

# CDFI CERTIFICATION AND GRANT OVERVIEW

A CREDIT UNION TOOLKIT

QCASH<sup>®</sup>



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# CDFI Certification and Grant Overview

The mission of the [CDFI Fund](#) is to expand the capacity of financial institutions to provide credit, capital, and financial services to underserved populations and economically distressed communities in the United States.

**About Inclusiv:** [Inclusiv](#) is the CDFI (Community Development Financial Institution) authority for the credit union industry, was instrumental in establishing the CDFI Fund in 1994, and has a permanent seat on the board of the national CDFI Coalition. Inclusiv promotes the CDFI business model, represents CDFI credit unions, and provides specialized expertise, eligibility tools, and guidance to credit unions seeking the CDFI certification.

**About QCash Financial:** [QCash Financial CUSO](#) is a purpose-driven fintech firm with a mission of empowering financial institutions in their quest to improve the financial well-being of their communities. The QCash platform is the best tool for advancing financial inclusion and access for credit union members.

**What Is CDFI Certification?** CDFI Certification is the U.S. Department of the Treasury's recognition of specialized financial institutions serving low-income communities, CDFIs are qualified to apply for technical assistance and financial assistance awards, among other programs.

## Common Acronyms:

CDFI: Community Development Financial Institution

LID: Low-Income Designation

NOFA: Notice of Funds Availability

MDI: Minority Depository Institution

TM: Target Market

- IA: Investment Area
- LITP: Low-Income Target Population
- OTP: Other Targeted Populations



## What is the difference?

CDFI Certification: Provided by the CDFI Fund based on where your lending goes

Low-Income Designation (LID): Provided by the NCUA based on where your members live

## STEP ONE LOW-INCOME DESIGNATION

The most critical component of the CDFI certification demonstrates that at least 60% of a credit union's lending activities (both in terms of total number of loans and dollar amount of loans issued in the past two fiscal years) are directed to qualified CDFI target markets. Inclusiv provides complimentary CDFI eligibility assessments, and for those already certified, complimentary Annual Certification Reports (ACRs) for its member credit unions.

While the low-income designation is not required to obtain the CDFI certification, it is a good indicator of potential eligibility. In fact, 94% of all NCUA-insured CDFI credit unions are low-income designated. Inclusiv estimates that many of the around 2,500 current low-income designated credit unions could potentially be eligible.

To qualify for LID, a majority of a credit union's membership (50.01 percent) must live in low-income census tracts as defined by the US Census Bureau. For federally chartered credit unions, NCUA does an eligibility analysis as part of their annual examination process, State chartered and privately insured credit unions must request it by contacting the NCUA's Office of Consumer Protection at 703-518-1150 or [dcamail@ncua.gov](mailto:dcamail@ncua.gov).

## **Benefits of Designation for federally chartered CUs (may be different for state-chartered CUs):**

- Exemption from the statutory cap on member business lending
- Ability to accept secondary capital
- Ability to accept non-member deposits from any source
- Eligibility for grants and low-interest loans from the Community Development Revolving Loan Fund
- Ability to provide transactional services to non-members
- FOM expansion flexibility

## **STEP TWO CDFI CERTIFICATION PROCESS**

### **How does a credit union obtain CDFI Certification?**

- To become a certified CDFI, you need to meet the eligibility requirements and submit an application.
- Applications are accepted year-round; there is no deadline.
- There is no application fee.
- Email Inclusiv at [info@inclusiv.org](mailto:info@inclusiv.org) for assistance obtaining CDFI certification

Visit the CDFI website for more information on certification: [www.cdfifund.gov/cdficert](http://www.cdfifund.gov/cdficert)

### **An organization must meet seven criteria to be certified as a CDFI:**

- Be a legal entity
- Be a financing entity
- Primarily serve one or more target markets
- Have a primary mission of promoting community development
- Provide development services in conjunction with its financing activities
- Maintain board accountability to its approved CDFI Target Markets
- Be a non-governmental entity and not be under the control of any government entity (typically excluding tribal government)

Generally, LID credit unions meet most of them BUT new standards will be released soon.

## **STEP THREE CDFI GRANT PROCESS**

The CDFI grant writing process is fairly technical. You can do it yourself or you can hire a grant writer. Inclusiv is connected to a network of independent, experienced grant writers with a proven track record in the community finance/development space and can make a recommendation.

### **The typical annual grant cycle looks like this:**

- Q1 – The grant round is through the publication of a Notice of Funds Availability (NOFA)
- Q2 – There is typically an 8-week application window
- Q3 – The awards are announced
- Q4 – The awards are funded

All of this is subject to change by the U.S. Treasury.

Each grant program is outlined on the CDFI website. <https://www.cdfifund.gov/programs-training/programs> It includes the total amount to be awarded, the purpose of the grant program, who is eligible, deadlines for applications, and when the awards will be announced.

**CDFI Financial Assistance (FA) Grant Funds Permissible uses implementation or expansion of lending and financial services designed to meet the needs of low-income/CDFI markets:**

- Financial Products (loan products) (\*)
- Financial Services
- Loan loss reserves
- Development services
- Capital reserves

**CDFI Technical Assistance (TA) Grant Funds Permissible uses:**

- Personnel
- Professional services (i.e. marketing, advertising, promotion, PR, membership fees, etc.)
- Travel costs
- Training and Education
- Equipment: Information technology systems are allowable as equipment costs (\*) Supplies

**\*The QCash solution meets the criteria as a permissible use of funds for both Financial Assistance (loan loss reserves) and Technical Assistance (implementation).**

**TA grants can NOT be used for:**

- Financial Assistance (FA) eligible activities, such as financial products, loan capital, or loan loss reserves
- Financial audits

**CDFI grant application language suggestion if you plan to use the funds for QCash:**

"ABC Credit Union plans to launch an online Small Dollar Loan Program platform. QCash is an online tool designed over more than a decade of credit union lending experience, utilizing data analytics, automated underwriting, and real-time funding to help the underserved find the support they need to achieve financial health.

Through the expansion of access to affordable credit, ABC Credit Union will provide a platform of risk-based lending to credit-challenged borrowers. Fair, affordable small dollar loans offer an economical alternative to payday lending while building credit. The system makes a loan decision based on non-credit report factors such as account tenure. The process is 60 seconds and funds instantaneously. The member need not come in or talk to credit union staff to get immediate access to cash needs.

This award will support the development of lending programs to deliver asset-building loan opportunities to ABC Credit Union's low-income membership."

**For more information,  
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