



National Credit Union Administration

Office of Small Credit Union Initiatives

2009 Community Development Revolving
Loan Fund

Program
Guidance
and
Loan Application



Table of Contents

Program Guidance	3
1. What is the Community Development Revolving Loan Fund (CDRLF)?	3
2. Which credit unions are eligible to apply?	3
3. How much money is available?	4
4. What are the key application dates?	4
5. What are allowable uses of the loan funds?	4
6. What are ineligible uses of the loan funds?	5
7. What are the terms and conditions of receiving a loan?	6
8. What information must credit unions submit with the loan application?	7
11. Are there any priorities of which credit unions should be aware?	9
12. How should credit unions submit completed applications?	10
13. What reporting requirements are there after receiving a loan?	10
14. How can credit unions contact the Office with questions?	10
15. Is there an application appeal process?	11
Loan Application	12

1. What is the Community Development Revolving Loan Fund (CDRLF)?

Congress established the National Credit Union Administration's (NCUA's) Community Development Revolving Loan Fund (CDRLF) to support credit unions that serve low-income communities. The Office of Small Credit Union Initiatives (the Office), within the NCUA, is the administrator and manager of the CDRLF. To fulfill its objective, the CDRLF provides low-interest rate loans and technical assistance to qualifying credit unions known as low-income designated credit unions (LICUs). Loans¹ made available to these credit unions through the CDRLF enable them to:

- ❖ provide financial and related services to their members;
- ❖ improve the long-term growth and stability of the credit union; and
- ❖ improve their capacity to serve their members and communities.

2. Which credit unions are eligible to apply?

The following types of credit unions may apply for funding under the CDRLF:

- a. A federally chartered credit union designated as a "low-income" credit union (LICU) per NCUA's Rules and Regulations, Section 701.34.
- b. A state chartered credit union that has an equivalent low-income designation from its respective state supervisory authority (SSA) and concurrence from NCUA.

¹ NCUA, at its sole discretion, may allow a credit union to record a CDRLF loan as either a note payable or a non-member deposit. Current regulatory guidance does not allow for classification of a CDRLF loan as secondary capital.

Note: A credit union must have a Dun and Bradstreet Data Universal Numbering System (DUNS) number in order to receive funding through the CDRLF.² Credit unions may obtain a DUNS number by contacting Dun and Bradstreet, Incorporated (not affiliated with NCUA):

Website: <http://www.dnb.com/us/>

Telephone: 1-800-234-3867

3. How much money is available?

Based on funds availability, NCUA has approximately \$3 million available for CDRLF loans in 2009. The amount currently available for loans results from payments of principal and interest received during the year. The maximum amount that a single credit union may receive is \$300,000. There is no minimum loan/deposit amount. Credit unions may receive funding in the form of loans, deposits, or a combination of loans and deposits.

4. What are the key application dates?

- Application Open Date: November 4, 2009
- Application Close Date: December 30, 2009
- Award Notice Date: March 1, 2010

5. What are allowable uses of the loan funds?

In approving loans, the Office will give priority to applicants that demonstrate the greatest impact in reaching and providing products and services to the community or low-income members.

Projects must focus on new or enhanced services. Funds will be available for projects that provide new or better services to existing members and extend

² 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.

services to potential members and the community. The following list, while not exhaustive, provides examples of uses for these CDRLF loans:

- Providing new services or expanding existing services, such as ATM machines, and debit/credit card services to members;
- Extending technology to members through web services, such as online deposit and loan services, online bill pay, and website design and implementation;
- Relocating or renovating credit union offices in new or expanded geographic areas;
- Providing products/services as alternatives to payday lending;
- Offering outreach services, such as translation, financial education and homeownership counseling; and
- Supporting credit union community financial education efforts, e.g., curriculum taught in a foreign language.

6. What are ineligible uses of the loan funds?

Generally, requests to provide funds for projects that improve the overall operations or financial condition of the credit union are ineligible for a CDRLF loan. The following list of uses is ineligible for funding under the 2009 round of CDRLF. The list below is not all-inclusive:

- Recurring operational expenses such as salaries, rent, maintenance agreements, annual audits, funding for the allowance for loan losses, or office supplies;
- Expenses for consulting services on administrative or operational items such as development of a strategic plan or loan policies; and
- Investment of funds solely to increase gross income.

7. How must the credit unions market and measure the potential impact of the proposed loans funds?

Credit unions must demonstrate their ability to provide said product or service in the marketing strategy as included in the business plan. The marketing strategy should specify whom the credit union wants to target and how management intends to reach said target (i.e. newspapers advertisements, word-of-mouth, visiting local churches, etc.). In addition, the marketing strategy should articulate how management intends to measure the proposed service/product’s success (i.e. comparison of projected utilization against actual utilization).

For example, incorporate in the plan the number of members management anticipates will use the proposed product or service (such as financial education) based upon the marketing strategy and evaluating the intended usage against actual usage. The table below provides an example how a credit union could track this information:

Financial Education	Planned	Actual	Variance
Seminars Per Year	12	8	-4
Attendees Per Year	150	112	-38
Length of Seminars (in hours)	1.5	1	-0.50
Instructors Per Year	2	5	+3
Educational Materials Distributed	75	100	+25
Shares ³	\$25,000	\$30,000	+\$5,000

8. What are the terms and conditions of receiving a loan?

Loan Terms

- ❖ Interest rate: Loans/deposits under the CDRLF are for a fixed interest rate. The minimum interest rate is 1%; the maximum interest rate is 3%. The interest rate

³ Number in thousands of dollars

for the prior month-end is available on NCUA's website at:

<http://www.ncua.gov/Resources/Reports/CDRLF.aspx> (Click on the monthly "Financial Statement" report).

- ❖ Term: Loans/deposits are normally required to repay in five years. Shorter repayment periods may be considered.
- ❖ Repayment: Interest payments are due semiannually beginning six months after the initial distribution of a loan. Credit unions are to repay principal payments on loan/deposit in semiannual installments beginning one year after the initial disbursement.

Conditions (Matching Funds)

Within one year of receiving a loan/deposit, a credit union must match the loan/deposit with member shares or non-member deposits. The credit union must include the matching plan in the 18-month business plan. The plan must meet the matching requirements of NCUA Rules and Regulations Part 705.7(b).

9. What information must credit unions submit with the loan application?

A credit union must submit a complete Community Development Revolving Loan Fund Loan Application. The application must include the signed application form, response to all questions in the application, signed certification form, and other supporting information as required in the application. The Office will not consider incomplete applications for funding.

10. Explain the loan process.

- a. An eligible credit union must complete and submit an application for funding by the application deadline.
- b. The credit union must submit any additional information requested by NCUA as a part of its evaluation process.

- c. After notification of loan approval by NCUA, the credit union must complete and return the loan agreement, related documents, and any other actions within the timeframe specified by NCUA in order to receive disbursement of the loan.

11. How will the Office evaluate applications?

- a. Each application will undergo an eligibility review to determine:
 - 1. We received the application by the deadline.
 - 2. The applicant is eligible to participate in the program. As discussed above, a credit union must have a low-income designation (or the equivalent thereof, in the case of state-chartered credit unions) in order to receive funding through the CDRLF.
 - 3. The application is complete.
 - 4. The purpose or proposed use of funds is eligible for funding.
 - 5. The applicant has a favorable compliance record with respect to past funding under the CDRLF.

The Office will not consider an application that is determined late, ineligible, or incomplete for funding.

- b. Each application that is determined eligible, complete, and consistent with the purpose(s) will be evaluated based on the following financial and nonfinancial criteria:

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

- NCUA CAMEL⁴ Rating
- Net Worth Ratio
- Delinquency Ratio

⁴ CAMEL ratings explanations are in NCUA Letter to Credit Unions No. 07-CU-12. Financial ratio explanations are in the Users' Guide for NCUA's Financial Performance Report. Both documents are available on the NCUA website at <http://www.ncua.gov>.

❑ Return on Assets Ratio

The Office uses financial data and indicators to determine the overall strength of the credit union and its ability to carry out the project as described in the loan application. Financial performance can result in application denial irrespective of a well-conceived business plan or the proposed use of funds.

Non-financial factors include the following:

Assessment of Management

This criterion 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 loan application. The Office will seek concurrence with the respective region to ascertain management's ability to handle the proposed plan or undertaking. Those credit unions coded a "4" or "5" in management will generally not be considered for funding.

Community Needs Plan (No more than 5 pages)

This criterion considers how well the credit union proposes to serve the needs of its members and the community with the CDRLF loan. This criterion also considers whether the plan involves existing community development partnerships and programs with state and/or other federal agencies.

12. Are there any priorities of which credit unions should be aware?

Yes. As funding is limited⁵, our goals are to lend to those credit unions where funding will have the greatest economic impact for the members, the potential members, and the community. As such, the Office will favor new endeavors.

Therefore, we will give priority to credit unions:

⁵ The Office removed arbitrage and liquidity from allowable uses of CDRLF loans for the 2008 funding round as the available dollar amount for loans was limited.

- ❖ For new or improved services to the members and/or community.
- ❖ With no outstanding CDRLF loan balance.

13. How should credit unions submit completed applications?

Credit unions may submit completed applications to the Office of Small Credit Union Initiatives (the Office) through one of the following means:

By facsimile: (703) 519-4088

By email: CDRLFLoan@ncua.gov

A credit union that is unable to submit an application by facsimile at (703) 519-4088 or email, must contact the Office at (703) 518-6610 before the application close date. The Office will deny applications received after the application close date. As such, we will not consider them for funding.

14. What reporting requirements are there after receiving a loan?

While a loan is outstanding, the credit union's board of directors must report annually to the credit union members on its progress in providing needed community services (as outlined in the Community Needs Plan submitted with the loan application). The credit union must also send a written report or summary to NCUA by December 31, 2010. This report should incorporate quantifiable information on the success of the product or service (similar to measurement standards outlined in the marketing strategy portion of the business plan). A credit union that fails to report as required may be determined ineligible to receive future loans and/or technical assistance.

15. How can credit unions contact the Office with questions?

Credit unions may contact the Office:

By email: oscuiapps@ncua.gov

By telephone: (703) 518-6610

16. Is there an application appeal process?

Yes. Credit unions may appeal the Office's decision to deny an application to the NCUA Board for a period of 60 days from date of the denial, except in cases where denial is due to the lack of funds availability.

Loan Application

1. <u>FULL</u> CREDIT UNION NAME	
2. MAILING ADDRESS .	
3. CITY, STATE, ZIP	
4. CONTACT NAME/TITLE	
5. CONTACT PHONE (INCLUDING AREA CODE)	
6. CONTACT EMAIL ADDRESS (PERSON SUBMITTING)	
7. CREDIT UNION FAX NUMBER	
8. CREDIT UNION EMAIL ADDRESS (INFORMATIONAL)	
9. CREDIT UNION CHARTER NUMBER	
10. CREDIT UNION EMPLOYER IDENTIFICATION NUMBER (EIN)	
11. CREDIT UNION DUN AND BRADSTREET UNIVERSAL NUMBERING SYSTEM NUMBER	
12. AMOUNT REQUESTED	\$
13. NAME AND TITLE OF AUTHORIZED INDIVIDUAL	
<p>By signing this application, I certify that the statements herein are true, complete, and accurate to the best of my knowledge. I also agree to comply with any resulting terms if I accept a loan through the CDRLF Program.</p>	
SIGNATURE OF AUTHORIZED INDIVIDUAL	DATE

14. Use of Funds

Submit a narrative (separate from Community Needs Plan and no more than one page) articulating how you intend to utilize the proposed loans funds.

15. Community Needs Plan

Provide Community Needs Plan (no more than 5 pages—plans longer than this will not be reviewed and thus, will result in application disqualification) that:

- a. Describes the community's need for financial products and services.
- b. Outlines the credit union's existing community services, financial products and services that fulfill the community needs as described in 15a.
- c. Describes the credit union's current involvement/ partnerships with any existing community based organizations, state or government community development programs.
- d. Details how the credit union proposes to use the CDRLF loan to serve the needs of its members and community described in 15a.
- e. Explains the credit union's need for CDRLF funding.
- f. Provides evidence the Board of Directors approved the Community Needs Plan.

16. Business Plan

Submit a business plan that:

- a. Incorporates the Community Needs Plan.
- b. Defines the marketing strategy to reach members and community.
- c. Provides balance sheet and income statement 18-month projections with assumptions for the credit union's financial growth and/or development (e.g., capital, assets, deposits, and loans) and members/community services growth. Examples include growth in:
 - unsecured [alternatives to predatory lending], auto, business, or real estate loans;
 - regular shares; drafts, Individual Development Accounts, Health Savings Accounts, certificates of deposit;
 - financial education classes held; and
 - new services (e.g., ATM, home banking).

17. Matching Funds

Submit a narrative (no more than one page) articulating your strategy for raising the requisite matching funds⁶.

⁶ Generally loan monies made available must be matched by the participating credit union by increasing its share deposits in an equal amount to the loan amount. However, any loan monies matched by member share deposits will be credited as two-for-one match. Participating credit unions must meet this matching requirement within one year of the approval of the loan application and must maintain the increase in the total amount of share deposits for the duration of the loan.

18. State-Chartered Credit Unions Only

In addition to the Items 1 to 17, submit a copy of current charter and any amendments to the field of membership. For any amendments to the field of membership, also include:

- a. Evidence of approval of change by the board of directors
- b. Evidence of submission and approval of change by the state supervisor

19. Non-Federally Insured State-Chartered Credit Unions Only

In addition to Items 1 to 18, submit the following:

- a. Copies of the monthly balance sheet, income and expense statement, and schedule of delinquent loans for the most recent 13 months.
- b. Proof of Deposit and Surety Bond Insurance (commonly known in the industry as the “Policy Deck Sheet”) which states the maximum insurance levels permitted by the policies for non-member deposits.
- c. A copy of the most recent external audit report.

20. Certifications Form

Complete the Certifications Form located on page 18. The individual authorized to sign the application must sign this form separately.

Credit unions are to submit completed applications to the Office of Small Credit Union Initiatives through one of the following means:

By email: CDRLFLoan@ncua.gov

By facsimile: (703) 519-4088

Please note the Office will not review any unrequested and/or additional application materials (i.e. letters of recommendation) and submission of these materials will result in the disqualification of your application.

A credit union that is unable to submit an application by facsimile or email, must contact the Office at (703) 518-6610 before the application close date.

Seven (7) business days after you submit your credit union's application to NCUA, you may confirm its receipt through this website address:
<http://hqinetdevapp/CDRLFProgram/Default.aspx>

Application Checklist

- Completed and signed Community Development Revolving Loan Fund Application
- Narrative detailing articulating intended use of proposed loan funds
- Community Needs Plan (limited to no more than 5 pages)
- Business Plan (incorporating community needs plan and marketing strategy)
- Balance Sheet and Income Statement 18-Month Projections with assumptions
- Narrative detailing strategy for raising matching funds
- Copy of current charter and any field of membership amendments (state chartered credit unions only)
- The following items are to be submitted by (non-federally insured, state-chartered credit unions only):
 - Balance Sheet, Income and Expense Statement, and Delinquent Loans listing for the most recent 13 months
 - Proof of deposit and surety bond insurance
 - Most recent external audit report
- Completed and signed Certifications Form

Certifications Form

- The credit union is currently a low-income designated credit union, as defined in Section 701.34 of NCUA's Rules and Regulations; and will comply with the program objectives as described in the Program Guidance and in the application.

- The board of directors will report on the progress of providing needed community services to the credit union members and NCUA as specified in Section 705.6 of the NCUA Rules and Regulations.

- If approved for a loan, the credit union commits to raising matching funds as required in Section 705.7 of the NCUA Rules and Regulations.

- The credit union conducts its activities such that no person is excluded from participation in, is denied the benefits of, or is subject to discrimination due to race, color, national origin, sex, age, or disability in the distribution of services and/or benefits provided under this loan program. The credit union agrees to provide evidence of its compliance as required by NCUA.

By signing this form, I certify that the statements herein are true, complete and accurate to the best of my knowledge. I also agree to comply with any resulting terms if I accept a loan through the CDRLF Program.

SIGNATURE OF AUTHORIZED INDIVIDUAL

DATE