



Overview of the CDFI Fund's Small Dollar Loan Program

CBA Community Webinar Series
June 9, 2022

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CBA Fund: Small Dollar Consumer Lending Resources

CBA's CDFI intermediary

CBA Fund offers:

- **loan capital**
- **technical assistance**
- **capacity building grants**
- **to nonprofits that want to start or grow a small dollar consumer loan program**

Questions?

cbafund@creditbuildersalliance.org

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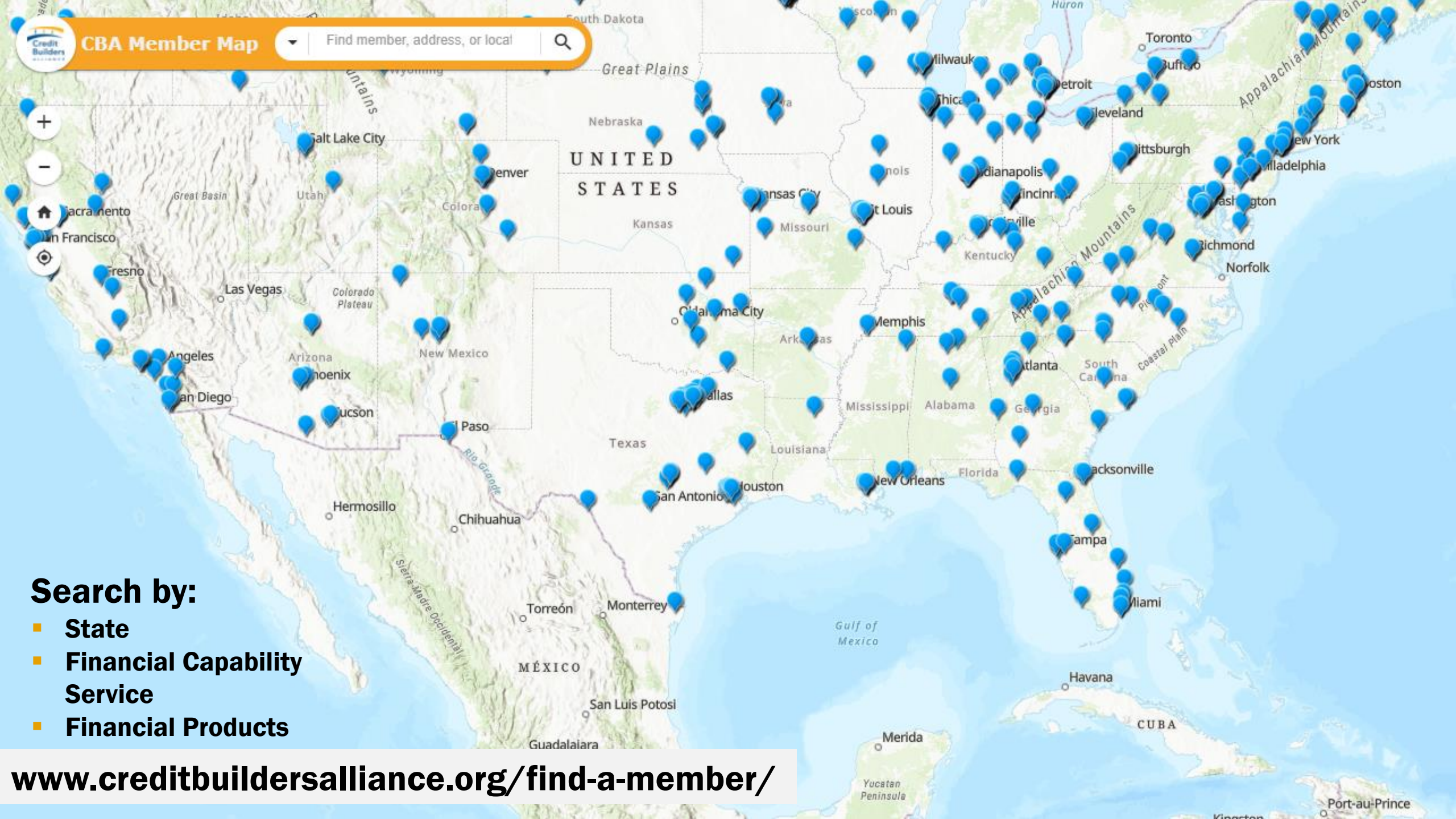
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Who's joining us today?

- a) Existing CDFI offering small dollar consumer loans**
- b) Existing CDFI considering adding small dollar consumer loans**
- c) Emerging CDFI interested in offering small dollar consumer loans**
- d) Non-CDFI lender considering applying for CDFI status**
- e) Non-lender community-based organization**
- f) Other, just here for the knowledge!**



Meet the Presenters



Tanya McInnis

*Program Manager,
Depository Institutions Initiatives
CDFI Fund*



Julie Sandler

*Senior Management and Program Analyst,
Depository Institutions Initiatives
CDFI Fund*





Small Dollar Loan Program

Credit Builders Alliance Webinar

June 9, 2022

SDL Program Webinar Agenda



- SDL Program Staff
- CDFI Fund Overview
- SDL Program Overview
- SDL Program Application Logistics
- SDL Program Application Overview
- SDL Program Application Updates
- Important Reminders
- Contact Information
- Questions

SDL Program Webinar Agenda



SDL Program Staff:

- Tanya McInnis, Program Manager
- Julie Sandler, Senior Management and Program Analyst
- Michael Fulton, Management and Program Analyst
- Amy Apitz, Management and Program Analyst



OUR MISSION

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.

Program Overview



- Authorized by the Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010.
- The SDL Program was created to help:
 - Certified CDFIs address the issue of expanding consumer access to mainstream financial institutions and provide alternatives to high cost small dollar loans; and
 - Unbanked and underbanked populations build credit, access affordable capital, and allow greater access into the mainstream financial system.
 - Up to \$11.1 million is available for this funding round.

Program Eligibility



- Per the SDL Program statute (12 U.S.C. 4719), SDL Program grants may only be used to support new and existing small dollar loans that offer loans to consumers that:
 - are made in amounts that do not exceed \$2,500;
 - must be repaid in installments;
 - have no prepayment penalties;
 - have payments that are reported to at least one of the consumer reporting agencies that compiles and maintains files on consumers on a nationwide basis; and
 - are underwritten with standards that consider the consumer's ability to repay.

Eligible Uses of Awards



- Awards must be used for:
 - Loan Loss Reserves (LLR) to cover losses on small dollar loans associated with starting a new small dollar loan program or expanding an existing small dollar loan program; or
 - Technical Assistance (TA) for technology, staff support, and other costs associated with establishing a new small dollar loan program or expanding an existing small dollar loan program.

Note: SDL Program grants cannot be used to provide direct loans to consumers.

Eligible Uses of Awards – Examples from Past Successful Applicants



- Attract additional capital to increase deployment. Because of the historic loss rates that occur with small dollar lending programs, many investors require at least a 15% reserve. (LLR Award)
- Track the impact outcomes of its small dollar lending program by assessing credit pulls at the time the Applicant applied for an Award and one year later. (TA Award)
- Partner with a technical services company to provide quick processing capabilities and a user friendly interface for its small dollar lending program. (TA Award)
- Increase its Loan Loss Reserves for a new small dollar loan product that is unsecured and available to borrowers with a lack of credit history or lower than average credit scores. (LLR Award)

Award Amounts



The SDL Program has the following minimum and maximum award amounts:

- TA Award Range: \$10,000 - \$150,000
- LLR Award Range: \$20,000 - \$350,000
 - Amount determined by request and projected small dollar lending.
 - Award amounts range from \$20,000, up to 20% of the Applicant's three-year Projected Total to be closed On-Balance Sheet Small Dollar Loans, not to exceed \$350,000.

Applicant Eligibility



- The SDL Program statute allows for three types of eligible Applicants:
 - Certified CDFIs; or
 - Partnerships between a Certified CDFI and any Federally Insured Depository Institution (FDI) with a primary mission to serve targeted Investment Areas; or
 - Partnerships between two or more Certified CDFIs.

Applicant Eligibility by Award Type



Eligible Applicants will be limited to the following types of Awards:

- LLR grants:
 - a Certified CDFI; or
 - a partnership between a Certified CDFI and a FIDI with a primary mission to serve targeted Investment Areas.
- TA grants:
 - a Certified CDFI; or
 - a partnership between two or more Certified CDFIs.
- Both an LLR grant and TA grant:
 - a Certified CDFI

Prohibited Practices



SDL Program Awards may not be used for small dollar loan programs/products with any of the following lending practices and loan characteristics:

- High-rate loans
- Coerced automated loan payments
- Excessive refinancing
- Loan insurance or credit card add-ons
- Security interests in household goods, vehicles, or deposit accounts
Exception: loans with a savings account component or credit builder loans
- Excessive late fees on missed loan payments
- Abusive overdraft practices
- Aggressive debt collection practices
- Forced arbitration clause and class action ban

Program Priorities



The CDFI Fund will prioritize funding for Applicants that propose to offer small dollar loan programs that include any of the following characteristics:

- offer small dollar loan terms that are at least ninety (90) days;
- use ability to repay underwriting that considers the borrower's ability to repay a loan based on both the borrower's income and expenses;
- make loan decisions within one business day (or 24 hours) after receipt of required documents;

Program Priorities (cont'd)



- offer a reduction in the borrower's loan rate if the borrower elects to use automatic debit payments;
- offer automatic savings features that are built into the regularly-scheduled payments on a loan – provided that the resulting payment is still affordable – or, at a minimum, loans that can be structured so that, subject to the borrower's consent, payments continue for a period of time after the loan is repaid with all of the payments going into a savings vehicle; and
- offer access to financial education/credit counseling.

Application Evaluation



The CDFI Fund will evaluate Applications based on the following:

- Application Assessment Tool Analysis (currently used in the CDFI Program to complete the Financial Analysis and Compliance Risk Evaluation)
- Business Strategy and Community Impact Review
 - Community analysis and financing gaps
 - Proposed use of Award
 - Affordable and responsible loan characteristics and lending practices
 - Track record
 - Growth and projections

Applicants will receive a “Low Risk”, “Medium Risk” or “High Risk” score. Applicants that receive a score of “High Risk” will not receive further consideration for an Award.

Award Sizing



- Award sizes will be based on demand and the following factors:
 - Due diligence review;
 - The Applicant's requested amount;
 - The Applicant's three-year projected total small dollar loans to be closed;
 - Whether preferred lending practices and loan characteristics stated in the FY 2022 SDL Program Notice of Funds Availability (NOFA) are proposed;
 - Applicants with headquarters that are located in Persistent Poverty Counties (PPCs). The SDL Program is subject to the statutory 10% PPC requirement. Award sizes will be adjusted, if needed, to award funds to Applicants located in PPCs; and
 - The Applicant's risk rating level.

Assistance Agreement, Compliance and Reporting



Each Applicant that is selected to receive an Award must enter into an Assistance Agreement with the CDFI Fund in order to become a Recipient and receive Payment. Each Small Dollar Loan Program Assistance Agreement has a three-year Period of Performance.

The Assistance Agreement will set forth certain required terms and conditions of the Small Dollar Loan Program Award, which will include, but not be limited to:

- The amount of the Award;
- The approved uses of the Award;
- Performance Goals and Measures (i.e., expected dollar volume and number of small dollar loans); and
- Reporting requirements for all Recipients.

Application Submission



A Complete FY 2022 SDL Program Grant Application package consists of the following two parts:

- **Part I. The Standard Form-424 (SF-424) (*Grants.gov Submission*):**
 - This form starts your Application and contains important fields about your organization's tax and payment information.

- **Part II. The SDL Program Application (*AMIS Submission*):**
 - The SDL Program Application will ask for information about your organization, such as your organization's financial data; the small dollar loan products and development services you currently provide (if applicable); and your organization's objectives for your SDL Program Award.

Application Overview



NOTE: If applying as a partnership, all Application questions and data supplied relate only to the designated lead Certified CDFI.

- Organizational Questions
- Executive Summary
- Part 1. Business Strategy and Community Impact:
 - Community Analysis and Financing Gaps
 - Proposed Use of SDL Program Award (LLR, TA , LLR & TA Combination)
 - Affordable and Responsible Loan Characteristics and Lending Practices
 - Description of Applicant's Small Dollar Loan Products
 - Track Record and Projections

Application Overview (Cont'd)



Part 2. Organizational Capacity:

- Key Personnel
- CDFI Fund Previous Awards
- Financial Health
- Compliance Risk Evaluation

FY 2022 SDL Program Application Updates



Based on the responses to the Request for Public Comment and CDFI Fund staff proposals, the CDFI Fund made the following enhancements to the application:

- Reduced the number of tables that Applicants must complete;
- Reduced the number of data points collected in the Track Record and Projections tables;
- Reduced the number of years of history collected in the Track Record table from five years to three years; and
- Increased the character limits for certain narrative questions.

Important Reminders



- **Application Submission:**
 - Applicants must submit the Required Application Documents listed in Table 2 of the FY 2022 SDL Program Application.
 - Applicants must use the official Application templates provided on the Grants.gov and AMIS websites. Applications submitted with alternative or altered templates will not be considered.
 - Applicants are only allowed one FY 2022 SDL Program Application submission in AMIS.

Important Dates



Activity	Date
Application and NOFA Released	May 16, 2022
Part 1 – Grants.gov SF-424 Mandatory Deadline (11:59 p.m. ET)	June 15, 2022
Last Day to Register a user and update organization’s Employer Identification Number and Unique Entity Identifier number in AMIS (11:59 p.m. ET)	June 15, 2022
Last day for SDL Program Help Desk Questions (5:00 p.m. ET)	July 13, 2022
Last day for IT Help Desk Questions (5:00 p.m. ET)	July 15, 2022
Part 2 – SDL Program Electronic Application in AMIS Deadline (5:00 p.m. ET)	July 15, 2022

Contact Information



Department	Phone	Electronic Contact Method	Description
CDFI Fund	202-653-0300	www.CDFIFund.Gov	General Inquiries; phone numbers for support; access to program web page.
SDL Program	202-653-0421	AMIS Service Request	Questions regarding the SDL Program, Program Application or related materials.
Certification, Compliance Monitoring and Evaluation	202-653-0423	AMIS Service Request	Questions related to CDFI certification or compliance.
IT Support	202-653-0422	AMIS Service Request	Questions related to registering or creating an account in AMIS.
Grants.gov	800-518-4726	support@grants.gov	Questions related to the SF-424 submission process.
SAM.gov	866-606-8220	https://www.fsd.gov/fsd-gov/login.do	Questions related to registering an organization in order to apply for Federal grants via Grants.gov.

Questions and Answers



...for participating in today's webinar!

We will now open the line for questions.

Are you planning to apply this round?

- a) Yes, we've also been a past recipient of the award!**
- b) Yes, we are a first-time applicant**
- c) No, not a fit yet**
- d) N/A, not a lender**



Questions?

webinars@creditbuildersalliance.org

