

Community Development Financial Institutions Fund

Program Summary by Budget Activity

(Dollars in thousands)

Appropriation	FY 2008	FY 2009		FY 2010		
	Enacted	ARRA	Enacted	Request	\$ Change	% Change
Program Account	\$94,000	\$100,000	\$107,000	\$243,600	\$136,600	127.7%
Community Development Financial Institutions Program	\$52,250	\$90,000	\$59,750	\$113,600	\$53,850	90.1%
New Markets Tax Credit Program	\$4,120	\$67	\$4,200	\$4,203	\$3	0.1%
Bank Enterprise Award Program	\$20,000	\$0	\$22,000	\$22,000	\$0	-
Native Initiatives	\$8,000	\$8,000	\$8,500	\$10,000	\$1,500	17.6%
Capital Magnet Fund	\$0	\$0	\$0	\$80,000	\$80,000	100.0%
Administration	\$9,630	\$1,933	\$10,550	\$13,797	\$3,247	30.8%
Financial Education and Counseling	\$0	\$0	\$2,000	\$0	(\$2,000)	(100.0%)
Total Appropriated Resources	\$94,000	\$100,000	\$107,000	\$243,600	\$136,600	127.7%

/1The CDFI Fund will seek to implement additional reforms to the BEA program to enhance the capacity of CDFI banks, and to strengthen partnerships between small community banks and CDFIs.

/2 The Administration budget activity excludes resources to administer the New Markets Tax Credit program.

Explanation of Request

The FY 2010 request for the Community Development Financial Institutions (CDFI) Fund will ensure the Fund meets its mission of promoting access to capital and local economic growth in urban and rural low-income communities across the nation. Through its various programs, the CDFI Fund enables locally based organizations to further goals such as economic development; affordable housing; and community development financial services.

Total resources required to support CDFI Fund activities for FY 2010 are \$243,600,000 from direct appropriations.

investments work toward building private markets, creating healthy local tax revenues (through job creation, business development, commercial real estate and housing development and homeownership), and empowering residents by stimulating the creation and expansion of diverse community development financial institutions (CDFIs, which provide basic banking services to underserved communities and financial literacy training). The CDFI Fund provides infusions of capital to institutions that serve economically distressed communities and low-income individuals. The CDFI Fund's activities leverage millions of private sector investment dollars from banks, foundations, and other funding sources.

Purpose of Program

The Community Development Financial Institutions (CDFI) Fund expands the availability of credit, investment capital, and financial services in distressed urban and rural communities, and carries out the Community Development Banking and Financial Institutions Act of 1994. The CDFI Fund's

The Capital Magnet Fund (CMF) will be a newly authorized program that will be administered by the CDFI Fund beginning in FY 2010. The purpose of the CMF is to increase capital investment for the development, preservation, rehabilitation, or the purchase of affordable housing for low-, very low-, and extremely low-income families, and related economic development activities.

CDFI FY 2010 Budget Highlights

(Dollars in thousands)

Appropriation	Amount
FY 2009 Enacted	107,000
Changes to Base:	
Maintaining Current Levels (MCLs):	\$250
Across the Board Program Reduction	(69)
Non-Pay Inflation Adjustment	107
Pay Annualization	76
Pay Inflation Adjustment	136
Subtotal FY 2010 Changes to Base	\$250
Total FY 2010 Base	107,250
Program Changes:	
Program Decreases:	(\$2,000)
Financial Counseling Grants program	(2,000)
Program Increases:	\$138,350
CDFI program	53,850
Native Initiatives	1,500
Capital Magnet Fund	80,000
Capital Magnet Fund Implementation	1,300
Research, Evaluation & Performance	850
Transition to Departmental Offices' IT LAN	850
Subtotal FY 2010 Program Changes	\$136,350
Total FY 2010 President's Budget Request	243,600

FY 2010 Budget Adjustments

FY 2009 Enacted

The FY 2009 enacted direct appropriation for CDFI is \$107,000,000.

Maintaining Current Levels (MCLs)

Adjustments Necessary to Maintain

Current Levels +\$250,000 / +0 FTE Funds are requested for: Across the Board Program Reduction of \$69,000; FY 2010 cost of the January 2009 pay increase of \$76,000; proposed January 2010 pay raise of \$136,000; and non-labor related items such as contracts, travel, supplies, equipment and GSA rent adjustments of \$107,000.

Program Decreases

Financial Counseling Grants program - \$2,000,000 / +0 FTE The CDFI Fund will discontinue the financial counseling grants pilot program, begun in FY 2009, and reinvest these resources in its existing financial assistance and technical assistance grants programs.

Program Increases

CDFI program +\$53,850,000 / +0 FTE The FY 2010 budget request seeks to increase

funding to support the increased demand for CDFI Program grants. CDFIs use these grants to increase their overall capacity, and their ability to offer loans, investments and other financial services in underserved communities. Awards are used by CDFIs to, among other things, increase their net assets, create loan loss reserves, and offer subordinated debt products. As a result, CDFIs are able to leverage CDFI Program awards by approximately 15:1.

Native Initiatives +\$1,500,000 / +0 FTE

Through the Native Initiatives, the CDFI Fund assists Native Communities (Native American, Alaskan Native and Native Hawaiian communities) to overcome certain barriers to financial services. The budget requests an additional \$1.5 million, bringing the total program funding to \$10 million.

Capital Magnet Fund +\$80,000,000 / +0 FTE

The Capital Magnet Fund seeks to increase capital investment for the development, preservation, rehabilitation, or purchase of affordable housing, and related economic development activities. The budget requests \$80 million in funding to begin this important program, which will stimulate the economy in the nation's most distressed neighborhoods.

Capital Magnet Fund Implementation

+\$1,300,000 / +6 FTE These resources will enable the CDFI Fund to hire additional grants and program compliance staff with expertise in programs designed to facilitate affordable housing and related investments.

Research, Evaluation & Performance

+\$850,000 / +2 FTE To conduct strategic research to analyze the impact and outcomes of the CDFI Fund's programs, including the effect of changing economic conditions.

Transition to Departmental Offices' IT LAN

+\$850,000 / +2 FTE In FY 2010, the CDFI Fund will transition from its separate

information technology LAN to a shared service provided model, leveraging the Department of Treasury Departmental Offices LAN capabilities. This transition will result in a one time cost estimated at \$1.5 million.

Explanation of Budget Activities

Salaries and Expenses

Community Development Financial Institutions Program (\$113,600,000 from direct appropriations) The Community Development Financial Institutions (CDFI) Program uses federal resources to invest in and build the capacity of CDFIs to serve low-income people 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 development, 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 start-up and existing CDFIs build their capacity to serve their target markets through the acquisition of consulting services, technology purchases, and staff or board training.

New Markets Tax Credit Program (\$4,203,000 from direct appropriations) The NMTC Program attracts private sector capital into low-income communities. Community Development Entities (CDEs) apply to the Fund for allocations of tax credits in annual competitive rounds. The CDEs, in turn, provide tax credits to private investors in low-income communities. In addition to awarding

tax credits, the Fund monitors CDE compliance with the terms of their allocation agreements. The amount requested in this account funds the administrative expenses of the NMTC.

Bank Enterprise Award Program (\$22,000,000 from direct appropriations)

The CDFI Fund instituted program changes in 2009 requiring most awardees to reinvest their award dollars in support of CDFIs or in additional qualifying low-income community activities. In FY 2010, the CDFI Fund will seek to make additional reforms to the BEA Program to enhance the capacity of CDFI banks, and to strengthen partnerships between community banks and CDFIs. The CDFI Fund will work with Congress, the Office of Management and Budget and other stakeholders in the development of proposed reforms, and seek Congressional approval as appropriate.

Native Initiatives (\$10,000,000 from direct appropriations)

The Native Initiatives comprises two components: (i) the Native American CDFI Assistance (NACA) Program through which FA and TA awards are provided to build the capacity of new or existing CDFIs serving Native American Communities (Native American CDFIs), and (ii) complementary capacity-building initiatives that seek to foster the development of Native American CDFIs through training and technical assistance. The CDFI Fund achieves these objectives through two principal strategies: (i) the Native American CDFI Assistance (NACA) Program, which provides financial assistance and technical assistance awards to new or existing Native CDFIs, and (ii) a complementary series of training programs, called Expanding Native Opportunities, that foster the development of new Native CDFIs, strengthen the operational capacity of existing Native CDFIs, and guide

Native CDFIs in the creation of important financial education and asset building programs for their communities.

Capital Magnet Fund (\$80,000,000 from direct appropriations) The Capital Magnet Fund was enacted through the Housing and Economic Recovery Act of 2008. Through the Capital Magnet Fund, the CDFI Fund will carry out a competitive grant program for CDFIs and nonprofit organizations (if their principal purposes is the development or management of affordable housing) to attract private capital for increase investment in (i) develop, preserve, rehabilitate, and purchase affordable housing for primarily extremely low-, very low-, and low-income families; and (ii) undertake economic development activities or community services facilities (such as day care centers, workforce development centers, and health care clinics) which in conjunction with affordable housing activities will implement a concerted strategy to stabilize or revitalize a low-income area or underserved rural area. The Act established the Capital Magnet Fund as a program that will be administered by the CDFI Fund.

Administration (\$13,797,000 from direct appropriations) Administration encompasses the CDFI Fund's operational support and management activities for each of the grant and tax credit programs it administers. This includes finalizing the terms of assistance agreements with awardees, making disbursements, and monitoring awardee compliance with the terms of their three-year award assistance and seven-year allocation agreements.

Legislative Proposals

For purposes of the CDFI Fund's FY 2010 appropriations, the CDFI Fund is requesting a waiver of the statutory cap on award amounts

(12 U.S.C. 4707 (d)) and a waiver of the matching funds requirements (12 U.S.C. 4707 (e)) for the FY 2010 funding rounds, given the current need to stabilize the economy.

Award Cap Waiver

The CDFI Fund proposes waiving the 3-year, \$5 million cap (12 U.S.C. 4707(d)(1)-(2)) for FY 2010. The FY 2010 Budget includes a significant increase in CDFI Program resources, and the CDFI Fund requires the option to use some of the additional resources to fully fund high quality applicants that received awards in previous resources. Due to additional resources made available through the Recovery Act, and the increase of the FY 2010 budget request, the Administration supports waiving the award cap.

Matching Fund Waiver

The second proposal waives the CDFI Programs matching funds provision in 2010, which requires applicants to match awards on a 1:1 basis with private funding. Given current credit market conditions, CDFIs may find it difficult to obtain affordable private credit. Under this proposal, highly qualified CDFIs will be able to apply even if they are struggling to find a private match. Given the market challenges in the credit and equities markets, many CDFIs are encountering a significant contraction of capital support to obtain matching funds.

This contraction in capital support is coming at a time when many CDFIs are seeing an increased demand for their products, as many of the traditional mainstream lenders are reducing their lending activities. The Administration supports waiving the matching funds requirement to enable all CDFIs that are able to serving distressed communities to be eligible to apply regardless of the market conditions that have impacted the ability to obtain matching funds.

CDFI Performance by Budget Activity

Budget Activity	Performance Measure	FY 2006	FY 2007	FY 2008		FY 2009		FY 2010
		Actual	Actual	Actual	Target Met?	ARRA	Target	Target
Bank Enterprise Award	Increase in community development activities over prior year for all BEA program applicants (\$ millions) (Oe)	318	227	232	Yes	NA	202	210
Community Development Financial Institutions Program	Dollars of private and non-CDFI Fund investments that CDFIs are able to leverage because of their CDFI Fund Financial Assistance (\$ millions) (Oe)	1,400	778	621	No	NA	635	725
Community Development Financial Institutions Program	Number of full-time equivalent jobs created or maintained in underserved communities by businesses financed by CDFI program awardees (Oe)	22,329	35,022	29,539	Yes	76,000	44,000	85,000
New Markets Tax Credit Program	Community Development Entities' annual investments in low-income communities (\$ billions) (Oe)	2	2.5	3.3	Yes	NA	2.5	2.5
Native Initiatives	Annual percentage increase in the total assets of Native CDFIs (%) (Oe)	182	19	19	Yes	NA	15	15

Key: Oe - Outcome Measure, E - Efficiency Measure, Ot - Output/Workload Measure, and M - Management/Cust. Satisfaction

Description of Performance

Description of Performance: In FY 2008, the CDFI Fund leveraged \$621 million in private and non-CDFI Program dollars, which was less than the target of \$750 million. The shortfall was due to two reasons: (i) in FY 2008 there was a decrease in the amount of FA disbursements compared to that which was projected; and (ii) the calculated leverage ratio actually increased from \$19:1, to \$21:1. The

leverage ratio will change over time simply because the size and composition of the group of CDFIs that provides leverage information changes every year. Different CDFIs have varying ability to raise equity and borrow against that equity, and will invest in widely different projects.

In FY 2008, the CDFI Fund created or maintained 29,539 full-time equivalent jobs in underserved communities, a slight improvement over its goal of 28,676 jobs.