

2015 APPLICATION FAQs  
(UPDATED NOVEMBER 9, 2015)

# NEW MARKETS TAX CREDIT PROGRAM

## NMTC PROGRAM

ALLOCATION APPLICATION  
FREQUENTLY ASKED  
QUESTIONS



[WWW.CDFIFUND.GOV/NMTC](http://WWW.CDFIFUND.GOV/NMTC)

*The CDFI Fund is an equal opportunity provider.*

**QUESTIONS & ANSWERS**  
**FROM CONFERENCE CALLS HELD**  
**OCTOBER 27<sup>TH</sup> AND 29<sup>TH</sup>, 2015**

On October 27<sup>th</sup> and October 29<sup>th</sup>, 2015, the New Markets Tax Credit Program office held two conference calls for potential 2015 Round *Applicants*. The participants on these calls were able to ask for additional clarification on specific questions within the 2015 NMTC *Allocation Application*, to which the New Markets Tax Credit Program team responded. Additional guidance and clarification is provided below on issues that were raised during the conference calls as well as via Help Desk phone calls and emails.

**A. How many sample projects should an Applicant include in its response to**

**Question 17?**

The TIP associated with Question 17 states that the Applicant must provide detailed sample transactions with total QLICI needs of the QALICB/project sponsor equivalent to the Applicant's NMTC Allocation request in Question 1. Total QLICI needs of the QALICB/project sponsor include any QLICIs anticipated to be provided by the Applicant. For example, if the Applicant requests \$75MM in NMTCs it would need to provide sample transactions for \$75MM in total QLICI needs.

If the Applicant anticipates providing a QLICI to create a loan or equity pool to finance smaller dollar QLICIs and/or revolving QLICIs, the CDFI Fund does not expect the Applicant to describe each individual transaction. In this context, the Applicant should describe, as a group, the total QLICIs to be used for this purpose and the business types to be financed and/or uses (e.g. equipment, facility improvements). For example, if the Applicant planned to use \$10MM of allocation to create a small business loan fund, then it should describe that \$10MM loan fund as one "sample transaction."

Applicants must describe the following for each sample pipeline transaction: total project costs, total QEI and QLICI to be provided by the Applicant, underwriting status, projected closing date, and planned uses of financing. Q.17 should not include discussion of any community outcomes expected to be generated from its pipeline transactions. Community outcomes should be discussed specifically in Q.25(a). The CDFI Fund recognizes that Applicants may need more than 10,000 characters to fully answer this question and has updated the 2015 NMTC Allocation Application to allow up to 12,000 characters for Q.17.

**B. How should an Applicant respond to Questions 19, 20, and Exhibit B based on the activities in Q.13(b)?**

The activities in Q.13(b) represent the types of NMTC activities that qualify as QLICIs. The Applicant should use the types of activities in Q.13(b), as a guide for responding to Questions 19, and Exhibit B1-3. If the Applicant has a track record of providing loans or equity investments different than those described in Q.13(b), the Applicant should include these activities in Q. 20 and Exhibit B4.

Exhibit B1 should include and Question 19 should discuss its track record of providing or otherwise facilitating loans or *Equity Investments* to Real Estate and *Operating Businesses* (including any *QLICIs* to *QALICBs*). Exhibit B2 should include and Q.19 should discuss the Applicant's track record of providing loans or *Equity Investments* in *CDEs*. Exhibit B3 should include and Questions 19 should discuss loans purchased from *CDEs*. *FCOS* should be described in the narrative to Q.19. These activities have previously been referred to as "QLICI-like" activities in past NMTC Application Rounds.

Exhibit B4 should include and Question 20 should discuss any loans, *Equity Investments*, and/or financial counseling that does not correspond to the types of activities listed in Q.13(b). This may include *Restricted NMTC Activities*, loans and/or *Equity Investments* in NMTC investment funds or non-*CDE* financial institutions, personal or consumer loans, and residential mortgages among other types of loans and/or *Equity Investments*. These activities have previously been referred to as "non-QLICI activities" in past NMTC Application Rounds.

**C. If the Applicant commits to investing in Federal Indian Reservations, Off-Reservation Trust Lands, Hawaiian Home Lands, and Alaska Native Village Statistical Areas, how can the Applicant identify whether potential NMTC investments are located in these areas?**

*Applicants* should use the CIMS3 to geocode addresses and determine whether potential *QALICBs* are located in *Federal Indian Reservations, Off-Reservation Trust Lands, Hawaiian Home Lands, and Alaska Native Village Statistical Areas*.

To determine whether a proposed *QALICB* is located in one of these areas, first access CIMS3 by clicking [https://www.cims.cdfifund.gov/preparation/?config=config\\_nmtc.xml](https://www.cims.cdfifund.gov/preparation/?config=config_nmtc.xml). Then, click on the Layers button in upper right of the screen. De-select 2010 Census Tract and instead select Federal Indian Reservation. Put in the address of the proposed *QALICB* in the Search bar at the top right of the screen and press Enter. Click on the search result that matches the address you are looking for and zoom in to the address. If the address pin is located in the shaded area, then the proposed *QALICB* is located in one of these areas stated above and consequently can be considered an innovative activity. Click on the area around the address pin to obtain the specific name of the area (e.g. Fort Apache Reservation, Kalamaula Hawaiian Home Land). Lastly, click on the Layers button and de-select the Federal Indian Reservation layer and instead select 2010 Census Tract to determine whether the proposed *QALICB* is located in an NMTC-eligible census tract. Note that the determination of whether a proposed *QALICB* is located in one of these areas and in an NMTC-eligible census tract has to be conducted separately.

**D. REVISED: In Question 22 of the Allocation Application, how can an Applicant earn the five priority points for investing in Unrelated entities?**

Beginning in the 2015 NMTC Application Round, an *Applicant* may earn 5 priority points for committing to use "substantially all" of its *QEI* proceeds to make investments in one or more businesses in which persons *Unrelated* to the *Applicant* and the *Subsidiary CDE* making the *QLICI* (if any) hold the majority equity interest ("*Unrelated Entities*"). Whether

a QALICB is related to a CDE is determined pursuant to IRC Sections 267(b) and 707(b)(1).

An *Allocatee* that has committed to invest in *Unrelated Entities* will be in compliance with its *Allocation Agreement* only if persons *Unrelated* to the *Allocatee* and *Subsidiary Allocatee* (if the *Subsidiary Allocatee* makes the *QLICI*) will hold a majority equity interest in the *QALICB* after a *QEI* is made in the *Allocatee* or *Subsidiary Allocatee*, but before the *Allocatee* or *Subsidiary Allocatee* uses the proceeds of that *QEI* to make its initial *QLICI* in the *QALICB*. The *Allocatee* must determine whether such persons are related to the *Allocatee* and *Subsidiary Allocatee* (within the meaning of IRC §267(b) and §707(b)(1)) in consultation with its own tax advisors. The CDFI Fund will assess compliance with the *Unrelated Entities* requirement at the *Allocatee* and *Subsidiary Allocatee* level, if the *Subsidiary Allocatee* makes the *QLICI*. This requirement applies to all *QLICIs* made with *Allocations* awarded in the 2015 round.

**Anti-Abuse Provision:** The CDFI Fund may review any subsequent changes in the *QALICB*, *Allocatee CDE*, or *Subsidiary CDE* ownership resulting in common ownership between the *Allocatee CDE* (and *Subsidiary CDE*) and the *QALICB* on a case-by-case basis to determine whether a principal purpose of a transaction or a planned series of transactions is to achieve a result that is inconsistent with the purpose of this rule.

**E. REVISED: What distinct information should the *Applicant* provide in each of the three job related questions in Question 25?**

The CDFI Fund provides no preference in scoring or evaluating *Applicants* based solely on outcomes selected in Question 25. However, if the *Applicant* selects Job Creation as a Community Outcome in Question 25(a), then it may score higher if it can quantify that the jobs created represent high quality jobs and is able to quantify the number or percentage of jobs that are accessible to *Low-Income Persons* or residents of *Low-Income Communities*. Each sub-category in Question 25(a) gives the *Applicant* an opportunity to discuss unique aspects of their potential job creation outcomes. *Applicants* should not repeat the same information in each narrative for 1-3.

For (1) Job Creation, the *Applicant* should quantify, to the best of its ability, the number of direct jobs (in the aggregate or on average for each project) that will be created or maintained as a result of the *Applicant's QLICIs*, as well as clearly discuss the methods and metrics used to derive these figures. *Applicants* should also provide a comparison between projected jobs created and their track record of job creation.

For (2) Quality of Jobs, the *Applicant* should quantify the number or percentage of the jobs created/maintained that will provide opportunities to build wealth, receive living wages and employment benefits, as well as provide opportunities for training and career advancement for *Low-Income Persons* or residents of *Low-Income Communities*. The *Applicant* should clearly discuss how it defines a “quality job” and the method and metrics it used to estimate the portion of “quality jobs” that will be created. *Applicants* should also discuss their track record of creating “quality jobs” and their experience monitoring jobs created to ensure they are “quality.” If the QALICB does not provide employment, but provides job training, this should be discussed under Community Goods and Services.

For (3) Jobs Accessible to *Low-Income Persons* or residents of *Low-Income Communities*, *Applicants* should quantify the number or percentage of the jobs created that will be targeted to *Low-Income Persons* or residents of *Low-Income Communities*, as well as describing their method for calculating this proportion. *Applicants* should also

discuss their strategy for placing *Low-Income Persons* or LIC residents in these jobs (e.g. partnerships with community agencies). Moreover, *Applicants* should discuss their track record compared to their projected activities.

**F. If an *Applicant* selects Flexible Lease Rates in Question 25(a), should it only discuss Real Estates Activities between a *QALICB* and a third party?**

Yes, the *Applicant* should only include Real Estate Activities where the tenant/lease arrangement is between a *QALICB* and a third party. A *QALICB* offering a favorable lease rate to an *Affiliate* is not an acceptable example of offering Flexible Lease Rates in Question 25(a).

**G. If the *Applicant* answers “Yes” to Question 25(c), is it required to select Question 25(a)(9) “Housing Units” and provide an associated narrative?**

Yes. If the *Applicant* indicated that it will finance projects that would result in developing or rehabilitating housing, then it must also respond to Question 25(c)(9) “Housing Units.”

**H. REVISED: In Question 27, how does the CDFI Fund want *Applicants* to discuss additional private investment as a result of the proposed *QLICs* described in the Business Strategy section?**

*Applicants* should discuss the extent that projected *QLICs* will stimulate additional private investment and examples of past investments that have stimulated additional private investment. Examples of how to discuss additional private investment include, but are not limited to:

**Example 1:** If the *Applicant's* pipeline investments are part of or coordinated with local economic development plans, the *Applicant* may discuss the expected additional private investments (e.g., new businesses opened, new housing developed, etc.) included in such plans.

**Example 2:** *Applicants* may discuss the projected amount of indirect jobs or additional dollar value of economic activity projected to be created as a result of the NMTC investment based on economic impact modeling software (e.g. IMPLAN, RIMS, etc.).

**Example 3:** *Applicants* may also discuss the ability of *Operating Businesses* financed to attract subsequent **private** investment from other sources after the initial *QLICI* was made.

Private investment does not include additional local, state, or federal subsidies (bond financing, tax-increment financing, historic tax credits, etc.).

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# I. QUESTIONS ON THE NMTC PROGRAM

## 1) How does the New Markets Tax Credit (NMTC) Program work?

The NMTC Program permits taxpayers to claim a credit against Federal income taxes for *Qualified Equity Investments (QEIs)* made to acquire stock or a capital interest in designated *Community Development Entities (CDEs)*. Designated *CDEs* must use substantially all of the proceeds from the *QEIs* to make *Qualified Low-Income Community Investments (QLICIs)*. The tax credit provided to the investor (either the original holder or a subsequent purchaser) is claimed over a seven-year credit period. In each of the first three years, the investor receives a tax credit equal to five percent of the total amount paid for the stock or capital interest at the time of purchase. For the next four years, the value of the tax credit is six percent annually. The Community Development Financial Institutions Fund (the CDFI Fund) certifies *CDEs* on an ongoing basis, and awards *NMTC Allocations* annually to highly ranked *CDEs* through a competitive application process. For a more detailed overview of the NMTC Program and definition of key terms, please review the **Introduction to the NMTC Program Presentation Slides** via the NMTC webpage on the CDFI Fund's website: [www.cdfifund.gov/nmtc](http://www.cdfifund.gov/nmtc).

## 2) What are the deadlines and dates that I need to know if my organization intends to apply for NMTC Allocations in the current round?

Deadline	Deadline Date
<b>CDE Certification:</b> If the <i>Applicant</i> has not yet been certified as a <i>CDE</i> (see Q&A #4), its <i>CDE Certification Application</i> must be...	5:00 pm, ET, on November 6, 2015.
<b>Request to modify CDE Certification service area</b> (see Q&A #32): Requests must be <u>received</u> by...	5:00 pm, ET, on November 6, 2015.
<i>Allocatees</i> that require the CDFI Fund to certify <i>Subsidiary CDEs</i> in order to meet the <i>QEI</i> issuance thresholds must submit their Certification Application for <i>Subsidiary CDEs</i> by...	5:00 pm, ET, on November 6, 2015.
<b>Questions Regarding Application:</b> The last date to contact the CDFI Fund with any questions regarding completion or submission of the <i>Allocation Application</i> is...	5:00 pm, ET, on December 14, 2015.
<b>Application:</b> Online <i>Allocation Applications</i> must be <u>submitted electronically</u> by...	5:00 pm, ET, on December 16, 2015.
<b>Application Attachments:</b> Supporting documents must be <u>submitted electronically</u> by...	11:59 pm, ET, on December 18, 2015.
<i>Allocatees</i> that require the CDFI Fund to add certified <i>Subsidiary CDEs</i> to an <i>Allocation Agreement</i> in order to meet the <i>QEI</i> issuance thresholds must submit their <i>Allocation Agreement Amendment</i> requests to the CDFI Fund by . . .	5:00 pm, ET, on December 31, 2015.
<b>QEI Issuance thresholds:</b> Previous <i>Allocatees</i> must meet the necessary <i>QEI</i> issuance thresholds by...	11:59 pm, ET, on January 29, 2016.
<b>Final Award Decisions</b> to be announced. . .	Summer 2016.

## II. Questions on Eligibility and CDE Certification

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### 3) Who is eligible to apply for NMTC Allocations?

In order to be eligible to apply for *NMTC Allocations* from the CDFI Fund in the Allocation round, an *Applicant* must: (a) be legally incorporated or formed as a domestic corporation or partnership for Federal tax purposes; (b) have a valid Employer Identification Number (EIN) at the time of application submission; and (c) be certified as a *CDE* by the CDFI Fund or have a *CDE Certification Application* pending with the CDFI Fund. Entities seeking a *NMTC Allocation* must submit a *CDE Certification Application* within AMIS on or before the **CDE Certification Application deadline listed in the Round Notice of Allocation Availability (NOAA)**. An entity whose *CDE Certification Application* is not submitted within this timeframe is not eligible to apply for a *NMTC Allocation* in this round.

### 4) My organization submitted its CDE Certification Application prior to the deadline listed in the NOAA and received a confirmation that it was received. Will the CDFI Fund be able to make a determination regarding my certification status prior to the NMTC Allocation Application deadline? If not, how will this affect my ability to submit an NMTC Allocation Application to the CDFI Fund?

Due to the volume of *CDE Certification Applications* that are expected to be submitted before the applicable deadline, the CDFI Fund may not complete reviews on all *CDE Certification Applications* prior to the applicable *NMTC Allocation Application* due date. However, the CDFI Fund will review *Allocation Applications* from organizations that have not yet received a certification determination, provided that their *CDE Certification Applications* were submitted within AMIS on or before the deadline listed in the NOAA. The CDFI Fund will not make Allocation awards to organizations until such time as they have been certified as *CDEs*. Accordingly, organizations will likely know their certification status in advance of the award decisions.

### 5) Is an entity that previously received an NMTC Allocation, a CDFI Program award or a BEA Program award (or an Affiliate of such an awardee) eligible to apply for NMTC Allocations?

Prior awardees of any component of the CDFI Fund's *CDFI Program*, Bank Enterprise Award (BEA) Program, Capital Magnet Fund (CMF), CDFI Bond Guarantee Program, or any other CDFI Fund program, and prior *Allocatees* under the NMTC Program, are generally eligible to apply for an *NMTC Allocation* under the Allocation round. However, if certain circumstances exist with respect to prior awards made to the *Applicant* or its *Affiliates* (e.g., previous incidents of default; failure to meet reporting requirements; a balance of undisbursed funds), the application may be deemed ineligible. Please refer to Section III of the NOAA for a complete description of this eligibility criterion.

The CDFI Fund will also consider the extent to which the *Applicant* (and *Affiliates*, as determined by the CDFI Fund) has complied with the terms and conditions and other requirements of any previous or existing assistance, Allocation or award agreements with the CDFI Fund.

Accordingly, *Applicants* that are prior awardees or *Allocatees* under any other CDFI Fund program are advised to:

- (a) Submit all required reports by the deadlines specified in the assistance, Allocation or award agreements governing said prior awards or Allocations and to comply with all requirements found therein;
- (b) Contact the appropriate program operations representative of the CDFI Fund to ensure that all necessary actions are underway for the disbursement of any outstanding balance of prior awards and/or the issuance of any *QEI*s; and
- (c) Confirm that any *Affiliate* that is a prior CDFI Fund awardee or *Allocatee*, has submitted all required reports to the CDFI Fund and is taking all necessary actions for the disbursement of any outstanding balances of any prior awards and/or the issuance of any *QEI*s.

**6) Are CDEs with a prior allocation award(s) required to issue a minimum amount of *QEIs* in order to be eligible for a subsequent award?**

Yes. Applicants that have previously received an NMTC Allocation (or whose *Affiliates* have previously received an NMTC Allocation) are further required to demonstrate that they have issued a requisite minimum amount of *QEIs* from their prior allocation(s) in order to be eligible. Please refer to Section III of the *NOAA* for a complete description of these eligibility thresholds.

The CDFI Fund will only consider as “issued” those *QEIs* that have been recorded and finalized (as opposed to listed as “pending”) in the CDFI Fund’s Allocation Tracking System. *Allocatees* and their Subsidiary transferees, if any, are advised to access the CDFI Fund’s Allocation Tracking System to record and finalize each *QEI* that they issue to an investor in exchange for cash. *Allocatees* that require certain action by the CDFI Fund in order to meet their *QEI* issuance requirements should be sure to submit a request by the deadlines (e.g., certifying a Subsidiary entity as a *CDE* – deadline November 6, 2015; adding a Subsidiary *CDE* to an Allocation Agreement – December 31, 2015) to guarantee that the CDFI Fund completes all necessary approvals prior to the *QEI* issuance deadline of January 29, 2016.

*Applicants* should be aware that these *QEI* issuance requirements represent the minimum threshold requirements that must be met in order to submit an application. As stated in the *NOAA*, the CDFI Fund reserves the right to reject an application and/or adjust award amounts as appropriate based on information obtained during the review process – including an *Applicant*’s track record of raising *QEIs* and/or deploying its *QLICs*.

**7) How does the CDFI Fund determine whether an *Applicant* with prior-year CDFI Fund awards has a balance of “undisbursed funds”?**

The CDFI Fund examines the aggregate of applicable *CDFI* Program, Native American CDFI Assistance (NACA) Program, and BEA Program awards made to the *Applicant* (including awards made to any *Affiliate*, as determined by the CDFI Fund) to determine whether more than 5 percent of the total award amount has not yet been disbursed by the NMTC application deadline. Capital Magnet Fund (CMF) Awards will not be considered as part of this calculation for the *NMTC Allocation Application* round. If undisbursed funds exceed this 5 percent threshold, then the application will be deemed ineligible.

With respect to the CDFI Program (Financial Assistance; Technical Assistance; Core; SECA) and NACA Program, the CDFI Fund will only take into account awards made during Fiscal Year (FY) 2010, 2011, 2012, and 2013 (“includable CDFI/NACA awards”). With respect to the BEA Program, the CDFI Fund will only take into account awards made during FY 2010, 2011 and 2012 (“includable BEA awards”). The total amount of each award will be summed, as will the total amount of each award that remains undisbursed as of the application deadline. If the sum total of award balances that remain undisbursed exceeds 5 percent of the sum total of all awards, then the application will be deemed ineligible.

The “undisbursed award funds” calculation does not include: (i) NMTC Program awards; (ii) any award funds for which the CDFI Fund received a full and complete disbursement request from the awardee by the NMTC application deadline; (iii) any award funds for an award that has been terminated in writing by the CDFI Fund or de-obligated by the CDFI Fund; or (iv) any award funds for an award that does not have a fully executed assistance or award agreement.

See “undisbursed award funds” calculation example on the following page:

Prior Awardee Name	Prior Awardee Number	Fund Program	Prior Award Amount	Amount Disbursed By CDFI Fund As of Application Deadline*	Undisbursed Funds
<b>CDFI and NACA Program Awards</b>					
FY 2015 Applicant or Affiliate	071TA00XXXX	CDFI	\$ 100,000	\$ 100,000	\$ -
FY 2015 Applicant or Affiliate	081FA00XXXX	CDFI	\$ 200,000	\$ 150,000	\$ 50,000
FY 2015 Applicant or Affiliate	091FA00XXXX	CDFI	\$ 300,000	\$ 300,000	\$ -
FY 2015 Applicant or Affiliate	101FA00XXXX	CDFI	\$ 400,000	\$ 400,000	\$ -
FY 2015 Applicant or Affiliate	111FA00XXXX	CDFI	\$ 500,000	\$ 400,000	\$ 100,000
FY 2015 Applicant or Affiliate	121NA00XXXX	NACA	\$ 175,000	\$ 175,000	\$ -
FY 2015 Applicant or Affiliate	131NA00XXXX	NACA	\$ 275,000	\$ 250,000	\$ 25,000
Above CDFI and NACA Amounts Not Includable (gray shaded)			\$ (600,000)	\$ (550,000)	\$ (50,000)
<b>Includable CDFI and NACA Program Awards</b>			<b>\$ 1,350,000</b>	<b>\$ 1,225,000</b>	<b>\$ 125,000</b>
<b>BEA Program Awards</b>					
FY 2015 Applicant or Affiliate	071BE00XXXX	BEA	\$ 150,000	\$ -	\$ 150,000
FY 2015 Applicant or Affiliate	081BE00XXXX	BEA	\$ 250,000	\$ 250,000	\$ -
FY 2015 Applicant or Affiliate	091BE00XXXX	BEA	\$ 350,000	\$ 300,000	\$ 50,000
FY 2015 Applicant or Affiliate	101BE00XXXX	BEA	\$ 450,000	\$ 450,000	\$ -
FY 2015 Applicant or Affiliate	111BE00XXXX	BEA	\$ 550,000	\$ 550,000	\$ -
FY 2015 Applicant or Affiliate	121BE00XXXX	BEA	\$ 650,000	\$ -	\$ 650,000
Above BEA Amounts Not Includable (gray shaded)			\$ (750,000)	\$ (550,000)	\$ (200,000)
<b>Includable BEA Program Awards</b>			<b>\$ 1,650,000</b>	<b>\$ 1,000,000</b>	<b>\$ 650,000</b>
<b>Total Includable Awards</b>			<b>\$ 3,000,000</b>	<b>\$ 2,225,000</b>	<b>\$ 775,000</b>
<b>Percentage Undisbursed (\$775,000 / \$3,000,000)</b>			<b>26%</b>		

**Conclusion - Undisbursed Amount exceeds 5% of the total includable awards, so Applicant is deemed ineligible to participate in the funding round.**

\* - included requests for disbursement received as of the application deadline.

**Explanation of Award Number: 071 FA 00XXXX**

1st 2 digits - FY of Award

4th and 5th digits - type of award

- (FA - CDFI Financial Assistance
- TA - CDFI Technical Assistance
- BE - BEA Program
- NA - Native Programs)

In this example, the total includable CDFI and NACA awards are \$1,350,000, of which \$125,000 is undisbursed, and the total includable BEA awards are \$1,650,000, of which \$650,000 is undisbursed. Therefore, the total includable awards are \$3,000,000, of which \$775,000 remains undisbursed. Since this \$775,000 exceeds five percent of the total includable awards of \$3,000,000 (the actual percentage as shown above is 26%), this *Applicant* is ineligible to participate in the current allocation round.

**8) What is the effect for my organization if I have reports outstanding for another CDFI Fund program award (e.g. CDFI Program's Financial Assistance award) at the time of the deadline for the current NMTC Allocation Application or if there is a record of late reporting on such other awards? Will this affect the eligibility or scoring of our NMTC Application?**

In the case of an *Applicant*, or *Affiliates*, that have previously received an award or allocation from the CDFI Fund through any CDFI Fund program, the CDFI Fund will deduct (up to 5) points for the *Applicant's* (or its *Affiliate's*) failure to meet the reporting deadlines set forth in any assistance, award or *Allocation Agreement(s)* with the CDFI Fund during the entity's two complete fiscal years prior to the application deadline of the NOAA (for this round, these would generally be FY 2013 and FY 2014).

If the condition of outstanding or late reports through any CDFI Fund Program caused an *Applicant* to be deemed ineligible or have points deducted in a prior allocation round, but the outstanding or late reports were subsequently submitted to the CDFI Fund, that same delinquency in reporting will not be cause for points to be deducted in the current round.

**9) If my organization intends to transfer all or part of an NMTC Allocation to one or more Subsidiaries, do the Subsidiaries need to be established and certified as CDEs prior to submission of the Allocation Application?**

No. An *Applicant* will not be required to form and secure CDE certification for anticipated *Subsidiary* entities prior to the submission of its *Allocation Application*. However, once selected for an *NMTC Allocation*, the *Allocatee* will not be permitted to transfer any of its *NMTC Allocation* to *Subsidiaries* unless those *Subsidiaries* have been: (a) certified as CDEs by the CDFI Fund; and (b) identified by name in the *Allocatee's Allocation Agreement*. Such *Subsidiaries* must either be signatories to the *Allocation Agreement* at the time of closing or added to the *Allocation Agreement* via amendment after the initial closing. **Allocatees must submit such request for amendments as an AMIS Service Request (Record Type of Change Request) for approval and processing. In the Service Request form, select "NMTC-**

**Amendment” for the Type.** Upon review, the CDFI Fund may, in its sole discretion, amend the *Allocatee’s Allocation Agreement* to add *Subsidiary* entities that were not yet formed and/or certified as *CDEs* at the time of the *Allocatee’s* receipt of an *NMTC Allocation*.

**10) Can a non-profit entity apply for an NMTC Allocation?**

Yes. A non-profit *CDE* may apply for an *NMTC Allocation* with the intention of transferring the Allocation to one or more for-profit *Subsidiary CDEs*. Only a for-profit *CDE* may offer *NMTCs* to investors because the investors must purchase stock or capital interests in the *CDE*. The for-profit *Subsidiaries* do not have to be formed at the time that the non-profit *CDE* applies for an *NMTC Allocation*. However, at least one for-profit *Subsidiary* transferee: (i) should submit a *CDE Certification Application* to the CDFI Fund within 60 days after the non-profit *CDE* receives a *Notice of Allocation* from the CDFI Fund; and (ii) must be certified as a *CDE* prior to the CDFI Fund entering into an *Allocation Agreement* with the non-profit *CDE* and that *Subsidiary* transferee. The *NMTC Allocation* transfer must be pre-approved by the CDFI Fund, and will be a condition of the *Allocation Agreement*.

**11) Can a Subsidiary CDE apply for an NMTC Allocation in the Application round?**

No. Any organization that wishes to apply for an *NMTC Allocation* cannot be a certified *Subsidiary CDE* to a certified *Applicant CDE* (e.g. on an *Allocation Agreement*, through a *CDE Certification*). If an organization attempts to access the online *Allocation Application* through the myCDFI Fund account of a *CDE* identified as a certified *Subsidiary CDE* in the CDFI Fund’s Information Technology (IT) systems, the organization will be informed that it is a *Subsidiary CDE* and, therefore, unable to apply for an *NMTC Allocation*. The organization will not be able to access the online application. The CDFI Fund encourages potential *Applicants* to begin their online application early to ensure they are applying using the appropriate entity.

**12) What happens if an Applicant fails to accurately respond to a question in the application Assurances and Certifications and/or submit the required written explanation?**

In its sole discretion, the CDFI Fund may deem the *Applicant’s* application ineligible, if the CDFI Fund determines that the *Applicant*:

- a) Inaccurately responded to a question and failed to submit a required written explanation; or
- b) Accurately answered a question yet failed to submit a required written explanation, with respect to the application Assurances and Certifications.

If the *Applicant* cannot certify to one or more questions, the *Applicant* must attach a written narrative explaining the *Applicant* cannot make the certification, the circumstances, and what the entity is doing to address it. See Q. 16 for instructions on attaching documents. The CDFI Fund may request additional information, such as copies of any applicable regulatory orders, after the application deadline as part of its review. However, it is incumbent upon the *Applicant* to identify the existence of such in its attached written explanation to the Assurances and Certifications.

In making the determination, the CDFI Fund will take into consideration, among other factors, the materiality of the question, the substance of any supplemental responses provided, and whether the information in the *Applicant's* supplemental responses will have a material adverse effect on the *Applicant*, its financial condition or its ability to perform under an allocation agreement, should the *Applicant* receive an allocation.

### III. QUESTIONS ON THE PROCESS OF APPLYING FOR AND RECEIVING AN NMTC ALLOCATION

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**13) How can my organization apply for NMTC Allocations?**

An organization interested in applying for *NMTC Allocations* in the current round must submit its *Allocation Application* **no later than 5:00 pm Eastern Time on December 16, 2015**. The CDFI Fund requires all *Applicants* to submit online *Allocation Applications*.

At least one month before the Application due date, *Applicants* will be able to access the online *Allocation Application* by logging in through myCDFI Fund on the CDFI Fund's website at [www.cdfifund.gov](http://www.cdfifund.gov). *Applicants* that have not already done so are encouraged to register a user account through myCDFI Fund as soon as possible. Please contact the CDFI Fund's IT Help Desk at (202) 653-0422 or [ithelpdesk@cdfi.treas.gov](mailto:ithelpdesk@cdfi.treas.gov) if you are having problems registering under myCDFI Fund.

**14) What is the process for submitting an online Allocation Application?**

When the online *Allocation Application* is made available in myCDFI Fund, the CDFI Fund will post the **2015 Online Application Instructions** document on the NMTC webpage ([www.cdfifund.gov/nmtc](http://www.cdfifund.gov/nmtc)). Please review this document for detailed instructions on the process for submitting an online *Allocation Application*.

The CDFI Fund also recommends the following tips to prepare for submitting the online *Allocation Application*.

**Start drafting the application responses early.** The CDFI Fund recommends that *Applicants* do not type narrative responses directly into the online *Allocation Application*. *Applicants* may consider using another word-processing program (e.g., Microsoft Word) to type narrative responses, which may then be copied and pasted into the appropriate sections of the online *Allocation Application*. This will help protect *Applicants* against potential data loss (e.g., if the *Applicant's* online session times out, the online *Allocation Application* logs the *Applicant* out automatically).

**Keep narrative responses concise.** Narrative responses are subject to character limits (including spaces and punctuation). Specific character limitations are clearly identified in each question requiring a narrative response. The electronic application will cut off a response that exceeds the designated character limits, so *Applicants* should review responses and edit them as necessary to ensure they comply with the stated character limitations.

**All narrative answers must be in plain text form only.** The online *Allocation Application* will not accept any special formatting (e.g., bolding or underlining), bulleted lists, charts, tables or other graphics not required in the application. Please compose your responses to Application questions without these elements to enhance Application readability for reviewers.

**Allow adequate time to prepare and submit your application.** The CDFI Fund advises all *Applicants* to submit their electronic application by December 14, 2015. This is the last day by which *Applicants* can contact the CDFI Fund with questions. If you encounter difficulties after 5:00 PM ET on December 14, 2015, you will not be able to obtain assistance from CDFI Fund staff. In addition, there will likely be considerable traffic on the CDFI Fund's

website on December 16, 2015, which may slow down the system and lead to delays in submission. *Applicants* will **not** be allowed additional time to submit an *Allocation Application* because of system slowdowns on the application due date.

**15) What attachments am I required to submit with my Allocation Application, and how do I submit them?**

All *Applicants* will be required to submit attachments electronically through their myCDFI Fund account. You will be able to upload the attachments after the application is submitted. After submission, log in to myCDFI Fund, access the *Applicant's* organization, and navigate to Applications/Submitted Applications. Locate and click on the link for the current NMTC application, and go to the Application Status page. Click on the "Upload Attachments" link below the Application Details section and the Upload Attachments page will open. Follow the instructions on the screen to upload your attachments. Be aware that attachments have a size limit of 5 megabytes (MB) in order to ensure submission. Be sure to give each attachment a unique file name to avoid overwriting previously uploaded attachments.

Please expect system slowdowns in the hours immediately preceding the Application deadline at 5:00 pm Eastern Time on December 16, 2015. If you are unable to submit your attachments by this time, please try again the following day. You will be able to submit your attachments until 11:59 pm Eastern Time December 18, 2015.

Attachments must be submitted by 11:59 pm, Eastern Time, on December 18, 2015. If the attachments are not received by the applicable deadline, they may not be given consideration as part of the review process. The attachments requested by the CDFI Fund in the NMTC *Allocation Application* are as follows:

- *Applicant's Authorized Representative* and *Controlling Entity Representative* (if applicable) Signature Pages;
- Any required written explanations related to the *Applicant's* responses in the Assurances and Certifications;
- Organizational charts as requested in Question 28;
- Investor letters to support data provided in Table E3 (if applicable).

**Only those attachments requested by the CDFI Fund will be considered as part of the review process.** Furthermore, the CDFI Fund will not accept any revisions or amendments to an application or the attachments once they have been submitted for review. As stated in the NOAA, the CDFI Fund reserves the right to reject an application if the *Applicant Authorized Representative* and *Controlling Entity Representative* (if applicable) signature pages are not received by the stated deadline.

**16) Will the information that I provide in my Allocation Application be accessible by the general public?**

The CDFI Fund does not publish proprietary or confidential information submitted by *Applicants* as a general practice. However, any information submitted by *Applicants* in *Allocation Applications* may be released pursuant to the Freedom of Information Act (FOIA) (5 U.S.C. 552) and other federal laws and regulations. In general, FOIA makes federal agency records available to the public, unless the information requested is exempt from disclosure. Trade secrets and commercial or financial information submitted by *Applicants* may be exempt from disclosure pursuant to the FOIA. *Applicants* should consult their legal counsel for further guidance on this matter.

Should the *Applicant* be selected to receive a *NMTC Allocation*, the CDFI Fund reserves the right to publish the *Applicant's* response to select questions in the *Applicant Information*,

Business Strategy, and Community Outcomes sections. This information may include the *Controlling Entity* Name (Q. 3(a)), City and State of *Applicant* Headquarters (Q. 4), *Public Contact Person* Information (Q. 5(d)), Service Area (Qs. 7 & 8), Percentage of major urban vs. minor urban vs. rural (Q. 9), Predominant Financing Activity (Q. 10), and required percentage of activities in Non-metropolitan areas (Q. 21).

The CDFI Fund will also generate a profile of the *Applicant* based on their response to Question 11(b) in the Application.

**17) Can more than one *Affiliated* entity or member of a Common Enterprise submit an application?**

**No. Entities that are *Affiliates*, or members of a Common Enterprise, may only collectively submit one *Allocation Application* per year under the NMTC Program.** An *Affiliate* is an entity that *Controls*, is *Controlled* by or is under common *Control* with another entity (as determined by the CDFI Fund). Both the terms “*Affiliate*” and “*Control*” are defined in the Glossary of Terms that accompanies the *Allocation Application*. As an example, entity ABC is *Controlled* by entity XYZ. XYZ also *Controls* entity DEF, which in turn *Controls* entity HIJ. ABC, XYZ, DEF and HIJ are all considered *Affiliates*. Only one of these entities can submit an application in any given round. An *Applicant* may, however, under certain circumstances submit a consolidated application on behalf of one or more *Subsidiary* entities.

In addition, an entity (or its *Subsidiary Allocatees*) that receives an *NMTC Allocation* may not become an *Affiliate* or member of a Common Enterprise (see below) with another entity (or its *Subsidiary Allocatees*) that receives an *NMTC Allocation* in the same *NMTC Allocation* round at any time after the submission of an *Allocation Application* to the CDFI Fund. This prohibition, however, does not apply when an investor: (i) makes *QELs* in multiple *Allocatees* (or *Subsidiary Allocatees*) from the same round; (ii) was not an *Affiliate* of any of the *Allocatees* (or *Subsidiary Allocatees*) prior to making the *QELs*, and (iii) obtains *Control* of such *Allocatees* (or *Subsidiary Allocatees*) solely because of common ownership of the *Allocatees* (or *Subsidiary Allocatees*) after making the *QELs*.

In addition to assessing whether *Applicants* are members of a Common Enterprise, the CDFI Fund will consider: (i) whether different *Applicants* have the same individual(s), including the Authorized Representative, staff, board members and/or consultants, involved in day-to-day management, operations, and/or investment responsibilities; (ii) whether the *Applicants* have business strategies and/or proposed activities that are so similar or so closely related that, in fact or effect, they may be viewed as a single entity; and (iii) whether applications submitted by separate *Applicants* contain significant narrative, textual or other similarities such that they may, in fact or effect, be viewed as substantially identical applications. In such cases, the CDFI Fund will reject all applications received from such entities.

The CDFI Fund reserves the right to examine all facts and circumstances in determining whether multiple entities may constitute a “Common Enterprise.” In evaluating whether multiple entities constitute a Common Enterprise, the CDFI Fund will consider, among other things, whether such entities share: (i) principal or senior management staff or governing or advisory board members **or consultants**; (ii) investments and projects; (iii) investors or other funding sources; (iv) marketing and advertising; or (v) office space or other physical resources. At a minimum, a Common Enterprise would be deemed to exist if a single organization (either on its own or through *Affiliated* entities) were to *Control* (as such term is defined by the CDFI Fund) multiple organizations that apply for *NMTC Allocations* in the same *NMTC Allocation* round such that these organizations could, in fact or effect, be viewed as a single entity.

In the case of State-owned or State-controlled governmental entities, the CDFI Fund may accept applications submitted by different government bodies within the same State, but only to the extent the CDFI Fund determines that business strategies and/or activities described in such applications, submitted by separate entities, are distinctly dissimilar and/or are operated and/or managed by distinctly dissimilar personnel, including staff, board members or identified consultants. In such cases, the CDFI Fund reserves the right to limit award amounts to such entities to ensure that the entities do not collectively receive more than the \$125 million cap. If the CDFI Fund determines that the applications submitted by different government bodies within the same State are not distinctly dissimilar and/or are not operated and/or managed by distinctly dissimilar personnel, it will reject all such applications.

**Example 1 [not permissible]:** ABC and DEF are unaffiliated entities, and each applies for an allocation of tax credits. John Doe is the Chief Executive Officer (CEO) of ABC. In this role, John Doe is involved in the day-to-day management, operations, and investment decisions of ABC. For example, as CEO of ABC, John Doe manages the business and affairs of ABC and approves or disapproves all investments over \$500,000. He is also the Authorized Representative of DEF which grants him authority to sign the 2015 Allocation Application and make representation on behalf of DEF. Since the same individual, John Doe, is exercising *Control* of both ABC and DEF, it would be determined that both entities constitute a Common Enterprise. Therefore, the CDFI Fund would reject both Applications.

**Example 2 [not permissible]:** ABC and DEF are unaffiliated entities, and each applies for an allocation of tax credits. ABC and DEF each receive a *NMTC Allocation* award, and each enters into an *Allocation Agreement* with the CDFI Fund. Subsequently, both organizations contract with a management company (GHI) and, in its role as manager, GHI *Controls* the general management, operations and investment decisions of ABC and DEF. ABC and DEF would be considered *Affiliates* and part of a Common Enterprise due to the common management *Control* of GHI, and ABC and DEF would be in violation of their *Allocation Agreements* and subject to all of the remedies available to the CDFI Fund therein.

**Example 3 [permissible]:** ABC and DEF are unaffiliated entities, and each applies for an allocation of tax credits. ABC and DEF each receive an *NMTC Allocation* award, and each enters into an *Allocation Agreement* with the CDFI Fund. Subsequently, each organization contracts with GHI to provide discreet and specific consulting and/or management services (e.g., compliance monitoring), but at no time will GHI assume *Control* over the day-to-day management, operations or investment decisions of ABC or DEF. In addition, the parties do not share any of the other items enumerated as indicia of a Common Enterprise, as set forth above. ABC, DEF and GHI would not be considered *Affiliates* or part of a common enterprise.

**Example 4 [permissible]:** ABC and DEF are unaffiliated entities, and each applies for an allocation of tax credits. ABC and DEF each receive an *NMTC Allocation* award of \$1,000,000, and each enters into an *Allocation Agreement* with the CDFI Fund. JKL is an investor. JKL makes a \$990,000 *QEI* into ABC and a \$990,000 *QEI* into DEF, and receives a 99% ownership interest in each of the two organizations. In addition to *Controlling* both organizations through ownership, JKL exercises *Control* over the investment decisions of each entity in that it has veto authority over the investment decisions made by the managing partners of ABC and DEF. JKL was not an *Affiliate* of either ABC or DEF prior to making the *QEIs* in each entity. In addition, except for a common investor (JKL), the parties do not share any of the other items enumerated as indicia of a Common Enterprise, as set forth above. ABC, DEF and JKL would meet the requirements for the exception to the general prohibition on multiple *Allocatees* becoming *Affiliates* or part of a Common Enterprise, since the common *Controlling Entity* (JKL): (i) was not an *Affiliate* of either entity prior to making its *QEIs* in ABC and DEF and (ii) obtained *Control* of ABC and DEF solely due to its common ownership by making a *QEI* in each entity.

**18) Are there any limitations with respect to using NMTCs, or the proceeds of QEIs, in conjunction with other CDFI Fund program awards?**

An investor that is an insured depository institution, or an *Affiliate* of an insured depository institution, may not claim both NMTCs and a BEA Program award for the same investment in a *CDFI-CDE*.

Example 1: If a bank makes a \$1 million *Equity Investment* into a *CDFI-CDE* that has received *NMTC Allocations* from the CDFI Fund, the bank may use the *Equity Investment* for purposes of claiming NMTCs or it may use the *Equity Investment* to apply for a BEA Program award – it may not claim both.

Example 2: If a bank makes a \$1 million *Equity Investment* into a *CDFI-CDE* that has received *NMTC Allocations* from the CDFI Fund, and the bank also makes a \$1 million loan to the *CDFI-CDE*, the bank may claim NMTCs on its \$1 million *Equity Investment* and use its \$1 million loan to apply for a BEA Program award.

A Financial Assistance (FA) Component *Applicant*, its *Subsidiaries* or *Affiliates*, may apply for and receive a FA award, but only to the extent that the FA activities are different from those activities for which the *Applicant* receives an *NMTC Allocation*.

A Capital Magnet Fund (CMF) Awardee, its *Subsidiaries* or *Affiliates* may apply for and receive an *NMTC Allocation*, but only to the extent that the activities used for its CMF award are different from those activities for which the *Applicant* receives an *NMTC Allocation*.

Any future limitations on the use of NMTCs or the proceeds of *QEIs* in conjunction with other CDFI Fund programs will be described in the applicable Notices of Funds Availability (NOFAs), Notices of Guaranty Authority (NOGAs), Notices of Allocation Availability (NOAA), program agreements, and/or other program guidance documents.

**19) When will the CDFI Fund make *NMTC Allocation* decisions? Can my organization start to offer NMTCs to investors as soon as it receives an *NMTC Allocation*?**

The CDFI Fund expects to announce its *NMTC Allocation* decisions in Summer 2016, and execute *Allocation Agreements* with *Allocatees* shortly after *NMTC Allocation* decisions are announced. As soon as an *Allocatee* enters into an *Allocation Agreement* with the CDFI Fund, it may offer NMTCs to its investors. Generally, investors may claim NMTCs beginning in the taxable year in which they make a *QEI* in the *Allocatee*.

However, a *CDE* that receives an *NMTC Allocation* in the *NMTC Allocation* round may, in certain circumstances, offer NMTCs to investors that make *QEIs* before the *CDE's Allocation Agreement* is finalized. For purposes of this look-back period, the investor must have made its *QEI* on or after the date that the *NOAA* for the current round was published; and the investor's seven-year credit period begins on the date that the *CDE* enters into an *Allocation Agreement* with the CDFI Fund. The *CDE* is required to invest substantially all of the investor's *QEI* proceeds in *QLICs* within one year of the date that the *CDE* enters into an *Allocation Agreement* with the CDFI Fund.

**20) What terms and conditions will be placed upon Applicants that receive *NMTC Allocations* from the CDFI Fund?**

Each *Applicant* that is selected to receive an *NMTC Allocation* must enter into an *Allocation Agreement* with the CDFI Fund before it can designate *QEIs* and offer tax credits to its investors. The terms and conditions set forth in an *Allocation Agreement* may include, but not be limited to, the following:

- (a) The amount of the *NMTC Allocation*;
- (b) The approved uses of the *NMTC Allocation* (e.g., loans or *Equity Investments* to *Qualified Active Low-Income Community Businesses (QALICBs)*, loans to or *Equity Investments* in other *CDEs*, purchase of qualifying loans from other *CDEs*);
- (c) The approved service area(s) in which the *QEI* proceeds may be used;
- (d) The *CDE's* schedule for obtaining *QEIs* from investors;
- (e) The level of activity in *Non-Metropolitan Counties*, as committed to in the application;
- (f) Innovative investments or specific transactions, as committed to in the application;
- (g) Reporting requirements for all *CDEs* receiving *NMTC Allocations*; and
- (h) Other information, often identified in the "Tips" in the *Allocation Application*.

If a *CDE* has represented in its *Allocation Application* that it intends to invest substantially all of the proceeds from its investors in *QALICBs* in which persons *Unrelated* to the *CDE* hold a majority equity interest, the *Allocation Agreement* will contain a covenant attesting to such.

**21) My organization applied for an *NMTC Allocation* in a previous round. How do I access an electronic copy of that application and my debriefing document?**

To access a previous (CY 2003-2014) Application:

- (1) Go to the AMIS landing page (<http://amis.cdfifund.gov>) and login to AMIS
- (2) Select myCDFI Fund from the AMIS App Launcher page.
- (3) From myCDFI Fund, access your organization.
- (4) Click the "Applications" link on the left-hand side of the screen, and then click the "Submitted Applications" sub-link that will appear.
- (5) If you do not see the submitted application, a myCDFI Fund account administrator must grant you access by performing the following steps:
  - (1) Login to myCDFI Fund and access the organization.
  - (2) Click the "Organization Profile" link on the left-hand side of the screen.
  - (3) A new set of sub-links will appear and click the "Users" sub-link.
  - (4) Click the icon next to the name of the user.
  - (5) In the "Section Access" area, click the "Applications" link.
  - (6) Place a checkmark in the "Read/Modify" box for the selected application(s) and click the "Update User Role" button.

To access a previous debriefing(s):

- (1) Login to myCDFI Fund and access your organization.
- (2) Click the "Debriefings" link on the left hand side of the screen, and select the debriefing for the year you wish to review.
- (3) If you do not have a "Debriefings" link or do not see a debriefing, a myCDFI Fund account administrator must allow you access by performing the following steps:
  - (1) Login to myCDFI Fund and access the organization.
  - (2) Click the "Organization Profile" link on the left-hand side of the screen.
  - (3) A new set of sub-links will appear and click the "Users" sub-link.
  - (4) Click the icon next to the name of the user.
  - (5) In the "Section Access" area, click the "Debriefings" link.
  - (6) Place a checkmark in the "Read/Modify" box for the selected debriefing(s) and click the "Update User Role" button.

If you are having trouble accessing any of the above, please contact our IT Help Desk at [ithelpdesk@cdfi.treas.gov](mailto:ithelpdesk@cdfi.treas.gov) or 202-653-0422.

## IV. QUESTIONS ON THE NMTC ALLOCATION APPLICATION CONTENTS

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### A. SELECTING AN AMOUNT OF NMTCS TO REQUEST

- 22) When requesting *NMTC Allocations* from the CDFI Fund, should the *Applicant* ask for the total amount of equity it intends to raise through NMTCs, or should it ask for the total value of the tax credits that will be available to its investors?**

The *Applicant's Allocation Application* request must be for the amount of *QEI*s the *Applicant* intends to raise by offering NMTCs as an incentive. For example, if a *CDE* wishes to raise \$10 million in equity, it would request a \$10 million *NMTC Allocation* from the CDFI Fund – even though the actual amount of NMTCs an investor may claim over seven years is \$3.9 million (39% of the investment amount). An *Allocatee* cannot offer NMTCs on equity raised in excess of its *NMTC Allocation*.

- 23) Is there a limit to the total *NMTC Allocation* amount that an *Applicant* may request in the current *Allocation* round?**

While there is no firm limit on the amount of *NMTC Allocations* that an *Applicant* may request, the CDFI Fund does not anticipate issuing more than \$125 million in general allocation authority to any one *Allocatee*. In order to receive an *NMTC Allocation* in excess of the \$125 million cap, an *Applicant* will likely need to demonstrate, for example, that: (i) no part of its strategy can be successfully implemented without an *NMTC Allocation* in excess of \$125 million or (ii) its strategy will produce extraordinary community impact.

Please note that *Applicants* will be evaluated on whether the requested *NMTC Allocation* amount is consistent with the *Applicant's* track record of financing or otherwise facilitating both *QLICI*-like and Non-*QLICI* activities based on the narratives provided in Q.19-20 and Exhibit B.

- 24) If an *Applicant* indicates a minimum *NMTC Allocation* amount (Question 40), will the *Applicant* receive at least its minimum request if the *Applicant* receives an *NMTC Allocation* award?**

No. There is no guarantee that an *Applicant* will receive its minimum *NMTC Allocation* amount request. An *Applicant* that indicates a minimum *NMTC Allocation* amount may not receive an *NMTC Allocation* if the *Applicant* is recommended for an *NMTC Allocation* amount that is less than its minimum request. An *Applicant* should indicate a minimum *NMTC Allocation* amount request only if that amount is critical for it to execute its business strategy, and the *Applicant* can communicate a compelling need for the request.

## B. GENERAL QUESTIONS ON THE CONTENTS OF THE ALLOCATION APPLICATION

- 25) **The Application includes several “Tips” informing Applicants that responses to certain questions may be used to populate fields in their Allocation Agreements, should they receive an NMTC Allocation. Are these the only application-specific items that will be included in the Allocation Agreements for current round Allocatees?**

No, not necessarily. While the CDFI Fund expects all *Allocatees* to engage in activities that are generally consistent with the strategies proposed in their applications, and has identified certain requirements which are almost certain to appear in the round *Allocation Agreements*, the CDFI Fund reserves the right to add other specific requirements or restrictions to these Agreements as necessary to further programmatic goals.

- 26) **How do I complete the Allocation Application if my organization is a start-up entity?**

A start-up entity that does not itself have a track record of raising capital, offering products and services, creating community impact, etc., may reference the track record of its *Controlling Entity* as appropriate throughout the *Allocation Application*. (For more information about who is considered a *Controlling Entity*, see response to Q&A #30 below and tips in the *Allocation Application*.)

- 27) **If an Applicant intends to use part or all of the QEI proceeds to capitalize an Affiliate CDE (e.g., capitalize a Subsidiary CDE bank), how should it complete the Allocation Application?**

Such an *Applicant* must be sure to:

- (a) Under Question 13, check “b” and complete the boxes underneath to indicate the type and percentage of *QLICI* activities that will be carried out by the *Affiliate CDE*.
- (b) Identify in Question 14(c) that the *Applicant*'s business strategy consists solely or partially of capitalizing the *Affiliate CDE*. An *Applicant* that intends to capitalize more than one *Affiliate CDE* (e.g., a *CDE* bank holding company that intends to capitalize multiple *Subsidiary CDE* banks) should identify each such *Affiliate CDE*.
- (c) Answer all questions (and complete all tables and exhibits) as if the *Affiliate CDE* were itself applying for the Allocation of tax credits. An *Applicant* that intends to capitalize more than one *Affiliate CDE* or conduct only a portion of its activities with an *Affiliate CDE* should consolidate its and its *Affiliate CDE*'s *QLICI* activities when completing tables and exhibits, but should use the narrative portions of the application to distinguish between the respective roles and activities of each *Affiliate* organization.
- (d) An *Applicant* that intends to use more than 15 percent of its *QEI* proceeds to capitalize a *Subsidiary CDE* generally may not claim the five priority points for investing in an *Unrelated Entity* in Question 22 of the Application – even if the *Subsidiary CDE* intends to use substantially all of the proceeds to invest in *Unrelated* entities.

28) **How can CDEs identify whether potential NMTC investments are located in NMTC-eligible Low-Income Communities?**

*Applicants* should use the CDFI Information Mapping System v.3 (CIMS3) to geocode addresses, map census tracts and counties, and determine whether potential *QLICs* are located in NMTC eligible *Low-Income Communities*. For more information on accessing CIMS3, please visit [https://www.cdfifund.gov/what\\_we\\_do/mapping.asp](https://www.cdfifund.gov/what_we_do/mapping.asp). Additional information on *Low-Income Community* eligibility is available on the NMTC webpage of the CDFI Fund’s website ([www.cdfifund.gov/nmtc](http://www.cdfifund.gov/nmtc)) under the heading “Census Low-Income Community Eligibility Data.”

## C. APPLICANT INFORMATION SECTION

29) **Who can be considered a Controlling Entity, for purposes of demonstrating an organizational track record? Can an individual be considered a Controlling Entity? Can an Applicant have more than one Controlling Entity? Can an Applicant identify the parent of its parent company as a Controlling Entity?**

An *Applicant*, in Question 3 of its *Allocation Application*, may designate only one organization as a *Controlling Entity*, provided that the organization meets the definition of a “*Controlling Entity*” pursuant to the Glossary of Terms included in the current round *Application*. *Applicants* may use their *Controlling Entity* to assist in demonstrating an organizational track record and in completing related exhibits.

Individuals, such as principals or the board of directors, cannot be treated as *Controlling Entities* for the purposes of demonstrating an organizational track record under relevant sections of the *Allocation Application* and Exhibits. However, an *Applicant* may describe such individuals’ experience and track record in the Management Capacity section.

**All *Applicants* designating a *Controlling Entity* must identify the entity that has, and is expected to continue to maintain, a controlling influence over the day-to-day management and operations (including investment decisions) of the *Applicant* and of any *Subsidiary* entities to which the *Applicant* may transfer its allocation of tax credit authority.** Should the *Applicant* receive an NMTC Allocation in this round, the entity that is designated as the *Controlling Entity* will need to continue in that capacity throughout the term of the *Allocation Agreement* and for any future *Allocation Agreements* with the CDFI Fund, should the *Applicant* apply for and receive an allocation in a future Round except in the case of a merger, acquisition, bankruptcy, or similar legal action involving the initial *Controlling Entity*. If the *Applicant* receives a NMTC Allocation in this round, the CDE’s *Allocation Applications* in future rounds must designate the same *Controlling Entity* as the entity designated in this *Allocation Application*.

An *Applicant* may identify the parent of its parent as its *Controlling Entity* to demonstrate an organizational track record, provided that the relationship between the “grandparent” organization and the *Applicant* conforms to the CDFI Fund’s definition of *Controlling Entity* in the *Allocation Application* Glossary of Terms.

If the *Applicant* does not properly fill out the *Controlling Entity* question or continually references more than one entity as its *Controlling Entity* in the narrative for the Business Strategy section (including track record of serving *Disadvantaged Businesses or Communities*), Community Outcomes section or the Exhibits, the *Applicant*’s score may be adversely affected in the review of its application.

**30) Can I submit an Application with a different *Controlling Entity* from my previous Applications? If an *Applicant* previously applied with a *Controlling Entity*, can it apply without one in this round?**

*Applicants* may not submit an Application with a different *Controlling Entity* than any previous Applications, except in the case of a merger, acquisition, bankruptcy, or similar legal action involving the initial *Controlling Entity*. If the *Applicant* included a *Controlling Entity* in a prior round and received an Allocation in a prior round, then it may not apply with no *Controlling Entity* in this round. If an *Applicant* identified a *Controlling Entity* in a prior round and received an *NMTC Allocation* in a prior round, the *Controlling Entity* may not submit a separate Application in this round. If the *Allocation Agreement* is in effect (within the compliance period) and the *Applicant* and the *Controlling Entity* both apply separately in this round, they will be considered a *Common Enterprise*.

*Applicants* that have received *NMTC Allocations* in the CY2013 and CY2014 rounds are required to maintain the same *Controlling Entity* throughout the terms of **all** existing and future *Allocation Agreements* with the CDFI Fund, as set forth in section 6.13. Failure to do so could result in the *CDFI Fund* declaring the *Applicant* in default of its *Allocation Agreement*.

If an *Applicant* received *NMTC Allocations* prior to the CY 2013 Round AND the *Applicant* intends to submit an *Allocation Application* in the current round with a different *Controlling Entity* from previously awarded *Allocation Applications*, the *Applicant* must submit, in the timeframe set forth in the applicable *Allocation Agreement*, a Certification of Material Events form regarding the change. Failure to do so could result in the *Applicant* being deemed ineligible in the 2015 round. The Material Event Form should explain the reason for the change in *Controlling Entity* and any impact on the *Allocatee* for the affected active *Allocation Agreements*.

**31) In Questions 7 and 8 of the *Allocation Application*, can I designate a service area that is different from the service area that I was certified for in my *CDE Certification Application*?**

No, the service area in the *Allocation Application* must be identical to the service area for which the *Applicant* was certified in its *CDE Certification* approval letter. In the case of an *Applicant* that has not yet been certified or has a service area amendment pending, the service area requested in the *Allocation Application* must be the same as the service area in its *CDE Certification Application* or service area amendment. The *CDE* certification process does not require a *CDFI* or *SSBIC* to designate a service area, but the *CDFI Fund* expects a *CDE* that is a *CDFI* to designate (in its response to Question 7 and 8 of the Application) a service area that is identical to its target market designated under the *CDFI* Program. If an *Applicant* plans to focus its investment on a subset of its service area for a particular *NMTC Allocation* round, it may describe this in the Business Strategy section of the Application.

In the event that an *Applicant* who is **not** a *CDFI/SSBIC* intends to amend its *CDE* certification service area prior to submitting its *Allocation Application*, it may do so by submitting an AMIS Service Request (Record Type of Change Request). In the Service Request form, select "CDE Cert-Service Area Amendment" as the Type. In the Service Request, either in the Description or as an Attachment, a *CDE* should include, for itself and any *Subsidiary CDEs* for which it is seeking to amend a service area: (1) the *CDE* certification control number; (2) the existing service area designated by the *CDE*, as well as the revised service area that the organization intends to serve; and (3) a revised Accountability Chart, indicating the most current list of board members and how they are representative of *Low-Income Communities* in the revised service area. If a *CDFI* would like to amend its target market, it should submit an AMIS Service Request (Record Type of

Change Request). In the Service Request form, select “CDFI Cert-Target Market Amendment” as the Type. **Organizations that would like an amended service area to be considered in the context of their NMTC Allocation Application must submit this information to the CDFI Fund no later than 5:00 pm Eastern Time November 6, 2015.**

**32) If an Applicant is planning to primarily finance facilities for Operating Businesses, what option should they select in Question 10?**

If the facilities being financed will be owned (either directly or through an *Affiliate*) by an *Operating Business*, the *Applicant* should select *Operating Business* financing in Question 10. If the *Applicant* intends to primarily finance the development (including construction of new facilities and rehabilitation/enhancement of existing facilities), acquisition, management or leasing of real estate that will be sold or leased to third parties, they should select one of the real estate financing options.

The information in Question 10 is used in the CDFI Fund’s public releases about *Allocatees*, including the *QEI* Issuance Report. **An Applicant’s response to Question 10 will not impact the scoring or evaluation of its application.** If the Applicant indicates in Question 10 that it proposes to finance *Operating Business*, it would be generally expected that the Applicant will devote the majority of its *QALICB* financing to *Non-Real Estate Activities* or *Real Estate Activities* where the real estate will be owned (either directly or through an *Affiliate*) and principally occupied by an *Operating Business* as shown in Question 13.

## D. BUSINESS STRATEGY SECTION

**33) How will an Applicant be evaluated based on its response to Question 13(a)?**

The NOAA states that “as a condition of eligibility for this *Allocation* Round, the *Applicant* will not be permitted the use of the proceeds of *Qualified Equity Investments (QEIs)* to make *Qualified Low-Income Community Investments (QLICIs)* in *Qualified Active Low-Income Community Businesses (QALICBs)* where *QLICI* proceeds are used to repay or refinance any debt or equity provider or a party related to any debt or equity provider whose capital was used to fund the *QEI* except if: (i) the *QLICI* proceeds are used to repay documented reasonable expenditures that are directly attributable to the qualified business of the *QALICB*, and such past expenditures were incurred no more than 24 months prior to the *QLICI* closing date; or (ii) no more than five percent of the *QLICI* proceeds are used to repay or refinance prior investment in the *QALICB*. Refinance includes transferring cash or property directly to any debt or equity provider or indirectly to a party related to any debt or equity provider.”

As stated in the NOAA and *Allocation Application*, an *Applicant* that responds “No” to Question 13(a) will be ineligible to submit an *NMTC Allocation Application* in the current round. If the *Applicant* responds “No” to this question in the online application, it will be prevented from completing subsequent parts of the online *Allocation Application* and from submitting a completed online *Allocation Application*.

If the *Applicant* selects “Yes” to Question 13(a), the *Applicant* will be held to this commitment as a condition of its 2015 *Allocation Agreement*. For additional information on how compliance of this commitment will be monitored, please see the *NMTC Compliance & Monitoring Frequently Asked Questions*.

**34) Will an *Applicant* be advantaged in the Application scoring if they select to pursue certain eligible activities over others in Question 13(b) of the Application?**

No, *Applicants* will not receive any advantage in the *Allocation Application* scoring by simply selecting (or not selecting) any eligible activity in Question 13(b) of the Application.

*Applicants* are evaluated on the similarity of past activities to projected *QLICI* activities. For example, an *Applicant* whose track record has been primarily investing in *Real Estate Activities* may in fact be disadvantaged in the Application scoring if it indicates it plans to use a significant portion of their *QEI* proceeds to invest in non-*Real Estate Activities*, unless they present a compelling rationale for this shift in their business strategy.

**35) In Question 14, will the *Applicant* receive any advantage by offering more than one financial product?**

No, *Applicants* receive no advantage in the evaluation of the *Allocation Application* by selecting and describing more than one financial product. *Applicants* that describe the same product more than once will not score as favorably as those that provide a distinct and unique narrative for each product.

**36) How should an *Applicant* respond to Question 14 if it will offer multiple financial notes to a single *QALICB*?**

Question 14 of the *NMTC Allocation Application* asks *Applicants* to describe up to three financial products that will be offered with capital raised from its *NMTC Allocation*. Each financial product described by the *Applicant* must be a stand-alone financial product. For each product, the *Applicant* should clearly discuss how the product is structured, as well as the benefits this structure provides to borrowers/investees. A single financial product may contain multiple financial notes offered together. For example, the *Applicant* will offer a financing package that includes a senior loan (A note) and a subordinate loan (B note) to *QALICBs*. This financing package should be described as a single financial product to the extent that the individual loans will not be offered individually.

*Applicants* that will offer multiple financial notes in a single financial product should describe the rates and terms of the financial notes on a blended basis where possible. To determine the blended interest rate for two or more financial notes, the *Applicant* should calculate the weighted interest rate for each financial note. See Question 37 below. To the extent different financial notes have different flexible features (e.g., the A-note has a 30-year term and the B-note has a seven year term), *Applicants* should clearly describe the flexible features of each financial note.

**37) In Question 14(b), what does subordination mean as a flexible feature?**

Subordinated debt is NOT a specific type of debt product for the purposes of this question. Per the TIP to Question 14(b) and Question 35 above, a financial product with multiple financial notes (e.g., an A and B note, or an A, B, and C note) must be described as one product. The *Applicant* may describe subordination as a flexible feature for the product(s) described in Question 14(b). For example, the *Applicant* is offering a product with an A and B note where the B note is subordinate to the A note. The *Applicant* may also discuss

subordination in relation to the financing provided to the QALICB by other CDEs in multi-CDE transactions or in relation to non-NMTC financing provided to the QALICB.

**38) For the purposes of answering Questions 14 and 15, how is the interest rate calculated for NMTC investments made through the A-B leverage structure?**

The interest rate should be calculated by taking the weighted average of the interest rate on the A loan and on the B loan, provided these transactions are offered as one financial product. For example, if the interest rate on a \$7 million Note A in the leverage structure is 7.0 percent and the interest rate on a \$3 million Note B is 1.0 percent, then the weighted average interest rate will be 5.2 percent. If the market interest rate was 8.0 percent, then the interest rate on the NMTC financing would be 35 percent below market.

For additional guidance on compliance with this requirement, please see the “New Markets Tax Credit: Compliance and Monitoring Frequently Asked Questions” document.

**39) The 2015 Application clearly states that Applicants may not include information about investments closed after the October 21, 2015 release date of the 2015 NMTC Allocation Application. Where may a prior Allocatee discuss its plans to close additional QLICs after October 21, 2015?**

An Applicant’s responses to questions related to its track record must not include loans and/or investments closed after October 21, 2015. This includes Application Questions 19, 20, 21(d), 25 (when discussing the track record of community outcomes), 26 (track record of community accountability and involvement), 34, and 43, as well as Exhibits B and Tables E1-E2. Reviewers will be directed to disregard any investments included after October 21, 2015 for the evaluation of these questions and exhibits.

Applicants are encouraged to include information about future NMTC investment they plan to close using prior allocations in response to Question 17. In Question 17, an Applicant must clearly indicate in its narrative which proposed projects will use the requested allocation in the current application and which proposed projects will use allocation awarded from prior rounds.

**40) What expectations does the CDFI Fund have that the general pipeline projects articulated in response to Question 17 will be completed with the requested NMTC Allocation?**

The CDFI Fund expects that the Applicant will complete projects that are generally consistent with the business strategy, including the types of projects outlined in the general pipeline of projects. The CDFI Fund recognizes that some projects may become infeasible and new opportunities may arise between the time the Allocation Application is submitted and allocation awards are announced. The CDFI Fund also recognizes that most Applicants who receive an allocation will be awarded an amount below their allocation request. In this scenario, the CDFI Fund does not expect an Applicant to invest in all the business types listed in its Application. The CDFI Fund only expects that Applicants will not invest in business types other than those described as part of their planned activities in Question 17.

For example, if the Applicant’s pipeline consists primarily of real estate investments to create space for businesses that will provide commercial goods and services to LICs, the CDFI Fund expects that the Applicant will make these types of investments if awarded an NMTC Allocation. If, subsequently, the Applicant whose pipeline consisted primarily of commercial real estate investments used their allocation to make an investment in a power plant, this divergence from the Applicant’s proposed business strategy may negatively impact future award determinations.

The purpose of Question 17 is for the *Applicant* to illustrate the types of projects it intends to finance with its *NMTC Allocation*, to demonstrate an understanding about what types of projects are compatible with the intent of the NMTC program, and to indicate how NMTC financing fits into the overall capital stack of the projects it undertakes. This section also allows the *Applicant* to demonstrate that it is able to identify and underwrite viable NMTC projects.

*Applicants* are cautioned against repeating the same pipeline projects in multiple applications without explaining why the projects are reappearing. The CDFI Fund reserves the right to use evidence of repeated pipeline projects to decrease an *Applicant's* recommended *NMTC Allocation*.

**41) Can NMTCs be used to finance broadband infrastructure or related activities?**

Broadband infrastructure and related activities are eligible for NMTC investments provided that those activities meet the IRS Regulations related to a business qualifying under the NMTC program. For additional details, please see IRC 45D and related IRS guidance.

**42) There are some activities that are not clearly prohibited by the IRS Tax Regulations, but that are also not clearly allowed. If my business strategy falls within one of these more undefined areas, how will my application be scored by the CDFI Fund?**

The CDFI Fund will evaluate each *Allocation Application* on a case-by-case basis, and consult with the IRS as necessary during Phase 2 of the review process, to ensure that the activities proposed are within the guidelines set forth in the IRS Tax Regulations. If some or all of the *Applicant's* proposed activities are not allowable pursuant to the IRS Tax Regulations, the CDFI Fund may reduce the recommended amount of an *NMTC Allocation* as appropriate, or deny the *Applicant* an *NMTC Allocation* entirely.

**43) How will Question 18 be evaluated by Phase 1 Reviewers? Can the Applicant propose an innovative use of an NMTC Allocation that is not listed in Q.18?**

As noted in the TIP for Question 18, this question will not be evaluated and scored in Phase I of *Allocation Application* reviews. Therefore, this question will not be used to determine whether an *Applicant* scored highly enough to receive consideration for an *NMTC Allocation*. The response to this question will be considered in Phase II of the *Allocation Application* reviews and may affect the size of the *Applicant's NMTC Allocation* (along with other evaluation criteria as discussed in the 2015 NOAA).

The CDFI Fund will only consider the activities listed in Question 18 as innovative uses of an *NMTC Allocation*. None of the listed innovative uses is preferred over another. *Applicants* are required to quantify the proposed innovative *QLICs* as a percentage of its total *QLICs* if selected to receive an *NMTC Allocation*.

**44) If an Applicant commits to invest a specific percentage in specific CDFI Fund identified states (e.g. three states) in Question 18, will it be held to those specific states or just investing in any of the CDFI Fund identified states listed?**

The terms of the *Allocation Agreement* will hold the *Allocatee* with a national service area to investing a designated percentage in any of the identified states listed in Question 44 of the Application Q&A. The proposed identified states must be consistent with the *Applicant's* service area.

**45) What are the states identified by the CDFI Fund that have historically received fewer dollars of QLICs, referenced in Question 20(c)?**

Since the inception of the NMTC Program, QLICs have been made in all 50 states, the District of Columbia, and Puerto Rico. However, the CDFI Fund has identified Puerto Rico along with the following 10 states as areas that have received fewer dollars of QLICs in proportion to their statewide population residing in *Low-Income Communities*: Arkansas, Florida, Georgia, Idaho, Kansas, Nevada, Tennessee, Texas, West Virginia, and Wyoming. The above states are identified by obtaining the total dollars of QLICs invested (2003-2013) in each state and dividing the total dollars of QLICs by the population residing in LICs in that state. Total dollars of QLICs are based on the FY 2013 *Community Impact Investment System (CIIS)* public data. The “population for whom poverty is determined” residing in LICs is based on the 2006-2010 ACS NMTC eligibility data.

The CDFI Fund also considers the Island Areas of the United States (American Samoa, Guam, Northern Mariana Islands, and US Virgin Islands) to have received lower levels of NMTC investment, as these four territories have not received any dollars of QLICs.

While investing in the geographies listed above is considered an innovative use of NMTCs for the purposes of Question 18, the CDFI Fund does not give preference to this innovative activity over any other innovative use.

**46) If the Applicant commits to provide QLICs where the total QLICs received by the QALICB are \$2 million or less, does that include QLICs made into multi-CDE transactions?**

For more information about how this activity will be monitored, please see the please see the NMTC Compliance & Monitoring Frequently Asked Questions.

**47) If the Applicant commits to investing in Federal Indian Reservations, Off-Reservation Trust Lands, Hawaiian Home Lands, and Alaska Native Village Statistical Areas, how can the Applicant identify whether potential NMTC investments are located in these areas?**

Applicants should use the CIMS3 to geocode addresses and determine whether potential QALICBs are located in *Federal Indian Reservations, Off-Reservation Trust Lands, Hawaiian Home Lands, and Alaska Native Village Statistical Areas*. Please visit [https://www.cims.cdfifund.gov/preparation/?config=config\\_nmtc.xml](https://www.cims.cdfifund.gov/preparation/?config=config_nmtc.xml)

**48) If the Applicant (or Controlling Entity) engages in financing activities through one or more Subsidiary entities, should these financing activities be presented on a consolidated basis for the purposes of completing the tables in Exhibit B?**

Yes. Applicants must consolidate the financing activities of one or more *Subsidiary* entities for the purposes of completing Exhibit B. For example, if the *Applicant (or Controlling Entity)* is a bank holding company, it must, in Exhibit B, consolidate the financing activities of its various *Subsidiary* operating entities (e.g., the bank, the real estate development company, the non-profit Community Development Corporation and the *Applicant*) and present them as a single set of activities. If the *Applicant* uses its *Controlling Entity's* track record in Exhibit B, that data must include the *Applicant's* track record when the *Applicant* is a *Subsidiary* of the *Controlling Entity*. However, please be sure to clearly indicate, in your narrative responses in Question 19 and 20, which entities were responsible for the various activities.

#### 49) What data should I provide in the tables in Exhibit B?

For Tables 1-3 in Exhibit B, an *Applicant* should demonstrate a track record that supports the activities listed in Question 13. In Table B1, the *Applicant* should provide data on its own (or its *Controlling Entity's*) track record of providing loans and/or equity investments to real estate and *Operating Businesses* (excluding *Restricted NMTC Business Activities*). In Table B2, the *Applicant* should provide data on its own (or its *Controlling Entity's*) track record of providing loans and/or equity investments to *CDEs*. In Table B3, the *Applicant* should provide data on its own (or its *Controlling Entity's*) track record of purchasing loans from *CDEs*.

For example, if the *Applicant* indicated that it would provide “investments in, or loans to, *QALICBs*” in Question 13, then in each of the annual columns in Exhibit B1 it should provide data on the overall track record of directly providing loans and/or equity investments to real estate and *Operating Businesses* (excluding *Restricted NMTC Business Activities*). The *Applicant* may also quantify its track record of indirect financing (e.g. loan packaging, project development) to real estate and *Operating Businesses*.

When completing a given table, for each annual column, *Applicants* should report on the totality of historical loans and equity investments. Please be aware of the allowable activities for each table in Exhibit B. In the column “Totals to *Disadvantaged Businesses and Communities* (2009-2015)”, *Applicants* should report the amount of their overall activity that was directed to businesses that: a) are located in *Low-Income Communities*; b) are owned by *Low-Income Persons*; or c) otherwise have inadequate access to investment capital.

Financing activities that do not align with the NMTC investments listed in Question 13 (e.g., loans and/or equity investments for residential rental housing; consumer loans; investments in farms, loans and/or investments to NMTC investment funds or non-CDE financial institutions) SHOULD NOT be included in the Tables B1-B3. *Applicants* should include these financing activities in Table B4, and may discuss these activities in their narrative response to Question 20 of the *Allocation Application*. In Question 20, *Applicants* should explain the dollar amount of each type of activity included in Table B4.

Some additional notes on Exhibit B:

- (a) *Applicants* with a shorter track record of activity (e.g. less than five years) may want to populate Exhibit B based on their *Controlling Entity's* activities if the *Controlling Entity* has a longer track record (e.g. five years or longer). An *Applicant* that can demonstrate a longer track record of providing similar direct financing (either through its own experience or through its *Controlling Entity's* experience) will generally score higher in this section than an *Applicant* that demonstrates a shorter direct financing track record or has a track record of primarily or exclusively providing indirect financing. For the purpose of determining the length of the *Applicant's* (or *Controlling Entity's*) track record, all tables in Exhibit B will be considered. Be aware that if an *Applicant* chooses to complete Exhibit B based on its *Controlling Entity's* track record, it must also complete Tables D1 and E1 using the *Controlling Entity's* track record.
- (b) In Row 3 of Table B1 and Row 2 of Table B4, an *Applicant* may indicate the financial contributions of others. This will enable the *Applicant* to include projects in which it engaged in financing-related activities such as loan packaging, project management/development, etc.
- (c) An *Applicant* (or *Controlling Entity*) may have activity not related to loans or equity investments (such as consumer credit counseling), which it cannot represent in Table B4. If the *Applicant's* (or *Controlling Entity's*) track

record consists solely of this type of activity, it should complete the narrative to Question 20 and then indicate that Table B4 is not applicable.

- (d) **Please be advised that “financing activities” consist solely of the provision of loans or Equity Investments.** The provision of grants to entities, including businesses and/or CDEs by the *Applicant* (or *Controlling Entity*) cannot be reported in Exhibit B. Please be aware that CDFI Fund does not recognize the existence of “equity investments” in non-profits. These are considered grants and should not be included in Exhibit B.
- (e) *Applicants* may not include direct expenditures on project costs (e.g. paying a contractor for infrastructure work) as financing. Only loans and/or *Equity Investments* may be included in Exhibit B.
- (f) *Applicants* are required to complete a column indicating their experience in supporting activities in *Non-Metropolitan Counties*, which will enable the CDFI Fund to determine whether the entity should receive special consideration as a “*Rural CDE*” (see Q&A #91 below).

**50) What is the difference between direct financing and indirect financing for the purposes of Exhibit B?**

Direct financing consists of loans and *Equity Investments* that the *Applicant* (or *Controlling Entity*) financed with its own capital and that capital is at risk. *QLICs* made with an *Applicant's* previous NMTC allocations should be listed as direct financing.

Indirect financing consists of loans and *Equity Investments* by third-party sources that the *Applicant* (or *Controlling Entity*) participated in, but did not finance with its own capital at risk, such as loan packaging, project development, etc. For example, if an *Applicant* participated in structuring *QLICs* for unrelated *Allocatees* with past *NMTC Allocations*, these would be considered indirect financing activities, regardless of whether the *Applicant* (or an *Affiliate*) provided indemnities to the *Allocatee* or any investors.

**51) In Exhibit B, can an Applicant select “Applicant” for Tables B1-B3 and “Controlling Entity” for Table B4?**

No, the electronic application does not allow an *Applicant* to select “*Applicant*” for Tables B1-B3 and “*Controlling Entity*” for Table B4. All tables in Exhibit B, Table D1 and Table E1 must be completed with information for the same entity – either the *Applicant* or the *Controlling Entity* – in Question 3. If the *Applicant* would like to include non-*QLIC* activities of the *Controlling Entity* in Table B4, the *Applicant* must select “*Controlling Entity*” in Question 3, which will carry over to Tables B1-B2, Table D1 and Table E1 as well. *Applicants* should, however, be sure to address in their narrative responses to Questions 19 and 20 the extent to which the *Applicant* has itself engaged in these activities.

**52) What types of activities should be included in Question 20 and Table B4? For example, should small business loans or micro-loans to businesses be listed in Table B4?**

*Applicants* may include in Table B4 and Question 20, any loans/equity investments that do not align with the types of *QLIC* activities listed in Question 13, and therefore cannot be included in Tables B1-B3. For example, this may include:

- loans/investments to real estate properties where 80% or more of their gross income is derived from renting residential dwelling units,
- loan/investments to NMTC investment funds or non-CDE financial institutions,

- personal or consumer loans,
- residential mortgages, and
- investments in other prohibited businesses (e.g. certain farming businesses, gambling businesses, massage parlors, country clubs, etc.).

Financial counseling related to any of the above products do not align with activities listed in Question 13 and should not be included Question 19.

All types of business lending, except for *Restricted NMTC Business Activities*, should be listed in Tables B1-B3, regardless of the size of the investment or geographic location of the investment. Similarly, the *Applicant's* track record of *Financial Counseling and Other Services (FCOS)* provided to businesses should be described in the narrative response to Question 19 and not Question 20.

**Please be advised that “financing activities” consist solely of the provision of loans or Equity Investments.** The provision of grants to entities, including businesses and/or *CDEs*, by the *Applicant* (or *Controlling Entity*) cannot be reported in Exhibit B and should not be referenced in the narrative responses to Questions 19 and 20.

**53) Will the CDFI Fund view more favorably prior *Allocatees* that have invested smaller amounts of their past allocation(s) into multiple projects with other *CDEs* rather than larger amounts into fewer projects with their own allocation?**

*Applicants* with a track record of investing in smaller amounts of *QELs* into more projects are not favored over *Applicants* who invest a larger amount of *QELs* into fewer projects. The evaluation criteria for Phase 1 does not consider the number of past transactions the *Applicant* has invested in. *Applicants* with previous allocations are evaluated based on the quality of their past NMTC investments, whether their past NMTC investments were consistent with the business strategies (e.g. products to be offered, types of businesses that received loans/investments) presented in past successful *Allocation Applications*, and the characteristics of their planned *QLICs*, among other considerations. No scoring preference or other consideration is given based on the number of investments made or the size of the investments made with each allocation.

The CDFI Fund recognizes that investing smaller amounts of *QELs* into a project may increase the number of *CDEs* involved in the project, which may drive up transaction costs. The CDFI Fund strongly encourages *CDEs* to continue to explore ways to minimize transaction costs on NMTC transactions. Additionally, for guidance on how to apportion outcomes associated with multi-*CDE* transactions, see Q&A #60

**54) In Question 22 of the *Allocation Application*, how can an *Applicant* earn the five priority points for investing in *Unrelated entities*?**

**This question has been revised, please see Question D of this document.**

**55) If an *Applicant* intends to combine historic tax credits with NMTCs and use a lease pass-through structure in which the *CDE* will be the 100 percent owner of the Master Tenant, and therefore a lessee of the *QALICB* and/or a member of the *QALICB*, does the *Applicant* need to describe this relationship in its response to Question 23(c)?**

Yes, the *Applicant* should disclose this relationship in Question 23(c). The *Applicant* may discuss how this relationship adds value to the *QALICB* both in the response to Question 23(c) and in the response to Question 23(f). The scoring criteria do not penalize the *Applicant* for using a lease pass-through structure to twin New Markets Tax Credits with

Historic Tax Credits, provided the *Applicant* articulates how this structure adds notable added value to the *QALICB*.

## E. COMMUNITY OUTCOMES SECTION

### 56) What are some examples of permissible and non-permissible activities for organizations that answer “yes” to Question 24(a)?

In Question 24(a) of the *Allocation Application*, an *Applicant* can commit to targeting 75 percent of the aggregate dollar amount of its *QLICs* within *Low-Income Communities* that are characterized by at least one of the following items: a) severe distress, *Non-Metropolitan Counties*, or *Targeted Populations*; OR b) at least two of items 4-15 in Question 24.

**Example 1 [permissible]** – an *Allocatee* invests \$90 million (90 percent) of its \$100 million *QLIC* activities in areas characterized by census tracts with poverty rates greater than 30 percent (item 1 in Question 24). This example satisfies the “at least one of items 1-3” in Question 24 requirement, so this qualifies as permissible.

**Example 2 [permissible]** – an *Allocatee* invests \$75 million (75 percent) of its \$100 million *QLIC* activities in two transactions. One eligible deal is in a federally designated Brownfields development area (item 6 in Question 24) and in a Federal Native Area (item 8 in Question 24); while the other eligible deal is in a HOPE VI redevelopment area (item 7 in Question 24) and in a Federal Medically Underserved Area (item 11 in Question 24). In this example, both of the transactions satisfy the “at least two of items 4-15” requirement in Question 24, so this qualifies as permissible.

**Example 3 [permissible]** – an *Allocatee* invests \$50 million (50 percent) of its \$100 million *QLIC* activities in an area of severe distress with high poverty rates (30% or greater) (item 1 in Question 24). It also invests \$25 million (25 percent) of *QLICs* in census tracts that are within both a Colonias area (item 10 in Question 24) and a Local Economic Zone (item 12 in Question 24). In this example, 50 percent of the *QLIC* dollars satisfy the “at least one of items 1-3” requirement, and 25% of the *QLIC* dollars satisfy the “at least two of items 4-15” requirement. A total of 75% of the *QLIC* dollars meet the requirements of Question 24. Therefore, this qualifies as permissible.

**Example 4 [not permissible]** – an *Allocatee* invests 100 percent of its *QLICs* in an area that is not characterized by any of items 1-3, and is only characterized by one of the criteria in items 4-15 in Question 24. Although the *Allocatee* invested 100 percent of its *QLICs* in a *Low-Income Community*, it failed to satisfy either of the tests in Question 24(a), since its *QLICs* were made in areas that had only one (as opposed to two or more) of the criteria listed in items 4-15 of Question 24.

### 57) In Question 24, what is a Promise Zone?

Federally designated Promise Zones are geographic areas defined by the Department of Housing and Urban Development (HUD). Promise Zone designation enables the Federal government to partner with local leaders who are addressing multiple community revitalization challenges in a collaborative way. More detailed information on what constitutes a Promise Zone, which communities have been selected, and other guidance on the initiative can be found at the following HUD website: <https://www.onecpd.info/promise-zones/>

Please be aware that the CDFI Fund does not give preference to *Applicants* proposing to target *QLICs* in Promise Zones or any other area of higher distress listed in Question 24. Per the Application TIP, an *Applicant* that checks “Yes” to Question 24(a) will generally

be scored more favorably, but *Applicants* are not evaluated based on specific areas of higher distress selected. Note that, if the *Applicant* receives a *NMTC Allocation*, it will be required to meet the percentage figure identified in Question 24(a), and such requirement will be a term of its *Allocation Agreement*.

HUD has developed a website showing a map of the Promise Zones throughout the United States and the extent to which they overlap with NMTC eligible census tracts. That information can be found here: <http://www.huduser.org/nmtc/nmtc.html>.

Please be aware that the CDFI Fund only guarantees the accuracy of information in its own mapping system (CIMS3), so you should check the NMTC eligibility of a census tract in CIMS3 prior to making any NMTC investment decisions.

### 58) What is an Impacted Coal County?

Impacted Coal Counties are counties that have experienced coal-related job losses or coal power plant retirements or announced closures, as identified through the Partnerships for Opportunity and Workforce and Economic Revitalization (POWER) Initiative, a multi-agency effort, in which the CDFI Fund participates, with the goal of effectively aligning, leveraging and targeting a range of federal economic and workforce development programs and resources to assist communities negatively impacted by changes in the coal industry and power sector. Specifically, these are counties with more than 50 coal mining job losses (2011-2015) or counties with coal-powered plant retirements (2011-2015) or coal-powered plant retirement announcements (announced by June, 2015, for retirements through the end of 2016), for plants with more than 200 megawatt capacity. For more information on the POWER Initiative and a list of Impacted Coal Counties, visit <http://www.eda.gov/power/>.

In order to determine NMTC eligible Low-Income Community census tracts within an identified Impacted Coal County, Applicants' should use the census tract eligibility information in the CDFI Fund's mapping system (CIMS3).

Please be aware that the CDFI Fund does not give preference to *Applicants* proposing to target *QLICs* in Impacted Coal Counties or any other area of higher distress listed in Question 24. Per the Application TIP, an *Applicant* that checks "Yes" to Question 24(a) will generally be scored more favorably, but *Applicants* are not evaluated based on specific areas of higher distress selected. Note that, if the *Applicant* receives a *NMTC Allocation*, it will be required to meet the percentage figure identified in Question 24(a), and such requirement will be a term of its *Allocation Agreement*.

### 59) What portion of my pipeline should I use to project potential community development outcomes in Question 25 of the *Allocation Application*?

*Applicants* should base their community development outcome projections in Question 25 on the portion of their pipeline equal to their *NMTC Allocation* request (e.g. their "priority pipeline" identified in Question 19). ***Applicants* must use the same set of pipeline projects as a basis for projecting all potential community development outcomes.**

**60) What information should an *Applicant* provide when quantifying its community outcomes in Question 25(a)?**

When discussing their quantified track record of achieving community outcomes, *Applicants* must clearly explain their financing track record associated with each of the outcomes selected in Question 25(a). When explaining the associated financing track record, the *Applicant* must indicate:

- the total number of the quantifiable community outcome(s) generated;
- the total number of investments that the above figure is based on;
- the aggregate total dollar amount of project costs; or
- the total dollar amount of loan or equity investment provided by the *Applicant*.

If part or all of the *Applicant's* track record consists of NMTC financing, it should **also** separately indicate:

- the total number of the quantifiable community outcome(s) generated by NMTC investments;
- the total number of NMTC projects financed;
- what portion of these investments were in collaboration with other CDEs (i.e. multi-CDE transactions);
- the total dollar amount of *QELs* the *Applicant* used to finance such projects; and
- the total dollar amount of *QELs* the other unrelated *CDEs* contributed to finance such projects.

**Example:** XYZ CDE's investments in the past five years have created 1,100 direct jobs. This job creation figure is based on investments in 15 projects with combined total project costs of \$300 million. XYZ CDE provided \$150 million in aggregate financing. Of the 15 projects, five received \$25 million in *QLICs* from other CDEs along with \$25 million in *QLICs* provided by XYZ CDE. These five NMTC projects created a total of 500 jobs.

When projecting the outcomes to be achieved with their *NMTC Allocation*, *Applicants* should provide a similar level of detail.

**Example:** XYZ CDE projects that a \$125 million allocation will allow it to create 1,400 direct jobs. This job creation figure is based on the *Applicant* investing in 10 pipeline projects. These projects have a total estimated project cost of \$250 million with \$200 million in *QLICI* needs. XYZ CDE plans to provide \$125 million in *QLICs* to finance these projects. The remaining \$75 million in *QLICs* are projected to come from other CDEs.

Each community outcome listed in Question 25 is defined in the Application and provides examples of how each outcome could be quantified. These examples are illustrative and not meant to be exhaustive. *Applicants* can elect to use other metrics they find relevant. *Applicants* are expected to quantify all community outcomes selected (projected and track record).

*Applicants* should also provide the necessary detail on how the projected community outcomes were estimated. An *Applicant* will be evaluated on its ability to quantify the projected community outcomes, its methods (e.g. economic modeling of the *Applicant's* past investments) and **metrics** (e.g. for charter schools, 1 Full Time Equivalent /20 students (National Education Association, the National Center for Education Statistics)) used to project those outcomes. **Be sure to include the source of the metric if it has been identified from a third-party source.** The *Applicant* should also discuss the extent that it has a track record of achieving similar outcomes with past investments. The *Applicant* will not be evaluated simply on the sheer number of outcomes projected.

**61) Can the *Applicant* discuss indirect or induced jobs in its response to Question 25(a)(1), Job Creation?**

No, only direct jobs may be discussed in response to Question 25(a)(1). An *Applicant* may discuss the extent its investments will result (or have resulted) in indirect jobs in its response to Question 27 on the catalytic impact of its investments. However, *Applicants* do not need to discuss indirect jobs at any point in the *NMTC Application*.

**62) What distinct information should the *Applicant* provide in each of the three job related questions in Question 25?**

**This question has been revised, please see Question E of this document.**

**63) Question 25(a)(4) asks the *Applicant* if it expects its investments in *QALICBs* will result in the provision of commercial goods and services to *Low-Income Persons* or residents of *Low-Income Communities*. Question 25(a)(5) asks about the provision of community goods and services. What are some examples of commercial versus community goods and services to *Low-Income Communities*?**

*QALICBs* that provide commercial goods and services to *LIC* residents and *Low-Income Persons* may include both for-profit and non-profit *QALICBs*. Examples of commercial goods and services include, but are not limited to:

- Restaurants, dry cleaning,
- Retail shopping,
- Pharmacies, or
- Full service supermarkets and other fresh food options.

Examples of community goods and services to *Low-Income Persons* or *LIC* residents include, but are not limited to:

- Charter schools,
- Healthcare, childcare, or social service facilities, or
- Facilities that provide job training.

In describing either commercial and/or community goods and services, *Applicants* will be scored more favorably if they illustrate that the goods and services offered by these *QALICBs* have a significant and meaningful impact on the *Low-Income Communities* and/or *Low-Income Persons* served.

**64) How should an *Applicant* respond to Question 25(c)?**

An *Applicant* must answer “Yes” or “No” to Question 25(c). Please note that Question 25(c) includes activities directed to the development or rehabilitation of ALL housing, including housing units resulting from mixed-use projects. If an *Applicant* describes any investments with a housing component in the Business Strategy section or in Q. 25(a)(8), it should respond “Yes” to Question 25(c). If the *Applicant* answers “No” to Question 25(c) and receives a *NMTC Allocation*, it will be prohibited from using *NMTC* dollars to finance ANY housing units. If an *Applicant* answers “Yes” to Q.25(c) and receives a *NMTC Allocation*, it will be required to provide at least 20 percent of aggregate housing units as affordable housing units (e.g. affordable to persons with income less than 80 percent of AMI), and such requirement will be a term of its *Allocation Agreement*.

Guidance on how the CDFI Fund evaluates whether 20 percent of housing units financed are affordable is found in the [NMTC Compliance & Monitoring Frequently Asked Questions \(December 2014\)](#).

**65) In Question 26(c), what are examples of a broader community and economic development strategies?**

Community and economic development strategies are often outlined in a formal plan approved and adopted by a neighborhood, community group, local government, or state. To the extent such plans exist, the *Applicant* should discuss how its projects fit into the priorities and goals outlined by those plans. If the *Applicant* intends to make NMTC investments in areas that do not have a formal plan or planning process, the *Applicant* should discuss the other methods it used to ensure alignment with the community's strategic priorities.

**66) In Question 27, how does the CDFI Fund want *Applicants* to discuss additional private investment as a result of the proposed *QLICs* described in the Business Strategy section?**

**This question has been revised, please see Question H of this document.**

## **F. MANAGEMENT CAPACITY SECTION**

**67) How many individuals should *Applicants* list in Table C2?**

Please list no more than 15 individuals in Table C2. CDFI Fund staff will only evaluate the initial 15 individuals listed in Table C2. Focus on the individuals who are most important to managing the organization's New Markets Tax Credit Program (e.g. capital deployment, asset management, compliance) and application preparation. If the *Applicant* relies on consultants for certain services (e.g. legal, accounting, compliance, Application writing/review, deal structuring, etc.), please review Q&A #68 below as well.

**68) Table C2 includes a column heading "Years with (or years providing services to) the *Applicant*." In completing this information, may a start-up entity refer to the years of service that an individual provided to its *Controlling Entity*?**

Yes, provided that the *Applicant* had consistently referred to the track record of its *Controlling Entity* throughout its *Allocation Application*. Also, the *Applicant* should be sure to indicate, in the relevant narrative portions of its application, that the information provided in Tables C1 and C2 refers to the individual's track record of service to the *Controlling Entity*.

**69) How should *Applicants* disclose the use of consultants in the *Application*?**

*Applicants* must identify key consultants in Table C2, indicating the general area of work conducted by each consultant. *Applicants* will not be penalized in the Application scoring for the use of consultants, since the Management Capacity section is not scored in Phase I. The CDFI Fund recognizes that *CDEs* may gain greater efficiencies by outsourcing certain functions (e.g. asset management functions, compliance reporting, etc.) for their NMTC transactions to organizations that have already built the capacity to efficiently manage these processes. The CDFI Fund also acknowledges that a *CDE* without prior NMTC experience may wish to retain outside expertise, including that related to structuring NMTC transactions, *Application* preparation, etc. However, *CDEs* must disclose these individuals/firms in Table C1 and discuss their roles and responsibilities in Questions 29-31.

If the *Applicant* will be receiving consulting services from multiple employees of one firm, they should only list the main contact or principal from this firm as well as list all activities the firm will assist with. An *Applicant* should also provide, in the narratives for Questions 29-31, an estimate of the percentage of work to be performed by the consultant(s). An *Applicant*

must also identify any consultant(s) contracted to read or write either portions or the entirety of their *Allocation Application* in Table C2.

**70) What financing activities should be included in Table D1 (Asset Management)? Should the *Applicant* include non-QLICI activities in Table D1?**

When completing Table D1, please include any financing activities that are referenced in Question 19, Question 20 and Exhibit B as part of your track record. For example, if you discuss a multi-family residential real estate track record in Question 20 and Table B4, you must include these activities as “Real Estate Business Loans & *Equity Investments*” in Table D1. You may also want to specifically discuss the performance of certain types of investment activities (e.g. business loans, commercial real estate, residential multi-family) in the narrative to Question 30(c). If you did not describe a track record of non-QLICI activities in Question 20, then you should not include these activities in Table D1.

Even if the *Applicant* has experienced zero delinquencies and write-offs in the past three years, it still needs to complete Table D1. In this case, the *Applicant* should simply list the number and dollar amount of loans & equity investments outstanding at each fiscal year end and enter “0” for the delinquency rates and write-offs. **Applicants should not select “N/A” for Table D1 in this scenario.**

**71) How should *Applicants* complete Question 33(e) and Table D2?**

Table D2 asks *Applicants* to complete a multi-year operating budget for administering their requested *NMTC Allocation*. *Applicants* are asked to detail the sources of income and the expenses associated with administering the requested *NMTC Allocation*. In completing Table D2, *Applicants* should be sure to include all of the costs associated with sustaining its *NMTC* line of business (including both transaction and operating costs), and have identified all sources of income attributable to its *NMTC* line of business.

In Question 33(e), *Applicants* should clearly explain the assumptions that underlie their entries in Table D2. The *Applicant* should provide details on the key expenses and sources of income. If the *Applicant* will be receiving income by retaining a portion of the capital at the investment fund level, *QEI*, fees or other form of compensation, the type and amount of the income should be clearly explained. Additionally, please be sure to address all of the bullets beneath Question 33(e) in your narrative response to the question.

Please provide a sufficient level of detail such that the CDFI Fund will be able to align the information provided in Table D2 with the information provided in Question 33(e). Any ambiguity between the responses to Question 33(e) and Table D2 could negatively impact the evaluation of the Application.

*Applicants* must complete Table D2 based on the projected *NMTC* activity shown in Exhibit A. For example, ABC *CDE* requests a \$100 million *NMTC Allocation* and projects in Exhibit A that they will deploy \$70 million in six investments in 2014 and \$30 million in four investments in 2015. In this case, the *Applicant* should base income and expense projections on making six *QLICIs* totaling \$70 million in 2014 and four *QLICIs* totaling \$30 million in 2015.

When completing Table D2, *Applicants* should assume they will not receive any subsequent *NMTC Allocations* over the seven-year credit period. However, they may include fee income from past *NMTC Allocations* under “Other” income if that fee income will support operations related to managing a *NMTC Allocation*.

***Income***

*Applicants* are given space to report income from a variety of sources. Income from investors (Row 1a) includes the percentage of funds retained from the investment fund and/or the *QEI*, by the *Applicant* or its *Affiliates*, fees charged by the *Applicant* or its *Affiliates* at the investment fund level (e.g. syndication fees), etc. Income from the *QALICB* (Row 1b) includes interest income, any on-going or one-time fees charged to the *QALICB* by either the *Applicant* or its *Subsidiary CDE(s)*, etc. Income from *Affiliates* (Row 1c) includes any income from *Subsidiary CDE(s)*, the *Controlling Entity*, or any other *Affiliate*. Income from other sources (Row 1d), includes grants, revenue from other lines of business, etc. *Applicants* should list any income from previous *NMTC Allocations* that will be used to support operations related to managing a *NMTC Allocation* in the “Other Sources” category. *Applicants* must also include the projected value of any income from exit fees charged or residual value of the *QLICI* retained by the *Applicant* (either directly or through an *Affiliate*) in the appropriate row, even if the actual receipt of that income is at-risk and uncertain. This income should be listed in the year the value is most likely to be received or in the “After 2022” column.

If an *Affiliate* receives any income from a *QALICB* or Investor and then passes this income through to the *Applicant*, this income must be listed in either Row 1a or Row 1b, based on the initial source of the income. This income should not be listed in Row 1c. Additionally, any income that is received at the *Subsidiary CDE* level and is not passed up to the *Applicant* must still be reported as income in Table D2.

### **Operating Expenses**

The *Applicant's* operating expenses for the *NMTC* program include the *NMTC*-related expenses of the *Applicant* as well as any *Subsidiaries* and *Affiliates*. For example, annual audits of *Subsidiary CDEs* may be considered an expense of the *Applicant* and should be listed in Table D2, if the audits are paid for directly by the sub-*CDEs*. Also, if the *Applicant* uses its *Controlling Entity's* staff to manage the *NMTC* program, these staff expenses should be listed in Table D2.

Table D2 provides two categories of expenses. The first category – fixed expenses – should include any expenses that are unlikely to change based on how many investments an *Applicant* makes. These expenses include items like staff costs, facilities/overhead, annual *CDE* audit, etc. The second category – variable expenses – includes expenses that vary based on the number of investments an *Applicant* makes or has under management in a given year. These expenses may include transaction closing expenses, sub-*CDE* audit expenses, etc.

### **Profit/(Loss)**

Table D2 will calculate Profit/Loss for each year automatically based on Total Income minus Total Expenses.

## **72) How should the *Applicant* record expenses to the *CDE* that are reimbursed by the *QALICB*, investor, or third parties in Table D2?**

If a *CDE* has an obligation to pay a consultant, advisor, etc. or expects to pay the costs attributable to other transaction participants (such as investors), it should be treated as an operating expense of the *CDE* associated with sustaining its *NMTC* line of business and should be reported in Table D2 as either a fixed or variable expense, even if the *CDE* will use funds from another source to pay those expenses.

For example, the *Applicant* expects to hire ABC Legal Counsel to prepare loan and other closing documents in connection with a *QLICI*. In addition, the upper tier investor for this investment will require the *CDE* to pay investor's legal costs in connection with its *QEI*

investment. To pay these expenses, the *CDE* will pass both expenses along to the *QALICB* when the *QLICI* closes. In this example, both the *CDE* and upper tier investor's costs are obligations of the *CDE* and should be reported as expenses. The *CDE* should also report as income from the *QALICB* the anticipated payments made by the *QALICB* to the *CDE* at closing.

**73) Does the *Applicant* need to include fees charged by consultants contracted by the *Applicant* (or an *Affiliate*) and charged directly to investors or the *QALICB* in Table D2?**

Yes, the *Applicant* should include fees charged by, or paid to consultants contracted by the *Applicant* (or an *Affiliate*), but that are paid directly by investors or *QALICBs*. An offsetting expense equaling the amount paid to the contractor should be recorded as an expense of the *CDE* and the amount paid directly by the investor or *QALICB* to the contractor should be reported as Income in the appropriate field in Table D2. Also, the *Applicant* must disclose and discuss these payments in the narrative response to Question 33(e), and clearly state the amount of the fee charged to the *QALICB* or investor.

**74) How should the *Applicant* record interest expense and interest income associated with a leveraged loan?**

The *Applicant* should record these items in Table D2 consistent with the *Applicant's* customary accounting practices. The narrative response to Question 33(e) must explain how these items are currently being recorded in the applicable financial statements. If the *Applicant* does not have an *NMTC Allocation*, it should explain how it is currently recording expenses and interest income associated with its current loan products.

**75) How should *Applicants* that have received past *NMTC Allocations* complete Table D2?**

*Applicants* should complete Table D2 based solely on their current allocation request. Thus, *Applicants* should not include the costs of administering prior *NMTC Allocations* in Table D2. If an *Applicant's* plan involves the use of income from past allocations to pay for expenses related to this *NMTC Allocation*, it should list this income under the 'Other Sources' income category in Table D2 and describe in the narrative to Question 33(e).

The CDFI Fund recognizes that *Applicants* may have certain fixed expenses (e.g. staff costs) that are associated with administering multiple *NMTC Allocations*. *Applicants* may elect to treat these expenses one of two ways in Table D2:

- 1) Include the full amount of the fixed expense in Table D2 and then include the portion that will be paid for by income from previous *NMTC Allocations* in the "Other Sources" income category; or
- 2) Record only the prorated portion of the fixed expense that would be directed towards administering an allocation as an expense in Table D2. Please be sure to clearly explain the method for recording these expenses in Question 33(e).

**76) My *CDE* earns the bulk of its revenue on the front end at the time the *QLICI* is made. I'm concerned that I will show large surpluses in the early years and deficits in later years. How should I represent this in Table D2?**

The CDFI Fund recognizes that income and expenses may fluctuate from year-to-year. If you plan on using surpluses in one year to cover expenses in subsequent years, please explain this in Question 33(e). Additionally, *Applicants* may complete Table D2 on an accrual or cash basis, depending on what is consistent with its normal accounting practices. Your

narrative response to Question 33(e) must clearly describe the approach (accrual or cash basis) used to populate Table D2.

**77) Should a CDE show Profit in Table D2 if any surpluses will be used to make other investments in Low-Income Communities?**

Yes. If a CDE earns a profit (or surplus) from NMTC activities, it must be shown in Table D2, even if the CDE uses the profit to make other investments in LICs by the Applicant, Controlling Entity, or any Affiliates. Applicants have an opportunity to explain how profits from an NMTC line of business in Question 39(c) are used by the Applicant, the Controlling Entity, or any Affiliates.

**78) What information should be included in the “After 2022” column in Table D2?**

An Applicant should put the sum of all anticipated income and expenses in 2021 and beyond in the column (“After 2022”). This would include any income or expenses associated with on-going compliance, unwinding of NMTC transactions, any back-end sources of compensation (such as exit fees) for the Applicant or its Affiliates, etc. Even if these back-end sources of compensation are at-risk and uncertain, they should still be disclosed in Table D2 at their face value. Applicants must also disclose any projected residual value of the QLICI they will acquire/retain at the end of the seven-year credit period.

For example, assume that the Applicant projects in Exhibit B it will close \$30 million in NMTC investments in 2016 and \$10 million in 2017. These investments will have a .5 percent annual asset management fee (charged annually for seven years) and a 1 percent success fee charged at the transaction exit after the seven-year credit period. Thus, for the first investment, the Applicant would anticipate realizing a \$150,000 asset management fee in 2022 and a \$300,000 exit fee in 2022. For the second investment, the Applicant would anticipate realizing a \$50,000 asset management fee in 2022, a \$50,000 asset management fee in 2022 and a \$100,000 exit fee in 2023. Thus, they would report the total amount of “After 2022” income as \$650,000.

**79) Staff from our Controlling Entity will administer the Applicant’s NMTC program. How should I record this in Table D2?**

Staff, office space, or other items that are contributed from the Controlling Entity to the Applicant are considered in-kind contributions, and should be recorded in Table D2 as an expense (based on the dollar value of the services and other contributions received from the Controlling Entity) and as offsetting income from Affiliates (item 1(c) in Table D2). Be sure to describe the Applicant’s progress in securing firm commitments to provide these in-kind contributions in the response to Question 33(e).

## **G. CAPITALIZATION STRATEGY SECTION**

**80) In Table E1, can an Applicant rely upon the track record of its Controlling Entity?**

In order to list the track record of the Controlling Entity in Table E1, the Applicant must designate a Controlling Entity in Question 3. If the information reflects the Controlling Entity, it may include in the aggregate the track record of any and all Subsidiaries, including the Applicant. Be sure to clearly indicate, in your narrative to Question 34, which entities were responsible for the various types and amounts of investments noted in Table E1.

**81) How should an *Applicant* reflect past *QEIs* raised using the leverage structure in Table E1? Specifically, should the leverage debt portion of the *QEI* be reflected as debt or equity in Table E1?**

The “leverage structure” refers to combining debt and equity in an upper tier investment fund that then makes a *QEI* into a *CDE*. In this situation, the *Applicant* should reflect the total debt contributed to the upper tier investment fund as either “below market rate loans” or “market rate loans” as appropriate in Table E1. The tax credit equity contributed to the upper tier investment fund should be recorded as “*Equity Investments*” in Table E1.

**Example:** XYZ *CDE* has raised \$100 million in *QEIs*. Using the “leverage structure,” the *CDE* has raised \$30 million in equity from tax credit investors and \$50 million in below market rate debt and \$20 million in market rate debt for those *QEIs*. When completing Table E1, the *Applicant* should record the \$50 million in below market rate debt in Rows 5 and 6 and \$20 MM in market rate debt in Rows 7 and 8. The \$30 million in tax credit equity should be recorded in Rows 9 and 10.

**82) Can an *Applicant* (or *Controlling Entity*) that is a depository institution list its increase in deposits in Table E1 as capital raised?**

Yes, an *Applicant* (or *Controlling Entity*) that is a depository institution may list year over year increases in deposits with a maturity of 12 months or greater (e.g. Certificates of Deposit) in Table E1. As there is no clear category in the Table E1 for this capital, *Applicants* are instructed to enter it in the “below market rate loans” category. The dollar amount listed in each year should equal the net increase in deposit instruments with a maturity of 12 months or greater over the course of the calendar year (e.g. Balance of deposits with a maturity of 12 months or greater at the end of the calendar year, less balance of deposits with a maturity of 12 months or greater at the beginning of the calendar year).

If the *Applicant* is including net increase in deposits as a source of capital raised in Table E1, it should clearly explain in the narrative response to Question 34 how this information was included in the Table. Please be aware that Table E1 may only include information for the *Controlling Entity*, if the *Applicant* has designated a *Controlling Entity* and is using *Controlling Entity* information for Table D1 and Exhibit B.

**83) When should an *Applicant* complete Table E2?**

The *Applicant* should complete Table E2 and Question 36(c) if it has responded “Yes” to Question 36(a). This indicates that the *Applicant* or its *Affiliates*, either directly or through subsidiary *CDEs*, have received *QEI(s)* from investor(s) in amounts equal to or greater than the allocation requested in Question 1 between January 1, 2010 and the release date for the 2015 NMTC Allocation Application. Applicants should not complete Question 36(b) or Question 36(d).

*Applicants* that have not received *QEI(s)* during this time period or received less than the amount requested in Question 1 should not complete Table E2 and respond “No” to Question 36(a).

**84) How should Applicants present leveraged lenders in Table E2?**

Per the instructions to Table E2, if the *Applicant* used the leverage structure to raise *QEIs*, it must provide separate information in Table E2 on the equity and non-equity (e.g. debt, grant dollars) investors who provided capital to the NMTC investment fund or partnership. If an *Affiliate* of the *QALICB* is aggregating multiple sources of capital and acting as a single leverage lender into the investment fund, only the *Affiliate* of the *QALICB* should be listed in Table E2 as an investor - not the multiple sources of capital.

If the *Applicant* has raised leverage capital from *Affiliates* of multiple different *QALICBs*, it may aggregate these sources onto one row in Table E2 where the Name of Investor is listed as “*Affiliate of the QALICB.*”

If the *Applicant* plans to raise *QEIs* using an arrangement where the leverage debt at the time of *QLICI* closing is provided by a third-party source that will, in turn, be taken out by a leverage lender *Affiliated* with the *QALICB* during the seven-year credit period, this arrangement should be noted as leverage debt provided by the *QALICB* or *Affiliates of the QALICB.*

**85) What information should the Applicant provide if it responds “Yes” to Question 36(b)?**

Such *Applicants* are required to complete Table E3 and respond to Question 36(c). If the *Applicant* responds “Yes” to Question 36(b), it will also be required to answer Question 36(c). If the *Applicant* responded “No” to Question 36(b), it will be required to answer Question 36(d).

**86) How will an Applicant be evaluated if it completed both Table E2 and Table E3?**

Only one table (either Table E2 or Table E3) will be evaluated by the CDFI Fund. The *Applicant* should complete only the appropriate table based on its response to Q.36(a) and Q.36(b). *Applicants* should **not** complete both Table E2 and Table E3. Any other information will be disregarded.

**87) What documents are considered acceptable to demonstrate investor Commitments for Table E3?**

An *Applicant* who enters information into Table E3 is required to submit attachments validating the following information for each investor: name of investor, dollar amount of equity (or debt, in the case of investments into a pass-through entity) sought or obtained, status of the investment request (e.g., funds received, *Commitment* of funds, and *Letter of Interest/Intent*). If an *Applicant* answers “Yes” to Question 35(a), indicating that it intends to use a pass-through partnership entity to secure investments, the *Applicant* is expected to list (if applicable) both the debt and equity providers in Table E3; and to submit attachments evidencing the interest of the Equity investors and debt providers into the partnership entities.

Example: The *Applicant* has a *Commitment* for a \$1 million *QEI* from ABC Partnership LP, which is using the leveraged *QEI* structure. ABC Partnership LP will

receive \$600,000 in debt from 123 Bank and \$400,000 in equity from XYZ Corporation. To describe this *QEI* in its application, the *Applicant* should: (1) list a \$600,000 debt investment from 123 bank and a \$400,000 *Equity Investment* from XYZ corporation in Table E1; (2) respond “Yes” to Question 37(a) and discuss the structure of the *QEI* from ABC Partnership LP, and the *Commitments* from 123 Bank and XYZ Corporation; and (3) submit documentation evidencing the *Commitment* of (i) 123 Bank to provide the \$600,000 debt investment; and (ii) XYZ Corporation to provide the \$400,000 *Equity Investment*.

If the documents are missing altogether, or do not contain such information to validate the information entered in Table E3, the *Applicant* will not receive credit for such transactions. Acceptable documents for a *Commitment* include a signed and dated investment agreement or a letter indicating that the investor has made such a *Commitment*. Likewise, a letter indicating that the investor has a demonstrated level of interest (as opposed to a stated *Commitment*) in making an investment shall suffice as a *Letter of Interest/Intent*. To demonstrate that funds have been received, an *Applicant* should include both a signed agreement indicating the terms of the *Equity Investment* (or debt if applicable) and proof that investment funds have been received by the *Applicant* (e.g., a copy of a check).

**88) In Question 37(b), does the *Applicant* need to indicate that it will be receiving *QEI*s from an *Affiliate* if the *Applicant* or an *Affiliate* is also a managing or non-managing member of the investment fund created as part of the leverage structure with an ownership interest of less than 1 percent?**

No, the *Applicant* does not need to indicate that they will be receiving *QEI*s from *Affiliates* if they are receiving the *QEI*s through an investment fund in which the *Applicant* or an *Affiliate* is a managing or non-managing member with ownership interest of less than 1 percent. The *Applicant* only needs to answer “Yes” if an *Affiliate* is either a debt or equity investor in the investment fund itself.

## H. INFORMATION REGARDING PREVIOUS AWARDS

**89) Question 43(b) asks previous *Allocatees* to discuss the largest transaction from each of its three most recent *Allocations*. Can a previous *Allocatee* use a transaction from its 2014 *Allocation* as one of the transactions discussed in its response to this question?**

The previous *Allocatee* may use a closed transaction from its 2014 *Allocation* if it anticipates that the transaction will represent its largest transaction for that *Allocation*. Any transaction used in response to this question must be closed by the release date for the 2015 *Allocation Application*. Otherwise, the *Applicant* should discuss the largest project financed from each of the *Applicant*'s three most recent *Allocations*.

**Example:** An *Applicant* received NMTC *Allocations* in the 2007, 2009, 2010, 2012, and 2014 rounds. However, the *Applicant* has not yet closed any transactions related to its 2014 round

award. The *Applicant* should discuss the largest transaction from each of the last three allocations: 2009, 2010, and 2012.

If the *Applicant* has used more than one of its three most recent allocations to finance the same project and that project represents one of its largest projects from its past three allocations, it should discuss that project as part of Q.44(b). If the *Applicant* has received less than three *Allocations*, it should discuss the three projects that received the largest investments in the last five years.

## V. QUESTIONS ON PROPORTIONAL ALLOCATIONS OF QEIS TO NON-METROPOLITAN COUNTIES

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### 90) What is the definition of a *Non-Metropolitan County*?

For the purposes of the current *NMTC Allocation Application*, *Non-Metropolitan Counties* are counties not contained within a Metropolitan Statistical Area (MSA), as defined in OMB Bulletin No. 10-02 (Update of Statistical Area Definitions and Guidance on Their Uses) with respect to the 2010 Census data. This data can be readily accessed on the CDFI Fund's website: [http://www.cdfifund.gov/what\\_we\\_do/mapping.asp](http://www.cdfifund.gov/what_we_do/mapping.asp). By clicking on a census tract in the mapping system, you can see if that tract is non-metropolitan. Non-metropolitan status is also available in the tabular form of the data, which can be accessed from the link above as well.

### 91) What is a *Rural CDE*?

A *Rural CDE* is one that has made direct investments in at least three of the past five years, over the past five years dedicated at least 50 percent of its direct financing dollars to *Non-Metropolitan Counties*, and has committed that at least 50 percent of its NMTC financing dollars with this Allocation will be deployed in such areas. The CDFI Fund determines whether an *Applicant* qualifies as a *Rural CDE* based on the information contained in Exhibit B and in Question 21 of the *Allocation Application*.

### 92) Question 21(a) requires the *Applicant* to indicate whether at least 50 percent of the *Applicant's* (or its *Controlling Entity's*) direct financing activities over the past five year have been directed to *Non-Metropolitan Counties*. What activities are eligible to be used as the basis for calculating the 50 percent figure?

Activities will be considered eligible if they are the *Applicant's* (or its *Controlling Entity's*) direct financing activities (as shown in Exhibit B) and these activities occurred in *Non-Metropolitan Counties* as defined in OMB Bulletin 10-02. Activities in areas considered rural (as defined in Section 520 of the Housing Act of 1949) that do not lie in *Non-Metropolitan Counties* cannot be included for the purposes of demonstrating a track record of investment in *Non-Metropolitan Counties* in Exhibit B.

### 93) How will the CDFI Fund ensure a proportional allocation of *QEIs* to *Non-Metropolitan Counties*?

Pursuant to Section 102(b)(6) of the Tax Relief and Health Care Act of 2006, the CDFI Fund is required to ensure that a proportional allocation of *QEIs* will be provided in *Non-Metropolitan Counties*. As detailed in the *NOAA*, the CDFI Fund will: (i) strive to reach the goal that 20 percent of all *QLICs* made by *Allocatees* under the NMTC *Allocation* round are invested in *Non-Metropolitan Counties*; and (ii) ensure that the proportion of awardees that are "*Rural CDEs*" is, at a minimum, equal to the proportion of *Applicants* deemed eligible for

Phase II review that are *Rural CDEs*. A “*Rural CDE*” is one that has historically dedicated at least 50 percent of the dollar value of its direct financing activities over the past five years (as shown in Exhibit A) to *Non-Metropolitan Counties* and has committed that at least 50 percent of its NMTC activities will target *Non-Metropolitan Counties*.

The CDFI Fund will determine whether an *Applicant* qualifies as a *Rural CDE* based upon its response to Question 21 of the application and the direct financing activities shown in the tables in Exhibit B. If, after initial *NMTC Allocation* determinations are made, there is not an appropriate balance of *Rural CDEs* in the awardee pool, the CDFI Fund will provide *NMTC Allocations* to additional *Rural CDEs* (in descending order of final rank score) until the appropriate balance is achieved. If it is necessary to add additional groups to the awardee pool to achieve this balance, the CDFI Fund will provide a formula reduction, applied uniformly to all *NMTC Allocation* amounts, so that it remains within the total allocation authority available in the *NMTC Allocation* round subject to reauthorization.

Question 21 also asks all *Applicants* to indicate both the minimum anticipated amount of *QLICs* that will be deployed in *Non-Metropolitan Counties*, and the maximum amount of *QLICs* that they are willing to commit to deploy in *Non-Metropolitan Counties*. The CDFI Fund will require every *Allocatee* to meet the “minimum” commitment stated in the application. If, after the initial *NMTC Allocation* determinations are made, this “minimum” commitment results in less than 20 percent of the dollars being invested in *Non-Metropolitan Counties*, then the CDFI Fund shall require any or all of the *Allocatees* to direct up to the “maximum” percentage of *QLICs* to *Non-Metropolitan Counties* in an effort to meet the 20 percent threshold. The CDFI Fund will likely attempt to achieve this balance by applying increases incrementally and uniformly. *Applicants* should be careful to select a “maximum” percentage that they will be prepared to meet regardless of the size of their final award.

**94) My organization is focused on an urban market. It does not intend to make any investments in *Non-Metropolitan Counties*. Will it be disadvantaged in the application round?**

No. As described above, all adjustments to the awardee pool will be made AFTER the initial *NMTC Allocation* determinations have been made. All organizations initially selected to receive *NMTC Allocations* will receive allocations regardless of geographic focus. The adjustments described above may result in an across-the-board percentage reduction in award amounts for potential awardees with *Non-Metropolitan* commitments of less than 20 percent, but under no circumstances will an *Applicant* fall out of consideration due to its geographic focus.

Additionally, Question 21 will not be evaluated and scored in Phase I of *Allocation Application* reviews. Therefore, this question is not used to determine whether an *Applicant* scored highly enough to receive consideration for an *NMTC Allocation*. The response to this question will be considered in Phase II of the *Allocation Application* reviews and may affect the size of the *Applicant's NMTC Allocation* (along with other evaluation criteria as discussed in the 2015 *NOAA*). An *Applicant* that: i) makes a minimum commitment of 20 percent or greater in response to Question 21(b), ii) has a track record of at least three years of serving *Non-Metropolitan Counties* and a strong strategy for deploying NMTC investments in these

communities; iii) and is ranked highly enough to be considered for an *NMTC Allocation* may receive a larger *NMTC Allocation* than would otherwise be the case, regardless of designation as a “*Rural CDE*.”

- 95) **The CDFI Fund requires that prior-year *Allocatees* wishing to apply for additional *NMTC Allocation* authority achieve certain minimum threshold requirements for issuing *QEI*s from those prior year awards. Assuming there are future *NMTC Allocation* rounds, will *Allocatees* that commit to providing a significant amount of investments in *Non-Metropolitan Counties* in the current Application receive any consideration with respect to these *QEI* issuance requirements?**

At this time, the CDFI Fund cannot make any guarantees with regard to prospective *NMTC Allocation* rounds. In the event of future *NMTC* rounds, the CDFI Fund will consider excluding from the *QEI* issuance threshold calculations a certain portion of those *QEI*s that have been dedicated for investments in *Non-Metropolitan Counties* by current *NMTC Allocatees* that pledged to invest at least 50 percent of their *QLICs* in *Non-Metropolitan Counties*.

## VI. CONTACT INFORMATION

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### 96) Who can I contact if I have more specific questions?

Topic of Question	Contact
Tax/compliance aspects of the IRS Tax Regulations	<p>IRS</p> <p>Jian Grant and James Holmes, Office of the Associate Chief Counsel (Passthroughs and Special Industries)</p> <p>Telephone: (202) 317-4137</p> <p>Fax: (202) 317-6731</p>
<i>Allocation Application</i> criteria or process	<p>CDFI Fund NMTC Program Staff</p> <p>Ph: (202) 653-0421</p> <p>Email: <a href="mailto:cdfihelp@cdfi.treas.gov">cdfihelp@cdfi.treas.gov</a></p>
<i>CDE</i> certification criteria or process; Compliance with previous award, <i>Assistance</i> or <i>Allocation Agreements</i>	<p>CDFI Fund CCME Staff</p> <p>Ph: (202) 653-0423</p> <p>Email: <a href="mailto:ccme@cdfi.treas.gov">ccme@cdfi.treas.gov</a></p>
Technology problems	<p>CDFI Fund IT Staff</p> <p>Ph: (202) 653-0422</p> <p>Email: <a href="mailto:IThelpdesk@cdfi.treas.gov">IThelpdesk@cdfi.treas.gov</a></p>

You may contact the CDFI Fund with questions until **5:00 PM Eastern Time, on December 14, 2015**. After such time, the CDFI Fund will no longer respond to questions until after the NMTC *Allocation Application* deadline has passed.

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**More detailed application content requirements are found in the NMTC *Allocation Application* and *NOAA*. In the event of any inconsistency between the contents of this Q & A document, the *NOAA*, the General Guidance, the *CDE* Certification Guidance, the *Allocation Application*, the statute that created the NMTC Program (Title I, subtitle C, section 121 of the Community Renewal Tax Relief Act of 2000) (the “Act”), or the *NMTC Program Income Tax Regulations*, the provisions of the Act and the *NMTC Program Income Tax Regulations* shall govern.**

**All terms and phrases that are italicized in this document are defined in the Glossary of Terms contained in the *Allocation Application*.**