

# Community First<sup>®</sup> Capacity-Building Grant Program Guidelines

## **Section 1: Introduction**

The Community First<sup>®</sup> Capacity-Building Grant Program (the “Program”) is a voluntary grant program of the Federal Home Loan Bank of Chicago (“FHLBank Chicago”) that will provide community development intermediary organizations with access to grant funds to build the capacity of their organizations. Use of the grant funds will support nonprofit lenders in economic development and affordable housing. The Program is focused on supporting organizations working at the grassroots level, which are in the best position to identify and respond directly to community needs in the FHLBank Chicago’s district.

## **Section 2: Strategy**

### **1. Transaction Structure**

- Funds will be deployed as grants to community development intermediary organizations.
- Grant amounts will generally range from \$10,000 to \$50,000. The size of the grant, which may not be the full amount requested, will depend on the recipient’s capacity to meet its mission, its lending activity, its geographic scope, and the strength of its proposal for how the grant proceeds will be used in alignment with the purpose of the Program.
- A grant recipient may not apply again for two consecutive years after the initial award date.
- The recipient will be required to report outcomes on an annual basis for at least two fiscal years after the grant has been disbursed.
- Grants will be funded through the member sponsoring the application.

### **2. Description of Eligible Recipients**

To be eligible to receive a grant under the Program, the recipient must be a nonprofit non-depository financial institution, community development corporation, or community development loan fund with a primary mission of community development focusing on serving low-income, low-wealth, and other disadvantaged people and communities. The organization must be a non-governmental entity. The Program will target recipients that offer affordable housing and/or economic development loan programs in the FHLBank Chicago’s district of Illinois and Wisconsin. This may include regional and national organizations with a footprint in the district. If the recipient is part of or controlled by another corporation(s), that corporation also must have a primary mission of community development.

The recipient must primarily be a financing organization that provides affordable, responsible financial products and services. The recipient’s financing programs and, if applicable, its technical assistance programs must support small businesses, for-profit and nonprofit real estate and affordable housing developers, nonprofit organizations looking for facility or operating capital, and low-income individuals looking for financing to purchase and/or rehabilitate their homes.

Specific types of recipients include the following:

- **Non-Depository Nonprofit Community Development Financial Institutions (CDFIs)** – A CDFI is a private financial institution that provides credit and financial services and technical assistance programs to low-income and underserved communities and populations and is certified by the Community Development Financial Institutions Fund (CDFI Fund) of the U.S. Department of the Treasury.
- **Community Development Loan Funds (CDLFs)** – A CDLF is a type of community development financial institution. For the purposes of this definition, a CDLF has not been certified by the CDFI Fund. It is either operating independently or as part of a community-based organization that provides loans and development services to low-income and underserved communities and populations.
- **Community Development Corporations (CDCs)** – A CDC is a nonprofit organization incorporated to provide programs, offer services, and engage in other activities that promote and support community development. It can be involved in a variety of activities including economic development, education, community organizing, and real estate development. A CDC **must** provide credit and financial services.

### 3. Eligible Uses of Funds

The grants are eligible to be used by recipients to strengthen their financial position, operational efficiency, and/or human capital in support of their mission. Recipients may seek funding to expand their operational capacity, to develop a new product(s) for their diverse borrowers, or to pay for certain operational expenses.

Eligible uses of grant funding include, but are not limited to:

- Market research to expand existing programs within the scope of the recipient's mission
- Professional development of staff and/or board(s)
- Creation or improvement of lending policies and procedures
- Creation or expansion of the recipient's strategic plan
- Enhancements to information systems
- Improvements to the recipient's lending portfolio and financial reporting
- Enhancements to mission-related outcomes reporting

Ineligible uses of grant funds include, but are not limited to:

- Lending capital
- Loan loss reserves
- Increase in the number of staff and/or interns
- Increase in salaries
- Litigation costs/expenses
- Lobbying

### **Section 3: Recipient Evaluation**

The Program has a two-part process.

#### **1. Application**

First, an interested community development intermediary organization will complete the application to be submitted to the FHLBank Chicago by a member institution. The interested organization must meet the description of an eligible recipient and its proposed use must satisfy the eligible uses of funds. Eligibility requirements may vary with each Program year, but will include the following:

- The applicant must have a compelling strategy to increase community development lending within the FHLBank Chicago's geographic footprint and must demonstrate how the grant funds for operational support will help achieve this strategy.
- Certificates of good standing from the state of incorporation and evidence of nonprofit status must be submitted with the application.

The FHLBank Chicago will review each application to generally assess the strength of the organization in meeting its mission and objectives, types of lending programs, uses of funds, outcomes, and geographic footprint. The FHLBank Chicago will evaluate how the proposed use of funds will build the capacity of the organization.

Once the applications are reviewed, the FHLBank Chicago will inform all interested organizations of one of the following:

- The applicant is invited to move forward as a potential recipient.
- The applicant is declined.
- The applicant is ineligible.

#### **2. Additional Information from Select Applicants**

Organizations that meet the eligibility criteria and have been identified by the FHLBank Chicago as potential recipients will be invited to submit additional information to support the initial application. Information requested may change with each Program year, but will include the following:

- The proposed use of grant dollars should clearly articulate how the funds will build the capacity of the organization to further its mission and lending activities.
- The organization must specify projected outcomes for the use of funds and describe the anticipated impact over a two-year period.
- Information regarding the organization's strategy; governance and management; program objectives; financial performance; and strength of operations, capital, portfolio performance, and management.

Potential recipients will be notified if they were successful or unsuccessful. The Capacity-Building Grant Program Agreement (the “Agreement”) will be provided to awarded recipients shortly thereafter.

### **3. Recipient Performance Benchmarks, Compliance, and Monitoring/Reporting Requirements.**

#### **a. Performance Benchmarks Requirements**

A recipient will be required to request disbursement within the first six months following the Effective Date of the Agreement. The member must disburse funds to the recipient within 30 days of the recipient's disbursement request. The member will be required to provide the date and evidence of disbursement to grant recipient to the FHLBank Chicago for reimbursement.

Although expenditures are not required in advance of the disbursement of funds, the grant recipient is encouraged to include a summary and documentation supporting expenses incurred. All of or the remaining expenditures would be addressed in compliance and monitoring/reporting.

#### **b. Compliance and Monitoring/Reporting Requirements**

A recipient will be required to report annually for a minimum of two years, beginning 12 months from the disbursement date, on outcomes from use of the grant and impacts made in the community. This will be based on the agreed-upon use of funds and the anticipated outcomes.