



**RCAC**  
www.rcac.org

May10, 2012

Ruth Jaure  
Manager, CDFI Program  
CDFI Fund  
601 13<sup>th</sup> Street, Suite 200  
Washington DC 20005

Dear Ms. Jaure:

Thank you for the opportunity to comment on the application process for the Community Development Financial Institutions (CDFI) Fund Program as published in the Federal Register on March 19<sup>th</sup>, 2012. Rural Community Assistance Corporation (RCAC) has been a certified CDFI since 1996 and has participated in every CDFI Program application round.

In response to the specific questions, we offer the following:

- (1) Is targeting CDFI Program award funds into highly distressed communities an appropriate use of CDFI Program Funds?

We agree in principle with the idea of prioritizing funding based on need. However, in the FY 2012 round, the Distressed Communities Index bonus points based on Census tracts presented problems for regional or national CDFIs, particularly those in the west. Western counties are very large, and for those of us serving rural counties, selecting a few Census tracts is impractical. Further requiring that we fund loans in all census tracts selected is not feasible. We recommend allowing partial points for targeting poverty communities.

- (2) Are there ways that the fillable PDF application form can be improved that would ease applicant paperwork burden?

We found the FY 12 application fillable PDF application form to be cumbersome and impractical to use compared to the previous version. The tables were particularly difficult compared to the Excel versions used previously. First of all, we did not know which tables applied to us until we completed the first section, which we usually do as a last step in the process. Second, we were unable to cut and paste into the tables and had to manually retype table information that we had prepared in Excel. Manual processes create opportunities for error and are time-consuming. Our suggestion is to return to the previous version of the forms with Excel.

- (3) Should detailed Matching Funds documentation be collected later in the application review process and, if so, what would be a reasonable amount of time to expect an applicant to provide such documentation?

We recommend that Matching Funds documentation be collected after an award is made. 30 days should be sufficient and reasonable time. We also recommend that applicants clearly be given the opportunity to substitute loan match for grant match in the event projected matching grants are not awarded or grant for loan match in the event unanticipated matching grants are awarded. In other words, let awardees take the most favorable grant and loan terms according to match in hand post award but prior to execution of the grant agreement.

- (4) Does the application ask the appropriate questions to determine the applicant's financial health and viability?

We recommend that an organizations audited financial statements be used as to determine financial health and viability. In general, CDFI fund should follow GAAP definitions. If a CDFI is too small to have audited financials, GAAP definitions and principals could be the basis for comparison across all CDFI's consistently. We recommend that the CDFI Fund assemble a working group of CFOs from CDFIs to review and discuss this section of the application.

A few examples:

On the revenue side, CDFI Fund treats "temporarily restricted awards" as non-operating revenue, excluding it from "Earned Revenue". We conservatively treat grants as temporarily restricted and agree that CDFI Fund FA awards for lending capital should be considered non-operating revenue. However, we do receive awards from Banks and Foundations which pay for our technical assistance work. These awards ought to be treated as earned income rather than contributed income or non-operating income.

CDFI Fund excludes certain expenses from operating expenses. For example, pass-through grants, and taxes, licenses and fees are excluded from operating expenses. From our vantage point, they should be included as these are part of our operating expenses. Our grantees perform work that we would otherwise have done. The related expense is operating expense.

Thank you again for the opportunity to comment and please do not hesitate to contact me for further information.

Sincerely,



Michael D. Carroll  
Loan Fund Director