



# FY 2020 Capital Magnet Fund Application Webinar for Financing Entities

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June 16, 2020

COMMUNITY DEVELOPMENT FINANCIAL INSTITUTIONS FUND

[www.cdfifund.gov](http://www.cdfifund.gov)

# Agenda



1. Overview of CMF
2. Eligibility and CMF Applicant Types
3. CMF Program Requirements
4. Application Components & Deadlines
5. Application Guidance for Financing Entities
6. Resources and Contacting the CMF Team

Note: All capitalized terms are defined in the CMF Interim Rule (12 CFR 1807), FY 2020 CMF NOFA, FY 2020 CMF Glossary, and/or the 2020 CMF Application Instructions.

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1. Overview of CMF
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# Overview of CMF



- The Capital Magnet Fund (CMF) was established through the Housing and Economic Recovery Act (HERA) of 2008 (Public Law 110-289, section 1131).
- CMF provides competitively-awarded grants to certified CDFIs and eligible Nonprofit Organizations to attract private capital for and increase investment in:
  - Development, Rehabilitation, Preservation, and Purchase of Affordable Housing – both Homeownership and rental – targeted to Low-, Very Low-, and Extremely Low-Income Families; and
  - Economic Development Activities designed to stabilize and/or revitalize Areas of Economic Distress such as renovated buildings that will house neighborhood businesses and Community Service Facilities.

# CMF Program Topics



- The CDFI Fund posted six modules on its website that provide an overview of the key program requirements and topics. We recommend that prospective Applicants review these modules if they have not already. These modules cover:
  - Introduction to Capital Magnet Fund (CMF)
  - CMF Eligibility and Program Requirements
  - Attracting Capital Through CMF
  - A Good Business Strategy is Key
  - Affordable Housing and CMF
  - Economic Development and CMF
- For more information on any of these topics, see our website: [www.cdfifund.gov/CMF](http://www.cdfifund.gov/CMF). The modules are under “Step 2: Apply.”

# CMF Priorities: Attracting Capital is Key



- CMF “primes the pump” for affordable housing and economic development.
- For every \$1 in CMF funding, Recipients are required to generate at least \$10 in Eligible Project Costs (CMF Award plus Leveraged Costs).
- The term “leverage” refers to using limited public funds to attract capital from other sources.
- CMF’s priority is to attract private capital for affordable housing and economic development.
- CMF funds can help attract investment from banks, foundations, private investors, as well as state and local governments.

# Additional CMF Priorities



## Affordable Housing

- Affordable rental Housing where 20% or more of CMF-supported Rental units are targeted to Very Low-Income Families (50% AMI and below).
- Affordable Homeownership where 20% or more of CMF-supported Homeownership units are targeted to Low-Income Families. (80% AMI and below).

## Areas of Economic Distress, Rural Areas, and Underserved States

- Areas of Economic Distress.
- Metropolitan and Rural Areas.
- States and territories not served in recent funding Rounds: Alaska, North Dakota, and South Carolina, as well as American Samoa, Guam, the Northern Mariana Islands, and the U.S. Virgin Islands.

Applicants addressing any of the CMF Priorities will score more favorably.

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# Eligibility for CMF



- To be eligible to apply for a CMF Award, an Applicant must be either:
  - A certified Community Development Financial Institution (CDFI); or
  - A Nonprofit Organization having one of its principal purposes the development or management of affordable housing.
- All Applicants must have been in existence as a legally formed entity for at least three years prior to the Application deadline.
- All Applicants must submit audited financial statements for the most recently completed 2 fiscal years as of the date of the NOFA.
- The Applicant must meet all eligibility requirements on its own behalf and may not rely on any Affiliates or Subsidiaries to meet this requirement.

# Eligibility for CMF (Continued)



- CDFIs must have been determined by the CDFI Fund to meet the CDFI certification requirements by the date the NOFA was published in the Federal Register.
- CDFI has NOT been notified by the CDFI Fund that its CDFI certification is in default or has been terminated.
- A housing finance agency/authority (HFA) may be eligible to apply depending on state law. An HFA must be exempt from Federal taxes.

# Additional Eligibility Requirements



Certified CDFIs and qualified Nonprofit Organizations that are NOT eligible for a CMF Award:

- Any 501(c)(4) organization that engages in lobbying activities.
- Any Applicant that has defaulted on a CDFI Fund loan within five years of the AMIS Application deadline.
- Any Applicant that is non-compliant or in default of prior CDFI Fund awards, if, as of the date of the AMIS Application deadline:
  - The CDFI Fund has made a determination that such entity, or any of its Affiliates, is in noncompliance with or default of a previously executed assistance agreement, award agreement, allocation agreement, bond loan agreement, or agreement to guarantee; AND
  - The CDFI Fund has provided written notification that such entity, or any of its Affiliates, is ineligible to apply for or receive any CDFI Fund awards during the FY 2020 round.

# There are Two Types of CMF Applicants



Eligibility Type	Entity Type
Certified CDFIs	Financing Entities
Eligible Non-Profits	Financing Entities or Affordable Housing Developers/Managers based on predominate activity.

- Note: All certified CDFIs are considered Financing Entities, as well as other lenders such as state housing finance agencies.
- This presentation focuses on Financing Entities; a separate presentation is available for Affordable Housing Developers/Managers.

# Which Type of CMF Applicant Are You?



Each type is defined in the NOFA and Application:

- Financing Entities are mission-driven lenders and investors who make arms-length loans and equity investments to individuals, families and project-sponsors for affordable housing and community or economic development.
- All certified CDFIs are considered Financing Entities, as well as other lenders such as state housing finance agencies.

In AMIS, confirm that the “Entity Type” field in the Program Profile Section is correct before creating an FY 2020 CMF Application.

# Which Type of CMF Applicant Are You? (Continued)



- Affordable Housing Developers/Managers are Nonprofit Organizations with a primary mission of constructing, developing, or managing affordable housing.
- An Affordable Housing Developer/Manager may own the housing that is developed; may own it in part such as in a limited partnership; may sell the housing it develops once completed if single family housing; or may sell and continue to manage the housing if rental housing.

In AMIS, confirm that the “Entity Type” field in the Program Profile Section is correct before creating an FY 2020 CMF Application.

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# Eligible Activities Using CMF Funds



- Capitalize an Affordable Housing Fund
- Capitalize a Revolving Loan Fund
- Fund Loan Loss Reserves
- Make Risk-Sharing Loans
- Provide Loan Guarantees
- Capitalize a Fund for Economic Development Activities



# General CMF Requirements and Limitations



- The minimum Award request is \$500,000.
- By statute, the maximum Award amount is 15% of the total CMF amount available for the round. For FY 2020 round, the maximum Award request is \$26 million.
- Each CMF Award must result in **Eligible Project Costs** (CMF Award dollars plus Leveraged Costs) in an amount that equals at least **10 times** the amount of the CMF Award.
  - For example, if the Applicant is requesting a \$1 million award, it would need to leverage another \$9 million, resulting in \$10 million of Eligible Project Costs.
- Recipients may use **no more than 30%** of their Award to finance Economic Development Activities (if requested in their Application).

# General CMF Requirements and Limitations (Continued)



- **No more than 5%** of CMF Award can be used for Direct Administrative Expenses.
- **Any portion** of the amount available for Direct Administrative Expenses may be used for direct costs related to the effective tracking and evaluation of program or evidence-based outcomes for CMF-assisted Projects.

# Attracting Capital



- CMF Recipients are required to leverage their CMF Award at a ratio of at least ten to one. For example, an Award of \$5 million must finance and/or support projects with at least \$50 million in Eligible Project Costs.
- Sources of capital leveraged by the CMF Award may be loans from banks, program-related investments from foundations, Low Income Housing Tax Credits (LIHTCs) investment, funds contributed by the Recipient, state or local government or any number of other private or public sources.
- The combination of the CMF Award and the Leveraged Costs comprise the Eligible Project Costs for the CMF program.

# Private and Public Leverage Sources



- **Public sources** of leverage are typically grants, loans or awards made to the Applicant or Projects with funds that are allocated by federal, State or local governments.
  - Please note that costs financed/supported by the Recipient's award or allocation from another CDFI Fund program cannot be counted as Leveraged Costs for the CMF Award.
- **Private sources** of leverage generally refer to investments or loans from private third-party entities. Examples include:
  - Private activity bonds
  - LIHTC equity and other equity investments
  - Lines of credit, loans or other investments from private sources, such as banks, private investors or philanthropic entities that are made to the Applicant or Projects.
  - For a regulated depository institution, deposits are also considered private.

# Three Ways to Leverage CMF



- Enterprise-Level Leverage
- Reinvestment Leverage
- Project-Level Leverage

# Enterprise-Level Leverage



**Enterprise-Level Capital (i.e. Enterprise-Level Leverage):** Capital earned, borrowed, or raised by the Applicant which is designated for the Applicant's use and ultimately used to pay for Leveraged Costs, but is not initially restricted for use for specific properties at the time it is earned, borrowed or raised. Enterprise-Level Leverage can be either private or public.

- **New, Private Capital**

Private Capital raised or projected to be raised by the Applicant after January 1, 2020, that will be used to leverage the proposed CMF Award. It is a sub-set of private Enterprise-Level leverage.

# Reinvestment Leverage



**Reinvestment Level:** Re-deploying repaid proceeds of CMF Award dollars and/or Enterprise-Level Capital during the 5-year Investment Period.

- Recipients of a CMF Award will be required to reinvest any principal and repayments of CMF Award into eligible activities during the five-year Investment Period.
- Recipients have the option to count reinvestment leverage to meet their total leverage multiplier.
- Only include projected reinvestment for Projects that will be completed within the five year Investment Period.

# Reinvestment Leverage (Continued)



- If your business strategy will generate CMF Program Income during the five year Investment Period for which you plan to reinvest and count as leverage, you should note that in your Application. This may be the case when a CMF Award is used for short-term financing needs, such as predevelopment, and will be repaid during the Investment Period and redeployed to another Project.
- However, there is no requirement to use a reinvestment strategy to reach your leverage goals (for example, those who are using a CMF Award for permanent financing).



# Project-Level Leverage



**Project Leverage:** Capital raised or earned that is restricted to a specific project at the time it is raised that will be used to pay Leveraged Costs.

# Investing in Affordable Housing



- CMF Awards may be used to finance both rental Housing and Homeownership.
  - **Rental** housing may be Multi-family (5+ units) or Single-family housing (4 units or less), and while most rental Housing is developed as one property, scattered site development is permitted.
  - **Homeownership** is usually Single-Family Housing. Homeownership may include single family-detached, condominium, co-operative and manufactured housing.
- Some Recipients use their CMF Award to make direct mortgage loans, purchase homes in order to sell them to qualified home buyers; or to establish a Loan Loss Reserve for loans they have made using their own capital.

# Requirements for Affordability



For Housing assisted through a CMF Award, affordability must be met in several ways:

## Income Limits (Eligible-Income)

- The maximum income level for a Family may not exceed 120% of AMI for units financed with Eligible Project Costs.

## Percentage of Costs

- 100% of the total Eligible Project Costs (EPCs) must be attributable to units that are restricted to Families at incomes of 120% AMI and below. Greater than 50% of the EPCs must be attributable to units that serve Low-, Very Low- and Extremely Low-Income Families (80% AMI and below). Eligible Project Costs consists of the CMF Award dollars plus the Leveraged Costs.

# Requirements for Affordability (Continued)



## Additional Income Targeting Benchmarks

### Project Level

- At least 20% of units in each Multi-family Rental Project must be affordable to and occupied by Low-Income Families (80% AMI and below).

### Portfolio Level

- Committing to a greater percentage of units for Low-Income Families for Homeownership and/or Very-Low Income Families for Rental is encouraged. Applicants will indicate the percentage and the income levels they intend to serve in their Application and will be held to that if selected for an Award. However, this is measured portfolio-wide across all projects financed with a CMF Award and not project-by-project.

# Requirements for Affordability (Continued)



In addition to income limits, income targeting benchmarks, and percentage of costs, the CMF program has additional requirements which include:

## Long-Term Restrictions:

- Each Project funded must ensure affordability of the associated Affordable Housing for at least 10 years.
- For Rental Housing, this is accomplished through deed restrictions, land covenants, or other mechanisms which survive sale and transfer, during the Affordability Period.
- For Homeownership, the Recipient must develop its own plan for achieving this 10 year affordability in the event of resale.

# Requirements for Affordability (Continued)



## Rents

- Rents control affordability. Rents are set using a formula similar to that used for Low Income Housing Tax Credits (LIHTC). Refer to 12 C.F.R. 1807.401 of the CMF Interim Rule for additional information.

## Homeownership Cost Limits

- The purchase price limits for Homeownership are capped at 95% of the median purchase price for the area, as determined by HUD.

# What is an Eligible Economic Development Activity (EDA)?



- Eligible EDA is the development, rehabilitation, preservation or acquisition of physical structures that house Community Service Facilities (e.g. daycare centers or health clinics) or neighborhood-based businesses (e.g. revitalization of a commercial block).
- Providing loans to businesses is not an eligible EDA.
- EDA must be undertaken “In Conjunction With” Affordable Housing.

# What is an Eligible Economic Development Activity (EDA)? (Continued)



- EDA must be part of a Concerted Strategy or a plan adopted by a local jurisdiction or the State.
- Recipients may spend no more than 30% of their CMF Award on EDA and must request this as part of their Application.
- A facility that is part of a residential property and limited only to those residents rather than the broader neighborhood (e.g. a fitness center in an Affordable Housing development) is not considered an eligible Economic Development Activity.



# Examples of Eligible Economic Development Activities



Some examples of Economic Development Activities include the financing/support of, but are not limited to:

- Day care centers and schools
- Grocery stores
- Health clinics
- Rehabilitation of dilapidated commercial property
- Community centers

# Combining CMF Awards with other CDFI Fund Awards/Allocations



- A CMF Recipient that has awards/allocations from other CDFI Fund programs may use a combination of the CMF Award and those other awards for the same property only in different phases of the Project's development.
- The phases are defined as 1) predevelopment; 2) acquisition; 3) site work (preconstruction); 4) construction/rehabilitation; 5) permanent financing; 6) bridge financing between two or more phases.

# Combining CMF Awards with other CDFI Fund Awards/Allocations (Continued)



- Costs financed by awards from other CDFI Fund programs may not be counted as Leveraged Costs.
- Award funds received under any CDFI Fund program may not be used to pay principal, interest or other costs related to the CDFI Bond Guarantee Program.
- See Part II C of the NOFA for additional requirements related to multiple CMF Awards.

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# Application Components



Application Form	Submission Method	Due Date
SF-424 Mandatory Form	Electronically via <a href="https://www.grants.gov">Grants.gov</a>	June 26, 2020 11:59 pm ET
CMF Online Application and Required Attachments*	Electronically via Awards Management Information System ( <a href="#">AMIS</a> )	July 27, 2020 5:00 pm ET

- Note: you are also required to create an AMIS Organization Account by July 2, 2020 (11:59 pm ET).
- The last day to contact CMF staff with Application-related questions is July 23, 2020 (5:00 pm ET). Questions received after that time will not be answered until after the Application deadline.

# Application Overview in AMIS



The Application submitted through AMIS has the following parts:

- Applicant Information
- Part 1: Business and Leveraging Strategy
- Part 2: Community Impact
- Part 3: Organizational Capacity
- Appendices (related to the above sections and including additional forms and certifications)
- Attachments

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# Applicant Information



- The Applicant Information section consists of Questions 1-7.
- In this section you will provide organizational information, contact information, the amount of your CMF Award Request, your requested CMF Service Area, and a summary of your CMF strategy.
- Information in this section is largely informational/administrative and is not specifically scored, unless noted in the Application guidance.



# Identifying Your States Served



- Indicate the states(s) you plan to serve with your CMF Award in Question 3 of the Application.
- Indicate “Statewide” if you plan to conduct your CMF activities in one state/territory.
- Indicate “Multi-State” if you are serving more than one state; limited to 15 states and/or territories.
- The states selected in Question 3 will be used to determine your CMF Award Service Area.

# Identifying Your States Served (Continued)



- The Service Area for which you are approved may be smaller or different than what you propose in your Application, subject to the overall need for geographic diversity for the CMF Program.
- You may be held to funding Projects in all or a portion of the states you propose to serve as part of your Service Area, so make sure you would be comfortable financing at least one Project in each state you select.

# Part 1: Business & Leveraging Strategy



Applicants are asked to describe:

- The needs of communities and people in the areas that will be served with a CMF Award and the extent to which the proposed strategy addresses these needs;
- The affordable housing, economic development, and financing gaps addressed by their business strategy;
- The projected CMF activities and track record;
- The role CMF plays in their project financing strategy;
- Their strategy for leveraging private capital with a CMF Award; and
- Their strategy for leveraging its CMF Award at the Enterprise-Level, through reinvestments, and/or at the Project-Level (as applicable).

# Part 1: Business & Leveraging Strategy Questions



## Question 9 (Need, Financing Gaps, and Financing Strategy)

- Challenges and Financing Gaps – describe the nature and extent of affordable housing needs and your vision for addressing these needs. Discuss financing that is missing or not available at appropriate rates and terms. Information presented should be supported by relevant data. (Question 9a and 9b)
- Financing strategy—should tie everything together, and indicate how the activities you plan to undertake address the needs and financing gaps in your market. (Question 9c)

# Part 1: Business & Leveraging Strategy Questions (Continued)



## Question 10– Track Record

- Track Record (Question 10) — describe your track record relevant to proposed financial products and activities. Discuss your experience serving the proposed Service Area and undertaking similar activities.
- Track record narrative should support projections in scale and scope. Track record narrative should discuss the Track Record tables in Appendix 1.

# Part 1: Business & Leveraging Strategy Questions (Continued)



## Question 11 –Projected Performance and Pipeline

- Be sure to describe your activities and/or projects so it is clear how a CMF Award will be used and what outcomes are expected. To the extent you are undertaking a significant increase in activities compared to your track record; offering a new product; or serving a new market, be sure to describe what you are doing to ensure this will be achievable. Projections narrative should be supported by the Projections Tables in Appendix 1.
- You are not required to have “shovel-ready” projects, but we want to see that you have a pipeline of projects or can easily build a pipeline. All CMF Awards must be Committed within two years and all Projects must be completed in five years.
- The pipeline discussion for Question 11 should be consistent with the projects identified in Appendix 2. In Appendix 2, in aggregate, the “\$ of CMF Financing Needed” for your pipeline projects should equal to your CMF Award request or you must identify eight pipeline projects.

Note: If you are planning on using your CMF Award to finance/support Economic Development Activities, make sure you include some projects of this type in your pipeline.

# Part 1: Business & Leveraging Strategy Questions (Continued)



## Appendix 1 Tables

- **Appendix 1** (Table A1 and A2): Data entered in Table A1 should be based on the date the project was completed. Data entered in Table A2 should be based on the date the project will achieve Project Completion.
- **Appendix 1** (Table B1 and B2): Data entered in Table B1 should be based on the date the project was completed. Data entered in Table B2 should be based on the date the project will achieve Project Completion.
- **Appendix 1** (Table C1 and C2): Tables C1 and C2 will only populate for Financing Entities. Data entered in Table C1 should be based on the date the financing transaction closed. Data entered in Table C2 should be based on the date the financing transaction will close. Data in Tables C1 and C2 should include only dollar amounts the Applicant has loaned or invested directly to projects.

# Part 1: Business & Leveraging Strategy Questions (Continued)



- Important Reminders on Leverage:
  - The overall amount leveraged by your CMF Award is determined based on the total Eligible Project Costs (EPCs) for Projects financed/supported by the Award.
  - Guidance on what counts as EPCs is found in the Application FAQ. The total EPCs for a Project won't exceed the total development cost for the Project.
- The Application asks you to classify these costs based on whether they are financed by public sources or private sources.



## Part 1: Business & Leveraging Strategy (Continued)



### Question 12 – Overall Leverage Summary

- Applicants will enter the total Eligible Projects Costs that will be supported by the CMF Award (Question 12c).
- Your organization's projected Leveraged Costs will be auto-calculated. (Question 12e).
- Applicants will then enter the amount of Leveraged Costs that will be generated from private sources and public sources (Questions 12f and 12g).

# Part 1: Business & Leveraging Strategy (Continued)



## Question 13 – Enterprise-Level Leverage

- Applicants will enter the amount of Enterprise-Level Capital raised from private sources. Enter \$0 if your organization does not intend to raise any Enterprise-Level Capital (Question 13a).
- Indicate how much of the private, Enterprise-Level Capital entered in Question 13a will be “new capital” (capital raised/earned after January 1, 2020 (Question 13b).
- Discuss your strategy to attract Enterprise-Level Capital, particularly “new private capital” (Question 13e).
- Discuss the Applicant’s prior track record in raising and deploying funds from sources you are targeting for Enterprise-Level Capital. (Question 13f)
- Identify potential sources of Enterprise-Level Capital in Appendix 3. If you’re not proposing any Enterprise-Level Capital, you will not complete Appendix 3.

## Part 1: Business & Leveraging Strategy (Continued)



### Question 14 – Reinvestment

- Indicate whether the Applicant plans to reinvest any CMF Award proceeds or Enterprise-Level Capital during the five year investment period in Questions 14a and b. Enter \$0 for both of these questions if you don't intend to reinvest.
- Be aware that if your strategy involves short term lending/investment that will generate repayment of principal or equity from your initial deployment of the CMF Award during the first 5 years, you will be required to reinvest these funds, as they are considered Program Income.
- Only include projected reinvestment for Projects that will be completed within the five year Investment Period when completing Question 14.
- If your CMF Strategy will involve reinvestment, indicate how much the Applicant intends to reinvest each year during the five year Investment Period.
- Discuss your strategy for reinvesting your CMF Award and Enterprise-Level Capital (if applicable).
- Describe your track record of managing repayment and reinvesting capital (if applicable).

# Part 1: Business & Leveraging Strategy (Continued)



## Question 15 – Project-Level Leverage

- Indicate the amount of capital that will be leveraged at the Project-Level from private sources and public sources. Enter \$0 if you are not proposing to use Project-Level Leverage.
- If applicable, describe your approach to attracting Project-Level capital, identifying the likely sources (Question 15d).
- If applicable, discuss the track record of providing financing at the Project-Level, quantifying amounts (Question 15e).

## Part 1: Business & Leveraging Strategy (Continued)



### Question 16 – Private Leverage

- The Private Leverage Multiplier measures the ratio between the leverage raised through private sources and the CMF Award. It will be auto-calculated in Question 16a based on your inputs in Question 12.
- Describe how the Applicant will use the CMF Award to attract private capital. Discuss any risks of not meeting the projected leverage multiplier. (Question 16b)

# Part 1: Business & Leveraging Strategy (Continued)



The following will be given more favorable consideration in scoring. An Applicant that:

- Clearly aligns its proposed CMF Award activities and products with the affordable housing needs and financing gaps it identifies;
- Demonstrates that its strategy and activities will result in more favorable financing rates and terms;
- Demonstrates that its projected activities are achievable based on the Applicant's strategy and track record;
- Describes a clear process for selecting projects that have a clear need for CMF support;
- Has a credible pipeline of projects;
- Has a clear strategy for and track record of leveraging private capital; and
- Has a clear strategy for and demonstrates a track record of leveraging funds at the Enterprise-Level, through reinvestments, and/or at the Project-Level (as applicable).

# Part 2: Community Impact



Applicants are asked to describe:

- How the Applicant's strategy will lead to the Affordable Housing and/or Economic Development Activities impacts referenced in the Application;
- Its strategy and track record of financing and/or supporting housing units targeted to Low-Income Families (for Homeownership) and to Very Low-Income Families (for rental);
- Its plans for financing and/or supporting Affordable Housing in Areas of Economic Distress;
- Its community engagement and partnerships;
- If applicable, its strategy and track record of financing and/or supporting Economic Development Activities and how these activities fit within a Concerted Strategy and will benefit the residents of nearby Affordable Housing.

# Part 2: Community Impact Questions



## Question 18 – Impact

- The CDFI Fund is focused on ensuring that its funds have a significant and lasting impact on the communities where they are invested.
- Applicants should indicate which of the listed impacts will result from an Award and describe the strategy for achieving the desired impact. Applicants will select from 6 identified Affordable Housing Impacts and from 3 identified Economic Development Activities Impacts (if proposing EDA).



# Part 2: Community Impact (Continued)



Question 18a - Affordable Housing Impacts are:

1. Improved financial well-being and stability for Low-Income Families.
2. Improved health outcomes for Low-Income Individuals and Families, particularly seniors, children, formerly homeless and those with disabilities.
3. The Preservation of existing Affordable Housing, especially where it will result in reduced displacement of Low-Income Families.
4. Improved quality of housing for Low-Income Families.
5. The revitalization of economically distressed communities or neighborhoods.
6. Assist in the long term recovery and rebuilding of affordable housing in Federally designated Disaster Areas through disaster-prevention or disaster-resistant design.

## Part 2: Community Impact Questions (Continued)



Question 18b – Economic Development Activities Impacts are (if applicable):

1. The revitalization of economically distressed areas or neighborhoods.
2. Increased access to goods and services for Low-Income Families.
3. Increased economic opportunity for Low-Income Families, especially those in Areas of Economic Distress.

## Part 2: Community Impact Questions (Continued)



### Question 19 - Areas of Economic Distress

- Areas of Economic Distress (AED)—serving these areas is a priority of the CMF program (but not a requirement).
- Applicants that present a strong ability to support Affordable Housing in Areas of Economic Distress (AED) and serve a larger percentage of AEDs will score more favorably.
- The Areas of Economic Distress Dataset is posted on our website: <https://www.cdfifund.gov/programs-training/Programs/cmf/Pages/apply-step.aspx#step2>

## Part 2: Community Impact Questions (Continued)



### Question 19 - Areas of Economic Distress (Continued)

- AEDs are defined as those census tracts:
  - Where at least 20% of Very Low- Income households (50% AMI or below) spend more than half of their income on housing; or
  - That are designated Qualified Opportunity Zones 26 U.S.C § 1400Z-1; or
  - That are a LIHTC Qualified Census Tract; or
  - Where over 20% of the households have incomes below the poverty rate and the rental vacancy rate is 10% or higher; or
  - Where over 20% of the households have incomes below the poverty rate and the homeownership vacancy rate is 10% or higher; or
  - That are an Underserved Rural Area as defined in 12 CFR Part 1807.

## Part 2: Community Impact Questions (Continued)



### Question 20: Income Targeting

- Generating rental housing for Very-Low Income Families (50% AMI and below) and Homeownership for Low-Income Families (80% AMI and below) is a priority for the CMF Program.
- Question 20a - Discuss how the CMF Award will allow your organization to finance/produce more units targeted to Low-Income, Very Low-Income, and Extremely-Low Income Families than might otherwise be possible.
- Question 20b and/or 20c - Indicate the percentage of Affordable Housing Units that will be committed to each income group for Rental and/or Homeownership.

# Part 2: Community Partnerships and Concerted Strategy Alignment (EDA)



## Question 21 - Community Partnerships

- Describe partnerships with other organizations (e.g. housing developers, lenders, community organizations) that will enhance the Applicant's strategy and impact for Low-Income Families.
- Describe if you are working with a state or local jurisdiction that has innovative land use and affordable housing policies, expedited processing, or is waiving certain regulatory requirements which will reduce overall development costs for your projects.

## Questions 22 - Concerted Strategy Alignment (if EDA is proposed)

- Describe how the Application will ensure that its activities are certified as being part of a Concerted Strategy to stabilize or revitalize a Low-Income Area or Underserved Rural Area In Conjunction with Affordable Housing.
- *Concerted Strategy* means a formal planning document that evidences the connection between Affordable Housing Activities and Economic Development Activities.

## Part 2: Community Impact Questions (Continued)



### Question 23 - Rural Areas

- Serving diverse geographies is an important objective of the CMF, including serving Rural and Metropolitan Areas.
- For FY 2020, the CMF program is using the following definition of “Rural Area”: i) a census tract outside a Metropolitan Statistical Area (MSA); or ii) a census tract in an MSA that is outside the Urbanized Area and outside tracts with a housing density greater than 64 units per square mile.
- This definition is from 12 C.F.R. 1282.1 (Enterprise Duty to Serve Final Rule).
- Be aware that Applicants will be held to the percentage entered in Question 23(a) as a condition of the Assistance Agreement.
- CDFI Fund published a dataset indicating which census tracts are designated as Rural Areas for the FY 2020 Round on its website.
  - The dataset is available under “Step 2: Apply”:  
<https://www.cdfifund.gov/programs-training/Programs/cmfi/Pages/apply-step.aspx#step2>

# Part 2: Community Impact



The following will be given more favorable consideration in scoring. An Applicant that:

- Demonstrates how its business strategy will result in one or more of the Affordable Housing and/or Economic Development Activities impacts identified in the Application and the extent to which it has articulated and quantified measurements and evidence to support these impacts;
- Demonstrates a clear and compelling strategy for financing and/or supporting housing units targeted to Low-Income Families (for Homeownership) and Very Low-Income Families (for rental);
- Presents a strong ability and commitment to finance and/or support Affordable Housing in Areas of Economic Distress;
- Has demonstrated community engagement or partnerships that will enhance the Applicant's ability to execute its CMF strategy, particularly working with local and state governments to reduce regulatory barriers to affordable housing; and
- If proposing Economic Development Activities, demonstrates how its proposed Economic Development Activities fit within a Concerted Strategy and will benefit the residents of the nearby Affordable Housing.



# Part 3: Organizational Capacity



In this section, Applicants are asked to identify and describe:

- Their management team and key staff.
- The roles and responsibilities of those staff in managing a CMF Award.
- Their past experience managing other Federal awards.
- The financial health of the Applicant.
- The Applicant's portfolio performance.

*\* Appendices 4-6 are associated with the Organizational Capacity Section*

# Part 3: Organizational Capacity (Continued)



## Question 24 and Appendix 4 – Key Personnel

- In Question 24, you will discuss the roles and responsibilities of the Key Personnel in managing the CMF Award. Don't repeat the qualifications narratives from Appendix 4.
- These roles and responsibilities should be appropriate to a Financing Entity. In particular:
  - Building a pipeline of projects
  - Financing affordable housing/economic development activities
  - Asset/portfolio/construction loan management
  - Managing program compliance.
- Appendix 4: List Key Personnel who will be integral to managing a CMF Award and provide information on their experience and expertise.

# Part 3: Organizational Capacity (Continued)



## Questions 26: Financial Health

- Financing Entities must provide financial health information on audit findings, as well as a narrative focused on financial health for the 3 most recently completed fiscal years.
  - Explain any weaknesses. Discuss how you are trying to improve any problem areas.
  - Discuss any recent material changes to the Applicant’s financial health that are not reflected in the audited financial statement for the most recently completed fiscal year (e.g. any material impacts from the COVID-19 crisis).
  - Ensure that your narrative is consistent with and refers to the financial data presented in Table D of Appendix 6.

# Part 3: Organizational Capacity (Continued)



## Questions 27: Loan Portfolio Data

- Financing Entities must describe their Loan Portfolios.
  - Describe key trends or changes in the portfolio for the 3 most recently completed fiscal years and the current fiscal year-to-date.
  - Your narrative should be consistent with and refer to the loan portfolio data presented in Table E of Appendix 6.
  - Compare your performance with industry benchmarks - for example, your delinquency rate, net loan losses, etc.
  - Explain any weaknesses. Discuss how you are trying to improve any problem areas.

# Part 3: Organizational Capacity (Continued)



## Appendix 6: Table D and E – Application Financial Data and Loan Portfolio Tables

- **Appendix 6, Table D**– Provide your financial data as of the Fiscal Year End (FYE) for the three most recently completed fiscal years. The data entered should align with the audits for the two most recently completed fiscal years attached to Appendix 7 of the Application.
- **Appendix 6, Table E** – Provide data on your loan/investment portfolio maintained on balance sheet for the three most recently completed fiscal years as of the date of the NOFA.

# Part 3: Organizational Capacity (Continued)



The following will be given more favorable consideration.

An Applicant with:

- (i) strong qualifications of its key personnel with respect to their skills and experience in identifying investments, underwriting or developing similar projects (as applicable), managing a portfolio of similar activities and ensuring compliance with program requirements;
- (ii) success in administering prior CMF Awards, CDFI and/or other Federal program awards;
- (iii) strong financial health; and
- (iv) solid loan portfolio performance.

# Appendix 7: Application Attachments



<p>Audited Financial Statements for the two most recently completed fiscal years as of the date of the NOFA.</p>	<p>Required for All Applicants</p>
<p>Any management letters related to the audited financial statements for the two most recently completed fiscal years as of the date of the NOFA. Refer to Application Instructions for additional guidance.</p>	<p>Required for All Applicants</p>
<p>State charter, articles of incorporation, or other establishing documents designating that the Applicant is a nonprofit or not-for-profit entity under the laws of the organization’s State of formation.</p>	<p>Required only for Applicants that are <u>not</u> Certified CDFIs</p>
<p>A certification or legal opinion demonstrating tax exempt status from the IRS.</p>	<p>Required only for Applicants that are <u>not</u> Certified CDFIs</p>
<p>Articles of incorporation, by-laws or other establishing documents demonstrating the Applicant has a principal purpose of managing or developing affordable housing.</p>	<p>Required only for Applicants that are <u>not</u> Certified CDFIs</p>

# Agenda



1. Overview of CMF
2. Eligibility and CMF Applicant Types
3. CMF Program Requirements
4. Application Components & Deadlines
5. Application Guidance for Financing Entities
6. Resources and Contacting the CMF Team



# Additional Resources for FY 2020 CMF Applicants



- The CDFI Fund has posted many training resources for Applicants on its website ([www.cdfifund.gov/cmfi](http://www.cdfifund.gov/cmfi)) under “Step 2: Apply.”
- We encourage you to review:
  - FY 2020 Capital Magnet Fund Pre-Round Outreach Presentation
  - Training Modules 1-6
  - CMF Interim Rule (12 CFR 1807), as amended on 2/08/2016
  - FY 2020 CMF Notice of Funds Availability (NOFA)
  - FY 2020 CMF Application Instructions
  - FY 2020 CMF Application FAQs
  - FY 2020 CMF Glossary
  - FY 2020 CMF Economic Distress, Rural, Low Income Area Dataset

# Additional Questions?



- Submit a Service Request in the CDFI Fund's Awards Management Information System (AMIS) – See next slide for instructions.
- Contact the CDFI Help Desk at (202) 653-0421
- E-mail [cmf@cfdi.treas.gov](mailto:cmf@cfdi.treas.gov)

# How to Submit a Question (Service Request) through AMIS



1. Log into your AMIS account
2. Click on the “Service Requests” tab on the top
3. Click on the “Create New Service Request” button
4. Select “Capital Magnet Fund” for the “Program” field
5. Complete all required fields
6. Press “Submit”

CMF Staff will review your Service Request and respond by email and/or through AMIS.