)

Enter the information requested in the worksheets "Target Market CY" and "Target Market FYE" in the spreadsheet workbook "Attachment A – Applicant Data", which includes the Target Market Tables.

Provide a brief description of the entire market (including geographic areas and populations) currently served by the Applicant:

Create <u>Target Market Maps</u> and **Save** them to the Applicant's myCDFI Fund Account and CDFI Certification Signature Page. See the separate guidance on "Designating Target Markets".

If the Applicant estimated values entered in the Target Market Table, **provide** a narrative explaining the methodologies used to derive the estimated values:

If the Applicant's Target Market(s) include Investment Area(s), **provide** narrative description(s) of the significant unmet capital or financial service needs within <u>each</u> identified Investment Area:

If the Applicant's Target Market(s) include OTPs other than African Americans, Alaska Natives residing in Alaska, Hispanics, Native Americans, Native Hawaiians residing in Hawaii, and Other Pacific Islanders living in Other Pacific Islands, **provide** narrative description(s) of the significant unmet capital or financial service needs for each selected OTP:

Explain how the Applicant verifies that its financial activities (including all products and services) are directed to its identified Target Markets. Answer separately for each type of Target Market identified.

For Investment Areas (if identified):

For Low Income Targeted Population (if identified):

For Other Targeted Population(s) (if identified):

For Applicants serving other CDFIs (i.e. CDFI Intermediaries), **provide** a narrative explaining how the Applicant's products and services serve one or more eligible Target Markets:

Criteria: ACCOUNTABILITY

A CDFI must maintain accountability to residents of its Investment Area(s) or Targeted Population(s) through representation on its governing board or otherwise.

For governing and advisory boards, the options for how board members may be representative of target markets are as follows:

For Investment Areas Board members may be:	**For Low-Income Targeted Populations** Board members may be:	**For Other Targeted Populations** Board members may be:
Residents of the Investment Area.	Low-Income individuals who live or work in the area served.	Members of the Other Targeted Population who live or work in the area served: African American; Alaskan Native living in Alaska; Hispanic; Native Hawaiian living in Hawaii; or Other (as described in TARGET MARKET Criteria section).
Business owners located in the Investment Area. (Business should employ residents of the Investment area and/or provide goods and/or services to the Investment Area.)	Individuals who work for (as employee or board member) an organization that primarily provides services to Low-Income people in the area served.	
Elected officials for the Investment Area.		
Individuals who work for (as employee or board member) an organization that primarily provides services to residents of the Investment Area.		

Standard Accountability Method

Enter the information requested in the worksheet “Accountability” in the spreadsheet workbook “Attachment A – Applicant Data”, which includes the Accountability and Board Tables. If additional Board Tables are needed, there is a button in the “Accountability” worksheet that will create additional “Accountability” worksheets within the “Attachment A – Applicant Data” spreadsheet workbook.

Other Accountability Methods

If the Applicant uses Other Accountability Methods, **provide** narrative discussions describing those methods and explaining how those methods are incorporated into the Applicant’s governing board decision-making processes.

If an Advisory Board is utilized, ***provide*** *a narrative that, at a minimum, indicates:*

How often the advisory board meets;
How members are selected;
How members obtain input from the Target Market(s);
How the input is communicated to the Applicant’s Governing Board; and
How the input is incorporated into the Applicant’s Governing Board’s decision-making process.

If a Focus Group/Community Meeting is utilized, ***provide*** *a narrative that, at a minimum, indicates:*

How often and where are the meetings held;
What are the meeting agenda topics;
What type of attendee input is obtained;
How the input is communicated to the Applicant's Governing Board; and
How the input is incorporated into the Applicant's Governing Board's decision-making process.

If a Customer Survey is utilized, ***provide*** *a narrative that, at a minimum, indicates:*

How the survey instrument is developed;
How the instrument is delivered to the Target Market;
How the survey data is compiled;
How the survey data is communicated to the Applicant's Governing Board; and
How the survey data is incorporated into the Applicant's Governing Board's decision-making process.

Criteria: DEVELOPMENT SERVICES

A CDFI directly, through an Affiliate, or through a contract with another provider, shall provide Development Services in conjunction with its Financial Products.

Enter the information requested in the worksheet “Development Services” in the spreadsheet workbook “Attachment A – Applicant Data”, which includes the Development Services Table.

For Applicants that have any contractual or financial relationship(s) with another affiliate or non-affiliate entity to provide Development Services to the Applicant’s Target Market

Identify and describe the nature of the contractual relationship with Affiliate or non-Affiliate entities:

Specify how the Applicant maintains control over the provider’s service provision:

Attach (to the CDFI Certification Signature Page) a copy of the services contract(s)/agreement(s) for any non-Affiliate entity that provides Development Services on behalf of the Applicant. Name the attachment, “Attachment I – Service Contract-Agreement”. If the Applicant has multiple service contracts/agreements, increment the attachment names as “I1”, I2”, “I3”, etc, as necessary.

Criteria: NON-GOVERMENTAL ENTITY

A CDFI shall not be an agency or instrumentality of the United States, or any State or political subdivision thereof. An entity that is created by, or that receives substantial assistance from, one or more government entities may be a CDFI provided it is not controlled by such entities and maintains independent decision-making power over its activities.

Enter the information requested in the worksheet "Non-Govt Entity" in the spreadsheet workbook "Attachment A – Applicant Data".

Do one or more government entities or officials control the election or appointment of a majority of the members of the Applicant's board of directors, or control a substantial minority of such directors?

If you answered "Yes" to this question in "Attachment A – Application Data", **Provide** narrative description and explanation:

Does a majority or substantial minority of the Applicant's board of directors consist of government officials (elected, appointed, employees, etc.)?

If you answered "Yes" to this question in "Attachment A – Application Data", **Provide** narrative description and explanation:

Does the Applicant's organizing/establishing documents or by-laws require that a certain number of the Applicant's board of directors be government employee's or elected/appointed government officials?

If you answered "Yes" to this question in "Attachment A – Application Data", **Provide** narrative description and explanation:

Do one or more government entities have veto power over the selection of the Applicant's executive director, CEO, or comparable officer, or specific investment decisions?

If you answered "Yes" to this question in "Attachment A – Application Data", **Provide** narrative description and explanation:

Does any government entity provide more than 50% of the Applicant's operating and/or capital budget?

If you answered "Yes" to this question in "Attachment A – Application Data", **Provide** narrative description and explanation:

If the Applicant receives operating and/or capital funds from a government entity, does that government entity have the ability to control the use of those funds (for example, does a government entity have veto power over the lending/investing transactions made with those funds)?

If you answered "Yes" to this question in "Attachment A – Application Data", **Provide** narrative description and explanation:

Attach (to the CDFI Certification Signature Page) copies of any such contract or grant agreements, if such funds are governed by contract or grant agreements. Name the attachment, "Attachment J – Gov Contract-Grant Agmt". If the Applicant has multiple service contracts/agreements, increment the attachment names as "J1", J2", "J3", etc, as necessary.

Does any government entity manage any aspect of the Applicant's operations?

If you answered "Yes" to this question in "Attachment A – Application Data", **Provide** narrative description and explanation:

<u>Are any of the employee's of the Applicant government employees or employees of an organization controlled by one or more government entities?</u>

If you answered "Yes" to this question in "Attachment A – Application Data", **Provide** narrative description and explanation:

<u>Does any government entity manage any aspect of the Applicant's operations?</u>

If you answered "Yes" to this question in "Attachment A – Application Data", **Provide** narrative description and explanation:

<u>If the Applicant organization is controlled by another entity, is that entity controlled by one or more government entities?</u>

If you answered "Yes" to this question in "Attachment A – Application Data", **Provide** narrative description and explanation:

<u>For Applicants that have any contractual or financial relationship with any Federal, State, or Local government entities.</u>

Describe the nature of the contractual or financial relationship(s) with the Federal, State, or local government entities:

Attach (to the CDFI Certification Signature Page) copy(s) of contracts with Federal, State or local government entities discussed above. Name the attachment, "Attachment K – Gov Fin Relationship". If the Applicant has multiple service contracts/agreements, increment the attachment names as "K1", K2", "K3", etc, as necessary.