Summary

The FY 2013 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 2013 are $221,000,000 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 2013 budget proposes funding for the CDFI program and Native program, as well as the Healthy Food Financing Initiative (HFFI) and the Bank on USA 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, and...
the Bond Guarantee (BG) Program. The BG Program was established by sections 1134 and 1703 of the Small Business Jobs Act of 2010. The BG 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 supports qualified investments in communities affected by military base closures or mass layoffs, such as those arising from plant closures.

**CDFI FY 2013 Budget Highlights**

<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>
</tbody>
</table>

Changes to Base:
- Maintaining Current Levels (MCLs):
  - Maintaining Current Levels - $269
- Non-Recurring Costs:
  - Census Data Analysis - $(300)
- Efficiency Savings:
  - Office Lease Savings - $(500)
  - Procurement Savings - $(280)
- Subtotal FY 2013 Changes to Base - $(811)

Total FY 2013 Base: 79 $220,189

Program Changes:
- Program Decreases:
  - CDFI Program - $(22,189)
  - Bank Enterprise Award Program - $(18,082)
  - Administration - $(1,107)
- Program Increases:
  - Bank on USA Program - $20,000
  - Healthy Food Financing Initiative - $3,000

Total FY 2013 Request: 79 $221,000

**FY 2013 Budget Adjustments**

**FY 2012 Likely Enacted**
The FY 2012 enacted direct appropriation for CDFI is $221,000,000.

**Maintaining Current Levels (MCLs)**

*Maintaining Current Levels +$269,000 / +0 FTE*

Funds are requested for inflation adjustments (1.7 percent) in non-labor expenses such as GSA rent adjustments, postage, supplies and equipment and health benefits and the increase in Federal Employees Retirement System participation. Funds are also requested for the proposed 2013 pay raise (0.5 percent).

**Efficiency Savings**

*Office Lease Savings -$500,000 / +0 FTE*

This savings results from procuring leased office space for a lower price.

*Procurement Savings -$280,000 / +0 FTE*

The CDFI Fund can achieve procurement savings by reducing non-competitive and high-risk contract actions and by implementing the use of socio-economic programs, such as 8(a) and small business set-asides. Other methods to achieve savings include strategic sourcing, advanced acquisition planning, and GSA discount savings.

**Non-Recurring Costs**

*Census Data Analysis -$300,000 / +0 FTE*

This is a one-time administrative cost savings resulting from the decennial census data analysis requirement. The CDFI Fund will be required to launch a new version of the Community Investment Mapping System (CIMS) when the 2010 decennial census data is released in late 2012.

**Program Decreases**

*CDFI Program -$18,082,000 / +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.

*Bank Enterprise Award Program -$3,000,000 / +0 FTE*

The CDFI Fund proposes to reduce the BEA Program by $3 million in FY 2013. Based on the current fiscal environment and competing CDFI Fund priorities, the CDFI Fund proposes...
to allocate these resources to other programs. The CDFI Fund will continue to evaluate the effectiveness of this program to determine future funding requests.

Administration -$1,107,000 / +0 FTE
The CDFI Fund proposes to reallocate current resources at a reduced cost providing additional internal capacity, particularly to the compliance monitoring area.

Program Increases
Bank on USA Program +$20,000,000 / +0 FTE
Through this program, the CDFI Fund will facilitate access to, and evaluate the effectiveness of, affordable, high-quality financial products, services, and education to unbanked and underbanked individuals, consistent with Section 1204 of the Dodd-Frank Wall Street Reform and Consumer Protection Act.

Healthy Food Financing Initiative +$3,000,000 / +0 FTE
The FY 2013 budget proposes additional funding for the Healthy Food Financing Initiative (HFFI) to continue increasing the availability of affordable, healthy foods in underserved urban and rural communities.

Explanation of Budget Activities
Community Development Financial Institutions Program ($127,953,000 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 New Markets Tax Credit (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 with the terms of their allocation agreements.

In addition, the FY 2013 President’s Budget proposes to reauthorize the NMTC Program through 2013, requesting $7 billion of allocation authority annually. The CDFI Fund is also requesting a statutory change to enable investors to use NMTC as an offset against their Alternative Minimum Tax. Of the $7 billion requested for the NMTC Program in 2013, the CDFI Fund anticipates allocating $250 million to support financing healthy food options in distressed communities as part of HFFI. Within the FY 2013 allocation request, the Budget also proposes to provide a new allocated tax credit, the Manufacturing Communities Tax Credit, which would support qualified investments in communities affected by military base closures or mass layoffs, such as those arising from plant closures. This credit could be structured using the mechanism of the New Markets Tax Credit or an alternative allocated investment credit.
mechanism. The proposal would provide about $2 billion in credits per year for qualified investments approved in 2012, 2013 and 2014.

**Bank Enterprise Award Program ($15,000,000 from direct appropriations)**

Through the Bank Enterprise Award (BEA) Program, the CDFI Fund encourages insured depository institutions to increase investments and services in distressed communities and financial assistance to CDFIs.

**Native American CDFI Assistance Program ($12,000,000 from direct appropriations)**

The Native Initiatives includes two components: (i) the Native American CDFI Assistance (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 ($21,047,000 from direct appropriations)**

Administration encompasses the CDFI Fund’s operational support and management activities for each of the award and tax credit programs 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 BG Program.

**Healthy Food Financing Initiative ($25,000,000 from direct appropriations)**

Through the Administration’s Healthy Food Financing Initiative, the CDFI Fund will build on program achievements in FYs 2011 and 2012, and continue to support and finance healthy food alternatives in low-income communities.

**Bank on USA Program ($20,000,000 from direct appropriations)**

Through the Bank on USA program, the CDFI Fund will work in partnership with Treasury’s Office of Financial Education and Financial Access to award grants to CDFIs and other entities to promote access to and innovations in affordable and appropriate financial services and basic consumer credit products for households without access to such products and services. These households face a number of problems, including high fees for alternative financial services such as check-cashing; barriers to saving and building credit; and increased exposure to risks such as fraud and theft.

**Legislative Proposals**

The CDFI Fund does not recommend any legislative changes for FY 2013.
### CDFI Performance by Budget Activity

<table>
<thead>
<tr>
<th>Budget Activity</th>
<th>Performance Measure</th>
<th>FY 2009 Actual</th>
<th>FY 2010 Actual</th>
<th>FY 2011 Actual</th>
<th>FY 2012 Target</th>
<th>FY 2013 Target</th>
</tr>
</thead>
<tbody>
<tr>
<td>Community Development Financial CDFI - Amount of Institutions Program</td>
<td>Loans/Investments Originated (Annual) (Dollars in Millions)</td>
<td>N/A</td>
<td>N/A</td>
<td>1,228.0</td>
<td>1,188.0</td>
<td>1,156.0</td>
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<tr>
<td>Administration</td>
<td>ALL - Award Cycle Time (Months)</td>
<td>N/A</td>
<td>N/A</td>
<td>7.4</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>N/A</td>
<td>55,274</td>
<td>43,335</td>
<td>43,335</td>
</tr>
<tr>
<td>New Markets Tax Credit Program</td>
<td>Community Development Entities' Annual Investments In Low-Income Communities ($ billions)</td>
<td>3.6</td>
<td>3.1</td>
<td>4.7</td>
<td>4.0</td>
<td>4.0</td>
</tr>
</tbody>
</table>

Key: DISC - Discontinued and B - Baseline

### Description of Performance

In the FY 2011 funding round of the CDFI Program, the CDFI Fund received applications from 407 organizations, requesting $514 million in financial and technical assistance awards and the Healthy Food Financing Initiative (HFFI). The CDFI Fund awarded more than $167.3 million in grants to 167 CDFIs serving distressed communities in 40 states and the District of Columbia, including the full $25 million for HFFI. This activity shows that the demand for CDFI Fund financing continues to be robust.

As detailed in CDFI Fund Performance Budget Activity Table, in FY 2011, CDFI awardees reported originating loans totaling more than $1.2 billion based on their portfolio of activities in FY 2010. Because this measure was new in FY 2011, the data on the amount of loans or investments originated provides baseline information to benchmark and target program performance in the upcoming fiscal year.

In FY 2011, the CDFI Fund set an experimental benchmark target of 7.5 months for its newly developed administrative efficiency measure, *All Award Cycle Time*, which takes the weighted average of the award cycle time from the date when applications are received to the date of award announcement based on the weighted average of the number of awards per program. The CDFI Fund managed to reach this target despite the delays in the appropriation process.

Starting in FY 2011, program-level job creation/maintenance measures were standardized and consolidated into CDFI Fund-wide measures to reflect the outcome of all programs (rather than reporting individual program-level measures). Total jobs are computed as full-time equivalents. In FY 2011, baseline data for the new composite *All-jobs created and maintained* measure totaled 55,274. The targets for FY 2012 and FY 2013 reflect lower requested budget levels and projected inflation adjustment, as well as the tapering off of Recovery Act investments.

In FY 2011, NMTC allocatees reported annual investments of nearly $4.7 billion in low-income communities by CDEs, exceeding the annual target of $3.1 billion, largely due to the continued impact of Recovery Act tax credit authority. Of these new investments, more than $2.2 billion went into non-real estate businesses, and more than $2.3 billion went into real estate activities. Future targets reflect the tapering off of Recovery Act investments and are inflation adjusted.
The CDFI Fund contracted the Urban Institute to perform an evaluation of the NMTC Program which is expected to be released in FY 2012.

In FY 2012, the CDFI Fund is procuring contractor services 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.