

**National Credit Union Administration  
Community Development Revolving Loan Fund  
Budget Request Justification: FY 2023**

**I. Summary of the Request**

The NCUA requests \$4,000,000 for the Community Development Revolving Loan Fund (CDRLF) appropriation for federal fiscal year 2023, an increase of \$2,500,000 over the 2021 enacted amount. These additional funds will allow the CDRLF grants program to expand the number and amount of its grants to credit unions that serve low-income and minority communities.

**II. Detailed Resource Table**

**Community Development Revolving Loan Fund: Grants Program**  
(budget authority in thousands of dollars)

	FY 2021 Actual	FY 2022	FY 2023	FY 2023 Agency Request less	
	BA	Request	Request	FY 2021 Enacted	% Change
	BA	BA	BA	BA	% Change
1100 Appropriations.....	1,500	2,000	4,000	2,500	125%

**III. Object Classification**

**Community Development Revolving Loan Fund: Grants Program**  
(obligations in thousands of dollars)

	FY 2021 Actual	FY 2022	FY 2023 Agency	FY 2023 Agency Request less	
	Obligations	Request	Request	FY 2021 Enacted	% Change
	Obligations	Est. Obligations	Est. Obligations	Obligations	% Change
41.0 Direct Obligations:					
Grants, Subsidies, and Contributions.....	1,551	2,000	4,000	2,449	122%

**IV. Proposed Appropriations Language**

For the Community Development Revolving Loan Fund program as authorized by 42 U.S.C. 9812, 9822, and 9910, [\$1,500,000] \$4,000,000 shall be available until September 30, [2022] 2024, for technical assistance to low-income designated credit unions; *provided, credit unions designated solely as minority depository institutions shall be eligible to apply for and receive such technical assistance.*

(Financial Services and General Government Appropriations Act, 2021)

## V. CDRLF Program Summary, Components, and Funding Structure

### Program Summary

Grants and loans supported by the NCUA's CDRLF appropriation have a significant, positive impact on credit unions, their members, and their communities. Credit unions use these funds to build capacity, and improve and expand services and member outreach, all of which serve to advance equity and promote greater opportunity through expanded access to fair and affordable financial services.

To be eligible for CDRLF grants and loans, a credit union must have the "low-income" designation under NCUA regulations or equivalent respective state supervisory authority with concurrence from NCUA. A low-income credit union is one in which more than half of its members meet the NCUA definition for a "low-income member," defined as someone who earns 80 percent or less of the median family income for the metropolitan area where they live or the national metropolitan area, whichever is greater. As explained in more detail below, the Administration proposes expanding program eligibility to include credit unions designated solely as minority depository institutions (MDIs).

At the end of 2021, 2,627 federally insured credit unions held the low-income designation required to qualify for CDRLF assistance. These credit unions served more than 65 million members throughout the United States, Puerto Rico, Guam, the U.S. Virgin Islands, and on military bases world-wide. By comparison, only 464 credit unions were certified as Community Development Financial Institutions (CDFI), therefore the pool of credit unions eligible for CDRLF assistance, but unable to access CDFI support, is large. Nevertheless, the NCUA was able to make only 109 CDRLF grants in 2021, reaching about one in 25 low-income credit unions.

To make progress ensuring financial equity and inclusion for all Americans, the NCUA proposes a new statutory provision for the appropriation that would expand program eligibility to credit unions designated solely as Minority Depository Institutions (MDI). Additional information about MDI-designated credit unions is available on the NCUA website.<sup>1</sup> As of December 31, 2021, there were 509 MDI-designated credit unions, of which 413 were also designated as low-income credit unions.

### Program Components

- The NCUA's CDRLF program has three parts: 1) Technical assistance grants, 2) Low-interest loans, and 3) Urgent need grants.

*Technical assistance grants* generally are awarded in one or two rounds each year to support initiatives approved by the NCUA Board. Historically, these grants range from \$5,000 to \$100,000. Larger amounts have been awarded in recent years as the NCUA strives to address

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<sup>1</sup> See: <https://www.ncua.gov/support-services/credit-union-resources-expansion/resources/minority-depository-institution-preservation>. For a list of MDI credit unions see: <https://www.ncua.gov/support-services/credit-union-resources-expansion/resources/minority-depository-institution-preservation/mdi>

the needs of unbanked and underbanked communities. Initiatives include underserved outreach; capacity-building, such as staff training; and improvements to cybersecurity and digital services.

Cybersecurity and digital services are eligible program activities for the NCUA’s 2022 grant round. This initiative is intended increase access to safe and secure digital financial products and services to low-income and underserved communities. Applicants can request funding to implement new financial products and services which provide members access to the credit union without physical access to the branch, or for equipment needed to improve their employees’ remote work posture.

In 2019, the agency launched a dedicated mentoring grant program for minority depository institutions to pair credit unions facing operational challenges with more experienced credit unions to help them build sustainability, conduct more effective outreach, and improve services. This initiative, part of the NCUA’s MDI Preservation Program, includes agency-sponsored activities to promote collaboration among these credit unions. To increase the impact of this initiative, the proposed appropriation language would expand CDRLF program eligibility to include those credit unions that have only an MDI designation.

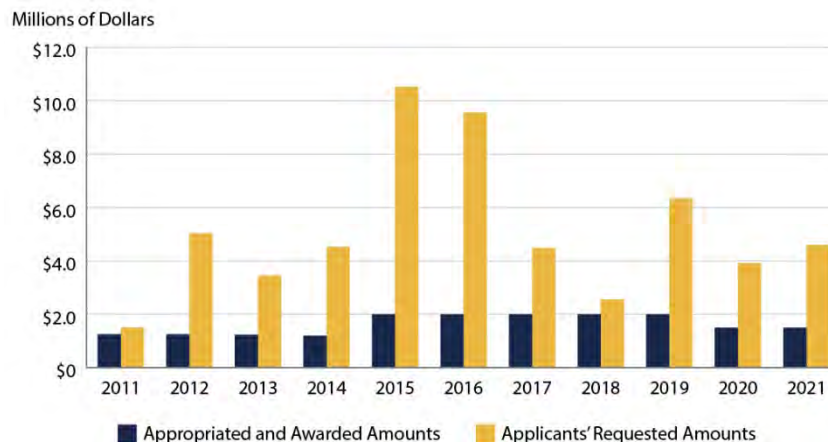
*Loans* are available year-round, also for Board-approved initiatives.

*Urgent need grants* likewise are available throughout the year to assist eligible credit unions that experience sudden and unexpected losses that curtail services, most commonly as the result of a natural disaster.

### Funding Structure

Since 2001, CDRLF technical assistance grants have been funded from annual congressional appropriations, which have varied in size year-to-year. The NCUA repurposes CDRLF loan principal payments to fund new loans, and loan interest payments are repurposed to fund urgent need grants. As shown in Figure 1, the amount of funding requested by credit unions far surpasses the amount appropriated for the awards and the awards approved.

*Figure 1 – CRDLF grant awards and applicants’ requested amounts 2011–2021*



Although there is no cost-matching requirement for CDRLF grant awards, it should be noted that credit unions' grant requests cover only a portion of their anticipated project expenses. For example, over the last three years:

- The NCUA's 2021 CDRLF appropriation was \$1.5 million. The agency offered grants in three categories, the largest grants capped at \$50,000. The agency received 280 CDRLF grant applications requesting more than \$4.6 million. The estimated cost of the credit unions' planned projects was slightly more than \$8 million. So, the grant requests covered about 58 percent of total project costs in aggregate, and the grants awarded covered less than 20 percent of total project costs in aggregate.
- In 2020, the CDRLF appropriation was \$1.5 million. The agency offered a variety of assistance related to the impact of the COVID-19 pandemic. The COVID-19 pandemic grants were capped at \$10,000. The NCUA received 417 grant applications requesting a total of \$3.9 million, compared to estimated total project costs of slightly more than \$11 million.

## **VI. How Credit Unions Put CDRLF Investments to Work**

Examples of the how credit unions have used CDRLF funding support in recent years include:

- A credit union set up a micro-business lending program and a first-time homebuyer program, both primarily targeted at members who lived in underserved communities.
- Several credit unions created financial literacy programs to help members avoid predatory lenders, better manage their finances, and build greater financial security.
- Another credit union used a CDRLF grant to provide employees training on lending to members with lower credit scores. As a result, they were able to help those members avoid going to costly payday lenders and show them how to consolidate debt, improve their credit scores, and build financial literacy while obtaining loans.
- One credit union provided utility payment assistance of up to \$250 to members, including entrepreneurs, small business owners, and hospitality and service industry employees, who were experiencing significant financial hardships due to the COVID-19 pandemic.
- Another credit union created a special loan deferral/skip-a-payment program that allowed members to skip a monthly payment and use that money to purchase food or to pay rent or utility bills. The program also allowed for a waiver of late payment fees on loans and credit cards, giving members additional time without the added worry of late fees.
- A credit union used its award to set up a remote office and acquire technology to allow employees to work from that remote office and home. This allowed the credit union to continue business as usual, particularly for low-income members who rely heavily on branch services while keeping employees safely isolated and maintaining reserve staff.

## **VII. Opportunities Additional Funding Could Create**

As illustrated in the chart in Figure 1, CDRLF funding requests over the last decade have far exceeded the NCUA's capacity to serve credit unions, their members, and their communities with this program. The NCUA's Office of the Chief Economist (OCE) performed research into underserved communities, which will help guide the agency's expanded efforts to assist credit unions reaching into those communities. We know from this research that communities in the South and Southwest, as well as majority and predominately Black and Hispanic communities, are more likely to face these challenges. With expanded resources the CRDLF can support credit unions in these areas and create or expand outreach programs to better serve these populations. A larger CDRLF appropriation will support more grants, provide funding for a broader array of initiatives, and make larger grants to individual credit unions, which will help them defray a larger portion of overall project costs. A larger CDRLF appropriation will also allow the NCUA to help credit unions carry out more ambitious projects to reach underserved areas and help credit unions provide long-term solutions for their communities. NCUA anticipates investing in the underserved, low- and moderate-income communities in the following ways with the additional funding:

- Offering grants that support small and MDI credit union growth and stability. Projects may include offering grants to improve back-office support such as accounting, compliance, and other services or offering grants that support mentorship or internships that can enhance skills and capacity of the credit union. The NCUA expects roughly \$1 million will support this initiative.
- Providing de novo credit unions with grants to assist with startup costs such as computers, online banking platforms, and marketing materials. The NCUA expects roughly \$1 million will support this initiative.
- Providing grants larger than past years' awards – in the range of the \$250,000 to \$400,000 per recipient – to support credit union efforts to expand into low-income and rural areas, building on existing initiatives by supporting the opening of branch installations, the implementation of computer online banking platforms, and introducing new services. The NCUA envisions \$2 million will be used for this initiative.

In conjunction with a tranche of larger grant awards, NCUA will enhance the data and information we collect about the credit unions it oversees and their use of the grant funding. Projects funded by larger grant awards may take longer than one year to complete, and partial reimbursements may be outlaid to recipients after completing project milestones, rather than at the project conclusion. Using metrics to evaluate the success and impact of the project or program will become a standard practice in our grant process. We will collect evidence to support the impact of the grants, both on the credit union and its member community. With the grant programs envisioned above, the Office of Credit Union Resources and Expansion will broaden its data collection activities to include the following impact measurements:

- The number of new credit unions served.

- The number of members added, particularly the number of low-income members.
- Overall growth trends in low-income designated and MDI credit union assets and loans.
- Share and loan growth among low-income and underserved members.
- Number of branches or ATMs opened, particularly in underserved areas, and service activity at those facilities.
- Growth in the number of members receiving financial literacy, first-time homebuyer, or other education services.
- Results from satisfaction surveys of new members overall and of members receiving education services.
- New account and loan activity resulting from financial education programs.
- Number of internships offered, along with demographic information about the credit unions and the individuals serving in the internships.
- Growth in, and activity of, community partnerships.

NCUA requests funding that will make a difference in the lives of credit union members in underserved communities. CDRLF grants have allowed credit unions to take small steps in addressing the needs of their communities and larger grants and new initiatives would provide greater financial inclusion.

## APPENDIX A

### Historic CDRLF Grant Awards by Initiative

**2021 Appropriation: \$1,500,000** *Additional Funding from 2020 Multi Year* Includes deobligated amounts from 2020 awards

Initiative	Number of Applications	Requested Amount	Number of Awards	Obligated Amount	Average Award Amount
Digital Services & Cybersecurity	205	\$1,380,910	83	\$529,517	\$6,380
Underserved Outreach	73	\$3,231,156	22	\$1,006,190	\$45,736
<b>Total</b>	<b>278</b>	<b>\$4,612,066</b>	<b>105</b>	<b>\$1,535,707</b>	<b>N/A</b>

**2020 Appropriation: \$1,500,000** *Additional Funding from 2019 Multi Year* Includes deobligated amounts from 2019 awards

Initiative	Number of Applications	Requested Amount	Number of Awards	Obligated Amount	Average Award Amount
COVID-19 Emergency Fund	417	\$3,921,423	153	\$1,486,025	\$9,713
MDI Mentoring	4	\$100,000	3	\$75,000	\$25,000
<b>Total</b>	<b>421</b>	<b>\$4,021,423</b>	<b>156</b>	<b>\$1,561,025</b>	<b>N/A</b>

**2019 Appropriation: \$2,000,000**

Initiative	Number of Applications	Requested Amount	Number of Awards	Obligated Amount	Average Award Amount
Digital Services & Security	85	\$647,713	73	\$550,613	\$7,543
Counselor Certification	37	\$173,525	35	\$161,925	\$4,626
Training	51	\$244,575	47	\$222,369	\$4,731
MDI Mentoring	5	\$104,375	3	\$74,875	\$24,958
Underserved Outreach	66	\$5,293,942	11	\$972,742	\$88,431
<b>Total</b>	<b>244</b>	<b>\$6,464,130</b>	<b>169</b>	<b>\$1,982,524</b>	<b>N/A</b>

**2018 Appropriation: \$2,000,000**

Initiative	Number of Applications	Requested Amount	Number of Awards	Obligated Amount	Average Award Amount
Digital Services & Security	149	\$1,331,670	139	\$1,231,670	\$8,861
Leadership Development	54	\$489,260	40	\$350,760	\$8,769
Underserved Outreach	42	\$760,100	22	\$397,570	\$18,071
<b>Total</b>	<b>245</b>	<b>\$2,581,030</b>	<b>201</b>	<b>\$1,980,000</b>	<b>N/A</b>

**2017 Appropriation: \$2,000,000** *Additional Funding from 2016 Multi Year* Includes deobligated amounts from 2016 awards

Initiative	Number of Applications	Requested Amount	Number of Awards	Obligated Amount	Average Award Amount
Digital Services & Security	196	\$1,360,095	151	\$1,065,395	\$7,056
Leadership Development	100	\$815,430	57	\$504,190	\$8,845
Small LICU Capacity	50	\$305,830	44	\$283,500	\$6,443
Underserved Outreach	87	\$1,962,508	23	\$536,000	\$23,304
<b>Total</b>	<b>433</b>	<b>\$4,443,863</b>	<b>275</b>	<b>\$2,389,085</b>	<b>N/A</b>

**2016 Appropriation: \$2,000,000** *Additional Funding from 2015 Multi Year* Includes deobligated amounts from 2015 awards

Initiative	Number of Applications	Requested Amount	Number of Awards	Obligated Amount	Average Award Amount
Cybersecurity	402	\$2,600,000	116	\$1,495,163	\$12,889
Staff Training	399	\$11,000,000	112	\$752,529	\$6,719
Capacity Growth	375	\$4,900,000	48	\$125,700	\$2,619
Student Internship	254	\$976,000	33	\$125,795	\$3,812
<b>Total</b>	<b>1430</b>	<b>\$19,476,000</b>	<b>309</b>	<b>\$2,499,187</b>	<b>N/A</b>

## Initiative Descriptions

Initiative Name	Description
Digital Services and Cyber Security	The Digital Services and Cybersecurity initiative provides financial assistance to low-income-designated credit unions to help with efforts to enhance protection of the credit union and its members against cyberattack, increase the access of low-income and underserved communities to safe and secure digital financial products and services, and acquire equipment needed to improve their remote work posture or implement new financial products and services that provide members access to the credit union without physical access to a credit union facility.
Underserved Outreach	The Underserved Outreach initiative is designed to help credit unions implement innovative outreach strategies to increase access to financial products and services in underserved communities. The goal of this initiative is for credit unions to improve the financial health of individuals in underserved communities by closing the wealth gap, increasing equity, and expanding economic inclusion.
COVID-19 Emergency Fund	The COVID-19 Emergency Fund is intended to help credit unions assist members experiencing economic hardships due to the coronavirus, particularly members who are most impacted by the pandemic. Credit unions may apply for emergency funding to address the financial needs of their members.
MDI Mentoring	The MDI Mentoring initiative is intended to encourage strong and experienced credit unions to provide guidance to small MDI credit unions to increase their ability to thrive and serve low-income and underserved populations. This grant may be used for eligible expenses associated with facilitating a new mentorship relationship. Funding approval will be based on the applicant's ability to demonstrate a well-developed plan for the mentoring assistance it would receive from a mentor credit union.
Counselor Certification	The Counselor Certification initiative is designed to provide credit union staff with a certified set of skills and knowledge that improves the financial health of members, as well as the credit union. With a certified financial or housing counselor on staff, credit unions are more equipped to implement solutions that help members yield healthy financial behaviors and make better decisions. The objective of this initiative is to help credit union staff obtain a certificate in financial and housing counseling and use the knowledge to build partnerships that expand the credit union's capacity to fully serve members.



### Initiative Descriptions (continued)

Initiative Name	Description
Training	The Training initiative focuses on helping credit unions develop the skills and talents of employees through specialized management programs and advanced training courses. The goal of this initiative is to enhance the operational knowledge of credit union employees and support staff professional development.
Leadership Development	The Leadership Development initiative seeks to promote career development in the credit union industry, prepare credit unions for success in the event of a leadership transition, and enhance the operational knowledge of credit union employees.
Small LICU Capacity	The Small LICU Capacity initiative is designed to assist credit unions experiencing operational pressure that may impact their chances to survive and thrive. Eligible credit unions can use this grant to upgrade their technology systems for operational improvements. This initiative is exclusive to credit unions with assets that are less than \$30 million.
Capacity Growth	The Capacity Growth initiative supported credit unions considering new lending programs, deposit products, or other growth strategies that will increase financial service opportunities for their members.
Student Internship	The Student Internship initiative supported credit unions in providing students with professional work experience in credit unions.

**APPENDIX B****Historic Number of CDRLF Grant Awards for Underserved Outreach initiative*****2021 Grant Round***

<b>Category</b>	<b># Awards</b>	<b>\$ Awarded</b>
1. New or Expanded Financial Education Programs	12	\$537,740
2. New or Expanded Financial Products or Services	12	\$570,950
3. New or Expanded Outreach Efforts	14	\$648,450
<b>Total*</b>	<b>38</b>	<b>\$1,757,140</b>

\* Note: 2021 underserved outreach grants were awarded to 22 unique recipient credit unions; 16 recipients proposed and received funding for projects that covered more than one eligible activity.

***2019 Grant Round***

<b>Category</b>	<b># Awards</b>	<b>\$ Awarded</b>
1. Develop and implement an innovative outreach program that increases access to financial services.	3	\$201,042
2. Develop and implement a new product/program tailored to underserved groups.	5	\$471,700
3. Develop partnerships with other organizations to assist needs of low-wealth persons and homes.	3	\$300,000
<b>Total</b>	<b>11</b>	<b>\$972,742</b>

***2018 Grant Round***

<b>Category</b>	<b># Awards</b>	<b>\$ Awarded</b>
1. Develop and implement an innovative outreach program that increases access to financial services.	9	\$157,020
2. Develop and implement a new product/program tailored to underserved groups.	1	\$20,000
3. Develop partnerships with other organizations to assist needs of low-wealth persons and homes.	10	\$190,450
4. Provide small business or workforce training to underserved persons starting/growing a business.	2	\$30,100
<b>Total</b>	<b>22</b>	<b>\$397,570</b>