

CDFI Financial Assistance Component

Matching Funds FAQ

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MATCHING FUNDS - GENERAL

1. What are Matching Funds?

For each dollar of Financial Assistance (FA) awarded by the Community Development Financial Institutions Fund (the Fund), the Applicant must provide one dollar of non-federal funds as match.

2. When are Matching Funds required?

Matching Funds are required for all FA awards whether received through the CDFI Program or through the Native American CDFI Assistance (NACA) Program.

3. Are Matching Funds required for Technical Assistance awards?

No. Matching Funds are not required for Technical Assistance (TA) grant awards under the CDFI Program or the NACA Program.

4. What does it mean for Matching Funds to be comparable in form and value to the FA award?

The Applicant's Matching Funds must match the type and amount of the FA award. For example, if an Applicant requests a grant from the Fund, the Applicant must have, In-Hand or Firmly Committed, non-federal grant funds of equal value to the FA grant requested. Similarly, requests for FA awards in the form of loans, equity investments, deposits, and credit union shares need to be matched with non-federal financial sources. The Fund award will generally match the terms and conditions of the original Matching Funds source. If an Applicant requests a 10-year loan at 2% interest with interest-only payments from the Fund, the Applicant must provide Matching Funds documentation of a loan with the same terms. If an Awardee raises non-grant Matching Funds from multiple investment instruments, with varying terms and conditions, the Fund will provide FA in a manner that represents the combined characteristics of such instruments. For example, if several loans with different terms and conditions are offered as Matching Funds for a loan, the Fund will calculate a blended term and rate for the FA loan award to the Awardee.

5. Does an Applicant need all of its Matching Funds In-Hand at the time of application?

The percent of Matching Funds required to be In-Hand at time of application depends on the applicable Notice of Funding Availability (NOFA) for each funding round and the category of Applicant. The Fund defines two categories of FA Applicants:

- Category I--SECA (Small and Emerging CDFI Assistance)
- Category II--Core Applicants

Please refer to the applicable NOFA for the funding round in which you are submitting an application for the Applicant category definitions and the percentage of Matching Funds required to be In-Hand by the application deadline.

An FA Applicant that does not meet the applicable NOFA requirements for Matching Funds Firmly Committed or In-Hand at the time of application will not be considered for FA funding.

6. What does it mean to have Matching Funds In-Hand?

Matching Funds In-Hand means that the Applicant has received disbursement of the Matching Funds from the funding source and that the Applicant has provided the Fund with documentation of payment, such as a copy of a check or proof of a wire transfer, to demonstrate receipt of funds.

7. What does it mean to have Matching Funds Firmly Committed?

Matching Funds Firmly Committed means that the Applicant has entered into a legally binding commitment with the Matching Funds source indicating that the funds will be disbursed and that the Applicant has provided the Fund with documentation of the commitment, such as a copy of a loan agreement, promissory note, or grant agreement.

TIMING OF MATCHING FUNDS

8. What is the applicable Matching Funds “window?”

The Matching Funds period or window is the timeframe within which the Matching Funds must be received In-Hand by or Firmly Committed to the Applicant to qualify as eligible Matching Funds for a particular funding round. See the applicable NOFA for specific dates.

9. Does the Matching Funds window correspond to the date funds are received In-Hand or the date funds are Firmly Committed?

Matching Funds must be received In-Hand or Firmly Committed within the applicable Matching Funds window in order to be eligible. An Applicant may use non-federal funds committed prior to the relevant time period as long as the receipt of Matching Funds occurred during the applicable window. Applicants must demonstrate the designated percentage of Matching Funds In-Hand or

Firmly Committed in accordance with the applicable NOFA in order to be eligible for FA award funding.

10. Will the Fund disburse the entire FA award amount with the Notice of Award?

After providing an Awardee with a Notice of Award (NOA), the Fund will prepare closing documents including an Assistance Agreement (AA) with the terms and conditions associated with the award. The entire closing process can take a few months. The amount of the initial disbursement of FA award funds is the amount of the Awardee's demonstrated Matching Funds In-Hand at the time of closing. Once the Assistance Agreement is signed and the Awardee has received the initial disbursement of award funds, the Fund will honor requests for subsequent FA disbursements based on the Awardee's provision of documentation of additional Matching Funds In-Hand. The Awardee has through the end of the time period indicated in the Matching Funds section of the applicable NOFA to obtain and submit proof of Matching Funds In-Hand, and to request disbursement of award funds. The Fund reserves the right to rescind and re-allocate all or a portion of an FA award if an Applicant fails to obtain the required Matching Funds In-Hand by the end of the time period in the applicable NOFA.

11. Can Matching Funds be used prior to the execution of the Assistance Agreement?

An Awardee can receive credit for Matching Funds received and expended during the Matching Funds window but prior to the execution of the Assistance Agreement if the Fund determines, in its sole discretion, that the Matching Funds expended promoted the purposes of the Applicant's Comprehensive Business Plan.

MATCHING FUNDS DOCUMENTATION

12. What documentation is required to demonstrate the receipt of Matching Funds In-Hand?

The Applicant must provide appropriate Matching Funds documentation based on the type of Financial Assistance requested. For each source of Matching Funds In-Hand, provide copies of documentation evidencing (a) the form of Matching Funds, and (b) the disbursement of the Matching Funds. Acceptable documentation for each form of Matching Funds includes:

- Grants:
 - ü Grants \$50,000 or greater: Applicants are required to submit supporting documentation for grants greater than or equal to

\$50,000, this includes signed copies of grant transmittal letters; grant agreements; and proof of payment (copy of check or wire transfer).

- ü **Grants less than \$50,000:** For each grant contribution less than \$50,000, the Applicant should list the grant source, amount, date, and source contact data in the Matching Funds Data Chart A.
- ü **Small Grant Contributions \$5,000 or less:** If an Applicant has identified several small grant contributions (each \$5,000 or less) as Matching Funds, record the total sum of these small contributions as a single entry in the Matching Funds Data Chart A. Type "Small Contributions" in the "Name of Source" column. Applicants must also provide a separate list with the donors/contributors names, date, and amount for each individual donor/contributor.

- **Loans:**

- ü Promissory note
- ü Loan agreement (if any)
- ü Proof of payment (copy of check or wire transfer)

- **Deposits:**

- ü Certificates of deposit
- ü Proof of payment (copy of check or wire transfer)

- **Equity Investments:**

- ü Stock purchase agreement (if any)
- ü Shareholders agreement
- ü Stock certificates
- ü Proof of payment (copy of check or wire transfer)

13. What kind of proof of payment does the Fund require?

A copy of a check or wire transfer confirmation is appropriate evidence that the Applicant received the Matching Funds proceeds. Proof of payment may also be demonstrated by submission of a letter from the Matching Funds source stating the form and value of funds, and date that the funds were disbursed to the Awardee.

14. What documentation is required to demonstrate Firmly Committed Matching Funds?

For each source of Matching Funds Firmly Committed, the Applicant must provide documentation evidencing that the Applicant has entered into or received a

legally binding commitment (such as a loan agreement, promissory note, or grant agreement) from the funding source indicating that the Matching Funds have been Firmly Committed and are to be disbursed to the Applicant within the Matching Funds window stated in the applicable NOFA. Matching Funds Firmly Committed must be documented in writing, signed and dated by the funder, and indicate that the Matching Funds are for the Applicant, correspond in form to the FA requested, and provide a date by which the Matching Funds will be disbursed to the Applicant. Commitments may be made contingent on receipt of funding from the Fund, and other contingencies deemed reasonable by the Fund, in its sole discretion.

NON-FEDERAL MATCHING FUNDS

15. What does it mean that Matching Funds must be non-federal?

Matching Funds must come from sources other than the federal government and, regardless of source, consist of non-federal funds.

For the purposes of FA awards, the following sources are considered federal and ineligible as Matching Funds:

- Funds obtained directly from a federal agency or indirectly from a pass-through entity (state agency or other entity).
- Community Development Block Grant (CDBG) funds (even if received through a local government agency).
- Bank Enterprise Award (BEA) Program award proceeds provided by an Affiliated BEA Program Awardee to an Applicant
- Funds used previously to satisfy a legal requirement of the CDFI Program or another federal grant or award program.
- Native American Housing Assistance and Self-Determination Act (NHASDA) funds.

For the purposes of FA awards, the following sources are considered non-federal and are generally eligible as Matching Funds:

- Federal Home Loan Bank (FHLB) funds
- Fannie Mae and Freddie Mac corporate and foundation funds

- Neighborhood Reinvestment Corporation (NRC) funds, if such funds are not from NRC's federal appropriation
- Indian Self-Determination and Education Assistance Act of 1974 (26 USC 450) grant funds
- Tribal government funds not obtained from a federal government source
- Bank Enterprise Award (BEA) Program award proceeds provided by a non-Affiliated BEA Program Awardee to an Applicant
- Equity Investments and CDFI Support Activities, as defined in the BEA Program regulations, provided to an Applicant by a BEA Program Awardee (excluding direct provision of technical assistance by a BEA Awardee to an Applicant)

16. What if funds were used to match another CDFI Fund or federal award?

Funds used to satisfy a legal requirement of the CDFI Program or another federal grant or award program may not be used to satisfy the CDFI Program match requirements. This rule applies to all forms of Matching Funds, including Retained Earnings.

17. Are funds from another CDFI Program Awardee eligible as Matching Funds?

Funds received by an Applicant from a prior CDFI Program Awardee are eligible match if the Applicant demonstrates, to the satisfaction of the Fund, that the funds do not consist, in whole or in part, of CDFI Program funds or other federal funds.

RETAINED EARNINGS AS MATCHING FUNDS

18. May Retained Earnings be used as Matching Funds?

Yes. An Awardee may meet all or part of its matching requirements with earnings retained from its operations, as shown in its financial statements. Retained Earnings covering time periods previously used as match for CDFI Program or other federal awards cannot be re-used.

Applicants should review the guidelines for using Retained Earnings as Matching Funds by type of organization (for-profit, non-profit, Insured Credit Union) as set forth in the CDFI Program Interim Rule (12 CFR Part 1805.504), in the applicable NOFA, and in the Application.

19. What Retained Earnings can a for-profit CDFI apply as match?

A for-profit CDFI (including an Insured Depository Institution or Depository Institution Holding Company) may use Retained Earnings to match an FA equity investment if such Retained Earnings consist of: the increase in Retained Earnings (excluding the after-tax value to an Applicant of any grants and other donated assets) that has occurred over the Applicant's most recently completed fiscal year; or the annual average of such increases that have occurred over the Applicant's three most recently completed fiscal years. For-profit CDFIs should use their unconsolidated audited Financial Statements to complete the Retained Earnings calculation Charts in the Application and demonstrate Retained Earnings. Retained Earnings accumulated after the end of the Applicant's most recently completed fiscal year ending prior to the applicable application deadline may not be used as Matching Funds.

20. What Retained Earnings can a non-profit CDFI apply as match?

A non-profit CDFI (other than an Insured Credit Union or State-Insured Credit Union) may use Retained Earnings to match an FA grant if such Retained Earnings consist of: 1) the increase in an Applicant's net assets (excluding the amount of any grants and value of other donated assets) that has occurred over the Applicant's most recently completed fiscal year; or 2) the annual average of such increases that has occurred over the Applicant's three most recently completed fiscal years. Non-profit CDFIs should use their unconsolidated audited Financial Statements to complete the Retained Earnings calculation Charts in the Application and demonstrate Retained Earnings. Retained Earnings accumulated after the end of the Applicant's most recently completed fiscal year ending prior to the applicable application deadline may not be used as Matching Funds.

21. What Retained Earnings can an Insured Credit Union apply as match?

An Insured Credit Union (or a State-Insured Credit Union) may use Retained Earnings based on its NCUA 5300 Call Report or audited or reviewed Financial Statements to match an FA grant if such Retained Earnings consist of:

1. The increase in Retained Earnings that has occurred over the Applicant's most recently completed fiscal year; or
2. The annual average of increases in Retained Earnings that have occurred over the Applicant's three most recently completed fiscal years; or

3. The entire Retained Earnings that have been accumulated since the inception of the Applicant. If the Applicant chooses this option, it must either:
 - a. **Increase its Total Member and/or Non-Member Shares** by an amount that is at least equal to the amount of Retained Earnings that is committed as Matching Funds. This increase must be achieved within the time period designated in the applicable NOFA. For example, if the Applicant matches a \$100,000 grant with \$100,000 in Retained Earnings under this option, it must raise its **Total Member/Non-Member Shares** by \$100,000 in order to receive a disbursement of the FA award; or
 - b. **Increase its Total Loans Outstanding** by an amount that is at least equal to the amount of Retained Earnings that is committed as Matching Funds. This increase must be achieved within the time period designated in the applicable NOFA. For example, if the Applicant matches a \$100,000 grant with \$100,000 in Retained Earnings under this option, it must raise **Total Loans Outstanding** by \$100,000 in order to receive a disbursement of the FA award.

The application review process will include an assessment of the likelihood of achieving either of the above required increases as described in the applicable NOFA and Application. The Fund, at its discretion, may check for a minimum level of increase to be demonstrated prior to making final award recommendations.

Retained Earnings accumulated after the end of the Applicant's most recently completed fiscal year ending prior to the applicable application deadline may not be used as Matching Funds.

MATCHING FUNDS FROM AFFILIATES

22. Can an Applicant receive Matching Funds from an Affiliate?

Yes. The same rules that apply to the Matching Funds of an Applicant also apply to Matching Funds received by an Applicant from its Affiliate. The Applicant must demonstrate that the Affiliate funds are disbursed to the Applicant during the applicable Matching Funds period, are in the same form and value as the FA award, and are non-federal dollars. In no event will an Affiliate's transfer of funds from a federal source to an Applicant be considered eligible match for an FA award. An Affiliate may provide Matching Funds from a third party (i.e. pass through) or from its Retained Earnings. In the case of third party funds, it is helpful, but not required; that the Applicant provides documentation demonstrating that the original source of funds has given permission for the

transfer of funds from Affiliate to Applicant. The Applicant is required to provide documentation demonstrating that the funds are non-federal. In the case of Retained Earnings, the Affiliate funds should comply with the same standards and policies outlined for Applicant Retained Earnings. (See Retained Earnings section of this document.)

23. If an Affiliate provides a loan to the Applicant from funds that were originally a grant from a foundation can those funds be used as match for an FA award?

Yes, the loan to the Applicant would be viewed as Matching Funds for an FA award in the form of a loan.

24. If an Affiliate provides funds to an Applicant that the Affiliate received prior to the Matching Funds window can those funds be used as match for an FA award?

Yes, as long as the funds are non-federal and are provided to the Applicant during the Matching Funds window.

25. How should an Applicant demonstrate that it received funds from an Affiliate?

The documentation requirements for funds received from an Affiliate are the same as those for all other sources of Matching Funds. See Matching Funds Documentation section of this document.)

26. Can the proceeds of a BEA Program award be used as match for an Affiliated Applicant?

No. A BEA Program Awardee may not use proceeds of a BEA Program award to provide match to an Affiliated Applicant.

LOAN FUNDS

27. Can grants be used as match for an FA loan?

Yes, a grant may be used as match for a zero interest FA loan. A loan may not be used to match an FA grant award.

28. Can an Applicant use a line of credit as Matching Funds?

Yes, however the Fund will only make disbursements to an Awardee based on draw downs on the line of credit. The total amount provided by the Fund cannot exceed the face value of the line of credit.

29. Does a loan renewal qualify as Matching Funds?

There are two scenarios where a loan renewal may be eligible as Matching Funds for a loan:

1. The Fund may match loans that: (a) were originated prior to the Matching Funds period; and (b) were renewed during the Matching Funds period (prior to maturity) if such renewal provides additional funds to the Awardee. The Fund will only match the amount of the additional funds provided as part of the loan renewal.
2. The Fund may match loans that: (a) were originated prior to, and matured prior to or during, the Matching Funds period; and (b) were renewed during the Matching Funds period. The Fund will match the full face value of the renewed loan less any principal repayments.

30. Is the repayment of loan principal and interest eligible as Matching Funds?

The repayment of loan principal and interest to the Applicant is generally not eligible as a source of Matching Funds. To the extent that interest revenue earned by the Applicant is included in retained earnings, it could be counted in the retained earnings calculation if an Applicant is using retained earnings to match an FA grant.

OTHER SOURCES OF FUNDS

31. Can proceeds from a service contract be used as Matching Funds?

No, proceeds received by an Applicant from a service contract may not be used to match an FA award. The Fund will determine, in its sole discretion, which agreements constitute service contracts between the funder and the Applicant. The following are some of the factors that the Fund may consider in reviewing these types of agreements:

- Whether the principal purpose of the contract is to benefit the target market of the Applicant, and not to acquire property or services for the direct benefit of the entity requesting the contract services (Contracting Entity);
- Whether the Contracting Entity has substantial involvement in carrying out the contract;
- Whether the Contracting Entity retains title and rights to the work product of the contract;

- Whether the Contracting Entity is the lender of record and receives or controls loan repayments.

Based upon a review of these and other relevant factors, the Fund will determine whether the agreement in question is an ineligible service contract or an eligible grant agreement that may be used as Matching Funds for an FA award.

32. Can in-kind contributions be considered as Matching Funds?

No. The Fund requires Matching Funds to be monetary and will not accept the value of in-kind contributions or grants, including but not limited to, volunteer services, use of office space, donation of real estate, buildings, facilities, technology, equipment, etc. as Matching Funds.

33. Can forgiveness of fees be used as Matching Funds?

Yes, if the Applicant provides a written contract and demonstrates to the satisfaction of the Fund that the contractual obligation has been forgiven.

34. Can a third party commitment to provide mortgages to buyers of affordable housing units from the Applicant be Matching Funds?

No. The third party must disburse Matching Funds directly to the Applicant.

35. Can donated marketable securities be used as Matching Funds?

Yes, securities, such as stocks, that are donated to the Applicant can be used as Matching Funds. The Applicant must provide the Fund with documentation of the donation and its value at the time of the donation.

36. Will the Fund accept the donation of notes receivables to an Applicant as Matching Funds for FA grants?

Notes receivables may be eligible as match for an FA grant if the Applicant can demonstrate the following:

- A valuation methodology for the portfolio, including valuation of expected cash flows or payments on receivables;
- A grant agreement;
- Proof of assignment of promissory notes to Applicant;
- Evidence of payments to the Applicant; and
- A list of the assigned promissory notes.

The Fund will disburse its award upon proof of receipt of repayments to the Applicant.

37. Will the Fund accept loan forgiveness as grant Matching Funds?

In certain circumstances the Fund, in its sole discretion, will accept loan forgiveness (principal or interest) as eligible Matching Funds.

For the Fund to consider forgiveness of loans as Matching Funds for an FA grant, the Applicant must demonstrate and document the following:

- Evidence of original receipt of loan funds by Applicant;
- Forgiveness of the existing loan;
- Agreement between the parties concerning loan forgiveness along with schedule of payments forgiven; and
- Evidence that the loan was not used as loan Matching Funds for another FA award.