

## Community Development Financial Institutions Fund

### Program Summary by Budget Activity

(Dollars in thousands)

Appropriation	FY 2009		FY 2010	Request	FY 2011	
	ARRA	Enacted	Enacted		\$ Change	% Change
Community Development Financial Institutions Program	\$90,000	\$59,750	\$107,600	\$140,000	\$32,400	30.3%
Bank Enterprise Award Program	N/A	\$22,000	\$25,000	\$0	(\$25,000)	(100.0%)
Native Initiatives	\$8,000	\$8,500	\$12,000	\$12,000	\$0	0%
Capital Magnet Fund	N/A	N/A	\$80,000	\$0	(\$80,000)	(100.0%)
Administration	\$1,933	\$10,550	\$13,797	\$23,000	\$5,000	27.8%
New Markets Tax Credit Program Administration*	\$67	\$4,200	\$4,203	Inc.		
Financial Education and Counseling	N/A	\$2,000	\$1,000	\$0		
Hawaii Financial Ed and Counseling	N/A	N/A	\$3,150	\$0		
Bank on USA Initiative	N/A	N/A	N/A	\$50,000		
Healthy Food Financing Initiative	N/A	N/A	N/A	\$25,000		
<b>Total Appropriated Resources</b>	<b>\$100,000</b>	<b>\$107,000</b>	<b>\$246,750</b>	<b>\$250,000</b>	<b>\$3,250</b>	<b>1.3%</b>

\*NMTA administration is rolled up into the Administration budget activity for the FY 2011 Budget request

### Explanation of Request

The FY 2011 request for the Community Development Financial Institutions (CDFI Fund) will ensure that the CDFI Fund meets its mission of expanding the capacity of financial institutions to provide credit, capital, and financial services to underserved populations and communities in the United States. Through its various programs and initiatives, the CDFI Fund enables locally based organizations to further goals such as economic development that supports the expansion of affordable housing, small businesses, community facilities, and community development financial services.

Total resources required to support CDFI Fund activities for FY 2011 are \$250,000,000 from direct appropriations.

### Purpose of Program

The 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 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.

The CDFI Fund will implement two new initiatives beginning in FY 2011. The Bank on USA Initiative will promote access to 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. The Healthy Food Financing Initiative will support CDFIs for the purpose of increasing the availability of affordable, healthy foods in underserved urban and rural communities, particularly through the

development or equipping of grocery stores and other healthy food retailers.

### CDFI FY 2011 Budget Highlights

(Dollars in thousands)

Appropriation	Amount
FY 2010 Enacted	246,750
Changes to Base:	
Maintaining Current Levels (MCLs):	\$289
FERS % Change	22
Non-Pay Inflation Adjustment	85
Pay Annualization	54
Pay Inflation Adjustment	128
Efficiencies Savings:	(\$151)
Procurement Savings	(151)
Subtotal FY 2011 Changes to Base	\$138
<b>Total FY 2011 Base</b>	<b>246,888</b>
Program Changes:	
Program Decreases:	(\$109,150)
Bank Enterprise Award Program	(25,000)
Capital Magnet Fund	(80,000)
Financial Education and Counseling	(1,000)
Hawaii Financial Ed and Counseling	(3,150)
Program Increases:	\$112,262
Bank on USA Initiative	50,000
Healthy Food Financing Initiative	25,000
CDFI Program	32,400
Administration	4,862
New Markets Tax Credit Program	Inc.
Subtotal FY 2011 Program Changes	\$3,112
<b>Total FY 2011 Budget Request</b>	<b>250,000</b>

### FY 2011 Budget Adjustments

#### FY 2010 Enacted

The FY 2010 enacted direct appropriation for the CDFI Fund is \$246,750,000.

#### Maintaining Current Levels (MCLs)

##### *Adjustments Necessary to Maintain Current Levels +\$289,000 / +0 FTE*

Funds are requested for: FY 2011 cost of the January 2010 pay increase of \$54,000; proposed January 2011 pay raise of \$128,000; the cost of the increase in the FERS agency contribution percentage of \$22,000, and non-labor related items such as contracts, travel, supplies, equipment and GSA rent adjustments of \$85,000.

#### Efficiencies Savings

##### *Procurement Savings -\$151,000 / +0 FTE*

Achieve procurement savings by reducing non-competitive actions and implementing the use of social-economic programs such as 8(a) and small business set-asides. Other methods used to achieve savings are proper acquisition planning, strategic sourcing (use of agency and government-wide contract vehicles) in order to obtain better pricing for commonly acquired goods and services.

#### Program Decreases

##### *Capital Magnet Fund (CMF) -\$80,000,000 / +0 FTE*

The CDFI Fund is proposing not to fund the CMF in FY 2011. Treasury will undertake a careful review of the impact of FY 2010 funding, and future resource decisions will be informed by this analysis.

##### *Bank Enterprise Award (BEA) Program - \$25,000,000 / +0 FTE*

The CDFI Fund is proposing not to fund the BEA Program in FY 2011. Instead, the Fund will evaluate the enhancements made to the program in FY 2009 and FY 2010 and apply this analysis to future funding and programmatic decisions.

##### *Financial Education and Counseling - \$1,000,000 / +0 FTE*

The CDFI Fund is proposing not to fund the Financial Education and Counseling Pilot Program in FY 2011. The Bank on USA initiative will employ an educational campaign to improve the financial awareness of the underbanked and unbanked.

##### *Hawaii Financial Ed and Counseling - \$3,150,000 / +0 FTE*

The CDFI Fund is proposing not to fund the Hawaii Financial Education and Counseling Program in FY 2011. The Bank on USA initiative will employ an educational campaign

to improve the financial awareness of the underbanked and unbanked.

### **Program Increases**

#### *CDFI Program +\$32,400,000 / +0 FTE*

The FY 2011 budget request seeks to increase funding to support the increased demand for CDFI Program awards. In FY 2010, the CDFI Fund received 408 applications requesting \$467.4 million in assistance, a 97 percent increase from the \$237.7 million requested through the original, pre-Recovery Act application solicitation of the FY 2009 round. CDFIs use these awards to increase their overall capacity, and their ability to offer loans, investments and other financial services in underserved communities.

Through the CDFI Program, the CDFI Fund will continue and expand the Capacity-Building Initiative launched in that will make new, specialized technical assistance and training available to CDFIs nationwide, enabling them to expand their lending activities and to spur economic growth in the communities they serve.

#### *Bank on USA Initiative +\$50,000,000 / +0 FTE*

The Bank on USA Initiative will promote access to 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.

#### *Healthy Food Financing Initiative +\$25,000,000 / +0 FTE*

To support the Healthy Food Financing Initiative for the purpose of increasing the availability of affordable, healthy foods in underserved urban and rural communities,

particularly through the development or equipping of grocery stores and other healthy food retailers.

#### *Administration +\$4,863,000 / +6 FTE*

Resources will be realigned to cover additional administrative support costs for IT enhancements, to analyze the outcomes and impact of the CDFI Fund's programs, and to stand up and administer two high-priority initiatives—the Bank on USA Initiative and the Healthy Food Financing Initiative. The CDFI Fund will set aside funds to cover costs associated with the projected move from its current location, prior to the lease expiration in early 2012, and to retain and re-allocate Recovery Act staff to monitor a growing portfolio of awards.

Additionally, resources will be utilized to administer and oversee a rapidly growing number of NMTC allocations and Community Development Entities (CDEs), in addition to assessing how changing economic conditions have affected the investment environment for NMTCs.

### **Explanation of Budget Activities**

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#### **Salaries and Expenses**

##### *Community Development Financial Institutions Program (\$140,000,000 from direct appropriations)*

The 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 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 start-up and existing 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 (included in Administration appropriations)*

The NMTC Program attracts private sector capital into low-income communities. Community Development Entities apply to the CDFI 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 CDFI Fund monitors CDE compliance with the terms of their allocation agreements. The amount requested in this account funds the administrative expenses of the NMTC Program.

*Native Initiatives (\$12,000,000 from direct appropriations)*

The Native Initiatives comprises 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 seek to foster

the development of Native CDFIs through training and technical assistance. The CDFI Fund achieves these objectives through the NACA Program, which provides financial assistance and technical assistance awards to new or existing Native CDFIs, and a complementary series of training programs called Expanding Native Opportunities. These training programs foster the development of new Native CDFIs, strengthen their operational capacity, and guide them in the creation of important financial education and asset building programs for their communities.

*Administration (\$23,000,000 from direct appropriations)*

Administration encompasses the CDFI Fund's operational support and management activities for each of the award 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. In addition, resources will be utilized for a business application enhancement upgrade, external program research evaluations, and to find adequate office space and take the necessary steps to move the operations of the headquarters of the CDFI Fund in a rapid, seamless, and cost-effective manner.

## CDFI Performance by Budget Activity

Budget Activity	Performance Measure	FY 2007	FY 2008	FY 2009			FY 2010	FY 2011
		Actual	Actual	Target	Actual	Target Met?	Target	Target
CDFI Program	Administrative costs per Financial Assistance (FA) application processed (E)	7,180	7,200	6,920	3,283	Y	DISC	DISC
CDFI Program	Dollars of private and non-CDFI Fund investments that CDFIs are able to leverage because of their CDFI Fund Financial Assistance (\$ millions) (Oe)	778	621	635	1,298	Y	600*	700*
CDFI Program	Number of full-time equivalent jobs created or maintained in underserved communities by businesses financed by CDFI Program Awardees (Oe)	35,022	29,539	30,000	70,260	Y	85,000	85,000
New Markets Tax Credit Program	Community Development Entities' (CDEs) annual investments in low-income communities (\$ billions) (Oe)	2.5	3.3	2.5	3.6	Y	2.5	2.5
Native Initiatives	Administrative costs per number of Native American CDFI Assistance (NACA) applications processed \$(E)	13,510	10,990	9,090	3,162	Y	DISC	DISC
Native Initiatives	Annual percentage increase in the total assets of Native CDFIs (%) (Oe)	19	19	15	23	Y	15	19

Key: Oe - Outcome Measure, E - Efficiency Measure, Ot - Output/Workload Measure, M - Management/Cust. Satisfaction, and DISC - Discontinued \*Note that the matching funds requirement was waived by Congress for FY 2009 and FY 2010 due to the economic crisis. The performance data for FY2010 and 2011 will be based on the prior year activity (2009 and 2010 respectively) and the targets are set at half the level indicated by trends prior to the financial crisis.

## Description of Performance

In FY 2009, CDFIs reported leveraging from private investment in the prior year nearly \$1.3 billion (based on reporting from program year 2008 results), which was more than double the target of \$635 million; this success was largely due to increased program funding which was met by private sector commitments before the full onset of the financial crisis. As a result, CDFIs helped provide funds for projects that created or maintained 70,260 jobs, which exceeded the target of 30,000 jobs.

In FY 2009, the NMTC Program competitively awarded \$6.5 billion in NMTC allocation authority to CDEs, including both Recovery Act rounds, which provided tax credit allocation authority to Community Development Entities (CDEs) for targeted

investments in low-income communities. As reported in FY 2009 (based on reporting from program year 2008 results), cumulative investments in low-income communities by CDEs rose to \$12.5 billion (exceeding the performance target by \$1.1 billion), and an annual increase of \$3.6 billion over the prior year (exceeding the annual target by \$1.1 billion).

In FY 2009, the Native Initiatives, which provides financial assistance, technical assistance, and training to Native CDFIs and other Native entities seeking to become or create Native CDFIs, registered a 23 percent increase in the total assets of Native CDFIs in the program year.