



NATIONAL  
ASSOCIATION FOR  
LATINO  
COMMUNITY  
ASSET  
BUILDERS

# *CDFI Application Insights Series*

## Navigating the CDFI Certification Process

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This presentation reflects the opinions of NALCAB and is not endorsed by the CDFI Fund. Visit [cdfifund.gov](https://cdfifund.gov) for CDFI Program information.

# Our Mission

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NALCAB strengthens the economy by advancing economic mobility in Latino communities.

# Our Strategy

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NALCAB works to foster racial and economic equity by strengthening the ability of our member network to deploy capital where it's needed most, and by influencing funders and policy makers with research, advocacy and technical advice.



# Who We Are

# How We Support our Members

## The 4 Cs of NALCAB:

### CAPITAL



- Lending & Loan Guarantees for NALCAB members
- Grants & RFP Opportunities
- NALCAB Impact Investing (Catalyst Fund, Acceso Fund)
- Connecting members to outside grant opportunities & application guidance (federal, corporate and private philanthropy)

### CAPACITY



- Individual TA to member organizations
- Cohorts (subgrantees, by technical area)
- Leadership development (Pete Garcia Fellowship, LEAD program)
- Workshops and webinars
- Troubleshooting with members
- Federal work

### COLLECTIVE VOICE



- Local, State & Federal advocacy, support on key issues
- Advisory services to govt agencies (SBA, Treasury, HUD)
- Testimony before national panels, commissions & hearings
- Sign on letters, Joint "Calls to Action"
- Work in coalitions
- Providing feedback on proposed and existing legislation

### COMUNIDAD



- Bringing our members together; peer-to-peer connections
- Inter-network mentorship
- National Conference & convenings
- NALCE (National Alliance of Latino CDFI Executives)
- Pete Garcia Fellowship
- LEAD program (Latino Executive Advancement & Development)



# Navigating the CDFI Fund Certification Process

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PRESENTED BY:



WITH SUPPORT FROM:



## Today's Agenda



- CDFI Certification –7 Requirements & Significant Changes
- The New Certification Process
- Ongoing Reporting Requirements
- Q&A



**What is your organization's current CDFI Certification status?**

- Currently certified
- Previously certified but lost certification
- Have never been certified



# Certification Application Deadlines



Currently Certified –  
General Reapplication

Submit Aug 1 – Dec 20, 2024

Lose certification if you don't apply by  
Dec 20



Currently Certified –  
Early Reapplication

Must have already requested

Submit May 31 - July 31, 2024

Can reapply in general period if denied



Uncertified (Emerging)

Open now

Rolling deadline

<https://www.cdfifund.gov/news/553>

# 7 CDFI Certification Eligibility Requirements & Significant Changes

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Be a **Legal Entity**

Have a **Primary Mission** of promoting community development

Be a **Financing Entity**

Serve one or more qualified **Target Markets**

Provide **Development Services** in conjunction with financing

Establish **Accountability** to its target market

Be a **Non-Govt Entity** (excluding tribal govts)



# LEGAL ENTITY

## Legal Entity – Req'ts

1. Not a department or division or committee
  2. Duly organized under laws of state of jurisdiction
- **NO CHANGES**

## Legal Entity – Meeting Req'ts

- Provide IRS documentation of EIN
- Attached bylaws / op agreement / etc
- Register with sam.gov
- Provide Unique Entity Identifier

# PRIMARY MISSION - REQUIREMENTS

## Primary Mission – Req'ts

1. Activities “purposely directed towards improving social conditions of underserved people and/or residents of economically disadvantaged communities”
2. Must have reasonable community development strategy
3. Must engage in responsible financing practices

## Primary Mission – Meeting Req'ts

- Board approved community dev mission in place for at least 6 months prior to app (spin-off exception)
- Board approved strategic plan or written narrative
- Attest to engaging in responsible financing practices

# PRIMARY MISSION – INELIGIBLE PRODUCTS & PRACTICES

## Primary Mission – Ineligible financing products & practices

- Consumer & small biz loans with APR > 36% or state limits\*
- Borrower income/assets are not verified
- Selling charged off consumer or small biz debt to debt buyers
- 1<sup>st</sup> Lien Residential Mortgages:
  - Terms > 30 yrs
  - Balloon pmts
  - Interest-only pmts
  - Negative amortization
  - ARM less than full amount for first 5 yrs
  - Points & fees >3%

**NOTE:** Highlighted items can be offered if CDFI Fund approves written explanation IN ADVANCE of applying for certification

# FINANCING ENTITY - REQUIREMENTS

## Financing Entity – Req'ts

1. Predominant business activity is the provision of on-balance sheet, arms-length transactions, of Financial Products and/or Financial Services

➤ Insured depository institutions automatically meet this req't

## Financing Entity – Meeting Req'ts

- Must be lending > 1 full fiscal year (spin-off exception)
- Predominance of assets for financing
- Can use unconsolidated financials
- Predominance of staff time for financing (can exclude development service time)
- > 3 months of lending capital

➤ Can create a spin-off affiliate (on non-affiliate) if unable to meet FE test

# FINANCING ENTITY – ASSET TEST

## Eligible On-Balance Sheet Assets

- Loans & int/fees receivable
- Lending capital (cash, A/R)
- Cash/AR for operating or staffing directly related to financing
- Prepaid expenses
- Portion of real estate and equipment dedicated to financing\*

**GREEN** = 100% dedicated to financing

**YELLOW HIGHLIGHT** = possible partially dedicated to financing

XYZ CDFI  
CONSOLIDATED STATEMENT OF FINANCIAL POSITION  
DECEMBER 31, 2021

ASSETS	2021
<b>CURRENT ASSETS</b>	
Cash and cash equivalents	\$ 800,704
Cash with donor restrictions	465,128
Receivables	
Accounts receivable	30,423
Grants receivable	67,963
Loans Receivable	
Loans receivable - current portion (Note 4)	85,407
Accrued interest on loans receivable	1,399
fees receivable	38
Prepaid expenses	12,793
Total current assets	1,463,855
Property and equipment (Note 5)	3,635,723
<b>OTHER ASSETS</b>	
Loans receivable (Note 4)	318,414
Less current portion (Note 4)	(85,407)
Less allowance for loan loss (Note 4)	(45,542)
Total other assets	187,465
Total Assets	\$ 5,287,043

# FINANCING ENTITY – ASSET TEST ELIGIBILITY

## Allowable Products

- Loans and LOC
- Loan guarantees
- Equity investments
- Loans purchased from CDFIs
- Loans purchase from non-CDFIs to TM
- Forgivable loans (at least 1 pmt w/in 12 months of closing)
- Credit cards

## Activities NOT Considered to Support Financial Products

- Real estate development
- Property management
- Financing for affiliated individuals / entities
- Non-eligible Financial Products
- Loan originating, servicing or packaging for financing originated by other entities
- Grant making
- Development services
- Other non-financing activities

## Allowable Exclusion of Certain Non-Financing Related Assets\*

- Large endowments
- Real property owned by CDFI where a % supports CDFI work
- Real property that was donated and the CDFI intends to sell it
- Real estate to be sold or transferred to non-affiliated third parties to support real estate financing activity
- Others w/ CDFI Fund pre-approval

\* with written justification

# FINANCING ENTITY – STAFF TIME TEST

<u>Position*</u>	<u>FTE</u>	<u>% Lending</u>	<u>% Qualified DS</u>	<u>Housing Development</u>	<u>Admin / Other</u>	<u>Lending FTE</u>	<u>Qualified DS</u>	<u>Housing Development</u>	<u>Admin / Other</u>
President & CEO	1.0	30	25	10	35	0.30	0.25	0.10	0.35
Director of Programming	1.0	50	35	10	5	0.50	0.35	0.10	0.05
Director of Business Development	1.0	30	20	5	45	0.30	0.20	0.05	0.45
Housing Dev Manager	1.0	0	0	100	0	0.00	0.00	1.00	0.00
Marketing Coordinator	1.0	50	40	0	10	0.50	0.40	0.00	0.10
Office Coordinator	1.0	40	30	10	20	0.40	0.30	0.10	0.20
Location #1 Outreach Coordinator	1.0	45	45	5	5	0.45	0.45	0.05	0.05
Location #2 Outreach Coordinator	1.0	50	45	0	5	0.50	0.45	0.00	0.05
Front Desk Specialist	0.5	30	30	10	30	0.15	0.15	0.05	0.15
Senior Business Advisor	1.0	20	60	10	10	0.20	0.60	0.10	0.10
Director of Lending	1.0	90	5	0	5	0.90	0.05	0.00	0.05
Loan Officer	1.0	100	0	0	0	1.00	0.00	0.00	0.00
Business Advisor	0.5	5	90	5	0	0.03	0.45	0.03	0.00
Business Advisor	1.0	5	90	5	0	0.05	0.90	0.05	0.00
Business Advisor	<u>0.5</u>	<u>0</u>	<u>95</u>	<u>0</u>	<u>5</u>	<u>0.00</u>	<u>0.48</u>	<u>0.00</u>	<u>0.03</u>
<b>Totals:</b>	<b>13.5</b>	<b>39.1%</b>	<b>37.2%</b>	<b>12.0%</b>	<b>11.7%</b>	<b>5.28</b>	<b>5.03</b>	<b>1.63</b>	<b>1.58</b>
<i>*Include staff and contract consultants</i>									



## Requirements

1. Must serve one or more eligible Target Markets (TM)
2. > 60% of # and \$ of loans must be directed to TM
  - New CDFIs – most recently completed year
  - **Certified CDFIs – can use 3-year avg**

## Eligible TMs

1. Investment Areas (IA)
    - Pre-qualified census tracts
    - **Customized area**
  2. Low-income targeted pop (LITP)
  3. Other Targeted Pops (OTP)
    - African-American, Hispanic, Native American, Native Hawaiian, Alaska Native, **Other Pacific Islanders, Filipino, Vietnamese, Person w/ Disabilities, Certified CDFIs**
- *No geographic boundaries for pre-qualified IA, LITP, and OTP*

## TARGET MARKET - REQUIREMENTS



# TARGET MARKET

## Target Market – Pre-Approved Assessment Methodologies

### IAs

- Borrower address
- FIPS

### LITP

- Documented income, family size & location
- Pre-Approved Proxy
- Self-Reported

### OTP

- Self-reported
- Other forms that vary

### Record Keeping:

- Policy describing processes used
- Keep records for 5 yrs

## DEVELOPMENT SERVICES aka



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### Development Services – Req'ts

- Must provide at least ONE Development Service to support financing
- “A formal, structured, stand-alone training, counseling, or TA service that promotes access to and/or success of an entity’s Financial Products”

### Development Services – Meeting Req'ts

- Supports loan products
- Offered in-house or through partner
- Regularly offered at least once per year

### Development Services – What Doesn't Count

- Youth services (except for financial literacy provided by regulated CDFIs)
- TA not related to prepare customer for CDFI loan (i.e, workforce dev)
- Loan packaging for other lenders
- Unstructured conversations with clients

# ACCOUNTABILITY - REQUIREMENTS

## Requirements

- Must establish and maintain accountability to your TM through Governing Board (GB) and/or Advisory Board (AB)

## Meeting Req'ts

- Must have representation from all TMs
- GB ( $\geq 33\%$  accountable)
- OR Combo GB (20%) & AB(60%)
- Don't count: family members to staff; staff members of the CDFI or its Affiliate
- Can count: BOD members with loans; compensated BOD members

# ACCOUNTABILITY – Specific to TM Req'ts

## Investment Area (IA)

- Live or own a small biz in IA or own a biz that primarily serves IA
- Staff member of a mission driven org that primarily provides serves IA
- Elected official primarily representing residents of a qualified census tract

## Low Income Targeted Population (LITP)

- Status as a Low-Income individual
- Status as a staff member of a mission-driven org that primarily provides services to LI people

## Other Targeted Population (OTP)

- Member of the OTP
- Executive staff member of a certified CDFI (OTP-CDFI only)
- Staff member of a mission-driven org that primarily provides services to OTP (OTP Persons w/ Disability only)
- Family member of a person w/ disability (OTP Persons w/ Disability only)

# NON-GOVERNMENT ENTITY

## Non-Government Entity – Req'ts


- Must demonstrate applicant is not controlled by any government
- Tribal gov'ts excluded

## Non-Government Entity – Meeting Req'ts

- Answer questions around board members
- Gov't entity have veto power over selecting the ED/CEO?
- Gov't entity provide more than 50% of funding?
- Employees or Board members also gov't employees?

# Should I Create a Spin-Off? Questions to Consider

Do your organizing documents allow you to meet certification requirements (non-gov't entity, etc)?



Does your mission align with becoming a CDFI?



Can you pretty easily meet the asset test now?



Can you pretty easily meet the staff allocation test now?



Can you continue to meet the asset and staff test in the future given your org's growth plans?



# CREATING A SPIN-OFF

## Considerations

- Can be fully, partially or not controlled by original entity)
- Can have overlapping boards
- Does not have to have employees
- MOU with parent company (if Affiliate)
- Parent entity cannot be a CDFI
- Original entity has acceptable primary mission in place for at least 6 months
- CDFIs parent company or Affiliate must meet CD mission and responsible financing req'ts

## To Meet FE Requirements in Lieu of Lending for One Full Year

- Have received a transferred Financial Product from original entity
- Offer at least one of the transferred Financial Products (e.g., DPA loan, microbiz loan, etc.)
- Demonstrate that at least one of the transferred Financial Products was available from the original entity for at least 12 months
- Spin-Off must originate at least one loan with its own capital
- Spin-Off must have made at least one loan in the fiscal year prior to the app

# The Certification Process

## Org Assessment

- Review eligibility criteria
- Determine best time to apply
- Attend monthly certification calls
- SAM.gov, grants.gov, AMIS

## Pre-Application

- Complete BOD and TM in org profile in AMIS
- Complete map in AMIS (if applicable)
- Complete Affiliates record (if applicable)
- Complete TLR
- Open app, submit requests for exceptions to loan products & DS (if needed)

## Prepare & Submit Final App

- Complete app info and upload attachments
- Probably no chance to follow-up
- Rolling deadline
- 90-days for review (maybe)

# CDFI Certification Reporting Requirements

## Transaction Level Report (TLR)

Orgs w/ active FA, RRP, ERP awards must completed full TLR

Orgs w/out active awards complete abbreviated TLR



## Annual Certification Report (ACR)

Due 180 days after FYE

TLR required as part of ACR

## CDFI CONTACT INFORMATION

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Have questions/concerns about CDFI Certification?

### OCPE Helpdesk

Email: [OCPECert@cdfi.treas.gov](mailto:OCPECert@cdfi.treas.gov)

Phone: (202) 653-0423

### IT Helpdesk

Email: [ithelpdesk@cdfi.treas.gov](mailto:ithelpdesk@cdfi.treas.gov)

Phone: (202) 653-0300

### CDFI Certification Conference Call Schedule

- Thursday, February 15, 2024 – 3:00pm – 4:00pm ET
- Thursday, March 21, 2024 – 3:00pm – 4:00pm ET
- Thursday, April 18, 2024 – 3:00pm – 4:00pm ET
- Thursday, May 16, 2024 - 3:00pm – 4:00pm ET
- Thursday, June 20, 2024 – 3:00pm – 4:00pm ET
- Thursday, July 18, 2024 – 3:00pm – 4:00pm ET
- Thursday, August 15, 2024 – 3:00pm – 4:00pm ET
- Thursday, September 19, 2024 – 3:00pm – 4:00pm ET
- Thursday, October 17, 2024 – 3:00 pm – 4:00 pm ET
- Thursday, November 21, 2024 – 3:00 pm – 4:00 pm ET
- Thursday, December 19, 2024 – 3:00 pm – 4:00 pm ET

# CDFI Certification – Resources

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Any questions or comments?



# Thank You!



Lisa Wagner  
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*Save  
the  
Date!*



*Our Voice, Our Strength.  
La Fuerza de Nuestra Voz.*

**NALCAB**

NATIONAL CONFERENCE

**SEPT 4-6, 2024  
WASHINGTON DC**



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