

COMMUNITY DEVELOPMENT REVOLVING LOAN FUND

CHAPTER 1 -- LOAN APPLICATION INSTRUCTIONS

PURPOSE OF THE PROGRAM

The Office of Credit Union Development (OCUD) administers the community Development Revolving Loan Fund (Fund). Congress established the Fund also known under Section 130(e) of the Federal Credit Union Act as the "Fund", for Credit Unions in 1979. The intent of Congress is to provide low-cost government funds to credit unions in furthering a variety of financial and related services designed to meet the particular needs of the members and the low-income community served. Only credit unions with a low-income designation can participate in the Fund's program. Student credit unions although low-income designated, are ineligible for participation in Fund programs.

TO PARTICIPATE

Federal credit unions must have a low-income designation from their NCUA Regional Director.

State chartered credit unions must have a current low-income designation from their state regulator with NCUA concurrence.

ALLOWABLE AMOUNTS

Credit unions may receive an aggregate amount of \$300,000 in loans. No credit union may have more than two separate loans outstanding at any one time.

There is no minimum loan amount.

TERMS AND CONDITIONS

All loans must be collateralized by assets acceptable to the Fund's Chair at 110 percent of the outstanding borrowed amount and the security interest perfected in the state of domicile.

The NCUA Board sets rates annually. The fixed maximum interest rate allowed is 3%.

Credit unions can apply for loans any time during the year. Awards are made on a funds available basis, generally quarterly.

Loans are normally set up to repay in five years. Shorter repayment periods may be considered.

Generally, the loan is required to be repaid in semiannual installments. The first payment is due 12 months from the date of the agreement. **The last installment will require a double payment.**

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Within one year of receiving the funds, the credit union must **MATCH** the loan with member shares or non-member deposits, or a combination of the two.

EVALUATING APPLICATIONS

Loan Purpose: The Fund's loan program is intended to support the efforts of participating credit unions through loans to those credit unions in:

- Providing basic financial and related services to members and the community served.
- Stimulating economic activities in the communities they reside will result in increase income, ownership and employment opportunities for low-income residents, and other community growth efforts.

Financial Condition: The credit union must:

- Demonstrate a sound financial position and its ability to manage its day-to day business affairs.
- Demonstrate the credit union is planning on remaining an ongoing concern, (merger, P&A, or liquidation potential is not a threat).
- Show evidence of need for increased funds in order to improve financial service to its members.
- Submit an acceptable "Community Needs Plan" showing how it proposes to serve the needs of its members and the community with the loan proceeds.
- Disclose involvement in existing community development programs of state and federal government.

Non-federally insured credit unions must meet additional requirements set out in Section 705.5 of NCUA Rules and Regulations.

Federally insured state chartered credit unions are required to provide certain information regarding their field of membership. Refer to Section 705.5 of NCUA Rules and Regulations for specific requirements.

Security Interest: The credit union must grant the Community Development Revolving Loan Fund a security interest in its assets evidenced by a properly signed financing statement and security agreement.

Matching: The credit union must submit a functional plan to meet the matching requirements of part 705.7 of the NCUA Rules and Regulations.

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APPEAL OF APPLICATION DECISION

The Chairman of the Fund's decision to deny an application may be appealed to the NCUA Board within 60 days from date of denial, except in cases where denial was due to the availability of funds.

REGULATION REQUIREMENTS

In order to obtain a greater understanding of the requirements associated with the Fund, the credit union is encouraged to review the following sections from the NCUA Rules and Regulations:

- 701.32 "Payment on shares by public units and nonmembers."
- 701.34A "Designation of low-income status; receipt of secondary capital accounts by low-income designated credit unions".
- 705 "Community Development Revolving Loan Program For Credit Unions".

Assistance in completing the application is available from your local NCUA regional office.

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SECTION I – CREDIT UNION INFORMATION

Charter/Ins. Number _____ Credit Union Name _____

Fax Number _____ Employer Identification Number _____

Contact Person _____ Annual Meeting Date _____

Amount Requested \$ _____ No. Of Payments _____

Loan Purpose: _____

The applicant must provide a completed signed loan application. All incomplete applications will be promptly returned.

SECTION II – REQUIRED DOCUMENTATION

Financials. Prior month end financial statements that include the following:

- ✓ Balance Sheet.
- ✓ Income and Expense Statement.
- ✓ Schedule of Delinquent Loans.
- ✓ Allowance for loan loss calculation.

Security Interest. Attach a properly executed Financing Statement (UCC-1) and Security Agreement For Community Development Revolving Loan Fund. Describe the unencumbered credit union assets offered as collateral for this loan. Attach a separate “Schedule of Unencumbered Credit Union Assets”.

Strategic/Business Plan. Eighteen-month business plan with balance sheet and income and expense projections.

Community Needs Plan. Specifically include:

- ✓ Explain how the credit union proposes to serve the needs of its members and the community with the program funds.
- ✓ Articulate the need for increased funds in order to improve financial services to the members and the low-income community served.
- ✓ Discuss involvement in existing community development programs of state and federal Agencies.

Report of Officials. Copy of current year’s report of officials.

Charter and FOM. Copy of current charter and amendments stating field of membership.

(Federally insured state credit unions & non-federally insured credit unions (NFICU) Only)

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LOAN APPLICATION**

Annual Audit. Copy of most recent supervisory committee annual audit, and proof of low-income designation (**NIFCU Only**).

Surety Bond. Proof of and Surety Bond Insurance (commonly known in the industry as the “Policy Deck Sheet”), which states the maximum insurance levels permitted by the policies for non-members (**NIFCU Only**).

All Applications must be sent directly to the following address

National Credit Union Administration
Office of Credit Union Development
1775 Duke Street
Alexandria, VA 22314-3428

**APPLICATIONS ARE NOT CONSIDERED SUBMITTED UNTIL ALL
INFORMATION REQUESTED HAS BEEN RECEIVED**

I have read and understood all requirements of this application.
All information provided on this application is true and correct.

Board chairperson

Date

CEO/Manager

Date