

FY 2016 Community Development Financial Institutions Program and Native American CDFI Assistance Program Application Evaluation Process

The application review policies and procedures that the CDFI Fund will utilize during the fiscal year (FY) 2016 CDFI Program funding round for all eligible applicants are described below and are based on the Notice of Funds Availability (NOFA) that was published in the Federal Register on February 17, 2016. 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.

Changes to the evaluation procedures from the FY 2015 CDFI Program and NACA Program funding rounds include the elimination of scoring deductions for late reporting and other compliance issues, and the removal of institution type proportion representation adjustments.

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 requires three external reviewers for Financial Assistance (FA) and Healthy Food Financing Initiative (HFFI-FA) applications and one external reviewer for Technical Assistance (TA) applications. Reviewers will independently review and evaluate each application. HFFI-FA applications will be reviewed and scored separately from FA applications. The reviewers include private sector professionals with strong credentials in community development finance. They will be 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 screens each reviewer to identify any potential conflicts of interest with applicants. The CDFI Fund provides each reviewer with detailed descriptions of what constitutes a conflict of interest, and each reviewer will be required to sign a certification that he or she will disclose all conflicts of interest to the CDFI Fund. Reviewers are further required to sign a confidentiality agreement stating that they will not reveal any information obtained from the CDFI Fund during the review process.
- Once selected, the CDFI Program trains the reviewers to prepare them for the review process, including instructions on how to evaluate applications. Reviewers are assigned to applications based on their experience with each respective institution type. Reviewers are required to evaluate each application independently from the other reviewers assessing the same application. In evaluating each application, reviewers rate 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 is reviewed by a quality control reviewer before final submission.

- A statistical review will be conducted to identify anomalous scores for FA applications. An anomalous base score will be 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 is an anomalous score, CDFI Program staff will facilitate a discussion among the three reviewers in order to deliberate on the specific areas for which there is significant disagreement. If deemed necessary after the discussion, reviewers are provided the opportunity to revise their scoring selections. This step is not applicable for the TA application review process as applications are only reviewed by one external reviewer.

Step 2: Initial Award Recommendations (Phase II)

- After Phase I of the review process is completed, applications will be ranked in descending order of their aggregate score. Core and Small and Emerging CDFI Assistance (SECA) FA, HFFI-FA, and TA applications are ranked separately. Applications that meet the minimum scoring threshold will be assigned to an internal Follow-up Reviewer to conduct further analysis based upon the following factors: (i) rank order by score; (ii) funding category diversity protocols; and (iii) availability of funds.
- The Follow-up Reviewer considers the Phase I evaluation and reviews required application documents in order to make an initial award recommendation up to the amount requested by the Applicant. The Follow-up Reviewer considers 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, can lead to a reduction in the recommended award amount. The Follow-up Reviewer for HFFI-FA applications reviews the description of the applicant's healthy food financial products, healthy food lending projections, and track record, among other factors.
- Factors considered when determining initial award recommendations for TA applications include: prior award performance, if applicable; ability to meet CDFI certification requirements, if applicable; organizational capacity; financial viability; asset quality; and management capacity. TA awards are reduced or declined if requested TA items do not help build the capacity of the organization.
- Follow-up Reviewer award recommendations are 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 reviews a variety of compliance, eligibility, due diligence and regulatory matters. Included in this review are, among other things: (i) checks to determine whether prior-year CDFI Program recipients are compliant with the requirements in past Assistance Agreements; (ii) checks to ensure that eligible matching funds submitted by FA applicants represent at least 50 percent 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 has the authority to change or reverse the Follow-up Reviewer's award recommendation and/or size of award. Once the Selecting Official completes the review, a final award recommendation is sent to the Reviewing Official.
- Applicants that do not receive award recommendations include those deemed to be ineligible based on the FY 2016 NOFA and CDFI Program policies and procedures, applicants that do not meet the minimum scoring threshold, and applicants that meet the minimum scoring threshold but do not achieve a high enough rank score based on availability of funding.
- In addition, applicants that do not receive an award recommendation can include those deemed to exhibit material deficiencies that would preclude the applicant from effectively deploying or expending award funds. Areas where applicants can exhibit material deficiencies include deployment track record, financial health, and management controls.

Step 3: Final Award Determinations

- Next, as provided for in the FY 2016 NOFA, the CDFI Fund reviews the initial award determinations to ensure that protocols are followed for awards by funding categories (Core FA, SECA FA, CDFI TA, NACA FA, NACA TA) and geographic diversity. . The CDFI Fund reserves the right to make adjustments to the recipient pool to ensure that this objective was met.
- For CORE FA applicants, the applicant's documentation of non-federal matching funds determines the form and amount of the FA award. The CDFI Fund will prioritize matching funds in the form of grant and equity over loans, when possible, to satisfy this requirement.
- Awards in the form of direct loans will be funded by utilizing the annual appropriation to pay for the loans' 12.38 percent credit subsidy and by borrowing the remaining FA direct loan award amount from the U.S. Treasury Department.
- The Reviewing Official will approve award determinations based on the CDFI Program and NACA Program's FY 2016 appropriation, the FY 2016 NOFA and the program's regulations. Upon the Reviewing Official's approval, CDFI Program awards are deemed final.