

Coalition of Community Development Financial Institutions Policy Memo

The CDFI Fund's Fiscal Year 2005 Awards for the Technical Assistance Program

November 1, 2005

Comparing the FY 2005 Technical Assistance Funding Round to Past Years¹

In Fiscal Year (FY) 2005, the Community Development Financial Institutions (CDFI) Fund allocated \$2.0 million to the Technical Assistance (TA) Program and awarded \$2.1 million, which was the lowest ever allocated or awarded by the program. The lowest amount awarded for the TA program coincides with historically low appropriations levels for the CDFI Fund in FY 2005 and does not necessarily reflect a change in priorities at the agency. Historically, the least ever awarded under the TA program prior to FY 2005 was \$3.0 million in the first round of the program, FY 1998.

The CDFI Fund introduced a limited number of changes to its Technical Assistance (TA) program in the FY 2005 round. The FY 2005 funding cycle spanned one fiscal year instead of two fiscal years (FY 2003 and FY 2004) and a rolling application and consideration process was replaced with a fixed deadline.

1. All money allocated to the TA Program in FY 2005 was awarded.

Historical Demand for Technical Assistance Awards							
	Number of Applicants	Number of Awards	Percentage Applicants Receiving Awards	Average Award	Amount Requested (Total-millions)	Amount Available (Total-millions)	Amount Awarded (Total-millions)
1998	112	70	62.5%	\$42,860	\$7.70	\$5.00	\$3.0
1999	160	89	55.63%	\$46,070	\$8.0	\$5.00	\$4.10
2000	144	66	45.83%	\$46,970	\$7.70	\$4.50	\$3.10
2001*	196	79*	40.31%	\$114,345	\$28.8	\$10.00	\$8.60
2002	123	61	49.59%	\$113,110	\$18.0	\$5.60	\$6.90
2003-2004		117		\$44,703		\$14.50	\$5.15
2005	82	41	50.00%	\$50,059		\$2.00	\$2.05

* The figures for 2001 and 2002 are figures from the Small and Emerging CDFI Assistance (SECA) programs. Some awards included both Financial Assistance and Technical Assistance, but all awards included some Technical Assistance. The amount awarded in 2001 included \$2 million for contracts.

¹ Note: The data included in this policy memo are taken from publicly available information on the CDFI Fund website, www.cdfifund.gov. Unfortunately, there are occasionally inconsistencies with the data that the CDFI Fund reports on its awardees. Where these inconsistencies exist is noted in the text of this analysis

In FY 2005, slightly more than half of the applicants to the TA program were successful—a rate consistent with previous years.

The CDFI Fund’s Technical Assistance Award program is highly valued by the CDFI industry. The availability of small technical assistance grants to build an organization’s capacity has always been very popular and useful to individual CDFIs across the country. Interest in the program, as evidenced by the number of applications submitted, has been consistently strong over the years.

TA Award Summary Comparison – Last Two Rounds		
	FY 2005	FY 2004 & 2003
Total Allocated	\$2,000,000	\$14,500,000
Total Number of Awards	41	117
Total \$ Amount Awarded	\$2,052,420	\$5,147,116
Average Award (in dollars)	\$50,059	\$43,992
Number of Awards > \$50,000	10	16

Following the FY 2003-2004 funding round, the CDFI Fund eliminated from the 2005 funding round explicit preference for applicants that in past years received \$250,000 or less from any CDFI Fund program. The FY 2003 Notice of Funds Availability (NOFA) for the TA program stated that “the Fund does not expect” to make TA grants to entities which have previously received over \$250,000 in TA and Financial Assistance (FA) from the Fund. For the FY 2003-2004 funding cycle, this initially eliminated 247 CDFIs (about one third of the certified CDFIS) from the pool of organizations that could apply for TA awards. While the Fund relaxed this condition mid-way through the process and released a Frequently Asked Questions document signaling the change, the impact of the original language in the NOFA may have deterred some potential TA applicants. In the NOFA for the FY 2005 funding cycle, the Fund omitted any similar provision.

The CDFI Fund also planned appropriately for the uncertainty regarding the future availability of CDFI Fund grant programs. Given the President’s FY 2006 budget proposal to eliminate the CDFI Fund grant programs, the CDFI Fund placed a high priority on awarding all available grant dollars during the FY 2005 funding cycle. The final application deadline for the TA program was extended until March 7, 2005 which may have also contributed to the Fund’s ability to award all available award dollars.

2. The Fund eliminated the rolling application deadline in FY 2005 because it did not provide for more timely consideration of applications or reduce the burden on CDFI Fund staff of reviewing a great number of applications at one time.

The CDFI Fund reverted to a single set deadline for the FY 2005 funding round. The rolling application deadline was instituted for the FY 2003-2004 funding round in an attempt to make TA awards timelier in relation to organization need and to reduce the workload CDFI Fund staff experienced at previous application deadlines. Over the course of the FY 2003-2004 funding round, three different sets of awards were announced. A total of 117 awards were made over the

two year cycle. The first award announcement included 8 awards (October 7, 2003); the second included 21 (July 23, 2004); and the third included 88 (September 30, 2004). The significant number of awards made at the end of the funding cycle indicates that the CDFI Fund's objectives were not met in switching to a rolling application deadline. Accordingly, the CDFI Fund reverted to a fixed deadline for the FY 2005 funding cycle.

Award Timing – FY 2003-2004 Round		
	Awards	Percent
First Announcement – October 7, 2003	8	6.84%
Second Announcement – July 23, 2004	21	17.95%
Third Announcement – September 30, 2004	88	75.21%
Total	*117	100.00%

* One organization, the Human/Economic Appalachian Development Corporation received two awards during this funding cycle: one in 2003 and a second in 2004. Three organizations, Arcata Economic Development Corporation, Community Fund of North Miami Dade, Inc., and National Community Investment Fund, each received two awards in the third announcement. A total of 113 different organizations received awards during the TA FY 2003-2004 funding cycle.

3. Loan Funds dominated the successful awardee pool over the course of the last three funding rounds.

Technical Assistance Awards Distribution by CDFI Sector						
Sector Type	2005		2003-2004		2002	
	Awards	Percent	Awards	Percent	Awards	Percent
Loan Funds	18	43.90%	70	59.83%	35	57.38%
Microloan Funds	9	21.95%	16	13.68%	5	8.20%
Credit Unions	9	21.95%	20	17.09%	15	24.59%
Community Development Banks	3	7.32%	7	5.98%	1	1.64%
Venture Funds	1	2.44%	2	1.71%	4	6.56%
Intermediaries	1	2.44%	2	1.71%	1	1.64%

Technical Assistance Awards Distribution by CDFI Sector (in dollars)						
Sector Type	2005		2003-2004		2002	
	Awards	Percent	Awards	Percent	Awards	Percent
Loan Funds	830,109	40.45%	2,908,449	56.51%	4,448,680	64.48%
Microloan Funds	436,260	21.26%	667,127	12.96%	445,300	6.45%
Credit Unions	481,153	23.44%	825,275	16.03%	1,147,240	16.63%
Community Development Banks	180,095	8.77%	595,340	11.57%	50,000	0.72%
Venture Funds	49,803	2.43%	55,925	1.09%	639,965	9.28%
Intermediaries	75,000	3.65%	95,000	1.85%	168,200	2.44%

NOTE: The figures for 2001 and 2002 are figures from the Small and Emerging CDFI Assistance (SECA). Some awards included both Financial Assistance and Technical Assistance, but all awards included some Technical Assistance.

In the FY 2005 round of funding, loan funds continued to dominate in number and total dollar amount of awards, but the share of the awards and dollar amount to loan funds declined. Microloan funds, credit unions, and community development banks showed an increase in the

share of the total number and amount of TA awards while there was a slight drop in the number of venture funds receiving awards.

4. FY 2005 Technical Assistance Awards went to a diverse group of CDFIs, demonstrating the value of the program to small and emerging CDFIs as well as more established organizations. Awards in FY 2005 supported a wide range of capacity building activities.

Characteristics of the FY 2005 Technical Assistance Awardees		
	<i>Number/ Dollar Amount</i>	<i>Percentage Total</i>
Number of First Time Awardees	23	56.10%
Total Award Dollars to First Time Awardees	\$1,117,318	54.44%
Average Award to First Time Awardees	\$48,579	
Number of Previous Awardees	18	43.90%
Total Award Dollars to Previous Awardees	\$935,102	45.56%
Average Award to Previous Awardees	\$51,950	
Number of Previous Awardees >\$250,000	14	31.82%
Number of Certified CDFIs	28	68.29%
Number of Non-Certified Awardees	13	31.71%
Number of Organizations Receiving Awards Totaling > \$50,000	10	24.39%

First Time Awardee Highlights

More than half of the funds awarded in FY 2005 went to organizations that had never before received an award of any kind from the CDFI Fund. More than a quarter of all CDFIs receiving assistance in this round were non-certified CDFIs.

First time awardee, North Hawaii Community Federal Credit Union (NHCFCU), a certified CDFI, founded in 1955 was awarded \$42,884 to design, develop, and deliver a financial literacy program geared towards educating former prisoners, functional illiterates, and the mentally challenged. The TA award will allow NHCFCU to create DVDs of the program, staff salary costs associated with the development of the program, and consultant services to advise on design and cultural appropriate issues. Another first time awardee, Washington Area Housing Trust Fund (WAHTF), a certified CDFI established in 2002, was awarded \$46,100. WAHTF provides housing loans at below market rates for affordable housing developers in the Washington, D.C. metropolitan area. The TA award will allow WAHTF to obtain consulting services to develop a strategic plan and purchase computer technology.

Characteristics of FY 2005 Technical Assistance Awardees that had received Previous Technical or Financial Assistance Awards						
	2005		2003-2004		2002	
	Awards	Percent	Awards	Percent	Awards	Percent
Received TA Award in Preceding Round	3	7.32%	6	5.31%	3	4.92%
Received Prior Round TA Award	13	31.71%	25	22.12%	13	21.31%
Received Prior Round FA Award	14	34.15%	34	30.09%	2	3.28%
Received a TA and FA Award in Previous Funding Rounds	10	24.39%	13	11.50%	1	1.64%
Received a TA Award Each of Last Two Years	0	0.00%	14	12.39%	8	13.11%

Previous Awardee Highlights

The Fund did not discourage TA applications from prior CDFI Fund awardees of more than \$250,000, as the Fund did in the previous funding round (FY 2003-2004). The Fund ended up making awards to 14 such organizations in FY 2005 for a total of \$744,442.

Natural Capital Investment Fund (NCIF), a certified CDFI, established in 2001 is a venture capital firm in Sheperdstown, West Virginia. NCIF was awarded \$49,803 to update its strategic plan, conduct a market study, design an impact measurement system, acquire software, pay for staff training in credit analysis and staff time attributed to upgrading computer systems. PPEP Microbusiness and Housing Development Corporation, a certified CDFI established in 1977, provides microloans and training to underserved individuals in rural Arizona. PPEP was awarded \$70,000 to establish the necessary infrastructure for the creation of the Southern Arizona Microbusiness New Markets Incubator Center. The newly created Center will provide a micro-business development center, a cooperative for members, a computer lab, a retail storefront showcase, and a self-contained shipping, receiving, and warehousing operation.

Community Development Impact

Because the collection, measurement, and analysis of community development impact data are critically important for successful CDFI management, in the FY 2005 TA round, the Fund actively encouraged TA Applications for uses of funds that would help Applicants effectively collect performance data and monitor the community impact of their activities. In the FY 2005 round, the Fund made 23 awards to such applicants.

Conclusion

Since its inception, the CDFI Fund has experimented with the design of the Technical Assistance program. At times, applicants could submit a combined request for technical and small amounts of financial assistance as in 2001 and 2002 (also known as SECA, which is now part of the FA Component). In other years, the Fund has introduced particular restrictions or emphasized different priorities in the TA program. Dealing with a limited pool of available dollars in FY 2005, the Fund conducted a straight forward application process for its TA program that allowed it to make 44 awards to CDFIs that will use these grants for a wide range of valuable capacity building activities.