

Community Development Financial Institutions Fund

Mission:

To expand the capacity of financial institutions to provide credit, capital and financial services to underserved populations and communities in the United States.

Program Summary by Appropriations Account

(Dollars in Thousands)

Appropriation	FY 2005	FY 2006	FY 2007		
	Enacted	Enacted	President's Budget	Change	% Change
Salaries and Expenses	\$55,078	\$54,450	\$7,821	(\$46,629)	-85.6%
Community Development Financial Institutions Program	31,560	30,969	0	(30,969)	-100.0%
New Markets Tax Credit Program	6,494	4,254	4,314	60	1.4%
Bank Enterprise Awards Program	11,132	13,417	0	(13,417)	-100.0%
Native Initiatives	5,892	5,810	0	(5,810)	-100.0%
Portfolio Management	0	0	3,507	3,507	100.0%
Subtotal, The Community Development Financial Institutions Fund	\$55,078	\$54,450	\$7,821	(\$46,629)	-85.6%
Total Program Operating Level	\$55,078	\$54,450	\$7,821	(\$46,629)	-85.6%

Overview

The Community Development Financial Institutions Fund (CDFI) administers the New Markets Tax Credit Program (NMTC) and other grant programs.

The NMTC Program attracts private sector capital into low-income communities. Community Development Entities (CDEs) apply to the Fund for allocations of tax credits in annual competitive rounds. The CDEs in turn provide tax credits to private investors in exchange for equity investments, which are invested in low-income communities. In addition to awarding tax credits, the Fund monitors CDE compliance with the terms of their allocation agreements.

Funding is no longer requested for the Fund's three grant programs, however, funding is required to support management of the existing portfolio of grant awards, including making disbursements to awardees, and monitoring awardees to ensure compliance with the terms of their award assistance agreements.

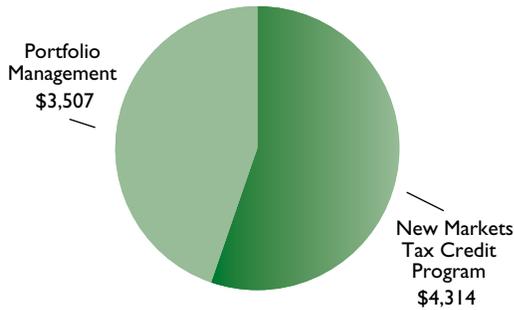
FY 2005 accomplishments include:

- NMTC and CDFI Program awardees reported creating or maintaining 23,656 full-time equivalent jobs,
- Since the program's inception, NMTC Program allocatees reported raising a total of \$1.5 billion in private equity and investing \$1.3 billion in low-income communities, and
- CDFI Program awardees exceeded the Fund's \$500 million leverage goal for Financial Assistance (FA) awards by leveraging \$1.8 billion. Overall, the leverage ratio has increased from \$20:\$1 to \$27:\$1 from the FY 2004 to FY 2005 reports.

The Fund is requesting \$7,821,000 in direct appropriations.

CDFI Funding by Budget Activity

(Dollars in Thousands)



Performance Highlights

In FY 2005, the Fund did not meet performance targets relating to job creation, community development activities, and community investment.

The Fund missed its target of creating 26,995 new jobs by 3,339. The Fund believes that some, if not all, of this shortfall can be attributed to late reporting of

FY 2005 performance data by awardees. To correct this problem, the Fund will work more closely with awardees to obtain performance reports in a timely manner in the future.

The Fund did not achieve its increase in community development activities measure of \$134 million for Bank Enterprise Award (BEA) Program applicants. Although \$103 million of community development activities by the BEA program can be verified, the shortfall of \$31 million can be attributed to incomplete reporting by applicants in 2005.

NMTC allocatees did not complete the anticipated \$1.4 billion in investments in low-income communities, although they came close at \$1.1 billion. The Fund's FY 2005 target was based on less than one full year of historical data. The Fund now has nearly two years of data from which to project future targets. With more actual experience available, future targets should be more reliable.

CDFI Performance by Budget Activity

Budget Activity	Performance Measure	FY 2003	FY 2004	FY 2005	FY 2006	FY 2007
		Actual	Actual	Actual	Target	Target
Community Development Financial Institutions Program	Administrative costs per FA application processed (\$) (E)	n/a	n/a	5130	Baseline	0
	Private and non-CDFI Fund investments that CDFIs are able to leverage due to Fund financial assistance (\$ in millions) (Oe)	1,623	1,300	1,800	✓	861
	FTEs created or maintained in underserved communities by CDFI Program awardees and NMTC allocatees. (Oe)	9,141	9,212	23,656	✗	34,009
Bank Enterprise Award Program	Administrative costs per BEA application processed (\$) (E)	n/a	n/a	1,280	Baseline	0
	Increase in community development activities over prior year (\$ in millions) (Oe)	138	307	103	✗	81
Native Initiatives	Administrative costs per NACA application processed (\$) (E)	n/a	n/a	10,050	Baseline	0
	Increase in the total assets of Native CDFIs (%) (Oe)	n/a	39	103	✓	33
New Markets Tax Credit Program	Administrative costs per NMTC application processed (\$) (E)	n/a	n/a	5,390	Baseline	5,390
	Investments by CDEs in low-income communities (\$ in billions) (Oe)	n/a	0.1	1.1	✗	2.1

(E) = Efficiency Measure (Oe) = Outcome Measure (Ot) = Output Measure

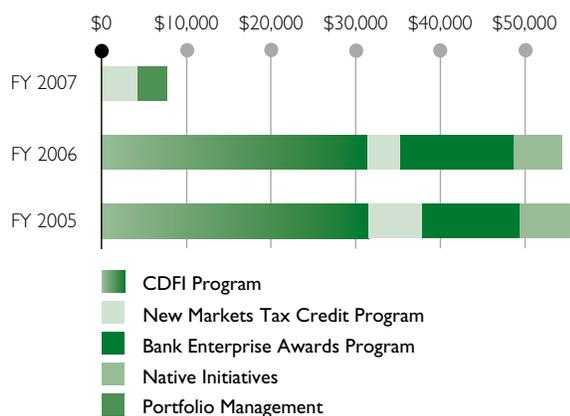
In FY 2007, the Fund projects that NMTC Program allocates and CDFI Program awardees (that received awards in 2005 or earlier and are still required to report performance under their assistance agreements) will create or maintain 34,009 full-time equivalent jobs in economically distressed communities. This is a 60 percent increase in the number of jobs created or maintained through these programs from FY 2005. The Fund estimates that NMTC allocates will raise \$5.4 billion in private sector capital in FY 2007. The Fund also projects it will cost \$5,390 to process a NMTC application, holding constant at the FY 2005 level.

Source of Funds

The Fund requests \$7,821,000 in direct appropriations.

CDFI Funding History

(Dollars in Thousands)



Budget Activities

Salaries and Expenses

New Markets Tax Credit Program (\$4,314,000 from direct appropriations) Funds are requested to administer the NMTC Program, including awarding tax credits to Community Development Entities (CDEs) in competitive rounds and monitoring CDE compliance with the requirements of the Program. This funding supports 19 FTEs.

Portfolio Management (\$3,507,000 from direct appropriations) Although no new funding is requested for the Fund's grant programs, certain activities are required with regard to awards made through FY 2006

(the last year of program funding). These activities are related to fiscal stewardship responsibilities for assistance agreements, loans, equity investments and disbursements for all prior year awards.

CDFI FY 2007 Budget Highlights

(Dollars in Thousands)

	Amount
FY 2005 Enacted	\$55,078
FY 2006 Appropriation (PL 109-115)	55,000
Rescission (PL 109-148)	(550)
FY 2006 Enacted	\$54,450
Current Services	
Adjustments to Maintain Current Levels	\$214
Pay Annualization	38
Proposed Pay Raise	100
Non-Pay Inflation Adjustment	76
Current Services Level	\$54,664
Program Adjustments	
Program Reductions	
Consolidation of Programs	(\$46,843)
Subtotal FY 2007 Program Changes	(46,843)
FY 2007 President's Budget Request	\$7,821

FY 2007 Budget Adjustments

FY 2006 Enacted

The FY 2006 current estimate for CDFI is \$54,450,000 in direct appropriations, supporting 68 FTEs.

Current Services

Adjustments Necessary to Maintain Current Levels +\$214,000/0 FTE Funds are requested for: the FY 2007 cost of the January 2006 pay increase of \$100,000; the proposed January 2007 pay raise of \$76,000; and non-labor related items such as contracts, travel, supplies, equipment, and GSA rent adjustments of \$38,000.

Program Reductions

Consolidation of Programs - \$46,843/-33 FTE As part of the "Strengthening America's Communities" initiative, program funding for the Fund's three grant programs is being consolidated in the Departments of Housing and Urban Development and Commerce for FY 2007. This consolidation includes a reduction of \$40,838,000 in program grant funding and \$6,005,000 in administrative funding.

