

Supporting Statement
Community Development Financial Institutions Program
CDFI/NACA Program Award Recipient 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. These organizations 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 through the Native American CDFI Assistance Program (NACA Program). Based on an assistance agreement between each Financial Award (FA) Recipient and the CDFI Fund, the CDFI/NACA Transaction Level Report (TLR) is used to collect information for compliance monitoring, performance reporting and recordkeeping purposes. The annual report provides qualitative and quantitative information on the Recipient's compliance with its performance goals, its financial health, and the period of performance in which the CDFI Fund's financial assistance was used. The CDFI/NACA TLR is submitted via the CDFI Fund's Awards Management Information System (AMIS) once a year, six (6) months after a Recipient's fiscal year end.

The legislation that created the New Markets Tax Credit (NMTC) Program, administered by the CDFI Fund in coordination with the Internal Revenue Service (IRS), requires the collection of data from Community Development Entities (CDEs) that receive allocations of NMTC authority. NMTC Program Allocatees enter into Allocation Agreements with the CDFI Fund, which contain the terms and conditions of their NMTC allocations, including submission of an annual report comprised of the Allocatee Institution Level Report (ILR) and the Allocatee Transaction Level Report (TLR). These reports provide qualitative and quantitative information on the Allocatee's compliance and performance commitments with its Allocation Agreement, adherence to IRS regulations (section 45D of the Internal Revenue Code (26 USC 45D)), community impact data and its financial health. The NMTC ILR and NMTC TLR are submitted via the CDFI Fund's Awards Management Information System (AMIS) on annual basis no later than 180 calendar days after the end of the Allocatee's fiscal year in which the Allocatee or its Subsidiary Allocatee(s) makes its first QLICI and each fiscal year thereafter.

The CDFI Fund received a total of fifty-eight (58) comments from five (5) organizations and one (1) private citizen on the NMTC Transaction Level Report data collection. The majority of the public comments received were seeking additional guidance on how the proposed changes would be implemented or revisions to proposed question wording or answer choices. There was no major dissent to the CDFI Fund's proposed changes.

2. Method of collection and use of data

The CDFI Fund collects this data on an annual basis electronically in AMIS according to the Recipient's or Allocatee's fiscal year end. The annual report data will be used to determine a

Recipient's or Allocatee's compliance with the terms of its Assistance or Allocation Agreement, respectively, as well as demonstrate impact of the programs.

3. Use of Information Technology

The CDFI Fund will collect information electronically and/or use online collaboration tools to reduce burden. The CDFI/NACA TLR module and NMTC ILR and TLR modules will be made available on the CDFI Fund's website, via a secure Internet portal that requires password entry. The CDFI Fund will only accept data using the electronic method(s) set forth in the CDFI/NACA TLR and NMTC ILR and TLR modules.

4. Efforts to identify duplication

The CDFI Fund has ensured no similar data is gathered or maintained by the CDFI Fund or are available from other sources known to the CDFI Fund. All of the information requested is required in order to determine Recipient or Allocatee compliance with the requirements specified in their Assistance or Allocation Agreement.

5. Impact on small entities

This collection of information is not expected to have a significant impact on small entities. Entities that become CDFI Fund Allocatees or Recipients must demonstrate significant management capacity to be selected for the CDFI/NACA FA awards or allocations of NMTC authority that trigger the submission of these reports.

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

The CDFI Fund cannot determine compliance with Assistance and Allocation Agreements or measure annual performance or perform program evaluation without this annual collection of data.

In addition, the transaction-level information collected through the CDFI/NACA TLR on Award Recipients will now be used as part of the Certification of CDFIs (OMB Control Number 1559-0028) and their recertification (OMB Control Number 1559-0046). The transactions reported through the CDFI/NACA TLR will be used to measure the Target Market activity of Certified CDFIs who are CDFI/NACA Award Recipients. The CDFI Fund is statutorily required to have an Application process for the Certification of CDFIs and CDFI Certification is a prerequisite for receiving CDFI/NACA FA funding from the CDFI Fund.

7. Circumstances requiring special information collection

There are no special circumstances.

8. Solicitation of comments on information collection

Pursuant to the notice and request for comments published in the *Federal Register* on February 8, 2023, at 88 FR 8341, the CDFI Fund received detailed comments on or before April 10, 2023, from five (5) organizations and one (1) private citizen responding to the solicitation for a total 58 unique comments. Please see Appendix A for the specific comments, and the CDFI Fund response.

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 reports. All information is submitted by the Recipient or Allocatee, and their designated representatives through an authenticated and secure awardee organizational profile in AMIS. Access to data submitted in response to this information collection will be limited to Recipients and Allocatees, and their designated representatives, CDFI Fund staff and, if applicable, designated contractors who are subject to all Federal regulations and have completed annual privacy and cybersecurity training.

11. Justification of sensitive questions.

No questions of a sensitive nature are asked in this information collection. No Personally Identifiable Information (PII) is collected.

12. Estimate of the hour burden of information collection.

Due to recent CDFI Rapid Response Program (CDFI RRP) awards, the majority of currently Certified CDFIs are required to submit the full TLR compared to numbers in past years. The number of CDFIs submitting the TLR ebbs and flows depending on the number of FA Recipients for the CDFI Fund’s programs. For example, there should be a substantial decline in the number of TLRs submitted after the TLR reporting requirements end for CDFI RRP Recipients in fiscal year (FY) 2024. There is an increase of 498 CDFI RRP Award Recipients who are required to submit a TLR which is why the number of annual respondents increased.

	# Annual Respondents	Hours Per Response	Total Hours
Annual CDFI/NACA Financial Award Recipient Transaction Level Report	863	40	34,520
Annual NMTC Allocatee Transaction Level and Institution Level Report	210	81.33	17,079.3
			51,599.3

13. Estimate of total annual cost burden to respondents

There are no additional cost burdens to respondents to this collection of data. No purchase of equipment or services will be needed by respondents for this information collection, other than as required as part of customary and usual business practices.

14. Estimate of annualized cost to the government

The annual staffing costs to the government are estimated at \$387,787.00 for three GS-13 entry-to mid-band staff people¹ full time to manage, analyze and clean the data and answer client help desk questions. The staff support for these data collection efforts has changed since its 2020 renewal because the CDFI/NACA TLR is being used for the CDFI RRP Program as well. The CDFI Fund pays an average of \$500,000 annually to an external contractor for maintenance and data collection in AMIS, which includes support of the CDFI/NACA TLR, NMTC ILR, NMTC TLR, and other annual reporting submissions. The total estimated annualized cost to the government is \$887,787.00.

15. Any program changes or adjustments

In May 2021, the CDFI Fund requested a non-substantive change to the CDFI/NACA TLR to allow the existing data collection tool to be used for evaluation and compliance reporting for the CDFI Rapid Response Program (CDFI RRP) authorized by the Consolidated Appropriations Act, 2021, Pub. L. 116-260 (December 27, 2020), to provide grants to CDFIs to support, prepare for, and respond to the economic impact of the COVID-19 pandemic. In order to facilitate CDFI RRP Recipient reporting, the answer choice list for the “FA Program Type” data field was expanded to capture RRP Recipient activity.

For the CDFI/NACA TLR, its current changes are tied to its new use in the certification of CDFIs. Under the new certification policies, Certified CDFIs will be required to submit transaction level data to allow the CDFI Fund to better assess their Target Market activity, rather than relying on attestations. Certified CDFIs who are neither current CDFI/NACA FA Recipients, nor CDFI Rapid Response Program (RRP) FA Recipients will submit the abbreviated TLR form with their Annual Certification and Data Collection Report (ACR) (OMB Control Number 1559-0046) on an annual basis. This is the same form that applicants submitted at the time of their Certification Application. Certified CDFIs who are current FA Recipients will submit the TLR (OMB Control Number 1559-0027) as they currently are required to do under their respective Assistance Agreements.

In an effort to better align the existing CDFI/NACA TLR data collection instrument with the new CDFI Certification Application and new ACR, the CDFI Fund is making a series of non-substantive changes to the data collection instrument. First, the addition of “Climate-Centered” Finance as an answer choice for the “Purpose” data field. Second, the addition of “Credit Cards” as a stand-alone answer choice for the “Transaction Type” data field, so it is no longer part of the “Lines of Credit” answer choice. Third, the addition of “Certified CDFI(s)” as an answer choice for the “Other Targeted Populations (OTP)” data field and renaming some of the existing answer choices to reflect OTP language used in the new CDFI Certification Application and the Target Market Assessment Methodologies document. Four, in order to allow forgivable loan products to be included as allowable Financial Products for TM activity tests, the answer choices for the “Forgivable Loan” data field needs to be modified. The CDFI Fund will allow a forgivable loan that has at least one (1) payment in a twelve (12) month period to be counted as a Financial Product. Finally, the TLR’s Consumer Loans/Investments Originated Table (CLR) will add mandatory data fields that capture the dollar amount and number of loans for each OTP category

¹ The staff support for these data collection instruments are eligible for remote work so salary tables are not restricted to the Washington, DC Metro Area -- <https://www.opm.gov/policy-data-oversight/pay-leave/salaries-wages/salary-tables/pdf/2023/DCB.pdf> and <https://www.opm.gov/policy-data-oversight/pay-leave/salaries-wages/salary-tables/pdf/2023/NY.pdf>.

in order to better assess TM activity to approved TMs, as well as change the existing Low-Income Targeted Population (LITP) and OTP data fields from optional to mandatory.

The changes described above were released for 30-day public comment as part of the PRA renewal for OMB Control Number 1559-0046 in the *Federal Register* on December 14, 2022, at 87 FR 76541. Two (2) non-substantive comments from private citizens were submitted by the official January 13, 2023, deadline. Twenty-nine (29) organizations and one (1) private citizen submitted comments by the extended deadline of January 27, 2023.

For the NMTC TLR, to address the Government Accountability Office (GAO) recommendations in its July 2014 report *GAO-14-500: New Markets Tax Credit, Better Controls and Data Are Needed to Ensure Effectiveness*, the substantive changes are revisions to data points on fees and transaction costs to provide comprehensive reporting and alignment with the QALICB Fee Disclosure Form and Allocation Application; and the creation of new data points for measuring the depth of public subsidy in NMTC transactions. Additional changes to the NMTC TLR address new and revised data points on community outcome measures to better evaluate prior Allocatee performance during the competitive application process, align with the information collected in the NMTC Allocation Application and to permit Allocatees to better report quantitative outcome measures. Finally, there are new data points to better assess compliance with certain terms and conditions of the Allocation Agreement.

There are no program adjustments to the NMTC ILR data collection at this point in time.

16. Plans for information tabulation and publication

The CDFI Fund publishes annually summary data in its Agency Financial Report. In addition, the CDFI Fund publishes annually the NMTC TLR and CDFI/NACA summary TLR data, with a release in the following calendar year typically in June and July, respectively. In keeping with federal regulations and laws, confidential and proprietary information collected 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 Recipient Assistance Agreement or Allocatee Allocation Agreement.

18. Explanation of exceptions to certification statement

There are no exceptions to the certification statement.

B. Collections of Information Employing Statistical Methods

Not applicable as no statistical methods are being used.