

# MEMORANDUM OF UNDERSTANDING

Between

THE UNITED STATES DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT  
AND THE COMMUNITY DEVELOPMENT FINANCIAL INSTITUTIONS FUND, THE  
DEPARTMENT OF THE TREASURY

AND THE UNITED STATES DEPARTMENT OF AGRICULTURE

Regarding

COLLABORATIVE ACTIVITY IN UNDERSERVED RURAL AREAS

## I. PURPOSE

This Memorandum of Understanding (MOU) establishes an agreement between the United States Department of Housing and Urban Development (HUD) and the Community Development Financial Institutions Fund (CDFI Fund), United States Department of the Treasury, and the United States Department of Agriculture / Rural Development (USDA-RD) to collaborate with the purpose of improving access to capital in the *colonias*, as defined in the Cranston-Gonzalez National Affordable Housing Act of 1990, and potentially other high needs rural areas, for community and economic development activities for low and moderate income people. The collaboration will coordinate efforts to support financial intermediaries that can attract, secure and deploy a range of public and private sources of funds into projects in geographically focused service areas.

## II. MUTUAL INTERESTS AND OBJECTIVE

In *colonias* along the Southwest border and other underserved rural areas, capital for community and economic development is not consistently available. HUD requires that the four border states set aside 5-10% of their annual state Community Development Block Grant ("CDBG") award for community and economic development activities in *colonias* that lie within 150 miles of the U.S.-Mexico border and outside of MSAs of populations greater than one million. These and other HUD block grants to states are distributed through local governments, but amounts fall far short of need. USDA, EDA, SBA and other federal agencies fund projects in rural areas, but require organizations with sufficient capacity to deliver them. Historically, it has been difficult for organizations specializing in affordable housing and small business support to sustain them and grow. The few exceptions tend to be multi-service nonprofits that attempt to support many needs once they become established. Due to the scarcity of overall resources, they are far between and many areas remain poorly served.

Community development financial institutions (CDFIs) can be an important part of the infrastructure for delivering consistent funding for housing and small business development activities that benefit low and moderate income people. They combine multiple sources of public and private capital in order to make loans and investments available in ways tailored to

particular underserved geographies and types of businesses or borrowers. They also provide technical assistance to increase borrowers' capacity to access mainstream financing. CDFIs, which include stand-alone organizations and affiliates of established community development and service organizations, can be a crucial vehicle in expanding capital access for housing and economic development.

To the extent of their authority, USDA will make efforts to conduct outreach to attempt to use RD funds in areas where data show at least 45% of the children in the area are getting a free lunch under the National School Lunch Program.

CDFIs and other organizations engaged in community development lending and investing can also play important roles in financing and technical assistance for affordable housing, business, community facilities. Developing capacity among these types of organizations can increase utilization of USDA programs in a region, many of which provide long-term, below-market capital for permanent improvements in rural areas. In addition, regional activities and investments may become focused through the Southwest Border Regional Commission authorized in Sec. 14217 of the Food, Conservation, and Energy Act of 2008, if implemented.

The demonstration will stimulate growth in the organizational infrastructure that channels funding for both agencies' missions to underserved rural areas. The region-by-region approach will allow us to engage public agencies and private funders with a specific interest in each region in a concrete way, improving the chances for additional investment.

### **III. CONTRIBUTIONS OF THE PARTIES**

In order to effectuate the objective of this MOU, HUD intends to take the following steps, pursuant to its authority under Section 3 of the HUD Act, 42 USC 3532, beginning with a Border Community Capital Initiative ("BCCI") focused on *colonias* in the US/Mexico border region:

- A. HUD will:
  1. The Office of Community Planning and Development (CPD) Office of Economic Development will serve as the lead for HUD and CPD
    - a. Make grants totaling at least \$635,000 available to local rural nonprofits that have existing capacity for lending and investments in affordable housing, small business and potentially community facilities, consistent with innovative housing and economic development practices. Make grants for the following purposes:
      - i. Expand service in the *colonias*
      - ii. Secure new public or private capital sources
    - b. Administer competition and resulting grants, in manner outlined in Exhibit A to this document
    - c. Consistent with the requirements of the HUD Reform Act:
      - i. Consult with CDFI Fund and USDA-RD on scoring criteria, on an advisory basis

- ii. Involve CDFI Fund and USDA-RD in application review, on an advisory basis
  - d. Review results and operational considerations with CDFI Fund and USDA-RD
  - e. If the approach is successful, assess potential to adapt it for other underserved rural regions
  - f. Train CDFI Fund capacity building contractors on the forthcoming new Consolidated Plan mapping tool (CPD Maps)
  - g. Coordinate with the CDFI Fund and USDA-RD respect to technical assistance anticipated for border governments and nonprofits, including training on forthcoming new Consolidated Plan mapping tool
  - h. Work with the CDFI Fund and USDA-RD to assess whether there are useful parallels to the Healthy Food Financing Initiative partnership between the CDFI Fund, HHS and USDA
  - i. Coordinate with the CDFI Fund and USDA-RD respecting capacity building activities and grants under 2012 appropriation for rural housing capacity building
2. Office of Policy Development & Research:
- a. Office of Research, Evaluation and Monitoring will evaluate the demonstration as part of a \$1 million evaluation of the Rural Innovation Fund, as described in Exhibit B to this document.
  - b. Office of International and Philanthropic Innovation will identify, facilitate outreach and advise on communications to interested philanthropy and social investors

B. The CDFI Fund will<sup>1</sup>:

- 1. Provide up to three in-person training workshops in the *colonias* on specific organizational development topics relevant to CDFIs. Border Community Capital Initiative grantees will be able to send up to two staff persons to these trainings, at no cost, and will be prioritized during the registrant selection process.

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<sup>1</sup> The CDFI Fund expects to have a finalized small and emerging CDFI task order in place by the Spring of 2012, under which it will arrange for the capacity building commitments listed in this MOU. Because a contractor has not yet been selected, all activities described here are based on assumptions from other CDFI Fund Capacity Building Initiative task orders. In this case, the CDFI Fund will utilize the CDFI Program definition of small and emerging CDFIs for eligibility purposes under this contract, but exceptions will be allowed for those entities serving high needs geographies, including the federally defined *colonias*. Border Community Capital Initiative grantees will qualify for assistance under the small and emerging CDFI task order, and also other task orders planned for 2012 for more general capacity building topics such as liquidity, capitalization, portfolio management and others.

2. Provide training webinars specific to the needs of CDFIs. Such webinars will include regional specific components, to the extent necessary.
3. Provide an average of 60 hours of individual technical assistance to Border Community Capital Initiative grantees that attend CDFI Fund sponsored trainings in the colonias. Technical assistance can either be on-site or remote. All technical assistance delivered to HUD RIF grantees will be tailored based on the results of organizational capacity assessments administered by the contractor.
4. Provide training curricula, resource guides, and other information materials, at no cost, to BCCI grantees.
5. Serve in an advisory capacity during HUD's competition process, with staff participating in reviews to the extent possible.

C. USDA-RD will:

1. Where appropriate and permitted under program regulations, USDA-RD will make efforts to award points in relevant program areas for BCCI grantees.
2. Engage other entities of USDA to assess capacity of BCCI grantees to help deliver programs supporting production agriculture businesses and business activities promoting fresh food access and distribution in the border region, and other policy priorities.

All of the participating agencies will:

1. Coordinate with respect to outreach and capacity building under Administration initiatives including Strike Force and focused outreach to women and Latino farmers, and where appropriate offering local offices as facilities for outreach and collaborative capacity building priorities.
2. Coordinate communication and capacity building to agency grantees along the Southwest border, including BCCI grantees, respecting opportunities for social investment in community facilities and infrastructure financing.
3. Convene partners, contribute contacts and participate in outreach respecting the funding opportunity, including but not limited to:
  - a. Participate in webinars, conference calls, crafting of FAQs and other communications
  - b. Outreach through listservs, trade publications, regional conferences, and partner institutions such as the Federal Reserve Bank system
  - c. Participate in outreach and capacity building opportunities, including Strike Force meetings in New Mexico and other border areas

4. Develop and implement an overall communications strategy to promote the initiative to target CDFIs and partner organizations
5. Identify and collaborate on developing an approach to partner with public and private financial institutions interested in making community and economic development loans and related investments in the border region, including but not limited to NADBank, SBA, EDA, private financial institutions, philanthropic organizations and social investors.
6. Provide information about their respective programs and organize informational sessions with applicants, to inform and improve strategies for ongoing capital access.
7. Continue to facilitate engagement among larger scale investors, public agencies, CDFIs and other groups working in community and economic development in underserved areas of the US/Mexico border region.
8. Work together to shape an evaluation of the BCCI and other rural strategies involving lending, investing and social investment, and provide data and information available to each agency to support the evaluation. A preliminary framework for evaluation is described in Exhibit A to this document, which will be updated as the evaluation design is finalized.

#### **V. EXPENSES OF EACH PARTY**

Each Party to the MOU will bear its own expenses in connection with the preparation, negotiation, and execution of the MOU, and no Party shall be liable to any other Party or Parties for such expenses.

#### **VI. PUBLICITY**

The Parties will coordinate all public statements and other disclosures with regard to the MOU. No Party to the MOU may enter into any publicity regarding the MOU unless the Parties consult with each other in advance on the form, timing, and contents of any such publicity, announcement, or disclosure.

#### **VII. EFFECTIVE DATE AND DURATION OF THE MEMORANDUM OF UNDERSTANDING**

This MOU will not become effective until it has been executed by all of HUD, the CDFI Fund, and USDA-RD. When this MOU has been so executed, it will become effective as of the latest signature date on this MOU, and will remain in place until terminated by any of the Parties.

## **VIII. AMENDMENTS, TERMINATION, OR CANCELLATION OF MOU**

Amendments to this MOU must be agreed to in writing by all Parties. Amendments may be introduced by any Party at any time; however, after all agreed upon activities set forth in Section III have been performed with respect to the Border Community Capital Initiative and the Exhibits to this MOU, the Parties agree to review the agreed upon activities outlined herein and make any adjustments to the language necessary to reflect actual experience or programmatically desirable changes. Amendments may address additional collaborative work in the U.S.-Mexico border region or in other rural areas.

The MOU may also be terminated unilaterally by any party, with 90 days' advance written notice. The Parties hereby express an intention, however, to perform the agreed upon activities described in this MOU with respect to the Border Community Capital Initiative, outlined in Section III and the Exhibits to this MOU.

## **IX. STATEMENT OF NON-BINDING OBLIGATION AND NO FINANCIAL COMMITMENT**

This MOU is an expression of intent only. Each of the Parties will act as an independent party with respect to the performance of its respective agreed upon activities under the MOU. The MOU does not obligate and will not result in an exchange of funds, personnel, property, services, or any kind of financial commitment. Participation in this MOU is subject to an Agency having sufficient program funds available. It will not result in a transfer of resources between the Parties. Any future transfer of funds or obligation to undertake certain work must be confirmed by an appropriate funding agreement executed by authorized officials from the agencies that are signatories to the MOU. The MOU does not give any third party any benefit, legal or equitable right, remedy or claim under the MOU.

## **X. INFORMATION SHARING**

To the extent that CDFI Fund or USDA-RD staff participate in document development and/or application review under HUD Notices of Fund Availability, task orders and other activities covered by the HUD Reform Act, CDFI Fund and USDA-RD staff will execute and observe Confidentiality Agreements and comply with other requests made by HUD pursuant to the HUD Reform Act requirements.

To the extent data is to be shared between the Parties for purposes of any activities under this MOU, a new written agreement or amendment to this MOU will be executed to ensure that all relevant Privacy Act and Freedom of Information Act requirements are followed.

## **XI AGENCY CONTACTS**

**HUD:**

Valerie Piper, Deputy Assistant Secretary for Economic Development  
Office of Community Planning and Development  
U.S. Department of Housing and Urban Development  
451 Seventh Street, SW, Room 7136  
Washington, DC 20410  
(202)402-4445  
Valerie.g.piper@hud.gov

**CDFI Fund:**

Ruth Jaure, CDFI and Native Initiatives Program Manager  
Community Development Financial Institutions Fund  
U.S. Department of the Treasury  
1801 L Street NW  
Sixth floor  
Washington, DC 20036  
(202) 622-9156  
jaurer@cdfi.treas.gov

**USDA-RD:**

Judith Canales, Deputy Under Secretary  
Rural Development  
U.S. Department of Agriculture  
1400 Independence Avenue, SW  
Washington, DC 20250  
202-720-4581  
Judith.Canales@osec.usda.gov

**XII. SIGNATURES OF AGENCY OFFICIALS**

**United States Department of Housing and Urban Development,  
Office of Community Planning & Development:**

**BY:** \_\_\_\_\_ **DATE:** \_\_\_\_\_

**NAME:** \_\_\_\_\_

**TITLE:** \_\_\_\_\_

**United States Department of Housing and Urban Development,  
Office of Policy Development & Research:**

BY: \_\_\_\_\_ DATE: \_\_\_\_\_

NAME: \_\_\_\_\_

TITLE: \_\_\_\_\_

**Community Development Financial Institutions Fund,  
United States Department of the Treasury:**

BY: \_\_\_\_\_ DATE: \_\_\_\_\_

NAME: Donna J. Gambrell

TITLE: Director, CDFI Fund

**United States Department of Agriculture  
Rural Development**

BY: Judith A. Canales DATE: 6/12/12

NAME: JUDITH A. CANALES

TITLE: ACTING DEPUTY UNDER SECRETARY  
USDA RURAL DEVELOPMENT

**EXHIBIT A: BORDER COMMUNITY CAPITAL INITIATIVE  
Recommended demonstration program specifics**

**Eligible applicants:**

- Local rural nonprofits with demonstrated experience in lending or investing for affordable housing and business development, including certified CDFIs and potential emergent CDFIs.
- Proposed service areas within 150 miles of the US-Mexico border, excluding Metropolitan Statistical Areas with populations exceeding one million.

**United States Department of Housing and Urban Development,  
Office of Policy Development & Research:**

BY: \_\_\_\_\_ DATE: \_\_\_\_\_

NAME: \_\_\_\_\_

TITLE: \_\_\_\_\_

**Community Development Financial Institutions Fund,  
United States Department of the Treasury:**

BY: Donna Gambrell DATE: 5/30/12

NAME: Donna J. Gambrell

TITLE: Director, CDFI Fund

**United States Department of Agriculture  
Rural Development**

BY: \_\_\_\_\_ DATE: \_\_\_\_\_

NAME: \_\_\_\_\_

TITLE: \_\_\_\_\_

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**United States Department of Housing and Urban Development,  
Office of Policy Development & Research:**

BY: Enka C. Poethig DATE: 6/27/2012  
NAME: Enka C. Poethig  
TITLE: Acting Assistant Secretary

**Community Development Financial Institutions Fund,  
United States Department of the Treasury:**

BY: \_\_\_\_\_ DATE: \_\_\_\_\_  
NAME: **Donna J. Gambrell**  
TITLE: **Director, CDFI Fund**

**United States Department of Agriculture  
Rural Development**

BY: \_\_\_\_\_ DATE: \_\_\_\_\_  
NAME: \_\_\_\_\_  
TITLE: \_\_\_\_\_

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**CDFI Fund:**

Ruth Jaure, CDFI and Native Initiatives Program Manager  
Community Development Financial Institutions Fund  
U.S. Department of the Treasury  
601 13<sup>th</sup> Street NW, Suite 200 South  
Washington, DC 20005  
(202) 622-9156  
jaurer@cdfi.treas.gov

**USDA-RD:**

Judith Canales, Deputy Under Secretary  
Rural Development  
U.S. Department of Agriculture  
1400 Independence Avenue, SW  
Washington, DC 20250  
202-720-4581  
Judith.Canales@osec.usda.gov

**XII. SIGNATURES OF AGENCY OFFICIALS**

**United States Department of Housing and Urban Development,  
Office of Community Planning & Development:**

BY: Mercedes Márquez DATE: 5/15/2012  
NAME: MERCETES MÁRQUEZ  
TITLE: ASSISTANT SECRETARY  
COMMUNITY PLANNING & DEVELOPMENT

**United States Department of Housing and Urban Development,  
Office of Policy Development & Research:**

BY: \_\_\_\_\_ DATE: \_\_\_\_\_  
NAME: \_\_\_\_\_  
TITLE: \_\_\_\_\_

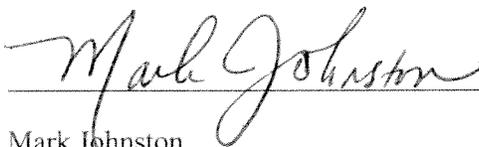
9. Section VIII shall be changed to read "Amendments to this MOU must be agreed to in writing by all Parties. Amendments may be introduced by any Party at any time; however, after all agreed upon activities set forth in Section III have been performed with respect to the Border Community Capital Initiative and the Exhibits to this MOU, the Parties agree to review the agreed upon activities outlined herein and make any adjustments to the language necessary to reflect actual experience or programmatically desirable changes. Amendments may address additional collaborative work in the U.S.-Mexico border region or in other rural areas.

The MOU may also be terminated unilaterally by any party, with 90 days' advance written notice. The Parties hereby express an intention, however, to perform the agreed upon activities described in this MOU with respect to the Border Community Capital Initiative, outlined in Section III and the Exhibits to this MOU.

10. In Section X, the words "or USDA-RD" shall be inserted after "To the extent that CDFI Fund" and before "staff participate" in the first sentence.

**Signatures of Agency Officials:**

United States Department of Housing and Urban Development, Office of Community Planning and Development

BY:   
NAME: Mark Johnston  
TITLE: Acting Assistant Secretary, Community Planning and Development  
DATE: June 6, 2012

United States Department of Agriculture -- Rural Development

BY: \_\_\_\_\_  
NAME:  
TITLE:  
DATE:

**EXHIBIT A: BORDER COMMUNITY CAPITAL INITIATIVE**  
**Recommended demonstration program specifics**

**Eligible applicants:**

- Local rural nonprofits with demonstrated experience in lending or investing for affordable housing, community facilities and business development, including certified CDFIs and potential emergent CDFIs.
- Proposed service areas within 150 miles of the US-Mexico border, excluding Metropolitan Statistical Areas with populations exceeding one million.

**Purpose:**

- Expand *colonias* service areas of established affordable housing, small business and community facilities lenders and investors, or
- Assist lenders and investors in securing new public or private capital sources for such activities

**Eligible activities:**

- Innovative housing, community facilities and economic development activities, and support for capacity to carry them out.
- Anticipate uses such as loan capital, loss reserves, program staff costs, information systems, market studies, portfolio analyses and business planning.

**Maximum grant:**

- \$200,000; anticipate 3-5 grantees, depending upon amount recaptured for this competition
- HUD will have discretion to establish geographic diversity of coverage along the U.S./Mexico border

**Other federal agencies and permanent funding sources:**

Grants are intended to improve the delivery systems for other federal programs and private investment.

Connect applicants and grantees with potential capital sources by outreach in partnership with the CDFI Fund and PD&R's Office of International and Philanthropic Initiatives:

- SBA (Rural investment fund, 7a lending, PRIME microenterprise lending)
- USDA (RBEG, Intermediary relending, RMAP, VAPG, SSDPG, rural housing, CF regular grants, Economic Impact Initiative Grants, and any other potential RD capital sources)
- North American Development Bank, philanthropy and social investors

**EXHIBIT B: RURAL INNOVATION FUND EVALUATION FRAMEWORK**  
**Outline for evaluation + connections to CDFI/HUD social investments research agenda**

**Framework for RIF evaluation**

Evaluate following types of outcomes within each type of activity (match to RIF outcomes being collected – this may be inexact):

- Housing units produced
- Housing counseling activities increased/households assisted
- Jobs created
- Businesses created
- Leverage – public sector funding (and source), private (below-market vs. return-driven)
- Organizational impacts – growth as a result of the grant, related investments and activities

	<b>Housing</b>	<b>Business development</b>	<b>Infrastructure</b>
<b>Organization does direct production</b>	Housing development and rehabilitation/retrofit	Specific business enterprise start-up  Development of commercial real estate or infrastructure to facilitate business location/function	Direct development of infrastructure improvements
<b>Organization does lending &amp; investing</b>	Loans to homeowners or multifamily rental projects	Loans to business owners	

**Additional important questions:**

Assess regional differences – colonias, Appalachian Distressed Counties, Lower Mississippi Delta, Federally recognized Indian tribes

What difference did increased scale of HUD investment under RIF vs. RHED make?

- To a certain extent, attracted different applicants; were they judged to have higher capacity at the time of application?
- Were there differences in the scale and type of leverage attracted to the project?
- Were there differences to the trajectory of growth for the organization or the practice funded?

**For CDFI/HUD social investment research agenda:**

- Review other sources of capital used by organizations that were operating as CDFIs (certified, or just making loans or investments) at the time of application
- Were social investments, through CDFIs, direct investment or other means, a component of capital used by grantees whose predominant line of business (and the subject of the HUD grant) is production, rather than making loans and investment
- Get this started with a review of RHED repeat customers

**Universe of situations to be reviewed:**

- 51 Rural Innovation Fund grantees
- Longitudinal cases selected from among Rural Housing and Economic Development “repeat customers” to represent:
  - ✓ Each of the project type/methodology matrix
  - ✓ To extent possible, geographical range of program
- Forthcoming HUD/CDFI border demonstration project