

South Carolina Department of Commerce

DIVISION OF COMMUNITY & RURAL PLANNING AND  
DEVELOPMENT

Community Development Corporations Initiatives



**CDFI CERTIFICATION APPLICATION GUIDELINES**

AMENDED JUNE 2008

## **CERTIFICATION OVERVIEW**

The South Carolina Department of Commerce (SCDOC) values the importance of community partnerships with other state agencies, local governments, and the private sector for a broad approach to community and economic development. Through these partnerships, communities are better able to leverage their resources more effectively and build long-term capacity. Through certification, community development groups receive increased support from the Department of Commerce.

Community Development Financial Institutions (CDFIs) are specialized financial institutions that work in target populations that have been inadequately served by traditional financial institutions. CDFIs provide a wide range of financial products and services, including mortgage financing for first-time home-buyers, financing for community facilities, commercial loans and investments to start or expand small businesses, loans to rehabilitate rental housing, and financial services needed by low-income households and local businesses. In addition, these institutions provide services that help ensure that credit is used effectively, such as technical assistance to small businesses and credit counseling to consumers. CDFIs include community development banks, credit unions, loan funds, venture capital funds and micro enterprise loan funds, among others.

### **South Carolina Community Economic Development Act**

**The South Carolina Community Economic Development Act** (the “Act”), S.C. Code § 33-43-10, *et. seq.*, was enacted in 2000 to support community-based organizations known as *Community Development Corporations* (CDCs) and *Community Development Financial Institutions* (CDFIs). The **Act** will be repealed effective June 20, 2010, unless reauthorized by the General Assembly. Pursuant to the Act, SCDOC is charged with oversight and implementation responsibilities that include certification of CDCs and CDFIs, administration of grants and loans to CDCs and CDFIs and provision of technical support.

Section 12-6-3530 of the South Carolina Tax Code authorizes a credit against state income tax, bank tax, or premium tax liability for up to thirty-three percent (33%) of all amounts contributed to a certified CDC or CDFI. The credit is administered by the South Carolina Department of Revenue (SCDOR). The total aggregate amount of credits may not exceed five million dollars for all contributors and one million dollars for all contributors in any one taxable year. Further, a single CDC or CDFI may not receive more than twenty five percent (25%) of the total tax credits authorized in any one taxable year.

The Act also mandates that SCDOC submit an annual report to the General Assembly regarding the grants and loans administered by SCDOC as well as tax credits provided pursuant to Section 12-6-3530.

### **Qualified Applicants**

Through the **S.C. Community Economic Development Act**, the Department of Commerce has established the state certification program using the U.S. Department of Treasury’s Community Development Financial Institutions Fund CDFI program requirements as base-line eligibility for state certification. Applicants must be certified by the CDFI Fund before applying for state certification. In addition to being a legal entity at the time of application, the CDFI Fund established the following criteria:

- The organization individually and with its Affiliates collectively must have a primary mission of promoting community development;
- The organization must be a Financing Entity;
- The organization must principally serve one or more Target Markets;
- The organization must provide Development Services in conjunction with its financing activities;
- The organization must maintain Accountability to its defined Target Market;
- The organization must be a Non-Governmental entity and not be under control of any government entity.

### **Accountability**

The Program of Work, which is a required part of the application for certification, will be used as a performance measure for applicants. The Department of Commerce must ensure that all state certified CDFIs are promoting community development and meeting the objectives that are outlined in the submitted Program of Work. The Program of Work must be a detailed depiction of what the organization plans to accomplish in the next 24 months with **quantifiable** measures.

It is important that the CDFI outline realistic, attainable goals and objectives. A performance-based evaluation of the CDFI will be conducted by the Division of Community & Rural Development. The CDFI's ability to meet the objectives stated in the program of work will affect the Department's decision to grant, renew or revoke certification.

According to Section 34-43-40(E) of the South Carolina Community Economic Development Act, a Community Development Financial Institution shall file with the department, *on or before the anniversary date of its certification*, an annual report for the preceding year. Please contact the Program Manager for more information regarding the prescribed format.

**Note:** *All state certified Community Development Financial Institutions must maintain the federal designation by the U.S. Department of Treasury.*

### **CERTIFICATION PROCESS**

The CDFI certification process is a three-phase process that will take approximately **15-20 business days**. The three phases are Internal Review, Site Visit (if necessary), and Final Determination. An applicant must submit a complete application and a nonrefundable processing fee of \$300. If an applicant does not meet the minimum qualifications of becoming a certified CDFI or required documents are not submitted, the CDFI will be notified by the program manager and the application materials will be returned to the CDFI.

An incomplete submission, as determined by the program manager, will not be reviewed until all missing documents have been received. An applicant with a deficient application will be sent a notice identifying any deficiencies and will have fifteen (**15**) days from the

date of the notice to submit requested documentation to remedy all deficiencies. Failure to submit documentation within the 15-day period shall render the application incomplete and the application will be returned to the CDFI.

### **Phase I--Internal Review**

The program manager will carefully review the submitted application and required documents. The application review will be based on four areas: **Organizational Management & Capacity, Community Involvement & Partnerships, Fiscal Accountability, and Resource Development**. Following the internal review, the program manager will contact the applicant to schedule a site visit.

### **Phase II--Site Visit**

The program manager will contact the CDFI Director or designee to schedule a site visit. During the site visit, the program manager will discuss the goals and objectives outlined in the Program of Work, discuss submitted documentation and answer any questions as they relate to the CDFI certification. The program manager may request to meet with the Board of Directors. *Exception:* There may be occasions where a site visit may be scheduled prior to submission of a full application.

### **Phase III--Final Determination**

The program manager, in coordination with SCDOC's Division of Community & Rural Development Director and staff, will make a final determination regarding the applicant's certification based on the submitted application and Program of Work, internal review and site visit. An approval letter will be mailed to applicants that are designated as a State Certified Community Development Financial Institutions. CDFIs that are denied certification will also be notified by letter. CDFIs that are not approved may reapply at a later date, if noted deficiencies are corrected. A non-refundable reapplication processing fee of \$175 is required if the CDFI reapplies after one year.

According to Section 34-43-40(H) of the South Carolina Community Economic Development Act, a corporation or institution may request a hearing within thirty days of receiving notice by filing a request for a hearing with the department.

For more information, please contact Maceo Nance at (803) 737-0832 or [MNance@SCcommerce.com](mailto:MNance@SCcommerce.com).

## **RECERTIFICATION**

Certified designation of a Community Development Financial Institution expires two years from the date of the certification. The certification may be renewed for additional two-year periods upon application and approval by SCDOC. In order to apply for recertification, the CDFI must submit a non-refundable recertification processing fee of \$75 and the following documents at least **twenty (20) business days** prior to certification expiration:

- Current CDFI Fund certification letter from the U.S. Department of Treasury
- Program of Work for the next 24 months
- Performance update of the activities outlined in the previous Program of Work. Include statistical information (e.g., # of housing-related loans, # of commercial loans, etc.)
- Annual Report (if the document has not been submitted)
- Amended or revised organizational documents (only provide a copy if changes have been made since the original certification application)
- Current Staff and Updated list of the Board of Directors (include contact information, professional affiliations, community involvement and term expiration)
- A copy of an Audit and IRS 990:
  - Prepared by an external entity
  - No more than one calendar year old when received
  - Must illustrate that the organization is in good financial standing
- Copy of organization's current budget, including year-to-date expenditures
- List of resources acquired within the past 24 months (include local, state and federal funding)

## **CERTIFICATION REVOCATION**

If it is determined that the CDFI is not financially responsible, not actively participating in Community Economic Development financing activities, not performing according to the information outlined in the application and program of work, or not providing information requested by SCDOC staff, the Division of Community and Rural Development will temporarily revoke certification for six months. The CDFI forfeits the rights to offer tax credits or apply for available funding. If the CDFI does not show significant improvement within six months, the state certified designation will not be reinstated. The CDFI must then wait an additional six months to reapply and pay a \$300 non-refundable application fee.

The S.C. Department of Commerce, Division of Community and Rural Development, reserves the right to disapprove any application or to revoke certification at any time **based on changes within an organization, performance, or failure to comply with the regulations of the Department and provisions of Section 34-43-20(3) of the Act.** The program manager will provide a notice of intent not to grant certification, intent not to renew certification, or intent to revoke certification to the community development financial institution with a brief statement of the reasons alleged. According to Section 34-43-40(H) of the South Carolina Community Economic Development Act, a corporation or institution may request a hearing within thirty days of receiving notice by filing a request for a hearing with the department.

## **APPLICATION SUBMISSION**

The application must be **notarized** and the application responses must be **typewritten**. Applications must be accompanied by a **\$300.00 non-refundable processing fee**, made payable to the S.C. Department of Commerce. **\*\*Tab each section of the application submission\*\***.

### **Section 1: Complete Certification Application**

The certification application must be authorized by the organization's Director and Chair of the Board of Directors and notarized. Applications must have original signatures where required. **In this section, only include pages 6-9 of the application and the required narratives.**

### **Section 2: Organizational Management**

- CDFI Fund Certification Letter from the U.S. Department of Treasury
- Certificate of Incorporation
- Tax status letter, as designated by the Internal Revenue Code
- By-Laws
- Program of Work

### **Section 3: Board Information**

- Board of Directors listing that includes the following: addresses, professional affiliations, target market accountability, term expiration and board committees.
- Minutes of the four most recent Board of Directors meetings

### **Section 4: Financial Information**

- A copy of an Audit and IRS 990:
  - Prepared by an external entity
  - No more than one calendar year old when received
  - Must illustrate that the organization is in good financial standing.
- A copy of the current fiscal budget, including year-to-date expenditures

### **Section 5: Business Plan**

- A copy of a current business plan

**Return the completed application and a check in the amount of \$300 to:**

**Attn: CDFI Certification/Maceo Nance, Director  
Division of Community & Rural Development and Planning  
S.C. Department of Commerce  
1201 Main Street, Suite 1600  
Columbia, SC 29201-3200**

## APPLICATION FOR CERTIFICATION COVER SHEET

Applicant Name:	
Physical Address:	
Mailing Address:	
Date of Incorporation:	Federal Tax ID Number:
Fiscal Year:	County Name:
Primary Contact Name:	
Contact Title:	
Contact E-mail Address:	
Office Phone:	Fax:
Other Phone	Web Address:

### Authorization

The information presented herewith is true and complete to the best of my knowledge and is submitted to establish my organization as a Certified Community Development Financial Institution through the South Carolina Department of Commerce, Division of Community and Rural Development. I agree to notify the S.C. Department of Commerce within 30 days if any changes occur in the information provided in this application.

\_\_\_\_\_  
Executive Director

\_\_\_\_\_  
Chair of the Board of Directors

State Of \_\_\_\_\_ County Of \_\_\_\_\_

Acknowledged before me this date \_\_\_\_\_ Notary Name \_\_\_\_\_

My Commission Expires \_\_\_\_\_ Notary Signature \_\_\_\_\_

The S.C. Department of Commerce, Division of Community and Rural Development, reserves the right to disapprove any application or to revoke certification at any time based on changes within an organization, performance, standing, or failure to comply with regulations of the Department. For more information, call Maceo Nance at (803) 737-0832 or e-mail [MNance@SCcommerce.com](mailto:MNance@SCcommerce.com).

**Instructions:** This application consists of five components. Applicants must answer all questions below. Provide the narrative to each question as a separate attachment and indicate the question number. The narratives should be included in Section 1 of the application submission (see page 5--Application Submission).

**COMPONENT 1:  
PURPOSE & CONSULTANT USE**

**1A.** Why is the organization seeking the State Certified Community Development Financial Institution designation?

**1B.** Describe your organization's use of consultants.

**COMPONENT 2:  
ORGANIZATIONAL MANAGEMENT/CAPACITY/  
TARGET MARKET**

**SUMMARY**

**2A.** Provide a narrative describing the applicant's mission, history, product and service offerings, and markets served (should reference the organization's commitment and accountability to the under-served community).

**2B.** Is the area served a part of a larger empowerment zone/enterprise community or entitlement area? Indicate: Yes No. If yes, explain:

**LENDING EXPERIENCE**

**2C.** Describe the applicant's lending experience/track record.

**CAPACITY**

**2D.** List the name and title of each staff member. List their responsibilities and define their qualifications, experience, and expertise. Include activities relating to loan processing, underwriting, servicing and development services.

**TARGET MARKET**

**2E.** Provide a brief market analysis of target population. Describe market opportunities, factors or trends that influence your organization's ability to deliver services to the target market.

**PROGRAM OF WORK**

The Program of Work should be a **detailed** depiction of goals for the next 24 months (lending, financial service offerings, etc). The Program of Work must include **quantifiable measures**. Applicants must use the prescribed program of work template. If you have any questions, please e-mail Maceo Nance at [MNance@SCcommerce.com](mailto:MNance@SCcommerce.com).

**COMPONENT 3:**  
**COMMUNITY INVOLVEMENT & PARTNERSHIPS**

**3A.** Describe the nature or relationship of the organization with that of the local municipality, county, councils of government or financial institutions.

**3B.** Is the organization currently coordinating or does the organization have plans to coordinate with other federal government public-private partnership initiatives, community organizations, financial institutions, and/or other public and private entities?

If so, please describe the nature of the partnership and the specific activities that are or will be undertaken jointly.

**COMPONENT 4:**  
**FISCAL ACCOUNTABILITY**

**4A.** Who is the Financial Officer/Administrator of the organization?

**4B.** Does he/she have other responsibilities with the organization? If yes, explain.

**4C.** Please describe the organization's fiscal/accounting policies and procedures.

**4D.** Are the policies written and board approved?

**4E.** Does the organization have a Finance Committee? Explain their role as it relates to day-to-day operations.

**4F.** When was the organization's last audit?

**4G.** If no audit has been completed, please explain why.

**4H.** Please list the funding sources for the current year (not program or project specific).

**Use the following format:**

	<b>Source Name</b>	<b>Amount</b>	<b>Percent</b>
Local			
State			
Federal			
Other			
<b>Total</b>			

**COMPONENT 5:**  
**RESOURCE DEVELOPMENT**

**(Organization's ability to garner additional funding and attract contributions and/or investments)**

**5A.** Please describe the organization's plan to acquire additional funds for community development lending within the next 24 months. Include potential funding sources.

**5B.** Please describe the organization's plan to attract contributions using the State Tax Credit Program.

**FOR DEPARTMENT USE ONLY**

Date Fee Received \_\_\_\_\_

Date Application Received \_\_\_\_\_

Internal Review Date \_\_\_\_\_

Site Visit Date \_\_\_\_\_ Final Determination \_\_\_\_\_

Comments: