

**Coalition of Community Development Financial Institutions
Policy Memo**

**The CDFI Fund's Fiscal Year 2006 Awards for the
CDFI Program (Financial Assistance and Technical Assistance)**

October 3, 2006

The Community Development Financial Institutions (CDFI) Fund's CDFI Program makes equity, loan and deposit investments, as well as capital and technical assistance grants to new and existing CDFIs. The CDFI Fund requires its awardees to have demonstrated successes in serving distressed communities. Financial Assistance (FA) awards support the ability of CDFIs to offer a range of financial products including economic development and affordable housing financing, consumer loans and financial services. As a condition of the Financial Assistance program, CDFIs must match the Fund's award at least one-to-one with non-Federal dollars. Technical Assistance (TA) awards support capacity building activities such as technology upgrades, staff and board training, consulting services or operating expenses.

The CDFI Fund's 2006 Financial Assistance (FA) Program

In FY 2006 under the FA program, the CDFI Fund made \$24,468,468 in awards to 52 different organizations. The 52 FA award recipients were selected from 127 applicants to the program and are located in 24 different states and the District of Columbia.

CDFI Fund Financial Assistance* Program								
	Date Notice of Funds Availability (NOFA) Opened	Amount Allocated for FA by Fiscal Year	Amount Available (in millions)	Amount Requested (in millions)	Number of Organizations Applying	Date Awards Announced	Amount Awarded (in millions)	Number of Awardees
Round 1	10/19/1995	1996	\$31.00	\$300.00	268	8/10/1996	\$37.25	32
Round 2	4/4/1997	1997	\$32.50	\$193.00	162	9/1997	\$38.30	48
Round 3	3/20/1998	1998	\$40.00	\$169.30	131	9/28/1998	\$53.44	42
Round 4	10/26/1998	1999	\$50.00	\$184.00	153	10/6/1999	\$71.40	78
Round 5	11/1/1999	2000	\$50.00	\$264.20	160	10/3/2000	\$72.20	75
Round 6	8/14/2000	2001	\$50.00	\$215.50	153	9/20/2001	\$53.10	59
Round 7	9/24/2001	2002	\$36.90	\$199.15	136	8/5/2002	\$41.60	51
Round 8	2/4/2003	2003	\$30.00	\$106.60	131	10/14/2003	\$22.96	34
Round 9	2/26/2004	2004	\$45.00	\$124.78	138	9/30/2004	\$46.66	68
Round 10	11/10/2004	2005	\$22.00		140	9/16/2005	\$32.85	48
Round 11	12/01/05	2006	\$25.00	\$146.7	127	8/25/06	\$24.47	52
TOTALS							\$494.22	587**

* In FY 2003, the CDFI Fund renamed its capital grant program the Financial Assistance program. Up until FY 2003, this program had been called the Core program.

** Some CDFIs received a Financial Assistance award in more than one year. 334 different organizations have received Financial Assistance awards since the inception of the program.

The CDFI Fund's 2006 Technical Assistance Program

CDFI Fund Technical Assistance Program			
	FY 2006	FY 2005	FY 2004 & 2003
Total Amount Allocated	\$2,000,000	\$2,000,000	\$14,500,000
Total Number of Awards	21	41	117
Total Amount Awarded (in dollars)	\$1,905,409	\$2,052,420	\$5,147,116
Average Award (in dollars)	\$90,734	\$50,059	\$43,992

In FY 2006, the CDFI Fund made \$1,905,409 in awards to 21 organizations. The 21 TA award recipients were selected from 53 applicants to the program and are located in 12 different states.

Changes in the Fiscal Year 2006 CDFI (Financial Assistance and Technical Assistance) Funding Round

There were two significant changes in the Fiscal Year 2006 FA funding round that were apparent to applicants from the Notice of Funds Availability and the application itself. Priority was given to applicants planning to serve areas in the Gulf Coast damaged by the 2005 hurricanes. Applicants from this region that had sustained physical damage to their operations were also offered a later deadline for submitting their applications.

A second change introduced in the FY 06 funding round was the requirement to submit the application through the www.grants.gov website.

Another change that was not publicized in the Notice of Funds Availability was a decision the Fund made to cap the maximum amount awarded to any one FA award recipient at \$585,000.

1. Priority Given to Applicants Serving Gulf Coast Areas Damaged by the 2005 Hurricanes

After Hurricane Katrina hit the Gulf Coast in the summer of 2005, the CDFI Fund moved quickly to extend special consideration to FA applicants planning to serve the disaster areas. In the Notice of Funds Availability published December 1, 2005 the Fund relaxed the reporting requirements and provisions regarding undisbursed balances for applicants from a “major disaster area” as designated by the Federal Emergency Management Agency (FEMA). CDFIs located in a “major disaster area” could also apply for a “severe constraints exception” to the requirement to raise matching private sector funds on a 1 to 1 basis. In addition, the Fund offered a deadline extension to applicants located in a major disaster area whose offices or operations had sustained direct damage as a result of the storms.

The Fund’s efforts were successful in that a higher percentage of CDFIs serving the Louisiana and Mississippi Gulf Coast region received awards in 2006 than in previous funding rounds. Overall about 11% of the monies awarded in 2006 under the Financial Assistance program went to five organizations located in or primarily serving the Gulf Coast region. Of these organizations two out of the five were first time awardees for any Fund program.

Financial Assistance Awards to CDFIs Targeting Gulf Coast Areas			
	FY 2006	FY 2005	FY 2004
Number of Awards to CDFIs targeting LA and MS Gulf Coast region	5	1	2
Amount of Money Awarded to CDFIs targeting LA and MS Gulf Coast region	\$2,637,107	\$1,398,750	\$1,230,000
Percentage of Awards going to LA and MS Gulf Coast region	10%	2%	3%
Percentage of Over all Money Awarded going to LA and MS Gulf Coast region	11%	3%	3%

In addition, three out of the twenty-one Technical Assistance Awards or 14% went to organizations serving the Gulf Coast region of Louisiana and Mississippi. These three awards for a total of \$300,000 represented about 11% of the total amount awarded under the TA program in 2006.

2. WWW.GRANTS.GOV

The 2006 funding round of the CDFI program was the first where applicants were required to submit their applications through a government-wide web portal, www.grants.gov. The federal government created this “one-stop shop” for applicants to government programs with the goal of

simplifying and centralizing information about all grant programs conducted by the federal government. For CDFI program applicants, this meant that an organization must first register with the grants.gov website before completing and submitting a funding application to the CDFI Fund. This one time grants.gov registration process could take several days which led some applicants to miss, or nearly miss the final deadline. The CDFI Fund published a “Frequently Asked Questions” document and conducted other outreach efforts to educate potential applicants about the new process. Most applicants submitted their materials without a problem but a few applicants reported experiencing difficulties.

It is possible that the logistics of the new submission process contributed to the slight drop in the number of applicants to the 2006 program as compared to previous years.

3. Maximum Financial Assistance Award in 2006 Capped at \$585,000

Over 60% of the awardees this year received an award of \$585,000. Many of these CDFIs had requested larger amounts in their application but the Fund made a decision to limit the size of any individual FA award to \$585,000. The Fund imposed this cap to increase the number of organizations receiving a FA award and to assure that the awardees in 2006 represented greater geographic diversity.

Average Size of Financial Assistance Award			
	FY 2006	FY 2005	FY 2004
Number of Awards above \$585,000	0	23	30
Number of \$585,000 Awards	33	0	0
Number of Awards lower than \$585,000	19	25	37
Average Award Amount	\$470,385	\$684,000	\$690,000

The average size of an FA award in FY 2006 dropped precipitously to \$470,385 as a result of this new cap. This contrasts notably with previous practice at the Fund. The average award for the past three years was about \$685,000. The average award size of all rounds prior to FY 2003 was \$975,000. Therefore, this year’s average FA award was less than half the size of the average award in the earlier years of the program.

The Fund’s decision to cap the size of any individual award was not apparent to applicants or potential applicants to the 2006 program.¹ It will be worth monitoring whether an award cap will result in fewer applications in the future from CDFIs that have accessed much larger FA awards in previous rounds. For example, will an organization that has previously been awarded multiple awards in the \$1 to \$2 million range still find it worthwhile to compete for awards of much smaller size?

¹ The 2007 Notice of Funds Availability for the CDFI program does not mention an award cap. However the CDFI Fund is unlikely to have more money to award under the 2007 CDFI program than in 2006. Therefore, it is probable that the Fund will deal with this limited budget by again imposing a cap on the size of any individual award.

The CDFI Fund achieved its goal of maintaining geographic diversity in the 2006 FA program. In 2006, awardees were headquartered in 24 different states and the District of Columbia.

Geographic Diversity of Financial Assistance Awards			
	FY 2006	FY 2005	FY 2004
Number of States (and the District of Columbia) where FA Awardees were Headquartered	25	27	31

Interestingly, the average size of a technical assistance award moved in the opposite direction from that of the Financial Assistance program. In 2006, the CDFI Fund made the fewest number of TA awards in its history, but the average size of a TA award in 2006 was \$90,734 -- almost twice the level of the average size award in the previous two award rounds.

Trends that Continued in 2006

Small and Emerging CDFIs Benefited from Award Dollars Dedicated to this Category of Applicant.

In FY 2006, the CDFI Fund conducted a Small and Emerging CDFI Assistance (SECA) component (Category I) within the Financial Assistance Program with \$2 million dedicated to applicants fitting the Small and Emerging CDFI Criteria. SECA eligibility requires CDFIs to be below a certain asset size or to have begun operations within the last five years and to have received not more than \$500,000 in FA awards previously.

With the introduction of a specific sum of money for SECA applicants in the FY 2005 Financial Assistance Program, the percentage of awards and dollars going to this subset of applicants increased modestly compared to previous years. The awards to SECA applicants in FY 2006 followed a similar pattern.

Small and Emerging CDFI Assistance Awards						
	2006		2005		2004	
	Number/ Dollars	Percentage of Total Awards	Number/ Dollars	Percentage of Total Awards	Number/ Dollars	Percentage of Total Awards
Awards	12	23%	16	33.33%	20	29.41%
Award Dollars	\$2,578,528	10.54%	\$3,917,990	11.93%	\$3,683,483	7.89%

Loan Funds Continued to Receive a Large Percentage of Financial Assistance and Technical Assistance Awards As Compared to other Types of CDFIs.

Over 60% of the CDFIs certified by the CDFI Fund are loan funds. Predictably, loan funds have secured more awards as a group than other CDFI sectors. This historic pattern continued in FY 2006.

Institutions Funded through the Financial Assistance Program (in numbers)

Type of Institution	FY 2006	Percentage of Awards	FY 2005	Percentage of Awards	FY 2004	Percentage of Awards
Community Development Bank	1	2%	4	8.33%	4	5.88%
Credit Union	7	13.5%	6	12.5%	6	8.82%
Intermediary	1	2%	2	4.17%	5	7.35%
Loan Fund	36	69%	31	64.58%	36	52.94%
Micro Loan Fund	7	13.5%	3	6.25%	17	25.00%
Venture Capital Fund	0	0	2	4.17%	0	0.00%
Total	52	100%	38	100.00%	68	100.00%

Institutions Funded (in millions of dollars)

Type of Institution	FY 2006	Percentage of Awards	FY 2005	Percentage of Awards	FY 2004	Percentage of Awards
Community Development Bank	\$.59	2%	\$4.32	13.14%	\$5.20	11.14%
Credit Union	\$2.98	12%	\$3.96	12.05%	\$3.37	7.22%
Intermediary	\$.59	2%	\$1.43	4.34%	\$4.29	9.19%
Loan Fund	\$17.00	70%	\$20.97	63.83%	\$26.67	57.16%
Micro Loan Fund ²	\$3.4	14%	\$1.02	3.11%	\$7.13	15.28%
Venture Capital Fund	0	0	\$1.16	3.52%	\$0.00	0.00%
Total	\$24.46	100.00%	\$32.85	100.00%	\$46.66	100.00%

² Some CDFIs engage in microlending as one product among many they offer. For example, community development credit unions or a traditional loan fund might offer microloans to some of their borrowers. In this chart, the CDFI Coalition has made a judgment about whether to characterize an organization as a microloan fund or a traditional loan fund. This may result in slightly inflated or deflated estimates for the level of microlending supported by CDFI Fund awards.

Previous Fund Awardees Have High Success Rates in Competing for Financial Assistance Awards

CDFI Program Awardees Prior Success in Receiving Financial Assistance Awards						
	FY 2006		FY 2005		FY 2004	
	Number of Awardees	%	Number of Awardees	%	Number of Awardees	%
No prior award	8	15%	9	19%	11	16%
Received Prior Award	44	85%	39	81%	56	84%
Received FA Award Previously	16	31%	12	25%	44	28%
Received TA Award Previously	10	19%	9	19%	39	18%
Received Both FA and TA Awards Previously	18	35%	17	35%	27	38%

The majority of successful Financial Assistance Award recipients have competed successfully for CDFI program awards in the past. This pattern has been remarkably consistent in recent years.

CDFIs that have never previously accessed a CDFI fund program are more successful in competing for a Technical Assistance Award. In 2006, more than half of the organizations receiving TA awards (twelve out of twenty-one 2006 awardees) had never received an award from the CDFI Fund before this year.

Conclusion

Demand for the CDFI program is very strong within the CDFI industry with a large pool of highly qualified applicants seeking to participate each year. In 2006, the CDFI Fund made roughly the same number of awards as in recent years. The awardees in 2006, as in previous years, serve a diverse geographic area.

In FY 2006 the CDFI Fund had very limited grant dollars to award under the CDFI program. Given this limited budget, the Fund made two significant policy changes from previous funding rounds. The Fund chose to prioritize applicants who would serve areas devastated by the 2005 hurricanes and they chose to limit the amount of any individual Financial Assistance award to \$585,000.