
DEPARTMENT OF THE TREASURY**CFDA 21.020 COMMUNITY DEVELOPMENT FINANCIAL INSTITUTIONS PROGRAM****I. PROGRAM OBJECTIVES**

The Community Development Financial Institutions (CDFI) Program is administered by the Community Development Financial Institutions Fund (CDFI Fund), a wholly owned government corporation within the Department of the Treasury. The CDFI Program is designed to facilitate the creation of a national network of financial institutions dedicated to community development by providing financial and technical assistance to CDFIs. Assistance under the CDFI Program is intended to enhance the ability of CDFIs to make loans and investments and provide services to distressed communities and individuals who have been unable to take full advantage of the financial services industry (12 CFR sections 1805.100 and 1805.101).

II. PROGRAM PROCEDURES

The CDFI Program provides CDFIs with: (1) financial assistance in the form of grants, loans, equity investments, deposits and credit union shares; and/or (2) technical assistance in the form of grants. Financial and technical assistance are provided through a competitive nationwide evaluation and selection process. After selection, each CDFI Program award recipient will enter into an assistance agreement, which will include performance goals and other terms and conditions.

In order to be eligible to apply for assistance, entities must meet or propose to meet specific CDFI eligibility criteria (12 CFR sections 1805.200 and 1805.201(b)). CDFIs include, among others, entities such as community development banks, community development credit unions, depository institution holding companies, non-profit loan funds, micro-enterprise loan funds and community development venture capital funds.

Source of Governing Requirements

The CDFI Program is authorized by the Community Development Banking and Financial Institutions Act of 1994 (Pub. L. No. 103-325, 12 USC 4701, *et seq.*). The CDFI Program implementing regulations are codified at 12 CFR part 1805 and can be found on the Internet at <http://www.treas.gov/cdfi>.

III. COMPLIANCE REQUIREMENTS

In developing the audit procedures to test compliance with the requirements for a Federal program, the auditor should first look to Part 2, Matrix of Compliance Requirements, to identify which of the 14 types of compliance requirements described in Part 3 are applicable and then look to Parts 3 and 4 for the details of the requirements.

A. Activities Allowed or Unallowed

1. *Financial Assistance* - The CDFI Fund may provide financial assistance intended to strengthen the capital position and enhance the ability of a CDFI Program award recipient to provide financial products and financial services. However, the CDFI Fund does not require CDFI Program award recipients to account for the actual costs incurred using financial assistance amounts (12 CFR sections 1805.300 and 1805.301).
2. *Technical Assistance* - The CDFI Fund may provide technical assistance grants to build the capacity of a CDFI or an entity that proposes to become a CDFI. Such technical assistance may include training for management and other personnel; development of programs, products, and services; improving financial management and internal operations; enhancing a CDFI's community impact; or other activities deemed appropriate by the CDFI Fund. The CDFI Fund will prescribe the specific authorized uses of such technical assistance amounts for each CDFI award recipient in a schedule to the assistance agreement. Such schedules also may be supplemented by letter agreements (12 CFR section 1805.303).
3. *Community Partnerships* - Assistance provided upon approval of an application involving a community partnership shall only be distributed to the CDFI Program award recipient and shall not be used to fund any activities carried out by a community partner or an affiliate of a community partner (12 CFR section 1805.302(c)).

B. Allowable Costs/Cost Principles

The provisions of OMB Circular A-122 apply to non-profit CDFI award recipients, but only for costs associated with technical assistance amounts, because the CDFI Fund does not require CDFI Program award recipients to account for actual costs incurred using financial assistance amounts.

The assistance agreement will set forth the specific types (e.g., general purpose equipment, professional services, training and travel costs associated with such training, etc.) of direct costs that each CDFI Program award recipient may incur using technical assistance amounts. The CDFI Program award recipients have generally requested such types of direct costs in their applications for technical assistance.

E. Eligibility

1. **Eligibility for Individuals** - Not Applicable
2. **Eligibility for Groups of Individuals or Area of Service Delivery** - Not Applicable

3. Eligibility for Subrecipients

A CDFI Program award recipient may not distribute assistance to an affiliate without the consent of the CDFI Fund (12 CFR section 1805.302(b)).

G. Matching, Level of Effort, Earmarking

1. Matching

- a. *Financial Assistance* - Each CDFI Program award recipient must match financial assistance provided by the CDFI Fund under the CDFI Program with an amount that is at least comparable in: (1) form to the type of financial assistance provided by the CDFI Fund; and (2) value, on a dollar-for-dollar basis, to the financial assistance provided by the CDFI Fund. Such match must come from sources other than the Federal Government, and must consist of non-Federal Government funds. For example, funds provided to a CDFI pursuant to the Housing and Community Development Act of 1974 are generally considered to be Federal Government funds, and may not be used to meet the match requirements. Funds used to satisfy a legal requirement for obtaining funds under a Federal grant or award program may not be used as a match for financial assistance under the CDFI Program. The applicable time frame for raising the match is set forth in the Notice of Funds Availability (NOFA) published in the *Federal Register* for each funding round. The most recent NOFAs can be retrieved from the Internet at <http://www.treas.gov/cdfi> (12 CFR sections 1805.500 through 1805.504).

The amount of financial assistance disbursed by the CDFI Fund to a CDFI Program award recipient will not exceed the amount of match that the CDFI has in hand. As a result, the CDFI Fund may make multiple disbursements of financial assistance as the CDFI Program award recipient receives the requisite match funds.

- b. *Technical Assistance* - There is no match requirement for technical assistance amounts under the CDFI Program (12 CFR section 1805.303(d)).

2. Level of Effort - Not Applicable

3. Earmarking - Not Applicable

L. Reporting

1. Financial Reporting

- a. SF-269, *Financial Status Report* - Applicable to Technical Assistance

- b. SF-270, *Request for Advance or Reimbursement* - Not Applicable
- c. SF-271, *Outlay Report and Request for Reimbursement for Construction Program* - Not Applicable
- d. SF-272, *Federal Cash Transactions Report* - Not Applicable

2. Performance Reporting - Not Applicable

3. Special Reporting

- a. *Semi-Annual Report (OMB No. 1559-0006)* - This report is due from each CDFI award recipient within 60 days after the end of each semi-annual period, or within some other period as may be agreed to in the assistance agreement (12 CFR section 1805.803(e)(2)).

Key Line Items - The following line items contain critical information.

- 1. Item 1 - Quantitative information relating to financial and managerial soundness covenants, except that the auditor is not expected to test the analysis of factors contributing to any failure (if applicable) to meet any financial soundness covenants.
- b. *Annual Report (OMB No. 1559-0006)* - This report is due from each CDFI award recipient within 60 days after the end of the CDFI award recipient's fiscal year, or by such alternative deadline as may be agreed to in the assistance agreement (12 CFR section 1805.803(e)(3)).

Key Line Items - The following line items contain critical information.

- 1. Item 1 - Quantitative information relating to Performance Goals.

IV. OTHER INFORMATION

As described under "II. Program Procedures," the CDFI program provides (1) financial assistance and (2) technical assistance grants. Financial assistance in the form of grants, loans, equity investments, deposits, and credit union shares is considered Federal awards expended for determining whether the audit threshold is met and determining Type A programs upon receipt of the funds by the non-Federal entity. Technical assistance grants are considered Federal awards expended for determining whether the audit threshold is met and determining Type A programs when the expenditure/expense transactions associated with the grant occur.