

# CDFI 2023: What's Next for CDFI Credit Unions



JANUARY 11, 2023  
MIKE BEALL, CHIEF EXPERIENCE OFFICER

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<http://bit.ly/2023-01-11-CUSP-CDFI>

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# CDFI 2023: What's Next for CDFI Credit Unions



JANUARY 11, 2023  
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# Change Change Change

## **CU Strategic Planning**

- Here to help you in every way!
- Maintaining your CDFI Certification
- Winning new awards
- Staying in Compliance
- Being a strong CDFI



# 2023 Timeline of Events - Our View

- **January 2023** – 2022 FA Grants Awarded (3 years)
  - 6 weeks to sign award agreement
- **January/February 2023** – ERP Grants Awarded (5 years)
  - ? Time period to sign award agreement
- **March 31, 2023** – Annual Certification Reports on 2022 data are due. IMPORTANT
- **March 31, 2023** – Grant Reporting (Part 1 – Performance Progress Report) due for CDFIs with grants.
- **April 2023** – CDFI Fund “pause” ends
- **April 2023** – CDFI Fund begins accepting new CDFI Certifications
- **April 2023** – CDFI Fund releases new Certification Regulations
- **June 30, 2023** – Grant Reporting (Part 2 Transaction Level Reports (TLR)) due for CDFIs with grants – IMPORTANT GRANT REPORTING
- **September 30, 2023** – Grant Reporting (Part 3 – Single Audit Report) due for CDFIs with grants.





# CDFI Certification - Dates

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- **Nov 4, 2022** CDFI Fund releases **new certification application** for comment
- **Dec 5, 2022** Comment period ended
- CDFI Fund has said they "**do not expect to make major additional revisions.**"
- **April 2023** CDFI Fund Releases new certification reg
- **YE 2023** Loan Data will drive review in 2024 ACR
- **Mid 2024** CDFI Fund to review 2024 ACRs
- **Mid 2024** First CURE letters issued
- **Before Mid 2025** CURE letter responses

# Challenges We Are Focusing On

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# Changes to Target Market Assessment Methodologies

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# Overdraft/NSF Fees

- What are "excessive fees"?
  - No bright-line rule
- What are "reasonable protections"?
  - Providing grace period, negative balances, and/or offering balance-related alerts

## **CHANGE:**

- "any Applicant offering products that lack reasonable protections or that charge excessive fees, inconsistent with regulatory guidance or a community development mission, may be determined ineligible for CDFI Certification."

# Loan Product Requirements and Prohibitions

## **CHANGE: Ability to repay**

Underwriting must consider ability to repay, especially pertinent with payday alternative loans.

## **CHANGE: Military APR of consumer loans**

Required to attest that ALL consumer loans' Military APR does not exceed 36%, not just those for military personnel.

# Geographic Boundaries of Target Markets

Your Target Market is the area and/or group of people where the CDFI Fund wants you to concentrate your lending.

**CHANGE: The geographic boundaries of most Target Markets will be eliminated.**

All loans made to any qualified borrower, **no matter where they live**, will count as qualified lending.

# Community Development Strategy

- The CDFI Fund has provided no guidance, nor do we expect any.
- **If you'd like help developing a compliant strategic plan**, reach out to Mike.

## **CHANGE:**

CDFIs will be required to submit a board-approved strategic plan evidencing a community development strategy.

# Advisory Boards

- **With many accountability options changing,** some credit unions are going to struggle to meet the accountability requirement.
- The CDFI Fund has codified **another route to accountability: the advisory board.**

Requirements:

- **33%** of credit union members must be part of an “individual Target Market”
- At least one advisory board member must be accountable to **each TM component**
- **60%** of the advisory board must be accountable to the TM
- A **governing board member** must have a seat on the advisory board
- Accountability policy



# CDFI Grants

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# CDFI Grant Programs +

## CDFI FA Grant 2022 Class

**Waiting For  
Awards**

**Status with  
CUSP:  
Closed**

## CDFI FA Grant 2023 Class

**Expected  
Opening:  
Late 2023  
Awards: mid 2024**

**Status with  
CUSP:  
Closed**

## CDFI FA Grant 2023 Class 2

**Expected  
Opening:  
Late 2023  
Awards: mid 2024**

**Status with  
CUSP:  
Open for Sale**

## NCUA Grant Program 2023

**Opens June  
2023  
Awards by  
September  
2023**

# Winning FA 2022 Grants

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Awards announcement should be soon

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Award agreements - key to taking on the 3-year grant

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CU Strategic Planning - webinar to review award agreements

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Looking to get CUs signed

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Access the funding

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Stand behind each CU on compliance - Grant Reporting

# Winning ERP Grants

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Awards announcement should be soon

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Award agreements - key to taking on the 5-year grant

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CU Strategic Planning - webinar to review award agreements

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Planning Major Support - Implementation Consulting

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Assist with Tool to help CUs with mapping of ERP census tracts

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Stand behind each CU on compliance - Grant Reporting

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Help with requirements on tracking of loans by minority group - understand what CDFI Fund will require

# **Next Steps - If Your CU is not yet certified**

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# GET CDFI CERTIFIED NOW?

- Certification Process is on “pause” and will return with an updated certification process in April 2023
  - CU Strategic Planning is accepting credit unions for CDFI certification
    - Data collection preparing for submission under the new process
    - Use YE 2022 loan data
- NCUA Streamlined Process - No longer offered
- Baseline for all future compliance with CDFI program

# CDFI Grants - Apply For CDFI FA 2023

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Signing contracts through June 2023 to apply

# What Can CDFI Awards be Used For?



## Financial Assistance (FA) Grant: Use of Funds

Loan Loss  
Reserves

Capital  
Reserves

**Financial  
Products:**  
to increase loan  
deployment  
including staffing,  
training, and  
technology

**Development  
Services:**  
Financial  
counseling

**Financial  
Services:**  
ATM/ITM



# **CU Strategic Planning - Your Data and Compliance Partner**

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# Beyond CDFI Fund CURE Letters

- CU Strategic Planning has a proven track record to help credit unions return to compliance. Ask the credit unions that relied on us.
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# Our Expert Tips

- **Our Annual Certification Report**
  - Correct Baseline to Avoid Errors That Lead to CURE Letters
- **Quarterly Loan Analysis Reporting**
  - Track Lending to Target Market In Real Time
- **Strategic Planning/Development of Community Development Statement - Implementing ERP and ECIP**
- **Diversity, Equity, Inclusion, Belonging and Accessibility**
  - Work with your Board and Management to Take Next Steps



The background of the slide is a light blue gradient. On the left side, there is a vertical strip of darker blue. Overlaid on this background are numerous speech bubbles of various colors (red, yellow, pink, white, light blue) scattered across the page. Each speech bubble contains a dark blue question mark. The bubbles vary in size and orientation, creating a dynamic and question-oriented visual theme.

# Questions

**How can we help you?**

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