

initial and second stage evaluations and the geographic and institutional diversity of those applicants being considered for funding in accordance with 12 CFR 1805.801 and 1805.802(b)(5). The final review panel will make recommendations to the Fund's selecting official.

While previous awardees are eligible to apply under this NOFA, such applicants should be aware that success in a previous round should not be considered indicative of the likelihood of success under this NOFA. At the same time, organizations will not be penalized for having received awards in a previous round or rounds, except to the extent provided by 12 CFR 1805.502(a) which prohibits the Fund, except in certain circumstances, from providing more than \$5 million in assistance to any organization and its subsidiaries and affiliates during any three-year period.

The anticipated maximum award per applicant under this NOFA is \$2.5 million. However, the Fund, in its sole discretion, reserves the right to make individual award amounts in excess of \$2.5 million if it deems it appropriate.

## VII. Workshops

The Fund expects to host workshops in November and December of this year to disseminate information to organizations interested in applying for assistance under this NOFA. If you wish to be on a mailing list to receive information about such workshops, please fax your request to the Fund.

**Authority:** 12 U.S.C. 4703, 4703 note, 4704, 4706, 4707, and 4717; 12 CFR part 1805.

Dated: October 20, 1998.

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Community Development Financial  
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## DEPARTMENT OF THE TREASURY

### Community Development Financial Institutions Fund

#### Notice of Funds Availability (NOFA) Inviting Applications for the Community Development Financial Institutions (CDFI) Program—Intermediary Component

**AGENCY:** Community Development Financial Institutions Fund, Department of the Treasury.

**ACTION:** Notice of Funds Availability (NOFA) inviting applications.

**SUMMARY:** The Community Development Banking and Financial Institutions Act of 1994 (12 U.S.C. 4701 et seq.) (the "Act") authorizes the Community Development Financial Institutions Fund ("the Fund") to select and provide assistance to eligible applicants under the Community Development Financial Institutions ("CDFI") Program. The interim rule (12 CFR part 1805), which was published in the **Federal Register** on April 4, 1997 (62 FR 16444), provides guidance on the contents of application materials and program requirements. This NOFA is in connection with the third competitive round of the Intermediary Component of the CDFI Program. This Intermediary Component will provide financial assistance to CDFIs that provide financing primarily to other CDFIs and/or to support the formation of CDFIs. Subject to the availability of funds, the Fund currently anticipates making awards of up to \$7.5 million in appropriated funds pursuant to this NOFA. The Fund reserves the right to fund, in whole or in part, any, all, or none of the applications submitted in response to this NOFA. Also being published elsewhere in this issue of the **Federal Register** is a separate NOFA in connection with the Core Component of the CDFI Program, with respect to which the Fund intends to make available up to \$50 million in appropriated funds.

**DATES:** Applications may be submitted at any time after October 26, 1998. The deadline for receipt of an application is 6:00 p.m. EST on January 19, 1999. Applications received in the offices of the Fund after that date and time will be rejected and returned to the sender. Applications sent to the Fund electronically or by facsimile will not be accepted.

The Fund anticipates making available up to \$7.5 million in appropriated funds under this NOFA. The anticipated maximum aggregate award per applicant under this NOFA is \$1.5 million. However, the Fund, in its sole discretion, reserves the right to award amounts in excess of \$1.5 million for an applicant(s) if it deems it appropriate.

**ADDRESSES:** Applications shall be sent to: Awards Manager, Community Development Financial Institutions Fund, U.S. Department of the Treasury, 601 13th Street NW., Suite 200 South, Washington, DC 20005.

**FOR FURTHER INFORMATION CONTACT:** If you have any questions about the program requirements for this program, contact the CDFI Program Manager. Should you wish to request an

application package or have any questions regarding application procedures, contact the CDFI Awards Manager. They may be reached by phone at (202) 622-8662, by facsimile on (202) 622-7754 or by mail at CDFI Fund, 601 13th Street, NW., Suite 200 South, Washington, DC 20005. Allow at least one to two weeks for the receipt of the application package. Applications and other information regarding the Fund and its programs may be downloaded from the Fund's website at <http://www.treas.gov/cdfi>.

#### SUPPLEMENTARY INFORMATION:

##### I. Background

Credit and investment capital are essential ingredients for creating and retaining jobs, developing affordable housing, starting or expanding businesses, revitalizing neighborhoods, and empowering people. As a key urban and rural policy initiative, the CDFI Program is facilitating the creation of a national network of financial institutions that are specifically dedicated to community development. This strategy will build strong institutions that make loans and investments and provide services to economically distressed investment areas and disadvantaged targeted populations. This NOFA is in connection with the Intermediary Component of the CDFI Program.

Elsewhere in this issue of the **Federal Register**, the Fund is publishing a NOFA for financial and technical assistance to CDFIs pursuant to the direct funding approach of the Core Component of the CDFI Program. The Fund anticipates that it will devote the great bulk of the financial assistance available for the CDFI Program to the Core Component. In the separate NOFA for the Core Component, the Fund is making available up to \$50 million in appropriated funds.

The Fund also recognizes that to address the diverse needs and take full advantage of the enormous potential of the growing CDFI industry, it is important that the Fund be on the cutting edge of innovation by expanding the tools it utilizes to assist CDFIs. This NOFA in connection with the Intermediary Component of the CDFI Program is one part of a broader effort to develop and make available such new tools. Under the Intermediary Component NOFA, the Fund has an anticipated maximum award for \$1.5 million per applicant. However, the Fund, in its sole discretion, reserves the right to award amounts in excess of the anticipated maximum award amount if the Fund deems it appropriate.

The Fund recognizes that there are in existence certain intermediary CDFIs, and that others may be created over time, that focus their financing activities primarily on financing other CDFIs. Such institutions may have knowledge and capacity to develop and implement a specialized niche or niches in their financing of CDFIs and/or CDFIs in formation. The Fund believes that providing financial assistance to such intermediaries can be an effective way to enhance its support of the CDFI industry. To illustrate the concept of an intermediary CDFI with a few examples, an intermediary may have a specialized niche or niches focusing on financing a specific type or types of CDFIs, providing small amounts of capital per CDFI, financing CDFIs with specialized risk levels, or financing institutions seeking to become CDFIs. By providing financial assistance to specialized intermediaries, the Fund believes it can leverage the expertise of such intermediaries and strengthen the Fund's capacity to support the development and enhancement of the CDFI industry. This NOFA invites applications from CDFIs, and organizations seeking to become CDFIs, that are or plan to become a specialized CDFI intermediary, focusing on providing loans to, or investments in, other CDFIs and/or to support the formation of CDFIs. This NOFA is not intended and should not be construed to allow an applicant to file a joint application on behalf of a group of other CDFIs, but rather to provide financial assistance to intermediaries that have criteria for financing, in arms-length transactions, other CDFIs and/or to support the formation of CDFIs.

This NOFA implements the third round of the Intermediary Component. Many CDFIs will be facing the decision of whether they should devote the substantial time and effort necessary to prepare an application, due by January 21, 1999, in response to the Core Component NOFA published elsewhere in this issue of the **Federal Register**. Given what is expected to be the highly competitive nature of the Core Component round, many CDFIs may decide not to apply for the Core Component, but instead to concentrate on seeking assistance from a CDFI intermediary.

## II. Eligibility

An applicant for assistance pursuant to this NOFA must meet the eligibility requirements found in § 1805.200. At the time an entity submits an application, the entity must be duly organized and validly existing under the laws of the jurisdiction in which it is

incorporated or otherwise established. In addition, under § 1805.200(a)(3), this NOFA is limited to applicants that satisfy the following requirements:

- (1) The applicant's financings (loans and/or development investments) must primarily focus on financing other CDFIs and/or supporting the formation of CDFIs; or
- (2) If (a) the applicant is not a CDFI; or
  - (b) If the applicant's financings do not primarily focus on financing and/or supporting the formation of CDFIs at the time of application, the application shall include a realistic plan for the applicant to meet both criteria (a) and (b) within one year of the date on which the Fund approves the applicant for financial assistance (which period may be extended at the sole discretion of the Fund). In no event will the Fund disburse assistance to the applicant until the applicant can be certified as a CDFI and demonstrates that its financings primarily focus on other CDFIs and/or the formation of CDFIs.

## III. Types of Assistance

An applicant may submit an application for financial assistance in the form of an equity investment, loan, or grant (or a combination of these financial assistance instruments). Applicants for financial assistance shall indicate the dollar amount, form, terms, and conditions of assistance requested. The Fund will not accept applications for technical assistance under this NOFA.

Since an intermediary that is selected under this NOFA must be a CDFI when funded, its predominant business activity must, per § 1805.701(b)(4), be the provision of loans and/or development investments. Thus, even if an intermediary applicant receives a grant from the Fund, the Fund will normally expect that the intermediary will use such grant to enhance its ability to make loans and/or development investments in CDFIs or to support the formation of CDFIs. However, the Fund will consider requests by an intermediary applicant to utilize Fund assistance to enhance the ability of the intermediary to make grants to CDFIs or to support the formation of CDFIs, as long as the intermediary applicant demonstrates to the satisfaction of the Fund that using Fund assistance in this manner will further the purposes of the Act, and as long as the intermediary's predominant business activity will remain the provision of loans and/or development investments.

## IV. Application Packet

Except as described hereafter, an applicant shall submit the materials described in § 1805.701 and the application packet.

If an applicant is currently certified as a CDFI, it may, at its option, submit a copy of the letter of certification and the certification of material changes form, a copy of which is contained in the application package, in lieu of the information requested in Part III.B., 1 through 8, of the application packet. However, an applicant should include in its application information that it believes is relevant to the substantive review of the application specified in § 1805.802(b) and this NOFA.

Since the target markets served by an applicant under this NOFA will depend on the target markets served by CDFIs funded by the applicant, the applicant need not fill out Part III.B.3, C. Map of Investment Area(s), 4. Studies or Analyses of Unmet Needs, or 9. Target Market Designation, or 10. Investment Area Designation Worksheet. Instead, the applicant should describe its target markets, which description may include target markets that are regional or national in scope. The application should include an analysis of target markets served by CDFIs and/or CDFIs in formation which the applicant currently finances, and what changes in such target markets, if any, may be expected if the applicant receives financial assistance from the Fund. If applicable, the applicant should provide an all-inclusive list of CDFIs or CDFIs in formation that it has financed, and the amount and form of financing, over at least the last three years.

## V. Matching Funds

Applicants responding to this NOFA must obtain matching funds from sources other than the Federal Government on the basis of not less than one dollar for each dollar of assistance provided by the Fund. Such matching funds shall be at least comparable in form and value to the assistance provided by the Fund. Non-Federal funds obtained or legally committed on or after January 1, 1997 may be considered when determining matching funds availability. Applicants selected to receive assistance under this NOFA must have firm commitments for the matching funds required under § 1805.600 by no later than August 31, 1999. The Fund may recapture and reprogram funds if an applicant fails to raise the required match by such date. The Fund reserves the right to extend such matching funds deadline for specific applicants selected for

assistance if the Fund deems it appropriate.

#### VI. Evaluation Factors

Applications will be evaluated on a competitive basis in accordance with the criteria described in 12 CFR 1805.802(b) and this NOFA. Also, applications will be reviewed for eligibility and completeness purposes under 12 CFR 1805.802(a) and this NOFA. The Fund reserves the right to conduct eligibility and completeness reviews under § 1805.802(a) and this NOFA concurrently with its substantive review under § 1805.802(b) and this NOFA.

In conducting its substantive review, the Fund will initially evaluate applications using a 300 maximum point scale as follows:

(a) Financial Strength and Organizational Capacity (12 CFR 1805.802(b)(1)), 150 points maximum;

(1) The applicant's track record, financial strength and current operations (including its general financial operations and lending/investment operations), 25 points for established groups, 5 points for start-ups;

(2) The capacity, skills, and experience of the management team and other key personnel (overall organizational structure, lending/investing activities, community development experience), 75 points for established groups, 95 points for start-ups;

(3) The quality of the comprehensive business plan (identification of community needs, market analysis, strategies for addressing needs and demand, implementation strategy including any community partnerships, and identifying risks and assumptions), 50 points;

(b) External Resources 12 CFR 1805.802(b)(2), 50 points maximum; and

(c) Community Impact and Community Partnerships (if applicable) 12 CFR 1805.802(b)(3) and (4), 100 points maximum.

As shown above, the Fund will utilize two different 150 point scales for the Financial Strength and Organizational Capacity criteria depending on whether an applicant is deemed by the Fund to be a start-up organization or an established organization. The Fund defines a start-up organization as an entity that has been in operation for less than two years. The Fund will find an organization to be a start-up if it began incurring operating expenses after October 26, 1996, based on a review of submitted income and expense statements and/or other statements submitted by an applicant as part of its application. In evaluating applications of start-up organizations against the Financial Strength and Organizational Capacity criteria, the Fund will place greater emphasis on the experience, strength and background of an applicant's management team and key personnel than on the breadth and depth of its financial resources and trends in operating performance.

Once the initial evaluation is completed, the Fund will determine which applications will receive further consideration for funding based on the application scores (standardized if deemed appropriate), the recommendations of the individuals performing the initial reviews and the amount of funds available. Those applicants selected for further review or a second stage evaluation may receive an on-site interview conducted by Fund staff in accordance with 12 CFR 1805.800 for purposes of obtaining clarifying or confirming information. A final review panel will consider the results of the initial and second stage evaluations and the geographic and

institutional diversity of the target markets of those applicants being considered for funding under 12 CFR 1805.802(b)(5). The final review panel will make recommendations to the Fund's selecting official.

While previous awardees are eligible to apply under this NOFA, such applicants should be aware that success in a previous round should not be considered indicative of the likelihood of success under this NOFA. At the same time, organizations will not be penalized for having received awards in a previous round or rounds, except to the extent provided by 12 CFR 1805.502(a) which prohibits the Fund, except in certain circumstances, from providing more than \$5 million in assistance to any organization and its subsidiaries and affiliates during any three-year period.

The anticipated maximum award per applicant under this NOFA is \$1.5 million. However, the Fund, in its sole discretion, reserves the right to make individual award amounts in excess of \$1.5 million if it deems it appropriate.

#### VII. Workshops

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**Authority:** 12 U.S.C. 4703, 4703 note, 4704, 4706, 4707, and 4717; 12 CFR part 1805.700.

Dated: October 20, 1998.

**Maurice A. Jones,**

*Deputy Director for Policy and Programs,  
Community Development Financial  
Institutions Fund.*

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