



## NATIONAL CREDIT UNION ADMINISTRATION

### Community Development Revolving Loan Fund Access for Credit Unions

**FUNDING OPPORTUNITY TITLE:** Community Development Revolving Loan Fund (CDRLF) Loan Program

**CATALOG OF FEDERAL DOMESTIC ASSISTANCE (CFDA) NUMBER:** 44.002

**SUMMARY:** The National Credit Union Administration (NCUA) is issuing this Notice of Funding Opportunity (NOFO) to announce the availability of loan awards for low-income designated credit unions (LICUs) through the CDRLF program. The CDRLF program serves as a source of financial support in the form of loans that better enables LICUs to support the communities in which they operate. CDRLF loan awards typically range from \$250,000 to \$500,000. All awards made under this NOFO are subject to funds availability and are at the NCUA's discretion.

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#### A. PROGRAM DESCRIPTION

The purpose of the CDRLF program is to assist LICUs in providing basic financial services to their members to stimulate economic activities in their communities. Through the CDRLF program, the NCUA provides financial support in the form of loans to LICUs serving predominantly low-income members. These funds help improve and expand the availability of financial services to these members. The NCUA accepts loan applications on a continuous basis subject to funding availability.

The CDRLF program consists of Congressional appropriations that are administered by the NCUA. Since its inception, Congress has appropriated approximately \$13.4 million for revolving loans through the CDRLF program. The CDRLF's revolving loan component received its last appropriation in fiscal year 2005 for \$200,000. Approximately \$3.6 million will be available for loans under this NOFO as of January 1, 2019.

##### 1. Permissible Uses of Loan Funds

The NCUA may consider requests for loan funds for various uses. A non-exhaustive list of examples of permissible uses or projects is defined in 12 CFR § 705.4. The NCUA may consider other proposed uses of loan funds that are not listed if it

determines the proposal to be consistent with the purpose of the CDRLF program. The list includes the following:

- i. Development of new products or services for members, including new or expanded share draft or credit card programs;
- ii. Partnership arrangements with community-based service organizations or government agencies;
- iii. Loan programs, including, but not limited to, microbusiness loans, payday loan alternatives, education loans, and real estate loans;
- iv. Acquisition, expansion, or improvement of office space or equipment, including branch facilities, ATMs, and electronic banking facilities; and
- v. Operational programs such as security and disaster recovery.

## **2. Authority and Regulations**

- i. *Authority*: 12 U.S.C. 1756, 1757(5)(D), and (7)(I), 1766, 1782, 1784, 1785 and 1786; 12 CFR Part 705.
- ii. *Regulations*: The regulation governing the CDRLF program is found at 12 CFR Part 705. In general, this regulation is used by the NCUA to govern the CDRLF program and set forth the program requirements. Additional regulations related to the CDRLF program are found at 12 CFR Parts 701 and 741. For the purposes of this NOFO, an Applicant is a Qualifying Credit Union that submits a complete Application to the NCUA under the CDRLF program. The NCUA encourages Applicants to review the regulations, this NOFO, and other program materials for a complete understanding of the program. Capitalized terms in this NOFO are defined in the authorizing statutes, regulations, and program materials.

## **B. FEDERAL AWARD INFORMATION**

The NCUA expects to award as many qualified credit unions as possible through this NOFO, subject to funding availability. CDRLF loans are typically made at lower than market interest rates.

Approximately \$3.6 million, derived from prior-year appropriated and earned funds, will be available for qualified credit unions beginning January 1, 2019. The amount of funding available for CDRLF loans fluctuate whenever previously scheduled loans are fully amortized and/or if Congress makes an appropriation to the CDRLF revolving loan component. The NCUA reserves the right to: (i) award more or less than the amounts cited above; (ii) fund, in whole or in part, any, all, or none of the applications submitted in response to this NOFO; and (iii) reallocate funds from the amount that is anticipated to be available under this NOFO to other programs, particularly if the NCUA determines that the number of awards made under this NOFO is fewer than projected.

The specific terms and conditions governing a CDRLF award will be established in the loan documents that each Participating Credit Union must sign prior to disbursement of funds. The rest of this section contains general award information regarding loans made through the CDRLF program.

**1. Loan Amount**

The NCUA makes loans based on the financial condition of the credit union. The applicable regulation does not provide a maximum limit on loan applications for consideration, but in practice the NCUA discourages loan applications of higher than \$500,000 to mitigate risk. There is no minimum loan amount. CDRLF loan awards typically range from \$250,000 to \$500,000. The amount of the loan will be based on the following factors:

- i. Funds availability;
- ii. Credit worthiness of the credit union;
- iii. Financial need;
- iv. Demonstrated capability of the credit union to provide financial and related services to its members; and
- v. Concurrence from the credit union's NCUA regional office and/or the applicable the State Supervisory Authority (SSA) for qualifying state-chartered credit unions.

**2. Maturity**

CDRLF loans will generally mature in five years. A credit union may request a shorter loan period, but in no case will the term exceed five years.

**3. Interest Rate**

The interest rate on CDRLF loans is governed by the CDRLF Loan Interest Rate Policy. The policy can be found on the NCUA's website at <https://www.ncua.gov/support-services/credit-union-resources-expansion/grants-loans/loans>. CDRLF loans are generally offered at a fixed rate for the full term.

**4. Repayment**

All loans must be repaid to the NCUA regardless of how they are accounted for by the Participating Credit Union.

- i. *Principal*: The entire principal is due at maturity.
- ii. *Interest*: Interest is due in semi-annual payments beginning six months after the initial distribution of the loan.
- iii. *Principal Prepayment*: There is no penalty for principal prepayment. Principal prepayments may be made as often as monthly.

**C. ELIGIBILITY INFORMATION**

**1. Eligible Applicants**

This NOFO is open to credit unions that meet the eligibility requirements defined in 12 CFR Part 705. A credit union must have a low-income designation, or equivalent

in the case of a Qualifying State-chartered Credit Union, in order to participate in the CDRLF program. Requirements for obtaining the designation is defined in 12 CFR § 701.34.

## 2. Matching Funds (if applicable)

At its discretion, the NCUA may require the Applicant to submit a functional plan to meet the matching funds requirement depending on the financial condition of the Applicant. The NCUA anticipates that most Applicants will not be required to obtain matching funds. 12 CFR § 705.5(g) of the NCUA's regulations describe the overall requirements for matching funds.

- i. Matching Funds Requirements: The specific terms and covenants pertaining to any matching funds requirement will be provided in the loan agreement of the Participating Credit Union. Following, are general matching fund requirements. The NCUA, in its sole discretion, may amend these requirements depending upon its evaluation of the Applicant, but in no case will the amended requirements be greater than the conditions listed below.
  - a. The amount of matching funds required must generally be in an amount equal to the loan amount.
  - b. Matching funds must be from non-governmental member or nonmember share deposits.
  - c. Any loan monies matched by nonmember share deposits are not subject to the 20% limitation on nonmember deposits defined in 12 CFR § 701.32.
  - d. Participating Credit Unions must maintain the outstanding loan amount in the total amount of share deposits for the duration of the loan. Once the loan is repaid, nonmember share deposits accepted to meet the matching requirement are subject to requirements defined in defined in 12 CFR § 701.32.
- ii. Criteria for Requiring Matching Funds: The NCUA will use the following criteria to determine whether to require an Applicant to have matching funds as a condition of its loan.
  - a. CAMEL Composite Rating
  - b. CAMEL Management Rating
  - c. CAMEL Asset Quality Rating

- d. Regional Director Concurrence
- e. Net Worth Ratio
- iii. *Documentation of Matching Funds*: The NCUA may contact the matching funds source to discuss the matching funds and the documentation that the Applicant has provided. If the NCUA determines that any portion of the Applicant's matching funds is ineligible under this NOFO, the NCUA, in its sole discretion, may permit the Applicant to offer alternative matching funds as a substitute for the ineligible matching funds. In this case, the Applicant must provide acceptable alternative matching funds documentation within 10 business days of the NCUA's request.

### **3. Other Eligibility Requirements**

- i. *Financial Viability*: Applicants must meet the underwriting standards established by the NCUA, including those pertaining to financial viability, as set forth in the application and defined in 12 CFR § 705.7(c).
- ii. *Compliance with Past Agreements*: In evaluating funding requests under this NOFO, the NCUA will consider an Applicant's record of compliance with past agreements. The NCUA, in its sole discretion, will determine whether to consider an Application from an Applicant with a past record of noncompliance, including any deobligation (i.e. removal of unused awards) of funds.
  - a. Default Status: If an Applicant is in default of a previously executed agreement with the NCUA, the NCUA will not consider an Application for funding under this NOFO.
  - b. Undisbursed Funds: If an Applicant is a prior awardee under the CDRLF program and has unused awards as of the date of Application, the NCUA will request a narrative from the Applicant that addresses the reason for its record of noncompliance. The NCUA, in its sole discretion, will determine whether the reason is sufficient to proceed with the review of the Application.

## **D. APPLICATION AND SUBMISSION INFORMATION**

### **1. Application Form**

The application and related documents can be found on the NCUA's website at <https://www.ncua.gov/services/Pages/resources-expansion/grants-loans.aspx>. Under

this NOFO, Applications must be submitted online at <https://www.cybergrants.com/ncua/applications>.

## 2. Application Content

- i. Data Universal Numbering System: The Data Universal Numbering System (DUNS) number is a unique nine-character number used to identify your organization. The federal government uses the DUNS number to track how federal money is allocated. Applicants can obtain a DUNS number by visiting the Dun & Bradstreet (D&B) website or calling 1-866-705-5711 to register or search for a DUNS number. Registering for a DUNS number is **FREE**. The NCUA will not consider an Application that does not include a valid DUNS number issued by Dun and Bradstreet (D&B). Such an Application will be deemed incomplete and will be declined.
- ii. System for Award Management: All Applicants are required by federal law to have an active registration with the federal government's System for Award Management (SAM) prior to applying for funding. SAM is a web-based, government-wide application that collects, validates, stores, and disseminates business information about the federal government's trading partners in support of the contract awards, grants, and electronic payment processes. Applicants can register by visiting [www.sam.gov](http://www.sam.gov). An active SAM account status and CAGE number is required to apply for the NCUA's CDRLF programs. The SAM registration process is **FREE**. Applicants that have an existing registration with SAM must recertify and maintain an active status annually. The NCUA will not consider an Applicant that does not have an active SAM status. Such an Application will be deemed incomplete and will be declined.
- iii. Employer Identification Number: Each Application must include a valid and current Employer Identification Number (EIN) issued by the U.S. Internal Revenue Service (IRS). The NCUA will not consider an Application that does not include a valid and current EIN. Such an Application will be deemed incomplete and will be declined. Information on how to obtain an EIN may be found on the IRS's website at [www.irs.gov](http://www.irs.gov).
- iv. Large Loans: An Applicant requesting a loan in excess of \$300,000 is required to provide additional narrative comments to support the request. In addition, the NCUA may also require a business plan. The business plan should: describe the community's need for financial products and services and the Applicant's need for funding; summarize the services, financial products, and services provided by the Applicant; describe the Applicant's involvement with other entities; describe the credit union's marketing strategy to reach members and the community; and include financial projections.

v. Non-Federally Insured Applicants: Each Applicant that is a non-federally insured, state-chartered credit union must submit additional application materials. These additional materials are more fully described in 12 CFR § 705.7(b)(3) and in the Application.

a. Examination by the NCUA: Non-federally insured, state-chartered credit unions must agree to be examined by the NCUA. The specific terms and covenants pertaining to this condition will be provided in the loan agreement of the Participating Credit Union.

### **3. Submission Dates and Times**

The NCUA accepts applications on a continuous basis subject to funding availability.

## **E. APPLICATION REVIEW INFORMATION**

### **1. Eligibility and Completeness Review**

The NCUA will review each Application to determine whether it is complete and that the Applicant meets the eligibility requirements described in the Regulations and in this NOFO. An incomplete Application or one that does not meet the eligibility requirements will be declined without further consideration.

### **2. Evaluation Criteria**

The evaluation criteria is fully described in 12 CFR § 705.7(c). The NCUA will evaluate each Application that receives a substantive review on the four criteria described in the regulation, this NOFO and the applicable guideline: financial performance, compatibility, feasibility, and examination information and applicable concurrence. Each initiative, due to its structure and impact, have varying degrees of evaluation criteria assigned which are reflected in the guidelines for credit union's information.

### **3. Substantive Review**

The purpose of the substantive review is to determine whether the NCUA should support and fund the loan request. During this phase of the review, the NCUA reviews the credit union's prior financial and operational performance, the collateral offered to securitize the loan (if applicable), and its longevity in operation. The NCUA reserves the right to contact the Applicant during its review for the purpose of clarifying or confirming information contained in the Application. If so contacted, the Applicant must respond within the time specified by the NCUA or the NCUA, in its sole discretion, may decline the application without further consideration.

### **4. Examination Information and Applicable Concurrence**

The NCUA will not approve an award to a credit union for which its NCUA regional examining office or SSA, if applicable, indicates it has safety and soundness concerns. If the NCUA regional office or SSA identifies a safety and soundness concern, the NCUA, in conjunction with the regional office or SSA, will assess whether the condition of the Applicant is adequate to undertake the activities for which funding is requested, and the obligations of the loan and its conditions. The NCUA, in its sole discretion, may defer decision on funding an Application until the credit union's safety and soundness conditions improve.

## **5. Funding Selection**

The NCUA will make its funding selections based on a consistent scoring tier for each Applicant. The NCUA will consider the impact of the funding. In addition, the NCUA may consider the geographic diversity of the Applicants in its funding decisions. When loan demand is high, Applications will be ranked based on the aforementioned.

## **F. FEDERAL AWARD ADMINISTRATION**

### **1. Federal Award Notice**

The NCUA will notify each Applicant of its funding decision by email. Applicants that are approved for funding will also receive instructions on how to proceed with disbursement of the award.

### **2. Administrative and National Policy Requirements**

- i. *Loan Agreement*: Each Participating Credit Union under this NOFO must enter into an Agreement with the NCUA before the NCUA will disburse the award funds. The Agreement documents include, for example, a promissory note, loan agreement, repayment schedule, and security agreement (if applicable). The Agreement will include the terms and conditions of funding, including but not limited to the: (i) award amount; (ii) interest rate; (iii) repayment requirements; (iv) accounting treatment; (v) impact measures; and (vi) reporting requirements.
- ii. *Failure to Sign Agreement*: The NCUA, in its sole discretion, may rescind an award if the Applicant fails to sign and return the agreement or any other requested documentation, within the time specified by the NCUA.
- iii. *Multiple Disbursements*: The NCUA may determine, in its sole discretion, to fund a loan in multiple disbursements. In such cases, the process for disbursement will be specified by the NCUA in the Loan Agreement.

### **3. Reporting**

The reporting requirements are more fully described in 12 CFR § 705.9. Annually, each Participating Credit Union will submit a report to the NCUA. The report will address the Participating Credit Union's use of the loan funds; the impact of funding; and explanation of any failure to meet objectives for use of proceeds, outcome, or impact. The NCUA, in its sole discretion, may modify these requirements. However, such reporting requirements will be modified only after notice to affected credit unions.

- i. *Report Form*: Applicable credit unions will be notified regarding the submission of the report form. A Participating Credit Union is responsible for timely and complete submission of the report. The NCUA will use such information to monitor each Participating Credit Union's compliance with the requirements of its loan agreement and to assess the impact of the CDRLF loan.

## **G. FEDERAL AWARD AGENCY CONTACTS**

### **1. Methods of Contact**

Further information can be found at <https://www.ncua.gov/services/Pages/resources-expansion/grants-loans.aspx>. For questions email: National Credit Union Administration, Office of Credit Union Resources and Expansion at [CUREAPPS@ncua.gov](mailto:CUREAPPS@ncua.gov).

### **2. Information Technology Support**

People who have visual or mobility impairments that prevent them from using the NCUA's website should call (703) 518-6610 for guidance (this is not a toll free number).

By the National Credit Union Administration Board on February 21, 2019.

**Gerard Poliquin,**

*Secretary of the Board.*

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