

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

CDFIs that serve Native American, Alaska Native and Native Hawaiian populations. Further, Title I, subtitle C, section 121 of the Community Renewal Tax Relief Act of 2000, as enacted by section 1(a)(7) of the Consolidated Appropriations Act, 2001 (Pub. L. No. 106-554, December 21, 2000), established the New Markets Tax Credit ("NMTC") Program which will provide an incentive to investors in the form of a tax credit over seven years, which is expected to stimulate the provision of private investment capital that, in turn, will facilitate economic and community development in low-income communities.

II. The CDFI Fund's Programs: A Continuum of Capital, Investment and Incentive Opportunities

Credit and investment capital are essential ingredients for developing affordable housing, promoting homeownership, starting or expanding businesses, meeting unmet market needs, and stimulating economic growth. Access to financial services is critical to helping bring more Americans into the economic mainstream. Provision of counseling and technical assistance is needed for Americans to effectively use the nation's financial system and avoid "predatory" financial products.

Through the CDFI Program, the BEA Program and the NMTC Program, the Fund supports financial institutions around the country that are specifically dedicated to financing and supporting community and economic development activities. This strategy builds strong institutions that make loans and investments and provide financial services in markets (including economically distressed investment areas and disadvantaged targeted populations) whose needs for loans, investments, and financial services have not been fully met by traditional financial institutions, particularly in the areas of promoting homeownership, developing affordable housing, and stimulating small business development, as well as providing financial services to those that have not previously accessed financial institutions. The Fund's programs are designed to address the unique capitalization and/or technical capacity needs of CDFIs and other community development entities, so that they may better meet the needs of their particular target markets through loans, investments, financial services and other related activities.

Pursuant to the Act, in 2001, the Fund completed and published the Native American Lending Study ("the Study"),

which identifies significant barriers to lending and investment in Native American, Alaska Native and Native Hawaiian communities and strategies for overcoming those barriers. One of the barriers identified by the Study is the small number of CDFIs and other financial institutions in Native American, Alaska Native and Native Hawaiian communities. Since CDFIs are important tools for developing self-sustaining economies in many underserved communities, the Fund seeks to assist Native American, Alaska Native and Native Hawaiian communities to create and develop CDFIs that serve such communities.

In Fiscal Year 2003, the components of the CDFI Program, the NACD Program, the New Markets Tax Credit ("NMTC") Program, and the BEA Program (each described below), together constitute a continuum of programmatic and investment alternatives to support financial institutions in their efforts to provide capital and financial services to underserved communities. These program alternatives range from capacity-building and technical assistance grants to emerging entities, to financial investments to capitalize CDFIs, to community development investment incentives for insured depository institutions, to Federal tax credit incentives for community development investors.

(1) *Technical Assistance Component (CDFI Program)*: Through the Technical Assistance Component of the CDFI Program, the Fund provides technical assistance ("TA") grants to CDFIs, and entities proposing to become CDFIs, in order to build their capacity to better address the community development and capital access needs of their particular target markets including, but not limited to, entities specifically serving or proposing to serve Native American, Alaska Native and/or Native Hawaiian communities. The FY 2003 and 2004 NOFA for the Technical Assistance Component is published in this issue of the **Federal Register**.

(2) *Native American CDFI Development Program*: Through the NACD Program, the Fund may provide TA grants to entities in order to create CDFIs designed to address the community development and capital access needs of Native American, Alaska Native and/or Native Hawaiian communities. The FY 2003 and 2004 NOFA for the NACD Program is published in this issue of the **Federal Register**. Interested parties should be aware that implementation of the FY 2003/04 NOFA for the NACD Program is contingent on the appropriation of

funds for the purposes enumerated in the NOFA; as of the date of this NOFA, said appropriation is pending with Congress. The Fund will issue a notice on its Web site, at <http://www.cdfifund.gov>, at such time that the Fund has the authority to implement the FY 2003/04 NOFA for the NACD Program.

(3) *Financial Assistance Component (CDFI Program)*: Through the Financial Assistance Component of the CDFI Program the Fund makes financial investments in, and provides 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 and CDFIs that demonstrate the ability to effectively leverage private sector sources of capital. The FY 2003 NOFA for the Financial Assistance Component is published in this issue of the **Federal Register**.

(4) *New Markets Tax Credit Program*: Through the NMTC Program, the Fund provides an incentive to investors in the form of a tax credit over seven years, which is expected to stimulate investment in private capital that, in turn, will facilitate economic and community development in low-income communities. The calendar year 2003 Notice of Allocation Availability for the NMTC Program will be published in the **Federal Register** at a later date.

(5) *Bank Enterprise Award Program*: Through the BEA Program, the Fund provides financial incentives to insured depository institutions for the purpose of promoting investments in, or other support to, CDFIs and facilitating increased lending and provision of financial and other services in economically distressed communities. The FY 2003 NOFA for the BEA Program is published in this issue of the **Federal Register**.

The revised interim rule for the CDFI Program (12 CFR 1805) and the revised interim rule for the BEA Program (12 CFR 1806) are also published in this issue of the **Federal Register**. Please refer to the program regulations for an in-depth understanding of the respective programs.

The following table provides a brief summary of certain aspects found in each NOFA for the Fund's components or programs for FY 2003 and is intended to offer guidance to potential applicants as to which components or programs they might be eligible to apply. Please refer to each individual NOFA for specific application, eligibility, and evaluation information for the particular component or program for FY 2003.

Component or program	Purpose; types and amounts of assistance available	Eligible applicants	Application deadlines
Technical Assistance Component (CDFI Program).	TA grants to build capacity to share target markets; up to \$50,000 per award; up to \$100,000 per award for entities principally serving or proposing to serve Native American, Alaska Native, or Native Hawaiian communities.	CDFIs and other entities proposing to become CDFIs; except those that have been previously selected to receive in aggregate over \$250,000 in TA or FA from the Fund.	Applications will be accepted and evaluated on a first-come, first-reviewed basis, beginning with the date of this NOFA, through May 31, 2004 (subject to FY 2004 funding availability).
Native American CDFI Development ("NACD") Program.	TA grants to build capacity to create CDFIs to serve target markets; up to \$100,000 per award.	Entities that are not, or will not become certified CDFIs but instead plan to create CDFIs to principally serve Native American, Alaska Native and/or Native Hawaiian communities.	Applications will be accepted and evaluated on a first-come, first-reviewed basis, beginning with the date of this NOFA, through May 31, 2004 (subject to FY 2003 and 2004 funding availability).
Financial Assistance Component (CDFI Program).	To (i) address community development finance needs in "Hot Zones," and/or (ii) increase affordable homeownership opportunities, increase homeownership opportunities for Other Targeted Populations, generate employment opportunities, and/or expand the availability of financial services to people who have not previously had a banking relationship with a financial institution. FA investments (grants, loans, equity investments, secondary capital accounts, deposits, credit union shares) and TA grants; up to \$1,000,000 per award for Category I CDFIs and up to \$2,000,000 per award for Category II CDFIs.	<i>Category I</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; <i>Category II</i> 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 (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.	March 10, 2003.
Bank Enterprise Award ("BEA") Program.	Grants	FDIC insured depository institutions.	July 17, 2003 for six month assessment period and February 25, 2004 for twelve month assessment period.
New Markets Tax Credit ("NMTC") Program.	Federal tax credits for investors ...	Community Development Entities, certified by the Fund.	To be determined.

An applicant may only apply for an award through one of the CDFI Program Components or the NACD Program, with the sole exception of a certified CDFI that applies for funds through the NACD Program in collaboration with a Native American Partner (such a CDFI may also apply for the CDFI Program, provided that the applications seek funding for different activities). While an applicant may receive only one award through the CDFI Program, an applicant, its Subsidiaries or Affiliates may apply for and receive both a tax credit allocation through the NMTC Program and an award through the CDFI Program or the NACD Program.

III. Hot Zones and Programmatic Priorities

Through the FY 2003 NOFA for the Financial Assistance Component of the CDFI Program, 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 said term is defined in

the FY 2003 NOFA for the Financial Assistance Component).

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> and the Financial Assistance Component application.

IV. Funding Availability

Subject to funding availability, and provided that the Fund deems it appropriate, the Fund expects to make funds available for Fiscal Year 2003 awards (and FY 2004 awards, as the case may be) as follows:

(a) *Technical Assistance Component*: approximately \$13 million (including approximately \$3 million for entities

servicing or proposing to serve Native American, Alaska Native, or Native Hawaiian communities) for FY 2003 awards, and approximately \$4.5 million for FY 2004 awards, in appropriated funds;

(b) *NACD Program*: approximately \$3 million for FY 2003 awards, and approximately \$1.5 million for FY 2004 awards, in appropriated funds;

(c) *Financial Assistance Component*: approximately \$30 million for FY 203 awards, in appropriated funds; and

(d) *BEA Program*: approximately \$17 million for FY 2003 awards, and approximately \$8 million for FY 2004 awards, in appropriated funds.

The Fund reserves the right to re-allocate funds from the amount that is anticipated to be available under any particular NOFA, to other Fund programs, particularly if the Fund determines that the number of awards made under a particular NOFA(s) is/are fewer than projected based on the applications received. The Fund, in its sole discretion, reserves the right to award amounts in excess of the anticipated maximum award 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 any of the NOFAs.

FOR FURTHER INFORMATION CONTACT: If you have any questions about the programmatic requirements for the CDFI Program or the NACD Program, contact the Fund's Program Operations Manager. If you have any questions about the programmatic requirements for the BEA Program, contact the Fund's Depository Institutions Manager. If you have any questions about the programmatic requirements for the NMTC Program, contact the Fund's Financial Equity Manager. If you wish to request an application or have questions regarding administrative requirements for any of the Fund's programs, contact the Fund's Awards Manager. The Program Operations Manager, the Depository Institutions Manager, the Financial Equity Manager and the Awards Manager may be reached by e-mail at cdfihelp@cdfi.treas.gov, by telephone at (202) 622-6355, by facsimile at (202) 622-7754, or by mail to CDFI Fund, 601 13th Street, NW., Suite 200 South, Washington, DC 20005. These are not toll free numbers. Allow at least one to two weeks from the date the Fund receives a request for receipt of the application. Applications and other information regarding the Fund and its programs may be accessed and/or downloaded from the Fund's Web site at <http://www.cdfifund.gov>.

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 the 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>. If you do not have Internet access, you may register by calling the Fund at (202) 622-8401.

(Catalog of Federal Domestic Assistance: 21.020, 21.021)

Authority: 12 U.S.C. 1834a; 4703, 4703 note, 4704, 4706, 4707, 4713, 4717; 31 U.S.C. 321; 12 CFR part 1805; 12 CFR part 1806; 26 U.S.C. 45D.

Dated: January 27, 2003.

Tony T. Brown,

Director, Community Development Financial Institutions Fund.

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