

Community Advancement through New Opportunities & Partnerships Yielding Results (CANOPY) Fund

2024 Proposal Submission Guidelines

Overview

The **CANOPY Fund** is a revolving loan fund sponsored by the Federal Home Loan Bank of Dallas that will provide non-depository, Community Development Financial Institution (CDFI) Members with access to low-cost, unsecured loan funds for a term of five to 10 years to support their affordable housing and economic development lending programs in Texas, Arkansas, Louisiana, Mississippi and New Mexico (“FHLB District”).

The **benefits** of CANOPY Fund borrowing include:

- Special rates that are below U.S. Treasury benchmark rates
- Fixed-rate, fixed-term with interest payable quarterly and principal due at maturity
- Terms from 5 to 10 years with the potential for five one-year renewal options
- No prepayment penalties

Any non-depository CDFI institution that is an unrestricted member of the FHLBank Dallas is invited to submit a proposal for CANOPY funds. **Key dates for 2024** include the following:

- **June 6, 2024** - CANOPY Fund Webinar with a recording to be made available
- **July 12, 2024** - Applicant deadline for proposal submissions
- **July 15 to September 30, 2024** – FHLB Dallas reviews proposals
- **October 2024** - Begin to execute agreements, deliver closing documents and subsequently receive funds

Note: Future application opportunities may be announced based on funds availability. Dates are subject to change.

Proposal Submission

Proposals should, at a minimum, describe the applicant organization’s background including mission, strategy, organizational structure, target markets served and financial and compliance information. The proposal should also describe key elements concerning the request and usage of CANOPY Funds, including the requested CANOPY loan amount, goals for deployment of funds, target markets to be served, strategies to achieve goals and measures of success and impact.

Please include all applicable information listed in the “**CANOPY Fund Proposal Checklist**” within the proposal. Applicants are encouraged to include any additional information to further support their proposals for CANOPY funds.

Please email the completed Proposal as a PDF attachment(s) to canopy@fhlb.com by **5:00 p.m. (Central Time) on July 12, 2024**. Files sent as a link to an external site (e.g. Dropbox, ShareFile, Google Drive, etc.) will not be accepted. For more information or to confirm receipt of the Proposal, please contact the Community Investment Department at 800.362.2944.

Proposal Evaluation

FHLB Dallas will evaluate proposals based on a variety of factors, including, but not limited to:

- **Alignment with CANOPY Fund objectives** to provide longer-term, unsecured loans to assist in the growth of economic opportunities and affordable housing in underserved and low- to moderate-income communities within the FHLB District
- **The organization’s eligibility and capacity to execute proposed actions**, with a significant emphasis on the potential for impact

After approval of a proposal, the applicant will be required to sign a legal agreement to define the terms of the borrowing arrangement. There will be periodic reporting and fund usage certification requirements for CANOPY Fund borrowers. Proposal evaluation and lending of CANOPY funds will be at the sole discretion of FHLB Dallas.

Eligibility & Funding Requirements

Member Eligibility - To be eligible to become a CANOPY borrower, the member must meet the following criteria:

- Certified, non-depository CDFI institution that is either currently an unrestricted FHLB Dallas member (credit rating of 'D' or better) or becomes a member while CANOPY funds are available overseen by a Board of Directors with experience in relevant sector(s)
- Five or more consecutive years of audited financials
- Positive net assets for the past three years
- Able to satisfy reporting and compliance requirements

Funds Usage/Deployment - CANOPY funds must support affordable housing and/or economic development project funding within the FHLB District (Arkansas, Louisiana, Mississippi, New Mexico and Texas).

CANOPY funds specifically need to primarily benefit households having a targeted income level less than 120 percent of area median income, a significant proportion of the funds must benefit households with incomes at or below 80 percent of area median income, or areas targeted for redevelopment by local, state, tribal or Federal government (including Opportunity Zones), by providing or supporting one or more of the following activities:

- **Affordable Housing Programs** - Loan programs that assist low- and moderate-income households to obtain rental and ownership housing. Housing programs may include the purchase, construction, and/or rehabilitation of affordable owner-occupied or rental housing units, and loans to homebuyers/homeowners for down payment, rehabilitation or weatherization assistance.
- **Economic Development Programs** - Loan programs that assist new and/or existing businesses in the creation and preservation of jobs. Economic development programs may include small business loan programs, loans for the purchase, construction and/or expansion of community facilities, or agricultural and farm lending. Includes community services and job creation and preservation that is focused on permanent jobs.
- **Area revitalization or stabilization** - Activities that support revitalization or stabilization of targeted census tracts, including adaptive reuse of vacant or blighted buildings, brownfield redevelopment, support of a plan for a business improvement district or main street program or any other activity that supports revitalization or stabilization. "Targeted census tracts" are defined as low-income census tracts, moderate-income census tracts, or distressed or underserved non-metropolitan middle-income census tracts.

CANOPY funds should only be used for eligible lending purposes.

Funding Amounts - Total CANOPY loans by member are limited to a maximum of 15 percent of the CDFI member's unrestricted net assets, not to exceed a total of \$6.5 million. The minimum size for a CANOPY loan is \$500,000.

Financial & Compliance Ratios Covenants – CANOPY borrowers will be required to report CANOPY loan portfolio performance metrics and adhere to certain ratios including, but not limited to the following:

Example Ratios	Metrics	Example Ratios	Metrics (Greater than or equal to)
Net Asset Ratio	Greater than 25%	Liquidity Ratio	1
Self Sufficiency Ratio	Greater or equal to 60%	CANOPY Deployment Ratio*	90%
Non-Performing Asset Ratio	Less than 10%	Loan Loss Reserves Ratio	30% of all loans that are 90 days or greater past due.

Note: Financial and compliance metrics will be evaluated prior to execution of legal agreements.

**CANOPY Deployment Ratio requirement is applied starting 12 months after funds are disbursed.*

Fair Lending – Usage of CANOPY funds by the member must be in compliance with all applicable fair lending laws.

For questions and/or additional information, please contact the Community Investment Department at 800.362.2944 or canopy@fhlb.com.

CANOPY Fund Proposal Checklist

Background

Organization and Mission - Provide a high-level summary of your organization and/or strategic plan, including:

- Organizational and Mission Background
- Organizational Chart and Executive Biographies
- Target Market Information

Include a.) who your organization primarily serves, b.) where you serve, c.) issues your organization is addressing and d.) how you serve your target market. Supporting material could include relevant facts, figures, and/or trends, for example, high-level demographic information, housing market, economic conditions, unemployment levels, etc.

Financial and Compliance Information - Provide information as listed below:

- Most recent current year operating budget
- Confirm ability to provide:
 - Five or more consecutive years of year-end audited financial statements (2019-2023)
 - CDFI Certification from the U.S. Treasury CDFI Fund

Please also include Aeris Rating, material administrative complaints and lawsuits and any other relevant information that may be helpful in evaluating your proposal, as applicable.

Proposal – Key Elements

A well-thought through and documented proposal will help FHLB Dallas understand and evaluate how CANOPY funds could assist your organization in achieving its goals to create measurable impacts. Please include the following **regarding the planned usage of CANOPY funds** as part of your proposal by defining and describing the following:

- Loan amount requested
- What do you want to achieve and who will you be primarily serving (target market(s)/clients)?
 - Goals - including priorities, opportunities, potential challenges, etc.
 - Target Market/Community Strategies – Who will be served, where, and how?
- How do you plan to achieve your goals and serve your target market(s)/clients?
 - Implementation Plan and Timeline – What is your plan and timeline for implementation?
 - Funding Strategies – How will CANOPY funds contribute to overall funding strategy, funding mix?
- How will you define and track success including measurements and impact reporting?

___ Include the following statement followed by the signature of an authorized officer along with the officer's printed name, title and date

"I hereby certify that, to the best of my knowledge, the information provided in this proposal is true and correct and is an accurate representation of our organization's current plans for use of the CANOPY funds."

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