

National Credit Union Administration
Office of Small Credit Union Initiatives
Community Development Revolving Loan Fund
General Guidelines
2009 Technical Assistance Grants
For Credit Unions

<u>Contents</u>	<u>Page</u>
1. What is the Community Development Revolving Loan Fund?	1
2. What is a Technical Assistance Grant?	1
3. What is the objective of Technical Assistance Grants?	1
4. How is the objective measured?	1
5. How much money is available?	1
6. Who is eligible?	2
7. What are the grant initiatives for credit unions?	2
8. When will grant funds be available?	5
9. How does NCUA's grant process work?	6
10. Where can credit unions obtain grant applications?	6
11. How are grant applications evaluated?	6
12. Is there anything that would cause an application to be denied?	8
13. Are there restrictions or limits on what will be reimbursed?	9
14. What information needs to be submitted with grant application?	10
15. Where do credit unions send completed applications?	11
16. What is the reporting requirement after receiving a grant?	11
17. How can an applicant contact OSCUI with questions?	11

General Guidelines for 2009 Technical Assistance Grants

1. What is the Community Development Revolving Loan Fund?

The National Credit Union Administration's (NCUA's) Community Development Revolving Loan Fund (CDRLF) was established by Congress (Public Law 96-124, November 20, 1979 and Public Law 99-604, November 6, 1986) to support credit unions serving low-income communities by making loans and technical assistance grants (TAGs) available to qualifying institutions. Low-interest loans/deposits are made available to low-income designated credit unions to enhance their financial capacity to, in turn, extend financial services to their members.

Congress appropriates funds to the CDRLF for loans and/or grants. The interest earned on loans is also available as a source of additional funds for grant purposes.

2. What is a Technical Assistance Grant?

A technical assistance grant (TAG) is a monetary award provided to assist qualified low-income designated credit union applicants.

3. What is the objective of Technical Assistance Grants?

The objective, or desired outcome, of technical assistance grants is to help low-income credit unions provide financial services to their members and to make the operations of those credit unions more efficient.

4. How is the objective measured?

The success of the CDRLF's grant program is measured, in part, by the improvement in the financial condition of the credit unions participating in the program. In the context of the technical assistance grant program, the ability of the credit union to serve the community is measured by growth in its loans, shares, assets, net worth, and membership.

By applying for technical assistance grant funds, the credit union is committing to working toward the purpose and measurement objectives of the CDRLF.

5. How much money is available?

For fiscal years 2009 through 2010, Congress appropriated \$975,000 to the CDRLF for the purpose of making grants. Income earned on the CDRLF's loan and the investment portfolios are also available for grant awards exceeding the appropriation. These monies are divided among the Initiatives, which are described in subsequent pages of these guidelines.

6. Who is eligible?

To participate in the Program, a federally chartered credit union must be currently designated as a “low-income” credit union as set forth in NCUA’s Rules and Regulations, Section 701.34. A state chartered credit union must have the equivalent low-income designation from its respective state supervisory authority and concurrence from NCUA.

In addition, based on an Office of Management and Budget (OMB) policy directive effective October 31, 2003, credit unions must have a Dun and Bradstreet Universal Numbering System (DUNS) number in order to be eligible to receive grant or loan funding from the CDRLF. As of this printing, a DUNS number may be obtained by calling Dun and Bradstreet, toll-free, at 1-866-705-5711. Credit unions may also visit the Dun and Bradstreet website, www.dnb.com, and click on the links for D&B D-U-N-S number.

Grant applications from credit unions not meeting statutory or regulatory eligibility requirements will not be processed. For example, a grant application from a credit union that is not low-income designated will not be processed. (By stature, credit unions without a low-income designation are not eligible to apply for CDRLF assistance.)

7. What are the grant initiatives for credit unions?

There are five specific grant initiatives, as follows:

- Building Internal Capacity/Technology;
- Enhancing Member Services;
- Student Internship;
- Staff, Official, and Board Member Training; and,
- Volunteer Income Tax Assistance (VITA).

In addition, the Office will set aside some funds for the Urgent Needs Grant, to be used by credit unions in cases of extreme necessity.

A brief description of each grant type follows. Detailed descriptions are found in the specific grant applications.

Building Internal Capacity/Technology Initiative

This initiative is designed to provide funds for projects which improve the overall operations or financial condition of the credit union, and ultimately enable the credit union to better deliver services to its members.

Under this initiative, credit unions may elect to apply for either the Building Capacity portion of the grant or the Building Technology portion, but not both.

Grants awarded under the Capacity portion of the initiative might include, but are not limited to, the following:

- Performing a “Due Diligence” review
- Developing strategic, business, and succession plans;

- Developing ALLL policies, collection procedures, and bankruptcy management strategies;
- Preparing emergency and business resumption strategies;
- Contracting a grant writer to apply for grant funds;
- Implementing a check-imaging or branch capture service; and
- Purchasing and installing signs.

Grants awarded under the Technology portion of the initiative might include, but are not limited to, the following:

- Purchasing new computers, printers, copiers, telephone systems, other equipment;
- Upgrading software or data processing systems; and,
- Designing and implementing a website.

The amount allocated to the initiative is \$260,000; \$100,000 will be allocated to Building Capacity portion of the grant and \$160,000 allocated to the Building Technology portion. The maximum grant amount is \$7,000 for the Building Internal Capacity portion and \$5,000 for the Building Technology portion. There will be one funding round for the Building Internal Capacity/Technology Initiative in 2009.

Enhancing Member Services Initiative

This initiative is designed to provide funds for projects providing new or better services to existing members and extending services to potential members and the community.

Grants awarded under this initiative might include, but are not limited to, the following types of projects:

- Providing financial education;
- Providing homeownership opportunities;
- Developing outreach programs;
- Adding share draft, debit and credit card services; and,
- Adding new loan or deposit products.

Credit unions which establish partnering agreements with other entities may be able to implement far-reaching projects and take advantage of the partnering entity's strengths. Credit unions may elect to establish a partner relationship with another credit union, a local, state, or federal government entity, or a non-governmental community service or related entity. A partner organization is not a requirement for this initiative.

The business model of more successful credit unions often includes partnerships. Credit unions whose grant applications are project-oriented, involve partners, and indicate the credit union has acquired funding outside of the NCUA grant to leverage these projects will receive priority consideration.

Total allocated to this initiative is \$415,000 and the maximum grant award is \$15,000. There will be one funding round for the Enhancing Member Services Initiative in 2009.

Staff, Official, and Board Member Training Initiative

This initiative is designed to provide funds for training staff, officers, and board members of credit unions. Courses, seminars, and workshops, or other training methods should be relevant to improving the operations of credit unions, and ultimately enable the credit union to better serve its members.

Total allocated to this Initiative for 2009 is \$140,000 and the maximum grant amount is \$3,000. Grants will be awarded from this initiative until monies are exhausted.

Student Internship Initiative

The purpose of this initiative is to provide low-income credit unions an opportunity to introduce college students to credit unions and credit union operations, in order to potentially recruit and develop the next generation of credit union managers. Grant funds enable the credit union to offset some of the expenses for the student intern, such as transportation.

The amount allocated to this initiative of \$60,000 and the maximum grant amount is \$3,000. Grants will be awarded from this initiative until monies are exhausted.

Volunteer Income Tax Assistance (VITA) Initiative

The purpose of this initiative is to provide financial assistance to credit unions wishing to help existing and potential members prepare their tax returns, especially those eligible for the Earned Income Tax Credit. Grant funds enable the credit union to offset administrative and operational costs associated with providing free income tax preparation services.

The amount allocated to this initiative of \$100,000; the maximum grant amount is \$6,500. Grants will be awarded from this initiative until monies are exhausted.

Urgent Needs Grant

The Urgent Needs grant is provided to ensure the continued operations of a credit union with an immediate and pressing need to address financial or operational issues. In general an urgent need is an item or incident resulting in sudden unplanned or unexpected costs to the credit union, which, if left unaddressed, will result in a disruption of existing services to members.

Examples of urgent needs might include, but not necessarily be limited to, the following:

- Repairing damage to the credit union's premises that is not covered by insurance;
- Replacing equipment to immediately restore services to members as the result of an unplanned event;
- Paying consultant fees for records reconstruction; and,
- Conversion of data servicer following an event such as vendor bankruptcy.

The maximum grant amount is \$3,000. In general, Urgent Needs grants are limited to one grant per credit union per year.

Operating expenses are not considered urgent needs. The project described in this grant typically would not fit under another grant initiative. The primary purpose of a request for an urgent needs grant must remain consistent with the overall purpose and intent of the CDRLF program.

8. When will grant funds be available?

The table below summarizes the available grants and the respective application periods for 2009.

Grant Initiative	Application Acceptance Dates		Maximum Grant Award	Total Allocated	Grant Approval Procedure
	OPEN	CLOSE			
Building Internal Capacity / Technology	Open	05/29/2009	\$7,000/\$5,000	\$260,000 – Total \$100,000 – Capacity \$160,000 – Technology	Grants evaluated at end of open period. Awards announced 07/17/2009.
Enhancing Member Services	06/05/2009	07/31/2009	\$15,000	\$415,000	Grants evaluated at end of open period. Awards announced 10/02/2009.
Staff, Official, and Board Member Training	Open	When funds are exhausted	\$3,000	\$140,000	Rolling. Applications evaluated as received.
Student Internship	Open	When funds are exhausted	\$3,000	\$60,000	Rolling. Applications evaluated as received.
Volunteer Income Tax Assistance	05/15/2009	When funds are exhausted	\$6,500	\$100,000	Rolling. Applications evaluated as received.
Urgent Needs Grant	Open	When funds are exhausted	\$3,000		Rolling. Applications evaluated as received.

To read the above table:

Grant Initiative means the type of grant or indicates the purpose of the grant monies.

Application Acceptance Dates means the first and last day applications will be accepted for each grant category. Grants with no application closing date will be awarded until allocated funds are exhausted.

Maximum Grant Award means the expected maximum dollar amount awarded to any individual credit union for any grant category.

Grant Approval Procedure means the time frame within which each type of grant will be evaluated and approved. Grants evaluated on a rolling basis will be based on the merit of the application and awarded until total available funds are exhausted. For those grants with closing dates, all applications will be evaluated at the end of the open period and awarded based on the merit of the application.

9. How does the NCUA's grant process work?

- First, credit unions must apply for a grant before making any expenditure.
- After receiving a grant approval letter, the credit union may purchase the goods or spend the funds, up to the amount approved. The purpose of the grant, as stated in the award letter, cannot be changed.
- After making the expenditure, the credit union must then submit copies of receipts and proof of payment to NCUA for reimbursement. Credit unions should submit all receipts for a single grant commitment number to OSCUI at one time.
- NCUA will review the receipts and issue a check to reimburse approved and documented expenditures. Checks generally take 3 weeks to be issued from the U.S. Treasury.
- All requests for reimbursement must be received before the end of the commitment period listed in the grant award letter.
- OSCUI will not process incomplete applications. Credit unions may resubmit a grant application, provided the submission deadline has not passed and grant monies have not expired.
- Credit unions must also send a summary of the grant outcome to OSCUI. Credit unions failing to submit the summary may be ineligible for future grants.

10. Where can credit unions obtain grant applications?

Grant application forms and instructions are available on the NCUA website. Grant applications are also available in paper copy for those credit unions without access to the internet.

11. How are grant applications evaluated?

Subject to funds availability, grants are awarded after careful consideration of the merits of an application. Grant applications will be considered based on the financial and non-financial factors listed below, as appropriate.

Financial factors include, but are not necessarily limited to, the following:

NCUA CAMEL* Rating
Net Worth Ratio
Delinquency Ratio
Return on Assets Ratio.

Financial factors are used to determine the overall financial condition of the credit union and its ability to carry out the project as described in the grant application.

Non-Financial factors include, but are not necessarily limited to, the following:

Assessment of Management is a determination of whether credit union management has been responsive in addressing concerns cited in examination reports and whether management has the ability to carry out the project described in the grant application.

Purpose is a determination of whether the outcome of the project, as described in the grant application, is consistent with the purpose of the CDRLF as described in Section 705.10 of the NCUA's Rules and Regulations. The purpose would be: (1) providing basic financial and related services to residents in their communities; and (2) improving the operations of the credit union. OSCUI will deny grant applications in which the purpose of the grant is inconsistent with the purpose of the CDRLF.

Assessment of Impact is a determination of the scope and reach of the proposed use of the grant funds. Grant applications with projects having an impact on the community as whole will receive more favorable consideration.

Previous Funding is a determination of whether the credit union has received previous CDRLF grant funding. Section 705.2(b) of NCUA's Rules and Regulations states that the purpose of the CDRLF is to gain maximum economic impact on as many participating credit unions as possible. Therefore, credit unions which have NOT received funding in the past will receive priority consideration.

Partnerships is a determination of whether the credit union has developed other partner relationships and has considered other sources of grant funds. Under this grant initiative, a credit union with a viable partner relationship will receive more favorable consideration.

Leverage is a determination of the degree to which the credit union has acquired resources other than NCUA grants. Leverage measures the total cost of the project compared with the total grant dollars requested from NCUA. If, for

* CAMEL ratings are explained in NCUA Letter to Credit Unions No. 07-CU-12. Financial ratios are explained in the Users' Guide for NCUA's Financial Performance Report. Both documents are available on the NCUA website at <http://www.ncua.gov>.

example, a project costs \$5,000 and the credit union requests \$5,000 from NCUA, that project's leverage ratio is 1-to-1. If, for example, a project costs \$20,000 and the credit union requests a \$5,000 grant from NCUA, that project has a 4-to-1 leverage ratio. Projects in which the credit union has obtained funding and resources other than NCUA grants will receive more favorable consideration.

For those TAG requests submitted as an Urgent Needs Grant, the OSCUI will determine the appropriateness of the request, basing its decision primarily on whether the request meets the criteria of an urgent needs grant, and on financial and non-financial factors, as listed above.

Urgency is defined as a circumstance where a credit union has a compelling need for immediate action or attention to address financial or operational issues, and where receipt of a grant is expected to mitigate the urgency. In general an urgent need is an item or incident resulting in sudden, unplanned, or unexpected costs to the credit union, which, if left unaddressed, will result in a disruption of existing services to members.

For a grant application to meet the criteria of an Urgent Needs Grant, the credit union must definitively state, in its application, that the item or incident resulted in a sudden, unplanned, or unexpected cost to the credit union. The purpose of an urgent needs grant must remain consistent with the purpose of the CDRLF.

12. Is there anything that would cause an application to be immediately denied?

Yes.

(a) Grants from the CDRLF are reimbursable grants. Credit unions applying for TAGs must obtain approval of the proposed expenditures before making those expenditures. Therefore, the OSCUI will not fund any grant where the credit union has committed to, procured, or purchased the good or service in advance of grant approval.

(b) TAG funds are not provided for operational expenses such as salaries, rent, maintenance agreements, annual audits, funding for the allowance for loan losses, or office supplies.

Salaries to employees are not reimbursable under any CDRLF grant initiative. In general, an individual is considered an employee if the credit union withholds income taxes, withholds and pays Social Security and Medicare taxes, and pays unemployment tax on wages paid.

Expenses for contractors may be reimbursable under certain grant initiatives. In general, the credit union would not withhold or pay any taxes on payments to independent contractors.

(c) Credit unions may not use TAG funds to provide funds to members, such as funding the matching portion of an IDA program or providing gift cards to members.

(d) Credit unions failing to submit summaries for grants previously awarded may be ineligible to receive additional grant funds.

(e) TAG funds may not be used to reimburse NCUA, or any government agency, for any activity.

13. Are there restrictions or limits on what will be reimbursed?

Yes. The following restrictions apply to reimbursements under CDRLF grant initiatives. The list highlights the more common requested non-reimbursable expenses.

Equipment Purchase and Installation:

Annual maintenance fees and insurance costs are not reimbursable.

Marketing:

Marketing and advertising for the general promotion of the credit union will not be reimbursed.

Mileage:

Reimbursement requests for mileage must include receipts and the starting point, the destination, and the number of trips. Mileage is reimbursable at a rate not to exceed the December 31, 2008 IRS standard mileage rate of \$0.585 per mile.

Postage:

To be reimbursed, the credit union must supply receipts and supporting documentation, such as the number of mailings.

Printing/Copying:

To be reimbursed, the credit union must supply receipts and supporting documentation, such as the number of copies made.

Promotional Items:

Promotional items such as gifts, give-aways, souvenirs, or gift cards are not reimbursable.

Regular Expenses/Pro-Rated Expenses:

Regular expenses of the credit union, such as rent, utilities, and depreciation are not reimbursable under this grant initiative. "Pro-rated" expenses of the credit

union, such as a portion of telephone or utility costs, are not reimbursable. These expenses are considered regular operating expenses.

Salaries/Contractors:

Salaries to employees are not reimbursable under any CDRLF grant initiative. An individual is considered an employee if the credit union withholds income taxes, withholds and pays Social Security and Medicare taxes, and pays unemployment tax on wages paid. In general, the credit union would not withhold or pay any taxes on payments to independent contractors.

Travel/Lodging/Meals

Travel expenses, such as for an on-site trainer, will be reimbursed at the lesser of actual costs or the U.S. Government General Services Administration (GSA) FY2009 per diem rate for the geographic area in which the travel takes place.

Undocumented Expenses:

To be reimbursed, credit unions must submit invoices or receipts that correspond to the items listed in the grant award letter, and proof of payment. Requests for reimbursement that do not contain adequate documentation will not be reimbursed.

14. What information needs to be submitted with the grant application?

Each application form contains a description of the information the credit union must submit. The application contains several questions regarding the proposed use of the grant funds, which the credit union should answer on separate sheets.

Note, however, OSCUI will not process incomplete applications. Credit unions may resubmit a completed grant application, provided the submission deadline has not passed and funds are still available.

15. Where do credit unions send completed applications?

Credit unions should submit their applications electronically, either by fax or by email.

Fax: (703) 519-4088

Email: oscuiapps@ncua.gov

Applications must be received by OSCUI by 5 p.m. Eastern Time on or before the acceptance period closing date. Applications received after the closing date will not be processed.

Credit unions unable to submit their grant application electronically should contact the Office of Small Credit Union Initiatives at the address listed below.

16. What is the credit union's reporting requirement after receiving a grant?

Credit unions receiving awards must provide a summary of the impact of the grant funding to OSCUI as stated on the grant application form. The time frame for submitting the summary will be stated in the award letter. The submission deadline allows reasonable time for the credit union to ascertain the benefits of the grant.

The summary should discuss the overall project and how the funding enabled the credit union to accomplish its objective. Credit unions' success stories provide invaluable supporting information when OSCUI requests annual appropriations from Congress to replenish the grant and loan fund. Credit unions must specify the impact the grant funds have had on the credit union's delivery of service and the consequences upon the community the credit union serves.

Failure to submit this summary will have an impact on the credit union's ability to receive grants in the future.

17. How can an applicant contact OSCUI with questions?

National Credit Union Administration
Office of Small Credit Union Initiatives
1775 Duke Street
Alexandria, Virginia 22314
Office: (703) 518-6610
Facsimile: (703) 519-4088
Email: oscuiapps@ncua.gov