Audit Report

OIG-22-020

FINANCIAL MANAGEMENT

Audit of the Community Development Financial Institutions Fund's Financial Statements for Fiscal Years 2021 and 2020

December 15, 2021

Office of Inspector General
Department of the Treasury

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DEPARTMENT OF THE TREASURY
WASHINGTON, D.C. 20220

OFFICE OF
INSPECTOR GENERAL

December 15, 2021

**MEMORANDUM FOR JODIE HARRIS, DIRECTOR
COMMUNITY DEVELOPMENT FINANCIAL
INSTITUTIONS FUND**

FROM: Ade Bankole /s/
Acting Director, Financial Statement Audits

SUBJECT: Audit of the Community Development Financial Institutions Fund's Financial Statements for Fiscal Years 2021 and 2020

We hereby transmit the attached subject report. Under a contract monitored by our office, KPMG LLP (KPMG), a certified independent public accounting firm, audited the financial statements of the Community Development Financial Institutions (CDFI) Fund as of September 30, 2021 and 2020, and for the years then ended. The contract required that the audit be performed in accordance with U.S. generally accepted government auditing standards, Office of Management and Budget Bulletin No. 21-04, *Audit Requirements for Federal Financial Statements*, and the Government Accountability Office/Council of the Inspectors General on Integrity and Efficiency, *Financial Audit Manual*.

In its audit of the CDFI Fund, KPMG found

- the financial statements were fairly presented, in all material respects, in accordance with U.S. generally accepted accounting principles;
- no deficiencies in internal control over financial reporting that are considered material weaknesses; and
- no instances of reportable noncompliance with laws, regulations, contracts, and grant agreements tested.

In connection with the contract, we reviewed KPMG's report and related documentation and inquired of its representatives. Our review, as differentiated from an audit performed in accordance with U.S. generally accepted government auditing standards, was not intended to enable us to express, and we do not express, an opinion on the CDFI Fund's financial statements or conclusions about the effectiveness of internal control or compliance with laws and regulations. KPMG is responsible for the attached auditors' report dated December 15, 2021, and the conclusions expressed therein. However, our review disclosed no instances where KPMG did not comply, in all material respects, with U.S. generally accepted government auditing standards.

If you wish to discuss this report, please contact me at (202) 927-5329, or a member of your staff may contact Catherine Yi, Audit Manager, Financial Statement Audits, at (202) 927-5591.

Attachment

AGENCY FINANCIAL REPORT
FISCAL YEAR 2021

Community Development Financial Institutions Fund
U.S. Department of the Treasury

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The content on this page is unaudited. Please see the accompanying auditor's report.

Notes:

Capitalized terms used but not defined in this document have the meanings as defined in the CDFI Fund's authorizing statute, applicable program regulations, or applicable notice of availability.

Numerals with decimal units are shown to one decimal place and are rounded to the nearest tenth. For example, 1.24 million is rounded down to 1.2 million, and 1.25 is rounded up to 1.3 million.

MESSAGE FROM THE DIRECTOR

I am pleased to present the fiscal year (FY) 2021 Agency Financial Report for the U.S. Department of the Treasury's Community Development Financial Institutions Fund (CDFI Fund).

Since its inception in 1994, the CDFI Fund has provided more than $5.1 billion through a variety of monetary award programs and $66.0 billion in tax credits through the New Markets Tax Credit Program, and has guaranteed more than $1.8 billion in bonds through the CDFI Bond Guarantee Program, all to increase the impact of Community Development Financial Institutions (CDFIs) and other community development organizations in economically distressed and underserved communities. During this time, the CDFI Fund has helped build the capacity of more than 1,200 Certified CDFIs, which are located in all 50 states as well as in the District of Columbia, Guam, and Puerto Rico.

In FY 2021 alone, the CDFI Fund continued to build on this strong history of performance by providing nearly $1.5 billion[1] in monetary awards and loans, committing to guarantee $100.0 million in bonds, and allocating $5.0 billion in New Markets Tax Credits.

CDFI Fund award recipients have successfully leveraged billions in private sector investment to create jobs, build affordable housing, build essential community facilities, provide financial counseling, and invest in neighborhood revitalization initiatives—all in distressed and underserved communities lacking access to traditional lending or banking institutions.

The requests for the CDFI Fund's awards continued to exceed the supply of resources for nearly all programs in FY 2021, demonstrating strong applicant demand.

FY 2021 CDFI Fund Programs - Program Demand

Program	Awards	
	Requested	Available
Bank Enterprise Award Program[2]	N/A	$26.0 million
Capital Magnet Fund[3]	N/A	$380.0 million
CDFI Bond Guarantee Program	$575.0 million	$500.0 million
CDFI Program - Base-Financial Assistance and Technical Assistance	$391.6 million	$140.2 million
CDFI Program and NACA Program - Disability Funds-Financial Assistance	$10.9 million	$6.0 million

[1] This includes program rounds that were opened in FY 2020 and awarded in FY 2021

[2] The FY 2021 round of the Bank Enterprise Award Program opened in October 2021, and the application deadline is in December 2021.

[3] The FY 2021 round of the Capital Magnet Fund opened in September 2021, and the application deadline is in November 2021.

CDFI Program and NACA Program - Healthy Food Financing Initiative-Financial Assistance	$76.6 million	$23.0 million
CDFI Program and NACA Program - Persistent Poverty County-Financial Assistance	$60.1 million	$20.4 million
CDFI Rapid Response Program	$2.9 billion	$1.3 billion
Native American CDFI Assistance Program (NACA Program) – Base Financial Assistance and Technical Assistance	$26.1 million	$14.9 million
New Markets Tax Credit Program[4]	$15.1 billion	$5.0 billion
Small Dollar Loan Program	$26.3 million	$13.5 million

In FY 2021, the CDFI Fund undertook several key administrative and program initiatives to maximize its impact, efficiency, and accessibility. These included:

- Deploying more than $1.2 billion in awards through the CDFI Rapid Response Program (CDFI RRP)—authorized by the Consolidated Appropriations Act of 2021 (P.L. 116-260)—to 863 CDFIs to help communities recover from the economic effects of the COVID-19 pandemic. This was the most grants ever awarded by the CDFI Fund in a single program application round. It was also the quickest program round ever administered by the CDFI Fund; CDFI RRP moved from opening to application review and evaluation to award announcement in less than four months.

- Announcing in February 2021 over $175.0 million in Capital Magnet Fund (CMF) awards to 48 organizations under the FY 2020 round of the program. This was the largest amount of funding ever awarded under the program. However, the FY 2021 round of the program, which opened in September 2021, will more than double this amount and award up to $380.0 million in funding. The CDFI Fund expects to announce the awards in spring 2022.

- Collaborating with AmeriCorps to make the inaugural round of grants under the FY 2021 round of the Economic Mobility Corps (EMC). Three organizations received a total of more than $2.5 million to place 156 AmeriCorps service members in CDFIs for two years. In addition, 13% of EMC service members will be serving in Persistent Poverty Counties.

- Awarding more than $10.0 million in grants to CDFIs under the inaugural round of the Small Dollar Loan Program (SDL Program). Authorized by the Dodd-Frank Wall Street Reform and Consumer Protection Act (P.L. 111-203), the SDL Program is intended to help unbanked and underbanked populations build credit, access safe, affordable capital, and gain greater access to the mainstream financial system. CDFIs may use the

[4] Numbers reflect the calendar year (CY) 2020 round of the program, which opened on September 22, 2020. The CDFI Fund awarded allocations on September 1, 2021.

grants for Loan Loss Reserves and Technical Assistance that will enable them to establish and maintain small-dollar loan programs.

- Continuing to support investment in Persistent Poverty Counties through targeted assistance provided by the Bank Enterprise Award Program, CDFI Program, and Native American CDFI Assistance Program. In the last fiscal year, CDFI Program award recipients have invested or lent $4.3 billion in PPCs, which is approximately 17 % of the total amount of CDFI Program awards that award recipients have invested or lent.

The ongoing pandemic and resulting economic disruptions have created a challenging environment for the CDFI Fund's staff as well as for the nationwide network of CDFIs, Community Development Entities, and mission-driven, community-based organizations. Despite the challenges, FY 2021 was a year of significant progress in the work to support underserved communities across the country.

The accomplishments outlined in this report would not have been possible without the dedicated efforts of the CDFIs and community-based organizations that take part in our programs. The CDFI Fund's achievements over the past year would have been wholly impossible were it not for the hard work, dedicated service, and professionalism of the CDFI Fund staff—to whom I am exceptionally grateful.

Jodie Harris
Director
Community Development Financial Institutions Fund
December 15, 2021

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OVERVIEW
The Community Development Financial Institutions Fund

The Creation of the CDFI Fund

Established by the Riegle Community Development and Regulatory Improvement Act of 1994 (Riegle Act; P.L. 103-325), the Community Development Financial Institutions Fund (CDFI Fund) has worked for more than a quarter of a century to generate economic opportunity in places where opportunity is needed most.

People and communities with limited access to financial services and products lack the important tools they need to save for the future, build credit, buy a home, start a business, and develop affordable housing and community facilities. As a result, they have fewer opportunities to grow and thrive and fewer opportunities to join America's economic mainstream.

The CDFI Fund's Vision
An America in which all people and communities have access to the investment capital and financial services they need to prosper.

The CDFI Fund's Mission
To expand economic opportunity for underserved people and communities by supporting the growth and capacity of a national network of community development lenders, investors, and financial service providers.

The Work of the CDFI Fund

The CDFI Fund's role is to generate economic opportunity in underserved low-income communities by expanding access to credit, capital, and financial services. It accomplishes this by providing capital through the following active programs in FY 2021:

- **Bank Enterprise Award Program (BEA Program)** – Provides monetary awards to federally-insured banks and thrifts that demonstrate increased lending, investment, and service activities in the most economically distressed communities and/or in CDFIs

- **Capital Magnet Fund (CMF)** – Provides awards to CDFIs and nonprofit affordable housing organizations for the development, preservation, rehabilitation, and purchase of affordable housing and for related economic development in low-income communities

- **CDFI Bond Guarantee Program** – Serves as a source of long-term, low-cost capital for CDFIs by guaranteeing bonds issued to support CDFIs that make investments for eligible community or economic development purposes

- **Community Development Financial Institutions Program (CDFI Program)** – Provides Financial Assistance and Technical Assistance awards to help Certified and Emerging CDFIs sustain and expand their services and build their technical capacity. The program also includes:

  - **Healthy Food Financing Initiative (HFFI)** – Provides Financial Assistance awards to Certified CDFIs that invest in businesses that provide healthy food options, such as grocery stores, farmers' markets, bodegas, food co-ops, and urban farms

  - **Disability Funds-Financial Assistance (DF-FA)** – Provides Financial Assistance awards to Certified CDFIs that wish to expand their financing activities and services to benefit persons with disabilities

  - **Persistent Poverty County-Financial Assistance (PPC-FA)** – Provides Financial Assistance awards to Certified CDFIs that provide Financial Products in Persistent Poverty Counties (PPCs)

- **CDFI Rapid Response Program (CDFI RRP)** – A pandemic recovery program consisting of a single application round that was conducted in FY 2021 and provided grants to enable CDFIs to deliver emergency support to distressed and underserved communities suffering from the economic hardships created by the COVID-19 pandemic

- **Economic Mobility Corps (EMC)** – A joint initiative of the CDFI Fund and AmeriCorps that places full-time national service members in Certified CDFIs to enhance their capacity to provide financial education and financial counseling

- **Native Initiatives** – Includes the Native American CDFI Assistance Program (NACA Program), which provides Financial Assistance and Technical Assistance awards to build the capacity of CDFIs serving Native American, Alaska Native, and Native Hawaiian communities

- **New Markets Tax Credit Program (NMTC Program)** – Awards tax credit allocation authority to Certified Community Development Entities, enabling them to attract investment from the private sector and invest the funds in low-income communities

- **Small Dollar Loan Program (SDL Program)** – Provides grants to help Certified CDFIs offer fair and affordable small dollar loan products in communities that are underserved by mainstream financial institutions

These awards have leveraged billions of dollars in private sector investment. They have increased the impact of CDFIs, CDEs, and other community-based development organizations by expanding their capacity to deliver the credit, capital, and financial services that generate new economic opportunities in underserved communities.

What is a CDFI?

CDFIs are mission-driven financial institutions that specialize in increasing access to financial services in underserved and low-income areas. They possess a keen sensitivity to the needs of local residents and businesses, and their work reflects a bottom-up, rather than a top-down, approach to community investment and revitalization.

Today, there are 1,271 CDFIs serving urban, rural, and Native communities throughout the United States. CDFIs are found in all 50 states, the District of Columbia, Guam, and Puerto Rico. They bridge diverse public and private sector interests to serve people and places that traditional financial institutions usually do not. CDFIs provide:

- loans to businesses and projects that otherwise would find it difficult to qualify for financing;
- safe, affordable banking services that otherwise would not be available in the community;
- loan rates and terms that are more flexible than those offered by traditional lenders; and
- development services—such as business planning, credit counseling, and homebuyer education—to help their borrowers use credit effectively and build financial strength.

As a result, CDFIs support the creation of small businesses and local jobs and the development of affordable housing, community facilities, and schools—all in places where economic opportunity is needed most.

Types of CDFIs

There are four basic types of CDFIs:

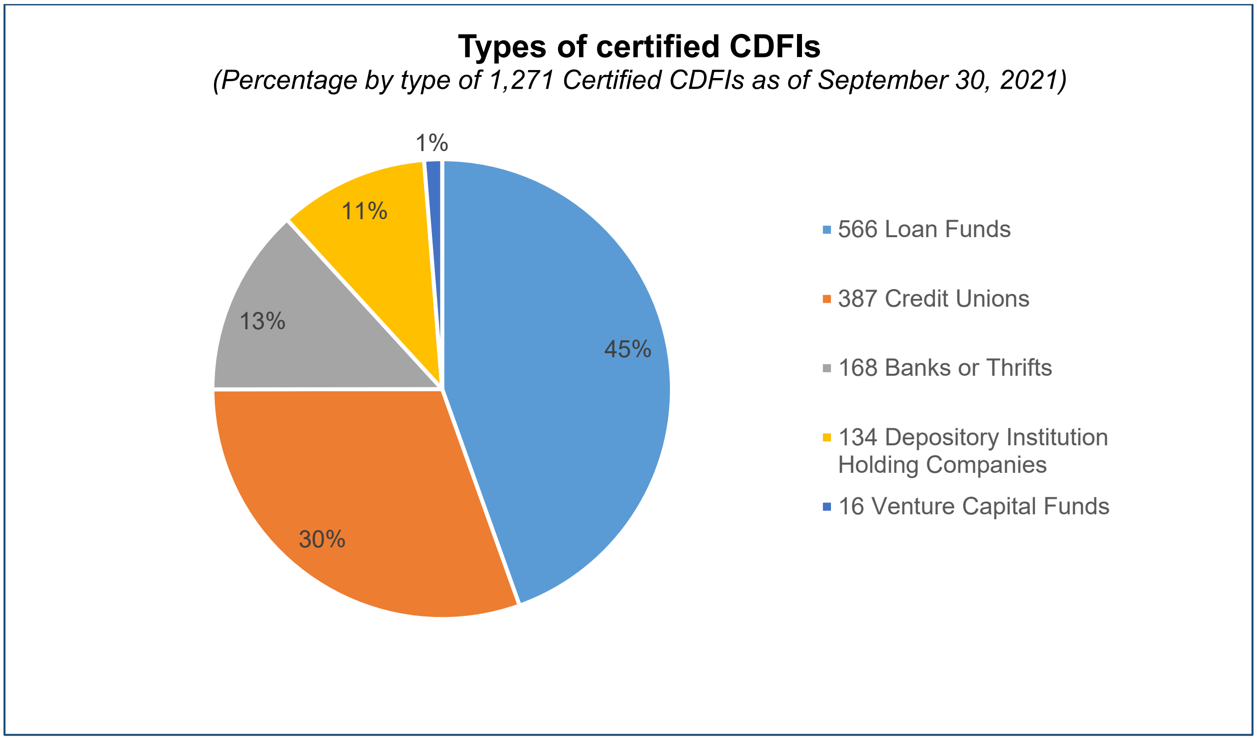
1. **Community development banks, thrifts, and depository institution holding companies** – Regulated, for-profit corporations that provide basic retail banking services as well as capital to rebuild economically distressed communities through targeted lending and investment

2. **Community development credit unions** – Regulated, member-owned cooperatives that promote ownership of assets and savings and provide affordable loans and retail financial services

3. **Community development loan funds** – Typically nonprofits that provide high-quality loans and development services to microenterprises, small businesses, affordable housing developers, and community service organizations

4. **Community development venture capital funds** – For-profit and nonprofit organizations that provide equity and debt-with-equity features to businesses in distressed communities

Although each type of CDFI provides different products and services to different types of customers, they all share a common goal of revitalizing low-income communities.



CDFI Certification

For an organization to be eligible for most of the CDFI Fund's programs, it is required to be certified as a CDFI. To qualify for certification, it must meet seven eligibility requirements:

1. Be a legal entity at the time of application
2. Have a primary mission of promoting community development
3. Primarily serve one or more target markets
4. Be an insured depository institution or otherwise have the provision of financial products and services as its predominant business activity
5. Provide development services (such as technical assistance or counseling) in conjunction with its financing activity
6. Maintain accountability to its target market

7. Be a non-governmental entity nor be controlled by any governmental entities

Once a CDFI has been certified, it must submit an Annual Certification and Data Collection Report (ACR) to allow the CDFI Fund to assess whether the organization remains in compliance with certification requirements and to monitor any changes in the organization's financial and other data.

The most recent ACR indicates that the CDFI industry has more than $151.8 billion in total assets and that total liabilities are roughly $23.0 billion less than total assets ($128.9 billion). Net worth for the CDFI industry is slightly less than $21.3 billion.[5]

Asset Size of ACR Reporting CDFIs by Institution Type[6]

CDFI Institution Type	N	Sum of Total Assets ($)	Share of Total Assets (%)	Average of Total Assets ($)	Median of Total Assets ($)
Bank/Thrift	109	$38,855,251,305	25.6%	$356,470,195	$252,696,000
Credit Union	223	$92,702,624,934	61.1%	$415,706,838	$106,029,258
Loan Fund	464	$20,091,968,927	13.2%	$43,301,657	$9,525,323
Venture Capital Fund	10	$179,453,963	0.1%	$17,945,396	$4,501,032
Total	806	$151,829,299,129	100.0%	$188,373,820	$28,223,453

What is a CDE?

A Community Development Entity (CDE) is a domestic corporation or partnership that serves as a financial intermediary vehicle for the provision or purchase of loans, investments, or financial

[5] Data from the 2020 ACR Summary Report (https://www.cdfifund.gov/node/1004981).
[6] The dollar amounts reported above are based on ACR data submitted for the 2020 reporting cycle by all certified CDFIs required to submit a 2020 ACR. CDFIs certified in 2020 or later were not required to submit a 2020 ACR. The data universe consisted of 1,030 2020 ACR records in the CDFI Fund ACR database as of July 8, 2021. After data cleaning standards were applied, final data analysis was conducted using the 2020 ACR records of 881 certified CDFIs. Seventy-four holding companies were excluded from the analysis above to avoid double-counting since they were certified based on activity of the certified affiliated bank CDFIs, and one CDFI did not complete the Total Assets section of the ACR.

counseling in low-income communities. Certification as a CDE allows organizations to participate either directly or indirectly in the NMTC Program.

The NMTC Program attracts investment capital to low-income communities by permitting individual and corporate investors to receive a tax credit against their federal income taxes in exchange for making equity investments in CDEs. A CDE applies to the CDFI Fund to receive the authority to allocate a specified dollar amount of tax credits. The CDE then offers the tax credits to investors in exchange for their investments and uses those funds to make loans to or equity investments in qualified businesses in the community.

Through the NMTC Program, CDEs support many type of businesses, including manufacturing, food, retail, housing, health care, technology, energy, education, and child care. Communities benefit from the jobs created by these investments as well as from the community facilities and commercial goods and services that the businesses provide.

CDE Certification

In addition to certifying CDFIs, the CDFI Fund certifies CDEs. To be certified as a CDE, an organization must apply for certification and meet three eligibility requirements:

1. Be a legal entity at the time of application
2. Have a primary mission of serving low-income communities
3. Be accountable, through representation on a governing board or advisory board, to the residents of its targeted low-income communities

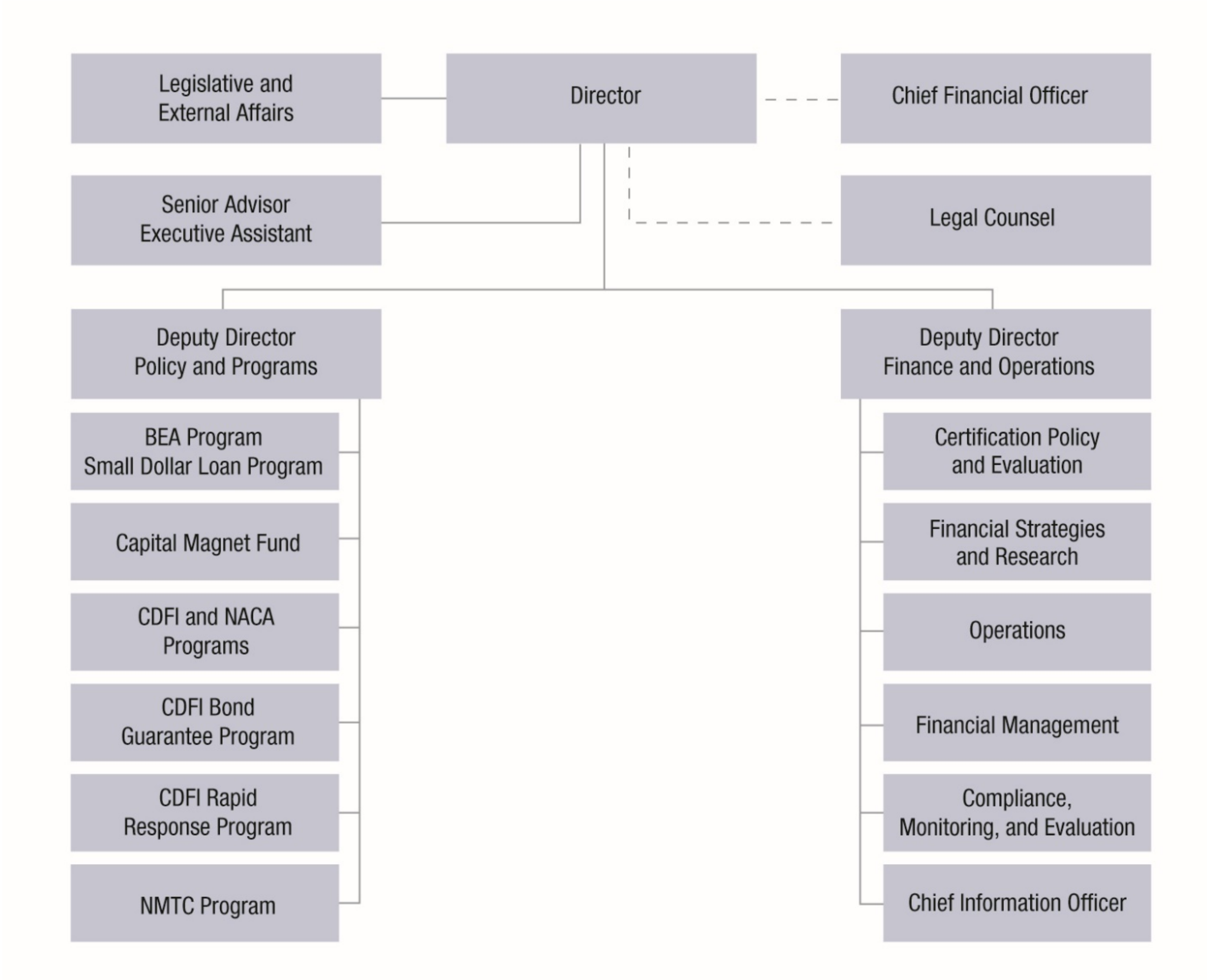
When an organization is certified as a CDE, it is eligible to apply to participate in the NMTC Program.

The Operations of the CDFI Fund

The CDFI Fund is a wholly-owned government corporation within the U.S. Department of the Treasury and performs a wide range of functions to ensure that it fulfills its mission.

Organization

The organization chart below shows how the CDFI Fund is structured to best support the active programs it administered in FY 2021.



Community Development Advisory Board

In accordance with the Riegle Act, the CDFI Fund's organization includes a Community Development Advisory Board that advises the Director of the CDFI Fund on policies guiding the activities of the CDFI Fund. The Advisory Board is required to meet at least once each year.

The Advisory Board consists of 15 members: nine private citizens, who are appointed by the President, and six other members—the Secretaries of the Departments of Agriculture, Commerce, Housing and Urban Development, Interior, and Treasury and the Administrator of the Small Business Administration or his or her designee. The nine private citizens include:

- two officers of existing CDFIs;
- two officers of insured depository institutions;
- two officers of national consumer or public interest organizations;

The content on this page is unaudited. Please see the accompanying auditor's report.

- two individuals with expertise in community development; and

- One individual with personal experience and specialized expertise in the unique lending and community development issues of Indian tribes on Indian reservations.

The Chair of the Advisory Board is elected from among the nine private citizens and also is elected by them.

Appropriations and Sources of Funding

Congress appropriates funding to the CDFI Fund each year. The appropriation consists of two types of funds:

- **Program funds**, which are used for financial assistance and technical assistance awards (such as grants, loans, deposits, and equity investments) and capacity building/training contracts, can be spent over two fiscal years; and in the case of the Emergency Support Program[7], the funds have no expiration date

- **Administrative funds**, which are used to cover the costs to administer all of the CDFI Fund's programs, including the NMTC Program and the CDFI Bond Guarantee Program, must be spent during the fiscal year for which they are appropriated

[7] This program received appropriations in FY 2021 but there was not an active application round during the fiscal year.

In FY 2021, Congress appropriated the CDFI Fund $270.0 million through the annual appropriations process. Congress also provided a supplemental appropriation of an additional $3.0 billion through the Consolidated Appropriations Act of 2021 (P.L. 116-260) to provide emergency support to CDFIs and communities responding to the COVID-19 pandemic.

Congressional Appropriations

(Amounts in Millions)

Appropriations	FY 2021		FY 2020	
	Amount	Percent	Amount	Percent
Annual Appropriations:				
- BEA Program	$26.0	9.6%	$25.0	9.5%
- CDFI Program	$188.0[8]	69.6%	$185.5	70.8%
- Economic Mobility Corps	$2.0	0.7%	$2.0	0.8%
- Native Initiatives	$16.5	6.1%	$16.0	6.1%
- Small Dollar Loan Program	$8.5	3.2%	$5.0	1.9%
- Administrative Cost	$29.0	10.7%	$28.5	10.9%
Total Annual Appropriations	$270.0	100.0%	$262.0	100.%
Supplemental Appropriations:				
- CDFI Rapid Response Program[9]	$1,250.0	41.7%		
- Emergency Support Program	$1,750.0	58.3%		
Total Supplemental Appropriations	$3,000.0	100.0%		
Total Amounts Funded	$3,270.0	100.0%		
Less Amounts Not Obligated[10]	$1,964.5		$8.5	
Total Funding Used	$1,305.5	39.9%[11]	$253.5	96.8%

[8] Includes funding for Base-FA, TA, PPC-FA, DF-FA, and HFFI awards.

[9] The CDFI Rapid Response Program was a pandemic recovery program that was funded by Congress in FY 2021 for a single application round that was conducted in FY 2021.

[10] In FY 2020, the CDFI Fund did not obligate $8.5 million, which included $1.1 million of the CDFI Program, $0.4 million of the Native Initiatives, $5.0 million of the Small Dollar Loan Program, and $2.0 million of the Economic Mobility Corps.
In FY2021, the CDFI Fund did not obligate $1.964 billion, which included $167.7 million of the CDFI Program, $25.8 million of the Bank Enterprise Award Program, $14.6 million of the Native Initiatives, $2.7 million of the Small Dollar Loan Program, $2.0 million of the Economic Mobility Corps, and $1.751 billion of the Emergency Support Program.

[11] The percentage of total Annual Appropriations used (excluding Supplemental Appropriations) is 21.6%.

Appropriations include fiscal year budget authority, and the amount available in a given year includes any unobligated funds from the prior year[12] that may be carried over. Also, the annual appropriation includes authority to make loans and issue

It should be noted that the funding for the Capital Magnet Fund is not provided through the annual appropriations process. Instead, it comes from allocations made by two Government-Sponsored Enterprises (GSEs), the Federal National Mortgage Association (Fannie Mae) and the Federal Home Loan Mortgage Corporation (Freddie Mac), on a mandatory basis, as authorized by the Housing and Economic Recovery Act of 2008.

Likewise, the NMTC Program is also not "funded" through the annual appropriation process. Authorization to allocate New Markets Tax Credits is provided through the Taxpayer Certainty and Disaster Tax Relief Act of 2020 (P.L. 116-260). The CDFI Bond Guarantee Program is also not "funded" but is authorized by Congress through the annual appropriation process.

Sources of CDFI Fund Funding

(Amounts in Millions)

	FY 2021	FY 2020
Budgetary Appropriations	$3,270.0	$262.0
Prior Year Amounts Deobligated,		
Used to Fund Current Year Obligations	$0.4	$0.4
Carryover from Prior Year	$8.5	$190.1
No-Year Funds	$2.2	$4.0
Borrowing Authority Used	$111.4	$190.4
Total Sources of Funds	**$3,392.5**	**$646.9**

[12] Details regarding unobligated funds from a prior year, if any, are discussed under that program in the Program Discussion and Analysis section.

PROGRAM DISCUSSION AND ANALYSIS
The Community Development Financial Institutions Fund

The CDFI Fund's Programs

In FY 2021, the CDFI Fund offered nine programs to help CDFIs, CDEs, banks, credit unions, and community development organizations generate economic opportunity by increasing access to financial products and services in low-income communities:

- Bank Enterprise Award Program
- Capital Magnet Fund
- CDFI Bond Guarantee Program
- CDFI Program
- CDFI Rapid Response Program
- Economic Mobility Corps
- Native Initiatives
- New Markets Tax Credit Program
- Small Dollar Loan Program

The CDFI Fund provides awards for each of these programs through a rigorous application process.

Bank Enterprise Award Program

Established in 1994, the Bank Enterprise Award Program (BEA Program) recognizes and seeks to expand the important role that traditional banks and thrifts play in community development.

How it Works

Purpose
The BEA Program provides monetary awards to FDIC-insured banks and thrifts that demonstrate that they have increased their investments and support to CDFIs or their lending, investing, or service-related activities in the most economically distressed communities.

The BEA Program defines "the most economically distressed communities" as those where at least 30% of the residents have incomes below the national poverty level and where the unemployment rate is at least 1.5 times the national unemployment rate. Thus, the program targets communities with the greatest needs and generates economic opportunity for those with the least access to financial products and services.

Award Process

The BEA Program is unique among the CDFI Fund's financial award programs in that it makes awards based on qualified investments, loans, and activities that applicants have successfully completed. The CDFI Fund's other awards are based on an applicant's plans for the future and ability to fulfill those plans.

To be eligible for a BEA Program award, an applicant must be an FDIC-insured depository institution and demonstrate that it has increased its Qualified Activities in distressed communities. There are three categories of Qualified Activities:

- **CDFI-Related Activities** - Providing equity investments, grants, equity-like loans, loans, deposits, and/or technical assistance to Certified CDFIs

- **Distressed Community Financing Activities** - Providing direct lending or investment in the form of affordable home mortgages, affordable housing development loans or investments, home improvement loans, education loans, small business loans or investments, small dollar consumer loans, and commercial real estate development loans or investments to residents or businesses located in distressed communities

- **Service Activities** – Providing access to financial products and services, such as new branches, new automated teller machines, checking accounts, savings accounts, check cashing, financial counseling, or Individual Development Accounts to residents of distressed communities

The amount of each award is determined by the increases in the Qualified Activities achieved by applicants over a one-year assessment period; the greater the increase, the larger the award. The applicant's CDFI certification status and total asset size are also factored into the award amount.

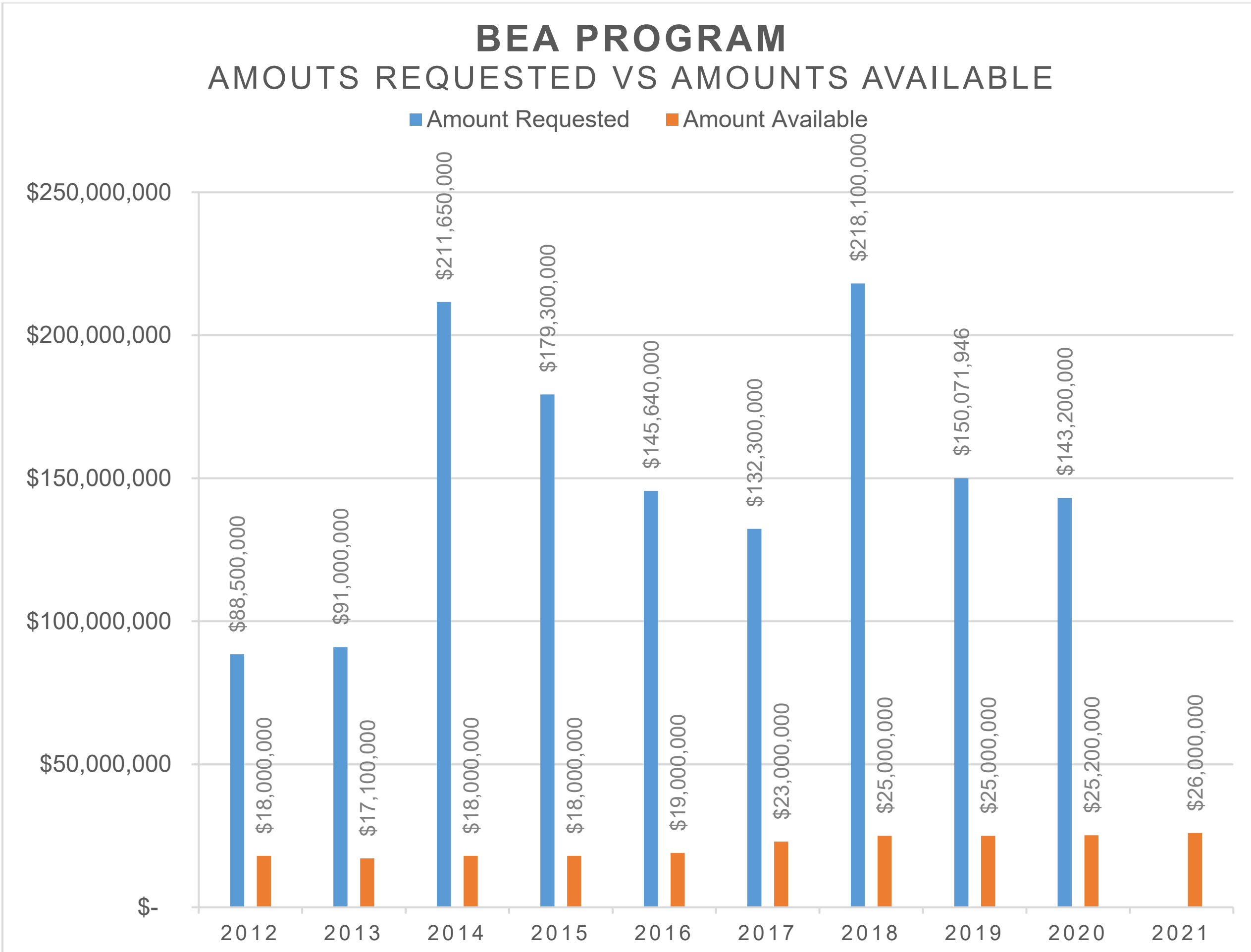
The CDFI Fund prioritizes awards according to the category of Qualified Activity. Priority is given to CDFI-Related Activities, followed by Distressed Community Financing Activities, and then Service Activities. Prioritizing CDFI-Related Activities encourages applicants to provide low-cost capital and operating support to Certified CDFIs, which strengthens Certified CDFIs and expands their capacity to provide financial products and services to residents and businesses in distressed communities.

A bank or thrift that receives an award is required to reinvest it in BEA Program Qualified Activities. This increases the flow of capital to the most economically distressed communities and accelerates the growth of businesses, the creation of jobs, the development of affordable housing, and the availability of financial services.

Awards since Inception
Since the inception of the BEA Program in 1994, the CDFI Fund has completed 25 rounds of the program and has awarded nearly $546.0 million.

FY 2021 Activities

The CDFI Fund originally planned to open the FY 2021 application round of the BEA Program in FY 2021. However, as FY 2021 progressed, the CDFI Fund recognized that the planned BEA Program application round would take place at the same time when the application rounds for other CDFI Fund programs, particularly the new CDFI Rapid Response Program, were underway and the new Small Dollar Loan Program was being launched. For the convenience of organizations intending to apply for awards through the BEA Program and these other programs during this time, the CDFI Fund postponed the FY 2021 application round of the BEA Program. The CDFI Fund will open the FY 2021 round of the BEA Program in mid-October 2021 and will announce the awards in FY 2022.



BEA Program Impact

During the past five rounds of the BEA Program, from FY 2015 through FY 2020, award recipients:

- increased their investments, lending, and technical assistance to Certified CDFIs by $227.7 million;
- increased their lending and direct investments in distressed communities by more than $2.0 billion; and
- increased the provision of financial services in distressed communities by $68.8 million.

During this period, more than 90% of BEA Program award recipients were FDIC-insured depository institutions that were defined as Small or Intermediate Banks according to Federal Financial Institutions Examinations Council Community Reinvestment Act (CRA) Asset Size Thresholds.

Capital Magnet Fund

The Capital Magnet Fund (CMF) was created in 2008 to spur investment in affordable housing and related economic development initiatives that serve low-income families and low-income communities across the nation.

How it Works

Purpose

Congress authorized the creation of the CMF through the Housing and Economic Recovery Act of 2008 (HERA; P.L. 110-289). HERA requires two Government-Sponsored Enterprises—Fannie Mae and Freddie Mac—to set aside for the CMF and the Housing Trust Fund each year an amount equal to 4.2 basis points for every dollar of their unpaid principal balances of total new mortgage purchases, unless otherwise instructed by the Federal Housing Finance Agency (FHFA). Of the amount set aside by Fannie Mae and Freddie Mac each year, 35% is allocated to the CDFI Fund for the CMF.

The purpose of the CMF is to attract private capital for affordable housing and economic development activities in economically distressed areas. CMF award recipients are required to finance and/or to support 10 times the grant amount in eligible project costs.

Award Process

Through the CMF, the CDFI Fund provides competitively awarded grants to organizations that serve low-income communities. To be eligible for a CMF Award, an applicant must be a Certified CDFI or a nonprofit organization with a principal purpose of developing or managing affordable housing.

All applicants must demonstrate that they have been in existence as a legally formed entity for at least three years prior to the funding round application deadline and meet any other eligibility requirements outlined in the Notice of Funds Availability for the round.

CMF award recipients can use their grants to finance affordable housing activities, related economic development activities, and community service facilities. They must use at least 70% of their CMF grants to finance affordable housing and may request to use up to 30% of the funds to finance economic development activities linked to affordable housing. Award recipients use the funds to create a variety of financing tools, such as loan loss reserves, revolving loan funds, risk-sharing loans, and loan guarantees.

The CDFI Fund seeks to ensure that CMF award recipients serve diverse geographic areas, including urban and rural areas as well as multiple states. It also seeks to promote CMF-financed activity in areas of economic distress.

Leveraging is a key component of the CMF. Award recipients are required to leverage their CMF awards at a ratio of at least 10-to-1. Sources of capital leveraged may include loans from banks, program-related investments from foundations, Low Income Housing Tax Credit investments, and funds contributed by the award recipient, state or local governments, or any number of other private or public sources.

The leveraging requirement multiplies the power of each CMF award at least 10 times over, ensuring that more low-income people and low-income communities nationwide have access to affordable housing.

Awards since Inception

Since the inception of the CMF in 2008, the CDFI Fund has completed six rounds of the program and has awarded grants totaling more than $740.0 million.

HERA provides the FHFA with the authority to temporarily suspend allocations from Fannie Mae and Freddie Mac upon certain findings. In 2010, the FHFA temporarily suspended these allocations. However, Congress appropriated $80.0 million to fund an initial round of the CMF in FY 2010.

In December 2014, the FHFA lifted its suspension of Fannie Mae's and Freddie Mac's allocations and directed them to begin allocating funds for the CMF based on their calendar year (CY) 2015 activity. The FY 2016 CMF round was the first round funded through Fannie Mae's and Freddie Mac's annual allocations, and it was followed by rounds in FY 2017 through FY 2021.

FY 2021 Activities

In FY 2021, the CDFI Fund completed the FY 2020 round of the CMF and also opened the FY 2021 round, the seventh round in the program's history.

The CDFI Fund opened the FY 2020 round on May 28, 2020, and announced the awards on February 22, 2021. The demand for CMF awards significantly exceeded the resources available for the round:

- 137 applicants requested more than $642.2 million in awards.
- 48 applicants received $175.3[13] million in awards.

The 48 FY 2020 award recipients will serve all 50 states, the District of Columbia, and Puerto Rico. Based on the award recipients' projections, the FY 2020 round will leverage an estimated $5.3 billion in public and private investment. The award recipients plan to develop nearly 23,000

[13] Of the $175.3 million awarded in the FY 2020 CMF Round, $173.8 million was from the CY 2019 GSE allocation and $1.5 million was from recaptured funds from earlier CMF Award Rounds.

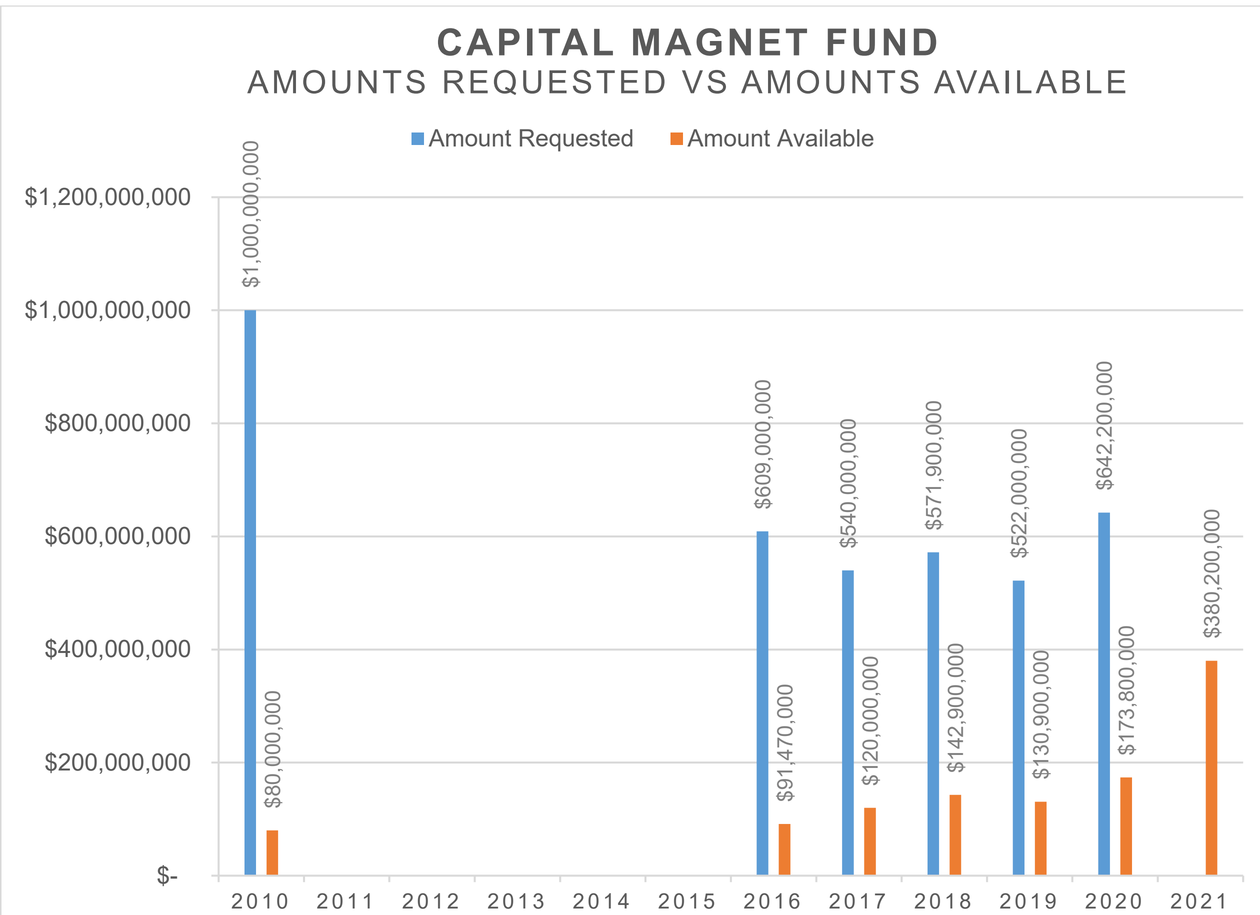
affordable housing units, which includes more than 20,300 rental units and more than 2,600 homeownership units. Of these:

- 97% of all housing units will be developed for Low-Income families (80% of the Area Median Income or below);

- 98% of the homeownership units will be developed for Low-Income Families (80% of the Area Median Income or below); and

- 61% of the rental units will be developed for Very Low-Income and Extremely Low-Income Families (50% of the Area Median Income or below).

The CDFI Fund opened the FY 2021 round of the CMF on September 9, 2021. The application round closed on November 9, 2021. The CDFI Fund anticipates announcing up to $380.2 million in awards in mid-FY 2022.



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Capital Magnet Fund Impact

CMF Recipients have two years to commit their CMF Award to specific affordable housing and economic development projects and five years to complete those projects. Based on reporting received by the end of FY 2021[14], to date:

- approximately $257.1 million of CMF funding has been committed to projects currently under development or under construction that are estimated to generate $13.3 billion in eligible project costs (leverage plus the CMF Award); and

- $167.6 million of CMF funding has been fully disbursed to projects that have been completed, generating $4.5 billion in eligible project costs (leverage plus the CMF Award).

As of the end of FY 2021, projects committed and under development or under construction by FY 2016-FY 2020 Award Recipients include:

- rental housing commitments totaling $244.7 million projected to result in over 43,000 eligible units;

- homeownership unit commitments totaling $8.1 million projected to result in 224 eligible units; and

- economic development commitments totaling $4.3 million for 10 facilities, such as community-serving businesses and health care and other community facilities.

As of the end of FY 2021, FY 2016 - FY 2020 Award Recipients have projected that:

- 62% of the housing rental units will be affordable for Very Low-Income and Extremely Low-Income persons (50% of the Area Median Income or below);

- 94% of the homeownership units will be affordable for Low-Income persons (80% of the Area Median Income or below); and

- 73% of units will be located in Areas of Economic Distress.

These projects are expected to leverage $13.0 billion, including $9.7 billion in private capital.

As of the end of FY 2021, projects completed by FY 2016 - FY 2020 Award Recipients include:

[14] FY 2020 Awards were announced on February 22, 2021. The FY 2020 Award Recipients did not yet begin reporting during FY 2021.

- rental housing disbursements totaling approximately $138.9 million to finance or support 20,700 eligible units;

- homeownership disbursements totaling $27.5 million to finance over 4,200 eligible units; and

- economic development disbursements totaling $1.2 million for five facilities, such as community-serving businesses and health care and other community facilities.

These projects have leveraged $4.3 billion, including $3.8 billion in private capital.

Award recipients from FY 2016 and later reported that:

- 68% of the rental units have been developed for Very Low-Income and Extremely Low-Income persons (50% of the Area Median Income or below);

- 92% of the homeownership units have been affordable for Low-Income persons (80% of the Area Median Income or below); and

- 60% of all units are located in Areas of Economic Distress.

FY 2010 round projects included:

- 13,316 affordable homes—including 11,700 affordable rental homes and 1,616 affordable homeowner-occupied homes—that were completed and maintained their affordability standards; and

- 20 facilities, such as community-serving businesses and health care and other community facilities, that were completed.

CDFI Bond Guarantee Program

Enacted through the Small Business Jobs Act of 2010, the Community Development Financial Institutions Bond Guarantee Program (CDFI Bond Guarantee Program) responds to the critical market demand for long-term, low-cost capital that can be used to spur economic growth in low-income communities.

How it Works

Purpose
The CDFI Bond Guarantee Program accelerates the economic revitalization of low-income communities by giving CDFIs access to a significant source of long-term capital.

Unlike other CDFI Fund programs, the CDFI Bond Guarantee Program does not offer grants. Instead, it is a federal credit program, designed to function at no cost to taxpayers. The bonds are debt instruments that must be repaid.

Through the CDFI Bond Guarantee Program, the CDFI Fund enables Qualified Issuers to issue bonds that have maturity dates of up to 29.5 years and are fully guaranteed by the federal government. The Qualified Issuer then sells the bonds to the Federal Financing Bank (FFB)[15] and uses the bond proceeds to make long-term loans at affordable rates to CDFIs to finance or refinance new or existing community development projects.

Award Process
To be considered a Qualified Issuer, an organization must:

- be a Certified CDFI or its designee;
- be able to issue bonds and make loans; and
- demonstrate the capacity to perform specialized administrative functions, including loan servicing and financial reporting.

During the application round, a Qualified Issuer applies to the CDFI Fund for authorization to issue bonds on behalf of CDFIs. Each bond issue is currently required to be a minimum of $100.0 million. CDFIs have the opportunity to borrow long-term capital from the FFB for large-scale community development projects, including but not limited to the development of small businesses, commercial real estate, housing units, charter schools, day care or health care centers, and rural infrastructure.

In addition, CDFIs may use the capital to extend credit to other community development borrowers or to refinance existing loans at affordable interest rates.

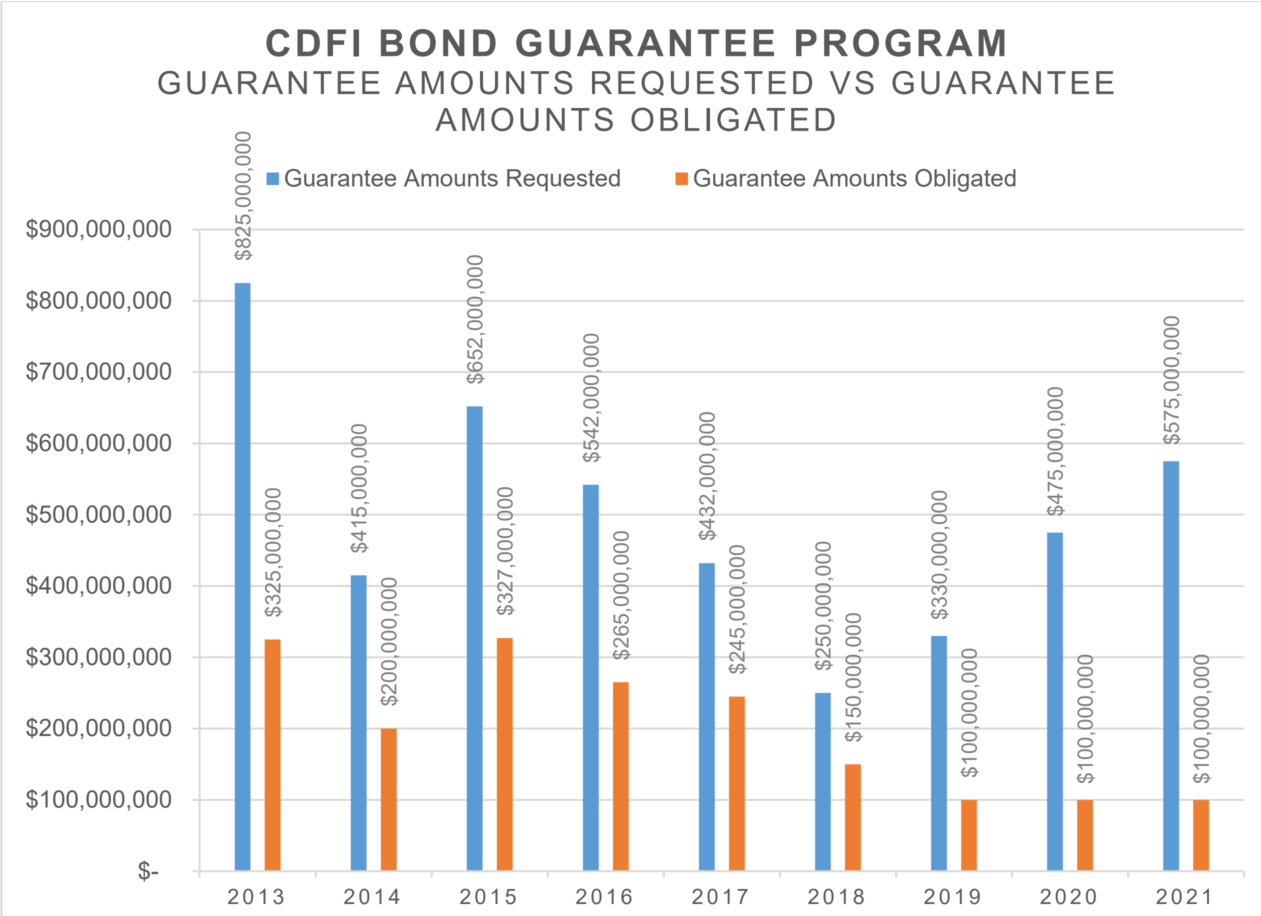
Awards since Inception
Since the inception of the CDFI Bond Guarantee Program in 2010, the CDFI Fund has completed nine rounds of the program and has guaranteed nearly $1.7 billion in bonds. CDFIs have up to five years to deploy committed funds. Of the nearly $1.7 billion guaranteed to date, participating CDFIs have deployed approximately $1.3 billion in loans.

FY 2021 Activities

The FY 2021 round opened on March 3, 2021, with up to $500.0 million in bond guarantee authority available to CDFIs. The application period closed on May 3, 2021. A total of $575.0 million was requested from the applications received. The CDI Fund announced the approval of a

[15] The Federal Financing Bank (the Bank) is a government corporation under the general supervision and direction of the Secretary of the Treasury. The Congress created the Bank in 1973, at the request of the U.S. Department of the Treasury (Treasury). The Bank borrows from Treasury and lends to Federal agencies and to private entities that have Federal guarantees.

$100.0 million bond issuance on September 30, 2021.



CDFI Bond Guarantee Program Impact

The CDFI Bond Guarantee Program has provided long-term, fixed-rate capital for a wide range of projects in low-income urban, rural, and Native communities throughout the nation.

CDFI Bond Guarantee Program
Disbursements by Asset Class as of September 30, 2021

Asset Class	Since Inception Disbursements *($millions)*	Proposed Disbursements *($millions)*	Geography *(Based on YTD Disbursements)*
Charter Schools	$364.9	$438.4	AZ, CA, CO, CT, DC, FL, GA, HI, IL, MD, MI, MN, NJ, NM, NY, OH, PA

Rental Housing	$369.3	$473.9	AL, AZ, CA, DC, FL, GA, IL, KY, LA, MA, MD, MO, MN, NC, NJ, NM, NV, NY, OH, OR, PA, TN, TX, WI, WV, UT
Commercial Real Estate	$263.7	$285.7	AZ, CA, IL, LA, MA, MI, NJ, NC, NV, NY, OK, OR, PA
CDFI to Financing Entity	$115.2	$136.7	KY, MA, NJ, NM
Health Care Facilities	$74.2	$111.3	CA, DC, IL, KY, NC, NY, WI
Not-for-Profit Organizations	$65.2	$86.6	AZ, CA, FL, MA, MI, NM, NJ, NV, NY, PA, TN
Senior Living and Long Term Care	$20.3	$68.0	CA
Small Business	$51.2	$61.2	AZ, CA, KY, NJ, FL, PA, CO, MA, NV
Day Care Centers	$13.0	$30.0	KY, NM, NY
Totals	**$1,337.0**	**$1,692.0**	

CDFI Program

The Community Development Financial Institutions Program (CDFI Program) was created in 1994. It invests in and builds the capacity of CDFIs, empowering them to grow, to achieve organizational sustainability, and to contribute to the revitalization of their communities.

How it Works

Purpose
The purpose of the CDFI Program is to increase the capacity of CDFIs to serve low-income people and underserved communities. The program has two primary components:

- **Financial Assistance (FA) awards** – Monetary awards provided to support the financing activities of CDFIs

- **Technical Assistance (TA) awards** – Grants provided to support the capacity-building activities of CDFIs

Award Process – Financial Assistance Awards
There are two types of applicants for FA awards: Core (established CDFIs) and SECA (small and emerging CDFIs).

To be eligible for an FA award, an organization must be a Certified CDFI. In addition, an organization must demonstrate that it has the financial and managerial capacity to make a significant impact in the communities it serves. To demonstrate this, it must meet the following four criteria:

1. Be able to provide affordable and appropriate financial products and services

2. Be a viable financial institution

3. Be able to use an FA award effectively

4. Have the ability to leverage its awards with non-federal funding

The primary FA award type is the Base Financial Assistance (Base-FA) award. Base-FA awards of up to $1.0 million allow CDFIs to sustain and expand their financial products and services. CDFIs may use Base-FA awards for a wide range of purposes—for example, to finance businesses and to develop affordable housing, commercial real estate, and community facilities; to support community-based social service organizations; and to provide mortgages, basic banking services, and financial literacy training to people in underserved communities.

Base-FA awards to Core applicants require the award recipient to secure a dollar-for-dollar match of non-federal funds. The form of the matching funds determines the form of the Base-FA award; the match may be in the form of loans, grants, equity investments, secondary capital, and deposits. The match requirement enables CDFIs to multiply the impact of federal investment to meet the demand for affordable financial products in the communities they serve.

Base-FA awards to SECA applicants are made in the form of grants, and although they also include a matching requirement, Congress typically waives this requirement in the annual appropriations.

In addition, the following award types are provided as a supplement to the Base-FA award:

- **HFFI-FA Awards** – In FY 2011, the CDFI Fund launched the Healthy Food Financing Initiative (HFFI), and through the CDFI Program, it provides Healthy Food Financing Initiative-Financial Assistance (HFFI-FA) awards to support a wide range of activities that expand access to healthy foods in low-income communities.

  CDFIs that are selected to receive a Base-FA award through the CDFI Program are also eligible to receive an HFFI-FA award. The CDFI must submit a separate application for an HFFI-FA award.

HFFI-FA awards are made in the form of grants, and although they include a matching funds requirement, Congress has regularly waived this requirement in its annual appropriations measures.

HFFI-FA awards can be used to make loans and investments and to provide development services that promote and increase access to healthy food options in low-income communities. Award recipients often use the funds to increase retail access to healthy foods, to develop and equip grocery stores, and to strengthen producer-to-consumer relationships.

- **DF-FA Awards** – In FY 2018, the CDFI Fund began making Disability Funds-Financial Assistance (DF-FA) awards to provide technical and financial assistance to CDFIs that fund projects to help individuals with disabilities.

  To be eligible for a DF-FA award, a CDFI must be selected to receive a Base-FA award and must submit a separate DF-FA award application.

  An applicant must have a demonstrated track record of serving individuals with disabilities, specifically by providing financial products and services and/or development services that have a primary purpose of benefiting individuals with disabilities.

- **PPC-FA Awards** – The Consolidated Appropriations Act of 2019 and 2020 required that 10% of the funds awarded by the CDFI Fund under the appropriation "shall be used for awards that support investments that serve populations living in persistent poverty counties." Persistent Poverty Counties (PPCs) are defined as counties where 20% or more of the population has lived in poverty over the past 30 years.

  To be eligible for a Persistent Poverty County-Financial Assistance (PPC-FA) award, a CDFI must submit a Base-FA award application, indicate in that application its interest in applying for a PPC-FA award, and demonstrate a track record of serving PPCs and the ability to deploy the award in an Eligible Market in a PPC.

Award Process - Technical Assistance Awards

To be eligible for a TA award, an organization must be a Certified or Emerging CDFI. Emerging CDFIs must demonstrate that they have the ability to become certified within three years of receiving a TA award.

TA awards of up to $125,000 are made in the form of grants and do not have a matching funds requirement. Award recipients can use the awards to purchase equipment, to hire consulting or contracting services, to pay salaries and benefits, to train staff or board members, and to support other capacity-building activities.

TA award recipients often use the funds to analyze their target markets, to develop lending policies and procedures, and to build staff lending capacity. More established CDFIs also use TA grants to serve current target markets in new ways or to enhance the efficiency of their operations.

Awards since Inception

Since the inception of the CDFI Program in 1994, the CDFI Fund has completed 25 rounds of the program and has awarded FA awards and TA awards totaling more than $2.6 billion.[16]

In addition, since inception the CDFI Fund has awarded 120 HFFI-FA awards totaling more than $223.3 million and 48 DF-FA awards totaling $11.9 million.

FY 2021 Activities

The CDFI Fund opened the FY 2021 award round of the CDFI Program on February 18, 2021. The FY 2021 application period closed on May 3, 2021. The CDFI Fund announced the FY 2021 TA awards on September 16, 2021, and announced the FY 2021 FA awards on December 8, 2021.

The demand for awards significantly exceeded the resources available for the awards:

- 420 organizations requested $366.1 million in CDFI Program Base-FA awards.

- 205 organizations requested $25.5 million in TA awards; 174 organizations received more than $21.6 million in TA awards.

The demand for HFFI-FA, DF-FA, and PPC-FA awards also exceeded the supply of resources:

- 189 organizations requested $56.2 million in PPC-FA awards.

- 24 organizations requested $10.9 million in DF-FA awards (CDFI Program and NACA Program combined).

- 26 organizations requested $76.6 million in HFFI-FA awards (CDFI Program and NACA Program combined).

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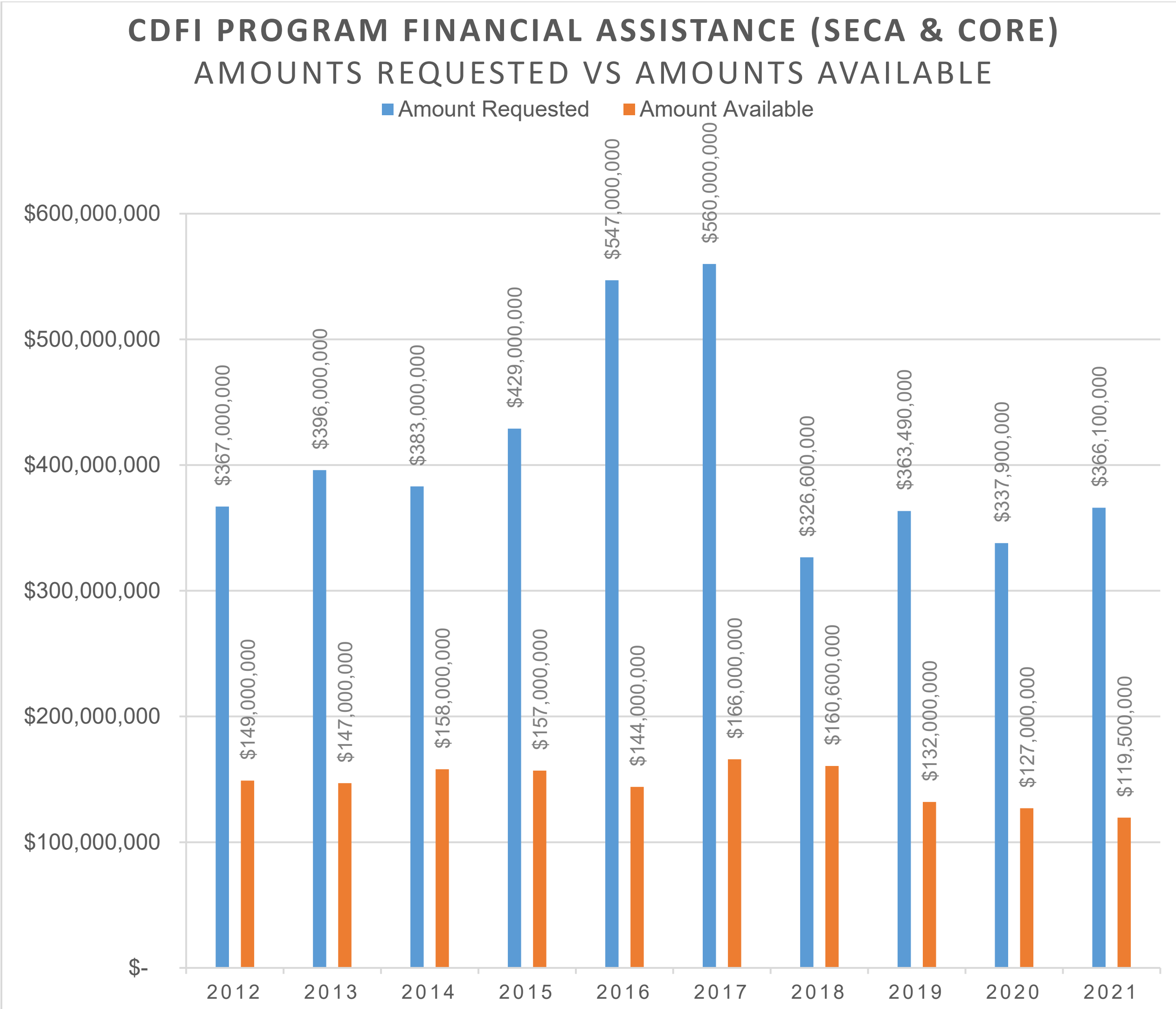
[16] The FY 2021 round of the CDFI Program is the 26th round of the program. On September 16, 2021, the CDFI Fund announced TA awards totaling $21.6 million for the FY 2021 round of the program and announced the FA awards for the FY 2021 round on December 8, 2021.



CDFI Program Impact

In FY 2021, CDFI Program award recipients reported originating loans or investments totaling more than $38.7 billion, based on their portfolio of activities in 2020. This includes, but is not limited to:

- $12.0 billion for consumer loans;
- $10.7 billion for home improvement and home purchase loans;
- $8.1 billion for business and microenterprise loans; and
- $3.2 billion for residential real estate transactions.

In addition, recipients financed nearly 50,000 affordable housing units.

The FY 2021 performance results reported in the table below reflect program outcomes and activities for 2020 and are based on information entered into the CDFI Fund's performance reporting system by CDFI Program award recipients.

Annual Performance Report of CDFI Program Award Recipients for FY 2021
(Based on Program Activities Reported in 2021)

Lending and Investing Activity	Amount
Amount of Total Loans/Investments Originated	**$38,750,456,895**
Number of Total Loans/Investments Originated	4,073,971
Business and Microenterprise Originations	**$8,104,955,913**
Number of Originations	162,939
Consumer Originations	**$12,019,016,823**
Number of Originations	3,817,016
Home Improvement and Home Purchase Originations	**$10,676,113,883**
Number of Originations	77,824
Residential Real Estate Originations	**$3,221,404,141**
Number of Originations	6,549
Commercial Real Estate Originations	**$3,879,122,506**
Number of Originations	5,347
All Other Originations	**$849,843,629**
Number of Originations	4,296
Affordable Housing Units Financed	**49,766**
Rental Units	43,850
Owner Units	5,916

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Businesses Financed	**124,773**

CDFI Program cumulative impact data is reported in the table below for FY 2010 to FY 2021 based on recipients' activities in 2009 to 2020.

Cumulative Performance Report of CDFI Program Award Recipients for FYs 2010 to 2021

(Based on Program Activities Reported from 2009 to 2020)

Lending and Investing Activity (includes late reporters not included in FY2020 AFR)	Amount
Amount of Total Loans/Investments Originated	**$127,675,514,945**
Number of Total Loans/Investments Originated	13,632,714
Business and Microenterprise Originations	**$23,501,024,049**
Number of Originations	601,844
Consumer Originations	**$40,579,588,473**
Number of Originations	12,654,661
Home Improvement and Home Purchase Originations	**$30,738,385,242**
Number of Originations	279,911
Residential Real Estate Originations	**$14,306,260,991**
Number of Originations	29,902
Commercial Real Estate Originations	**$14,400,097,145**
Number of Originations	20,990
All Other Originations	**$4,150,159,045**
Number of Originations	45,406

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Affordable Housing Units Financed	**371,631**
Rental Units	340,089
Owner Units	31,542
Businesses Financed	**470,460**

HFFI-FA Program Impact

Since the inception of the HFFI-FA program in 2011, HFFI-FA award recipients have reported healthy food investments totaling more than $301.6 million. There were retail investments totaling more than $239.2 million that developed nearly 4.0 million square feet of new retail space for projects ranging from small green grocers to large supermarkets which served low-income, low-access census tracts. In addition, there were non-retail investments totaling more than $60.5 million in projects involving production and distribution, which developed more than 7.0 million square feet of space for eligible healthy food activities. The HFFI Program's cumulative impact is derived from transactional reports by HFFI recipients.

HFFI-FA Program Cumulative Performance Report of Award Recipients for FY 2021

(Based on Program Activities Reported from 2012 to 2020)

Amount of Total Loans/Investments Originated	**$301,618,796**
Number of Total Loans/Investments Originated	569
Number of Projects	409
Number of Award Recipients Reported	42
HFFI Retail Investments	
Amount of Retail Loans/Investments	$239,227,997
Number of Retail Loans/Investments	305
HFFI Non-Retail Investments	
Amount of Non-Retail Loans/Investments	$60,510,799
Number of Non-Retail Loans/Investments	262
HFFI Square Footage - Project Level	
Square Footage of New Retail Healthy Food Outlets	3,976,301

Square Footage of New Non-Retail Healthy Food Outlets	7,003,361

CDFI Rapid Response Program

The CDFI Rapid Response Program (CDFI RRP) was established in FY 2021 to help CDFIs deliver emergency support to distressed and underserved communities suffering from the economic hardships created by the COVID-19 pandemic.

How It Works

Purpose

The Consolidated Appropriations Act, 2021, (P.L. 116-260) provided more than $1.2 billion for the CDFI Fund to use to provide grants to enable Certified CDFIs "to support, prepare for, and respond to the economic impact of the coronavirus." The CDFI Fund awards these grants to Certified CDFIs through the CDFI RRP.

The CDFI RRP differs from the CDFI Fund's other funding programs in two important ways.

First, unlike the CDFI Fund's other programs, the CDFI RRP consists of a single, short application round. The first and only application round of the CDFI RRP was conducted in FY 2021. Further CDFI RRP application rounds will not be conducted unless Congress provides additional funding for the program.

Second, while the CDFI Fund's other programs are competitive award programs in which the number of organizations that receive awards is far less than the number that applies, the CDFI RRP is a formula-based grant program designed to provide awards to all eligible applicants.

Award Process

All CDFI RRP awards were made in the form of a grant. The minimum grant amount is $200,000, and the maximum amount is $1.8 million. The legislation authorizing the program stipulated that at least $25.0 million of the more than $1.2 billion awarded through the program be used to benefit Native Communities.

Only organizations that the CDFI Fund has certified as CDFIs are eligible to apply. An applicant may request the minimum award amount of $200,000 or up to 150% of its Total Financial Products Closed in an Eligible Market and/or Target Market for its most recent historic fiscal year, whichever is greater.

CDFIs may use CDFI RRP grant funds for five categories of eligible activities supporting the provision of financial products and services: Financial Products, Financial Services, Loan Loss Reserves, Development Services, and Capital Reserves.

In addition, CDFIs may use the greater of $200,000 or 15% of the grant for seven categories of eligible activities supporting operations: Compensation—Personal Services, Compensation—Fringe Benefits, Professional Service Costs, Travel Costs, Training and Education Costs, Equipment, and Supplies.

CDFIs may use the grants to support a variety of eligible lines of business: Commercial Real Estate, Small Business, Microenterprise, Community Facilities, Consumer Financial Products, Consumer Financial Services, Commercial Financial Services, Commercial Financial Products, Affordable Housing, and Intermediary Lending to Nonprofits and CDFIs.

In conducting the application review process for the CDFI RRP, the CDFI Fund implemented the language of the Consolidated Appropriations Act, 2021, authorizing the CDFI Fund to make grants to CDFIs using "a formula approach that takes into account criteria such as certification status, financial and compliance performance, portfolio and balance sheet strength, a diversity of CDFI business model types, and program capacity."

Awards since Inception

The FY 2021 round of the CDFI RRP was the first and only round of the program. The CDFI Fund awarded more than $1.2 billion in grants to 863 organizations.

FY 2021 Activities

Well aware of the urgent need for financial support for CDFIs and their communities during the pandemic, the CDFI Fund was committed to deploying FY 2021 CDFI RRP funds as quickly as possible. To that end, the CDFI Fund took the following steps to expedite and streamline the application and review process:

- The CDFI Fund opened the application round for the CDFI RRP for only one month. (The application rounds for other CDFI Programs typically remain open for two months or longer.)

- To simplify the CDFI RRP application process, the CDFI Fund designed the application to be familiar to organizations that have applied for CDFI Program or NACA Program awards. The CDFI RRP application was more streamlined, collecting a targeted subset of the information required for the CDFI Program and NACA Program applications.

- Because of the streamlined application and expedited review process, the CDFI Fund was able to announce the awards less than three months after the application round closed. (The award announcements for other CDFI Fund programs typically take place five or more months after the application rounds close.) To expedite the review process, the CDFI Fund leveraged its existing CDFI Program Financial Assistance and Technical Assistance Application evaluation processes as well as its existing information technology infrastructure.

The application round for the FY 2021 CDFI RRP opened on February 25, 2021, in compliance with a statutory requirement, and closed on March 25, 2021.

On June 15, 2021, Vice President Kamala Harris and Treasury Secretary Janet L. Yellen announced the awards in a ceremony at the White House. The FY 2021 round of the CDFI RPP provided awards totaling more than $1.2 billion to 863 Certified CDFIs located in 48 states, the District of Columbia, Guam, and Puerto Rico.

All four of the basic types of CDFIs received awards:

- 463 loan funds received $571.3 million in awards.
- 244 credit unions received $401.8 million in awards.
- 149 banking entities received $267.1 million in awards.
- Seven venture capital funds received $9.4 million in awards.

Program Impact

All CDFIs that receive funds through the CDFI RRP are required to deploy their grants within two fiscal years and to report annually on how they have used the funds. CDFIs that request more than the minimum award amount ($200,000) have an additional performance goal related to financial products closed during the two-year period of performance.

Because the FY 2021 CDFI RRP awards were just announced in June 2021, the award recipients have not begun to report to the CDFI Fund about the impact of the grants.

However, data about the organizations that received awards offer some insight into the potential impact of the CDFI RRP. For example, the data show that the program will serve diverse, underserved communities:

- 58 organizations that committed to direct their awards to investments in Native American, Native Alaska, and Native Hawaiian communities received a total of $54.6 million in awards.
- 28 organizations that primarily serve Puerto Rico received $47.3 million in awards.
- 90 minority depository institutions received $133.9 million in awards.

Moreover, the data show that the CDFI RRP will reach a wide variety of low-income communities across the United States:

- 339 organizations that serve major urban areas received $478.7 million in awards.
- 277 organizations that serve small urban areas received $414.2 million in awards.
- 245 organizations that serve rural areas received $353.0 million in awards.

Economic Mobility Corps

Launched in FY 2020, the Economic Mobility Corps (EMC) is a joint initiative of the CDFI Fund and AmeriCorps that places full-time national service members in Certified CDFIs to enhance their capacity to provide financial literacy, financial planning, budgeting, saving, and other financial counseling activities.

How It Works

Purpose
Providing access to credit and capital in distressed communities requires the presence of a dedicated team with the ability to deliver a wide range of financial education services. EMC is a new national service program that provides grants to place AmeriCorps national service members in Certified CDFIs to support their financial education programs.

Grant funding was made available to fund AmeriCorps service members for a two-year term of service. After receiving training in the principles of financial counseling and financial literacy, members help CDFIs promote, market, and deliver a variety of financial counseling and financial planning programs.

Members who work full-time also receive living allowances and are eligible to earn a Segal AmeriCorps Education Award from the National Service Trust, which they can use to pay for higher education expenses or to apply to qualified student loans.

The creation of EMC was authorized by the Consolidated Appropriations Act, 2020 (P.L. 116-93), which provided $2.0 million in funding to support the first funding round of the program. An additional $556,416 in funds appropriated to AmeriCorps by the American Rescue Plan Act of 2021 (P.L. 117-2) was used to support the FY 2021 round of the program.

Award Process
An organization is not required to be a Certified CDFI to apply for an EMC award. However, award recipients are required to use their EMC awards to fund the placement of AmeriCorps service members in Certified CDFIs.

Any organization that meets AmeriCorps' State and National Direct Grant program eligibility criteria can apply for an EMC award. These organizations include CDFIs and other financial institutions as well as Indian Tribes, institutions of higher learning, state and local governments, and nonprofit organizations.

Preference is given to EMC applicants that intend to enroll veterans as AmeriCorps members and applicants that plan to serve rural areas.

An organization can apply to EMC either as a Single-State Applicant or as a National Direct Applicant, if it intends to place AmeriCorps service members at CDFIs in more than one state. Organizations that apply for and receive EMC funds must comply with all AmeriCorps State and National Direct Program guidelines.

Awards since Inception
The FY 2021 funding round of the EMC was the inaugural round of the program. More than $2.5 million in grants were awarded to three organizations.

FY 2021 Activities

The CDFI Fund and AmeriCorps opened the inaugural application round of EMC on October 5, 2020, and closed the round on January 6, 2021.

The CDFI Fund and AmeriCorps hosted two live webinars to provide CDFIs and other community development organizations with information on EMC and the application process. The webinars took place on October 29, 2020, and November 5, 2020. Recordings of these webinars were posted on the CDFI Fund's website.

On August 11, 2021, the CDFI Fund and AmeriCorps announced the awards for the inaugural round. Three Certified CDFIs were chosen to receive a total of approximately $1.3 million in grant funding each year for two years. Over the two-year period, the program will provide more than $2.5 million to sustain the placement of 78 AmeriCorps members each year.

The three Certified CDFIs selected for awards were:

- **LiftFund Inc., San Antonio, Texas,** which was awarded $113,452 per year to support seven service members;

- **Local Initiatives Support Corporation, New York, N.Y.,** which was awarded $992,800 per year to support 61 service members; and

- **Neighborhood Housing Services of South Florida Inc., Miami, Fla.,** which was awarded $171,956 per year to support 10 service members.

Of the 78 AmeriCorps members that will be placed in Certified CDFIs, 10 (or 12.8% of all service members placed) will be serving in PPCs.

Program Impact

The FY 2021 funding round of the Economic Mobility Corps awards will enable the three Certified CDFIs that received awards to add 78 AmeriCorps service members who will support the CDFIs' efforts to provide financial literacy, financial planning, budgeting, saving, and other financial counseling activities in underserved areas.

Because the inaugural round of EMC awards was just announced in August 2021, the award recipients have not yet reported about the impact of the grants. The CDFI Fund and AmeriCorps will provide detailed information about the impact of the Economic Mobility Corps when the information becomes available.

Native Initiatives

The Native Initiatives was launched in 2001 to help Native Communities—defined as Native American, Alaska Native, and Native Hawaiian communities—grow by increasing their access to credit, capital, and financial services.

How it Works

Purpose
The origin of the Native Initiatives dates back to the Riegle Act, when Congress mandated, through the CDFI Fund's authorizing statute, a study on lending and investment practices in Native Communities. The CDFI Fund conducted the study from 1999 to 2000 and published the Native American Lending Study in 2001.

The study reported that Native Communities face a number of unique challenges to economic growth, including higher barriers to accessing capital and basic financial services and increased difficulty interacting with private and public sector programs. The study affirmed the importance of developing Native CDFIs—CDFIs that specialize in serving Native Communities—to play a key role in the broader effort to lead Native Communities into the nation's economic mainstream.

The study led to the formation of the CDFI Fund's Native Initiatives. The program's purpose is to generate economic opportunity in Native Communities by supporting the creation and expansion of Native CDFIs through the Native American CDFI Assistance Program (NACA Program).

The NACA Program is very similar to the CDFI Program. Like the CDFI Program, it provides Financial Assistance (Base-FA) awards, Healthy Food Financing Initiative-Financial Assistance (HFFI-FA) awards, Persistent Poverty Counties-Financial Assistance (PPC-FA) awards, Disability Funds-Financial Assistance (DF-FA) awards, and Technical Assistance (TA) awards. However, the NACA Program focuses solely on supporting Native CDFIs.

By building and strengthening Native CDFIs, the NACA Program helps these community-based organizations increase access to credit, capital, and financial services in their communities, which in turn creates jobs, develops affordable housing, and provides opportunities for Native American, Alaska Native, and Native Hawaiian people to obtain appropriate financial services and counseling.

Award Process

The NACA Program has similar award components to the CDFI Program, but with an exclusive focus on Native CDFIs. An overview of the award types may be found in the CDFI Program discussion. Details specific to the NACA Program's FA and TA awards are described below.

FA Awards: To be eligible for a Base-FA award through the NACA Program, an organization must be a Certified CDFI. It also must have a Target Market of a Native Community and must ensure that at least 50% of its activities serve Native American, Alaska Native, and/or Native Hawaiian communities.

The Indian Community Economic Enhancement Act of 2020 (P.L. 116-261) permanently waived the Matching Funds requirement for Native American CDFIs, and, as a result, Native American CDFI FA Applicants are not required to provide matching funds.

TA Awards: Three types of organizations are eligible to apply for a TA award through the NACA Program: Certified Native CDFIs, Emerging Native CDFIs, and Sponsoring Entities (organizations primarily serving Native Communities that propose to create a separate Certified CDFI). Emerging Native CDFIs must demonstrate the ability to become a Certified Native CDFI within three years of receiving a TA grant. Sponsoring Entities must demonstrate the ability to create a new entity that will become a Certified Native CDFI within four years of receiving an award.

Awards since Inception

Since the inception of the NACA Program in 2001, the CDFI Fund has completed 18 rounds of the program and has provided FA and TA awards totaling more than $205.8 million, which includes PPC-FA awards totaling $7.3 million.[17]

FY 2021 Activities

The CDFI Fund opened the FY 2021 award round of the NACA Program on February 18, 2021. The application period closed on May 3, 2021. The CDFI Fund announced the FY 2021 TA awards on September 16, 2021, and announced the FY 2021 FA awards on December 8, 2021.

The demand for awards significantly exceeded the resources available for the awards:

[17] The FY 2021 round of the NACA Program is the 19th round of the program. On September 16, 2021, the CDFI Fund announced TA awards totaling $2.5 million for the FY 2021 round of the program and announced the FA awards for the FY 2021 round on December 8, 2021.

- For the FY 2021 Base-FA awards 27 organizations requested $22.8 million in NACA Program Base-FA awards.

- For the FY 2021 TA awards 22 organizations requested $3.3 million in NACA Program TA awards; 17 organizations received $2.5 million.

- For the FY 2021 FA supplemental awards, 15 organizations requested $3.9 million in NACA PPC-FA awards.

NACA Program Impact

Since the NACA Program was launched in 2001, the CDFI Fund has provided more than $205.8 million in FA and TA awards through the program. Those funds have helped build a nationwide network of Certified Native CDFIs:

- In 2001, the number of Certified Native CDFIs totaled 14.

- As of the end of FY 2020, the number of Certified Native CDFIs totaled 70.

The performance results reported by NACA Program award recipients in FY 2021 show that Native CDFIs originated more than 7,000 loans or investments totaling $116.3 million, based on their portfolio of activities in 2020, including $39.9 million in business and microenterprise loans, $31.1 million in home improvement and home purchase loans, and $35.9 million in consumer loans.

The Native Initiatives is generating economic opportunity and fostering economic self-determination in Native Communities nationwide. The table below demonstrates the cumulative impact of NACA recipient activities from FY 2010 to FY 2021.

Cumulative Performance Report of NACA Program Award Recipients for FYs 2010 to 2021

(Based on Program Activities Reported from 2009 to 2020)

Lending and Investing Activity (includes late reporters not included in FY2020 AFR)	Amount
Amount of Total Loans/Investments Originated	**$1,615,481,222**
Number of Total Loans/Investments Originated	52,644
Business and Microenterprise Originations	**$443,236,564**
Number of Originations	3,131
Consumer Originations	**$161,055,770**
Number of Originations	39,220

The content on this page is unaudited. Please see the accompanying auditor's report.

Home Improvement and Home Purchase Originations	**$806,422,241**
Number of Originations	6,017
Residential Real Estate Originations	**$12,105,453**
Number of Originations	73
Commercial Real Estate Originations	**$17,162,706**
Number of Originations	45
All Other Originations	**$175,498,488**
Number of Originations	4,158
Affordable Housing Units Financed	**154**
Rental Units	131
Owner Units	23
Businesses Financed	**2,496**

New Markets Tax Credit Program

The New Markets Tax Credit Program (NMTC Program) was established by Congress in 2000 to attract private investment to underserved communities by offering a tax credit to investors.

How it Works

Purpose

One of the most significant obstacles to economic development in low-income communities is the lack of access to private investment capital. The NMTC Program is designed to attract new private investment to qualifying businesses located in Low-Income Communities (generally defined as population census tracts with at least 20% poverty or 80% or less of the median family income) or businesses that are owned by, employ, or serve Targeted Populations.

The NMTC Program attracts private investment by permitting individual and corporate investors to receive a tax credit against their federal income tax in exchange for making Qualified Equity Investments (QEIs) in specialized financial intermediaries called Community Development Entities

(CDEs). The credit totals 39% of the original investment amount; the investor claims the credit over a period of seven years.

Congress authorized the NMTC Program under the Community Renewal Tax Relief Act of 2000 (P.L. 106-554), which included $15.0 billion in allocation authority for seven years. Since then, the NMTC Program has been reauthorized eight times. Most recently, the Taxpayer Certainty and Disaster Tax Relief Act of 2020 (P.L. 116-260) extended authorization of the program for calendar year (CY) 2021 to CY 2025 with $5.0 billion in annual NMTC allocation authority.

Award Process

The CDFI Fund allocates tax credits to Certified CDEs through a competitive application process. If successful, the CDE has five years to offer the tax credits to investors in exchange for QEIs.

A CDE has 12 months to invest "substantially all" of the proceeds from the QEIs into Qualified Low Income Community Investments (QLICIs). The proceeds must be used to make loans or equity investments in qualified businesses or CDEs, to purchase qualifying loans originated by other CDEs, or to provide financial counseling to businesses located in Low-Income Communities.

Awards since Inception

Since the inception of the NMTC Program in 2000, the CDFI Fund has completed 17 allocation rounds and has made 1,354 awards totaling $66.0 billion in tax allocation authority. This includes $3.0 billion in Recovery Act Awards and $1.0 billion of special allocation authority used for the recovery and redevelopment of the Gulf Opportunity Zone.

FY 2021 Activities

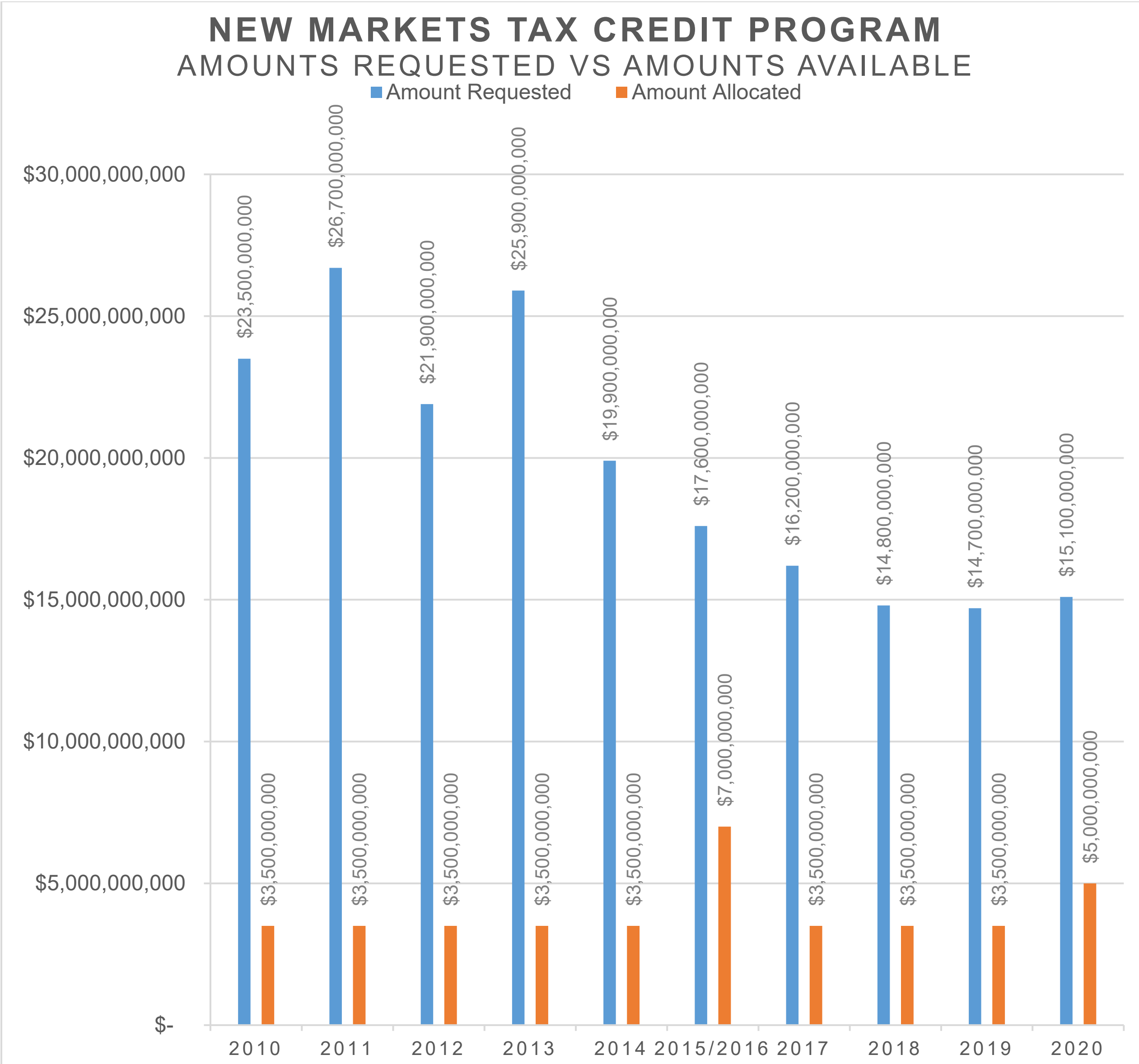
In FY 2021, the CDFI Fund completed the CY 2020 round of the NMTC Program.

The CDFI Fund opened the CY 2020 round on September 23, 2020, and announced the awards on September 1, 2021. The demand for NMTC allocation authority significantly exceeded the tax credits available during the round:

- 208 CDEs submitted applications requesting $15.1 billion in tax credit allocation authority.
- 100 CDEs received $5.0 billion in tax credit allocation authority.

The 100 award recipients are headquartered in 34 states and the District of Columbia. It is estimated that these award recipients will make more than $967.5 million in NMTC investments in nonmetropolitan counties.

The CDFI Fund anticipates opening the CY 2021 round of the NMTC Program in November 2021 and announcing CY 2021 allocation awards in summer 2022.



NMTC Program Impact

The CDFI Fund has awarded a total of $66.0 billion to CDEs through the NMTC Program. As of September 30, 2021, allocation recipients had reported raising QEIs totaling $59.3 billion.

In FY 2021, allocation recipients reported making more than $3.3 billion in loans and investments in Qualified Active Low Income Community Investments (QLICIs), as shown in the table below. In addition, these investments are estimated to have created 12,569 jobs and funded 23,575 construction-related jobs.

Of these investments, 26.1% of the dollars invested were invested in “real estate QALICBs” (i.e., businesses that develop or lease real property for use by others), 73.8% of the dollars were invested in “non-real estate QALICBs” (i.e., operating businesses) in low-income communities, and the remaining investments were direct investments into other CDEs. Since the inception of the NMTC Program, recipients of allocations have reported making more than $60.4 billion in cumulative qualified low-income community investments, which have created 336,996 jobs and more than 601,124 construction jobs.

FY 2021 Annual & Cumulative Performance Report of NMTC Program Allocation Recipients

	Annual Performance	Cumulative Performance
Total Qualified Low-Income Community Investments (QLICI)	**$3,321,389,386**	**$60,434,300,480**
Number of QLICI (TOTAL)	1,093	18,003
Real Estate Activity	**$865,223,777**	**$27,259,161,958**
Number of QLICI (RE)	282	7,173
Non-Real Estate Activity	**$2,451,463,108**	**$32,273,403,801**
Number of QLICI (NRE)	809	10,563
Loans/Investments Made to Other CDEs	**$4,702,500**	**$901,734,721**
Number of QLICI (CDE)	2	267
Percent in Distressed Area	**77.0%**	**76.2%**
Jobs at Reporting Period End	**12,569**	**336,996**
Projected Construction Jobs	**23,575**	**601,124**
Affordable Housing Units Financed	**1,164**	**18,714**
Owner Units	150	7,091
Rental Units	1,014	11,623
Square Feet of Commercial Real Estate	**13,886,550**	**368,251,476**
Office	3,689,539	118,341,047

Retail	1,480,102	77,127,494
Manufacturing	8,716,909	76,982,935
Businesses Financed	557	9,545
Financial Counseling and Other Services		
Total Investments	480,335	49,230,126
Number of Businesses Served	8,453	127,518

The NMTC Program catalyzes investment where investment is needed most. Over 77.0% of NMTC investments for FY 2020 have been made in highly distressed areas. These are communities with low median incomes and high rates of unemployment, and the NMTC investments are helping to transform them into places of opportunity.

Small Dollar Loan Program

The Small Dollar Loan Program (SDL Program) is a newly launched program that helps Certified CDFIs address the issue of expanding consumer access to mainstream financial institutions and provides alternatives to high-cost small dollar loans that are prevalent in low-income communities. The program also helps unbanked and underbanked populations build credit and access the mainstream financial system.

How it Works

Purpose

The SDL Program was authorized by the Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010 (P.L. 111-203). The CDFI Fund received $5.0 million to support the SDL Program under the Consolidated Appropriations Act, 2020 (P.L. 116-93) and $8.5 million in the Consolidated Appropriations Act, 2021 (P.L. 116-260).

The SDL Program provides grants to help Certified CDFIs offer fair and affordable small dollar loan programs in communities that are underserved by mainstream financial institutions. The SDL Program statute stipulates that these grants can be used only to support programs offering small dollar consumer loans that:

- are made in amounts that do not exceed $2,500;
- are repaid in installments;

- have no prepayment penalty; and

- report the loan payments to at least one of the consumer reporting agencies that compile and maintain files on consumers on a nationwide basis.

The SDL Program not only provides safe alternatives to high-cost small dollar loans but also helps unbanked and underbanked borrowers build credit and enter the mainstream financial system by reporting their loan activity to the credit bureaus.

Award Process

Through the SDL Program, the CDFI Fund provides two types of funding to Certified CDFIs:

1. **Grants for Loan Loss Reserves (LLRs**) to enable Certified CDFIs to establish a loan loss reserve fund in order to defray the costs of establishing or maintaining a small dollar loan program

2. **Grants for Technical Assistance (TA)** to support a variety of activities to enable Certified CDFIs to establish and maintain a small dollar loan program. The seven categories of eligible activities are Compensation—Personal Services, Professional Service Costs, Travel Costs, Training and Education Costs, Equipment, Supplies, and Development Services.

Grant recipients cannot use SDL Program awards to provide direct loans to consumers.

Eligible applicants may request up to $150,000 for TA awards, $350,000 for LLR awards, and up to a total of $500,000 for a combination of TA and LLR awards.

Three types of applicants are eligible to apply for SDL Program grants:

- Certified CDFIs

- Partnerships between a Certified CDFI and any Federally Insured Depository Institution with a primary mission to serve targeted Investment Areas

- Partnerships between two or more Certified CDFIs

All organizations that receive funds through the SDL Program are required to meet various performance goals and measures within three years after the grants are announced and to report each year on how they used the funds.

Awards since Inception

The FY 2021 funding round of the SDL Program was the inaugural round of the program. The CDFI Fund awarded more than $10.8 million in grants to 52 organizations.

FY 2021 Activities

The CDFI Fund opened the inaugural funding round of the SDL Program on April 28, 2021. The round closed on June 29, 2021.

Up to $13.5 million in awards was available through the FY 2021 round of the SDL Program. The CDFI Fund reported that 81 organizations headquartered in 35 states, the District of Columbia, and Puerto Rico had submitted applications requesting nearly $26.3 million in funding—nearly double the amount of funding available. Of the 81 applicants:

- five organizations requested nearly $1.6 million in LLR awards;
- 15 organizations requested $2.2 million in TA awards; and
- 61 organizations requested $22.5 million for a combination TA award and LLR award.

In addition, the CDFI Fund reported that the 81 applicants included:

- 43 loan funds
- 26 credit unions
- 12 banks or bank holding companies.

On September 23, 2021, the CDFI Fund announced that it had awarded grants totaling more than $10.8 million to 52 Certified CDFIs headquartered in 30 states, the District of Columbia, and Puerto Rico through the FY 2021 round of the SDL Program. Three types of Certified CDFIs received awards:

- 28 loan funds received awards totaling $5.2 million.
- 13 credit unions received awards totaling $2.8 million.
- 11 banks or bank holding companies received awards totaling $2.8 million.

These award recipients included two organizations headquartered in Puerto Rico that received $560,000 in awards and five minority depository institutions that received $1.6 million in awards.

Of the 52 SDL Program awards made, 13 awards totaling nearly $3 million—or 28% of the total funds awarded—were made to CDFIs with headquarters located in Persistent Poverty Counties, which exceeds the Congressional mandate of 10%.

Program Impact

The FY 2021 Small Dollar Loan Program awards will enable 52 Certified CDFIs to increase their capacity to provide fair and affordable loans in their communities and to help unbanked and underbanked borrowers build their credit.

Organizations that receive funds through the SDL Program are required to deploy their grants within three years and to report each year on how they have used the funds. Because the FY 2021 round of the SDL Program was the inaugural year of the program and the awards were just announced in September 2021, the awardees have not begun to report to the CDFI Fund about the impact of the grants. The CDFI Fund will release that information when it becomes available.

ADMINISTRATIVE DISCUSSION AND ANALYSIS
The Community Development Financial Institutions Fund

Initiatives to Maximize Performance

In addition to administering the nine programs discussed above, the CDFI Fund in FY 2021 continued four key administrative initiatives to maximize its performance, efficiency, and program results:

1. Ongoing maintenance and enhancement of the Awards Management Information System (AMIS)

2. Development of the CDFI Program Assessment and Risk Management Framework (ARM Framework)

3. Development of revised CDFI Certification Application and data collection devices

4. Enhancement of compliance monitoring and evaluation

Maintenance and Enhancement of AMIS

To optimize the quality of its data, decision-making, user experience, and delivery of program resources, the CDFI Fund developed AMIS, a cloud-based, enterprise-wide business platform that supports all CDFI Fund programs through each phase of a program's life cycle, including certification, program awards and allocations, data analysis, compliance, and reporting.

Since the launch of AMIS in 2015, the CDFI Fund has integrated the CDFI Program, NACA Program, BEA Program, NMTC Program, CMF, SDL Program, the CDFI RRP, and the CDFI Bond Guarantee Program Qualified Issuer and Guarantee applications into AMIS. Award recipient compliance and performance reporting has been built out into the AMIS platform. AMIS also supports the Annual Certification and Data Collection Report that Certified CDFIs are required to submit to maintain their certification status.

Development of the ARM Framework

During FY 2021, the CDFI Fund continued its development of the ARM Framework and is currently implementing the ARM tools in AMIS.

The ARM Framework is a suite of six tools that the CDFI Fund is using to assess the financial and programmatic risk of CDFI Program applicants and award recipients, to enhance data-driven decision-making, and to mitigate post-award compliance reporting risks:

- **The CDFI and NACA Program Application Assessment Tool** provides the functionality to assess and to evaluate the organizational risk of CDFI and NACA Financial Assistance awards program applicants' financial portfolio and management capabilities and to determine how applicants' proposed activities address financial needs in distressed communities and underserved populations as part of the five-step application review process, including award-sizing.

- **The Certification Assessment Tool** provides the functionality to support the application review process for new CDFI certification applicants and to monitor the maintenance of CDFI certification status.

- **The Compliance Assessment/Noncompliance Score Card** measures the risk of non-compliance or default for both regulated and unregulated CDFIs that have received awards by using three metrics to rate and score the risk. The three factors are based on the award recipient's compliance with reporting requirements, Performance Goals and Measures as specified in its Assistance Agreement (including a safety and soundness check), and Technical issues.

- **The CDFI Industry Data Analysis Reporting Tool** integrates internal CDFI Fund data from applicants' data and award recipients' transactional and organizational data reports. These data are used to generate analytical tables and graphical data visualizations to evaluate how the applicant's proposed business plans and activities may address market gaps for distressed communities and underserved populations.

- **The Macroeconomic Risk Tool** analyzes macroeconomic factors and external data derived from authoritative public sources to assess markets served or to be served in the certification application and CDFI Fund programs' review processes.

- **The Direct Loan Component/Portfolio Monitoring Tool** provides the functionality to assess CDFI recipients' financial risk if they are awarded a direct loan as a match. The tool also monitors risk within the portfolio and award recipient loan performance for CDFIs consistent with Treasury's credit risk measures for CDFIs and Office of Management and Budget Circular A-129 on Policies for Federal Credit Programs and Non-Tax Receivables.

The full suite of tools will be recalibrated and finalized by the end of FY 2021 and will support the needs of multiple CDFI Fund business units.

Development of Revised CDFI Certification Application and Data Collection Devices

The criteria and measurements for certifying organizations as CDFIs have not been updated since the CDFI Fund was established in 1994. During this time, the CDFI industry has grown and evolved. In order to ensure that certification criteria support the growth and reach of CDFIs, minimize regulatory burden, and foster a diversity of CDFI types, the CDFI Fund began reviewing its CDFI Certification policies and tests applied to organizations seeking to become recognized as CDFIs in 2016.

In May 2020, the CDFI Fund released for public comment proposed revisions to the CDFI Certification Application. The changes proposed to the CDFI Certification Application embody work the CDFI Fund began in 2016 reviewing CDFI Certification practices. Comments were due to the CDFI Fund on November 5, 2020; over 500 individual comments were received. The CDFI Fund anticipates releasing a final version of the CDFI Certification application in calendar year 2022.

To coincide with the revisions outlined in the CDFI Certification Application, the CDFI Fund has also proposed changes to the Annual Certification and Data Collection Report (ACR), which Certified CDFIs are required to submit annually to verify that they continue to meet CDFI Certification requirements. The proposed revisions to the ACR align with changes being proposed to the CDFI Certification Application. This will ensure that existing CDFIs are being held to the same review criteria as newly certified CDFIs.

In addition, the CDFI Fund proposed the introduction of a new Certification Transaction Level Report (CTLR) for Certified CDFIs that are not current CDFI Program or NACA Program FA Recipients. This will give the CDFI Fund a way to examine the degree to which CDFIs are serving distressed and underserved populations. The CTLR will create a more data-driven, quantitative evaluation of Certified CDFIs and CDFI Certification Applicants, and automate key processes.

Together, these three applications and forms—the CDFI Certification Application, ACR, and CTLR—will provide the CDFI Fund the ability to better track, measure, and adapt to the ever-evolving CDFI universe. The combined information collected will allow the CDFI Fund to paint a complete picture of the impact and activity of Certified CDFIs. Having a greater sense of the CDFI industry will help build awareness, illustrate and evaluate the comprehensive effects of CDFIs in distressed communities, better assess and target financing gaps and needs, and attract new sources of capital.

Enhancement of Compliance Monitoring and Evaluation

Compliance monitoring is an essential part of the CDFI Fund's operations. The CDFI Fund recognizes the importance of ensuring that each dollar of appropriations it receives is used in ways that advance the public interest and support the CDFI Fund's mission.

In FY 2021, the CDFI Fund continued its multi-year effort to enhance monitoring using risk-based strategies. It also continued to invest time and attention to examining core compliance monitoring processes for the CDFI Program, NACA Program, NMTC Program, BEA Program, and CMF Program as well as to developing compliance monitoring processes for the recently funded CDFI RRP and SDL Program. Although not all of these developments and enhancements will be visible to the public, they will improve the experience of our award recipients while allowing the compliance staff to focus more on compliance analysis.

The CDFI Fund also worked with the Department of the Treasury's Office of Civil Rights and Diversity to develop and implement a plan to monitor Award Applicants' and Recipient's compliance with the Treasury regulations implementing Title VI of the Civil Rights Act (Title VI), set forth in 31 CFR Part 22.

Status of Financial Management

This section includes a description of the CDFI Fund's financial management system, a summary of the results of the FY 2021 financial statement audit, a summary of the financial management initiatives of the CDFI Fund during FY 2021, and a discussion of the CDFI Fund's financial position and results of operations during the fiscal year.

Description of the CDFI Fund's Financial Management System

The CDFI Fund contracts for accounting services through a franchise agreement with the Bureau of the Fiscal Service (Fiscal) in Parkersburg, West Virginia. While Fiscal maintains the accounting system relating to the CDFI Fund's transactions, the CDFI Fund is responsible for the generation of all source documents and the accuracy of all accounting information.

The CDFI Fund's financial management system includes the disbursement transactions maintained by Fiscal in the accounting system, as well as records maintained and procedures performed by the CDFI Fund's financial management staff in Treasury's Office of the Deputy Chief Financial Officer (DCFO). The CDFI Fund's Financial Manager and Treasury's DCFO are responsible for the administrative control of its funds, budget formulation and execution, and review and analysis of financial information.

Results of FY 2021 Financial Statement Audit

The FY 2021 audit of the CDFI Fund's financial statements resulted in an unmodified opinion.

FY 2021 Financial Management Oversight

Improper Payments Elimination and Recovery Improvement Act of 2012 (IPERIA)

Our FY 2021 Payment Integrity reporting includes information required by the *Improper Payments Information Act of 2002* (IPIA), as amended by *Improper Payments Eliminations and Recovery Act of* 2010 (IPERA) and *Improper Payments Elimination and Recovery Improvement Act of 2012* (IPERIA), Executive Order 13520, *Reducing Improper Payments and Eliminating Waste in the Federal Government*, Appendix C to OMB Circular A-123, *Requirements for Payment Integrity Improvement* and OMB Circular A-136, *Financial Reporting Requirements*. During FY 2021, the CDFI Fund performed risk assessments and a payment recapture audit in accordance with the Treasury IPERIA Guidance and Implementation plan.

Management Responsibilities

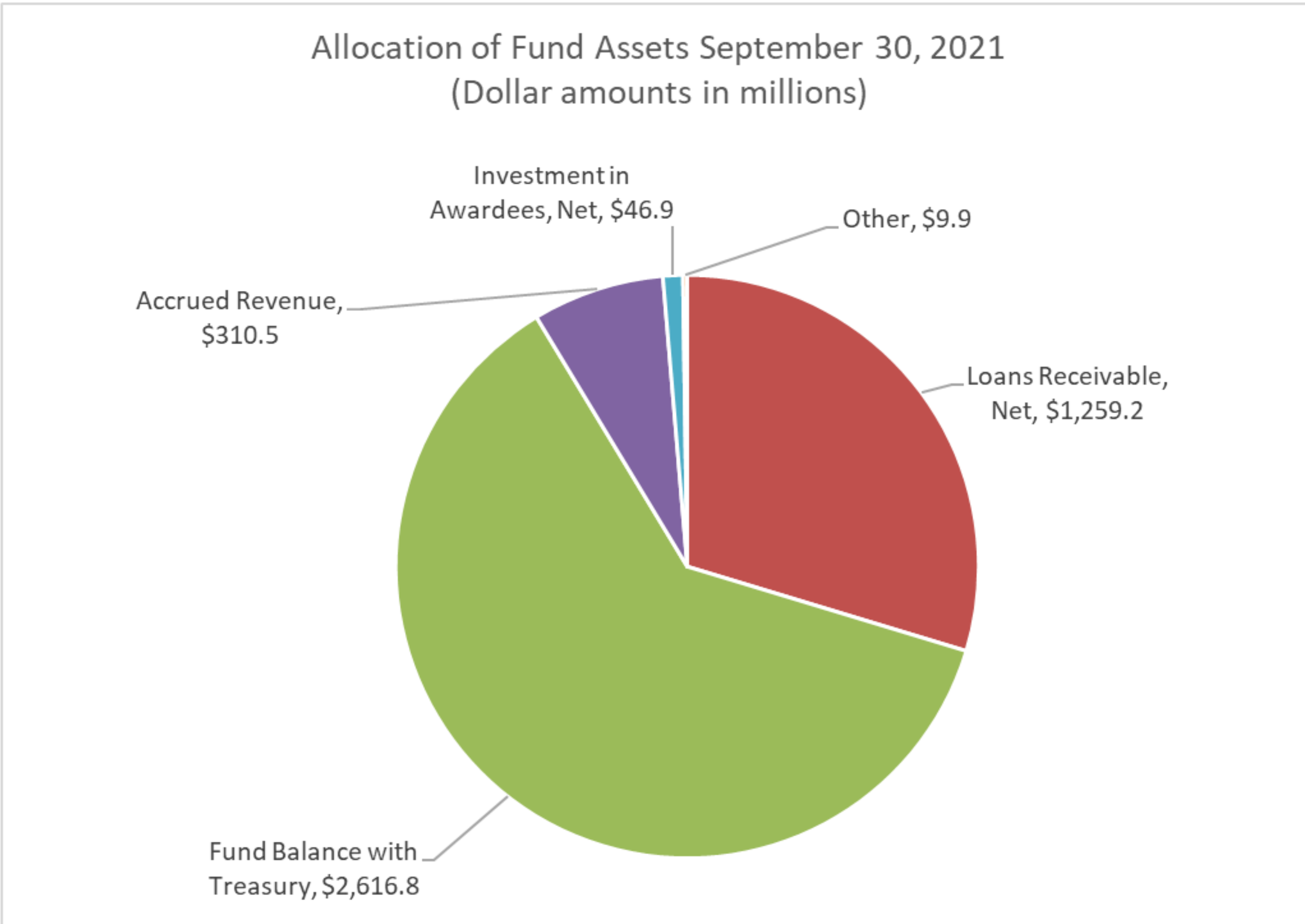
CDFI Fund management is responsible for the fair presentation of information contained in the principal financial statements in conformity with generally accepted accounting principles (GAAP) in the United States of America. Management is also responsible for the fair presentation of the CDFI Fund's performance measures in accordance with the Office of Management and Budget requirements. The quality of the CDFI Fund's internal control structure rests with management, as does the responsibility for identification of and compliance with applicable laws and regulations.

Analysis of Financial Position and Results of Operations

Summarized Financial Data
(Dollar amounts in millions)

	FY 2021	FY 2020	Increase / (Decrease)
Total Assets	$4,243.3	$1,976.6	$2,266.7
Total Liabilities	$1,318.4	$1,284.9	$33.5
Total Net Position	$2,924.9	$691.7	$2,233.2
Total Revenue and Financing Sources	$1,823.9	$615.3	$1,208.6
Total Expenses	$1,530.4	$420.0	$1,110.4
Net Income	$293.5	$195.3	$98.2

Allocation of Fund Assets September 30, 2021



Assets

Assets increased by $2,266.7 million during FY 2021 caused by the following activities: Fund Balance with Treasury increased $2,139.8 million due to COVID-19 Emergency Support funding and a larger amount of the FY 2020 Government Sponsored Enterprise (GSE) fees received in FY 2021 compared to the prior year; loans receivable increased $54.7 million due to new loans issued in FY 2021 under the CDFI Bond Guarantee Program (CDFI BGP) and the CDFI FA Program; Investments-Nonvoting Equity Securities, at Cost, decreased by $4.0 million, and Investments-Nonvoting Equity Securities, at Fair Value, increased by $19.4 million due to unrealized gains; Accrued Revenue increased by $55.6 million due to the accrual of the FY 2021 portion of GSE fees owed to the CDFI Fund (this accrual will be paid in FY 2022 to fund the Capital Magnet Fund (CMF)); and Internal-use Software increased by $1.2 million.

Fund Balance with Treasury
The Fund Balance with Treasury (FBwT) reflects a $2,139.8 million increase. $1,915.4 million of the increase is the COVID-19 Emergency Support funding appropriations received in FY21 that were not yet disbursed to CDFI's in response to this initiative. An increase of $211.8 million is due to restricted funds received from the GSEs as a result of an increase in new business purchases year over year for the GSEs. Restricted funds from Special and Trust Funds relate to the CMF and are used to carry out competitive award grants to CDFIs and qualified Non-Profit Housing Organizations.

Loans Receivable, Net
Loans receivable is increased when loan awards (under the CDFI, Native Initiatives (NACA) and CDFI BGP programs) are disbursed and decreased for loan repayments and loan write-offs. During FY 2021, net loans increased by $54.7 million resulting from new loans of $95.3 million partially offset by CDFI BGP and direct loan principal repayments from recipients of $43.0 million and an increase due to the change in Allowance for Doubtful Accounts of $2.4 million.

Investments
The CDFI Fund currently holds three types of investments with net balances as follows:

- Non-voting equity securities - $44.7 million
- Limited partnerships - $0.7 million
- Secondary Capital - $1.5 million

The primary source of financial data used for the majority of assessments is the most recent audited financial statements of the investees. These assessments determine whether any other–than–temporary impairments should be recognized. Zero investments were determined to be other-than-temporarily impaired at September 30, 2021. Two non-voting equity security investments had upward adjustments for an observable price change totaling $15.4 million at September 30, 2021.

Accrued Revenue
Accrued revenue reflects a $55.6 million increase in projected collections of GSE fees due to an increase in new business purchases for the GSEs.

Liabilities

The increase in liabilities of $33.5 million during the year was primarily attributable to an increase in debt of $50.6 million, offset by a decrease in awards payable of $17.6 million.

Debt

During FY 2021, the CDFI Fund borrowed $98.4 million to issue new loans, $9.8 million to fund a downward subsidy re-estimate, and $3.1 million to meet annual interest payments to Treasury at interest rates ranging from 1.92% to 5.83%, depending on maturity dates and/or risk categories. The CDFI Fund's debt was reduced by repayments of CDFI BGP principal, upward subsidy re-estimates, repayments of Direct Loan debt, and repayments of prior year cash balances brought forward to Treasury totaling $60.7 million. Principal repayments collected from recipient's loans during the year are used to repay the Treasury borrowings; therefore, amounts collected and repaid to Treasury each year will vary.

Awards Payable

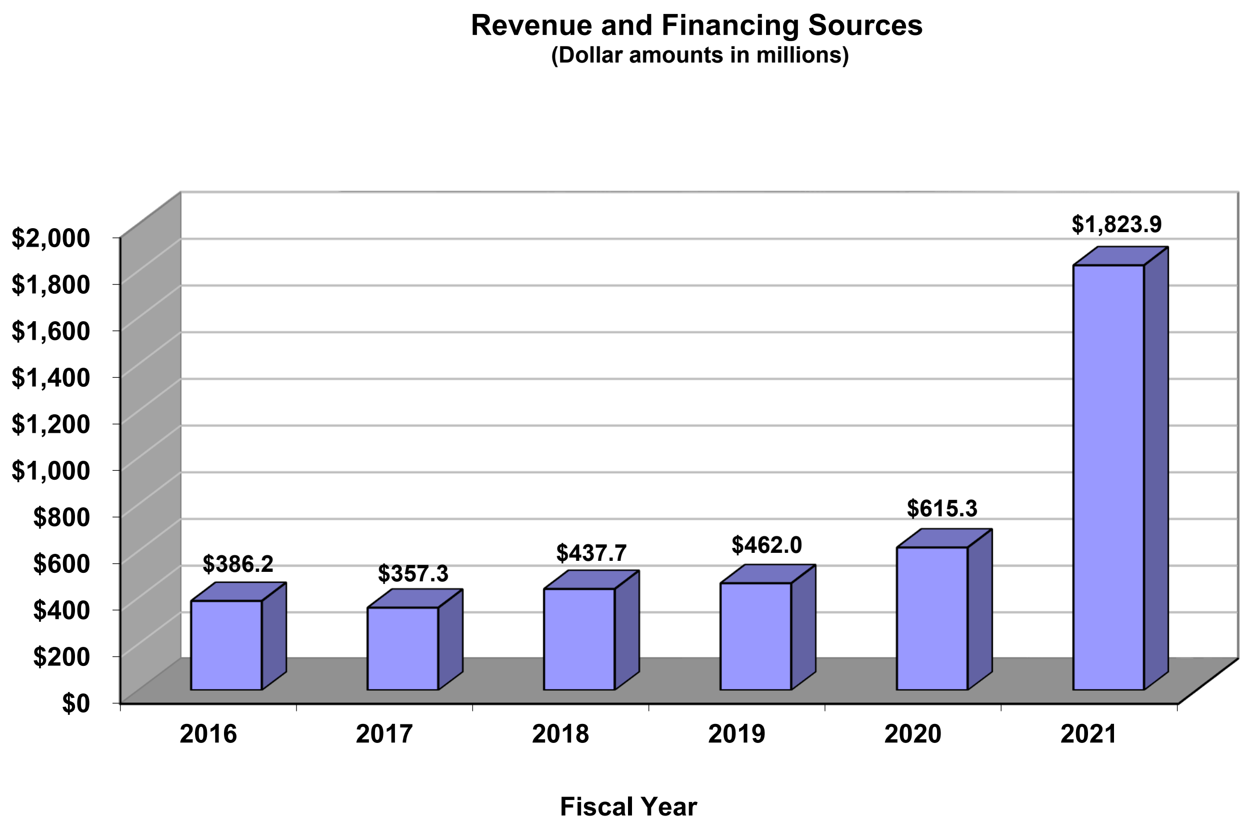
The decrease in awards payable reflects the timing of the Bank Enterprise Award (BEA) Program award funding round. As of September 30, 2021, the BEA Program had not announced their 2021 funding round, therefore no liability was incurred. In September of FY 2020 the BEA's 2020 funding round was announced and a liability in the amount $24.9 million was incurred as the BEA recipients had met the conditions required for payment. An increase to awards payable of $7.0 million was for liabilities incurred for the Rapid Response Program (RRP), which was part of COVID-19 Emergency Support funding, in which Assistance Agreements had been executed as of September 30, 2021, but disbursements had not yet been made.

Net Position

Net position increased during the year by $2,233.2 million. Net position will change during the year as a result of the following: 1) the difference between appropriations received (net of appropriations cancelled, rescinded and adjusted for credit subsidy re-estimates) and appropriations used; and 2) net income. During FY 2021, appropriations received and appropriations for subsidy re-estimate (net of amounts cancelled, rescinded and downward subsidy re-estimate) was $3,272.2 million. Appropriations used was $1,332.4 million resulting in an increase in unexpended appropriations of $1,939.8 million. Net position was also increased by net income of $293.5 million. Net Income of $268.5 million is attributable to GSE fees collected, accrued, and expensed. The CDFI Fund collected and accrued $438.4 million and expensed $169.9 million. The Cumulative Results of Operations – Capital Magnet Fund is composed entirely of restricted funds. Under federal statute, these funds have been specifically identified and are only designated for activities, benefits, or purposes of the CMF. Net Income of $15.4 million is attributable to unrealized gains in non-voting equity securities due to upward adjustments for observable price changes.

Revenue and Financing Sources

One source of revenue and financing for the CDFI Fund is the annual appropriation used to fund expenses ("appropriations" as reflected in the Statements of Operations and Changes in Net Position). The second source is the GSE fees accrued and collected to support the CMF. The fees collected are subsequently disbursed and reported as an expense.



Revenue and Financing Sources include appropriations, GSE fees, interest income, and other revenue

The content on this page is unaudited. Please see the accompanying auditor's report.

Expenses

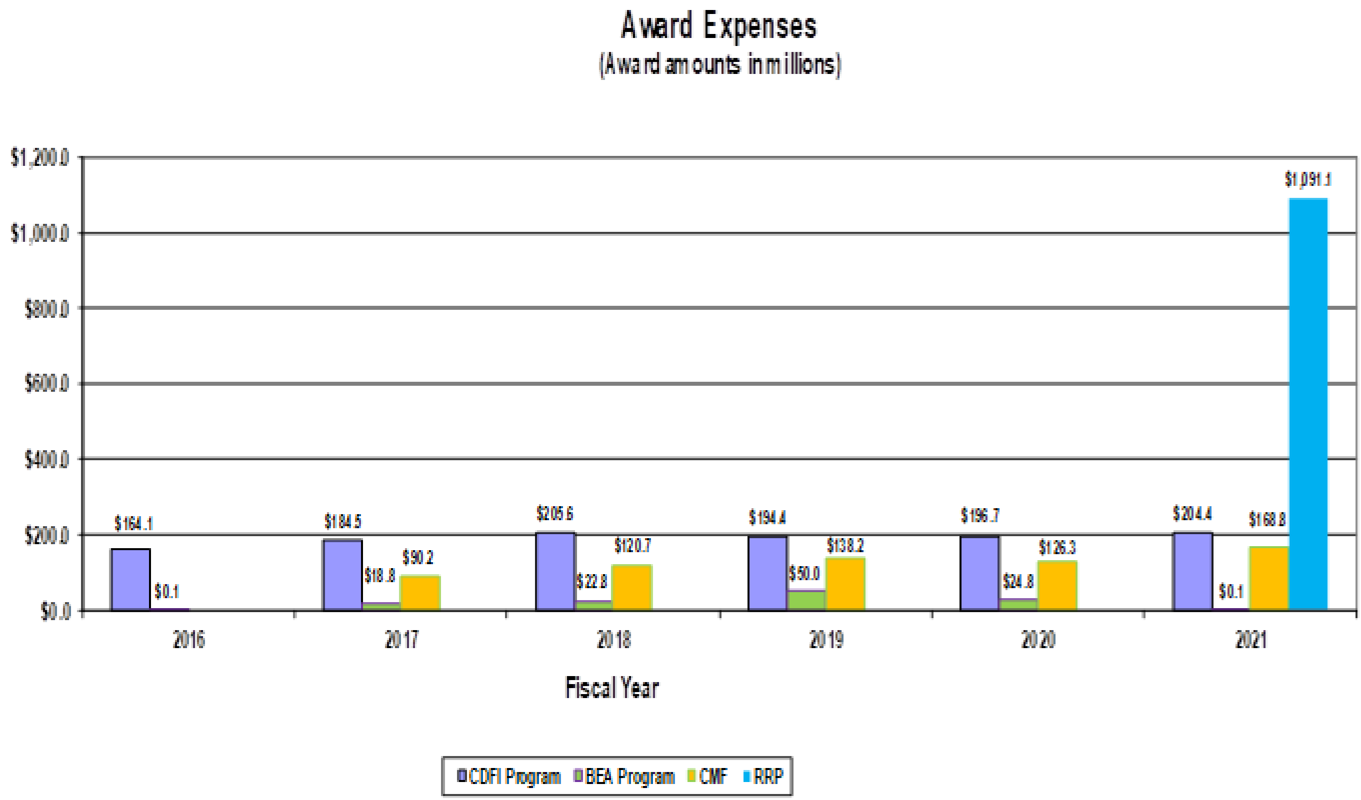
The change in the CDFI Fund's operating expenses, during FY 2021 consisted of the following:

Comparison of Operating Expenses Excluding
Administrative Expenses Paid by Others
Fiscal Years 2021 and 2020
(Dollar amounts in millions)

	FY 2021	FY 2020	Increase/(Decrease)
Award Expenses	$1,464.4	$347.8	$1,116.6
Administrative Expenses	$31.1	$32.3	($1.2)
Bad Debt Expense	($2.5)	$1.5	($4.0)
Total Operating Expenses	$1,493.0	$381.6	$1,111.4

Award Expenses

Award expenses increased during the year by $1,116.6 million due to the following activities: the new RRP awards increased expenses $1,091.1, CMF award expenses increased $42.5 million, and CDFI Program award expenses increased $7.7 million, offset by BEA award expenses decreasing $24.7 million. The change in award expenses increased significantly mainly due to the RRP awards, which was a new program in FY 2021. The change in CMF Program award expenses was due to an increase in the total amount of award funding year over year. The CDFI Program award expense increase was due to more payments disbursed in FY 2021 than FY 2020. The CDFI Program incurs expenses when awardees have met the conditions required to use the award funding. The BEA Program award expenses decreased because the 2021 funding round will not be awarded until FY 2022.



Administrative Expenses

Administrative expenses decreased by $1.2 million during FY 2021. This decrease was due to $2.6 million decrease in contractual services; offset by a $0.8 million increase amortization expense.

Bad Debt Expense

Bad debt expense decreased by $2.5 million as a result of a reduction to the bad debt allowance in FY 2021. In addition to the loans issued under the CDFI FA Program, the Secretary of the Treasury issues guarantees for the full amount of bond issuances to support CDFI BGP loans. The CDFI Fund does not bear any CDFI BGP loan defaults and, therefore, no allowance is recognized.

Net Income

The amount of appropriations used (the largest component of the CDFI Fund's revenue) is, with certain adjustments, equal to the amount of operating expenses for the year. The two exceptions are for the GSE fees collected, accrued, and expensed as well as any gains or losses related to investments. Accordingly, the excess (shortage) will consist of the amount by which revenue and financing sources, other than appropriations used, exceeds expenses. For FY 2021, other expenses totaled $36.5 million, consisting of interest expense for Treasury borrowings. Interest and dividend income totaled $35.5 million.

The content on this page is unaudited. Please see the accompanying auditor's report.

Independent Auditors’ Report

KPMG LLP
Suite 12000
1801 K Street, NW
Washington, DC 20006

Independent Auditors' Report

Deputy Inspector General, U.S. Department of the Treasury
Director, Community Development Financial Institutions Fund:

Report on the Financial Statements

We have audited the accompanying financial statements of the Community Development Financial Institutions Fund (CDFI Fund), which comprise the statements of financial position as of September 30, 2021 and 2020, and the related statements of operations and changes in net position, and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with U.S. generally accepted accounting principles; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America, in accordance with the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, and in accordance with Office of Management and Budget (OMB) Bulletin No. 21-04, *Audit Requirements for Federal Financial Statements*. Those standards and OMB Bulletin No. 21-04 require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Community Development Financial Institutions Fund as of September 30, 2021 and 2020, and the results of its operations, changes in net position, and its cash flows for the years then ended in accordance with U.S. generally accepted accounting principles.

Other Matters

Other Information

Our audits were conducted for the purpose of forming an opinion on the basic financial statements as a whole. The Message from the Director, Overview, Program Discussion and Analysis, Administrative Discussion and Analysis, Status of Financial Management, and Appendix: Glossary of Acronyms are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information has not been subjected to the auditing procedures applied in the audits of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by Government Auditing Standards

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements as of and for the year ended September 30, 2021, we considered the CDFI Fund's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the CDFI Fund's internal control. Accordingly, we do not express an opinion on the effectiveness of the CDFI Fund's internal control. We did not test all internal controls relevant to operating objectives as broadly defined by the *Federal Managers' Financial Integrity Act of 1982*.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the CDFI Fund's financial statements as of and for the year ended September 30, 2021 are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* or OMB Bulletin No. 21-04.

Purpose of the Other Reporting Required by Government Auditing Standards

The purpose of the communication described in the Other Reporting Required by *Government Auditing Standards* section is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the CDFI Fund's internal control or compliance. Accordingly, this communication is not suitable for any other purpose.

KPMG LLP

Washington, DC
December 15, 2021

Financial Statements and Notes

Community Development Financial Institutions Fund
Statements of Financial Position
As of September 30, 2021 and September 30, 2020

(Dollar amounts in thousands)

		2021		2020
Assets				
Fund Balance with Treasury (Note 4)	$	*2,616,735*	$	*476,869*
Loans Receivable, Net of Allowance for Bad Debt (Note 5)		*1,259,228*		*1,204,536*
Investments:				
Investment, Secondary Capital Interest (Note 6)		*1,476*		*1,452*
Investments, Nonvoting Equity Securities, at Cost		*2,600*		*6,600*
Investments, Nonvoting Equity Securities, at Fair Value (Note 7)		*42,140*		*22,745*
Investments, Limited Partnership Interests		*704*		*743*
Accrued Revenue Receivable (Note 13)		*310,510*		*254,900*
Internal-use Software, Net of Accumulated Amortization		*9,476*		*8,271*
Other Assets		*442*		*473*
Total Assets	$	*4,243,311*	$	*1,976,589*
Liabilities and Net Position				
Accounts Payable	$	*1,175*	$	*725*
Awards Payable (Note 8)		*7,366*		*24,990*
Accrued Payroll		*776*		*728*
Accrued Annual Leave		*1,057*		*1,070*
Other Liabilities		*-*		*38*
Debt (Note 9)		*1,308,034*		*1,257,386*
Total Liabilities		*1,318,408*		*1,284,937*
Commitments and Contingencies (Note 10)				
Cumulative Results of Operations - All Other Funds		*42,205*		*17,266*
Cumulative Results of Operations - Capital Magnet Fund (Note 13)		*714,967*		*446,460*
Total Cumulative Results of Operations		*757,172*		*463,726*
Unexpended Appropriations (Note 11)		*2,167,731*		*227,926*
Total Net Position		*2,924,903*		*691,652*
Total Liabilities and Net Position	$	*4,243,311*	$	*1,976,589*

The accompanying notes are an integral part of these financial statements.

Community Development Financial Institutions Fund
Statements of Operations and Changes in Net Position
For the Years Ended September 30, 2021 and September 30, 2020

(Dollar amounts in thousands)

		2021		2020
Revenue and Financing Sources:				
Appropriations (Note 11)	$	1,332,373	$	252,365
Imputed Financing (Note 12)		892		808
Interest, Non-Federal		32,995		31,251
Interest, Federal		2,444		4,840
Dividends		70		141
Government Sponsored Entities' Fees (Note 13)		438,358		309,209
Other		1,213		1,127
Equity in Gain of Associates, Net		130		98
Unrealized Gain on Investments		15,395		15,497
Total Revenue and Financing Sources		1,823,870		615,336
Expenses:				
CDFI Grants		204,364		196,737
BEA Grants		105		24,806
CMF Grants		168,809		126,259
RRP Grants		1,091,091		-
Administrative Expenses (Note 14)		31,095		32,319
(Reduction)/Addition of Bad Debt Expense		(2,469)		1,464
Administrative Expenses Paid by Others (Note 12)		892		808
Total Operating Expenses		1,493,887		382,393
Other Expenses				
Interest Expense, Federal		36,537		37,396
Loss on Redemption of Investment		-		227
Total Expenses		1,530,424		420,016
Net Income	$	293,446	$	195,320
Cumulative Results of Operations, Beginning of Year	$	463,726	$	268,406
Net Income		293,446		195,320
Cumulative Results of Operations, End of Year	$	757,172	$	463,726

The accompanying notes are an integral part of these financial statements.

Community Development Financial Institutions Fund
Statements of Cash Flows
For the Years Ended September 30, 2021 and September 30, 2020

(Dollar amounts in thousands)

	2021	2020
Cash Flows from Operating Activities:		
Net Income	$ 293,446	$ 195,320
Adjustments to Reconcile Net Income to Net Cash Provided by/(used in) Operating Activities:		
Loss on Redemption of Investment	-	227
Equity in Income of Associates, Net	(130)	(98)
Amortization Expense	2,742	1,947
Accretion of Discount on Secondary Capital Interest	(24)	(24)
(Reduction)/Addition of Bad Debt Expense	(2,469)	1,464
Unrealized Gain on Investments	(15,395)	(15,497)
Changes in Operating Assets and Liabilities:		
Increase in Accrued Revenue Receivable	(55,610)	(133,400)
(Increase)/Decrease in Other Assets	31	(69)
Increase/(Decrease) in Accounts Payable, Accrued Payroll, & Other Liabilities	460	(430)
Decrease in Awards Payable	(17,624)	(286)
(Decrease)/Increase in Accrued Annual Leave	(13)	223
Net Cash Provided by Operating Activities	205,414	49,377
Cash Flows from Investing Activities:		
Loans Disbursed	(95,282)	(169,485)
Collection of Loan Principal	43,006	35,872
Proceeds from Redemption of Investments	-	1,314
Proceeds from Distribution from Investments	169	-
Purchases of Internal-use Software	(3,947)	(1,091)
Recovery of Loans Written Off	53	-
Net Cash (used in) Investing Activities	(56,001)	(133,390)
Cash Flows from Financing Activities:		
Increase/(Decrease) in Unexpended Appropriations	1,939,805	(2,835)
Borrowings from Federal Financing Bank	94,049	168,426
Repayments to Federal Financing Bank	(41,325)	(30,508)
Borrowings from Treasury	17,309	21,965
Repayments to Treasury	(19,385)	(15,670)
Net Cash Provided by Financing Activities	1,990,453	141,378
Net Change in Fund Balance with Treasury	2,139,866	57,365
Fund Balance with Treasury, Beginning of Year	476,869	419,504
Fund Balance with Treasury, End of Year	$ 2,616,735	$ 476,869

The accompanying notes are an integral part of these financial statements.

COMMUNITY DEVELOPMENT FINANCIAL INSTITUTIONS FUND

Notes to Financial Statements

September 30, 2021 and 2020

(1) Description of Reporting Entity

The Community Development Financial Institutions Fund (CDFI Fund), a government corporation, was created as a bipartisan initiative in the Riegle Community Development and Regulatory Improvement Act of 1994 (Public Law (P.L.) 103-325). The CDFI Fund was placed in the Department of the Treasury (Treasury) and began operations in July 1995.

The CDFI Fund operates various programs aimed at expanding the availability of credit, investment capital, and financial and other services in distressed urban, rural, and Native American communities. The CDFI Fund's mission is to expand economic opportunity for underserved people and communities by supporting the growth and capacity of a national network of community development lenders, investors, and financial service providers.

The major programs operated by the CDFI Fund are the:

- Community Development Financial Institutions (CDFI) Program
- Native Initiatives CDFI Assistance (NACA) Program
- Bank Enterprise Award (BEA) Program
- Capital Magnet Fund (CMF)
- CDFI Bond Guarantee Program (CDFI BGP)
- New Markets Tax Credit Program (NMTC)
- Small Dollar Loan Program (SDLP)
- Rapid Response Program (RRP)
- Emergency Support Program

The CDFI Program provides financial and technical assistance awards to CDFIs which in turn provide services to create community development impact in underserved markets. Financial assistance awards take the form of grants, direct loans, and investments. Technical assistance grants provide assistance to start-up and early-stage CDFIs and entities planning to become CDFIs.

Through the NACA Program, a component of the Native Initiatives, the CDFI Fund provides grants to help create CDFIs and to build the capacity of Native CDFIs that serve primarily Native American, Alaska Native, and Native Hawaiian communities.

The BEA Program provides incentives to insured depository institutions (banks and thrifts) to invest in CDFIs and to increase their lending and financial services in distressed communities. Program participants are selected based on projected achievements. The awards are disbursed after the activities have been implemented successfully, to ensure that only completed activities are recognized and that the CDFI Fund’s limited dollars are effectively leveraged with private capital.

CMF provides competitively awarded grants to CDFIs and qualified non-profit housing organizations. These awards can be used to finance affordable housing activities, as well as related economic development activities (including community service facilities). Award recipients are able to utilize funds to create financing tools such as loan loss reserves, revolving loan funds, risk-sharing loans, and loan guarantees. Organizations that receive CMF awards are required to provide housing and community development investments at least ten times the award amount.

The CDFI BGP was enacted through the *Small Business Jobs Act of 2010* (P.L. 111-240). The CDFI Fund administers the program and the Secretary of the Treasury (Secretary) issues guarantees for the full amount of bonds issued to support CDFIs that make investments for eligible community or economic development purposes. The bonds support CDFI lending and investment by providing a source of long-term, patient capital to CDFIs.

Under the NMTC Program, the CDFI Fund provides tax credit allocation authority to Community Development Entities (CDEs), which use these credits to attract private sector investment. Proceeds from these investments are used for community development purposes. Unlike the CDFI Fund's grant programs and the CDFI BGP, the tax credit allocation authority to CDEs has no effect on the financial statements of the CDFI Fund.

The SDLP, authorized by the *Dodd-Frank Wall Street Reform and Consumer Protection Act* (P.L. 111-203), was enacted through the *Consolidated Appropriations Act, 2020* (P.L. 116-260). The purpose of the SDLP is to provide grants for loan loss reserves and technical assistance to enable Certified CDFIs to establish and maintain small dollar loan programs.

The RRP was enacted through the *Coronavirus Response and Relief Supplemental Appropriations Act, 2021* (P.L. 116-260). The program is designed to quickly deploy capital, through grants, to Certified CDFIs to support, prepare for, and respond to the economic impact of the COVID-19 pandemic.

The Emergency Support Program was also enacted through P.L. 116-260. The program is in the implementation stage and is designed to provide grants to CDFIs to respond to the economic impact of the COVID-19 pandemic.

(2) Limitations of the Financial Statements

The financial statements report the financial position, results of operations, changes in net position, and cash flows of the CDFI Fund as of and for the fiscal years (FYs) ending on September 30, 2021 and 2020, pursuant to the requirements of Title 31 of the United States Code 91, *Government Corporations*. While the statements have been prepared from the books and records of the CDFI Fund in conformity with accounting principles generally accepted in the United States of America (GAAP), the statements are in addition to the financial reports used to monitor and control budgetary resources which are prepared from the same books and records. The statements should be read with the realization that they are for a component of the United States (U.S.) Government, a sovereign entity.

(3) Summary of Significant Accounting Policies

(a) Basis of Presentation

The American Institute of Certified Public Accountants (AICPA) has designated the Federal Accounting Standards Advisory Board (FASAB) as the standards-setting body for financial statements of federal governmental entities, with respect to the establishment of GAAP. Statements of Federal Financial Accounting Standards (SFFAS) 34, *The Hierarchy of Generally Accepted Accounting Principles,* issued by FASAB, provides authoritative guidance allowing federal entities to prepare financial statements in conformance with accounting and reporting principles issued by the Financial Accounting Standards Board (FASB), the private-sector standards-setting body. Accordingly, the CDFI Fund financial statements are presented in accordance with accounting standards published by FASB, and follows the full accrual basis of accounting under which revenues are recognized when earned and expenses recognized when incurred, regardless of when cash is exchanged.

Certain prior year balances have been reclassified to conform to the current year presentation, the effects of which are immaterial.

(b) Use of Estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities as of the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from these estimates. Items subject to such estimates include allowance for bad debts, investments recorded at fair value, and the accrual of revenues for fees from Government Sponsored Entities (GSEs), comprised of the Federal National Mortgage Association (Fannie Mae) and the Federal Home Loan Mortgage Corporation (Freddie Mac).

(c) Fund Balance with Treasury

The CDFI Fund does not maintain cash in commercial bank accounts. Treasury processes cash receipts and disbursements. Fund Balance with Treasury is composed of appropriated and borrowed funds (financing accounts) that are available to pay liabilities and finance authorized award and purchase commitments. Also included are restricted funds from the GSEs used to finance activities for CMF. For the purposes of the Statements of Cash Flows, the funds with the Treasury are considered cash.

(d) Loans Receivable, Net of Allowance for Bad Debt

Loans receivable relate to direct loans made to certain CDFI Program awardees and CDFI BGP recipients and are recorded at face value on the closing date. Direct and incremental loan costs are deemed to be de minimis. Any interest is recognized over the life of the loan, when earned. Principal amounts collected on loans receivable are included in cash flows from investing activities in the Statements of Cash Flows.

All amounts due and payable under the loans issued through the CDFI BGP are guaranteed by the U.S., acting through the Secretary, thus the possibility of a loss is remote.

The allowance for bad debts is the CDFI Fund's best estimate of the amount of credit losses in the CDFI Fund's existing loans. The allowance comprises specific loan analysis that considers portfolio level historical loss experience adjusted for current factors. The historical loss experience is based on actual loss history experienced by the CDFI Fund since inception of the loan portfolio. This actual loss experience is supplemented with other qualitative factors including delinquencies, adjusted asset to liability ratios of borrowers, and consideration of the number of historical loan restructurings.

The allowance includes observable and non-observable impairments. A loan is considered impaired if it is probable that the CDFI Fund will not collect all principal and interest contractually due. The CDFI Fund recognizes loans that have a credit quality indicator of "doubtful" or "loss" as an impaired loan. Impaired loans include loans modified in Troubled Debt Restructurings (TDRs) where concessions have been granted to borrowers experiencing financial difficulties only if the most current asset to liability ratio, excluding restricted assets, is below 100%. The TDR concessions may include a reduction in the interest rate on the loan, payment extensions, or other actions intended to maximize collection.

In order to calculate the impairment amount for each loan, the borrower's adjusted asset to liability ratio, excluding restricted assets, is reviewed and mapped to Standard and Poor's published default rates. The default rates represent the portion of each loan that is considered impaired. The impairment represents the present value of the expected future cash flows discounted at the loan's effective interest rate. Impairment losses are charged against the allowance and increases in the allowance are charged to bad debt expense. Loans are written off against the allowance when all possible means of collection have been exhausted and the potential for recovery is considered remote.

During FYs 2021 and 2020, the CDFI Fund did not receive any requests from awardees requesting an extension of their maturity date. Requests are processed in collaboration with the Treasury's Office of the Deputy Chief Financial Officer (ODCFO). A restructuring of a loan constitutes a troubled debt restructuring in accordance with FASB Accounting Standards Codification (ASC) 310-40, *Receivables – Troubled Debt Restructuring by Creditors*, if the creditor grants a concession to the debtor that it would not otherwise consider. While the loan extensions are being processed, awardees do not make principal payments. The CDFI Fund continues to accrue and collect interest on all loans that are under restructuring subject to determination about eventual collectability.

(e) Investments

The CDFI Fund provides assistance to certain for-profit CDFI program awardees by purchasing various investments described below. The CDFI Fund is restricted from owning more than 50% of the equity of awardees and from controlling their operations. None of the investments meet the criteria for Variable Interest Entity Accounting.

CDFI Fund investments include the following:

- Non-voting Equity Securities: Investments with a readily determinable fair value are recorded at such fair value. Investments without readily determinable fair values are recorded using the measurement alternative at cost minus impairment, plus or minus subsequent adjustments for observable prices in orderly transactions for the identical or similar investment of the same issuer. The CDFI Fund recognized no other-than-temporary impairment losses of these investments for the FYs ended September 30, 2021 and 2020.

- Secondary Capital Interests: These interests are held-to-maturity and carried at amortized cost, subject to other-than-temporary impairments. Held-to-maturity debt securities are those debt securities in which the CDFI Fund has the ability and intent to hold the security until maturity. The interests are adjusted for the amortization/ accretion of premiums or discounts. Premiums and discounts are amortized over the life of any related held-to-maturity security as an adjustment to yield using the straight-line method.

- Limited Partnership Interests: These interests are carried in accordance with the equity method of accounting by recognizing the pro-rata share of investee's profit/loss through the Statements of Operations and Changes in Net Position. A decline in the fair value of any investment below cost that is deemed to be other-than-temporary results in an impairment to reduce the carrying amount to fair value.

To determine if an impairment is other-than-temporary, the CDFI Fund considers whether: (1) it has the ability and intent to hold the investment until a market price recovery; and (2) evidence indicating the cost of the investment is recoverable outweighs evidence to the contrary. Evidence considered in this assessment includes the reasons for the impairment, the severity and duration of the impairment, changes in value subsequent to year-end, forecasted performance of the investee, and the general market condition in the industry in which the investee operates. The impairment is charged to net income and a new cost basis for the investment is established.

(f) Interest and Other Receivables

Interest and other receivables are included in "Other Assets" on the Statements of Financial Position. Interest is accrued on the outstanding loans receivable principal balances and investments based on stated rates of interest as earned and when determined collectible. Interest is not accrued past the maturity date of loans receivable and investments or on impaired loans with a loss credit quality indicator.

(g) Accrued Revenue Receivable and Government Sponsored Entities' Fees

The CDFI Fund receives fees from the GSEs, under the *Housing and Economic Recovery Act of 2008* (HERA). Per statute, the GSEs are required to set aside annual allocations equal to 4.2 basis points for each dollar of their unpaid principal balances of total new business purchases. The CMF receives 35% of these allocations. The fees are recognized as an unconditional restricted promise to give and recorded on an accrual basis, at their net realizable value, as they are considered recognizable and estimable. The reported accrual amounts are expected to be collected within one year.

(h) Internal-Use Software

Internal-use software represents the completed phases of various software placed in service pertaining to awards management.

The software is amortized using the straight-line method over the estimated useful life ranging from seven to ten years. Amortization expense for the FYs ended September 30, 2021 and 2020 was $2.7 million and $1.9 million, respectively.

Employee and contractor costs for developing custom internal use software are capitalized when incurred for the design, coding, and testing of the software. Software in development is presented in "*Other Assets*" on the Statements of Financial Position and is not amortized until placed in service.

(i) Grant Expense and Awards Payable

As a resource provider, the CDFI Fund recognizes contributions made, including unconditional promises to give, as grant expense in the period made. Therefore, CDFI Program, CMF, RRP, and SDLP grant expenses and awards payable are recorded when the grantee meets the requirement to receive payment (i.e., satisfy the condition(s)). BEA Program grant expenses and awards payable are recorded when the CDFI Fund approves the BEA award to be made (i.e., at the time the funds are obligated) for banks and thrifts that have provided adequate documentation of retroactive qualifying transactions.

If the initial installment amount is less than the announced award amount, the recipient may become eligible for subsequent award installments. The remaining undisbursed award amount represents a conditional promise to give until the recipient meets the conditions to be entitled to the transfer of subsequent amounts. When the promise becomes unconditional, as applicable, the CDFI Fund accrues the award payable and recognizes the grant expense.

(j) Retirement Plans

CDFI Fund employees participate in the Federal Employees' Retirement System (FERS). The FERS was established by the enactment of the *Federal Employees' Retirement System Act of 1986* (P.L. 99-335). Pursuant to this law, FERS and Social Security automatically cover most employees hired after December 31, 1983.

Employees hired prior to January 1, 1984, were provided an opportunity to join both FERS and Social Security or remain in the Civil Service Retirement System (CSRS). The amount of cost recognized by the CDFI Fund for FERS and Social Security contributions for the FYs ended September 30, 2021 and 2020 was $1.6 million and $1.5 million, respectively.

For all employees, a Thrift Savings Plan (TSP) account is automatically established and the employee can have up to a predetermined maximum amount withheld from their base salary, which is deposited into their TSP account. The CDFI Fund makes matching contributions for FERS employees ranging from 1% to 4% for employees who contribute to their TSP account. Additionally, a 1% contribution is automatically made to TSP by the CDFI Fund for each employee. The amount of cost recognized by the CDFI Fund for these contributions for the FYs ended September 30, 2021 and 2020 was $462 thousand and $456 thousand, respectively.

The CDFI Fund has no employees covered under CSRS as of September 30, 2021.

(k) Accrued Annual Leave

Annual leave and compensatory leave is accrued as a liability when earned by the employee, and the accrual is reduced as leave is taken. The balance in this accrued liability account is computed using current pay rates. Sick leave and other types of non-vested leave are expensed as the leave is taken.

(l) Debt

Debt represents borrowings payable to the Treasury and the Federal Financing Bank (FFB) that were incurred to fund direct loans made by the CDFI Fund and other aspects of permissible borrowing authority. The CDFI Fund recognizes these as related party transactions. The borrowings payable to Treasury are related to the unsubsidized portion of loans. Subsidies are costs to the government over the entire life of the loan. The borrowings payable related to the FFB represent the principal loans balances disbursed under the CDFI BGP. Principal repayments to the Treasury are required to be made based on the scheduled collections of loans receivable and are due September 30 of each year of maturity. Principal repayments to the FFB are made quarterly and semi-annually as collections are received by loan borrowers. See Note 9 for more information and disclosures related to debt.

(m) Contingencies

Liabilities for loss contingencies arising from claims, assessments, litigation, fines, penalties and other sources are recorded when it is probable that a liability has been incurred and the amount of the obligation can be reasonably estimated. Legal costs incurred in connection with loss contingencies are expensed as incurred.

(n) Revenue and Financing Sources

The CDFI Fund receives funding through appropriations from the U.S. Congress. The CDFI Fund receives two-year appropriations and a no-year appropriation to be used for financial and technical assistance awards, within statutory limits, and annual appropriations for operating expenses. Appropriations are recognized as a financing source at the time when 1) grant recipient has met the requirements to be allowed to use the CDFI Fund-issued grants; 2) the CDFI Fund accrues liabilities related to administrative expenses and internal-use software costs incurred; 3) the CDFI Fund acquires an investment; or 4) the CDFI Fund finances a loan, in part, with an initial direct loan subsidy. Also see Note 3(g) for the CDFI Fund's policy on GSE fee revenue recognition.

The CDFI Fund also receives fees from the eligible CDFIs, per the *Small Business Jobs Act of 2010*. Per statute, the fees are payable annually to the CDFI Fund based on the amount of the unpaid principal balance of the bond issue. The fees collected, recorded in "*Other*" on the Statements of Operations and Changes in Net Position, shall be used to reimburse the Treasury for any administrative costs incurred in implementing the CDFI BGP.

Occasionally, the CDFI Fund receives dividends on its equity investments and may use those funds for operating expenses. Dividends are recognized when earned, which is usually when declared.

Additional revenue is obtained from interest received on direct loans and on undisbursed borrowings of funds held by the Treasury. Interest is recognized when earned and determined to be collectible.

(o) Tax Status

As a government entity, the CDFI Fund, is not subject to federal, state, or local income taxes and, accordingly, no provision for income tax is recorded.

(p) Classified Activities

The operating results of classified programs (those designated as classified by the U.S. Government which cannot be specifically described), if any, are included in our financial statements and are subjected to the same oversight and internal controls as our other programs.

(q) Fair Value Measurements

The CDFI Fund applies the provisions of ASC Topic 820, *Fair Value Measurements*, for fair value measurements of financial assets that are recognized or disclosed at fair value in the financial statements. The fair value hierarchy distinguishes between observable and unobservable inputs, which are categorized as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the CDFI Fund has the ability to access at the measurement date.
- Level 2 inputs are inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.
- Level 3 inputs are unobservable inputs for the asset or liability.

See Note 7 for more information and disclosures relating to the CDFI Fund's fair value measurements.

(r) Adoption of New Accounting Standards

Effective October 1, 2020, the CDFI Fund completed the adoption of Accounting Standards Update (ASU) 2018-08, *Not-For-Profit Entities (Topic 958)*: *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. The ASU amendments apply to all entities that receive or make contributions of cash and other assets, including promises to give, within the scope of ASC 958-605, *Not-for-profit Entities: Revenue Recognition*, and contributions made within the scope of ASC 720-25, *Other Expenses—Contributions Made*. The CDFI Fund applied the ASU guidance as it relates to accounting for appropriations and GSE fees received (contributions received) and grant expenses (contributions made).

The CDFI Fund determined that ASC 958-605 does not apply to the receipt of appropriations and, as an alternative, adopted the provisions of FASAB SFFAS No.7, *Accounting for Revenue and Other Financing Sources and Concepts for Reconciling Budgetary and Financial Accounting*. Pursuant to SFFAS No. 7, when the CDFI Fund receives the appropriations it recognizes the amount received as part of Net Position and reports it as Unexpended Appropriations on the Statements of Financial Position. The use of appropriations is recognized as a financing source when the CDFI Fund determines that grantees meet the requirements to receive the awarded amounts, incurs administrative expenses or internal use software costs, acquires an investment, or finances a loan, in part, with an initial direct loan subsidy (refer to Note 3(n) above entitled *Revenue and Financing Sources*).

The CDFI Fund adopted the provisions of ASC 958-605 for GSE fees received and recognizes revenue as an unconditional restricted promise to give, recorded on an accrual basis, at their net realizable value, as they are considered recognizable and estimable (refer to Note 3(g) above entitled *Accrued Revenue Receivable and Government Sponsored Entities' Fees*).

In adopting the provisions of ASC 720-25, the CDFI Fund recognizes the grant expenses funded by appropriations and GSE fees when the CDFI Fund determines that grantees meet the requirements to receive the awarded amounts (refer to Note 3(i) above entitled *Grant Expense and Awards Payable*). The adoption of ASU 2018-08 did not have a material impact on the CDFI Fund's financial statements.

(s) Recent Accounting Pronouncements

In June 2016, the FASB issued ASU 2016-13, *Financial Instruments (Topic 326)*. This update and numerous subsequent updates are intended to provide financial statement users with more decision useful information. This information includes the expected credit losses on financial instruments and other commitments to extend credit held by a reporting entity at each reporting date. To achieve this objective, the amendments in this update replace the incurred loss impairment methodology in current GAAP with a methodology that reflects expected credit losses. This methodology requires consideration of a broader range of reasonable and supportable information to inform credit loss estimates. The new standard is effective for FYs beginning after December 15, 2022, accordingly, the CDFI Fund will implement the provisions of ASU 2016-13 as of October 1, 2023. The CDFI Fund is currently evaluating the impact of this ASU on its financial statements.

(4) Fund Balance with Treasury

Fund Balance with Treasury (FBwT) as of September 30, 2021 and 2020 consisted of the following components:

(in thousands)		2021		2020
Available	$	1,972,216	$	16,210
Obligated		238,241		266,873
Restricted		403,328		191,562
Expired		2,950		2,224
	$	2,616,735	$	476,869

FBwT includes appropriated, borrowed funds and restricted funds available to pay liabilities and finance authorized financial award and purchase commitments. The available funds reflect appropriated funds that have yet to be committed. The obligated funds reflect appropriated funds that have been committed, but not yet disbursed. The expired funds reflect appropriated funds that are no longer available for obligation, but can be used to pay liabilities; expired funds cancel after five years and are no longer available for use. Restricted funds represent GSE fees received and are used to finance the CMF program, which provides competitive award grants to CDFIs and qualified non-profit housing organizations.

(5) Loans Receivable, Net of Allowance for Bad Debt

The CDFI Fund assesses and monitors the credit quality of its loans on an ongoing basis using audited financial statements of awardees, unaudited disclosures, and IRS 990 forms. Loans receivable are disaggregated by general recourse versus asset-backed loans. The general recourse loan portfolio is disaggregated further by loans disbursed prior to October 1, 2011 (pre-2012) and loans disbursed on or after October 1, 2011 (2012-current). This delineation has been made as the CDFI Fund introduced a standard loan product in FY 2012 to reduce risk and exposure to the CDFI Fund by creating standard underwriting procedures, predictable amortization schedules, and scheduled interest payments. Asset-backed loans represent loans issued in conjunction with the CDFI BGP.

The CDFI Fund is exposed to several risk factors related to its general recourse loans receivable:

- Risk of a deteriorating economic climate and its impact on the CDFI Fund's collection of loans.
- Economic, industry, and geographic risks associated with unsecured loans to small financial institutions.

All amounts due and payable under the loans issued through the CDFI BGP are guaranteed by the U.S., acting through the Secretary, thus the possibility of a loss is remote.

The CDFI Fund's loan portfolio as of September 30, 2021 and 2020, delineated by delinquency category is as follows:

As of September 30, 2021

(in thousands)	Greater than 90 Days Past Due	Current	Total Loans Receivable
General Recourse Pre-2012	$ 820	$ 6,716	$ 7,536
General Recourse 2012-Current	-	49,788	49,788
Asset-backed	-	1,207,701	1,207,701
	$ 820	$ 1,264,205	$ 1,265,025
Less Allowance for Bad Debt			5,797
Total			$ 1,259,228

As of September 30, 2020

(in thousands)		Greater than 90 Days Past Due		Current		Total Loans Receivable
General Recourse Pre-2012	$	848	$	8,114	$	8,962
General Recourse 2012-Current		-		48,809		48,809
Asset-backed		-		1,154,978		1,154,978
	$	848	$	1,211,901	$	1,212,749
Less Allowance for Bad Debt						8,213
Total					$	1,204,536

Gross loans receivable in nonperforming status for the FYs ended September 30, 2021 and 2020 was $820 thousand and $848 thousand, respectively. The CDFI Fund defines nonperforming status as any delinquent loan where an award recipient has not made any attempt to pay off the balance owed to the CDFI Fund or any loan referred to collections.

The activity in the allowance for bad debt by loan type in FYs 2021 and 2020 is as follows:

As of September 30, 2021

(in thousands)		Beginning Balance		Recoveries		(Reduction)/ Addition of Bad Debt Expense		Ending Balance
General Recourse Pre-2012	$	2,083	$	53	$	(612)	$	1,524
General Recourse 2012-Current		6,130		-		(1,857)		4,273
	$	8,213	$	53	$	(2,469)	$	5,797

As of September 30, 2020

(in thousands)		Beginning Balance		Recoveries		(Reduction)/ Addition of Bad Debt Expense		Ending Balance
General Recourse Pre-2012	$	2,203	$	-	$	(120)	$	2,083
General Recourse 2012-Current		4,546		-		1,584		6,130
	$	6,749	$	-	$	1,464	$	8,213

The allowance for bad debt attributable to loans individually evaluated for impairment and loans collectively evaluated for impairment as of September 30, 2021 and 2020 is as follows:

As of September 30, 2021

(in thousands)	Loans Individually Evaluated for Impairment	Loans Collectively Evaluated for Impairment	Allowance for Individually Evaluated Impaired Loans	Allowance for Collectively Evaluated Impaired Loans	Total Allowance
General Recourse Pre-2012	$ 1,240	$ 6,296	$ 1,050	$ 474	$ 1,524
General Recourse 2012-Current	812	48,976	445	3,828	4,273
Asset-backed	-	1,207,701	-	-	-
	$ 2,052	$ 1,262,973	$ 1,495	$ 4,302	$ 5,797

As of September 30, 2020

(in thousands)	Loans Individually Evaluated for Impairment	Loans Collectively Evaluated for Impairment	Allowance for Individually Evaluated Impaired Loans	Allowance for Collectively Evaluated Impaired Loans	Total Allowance
General Recourse Pre-2012	$ 1,288	$ 7,674	$ 1,288	$ 795	$ 2,083
General Recourse 2012-Current	812	47,997	812	5,318	6,130
Asset-backed	-	1,154,978	-	-	-
	$ 2,100	$ 1,210,649	$ 2,100	$ 6,113	$ 8,213

As of September 30, 2021 and 2020 impaired loans with a related allowance are as follows:

As of September 30, 2021

(in thousands)	Recorded Investment	Unpaid Principal Balance	Related Allowance	Average Recorded Investment	Interest Income Recognized
General Recourse Pre-2012	$ 1,240	$ 1,240	$ 1,050	$ 1,264	$ -
General Recourse 2012-Current	812	812	445	812	17
	$ 2,052	$ 2,052	$ 1,495	$ 2,076	$ 17

As of September 30, 2020

(in thousands)	Recorded Investment	Unpaid Principal Balance	Related Allowance	Average Recorded Investment	Interest Income Recognized
General Recourse Pre-2012	$ 1,288	$ 1,288	$ 1,288	$ 1,549	$ -
General Recourse 2012-Current	812	812	812	812	16
	$ 2,100	$ 2,100	$ 2,100	$ 2,361	$ 16

There were no impaired loans for which there is not a related allowance as of September 30, 2021 and 2020.

The CDFI Fund recognizes interest income on impaired loans with a credit quality indicator of doubtful, as earned, in accordance with loan agreements.

For the FYs ended September 30, 2021 and 2020, the CDFI Fund had no new loans whose terms have been modified in TDRs.

For the FYs ended September 30, 2021 and 2020, grants in the amount of $10.8 million and $2.1 million, respectively, were disbursed to debtors owing receivables whose terms had been previously modified in TDRs. As of September 30, 2021 and 2020, there were commitments in the amount of $3.1 million and $2.4 million, respectively, to disburse grants to debtors owing receivables whose terms have been modified in TDRs.

The CDFI Fund utilizes a rating system to classify each loan according to credit worthiness and risk. A description of each category (credit quality indicator) as of September 30, 2021 and 2020, in terms of the attributes of the borrower, the business environment in which the borrower operates or the loan itself, follows:

Pass – Timely interest and highly probable principal payments; strong debt service capacity and viability;

Likely – Timely interest and principal payments likely; average debt service capacity and viability;

Doubtful – Weak debt service capacity and/or going concern issues; evidence of financial hardship; repayment may be possible with serious hardship;

Loss – Poor debt service capacity and going concern issues; in default; full loss is probable.

The credit quality indicators for loans receivable as of September 30, 2021 and 2020 were as follows:

As of September 30, 2021

(in thousands)	Pass	Likely	Doubtful	Loss	Total
General Recourse Pre-2012	$ 4,124	$ 2,172	$ 420	$ 820	$ 7,536
General Recourse 2012-Current	25,079	23,897	812	-	49,788
Asset-backed	1,207,701	-	-	-	1,207,701
	$ 1,236,904	$ 26,069	$ 1,232	$ 820	$ 1,265,025

As of September 30, 2020

(in thousands)	Pass	Likely	Doubtful	Loss	Total
General Recourse Pre-2012	$ 4,979	$ 2,695	$ 440	$ 848	$ 8,962
General Recourse 2012-Current	22,515	25,482	812	-	48,809
Asset-backed	1,154,978	-	-	-	1,154,978
	$ 1,182,473	$ 28,176	$ 1,252	$ 848	$ 1,212,749

(6) Investment, Secondary Capital Interest

The held-to-maturity investment cannot be redeemed prior to its redemption date of April 9, 2022. The carrying amount, net of application discounts, which is also the fair value, is $1.5 million as of September 30, 2021 and 2020. There are no gross unrealized gains or losses. The CDFI Fund recognized no other-than-temporary impairment losses of these investments for FYs ended September 30, 2021 and 2020.

(7) Investments, Nonvoting Equity Securities, at Fair Value

Investments accounted for at fair value consist of non-voting common stock held in for-profit CDFI Program awardees.

Recurring Fair Value Measurement

The CDFI Fund has one investment measured at fair value that is considered a level 1 input in the fair value hierarchy as there is a quoted price in an active market. The fair value of the investment as of September 30, 2021 was $18.1 million. An upward adjustment was made for the quoted market price totaling $14.1 million as of September 30, 2021. No upward adjustment was made as of September 30, 2020. As of September 30, 2020, the investment did not have a readily determinable fair value and was measured at cost.

Nonrecurring Fair Value Measurement

The CDFI Fund has one investment that was measured at fair value on a nonrecurring basis due to observable price changes in September 2021 and 2020. The fair value of the investment was $24.0 million and $22.7 million as of September 30, 2021 and 2020, respectively. Upward adjustment were made for the observable price changes totaling $1.3 million and $15.5 million as of September 30, 2021 and 2020, respectively. The investment is considered a level 2 input in the fair value hierarchy.

(8) Awards Payable

As of September 30, 2021, the awards payable were as follows:

(in thousands)	CDFI Program	BEA	RRP	Total
Amount Payable:				
Within one year	$ 38	$ 284	$ 7,044	$ 7,366
Total Awards Payable	$ 38	$ 284	$ 7,044	$ 7,366

As of September 30, 2020, the awards payable were as follows:

(in thousands)	CDFI Program	BEA	RRP	Total
Amount Payable:				
Within one year	$ -	$ 24,990	$ -	$ 24,990
Total Awards Payable	$ -	$ 24,990	$ -	$ 24,990

(9) Debt

The CDFI Fund's debt with FFB and Treasury totaled $1,308.0 million and $1,257.4 million as of September 30, 2021 and 2020, respectively.

During FY 2021, the CDFI Fund borrowed $111.3 million for loans. This included $97.3 million for CDFI BGP loans, $9.5 million for CDFI BGP downward subsidy reestimate, $1.1 million for direct loans, $0.3 million for direct loan downward subsidy reestimate, and $3.1 million to meet annual interest payments due to the Treasury, at interest rates ranging from 1.92% to 5.83%, depending on maturity dates or risk categories. The CDFI Fund's debt was reduced by repayments of CDFI BGP principal, repayments of direct loan debt, upward subsidy reestimates, and repayments of prior year cash balances brought forward to Treasury totaling $60.7 million.

During FY 2020, the CDFI Fund borrowed $190.4 million for loans. This included $172.2 million for CDFI BGP loans, $12.9 million for CDFI BGP downward subsidy reestimate, $0.9 million for direct loans, $1.4 million for direct loan downward subsidy reestimate, and $3.0 million to meet annual interest payments due to the Treasury, at interest rates ranging from 1.92% to 5.83%, depending on maturity dates or risk categories. The CDFI Fund's debt was reduced by repayments of CDFI BGP principal, repayments of direct loan debt, upward subsidy reestimates, and repayments of prior year cash balances brought forward to Treasury totaling $46.2 million.

Interest paid in cash for the FYs ended September 30, 2021 and 2020 was $36.5 million and $37.4 million respectively.

The CDFI Fund has permanent indefinite borrowing authority to fund downward subsidy reestimates and annual interest payments to the Treasury. These costs do not reduce the CDFI Fund's Net Position.

The following table presents future debt maturities as of September 30, 2021:

(in thousands)

Fiscal Year	Debt
2022	$ 45,309
2023	46,377
2024	48,735
2025	50,369
2026	51,575
Later years, through 2058	1,065,669
Total	$ 1,308,034

(10) Commitments and Contingencies

Award, Purchase and Bond Guarantee Program Commitments

As of September 30, 2021 and 2020, unfilled award commitments amounted to $232.3 million and $240.4 million, respectively. Award commitments relate to CDFI Program, NACA Program, RRP, SDLP, and CMF awards which were approved by CDFI Fund management but not disbursed as of year-end. The CDFI Program, NACA Program, RRP, SDLP, and CMF award commitments are not considered liabilities at year-end because the awardees have not yet met the conditions required for payment. Award commitments pertaining to the CDFI Program of $38 thousand and $0 as of September 30, 2021 and 2020, respectively, are excluded from these amounts because they are reflected as liabilities on the CDFI Fund's Statements of Financial Position as these awardees have met the conditions required for payment, but funds have not yet been disbursed. Award commitments pertaining to the RRP of $7.0 million and $0 as of September 30, 2021 and 2020, respectively, are also excluded from these amounts because they are reflected as liabilities as these awardees have met the conditions required for payment, but funds have not yet been disbursed.

Award commitments pertaining to the BEA Program of $0.3 million and $25.0 million as of September 30, 2021 and 2020, respectively, represent expenditures incurred by awardees for which the CDFI Fund will compensate the awardee through a grant award and are excluded from these commitment amounts since they are reflected as liabilities on the CDFI Fund's Statements of Financial Position.

Purchase commitments of $8.8 million and $9.6 million as of September 30, 2021 and 2020, respectively, relate to the unexpired portion of contracts, and purchase orders relating to goods and services not yet received.

A commitment of $2.0 million as of September 30, 2021, is related to the Economic Mobility Corps (EMC). Funding for the EMC was enacted through the *Consolidated Appropriations Act, 2020* to be operated in conjunction with the AmeriCorps. The EMC places national service members at Certified CDFIs to enhance their capacity to provide financial literacy, financial planning, budgeting, saving, and other financial counseling activities in distressed and underserved areas.

As of September 30, 2021 and 2020, CDFI BGP unfilled commitments for related direct loan disbursements amounted to $386.3 million and $407.0 million, respectively. Actual disbursement is subject to borrowers satisfying certain conditions. Funding for such loans is covered by the CDFI Fund's established borrowing authority.

Contingency

The CDFI Fund has one pending or threatened litigation that has a reasonably possible likelihood of an unfavorable outcome; however, it is impossible to ascertain the amount or range of potential loss.

(11) Unexpended Appropriations

Unexpended appropriations as of September 30, 2021 and 2020 were as follows:

(in thousands)		**2021**		**2020**
Beginning Unexpended Appropriations	$	227,926	$	230,761
Appropriations Received (1)		3,270,000		262,000
Appropriations for Subsidy Reestimate		16,008		7,149
Appropriations Cancelled		(701)		(1,576)
Appropriations Expended (2)		(1,332,373)		(252,365)
Downward Subsidy Reestimate Adjustment		(13,129)		(18,043)
Change in Unexpended Appropriations		1,939,805		(2,835)
Ending Unexpended Appropriations	$	2,167,731	$	227,926

(1) The increase in appropriations received primarily relates to a $3 billion appropriation for the Rapid Response Program and Emergency Support Program

(2) The increase in appropriations expended relates to appropriations used to fund the Rapid Response Program

(12) Imputed Financing

Imputed financing represents specific expenses relating to the CDFI Fund paid for by another Federal organization. The components of imputed financing include pension costs for FERS retirement plans, Health Benefits Program costs, Group Life Insurance Program costs and audit fees. Imputed financing and the related administrative expenses paid by others for the FYs ended September 30, 2021 and 2020 were $892 thousand and $808 thousand, respectively.

(13) Government Sponsored Entities' Fees – CMF

Under HERA, 12 USC 4567, the GSEs are required to set aside annual allocations of their unpaid principal balances of total new business purchases. The Federal Housing Finance Agency (FHFA), acting as the GSEs' conservator, suspended the implementation of these allocations before they were set to begin. In December 2014, the FHFA lifted its suspension of the GSEs' allocation and directed the GSEs to begin setting aside funds.

Based on their calendar year 2020 activities, the GSEs' transferred $382.7 million to the CDFI Fund in February 2021 for the CMF Program. The GSEs' have a FY end of December 31. As a result, in Q1 of FY 2021, the CDFI Fund accrued revenue of $127.8 million in anticipation of the fees received in February 2021. An accrual of $310.5 million was made in anticipation of collections in FY 2022 for fees estimated through September 30, 2021.

Based on their calendar year 2019 activities, the GSEs' transferred $175.8 million to the CDFI Fund in February 2020 for the CMF Program. The GSEs' have a FY end of December 31. As a result, in Q1 of FY 2020, the CDFI Fund accrued revenue of $54.4 million in anticipation of the fees received in February 2020. An accrual of $254.9 million was made in anticipation of collections in FY 2021 for fees estimated through September 30, 2020.

The Cumulative Results of Operations – Capital Magnet Fund, on the Statements of Financial Position, is composed entirely of restricted funds from collection of GSEs fees. Under federal statute, these funds have been specifically identified and are only designated for activities, benefits, or purposes of the CMF. Administrative expenses are covered by the GSE fees collected, and, as per the federal statute, amounts in the CMF shall be available to the Secretary to carry out a competitive grant program.

(14) Administrative Expenses

Administrative expenses consist of the following for the FYs ended September 30, 2021 and 2020:

(in thousands)	2021	2020
Personnel compensation and benefits	$ 13,797	$ 13,857
Travel	-	36
Rent, communication, utilities and miscellaneous charges	1,234	583
Contractual services with other agencies	5,965	6,075
Contractual services with non-federal parties	6,609	9,221
Information technology systems maintenance	740	582
Amortization	2,742	1,947
Supplies and printing	8	18
Total	$ 31,095	$ 32,319

(15) Related Party Transactions

The CDFI Fund recognizes Interagency Agreements (IAAs) with the Treasury as related party transactions. For the FYs ended September 30, 2021 and 2020, these related party expenses amounted to $7.1 and $6.0 million, respectively.

Expenses were recorded as follows: IAAs with Departmental Offices for financial management services, conference and events, postage, human resources services, and Treasury’s Franchise Fund Shared Services Program for shared IT services, building rent and guards in the amount of $3.8 million and $2.7 million for FYs 2021 and 2020, respectively. An IAA with the Bureau of the Fiscal Service for accounting services, e-Travel and Procurement in the amount of $1.3 million for FYs 2021 and 2020. An IAA with Alcohol and Tobacco Tax and Trade Bureau for IT services in the amount of $2.0 million for FYs 2021 and 2020.

(16) Subsequent Events

The CDFI Fund has evaluated subsequent events from the date of statements of financial position through December 15, 2021, the date at which the financial statements were available to be issued, and determined there are no other items to disclose.

Appendix: Glossary of Acronyms

A
ACR – Annual Certification and Data Collection Report
AFR – Agency Financial Report
AICPA – American Institute of Certified Public Accountants
AMIS – Awards Management Information System
ARM Framework – Assessment and Risk Management Framework
ASC – Accounting Standards Codification
ASU – Accounting Standards Update

B
Base-FA – Base Financial Assistance
BEA Program – Bank Enterprise Award Program
BNSCI – Building Native CDFIs' Sustainability and Impact

C
CDE – Community Development Entity
CDFI – Community Development Financial Institution
CDFI BGP – CDFI Bond Guarantee Program
CDFI Fund – Community Development Financial Institutions Fund
CDFI Program – Community Development Financial Institutions Program
CDFI RRP – CDFI Rapid Response Program
CLTR - Certification Transaction Level Report
CMF – Capital Magnet Fund
CRA – Community Reinvestment Act
CSRS – Civil Service Retirement System
CTLR – Certification Transaction Level Report
CY – Calendar Year

D
DF-FA – Disability Funds – Financial Assistance

E
EMC – Economic Mobility Corps

F
FA – Financial Assistance
Fannie Mae – Federal National Mortgage Association
FASAB – Federal Accounting Standards Advisory Board
FASB – Financial Accounting Standards Board
FDIC – Federal Deposit Insurance Corporation
FERS – Federal Employees Retirement System
FFB – Federal Financing Bank
FHFA – Federal Housing Finance Agency
Freddie Mac – Federal Home Loan Mortgage Corporation
FY – Fiscal Year

G
GAAP – Generally Accepted Accounting Principals
GSE – Government Sponsored Entity

H
HERA – Housing and Economic Recovery Act
HFFI – Healthy Food Financing Initiative
HFFI-FA – Healthy Food Financing Initiative – Financial Assistance

I
IAA – Interagency Agreement
IRS – Internal Revenue Service
IT – Information Technology

L
LLRs – Loan Loss Reserves

N
NACA Program – Native American CDFI Assistance Program
NMTC – New Markets Tax Credit
NMTC Program – New Markets Tax Credit Program
NRE – Non Real Estate

O
OMB – Office of Management and Budget

P
P.L. – Public Law
PPC-FA – Persistent Poverty County-Financial Assistance
PPC - Persistent Poverty County

Q
QALICB – Qualified Active Low-Income Community Business
QEI – Qualified Equity Investment
QLICI – Qualified Low-Income Community Investment

R
RE- Real Estate
Riegle Act – Riegle Community Development and Regulatory Improvement Act of 1994

S
SDL Program – Small Dollar Loan Program
SECA – Small and Emerging CDFI Assistance
SFFAS – Statements of Federal Financial Accounting Standards

T
TA – Technical Assistance
TDR – Troubled Debt Restructuring
Title VI – Title VI of the Civil Rights Act

TLR – Transaction Level Report
TSP – Thrift Savings Plan

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