Community Development Financial Institutions Fund

Program Summary by Budget Activity

<table>
<thead>
<tr>
<th>Budget Activity</th>
<th>FY 2012 Enacted</th>
<th>FY 2012 CR Rate</th>
<th>FY 2013 Annualized</th>
<th>FY 2013 Request</th>
<th>FY 2014 $ Change</th>
<th>FY 2014 % Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>Community Development Financial Institutions Program</td>
<td>$146,035</td>
<td></td>
<td>$146,929</td>
<td>$144,300</td>
<td>($1,735)</td>
<td>-1.19%</td>
</tr>
<tr>
<td>Bank Enterprise Award Program</td>
<td>$18,000</td>
<td></td>
<td>$18,110</td>
<td>$10,000</td>
<td>($8,000)</td>
<td>-44.44%</td>
</tr>
<tr>
<td>Native American CDFI Assistance Program</td>
<td>$12,000</td>
<td></td>
<td>$12,073</td>
<td>$12,000</td>
<td>$0</td>
<td>0.00%</td>
</tr>
<tr>
<td>Administration</td>
<td>$22,965</td>
<td></td>
<td>$23,106</td>
<td>$23,636</td>
<td>$671</td>
<td>2.92%</td>
</tr>
<tr>
<td>Healthy Food Financing Initiative</td>
<td>$22,000</td>
<td></td>
<td>$22,135</td>
<td>$35,000</td>
<td>$13,000</td>
<td>59.09%</td>
</tr>
<tr>
<td><strong>Subtotal, Community Development Financial Institutions Fund</strong></td>
<td><strong>$221,000</strong></td>
<td></td>
<td><strong>$222,353</strong></td>
<td><strong>$224,936</strong></td>
<td><strong>$3,936</strong></td>
<td><strong>1.78%</strong></td>
</tr>
<tr>
<td>Offsetting Collections - Reimbursables</td>
<td>$0</td>
<td></td>
<td>$106</td>
<td>$109</td>
<td>$109</td>
<td>NA</td>
</tr>
<tr>
<td>User Fees</td>
<td>$0</td>
<td></td>
<td>$0</td>
<td>$491</td>
<td>$491</td>
<td>NA</td>
</tr>
<tr>
<td>Recovery from Prior Years</td>
<td>$2,591</td>
<td></td>
<td>$6,600</td>
<td>$4,700</td>
<td>$2,109</td>
<td>81.40%</td>
</tr>
<tr>
<td>Unobligated Balances from Prior Years</td>
<td>$35,504</td>
<td></td>
<td>$31,650</td>
<td>$27,835</td>
<td>($7,669)</td>
<td>-21.60%</td>
</tr>
<tr>
<td><strong>Total Program Operating Level</strong></td>
<td><strong>$259,095</strong></td>
<td></td>
<td><strong>$260,709</strong></td>
<td><strong>$258,071</strong></td>
<td>($1,024)</td>
<td><strong>-0.40%</strong></td>
</tr>
<tr>
<td>Direct FTE</td>
<td>79</td>
<td></td>
<td>79</td>
<td>76</td>
<td>(3)</td>
<td>-3.80%</td>
</tr>
<tr>
<td>Reimbursable FTE</td>
<td>0</td>
<td></td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>NA</td>
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<tr>
<td><strong>Total FTE</strong></td>
<td><strong>79</strong></td>
<td></td>
<td><strong>79</strong></td>
<td><strong>76</strong></td>
<td><strong>(3)</strong></td>
<td><strong>-3.80%</strong></td>
</tr>
</tbody>
</table>

Summary

The FY 2014 budget request for the Community Development Financial Institutions Fund (CDFI Fund) will ensure that the CDFI Fund meets its mission of increasing economic opportunity and promoting community development investments for underserved populations and in distressed communities in the United States.

Total resources required to support CDFI Fund activities for FY 2014 are $224,936,000 from direct appropriations.


The CDFI Fund’s investments work toward building private markets, improving local tax revenues (through job creation, business development, commercial real estate, housing development and homeownership), and empowering residents by stimulating the creation and expansion of diverse Community Development Financial Institutions (CDFIs), which provide loans, investments, business counseling, basic banking services, and financial literacy training to underserved communities. The CDFI Fund’s activities leverage millions of private sector investment dollars from banks, foundations, and other funding sources.

The FY 2014 budget proposes funding for the CDFI Program and Native American CDFI Assistance (NACA) Program, as well as the
Healthy Food Financing Initiative (HFFI), and Bank Enterprise Award (BEA) Program. The CDFI Fund request also includes funding for administration of the New Markets Tax Credit (NMTC) Program, including a new Manufacturing Communities Tax Credit Program, and the CDFI Bond Guarantee Program. The CDFI Bond Guarantee Program will support CDFI lending and investment activities in underserved areas by providing a source of long-term capital. The new Manufacturing Communities Tax Credit Program supports qualified investments in communities affected by military base closures or mass layoffs, such as those arising from plant closures.

CDFI FY 2014 Budget Highlights
Dollars in Thousands

<table>
<thead>
<tr>
<th>Community Development Financial Institutions Fund</th>
<th>FTE</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>FY 2012 Enacted</td>
<td>79</td>
<td>$221,000</td>
</tr>
<tr>
<td>FY 2013 Annualized CR Rate</td>
<td>79</td>
<td>$222,353</td>
</tr>
</tbody>
</table>

Changes to Base:
- Adjustment to Request (4) ($1,353)
- Adjustment to FTE Estimate (4) -
- Continuing Resolution Increase - ($1,353)
- Maintaining Current Levels (MCLs):
  - Pay-Raise - $81
  - Non-Pay - $185
- Non-Recurring Costs:
  - Program Management Support - ($500)
  - IT and Other Contract Savings 1 ($853)
Efficiency Savings:
- IT and Other Contract Savings 1 ($853)
Subtotal Changes to Base (3) ($2,440)

Total FY 2014 Base 76 $219,913

Program Changes:
- Program Decreases:
  - Bank Enterprise Award Program - ($8,000)
  - CDFI Core Program - ($1,735)
  - Administration - ($1,567)
- Program Increases:
  - Healthy Food Financing Initiative - $16,325
  - Administration - Bond Guarantee Program - $1,825
  - Administration - Research and Evaluation (Data Collection) - $1,500

Total FY 2014 Request 76 $224,936

FY 2014 Budget Adjustments

Adjustment to Request
Adjustment to FTE Estimate +$0 / -4 FTE
Full time employees (FTEs) are reduced by four to align to historical usage.

Continuing Resolution Increase -$1,353,000 / +0 FTE
The across-the-board 0.612 percent increase provided in the CR through March 27, 2013 is non-recurred.

Maintaining Current Levels (MCLs)
Pay-Raise +$81,000 / +0 FTE
The President's Budget proposes a 1 percent pay-raise for federal employees in 2014.

Non-Pay +$185,000 / +0 FTE
Funds are requested for inflation adjustments in non-labor expenses such as GSA rent adjustments, postage, supplies, and equipment.

Non-Recurring Costs
Program Management Support -$500,000 / +0 FTE
This is one-time savings in the administrative account resulting from a reduction in the cost of the project management support for IT systems acquisition and deployment, which is only in place for one year after the transition to the Alcohol and Tobacco Tax and Trade Bureau is complete.

Efficiency Savings
IT and Other Contract Savings -$853,000 / +1 FTE
The CDFI Fund will achieve efficiency savings through reductions to existing management contracts, particularly in Information Technology. A portion of these savings is contingent upon the CDFI Fund hiring an additional FTE to replace the current IT security contractor.

Program Decreases
Bank Enterprise Award Program -$8,000,000 / +0 FTE
The CDFI Fund proposes to reduce the BEA Program by $8 million in FY 2014. Based on the current fiscal environment and competing CDFI Fund priorities, the CDFI Fund proposes to allocate these resources to other programs.
**CDFI Core Program - $1,735,000 / +0 FTE**
The CDFI Fund will reduce the amount and number of financial assistance and technical assistance awards. The CDFI Fund will also reduce the funding level for its multi-year Capacity Building Initiative, which provides technical assistance and capacity-building services to CDFIs and the financial services industry.

**Administration - $1,567,000 / +0 FTE**
The CDFI Fund proposes to reallocate current resources to the CDFI Bond Guarantee Program and research and evaluation.

**Program Increases**

**Healthy Food Financing Initiative - $13,000,000 / +0 FTE**
The FY 2014 Budget continues to support the current level of government-wide investments that increase the availability of affordable, healthy foods in underserved urban and rural communities. The CDFI Fund will make CDFI Program awards to CDFIs that will finance healthy food alternatives in low-income neighborhoods. Of the amount 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.

**Administration - Bond Guarantee Program - $1,825,000 / +0 FTE**
The CDFI Fund estimates administration of the CDFI Bond Guarantee Program in FY 2014 will cost $2,316,000. Approximately $491,000 will be offset by the collection of a statutory administrative fee on issued loan guarantees. Treasury proposes to reinvest $1,825,000 to meet the remaining program administration requirements, including the provision of contract support to provide technical assistance to CDFI Bond Guarantee Program staff in the following areas: origination, credit review, loan monitoring, and outreach.

**Administration - Research and Evaluation (Data Collection) - $1,500,000 / +0 FTE**
The CDFI Fund is requesting funding for research and evaluation projects for the following three proposals:
- **Development of Community Development Impact Measurement Estimator (CDIME)** - Estimated Cost: $650,000 to $750,000
- **Analysis of Federal Reserve and Federal Financial Institutions Examination Council (FFIEC) Historical Community Reinvestment Data** - Estimated Cost: $400,000
- **Support the Research and Evaluation Activities for New Programs** - Estimated Cost: $400,000

**Explanation of Budget Activities**

**Community Development Financial Institutions Program** ($144,300,000 from direct appropriations)
The CDFI Program uses federal resources to invest in and build the capacity of CDFIs to serve low-income and underserved individuals and communities lacking adequate access to affordable financial products and services. The CDFI Program provides monetary awards for financial assistance to further economic development (job creation, business financing, and commercial real estate development); affordable housing (housing development and homeownership); and community development financial services (provision of basic banking services to underserved communities and financial literacy training).

The CDFI Program also provides technical assistance awards to help CDFIs build their capacity to serve their target markets through the acquisition of consulting services, technology purchases, and staff/board training.
New Markets Tax Credit Program ($0 from direct appropriations)
The NMTC Program attracts private sector capital into low-income communities. Community Development Entities (CDEs) apply to the CDFI Fund for allocations of tax credit investment authority in annual competitive rounds. Private investors receive tax credits for equity investments in these CDEs, which in turn finance qualified businesses. In addition to awarding tax credits, the CDFI Fund monitors CDE compliance through the terms of their allocation agreements.

The FY 2014 President’s Budget proposes to permanently extend the NMTC, allowing up to $5 billion in qualifying investment in each year beginning in 2014. The proposal would also permit the NMTC to permanently offset AMT liability. Within the FY 2014 allocation request, the Budget also proposes to provide a new allocated tax credit, the Manufacturing Communities Tax Credit Program, which would support qualified investments in communities affected by military base closures or mass layoffs, such as those arising from plant closures. This would provide about $2 billion in credits for qualified investments approved in each of the three years, 2014 through 2016.

Bank Enterprise Award Program ($10,000,000 from direct appropriations)
Through the BEA Program, the CDFI Fund encourages insured depository institutions to increase investments and services in distressed communities and financial assistance to CDFIs. Consistent with Federal efforts to promote improving social outcomes while more effectively allocating public resources, the CDFI Fund will seek to better align the Pay for Success (PFS) model with existing BEA qualified activities. The CDFI Fund will collect and track PFS-related financing activity along with other inputs (e.g., BEA program evaluation) for consideration of future program changes. Awardees that engage in PFS-related activities may be publicly acknowledged by the Fund.

Native American CDFI Assistance Program ($12,000,000 from direct appropriations)
The Native Initiatives includes two components: (i) the NACA Program through which financial assistance and technical assistance awards are provided to build the capacity of new or existing Native CDFIs serving Native Communities; and (ii) complementary capacity-building initiatives that foster the development of Native CDFIs through training and technical assistance, strengthen their operational capacity, and guide them in the creation of important financial education and asset-building programs for their communities.

Administration ($23,636,000 from direct appropriations)
Administration encompasses the CDFI Fund’s operational support and management activities for each of the monetary awards and tax credit program that it administers. This includes finalizing the terms of assistance agreements with awardees, making disbursements, and monitoring awardee compliance with the terms of their multi-year assistance and allocation agreements. In addition, resources will be utilized for a business application enhancement upgrade and external program research evaluations. Administration funds will also support the non-monetary award programs and activities (the NMTC Program, CDFI and CDE certification, and recertification) and the administration of the CDFI Bond Guarantee Program.

Healthy Food Financing Initiative ($35,000,000 from direct appropriations)
Through the Administration’s Healthy Food Financing Initiative, the CDFI Fund will build on program achievements in FYs 2011, 2012
and 2013, and continue to support and finance healthy food alternatives in low-income communities.

**Legislative Proposals**

The CDFI Fund proposes legislative changes to the CDFI Bond Guarantee Program for FY 2014: 1) extend the CDFI Bond Guarantee Program through FY 2015; and 2) clarification that Section 114A of the Riegle Community Development and Regulatory Improvement Act of 1994 (12 U.S.C. 4713a) fulfills the Federal Credit Reform Act (FCRA) requirements.

### CDFI Performance by Budget Activity

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<tr>
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</tr>
</thead>
<tbody>
<tr>
<td>Community Development Financial Institutions Program</td>
<td>CDFI - Amount of Loans/Investments Originated</td>
<td>N/A</td>
<td>1,228.0</td>
<td>1,298.0</td>
<td>1,200.0</td>
<td>1,200.0</td>
</tr>
<tr>
<td></td>
<td>(Annual) $ millions</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Administration</td>
<td>ALL - Award Cycle Time</td>
<td>N/A</td>
<td>7.4</td>
<td>6.5</td>
<td>7.5</td>
<td>7.5</td>
</tr>
<tr>
<td>Administration</td>
<td>ALL - Jobs Created/Maintained</td>
<td>N/A</td>
<td>55,274</td>
<td>57,023</td>
<td>50,000</td>
<td>60,000</td>
</tr>
<tr>
<td>New Markets Tax Credit Program</td>
<td>Community Development Entities' Annual Qualified Equity</td>
<td>3.1</td>
<td>4.7</td>
<td>5.5</td>
<td>4.5</td>
<td>5.0</td>
</tr>
<tr>
<td></td>
<td>Investments In Low-Income Communities ($ billions)</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

**Key:** DISC - Discontinued and B - Baseline

### Description of Performance

In the FY 2012 funding round of the CDFI Program, the CDFI Fund received applications from 389 organizations, requesting $378.7 million in financial and technical assistance awards and the Healthy Food Financing Initiative (HFFI). The CDFI Fund awarded more than $175 million in grants to 177 CDFIs serving distressed communities in 41 states and the District of Columbia, including $23 million for HFFI. This activity shows that the demand for CDFI Fund financing continues to be robust.

As detailed in the CDFI Fund Performance by Budget Activity Table, in FY 2012, CDFI awardees reported originating loans totaling more than $1.3 billion based on their portfolio of activities in FY 2011, exceeding the target. Because this measure was new in FY 2011, the additional year of performance data on the amount of loans or investments has provided better data to benchmark and target program performance in for Fiscal Years 2013 and 2014.

In FY 2012, the CDFI Fund completed its program application-award cycle time in 6.5 months, a full month sooner than the target of 7.5 months. Staff analysis indicates that this was due to a one-time alignment of application and award rounds across different programs’ award cycles, principally attributable to the early staging of the BEA Program round. However, the CDFI Fund does not expect to replicate this performance in FY 2013 because of changes in program application and award calendar cycles to align the CDFI Program...
application with CDFI recertification requirements, and the expected launch of the CDFI Bond Guarantee Program. Thus, the target is 7.5 months in FYs 2013 and 2014.

In FY 2012, the CDFI Fund reported for its All-jobs created and maintained measure a total of 57,023 which exceeded the target largely due to the lagged impact of Recovery Act investments reported in this period. The target for FY 2013 reflects lower requested budget levels and a projected inflation adjustment, as well as the tapering off of Recovery Act investments. The target for FY 2014 reflects the increase in tax credit authority.

In FY 2012, NMTC allocatees reported annual qualified investments of nearly $5.5 billion in low-income communities by CDEs. Of these new investments, more than $2.5 billion went into non-real estate businesses, and more than $2.9 billion went into real estate activities. In addition, CDEs reported $4.5 billion in Qualified Equity Investments, exceeding the annual target of $4.0 billion. The FY 2013 target of $4.5 billion reflects the available tax credit authority for the year. The FY 2014 target increase to $5.0 billion reflects the increased tax credit authority to make additional qualified equity investments.

Performance targets for the proposed Manufacturing Communities Tax Credit Program will be developed based on eligibility criteria for identifying communities affected by mass layoffs at closed manufacturing facilities and base closures. The CDFI Fund will work with the Bureau of Labor Statistics Mass Layoff program, as well as the Office of Economic Adjustment of the Department of Defense to assess available data and indicators for identifying affected communities.

The CDFI Fund contracted with the Urban Institute to perform an evaluation of the NMTC Program, and the final revised report is expected to be released in FY 2013.

In FY 2012, the CDFI Fund awarded a contract for the evaluation of the CDFI Program. The CDFI Program evaluation aims to determine how and to what extent the program’s investments in CDFIs have benefited and contributed to the development of underserved communities in accordance with enabling legislation.