

lending or investments, serve an investment area or a targeted population, provide development services, maintain community accountability, and be a nongovernment entity. The details of these requirements and other program requirements are described in the revised interim rule governing the CDFI Program (12 CFR part 1805) which is published elsewhere in this issue of the **Federal Register**. A CDFI, or proposed CDFI, whose primary focus is financing other CDFIs and/or providing financing to support the formation of CDFIs shall not be eligible to apply pursuant to this Notice, but instead may be eligible to apply pursuant to the Notice on the intermediary component published elsewhere in this issue of the **Federal Register**.

III. Types of Assistance

An applicant may submit an application for financial assistance, technical assistance, or both. Financial assistance may be provided through an equity investment, a grant, a loan, deposits, credit union shares, or some combination thereof. Applicants for financial assistance shall indicate the dollar amount, form, terms, and conditions of assistance requested. Applicants for technical assistance shall describe the types of technical assistance requested, estimate the cost to obtain such assistance, and provide a narrative justification of its needs for such assistance.

IV. Application Packet

Except as described hereafter, an applicant, whether applying for financial assistance, technical assistance, or both, shall submit the materials described in § 1805.701 and the application packet. To facilitate coherence and avoid duplication, an applicant may present its application in an order and format that it believes to be the most appropriate, provided that the requested information is included and that an index is provided to assist the Fund in locating the items requested by § 1805.701.

If an applicant is currently certified as a CDFI, it may, at its option, submit a copy of the letter of certification in lieu of the information requested in Part III, A through H, of the application packet. However, an applicant should include in its application information that it believes is relevant to the substantive review of the application specified in § 1805.802(b).

V. Matching Funds

Applicants pursuant to this Notice may use for matching funds monies

obtained or legally committed on or after January 1, 1996. Applicants selected to receive assistance under this Notice must have firm commitments for the matching funds required pursuant to § 1805.600 by no later than August 31, 1997. The Fund may recapture and reprogram funds if an applicant fails to raise the required match by such date. The Fund reserves the right to grant an extension of such matching funds deadline for specific applicants selected for assistance if the Fund deems it appropriate.

VI. Selection Factors

Applications will be selected on a competitive basis in accordance with criteria described in §§ 1805.800 to 1805.802. Special emphasis is expected to be placed on:

- (1) The applicant's track record, financial strength, and current operations;
- (2) The capacity, skills, and experience of the management team;
- (3) The quality of the applicant's comprehensive business plan;
- (4) The likelihood that the applicant will be able to raise the required matching funds; and
- (5) The extent and nature of the potential community development impact that would be catalyzed by the Fund's assistance, relative to the amount of such assistance to be provided.

The applicant's track record, financial strength and current operations are important to the extent they may be suggestive about the prospects for success in the future. In the case of a young or start-up institution with no or a limited track record, extra emphasis will be placed on the capacity, skills, and experience of the applicant's management team and the quality of its comprehensive business plan.

While previous awardees are eligible to apply pursuant to this Notice, it is the current expectation of the Fund that a substantial majority of the funds awarded pursuant to this Notice will be to applicants that are not previous awardees. Therefore, the Fund may give additional consideration to applicants that are not previous awardees.

The Fund has sole discretion in the selection of applications for assistance. The anticipated maximum award per applicant under this Notice is \$2 million. However, the Fund, in its sole discretion, reserves the right to award amounts in excess of \$2 million for an applicant(s) if it deems it appropriate.

VII. Workshops

The CDFI Fund expects to host workshops to disseminate information

to organizations interested in applying for assistance pursuant to this Notice. If you wish to be on a mailing list to receive information about the scheduling of such workshops, please contact the Fund.

VIII. Other Matters

(a) Paperwork Reduction Act. The reader should refer to the revised interim rule (12 CFR part 1805) published elsewhere in this issue of the **Federal Register** for details on the information collection requirements of the rule and this Notice.

(b) Environmental Impact. Pursuant to Treasury Directive 75-02, the Department of the Treasury has determined that implementation of the CDFI Program under the revised interim rule is categorically excluded from the National Environmental Policy Act of 1969 (42 U.S.C. 4332) and does not require an environmental review. The determination is available for public inspection between 9:30 a.m. and 4:30 p.m. weekdays at the office of the Fund.

Authority: 12 U.S.C. 4703, 4717; Chapter X, Pub. L. 104-19, Stat. 237; 12 CFR 1805.700.

Kirsten S. Moy,

Director, Community Development Financial Institutions Fund.

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Community Development Financial Institutions Fund

Notice of Funds Availability (NOFA) Inviting Applications for the Community Development Financial Institutions (CDFI) Program—Intermediary Component

AGENCY: Community Development Financial Institutions Fund, Department of the Treasury.

ACTION: Notice of Funds Availability (NOFA) inviting applications.

SUMMARY: The Community Development Banking and Financial Institutions Act of 1994 (12 U.S.C. 4701 et seq.) (hereafter referred to as the "Act") provides authority for the Community Development Financial Institutions Fund (hereafter referred to as "the Fund") to select and provide assistance to eligible applicants under the Community Development Financial Institutions ("CDFI") Program. The revised interim rule (12 CFR part 1805), published elsewhere in this issue of the **Federal Register**, provides guidance on the contents of necessary application materials and program requirements. This Notice is in connection with two

competitive rounds of a new intermediary component of the CDFI Program. This intermediary component will provide financial assistance to CDFIs that provide financing primarily to other CDFIs and/or to support the formation of CDFIs. The Fund currently anticipates making awards of between \$5.0 million and \$7.5 million in appropriated funds pursuant to this Notice. Also being published elsewhere in this issue of the **Federal Register** is a separate Notice in connection with the core component of the CDFI Program, with respect to which the Fund intends to make available up to \$32.5 million in appropriated funds.

DATES/TWO ROUNDS: Applications may be submitted at any time after April 4, 1997. Applications will be evaluated competitively for the intermediary component in two separate rounds. For the first round, the deadline for receipt of an application is 6 p.m. Eastern Standard Time on Friday, May 16, 1997. For the second round, the deadline for receipt of an application is 6 p.m. Eastern Standard Time on Friday, June 20, 1997. Applications received after the deadline for the first round but before the deadline for the second round will be considered as part of the second round. Applications received after the deadline for the second round will not be accepted and will be returned to the sender. An applicant may apply in each round. Applications sent to the Fund by facsimile will not be accepted.

The Fund anticipates making available at least \$5 million in appropriated funds pursuant to this Notice. If less than \$2.5 million in appropriated funds is awarded in the first round, the amount of available funds for the second round will be \$5 million less the amount awarded in the first round. If \$2.5 million or more is awarded during the first round, the amount of available funds for the second round will be \$2.5 million. As of the date of this Notice, for the two rounds combined, the Fund intends to award no more than \$7.5 million in appropriated funds. The Fund reserves the right to award higher or lower amounts in each round, and for the two rounds combined, than the amounts described above, depending on the quality of applications received in each round.

The anticipated maximum aggregate award per applicant under this Notice (i.e. for both rounds combined) is \$1.25 million. However, the Fund, in its sole discretion, reserves the right to award amounts in excess of \$1.25 million for an applicant(s) if it deems it appropriate.

ADDRESSES: Applications must be sent to: The Community Development Financial Institutions Fund, U.S. Department of the Treasury, 1500 Pennsylvania Avenue, NW., Washington, DC 20220.

FOR FURTHER INFORMATION CONTACT: The Community Development Financial Institutions Fund, U.S. Department of the Treasury, 1500 Pennsylvania Avenue, NW., Washington, DC 20220, (202) 622-8662. (This is not a toll free number.) If you have any questions about the regulations, this Notice or the application packet, you may call or write to the Fund at the above telephone number or address, or you may send questions by facsimile to (202) 622-7754. To request an application packet, please send by facsimile a written request which includes the name of the requester, organization, mailing address, telephone number and facsimile number. Requests for an application packet should be sent by facsimile to (202) 622-2599, which is the facsimile number being used to receive requests for an application packet.

SUPPLEMENTARY INFORMATION:

I. Background

Credit and investment capital are essential ingredients in creating and retaining jobs, developing affordable housing, starting or expanding businesses, revitalizing neighborhoods, and empowering people. As a key urban and rural policy initiative, the CDFI Program is facilitating the creation of a national network of financial institutions that are specifically dedicated to community development. This strategy will build strong institutions that make loans and investments and provide services to economically distressed investment areas and disadvantaged targeted populations. This Notice is in connection with a new intermediary component of the CDFI Program.

Elsewhere in this issue of the **Federal Register**, the Fund is publishing a new Notice of Funds Availability for financial and technical assistance to CDFIs pursuant to the direct funding approach used in the first round. That separate Notice is in connection with the core component of the CDFI Program, and the Fund anticipates that for the foreseeable future, the Fund will devote the great bulk of the financial assistance available for the CDFI Program to this core component. In the separate Notice for the core component, the Fund is making available up to \$32.5 million in appropriated funds.

The Fund also recognizes that to address the diverse needs and take full

advantage of the enormous potential of the growing CDFI industry, it is important that the Fund be on the cutting edge of innovation by expanding the tools it utilizes to assist CDFIs. This Notice in connection with an intermediary component of the CDFI Program is one part of a broader effort to develop and make available such new tools.

The Fund recognizes that there are in existence certain intermediary CDFIs, and others may be created over time, that focus their financing activities primarily on financing other CDFIs. Such institutions may have knowledge and capacity to develop and implement a specialized niche or niches in their financing of CDFIs and/or CDFIs in formation. The Fund believes that providing financial assistance to such intermediaries can be an effective way to expand its support of the CDFI industry. To illustrate the concept of an intermediary CDFI with a few examples, an intermediary may have a specialized niche or niches focusing on financing a specific type or types of CDFIs, providing small amounts of capital per CDFI, financing CDFIs with specialized risk levels, or financing institutions seeking to become CDFIs. By providing financial assistance to specialized intermediaries, the Fund believes it can leverage the expertise of such intermediaries and strengthen the Fund's capacity to support the development and enhancement of the CDFI industry. This Notice invites applications from CDFIs, and organizations seeking to become CDFIs, that are or plan to become such a specialized intermediary, focusing on providing loans to or investments in other CDFIs and/or to support the formation of CDFIs. This Notice is not intended and should not be construed to allow an applicant to file a joint application on behalf of a group of other CDFIs, but rather to provide financial assistance to intermediaries who have criteria for financing, in arms length transactions, other CDFIs and/or to support the formation of CDFIs.

This Notice implements the intermediary component by using two competitive rounds. This should expedite the ability of intermediary CDFIs to provide financing to other CDFIs, and should assist the ability of the intermediary component of the CDFI Program to work effectively with the core component in a mutually supportive manner. Many CDFIs will be facing the decision of whether they should devote the substantial time and effort necessary to prepare an application, due by June 20, 1997, in response to the core component Notice

published elsewhere in this issue of the **Federal Register**. Given what is expected to be the highly competitive nature of the core component round, many CDFIs may decide not to apply for the core component, but instead to concentrate on seeking assistance from an intermediary.

The Fund believes, however, that there may be some intermediary organizations that wish to apply for assistance in response to this intermediary component Notice, that will need more time to submit a quality application than is provided by the May 16, 1997, deadline for the first round. Such organizations may apply in the second round by the June 20, 1997, deadline.

II. Eligibility

An applicant for assistance pursuant to this Notice must meet the eligibility requirements set forth in § 1805.200. In addition, pursuant to § 1805.200(a)(3), this Notice is limited to applicants that satisfy the following requirements: (1) The applicant's financings (loans and/or development investments) must primarily focus on financing other CDFIs and/or supporting the formation of CDFIs; and (2) if the applicant is not a CDFI at the time of application, the application shall include a realistic plan for the applicant to become a CDFI within one year of the date on which the Fund approves the applicant for financial assistance (which period may be extended at the sole discretion of the Fund). In no event will the Fund disburse assistance to the applicant until the applicant can be certified as a CDFI.

III. Types of Assistance

An applicant may submit an application for financial assistance in the form of an equity investment, loan, or grant (or a combination of these financial assistance instruments). Applicants for financial assistance shall indicate the dollar amount, form, terms, and conditions of assistance requested. The Fund will not accept applications for technical assistance pursuant to this Notice.

Since an intermediary that is selected pursuant to this Notice must be a CDFI when funded, its predominant business activity must be the provision of loans and/or development investments. Thus, even if an intermediary applicant receives a grant from the Fund, the Fund will normally expect that the intermediary will use such grant to enhance its ability to make loans and/or development investments in CDFIs or to support the formation of CDFIs. However, the Fund will consider

requests by an intermediary applicant to utilize Fund assistance to enhance the ability of the intermediary to make grants to CDFIs or to support the formation of CDFIs, as long as the intermediary applicant makes a persuasive case that using Fund assistance in this manner will further the purposes of the Act, and as long as the intermediary's predominant business activity will remain the provision of loans and/or development investments.

IV. Application Packet

Except as described hereafter, an applicant shall submit the materials described in § 1805.701 and the application packet. To facilitate coherence and avoid duplication, an applicant may present its application in an order and format that it believes to be the most appropriate, provided that the requested information is included and that an index is provided to assist the Fund in locating the items requested by § 1805.701.

If an applicant is currently certified as a CDFI, it may, at its option, submit a copy of the letter of certification in lieu of the information requested in Part III, A through H, of the application packet. However, an applicant should include in its application information that it believes is relevant to the substantive review of the application specified in § 1805.802(b).

Since the target markets served by an applicant pursuant to this Notice will depend on the target markets served by CDFIs funded by the applicant, the applicant need not fill out Part III, C. Map of Investment Area(s), D. Studies or Analyses of Unmet Needs, or L. Target Market Designation, or the Investment Area Designation Worksheet. Instead the applicant should describe its target markets, which description may be general in nature and may include target markets that are regional or national in scope. The application should include a general description and analysis of target markets served by CDFIs and/or CDFIs in formation which the applicant currently finances, and what changes in such target markets, if any, may be expected if the applicant receives financial assistance from the Fund. If applicable, the applicant should provide a list of CDFIs or CDFIs in formation that it has financed, and the amount and form of financing, over at least the last three years.

V. Matching Funds

Applicants pursuant to this Notice may use for matching funds monies obtained or legally committed on or after January 1, 1996. Applicants

selected to receive assistance under this Notice must have firm commitments for the matching funds required pursuant to § 1805.600 by no later than August 31, 1997. The Fund may recapture and reprogram funds if an applicant fails to raise the required match by such date. The Fund reserves the right to extend such matching funds deadline for specific applicants selected for assistance if the Fund deems it appropriate.

VI. Selection Factors

Applications will be selected on a competitive basis in accordance with criteria described in 12 CFR 1805.800 to 1805.802. The Fund has sole discretion in the selection of applications for assistance. Special emphasis is expected to be placed on:

- (1) The applicant's track record, financial strength, and current operations;
- (2) The capacity, skills, and experience of the management team;
- (3) The quality of the applicant's comprehensive business plan;
- (4) The likelihood that the applicant will be able to raise the required matching funds; and
- (5) The extent and nature of the potential community development impact that would be catalyzed by the Fund's assistance, relative to the amount of such assistance to be provided.

The applicant's track record, financial strength, and current operations are important to the extent they may be suggestive about the prospects for success in the future. In the case of a young or start-up institution with no or a limited track record, extra emphasis will be placed on the capacity, skills, and experience of the applicant's management team and the quality of its comprehensive business plan.

For the purposes of evaluating applications submitted pursuant to this Notice, the Fund will evaluate the extent to which provision of financial assistance by the Fund to an applicant is likely to add substantial benefits to the CDFI industry, above and beyond what the Fund can expect to accomplish with its core component. Thus an applicant having a specialized niche or niches is important. At the same time, the Fund is seeking to assist intermediaries whose potential customer base has broad applicability. For example, the Fund does not seek to provide financial assistance to an intermediary that has a narrow list of preselected CDFIs it wishes to finance. The Fund seeks to finance intermediaries that have a more open-ended potential applicant pool and

which will be making an independent evaluation of each application, based on criteria specified in the intermediary applicant's comprehensive business plan. Moreover, the Fund may give a preference to applicants that serve or expect to serve CDFIs or CDFIs in formation in a multi-state area or on a national basis, as opposed to a single state.

VII. Other Matters

(a) Paperwork Reduction Act. The reader should refer to the revised

interim rule (12 CFR part 1805) published separately in today's **Federal Register** for details on the information collection requirements of the rule and this Notice.

(b) Environmental Impact. Pursuant to Treasury Directive 75-02, the Department of the Treasury has determined that implementation of the CDFI Program under the revised interim rule is categorically excluded from the National Environmental Policy Act of 1969 (42 U.S.C. 4332) and does not

require an environmental review. The determination is available for public inspection between 9:30 a.m. and 4:30 p.m. weekdays at the office of the Fund.

Authority: 12 U.S.C. 4703, 4717; Chapter X, Pub. L. 104-19, Stat. 237; 12 CFR 1805.700.

Kirsten S. Moy,

Director, Community Development Financial Institutions Fund.

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