

Community Development Financial Institutions Fund

Program Summary by Budget Activity

Dollars in Thousands

Budget Activity	FY 2017	FY 2018	FY 2019	FY 2018 TO FY 2019	
	Enacted**	Annualized CR	Request	\$ Change	% Change
Community Development Financial Institutions Program	\$161,500	\$160,403	\$0	(\$160,403)	-100.00%
Bank Enterprise Award Program	\$23,000	\$22,844	\$0	(\$22,844)	-100.00%
Native American CDFI Assistance Program	\$15,500	\$15,395	\$0	(\$15,395)	-100.00%
Administration	\$26,000	\$25,823	\$14,000	(\$11,823)	-45.78%
Healthy Food Financing Program	\$22,000	\$21,851	\$0	(\$21,851)	-100.00%
Subtotal, CDFI Fund	\$248,000	\$246,316	\$14,000	(\$232,316)	-94.32%
User Fees *	\$415	\$700	\$1,000	\$300	42.86%
Recovery From Prior Years	\$642	\$3,400	\$2,500	(\$900)	-26.47%
Unobligated Balances Brought Forward	\$28,312	\$32,606	\$5,000	(\$27,606)	-84.67%
Total Program Operating Level	\$29,369	\$36,706	\$8,500	(\$28,206)	-76.84%
Direct FTE	74	77	42	(35)	-45.45%
Total FTE	74	77	42	(35)	-45.45%

* FY 2017 User Fees reflects authorization of the Bond Guarantee Program.

** This column reflects levels appropriated in H.R. 255, the Consolidated Appropriations Act of 2017. For further details on the execution of these resources see the 2019 Budget Appendix chapter for the Department of the Treasury. FY 2017 FTE employment level reflects actuals, and the \$ amount represents 2017 Enacted.

Summary

The FY 2019 Budget requests an appropriation of \$14,000,000 for the Community Development Financial Institutions (CDFI) Fund to maintain the existing portfolio of loans and grants and to administer the Bond Guarantee (BG) and New Markets Tax Credit (NMTC) Programs. The CDFI Fund supports Treasury's strategic goals of Boosting U.S. Economic Growth and Transforming Government-wide Financial Stewardship.

Explanation of Budget Activities

Administration: \$14,000,000 from Direct Appropriations

Administration encompasses the CDFI Fund's operational support and management activities for the BG Program, the NMTC Program, and ongoing certification of and compliance monitoring for all programs including the Bank Enterprise Award (BEA) Program, the CDFI Program, the Native American CDFI

Assistance (NACA) Program, and the Healthy Food Financing Initiative (HFFI).

Legislative Proposals

The Budget requests extension of the CDFI BG Program through December 31, 2019 to allow more time to close complex and time-consuming bond commitments.

The CDFI BG Program injects new capital into our nation's most distressed communities by providing guarantees of bonds issued by Qualified Issuers. CDFIs can gain from the potential scale of the CDFI BG Program, which offers low-cost, long-term credit for the development of commercial real estate, rental housing, senior living, daycare or healthcare centers, charter schools, small businesses, and rural infrastructure, among others. The benefits of the program are realized at no cost to taxpayers, because the program requires no credit subsidy. The Budget proposes the

following legislative changes to the BG Program: (1) reduce the minimum bond issue size from \$100 million to \$50 million; and (2) revise the relending account language to correct a technical drafting error.

The Budget also proposes to eliminate new allocations into the Capital Magnet Fund (CMF) effective in FY 2019. This would eliminate recurrent funding of the CMF through allocations from the Government-Sponsored Enterprises, Fannie Mae and Freddie Mac. The Budget assumes no funds will be provided to the CMF in 2018 in accordance with the Federal Housing Finance Agency's 2014 stated policy that funds will not be transferred if the transfer would cause the GSEs to draw on the Treasury funding commitment under the Preferred Stock Purchase Agreements (PSPAs). The Budget anticipates that such a draw will occur in 2018 as a result of the enactment of tax reform legislation.

Description of Performance

The CDFI Fund awarded \$193 million to 303 organizations, including \$171 million in financial and technical assistance awards and \$22 million for the HFFI awards for the FY 2017 funding round of the CDFI Program. In addition, the CDFI Fund awarded \$15.6 million in grants to 38 Native CDFIs for the FY 2017 funding round of the NACA Program.

CDFI Program awardees reported that more than 81 percent of loans in FY 2017 were originated in distressed communities and to underserved populations. Regulations require CDFIs must originate 60 percent or more of their loans and investments in eligible distressed census tracts or to underserved populations. The threshold is set at 60 percent in recognition of the fact that CDFIs may need to address safety and soundness by maintaining a diversified portfolio. Loans in highly distressed areas may be higher risk and

more costly to underwrite and originate. The trend for FYs 2013 - 2016 indicates that CDFI awardees have been successful in meeting their mission of serving distressed communities and underserved populations while maintaining sound investment portfolio performance.

In FY 2017, 30 prior HFFI awardees reported making 376 HFFI investments totaling \$168.8 million. There were 179 retail investments totaling over \$139 million that developed 2,431,936 square feet of new retail space for projects ranging from small green grocers to large supermarkets that serve low-income, low-access census tracts. In addition, there were 197 non-retail investments totaling over \$29 million in projects involving production and distribution, which developed 1,277,246 square feet of space for eligible healthy food activities.

The award cycle time is the average time from the date when applications are received to the date of award announcement (calculated in months as a weighted average). In FY 2017, the cycle time was 6.3 months, exceeding the target of 7 months.

CDFI, NMTC, and CMF Program awardees and allocation recipients reported 27,433 affordable housing units were developed or produced as a result of CDFI Fund awards in FY 2017. For FY 2018, the target remains 28,000 affordable housing units. The target reflects projected outcomes for program investments from prior-year award recipients' reported eligible affordable housing projects.

The calendar year 2015 and 2016 NMTC investment authority was allocated in November 2016 as a combined round. The NMTC Program awarded \$7 billion in NMTC investment authority to 120 Community Development Entities (CDE) from a pool of 238 applicants. In FY 2017, 77.5 percent of NMTC investments were made in severely

distressed communities, exceeding the target by more than three percentage points. This performance indicates that CDEs continue to meet their commitments in severely distressed communities.