

Community Development
Financial Institutions Fund

FY 2016
President's Budget

February 2, 2015

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Section – Purpose

1A – Mission Statement

The mission of the Community Development Financial Institutions Fund (CDFI Fund) is to increase economic opportunity and promote community development investments for underserved populations and in distressed communities in the United States.

1.1 – Appropriations Detail Table

Dollars in thousands

CDFI Fund Appropriated Resources	FY 2014		FY 2015		FY 2016		FY 2015 to FY 2016			
	FTE	AMOUNT Enacted	FTE	AMOUNT Enacted	FTE	AMOUNT Request	FTE	AMOUNT \$ Change	FTE	AMOUNT % Change
New Appropriated Resources:										
CDFI Program	0	146,364	0	152,400	0	157,593	0	5,193	NA	3.41%
Bank Enterprise Award Program	0	18,000	0	18,000	0	0	0	-18,000	NA	-100.00%
Native American CDFI Assistance Program	0	15,000	0	15,000	0	16,000	0	1,000	NA	6.67%
Administration*	76	24,636	79	23,100	87	24,930	8	1,830	10.13%	7.92%
Healthy Food Financing Initiative	0	22,000	0	22,000	0	35,000	0	13,000	NA	59.09%
Subtotal New Appropriated Resources	76	\$226,000	79	\$230,500	87	\$233,523	8	\$3,023	10.13%	1.31%
Other Resources:										
Reimbursables	0	206	0	0	0	\$0	0	0	NA	0.00%
User Fees*	0	0	0	249	0	986	0	737	NA	295.98%
Recovery from Prior Years	0	4,200	0	5,200	0	5,200	0	0	NA	0.00%
Unobligated Balances from Prior Years	0	24,817	0	10,856	0	5,500	0	-5,356	NA	-49.34%
Subtotal Other Resources	0	\$29,223	0	\$16,305	0	\$11,686	0	-4,619	NA	-28.33%
Total Budgetary Resources	76	\$255,223	79	\$246,805	87	\$245,209	8	-1,596	10.13%	-0.65%

*This request reflects authorization of the Bond Guarantee Program in FY 2015.

1B – Vision, Priorities and Context

The vision of the CDFI Fund is to empower America's economically underserved and distressed communities. Our priority is to advance the Department of the Treasury's Strategic Goal No. 1: *Promote domestic economic growth and stability while continuing reforms of the financial system.* The CDFI Fund is uniquely positioned as the federal government entity whose primary mission is to build the capacity of Community Development Financial Institutions (CDFIs) to provide loans, investments, business counseling, basic banking services, and financial literacy training to underserved and distressed communities.

Since its creation in 1994, the CDFI Fund has awarded almost \$2.1 billion to CDFIs, community development organizations, and insured depository institutions through the CDFI Program, the Native American CDFI Assistance Program (NACA Program), and the Bank Enterprise Award Program (BEA Program). In addition, the CDFI Fund has allocated \$40 billion in New Markets Tax Credit (NMTC) investment authority through the NMTC Program to Community Development Entities (CDEs), awarded \$80 million through the Capital Magnet Fund (CMF), and awarded \$9.1 million through the Financial Education and Counseling (FEC) Pilot Program. Under FY 2013 and FY 2014 authority, through the CDFI Bond Guarantee Program, the Department of the Treasury provided four bond guarantees, totaling \$525 million, to Qualified Issuers that provided bond loans to eight Eligible CDFIs.

The CDFI Fund continues to experience growth in the demand for its award programs:

- CDFI Program -- For the FY 2014 funding round of the CDFI Program, the CDFI Fund received 336 applications **requesting more than \$393 million** in total funding. In addition, the CDFI Fund received applications from 29 eligible organizations requesting over \$84 million for the Healthy Food Financing Initiative (HFFI-FA). The CDFI Fund made 152 Financial Assistance (FA) and Technical Assistance (TA) awards totaling over \$160 million and 12 HFFI-FA awards totaling \$22.4 million.
- NACA Program -- For the FY 2014 NACA Program funding round, the CDFI Fund received 46 applications **requesting more than \$22 million** in funding, and made 33 awards totaling \$12.2 million.
- NMTC Program -- For the CY 2014 NMTC Program allocation round, the CDFI Fund received 263 applications **requesting approximately \$219.9 billion** in total allocation authority, and anticipates making an award announcement in the spring totaling approximately \$3.5 billion.
- BEA Program -- For the FY 2014 BEA Program funding round, the CDFI Fund received 98 applications **requesting approximately \$211 million** in awards, and made 69 awards totaling approximately \$18 million.
- CDFI Bond Guarantee Program -- For the FY 2013 round of the CDFI Bond Guarantee Program, the CDFI Fund received 8 guarantee applications **requesting \$825 million** in bond guarantees, and the Department of the Treasury provided guarantees for a total of \$325 million. For the FY 2014 round of the program, the CDFI Fund received 3 guarantee applications, **seeking a total of \$415 million** in guarantees and the Department of Treasury provided guarantees for \$200 million.

Progress towards Implementation of FY 2014 Priorities

In FY 2014, the CDFI Fund focused on a number of priority initiatives related to its business processes and award programs, to economically empower America's underserved and distressed communities and advance the Department of the Treasury's Strategic Goal 1 – *Promote domestic economic growth and stability while continuing reforms of the financial system.*

Priority 1: CDFI Program Evaluation: The CDFI Program Evaluation has been completed by the external consultants and is currently undergoing internal review. The Evaluation is scheduled for release by February, 2015.

Priority 2: Expanding CDFI Investments in Underserved Areas: In FY 2014, the CDFI Fund launched a new two-year capacity building initiative called "Expanding CDFI Investments in Underserved Areas." This initiative was developed in response to a Congressional request in the FY 2014 appropriation to expand access in underserved communities to CDFI Fund programs. The initiative will provide advanced training and technical assistance, including one-on-one assistance, peer cohort forums, and advanced implementation forums to assist established, as well as new and emerging, CDFIs seeking to increase investment activity in underserved markets. CDFIs will also have access to a virtual resource bank containing research and tools that can be used to increase their knowledge. Course training materials, third-party expert documents, and other resources will be made available to the public.

Priority 3: Native CDFI Capacity and Sustainability: In FY 2014, the CDFI Fund launched a new two-year capacity building initiative called “Native CDFI Capacity and Sustainability.” This initiative will identify the needs of Native CDFIs, common challenges facing Native CDFIs, and technical assistance to address those challenges. The intent of this contract is to develop a multifaceted training and technical assistance program to support Native CDFIs’ efforts to become sustainable and achieve greater impact in Native Communities. Further, the CDFI Fund will conduct a study on access to capital for Native Communities in FY 2015 for release in FY 2016. The data compiled for the study will be released in FY 2015.

Priority 4: Modernize Information Technology: The CDFI Fund awarded a contract to a small business to develop and implement its Awards Management Information System (AMIS). The AMIS will replace existing awards management systems (including compliance and reporting) over the next two years to better meet current and future business requirements.

Priority 5: Implement the OMB Supercircular: The CDFI Fund performed an analysis to comply with the requirements of OMB’s Supercircular. The purpose of the Supercircular is to streamline the existing guidance (circulars A-110, A-87, A-21, A-89, A-102, A-122, and A-133) and make additional changes to increase transparency of federal financial assistance. The Supercircular will result in changes to award-related documents and processes throughout the award life cycle, including pre-award and close-out.

Priority 6: Strengthen Loan Portfolio Management and Monitoring: The CDFI Fund initiated the development of a portfolio management and monitoring system for the CDFI Bond Guarantee Program. The CDFI Fund will collect institution and loan level data, help analyze the data, and produce standard, ad-hoc, and OMB Circular A-129 compliant reports to inform decisions about overall program performance.

Priority 7: Implement CDFI Program Risk Rating Model: This project was launched in March 2014 with the objective of developing risk-rating capabilities to meet a range of CDFI Fund needs across business units, including:

- Assessing organizational risk of CDFI applicants’ portfolios and management capabilities;
- Building a robust compliance risk assessment framework to identify emerging compliance risks among awardees; and
- Assessing CDFI industry-wide risk by awardee institution type, asset size, and geographical concentration, and other factors affecting industry performance.

The risk rating capability will provide a risk analysis of CDFIs to meet or ensure compliance with OMB requirements for federal loan and credit programs.

1C – FY 2015 and FY 2016 Goals and Priorities

In FY 2015 and FY 2016, the CDFI Fund will continue to implement the CDFI Program, the NACA Program, the Healthy Food Financing Initiative (HFFI), the NMTC Program, and CDFI Bond Guarantee Program.

Specifically, during FY 2015, the CDFI Fund will:

- Provide up to \$750 million in guarantees for bonds issued under the CDFI Bond Guarantee Program;
- Continue efforts to develop and implement risk-based assessment tools to inform decisions and determine risks and overall trends in performance;
- Continue its implementation of the AMIS to automate business processes, strengthen internal operations and enhance reporting capabilities;
- Continue to cultivate intergovernmental, non-profit, and private partnerships to leverage resources for CDFIs around the country; and
- Initiate an evaluation of the BEA Program and compliance research for the NMTC Program.

Fiscal Year 2016: The Department of the Treasury requests the following for FY 2016:

- \$157.59 million for the CDFI Program to provide FA and TA awards. Through the CDFI Program, the CDFI Fund awards grants and loans to invest in and build the capacity of CDFIs to serve low-income communities lacking adequate access to affordable financial products and services. The proposed FY 2016 Budget supports FA and TA awards to CDFIs to further goals that include, among others:
 - Economic development (job creation, small business lending, and commercial real estate development);
 - Affordable housing development (housing development and homeownership);
 - Provision of financial services (such as basic banking services to underserved communities); and
 - Provision of development services (such as financial literacy or homebuyer counseling and education).
- \$35 million for HFFI awards to CDFIs to expand financing for healthy food options in underserved urban and rural communities, particularly through the development or equipping of grocery stores and other healthy food retailers.
- \$16 million to provide FA and TA awards through the NACA Program, which provides awards and training to CDFIs that primarily serve Native Communities and to entities proposing to become or create Native CDFIs, thereby increasing access to credit, capital, and financial services in Native Communities. Of this amount, \$1 million would be used for technical assistance to build additional capacity for Native CDFI's.
- \$24.93 million in administrative funding to support a variety of purposes, including:
 - Staffing and resource demands created by significant growth across all programs, including the NMTC, the CDFI Bond Guarantee program and Capital Magnet Fund;
 - Administration of non-monetary programs and activities, including compliance monitoring and CDFI certification;
 - Continuation of evaluations of the effectiveness of CDFI Fund programs; and

- Enhancement of existing management and information systems and improvement of operational efficiency and effectiveness.

Government Reorganization: The President is again asking Congress to revive an authority enabling him to submit fast-track proposals to reorganize or consolidate Federal programs and agencies in order to reduce the size of Government or cut costs. The Budget includes a variety of proposed reforms across government designed to drive efficiency and accountability, prevent duplication, and make government work better and smarter for the American people. One of these reorganizations the President would propose with this authority reiterates his previous proposal to consolidate Federal business and trade programs into one more efficient and effective department dedicated to promoting U.S. competitiveness, exports, and American businesses and jobs. The proposal would integrate the six Federal agencies that focus primarily on business and trade, along with other related programs. These include the Department of Commerce's core business and trade functions, the Small Business Administration, the Office of the U.S. Trade Representative, the Export-Import Bank, the Overseas Private Investment Corporation, and the U.S. Trade and Development Agency, as well as rural business programs at the Department of Agriculture, Treasury's Community Development Financial Institutions Fund, and statistical agencies at the Department of Labor and National Science Foundation. To strengthen the new department's focus on business and economic growth, the National Oceanic and Atmospheric Administration would be consolidated into the Department of Interior, strengthening stewardship and conservation efforts and enhancing scientific resources. The Budget schedules for these agencies and programs continue to reflect them in their current alignment.

Section 2 – Budget Adjustments and Appropriation Language

2.1 – Budget Adjustments Table

Dollars in Thousands

Community Development Financial Institutions Fund	FTE	Amount
FY 2015 Enacted	79	\$230,500
Changes to Base:		
Maintaining Current Levels (MCLs):	-	\$437
Pay raise	-	\$100
Pay annualization	-	\$26
FERs	-	\$38
Non-pay	-	\$273
Non-Recurring Costs:	-	(\$523)
Research and Evaluation (Data Collection)	-	(\$523)
Efficiency Savings:	-	(\$84)
Travel Savings	-	(\$84)
Subtotal Changes to Base	-	(\$170)
Total FY 2016 Base	79	\$230,330
Program Changes:		
Program Increases:	8	\$21,193
Community Development Financial Institutions Program	-	\$5,193
Native American CDFI Assistance Program	-	\$1,000
Healthy Food Financing Initiative	-	\$13,000
Administration - Capital Magnet Fund	8	\$2,000
Program Decreases:	-	(\$18,000)
Bank Enterprise Award	-	(\$18,000)
Total FY 2016 Request	87	\$233,523

2A – Budget Increases and Decreases Description

Maintaining Current Levels (MCLs) +\$437,000 / +0 FTE

Pay-Raise +\$100,000 / +0 FTE

Funds are requested for the proposed January 2016 pay-raise.

Pay Annualization +\$26,000 / +0 FTE

Funds are requested for annualization of the January 2015 pay-raise.

FERs Contribution Increase +\$38,000 / +0 FTE

Funds are requested for increases in agency contributions to the Federal Employee Retirement System based on updated actuarial estimates.

Non-Pay +\$273,000 / +0 FTE

Funds are requested for inflation adjustments in non-labor costs such as travel, contracts, rent, supplies, and equipment.

Non-Recurring Cost -\$523,000 / +0 FTE

Administration - Research and Evaluation (Data Collection) -\$523,000 / +0 FTE

The CDFI Fund will non-recur a portion of research and evaluation funding.

Efficiency Savings -\$84,000 / +0 FTE

Administration -\$84,000 / +0 FTE

The CDFI Fund will reduce travel costs through the use of fewer travelers, video conference calling, and hosting of award announcements locally.

Program Increases+\$21,193,000 / +8 FTE

CDFI Program +\$5,193,000 / +0 FTE

The CDFI Fund will increase the amount and number of FA and TA awards. An increase of \$5.19 million to the CDFI Program will result in 5 - 6 additional FA awards to increase the number of business and microenterprise loans, home improvement and purchase loans, residential real estate transactions, and other consumer loans and products offered by CDFI awardees.

Native American CDFI Assistance Program +\$1,000,000 / +0 FTE

The CDFI Fund will increase the NACA Program by \$1 million in order to increase participation by Native communities by improving technical assistance and capacity building for Native CDFIs.

Healthy Food Financing Initiative +\$13,000,000 / +0 FTE

The CDFI Fund will increase the amount and number of FA awards for the Healthy Foods Financing Initiative. An increase of \$13 million will result in 6-7 more awards to expand the offering of affordable financing for healthy food retail options in distressed communities.

Administration - Capital Magnet Fund +\$2,000,000 / +8 FTE

The CDFI Fund will increase the administrative budget for the Capital Magnet Fund in the amount of \$2 million to support estimated award funding. Awards made through the program will be funded by annual transfers from Fannie Mae and Freddie Mac.

Program Decreases-\$18,000,000 / +0 FTE

Bank Enterprise Award -\$18,000,000 / +0 FTE

The President's Budget proposes not to fund the BEA program in FY 2016.

2.2 – Operating Levels Table

Dollars in thousands

Community Development Financial Institutions Fund		FY 2014	FY 2015	FY 2016
Object Classification		Actual	Enacted	Request
11.1	Full-time permanent	8,127	7,869	8,030
11.9	Personnel Compensation (Total)	8,127	7,869	8,030
12.0	Personnel benefits	2,537	2,046	2,238
Total Personnel and Compensation Benefits		10,664	9,915	10,268
21.0	Travel and transportation of persons	35	177	93
22.0	Transportation of things	0	4	4
23.3	Communication, utilities, and misc. charges	190	225	225
24.0	Printing and reproduction	0	125	100
25.1	Advisory and assistance services	5,040	6,473	7,238
25.2	Other services from non-Federal Sources	46	118	118
25.3	Other goods and services from Federal Sources	4,654	4,954	7,295
25.5	Research and development contracts	0	1,023	500
26.0	Supplies and materials	15	56	59
31.0	Equipment	8	30	30
33.0	Investments and loans	87	0	0
41.0	Grants, subsidies, and contributions	194,405	207,400	207,593
Total Non-Personnel		204,480	220,585	223,255
Total Budgetary Resources		\$215,144	\$230,500	\$233,523
Budget Activities:				
	Community Development Financial Institutions Program	151,205	156,818	164,793
	Bank Enterprise Award Program	35,058	18,132	0
	Native American CDFI Assistance Program	15,750	18,695	18,000
	Administration	30,716	30,110	26,416
	Healthy Food Financing Initiative	22,493	23,050	36,000
Total Budgetary Resources		\$255,223	\$246,805	\$245,209
FTE		76	79	87

2B – Appropriations Language and Explanation of Changes

Appropriations Language	Explanation of Changes
<p style="text-align: center;">DEPARTMENT OF THE TREASURY COMMUNITY DEVELOPMENT FINANCIAL INSTITUTIONS FUND</p> <p>To carry out the Riegle Community Development and Regulatory Improvements Act of 1994 (subtitle A of title I of Public Law 103–325), including services authorized by section 3109 of title 5, United States Code, but at rates for individuals not to exceed the per diem rate equivalent to the rate for EX-3, [230,500,000] \$233,523,000. Of the amount appropriated under this heading—</p> <p>(1) not less than [152,400,000] \$157,593,000, notwithstanding section 108(e) of Public Law 103–325 (12 U.S.C. 4707(e)) with regard to Small and/or Emerging Community Development Financial Institutions Assistance awards, is available until September 30, [2016] 2017, for financial assistance and technical assistance under subparagraphs (A) and (B) of section 108(a)(1), respectively, of Public Law 103–325 (12 U.S.C. 4707(a)(1)(A) and (B)), of which up to \$3,102,500 may be used for the cost of direct loans: <i>Provided</i>, That the cost of direct and guaranteed loans, including the cost of modifying such loans, shall be as defined in section 502 of the Congressional Budget Act of 1974: <i>Provided further</i>, That these funds are available to subsidize gross obligations for the principal amount of direct loans not to exceed \$25,000,000; (2) not less than [15,000,000] \$16,000,000, notwithstanding section 108(e) of Public Law 103–325 (12 U.S.C. 4707(e)), is available until September 30, [2016] 2017, for financial assistance, technical assistance, training and outreach programs designed to benefit Native American, Native Hawaiian, and Alaskan Native communities and provided primarily through qualified community development lender organizations with experience and expertise in community development banking and lending in Indian country, Native American organizations, tribes and tribal organizations, and other suitable providers; [(3) not less than \$18,000,000 is available until September 30, 2016, for the Bank Enterprise Award program;] [(4)3) not less than [22,000,000] \$35,000,000, notwithstanding subsections (d) and (e) of section 108 of Public Law 103–325 (12 U.S.C. 4707(d) and (e)), is available until September 30, [2016] 2017, for a Healthy Food Financing Initiative to provide financial assistance, technical assistance, training, and outreach to community development financial institutions for the purpose of offering affordable financing and technical assistance to expand the availability of healthy food options in distressed communities; [(5)4) up to [23,100,000] \$24,930,000 is available until September 30, [2015] 2017, for administrative expenses, including administration of CDFI fund programs <i>including the</i></p>	<p>As the number of programs the CDFI Fund administers has increased from two in the beginning to the current nine program areas, the timing of the annual life-cycle for these programs (from drafting the NOFA, NOAA or NOGA to the awarding and disbursement of awards) has had to be stretched across fiscal years. Thus, there is critical need to have the administration budget be two-year money paralleling the program budgets to effectively run the CDFI Fund’s programs. This is being compounded by the need to stand up the Capital Magnet Fund in fiscal year 2015 without an associated administration budget.</p>

Appropriations Language	Explanation of Changes
<p><i>Capital Magnet Fund and the New Markets Tax Credit Program, of which up to \$1,000,000 is for capacity building to expand CDFI investments in underserved areas, and up to \$300,000 is for administrative expenses to carry out the direct loan program; and ([6]5) during fiscal year [2015] 2016, none of the funds available under this heading are available for the cost, as defined in section 502 of the Congressional Budget Act of 1974, of commitments to guarantee bonds and notes under section 114A of the Riegle Community Development and Regulatory Improvement Act of 1994 (12 U.S.C. 4713a): Provided, That commitments to guarantee bonds and notes under such section 114A shall not exceed [\$750,000,000: Provided further, That such section 114A shall remain in effect until September 30, 2015] \$1,000,000,000. (Department of the Treasury Appropriations Act, 2015.)</i></p>	

2C – Legislative Proposals

Treasury recommends extension of the CDFI Bond Guarantee Program through FY 2017 and proposes reforms to the program to increase participation and ensure credit-worthy CDFIs have access to this important source of capital, while continuing to maintain strong protections against credit risk.

Justification

The CDFI Bond Guarantee Program provides CDFIs access to a significant source of capital. By providing guarantees of bonds issued by Qualified Issuers, the CDFI Bond Guarantee Program injects new and substantial capital into our nation’s most distressed communities. CDFIs can gain from the potential scale of the CDFI Bond Guarantee Program, which offers low-cost, long-term credit for the development of commercial real estate, rental housing, senior living, daycare or healthcare centers, small businesses, and rural infrastructure, among others. This will further close the gap of financing in these communities, generate new credit information in these market segments, and yield the benefit of lower financing costs for borrowers in these underserved communities.

The Bond Guarantee Program provides CDFIs a critical source of below-market, long-term capital that is not available to the CDFI industry. The Budget proposes more flexible terms that will allow smaller credit-worthy institutions to participate in the program while more accurately accounting for credit risk. Treasury proposes the following legislative changes: (i) to extend the CDFI Bond Guarantee Program through FY 2017; (ii) to reduce the minimum bond issue size from \$100 million to \$25 million; (iii) to permit the Secretary to adjust the risk-share pool payment requirement, based on the borrower’s credit quality, from zero to four percent; (iv) to collect a mandatory one percent fee from all borrowers; and (v) to revise the relending account language to correct a technical drafting error.

These changes will not impact the CDFI Fund's underwriting requirements and, as such, will not increase Federal exposure to credit risk. Additionally, the program will still be required to maintain a zero or negative credit subsidy rate and, therefore, generate no budgetary cost.

Suggested Legislative Language

SEC. 126. AMENDMENTS TO COMMUNITY DEVELOPMENT FINANCIAL INSTITUTIONS BOND PROGRAM. Section 114A of the Riegle Community Development and Regulatory Improvement Act of 1994 (12 U.S.C. 4713a) is amended— (a) in subsection (c)(2) by striking ", multiplied by an amount equal to the outstanding principal balance of issued notes or bonds"; (b) by amending subsection (d) to read as follows— "(d) RISK-SHARE POOL.— Each qualified issuer shall, during the term of a guarantee provided under the Program, establish a risk-share pool, capitalized by contributions from eligible community development financial institution participants in amounts that shall not exceed 4 percent of the guaranteed amount outstanding on the subject notes and bonds, which contribution amounts shall be determined by the Secretary for each eligible community development financial institution participant based on the Secretary's assessment of the participant's credit quality."; (c) in subsection (e)(2)(B), by striking "\$100,000,000" and inserting "\$25,000,000"; (d) in subsection (g) by amending the subsection to read as follows: "(g) FEES.— "(1) IN GENERAL.— "(A) QUALIFIED ISSUER.—A qualified issuer that receives a guarantee issued under this section on a bond or note shall pay a fee to the Secretary, in an amount equal to 10 basis points of the amount of the unpaid principal of the bond or note guaranteed. "(B) ELIGIBLE CDFI PARTICIPANT.—An eligible community development financial institution participant that receives a bond loan under this section shall pay a fee to the Secretary, in an amount equal to 1 percent of the unpaid principal of the bond or note guaranteed. "(2) PAYMENT. — "(A) QUALIFIED ISSUER.—A qualified issuer shall pay the fee required under paragraph (1)(A) on an annual basis. "(B) ELIGIBLE CDFI PARTICIPANT.— An eligible community development financial institution participant shall pay the fee required under paragraph (1)(B) at the time of loan disbursements to the participant."(3) USE OF FEES.—Fees collected by the Secretary— "(A) under paragraph (1)(A) shall be used to reimburse the Department of the Treasury for any administrative costs incurred by the Department in implementing the Program established under this section and shall be available until expended; and "(B) under paragraph (1)(B) shall be deposited by the Secretary into an account that shall be available to the Secretary to cover credit subsidy costs and to pay principal and interest on the guaranteed bonds or notes in the event of a delinquency in repayment of loans to eligible community development financial institution participants."; and (e) in subsection (k), by striking "2014" and inserting "2017".

Section 3 – Budget and Performance Plan

3A – Administration

(\$24,930,000 from direct appropriations):

This budget activity encompasses the CDFI Fund's operational support and management activities for each of its award programs and supports the CDFI Fund's Strategic Goal No. 4: To increase resource and human capital management to maximize performance, efficiency, and program results. This includes, among other activities, developing regulations, Notices of Funding Availability, and application materials; reviewing and evaluating certification and funding applications; selecting awardees; finalizing the terms of award agreements; making disbursements; collecting and evaluating performance data; and monitoring awardees' compliance. All of these tasks support activities that allow the CDFI Fund to carry out its overall mission.

Description of Performance:

The CDFI Fund has made significant progress enhancing its program administrative business processes, enabling quicker award disbursements.

The CDFI Fund's two administrative measures are organization-wide efficiency measures based on the weighted average of the number of applications/awards across all programs. (All-application-award and All-award-disbursement cycle times).

The *All-application-award Cycle Time* performance target was 7.0 for FY 2014 and FY 2015. In FY 2014, the CDFI Fund completed its program application-award cycle time in 7.1 months and just missed meeting this performance goal. The application-award target was missed slightly because of a change in congressionally mandated matching funds requirements for the CDFI program under the appropriation language of December 2013 which required supplemental notification of applicants and additional reviews of the applicant's matching documentation. The revised FY 2015 and FY 2016 targets are set at 7 months.

The *All-Award-Disbursement Cycle Time* target is a measure in months of how quickly the CDFI Fund manages to initially disburse 85 percent of program funds after the award announcement. In FY 2013, the target of 3.5 months was not met as it took 4.5 months to assure the accuracy of all in-kind matching requirements for grants and loans, particularly for the rates and terms of the matching loans. In FY 2014, because of the increased level of effort to ensure strong controls over the disbursement process, the CDFI Fund missed its target of 3.5 months as only 77 percent of program funds were initially disbursed within 3.5 months and current disbursement data indicate that initial disbursements should be completed in 4.5 months. The CDFI Fund has raised the award-disbursement target from 3.5 to 4 months for FYs 2015 and 2016 since the past two years has shown that it takes around 4 months to make an initial disbursement on 85 percent of program funds. The matching funds requirements in the Core FA component of the CDFI Program necessitate strong internal controls and checks which slightly lengthens the process. Lastly, the incorporation of the OMB Supercircular requires the CDFI Fund to develop additional oversight procedures for the disbursement processes which will lengthen the timeline during FY 2015.

The *All-Affordable Housing* measure includes housing units reported by CDFI, NMTC and CMF program awardees. For FY2014 the target was exceeded due to higher than projected results achieved by CMF awardees. The targets for FY 2015 and 2016 do not factor in results from future rounds of funding for CMF and the FY 2015 targets include the final incremental contributions attributed to first round of CMF awards. The outcomes of the FY 2016 CMF awards will not be reported until FY 2017.

3.1.1 – Administration Budget and Performance Plan

The CDFI Fund’s suite of performance measures was comprehensively revised in FY 2010 so many of these measures only have four years of actual results.

Dollars in Thousands

Administrative Budget Activity								
Resource Level	FY 2009	FY2010	FY 2011	FY2012	FY 2013	FY2014	FY 2015	FY2016
	Actual	Actual	Actual	Actual	Enacted	Enacted	Enacted	Request
Appropriated Resources	\$12,483	\$13,797	\$18,602	\$22,965	\$21,764	\$24,636	\$23,600	\$24,930
Budget Activity Total	\$12,483	\$13,797	\$18,602	\$22,965	\$21,764	\$24,636	\$23,600	\$24,930

Measure	FY 2009	FY 2010	FY 2011	FY 2012	FY 2013	FY 2014	FY 2015	FY 2016
	Actual	Actual	Actual	Actual	Actual	Actual	Target	Target
ALL - Award Cycle Time (months)	N/A	N/A	7.4	6.5	6.8	7.1	7.0	7.0
ALL - Disbursement Cycle Time (months)	N/A	N/A	2.0	3.1	4.5	4.5	4.0	4.0
ALL - Number of affordable housing units developed or produced (units)	N/A	N/A	19,083	27,433	26,391	32,621	36,000	29,000

Key: DISC - Discontinued and B - Baseline

3B Community Development Financial Institutions Program

(\$157,593,000 from direct appropriations):

The CDFI Program supports the CDFI Fund’s Strategic Goal No. 1: To expand the capacity of financial institutions to provide credit, capital, and financial services to low-income and underserved populations. Through the CDFI Program, the CDFI Fund makes FA awards to CDFIs that have comprehensive business plans for creating community development impact and that demonstrate the ability to leverage private sector sources of financing, as well as TA grants to CDFIs and entities proposing to become CDFIs.

Description of Performance:

The CDFI Fund has revised its performance measures for the CDFI financial assistance program to better measure the impact of CDFI awardees on distressed communities and underserved populations. The CDFI Fund worked with Treasury’s Office of Performance Budgeting (OPB) and Office of Strategic Planning and Performance Improvement (OSPPI) to develop two new measures: (1) the percentage of loans and investments originated in eligible distressed communities or made to underserved populations as measured against the total amount of loans originated by awardees, and; (2) the percentage of loans and investments originated in eligible distressed communities or to underserved populations as measured by the total number of loans originated by awardees.

These two measures demonstrate the impact of CDFI awardees in serving eligible distressed communities and underserved populations by lending reported during the program year. By regulation all certified CDFIs must originate 60 percent or more of their loans and investments in eligible distressed census tracts or to underserved populations. The target is a threshold that must be met or exceeded recognizing the need for CDFIs to balance their mission of serving distressed communities and underserved populations against their safety and soundness considerations.

As the historical data in table 3.1.2 indicates, the percentage share by amount of loans varies between 66 percent to nearly 85 percent in distressed communities and to underserved populations. When measured by the number of loans and investments, the share going to distressed communities and underserved populations has varied from 60 percent to nearly 80 percent. These trends indicate that CDFI awardees have been successful in meeting their mission of serving distressed communities and underserved populations both in terms of the amount and number of loans made to these target markets.

3.1.2 – Community Development Financial Institutions Program Budget and Performance Plan

Dollars in Thousands

Community Development Financial Institutions Program Budget Activity								
Resource Level	FY 2009	FY2010	FY 2011	FY2012	FY 2013	FY2014	FY 2015	FY2016
	Actual	Actual	Actual	Actual	Enacted	Enacted	Enacted	Request
Appropriated Resources	\$149,750	\$107,600	\$162,830	\$146,035	\$138,397	\$146,364	\$152,400	\$157,593
Budget Activity Total	\$149,750	\$107,600	\$162,830	\$146,035	\$138,397	\$146,364	\$152,400	\$157,593

Measure	FY 2009 Actual	FY2010 Actual	FY 2011 Actual	FY2012 Actual	FY 2013 Actual	FY2014 Actual	FY 2015 Target	FY2016 Target
CDFI - Percentage of Loans & Investments Originated to Eligible Distressed communities or Underserved Populations by Dollar Amount (percentage)	N/A	74.8%	66.3%	84.9%	77.1%	70.8%	60.0%	60.00%
CDFI - Percentage of Loans & Investments Originated to Eligible Distressed communities or Underserved Populations by Number of Loans (percentage)	N/A	65.1%	60.6%	70.3%	79.6%	60.7%	60.0%	60.0%

Key: DISC - Discontinued and B - Baseline

3C – New Markets Tax Credit Program

(\$0 from direct program appropriations):

Through the NMTC Program, the CDFI Fund facilitates new investment in low-income communities by attracting private sector capital to these communities through tax credits. These objectives align with the CDFI Fund’s Strategic Goal No. 2 – Increased public and private investment in distressed communities eligible to be served by the CDFI Fund’s programs. Individual and corporate investors may receive a credit against their federal income taxes in exchange for making equity investments in

Community Development Entities (CDEs) that, in turn, use such proceeds to finance businesses and real estate projects in low-income communities. The investor's tax credit equals 39 percent of the amount invested and is taken over seven years.

The FY 2016 President's Budget proposes to permanently extend the NMTC Program, allowing up to \$5 billion in qualifying investments each year. The proposals would also permit the NMTC to offset Alternative Minimum Tax (AMT) liability.

Description of Performance:

The 2013 NMTC investment authority was allocated in FY 2014 due to delayed passage of the authorizing legislation. In the 2013 round, the NMTC Program awarded \$3.5 billion in NMTC investment authority to 87 CDEs, out of a pool of 310 applicants requesting \$25.9 billion. Legislative authorization for 2014 totaling \$3.5 billion in total NMTC allocation authority is projected to be awarded in the spring of 2015.

As of September 2014, CDEs have raised a cumulative total of \$31.9 billion since the inception of the NMTC Program. The NMTC Program has targeted investments into the most distressed census tracts among those that meet statutory eligibility requirements. The FY 2014 NMTC annual reporting by allocatees totaled \$4 billion in new financing, falling below the stretch target of \$5 billion which was put into place based on expectations about investments made from available tax authority balances. The FY 2015 and FY 2016 targets were set at \$5 billion to reflect the actual annual tax credit authority requested.

3.1.3 – New Markets Tax Credit Program

Dollars in Thousands

New Markets Tax Credit Program Budget Activity								
Resource Level	FY 2009	FY2010	FY 2011	FY2012	FY 2013	FY2014	FY 2015	FY2016
	Actual	Actual	Actual	Actual	Enacted	Enacted	Enacted	Request
Appropriated Resources	\$4,267	\$4,203	\$0	\$0	\$0	\$0	\$0	\$0
Budget Activity Total	\$4,267	\$4,203	\$0	\$0	\$0	\$0	\$0	\$0
Measure								
	FY 2009	FY 2010	FY 2011	FY 2012	FY 2013	FY 2014	FY 2015	FY 2016
	Actual	Actual	Actual	Actual	Actual	Actual	Target	Target
Community Development Entities' Annual Qualified Low-Income Community Investments (\$ billions)	\$3.6	\$3.1	\$4.7	\$5.5	\$4.8	\$4.0	\$5.0	\$5.0
NMTC-Percentage of Loans and Investments that went into Severely Distressed Communities (percentage)	81%	73.4%	72.4%	70.4%	78.5%	73.8%	72.0%	72.0%

Key: DISC - Discontinued and B - Baseline

3D – Bank Enterprise Award Program

(\$0 from direct appropriations):

Through the BEA Program, the CDFI Fund encourages insured depository institutions to increase investments and services in distressed communities and to provide financial assistance to CDFIs.

These objectives align with the Department of the Treasury’s Strategic Goal No. 1: *Promote domestic economic growth and stability while continuing reforms of the financial system.*

Description of Performance

In FY 2014, the CDFI Fund received 98 eligible BEA Program applications requesting a total of approximately \$211 million in awards, which is the largest amount in requested awards since the inception of the program. The CDFI Fund selected 69 FDIC-insured institutions to receive approximately \$18 million in BEA Program awards. The average award amount was \$258,962. FY 2014 BEA Program awardees are headquartered in 24 states and the District of Columbia, compared to the 18 states and the District of Columbia represented in the prior year. FY 2014 BEA Program awardees increased their qualified community development activities over the prior year activities by \$571.5 million while all FY 2014 BEA applicants increased their qualified community development activities by more than \$723.5 million. The performance target for FY 2014 was exceeded as applicants substantially increased their qualified community development activities despite reductions in program funding. This behavior indicates a high level of commitment to the program by applicants and as result the target has been increased for FY 2015.

3.1.4 – Bank Enterprise Award Program

Dollars in Thousands

Bank Enterprise Award Program Budget Activity								
Resource Level	FY 2009	FY 2010	FY 2011	FY 2012	FY 2013	FY 2014	FY 2015	FY 2016
	Actual	Actual	Actual	Actual	Enacted	Enacted	Enacted	Request
Appropriated Resources	\$22,000	\$25,000	\$21,956	\$18,000	\$17,058	\$18,000	\$18,000	\$0
Budget Activity Total	\$22,000	\$25,000	\$21,956	\$18,000	\$17,058	\$18,000	\$18,000	\$0

Measure	FY 2009	FY 2010	FY 2011	FY 2012	FY 2013	FY 2014	FY 2015	FY 2016
	Actual	Actual	Actual	Actual	Actual	Actual	Target	Target
BEA-Increase in Community Development Activities Over Prior Year For All BEA Program Applicants (\$ million)	\$292	\$290	\$268.3	\$432.4	\$493.5	\$723.5	\$750	DISC

Key: DISC – Discontinued

3E – Native American CDFI Assistance Program

(\$16,000,000 from direct appropriations):

Through the NACA Program, the CDFI Fund assists entities in overcoming barriers that prevent access to credit, capital, and financial services in American Indian, Alaska Native, and Native Hawaiian communities. The CDFI Fund makes monetary awards to increase the number and capacity of existing or new Native CDFIs (i.e., CDFIs that serve Native communities). In addition, the NACA Program provides training to help strengthen and develop Native CDFIs. Native CDFIs lend where others have not, and are serving the poorest in Native communities. In order for Native CDFIs to make a larger economic impact within Native communities, they require further technical assistance and capacity building to access financial capital. With the increased capacity building, Native CDFIs could, for example, expand their lending from an initial offering of micro-loans to making larger small business loans to better promote economic activity. These objectives align with the Department of the Treasury’s Strategic Goal 1: *Promote domestic economic growth and stability while continuing reforms of the financial system.*

Description of Performance:

As detailed in Table 3.1.5, in FY 2014 NACA awardees reported originating 2,230 loans amounting to \$100.5 million which greatly exceeded the targets of 1,300 loans and \$22.5 million in loans because of the large increase in the asset size of reporting awardees. The targets for FYs 2014 and 2015 have been adjusted upward based on an alternative forecasting technique using the number of reporting awardees, asset size and average loan size. In addition, research is underway to develop a new metric to measure the share of lending within and adjacent to tribal lands based on Federal Designations.

3.1.5 – Native American CDFI Assistance Program

Dollars in Thousands

Resource Level	FY 2009 Actual	FY 2010 Actual	FY 2011 Actual	FY2012 Actual	FY 2013 Enacted	FY2014 Enacted	FY 2015 Enacted	FY2016 Request
Appropriated Resources	\$16,500	\$12,000	\$11,352	\$12,000	\$11,372	\$15,000	\$15,000	\$16,000
Budget Activity Total	\$16,500	\$12,000	\$11,352	\$12,000	\$11,372	\$15,000	\$15,000	\$16,000

Measure	FY 2009 Actual	FY 2010 Actual	FY 2011 Actual	FY 2012 Actual	FY 2013 Actual	FY 2014 Actual	FY 2015 Target	FY 2016 Target
NACA - Amount of Loans/Investments Originated (Annual) (Dollars in Millions)	N/A	N/A	\$14.7	\$21.2	\$23.2.0	\$100.5	\$164	\$164
NACA - Number of Loans/Investments Originated (Annual)	N/A	N/A	1,004	1,170	1,508	2,230	1,860	1,860

Key: DISC - Discontinued and B - Baseline

3F – Healthy Food Financing Initiative

(\$35,000,000 from direct appropriations):

The Healthy Food Financing Initiative (HFFI) is an interagency initiative involving the U.S. Department of the Treasury and the U.S. Department of Agriculture. The HFFI represents the federal government’s first coordinated step to eliminate “food deserts” – low-income urban and rural areas in the United States with limited access to affordable and nutritious food – by promoting a wide range of interventions that expand the supply of and demand for nutritious foods, including increasing the distribution of agricultural products, developing and equipping grocery stores, and strengthening producer-to-consumer relationships.

The HFFI has had a high response rate from applicants. To date, all 12 of the first-round HFFI awardees and 11 of the 12 second-round awardees have reported on three years of HFFI investments. In total, 99 loans/investments were made to 114 projects totaling \$43,589,977 in HFFI eligible activities. A total of 64 retail outlets were funded resulting in 899,021 square feet of new retail space developed for projects ranging from small green grocers to large supermarkets, all serving low-income, low-access census tracts. Another 50 non-retail projects developed 1,122,816 square feet of space for eligible healthy food activities such as farming and development of distribution centers.

The HFFI supports the CDFI Fund’s Strategic Goal No. 1: *To expand capacity of financial institutions to provide credit, capital, and financial services to low-income and underserved*

populations. Through the HFFI, the CDFI Fund awards CDFI Program funds to certified CDFIs to help address the need for healthy food in underserved and low-income communities. These organizations use federal grants, below market-rate loans, loan guarantees, and tax credits to attract private sector financing for projects that increase access to healthy food options.

Description of Performance:

The primary HFFI performance measure is the number of healthy food options created and maintained in low-income areas that have been identified through detailed census tract analysis as having limited access to healthy food options. In FY 2013 and 2014 program awardees reported baseline data on investments which created 31 retail outlets and 33 respectively for healthy food activities in low-income, low-access areas. As a result of this baseline reporting and additional program award rounds, preliminary targets have been set for FY 2015 and 2016.

3.1.6 – Healthy Food Financing Initiative

Dollars in Thousands

Healthy Food Financing Initiative Budget Activity								
Resource Level	FY 2009	FY 2010	FY 2011	FY2012	FY 2013	FY2014	FY 2015	FY2016
	Actual	Actual	Actual	Actual	Enacted	Enacted	Enacted	Request
Appropriated Resources	\$0	\$0	\$0	\$22,000	\$20,849	\$35,000	\$22,000	\$35,000
Budget Activity Total	\$0	\$0	\$0	\$22,000	\$20,849	\$35,000	\$22,000	\$35,000

Measure	FY 2009	FY 2010	FY 2011	FY 2012	FY 2013	FY 2014	FY 2015	FY 2016
	Actual	Actual	Actual	Actual	Actual	Actual	Target	Target
HFFI - Retail Outlets Created/Preserved	N/A	N/A	N/A	B	31	33	47	47

Key: DISC - Discontinued and B - Baseline

3G Capital Magnet Fund Program

(\$0 from direct appropriations):

The Capital Magnet Fund (CMF), administered by the CDFI Fund, was authorized by the Housing and Economic Recovery Act of 2008 (HERA), which called for recurrent funding of the CMF through assessments on securities of the Government-Sponsored Enterprises (GSEs) Fannie Mae and Freddie Mac. GSE funding for CMF was temporarily suspended in November of 2008 by the Federal Housing Finance Agency (FHFA) under its HERA authority. In FY 2010, Congress appropriated \$80 million for an initial CMF funding round; however, no appropriations were made in subsequent years. In December 2014, the FHFA instructed the GSEs to begin setting aside and allocating funds to the CMF pursuant to HERA. This budget activity aligns with the Department of the Treasury’s Strategic Goal 1: Promote domestic economic growth and stability while continuing reforms of the financial system.

From the 2010 funding round, the CDFI Fund announced \$80 million in competitively awarded grants to 23 CDFIs and qualified non-profit housing organizations serving 38 states. The CMF awards have been used to increase capital investment for the development, preservation, rehabilitation, and purchase of affordable housing for low-, very low-, and extremely low-income families, and for related economic development activities, including community services facilities.

Awardees received their Assistance Agreements in July 2011 and disbursements of grant funding later that year. As required by the Assistance Agreement, funds were committed to projects within two years of the agreement (July 2013) and disbursed within three years of the agreement (July 2014). All projects must be completed within five years of agreement (July 2016). Awardees committed to leveraging the CMF award by at least 10 times with other sources of capital, as well as committed to projects that meet percentages of targeted incomes and geographies.

Awardee reports available through September 30, 2014 indicate the following updates on CMF-financed affordable housing and community development activities through FY 2013:

- Total number of affordable homes under development with CMF financing include: 8,758 (net addition of 1,955);
- Affordable rental homes financed: 7,913 (net addition of 1,612);
- Affordable homeowner-occupied homes financed: 845 (net addition of 343), including assistance to 214 income-eligible, first-time homebuyers;
- Average CMF award investment in each unit of affordable housing developed: \$11,200;
- Average total cost of each unit of affordable housing developed: \$179,500

Description of Performance:

The primary performance measures of the CMF are the number of affordable housing units for which CMF funding was a source of financing and the degree to which other funding sources were leveraged by CMF financing. Data are included in performance table 3.1.1 above.

Section 4 – Supplemental Information

4A – Summary of Capital Investments

As part of its FY 2016 capital investment strategy, the CDFI Fund plans to spend approximately \$5.07 million on Information Technology (IT). The CDFI Fund has no major IT investments, nor any capital investments other than IT.

Non-Major IT Investments

The CDFI Fund's capital investment strategy is to become a consumer of commodity IT services (e.g., IT infrastructure services) and to focus its limited IT resources on IT solutions that directly support the mission of the CDFI Fund. One important mission-focused IT modernization activity is the implementation of an Award Management Information System (AMIS) — an enterprise, commercial, off-the-shelf product that will replace the CDFI Fund's legacy business systems. The CDFI Fund awarded the AMIS contract to a small business in July 2014. The first AMIS deployment is planned for September 2015 with full deployment planned for September 2016. By streamlining business processes and leveraging modern automation and technology, the CDFI Fund will be able to handle larger volumes of awards, tax credits, and loan portfolios while achieving more transparency and better data quality and providing better service to its customers.

Another mission-focused IT initiative is the modernization of the CDFI Fund public website. The CDFI Fund public website has not undergone a substantial redesign in over 10 years. This IT initiative will provide an innovative and modern design to the CDFI Fund public website, and will use the Department of Treasury's SharePoint as a Service (SaaS) Platform to ensure a cost-effective solution. The new CDFI Fund public website is planned to be completed in July 2015.

In FY 2016, the CDFI Fund identified five non-major IT investments. Investments for Legacy Mission Systems (LMS) and the Community Investment Impact System (CIIS) are in Operations & Maintenance (O&M). The remaining three investments are AMIS and the CDFI Fund Public Website, which are described above, and IT Program Management Support. The IT Program Management Support investment includes planning, acquisition, and system deployment support services for the modernization of CDFI Fund mission systems. These services are being obtained via an Interagency Agreement with the Alcohol and Tobacco Tax and Trade Bureau (TTB).

IT Infrastructure Investments

In 2012, TTB assumed management of the CDFI Fund's IT infrastructure. Treasury has seen numerous benefits from the CDFI Fund/TTB arrangement. It provides better availability and security for the CDFI Fund's business data and systems, increases utilization of Treasury data centers, and enables the CDFI Fund to leverage existing Disaster Recovery and Continuity of Operations capabilities. With TTB, the CDFI Fund avoids software upgrade costs by using TTB's enterprise software licenses, stops duplicative services (such as Web monitoring and filtering), and eliminates contracts used to maintain the CDFI Fund's IT infrastructure.

A summary of capital investment resources, including major information technology and non-technology investments, can be viewed and downloaded at:

<http://www.treasury.gov/about/budget-performance/Pages/summary-of-capital-investments.aspx>.

This website also contains a digital copy of this document.

4B – CDFI Bond Guarantee Program

The Small Business Jobs Act of 2010 (Public Law 111-240) created the CDFI Bond Guarantee Program. Bonds issued under the program support CDFI lending activity in underserved communities by providing a source of long-term capital. Qualified Issuers (CDFIs or their designees) issue bonds that are guaranteed by the Secretary of the Treasury and use the bond proceeds to make loans to Eligible CDFIs for eligible community and economic development purposes. Bond maturity cannot exceed 30 years. Under FY 2013 and FY 2014 authority, Treasury provided eight guarantees in the total amount of \$525 million. The following objectives have been identified for the program for FY 2015:

- Approval of up to \$750 million in guarantees;
- A compliance assessment of the Master Servicer/Trustee, Qualified Issuers and Eligible CDFIs.

4.1 – Resource Detail Table

Dollars in Thousands

Bond Guarantee Program						
Resource Level	FY 2011	FY2012	FY 2013	FY2014	FY 2015	FY2016
	Enacted	Enacted	Actual	Actual	Enacted	Request
Obligations	-	-	\$325,000	\$200,000	\$750,000	\$1,000,000
Loan Limitation Obligation Authority	-	-	-	\$750,000	\$750,000	\$1,000,000
Collections ¹	-	-	-	\$489	\$5,333	\$18,442

¹Includes the principal and interest repayments and a 10 basis point fee for administrative expenses pursuant to Section 1134 of the Small Business Jobs Act of 2010. These amounts assume a zero subsidy rate with bond loan disbursements of \$46 million, \$216.5 million, and \$900 million in FY 2014, FY 2015, and FY 2016, respectively.

4.2 – Financing Accounts - Non-Budgetary Summary

Dollars in Thousands

Bond Guarantee Program						
Resource Level	FY 2011	FY2012	FY 2013	FY2014	FY 2015	FY2016
	Enacted	Enacted	Actual	Actual	Enacted	Request
Obligations	-	-	\$325,000	\$200,000	\$750,000	\$1,000,000