

**National Credit Union Administration
Office of Small Credit Union Initiatives
Community Development Revolving Loan Fund
General Guidelines
2008 Technical Assistance Grants
For Credit Unions**

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General Guidelines for 2008 Technical Assistance Grants

1. What is the Community Development Revolving Loan Fund?

The National Credit Union Administration's (NCUA's) Community Development Revolving Loan Fund (CDRLF) was established by Congress (Public Law 96-124, November 20, 1979 and Public Law 99-604, November 6, 1986) to support credit unions serving low-income communities by making loans and technical assistance grants (TAGs) available to qualifying institutions. Low-interest loans/deposits are made available to low-income designated credit unions to enhance their financial capacity to, in turn, extend financial services to their members.

Congress appropriates funds to the CDRLF for loans and grants. The interest earned on loans is also available as a source of additional funds for grant purposes.

2. What is a Technical Assistance Grant?

A technical assistance grant (TAG) is a monetary award provided to assist qualified low-income designated credit union applicants.

3. What is the objective of Technical Assistance Grants?

The objective, or desired outcome, of technical assistance grants is to help low-income credit unions provide financial services to their members and to make the operations of those credit unions more efficient.

4. How is the objective measured?

The success of the CDRLF's grant program is measured, in part, by the improvement in the financial condition of the credit unions participating in the program. In the context of the technical assistance grant program, the ability of the credit union to serve the community is measured by growth in its loans, shares, assets, net worth, and membership.

By applying for technical assistance grant funds, the credit union is committing to working toward the purpose and measurement objectives of the CDRLF.

5. How much money is available?

For fiscal years 2008 through 2009, Congress appropriated \$975,000 to the CDRLF for the purpose of making grants. Income earned on the CDRLF's loan and the investment portfolios are also available for grants awards exceeding the appropriation. These monies are divided among the Initiatives described in subsequent pages of these guidelines.

6. Who is eligible?

To participate in the Program, a federally chartered credit union must be currently designated as a “low-income” credit union as set forth in NCUA’s Rules and Regulations, Section 701.34. A state chartered credit union must have the equivalent low-income designation from its respective state supervisory authority and concurrence from NCUA.

In addition, based on an Office of Management and Budget (OMB) policy directive effective October 31, 2003, credit unions must have a Dun and Bradstreet Universal Numbering System (DUNS) number in order to be eligible to receive grant or loan funding from the CDRLF. As of this printing, a DUNS number may be obtained by calling Dun and Bradstreet, toll-free, at 1-866-705-5711. Credit unions may also visit the Dun and Bradstreet website, www.dunandbradstreet.com, and click on the links for D&B DUNS number.

Grant applications from credit unions not meeting statutory or regulatory eligibility requirements will not be processed.

7. What grant initiatives for credit unions are there?

There are five specific grant initiatives, entitled as follows:

- Building Internal Capacity/Technology Initiative;
- Enhancing Member Services Initiative;
- Student Internship Initiative;
- Staff, Official, and Board Member Training Initiative; and,
- Volunteer Income Tax Assistance (VITA) Initiative.

In addition, the Office will set aside limited funds for the Urgent Needs Grant, to be used by credit unions in cases of extreme necessity.

A brief description of each grant type follows. Detailed descriptions are found in the specific grant applications.

Building Internal Capacity/Technology Initiative

This initiative is designed to provide funds for projects which improve the overall operations or financial condition of the credit union, and ultimately enable the credit union to better deliver services to its members.

Under this initiative, credit unions may elect to apply for either the Building Capacity portion of the grant or the Building Technology portion, but not both.

Grants awarded under the Capacity portion of the initiative might include, but are not limited to, the following:

- Performing a “Due Diligence” review
- Developing strategic, business, and succession plans;
- Preparing emergency and business resumption strategies;
- Contracting a grant writer to apply for grant funds;

- Implementing a check-imaging or branch capture service; and
- Purchasing and installing signs.

Grants awarded under the Technology portion of the initiative might include, but are not limited to, the following:

- Purchasing new computers, printers, copiers, telephone systems, other equipment;
- Upgrading software or data processing systems; and,
- Designing and implementing a website.

Enhancing Member Services Initiative

This initiative is designed to provide funds for projects which provide new or better services to existing members and extend services to potential members and the community.

Grants awarded under this initiative might include, but are not limited to, the following types of projects:

- Providing financial education;
- Providing homeownership opportunities;
- Developing outreach programs;
- Adding share draft, debit and credit card services;
- Adding new loan or deposit products;
- Creating or enhancing an Individual Development Account Program; and
- Establishing an International Remittance Network.

Credit unions which establish partnering agreements with other entities may be able to implement far-reaching projects and take advantage of the partnering entity's strengths. Credit unions may elect to establish a partner relationship with another credit union, a local, state, or federal government entity, or a non-governmental community service or related entity. A partner organization is not a requirement for this initiative.

Those grant applications which are project-oriented, involve partners, and indicate the credit union has acquired funding outside of the NCUA grant to leverage these projects will receive priority consideration.

Staff, Official, and Board Member Training Initiative

This initiative is designed to provide funds for training staff, officers, and board members of credit unions. Courses, seminars, and workshops, or other training methods should be relevant to improving the operations of credit unions, and ultimately enable the credit union to better serve its members.

Student Internship Initiative

The purpose of this initiative is to provide low-income credit unions an opportunity to introduce college students to credit unions and credit union operations, in order to potentially recruit and develop the next generation of credit union managers. Grant funds

enable the credit union to offset some of the expenses, such as transportation for a student intern.

Volunteer Income Tax Assistance (VITA) Initiative

The purpose of this initiative is to provide financial assistance to credit unions wishing to help existing and potential members prepare their tax returns, especially those eligible for the Earned Income Tax Credit. Grant funds enable the credit union to offset administrative and operational costs associated with providing free income tax preparation services.

Urgent Needs Grant

The urgent needs grant is provided to ensure the continued growth and viability of a credit union with an immediate and pressing need for improving its financial condition or operations.

Urgent needs are those items or incidents resulting in unplanned or unexpected costs to the credit union. The project described in this grant typically would not fit under another grant initiative.

Examples of urgent needs might include repairing damage to the credit union’s premises that is not covered by insurance, or replacing equipment needed to immediately restore services to members as the result of an unplanned event. The primary purpose of a request for an urgent needs grant must remain consistent with the overall purpose and intent of the CDRLF program.

8. When will grant funds be available?

The table below summarizes the available grants and the respective application periods for 2008.

<i>Grant Initiative</i>	<i>Application Acceptance Dates</i>		<i>Maximum Grant Award</i>	<i>Total Allocated</i>	<i>Grant Approval Procedure</i>
	OPEN	CLOSE			
<i>Building Internal Capacity / Technology</i>	03/07/2008	04/25/2008	\$7,000	\$300,000 – Total \$150,000 – Capacity \$150,000 – Technology	Grants evaluated at end of open period. Awards announced 06/20/2008.
<i>Enhancing Member Services</i>	05/02/2008	07/11/2008	\$15,000	\$400,000	Grants evaluated at end of open period. Awards announced 09/05/2008.
<i>Staff, Official, and Board Member Training</i>	Open	When funds are exhausted	\$3,000	\$120,000	Rolling. Applications evaluated as received.

<i>Grant Initiative</i>	<i>Application Acceptance Dates</i>		<i>Maximum Grant Award</i>	<i>Total Allocated</i>	<i>Grant Approval Procedure</i>
	OPEN	CLOSE			
Student Internship	Open	When funds are exhausted	\$3,000	\$85,000	Rolling. Applications evaluated as received.
Volunteer Income Tax Assistance	05/12/2008	When funds are exhausted	\$6,500	\$100,000	Rolling. Applications evaluated as received.
Urgent Needs Grant	Open		\$3,000		Rolling. Applications evaluated as received.

To read the above table:

Grant Initiative means the type of grant or indicates the purpose of the grant monies.

Application Acceptance Period means the first and last day applications will be accepted for each grant category. Grants with no application closing date will be awarded until allocated funds are exhausted.

Maximum Grant Award means the expected maximum dollar amount awarded to any individual credit union for any grant category.

Grant Approval Procedure means the time frame within which each type of grant will be evaluated and approved. Grants evaluated on a rolling basis will be based on the merit of the application and awarded until total available funds are exhausted. For those grants with closing dates, all applications will be evaluated at the end of the open period and awarded based on the merit of the application.

9. How does the NCUA's grant process work?

- First, credit unions must apply for a grant before making any expenditure.
- After receiving a grant approval letter, the credit union may purchase the goods or spend the funds, up to the amount approved.
- After making the expenditure, the credit union must then submit copies of receipts and proof of payment to NCUA for reimbursement. OSCUI encourages credit unions to submit all receipts at one time.
- NCUA will review the receipts and issue a check to reimburse approved expenditures. Checks generally take 3 weeks to be issued from the U.S. Treasury.
- All requests for reimbursement must be received before the end of the commitment period listed in the grant award letter.

- OSCUI will not process incomplete applications. Credit unions may resubmit a grant application, provided the submission deadline has not passed and grant monies have not expired.
- Credit unions must also send a summary of the grant outcome to OSCUI. Credit unions failing to submit the summary may be ineligible for future grants.

10. Where can credit unions obtain grant applications?

Grant application forms and instructions are available on the NCUA website. Grant applications are also available in paper copy for those credit unions without access to the internet.

11. How are grant applications evaluated?

Subject to funds availability, grants are awarded after careful consideration of the merits of an application. Grant applications will be considered based on the financial and non-financial factors listed below, as appropriate.

Financial factors include, but are not necessarily limited to, the following:

NCUA CAMEL* Rating

Net Worth Ratio

Delinquency Ratio

Return on Assets Ratio.

Financial factors are used to determine the overall financial condition of the credit union and its ability to carry out the project as described in the grant application.

Non-Financial factors include the following:

Assessment of Management is a determination of whether credit union management has been responsive to examiners and whether management has the ability to carry out the project described in the grant application.

Purpose is a determination of whether the outcome of the project, as described in the grant application, is consistent with the purpose of the CDRLF as described in Section 705.10 of the NCUA's Rules and Regulations. The purpose would be: (1) providing basic financial and related services to residents in their communities; and (2) improving the operations of the credit union. OSCUI will deny grant applications in which the purpose of the grant is inconsistent with the purpose of the CDRLF.

* CAMEL ratings are explained in NCUA Letter to Credit Unions No. 07-CU-12. Financial ratios are explained in the Users' Guide for NCUA's Financial Performance Report. Both documents are available on the NCUA website at <http://www.ncua.gov>.

Assessment of Impact is a determination of the scope and reach of the proposed use of the grant funds. Grant applications with projects having an impact on the community as whole will receive more favorable consideration.

Previous Funding is a determination of whether the credit union has received previous CDRLF grant funding. Section 705.2(b) of NCUA's Rules and Regulations states that the purpose of the CDRLF is to gain maximum economic impact on as many participating credit unions as possible. Therefore, credit unions which have NOT received funding in the past will receive priority consideration.

Ability to Self-Fund is an assessment of the credit union's net worth, cash, and liquidity to determine whether the credit union has the ability to fund the project on its own. More favorable consideration is given to those credit unions which cannot completely fund the project as described in the grant application.

Partnerships is a determination of whether the credit union has developed other partner relationships and has considered other sources of grant funds. Under this grant initiative, a credit union with a viable partner relationship will receive more favorable consideration.

Leverage is a determination of the degree to which the credit union has acquired resources other than NCUA grants. Leverage measures the total cost of the project compared with the total grant dollars requested from NCUA. If, for example, a project costs \$5,000 and the credit union requests \$5,000 from NCUA, that project's leverage ratio is 1-to-1. If, for example, a project costs \$20,000 and the credit union requests a \$5,000 grant from NCUA, that project has a 4-to-1 leverage ratio. Projects with a higher leverage ratio will receive more favorable consideration.

For those TAG requests submitted as an Urgent Needs Grant, the OSCUI will determine the appropriateness of the request, basing its decision primarily on whether the request meets the criteria of an urgent needs grant, on financial and non-financial factors, as listed above.

Urgency is defined as a circumstance where a credit union has a compelling need for immediate action or attention and where receipt of a grant is expected to mitigate the urgency. For a grant application to meet the criteria of an Urgent Needs Grant, the credit union must definitively show, in its application, that the item or incident resulted in an unplanned, unexpected cost to the credit union. The purpose of an urgent needs grant must remain consistent with the purpose of the CDRLF.

12. Is there anything that would cause an application to be immediately denied?

Yes.

(a) Grants from the CDRLF are reimbursable grants. Credit unions applying for TAGs must obtain approval of the proposed expenditures before making those expenditures. Therefore, the OSCUI will not fund any grant where the credit union has committed to, procured, or purchased the good or service in advance of grant approval.

(b) TAG funds are not provided for recurring operational expenses such as salaries, rent, maintenance agreements, annual audits, funding for the allowance for loan losses, or office supplies.

Salaries to employees are not reimbursable under any CDRLF grant initiative. An individual is considered an employee if the credit union withholds income taxes, withholds and pays Social Security and Medicare taxes, and pays unemployment tax on wages paid.

Expenses for contractors may be reimbursable under certain grant initiatives. In general, the credit union would not withhold or pay any taxes on payments to independent contractors.

(c) Credit unions may not use TAG funds to provide funds to members, such as funding the matching portion of an IDA program or providing gift cards to members.

(d) Credit unions failing to submit summaries for grants previously awarded may be ineligible to receive additional grant funds.

(e) TAG funds may not be used to reimburse NCUA, or any government agency, for any activity.

13. Are there restrictions or limits on which items will be reimbursed?

Yes. The following restrictions apply to reimbursements under CDRLF grant initiatives. The list highlights the more common reasons that OSCUI would not reimburse expenses.

Equipment Purchase and Installation:

Annual maintenance fees and insurance costs are not reimbursable.

Marketing:

Marketing and advertising for the general promotion of the credit union will not be reimbursed.

Mileage:

Reimbursement requests for mileage must include receipts and the starting point, the destination, and the number of trips. Mileage is reimbursable at the 2007 IRS standard mileage rate of \$0.485 per mile.

Postage:

To be reimbursed, the credit union must supply receipts and supporting documentation, such as the number of mailings, with its requests for reimbursement of postage.

Printing/Copying:

To be reimbursed, the credit union must supply receipts and supporting documentation, such as the number of copies made, with its requests for reimbursement of printing and copying

Promotional Items:

Promotional items such as gifts, give-aways, souvenirs, or gift cards are not reimbursable.

Regular Expenses/Pro-Rated Expenses:

Regular expenses of the credit union, such as rent, utilities, and depreciation are not reimbursable under this grant initiative. "Pro-rated" expenses of the credit union, such as a portion of telephone or utility costs, are not reimbursable. These expenses are considered regular operating expenses.

Salaries/Contractors:

Salaries to employees are not reimbursable under any CDRLF grant initiative. An individual is considered an employee if the credit union withholds income taxes, withholds and pays Social Security and Medicare taxes, and pays unemployment tax on wages paid. In general, the credit union would not withhold or pay any taxes on payments to independent contractors.

Undocumented Expenses:

To be reimbursed, credit unions must submit invoices or receipts, that correspond to the items listed in the grant award letter, and proof of payment. Requests for reimbursement that do not contain adequate documentation will not be reimbursed.

14. What information needs to be submitted with the grant application?

Each application form contains a description of the information the credit union must submit. The application contains several questions regarding the proposed use of the grant funds, which the credit union should answer on separate sheets.

Note, however, OSCUI will not process incomplete applications. Credit unions may resubmit a completed grant application, provided the submission deadline has not passed and funds are still available.

15. Where do credit unions send completed applications?

Credit unions should submit their applications electronically, either by fax or by email.

Fax: (703) 519-4088

Email: oscuiapps@ncua.gov

Applications must be received by OSCUI by 5 p.m. Eastern Time on or before the acceptance period closing date. Applications received after the closing date will not be processed.

Credit unions unable to submit their grant application electronically should contact the Office of Small Credit Union Initiatives at the address listed below.

16. What is the credit union's reporting requirement after receiving a grant?

Credit unions receiving awards must provide a summary of the impact of the grant funding to OSCUI as stated on the grant application form. The time frame for submitting the summary will be stated in the award letter. The submission deadline allows reasonable time for the credit union to ascertain the benefits of the grant.

The summary should discuss the overall project and how the funding enabled the credit union to accomplish its objective. Credit unions' success stories provide invaluable supporting information when OSCUI requests annual appropriations from Congress to replenish the grant and loan fund. Credit unions must specify the impact the grant funds have had on the credit union's delivery of service and the consequences upon the community the credit union serves.

Failure to submit this evaluation will have an impact on the credit union's ability to receive grants in the future.

17. How can an applicant contact OSCUI with questions?

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