



FY 2017 Capital Magnet Fund Application Evaluation Process

The CDFI Fund received 120 eligible applications requesting over \$539 million in awards under the FY 2017 round of the CMF program. Headquartered in 38 states and the District of Columbia, these 120 organizations were comprised of 65 CDFIs and 55 nonprofit housing organizations. The CDFI Fund awarded \$120 million to 40 organizations. 25 of the Award Recipients are certified CDFIs and 15 are nonprofit housing organizations.

The regulations and requirements governing the CMF Program - found in 12 C.F.R. Part 1807 and in the 2017 CMF Notice of Funds Availability (NOFA) - provide guidance on application evaluation criteria. Please note that 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.

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Application Evaluation

Quantitative Assessment

- Per the FY 2017 CMF NOFA, the first step in the application review process was for all eligible applications to be assessed based on the responses to quantitative questions in the application. Applications could receive a score of up to 100 points based on the factors outlined in *Figure 1* below.

Figure 1: Quantitative Assessment Factors (Table 6 of NOFA)		
Section	Points	Assessment Criteria
Business and Leveraging Strategy	40	<ul style="list-style-type: none"> Private leverage multiplier, including the portion from third parties. Reasonableness of projected activities based on track record. Applicant-level leverage multiplier.
Community Impact	35	<ul style="list-style-type: none"> Percent of rental housing units targeted to Very Low-Income or below (50% of AMI or below). Percent of homeownership units targeted to Low-Income or below (80% of AMI or below). Commitment to only finance Economic Development Activities in Low-Income Areas. Percent of housing units to be produced in Areas of Economic Distress.
Financial Health	25	<ul style="list-style-type: none"> Capitalization. Operating Performance. Net Income. Liquidity. Audit Results.

- Per Section V.B.1 of the NOFA, since less than 140 applications were received, all 120 eligible Applications were forwarded for External Review, regardless of the quantitative assessment score.



External Review - Initial Application Review and Scoring

- In the External Review phase of the CDFI Fund's review process, two External Reviewers independently evaluated and scored each eligible application.
- Each External Reviewer's evaluation resulted in the application being awarded up to 100 points. These points were distributed across 3 sections: Business and Leveraging Strategy (40 points), Community Impact (35 points) and Organizational Capacity (25 points). The score for each application is a composite based on the External Reviewers' evaluation and quantitative assessment factors (outlined in *Figure 1* above). Approximately 60 out of the 100 points came from the External Reviewer analysis and 40 points came from quantitative factors.
- External Reviewers are professionals with expertise in affordable housing finance and economic/community development. Only non-Federal employees were eligible to serve as External Reviewers.
- The CDFI Fund screened each External 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 Program staff prepared External Reviewers by providing instructions and guidance on how to evaluate and score Applications.
- To ensure consistency and accuracy with CMF Program scoring guidelines, the External Reviewers' evaluations were assessed by team leaders - CDFI Fund staff and other Federal employees - who provided oversight throughout the review process.
- After each Application was scored by two External Reviewers, an analysis was conducted by CDFI Fund staff to identify anomalous scores. An anomalous score was deemed to have occurred when the difference between the two External Application review scores was 20% or greater of the lower score. To resolve anomalous scores, a third External Reviewer evaluated the Application.
- At the conclusion of the External Review phase, the scores for the two External Reviewers (or the two least anomalous scores in case of three External Reviewers) were combined and the Application received a final External Application Review score of up to 200 points.

Internal Review – Award Recommendations

- In accordance with the policies in the FY 2017 CMF NOFA, all Applications were ranked in descending order by their final External Application Review Score.
- Per the NOFA (Section V.B.3), the CDFI Fund elected to forward the highest scoring 40 applications to Phase 2 for further evaluation and preliminary award recommendation by Internal Review Panel (CMF staff and Federal employees).
- The applications forwarded for Internal Review were scored and ranked by the Review Panel based on the following factors:



U.S. Department of the Treasury Community Development Financial Institutions Fund

Capacity

- Financial position.
- Organizational strength (e.g. management and personnel capacity).
- Award management track record and capacity.

Alignment with Statutory Priorities and Impact

- Percent of housing units to be produced in Areas of Economic Distress.
- Percent of rental housing units targeted to Very Low-Income or below (50% of AMI or below).
- Percent of homeownership units targeted to Low-Income or below (80% of AMI or below).
- Leverage of private capital and the percent of private capital from third-party sources.

Quality of the Strategy

- The vision of how the strategy will address community needs.
 - How well proposed activities align with financing gaps and offer more favorable rates and terms.
 - Clarity of proposed outcomes and alignment with community needs.
 - Strategy's adaptability to changing market conditions.
 - Demonstrated need for CMF.
 - Applicant's capacity to execute the proposed strategy.
- The CMF Program Manager, as the Selecting Official (SO), conducted a review of the Applications, as well as an assessment of the Internal Review Panel's analyses and recommendations. The SO then made preliminary award determinations.
 - Prior to making final award determinations, 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.
 - As a result of the SO's review for statutory alignment, five additional applications primarily serving Non-Metropolitan areas were forwarded for Internal Review Panel evaluation and scoring, bringing the total number of Applications forwarded for Internal Review to 45. The SO then made final award selections and funding determinations.
 - In the event that the SO's decision reversed or varied considerably from the Internal Review Panel, the Reviewing Official reviewed the Application materials and made the final award determination.
 - The final award pool is composed of the 40 applications that were evaluated most favorably in the Internal Review Phase and that also allowed the CDFI Fund to achieve its statutory objectives of investing in Non-Metropolitan counties and geographically diverse areas of the United States.