



**Responses to Frequently Asked Questions:
Additional Information about CDFI Recertification**

On February 4, 2013, the CDFI Fund announced details regarding the recertification of CDFIs whose original or last certification occurred at least three years ago. The following responses address Frequently Asked Questions that the CDFI Fund has received regarding the impact of the recertification process on certified CDFIs, FY 2013 applicants to the Community Development Financial Institutions Program (CDFI Program) and Native American CDFI Assistance Program (NACA Program), as well as on Community Development Entities (CDEs) under the New Markets Tax Credit Program (NMTC Program).

- 1. During the recertification process, will the CDFI Fund notify each applicant of any area(s) of concern and allow a reasonable opportunity for the CDFI to provide clarifying information and/or documentation?**

ANSWER: Yes. The CDFI Fund will, during its recertification application review, make at least one contact to any applicant whose application is deficient of materials needed to make a certification determination and establish a reasonable period of time during which supplementary or clarifying documentation is needed from the applicant to proceed with certification determination. If the certified CDFI fails to supply the needed documentation by the deadline established, the CDFI Fund will proceed with its recertification determination based on the materials in hand.

- 2. If the CDFI Fund determines that a recertification application has a deficiency in one or more criteria required for CDFI certification, will the CDFI be immediately decertified? Or will the CDFI be allowed a period of time to cure the deficiency, without loss of its certification?**

ANSWER: The CDFI Fund, in its sole discretion, may allow a CDFI whose recertification application has a deficiency in one or more criteria for certification the opportunity for a period of time to cure the deficiency without loss of its certification. This cure period will only be granted if the CDFI Fund believes the recertification deficiency can be remedied in the allotted time period.

If the CDFI does not submit the required documentation to cure the deficiency within the cure period, or if the CDFI submits such documentation and the CDFI Fund determines that the documentation fails to demonstrate all qualifications for certification, the CDFI Fund will decertify the CDFI.

The CDFI Fund may determine that certain deficiencies do not warrant a cure period and are cause for immediate decertification. Deficiencies that do not warrant a cure period may include the following, among others: inability to demonstrate legal status at time of application; inability



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to demonstrate primary mission of community development; and evidence of government affiliation or control.

- 3. What is the duration of a cure period in the event that a certified CDFI's recertification application is deficient in one or more criteria for certification and the CDFI Fund exercises the option to allow a cure period for the deficiencies?**

ANSWER: The CDFI Fund, in its sole discretion, may allow a cure period of no more than six months. The CDFI Fund can establish the cure period to be of any lesser duration that it deems appropriate. For the recertification effort underway in FY 2013, the CDFI has determined that a cure period of 90 days will be allowed for CDFIs to remedy deficiencies in recertification applications that the CDFI Fund has determined warrant a cure period.

- 4. If a certified CDFI is an applicant for a Financial Assistance award under the CDFI Program or NACA Program, and the CDFI Fund exercises the option to allow the CDFI a cure period in which to remedy deficiencies in its recertification application for one or more criteria for certification, how does this effect eligibility for a CDFI Program or NACA Program award?**

ANSWER: A certified CDFI that has been offered a cure period in which to remedy deficiencies in its recertification application will not be eligible for a Financial Assistance award under the CDFI Program or NACA Program, per the applicable NOFA. For example, the FY 2013 CDFI/NACA Program states that the CDFI Fund reserves the right to reject an application if information comes to the CDFI Fund's attention that either adversely affects an applicant's eligibility for an award or adversely affects the CDFI Fund's evaluation or scoring of an application; moreover, that if the CDFI Fund determines any portion of an application is incorrect in a material respect, the CDFI Fund reserves the right to reject it.

Since the CDFI Program's regulations require that a Financial Assistance awardee must be certified CDFI, if a recertification application evidences one or more deficiencies, the CDFI Fund's evaluation of the funding application will be adversely affected.

- 5. If a certified CDFI is an applicant for a Financial Assistance award under the CDFI Program or NACA Program, and the CDFI Fund makes a decision to decertify the CDFI during the award application review cycle, what bearing is there on the CDFI's eligibility for a CDFI Program or NACA Program award?**

ANSWER: The CDFI Fund's regulations require that CDFI Program/NACA Program Financial Assistance awardees must be certified CDFIs. A CDFI that is decertified immediately loses its status as a certified CDFI and will not be eligible for a Financial Assistance award in the FY 2013 rounds.



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- 6. If a CDFI is decertified, can it reapply for certification when it has evidence that demonstrates that it meets all criteria for certification?**

ANSWER: Yes. A certified CDFI that is decertified by the CDFI Fund can submit a new application for certification at a subsequent date.

- 7. If a CDFI is in a cure period to remedy deficiencies in a recertification application and has existing, current CDFI Program/NACA Program Financial Assistance awards, what is the effect on those existing awards of the CDFI being in the recertification cure period?**

ANSWER: There is no effect on existing, current CDFI/NACA Program Financial Assistance awards for the duration of the cure period. The CDFI's certification remains intact during the cure period.

However, if the CDFI fails to demonstrate by submission of additional documentation before the end of the cure period that it meets all criteria for certification, the CDFI will be decertified and immediately lose its status as a certified CDFI. See Question 8 below regarding the implications of decertification for a CDFI with current CDFI Program /NACA Program Financial Assistance awards.

- 8. If a CDFI is decertified at any time (including, but not limited to, at the end of a cure period for deficiencies in a recertification application) and the CDFI has existing, current CDFI Program/NACA Program Financial Assistance awards from the CDFI Fund, what is the effect on those existing awards?**

ANSWER: A CDFI that is decertified immediately loses its status as a certified CDFI. The Assistance Agreement for CDFI Program/NACA Program Financial Assistance awards stipulates that maintaining CDFI certification is a requirement of the award and that the CDFI Fund may find the CDFI to be in default for failure to do so. In such event, the CDFI Fund would follow the normal course of action for any finding of default as specified in the Assistance Agreement, including the opportunity for remedies to the default if allowed by the CDFI Fund in its sole discretion, as well as the potential for the CDFI Fund to exercise any or all sanctions prescribed by the Assistance Agreement.



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- 9. Some CDFIs are also Community Development Entities (CDEs), enabling them to participate in the CDFI Fund's NMTC Program. In many cases, the entity's CDE certification was conferred by the CDFI Fund as a result of its CDFI certification, based on the entity's status as a certified CDFI, given that the requirements for CDE certification are a subset of the requirements for CDFI certification. If a CDFI is decertified and it is also a CDE for which its certification was conferred as a result of a prior CDFI certification, is the entity automatically decertified as a CDE?**

ANSWER: Not necessarily. There are seven criteria for CDFI certification, a subset of which (legal entity, primary mission, and Board accountability to the market being served) are common to CDE certification. If an organization loses its CDFI certification because it has failed to demonstrate that it meets any of the criteria for CDFI certification that are not required for CDE certification, there is no impact on the entity's CDE certification.

However, if a CDFI is decertified for failure to demonstrate that it meets the criteria of legal entity, primary mission, and/or accountability, and upon the determination by CDFI Fund staff that the failure to demonstrate these CDFI certification criteria affects the entity's ability to meet corresponding criteria required for its CDE certification, the CDFI Fund will notify the CDE and allow it a period of 60 days to submit a new application for CDE certification.

Unless and until the CDFI Fund has made a final determination of the CDE's continued compliance with CDE certification requirements under the NMTC Program, the CDE certification remains in full force and effect. Under these circumstances, the entity will be decertified as a CDE only if: (1) it fails to submit a new application for CDE certification within the 60-day time period prescribed by the CDFI Fund; or (2) the new application for CDE certification is determined by the CDFI Fund not to demonstrate that the entity meets the criteria for CDE certification.