

FREQUENTLY ASKED QUESTIONS

# OFFICE OF CERTIFICATION POLICY AND EVALUATION



## CDFI CERTIFICATION APPLICATION & RELATED TOOLS

FREQUENTLY ASKED QUESTIONS

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# CDFI CERTIFICATION APPLICATION AND RELATED TOOLS – FREQUENTLY ASKED QUESTIONS

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## **Primary Mission**

### **1. How must an Applicant demonstrate a Primary Mission of promoting Community Development?**

In determining whether an entity has a primary mission of promoting community development, the CDFI Fund will consider whether the activities of the Applicant (and of certain Affiliates, including those subject to the CDFI Certification collective review process for Depository Institution Holding Companies (DIHCs), Affiliates of DIHCs, and Subsidiaries of Insured Depository Institutions (IDIs)) are, per regulation,<sup>1</sup> *purposefully* directed toward improving the social and/or economic conditions of underserved people<sup>2</sup> and/or residents of economically distressed communities. As part of its assessment, the CDFI Fund will consider whether the entity:

- has a documented community development mission;
- has a board-approved strategic plan that shows evidence of a community development strategy to implement the mission (see Question 3 of this FAQ); and
- meets the CDFI Fund's standards for responsible financing practices.

### **2. Do the Affiliates<sup>3</sup> of an Applicant need to meet the Primary Mission test?**

Yes, any Affiliate that Controls the Applicant (except if the Controlling entity is a Tribal Government) or engages in the provision of Financial Products and/or in Financial Services, including those subject to the CDFI Certification collective review process, must each individually meet the following primary mission requirements:

- demonstrate that it has a mission currently in place that supports and/or is consistent with that of the Applicant's;
- describe how the activities of any Affiliate(s) support and/or are consistent with the community development mission of the Applicant; and
- meet the CDFI Fund's standards for responsible financing practices.

Affiliates that are separately Certified CDFIs or Community Development Entities (CDEs), as well as Affiliates whose sole activity is the participation in other federal financing programs and that have been identified as such in the Basic Information section of the Application – are presumed to meet the CDFI Certification primary mission requirements. Therefore, Applicants are not required to include such Affiliates in their responses when completing the Primary Mission section of the Application.

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<sup>1</sup> [12 CFR § 1805.201\(b\)\(1\)](#)

<sup>2</sup> Includes Low-Income persons and/or, as approved by the CDFI Fund, other persons who lack adequate access to capital and/or Financial Services.

<sup>3</sup> [12 CFR § 1805.104](#) Affiliate - a company or entity that Controls, is Controlled by, or operates under common Control with another company.

### **3. What if an Applicant does not have a board-approved strategic plan to demonstrate that it has a stated Primary Mission to promote Community Development?**

If the Applicant does not have a strategic plan, it must submit a board- or owner-approved narrative that describes the community development outcomes that the Applicant believes will result from the provision of its Financial Products and Financial Services, and how those Financial Products and Financial Services lead to those outcomes.

As evidence of a community development strategy, the Applicant's strategic plan or narrative should include references to:

- the Applicant's geographic and/or demographic Target Market and the needs of and/or opportunities in the Target Market, which might include quantitative data or qualitative input from members of that Target Market;
- one or more community development goals and objectives and/or how the Applicant intends to meet those goals and objectives; and
- how the Applicant's Financial Products and Financial Services, Development Services, and/or other activities are expected to improve the social and/or economic conditions of that Target Market.

### **4. How will the CDFI Fund evaluate an Applicant's adherence to the responsible financing practices requirements?**

To meet the CDFI Certification standards for responsible financing practices, an Applicant (and its Affiliates) should provide Financial Products and Financial Services that are consistent with promoting community development. Such Financial Products should not harm consumers, be affordable and originated based upon an assessment of whether a borrower is able to repay a loan and have terms and conditions that are transparent and understandable to the borrower. CDFIs should practice transparency, fair collections, and be in compliance with federal, state, and local laws and regulations. The CDFI Fund also considers the safety, affordability, and transparency of an Applicant's Financial Services to be an important aspect of the Applicant's commitment to its primary mission of community development.

Any Applicant that either directly or through an Affiliate engages in any of the following practices is ineligible for CDFI Certification:

- Originates or otherwise offers loans that exceed the interest limits that apply to non-depository institutions in the state where the borrower resides;
- Offers consumer loans that allow for a rate in excess of 36%, using the Military Annual Percentage Rate (MAPR) standard, *and*
  - the loans have an annual default rate over five percent;
  - the loans in question include a leveraged payment mechanism;
  - any such loans of \$1,000 or less have repayment timeframes that exceed 12 months;

- for a period of 12 full months after the issuance of any such loan, the Applicant does not waive any upfront fees for any refinance or new loan issued to the same borrower;
- any fees associated with such installment loans are not spread evenly over the life of the loan or pro rata refundable in the event of early repayment (including through a refinance); *or*
- all payments on any such installment loans are *not* substantially equal and do not amortize smoothly to a zero balance by the end of the loan term;
- Offers certain single-family, owner-occupied, residential mortgage loan products secured by a non-subordinate lien:
  - for which the Applicant fails to verify the income or assets of the borrower;
  - that include negative amortization or interest-only payments;
  - that charge upfront points and fees to the consumer in excess of 3%, or in excess of the Qualified Mortgage limits for smaller loans; or
  - that are underwritten at less than the maximum rate in the first five years;
- Sells its charged off consumer or small business debt to debt buyers;
- Has a current Community Reinvestment Act rating below Satisfactory;
- Uses its Equity Investment Financial Products to gain Control over an investee (except if the Applicant must save a business through ownership as a last resort for a limited period of time); or
- Leverages, for its own benefit, the assets of any of its active equity investees.

In addition, an Applicant may also be determined to be ineligible for CDFI Certification for engaging in any of the following practices, unless the Applicant provides an acceptable explanation of how the practices are consistent with a community development mission:

- Does not evaluate the ability of certain mortgage, consumer, or small business borrowers to pay back a loan;
- Offers small business<sup>4</sup> loans that allow for an APR in excess of 36%, using the Truth in Lending Act (TILA) methodology in [12 CFR Part 1026](#) (Regulation Z);
- Offers certain mortgages with balloon payments or that carry an original maximum term longer than 30 years (unless offered through a government program); or
- Charges excessive overdraft or nonsufficient funds (NSF) fees or have practices that are related to these fees that are harmful.

Other questions provide Applicants an opportunity to further demonstrate community development intent, such as how they assist struggling borrowers. Depository institution Applicants must also provide information on checking or share account features they offer.

Beginning January 1, 2026, new Applicants that offer small business loan products that do not disclose in writing the periodic payment due, the total amount to be repaid over the life of the loan, the total finance charges over the life of the loan, and APR of the loan will be ineligible for

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<sup>4</sup> For purposes of CDFI Certification, "small business" has the same meaning as the term "small business concern" in 15 U.S.C. 632(a), as implemented in 13 CFR 121.101 through 121.107. Notwithstanding the size standards set forth in 13 CFR 121.201, for purposes of this subpart, a business is a small business if its gross annual revenue, as defined in § 1002.107(a)(14), for its preceding fiscal year is \$5 million or less.

CDFI Certification. Certified CDFIs that offer small business loan products will be required to attest in their Annual Certification and Data Collection Report (ACR) to making such disclosures no later than October 1, 2026, in order to maintain their Certification.

(See Question 9 of this FAQ on seeking an amendment to any of the standards for responsible financing practices.)

**5. Are CDFIs required to use the ability to repay standards and metrics established by the Consumer Financial Protection Bureau (CFPB) to demonstrate they have underwritten a consumer, mortgage, and/or small business loan to ensure the borrower has the ability to pay back that loan?**

No. Question PM14 of the Application asks whether “the Applicant’s underwriting standards for each of its covered mortgage, consumer, and/or small business loan products include an assessment of the borrower’s ability to pay back the loan according to the terms of the loan, meet any of the borrower’s other major financial obligations, and still pay basic expenses, without having to reborrow or refinance (except for any final mortgage balloon payment)?”

CDFIs are exempted from CFPB’s Ability to Repay/Qualified Mortgage (ATR/QM) rule ([12 CFR 1026.43](#)) and the CDFI Fund does not require Applicants for Certification to meet the specific ATR requirements prescribed by the rule. However, for the purposes of CDFI Certification, the CDFI Fund regards the consideration of a borrower’s ability to pay back a loan a basic principle of responsible financing practices. The CDFI Fund also notes that regulated entities already are subject to prudential standards that require the consideration of a borrower’s ability to repay a loan.<sup>5</sup>

The CDFI Fund’s Certification standards for responsible financing practices do not dictate how an Applicant underwrites its loans to determine a borrower’s ability to pay back a loan. An Applicant that does not use the underwriting standards prescribed by CFPB may still meet the standard for Certification through alternative underwriting approaches that consider a borrower’s ability to pay back a loan including, for example, the use of qualitative compensating factors, alternative data (such as a cash flow analysis based on deposit account activity), or alternative or more inclusive credit models (including higher debt to income ratios).

If an Applicant does not consider a borrower’s ability to pay back a loan for any of its covered mortgages, consumer or small business loan products, it may offer an explanation of how this otherwise ineligible practice serves a community development purpose and is consistent with a community development mission.

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<sup>5</sup> See, for example, the FDIC’s Interagency Guidelines Establishing Standards for Safety and Soundness ([Appendix A to Part 364, Title 12](#)), which state in part that “An institution should establish and maintain loan documentation practices that... [i]dentify the purpose of a loan and the source of repayment, and assess the ability of the borrower to repay the indebtedness in a timely manner” ([12 CFR Appendix-A-to-Part-364 C.2](#)). The guidelines similarly state that the institution also “should establish and maintain prudent credit underwriting practices that [p]rovide for consideration, prior to credit commitment, of the borrower’s overall financial condition and resources, the financial responsibility of any guarantor, the nature and value of any underlying collateral, and the borrower’s character and willingness to repay as agreed” ([12 CFR Appendix-A-to-Part-364 D.3](#)).

**6. What types of mortgages are covered by question PM14 related to a borrower’s ability to pay back a mortgage loan product?**

Question PM14 asks whether the underwriting standards for the Applicant’s covered mortgage loan products (as well as for its consumer and/or small business loan products) include an assessment of the borrower’s ability to pay back the loan. For purposes of this question PM14, a covered mortgage loan product is limited to a consumer credit transaction that is secured by a lien (including subordinate liens) on a single-family, owner-occupied residence **other than:**

- (i) A reverse mortgage subject to 12 CFR [1026.33](#);
- (ii) A temporary or “bridge” loan with a term of 12 months or less, such as a loan to finance the purchase of a new dwelling where the consumer plans to sell a current dwelling within 12 months or a loan to finance the initial construction of a dwelling;
- (iii) A construction phase of 12 months or less of a construction-to-permanent loan;
- (iv) An extension of credit made pursuant to a program administered by a Housing Finance Agency, as defined under [24 CFR 266.5](#);
- (v) An extension of credit made pursuant to a program administered by the U.S. Department of Housing and Urban Development, the U.S. Department of Veterans Affairs, or the U.S. Department of Agriculture;
- (vi) A transaction that does not require payment of interest; or
- (vii) A transaction made for the purpose of foreclosure avoidance or prevention.

Applicants that offer any of the types of mortgages listed among the exceptions (i – vii above) do not need to include those mortgages in their responses to the question PM14.

Note that the covered mortgages included in the scope of the questions in PM14 is different than the covered mortgages included in the scope of PM19 on the consumer product protections of the Applicant’s mortgage loan products. (See Question 7 of this FAQ.) Covered mortgages under PM14 include transactions secured by a subordinate lien, as well as transactions with a payment schedule that is adjusted to the seasonal or irregular income of the consumer, both of which are excepted under PM19.

**7. What types of mortgages are covered by question PM19 regarding consumer protections for an Applicant’s mortgage loan products?**

Question PM19 asks a series of questions related to the consumer protection features of an Applicant’s covered mortgage loan products. For purposes of this question PM19, a covered mortgage loan product is limited to a consumer credit transaction that is secured by a lien on a single-family, owner-occupied residence **other than:**

- (i) Transactions secured by a subordinate lien;
- (ii) A reverse mortgage subject to 12 CFR [1026.33](#);

- (iii) A temporary or “bridge” loan with a term of 12 months or less, such as a loan to finance the purchase of a new dwelling where the consumer plans to sell a current dwelling within 12 months or a loan to finance the initial construction of a dwelling;
- (iv) A construction phase of 12 months or less of a construction-to-permanent loan;
- (v) An extension of credit made pursuant to a program administered by a Housing Finance Agency, as defined under [24 CFR 266.5](#);
- (vi) An extension of credit made pursuant to a program administered by the U.S. Department of Housing and Urban Development, the U.S. Department of Veterans Affairs, or the U.S. Department of Agriculture;
- (vii) A transaction that does not require payment of interest;
- (viii) A transaction made for the purpose of foreclosure avoidance or prevention; or
- (ix) For Question PM19.2 (loans with interest-only payments) and Question PM19.3 (loans with balloon payments) only, a transaction with a payment schedule that is adjusted to the seasonal or irregular income of the consumer.

Applicants that offer any of the types of mortgages listed among the above exceptions (i-ix) do not need to include those mortgages in their responses to the questions in PM19.

Note that the covered mortgages included in the scope of the questions in PM19 are different than the mortgages covered in the scope of Question PM14. (See Question 6 of this FAQ.) Question PM19 includes additional exceptions not listed under Question PM14 for (i) transactions secured by a subordinate lien and (ix) transactions with a payment schedule that is adjusted to the seasonal or irregular income of the consumer, as it relates to loans with interest-only or balloon payments.

## **8. Are Applicants required to calculate the MAPR for all of their consumer loans?**

No, for purposes of Certification the CDFI Fund does not require that an Applicant calculate, disclose, or report the MAPR of each of its consumer loan products, unless otherwise required by statute or regulation to do so. Applicants only must attest as to whether any of its consumer loan products “allow for” a MAPR in excess of 36%.

Applicants that do not wish to calculate the MAPR for their consumer loans and still attest that none of their consumer loan products allow for a MAPR in excess of 36% may pursue one of two options: 1) Applicants can set internal policies to ensure no consumer loan exceeds a 36% MAPR and avoid any costs that could cause a loan to exceed that rate; or 2) if an Applicant determines that it does not charge any of the fees included in the MAPR methodology that are not a part of TILA, it may rely on the standard TILA APR calculation in [12 CFR Part 1026](#) (Regulation Z). Such MAPR fees that are not a part of TILA include:

1. Any credit insurance premium or fee, any charge for single premium credit insurance, any fee for a debt cancellation contract, or any fee for a debt suspension agreement;
2. Any fee for a credit-related ancillary product sold in connection with the credit transaction for closed-end credit or an account for open-end credit; and

3. Except for a bona fide fee (other than a periodic rate) charged to a credit card account, which may be excluded if the bona fide fee is reasonable for that type of fee:
  1. Finance charges associated with the consumer credit;
  2. Any application fee charged to a covered borrower who applies for consumer credit, other than an application fee charged by a federal credit union when making a short-term, small amount loan provided that the application fee is charged to the covered borrower not more than once in any rolling 12-month period; and
  3. Any fee imposed for participation in any plan or arrangement for consumer credit other than as permitted under [§232.4\(c\)\(2\)\(ii\)\(B\)](#) .

## **9. Can an Applicant seek flexibility regarding any of the standards for responsible financing practices?**

The current standards for responsible financing practices allow for certain circumstances under which an otherwise disqualifying practice might serve an acceptable community development purpose. For example, Applicants that offer consumer loans that exceed an MAPR of 36% may still be determined eligible for certification if certain conditions are met, such as a default rate no greater than 5%, limits on fees to refinance the loan, substantially equal loan payments that amortize to a zero balance, among other conditions. Similarly, certain otherwise disqualifying residential real estate mortgage loan characteristics are allowable for the purposes of CDFI Certification if the Applicant meets additional criteria. In some cases Applicants may have the opportunity to offer an explanation as to how an otherwise disqualifying practice is consistent with a community development mission.

Applicants seeking to engage in financing activities that do not currently meet the standards for responsible financing practices of the Primary Mission test may also seek amendment to the standards that allows for additional activity that serves a community development purpose. To do so, Applicants must provide the following information<sup>6</sup> for the CDFI Fund’s consideration in advance of an Application submission:

- Description of the financing activity;
- Current standard that the financing activity does not meet;
- Reasons the Applicant believes the financing activity serves a community development purpose;
- Protections that ensure the financing activity does not harm consumers;
- Evidence that consumers are not harmed (e.g., if discussing a Financial Product characteristic, the rate of successful repayment under the original rates, terms, and conditions of the Financial Product);
- Conditions or parameters under which the financing activity should be considered an acceptable community development activity (e.g., limits on rates charged, purpose, borrower characteristics, etc.); and

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<sup>6</sup> See question OD02 of the “Obtaining Determination for Responsible Financing Practices, Similar Financial Products, Similar Financial Services, Disregarded or Included Assets/Staff Time, Targeted Populations, and Target Market Assessment Methodologies” section of the Application.

- Any additional relevant information.

The CDFI Fund will not approve individual exceptions to the Primary Mission test and any amendment to the standards for responsible financing practices will be made available to all CDFIs and future Applicants.

### **Financing Entity**

**10. For the CDFI Certification Financing Entity test, how does the CDFI Fund define “predominance” when measuring whether an Applicant’s predominant business activity is the provision, in arms-length transactions, of Financial Products and/or Financial Services?**

The CDFI Fund’s regulations state that “A CDFI shall be an entity whose predominant business activity is the provision, in arms-length transactions, of Financial Products and/or Financial Services.”<sup>7</sup> To be predominant, the provision of Financial Products and/or Financial Services does not have to be the majority of the Applicant’s overall activity, but must be the activity that reflects the greatest use of the Applicant’s assets and staff time when compared to any other separate and distinct type of activity in which the Applicant engages. No other single activity type should claim more of an Applicant’s assets and staff time.

**11. Can staff time dedicated to the provision of Development Services count as financing activity for the purposes of the Financing Entity test?**

Consistent with CDFI Fund regulations, Development Services are not considered as assets or staff time that support the direct provision of Financial Products and/or Financial Services. However, Applicants may disregard staff time dedicated to the provision of Development Services when calculating their predominant activity.

**12. How will the CDFI Fund treat a Certified CDFI whose predominant activity during a given fiscal year is something other than the provision of Financial Products and/or Financial Services (as measured by assets and/or staff time), as a result of economic conditions and/or a temporary spike in a non-financing activity?**

The CDFI Fund may allow a Certified CDFI to maintain its certification status by demonstrating compliance with the predominance test over a three-year fiscal period through the last day of its most recently completed fiscal year.

### **Target Market**

**13. How must an Applicant demonstrate that it is serving a Target Market?**

To be a Certified CDFI, an Applicant must demonstrate that it serves at least one eligible Target Market (either an Investment Area or a Targeted Population) through its Financial Products

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<sup>7</sup> [12 CFR § 1805.201\(b\)\(2\)](#)

and/or Financial Services activity (see Question 14 of this FAQ) in its proposed Target Markets. In addition, it must direct at least 60% of both the number and dollar volume of arm's-length, on-balance sheet Financial Products to one or more eligible Target Market(s). To confirm activity to the Target Market, transaction level data will be submitted annually through the Transaction Level Report (TLR)<sup>8</sup>.

All Applicants must meet the applicable Target Market percentage benchmarks as stated above or as described in Question 17 of this FAQ for certain Investment Areas. If an Applicant falls below the required level for any of the applicable Target Market percentage benchmarks, it will not be eligible for CDFI Certification.

NOTE: The benchmarks must be met without any rounding of decimal points.

To meet the Target Market requirements, an Applicant may serve multiple eligible Target Markets types. (For example, an Applicant may demonstrate compliance with the Target Market percentage benchmarks by serving both an Investment Area and one or more Targeted Populations). However, for the purposes of calculating the overall Target Market percentage of an Applicant's activity, each Financial Product transaction or Financial Service item shall be counted towards only one Target Market component (even if the transaction or account qualifies as having been directed to more than one Target Market component).

#### **14. Are Applicants able to use Financial Services to demonstrate service to a Target Market?**

A Depository Institution that has directed less than 60% but at least 50% of *either* the dollar volume or the total number of its Financial Products to one or more eligible Target Market(s), also has the option of meeting the Target Market test by demonstrating that at least 60% of its total unique depository account<sup>9</sup> holders are members of one or more eligible Target Market(s) AND that it delivers to one or more eligible Target Market(s) at least:

- **60%** number of Financial Products and **50%** dollar volume of Financial Products; *or*
- **50%** number of Financial Products and **60%** dollar volume of Financial Products.

#### **15. Once an entity is certified, what happens if a CDFI falls below the Target Market benchmarks during a given fiscal year?**

Once certified, to maintain Certification, Certified CDFIs must demonstrate compliance with the Target Market percentage benchmarks each fiscal year. After initial certification (or recertification) through the current Application and a Certified CDFI's first two ACR submissions, a Certified CDFI that fails to meet the Target Market benchmarks, based on its Financial Products and/or Financial Services activity, over its most recently completed fiscal

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<sup>8</sup> For the purpose of the CDFI Certification Application, all references to the Transaction Level Report include the abbreviated TLR (for entities that are not CDFI Fund Financial Assistance [FA] award recipients with a TLR reporting requirement) and the full-length TLR (for entities that are recipients of CDFI Fund Financial Assistance [FA] awards with a TLR reporting requirement).

<sup>9</sup> Depository accounts are savings/share accounts, checking accounts, and money market accounts.

year may maintain its Certification by demonstrating that it met the benchmarks over a three-year period through the last day of its most recently completed fiscal year – as measured by the data submitted in the CDFI’s three most recent TLRs, including as part of its Certification Application if necessary. (A Certified CDFI that fails to meet the Target Market benchmarks for the previous fiscal year in its first ACR submission will have the option to be evaluated over a two-year period through the last day of its most recently completed fiscal year.) Certified CDFIs that still fall below the Target Market benchmarks over three full fiscal years of financing activity in their TLR (or over two full fiscal years for those with less than two years of Certification under the current Application) will be decertified and no additional cure period will be granted.

**16. Are Applicants still required to submit a map of their Target Market?**

The revised Application no longer requires Applicants to submit a map for a pre-qualified Investment Area consisting only of individual census tracts that the CDFI Fund has determined meet one or more of the statutory economic distress criteria, or for a pre-qualified Targeted Population (either Low-Income Targeted Population or Other Targeted Population). However, Target Market maps must be created for each proposed customized Investment Area Target Market, Non-Metro counties/parishes, and for any newly requested Other Targeted Populations not currently on the CDFI Fund’s list of currently recognized Other Targeted Populations. Any customized Investment Area Target Market map, including Non-Metro counties/parishes, must be created BEFORE submitting the related transaction level data in the TLR ahead of the Certification Application Submission and/or ACR.

Applicants creating maps must utilize the most recent set of eligible census tracts deployed for use by the CDFI Fund. (Refer to the CIMS user [guidance](#) for further information on creating Target Market maps.)

**17. If an Applicant is serving a Target Market consisting of a customized Investment Area or a non-Metro county or parish Investment Area, how much of the Applicant’s financing activity must be directed to the individually qualifying census tracts within the Investment Area geography in order to meet the applicable Target Market benchmarks?**

Financing activity can occur and be counted towards Target Market benchmarks for individually non-qualifying census tracts within a customized Investment Area. However, the Applicant must direct at least 85% of its customized Investment Area financing activity within the individually qualified census tracts of that customized Investment Area. If the 85% threshold is met, then the Applicant can count activity in the non-qualifying tracts of the customized Investment Area toward the 60% Target Market benchmark. The Applicant must use the CDFI Fund’s approved Target Market assessment methodologies to demonstrate that it is serving the customized Investment Areas.

Prior to October 1, 2026, an Applicant that serves a non-Metro customized Investment Area,<sup>10</sup> county, or parish must direct at least 75% of its Financial Product and/or Financial Services activity in such Investment Area within the individually qualified census tracts of the respective non-Metro geography in order for activity in the non-qualifying tracts of the Investment Area to count towards the 60% Target Market benchmark. Beginning October 1, 2026, an Applicant that serves a non-Metro customized Investment Area, county, or parish must direct at least 85% of its Financial Product and/or Financial Services activity in such Investment Area within the individually qualified census tracts of the respective non-Metro geography in order for activity in the non-qualifying tracts of the Investment Area to count towards the 60% Target Market benchmark. The Applicant must use the CDFI Fund's approved Target Market assessment methodologies to demonstrate that it is servicing the non-Metro customized Investment Area(s), counties, and/or parishes.

The requirement to direct at least 85% of customized, county, or parish Investment Area activity within the individually qualified census tracts of the Investment Area geography ensures an Applicant serving such a geography still directs at least 51% of its financing activity within qualifying census tracts, given that the Applicant's financing activity outside of its Investment Area geography may be directed entirely to non-qualifying census tracts (i.e., if the Applicant directs the minimum 60% of its Target Market activity within the customized Investment Area and the minimum 85% of that within the individually qualified census tracts of that customized Investment Area,  $85\% \times 60\% = 51\%$ ). This means that up to 49% of the Applicant's investments may be directed to non-qualifying areas.

## **Development Services**

### **18. What counts as an eligible Development Service for the purposes of CDFI Certification?**

An eligible Development Service is a structured training, counseling, or technical assistance service that promotes access to and/or success with an entity's Financial Products and Financial Services. A structured Development Service should be offered regularly to eligible clients, have a defined curriculum or written set of goals and objectives, and for which the outcome of success may be the completion of a specific step that prepares current or potential customers to access or increase their knowledge about the CDFI's Financial Products and Financial Services.

### **19. Are one-on-one meetings with customers an eligible Development Service?**

Yes, a Development Service may be delivered in a classroom setting or one-on-one, e.g., a series of one-on-one, goal-oriented conversations with consumers that have measurable outcomes. A Development Service, however, is separate and distinct from routine customer service, marketing or origination activity, such as providing a prospective or existing customer, borrower, or investee information about, or assistance with completing an application for an Applicant's Financial Products or Financial Services. Development Services should address subject matter that prepares consumers to access and be successful in using an entity's Financial Products (e.g.,

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<sup>10</sup> A non-Metro customized Investment Area must consist exclusively of non-Metro geographic units.

first-time homebuyer counseling for prospective mortgage borrowers, financial or credit counseling; or business planning and management assistance) and Financial Services (e.g., financial education that promotes the opening of a depository account or promotes savings).

**20. Can a Development Service be delivered online or virtually?**

Yes, a Development Service may be delivered in person or online and may be delivered with or without a live instructor or facilitator. Development Services delivered without a live instructor or facilitator must be well-developed, online trainings with learning modules that include a method of requiring the engagement of the viewer and measuring increased knowledge.

**21. Can an Applicant meet the Development Services requirements if it provides financial education or training that is not connected to a Financial Product or Financial Service offered by the Applicant, even if it assists a beneficiary to access Financial Products or Financial Services offered by another entity?**

Per regulation, a Development Service must be directed toward the use of the Applicant's Financial Products or Financial Services and not those of another entity. A CDFI does not need to establish that participants in any Development Service secured financing from the CDFI—only that the Development Service reasonably prepares them to access a Financial Product or Financial Service that the CDFI offers at the time the Development Service was offered.

For example, homebuyer counseling is a Development Service that may occur well in advance of a client being prepared to access mortgage financing. However, a CDFI could not count housing counseling as a Development Service if it does not offer a Financial Product or Financial Service related to home purchase.

**22. Are financial education classes or workshops for youth an eligible Development Service?**

Depository institution Applicants are allowed to identify financial education as a Development Service for youth if it promotes the youth opening a depository account or building savings in an account with the Applicant.

**23. Will the CDFI Fund allow youth financial education to count towards Financial Assistance (FA) related activity?**

Although financial education for youth under 18 years old that does not promote opening a depository account or building savings in an account with the Applicant does not fall under the definition of Development Services and thus is not eligible to support Certification, the CDFI Fund allows FA award funds to be used to provide a broader range of such financial education. See the applicable Notice of Funds Availability for more information on programmatic parameters.

**24. Are Applicants required to submit information on all of the Development Services they provide?**

No, Applicants are required to present only one eligible Development Service in the CDFI Certification Application. The Applicant may present up to three Development Service activities offered by the Applicant, an Affiliate or non-Affiliated third party to assist the CDFI Fund in making its final determination on whether at least one Development Service presented is eligible.

**Accountability**

**25. How must an Applicant demonstrate Accountability to its proposed Target Market(s)?**

Applicants must demonstrate individual and, if required, collective accountability to their proposed Target Market(s) through one of the following options:

**Option 1: Governing Board Only**

- At least one governing board member is accountable to each proposed Target Market type, *and*
- At least 33% of the governing board is accountable to the overall proposed Target Market(s);

**Option 2: Governing Board Supplemented by Advisory Board**

- At least 20% of the governing board members are accountable to the overall proposed Target Market;
- At least one advisory board member is accountable to each proposed Target Market type;
- At least 60% of the advisory board is accountable to the overall proposed Target Market(s);
- At least one governing board member is also a member of the advisory board; *and*
- The Applicant has adopted an advisory board policy.

**Option 3: Advisory Board Supplemented by Credit Union Membership (*Credit Union Applicant Only*)**

- At least 33% of the credit union's members are determined to be members of at least one Target Market type in the overall proposed Target Market, using a CDFI Fund-approved Target Market assessment methodology;
- At least one advisory board member is accountable to each proposed Target Market type;
- At least 60% of the advisory board is accountable to the overall proposed Target Market(s);
- At least one governing board member is also a member of the advisory board; *and*
- The Applicant has adopted an advisory board policy.

**Option 4: Advisory Board Only (DIHCs and IDIs, and entities without a formal governing board only)**

- At least one advisory board member is accountable to each proposed Target Market type;
- At least 80% of the advisory board is accountable to the overall proposed Target Market(s);
- At least one governing board member or partner/owner of the Applicant entity is also a member of the advisory board; *and*
- The Applicant has adopted an advisory board policy.

**26. How can an individual board member demonstrate accountability to the Applicant’s proposed Target Market(s)?**

Individual accountability to a Target Market may be demonstrated through any of the following means:

<b>Investment Area (IA)</b>	<b>Low-Income Targeted Populations (LITP)</b>	<b>Other Targeted Population (OTP)</b>
Primary residence in a qualified census tract	Status as a Low-Income individual	Status as a member of the Targeted Population
Status as an owner of a small business primarily located in a qualified census tract(s) or owner of a small business that principally employs and/or principally provides goods or services to residents of the qualified census tracts of an IA	Status as a staff member of a non-Affiliated third party, community development mission-driven organization that primarily provides services to Low-Income people	Status as a staff member of a Certified CDFI (OTP-CDFI only)
Status as an elected official primarily representing residents of qualified census tracts		Status as a staff member of a non-Affiliated third party, community development mission-driven organization that primarily provides services to people with disabilities (OTP – Persons with Disabilities only)
Status as a staff member of a non-Affiliated third party, community development mission-driven organization that primarily provides services to residents of a qualified census tract(s)		Status as a family member <sup>11</sup> of a person with disability (OTP – Persons with Disabilities only)
Enrollment in a federally recognized tribe (Applicants)		

<sup>11</sup> Family members include those related by blood (including half-siblings), adoption, or marriage.

Investment Area (IA)	Low-Income Targeted Populations (LITP)	Other Targeted Population (OTP)
serving IAs located in Native geographies only)		

**27. What are the advisory board policy requirements for an Applicant using an advisory board to demonstrate accountability to a proposed Target Market(s)?**

An organizational advisory board policy can be a stand-alone document or can be incorporated into an Applicant’s governance or organizing document. At minimum, an advisory board policy must include a description of all of the following:

- the purpose of the advisory board and the scope of topics or strategic policy matters on which the advisory board provides input or advice to the governing board or owners;
- how the input that the advisory board provides to the governing board is documented (for example: regular meetings with the governing leadership, the inclusion of advisory board meeting minutes in governing leadership meeting packets, written reports providing feedback on decisions related to strategic policy matters, etc.);
- the process by which individuals are selected and approved as members of the advisory board; and
- how the advisory board seeks input from, and/or reviews data on the financial needs and opportunities in, the Target Market(s) for which it provides accountability.

**28. Are board members who have active loan products from the Applicant or who are compensated for their board service eligible to meet the accountability requirements?**

Yes, board members who have active loan products or are compensated for their board service are eligible to meet the individual accountability requirements. However, to avoid a financial conflict of interest, if an Applicant’s board member, the board member’s employer, or any covered member of the board member’s family has an active Financial Product(s) from the Applicant, the Applicant should have policies requiring such board members to recuse themselves from any decision that may affect, directly or indirectly their Financial Product or relationship.

**Annual Certification and Data Collection Report (ACR)**

**29. Which version of the ACR does an entity file and what is its due date?**

An entity that is certified under the new Certification policies, released in December 2023, is required to submit the new version of the ACR according to the submission date shown on their ACR Reporting Schedule in AMIS. The submission date will be 180 days after the FYE of its most recently completed Fiscal Year (FY) unless directed otherwise by the CDFI Fund.

An entity that is certified under the prior Certification policies is required to submit the current version of the ACR according to the submission date shown on its ACR Reporting Schedule in

AMIS. The submission date is 90 days after the FYE of its most recently completed FY, unless directed otherwise by the CDFI Fund.

AMIS will automatically determine which ACR an entity must complete based on the Certification date in its AMIS Org Profile.

### **30. Can an entity lose its certification based on its ACR submission?**

Yes, an entity that is certified under the new Certification Application, published in December 2023, can lose its certification based on its ACR submission. The entity's answers in the ACR submission may show that the entity is no longer fulfilling all of the requirements of Certification and therefore should not have its Certification status reaffirmed. For example, if the Target Market activity thresholds are not met based on the submitted and certified Transaction Level Report (TLR) results, then the entity is not eligible for CDFI Certification renewal. There are also a series of questions in the Responsible Financing Practices section where a CDFI's Certification will not be reaffirmed if they respond that they do engage in certain practices that the CDFI Fund has deemed are contrary to the community development mission of CDFIs. All questions where the reporting entity's CDFI Certification status will be automatically terminated based on the Yes/No response to the question are clearly marked in the ACR guidance materials.

For entities that are certified under the prior Certification policies, the Fund will continue its current policy whereby currently Certified CDFIs will NOT lose their Certification or be subject to a cure based on analysis or responses to the 2024 ACR. However, an organization may have its Certification terminated if it fails to submit its 2024 ACR by the required deadline. Accurate analysis and submission of the ACR on an annual basis is a requirement of CDFI Certification.

### **31. Can an entity submit the new ACR before it has submitted its Transaction Level Report (TLR)?**

Entities must complete and submit their TLR before they can submit the new ACR. There are data fields in the new ACR whose value is based on information in the TLR, so the TLR must be submitted and certified for those new ACR data fields to be populated with values.

### **32. Are regulated financial institutions required to complete the Source of Investment Capital section and the Contributed Operating Revenue section?**

All entities are required to complete the Source of Investment Capital section and the Contributed Operating Revenue section. Each section is required to have at least one entry. Guidance has been added to the new ACR Instruction document to provide examples of how a regulated financial institution might complete the sections.

### **33. How will a regulated entity know which call report fields are being used to populate data fields in the new ACR?**

The CDFI Fund will provide a crosswalk between the data fields from the various call report forms and their respective data field in the new ACR guidance materials. The applicable call report forms include:

- Consolidated Reports of Condition and Income (For Banks and Thrifts only); or
- Parent Company Only Financial Statements for Small Holding Companies—FR Y-9SP (For Holding Companies only); or
- Parent Company Only Financial Statements for Large Holding Companies—FR Y-9LP (For Holding Companies only); or
- 5300 Call Report (For Credit Unions (CUs) only); or
- AITSA Call Report (For Cooperativas only).

Regulated entities are required to attest to the accuracy of the values populated into the ACR from the various call reports and alert the CDFI Fund when an error is found.

### **34. Which geocoding datasets and Investment Area maps will be used for transactions closed prior to 12/31/2022? 12/31/2023? and later?**

For transactions closed prior to 1/4/2023, the entity should use the 2011-2015 ACS data file available [here](#). For transactions closed between 1/5/2023 and 1/4/2024, the entity has the choice to use either the 2011-2015 ACS data file referenced above or the 2016-2020 ACS data file available [here](#). For any transactions occurring on January 5, 2024, or later, the entity is required to use the 2016-2020 ACS data file. The transition date is based on the date in which the ACS data file was originally released to the public.

The CDFI Fund does require for reporting purposes that an entity choose one vintage of the ACS data file and use it consistently for all transactions during that fiscal year. For example, an entity whose fiscal year runs from 1/1/2023 to 12/31/2023 may use the 2016-2020 ACS data for the transactions that took place from 1/1/2023 to 1/4/2023 if it is using the 2016-2020 ACS data file for any transactions that took place from 1/5/2023 to 12/31/2023. Likewise, an entity whose fiscal year runs from 1/1/2024 to 12/31/2024 must use the 2016-2020 ACS data for the transactions that took place from 1/1/2024 to 1/4/2024 because it has to use the 2016-2020 ACS data file for any transactions that took place from 1/5/2024 to 12/31/2024.

### **35. How will the CDFI Fund assess the 3-year Target Market percentage in the new ACR?**

The 3-year Target Market percentage will be calculated by assessing an entity's cumulative Target Market activity over three full fiscal years (the most recently completed fiscal year being reported on in the ACR and the two preceding fiscal years) divided by their total lending activity over the same time period to assess whether the Target Market activity thresholds for dollar amount and count of transactions have been met. It is not an average of the Target Market activity percentages for each of the three years.

The CDFI Fund will allow entities to have a mix of ACS datasets across the three years. For example, year 1 could use the 2011-2015 ACS data file while years 2 and 3 use the 2016-2020 ACS data file. However, entities cannot mix ACS data file vintages within a reporting year. An entity must pick one ACS data vintage and use it throughout that year.

Entities will not be required to recode the geography of previously submitted TLR records.

Certified CDFIs that still fall below the Target Market benchmarks over three full fiscal years of financing activity in their TLR (or over two full fiscal years for those with less than two years of Certification under the current Application) will be decertified and no additional cure period will be granted.

### **Transaction Level Report**

#### **36. Which version of the TLR does an entity file and what is its due date?**

Entities completing the new Certification Application for the first time are required to complete the abbreviated TLR and it is required to be submitted and certified prior to submission of the Certification Application.

Currently Certified CDFIs with an active Assistance Agreement for a CDFI Program, NACA Program, CDFI Equitable Recovery Program (CDFI ERP), or CDFI Rapid Response Program (CDFI RRP) award will submit the full-length version of the TLR according to the deadlines in their Award Reporting Schedule in AMIS. Typically, this deadline is 180 days after the end of their most recently completed fiscal year.

Currently Certified CDFIs that do not have an active Assistance Agreement for a CDFI Program, NACA Program, CDFI ERP, or CDFI RRP award are required to submit the abbreviated version of the TLR as part of the process to become certified under the new Certification Application.

Once a currently Certified CDFI that does not have an active Assistance Agreement for a CDFI Program, NACA Program, CDFI ERP, or CDFI RRP award is recertified under the new Certification Application, it is then required to submit the abbreviated version of the TLR on an annual basis as part of their ACR submission. Both the TLR and ACR are due 180 days after the end of the entity's most recently completed fiscal year.

#### **37. Are all entities required to complete the Financial Services section of the TLR?**

No, all entities are not required to complete the TLR's Financial Services section. The Financial Services section should only be completed by those depository institutions that are using eligible Financial Services activity to meet the required Target Market Activity thresholds. For such purposes, the Financial Services section measures the total percentage of unique depository account holders who are members of one or more eligible Target Market(s).

**38. Are all entities required to complete the Loan Purchases section of the TLR?**

No, the Loan Purchases section of the TLR must be completed as part of the TLR package submission only if an entity has loan purchases on its balance sheet and the loans were purchased within the reporting period. Such entities should complete the Loan Purchases section of the TLR even if they did not use loan purchases to meet their required Target Market activity thresholds.

**39. Can a single transaction be counted for multiple approved Target Market types in the Target Market activity threshold calculation?**

No, while a transaction may qualify for multiple approved Target Market types, it can only be counted once in the calculation. For example, a mortgage could be located in an Investment Area to a low-income, Hispanic borrower. However, for purposes of the Target Market activity thresholds, a transaction can only be counted once, so an entity will be required to select which Target Market type should be assigned to a transaction. The entity can only select one of its approved Target Market types. In the cited example, the CDFI would have to tag the transaction in the TLR as either IA or LITP or OTP-Hispanic for the “Designated Target Market Type” data field.

**40. Where should consumer loans be reported?**

If an entity is a regulated financial institution such as a bank or credit union, then consumer loan transactions should be entered into the Consumer Loans section of the TLR.

If an entity is an unregulated financial institution, then consumer loans transactions should be entered into the main section of the TLR.

**41. Do regulated financial institutions need to report on specific OTP types in the Consumer Loans section of the TLR?**

Yes, banks and credit unions now must report the aggregated consumer loan transaction totals for each specific OTP type in the Consumer Loans section of the TLR. This information is necessary to determine how regulated financial institutions are serving their proposed or approved Target Markets.