

How CDFI Can Help Credit Unions Weather the Storm



Mike Beall - Chief Strategic and Advocacy Officer – Moderator

Ronaldo Hardy - Chief Diversity and Inclusion Officer (Moderator - former CDFI CEO)

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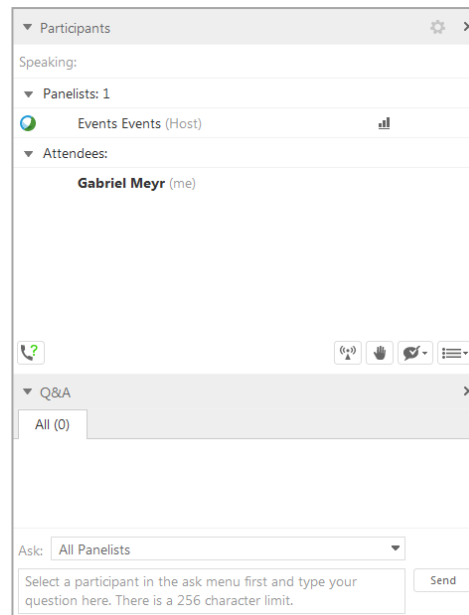
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Slide Link

Today's slides can be found online at:

<http://bit.ly/2020-05-06-cu-strategic-planning>

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Out topics today:

- How mainstream credit unions can get access to funds
- How CDFI certified credit unions can prepare
- How CDFI grant funds can be used for loan loss reserves

What is going on in DC?

- **Congress is in the early development stages to a CARE 2 Bill**
 - Follow along to CARE Bill that birthed the Payroll Protection Program
 - Subsequent funding that included the \$30b carve out to credit unions under \$10 billion in assets – that got used up.
 - Timing: Senate is back in session, House has not yet returned to session. Pressure will build over the next few weeks
 - House and Senate have different ideas about what should go in CARE 2 (shock!!!)
 - **State and local governments funding**
 - **More Small business funding (possibly)**
 - **Senate Republicans – no extension of emergency unemployment benefits**

House Financial Services Priorities for CARES 2

- **Community financial institutions by:**
 - providing \$1 billion to the Community Development Financial Institutions (CDFI) Fund; (current 2020 funding is \$262 million for 2020)
 - strengthening minority depository institutions (MDIs) through new capital investments,
 - technical assistance and federal government contracts and deposits;
 - enabling credit unions to make more business loans; (lifting MBL cap)
 - enhancing the Federal Home Loan Banks' support for banks; and
 - making changes to the PPP to ensure robust participation by community financial institutions, including non-bank CDFIs.

CDFI Funding/NCUA Funding 2020

CDFI

- 2020 CDFI Grants were due on or before April 21, 2020 (changed to April 30)
 - Scheduled award announcements are mid September 2020
 - Funds disbursed before YE 2020
 - \$262 million – total appropriation for all programs including FA and TA programs
 - Credit unions MUST be certified before application is released

NCUA

- NCUA Grants application was expected May 1, 2020 (has not been posted as of May 5)
 - \$25k underserved:
 - First time homebuyers
 - Accessible products to people w/disabilities
 - Post Incarceration programs
 - Training (\$4k)/Digital Services (\$7k)
 - COVID-19 (\$10k), MDI Mentoring (\$25k) – applications are available

CDFI Funding/NCUA Supplemental Funding 2020

CDFI

- 2020 CDFI Grants were submitted by **April 30**:
 - Increase the number of awards given to grants already submitted – CU ceiling
 - Increase the dollar amount of the awards to CDFIs that submitted grants from \$1 million back to \$2 million
 - Hold a supplemental award FA and TA program with funding appropriated by Congress in May/June 2020.
 - Federal Fiscal Year ends September 30, 2020
 - Expected 2021 process expected early 2021.

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 - Increase the number of awards to LID credit unions

CDFI Funding 2020 Supplemental - CU Strategic Planning Request

- **Immediately fund a special Emergency Round of CDFI Funding of \$500 million** targeted to lending institutions that can demonstrate the capacity to increase small dollar consumer, transportation, small business and home mortgage lending
 - This program should target CDFIs and specifically CDFI credit unions that have immediate capacity and implementation-ready programs and initiatives on a rolling basis over the next 6 months
- **Immediately fund \$5 million for the National Credit Union Administration's (NCUA) Community Development Revolving Loan Fund.**
 - Immediately help credit unions with initiatives for lending as well as provide a source of liquidity to smaller credit unions

Mainstream CUs Access to Funds

- CU Strategic Planning estimates that as many as 75% of all credit unions can qualify as a CDFI
- **Get certified – need to act now**
 - NCUA streamlined program can work for some credit unions – but not for every credit union – and it likely is not in time for a supplemental round if there is one
 - CU Strategic Planning – we have the capacity right now. CDFI taking up to 90 days to process
- Current rule: a credit union must be certified before Notice of Funding is announced in Federal Register
 - Seek certification for approval by CDFI ASAP, before supplemental round, ask to be included in eligible pool of CDFIs

Types of CDFI Awards

Financial Assistance (FA Grants):

- Large grants up to \$1 million awarded to strong CDFIs based on the merit of a “Comprehensive Business Plan”

Technical Assistance (TA Grants):

- Small grants capped at \$125,000 for small credit unions to build capacity

What Can CDFI Funds be Used For?

Financial Assistance (\$1 million top award)

- Capital Reserves
- Loan Loss Reserves
- Anything else needed to increase loan deployment including materials, training, professional services.

Technical Assistance* (\$125,000 top award)

- Personnel (Salary, Fringe Benefits)
- Training, Travel
- Professional Services
- Materials/Supplies/Equipment

Benefits Now and for Years

- Short term benefits:
 - Immediate bottom line improvement
 - reducing expenses including ALLL funding, while increasing staffing, marketing and training.
- Long term benefits:
 - Safely increasing the deployment of higher yielding loans with grant backing
 - increasing ROA, allowing an increase in assets, members and market share.

NCUA Upcoming Testimony

- NCUA Chairman Rodney Hood – Senate Banking testimony
 - May 12, 2020 10 AM EST
 - <https://www.banking.senate.gov/hearings/05/05/2020/oversight-of-financial-regulators>

Senate Appropriations Sub-committee: Financial Services and General Governance (FSGG)

- Kennedy – Louisiana (Chair)
 - Coons – Delaware (Ranking Member)
 - Moran – Kansas
 - Boozman – Arkansas
 - Daines – Montana
 - Lankford - Oklahoma
 - Durbin – Illinois
 - Manchin - West Virginia
 - Van Hollen - Maryland
- Call Capitol switchboard at 202.224.3121
- Ask for your Senator:
(at the senators front desk) Ask for the person handling FSGG appropriations.
- Tell them:
- You support \$1 billion in CDFI funding in the CARES 2 bill
 - Your CDFI/credit union can use those dollars to lend
 - Tell them what you are doing to help consumers

House Appropriations Sub-committee: Financial Services and General Government (FSGG)

- **Mike Quigley, Chairman Illinois**
 - José Serrano Puerto Rico
 - Matt Cartwright Pennsylvania
 - Sanford Bishop Jr. Georgia
 - Norma Torres California
 - Charlie Crist Florida
 - Ann Kirkpatrick Arizona
 - Tom Graves, Ranking Member Georgia
 - Mark Amodei Nevada
 - Chris Stewart Utah
 - David Joyce Ohio
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What Should Your CU Do to Prepare for the CDFI/NCUA Grant Funding?

- **Be CDFI certified – CU Strategic Planning will expedite this**
 - Current CDFI rules require certification before you are eligible to apply
 - Not all “free” certifications and annual certification reports (NCUA streamlined, Inclusiv) are picking up all eligible loans in the target and eligible markets, putting winning grants at risk. Loan percentage matter!
 - Also allows for CU to go beyond the 12.25% cap on member business loans
- **Get your Low Income Designation (LID) from NCUA**
 - Makes you eligible for NCUA’s Grant Program (up to \$100k last year)
- **Write a CDFI Grant with CU Strategic Planning** – have data collection done for supplemental/2021 CDFI rounds. “Shovel ready” for opportunities.
- **ALLL is going to rise** – CDFI Grant funds help protect from rising delinquency on all loans

What Should CEOs Be Thinking About During This Time?

- Communication Strategy
- Product Design and Viability
- Policy Review
- Organizational Strategy for the next three years
- Allowance for Loan Loss and Reserves

Question and Answer