

## **FY 2015 Community Development Financial Institutions Program Application Evaluation Process**

Through the Fiscal Year (FY) 2015 CDFI Program funding round, the CDFI Fund received 306 eligible Financial Assistance (FA) applications requesting a total of \$429 million and 50 eligible Technical Assistance (TA) applications requesting a total of \$6 million. The CDFI Fund awarded \$156.8 million in FA awards to 123 certified CDFIs and \$3.5 million in TA awards to 29 certified and emerging CDFIs. The approximately \$152 million available for the FY 2015 CDFI Program funding round included around \$150.4 million in Congressional appropriations and approximately \$1.6 million in carryover funds from the FY 2014 CDFI Program funding round. The FY 2015 Healthy Food Financing Initiative – Financial Assistance (HFFI-FA) funding round included \$22 million in Congressional appropriations and approximately \$50,000 in carryover funding from the FY 2014 HFFI-FA funding round. The availability of funding was announced by the CDFI Fund through a Notice of Funds Availability (NOFA) that was published in the Federal Register on September 29, 2014.

The application review policies and procedures that the CDFI Fund utilized during the FY 2015 CDFI Program funding round are described below. The regulations governing the CDFI Program can be found in 12 CFR Parts 1805 and 1815 and provide guidance on evaluation criteria and other requirements. Details regarding application content requirements can be found in the Application and related materials.

The CDFI Fund reserves the right to modify these policies and procedures in future funding rounds, consistent with requirements specified in the applicable NOFA and related application materials.

### **Part I Overview of the Application Review Process**

#### **Step 1: Application Review and Scoring (Phase I)**

- The CDFI Fund's review process required three external reviewers for FA and HFFI-FA applications and one external reviewer for TA applications. Reviewers independently reviewed and evaluated each application. HFFI-FA applications were reviewed and scored separately from FA applications. The reviewers included private sector professionals with strong credentials in community development finance. They were selected based on factors such as their knowledge of community and economic development finance and experience in business or real estate finance, business counseling, secondary market transactions, or financing of community-based organizations.
- The CDFI Fund screened each reviewer to identify any potential conflicts of interest with applicants. The CDFI Fund provided each reviewer with detailed descriptions of what constituted a conflict of interest, and each reviewer was required to sign a certification that he or she had disclosed all conflicts of interest to the CDFI Fund. Reviewers were further required to sign a confidentiality agreement stating that they would not reveal any information obtained from the CDFI Fund during the review process.

- Once selected, the CDFI Program trained the reviewers to prepare them for the review process, including instructions on how to evaluate applications. Reviewers were assigned to applications based on their experience with each respective institution type. Reviewers were required to evaluate each application independently from the other reviewers assessing the same application. In scoring each application, reviewers rated each question within the seven evaluation sections: Purpose, Products, Policies, People, Partnerships, Performance, and Projections. To ensure consistency with CDFI Fund review and scoring guidelines, each reviewer evaluation form was reviewed by CDFI Fund staff before final submission.

- A statistical review was conducted to identify anomalous scores for FA applications. An anomalous base score was deemed to have occurred for an application whenever one of the three reviewers' total score varied significantly from the median of the three reviewers' base scores. In cases where there was an anomalous score, CDFI Program staff facilitated a discussion among the three reviewers in order to deliberate on the specific areas for which there was significant disagreement. If deemed necessary after the discussion, reviewers were provided the opportunity to revise their scoring selections. This step was not applicable for the TA application review process as applications were only reviewed by one external reviewer.

## **Step 2: Initial Award Recommendations (Phase II)**

- After Phase I of the review process was completed, applications were ranked in descending order of their aggregate score, less point deductions for late reporting and other compliance issues. Core and Small and Emerging CDFI Assistance (SECA) FA, HFFI-FA, and TA applications were ranked separately. Applications that met the minimum scoring threshold were assigned to an internal Follow-up Reviewer to conduct further analysis based upon the following factors: (i) rank order by score, (ii) institutional and funding category diversity protocols, and (iii) availability of funds.

- The Follow-up Reviewer considered the Phase I evaluation and reviewed required application documents in order to make an initial award recommendation up to the amount requested by the Applicant. The Follow-up Reviewer considered the following factors when determining initial award recommendations for FA applications: (i) deployment capability to target market, (ii) financial viability, (iii) asset quality and portfolio characteristics, (iv) management capacity, and (v) audit findings or Regulator comments. Demonstrated weaknesses resulting in concerns about the applicant's performance or capacity in the aforementioned areas or failure to submit three years of audited financial statements, as required, led to a reduction in the recommended award amount. The Follow-up Reviewer for HFFI-FA applications reviewed the description of the applicant's healthy food financial products, healthy food lending projections, and track record, amongst other factors.

- Factors considered when determining initial award recommendations for TA applications included: prior award performance, if applicable; ability to meet CDFI certification requirements, if applicable; organizational capacity; financial viability; asset quality; and management capacity. TA awards were reduced or declined if requested TA items were not sufficiently justified or deemed ineligible.

- Follow-up Reviewer award recommendations were reviewed by a Selecting Official to ensure adherence with the CDFI Program's policies and procedures as well as applicable Federal

regulations. The Selecting Official also reviewed a variety of compliance, eligibility, due diligence and regulatory matters. Included in this review were, among other things: (i) checks to determine whether prior-year CDFI Program recipients were compliant with the requirements in past Assistance Agreements; (ii) checks to ensure that in-hand matching funds submitted by FA applicants represented at least 50% of the recommended award amount; (iii) checks to ensure that no CDFI Program recipient exceeds the three-year, \$5 million funding cap as outlined in the NOFA; and (iv) for regulated financial institutions, consideration of information from the applicant's primary federal regulator.

- Based upon the due diligence performed, the Selecting Official had the authority to change or reverse the Follow-up Reviewer's award recommendation and/or size of award. Once the Selecting Official completed the review, a final award recommendation was sent to the Reviewing Official.
- Applicants that did not receive award recommendations included those deemed to be ineligible based on the FY 2015 NOFA and CDFI Program policies and procedures, applicants that did not meet the minimum scoring threshold, and applicants that met the minimum scoring threshold but did not achieve a high enough rank score.
- In addition, applicants that did not receive an award recommendation included those deemed to exhibit material deficiencies that would preclude the applicant from effectively deploying or expending award funds. Areas where applicants exhibited material deficiencies included: deployment track record, financial health, and management controls.

### **Step 3: Final Award Determinations**

- Next, as provided for in the FY 2015 NOFA, the CDFI Fund reviewed the initial award determinations to ensure that awards by institution type and funding categories were made in proportion to institution type representation in the Financial Assistance component of the CDFI Program applicant pool. The CDFI Fund reserved the right to make adjustments to the recipient pool to ensure that this objective was met.
- The applicant's documentation of non-federal matching funds determined the form and amount of the FA award. The CDFI Fund prioritized matching funds in the form of grant and equity over loans, when possible, to satisfy this requirement.
- Awards in the form of direct loans were funded by utilizing the annual appropriation to pay for the loans' 12.41 percent credit subsidy and by borrowing the remaining FA direct loan award amount from the U.S. Treasury Department.
- The Reviewing Official approved award determinations based on the CDFI Program's FY 2015 appropriation, the FY 2015 NOFA and the program's regulations. Upon the Reviewing Official's approval, CDFI Program awards were deemed final.