

DEPARTMENT OF THE TREASURY**Community Development Financial Institutions Fund****Notice of Funds Availability (NOFA) inviting Applications for the Bank Enterprise Award Program**

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.*) authorizes the Community Development Financial Institutions Fund (hereafter referred to as "the Fund") to provide incentives to insured depository institutions for the purposes of promoting investments in or other support to Community Development Financial Institutions ("CDFIs") and facilitating increased lending and provision of financial and other services in economically distressed communities. Insured depository institutions and CDFIs are defined terms in 12 CFR part 1806, the regulations that govern the Bank Enterprise Award ("BEA") Program (the "BEA Program Regulations"). As of the date of this NOFA, the Fund intends to make available up to \$30 million in BEA Program funds, subject to the availability of appropriated funds. The Fund may award in excess of \$30 million if it deems it appropriate, subject to the availability of appropriated funds. Under this NOFA, the Fund anticipates a maximum award amount of \$2.5 million per applicant. However, the Fund reserves the right to award amounts in excess of the anticipated maximum award amount, if the Fund deems it appropriate.

DATES: Applications may be submitted at any time on or after September 5, 2000. The deadline for receipt of an application is 6 p.m. Eastern Standard Time on Tuesday, November 21, 2000. Applications received in the offices of the Fund after that date and time will not be accepted and will be returned to the sender. Any entity seeking certification as a CDFI (as described in 12 CFR 1805.200) for the purpose of the BEA Program is strongly encouraged to submit the Application Form for Certification (the contents of which are described in 12 CFR 1805.201(b)(1) through (7)), by Tuesday, November 21, 2000. If an entity fails to submit such application by this deadline, the Fund may not have sufficient time to timely complete a certification review for the

purpose of the current funding round of the BEA Program. In addition, with respect to all requests for certification, the Fund reserves the right to request clarifying or technical information after reviewing materials submitted as described in 12 CFR 1805.201(b)(1) through (7). If the entity seeking certification does not respond to such requests in a timely manner, the Fund may not have sufficient time to timely complete a certification review for the purposes of the current funding round of the BEA Program.

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. Applications sent by fax or electronic transfer will not be accepted.

FOR FURTHER INFORMATION CONTACT: If you have any questions about the programmatic requirements for this program, contact the CDFI Program Manager. Should you wish to request an application package or have questions regarding application procedures, contact the Awards Manager. The CDFI Program Manager and the Awards Manager may be reached by e-mail at cdfihelp@cdfi.treas.gov, by telephone at (202) 622-8662, by facsimile at (202) 622-7754, or by mail at CDFI Fund, 601 13th Street, NW., Suite 200 South, Washington, DC 20005. These are not toll free numbers. Allow at least one to two weeks from the date the Fund receives a request for 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**

As part of a national strategy to facilitate revitalization and increase the availability of credit, investment capital and financial services in distressed communities, the Community Development Banking and Financial Institutions Act of 1994 ("Act") authorizes a portion of funds appropriated to the Fund to be made available for distribution through the BEA Program. The BEA Program is largely based on the Bank Enterprise Act of 1991, although Congress significantly amended the program to facilitate greater coordination with other activities of the Fund. The BEA Program and the Community Development Financial Institutions Program (12 CFR part 1805) are intended to be complementary initiatives that support

a wide range of community development activities and facilitate partnerships between traditional lenders and CDFIs. This NOFA invites applications from insured depository institutions for the purpose of promoting community development activities and revitalization.

II. Information Sessions

In connection with this NOFA, the Fund is conducting Information Sessions to disseminate information to organizations contemplating applying to, and other organizations interested in learning about, the BEA Program. Pre-registration is required, as the Information Sessions will be held in secured federal facilities. The Fund will conduct 12 in-person Information Sessions, beginning September 20, 2000, as follows: Los Angeles, CA, September 20, 2000; San Francisco, CA, September 22, 2000; Chicago, IL, September 25, 2000; Miami, FL, September 26, 2000; Salt Lake City, UT, September 29, 2000; Kansas City, MO, October 2, 2000; Memphis, TN, October 3, 2000; Charlotte, NC, October 4, 2000; Minneapolis, MN, October 4, 2000; Boston, MA, October 5, 2000; San Antonio, TX, October 5, 2000; and New York, NY, October 6, 2000.

In addition to the in-person sessions listed above, the Fund will broadcast an Information Session using interactive video-teleconferencing technology on October 12, 2000, from 1 p.m. to 4 p.m. EST. Pre-registration is required, as these sessions will be held in secured federal facilities. This Information Session will be produced in Washington, DC, and will be downlinked via satellite to the local Department of Housing and Urban Development (HUD) offices located in the following 81 cities: Albany, NY; Albuquerque, NM; Anchorage, AK; Atlanta, GA; Baltimore, MD; Bangor, ME; Birmingham, AL; Boise, ID; Boston, MA; Buffalo, NY; Burlington, VT; Camden, NJ; Casper, WY; Charleston, WV; Chicago, IL; Cincinnati, OH; Cleveland, OH; Columbia, SC; Columbus, OH; Dallas, TX; Denver, CO; Des Moines, IA; Detroit, MI; Fargo, ND; Flint, MI; Fort Worth, TX; Fresno, CA; Grand Rapids, MI; Greensboro, NC; Hartford, CT; Helena, MT; Honolulu, HI; Houston, TX; Indianapolis, IN; Jackson, MS; Jacksonville, FL; Kansas City, KS; Knoxville, TN; Las Vegas, NV; Little Rock, AR; Los Angeles, CA; Louisville, KY; Lubbock, TX; Manchester, NH; Memphis, TN; Miami, FL; Milwaukee, WI; Minneapolis, MN; Nashville, TN; New Orleans, LA; New York, NY; Newark, NJ; Oklahoma City, OK; Omaha, NE; Orlando, FL; Philadelphia,

PA; Phoenix, AZ; Pittsburgh, PA; Portland, OR; Providence, RI; Reno, NV; Richmond, VA; Sacramento, CA; St. Louis, MO; Salt Lake City, UT; San Antonio, TX; San Diego, CA; San Francisco, CA; San Juan, PR; Santa Ana, CA; Seattle, WA; Shreveport, LA; Sioux Falls, SD; Spokane, WA; Springfield, IL; Syracuse, NY; Tampa, FL; Tucson, AZ; Tulsa, OK; Washington, DC; and Wilmington, DE.

To register online for an Information Session, please visit the Fund's website at <http://www.treas.gov/cdfi>. If you do not have Internet access, you may register by calling the Fund at (202) 622-8662.

III. Eligibility

The Act specifies that eligible Applicants must be insured depository institutions as defined in 12 U.S.C. 1813(c)(2).

IV. Designation of Distressed Community

In accordance with 12 CFR 1806.200(d), in the case of Applicants carrying out Qualified Activities requiring the designation of a Distressed Community (as defined in 12 CFR 1806.103(r)), the Fund will provide Applicants with data and other information to help identify areas that are eligible to be designated as Distressed Communities. Specifically, the Fund will provide such information through the CDFI Fund Help Desk website (the "Help Desk"). The Help Desk is found at <http://www.treas.gov/cdfi>. The Fund requires all Applicants to use the Help Desk to produce the Distressed Community worksheets and corresponding maps. The Help Desk provides easy step-by-step instructions on how to designate a Distressed Community and allows an Applicant to create and print instantly a Distressed Community designation worksheet(s) and corresponding map(s).

V. Designation Factors

The BEA Program Regulations describe the Fund's processes for rating and selecting Applicants to receive assistance and for determining award amounts. The BEA Program rating and selection process gives priority to Applicants in the following order: (1) Equity Investments in CDFIs serving Distressed Communities; (2) Equity Investments in CDFIs not serving Distressed Communities; (3) CDFI Support Activities; and (4) Development and Service Activities (as defined in 12 CFR 1806.103). Assistance amounts will be calculated based on increases in Qualified Activities that occur during a 6-month Assessment Period in excess of activities that occurred during a 6-

month Baseline Period. In general, estimated award amounts for Applicants making Equity Investments in CDFIs will be equal to 15 percent of the projected increase in such activities. An Applicant may choose to accept less than the maximum amount of assistance in order to increase the ranking of its application. Estimated award amounts for CDFI Applicants for carrying out CDFI Support Activities will be equal to 33 percent of the projected increase in such activities. Estimated award amounts for non-CDFI Applicants for carrying out CDFI Support Activities will be equal to 11 percent of the projected increase in such activities.

For Applicants pursuing Development and Service Activities, a multiple step procedure is outlined in the BEA Program Regulations that will be used to calculate the estimated award amounts. In general, if an Applicant is a CDFI, such estimated award amount will be equal to 15 percent of the total score calculated in the multiple step procedure. If an Applicant is not a CDFI, such estimated award amount will be equal to 5 percent of the total score calculated in the multiple step procedure. When ranking and funding Applicants in each category, the Fund will apply criteria contained in the BEA Program Regulations. The Fund, in its sole discretion: (1) May adjust the estimated award amount that an Applicant may receive prior to the end of the Assessment Period; (2) may establish a maximum amount that may be awarded to an Applicant; and (3) reserves the right to limit the amount of an award to any Applicant if the Fund deems it appropriate.

VI. Baseline Period and Assessment Period Dates

As part of its application, an Applicant shall report the Qualified Activities that it actually carried out during the 6-month Baseline Period beginning January 1, 2000 and ending June 30, 2000. An Applicant shall also project the Qualified Activities that it expects to carry out during the 6-month Assessment Period beginning January 1, 2001 and ending June 30, 2001. Applicants participating in the BEA Program during the Assessment Period will be required to submit to the Fund a Final Report (Part II of the Application) of Qualified Activities actually carried out during the Assessment Period. The deadline for receipt of the Final Report is 6 p.m. Eastern Daylight Time on Thursday, August 2, 2001. Final Reports received in the offices of the Fund after that date and time will not be accepted and will be returned to the sender. The Fund will

evaluate the performance of Applicants in carrying out projected activities to determine actual award amounts. The Fund may request clarifying or technical information after receiving an Applicant's Final Report.

VII. Targeted Financial Services

The lack of availability of Financial Services (as defined at 12 CFR 1806.103(u)) tailored to the needs of Low- and Moderate-Income people is a significant challenge in many urban, rural and Native American communities. For the purpose of this NOFA, the Fund provides the following guidance to Applicants regarding three specific types of targeted Financial Services: (1) Electronic Transfer Accounts ("ETAs"); (2) Individual Development Accounts ("IDAs"); and (3) First Accounts, which are bank accounts designed to bring Low- and Moderate-Income people, whether they never have had an account or previously had an account, into the financial services system ("First Accounts").

A. Electronic Transfer Accounts

On September 25, 1998, the U.S. Department of the Treasury ("Treasury") published a final rule in the **Federal Register**, 31 CFR Part 208 ("EFT Rule"), implementing the mandatory electronic funds transfer ("EFT") requirements of the Debt Collection Improvement Act of 1996. The EFT Rule provides that any individual who receives a Federal benefit, wage, salary, or retirement payment shall be eligible to open an electronic transfer account ("ETA") at any Federally insured financial institution offering ETAs. Treasury subsequently published the ETA Notice ("ETA Notice") in the **Federal Register** on July 16, 1999 (64 FR 38510), setting forth the characteristics of ETAs.

For the purpose of this NOFA, the term ETA and all terms related to Treasury's EFT initiative that are not defined in the BEA Program Regulations shall have the same meanings as defined in the EFT Rule and the ETA Notice. Only federally insured depository institutions that have entered into, and are in compliance with, the Financial Agency Agreement published as an appendix to the ETA Notice may receive an award under the BEA Program for providing ETAs. An Applicant's ETA product must meet all of the requirements set forth in the ETA Notice, and any subsequent guidance issued by Treasury, and be in compliance with the terms and conditions of its Financial Agency Agreement with Treasury. Furthermore, while an Applicant is not limited to

offering ETAs only to Low- and Moderate-Income people, only those ETA products that are provided to Low- and Moderate-Income individuals at locations in Distressed Communities, as required by 12 CFR 1806.103(u), are eligible for purposes of receiving a BEA Program award.

As provided at 12 CFR 1806.202(c)(3), all Financial Service activities must be valued "based on the administrative costs of providing such services." For the purpose of this NOFA, the Fund will value the administrative cost of providing an ETA at \$50.00 per account. Thus, an Applicant seeking a BEA Program award for ETA activities does not need to submit documentation of administrative expenses incurred in delivering its product. Instead, the Applicant must indicate the number of ETAs opened by Low- and Moderate-Income individuals at locations in the Distressed Community, which shall be multiplied by \$50.00 to yield the respective Baseline Period and Assessment Period levels of ETA activity. The resulting number shall be reported as the value of total eligible ETA activities for the purpose of calculating award amounts.

For the purpose of this NOFA, and in keeping with 12 CFR 1806.201(b)(3)-(4) of the BEA Program Regulations, the Fund will assign a priority factor of 2.0 for ETAs opened by Low- and Moderate Income individuals at locations in Distressed Communities.

An Applicant may calculate the number of ETAs opened by Low- and Moderate-Income individuals by either: (1) Collecting income data on its ETA customers; (2) certifying that the Applicant reasonably believes that ETA holders are Low- and Moderate-Income individuals and providing a brief analytical narrative with information describing how the Applicant made this determination; or (3) using the Fund's methodology described below.

The Fund has developed a methodology for estimating the number of Low- and Moderate-Income ETA holders in lieu of requiring Applicants to collect data on the actual income levels of account holders. For both the Baseline Period and the Assessment Period, the value of ETAs shall be derived based on the total number of new accounts multiplied by the per unit value of \$50.00. This number shall be multiplied by the total percentage of Low- and Moderate-Income individuals who are residents of the census tract where the ETA was opened (e.g., bank branch). Such census tract must be part of a Distressed Community. The Help Desk includes a new component that

will provide the needed census data and make the calculations for Applicants.

The Fund is aware that Treasury's Financial Management Service will provide insured depository institutions that offer ETAs compensation equal to \$12.60 per ETA to offset the set-up costs of opening an ETA. The ETA award amount provided through this NOFA is intended to assist insured depository institutions to cover other costs associated with offering ETAs.

If an Applicant seeks a BEA Program award for providing financial literacy classes, related training or one-on-one technical assistance to ETA holders, the Applicant must submit documentation of the costs of providing such services and report such activities as Community Service activities, as described in 12 CFR 1806.103(p).

Applicants may wish to know that the Federal Financial Institutions Examination Council (FFIEC) has issued interpretive guidance under the Community Reinvestment Act on ETAs and other financial services, which may be obtained from the FFIEC website.

B. Individual Development Accounts

On December 14, 1999, the Office of Community Services of the Administration for Children and Families ("OCS") of the U.S. Department of Health and Human Services published Program Announcement OCS-2000-04 ("IDA Program Announcement") in the **Federal Register** (64 FR 69824) to implement the second year of the Assets for Independence Demonstration Program ("IDA Program") authorized pursuant to the Assets for Independence Act, 42 U.S.C. 604. The IDA Program Announcement stated that OCS expected up to \$5.4 million in FY 2000 funds to be available for funding commitments to approximately 25 projects, not to exceed \$500,000 per project and averaging \$200,000 for the five-year project and budget periods. The IDA Program is intended, among other things, to determine the extent to which Individual Development Accounts ("IDAs") may be used to enable individuals and families with limited means to increase their economic self-sufficiency through the promotion of savings for postsecondary education, homeownership and microenterprise development. This NOFA provides guidance to BEA Program Applicants on how IDAs may be used, under the BEA Program, to serve Low- and Moderate-Income individuals at locations in Distressed Communities.

In brief, IDAs are savings accounts for income-eligible individuals that are

specifically restricted for use in activities associated with purchasing a home, obtaining post-secondary education, or capitalizing a business. IDA programs: (1) Are generally targeted to lower income individuals; (2) create savings incentives through the provision of matching funds from third parties; (3) may combine matching fund incentives with financial literacy education and other training or technical assistance and support services; and (4) may be provided by non-profit organizations collaborating with financial institutions (which includes insured depository institutions) that may be acting as Trustees, Custodians or in some other capacity.

Interested parties are instructed to refer to the IDA Program Announcement for further IDA Program information. Such information may be found at <http://www.acf.dhhs.gov/programs/ocs/> under "Funding Opportunities" or through a link at the Fund's main website at <http://www.treas.gov/cdfi>. While an Applicant is not required to be a participant in the IDA Program to receive a BEA Program award for its IDA activities, IDAs established under an IDA Program grant must meet the requirements set forth in the IDA Program Announcement (including part II, sections G(4) and (5)).

For the purpose of this NOFA, the term IDA and all terms related to the IDA Program not defined in the BEA Program Regulations shall have the same meanings as defined in the IDA Program Announcement.

For the purpose of this NOFA, the Fund will presume that IDAs established for Project Participants by financial institutions, as discussed in the IDA Program Announcement (including part II, section G(3)), benefit Low- and Moderate-Income individuals based on the requirements for Eligible Individuals described under part II, G(3)(a) of the IDA Program Announcement, which states that "Eligibility for participation in the demonstration projects is limited to individuals who are members of households eligible for assistance under TANF [Temporary Assistance for Needy Families] or of households whose adjusted gross income does not exceed the earned income amount described in section 32 of the Internal Revenue Code of 1986, which establishes the eligibility for the Earned Income Tax Credit (EITC) (taking into account the size of the household), and whose net worth as of the end of the calendar year preceding the determination of eligibility does not exceed \$10,000, excluding the primary dwelling unit and one motor vehicle owned by a member of the household."

As provided at 12 CFR 1806.202(c)(3), all Financial Service activities must be valued "based on the administrative costs of providing such services." For the purpose of this NOFA, the Fund will value the administrative cost of providing an IDA at \$100.00 per account. Thus, an Applicant seeking a BEA Program award for IDA activities does not need to submit documentation of administrative expenses incurred in delivering its product. Instead, the Applicant must indicate the number of IDAs opened by Low- and Moderate-Income individuals at a location in a Distressed Community, which shall be multiplied by \$100.00 to yield the respective Baseline Period and Assessment Period levels of IDA activities.

For the purpose of this NOFA, and in keeping with 12 CFR 1806.201(b)(3)-(4) of the BEA Program Regulations, the Fund will assign a priority factor of 2.0 for IDAs opened by Low- and Moderate-Income individuals at locations in Distressed Communities.

For institutions not providing IDAs in collaboration with a Project Grantee under the IDA Program, an Applicant may calculate the number of IDAs opened by Low- and Moderate-Income individuals by either: (1) Collecting income data on its IDA customers; (2) certifying that the Applicant reasonably believes that IDA holders are Low- and Moderate-Income individuals and providing a brief analytical narrative with information describing how the Applicant made this determination; or (3) using the Fund's methodology described below.

The Fund has developed a methodology for estimating the number of Low- and Moderate-Income IDA holders in lieu of requiring Applicants to collect data on the actual income levels of IDA holders. For both the Baseline Period and the Assessment Period, the value of IDA activities may be derived based on the total number of new IDAs opened multiplied by the per unit value of \$100.00. This number shall then be multiplied by the total percentage of Low- and Moderate-Income individuals who are residents of the census tract where the IDA was opened (e.g., bank branch). Such census tract must be part of a Distressed Community. The Help Desk includes a new component that will provide the needed census tract data and make the calculations for Applicants. The Help Desk can be found at <http://www.cdfifundhelp.gov> or <http://www.treas.gov/cdfi>.

If an Applicant seeks a BEA Program award for providing financial literacy classes, related training, one-on-one

technical assistance, or supportive services to IDA holders, the Applicant must submit documentation of the costs of providing such services and report such activities as Community Service activities, as described in 12 CFR 1806.103(p). If an Applicant seeks a BEA Program award for providing matching fund grants directly to IDA Program Project Participants' accounts or to IDA Program Project Grantees for the purpose of providing matching fund grants to Project Participants' accounts, the Fund will consider such activity an administrative cost and it must be reported as a Community Service activity. Such an Applicant must provide documentation that such grant monies have been disbursed to Project Participants' accounts or a Project Grantee.

Applicants may wish to know that the Federal Financial Institutions Examination Council (FFIEC) has issued interpretive guidance under the Community Reinvestment Act on IDAs and other financial services, which may be obtained from the FFIEC website.

C. First Accounts

The President's FY 2001 budget request includes \$30 million for Treasury to implement an initiative that aims to increase access to mainstream financial institutions and services for individuals and families who currently do not have a banking relationship with a mainstream financial institution. The need for such an initiative is illustrated by a 1998 Survey of Consumer Finances conducted by the Federal Reserve Board, which found that 22 percent of Low- and Moderate-Income families—approximately 8.4 million families—do not have any kind of bank account. Some of these families receive Federal benefits and thus are eligible to open an ETA at a participating financial institution. Approximately half, however, may not be eligible for an ETA, may lack access to an affordable transaction account at a mainstream financial institution, or may not understand the benefits of account ownership. The First Accounts initiative would permit Treasury to work with insured depository institutions, community organizations and electronic banking networks to increase ownership of low-cost bank accounts ("First Accounts") by people who currently do not hold transaction accounts at mainstream financial institutions, to place new ATMs in safe, secure locations in communities that lack access to these services, and to provide financial literacy education to lower-income families.

As a complement to that initiative, to stimulate the provision of low-cost financial services for people who currently do not hold transaction accounts at mainstream financial institutions, and to help inform Treasury which strategies are most successful for reaching this population, this NOFA will consider the provision of First Accounts and related financial literacy education as Qualified Activities.

This NOFA sets forth a minimum set of attributes of a First Account. For the purpose of this NOFA, a First Account shares certain basic features with an ETA. A First Account: (1) Is an individually owned account at a Federally-insured financial institution; (2) permits a minimum of four cash withdrawals and four balance inquiries per month, which are included in the monthly fee, through any combination of automated teller machine (ATM) transactions and/or over-the-counter transactions; (3) allows access to the insured depository institution's on-line point-of-sale network (if any); (4) requires no minimum balance except as required by Federal or state law; (5) provides a monthly statement; and (6) provides the same consumer protections that are available to other account holders at the financial institution. (Note that the "ETA" product may only be offered to Federal benefit recipients. Applicants wishing to use the same product design as the ETA for First Accounts must market the product under a name other than "ETA" or "Electronic Transfer Account.")

The principal distinctions between ETAs and First Accounts are that ETAs: (1) Can only be offered to individuals receiving Federal benefit, wage, salary or retirement payments; (2) allow set-off only for fees directly related to the account; and (3) are subject to a maximum monthly account-servicing fee of \$3.00. For the purpose of this NOFA, while First Accounts do not require these features, First Accounts must have, at a minimum, the features set forth in the immediately preceding paragraph. Financial institutions may experiment with offering a variety of additional features and prices, so long as the accounts are targeted to Low- and Moderate-Income people in Distressed Communities. An Applicant wishing to receive BEA Program consideration for the provision of First Accounts shall submit documentation of its product features, including materials used to market it. The Fund will use such information to determine whether the product meets the requirements of a First Account.

In designing a First Account product, the Fund encourages Applicants to consider how offering additional features as part of First Accounts could reduce costs, increase utility to consumers, and increase demand for these low-cost account products. Additional guidance on the design of First Accounts, prepared by Treasury's Office of Community Development Policy, may be found at <http://www.treas.gov/cdfi>.

As provided in the BEA Program Regulations at 12 CFR 1806.202(c)(3), all Financial Service activities must be valued "based on the administrative costs of providing such services." In order to reduce Applicants' paperwork and administrative burden, the Fund will value the administrative cost of providing a First Account at \$280.00 per account. This value is intended to compensate BEA Program awardees for the costs of First Accounts design, setting up each First Account, and marketing First Accounts to consumers currently lacking transaction accounts at mainstream financial institutions. Thus, an Applicant seeking a BEA Program award for First Account activities does not need to submit documentation of administrative expenses incurred in delivering its product. Instead, the Applicant must indicate the number of First Accounts opened by Low- and Moderate-Income individuals in a Distressed Community. This number shall be multiplied by \$280.00 to yield the respective Baseline Period and Assessment Period levels of First Accounts activities. That number shall be reported as the value of eligible First Account activities for the purpose of calculating award amounts.

For the purpose of this NOFA, and in keeping with 12 CFR 1806.201(b)(3)-(4) of the BEA Program Regulations, the Fund will assign a priority factor of 2.0 for First Accounts opened by Low- and Moderate-Income individuals in Distressed Communities.

An Applicant may calculate the number of First Accounts opened by Low- and Moderate-Income individuals by either: (1) Collecting income data on its First Account customers; (2) certifying that the Applicant reasonably believes that First Account holders are

Low- and Moderate-Income individuals and providing a brief analytical narrative with information describing how the Applicant made this determination; or (3) using the Fund's methodology described below.

The Fund has developed a methodology for estimating the number of Low- and Moderate-Income First Account holders in lieu of requiring Applicants to collect data on the actual income levels of First Account holders. For both the Baseline Period and the Assessment Period, the value of First Accounts shall be derived based on the total number of new First Accounts multiplied by a per unit value of \$280.00. This number shall be multiplied by the total percentage of Low- and Moderate-Income individuals who are residents of the census tract where the First Account was opened (e.g., bank branch). Such census tract must be part of a Distressed Community. The Help Desk includes a new component that will provide the needed census data and make the calculations for Applicants. The Help Desk can be found at <http://www.cdfifundhelp.gov> or <http://www.treas.gov/cdfi>.

Applicants seeking a BEA Program award for providing financial literacy classes or one-on-one technical assistance to First Accounts holders must submit documentation of the costs of providing such services and report such activities as Community Service Activities.

VIII. Reporting Financial Service Activities

Under the BEA Program Regulations at 12 CFR 1806.202(c)(3), Applicants are required to report Financial Service Activities based on the "administrative costs" of delivering such services. Further, at 12 CFR 1806.103(u), eligible Financial Service activities are limited to those services provided to "Low- and Moderate-Income persons in the Distressed Community or enterprises integrally involved with the Distressed Community." Many Applicants have found it difficult to disaggregate the administrative costs of providing specific products and services from other administrative costs, as well as determine whether the Financial

Services were provided to Low- and Moderate-Income individuals in a Distressed Community.

In an effort to simplify the reporting requirements and reduce paperwork burden, the Fund is providing a new method for reporting such Financial Service activities. Similar to the methodology described above under Targeted Financial Services, the Fund will value the administrative cost of providing certain Financial Services at specified per unit values. The per unit values of specific types of Financial Services are as follows: (a) \$25.00 per account for non-ETA, non-IDA and non-First Account savings accounts (translating into an award of \$2.50 and \$7.50 per account increase for non-CDFIs and CDFIs, respectively); (b) \$40.00 per account for checking accounts (translating into an award of \$4.00 and \$12.00 per account increase for non-CDFIs and CDFIs, respectively); (c) \$5.00 per check cashing transaction times the total number of check cashing transactions (translating into an award of \$.50 and \$1.50 per transaction increase for non-CDFIs and CDFIs, respectively); (d) \$25,000 per new ATM installed at a location in a Distressed Community (translating into an award of \$2,500 and \$7,500 per new ATM installed for non-CDFIs and CDFIs, respectively); (e) \$2,500 per ATM operated at a location in a Distressed Community (translating into an award of \$250 and \$750, for non-CDFIs and CDFIs, respectively.); (f) \$250,000 per new retail bank branch office opened in a Distressed Community (translating into an award of \$25,000 and \$75,000 per new branch opened for non-CDFIs and CDFIs, respectively); and (g) in the case of Applicants engaging in Financial Service activities not described above, the Fund will determine the account or unit value of such services. In the case of opening a new retail bank branch office, the Applicant must certify that it has not operated a retail branch in the same census tract in which the new retail branch office is being opened in the past three years, and that such new branch will remain in operation for at least the next five years.

Type of activity	Unit of measurement	Per unit value	BEA program award amount per activity: Non CDFIs	BEA program award amount per activity: CDFIs
Savings Accounts (other than ETAs, IDAs, First Accounts).	Per account opened	\$25.00	\$2.50	\$7.50
Checking Accounts (other than ETAs, IDAs, First Accounts).	Per account opened	40.00	4.00	12.00
Check Cashing	Per number of check cashing transactions	5.00	0.50	1.50
ATM Installation	Per ATM installed in a Distressed Community	25,000.00	2,500.00	7,500.00

Type of activity	Unit of measurement	Per unit value	BEA program award amount per activity: Non CDFIs	BEA program award amount per activity: CDFIs
ATM Operation	Per ATM operated in a Distressed Community.	2,500.00	250.00	750.00
Branch Opening	Per branch opened in a Distressed Community.	250,000.00 ..	25,000.00	75,000.00
ETAs	Per ETA opened	50.00	5.00	15.00
IDAs	Per IDA opened	100.00	10.00	30.00
First Accounts	Per First Account opened	280.00	28.00	84.00

For the purpose of this NOFA, and in keeping with 12 CFR 1806.201(b)(3)–(4) of the BEA Program Regulations, the Fund will assign a priority factor of 2.0 for Financial Services provided to Low- and Moderate-Income individuals in Distressed Communities.

An Applicant may derive the total percentage of Low- and Moderate-Income individuals who are recipients of Financial Services by either: (1) Collecting income data on its Financial Services customers; (2) certifying that the Applicant reasonably believes that such customers are Low- and Moderate-Income individuals and providing a brief analytical narrative with information describing how the Applicant made this determination; or (3) using the Fund's methodology described below.

The Fund has developed a methodology for estimating the number of Low- and Moderate-Income Financial Service customers rather than requiring Applicants to collect data on the actual income levels of its Financial Service customers. For both the Baseline Period and the Assessment Period, the value of Financial Services shall be derived based on the total number of new accounts, transactions or other eligible service multiplied by a per unit value of such services. This number shall be multiplied by the total percentage of Low- and Moderate-Income individuals who are residents of the census tracts where the Financial Service was provided (e.g., bank branch, ATM location). Such census tract must be part of a Distressed Community. The Help Desk includes a new component that will provide the needed census tracts data and make the calculations for Applicants. The Help Desk can be found at <http://www.cdfifundhelp.gov> or <http://www.treas.gov/cdfi>.

IX. Information-Gathering Sessions

The Fund recently convened information gathering sessions in four cities, Los Angeles (June 21, 2000), Dallas (June 23, 2000), New York (June 28, 2000), and Chicago (June 30, 2000), to discuss possible changes to the BEA Program Regulations, gather facts and

information, and seek input from individual attendees on how to improve the BEA Program. The Fund published a Notice in the **Federal Register** on June 7, 2000 to inform the general public about the meetings and mailed written notices to 1999 and 2000 BEA Program Applicants and currently certified CDFIs.

Among the topics discussed by session participants were: (1) Whether the BEA Program should change the 6-month Baseline Period and Assessment Period to a 12-month Baseline Period and Assessment Period; (2) whether the Fund should conduct a "pre-selection" process whereby it would select program participants prior to the beginning of an Assessment Period, with the Fund issuing a commitment letter to such participants, subject to successful completion of the activities discussed in BEA Program applications; (3) whether the Fund should give additional consideration in the form of higher selection priority and/or greater award amounts to Applicants that provide debt financing to CDFIs with, relatively speaking, more favorable terms (e.g., being lower priced or more flexible); (4) whether the Fund should give additional consideration in the form of higher selection priority and/or greater award amounts to Applicants that carry out Development and Service Activities that are targeted to serve Low- and Moderate-Income Residents of a Distressed Community or that create high community development impact in a Distressed Community; (5) whether the Fund should simplify the process for reporting Financial Service activities; and (6) what types of products, services or programs should be included in the definition of a First Account to attract customers who currently do not have a banking relationship with a mainstream financial institution.

Participants expressed a wide variety of opinions on each of the topics and provided valuable feedback to the Fund. Some of the comments concerning how the Fund calculates provision of Financial Services and the

establishment of First Accounts as Qualified Activities have been incorporated into this NOFA. The Fund is currently considering whether, in light of the views expressed, any additional proposed changes to the BEA Program should be included in a revised interim rule.

X. Waivers

First, for the purpose of streamlining the application process and reducing burdens on Applicants, and pursuant to 12 CFR 1806.104, the Fund hereby waives the regulatory requirement that Applicants submit the items described at 12 CFR 1806.206(b)(1), (4) and (7). Specifically, for the purpose of this NOFA, an Applicant is not required to submit: (1) copies of its certificate of insurance issued by the Federal Deposit Insurance Corporation, articles of incorporation, Federal or state-issued bank or thrift charter, by-laws and other establishing documents for the purpose of establishing eligibility for an award; (2) a copy of its most recent Report of Condition or Thrift Financial Report; or (3) a copy of its most recent annual report. The Fund has waived the requirement that these items be submitted with the application because the Federal Deposit Insurance Corporation will conduct a verification of eligibility for the Fund based on information it has collected from insured depository institutions. Further, each Applicant's total asset size will be obtained by the Fund through other publicly available data sources (specifically, the Fund will use data reported through the Federal Deposit Insurance Corporation's website).

Second, for the purpose of this NOFA and the NOFA published in the **Federal Register** on September 1, 1999 (64 FR 48062), the Fund is waiving two of the requirements set forth in 12 CFR 1806.103(m) of the BEA Program Regulations. Section 1806.103(m) provides that an Applicant may receive an award under the BEA Program for assistance provided to an uncertified CDFI that, at the time of the Qualified Activity, does not meet the CDFI

eligibility requirements if: (1) The Applicant requires the uncertified CDFI to refrain from using the assistance provided until the entity is certified; (2) the uncertified CDFI is certified by the end of the applicable Assessment Period; and (3) the Applicant retains the option of recapturing said assistance in the event the uncertified CDFI is not certified by the end of the applicable Assessment Period.

The Fund believes that waiving the first requirement will further the purposes of the Act. Specifically, the Conference Report underlying the Act provides that Congress intended the BEA Program to affect immediately economically distressed communities through infusion of private dollars as loans, services, and technical assistance to, and equity investments in, CDFIs.

The Fund believes the requirement that an uncertified CDFI refrain from using the assistance would defeat the purposes of the Act by delaying the uncertified CDFI's ability to use such capital for projects that are intended to catalyze urban and rural economic revitalization.

The Fund also believes that there is good cause to waive the third requirement. First, requiring an Applicant to retain the option of recapturing assistance in the event the uncertified CDFI is not certified by the end of the applicable Assessment Period is a matter of business judgment best left to the Applicants themselves. Second, it potentially imposes added paperwork burdens on Applicants that use standardized loan or investment agreements.

As a result, if an Applicant provides assistance to an uncertified CDFI during the applicable Assessment Period, such assistance may be eligible for an award under the BEA Program if the Fund certifies the entity by the end of the applicable Assessment Period.

Catalog of Federal Domestic Assistance:
21.021

Authority: 12 U.S.C. 1834a, 4703, 4703 note, 4713; 12 CFR part 1806.

Dated: August 29, 2000.

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[FR Doc. 00-22513 Filed 8-1-00; 8:45 am]

BILLING CODE 4810-7-P