

Low Income Designation

Benefits and Resources



Federation

Credit Unions United to Serve the Underserved

Low-Income Designated CUs

Type of Credit Union	National Totals	Michigan
All Federally Insured CUs	7,357	323
Low-Income Designated CUs	1,123	33

NCUA Application for Low-Income Designation

Alternate Methodology

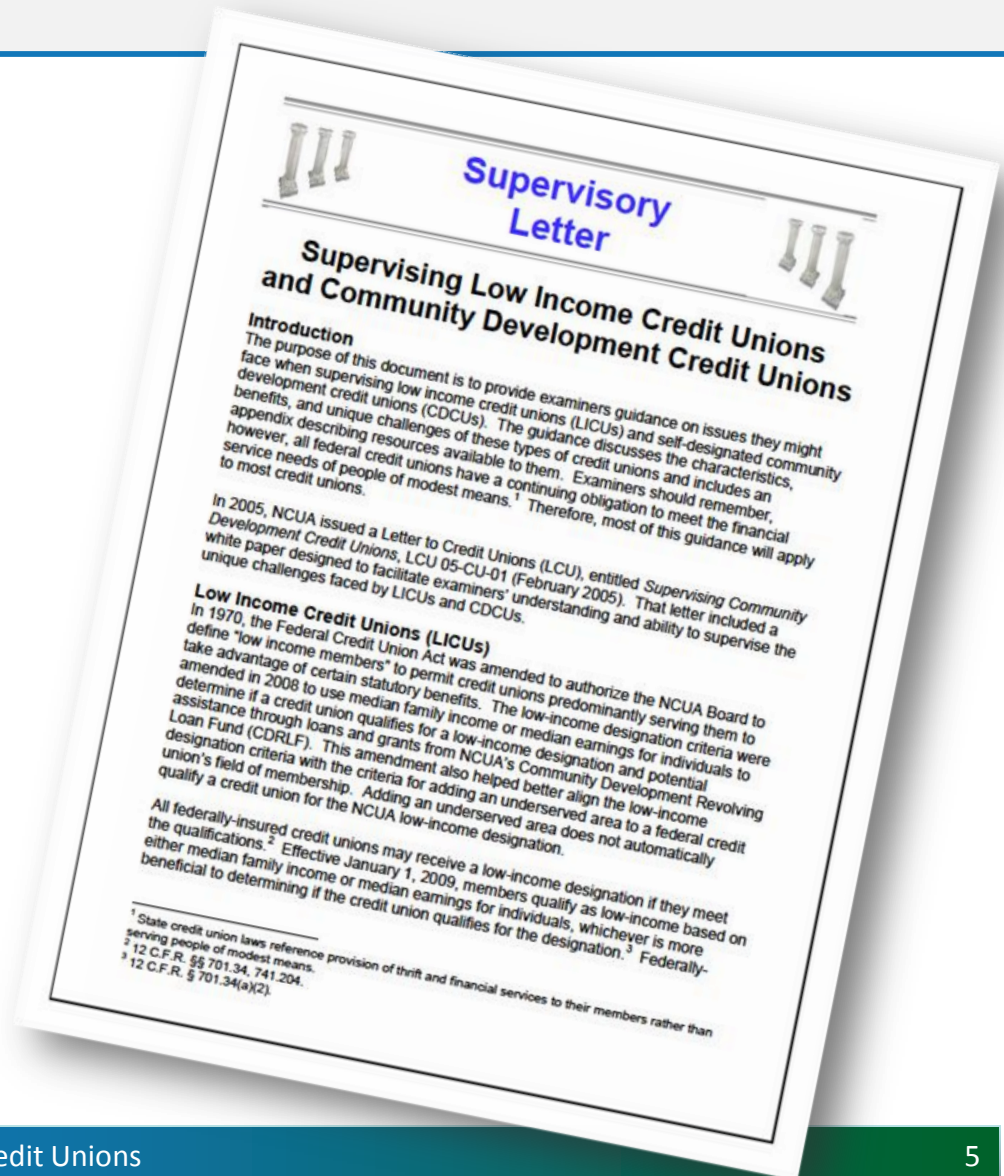
- For credit unions that serve lower-income members who live in communities with higher median incomes
- Credit union can demonstrate that >50% of their actual members have incomes of <80% of AMFI
- **New in 2011: Evidence collected from statistically valid random sample can be used to demonstrate eligibility**

Additional Benefits

- Ability to provide limited transactional services to non-members
- Ability to amend FOM to include associational groups formed for the sole purpose of making CU service available to LI persons (*option only for multiple common bond CUs*)
- Additional latitude in serving persons who are affiliated with the community. Those who participate in programs to alleviate poverty or distress, or who participate in associations headquartered in the community.

Regulatory Flexibility

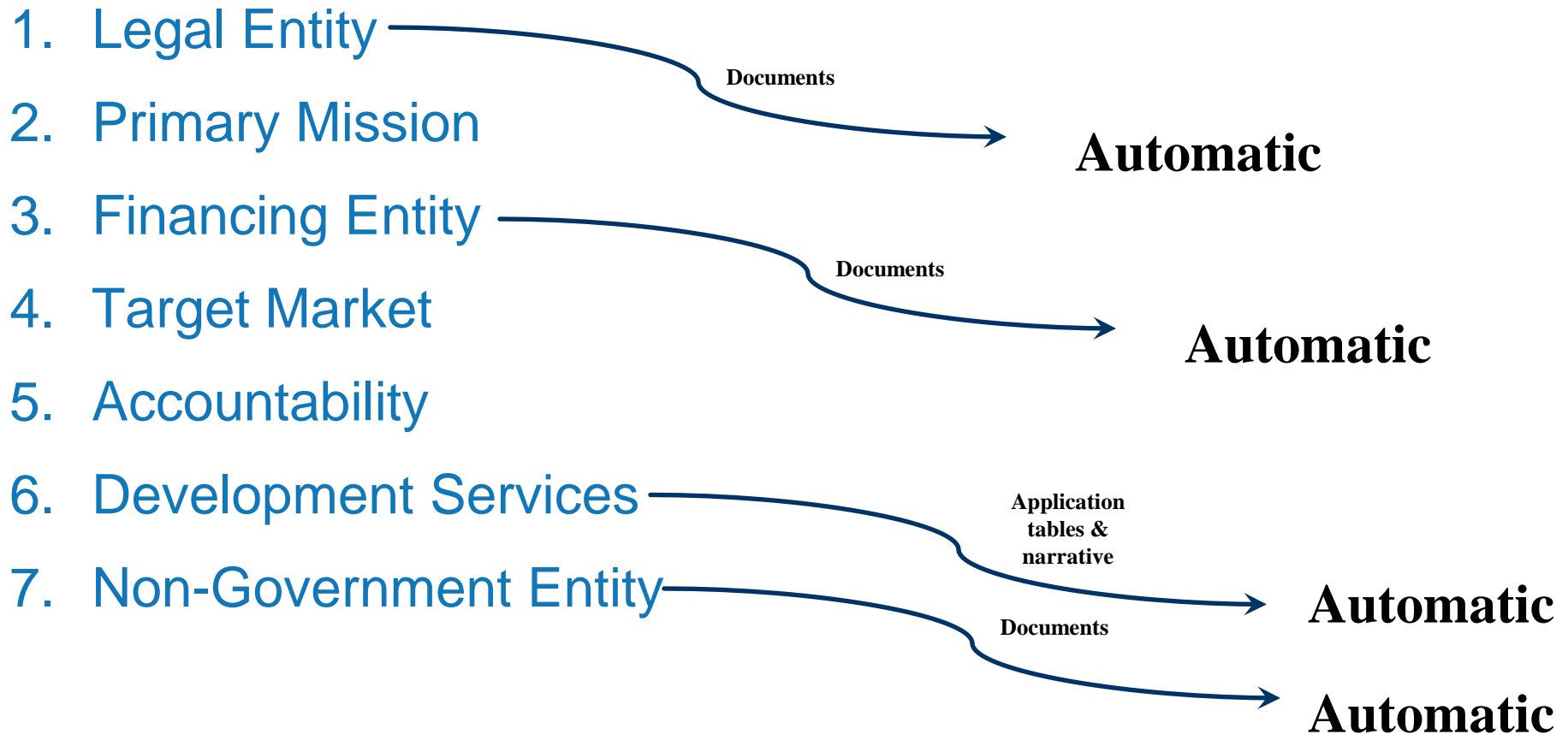
- Issued in response to Federation's advocacy
- Based on *LCU 05-CU-01* Letter to Credit Unions (LCU), *Supervising Community Development Credit Unions*, and *White Paper for Examiners*



External Resources

- NCUA's Community Development Revolving Loan Fund
- The CDFI Fund
- The Federation's Community Development Investment Program

7 Tests for CDFI Certification



Test #2: Primary Mission of Community Development

- Low Income Designated Credit Union's automatically pass
- Non-LICUs must demonstrate primary mission of community development with board-approved document
 - Question of institutional commitment and intent
 - Credit unions that truly believe they are CDFIs can pass this test

U.S. Treasury CDFI Fund

- Expand the capacity of financial institutions to provide credit, capital, and financial services to underserved populations and economically distressed communities in the United States
- 940 CDFIs as of February 28, 2011 - **200 CDFI certified CUs**, representing 23% of all CDFIs. At least 10 more CU applications under review
- Since 1996, disbursed \$1.3 billion to eligible financial institutions (CUs have received more than \$100 million)

U.S. Treasury CDFI Fund

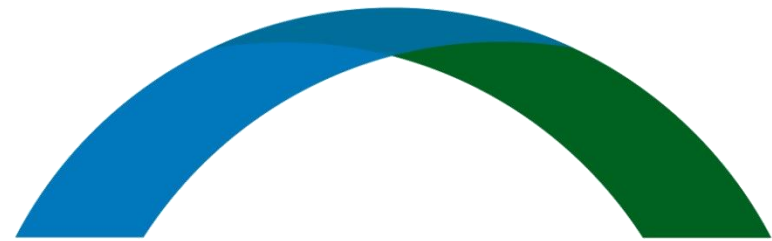
Increased role of Fund under this administration:

- **2009: \$100M** under the ERA awarded (CDCUs received \$18M) and \$55.3M as part of the regular funding program
- **2010: \$104.8M** disbursed to 179 CDFIs Award announcement ceremony hosted at LESPFCU, a leading CDCU in NYC. Largest single round of awards in the CDFI Fund's history! **21 CDCUs received \$12.7M**
- **2011: \$135M** available for funding round
- **2012: \$247M** line item in President's budget (the House Bill would provide \$243.6M for the CDFI Fund)

Benefits of CDFI Certification

- Access to Financial and Technical Assistance dollars from the CDFI Fund
- Participate in the Bank Enterprise Award program
- Leverage other Funding Sources
- Access to their Community Investment Impact System (to measure your community impact)

Federation's Community Development Investment Program



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Community Development Investment Program

- \$50 million in assets under management
- 36 investors
- \$31 million in investments in approximately 120 CDCUs nationwide
- \$8.7 million in mortgage loans purchased from 10 CDCUs nationwide

Capitalization Program

- Secondary Capital Loans
- Deposits
 - Nominee Deposits
 - Non-Member Deposits
- Risk-sharing Deposits
 - PRIDEs (Predatory Relief and Intervention Deposit)
 - Micro-Enterprise Deposits
- Grants



Secondary Capital Loans

- Purpose:
 - Strengthens / sustains credit union equity position
- Loans used towards regulatory net worth
- Subordinated to all other credit union debt
- Long term
 - Maturity of 5 to 7 years
- Loans up to \$500,000



Non-Member Deposits

- Purpose:
 - To provide CDCUs with liquidity to generate investment income
- Used to grow loan portfolio
- At or below market rates



Risk-Shared Deposits

- Purpose:
 - Help CDCUs achieve greater impact
- Loans up to \$250,000
- Used to collateralize a portion of loans made by credit unions to fight predatory / abusive lending
 - Federation assumes up to 25% of the risk of the loan principal
- Helps credit unions fight high cost “payday”, tax-refund, auto, mortgage, assistive technology and other lending

CDCU Secondary Market

- Purpose:
 - Assist with the expansion of affordable mortgage lending in low- and moderate- income communities nationwide
 - Increase liquidity for credit unions
- Federation purchases seasoned, performing 1st mortgage loans originated by CDCUS
- Target purchases: Loans to minority /low-income/ first-time homebuyers; 1 - 4 family; Condominium; Co-op; ITIN; Rural

Benefits of becoming a CDCU

- Recognition of commitment to promoting financial inclusion and the development of underserved communities.
- Helps meet the primary mission of “promoting community development” test of CDFI Certification
- Eligible to access Federation’s investment products
- Advocacy:
 - NCUA
 - CDFI Fund
 - US Treasury Department: CDCI
- Access to expertise, programs and resources

Benefits of becoming a CDCU

- Eligible to participate in Federation products and programs
- Access to expertise: in-house and consultants
- National network of credit unions serving LMI consumers
- **Financial Counseling** program through **BALANCE** for a flat fee.
- **CDCU Institute**: The industry's only training program specifically geared to credit unions serving LMI communities

For more information

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*Come join us in Hollywood, June 15-18,
for our 37th Annual Conference on
Serving the Underserved!*

