

## Community Development Financial Institutions Fund

### Program Summary by Budget Activity

(Dollars in thousands)

Appropriation	FY 2010 Enacted	FY 2011 Annualized CR Level	FY 2012 Request	Change FY2010 to FY2012 \$ Change	% Change
Community Development Financial Institutions Program	\$107,600	\$107,600	\$125,869	\$18,269	16.98%
Bank Enterprise Award Program	\$25,000	\$25,000	\$0	(\$25,000)	(100.0%)
Native Initiatives	\$12,000	\$12,000	\$12,000	\$0	-
Capital Magnet Fund	\$80,000	\$80,000	\$0	(\$80,000)	(100.0%)
Administration <sup>1, 2</sup>	\$18,000	\$18,000	\$22,965	\$4,965	27.58%
Financial Education and Counseling	\$1,000	\$1,000	\$0	(\$1,000)	(100.0%)
Hawaii Financial Ed and Counseling	\$3,150	\$3,150	\$0	(\$3,150)	(100.0%)
Bank on USA Initiative	\$0	\$0	\$41,425	\$41,425	100.0%
Healthy Food Financing Initiative	\$0	\$0	\$25,000	\$25,000	100.0%
<b>Total Appropriated Resources</b>	<b>\$246,750</b>	<b>\$246,750</b>	<b>\$227,259</b>	<b>(\$19,491)</b>	<b>(7.90%)</b>
Direct FTE	84	84	90	6	7.14%

<sup>1/</sup> NMTC Program Administration is included in the Administration budget activity for the FY 2012 Budget request.

<sup>2/</sup> In addition, \$13.5 million is available for the administration of the Bond Guarantee Program provided in PL 111-240.

### Summary

The FY 2012 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.

Through its various programs and initiatives, the CDFI Fund enables locally based organizations to further goals such as economic development that support the expansion of affordable housing, small businesses, community facilities, and community development financial services.

Total resources required to support CDFI Fund activities for FY 2012 are \$227,259,000 from direct appropriations.

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 provides infusions of capital to institutions that serve economically distressed communities and low-income individuals. 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 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 2012 budget proposes funding for the CDFI Fund's core CDFI and Native programs, as well as the Healthy Food Financing Initiative (HFFI) and the Bank on USA initiative. The Bank on USA initiative promotes access to affordable and appropriate

financial services and basic consumer credit products for the underbanked. These individuals 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 supports 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 2012 Budget Highlights

(Dollars in thousands)

Appropriation	Amount
<b>FY 2010 Enacted</b>	<b>\$246,750</b>
<b>FY 2011 Annualized CR Level</b>	<b>\$246,750</b>
Changes to Base:	
Adjustment to Reach Policy Level:	\$3,144
Adjustment to Reach FY 2011 President's Policy	\$3,144
Maintaining Current Levels (MCLs):	\$201
Maintaining Current Levels	\$201
Efficiencies, Savings & Base Reductions:	(\$1,830)
Office Relocation	(\$1,700)
Procurement Savings	(\$130)
Subtotal FY 2012 Changes to Base	\$1,515
<b>Total FY 2012 Base</b>	<b>\$248,265</b>
Program Changes:	
Program Decreases:	(\$22,706)
Community Development Financial Institutions Program	(\$14,131)
Bank on USA Initiative	(\$8,575)
Program Reinvestment:	\$1,700
Adjustment to Support New Programs	\$1,700
Subtotal FY 2012 Program Changes	(\$21,006)
<b>Total FY 2012 Request</b>	<b>\$227,259</b>

### FY 2012 Budget Adjustments

#### FY 2011 Annualized CR Level

The FY 2011 Annualized CR Level for CDFI is \$246,750,000.

#### Adjustment to Reach Policy Level

*Adjustment to Reach FY 2011 President's Policy +\$3,144,000 / +6 FTE*

Adjustment to Reach FY 2011 President's Policy

#### Maintaining Current Levels (MCLs)

*Maintaining Current Levels +\$201,000 / +0 FTE*

Funds are requested for inflation adjustments in non-labor expenses such as GSA rent adjustments, postage, supplies and equipment and health benefits and the increase in Federal Employee Retirement System participation. No inflation adjustment is requested for pay in FY 2012.

#### Efficiencies, Savings & Base Reductions

*Office Relocation -\$1,700,000 / +0 FTE*

This is a one-time cost in the administrative account which is associated with the CDFI Fund's FY 2011 office relocation.

*Procurement Savings -\$130,000 / +0 FTE*

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

#### Program Decreases

*Community Development Financial*

*Institutions Program -\$14,131,000 / +0 FTE*

The CDFI Fund will reduce the amount and number of Financial Assistance and Technical Assistance awards and the funding level for the capacity building initiative, which complements existing funding for technical assistance and capacity building services to CDFIs.

However, the impact of the reduction in funding is mitigated by additional financial support to CDFIs from other Treasury programs, including the more than \$500 million that has been made available to CDFIs under the Community Development Capital Initiative (CDCI) in FY 2010, and the up to

\$300 million that is authorized under Small Business Lending Fund (SBLF) in FY 2011.

*Bank on USA Initiative -\$8,575,000 / +0 FTE*

The FY 2012 request is reduced because certain one-time fixed costs incurred in FY 2011 will not be incurred in FY 2012 (technical assistance to local Bank on USA programs, research contracts, and start-up and related administrative costs).

**Program Reinvestment**

*Adjustment to Support New Programs*

*+\$1,700,000 / +0 FTE*

The CDFI funds will redirect reinvestment of non-recurring cost from the office relocation to cover the additional administrative support costs resulting from the implementation of two high-priority initiatives; the Bank on USA Initiative and the Healthy Food Financing Initiative.

**Explanation of Budget Activities**

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**Salaries and Expenses**

*Community Development Financial Institutions Program (\$125,869,000 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 (\$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 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.

*Bank Enterprise Award Program (No funding)*

Through the BEA Program, the CDFI Fund encourages insured depository institutions to increase investments and services in distressed communities and financial assistance to CDFIs. The CDFI Fund does not propose to fund the BEA Program in FY 2012.

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

The Native Initiatives comprises two components: (i) the Native American CDFI Assistance Program (NACA Program) through which financial assistance (FA) and technical assistance (TA) 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.

*Capital Magnet Fund (No funding)*

Through the CMF, the CDFI Fund increases capital investment for the development,

preservation, rehabilitation, and purchase of affordable housing for low-, very low-, and extremely low-income families, and related economic development activities. As initially conceived, the CMF was to be capitalized through proceeds from Fannie Mae and Freddie. The CDFI Fund does not propose to fund the CMF in FY 2012.

*Administration (\$22,965,000 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 three-year award assistance and seven-year allocation agreements. In addition, resources will be utilized for a business application enhancement upgrade and external program research evaluations.

*Financial Education and Counseling (No funding)*

Through the FEC Pilot Program, the CDFI Fund makes grants to eligible organizations to provide a range of financial education and counseling services to prospective homebuyers. The CDFI Fund does not propose to fund the FEC Pilot Program in FY 2012.

*Hawaii Financial Ed and Counseling (No funding)*

Through the FEC Pilot Program (Hawaii), the CDFI Fund makes grants to eligible organizations to provide a range of financial education and counseling services to prospective homebuyers in the State of Hawaii. The CDFI Fund does not propose to fund the FEC Pilot Program (Hawaii) in FY 2012.

*Bank on USA Initiative (\$41,425,000 from direct appropriations)*

Through the Bank on USA initiative, the CDFI Fund will work in partnership with Treasury's Office of Financial Education and Access to award grants to CDFIs 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.

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

Through the HFFI, the CDFI Fund will make CDFI Program awards to CDFIs and NMTC Program awards to CDEs that will finance healthy food alternatives in low-income neighborhoods.

## **Legislative Proposals**

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The CDFI Fund does not recommend any legislative changes for FY 2012.

## CDFI Performance by Budget Activity

Budget Activity	Performance Measure	FY 2008 Actual	FY 2009 Actual	FY 2010 Actual	FY 2011 Target	FY 2012 Target
Economic competitiveness	ALL - Award Cycle Time	N/A	N/A	B	7.5	7.5
Economic competitiveness	ALL - Disbursement Cycle Time	N/A	N/A	B	2.0	2.0
Economic competitiveness	ALL - Jobs Created/Maintained	N/A	N/A	N/A	51,312	48,991
Community Development Financial Institutions Program Originated (Annual)	CDFI - Number of Loans/Investments	N/A	N/A	N/A	B	B
Native Initiatives	NACA - Number of Loans/Investments Originated (Annual)	N/A	N/A	N/A	B	B
New Markets Tax Credit Program	Community Development Entities' Annual Investments In Low-Income Communities (\$ billions) (Oe)	3.3	3.6	3.1	3.0	3.0

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

## Description of Performance

In FY 2010, CDFIs reported leveraging private investment in the prior year of approximately \$1.9 billion (based on reporting from program year 2009 results), more than triple the target of \$600 million; this success was largely due to increased CDFI Program funding which was met by private sector commitments despite the effects of the financial crisis.

In FY 2010, the NMTC Program competitively awarded \$5 billion in NMTC allocation authority to CDEs, including the \$1.5 billion in Recovery Act authority, providing tax credit allocation authority to CDEs for targeted investments in low-income communities. As reported in FY 2010 (based on reporting from program year 2009 results), cumulative investments in low-income communities by CDEs rose to \$15.8 billion (exceeding the performance target) and amounted to an annual increase of \$3.1 billion over the prior year (exceeding the annual target by \$600 million).

In FY 2010, the BEA Program received 76 applications requesting a total of \$94 million compared to 58 applications requesting approximately \$57 million in FY 2009. The CDFI Fund selected 69 FDIC-insured institutions to receive nearly \$25 million in awards. FY 2010 applicants were headquartered in 20 states and the District of Columbia. In the FY 2010 funding round (based on the 2009 Assessment Period), awardees provided \$373.9 million in qualified loans or investments in distressed communities, \$53.9 million in qualified loans, deposits and technical assistance to CDFIs, and \$233.3 million in qualified financial services in distressed communities.

In FY 2010, the Native Initiatives registered a 26 percent increase in the total assets of Native CDFIs. In FY 2010, the NACA Program received 61 applications requesting a total of \$23.7 million. The CDFI Fund awarded 45 organizations a total of \$10.3 million for both FA and TA funding in FY 2010.

In its inaugural FY 2010 Capital Magnet Fund (CMF) funding round, the CDFI Fund announced \$80 million in competitively awarded grants to 23 CDFIs and qualified nonprofit housing organizations serving 38 states. The CDFI Fund received a total of 230 applications for the FY 2010 CMF funding round.

In FY 2010, the administration implemented two productivity measures. These measures replaced the old administrative efficiency measure, which was intrinsically difficult to

compute because it required allocating a share of organizational overhead to each program.

The new program-level measure has two components: cycle time from the date when applications are received to the date of award announcement; and time from date of award announcement to date of disbursement. These two program efficiency measures (application-award and award-disbursement cycle times) were analyzed across all programs to formulate a composite, CDFI Fund-wide efficiency measure for each measure was based on the weighted average of the number of awards per program.