

Community as its CDFI Partner. A CDFI Partner designates a Distressed

Community by submitting:

- (a) a List of Eligible Census Tracts;
- (b) a Map of the Distressed

Community; and

(c) a narrative describing how the CDFI Partner is Integrally Involved (see definition above, section I "Eligibility") in the Distressed Community.

Applicants and CDFI Partners must use the Fund's online Help Desk at <http://www.cdfifundhelp.gov> to designate Distressed Communities. The online Help Desk contains step-by-step instructions on how to create and print the aforementioned List of Eligible Census Tracts and Map of the Distressed Community.

III. Baseline Period and Assessment Period Dates

In NOFAs for prior funding rounds, the Fund established the Baseline Period and Assessment Period as the first 6-months of corresponding years. For this NOFA only, applicants may elect to apply for an award based on a 6-month Baseline and Assessment Period or a 12-month Baseline and Assessment Period. The Fund believes that a 12-month Baseline and Assessment Period will be more in keeping with the natural business cycle of applicants. For purposes of this NOFA, applicants electing the 6-month option will report on all Qualified Activities carried out during the Baseline Period of January 1, 2002 to June 30, 2002 as well as those carried out during the Assessment Period of January 1, 2003 to June 30, 2003. Applicants electing the 12-month option will report on Qualified Activities carried out during the Baseline Period of January 1, 2002 to December 31, 2002 as well as those carried out during the Assessment Period of January 1, 2003 to December 31, 2003. Applicants may apply to either the 6-month option or the 12-month option, but not both.

IV. CDFI Related Activities

For purposes of determining the award amount attributed to deposits in a CDFI that is an insured depository institution, the Fund will count only the first \$1,000,000 deposited by any applicant in said CDFI. Furthermore, an applicant that is also a CDFI cannot receive credit for any financial assistance or Qualified Activities provided to a CDFI Partner that is also an FDIC-insured depository institution or depository institution holding company.

Section 1806.103(q) of the revised interim rule states that any certificate of deposit placed by an applicant in a

CDFI that is bank, thrift, or credit union must be:

- (a) Uninsured and committed for at least three years; or
- (b) Insured, committed for at least three years, and earn a rate of interest that is determined by the Fund to be materially below market rates. The Fund has interpreted a "materially below market" interest rate to be an annual percentage rate that does not exceed 80 percent of the rate on a U.S. Treasury bill of comparable maturity as of the date the deposit is placed. For a three-year deposit, use the three-year rate posted for U.S. Government securities, Treasury Constant Maturity on the Federal Reserve Web site at <http://www.federalreserve.gov/releases/H15/update>.

The rate on the website is updated daily at approximately 4 p.m. ET. Certificates of deposit closed prior to that time may use the rate posted for the previous day. The annual percentage rate on a certificate of deposit should be compounded quarterly, semi-annually, or annually. In addition, applicants should determine whether a certificate of deposit is insured based on the total amount the applicant has on deposit on the day the certificate of deposit is placed. For example, if an applicant purchased a \$100,000 certificate of deposit from a CDFI in April, 2001 and purchases another \$100,000 certificate of deposit from the same CDFI in May, 2003, then the second certificate of deposit should be treated as uninsured for purposes of calculating the annual percentage rate. The applicant must make note, in its BEA Program Application, of whether the certificate of deposit is insured or uninsured.

V. Commercial Real Estate Loans and Related Project Investments

For purposes of this NOFA, eligible Commercial Real Estate Loans and related Project Investments (see revised interim rule at 12 CFR § 1806.103(l) and (ll)) are generally limited to transactions with a total principal value of up to and including \$1 million used to finance "community assets" such as the purchase, construction, or renovation of real estate where over 50 percent of the leasable (or occupable) square footage is for the provision of one or more of the following: health care facilities, charter schools, job training, day care, elder care centers, homeless services, or retail facilities. The Fund will calculate award amounts in accordance with Section VIII, below. Notwithstanding the foregoing, the Fund may in its discretion, consider transactions with a principal value of over \$1 million subject to review and approval of a

"community benefit statement." The application must demonstrate that the proposed project offers, or significantly enhances the quality of, a facility or service not currently provided to the Distressed Community. The application contains additional information on fulfilling this requirement.

VI. Equity-Like Loans

In January 2001, the Fund issued policy guidance specifying its BEA Program definition of Equity-Like Loans (*i.e.*, loans with characteristics of equity). On further review, the CDFI Fund realized that the previously defined characteristics presented certain barriers for CDFI Partners to the point where there was a disincentive to engage in the activity. The Fund hopes that reducing the requirements for Equity-Like Loans will make this product more accessible to CDFIs that can only access the BEA Program through the Equity Investment category—especially CDFIs located in rural areas. For purposes of this NOFA, Equity-Like Loans (see revised interim rule at 12 CFR 1806.103(y)) must meet the following characteristics:

- (1) At the end of the initial term, the loan must have a definite rolling maturity date that is automatically extended on an annual basis if the borrower continues to be financially sound and carrying out a community development mission;
- (2) Periodic payments of interest and/or principal may only be made out of the CDFI borrower's available cash flow after satisfying all other obligations;
- (3) Failure to pay principal or interest (except at maturity) will not automatically result in a default under the loan agreement; and
- (4) The loan must be subordinated to all other debt except for other Equity-Like Loans. Notwithstanding the foregoing, the Fund reserves the right to determine, on a case-by-case basis, if an instrument evidences an Equity-Like Loan.

As specified in the January 2001 guidance, the Fund requests that applicants submit to the Fund for review, not later than 45 days prior to the end of the applicable Assessment Period, all documents evidencing loans that they wish to be considered as Equity-Like Loans. The purpose for this request is to enhance the Fund's ability to provide feedback to applicants as to whether a transaction meets the Equity-Like Loan requirements prior to the end of the applicable Assessment Period. The Fund will not redraft instruments or provide language for applicants. However, the Fund may comment as to the consistency of a proposed