

Community Development Financial Institutions Fund

FY 2015
President's Budget

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Section 1 – Purpose

1A – Mission Statement

The mission of the Community Development Financial Institutions Fund (CDFI Fund) is to increase economic opportunity and promote community development investments for underserved populations and in distressed communities in the United States.

1.1 – Appropriations Detail Table

Dollars in Thousands

Community Development Financial Institutions Fund Appropriated Resources	FY 2013 Operating Level		FY 2014 Enacted		FY 2015 Request		FY 2014 to FY 2015			
	FTE	AMOUNT	FTE	AMOUNT	FTE	AMOUNT	FTE	AMOUNT	FTE	AMOUNT
New Appropriated Resources:										
Community Development Financial Institutions Program	0	138,397	0	146,364	0	151,300	0	4,936	NA	3.37%
Bank Enterprise Award Program	0	17,058	0	18,000	0	0	0	-18,000	NA	-100.00%
Native American CDFI Assistance Program	0	11,372	0	15,000	0	15,000	0	0	NA	0.00%
Administration	76	21,764	76	24,636	73	23,600	-3	-1,036	-3.95%	-4.21%
Healthy Food Financing Initiative	0	20,849	0	22,000	0	35,000	0	13,000	NA	59.09%
Subtotal New Appropriated Resources	76	\$209,440	76	\$226,000	73	\$224,900	-3	-\$1,100	-3.95%	-0.49%
Other Resources:										
Reimbursables	0	106	0	106	0	112	0	6	NA	5.66%
User Fees	0	0	0	0	0	1,129	0	1,129	NA	NA
Recovery from Prior Years	0	6,604	0	5,200	0	5,200	0	0	NA	0.00%
Unobligated Balances from Prior Years	0	31,650	0	24,411	0	25,352	0	941	NA	3.85%
Subtotal Other Resources	0	\$38,360	0	\$29,717	0	\$31,793	0	\$2,076	NA	6.99%
Total Budgetary Resources	76	\$247,800	76	\$255,717	73	\$256,693	3	\$976	3.95%	0.38%

1B – Vision, Priorities and Context

The vision of the CDFI Fund is to economically empower America’s underserved and distressed communities, and advance the Department of the Treasury’s Strategic Goal No. 1: *Promote domestic economic growth and stability while continuing reforms of the financial system.* The CDFI Fund is the only Federal government entity whose primary mission is to build the capacity of Community Development Financial Institutions (CDFIs) so that they can provide loans, investments, business counseling, basic banking services, and financial literacy training to underserved communities.

Since its creation in 1994, the CDFI Fund has awarded more than \$1.9 billion to CDFIs, community development organizations, and insured depository institutions through the CDFI Program, the Native American CDFI Assistance Program (NACA Program), and the Bank Enterprise Award Program (BEA Program). In addition, the CDFI Fund has allocated \$36.5 billion in New Markets Tax Credit (NMTC) investment authority through the NMTC Program to Community Development Entities (CDEs), awarded \$80 million through the Capital Magnet Fund (CMF), and awarded \$9.1 million through the Financial Education and Counseling (FEC)

Pilot Program. In FY 2013, the inaugural round of the CDFI Bond Guarantee Program, the Department of the Treasury entered into three loan guarantees totaling \$325 million with Qualified Issuers who will provide bond financing to four Eligible CDFIs.

The CDFI Fund continues to experience growth in the demand for its award programs:

- CDFI Program--For the FY 2013 funding round of the CDFI Program, the CDFI Fund received 400 applications **requesting more than \$403 million** in total funding. In addition, the CDFI Fund received applications from 35 eligible organizations requesting \$84 million for the Healthy Food Financing Initiative (HFFI-FA). The CDFI Fund made 191 Financial Assistance (FA) and Technical Assistance (TA) awards totaling \$150 million, and 10 HFFI-FA awards totaling \$22.3 million.
- NACA Program--For the FY 2013 NACA Program funding round, the CDFI Fund received 65 applications **requesting more than \$24 million** in funding, and made 35 awards totaling \$12.4 million.
- NMTC Program--For the CY 2013 NMTC Program allocation round, the CDFI Fund received 310 applications **requesting approximately \$25.8 billion** in total allocation authority. The CY 2013 NMTC allocation authority totaling \$3.5 billion is projected to be awarded in the Spring of FY 2014.
- BEA Program--For the FY 2013 BEA Program funding round, the CDFI Fund received 98 applications **requesting approximately \$91 million** in awards, and made 85 awards totaling approximately \$17 million.
- Bond Guarantee Program-- For the FY 2013 round of Bond Guarantee Program, the CDFI Fund received eight guarantee applications **requesting \$825 million** in bond guarantees, and the Department of the Treasury entered into agreements to guarantee for a total of \$325 million in guarantee authority.

Fiscal Year 2013 Priorities and Accomplishments:

In FY 2013, the CDFI Fund focused on a number of initiatives related to its business processes, award programs, and CDFI capacity-building activities, as the following section outlines. The CDFI Fund's priority initiatives align with Treasury's Strategic Goal No. 1 – *Promote domestic economic growth and stability while continuing reforms of the financial system.*

Priority 1: Strengthen Compliance Management Function – In FY 2013, the CDFI Fund continued its efforts to strengthen the oversight of award recipients by:

- Recertifying more than 500 CDFIs whose original certifications had previously been extended beyond an initial three-year term;
- Developing a risk-based approach to compliance management, with processes that assess risks associated with a combination of institutional factors and previous awardee compliance history;
- Re-instituting compliance site visits and desk audits of CDFI awardees with apparent and pervasive problems in meeting performance goals in their Assistance Agreements; and
- Reducing turnaround time on reviews of annual compliance reports received from awardees.

Priority 2: CDFI Program Evaluation Project – In FY 2013, the CDFI Fund worked with researchers at the Carsey Institute of the University of New Hampshire and the Darden School of the University of Virginia to review techniques and models to be used to analyze the financial and social impact of the CDFI Program’s investments on CDFIs and underserved communities. The evaluation, expected to be completed in the spring of 2014, is assessing performance benchmarks for awardees and comparing these outcomes with appropriate peer groups of non-awardee CDFIs to better gauge the relative impact of the program on financial performance, risk, and social impacts. This research is using multiple evaluation methods including surveys, original data gathering, and statistical techniques to assess the results of the program on CDFIs and the communities that they serve, particularly the provision of improved access to capital and credit in low-income and underserved communities. This project aligns with the CDFI Fund’s Strategic Goal No. 1 – Expanded capacity of financial institutions to provide credit, capital, and financial services to low-income and underserved populations.

Priority 3: Implement the CDFI Bond Guarantee Program – The CDFI Fund published the Bond Guarantee Program’s interim rule, Notice of Guarantee Availability, and application materials in FY 2013. During this period, Congress authorized up to \$500 million in Guarantees for FY 2013. The Department of the Treasury entered into three loan guarantees totaling \$325 million with Qualified Issuers who will provide bond financing to four Eligible CDFIs. The Bond Guarantee Program supports lending activity in underserved communities by providing a source of long-term financing, and aligns with the CDFI Fund’s Strategic Goal No. 2 – Increased public and private investment in distressed communities eligible to be served by the CDFI Fund’s programs.

Priority 4: Modernize Information Technology – To reduce costs and improve service and reliability, in FY 2013 the CDFI Fund completed the transition of its Information Technology (IT) systems and services to the Alcohol and Tobacco Tax and Trade Bureau (TTB), including email and shared drives, Internet and network access, and all servers. This transition enabled the CDFI Fund to eliminate its two data centers and focus IT resources on procuring an Awards Management Information System (AMIS) that meets present and future business requirements. The AMIS will improve the efficiency of awards management processes throughout the organization. This project aligns with the CDFI Fund’s Strategic Goal No. 4 – Increased resource and human capital management to maximize performance, efficiency, and program results.

Other Accomplishments:

Study on Native Communities’ Access to Capital and Credit. In FY 2013, the CDFI Fund’s Native Initiatives launched a new study of Native Communities’ access to capital and credit. The project will provide detailed analysis and quantitative research that can lead to actionable recommendations for improving access to capital and credit in Native Communities. The CDFI Fund’s Native Initiatives has solicited comments from Native Communities to help direct the study, and will be conducting a number of consultations as part of the study process. This study is consistent with Executive Order 13175, “Consultation and Coordination with Indian Tribal Governments.”

The Native Leadership Journey II. The CDFI Fund sponsored a two-year training series for 16 advanced Native CDFIs that finished in June 2013, called Native CDFI Growth & Excellence (The Leadership Journey), during which Native CDFI leaders developed leadership skills and resources to further staff growth and increase organizational performance. Building on the success of this initiative, the CDFI Fund launched the Native Leadership Journey II in FY 2013, which is designed to run for two years and will develop the capacity of a second group of established Native CDFI leaders to improve their leadership skills, develop resources to further staff growth, and increase organizational performance.

Financing Community Health Centers. In FY 2013, the CDFI Fund launched a two-year capacity building initiative titled “Financing Community Health Centers.” This initiative was developed in response to increased CDFI lending for federally qualified community health centers (FQCHCs). Recent research has quantified over \$13 billion in capital needs that CDFIs are increasingly responding to through lending for equipment, working capital, acquisition, construction, renovations, and permanent financing. Through in-depth technical assistance, this initiative is building the capacity of CDFIs to successfully finance and provide services to community health centers (CHCs) in underserved communities. The program will provide advanced training and technical assistance, including one-on-one assistance, and an advanced forum for peer learning for CDFIs to establish and improve services that are critical to the needs of CHCs in an evolving environment. CDFIs will also have access to a Virtual Resource Bank containing research and tools that can be used to increase their knowledge of CHCs. Course training materials, third-party expert documents, and other resources will be made available to the public.

Preserving and Expanding CDFI Minority Depository Institutions (MDIs). In FY 2013, the CDFI Fund launched an initiative titled “Preserving and Expanding CDFI Minority Depository Institutions (MDIs).” This initiative was developed in response to the challenges impacting CDFI MDIs. CDFI MDIs provide vital financial services to often distressed communities but face a host of challenges, including a decrease in the number of such institutions, large declines in total assets, and struggles to raise capital due to their lower income customer base. This initiative provides training, technical assistance, and related services to support MDIs in their efforts to serve economically distressed target markets and promote community development. Historically, CDFI MDIs have served underserved populations because of their strong understanding of their communities and their longstanding relationships, which break down barriers that often hinder individuals from accessing financial services. CDFI MDIs face unique challenges, which the CDFI Fund aims to help address through this initiative by providing technical assistance to achieve financial health, increase revenues through market expansion and product diversification, gain operational efficiencies, build strong leadership, and educate their consumers and stakeholders on their services.

NMTC Community Development Entity Site Visits. In FY 2013, the NMTC Program Office conducted 11 site visits to Community Development Entities (CDEs) that have received NMTC allocations. The main goals of the site visits were to (1) inform the contents of the NMTC application as well as the application review and awardee selection process; (2) gain a deeper knowledge of CDE business practices the Fund may want to encourage or discourage (i.e., risk management); (3) to identify potential policy changes that could not be gleaned from NMTC

application materials; and (4) increase staff knowledge base to enhance NMTC industry oversight and program administration. As a result of the information gathered during the Site Visits, certain questions in the application have been revised and new questions have been added; the guidance to conduct Phase 1 reviews and Phase 2 award determinations has been revised. Topics examined included fees and transaction costs, community feedback and engagement, the role of investors in project selection, and innovative uses of NMTC allocations.

Fiscal Year 2015: The Department of the Treasury requests the following for FY 2015:

- \$151.3 million for the CDFI Program to provide Financial Assistance (FA) and Technical Assistance (TA) awards. Through the CDFI Program, the CDFI Fund awards grants and loans to invest in and to build the capacity of CDFIs to serve low-income communities lacking adequate access to affordable financial products and services. The proposed FY 2015 Budget supports FA and TA awards to CDFIs to further goals that include, among others:
 - Economic development (job creation, small business lending, and commercial real estate development);
 - Affordable housing (housing development and homeownership);
 - Financial services (such as basic banking services to underserved communities); and
 - Development services (such as financial literacy or homebuyer counseling and education).
- \$35 million for HFFI awards to CDFIs to expand financing for healthy food retail options in underserved urban and rural communities, particularly through the development or equipping of grocery stores and other healthy food retailers.
- \$15 million to provide FA and TA awards through the NACA Program, which provides awards and training to CDFIs that primarily serve Native Communities and to entities proposing to become or create Native CDFIs, thereby increasing access to credit, capital, and financial services in Native Communities.
- \$23.6 million in administrative funding to support a variety of purposes, including¹:
 - Staffing and resource demands created by significant growth across all programs, including the NMTC and the CDFI Bond Guarantee programs;
 - Administration of non-monetary award programs and activities including compliance and certification;
 - Continuation of compliance risk research and program evaluation of the effectiveness of CDFI Fund programs; and
 - Enhancement of existing management and information systems and improvement of operational efficiency and effectiveness.

¹A proposed Manufacturing Communities Tax Credit (MCTC) Program will support qualified investments in communities affected by military base closures or mass layoffs, such as those arising from plant closures. The cost of additional resources (for example, applications reviewer management) to implement the MCTC Program will be determined at a later date and is **not** included in the \$23.6 million administrative funding request.

Section 2 – Budget Adjustments and Appropriation Language

2.1 – Budget Adjustments Table

Dollars in Thousands

Community Development Financial Institutions Fund	FTE	Amount
FY 2014 Enacted	76	\$226,000
Changes to Base:		
Maintaining Current Levels (MCLs):	-	\$462
Pay-Raise	-	\$111
FERS Contribution Increase	-	\$99
Non-Pay	-	\$252
Subtotal Changes to Base	-	\$462
Total FY 2015 Base	76	\$226,462
Program Changes:		
Program Decreases:	(3)	(\$19,498)
Bank Enterprise Award Program	-	(\$18,000)
Administration	(3)	(\$1,498)
Program Increases:	-	\$17,936
Healthy Food Financing Initiative	-	\$13,000
CDFI Program	-	\$ 4,936
Total FY 2015 Request	73	\$224,900

2A – Budget Increases and Decreases Description

Maintaining Current Levels (MCLs) **+\$462,000 / +0 FTE**
Pay-Raise +\$111,000 / +0 FTE

Funds are requested for the proposed January 2015 pay-raise in and for the annualization of the 2014 pay-raise.

FERS Contribution Increase +\$99,000 / +0 FTE

Funds are requested for increases in agency contributions to the Federal Employee Retirement System based on updated actuarial estimates.

Non-Pay +\$252,000 / +0 FTE

Funds are requested for inflation adjustments in non-labor expenses such as GSA rent adjustments, postage, supplies, and equipment.

Program Decreases **-\$19,498,000 / +0 FTE**

Bank Enterprise Award Program -\$18,000,000 / +0 FTE

Treasury proposes not to fund the BEA Program in FY 2015.

Administration - \$1,498,000 / -3 FTE

Treasury proposes to reduce Administration by \$1.498 million through savings in contractual services and administrative staffing costs.

Program Increases+\$17,936,000 / +0 FTE

Healthy Food Financing Initiative +\$13,000,000 / +0 FTE

The CDFI Fund will increase the amount and number of FA awards for the Healthy Foods Financing Initiative. An increase of \$13 million will result in 6-7 more awards to expand the offering of affordable financing for healthy food retail options in distressed communities.

CDFI Program +\$4,936,000 / +0 FTE

The CDFI Fund will increase the amount and number of FA and TA awards. An increase of \$4.936 million to the CDFI Program will result in 4-5 more FA awards to increase the number of business and microenterprise loans, home improvement and purchase loans, residential real estate transactions, and other consumer loans and products offered by CDFI awardees.

2.2 – Operating Levels Table

Dollars in Thousands

Community Development Financial Institutions Fund Object Classification	FY 2013 Actual	FY 2014 Enacted	FY 2015 Request
11.1 - Full-time permanent	7,791	8,138	7,869
11.9 - Personnel Compensation (Total)	7,791	8,138	7,869
12.0 - Personnel benefits	2,227	2,392	2,373
Total Personnel and Compensation Benefits	\$10,018	\$10,530	\$10,242
21.0 - Travel and transportation of persons	60	177	177
22.0 - Transportation of things	4	4	4
23.1 - Rental payments to GSA	0	0	0
23.3 - Communication, utilities, and misc charges	290	159	225
24.0 - Printing and reproduction	125	125	125
25.1 - Advisory and assistance services	7,856	6,983	7,169
25.2 - Other services	118	118	118
25.3 - Other purchases of goods & serv frm Govt accounts	4,954	4,954	4,954
25.5 - Research and development contracts	0	1,500	1,500
26.0 - Supplies and materials	102	56	56
31.0 - Equipment	30	30	30
41.0 - Grants, subsidies, and contributions	185,883	201,364	200,300
Total Non-Personnel	199,422	215,470	214,658
Subtotal New Appropriated Resources	\$209,440	\$226,000	\$224,900
Budget Activities:			
Community Development Financial Institutions Program	148,539	150,698	155,634
Bank Enterprise Award Program	35,059	35,059	18,000
Native American CDFI Assistance Program	13,434	16,065	16,065
Administration	28,795	30,887	30,986
Healthy Food Financing Initiative	21,973	23,008	36,008
Total Budgetary Resources	\$247,800	\$255,717	\$256,693
FTE	76	76	73

2B – Appropriations Language and Explanation of Changes

Appropriations Language	Explanation of Changes
<p style="text-align: center;">DEPARTMENT OF THE TREASURY COMMUNITY DEVELOPMENT FINANCIAL INSTITUTIONS FUND</p> <p>To carry out the Riegle Community Development and Regulatory Improvements Act of 1994 (subtitle A of title I of Public Law 103–325), including services authorized by 5 U.S.C. 3109, but at rates for individuals not to exceed the per diem rate equivalent to the rate for EX-3, [\$226,000,000] <i>\$224,900,000</i>, to remain available until September 30, [2015] <i>2016</i>; of which \$15,000,000 shall be for financial assistance, technical assistance, training and outreach programs, designed to benefit Native American, Native Hawaiian, and Alaskan Native communities and provided primarily through qualified community development lender organizations with experience and expertise in community development banking and lending in Indian country, Native American organizations, tribes and tribal organizations and other suitable providers; of which, notwithstanding [sections] <i>section 4707(d) [and 4707(e)]</i> of title 12, United States Code, up to [\$22,000,000] <i>\$35,000,000</i> shall be for a Healthy Food Financing Initiative to provide financial assistance, technical assistance, training, and outreach to community development financial institutions for the purpose of offering affordable financing and technical assistance to expand the availability of healthy food options in distressed communities; of which [\$18,000,000] shall be for the Bank Enterprise Award program; of which up to <i>\$24,636,000</i> up to <i>\$23,600,000</i> may be used for administrative expenses, including administration of <i>CDFI Fund programs</i> and the New Markets Tax Credit Program [and the CDFI Bond Guarantee Program, \$1,000,000 for capacity building to expand CDFI investments in underserved areas], and up to \$300,000 for the <i>administrative expenses to carry out the</i> direct loan program; and of which up to [\$2,222,500] <i>\$3,102,500</i> may be used for the cost of direct loans: <i>Provided</i>, That the cost of direct <i>and guaranteed</i> loans, including the cost of modifying such loans, shall be as defined in section 502 of the Congressional Budget Act of 1974: <i>Provided further</i>, That these funds are available to subsidize gross obligations for the principal amount of direct loans not to exceed \$25,000,000: <i>Provided further</i>, That [during fiscal year 2014] <i>section 114A of the Riegle Community Development and Regulatory Improvement Act of 1994 (12 U.S.C. 4701 et seq.) shall remain in effect until September 30, 2015: Provided further</i>, That commitments to guarantee bonds and notes under section 114A of the Riegle Community Development and Regulatory Improvement Act of 1994 (12 U.S.C. [4701 et seq.] <i>4713a</i>) shall not exceed [\$750,000,000] <i>\$1,000,000,000: Provided further</i>, That no funds shall be available for the cost, if any, of bonds and notes guaranteed under such section, as defined in section 502 of the Congressional Budget Act of 1974. <i>(Department of the Treasury Appropriations Act, 2014.)</i></p>	<p>Removes waiving the match for HFFI</p> <p>Removes funding for the Bank Enterprise Award Program.</p> <p>Administration of the CDFI Bond Program is included in CDFI Fund Programs.</p> <p>Removes \$1 million for capacity building.</p> <p>Extension of the CDFI Bond Program; Adds language to meet FCRA requirement</p>

2C – Legislative Proposals

Treasury recommends extension of the CDFI Bond Guarantee Program through FY 2015, one year beyond its existing sunset date at the end of FY 2014.

Justification

The CDFI Bond Guarantee Program provides CDFIs access to a significant source of capital. By providing guarantees of bonds issued by Qualified Issuers, the CDFI Bond Guarantee Program injects new and substantial capital into our nation's most distressed communities. CDFIs can gain from the potential scale of the CDFI Bond Guarantee Program, which offers long-term credit at below-market interest rates for the development of commercial real estate, rental housing, senior living, daycare or healthcare centers, small businesses, and rural infrastructure, among others. The CDFI Bond Guarantee Program is a groundbreaking effort to accelerate community economic revitalization across the nation by enabling CDFIs to provide long-term, fixed-rate financing to low-income and underserved urban and rural communities. This will further close the gap of financing in these communities, generate new credit information in these market segments, and yield the benefit of lower financing costs for borrowers in these underserved communities. These benefits will be realized at no cost to taxpayers because the program requires no subsidy.

Treasury proposes to extend the CDFI Bond Guarantee Program by one year through FY 2015, with \$1 billion of guarantee authority. Due to the timing of the FY 2013 appropriation and publication of the program's initial Notice of Guarantee Availability (NOGA), the Fund significantly compressed the application review process for the 2013 cohort, despite appreciable program demand; the CDFI Fund received 8 applications requesting \$825 million in bond loans. This amount well exceeded the Fund's \$500 million in guarantee authority. Given the tight review timeframe, Treasury approved three Qualified Issuers and four CDFI applicants covering \$325 million in bond loans. As stated in the FY 2013 NOGA, applications that were not approved before the close of the fiscal year are queued as the Fund begins its review of FY 2014 guarantee authority (currently underway).

The CDFI Fund anticipates releasing the FY 2014 NOGA in April 2014 and will provide a two-month application window for new applicants. Approximately 500 participants representing nearly 80 Certified CDFIs attended program briefings and other outreach activities prior to the close of the FY 2013 application period. In response to this high level of interest among CDFIs, the CDFI Fund will continue its aggressive outreach efforts in FY 2014 in order to maximize program participation and to attract well-qualified applicants..

Suggested Legislative Language

Provided further, That Section 114A of the Riegle Community Development and Regulatory Improvement Act of 1994 (12 U.S.C. 4701 et seq.) shall remain in effect until September 30, 2015.

Section 3 – Budget and Performance Plan

3A – Administration

(\$23,600,000 from direct appropriations):

This budget activity encompasses the CDFI Fund’s operational support and management activities for each of its award programs and supports the CDFI Fund’s Strategic Goal No. 4: To increase resource and human capital management to maximize performance, efficiency, and program results. This includes, among other activities, developing regulations, Notices of Funding Availability (NOFAs), and application materials; reviewing and evaluating certification and funding applications; selecting awardees; finalizing the terms of award agreements; making disbursements; collecting and evaluating performance data; and monitoring awardees’ compliance. All of these tasks support activities that allow the CDFI Fund to carry out its overall mission. The goal owner for this budget activity is the Deputy Director of the CDFI Fund.

Description of Performance:

The CDFI Fund’s two administrative measures are organization-wide efficiency measures based on the weighted average of the number of applications/awards across all programs (*All-application-award* and *All-award-disbursement cycle times*).

In FY 2013, the CDFI Fund completed its program application-award cycle in 6.8 months, within the target of 7 months despite the additional responsibility of issuing the applications for the Bond Guarantee Program.

The *All-Award-disbursement cycle time* target of 3.5 months to disburse 85 percent of the awards—which is a measure of how quickly the CDFI Fund manages to disburse program funds after the award announcement— was not met as it is projected that it will take 4.5 months to disburse 85 percent of the awards. Considerable effort was required by program staff and financial management to assure the accuracy of all in-kind matching requirements for grants and loans, particularly for the rates and terms of the matching loans. These efforts were necessary since all matching fund requirements were waived from FY 2008 to FY 2011 due to financial market instability. Although matching funds were not waived in FY 2012 or FY 2013, the CDFI Fund has allowed applicants to raise partial matching funds in order to be eligible and considered for an award. However, disbursements are only processed if dollar for dollar match is submitted. As a result of the increased level of effort to allow applicants to raise matching funds and to ensure strong controls over the disbursement process, the CDFI Fund raised the target award-disbursement target to 3.5 months for FYs 2013 and 2014. Despite raising the target the CDFI Fund missed this target in FY 2013 with only slightly less than half of the awards having been disbursed in 3.5 months. The CDFI Fund is further reviewing its policies and procedures to ascertain how it can improve its in-kind matching requirements so that it can accelerate the disbursement process.

The CDFI Fund’s composite performance measures also include two composite program measures (*All-jobs created/maintained* and *All-affordable housing units developed or produced*) which provide combined results from all of the CDFI programs.

In FY 2013, the CDFI Fund reported for its *All-jobs created/maintained* measure a total of 50,353, meeting the target of 50,000. The increase in the *All-jobs* target to 55,000 for FY 2014 reflects the overall projected incremental increase in all program investments in operating businesses.

In FY 2013, the composite *All-affordable housing* measure totaled 26,349 units, which include real estate construction and rehabilitation units financed in part by CDFI Program, the NMTC program and the CMF program. The target of 24,000 was exceeded largely because of the first year of CMF reporting on housing investments. As a result of the new data on the CMF program, the target has been adjusted upward for FY 2014 and recalibrated for FY 2015 to reflect the tapering off of CMF investments.

3.1.1 – Administration Budget and Performance Plan

The CDFI Fund’s suite of performance measures was comprehensively revised in FY 2010 so many of these measures only have three years of actual results. The targets for FY 2014 and FY 2015 have been adjusted in light of FY 2013 actual data.

Dollars in Thousands

Administration Budget Activity								
Resource Level	FY 2008	FY 2009	FY 2010	FY 2011	FY 2012	FY 2013	FY 2014	FY 2015
	Actual	Actual	Actual	Actual	Actual	Enacted	Enacted	Request
Appropriated Resources	\$9,630	\$12,483	\$13,797	\$18,602	\$22,965	\$21,764	\$24,636	\$23,600
Budget Activity Total	\$9,630	\$12,483	\$13,797	\$18,602	\$22,965	\$21,764	\$24,636	\$23,600

Measure	FY 2008	FY 2009	FY 2010	FY 2011	FY 2012	FY 2013	FY 2014	FY 2015
	Actual	Actual	Actual	Actual	Actual	Actual	Target	Target
ALL - Award Cycle Time	N/A	N/A	N/A	7.4	6.5	6.8	7.0	7.0
ALL - Disbursement Cycle Time	N/A	N/A	N/A	2.0	3.1	4.5	3.5	3.5
ALL - Jobs Created/Maintained	N/A	N/A	N/A	55,274	57,023	50,353	55,000	55,000
ALL - Number of affordable housing units developed or produced	N/A	N/A	N/A	19,083	27,433	26,391	26,500	24,000

3B Community Development Financial Institutions Program

(\$151,300,000 from direct appropriations):

The CDFI Program supports the CDFI Fund’s Strategic Goal No. 1: To expand the capacity of financial institutions to provide credit, capital, and financial services to low-income and underserved populations. Through the CDFI Program, the CDFI Fund makes FA awards to CDFIs that have comprehensive business plans for creating community development impact and that demonstrate the ability to leverage private sector sources of financing, as well as TA grants to CDFIs and entities proposing to become CDFIs. The goal owner for this budget activity is the Program Manager for the CDFI Program.

Description of Performance:

As detailed in Table 3.1.2, in FY 2013, CDFI Program awardees reported originating 24,285 loans totaling more than \$1.9 billion based on their portfolio of activities in FY 2012, exceeding the target of 16,900 loans totaling \$1.2 billion. Of these transactions, \$484.2 million were originated for business and microenterprise loans, \$484.8 million for home improvement and purchase loans, and \$452.8 million for residential real estate transactions, \$278.9 million in commercial real estate loans, \$45.3 million in consumer loans, and \$231 million in other loans. The target was exceeded largely because of the considerable growth in the CDFIs assets, which led to an increase in the amount and number of loans reported by CDFIs. The FY 2014 target has been adjusted upward to reflect projected lending based on the changes in the projected size and composition of the portfolios of reporting CDFIs in the next year.

The *Percentage of eligible areas served by CDFI awardees* measured 23.2 percent for the reporting period, exceeding the target of 20 percent. This metric provides a program coverage measure of the percentage of all program-eligible census tracts that had one or more transactions originated by a CDFI Program awardee.² The improvement of CDFI investing in a wider array of eligible census tracts seems to reflect the improved geographical and institutional diversity of awards made over the last two years. As a result the target has been recalibrated upward.

3.1.2 – Community Development Financial Institutions Program Budget and Performance Plan

Dollars in Thousands

Community Development Financial Institutions Program Budget Activity								
Resource Level	FY 2008	FY 2009	FY 2010	FY 2011	FY 2012	FY 2013	FY 2014	FY 2015
	Actual	Actual	Actual	Actual	Actual	Enacted	Enacted	Request
Appropriated Resources	\$52,250	\$149,750	\$107,600	\$162,830	\$146,035	\$138,397	\$146,364	\$151,300
Budget Activity Total	\$52,250	\$149,750	\$107,600	\$162,830	\$146,035	\$138,397	\$146,364	\$151,300

Measure	FY 2008	FY 2009	FY 2010	FY 2011	FY 2012	FY 2013	FY 2014	FY 2015
	Actual	Actual	Actual	Actual	Actual	Actual	Target	Target
CDFI - Amount of Loans/Investments Originated (Annual) \$ millions	N/A	N/A	N/A	1,228.0	1,298.0	1,978.0	1,690.0	1,700
CDFI - Number of Loans/Investments Originated (Annual)	N/A	N/A	N/A	16,313	17,547	24,285	24,000	24,000
Percentage of Eligible Areas Served by CDFI Awardees	N/A	N/A	N/A	22.1	21.2	23.2	22.5	22.0

Key: DISC - Discontinued and B – Baseline

² The percentage of eligible areas served by CDFI Program awardees measures the percentage of all eligible census tracts receiving at least one origination in the past three years. This methodological change reduces fluctuations and ensures more accurate forecasting.

3C – New Markets Tax Credit Program

(\$0 from direct program appropriations):

Through the NMTC Program, the CDFI Fund facilitates new investment in low-income communities by attracting private sector capital to these communities through tax credits. These objectives align with the CDFI Fund's Strategic Goal No. 2 – Increased public and private investment in distressed communities eligible to be served by the CDFI Fund's programs. Individual and corporate investors may receive a credit against their Federal income taxes in exchange for making equity investments in Community Development Entities (CDEs) that, in turn, use such proceeds to finance businesses and real estate projects in low-income communities. The investor's tax credit equals 39 percent of the amount invested and is taken over seven years. The goal owner for this budget activity is the Program Manager for the NMTC Program.

The FY 2015 President's Budget proposes to permanently extend the NMTC Program, allowing up to \$5 billion in qualifying investment in each year beginning in 2014. The proposal would also permit the NMTC to offset Alternative Minimum Tax (AMT) liability.

Description of Performance:

The CY 2012 NMTC authority was allocated in FY 2013 due to delays in the passage of the authorizing legislation. In the CY 2012 round, the NMTC Program awarded, through its annual highly competitive application process, \$3.5 billion in NMTC investment allocation authority to 85 CDEs, out of a pool of 282 applicants requesting \$21.9 billion. The CY 2013 NMTC allocation authority totaling \$3.5 billion is projected to be awarded in the spring of 2014.

The FY 2013 NMTC annual reporting by allocatees totaled \$4.8 billion in new financing, slightly exceeding the target of \$4.5 billion. The FY 2014 target and FY 2015 increase to \$5 billion reflect the total available tax credit authority for making Qualified Equity Investments.

As of August 2013, CDEs have raised a cumulative total of \$31.63 billion under the NMTC Program. More than 78 percent of new financing went to severely distressed communities reported in FY 2013, exceeding the target of 70 percent.³ The NMTC Program has exceeded the targeted investments in census tracts because allocatees have focused on investing in more severely distressed than required by statute. Future targets have been adjusted upward to reflect both an increase in the estimated amount of outstanding tax credit allocation authority and the increased focus on severely distressed areas.

³ "Severely distressed" communities include census tracts with poverty rates above 30 percent; or median family incomes below 60 percent of the metropolitan or state median; or unemployment rates greater than 1.5 times the national average.

3.1.3 – New Markets Tax Credit Program

Dollars in Thousands

New Markets Tax Credit Program Budget Activity								
Resource Level	FY 2008	FY 2009	FY 2010	FY 2011	FY 2012	FY 2013	FY 2014	FY 2015
	Actual	Actual	Actual	Actual	Actual	Enacted	Enacted	Request
Allocation Authority	\$4,120	\$4,267	\$4,203	\$0	\$0	\$0	\$0	\$0
Budget Activity Total	\$4,120	\$4,267	\$4,203	\$0	\$0	\$0	\$0	\$0

Measure	FY 2008	FY 2009	FY 2010	FY 2011	FY 2012	FY 2013	FY 2014	FY 2015
	Actual	Actual	Actual	Actual	Actual	Actual	Target	Target
Community Development Entities' Annual Qualified Low-Income Community Investments (\$ billions)	3.3	3.6	3.1	4.7	5.5	4.8	5.0	5.0
NMTC-Percentage of Loans and Investments that Went Into Severely Distressed Communities	73.0	81.0	73.4	72.4	70.4	78.5	77.0	77.0

3D – Bank Enterprise Award Program

(\$0 from direct

Through the BEA Program, the CDFI Fund encourages insured depository institutions to increase investments and services in distressed communities and to provide financial assistance and support to CDFIs. These objectives align with the Department of the Treasury’s Strategic Goal No. 1: *Promote domestic economic growth and stability while continuing reforms of the financial system.* The goal owner for this budget activity is the Program Manager for the BEA Program.

Description of Performance:

In FY 2013, the CDFI Fund received 98 eligible applications requesting a total of approximately \$91 million, compared to 71 applications requesting a total of approximately \$88.5 million in FY 2012. The number of Applicants represents an increase of 38 percent over the prior year, and is the largest number of BEA Program Applicants since FY 2002. The CDFI Fund selected 85 FDIC-insured institutions to receive approximately \$17 million in BEA Program awards. The average award was \$200,574. FY 2013 BEA Program awardees increased their loans and investments in distressed communities by \$417.3 million; increased their loans, deposits, and technical assistance to Community Development Financial Institutions (CDFIs) by \$48.4 million; increased their equity and equity-like loans and grants to CDFIs by \$6.1 million; and increased the provision of financial services in distressed communities by \$10.3 million. FY 2013 awardees are headquartered in 23 states and the District of Columbia, compared to the 18 states and the District of Columbia represented in the prior year. Due to the delay in FY 2013 appropriations, the FY 2013 awards were not announced until the first quarter of FY 2014.

Despite reductions in program funding over the last few years, applicants continue to devote considerable resources and effort to community development activities.

3.1.4 – Bank Enterprise Award Program

Dollars in Thousands

Bank Enterprise Award Program Budget Activity								
Resource Level	FY 2008	FY 2009	FY 2010	FY 2011	FY 2012	FY 2013	FY 2014	FY 2015
	Actual	Actual	Actual	Actual	Actual	Enacted	Enacted	Request
Appropriated Resources	\$20,000	\$22,000	\$25,000	\$21,956	\$18,000	\$17,058	\$18,000	\$0
Budget Activity Total	\$20,000	\$22,000	\$25,000	\$21,956	\$18,000	\$17,058	\$18,000	\$0

Measure	FY 2008	FY 2009	FY 2010	FY 2011	FY 2012	FY 2013	FY 2014	FY 2015
	Actual	Actual	Actual	Actual	Actual	Actual	Target	Target
BEA-Increase in Community Development Activities Over Prior Year For All BEA Program Applicants (\$ million)	232.0	292.0	290.0	268.3	432.4	493.5.0	250.0	N/A

Key: DISC - Discontinued and B – Baseline

3E – Native American CDFI Assistance Program

(\$15,000,000 from direct appropriations):

Through the NACA Program, the CDFI Fund assists entities in overcoming barriers that prevent access to credit, capital, and financial services in American Indian, Alaska Native, and Native Hawaiian communities. The CDFI Fund makes monetary awards to increase the number and capacity of existing or new Native CDFIs — i.e., CDFIs that serve Native Communities. In addition, the NACA Program provides training to help strengthen and develop Native CDFIs. Native CDFIs lend where others have not, and are serving the poorest in Native Communities. In order for Native CDFIs to make a larger economic impact within Native Communities they require further technical assistance and capacity building to access financial capital. With the increased capacity building, Native CDFIs could, for example, expand their lending from an initial offering of micro-loans to making larger small business loans to better promote economic activity. In the FY 2013 funding round, the NACA Program’s financial assistance and technical assistance awards were oversubscribed, with only 35 Native CDFIs receiving funding—about 50 percent of eligible applicants. In addition, a Native CDFI may currently obtain only one type of award at a time – either financial assistance or technical assistance - rather than both. The FY 2015 request level will enable this to be changed, which could be more effective for promoting growth of Native CDFIs. The CDFI Fund also has the ability to build off its existing Native-focused capacity building programs such as the Leadership Journey I and II series, to provide targeted training to promote sustainability and market expansion.

These objectives align with the Department of the Treasury’s Strategic Goal 1: Promote domestic economic growth and stability while continuing reforms of the financial system. The goal owner for this budget activity is the Program Manager for the NACA Program.

Description of Performance:

As detailed in Table 3.1.5, in FY 2013, NACA awardees reported originating 1,508 loans amounting to \$23.2 million. The target for the number and amount of loans originated slightly exceeded the projected targets of 1,200 and \$20 million respectively. Of the loans originated by reporting Native CDFIs, over 12 percent went to business loans, more than 30 percent for home purchase or home improvement loans, more than 10 percent for consumer loans, and the balance to other types of loans. The targets for FYs 2014 and 2015 have been adjusted upward to reflect the three years of trend data.

3.1.5 – Native American CDFI Assistance Program

Dollars in Thousands

Native American CDFI Assistance Program Budget Activity								
Resource Level	FY 2008	FY 2009	FY 2010	FY 2011	FY 2012	FY 2013	FY 2014	FY 2015
	Actual	Actual	Actual	Actual	Actual	Enacted	Enacted	Request
Appropriated Resources	\$8,000	\$16,500	\$12,000	\$11,352	\$12,000	\$11,372	\$15,000	\$15,000
Budget Activity Total	\$8,000	\$16,500	\$12,000	\$11,352	\$12,000	\$11,372	\$15,000	\$15,000

Measure	FY 2008	FY 2009	FY 2010	FY 2011	FY 2012	FY 2013	FY 2014	FY 2015
	Actual	Actual	Actual	Actual	Actual	Actual	Target	Target
NACA - Amount of Loans/Investments Originated (Annual) (Dollars in Millions)	N/A	N/A	N/A	14.7	21.2	23.2.0	22.5.0	22.0
NACA - Number of Loans/Investments Originated (Annual)	N/A	N/A	N/A	1,004	1,170	1,508	1,300	1,300

3F – Healthy Food Financing Initiative

(\$35,000,000 from direct appropriations):

The Healthy Food Financing Initiative (HFFI) is an interagency initiative involving the U.S. Department of the Treasury and the U.S. Department of Agriculture. The HFFI represents the Federal government’s first coordinated step to eliminate “food deserts” – low-income urban and rural areas in the United States with limited access to affordable and nutritious food – by promoting a wide range of interventions that expand the supply of and demand for nutritious foods, including increasing the distribution of agricultural products, developing and equipping grocery stores, and strengthening producer-to-consumer relationships.

Of the additional funding requested, \$10 million comes from grants funding that was previously administered by the Department of Health and Human Services’ Community and Economic Development (CED) program. These funds will continue to serve the CDFI Fund’s goal of increasing access to healthy, affordable food in communities that currently lack these options.

The HFFI Initiative has had a high response rate from applicants. To date, all 12 of the first-round HFFI awardees have reported their first year of investments on 43 projects totaling \$29,035,079 in HFFI eligible activities.

This budget activity supports the CDFI Fund’s Strategic Goal No. 1: To expand capacity of financial institutions to provide credit, capital, and financial services to low-income and underserved populations. Through the HFFI, the CDFI Fund awards CDFI Program funds to certified CDFIs to help address the need for healthy food in underserved and low-income communities. These organizations use federal grants, below market-rate loans, loan guarantees, and tax credits to attract private sector financing for projects that increase access to healthy food options. The goal owner for this budget activity is the CDFI Program Manager.

Description of Performance:

The primary HFFI performance measure is the number of retail food outlets created and maintained in low-income areas that have been identified through detailed census tract analysis as having limited access to healthy food retail options. To date, all 12 of the first-round HFFI awardees have reported their first year of investments on 43 projects totaling \$29,035,079 in HFFI eligible activities. Of these projects 30 were retail HFFI projects with 339,226 square feet of new retail space developed for small green grocers to large supermarkets serving low-income, low-access census tracts. Another 13 non-retail projects, such as production and distribution, developed 5,073 square feet of space for eligible healthy food activities.

3.1.6 – Healthy Food Financing Initiative

Dollars in Thousands

Healthy Food Financing Initiative Budget Activity								
Resource Level	FY 2008	FY 2009	FY 2010	FY 2011	FY 2012	FY 2013	FY 2014	FY 2015
	Actual	Actual	Actual	Actual	Actual	Enacted	Enacted	Request
Appropriated Resources	\$0	\$0	\$0	\$0	\$22,000	\$20,849	\$22,000	\$35,000
Budget Activity Total	\$0	\$0	\$0	\$0	\$22,000	\$20,849	\$22,000	\$35,000

Measure	FY 2008	FY 2009	FY 2010	FY 2011	FY 2012	FY 2013	FY 2014	FY 2015
	Actual	Actual	Actual	Actual	Actual	Actual	Target	Target
HFFI - Retail Outlets Created/Preserved	N/A	N/A	N/A	N/A	B	43	N/A	N/A

Section 4 – Supplemental Information

4A – Summary of Capital Investments

As part of its FY 2015 capital investment strategy, the CDFI Fund plans to spend approximately \$5.172 million on Information Technology (IT). The CDFI Fund has no major IT investments, nor any capital investments other than IT.

Non-Major IT Investments

The CDFI Fund's capital investment strategy is to become a consumer of commodity IT services (e.g., IT infrastructure services) and to focus its limited IT resources on IT solutions that directly support the mission of the CDFI Fund. One important mission-focused IT modernization activity is the acquisition of an Award Management Information System (AMIS) — an enterprise commercial off-the-shelf product that will replace the CDFI Fund's legacy business systems. By streamlining business processes and leveraging modern automation and technology, the CDFI Fund will be able to handle larger volumes of grants, tax credits, and loan portfolios while achieving more transparency and better data quality and providing better service to its customers.

In FY 2014, the CDFI Fund identified seven non-major IT investments. Investments for the CDFI Fund Public Website, Legacy Mission Systems, and the Community Investment Impact System (CIIS) are in Operations & Maintenance (O&M). The CDFI LAN investment, which consisted of funding for the CDFI Fund's IT infrastructure, will be decommissioned now that the CDFI Fund IT infrastructure is being managed by a Treasury bureau, the Alcohol and Tobacco Tax and Trade Bureau (TTB). The Information Technology Security investment, which consisted of funding for contract labor to support the Federal Information Security Management Act (FISMA) and operational security, will be decommissioned because these services now are being provided by an FTE. The remaining two investments are AMIS, which is described above, and IT Program Management Support. The IT Program Management Support investment includes planning, acquisition, and system deployment support services for the modernization of CDFI Fund mission systems. These services are being obtained via an Interagency Agreement with TTB.

IT Infrastructure Investments

In 2012, TTB assumed management of the CDFI Fund IT infrastructure. Treasury has seen numerous benefits from the CDFI Fund/TTB arrangement. It provides better availability and security for the CDFI Fund's business data and systems, increases utilization of Treasury data centers, and enables the CDFI Fund to leverage existing Disaster Recovery and Continuity of Operations capabilities. With TTB, the CDFI Fund avoids software upgrade costs by using TTB's enterprise software licenses, stops duplicative services (such as Web monitoring and filtering), and eliminates contracts used to maintain the CDFI Fund's IT infrastructure.

A summary of capital investment resources, including major information technology and non-technology investments, can be viewed/downloaded at: <http://www.treasury.gov/about/budget-performance/Pages/summary-of-capital-investments.aspx>

4B – CDFI Bond Guarantee Program

The Small Business Jobs Act of 2010 (Public Law 111-240) created the CDFI Bond Guarantee Program. Bonds issued under the program support CDFI lending and investment activity in underserved communities by providing a source of long-term capital. Qualified Issuers (CDFIs or their designees) issue bonds that are guaranteed by the Secretary of the Treasury and use the bond proceeds to make loans to Eligible CDFIs for eligible community and economic development purposes. Bond maturity cannot exceed 30 years. During FY 2013, Treasury published the program’s Interim Final Rule, issued the Notice of Guarantee Availability and application materials for FY 2013 guarantee authority, and approved the first three agreements to guarantee. Subject to Congressional authorization, the following objectives have been identified for the program for FY 2015:

- Approval of up to \$1 billion in guarantees;
- A compliance assessment of the Master Servicer/Trustee, Qualified Issuers and Eligible CDFIs across the bond loan lifecycle.

4.1 – Resource Detail Table

Dollars in Thousands

Bond Guarantee Program					
Resource Level	FY 2011	FY 2012	FY 2013	FY 2014	FY 2015
	Enacted	Enacted	Actual	Enacted	Request
Obligations	-	-	\$325,000	\$750,000	\$1,000,000
Loan Limitation Obligation Authority	-	-	-	\$750,000	\$1,000,000

4.2 – Financing Accounts - Non-Budgetary Summary

Dollars in Thousands

Bond Guarantee Program					
Resource Level	FY 2011	FY 2012	FY 2013	FY 2014	FY 2015
	Enacted	Enacted	Actual	Enacted	Request
Obligations	-	-	\$325,000	\$750,000	\$1,000,000
Collections ¹	-	-	-	0	\$ 21,389