

NATIONAL CREDIT UNION ADMINISTRATION  
Office of Small Credit Union Initiatives



COMMUNITY DEVELOPMENT REVOLVING LOAN FUND  
2008 Program Guidance and Loan Application

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## Program Guidance

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

The National Credit Union Administration's (NCUA's) Community Development Revolving Loan Fund (CDRLF) was established by Congress to support credit unions that serve low-income communities. The Office of Small Credit Union Initiatives (the Office), within the NCUA, is the administrator and manager of the CDRLF. To fulfill its objective, the CDRLF provides low-interest rate loans and technical assistance to qualifying credit unions known as low-income designated credit unions (LICUs). Loans<sup>1</sup> made available to these credit unions through the CDRLF enable them to:

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

In 2007, the CDRLF increased the size of its loan portfolio by approving 42 loans totaling more than \$7.5 million which resulted in a fully loaned portfolio totaling \$13.3 million<sup>2</sup>, causing this portion of the fund to close. Loan repayments have been received in 2008; therefore, the loan program has been reopened.

### 2. Which credit unions are eligible to apply?

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

- a. A federally chartered credit union that is designated as a "low-income" credit union (LICU) as set forth in NCUA's Rules and Regulations, Section 701.34.

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<sup>1</sup> NCUA, at its sole discretion, may allow a credit union to record a CDRLF loan as either a note payable or a non-member deposit.

<sup>2</sup> Total outstanding loans at year-end 2007 amounted to \$13.3 million. One loan commitment, in the amount of \$150,000 was approved to be funded as monies become available.

- b. A state chartered credit union that has an equivalent low-income designation from its respective state supervisory authority (SSA) and concurrence from NCUA.

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

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

**Telephone:** 1-866-705-5711

3. How much money is available?

Based on funds availability, NCUA expects to approve \$2.5 million in CDRLF loans in 2008. The maximum amount that a single credit union may receive is \$300,000. There is no minimum loan/deposit amount. Credit unions may receive funding in the form of loans, deposits, or a combination of loans and deposits.

4. What are the key application dates?

- Application Open Date: October 13, 2008
- Application Close Date: November 24, 2008
- Award Notice Date: January 29, 2009
- Date Loans Disbursed: February 20, 2009 (except in the case of deferrals)

5. What are allowable uses of the loan funds?

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

Projects must focus on *Enhancing Member Services*. Funds will be available for projects which provide new or better services to existing members and extend services to potential members and the community. The following list, while not exhaustive, provides examples of uses for these CDRLF loans:

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

6. What are ineligible uses of the loan funds?

Generally, requests to provide funds for projects which improve the overall operations or financial condition of the credit union are ineligible for a CDRLF loan. The following list of uses is ineligible for funding under the 2008 round of CDRLF. The list below is not exhaustive.

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

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

**Loan Terms**

- ❑ Interest rate: Loans/deposits under the CDRLF are for a fixed interest rate. The minimum interest rate that will be charged is 1%; the maximum interest rate is 3%. The interest rate for the prior month-end is available on NCUA's website at: <http://www.ncua.gov/ReportsAndPlans/CDRLF/statements.html>. (Click on the monthly "Financial Statement" report).
- ❑ Term: Loans/deposits are normally required to repay in five years. Shorter repayment periods may be considered.
- ❑ Repayment: Interest payments are due semiannually beginning six months after the initial distribution of a loan. Principal payment on a loan/deposit is required to be repaid in semiannual installments beginning one year after the initial disbursement.

**Conditions (Matching Funds)**

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

8. What information must be submitted with the loan application?

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

9. Explain the loan process.

- a. An eligible credit union must complete and submit an application for funding by the application deadline.
- b. The credit union must submit any additional information requested by NCUA as a part of its evaluation process.
- c. After notification of loan approval by NCUA, the credit union must complete and return the loan agreement, related documents, and any other actions within the timeframe specified by NCUA in order to receive disbursement of the loan.

10. How will the applications be evaluated?

- a. Each application will undergo an eligibility review to determine:
  - i. The application was received by the deadline.
  - ii. The applicant is eligible to participate in the program. As discussed above, a credit union must be designated as an LICU (or the equivalent, in the case of state-chartered credit unions) in order to receive funding through the CDRLF.
  - iii. The application is complete.
  - iv. The purpose or proposed use of funds is eligible for funding.
  - v. The applicant has a favorable compliance record with respect to past funding under the CDRLF.

An application that is determined late, ineligible, or incomplete will not be considered for funding.

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

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

- NCUA CAMEL\* Rating
- Net Worth Ratio
- Delinquency Ratio
- Return on Assets Ratio

Financial factors are used to determine the overall financial condition of the credit union and its ability to carry out the project as described in the loan application.

Non-financial factors include the following:

*Assessment of Management*

This criterion is a determination of whether credit union management has been responsive to examiners and whether management has the ability to carry out the project described in the loan application.

*Community Needs Plan*

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

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

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

Yes. Since funding is limited, our goals are to lend to those credit unions where funding will have the greatest economic impact for the members, potential members, and the community. Therefore, priority will be given to credit unions:

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

12. How should completed applications be submitted?

A completed application may be submitted to the Office of Small Credit Union Initiatives (the Office) through one of the following means:

**By facsimile:** (703) 519-4071

**By email:** [CDRLFLoan@ncua.gov](mailto:CDRLFLoan@ncua.gov)

A credit union that is unable to submit an application by facsimile or email, must contact the Office at (703) 518-6610 before the application close date. **Applications received after the application close date will be denied and will not be considered for funding.**

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

While a loan is outstanding, the credit union's board of directors must report annually to the credit union members on its progress in providing needed community services (as contained in the Community Needs Plan submitted with the loan application). The credit union must also send a written report or summary to NCUA by December 31, 2009. A credit union that fails to report as required may be determined ineligible to receive future loans and/or technical assistance.

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

Credit unions may contact the Office:

**By email:** [oscuiapps@ncua.gov](mailto:oscuiapps@ncua.gov)

**By telephone:** (703) 518-6610

15. Is there an application appeal process?

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

**National Credit Union Administration  
Office of Small Credit Union Initiatives  
Community Development Revolving Loan Fund**

<b>16. Loan Application</b>
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1. CREDIT UNION NAME	
2. MAILING ADDRESS .	
3. CITY, STATE, ZIP	
4. CONTACT NAME/TITLE	
5. CONTACT PHONE	
6. CONTACT EMAIL ADDRESS	
7. CREDIT UNION FAX NUMBER	
8. CREDIT UNION EMAIL ADDRESS	
9. CREDIT UNION CHARTER NUMBER	
10. CREDIT UNION EMPLOYER TAX ID NUMBER	
11. CREDIT UNION DUN AND BRADSTREET UNIVERSAL NUMBERING SYSTEM NUMBER	
12. AMOUNT REQUESTED	\$
13. NAME AND TITLE OF AUTHORIZED INDIVIDUAL	

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

SIGNATURE OF AUTHORIZED INDIVIDUAL	DATE
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## Loan Application

14. Complete the Certifications Form located on page 14. *This form must be signed separately by the individual authorized to sign the application.*
15. Provide a Community Needs Plan (2 to 4 pages) that:
- a. Describes the community's need for financial products and services.
  - b. Outlines the credit union's existing community services, financial products and services that fulfill the community needs as described in 15a.
  - c. Describes the credit union's current involvement/ partnerships with any existing community based organizations, state or government community development programs.
  - d. Details how the credit union proposes to use the CDRLF loan to serve the needs of its members and community described in 15a.
  - e. Explains the credit union's need for CDRLF funding.
  - f. Provides evidence that the Community Needs Plan was approved by the board of directors.

## Loan Application

16. Submit a business plan that:

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

**State-chartered credit unions only:**

17. In addition to the Items 1 to 16, submit a copy of current charter and any amendments to the field of membership. For any amendments to the field of membership, also include:

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

Loan Application
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**Nonfederally insured state-chartered credit unions only:**

18. *In addition to Items 1 to 17, submit the following:*

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

Completed applications should be submitted to the Office of Small Credit Union Initiatives through one of the following means:

By email: [CDRLFLoan@ncua.gov](mailto:CDRLFLoan@ncua.gov)

By facsimile: (703) 519-4071

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

<p><i>Seven (7) business days after you submit your credit union’s application to NCUA, you may confirm its receipt through this website address: <a href="http://www.ncua.gov/CDRLF/2008Loan.htm">http://www.ncua.gov/CDRLF/2008Loan.htm</a>.</i></p>
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<b>Certifications Form</b>
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By signing below the authorized representative certifies that:

- The credit union is currently a low-income designated credit union, as defined in Section 701.34 of NCUA's Rules and Regulations; and will comply with the program objectives as described in the Program Guidance and in the application.
  
- The board of directors will report on the progress of providing needed community services to the credit union members and NCUA as specified in Section 705.6 of the NCUA Rules and Regulations.
  
- If approved for a loan, the credit union commits to raising matching funds as required in Section 705.7 of the NCUA Rules and Regulations.
  
- The credit union conducts its activities such that no person is excluded from participation in, is denied the benefits of, or is subject to discrimination on the basis of race, color, national origin, sex, age, or disability in the distribution of services and/or benefits provided under this loan program. The credit union agrees to provide evidence of its compliance as required by NCUA.

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