



**Community
Development
Financial
Institutions
Fund**

CDFI Certification

**Frequently Asked
Questions (FAQ)**

March 18, 2013

Community Development Financial Institutions Fund

CDFI Certification Frequently Asked Questions (FAQ)

A. General Questions Section

1. Does the “CDFI Certification Application” Word document need to be submitted?

Yes. On page 4 of the CDFI Certification Application Word document, in the seventh bullet in the “Application Completion Steps:” section, Applicants are directed to “Complete the CDFI Certification Application and submit it electronically through the CDFI Certification Signature Page...” By “submit it electronically” we mean for the Applicants to “upload” the document into their CDFI Certification Signature Page. This Word document should have the file name, “CDFI Certification Application.”

2. Having technical Issues with the “Attachment A – Applicant Data” Excel workbook template?

If you find that the copy of the “Attachment A- Applicant Data” Excel workbook template is not functioning properly, please download a new copy from the CDFI Fund website, as we have made a couple of corrections to the template of this document since it was originally posted. For example, users discovered that the DUNS number and EIN fields in the “Basic Information” worksheet would not accept numbers with leading zeros. We corrected the problem and reposted the document within the first week.

If the Excel workbook asks you to enter a password, upon opening the file be sure that you have “enabled macros”. The Excel workbook does not require a password to enter data into the required cells if macros are enabled.

If you find that the Excel workbook requires you to enter a password when you are attempting to change data previously entered into a cell even after you have enabled macros, this is most likely a formatting issue and there are two ways to solve the problem:

- a. Paste the text into the formula bar as opposed to the cell itself; that will copy the text without the formatting, or
- b. Use the Paste/Special by right-clicking the cell and selecting the option to “Match Destination Formatting.”

Also, please review the “Technical Notes of the CDFI Certification Application” on page 5 of the CDFI Certification Application “Supplemental Guidance and Tips” documents. And finally, if you still are encountering technical difficulties, please contact the IT Helpdesk, (ithelpdesk@cdfi.treas.gov; (202) 653-0300).

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3. May I include the financing activities of my subsidiaries and/or affiliates in my CDFI Certification Application?

In most cases the answer is no. In general, the CDFI Fund considers the Applicant entity alone to be the CDFI. This means that CDFIs with subsidiaries should not present consolidated information for themselves and their subsidiaries, but rather they should present just the information for the CDFI itself.

Exceptions: Depository Institution Holding Companies are allowed to rely on the activities of their subsidiary banks for CDFI Certification purposes. Also, an allowance is made for CDFIs with a traditional venture capital structure. For more information see the guidance document “CDFI Certification Guidance – Guidance on the Treatment of General Partners”, which is available on the CDFI Fund website on the CDFI Certification webpage.

However, to be clear, CDFI Certification Applicants may include the Development Services activities of their subsidiaries and affiliates as directed in the Development Services section of the CDFI Certification Application.

4. Some of my attachment files are large, may I still attach/upload them to my CDFI Certification Signature Page?

Yes. Our IT department has indicated that the CDFI Certification Signature Page can accept large attachments. If you encounter technical difficulties uploading documents to you CDFI Certification Signature Page, please contact the IT Helpdesk, (ithelpdesk@cdfi.treas.gov; (202) 653-0300).

5. Is there a character limit for the narrative responses in the CDFI Certification Application Word document?

No. However, please be judicious in balancing complete and thorough responses with clear and succinct responses.

B. Basic Information Questions Section

1. Mailing/Shipping Address and Authorized Representative and Contact information fields in the “Basic Information” worksheet of the “Attachment A – Applicant Data” Excel workbook are grayed-out and will not accept entries – is this a problem?

No. This information is captured in the Applicant’s myCDFI Fund organizational account. The CDFI Certification Applicant should, as a part of the application process, review the information in their myCDFI Fund organizational account to ensure it is up-to-date.

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Moreover, any users with myCDFI Fund user accounts that are attached to an Applicant organizational account should review the information in their myCDFI Fund user accounts to ensure it is up-to-date.

2. Should the Authorized Representative entered in the “Basic Information” worksheet of the “Attachment A – Applicant Data” Excel workbook match the Authorized Representative entered in the CDFI Certification Signature Page?

Yes.

3. Regarding Native CDFI designation: In addition to the two corresponding questions in the “Basic Information” worksheet of the “Attachment A – Applicant Data” Excel workbook, is there anything else required to be designed as a Native CDFI?

No.

C. Legal Entity Questions Section

1. May an Applicant submit an online SS-4 form as its EIN documentation?

Yes. However, if using the online SS-4 form, make sure that it is completed/submitted, and that a printout of the online confirmation of receipt by the IRS is included in the attachment. Online documentation should have the URL displayed at the bottom of the document. A hand-written SS-4 form will not be accepted.

D. Primary Mission Questions Section

1. Do Applicants that are NOT Depository Institution Holding Companies (DIHCs), Affiliates of DIHCs, or Subsidiaries of Insured Depository Institutions need to provide Primary Mission information for their affiliates?

No. Only Depository Institution Holding Companies (DIHCs), Affiliates of DIHCs, and Subsidiaries of Insured Depository Institutions must provide Primary Mission information, which includes the items PM05, PM06, PM07 and PM08 on page 8 of the CDFI Certification Application, and the “Affiliate or Subsidiary” table on the “Primary Mission” worksheet in the “Attachment A – Applicant Data” Excel workbook.

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2. Does a Credit Union Applicant that is using its NCUA Low Income Credit Union (LICU) designation as its evidence of a primary mission of community development still need to complete item PM08 on page 8 of the CDFI Certification Application and the “Product Table” on the “Primary Mission” worksheet in the “Attachment A – Applicant Data” Excel workbook?

Yes.

3. Does an Applicant have to check more than one box “Yes” on the list of board-approved organizational documents that provide evidence of the primary mission of promoting community development of the Applicant on the on the “Primary Mission” worksheet in the “Attachment A – Applicant Data” Excel workbook?

No. While the Applicant may choose to check “Yes” to multiple boxes and provide multiple documents evidencing its primary mission, the Applicant is required to provide only at least one of these documents.

E. Financing Entity Questions Section

1. What period should the Applicant use when completing the information in the “Asset Information Table” in the Financing Entity worksheet in the “Attachment A – Applicant Data” Excel workbook?

Information entered into this table should be from the Applicant’s most current year-to-date financial statements, which should be attached to the application.

2. Do all the entries in the “Asset Information Table” in the Financing Entity worksheet in the “Attachment A – Applicant Data” Excel workbook need to total to 100%?

No. Totals and subtotals will likely not total to 100%, as not all assets are likely to be entered on the table. However, totals and subtotals should not exceed 100%.

3. What period should the Applicant use when completing the information in the “Staff Allocation Table” in the Financing Entity worksheet in the “Attachment A – Applicant Data” Excel workbook?

Information entered into this table should be as of the date of the application submission.

4. Do all the entries in the “Staff Allocation Table” in the Financing Entity worksheet in the “Attachment A – Applicant Data” Excel workbook need to total to 100%?

No. Totals and subtotals may not total to 100%, as all staff FTEs may not be entered on the table. However, totals and subtotals should not exceed 100%.

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5. How are “Major Non-Financing Activities described?”

For more information regarding “Major Non-Financing Activities” please see the TIPs on page 18 of the “Supplemental Guidance and Tips”.

6. May staff that are only partly dedicated to financing activities be included on the “Staff Allocation Table” in the Financing Entity worksheet in the “Attachment A – Applicant Data” Excel workbook?

Yes. However, only count the portion of their time that is dedicated to financing activities. For example, if the Applicant had three full-time staff that spent half of their time underwriting loans, and two half-time staff that spent all their time underwriting loans, together the 5 staff would represent 2.5 FTEs dedicated to financing activities.

7. What are Financing Related Activities?

In general, these are activities, in the sole determination of the CDFI Fund, that are offered to the Applicant’s borrowers/investees in order to enhance the borrowers’/investees’ ability to use the Applicant’s lending or investment products. For example, the provision of certain pre-development grants may qualify as a Financing Related Activity.

8. May the Applicant enter consolidated financial information in the “Asset Information Table” in the Financing Entity worksheet in the “Attachment A – Applicant Data” Excel workbook?

Per the response to question 3 in the General Questions Section above, in most cases the answer is no. In general, the CDFI Fund considers the Applicant entity alone to be the CDFI. This means that CDFIs with subsidiaries should not present consolidated information for themselves and their subsidiaries, but rather they should present just the information for the CDFI itself.

Exceptions: Depository Institution Holding Companies are allowed to rely on the activities of their subsidiary banks for CDFI Certification purposes. Also, an allowance is made for CDFIs with a traditional venture capital structure. For more information see the guidance document “CDFI Certification Guidance – Guidance on the Treatment of General Partners”, which is available on the CDFI Fund website on the CDFI Certification webpage.

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F. Target Market Questions Section

1. Data entered into the Target Market Tables should be for what time periods?

For the table in the “Target Market FYE” worksheet in the “Attachment A – Applicant Data” Excel workbook, the data entered should include only the transactions completed/closed (and Development Services provided) during the Applicant’s most recently completed fiscal year.

For the table in the “Target Market CY” worksheet in the “Attachment A – Applicant Data” Excel workbook, the data entered should include only the transactions completed/closed (and Development Services provided) during the Applicant’s current fiscal year.

The data in these tables is not meant to represent the Applicant’s entire financing portfolio as of the end of these fiscal years.

One exception: For depositories – data entered in the columns for “Deposits/Shares (\$)” and “# of Members (for CUs)” should be point-in-time data as of the end of the respective fiscal years.

2. May a currently certified Applicant expand or change its Target Market when it applies to be recertified?

Yes.

3. May an Applicant use statistical sampling to estimate the data entered into the tables in the “Target Market FYE” and “Target Market CY” worksheets in the “Attachment A – Applicant Data” Excel workbook?

Yes. If utilizing a sampling methodology to estimate values on the Target Market tables, (1) make sure to calculate the sample size using a 95% confidence interval and a 5% margin of error; (2) make sure that the sample taken is a random sample, (3) make sure to provide clear responses in item TM07 (in the CDFI Certification Application on page 11) as to how the Applicant verified the sampled transactions are directed to the Applicant’s identified Target Market(s), and (4) make sure to provide a clear and complete description of the sampling methodology in item TM04 (in the CDFI Certification Application on page 10).

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4. May an Applicant designate its Target Market (or a component of its Target Market) as an Investment Area defined as all the individually qualifying census tracts (contiguous or not) within a specified geography, (for example, a state or county, or a set of states or counties)?

Yes. However, the Applicant should keep in mind that this type of Investment Area does not allow for the inclusion of any individually non-qualifying census tracts, and all other requirements still apply, such as the requirement that the Applicant demonstrate how the Applicant verifies that transactions are directed to the Investment Area and how the Applicant creates accountability to the Investment Area.

Creating the maps in CIMS for this type of Investment Area is usually quite easy, as the Applicant will set the level of the map units to either the state or county level, and select the states or counties in which it is working and save the map. The map then represents an Investment Area consisting of just the individually qualifying census tracts with the geography defined by the states or counties selected in the map. When the Applicant then analyzes its activities to this type of Investment Area, it will count only transactions that are in individually qualifying census tracts, in the specified geography, as transactions directed to its Target Market.

Note: CIMS is designed to accept this type of map at the state unit level, but not at the county unit level. CIMS is programmed to try to validate maps at the county level against the distress criteria and will likely indicate that the map either isn't qualified or isn't contiguous. However, that will necessarily be ignored, as map validation for this type of Investment Area is not relevant. Just be sure to explain that the Applicant is employing this type of Investment Area Target Market in the Applicant's responses to items TM05 and TM07 in the CDFI Certification Application on pages 10 and 11, respectively.

5. May an Applicant still designate OTP Target Markets for Asian-American and Women?

Yes. To make it more clear that these two types of OTPs fall under the category of "OTP – Other", which requires a narrative response to item TM06 (on page 11 of the CDFI Certification Application), they are not listed individually. The only OTP categories listed individually in the application are the six OTP categories which do not require a response to TM06.

While OTP Asian-American and OTP-Women do appear listed individually in the CIMS mapping program, it is only a matter of display, as they still fall under the category of "OTP – Other", as noted in the preceding paragraph.

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G. Accountability Questions Section

1. On the Board Table(s) in the “Board” worksheet in the “Attachment A – Applicant Data” Excel workbook, what date should be entered for the “Date of Board Composition”?

Enter the date the board was composed with its current members. For example, the Applicant’s board may have held its most recent board elections a year ago, on 3/18/12, during which it replaced its 10 board members, and that is the board that is in place at the time of application submission. The board composition date would then be 3/18/12.

This date is significant in establishing that the Applicant had accountability to its Target Markets in place during the fiscal year and prior fiscal year when it was providing its financial products. If the Applicant wished to emphasize the longevity of its accountable/representative board members, it could include information regarding the length of service in the “Describe how represents the TM” columns on the Board Table(s).

2. If the Applicant is a credit union and is demonstrating its accountability to a LITP Target Market through a majority of its membership being of the LITP, what should be entered for the board members on the Board Table (on the “Board” worksheet in the “Attachment A – Applicant Data” Excel workbook) in the “Type of Representative” column in the Low-Income Targeted Population section?

Select the option, “Employees/Board Members of an organization that primarily provides services to low income people in the area served”.

3. Must the Applicant provide narrative responses to “Other Accountability Methods” items AC02, AC03, AC04, (in the CDFI Certification Application, pages 12-13)?

If the Applicant relies on one or more of these “Other Accountability Methods”, it must provide the corresponding narrative response(s). For example, if the Applicant uses focus groups or community meetings, but not Advisory Boards or customer surveys to create accountability to its Target Market, it would need to provide a response to AC03, but not AC02 or AC04.

Moreover, if the Applicant is confident that its governing board provides adequate accountability to its Target Market, and has provided the required information in the Board Table for its governing board, it is not required to complete AC02, AC03 or AC04.

However, if an Applicant is not confident that its governing board provides adequate accountability to its Target Market, it may choose to provide information in AC02, AC03, or AC04 that demonstrates how it uses other mechanisms for creating accountability to supplement the governing board accountability.

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If an Applicant chooses to demonstrate accountability by employing an Advisory Board, it must complete a Board Table for the Advisory Board and provide a narrative response to item AC02. A response to AC02 without a corresponding Board Table is not acceptable.

H. Development Services Questions Section

1. May an Applicant include in the application Development Services activities provided by an unaffiliated third-party?

Yes, but only if the Development Services are provided by an unaffiliated third-party with which the Applicant has an agreement governing the provision of those Development Services activities.

2. What period should the Applicant use when completing the Development Services Table, (in the "Development Services" worksheet in the "Attachment A – Applicant Data" Excel workbook)?

The Applicant should use its most recently completed fiscal year as the basis for the estimates in the 6th, 7th, and 8th columns (from the left hand side) of the Development Services Table. If the Applicant has not yet completed its first full fiscal year, it may use its current year-to-date information as the basis for the estimates.

I. Non-Government Entity Questions Section

1. Does an Applicant which has received awards from the CDFI Fund need to attach copies of its Assistance Agreements with the CDFI Fund in either items NG08 or NG14, (as directed on pages 16-17 of the CDFI Certification Application)?

No.