



## **FY 2016 Capital Magnet Fund Application Evaluation Process**

Through the Fiscal Year (FY) 2016 Capital Magnet Fund (CMF) program funding round, the Community Development Financial Institutions Fund (CDFI Fund) received applications from 125 organizations requesting over \$609 million in awards. The CDFI Fund awarded \$91,472,163<sup>1</sup> to 32 organizations. 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 February 8, 2016.

The application review policies and procedures that the CDFI Fund utilized during the FY 2016 Capital Magnet Fund program funding round are described below. The regulations and requirements governing the Capital Magnet Fund - found in 12 CFR Part 1807 and in the 2016 Capital Magnet Fund NOFA – provide specific guidance on application evaluation criteria and the review process.

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

### **Application Review Process**

#### **Phase 1 - Initial Application Review and Scoring**

- In Phase 1 of the CDFI Fund’s review process, three external reviewers independently evaluated and scored the four sections of each eligible application.
- External reviewers are professionals with expertise in affordable housing finance and economic and community development. Only non-Federal employees were eligible to serve as external reviewers.
- The CDFI Fund screened each reviewer to identify any potential conflicts of interest with Applicants. Reviewers were also required to sign a confidentiality agreement stating they would not reveal any information obtained from the CDFI Fund during the review process.
- CMF staff prepared reviewers by providing instructions and guidance on how to evaluate and score applications.
- The reviewers were then randomly assigned to teams. Then, each reviewer evaluated and scored each application independently.
- To ensure consistency and accuracy with Capital Magnet Fund scoring guidelines, Phase 1 Reviewers’ evaluations were assessed by team leaders - CDFI Fund staff and Federal employees - who provided oversight throughout the review process.

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<sup>1</sup> Amount awarded is net of funds deducted from the amount allocated by the GSEs to administer the Capital Magnet Fund.



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- After each application was reviewed by the three reviewers, an analysis was conducted by CDFI Fund staff to identify anomalous scores. An anomalous score was deemed to have occurred when one of the three reviewer's total scores varied significantly from the median of the three reviewers' total scores. To resolve anomalous scores, a fourth external reviewer evaluated the application.

### Phase 2 – Award Recommendations

- In accordance with the policies in the FY 2016 CMF NOFA, all applications were ranked in descending order by their Phase 1 Total Score – the sum of the three reviewers' scores.
- Phase 2 Reviewers (CMF staff and Federal employees) conducted an evaluation of all top-scoring applications and provided a preliminary award recommendation.
- Factors used to determine this preliminary award determination include, but are not limited to: the Applicant's demonstrated need for the CMF Award; alignment of the Applicant's strategy with identified market gaps; the Applicant's track record; the Applicant's level of commitment for potential sources of pre-investment and project-level leverage (if applicable); the Applicant's percentage of leverage that will come from private, third-party sources; the quality of the Applicant's reinvestment strategy (if applicable); the Applicant's commitment to invest in areas of High Housing Need; the Applicant's proposed activities in Non-Metropolitan Areas; the Applicant's level of income targeting for housing activities; financial and portfolio health; and management capacity.
- The CMF Program Manager, as the Selecting Official (SO), conducted a review of applications, as well as an assessment of the Phase 2 Reviewers' analysis and recommendation. The SO then made preliminary award determinations.
- Once the preliminary award determinations were made, the SO reviewed the Recipient pool to ensure alignment with the following statutory objectives:
  - Potential Recipients' proposed Service Areas collectively represent broad geographic coverage throughout the United States; and
  - Potential Recipients' proposed activities are proportionally distributed across Metropolitan and Non-Metropolitan Areas.
- The SO elected to make some adjustments to the award determinations in order to align the awards with the statutory objectives, ensuring that adequate investment in Non-Metro areas and geographic diversity goals were achieved with the Recipient pool.
- In the event that the SO's decision reversed or varied considerably from the Phase 2 Reviewer's recommendation, the Reviewing Official reviewed the application file and made the final award determination.