NEW MARKETS TAX CREDIT PROGRAM

ALLOCATION APPLICATION
FREQUENTLY ASKED QUESTIONS

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The CDFI Fund is an equal opportunity provider.
UPDATES & CLARIFICATIONS TO 2020 NMTC PROGRAM ALLOCATION APPLICATION

The following Updates and Clarifications have been provided in response to questions and comments received via Email, Service Request and during Application Conference Calls.

1. **Update to TIP on page IV of the Allocation Application:** This TIP included an incorrect date for the last day to contact the CDFI Fund with questions about the Allocation Application. It has been updated with the correct date from the NOAA, which is November 12, 2020 by 5 pm ET.

2. **Question 14(b):** When answering Application Question 14(b), Applicants are required to provide the interest rate or range of interest rates for the proposed financial product(s). The TIP clearly states that Applicants should describe what circumstances would dictate the specific rates or terms, and how often the best rates and terms would be offered. The CDFI Fund understands that there are a number of factors that may affect interest rates offered. Applicants should discuss the factors that affect the interest rates offered in their response to Question 14(b) (including factors such as sources of capital, risk, etc.) when describing the circumstances and explaining a range of interest rates. See FAQ # 39 for additional information on reporting interest rates in Question 14(b).

3. **Question 19:** In Question 19 Applicants are asked to describe the similarity between their track record in Exhibit B and the types of businesses to which they plan to provide QLICIs. The CDFI Fund was asked how a change in business strategy would be considered given the impact of the COVID-19 pandemic.

   The CDFI Fund understands that some portion of an Applicant’s proposed business strategy may shift, compared to an Applicant’s track record, to respond to the COVID-19 pandemic and changing community priorities. Such changes in business strategy may lead an Applicant to propose to invest a portion of its requested allocation in activity types or QALICB types that it may not have recent experience with based on the activity in Exhibit B. An Applicant will score more favorably to the extent that at least 70% of the Applicant’s pipeline is supported by a track record of loans and/or investments that include similar activity types and QALICB types in Q.19 and Exhibit B. If the Applicant proposes to shift a portion of its business strategy due to COVID-19, then the Applicant must explain how the COVID-19 pandemic affected the activity types or QALICB types it intends to pursue in Q.17.

4. **Question 25(a):** When answering Application Question 25(a), applicants are required to explain how their track record of achieving outcomes compares with their projected outcomes. Applicants should note that the track record of Community Outcomes does not have to be of an equivalent quantity to the projected Community Outcomes in order to score well on this question. Additional information on answering Application Question 25(a) can be found in FAQ #73.

5. **Question 25(a):** Applicants should base their track record of Community Outcomes on the 5 year Track Record of Activities reported in Exhibit B when answering Application Question 25(a) in the Community Outcomes Section. Applicants should note that the following guidance is already included in FAQ # 73, “When discussing their quantified track record of achieving community outcomes, Applicants should provide a similar level of detail on the aggregate track record based on financing activities in Exhibit B.” The CDFI Fund also notes that the first Track Record Example specifically refers to Exhibit B and the other Track Record Example refers to the last five years.
6. **Table D1**: When completing Table D1, applicants are not required to report an outstanding loan or investment as delinquent if the loan or investment has been formally restructured or the Applicant and borrower have agreed on a formal strategy for addressing any late payments. For example, if the Applicant and the borrower have formally agreed on a deferred payment whereby the missed payments will be added to the principal or will be paid on a date after the original term ends, the loan or investment does not need to be reported in Table D1 as delinquent. The Applicant should generally describe such restructuring or formal agreements in Q.30(c), if applicable. Additional information on Table D1 can be found in FAQ #97.
The CDFI Fund added or significantly modified the highlighted questions in this document as compared to the “2019 NMTC Program Allocation Application Frequently Asked Questions.”

TABLE OF CONTENTS

I. Questions on Key Dates .................................................................................................................. 1
   1) What are the deadlines and dates that I need to know if my organization intends to apply for NMTC Allocations in the current round? .................................................. 1

II. Questions on Eligibility and CDE Certification ......................................................................... 3
   2) Who is eligible to apply for NMTC Allocations? ................................................................... 3
   3) Is an entity that previously received an NMTC Allocation, a CDFI Program award or a BEA Program award (or an Affiliate of such an awardee) eligible to apply for NMTC Allocations? ................................................ 3
   4) Are CDEs with prior allocation awards required to issue a minimum amount of QEIls and close a minimum amount of QLICIs in order to be eligible for a subsequent award? .................................................. 3
   5) How will the CDFI Fund determine that an Applicant has met the minimum QEI issuance thresholds and has use at least the percentage of those QEIls designated in Schedule 1, section 3.2(j) of their Allocation Agreements to make QLICIs by the deadline in Table 1? ................................................. 4
   6) How will the CDFI Fund calculate whether an Applicant meets the QEI issuance and QLICI closing thresholds in the NOAA? ............................................................... 4
   7) What is the effect for my organization if I have reports outstanding for another CDFI Fund program award (e.g. CDFI Program’s Financial Assistance award) at the time of the deadline for the current Allocation Application or if there is a record of late reporting on such other awards? Will this affect the eligibility or scoring of our Allocation Application? .................................................. 5
   8) If my organization intends to transfer all or part of an NMTC Allocation to one or more Subsidiaries, do the Subsidiaries need to be established and certified as CDEs prior to submission of the Allocation Application? .................................................. 5
   9) Can a non-profit entity apply for an NMTC Allocation? ........................................................... 5
  10) Can a Subsidiary CDE apply for an NMTC Allocation in the Allocation Round? ...................... 5
  11) What happens if an Applicant fails to respond accurately to a question in the Allocation Application Assurances and Certifications and/or fails to submit the required written explanation? .................................................. 6
  12) If there are changes to the Assurances and Certifications after the Allocation Application is submitted to the CDFI Fund, what steps is an Applicant required to take to remain eligible for consideration? .................................................. 6
III. Questions on the Process of Applying for and Receiving an NMTC Allocation... 7

13) How can my organization apply and submit an application for NMTC Allocations? 7

14) What is the Application Registration referenced in the NOAA? 7

15) How can an Applicant change the Authorized Representative and Application Contact Person after the NMTC Application Registration is completed? 8

16) What attachments am I required to submit with my Allocation Application, and how do I submit them? 8

17) Will the information that I provide in my Allocation Application be accessible to the general public? 8

18) Can more than one Affiliate or member of a Common Enterprise submit an Allocation Application? 9

19) Are there any limitations with respect to using NMTCs, or the proceeds of QEIs, in conjunction with other CDFI Fund program awards? 11

20) Can my organization start to offer NMTCs to investors as soon as it receives notice of an NMTC Allocation award? 11

21) What terms and conditions will be placed upon Applicants that receive NMTC Allocations from the CDFI Fund? 11

IV. Questions on the NMTC Allocation Application Contents ........................................ 13

A. Selecting an Amount of NMTCs to Request 13

22) When requesting NMTC Allocations from the CDFI Fund, should the Applicant ask for the total amount of equity it intends to raise through NMTCs, or should it ask for the total value of the tax credits that will be available to its investors? 13

23) Is there a limit to the total NMTC Allocation amount that an Applicant may request in the current Allocation round? 13

24) If an Applicant indicates a minimum NMTC Allocation amount (Question 40), will the Applicant receive at least its minimum request if the Applicant receives an NMTC Allocation award? 13

B. General Questions on the Contents of the Allocation Application 14

25) The Allocation Application includes several “Tips” informing Applicants that responses to certain questions may be used to populate fields in their Allocation Agreements, should they receive an NMTC Allocation. Are these the only application-specific items that will be included in the Allocation Agreements for current round Allocatees? 14

26) How do I complete the Allocation Application if my organization is a start-up entity? 14
27) How can CDEs identify whether potential NMTC investments are located in NMTC-eligible Low-Income Communities (LICs)?

C. Applicant Information Section

28) Who can be considered a Controlling Entity for purposes of demonstrating an organizational track record? Can an individual be considered a Controlling Entity? Can an Applicant have more than one Controlling Entity? Can an Applicant identify the parent of its parent company as a Controlling Entity?

29) Can I submit an Allocation Application with a different Controlling Entity from my previous Allocation Applications? If an Applicant previously applied with a Controlling Entity, can it apply without one in this round?

30) If an Applicant has a multi-state, statewide, or local service area, can it use Allocation Application Question 8 to identify specific states or counties it intends to serve?

31) How should an Applicant approach the Allocation Application if it submits a request to modify its CDE service area but will not know the outcome of the request before the Allocation Application is due?

32) How can an Applicant change the Authorized Representative and Application Contact Person after the Allocation Application is submitted?

33) If an Applicant is planning to finance predominantly facilities for Operating Businesses, what option should they select in Question 10?

D. Business Strategy Section

34) Will an Applicant be advantaged in the Allocation Application scoring if they select to pursue certain eligible activities over others in Question 13(b) of the Allocation Application?

35) In Question 14, will the Applicant receive any advantage by offering more than one financial product?

36) How should an Applicant respond to Question 14 if it will offer multiple financial notes to a single QALICB?

37) In Question 14(b), what does subordination mean as a flexible feature?

38) In Question 14(b), the Applicant is asked to describe how the rates and terms of its proposed QLICIs compares to the financial products typically offered by the Applicant. What information should the Applicant provide, if the Applicant’s only line of business is NMTC QLICIs?

39) For the purposes of answering Questions 14 and 15, how is the interest rate calculated for NMTC investments made through the A-B leverage structure?
40) The 2020 Allocation Application clearly states that Applicants may not include information about investments closed after the release date of the CY 2020 NMTC Allocation Application. Where may a prior Allocatee discuss its plans to close additional QLICIs after this date?

41) How will the CDFI Fund evaluate if a prior Allocatee has utilized its prior allocations in a manner that is generally consistent with the representations made in the relevant prior year Allocation Applications?

42) What information will the CDFI Fund evaluate to determine whether a prior Allocatee has utilized its prior allocations in a manner that is generally consistent with the representations made in the relevant prior year Allocation Applications?

43) How will the CDFI Fund evaluate changes in an Allocatee’s business strategy in response to the COVID-19 pandemic in terms of compliance with and future eligibility for the NMTC Program?

44) Will the CDE be required to make innovative investments it committed to in the Allocation Application if the Allocation Agreement does not explicitly require it in Schedule 1?

45) If awarded an Allocation, will the CDE be required to invest in all the businesses identified in Q17 and Table A5?

46) How many pipeline projects or businesses should an Applicant include in its response to Question 17?

47) Should the projects and activities listed in Table A5 match the projects and activities listed in Question 17?

48) In Table A5, how should an Applicant respond if one QLICI will finance several business types (Row L), the financing will be used for different purposes (Row M), or produce several community outcomes (Row N)?

49) Does an Applicant that is planning to use its NMTC Allocation to finance one or more loan fund or loan pool structures need to complete Table A5? What information is to be provided in Table A5?

50) Can NMTCs be used to finance broadband infrastructure or related activities?

51) There are some activities that are not clearly prohibited by the IRS Tax Regulations, but that are also not clearly allowed. If my business strategy falls within one of these more undefined areas, how will my Allocation Application be scored by the CDFI Fund?

52) Is an Applicant required to specify the amount of its QLICIs that will be directed to innovative investments? Can the Applicant propose an innovative investment of an NMTC Allocation that is not listed in Q.18?
53) If an Applicant commits in Question 18 to invest in Unrelated CDEs that do not have NMTC Allocations, how would it determine if a prior Allocatee is eligible to receive a QLICI under this commitment?

54) If an Applicant commits in Question 18 to invest a percentage of QLICIs in states identified by the CDFI Fund as having historically received fewer dollars of QLICIs, will it be held to the specific subset of states identified in the Applicant’s strategy to deploy these QLICIs (for example, three states of the ten listed in FAQ #55)? Or will it simply be held to any of the CDFI Fund identified states?

55) What are the states identified by the CDFI Fund that have historically received fewer dollars of QLICIs, referenced in Question 18?

56) If the Applicant commits in Q. 18 to provide QLICIs where the total QLICIs received by the QALICB are $4 million or less, does that include QLICIs made into multi-CDE transactions?

57) If the Applicant commits to provide QLICIs for non-Real Estate Activities as an innovative investment in Q. 18, can QLICIs financing both Real Estate and non-Real Estate Activities count toward this commitment?

58) If the Applicant commits to investing in Federal Indian Reservations, Off-Reservation Trust Lands, Hawaiian Home Lands, and Alaska Native Village Statistical Areas, how can the Applicant identify whether potential NMTC investments are located in these areas?

59) How should an Applicant respond to Questions 19, 20, and Exhibit B tables based on the activities in Question 13(b)?

60) What should I consider when completing the tables in Exhibit B?

61) What is the difference between direct financing and indirect financing for the purposes of Exhibit B?

62) In Exhibit B, can an Applicant select “Applicant” for Tables B1-B3 and “Controlling Entity” for Table B4?

63) What types of activities should be included in Question 20 and Table B4? For example, can an Applicant report consumer loans or mortgages in Table B4?

64) Will the CDFI Fund view prior Allocatees that have invested smaller amounts of their past NMTC Allocation(s) into multiple projects with other CDEs more favorably than prior Allocatees that have invested larger amounts into fewer projects with their own NMTC Allocation?

65) What cutoff date should Applicants use when describing their track record of past investment activities in Allocation Application Questions 19, 20, 21(d), 25 (when discussing the track record of community outcomes), 26 (track record of community accountability and involvement), 34, and 43, as well as Exhibits B and Tables E1-E2?
66) How can an Applicant earn the five priority points for providing capital or technical assistance to Disadvantaged Businesses or Communities?

67) In Question 22 of the Allocation Application, how can an Applicant earn the five priority points for investing in Unrelated Entities?

68) If an Applicant intends to combine historic tax credits with NMTCs and use a lease pass-through structure in which the CDE will be the 100% owner of the Master Tenant and, therefore, a lessee of the QALICB and/or a member of the QALICB, does the Applicant need to describe this relationship in its response to Question 23(d)?

69) What notable relationships is the Applicant required to disclose and describe in Question 23?

E. Community Outcomes Section

70) What are some examples of permissible and non-permissible activities for organizations that answer “yes” to Question 24(a)?

71) Question 24 (which asks Applicants to identify areas where they propose to target the use of QLICIs), item 12 [Federal/State/Local Zones] includes Promise Zones and Opportunity Zones. What are Promise Zones? What are Opportunity Zones?

72) What portion of my pipeline should I use to project potential community development outcomes in Question 25 of the Allocation Application?

73) What information should an Applicant provide when quantifying both its projected and track record of community outcomes in Question 25(a)?

74) When quantifying its projected community outcomes in Q. 25(a), is it sufficient for the Applicant to state the number of projects that will result in the selected outcome?

75) What details should be provided to support the quantification of projected community outcomes?

76) When supporting community outcome(s) projections, what is the difference between a method and a metric?

77) What are examples of third-party sources that an Applicant can use for its metrics?

78) Does the number of community outcomes selected in Question 25(a) affect how the Applicant will be evaluated?

79) Should an Applicant complete a Community Outcome narrative for each Targeted Community Outcome selected in Table A5?
80) Can the Applicant discuss indirect or induced jobs in its response to Question 25(a) (1), Job Related – Job Creation/Retention?  

81) What distinct information should the Applicant provide in each of the three job-related questions in Question 25?  

82) What are some examples of commercial goods and services that would be included in Question 25(a)(4)? How does commercial goods and services differ from community goods and services to Low-Income Communities?  

83) What are other examples of how Applicants can demonstrate that projected community outcomes will clearly benefit Low-Income Persons and residents of LICs?  

84) If an Applicant selects Flexible Lease Rates in Question 25(a), should it only discuss Real Estate Activities between a QALICB and a third party?  

85) What are some examples of how I can quantify Environmentally Sustainable Outcomes in Q. 25(a)?  

86) Which community outcomes may be discussed by the Applicant in Q. 25 when NMTC financed only a portion of the facility?  

87) What requirements will be in the Allocation Agreement if an Applicant uses its NMTC Allocation to make QLICIs resulting in housing units?  

88) In Question 26(b), what are examples of project-specific community engagement related to past investment decisions?  

89) In Question 26(c), what are examples of broader community and economic development strategies?  

90) In Question 27, how does the CDFI Fund want Applicants to discuss additional private investment as a result of the proposed QLICIs described in the Business Strategy section (Questions 17, 18, and 21(e))?  

F. Management Capacity Section  

91) What details should be on the organizational chart requested in Question 28(a)?  

92) How many individuals should an Applicant list in Table C2?  

93) Should the Applicant include the Controlling Entity’s personnel that have/will have a role in carrying out key NMTC functions?  

94) How should Applicants disclose the current roles and responsibilities of its personnel (including staff from its Controlling Entity, if applicable)?  

95) Table C2 includes a column heading “Years with (or years providing services to) the Applicant.” In completing this information, may a start-up entity refer to the years of service that an individual provided to its Controlling Entity?
96) How should Applicants disclose the use of consultants in the Allocation Application? 43

97) What financing activities should be included in Table D1 (Investment Portfolio)? Should the Applicant include non-QLICI activities in Table D1? 44

98) In Table D2, how should an Applicant report a recurring fee or a fee that will be charged incrementally? 44

99) The instructions for Table D2 indicate that an Applicant should select ‘Upfront Fee’ for any fee that is expected to be charged before the QLICI is closed and that this includes any fee that will be charged before the QEI is made. Does this mean that an Applicant is required to report a fee charged at the investment fund level or outside of the NMTC structure? 44

100) How should an Applicant report an ‘Upfront Fee’ when a portion of the fee is charged before the QEI is made and the other portion is charged from the QEI? 45

101) Does the Applicant need to include fees charged by or paid to an Unaffiliated Third Party such as a consultant contracted by the Applicant (or an Affiliate)? 45

102) Does the Applicant need to include fees charged by consultants contracted by the Applicant (or an Affiliate) and charged directly to investors or the QALICB in Table D3? 46

103) How should an Applicant that expects to charge a fee as interest above what is required to service the QLICI debt report it in Table D2? 46

104) If an Applicant is offering two or more different products (e.g. leveraged A/B structure, revolving loan fund) with different fee structures, which fee structure should the Applicant report in Table D2? 46

105) How should Applicants complete Question 33(f) and Table D3? 46

106) If the Applicant requires a QALICB, as a condition of NMTC financing, to make a contribution or donation to one or more organizations identified by the Applicant (or Affliate of the Applicant), how should the Applicant disclose the contribution in the Allocation Application? 48

107) How should the Applicant record expenses to the CDE that are reimbursed by the QALICB, investor, or third parties in Table D3? 48

108) How should the Applicant record interest expense and interest income associated with a leveraged loan? 49

109) How should Applicants that have received past NMTC Allocations complete Table D3? 49
110) My CDE earns the bulk of its revenue on the front end at the time the QLICI is made. I’m concerned that I will show large surpluses in the early years and deficits in later years. How should I represent this in Table D3?  

111) Should a CDE show Profit in Table D3 if any surpluses will be used to make other investments in Low-Income Communities?  

112) What information should be included in the “After 2027” column in Table D3?  

113) Staff from our Controlling Entity will administer the Applicant’s NMTC program. How should I record this in Table D3?  

G. Capitalization Strategy Section  

114) How should an Applicant reflect past QEIs raised using the leverage structure in Table E1? Specifically, should the leverage debt portion of the QEI be reflected as debt or equity in Table E1?  

115) Can an Applicant (or Controlling Entity) that is a depository institution list its increase in deposits in Table E1 as capital raised?  

116) When should an Applicant complete Table E2 versus Table E3?  

117) How should Applicants present leveraged lenders in Table E2?  

118) What documents are considered acceptable to demonstrate investor Commitments for Table E3?  

119) In Question 37(b), does the Applicant need to indicate that it will be receiving QEIs from an Affiliate if the Applicant or an Affiliate is also a managing or non-managing member of the investment fund created as part of the leverage structure with an ownership interest of less than 1%?  

H. Information Regarding Previous Awards  

120) Question 43(a) asks previous Allocatees to discuss the largest transaction from each of its three most recent Allocations. How should a previous Allocatee select the three transactions to report?  

121) Can a previous Allocatee use a transaction from its CY 2019 Allocation as one of the transactions discussed in its response to this question?  

V. Questions on Proportional Allocations of QEIs to Non-Metropolitan Counties  

122) What is the definition of a Non-Metropolitan County?  

123) What is a Rural CDE?  

124) Question 21(a) requires the Applicant to indicate whether at least 50% of the Applicant’s (or its Controlling Entity’s) direct financing activities over the past five years have been directed to Non-Metropolitan Counties. What activities are eligible to be used as the basis for calculating the 50% figure?
125) If the Applicant is committing to investments in Non-Metropolitan Counties, in Question 21(e) does the Applicant need to repeat all the details (e.g. projected closing date, business type) for the sample transactions in its Non-Metropolitan pipeline that it has already provided in response to Table A5? 57

126) How will the CDFI Fund ensure a proportional allocation of QEIs to Non-Metropolitan Counties? 57

127) My organization is focused on an urban market. It does not intend to make any investments in Non-Metropolitan Counties. Will it be disadvantaged in the application round? 58

VI. Contact Information ............................................................................................... 59

128) Whom can I contact if I have more specific questions? 59
I. QUESTIONS ON KEY DATES

1) What are the deadlines and dates that I need to know if my organization intends to apply for NMTC Allocations in the current round?

<table>
<thead>
<tr>
<th>Description</th>
<th>Deadline/Date</th>
<th>Time (Eastern Time)</th>
<th>Submission Method</th>
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<tr>
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<td>October 6, 2020</td>
<td>11:59 p.m. ET</td>
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<td>11:59 p.m. ET</td>
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<td>Subsidiary CDE Certification Application for meeting Qualified Equity Investment (QEI) issuance thresholds</td>
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<td>11:59 p.m. ET</td>
<td>Electronically via AMIS</td>
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<tr>
<td>CY 2020 Application Registration</td>
<td>October 9, 2020</td>
<td>5:00 p.m. ET</td>
<td>Electronically via AMIS</td>
</tr>
<tr>
<td>Last date to contact CDFI Fund staff</td>
<td>November 12, 2020</td>
<td>5:00 p.m. ET</td>
<td>Electronically via AMIS</td>
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<tr>
<td>CY 2020 Allocation Application (including required Attachments)</td>
<td>November 16, 2020</td>
<td>5:00 p.m. ET</td>
<td>Electronically via AMIS</td>
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<td>Amendment request to add Subsidiary CDEs to Allocation Agreements for meeting Qualified Equity Investment (QEI) issuance thresholds</td>
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<td>11:59 p.m. ET</td>
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<tr>
<td>QEI Issuance and making Qualified Low Income</td>
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<td>Community Investments (QLICIs) by:</td>
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<td>January 29, 2021</td>
<td>11:59 p.m. ET</td>
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II. QUESTIONS ON ELIGIBILITY AND CDE CERTIFICATION

2) Who is eligible to apply for NMTC Allocations?

In order to be eligible to apply for NMTC Allocations from the CDFI Fund in the Allocation Round, an Applicant must: (a) be certified as a CDE at the time the CDFI Fund receives its NMTC Program Allocation Application; or (b) have submitted a CDE Certification Application in AMIS by the deadline in Table 1. If your organization is not a Certified CDE, you may obtain information regarding CDE certification and the CDE Certification Application process on the CDFI Fund’s website at https://www.cdfifund.gov/programs-training/certification/CDE/Pages/default.aspx.

3) Is an entity that previously received an NMTC Allocation, a CDFI Program award or a BEA Program award (or an Affiliate of such an awardee) eligible to apply for NMTC Allocations?

Prior awardees of any component of the CDFI Fund’s CDFI Program, Bank Enterprise Award (BEA) Program, Capital Magnet Fund (CMF), CDFI Bond Guarantee Program, or any other CDFI Fund program, and prior Allocatees under the NMTC Program, are generally eligible to apply for an NMTC Allocation under the Allocation round. However, if certain circumstances exist with respect to prior awards or allocations made to the Applicant or its Affiliates (e.g., previous incidents of noncompliance or default; failure to meet reporting requirements), the Allocation Application may be deemed ineligible. Please refer to Section III of the NOAA for a complete description of this eligibility criteria.

The CDFI Fund will also consider the extent to which the Applicant (and Affiliates, as determined by the CDFI Fund) has complied with the terms and conditions and other requirements of any previous or existing assistance, award or Allocation Agreements with the CDFI Fund.

Accordingly, Applicants that are prior award recipients or Allocatees under any other CDFI Fund program are advised to:

a) Submit all required reports by the deadlines specified in the assistance, award or Allocation Agreements governing said prior awards or Allocations and to comply with all requirements found therein; and

b) Confirm that any Affiliate that is a prior CDFI Fund awardee or Allocatee, has submitted all required reports to the CDFI Fund.

4) Are CDEs with prior allocation awards required to issue a minimum amount of QEIs and close a minimum amount of QLICIs in order to be eligible for a subsequent award?

Yes. Applicants that have previously received an NMTC Allocation (or whose Affiliates have previously received an NMTC Allocation) are required to demonstrate that they have issued a requisite minimum amount of QEIs and closed a minimum amount of QLICIs from their prior allocation(s) in order to be eligible. Specifically, Applicants that are Allocatees under
the CY 2014 to the CY 2019 rounds must finalize at least the percentage of QEIs noted in Table 2 of the NOAA for each NMTC Allocation round and use at least the percentage of those QEIs designated in Schedule 1, section 3.2(j) of their Allocation Agreements to make QLICIs by January 15, 2021. Please refer to Section III of the NOAA for a complete description of these and other eligibility thresholds. The eligibility thresholds may require QEIs and QLICIs earlier than otherwise required under the relevant Allocation Agreement.

Note: The CDFI Fund will only consider as “issued” those QEIs that have been recorded and finalized (as opposed to listed as “pending”) in AMIS.

Detailed instructions on recording QEIs and QLICIs in AMIS is available at https://www.cdfifund.gov/Pages/amisreporting.aspx

5) How will the CDFI Fund determine that an Applicant has met the minimum QEI issuance thresholds and has use at least the percentage of those QEIs designated in Schedule 1, section 3.2(j) of their Allocation Agreements to make QLICIs by the deadline in Table 1?

The CDFI Fund will review QEI and Transaction Level Report (TLR) data recorded in AMIS to determine whether the Applicant has met the QEI and QLICI thresholds described in Section III of the NOAA. Applicants must report their QEI issuance and QLICIs closed in AMIS no later than the deadline in Table 1.

The CDFI Fund will only consider as “closed” those QLICIs where the Allocatee (or Subsidiary Allocatee) has made an initial disbursement and the borrower has signed a loan agreement. If the Allocatee (or Subsidiary Allocatee) provides a QLICI in the form of an equity investment, a QLICI will be considered “closed” if the Allocatee (or Subsidiary Allocatee) has made an initial disbursement and:

a) The investee has issued an amended and restated operating agreement showing the Allocatee (or Subsidiary Allocatee) as a new member, if the investee is a Limited Liability Company (LLC); or

b) The investee has issued equity shares to the Allocatee (or Subsidiary Allocatee), if the investee is a corporation.

Applicants should be aware that minimum QEI and QLICI threshold requirements are used to determine an Applicant’s eligibility for an NMTC Allocation award. Meeting such requirements, however, does not guarantee an NMTC Allocation award.

6) How will the CDFI Fund calculate whether an Applicant meets the QEI issuance and QLICI closing thresholds in the NOAA?

Using the example of an Applicant that has received a single NMTC Allocation award of $50 million in the Calendar Year (CY) 2015-2016 combined allocation round: In order to meet the QEI issuance threshold, the Applicant is required to finalize a minimum of $45 million (90% of $50 million) in QEIs by the deadline in the NOAA in order to remain eligible for a 2020 NMTC Allocation. This deadline can also be found in FAQ #1. In addition, if Schedule 1, Section 3.2(j) of the Applicant’s CY 2015-2016 Allocation Agreement indicates that 96% of QEIs will be used to make QLICIs, then in order to meet the QLICI closing...
threshold in the NOAA, the Applicant is required to close QLICIs totaling $43.2 million (96% of the $45 million in QEIs) by the same deadline.

7) What is the effect for my organization if I have reports outstanding for another CDFI Fund program award (e.g. CDFI Program’s Financial Assistance award) at the time of the deadline for the current Allocation Application or if there is a record of late reporting on such other awards? Will this affect the eligibility or scoring of our Allocation Application?

In the case of an Applicant, or Affiliates, that have previously received an award or allocation from the CDFI Fund through any CDFI Fund program, the CDFI Fund will deduct (up to 5) points for the Applicant’s (or its Affiliate’s) failure to meet the reporting deadlines set forth in any assistance, award or Allocation Agreement(s) with the CDFI Fund during the period from October 29, 2019 to the Allocation Application deadline in the NOAA (TBD).

8) If my organization intends to transfer all or part of an NMTC Allocation to one or more Subsidiaries, do the Subsidiaries need to be established and certified as CDEs prior to submission of the Allocation Application?

No. An Applicant will not be required to form and obtain CDE certification for anticipated Subsidiary entities prior to the submission of its Allocation Application. However, once selected for an NMTC Allocation, the Allocatee will not be permitted to transfer any of its NMTC Allocation to Subsidiaries unless those Subsidiaries have been: (a) certified as CDEs by the CDFI Fund; and (b) enjoined by name in the Allocatee’s Allocation Agreement as Subsidiary Allocatees. Such Subsidiaries either must be signatories to the Allocation Agreement at the time of closing or added to the Allocation Agreement via amendment after the initial closing. Allocatees must submit such request for amendments as an AMIS Service Request for approval and processing.

9) Can a non-profit entity apply for an NMTC Allocation?

Yes. A non-profit CDE may apply for an NMTC Allocation with the intention of transferring the Allocation to one or more for-profit Subsidiary Allocatees. Only a for-profit CDE may offer NMTCs to investors because the investors must purchase stock or capital interests in the CDE. If a non-profit CDE is selected for an Allocation, at least one for-profit Subsidiary must be enjoined to the Allocation Agreement. The for-profit Subsidiaries do not have to be formed at the time that the non-profit CDE applies for an NMTC Allocation. However, the non-profit CDE must submit a CDE Certification Application to the CDFI Fund for at least one for-profit Subsidiary within 45 days of receiving notification from the CDFI Fund of its NMTC Allocation award. Such Subsidiary must be certified as a CDE prior to being enjoined to the Allocatee’s Allocation Agreement with the CDFI Fund. The transfer of the NMTC Allocation from the Non-profit Allocatee to one or more for-profit Subsidiary Allocatees must be pre-approved by the CDFI Fund, and will be a condition of the Allocation Agreement.

10) Can a Subsidiary CDE apply for an NMTC Allocation in the Allocation Round?

No. An organization that is certified as a Subsidiary CDE to a certified CDE is not eligible to apply for an NMTC Allocation.
11) **What happens if an Applicant fails to respond accurately to a question in the Allocation Application Assurances and Certifications and/or fails to submit the required written explanation?**

In its sole discretion, the CDFI Fund may deem the Applicant’s Allocation Application ineligible, if the CDFI Fund determines that the Applicant:

a) Inaccurately responded to a question, with respect to the Allocation Application Assurances and Certifications; or

b) Failed to submit any required written explanation, with respect to the Allocation Application Assurances and Certifications; or

c) Fails to notify the CDFI Fund of any changes to the information submitted, with respect to the Allocation Application Assurances and Certifications, between the date of application and the date that the Applicant executes the Allocation Agreement, if selected for an allocation award.

If the Applicant cannot certify to one or more questions, the Applicant must provide a written narrative explaining why the Applicant cannot make the certification, the circumstances, and what the entity is doing to address it. See the “CY 2020 NMTC Application – AMIS Navigation Guide” for details on how to provide a narrative explanation. The Applicant should identify the existence of any related regulatory orders in its written explanation to the Assurances and Certifications. The CDFI Fund may request additional information, such as copies of any applicable regulatory orders, after the Allocation Application deadline as part of its review.

The CDFI Fund will review the information submitted and the Applicant’s responses to the Assurances and Certifications, to determine the Applicant’s continued eligibility for an Allocation award. In making the determination, the CDFI Fund will take into consideration, among other factors, the substance of any supplemental responses provided, and whether the information in the Applicant’s supplemental responses will have a material adverse effect on the Applicant, its financial condition or its ability to perform under an Allocation Agreement, should the Applicant receive an NMTC Allocation.

12) **If there are changes to the Assurances and Certifications after the Allocation Application is submitted to the CDFI Fund, what steps is an Applicant required to take to remain eligible for consideration?**

If there are changes to any of the Applicant’s responses to the Allocation Application Assurances and Certifications, including the narrative explanations or supplemental documentation provided, between the date the Applicant submits an Allocation Application and the date the Allocatee executes the Allocation Agreement, the Applicant must report such changes by submitting a service request in AMIS to the NMTC Program. The NMTC Program will review those changes to determine the Applicant’s continued eligibility for an NMTC Allocation award.
III. QUESTIONS ON THE PROCESS OF APPLYING FOR AND RECEIVING AN NMTC ALLOCATION

13) How can my organization apply and submit an application for NMTC Allocations?

An organization interested in applying for NMTC Allocations in the current round must submit its Allocation Application by the CY 2020 Allocation Application deadline provided in the NOAA and FAQ #1. The CDFI Fund requires all Applicants to submit online Allocation Applications through the CDFI Fund’s AMIS. Please review the “CY 2020 NMTC Application – AMIS Navigation Guide” for a step-by-step guide to submit an application.

Applicants that have not already done so are encouraged to register a user account through AMIS at amis.cdfifund.gov as soon as possible. Please contact the CDFI Fund’s IT Help Desk at amis@cdfi.treas.gov or (202) 653-0422 if you are having problems registering in AMIS.

Only the AMIS user designated as the Authorized Representative in Question 5 of the Allocation Application will be eligible to sign the Allocation Application. To be able to sign the Allocation Application, the Authorized Representative listed in Question 5 must be logged in with a username that: 1) is listed in the “Contacts” (not “External Contacts”) section of the Organization Detail page, 2) is designated as an “Authorized Representative” under “Type,” and 3) has a valid email address associated with it.

14) What is the Application Registration referenced in the NOAA?

The NMTC Application Registration is a section within the AMIS Allocation Application that contains certain Applicant information such as Applicant Name, Controlling Entity Name, etc. Applicants must complete and save the NMTC Application Registration by the deadline in Table 1.

After the NMTC Application Registration Deadline:

a) Applicants will not be allowed to save their responses to the NMTC Application Registration.

b) Only those Applicants that completed and saved their NMTC Application Registration by the specified Application Registration deadline will be allowed to submit the remaining sections of the Allocation Application by the Application Deadline.

c) No new CY 2020 Allocation Applications can be created. Therefore, potential Applicants that did not start a CY 2020 NMTC Allocation Application before the Application Registration deadline will not be able to create a new CY 2020 NMTC Allocation Application.
15) How can an Applicant change the Authorized Representative and Application Contact Person after the NMTC Application Registration is completed?

Should the Applicant’s Authorized Representative change after the Applicant completes the NMTC Application Registration, the Applicant will need to submit an AMIS service request titled “[Applicant Name] and [AMIS Application Number] – Authorized Representative Change” so that the new Authorized Representative is able to sign the Allocation Application at the time of submission. As stated in the NOAA, the CDFI Fund reserves the right to reject an Allocation Application if the Authorized Representative does not sign the Application in AMIS. Any service requests submitted via AMIS should be directed to the NMTC program.

16) What attachments am I required to submit with my Allocation Application, and how do I submit them?

All Applicants will be required to submit attachments electronically through AMIS. You will be able to upload the attachments only prior to the electronic submission of the Allocation Application. The attachments requested by the CDFI Fund in the CY 2020 NMTC Allocation Application are as follows:

- Organizational charts as requested in Question 28.
- Investor letters to support data provided in Table E3 (if applicable).
- Attachments to support explanations provided in the Assurances and Certifications section of the Allocation Application (if applicable).
- Controlling Entity signature page (if applicable).


Attachments must be submitted by the CY 2020 Allocation Application deadline provided in FAQ #1. Only those attachments requested by the CDFI Fund will be considered as part of the review process. Furthermore, the CDFI Fund will not accept any revisions or amendments to an Allocation Application or accept attachments once the Application is submitted. All required documents must be submitted in AMIS. The CDFI Fund will not review any materials only accessible through hyperlinks in submitted materials. As stated in the NOAA, the CDFI Fund reserves the right to reject an Allocation Application if the executed Controlling Entity Representative (if applicable) signature page has not been uploaded in AMIS by the stated deadline.

17) Will the information that I provide in my Allocation Application be accessible to the general public?

The CDFI Fund does not publish proprietary or confidential information submitted by Applicants as a general practice. However, any information submitted by Applicants in Allocation Applications is subject to the Freedom of Information Act (FOIA) (5 U.S.C. 552) and other federal laws and regulations. In general, FOIA makes federal agency records available to the public, unless the information requested is exempt from disclosure under the FOIA. Trade secrets and commercial or financial information submitted by Applicants may
be exempt from disclosure pursuant to the FOIA. Applicants should consult their legal counsel for further guidance on this matter.

Should the Applicant be selected to receive an NMTC Allocation, the CDFI Fund reserves the right to publish the Applicant’s response to select questions in the Applicant Information and Business Strategy sections. This information may include the Controlling Entity Name (Q. 3(a)), City and State of Applicant Headquarters (Q. 4), Public Contact Person Information (Q. 5(d)), Service Area (Qs. 7 & 8), Percentage of major urban vs. minor urban vs. rural (Q. 9), Predominant Financing Activity (Q. 10), commitments to innovative investments (Q. 18), and required percentage of activities in Non-Metropolitan counties (Q. 21).

18) Can more than one Affiliate or member of a Common Enterprise submit an Allocation Application?

No. Entities that are Affiliates or members of a Common Enterprise may only collectively submit one Allocation Application per year under the NMTC Program. An Affiliate is an entity that Controls, is Controlled by, or is under common Control with another entity (as determined by the CDFI Fund). Both the terms “Affiliate” and “Control” are defined in the Glossary of Terms that accompanies the Allocation Application. An example, entity ABC is Controlled by entity XYZ. XYZ also Controls entity DEF, which in turn Controls entity HIJ. ABC, XYZ, DEF and HIJ are all considered Affiliates. Only one of these entities can submit an Allocation Application in any given round. An Applicant may, however, under certain circumstances submit a consolidated Allocation Application on behalf of one or more Affiliates.

The CDFI Fund will also evaluate whether each Applicant is operated or managed as a “Common Enterprise” using the following indicia, among others: (i) whether different Applicants have the same individual(s), including the Authorized Representative, staff, board members and/or consultants, involved in day-to-day management, operations, and/or investment responsibilities; (ii) whether the Applicants have business strategies and/or proposed activities that are so similar or so closely related that, in fact or effect, they may be viewed as a single entity; and (iii) whether applications submitted by separate Applicants contain significant narrative, textual or other similarities such that they may, in fact or effect, be viewed as substantially identical applications. In such cases, the CDFI Fund will reject all applications received from such entities.

The CDFI Fund reserves the right to examine all facts and circumstances in determining whether multiple entities may constitute a “Common Enterprise.” In evaluating whether multiple entities constitute a Common Enterprise, the CDFI Fund will consider, among other things, whether such entities share: (i) principal or senior management staff or governing or advisory board members or consultants; (ii) investments and projects or businesses; (iii) investors or other funding sources; (iv) marketing and advertising; or (v) office space or other physical resources.

In the case of State-owned or State-controlled governmental entities, the CDFI Fund may accept applications submitted by different government bodies within the same State, but only to the extent the CDFI Fund determines that business strategies and/or activities described in such applications, submitted by separate entities, are distinctly dissimilar and/or are
operated and/or managed by distinctly dissimilar personnel, including staff, board members or identified consultants. In such cases, the CDFI Fund reserves the right to limit award amounts to such entities to ensure that the entities do not collectively receive more than the $100 million cap. If the CDFI Fund determines that the applications submitted by different government bodies within the same State are not distinctly dissimilar and/or are not operated and/or managed by distinctly dissimilar personnel, it will reject all such applications.

Example 1 [not permissible]: ABC and DEF are separate entities, and each applies for an allocation of tax credits. John Doe is the Chief Executive Officer (CEO) of ABC. In this role, John Doe is involved in the day-to-day management, operations, and investment decisions of ABC. For example, as CEO of ABC, John Doe manages the business and affairs of ABC and approves or disapproves all investments over $500,000. He is also the Authorized Representative of DEF, which grants him authority to sign the 2020 Allocation Application and make representations on behalf of DEF. Since the same individual, John Doe, has substantial involvement with both ABC and DEF, it could be determined that both entities constitute a Common Enterprise. Therefore, the CDFI Fund would reject both Allocation Applications.

Example 2 [not permissible]: ABC and DEF are separate entities, and each applies for an allocation of tax credits. ABC and DEF each receive an NMTC Allocation award, and each enters into an Allocation Agreement with the CDFI Fund. Subsequently, both organizations contract with a management company (GHI) and, in its role as manager, GHI Controls the general management, operations and investment decisions of ABC and DEF. ABC and DEF would be considered Affiliates and part of a Common Enterprise due to the common management Control of GHI, and ABC and DEF would be in violation of their Allocation Agreements and subject to all of the remedies available to the CDFI Fund therein.

Example 3 [permissible]: ABC and DEF are separate entities, and each applies for an allocation of tax credits. ABC and DEF each receive an NMTC Allocation award, and each enters into an Allocation Agreement with the CDFI Fund. Subsequently, each organization contracts with GHI to provide discreet and specific consulting and/or management services (e.g., compliance monitoring), but at no time will GHI assume Control over the day-to-day management, operations or investment decisions of ABC or DEF. In addition, the parties do not share any of the other items enumerated as indicia of a Common Enterprise, as set forth above. ABC, DEF and GHI would not be considered Affiliates or part of a common enterprise.

Example 4 [permissible]: ABC and DEF are separate entities, and each applies for an allocation of tax credits. ABC and DEF each receive an NMTC Allocation award of $1,000,000, and each enters into an Allocation Agreement with the CDFI Fund. JKL is an investor. JKL makes a $990,000 QEI into an ABC’s Subsidiary Allocatee and a $990,000 QEI into DEF’s Subsidiary Allocatee, and receives a 99% ownership interest in each of the two Subsidiary Allocatees. JKL was not an Affiliate of either ABC or DEF prior to making the QEIs in each entity’s subsidiaries. In addition, except for a common investor (JKL), the parties do not share any of the other items enumerated as indicia of a Common Enterprise, as set forth above. ABC, DEF and JKL would meet the requirements for the exception to the general prohibition on multiple Allocatees becoming Affiliates or part of a Common
Enterprise, since the common Controlling Entity (JKL): (i) was not an Affiliate of either entity prior to making its QEIs in ABC and DEF and (ii) obtained Control of ABC’s Subsidiary and DEF’s Subsidiary solely due to its common ownership by making a QEI in each entity.

19) Are there any limitations with respect to using NMTCs, or the proceeds of QEIs, in conjunction with other CDFI Fund program awards?

An investor that is an insured depository institution, or an Affiliate of an insured depository institution, may not claim both NMTCs and a BEA Program award for the same investment in a CDFI or CDE.

Example 1: If a bank makes a $1 million Equity Investment into a CDFI-CDE that has received NMTC Allocations from the CDFI Fund, the bank may use the Equity Investment for purposes of claiming NMTCs or it may use the Equity Investment to apply for a BEA Program award – it may not claim both.

Example 2: If a bank makes a $1 million Equity Investment into a CDFI-CDE that has received NMTC Allocations from the CDFI Fund, and the bank also makes a $1 million loan to the CDFI-CDE, the bank may claim NMTCs on its $1 million Equity Investment and use its $1 million loan to apply for a BEA Program award.

The CDFI Bond Guarantee Program and Capital Magnet Fund may also have restrictions about combining NMTCs with those program funds, so Recipients should check the requirements of those programs.

Any future limitations on the use of NMTCs or the proceeds of QEIs in conjunction with other CDFI Fund programs will be described in the applicable Notices of Funds Availability (NOFAs), Notices of Guaranty Authority (NOGAs), Notices of Allocation Availability (NOAA), program agreements, and/or other program guidance documents.

20) Can my organization start to offer NMTCs to investors as soon as it receives notice of an NMTC Allocation award?

A CDE that receives an NMTC Allocation may, in certain circumstances, offer NMTCs to investors that make QEIs before the CDE’s Allocation Agreement is finalized. For purposes of this look-back period, the investor must have made its QEI on or after the date that the NOAA for the current round was published; and the investor’s seven-year credit period begins on the date that the CDE enters into an Allocation Agreement with the CDFI Fund. The CDE is required to invest substantially all of the investor’s QEIs in QLICIs within one year of the date that the CDE enters into an Allocation Agreement with the CDFI Fund.

21) What terms and conditions will be placed upon Applicants that receive NMTC Allocations from the CDFI Fund?

Each Applicant that is selected to receive an NMTC Allocation must enter into an Allocation Agreement with the CDFI Fund before it can designate QEIs and offer tax credits to its investors. The terms and conditions set forth in an Allocation Agreement may include, but not be limited to, the following:

a) The amount of the NMTC Allocation;
b) The approved uses of the NMTC Allocation (e.g., loans or Equity Investments to Qualified Active Low-Income Community Businesses (QALICBs), loans to or Equity Investments in other CDEs, purchase of qualifying loans from other CDEs);

c) The approved service area(s) in which the QEI proceeds may be used;

d) List of enjoined Subsidiary Allocatees;

e) Commitment to invest in Unrelated Entities;

f) Requirements for QLICIs to offer flexible features;

g) The CDE’s schedule for obtaining QEIs from investors;

h) The level of required activity in Non-Metropolitan Counties, committed to by the CDE in the Allocation Application;

i) Commitment to invest at least 75% of QLICIs in highly distressed communities;

j) Percentage of proceeds from loan purchases required to be re-invested as QLICIs;

k) Percentage of QEIs required to be invested as QLICIs;

l) Requirement to ensure at least 20% of any housing units developed and/or rehabilitated as a result of QLICIs are affordable to Low-Income Persons;

m) Innovative investments or specific transactions, committed to by the CDE in the Allocation Application;

n) Any restrictions on the use of the NMTC Allocation;

o) Reporting requirements for all CDEs receiving NMTC Allocations; and

p) Other information, often identified in the “Tips” in the Allocation Application.

If a CDE has represented in its Allocation Application that it intends to invest substantially all of the proceeds from its investors in QALICBs in which persons Unrelated to the CDE hold a majority equity interest, the Allocation Agreement will contain a covenant requiring such.
IV. QUESTIONS ON THE NMTC ALLOCATION APPLICATION CONTENTS

A. Selecting an Amount of NMTCs to Request

22) When requesting NMTC Allocations from the CDFI Fund, should the Applicant ask for the total amount of equity it intends to raise through NMTCs, or should it ask for the total value of the tax credits that will be available to its investors?

The Applicant’s Allocation Application request must be for the amount of QEIs the Applicant intends to raise by offering NMTCs as an incentive. For example, if a CDE wishes to raise $10 million in equity, it would request a $10 million NMTC Allocation from the CDFI Fund – even though the actual amount of NMTCs an investor may claim over seven years is $3.9 million (39% of the investment amount). An Allocatee cannot offer NMTCs on equity raised in excess of its NMTC Allocation.

23) Is there a limit to the total NMTC Allocation amount that an Applicant may request in the current Allocation round?

While there is no limit on the amount of NMTC Allocations that an Applicant may request, the CDFI Fund does not anticipate issuing more than $100 million in general allocation authority to any one Allocatee.

Please note that Applicants will be evaluated on whether the requested NMTC Allocation amount is consistent with the Applicant’s track record of direct financing or otherwise facilitating financing activities that would qualify as or are substantially similar to QLICIs, based on the narrative provided in Q.19 and Tables B1-B3; as well as financing activities that would not qualify as QLICIs, based on the narrative provided in Q. 20 and Table B4. See FAQ #61 for additional details on direct financing versus indirect or facilitated financing. See FAQ #63 for additional information on which types of activities should be included in Question 20 and Table B4.

Note: Prior NMTC QLICI experience is not required to score favorably if an Applicant has a demonstrated track record of making loans or investments that are substantially similar to NMTC QLICIs.

24) If an Applicant indicates a minimum NMTC Allocation amount (Question 40), will the Applicant receive at least its minimum request if the Applicant receives an NMTC Allocation award?

No. There is no guarantee that an Applicant will receive its minimum NMTC Allocation amount request. An Applicant that indicates a minimum NMTC Allocation amount may not receive an NMTC Allocation if the Applicant is recommended for an NMTC Allocation amount that is less than its minimum request. An Applicant should indicate a minimum NMTC Allocation amount request only if that amount is critical for it to execute its business strategy, and the Applicant can communicate a compelling need for the request.
B. General Questions on the Contents of the Allocation Application

25) The Allocation Application includes several “Tips” informing Applicants that responses to certain questions may be used to populate fields in their Allocation Agreements, should they receive an NMTC Allocation. Are these the only application-specific items that will be included in the Allocation Agreements for current round Allocatees?

No, not necessarily. While responses to certain questions identified in the “Tips” in the Allocation Application will become a requirement in the Allocation Agreement, the CDFI Fund reserves the right to add other specific requirements or restrictions to the Allocation Agreements as necessary to further programmatic goals. For example, if it appears any of the proposed transactions in an Allocation Application violate the NMTC statute or regulations, the CDFI Fund may include explicit restriction language in the Allocation Agreement to prohibit such transactions.

26) How do I complete the Allocation Application if my organization is a start-up entity?

A start-up entity that does not itself have a track record of raising capital, offering products and services, creating community outcomes, etc., may reference the track record of its Controlling Entity (if the Applicant designated a Controlling Entity) as appropriate throughout the Allocation Application. (For more information about who is considered a Controlling Entity, see response to FAQ #28 below and tips in the Allocation Application.)

27) How can CDEs identify whether potential NMTC investments are located in NMTC-eligible Low-Income Communities (LICs)?

Applicants should use the CDFI Information Mapping System v.3 (CIMS3) to geocode addresses, map census tracts and counties, and determine whether potential QLICIs are located in NMTC eligible Low-Income Communities. For more information on accessing CIMS3, please visit https://www.cdfifund.gov/Pages/mapping-system.aspx. Additional information on Low-Income Community eligibility is available on the Research and Data webpage of the CDFI Fund’s website (www.cdfifund.gov/research) under the heading “Program Eligibility Guidance.”

C. Applicant Information Section

28) Who can be considered a Controlling Entity for purposes of demonstrating an organizational track record? Can an individual be considered a Controlling Entity? Can an Applicant have more than one Controlling Entity? Can an Applicant identify the parent of its parent company as a Controlling Entity?

All Applicants designating a Controlling Entity must identify the entity that has, and is expected to continue to maintain, a controlling influence over the day-to-day management and operations (including investment decisions) of the Applicant and of any Subsidiary CDEs to which the Applicant may transfer its NMTC Allocation. Should the Applicant receive an NMTC Allocation in this round, the Controlling Entity Representative will be required to sign the Allocation Agreement and the entity that is designated as the Controlling Entity will need to continue in that capacity throughout the
term of the Allocation Agreement. Any changes must be approved in advance and in writing by the CDFI Fund (e.g. merger, acquisition, bankruptcy, or similar legal action involving the initial Controlling Entity). If the Applicant receives an NMTC Allocation in this round, the CDE’s Allocation Applications in future rounds must designate the same Controlling Entity as the entity designated in this Allocation Application.

Individuals, such as principals or the board of directors, cannot be treated as Controlling Entities for the purposes of demonstrating an organizational track record under relevant sections of the Allocation Application and Exhibits. However, an Applicant may describe such individuals’ experience and track record in the Management Capacity section.

An Applicant, in Question 3 of its Allocation Application, may designate only one organization as a Controlling Entity, provided that the organization meets the definition of a “Controlling Entity” pursuant to the Glossary of Terms included in the current round Allocation Application. Applicants may use their Controlling Entity to assist in demonstrating an organizational track record and in completing related exhibits.

An Applicant may identify the parent of its parent as its Controlling Entity to demonstrate an organizational track record, provided that the relationship between the “grandparent” organization and the Applicant conforms to the CDFI Fund’s definition of Controlling Entity in the Allocation Application Glossary of Terms.

If the Applicant does not properly fill out the Controlling Entity question or continually references more than one entity as its Controlling Entity in the narrative for the Business Strategy section (including track record of serving Disadvantaged Businesses or Communities), Community Outcomes section, or the Exhibits, the Applicant’s score may be adversely affected in the review of its Allocation Application.

29) Can I submit an Allocation Application with a different Controlling Entity from my previous Allocation Applications? If an Applicant previously applied with a Controlling Entity, can it apply without one in this round?

An Applicant that received an Allocation in a prior round and designated a Controlling Entity in that Allocation Application, may not submit an Allocation Application with a different Controlling Entity or without a Controlling Entity except where there has been a merger, acquisition, bankruptcy, or similar legal action involving the initial Controlling Entity and the Allocatee has submitted a Material Event Form informing the CDFI Fund of the merger, acquisition, bankruptcy or similar legal action or the CDFI Fund has approved a change or removal of a Controlling Entity (i.e. an amendment to the Allocation Agreement(s)). If an Applicant identified a Controlling Entity in a prior round and received an NMTC Allocation in a prior round, the Controlling Entity may not submit a separate Allocation Application in this round.

If the Allocation Agreement is in effect (within the compliance period) and the Applicant and the Controlling Entity both apply separately in this round, they will be considered a Common Enterprise and such Allocation Applications will be rejected. See NOAA section III.A.6 for additional details regarding Common Enterprise. Also see FAQ #18.
Applicants that have received NMTC Allocations in the CY2014, Combined CY2015-16, CY2017, CY2018, and CY2019 rounds are required to maintain the same Controlling Entity throughout the terms of all existing and future Allocation Agreements with the CDFI Fund, as set forth in section 6.13 of the Allocation Agreement. Failure to do so could result in the CDFI Fund declaring the Applicant in default of its Allocation Agreement.

30) If an Applicant has a multi-state, statewide, or local service area, can it use Allocation Application Question 8 to identify specific states or counties it intends to serve?

No, only Applicants with a national service area should use Allocation Application question 8 to identify states where they expect to deploy the largest amount of QLICIs. The specific states or counties an Applicant may serve is based on the CDE certification data contained in AMIS. If the Applicant has submitted a service area amendment in accordance with guidance provided in the NOAA, then that information will be taken into account during the review process.

31) How should an Applicant approach the Allocation Application if it submits a request to modify its CDE service area but will not know the outcome of the request before the Allocation Application is due?

If the Applicant has submitted a service area amendment in accordance with guidance provided in the NOAA, then that information will be taken into account during the review process. The Applicant may submit its Allocation Application assuming the amendment request will be approved. The only exception is the response to Question 7, which asks for the service area already approved by the CDFI Fund. If the Applicant receives an NMTC Allocation and its service area amendment request is approved, the updated service area will apply to the allocation awarded and all future allocations. If the Applicant is awarded an NMTC Allocation and its service area amendment request is not approved or the Applicant did not meet the deadline for requesting a service area amendment in the NOAA, then the existing service area will apply to the allocation awarded.

32) How can an Applicant change the Authorized Representative and Application Contact Person after the Allocation Application is submitted?

If the Applicant wishes to change the Authorized Representative, the Applicant will attach to an AMIS service request a letter on the organization’s letterhead providing the following information, as applicable:

- If the individual identified as the Authorized Representative at the time of Allocation Application submission was involved in New Markets Tax Credits activities (e.g. Management Capacity and Exhibit C), the Applicant will provide the name, experience and roles and responsibilities of the individual(s) undertaking these activities going forward.

- A certification that the individual selected to be the new Authorized Representative is not the Authorized Representative for another CDE applying in the same Allocation Round.
• A certification that the individual selected to be the Authorized Representative has the actual authority of the Governing Board (or equivalent) of the Applicant to sign for and make representations on behalf of the Applicant.

If the Applicant wishes to change the Application Contact Person, only an AMIS service request is required. The Application Contact Person is the individual that the CDFI Fund may contact—jointly with the Authorized Representative—during the course of the Allocation Application review with questions or requests for additional information regarding the Allocation Application.

33) If an Applicant is planning to finance predominantly facilities for Operating Businesses, what option should they select in Question 10?

If the facilities being predominantly financed will be owned (either directly or through an Affiliate) by an Operating Business, the Applicant should select Operating Business financing in Question 10. If the Applicant intends to predominantly finance the development (including construction of new facilities and rehabilitation/enhancement of existing facilities), acquisition, management or leasing of real estate that will be sold or leased to third parties, the Applicant should select one of the real estate financing options.

The information in Question 10 is used in the CDFI Fund’s public releases about Allocatees, including the QEII Issuance Report. An Applicant’s response to Question 10 will not impact the scoring or evaluation of its Allocation Application. If the Applicant indicates in Question 10 that it proposes to predominantly finance Operating Businesses, it would be generally expected that the Applicant will devote the majority of its QALICB financing to Non-Real Estate Activities or Real Estate Activities where the real estate will be owned (either directly or through an Affiliate) and principally occupied by an Operating Business as shown in Question 13.

Note: When answering Allocation Application Question 18 (Innovative Investments), refer to FAQ #57 for what specifically qualifies as Non-Real Estate innovative investments.

D. Business Strategy Section

34) Will an Applicant be advantaged in the Allocation Application scoring if they select to pursue certain eligible activities over others in Question 13(b) of the Allocation Application?

No, Applicants will not receive any advantage in the Allocation Application scoring by simply selecting (or not selecting) any eligible activity in Question 13(b) of the Allocation Application.

Applicants are evaluated on the similarity of past activities to projected QLICI activities. For example, an Applicant whose track record has been primarily investing in Real Estate Activities may in fact be disadvantaged in the Allocation Application scoring if it indicates it plans to use a significant portion of their QEII proceeds to invest in non-Real Estate Activities, unless they present a compelling rationale for this shift in their business strategy.
35) **In Question 14, will the Applicant receive any advantage by offering more than one financial product?**

No, Applicants receive no advantage in the evaluation of the Allocation Application by selecting and describing more than one financial product. Applicants that use the same narrative text for different financial products will not be scored as favorably as those that provide a distinct and unique narrative for each product.

36) **How should an Applicant respond to Question 14 if it will offer multiple financial notes to a single QALICB?**

Question 14 of the CY 2020 NMTC Allocation Application asks Applicants to describe up to three financial products that will be offered with capital raised from its NMTC Allocation. Each financial product described by the Applicant must be a stand-alone financial product. For each product, the Applicant should clearly discuss how the product is structured, as well as the benefits this structure provides to borrowers/investees. A single financial product may contain multiple financial notes offered together. For example, the Applicant will offer a financing package that includes a senior loan (A note) and a subordinate loan (B note) to QALICBs. This financing package should be described as a single financial product to the extent that the individual loans will not be offered individually.

Applicants that will offer multiple financial notes in a single financial product should describe the rates and terms of the financial notes on a blended basis. To determine the blended interest rate for two or more financial notes, the Applicant should calculate the weighted interest rate for each financial note (see FAQ #39). To the extent different financial notes have different flexible features (e.g., the A-note has a 30-year term and the B-note has a seven-year term), Applicants should clearly describe the flexible features of each financial note.

37) **In Question 14(b), what does subordination mean as a flexible feature?**

Subordinated debt is NOT a specific type of debt product for the purposes of this question. Per the TIP to Question 14(b) and FAQ #36 above, a financial product with multiple financial notes (e.g., an A and B note, or an A, B, and C note) must be described as one product. The Applicant may describe subordination as a flexible feature for the product(s) described in Question 14(b). For example, the Applicant is offering a product with an A and B note where the B note is subordinate to the A note. The Applicant may also discuss subordination in relation to the financing provided to the QALICB by other sources (e.g., other CDEs in multi-CDE transactions; or in relation to non-NMTC financing provided to the QALICB).

38) **In Question 14(b), the Applicant is asked to describe how the rates and terms of its proposed QLICIs compares to the financial products typically offered by the Applicant. What information should the Applicant provide, if the Applicant’s only line of business is NMTC QLICIs?**

If the Applicant’s only line of business is NMTC QLICIs and it has not provided non-NMTC financial products on its own, the Applicant must provide the rates and terms of the financial products typically offered by its Controlling Entity as a comparison to the rates and terms of
the Applicant’s proposed QLICIs. The Applicant must also provide the rates and terms typically offered in the Applicant’s service area.

For example, Applicant ABC New Markets Fund only offers NMTC loans to QALICBs in the state of Kansas, and its Controlling Entity, XYZ Investments, provides various types of business financing in this state. In this case, ABC New Markets Fund must compare the rates and terms of its proposed loans to QALICBs to the rates and terms of the business financing typically offered by XYZ Investments in the state of Kansas. ABC New Markets Fund must also provide the rates and terms of loans provided by other financing entities in its service area, which is the state of Kansas.

If the Applicant’s Controlling Entity has not offered financial products to for-profit or non-profit businesses, the Applicant must explain the activities of the Controlling Entity. For example, if the Controlling Entity provides financial counseling and loan packaging, the Applicant must describe these activities in its response to Q. 14(b).

If the Applicant only provides NMTC investments and has no Controlling Entity, the Applicant should explicitly state in its response to Q. 14(b) that it has no Controlling Entity and compare the rates and terms of its proposed QLICIs with the rates and terms offered by other financing entities serving the Applicant’s service area.

39) For the purposes of answering Questions 14 and 15, how is the interest rate calculated for NMTC investments made through the A-B leverage structure?

The interest rate should be calculated by taking the weighted average of the interest rate on the A loan and on the B loan, provided these transactions are offered as one financial product. For example, if the interest rate on a $7 million Note A in the leverage structure is 7.0% and the interest rate on a $3 million Note B is 1.0%, then the weighted average interest rate will be 5.2%. If the market interest rate was 8.0%, then the interest rate on the NMTC financing would be 35% below market.

For additional guidance on compliance with this requirement, please see the “NMTC Program Compliance Monitoring Frequently Asked Questions” document.

40) The 2020 Allocation Application clearly states that Applicants may not include information about investments closed after the release date of the CY 2020 NMTC Allocation Application. Where may a prior Allocatee discuss its plans to close additional QLICIs after this date?

An Applicant’s responses to questions related to its track record must not include loans and/or investments closed after the release date of the 2020 Allocation Application. Applicants are to include information about future NMTC investments they plan to close using prior allocations in response to Question 17(d). In addition to providing the information requested in Question 17(d), an Applicant must also clearly indicate in its narrative which of its planned investments will use the requested allocation and which planned investments will use allocation awarded in prior rounds. If the Applicant has committed QEIs/QLICIs from prior allocations to specific projects, the Applicant should provide the name of the business, city, state, QALICB type (community facility, industrial, mixed-use, etc.), and the amount of QEI/QLICI committed. If the Applicant intends to use QEIs/QLICIs from prior allocations to
fund a small QLICI loan fund, the Applicant should provide the status of such loan fund (e.g. QEIs issued, the amount QEI/QLICIs it plans to use, the number of businesses/borrowers identified).

Applicants may not discuss NMTC investments closed after the release date of the CY 2020 Allocation Application in Questions 19, 20, 21(d), 25 (when discussing the track record of community outcomes), 26 (track record of community accountability and involvement), 27 (track record of additional private investment), 34, and 43, as well as Exhibits B and Tables E1-E2. Reviewers will be directed to disregard any investments made after the release date of the Allocation Application for the evaluation of these questions and exhibits.

41) **How will the CDFI Fund evaluate if a prior Allocatee has utilized its prior allocations in a manner that is generally consistent with the representations made in the relevant prior year Allocation Application?**

The CDFI Fund expects that the Applicant will provide QLICIs to projects or businesses that are generally consistent with the business strategy articulated in the Allocation Application that was awarded, including but not limited to, the proposed product offerings, QALICB type, fees and markets served. As described in the NOAA, the CDFI Fund reserves the right to reject or reduce the Allocation award amount of any NMTC Allocation Application in the case of a prior Allocatee, if such Applicant has failed to use its prior NMTC Allocation(s) in a manner that is generally consistent with the business strategy set forth in the Allocation Application(s) related to such prior NMTC Allocations.

For example, if CDE XYZ Community Investments’ pipeline for a prior year Allocation Application includes investments in QALICB types consisting of retail-anchored mixed-use real estate as well as community facilities, the CDFI Fund expects that CDE XYZ Community Investments will provide QLICIs to these types of businesses. If, subsequently, CDE XYZ Community Investments provided a QLICI to a hotel (i.e. hospitality business), which was not discussed as a project or QALICB type in Q.17 (and Table A5, as applicable), this divergence from the Applicant’s proposed business strategy will be considered during evaluation of whether the Applicant used its prior NMTC Allocation in a manner generally consistent with business strategy in its prior Allocation Application.

The CDFI Fund will consider whether the Allocatee used QEIs to finance one or more projects or businesses that are not generally consistent with the business strategy of the Allocation Application that was awarded. If so, the CDFI Fund will determine whether the amount of QEIs so used exceeds 15% of any one Allocation awarded to the Allocatee.

CY 2020 Allocatees that use an amount of QEIs greater than 15% of their CY 2020 NMTC Allocation to finance one or more projects or businesses that are not generally consistent with their CY 2020 Allocation Application (i.e., QALICB types in Q. 17 and Table A5) may be denied an NMTC Allocation in future allocation rounds.
42) **What information will the CDFI Fund evaluate to determine whether a prior Allocatee has utilized its prior allocations in a manner that is generally consistent with the representations made in the relevant prior year Allocation Applications?**

The CDFI Fund will evaluate whether a prior Allocatee has provided QLICIs that are generally consistent with prior business strategies by reviewing transaction-level data submitted to the CDFI Fund by prior Allocatees, as well as narratives provided in Q.43 of the *Allocation Application*. The CDFI Fund will review transaction-level data related to prior Allocations and compare it to prior successful *Allocation Applications*.

43) **How will the CDFI Fund evaluate changes in an Allocatee’s business strategy in response to the COVID-19 pandemic in terms of compliance with and future eligibility for the NMTC Program?**

To mitigate the impact of the COVID-19 pandemic on compliance with existing *Allocation Agreements* and eligibility in future *Allocation Rounds*, the CDFI Fund will consider whether the Allocatee used an amount of QEIs greater than 30% of any one NMTC Allocation to finance one or more projects or businesses that are not generally consistent with the business strategy (specifically the QALICB types) of the *Allocation Application* that was awarded. This COVID-19 pandemic exception only applies to CY 2017, 2018, and 2019 NMTC Allocations.

An Allocatee that wishes to change their business strategy, such that an amount of QEIs greater than 30% of any one NMTC Allocation will be used to finance one or more projects or businesses that are not generally consistent with the business strategy in the *Allocation Application* (specifically the QALICB types), must submit an AMIS service request seeking formal pre-approval from the CDFI Fund. The request, at a minimum must:

1. Identify the name and control number of the Allocatee;
2. State the reasons why the Allocatee is making the request;
3. Explain how the revised business strategy is a substantive departure from the business strategy proposed in the initial *Allocation Application*; and
4. Demonstrate that any changes in business strategy address the economic impact of COVID-19 and clearly benefit QALICBs and LICs.

44) **Will the CDE be required to make innovative investments it committed to in the Allocation Application if the Allocation Agreement does not explicitly require it in Schedule 1?**

A CDE that proposes to pursue an innovative investment of an NMTC Allocation in its *Allocation Application* is only required to make such innovative investments if Schedule 1 of the *Allocation Agreement* so indicates. If Schedule 1 does not require an Applicant to make innovative investments, the Applicant may choose whether to engage in such innovative investments consistent with the terms and conditions of its *Allocation Agreement*; such an Applicant’s failure to make innovative investments will not negatively affect the CDFI Fund’s assessment of whether the Applicant remained ‘generally consistent’ with its application in carrying out its NMTC Allocation.
45) If awarded an Allocation, will the CDE be required to invest in all the businesses identified in Q17 and Table A5?

The purpose of Question 17 and Table A5 is for the Applicant to illustrate the types of projects or businesses it intends to finance with its NMTC Allocation, to demonstrate an understanding about the types of projects or businesses that are compatible with the intent of the NMTC program and to indicate how NMTC financing fits into the overall capital stack of the projects or businesses it undertakes. Question 17 and Table A5 also allow the Applicant to demonstrate that it is able to identify and underwrite viable NMTC projects or businesses.

The CDFI Fund recognizes that some projects or businesses may become infeasible and new opportunities may arise between the time the Allocation Application is submitted and allocation awards are announced. The CDFI Fund also recognizes that most Applicants who receive an allocation will be awarded an amount below their allocation request. Therefore, the CDFI Fund does not expect an Applicant to invest in all of the projects listed in Question 17 and Table A5. However, all QLICIs made by Allocatees must be clearly consistent with the overall strategy, including the QALICB or business types (e.g. community facilities, industrial, etc.), listed in Question 17 and Table A5.

Applicants are cautioned against repeating the same pipeline projects or businesses from past successful Allocation Applications without explaining in Question 17 why the projects or businesses have not progressed. Should the Applicant make it to Phase 2 panel review, the CDFI Fund may not consider those projects in its award determinations should the Applicant fail to explain why the project(s) or business(es) have not progressed.

46) How many pipeline projects or businesses should an Applicant include in its response to Question 17?

In its narrative for the general pipeline of activities, the Applicant should address:

- Total number of businesses or CDEs already identified, including the total dollar amount of NMTC financing (e.g. QEI and QLICI amount) to be provided (Total QEI needs should be equivalent to the Applicant’s allocation request in Question 1);
- What portion of the Applicant’s pipeline falls into different business types (e.g. community facilities, retail, industrial, etc.) and activity types (e.g. loans to QALICBs, investments in CDEs, loan purchases from CDEs, etc.); and
- Applicant’s strategy for identifying potential borrowers, investees, or other customers in Low-Income Communities.

With the addition of Table A5, Applicants should not provide detailed descriptions of sample transactions in Question 17. However, Applicants should use Question 17 to describe fully the types of smaller transactions they plan to make using a loan fund or loan pool structure. See FAQ #49 for more information on describing transactions associated with a loan fund/pool structure.
The CDFI Fund has reduced character limits in Q. 17, to ensure that Applicants only provide the required information without duplicating information provided in Table A5. See the “CY 2020 NMTC Application – AMIS Navigation Guide” for additional details.

Please also refer to FAQ #40, which provides details on what to include in the response to Question 17 regarding planned QLICIs that will close after the release date of the Allocation Application.

47) Should the projects and activities listed in Table A5 match the projects and activities listed in Question 17?

For both “single or discrete number of investments” and “general pipeline of activities”, the projects and activities listed in Table A5 should be consistent with the information presented in Question 17. However, for Question 17, Applicants should not provide details of the sample transactions described in Table A5. The total Applicant QEIs for the projects and activities listed in Table A5 should match the Applicant’s allocation request in Allocation Application Question 1. In cases where the Applicant anticipates using a portion of their Allocation to invest in a small dollar (equal to or less than $4MM) and/or revolving loan or equity fund, the Applicant may, in Table A5, indicate “Small Dollar Fund” or “Revolving Loan Fund” as a single project. See FAQ #49 for more information on describing transactions associated with a loan fund/pool structure.

48) In Table A5, how should an Applicant respond if one QLICI will finance several business types (Row L), the financing will be used for different purposes (Row M), or produce several community outcomes (Row N)?

Applicants should check all options that apply to the transactions. Applicants are encouraged to select a category, which most closely aligns with the Applicant’s QLICI. However, if the QLICI does not align with the pre-existing categories, the Applicant has the option to select “Other” and briefly define the characteristic in Business Name and Description (Row A). The CDFI Fund does not provide preference on one selection over another. However, the CDFI fund will evaluate how the QLICIs the Applicant intends to finance align with the overall business strategy described in the Applicant’s Allocation Application.

49) Does an Applicant that is planning to use its NMTC Allocation to finance one or more loan fund or loan pool structures need to complete Table A5? What information is to be provided in Table A5?

Yes, Applicants that plan to use NMTC to finance one or more loan funds or loan pool structures must complete Table A5.

Applicants that plan to use $15 million or less of the requested allocation to provide QLICIs through a loan fund or loan pool structure may aggregate the loan fund or loan pool transactions into one or more entries in Table A5. Applicants must make sure to fully describe the types of transactions, the types of businesses it intends to finance, the total number of businesses identified, and their strategy for identifying potential borrowers in the narrative for Q.17(d).
Applicants that plan to use more than $15 million of the requested allocation to provide QLICIs through one or more loan fund or loan pool structures, must provide distinct representative pipeline projects in Table A5 for all planned QLICIs of more than $4 million that will be funded through a loan fund/pool structure. For planned loan fund or loan pool structures with QLICIs that are equal to or less than $4 million, the Applicant should provide distinct representative pipeline projects in Table A5 for at least 50% of the requested allocation to be used for this purpose. For the remaining percentage of allocation used for this purpose, the Applicant may aggregate the remaining QLICIs of $4 million or less into one entry in Table A5 and describe the types of transactions, the types of businesses it intends to finance, the total number of businesses identified, and their strategy for identifying potential borrowers in the narrative for Q.17(d).

For example, if an Applicant is requesting $100 million allocation and plans to use a loan pool structure for all of its QLICIs, with $80 million for QLICIs greater than $4 million and $20 million for QLICIs of $4 million or less targeting non-profit community organizations, light manufacturing/food processing plants and retail: In Table A5, the Applicant will enter $80 million of distinct transactions. In addition, the Applicant will enter in Table A5 distinct pipeline business or projects for at least $10 million consisting of light manufacturing and community facilities and one entry for $10 million aggregating the remaining QLICIs of $4 million or less. In Q. 17 the Applicant will describe that the $10 million small dollar loan pool entered in Table A5 will consist of community facilities (childcare, job training and multi-service community organizations, light manufacturing and retail).

50) Can NMTCs be used to finance broadband infrastructure or related activities?

Broadband infrastructure and related activities are eligible for NMTC investments provided that those activities meet the IRS Regulations related to a business qualifying under the NMTC program. For additional details, please see IRC 45D and related IRS guidance.

51) There are some activities that are not clearly prohibited by the IRS Tax Regulations, but that are also not clearly allowed. If my business strategy falls within one of these more undefined areas, how will my Allocation Application be scored by the CDFI Fund?

The CDFI Fund will evaluate each Allocation Application on a case-by-case basis, and consult with the IRS as necessary during Phase 2 of the review process, to ensure that the activities proposed are within the guidelines set forth in the IRS Tax Regulations. If some or all of the Applicant’s proposed activities are not allowable pursuant to the IRS Tax Regulations, the CDFI Fund may reduce the recommended amount of an NMTC Allocation as appropriate, or deny the Applicant an NMTC Allocation entirely. Please see the third Tip in Part I, Section A of the Allocation Application for certain CDFI Fund eligibility requirements and to ensure that your business strategy falls within those guidelines.

52) Is an Applicant required to specify the amount of its QLICIs that will be directed to innovative investments? Can the Applicant propose an innovative investment of an NMTC Allocation that is not listed in Q.18?

Applicants are required in Q. 18 to provide the percentage of total QLICIs to be used for each innovative investment type. The CDFI Fund will only consider the activities listed in
Question 18 as innovative investments of an NMTC Allocation. While an Applicant cannot propose an innovative investment not listed in Q. 18, the CDFI Fund does not prefer one innovative investment type over another.

53) **If an Applicant commits in Question 18 to invest in Unrelated CDEs that do not have NMTC Allocations, how would it determine if a prior Allocatee is eligible to receive a QLICI under this commitment?**

In order for an Applicant to make a QLICI in an Unrelated CDE and qualify to meet the innovative investment requirements, the CDE receiving the QLICI must not have received an NMTC Allocation in the CY 2017, CY2018, or CY 2019 rounds. To determine which CDEs received such allocations, the Applicant may consult the CDFI Fund’s award database: [https://www.cdfifund.gov/awards/state-awards/Pages/default.aspx](https://www.cdfifund.gov/awards/state-awards/Pages/default.aspx). In addition, the Unrelated CDE receiving the investment cannot also apply for a CY 2020 Allocation.

54) **If an Applicant commits in Question 18 to invest a percentage of QLICIs in states identified by the CDFI Fund as having historically received fewer dollars of QLICIs, will it be held to the specific subset of states identified in the Applicant’s strategy to deploy these QLICIs (for example, three states of the ten listed in FAQ #55)? Or will it simply be held to any of the CDFI Fund identified states?**

The Applicant can invest in any of the states identified by the CDFI Fund that are within the Applicant’s service area. The terms of the Allocation Agreement will hold the Allocatee with a national service area to investing a designated percentage in any of the identified states or U.S. Island Areas listed in FAQ #55. Applicants that do not have a national service area will be required to invest in any of the identified states or U.S. Island Areas that are within the Applicant’s service area.

55) **What are the states identified by the CDFI Fund that have historically received fewer dollars of QLICIs, referenced in Question 18?**

Since the inception of the NMTC Program, QLICIs have been made in all 50 states, the District of Columbia, Puerto Rico, and Guam. However, the CDFI Fund has identified Puerto Rico along with the following 10 states as areas that have received fewer dollars of QLICIs in proportion to their statewide population residing in Low-Income Communities: Florida, Georgia, Kansas, Nevada, New Mexico, Tennessee, Texas, Virginia, West Virginia, and Wyoming.

The above states are identified by dividing the total dollars of QLICIs invested (FY2003-FY2017) in each state by the population residing in LICs in that state. Total dollars of QLICIs are based on the NMTC Public Data Release updated in December 2019. The population residing in LICs by state is established using data listed as “population for whom poverty is determined” in the 2011-2015 American Community Survey (ACS) NMTC eligibility data (and 2006-2010 ACS NMTC eligibility data for Island Areas).

The CDFI Fund also considers additional Island Areas of the United States (American Samoa, Guam, Northern Mariana Islands, and US Virgin Islands) to have received lower levels of NMTC investment, as these four territories have only received minimal amounts of QLICIs.
While investment in the geographies listed above is considered an innovative investment of NMTCs for the purposes of Question 18, the CDFI Fund does not give preference to this innovative investment type over any other innovative investment type.

56) **If the Applicant commits in Q. 18 to provide QLICIs where the total QLICIs received by the QALICB are $4 million or less, does that include QLICIs made into multi-CDE transactions?**

Yes. In order to qualify as an innovative investment, total QLICIs received by the QALICB, from all CDEs involved in the transaction, must be $4 million or less. For more information about how this activity will be monitored, please see the NMTC Program Compliance Monitoring Frequently Asked Questions.

57) **If the Applicant commits to provide QLICIs for non-Real Estate Activities as an innovative investment in Q. 18, can QLICIs financing both Real Estate and non-Real Estate Activities count toward this commitment?**

No. In order for the Applicant’s QLICIs to count toward the innovative investment commitment, any financial note provided by the Allocated to a QALICB must be used entirely for non-Real Estate Activities. For example, if the Applicant provides two financial notes (i.e. an A Note and a B Note) to a QALICB and a portion of one note is financing Real Estate Activities, then none of the financial notes to that QALICB can be counted towards its commitment for non-Real Estate innovative investments.

With respect to multi-CDE transactions, the financing activities of other CDEs are not considered in the Applicant’s commitment to Non-Real Estate Activities. In effect, in such transactions, other CDEs may provide financing for Real Estate Activities. In multi-CDE transactions, the Applicant’s QLICIs will count toward its non-Real Estate commitment as long as these QLICIs finance ONLY non-Real Estate Activities, notwithstanding the financing provided by other CDEs.

Non-Real Estate innovative investments are defined as “QLICIs made for non-Real Estate Activities, such as working capital, inventory or equipment purchase, as long as no part of the QLICI was used for Real Estate Activities.” Per the CY2020 Allocation Application Glossary of Terms, Real Estate Activities “refers to the development (including construction of new facilities and rehabilitation/enhancement of existing facilities), acquisition, management or leasing of real estate by a business.” Financing for activities not considered Real Estate Activities are considered non-Real Estate Activities.

58) **If the Applicant commits to investing in Federal Indian Reservations, Off-Reservation Trust Lands, Hawaiian Home Lands, and Alaska Native Village Statistical Areas, how can the Applicant identify whether potential NMTC investments are located in these areas?**

Applicants should use the CIMS3 to geocode addresses and determine whether potential QALICBs are located in Federal Indian Reservations, Off-Reservation Trust Lands, Hawaiian Home Lands, and Alaska Native Village Statistical Areas.

To determine whether a proposed QALICB is located in one of these areas, first access CIMS3 by clicking [https://www.cims.cdfifund.gov/preparation/?config=config_nmtc.xml](https://www.cims.cdfifund.gov/preparation/?config=config_nmtc.xml).
Then, click on the Layers button in upper right of the screen. De-select 2011-2015 LIC Census Tract and Qualified Opportunity Zone Tract, and instead select Federal Indian Reservation. Put in the address of the proposed QALICB in the Search bar at the top right of the screen and press Enter. Click on the search result that matches the address you are looking for and zoom in to the address. If the address pin is located in the shaded area per the Legend, then the proposed QALICB is located in one of these areas stated above and consequently can be considered an innovative investment. Click on the area around the address pin to obtain the specific name of the area (e.g. Fort Apache Reservation; Kalamaula Hawaiian Home Land). Lastly, click on the Layers button and de-select the Federal Indian Reservation layer and instead select 2011-2015 LIC Census Tract to determine whether the proposed QALICB is located in an NMTC-eligible census tract. Note that the determination of whether a proposed QALICB is located in one of these areas and in an NMTC-eligible census tract has to be conducted separately.

59) How should an Applicant respond to Questions 19, 20, and Exhibit B tables based on the activities in Question 13(b)?

The activities in Q.13(b) represent the types of NMTC activities that would generally qualify as QLICIs. The Applicant should use the types of activities in Q.13(b) as a guide for responding to Q.19, and Tables B1-B3. If the Applicant has a track record of providing loans or equity investments different than those described in Q.13(b), the Applicant should include these activities in Q.20 and Table B4.

Table B1 should include, and Q.19 should discuss, the Applicant’s (or its Controlling Entity’s) track record of directly providing or otherwise facilitating loans or Equity Investments to Real Estate and Operating Businesses (including any QLICIs to QALICBs). Table B2 should include, and Q.19 should discuss, the Applicant’s (or Controlling Entity’s) track record of providing loans or Equity Investments in other CDEs. Exhibit B3 should include, and Q.19 should discuss, Applicant’s (or Controlling Entity’s) track record of purchasing loans from other CDEs. Financial Counseling and Other Services (FCOS) should be described in the narrative to Q.19.

For example, if the Applicant indicated that it would provide “investments in, or loans to, QALICBs” in Q.13(b), then in each of the annual columns in Table B1 it should provide data on the Applicant’s or Controlling Entity’s track record of directly providing loans and/or equity investments to real estate businesses and Operating Businesses (excluding Restricted NMTC Business Activities) and record these in row 2(a) or 2(b). The Applicant may also quantify its (or its Controlling Entity’s) track record of facilitating loans or Equity Investments (e.g. loan packaging, project development) to real estate businesses and Operating Businesses and record these in row 3. The track record included in Tables B1-B3 may include both past NMTC loans/investments and non-NMTC loans/investments.

Exhibit B4 should include, and Q.20 should discuss, any loans, Equity Investments, and/or financial counseling that does not correspond to the types of activities listed in Q.13(b). This may include Restricted NMTC Activities, loans and/or Equity Investments in NMTC investment funds or non-CDE financial institutions, personal or consumer loans, and residential mortgages among other types of loans and/or Equity Investments. Applicants should explain the dollar amount of each type of activity included in Table B4.
60) **What should I consider when completing the tables in Exhibit B?**

When completing a given table, for each annual column, *Applicants* should report on the totality of historical loans and equity investments for the period 2015-2020 YTD. Please be aware of the allowable financing activities for each table in Exhibit B. In the column “Totals to DBCs (2015-2020),” *Applicants* should report the amount of their overall loans or *Equity Investments* that were directed to businesses that: a) are located in *Low-Income Communities*; b) are owned by *Low-Income Persons*; or c) otherwise have inadequate access to investment capital.

In addition to the Tips in Q.19 and the instructions in Exhibit B, you should also consider the following:

a) In Row 3 of Table B1 and Row 2 of Table B4, an *Applicant* may indicate the financial contributions of others. This will enable the *Applicant* to include projects or businesses in which it engaged in financing-related activities such as loan packaging, project management/development, etc.

b) An *Applicant* (or *Controlling Entity*) may describe their track record of providing FCOS (for NMTC-related activities) in *Allocation Application* Question 19. However, FCOS should not be included in Tables B1-B3. Per the 2020 *Allocation Application* glossary, FCOS is advice provided by a *CDE* relating to the organization or operation of a trade or business. See 26 CFR 1.45D-1(d) (7) for additional guidance.

c) An *Applicant* (or *Controlling Entity*) may describe their track record of financial counseling for Restricted NMTC Business Activities (e.g. counseling for residential mortgages) in *Allocation Application* Question 20, but this should not be included in Table B4. See FAQ #63 below on what types of financial counseling should only be included in *Allocation Application* Question 20.

d) *Applicants* may not include direct expenditures on project costs (e.g. paying a contractor for infrastructure work) as financing. Only loans and/or *Equity Investments* may be included in Exhibit B.

e) *Applicants* are required to complete the column Totals to Non-Metropolitan Counties (2015-2020) indicating their track record of direct loans/investments and/or facilitating loans/investments provided by other sources, which will enable the CDFI Fund to determine the reasonableness of the *Applicant’s* commitments to invest in Non-Metropolitan Counties, as well as whether the entity should receive special consideration as a “Rural *CDE*” (see FAQ #123 below).

61) **What is the difference between direct financing and indirect financing for the purposes of Exhibit B?**

Direct financing consists of loans and *Equity Investments* that the *Applicant* (or *Controlling Entity*) financed with its own capital and that capital is at risk. *QLICIs* made with an *Applicant’s* previous *NMTC Allocations* should be listed as direct financing.

Indirect financing consists of loans and *Equity Investments* provided by third-party sources.
that were facilitated by the Applicant (or Controlling Entity). In effect, the Applicant’s (or Controlling Entity’s) capital was not at risk. Examples of indirect or facilitated financing include loan packaging, project development, and structuring transactions for unrelated entities.

**Note:** An Applicant may **not** include in Exhibit B income earned by the Applicant (or Controlling Entity) for providing services (e.g. structuring NMTC transactions, project development, etc.) to other CDEs.

**62) In Exhibit B, can an Applicant select “Applicant” for Tables B1-B3 and “Controlling Entity” for Table B4?**

No, the online Allocation Application does not allow an Applicant to select “Applicant” for Tables B1-B3 and “Controlling Entity” for Table B4. All tables in Exhibit B, Table D1 and Table E1 must be completed with information for the same entity – either the Applicant or the Controlling Entity – by selecting the appropriate entity in Question 3. If the Applicant would like to include non-QLICI activities of the Controlling Entity in Table B4, the Applicant must select “Controlling Entity” in Question 3, which will carry over to Tables B1-B3, Table D1 and Table E1 as well. Applicants should, however, be sure to address the extent to which the Applicant has itself engaged in these activities in the narrative responses to Questions 19 and 20.

**63) What types of activities should be included in Question 20 and Table B4? For example, can an Applicant report consumer loans or mortgages in Table B4?**

Responses to Question 20 and Table B4 are not required. Applicants should consider responding to Q. 20 and completing Table B4 if the Applicant has less than five years of track record in QLICI-like financing activities to report in Table B1-B3. Applicants may use Question 20 and Table B4 to report direct loans or equity investments that would not qualify as or are not substantially similar to QLICI activities, and therefore cannot be included in Tables B1-B3.

Applicants can report activities such as consumer loans or mortgages in Table B4. Other examples of activities that can be reported in Table B4 include: loans/investments to real estate properties where 80% or more of the gross income is derived from renting residential dwelling units,

- loans/equity investments to NMTC investment funds or non-CDE financial institutions,
- personal or consumer loans,
- residential mortgages,
- investments in other NMTC prohibited businesses (e.g. certain farming businesses, gambling businesses, massage parlors, country clubs, etc.), and
- financial counseling related to any of the above products that do not align with activities listed in Question 13 and should not be included in Question 19.

All types of business lending, except for Restricted NMTC Business Activities, should be listed in Tables B1-B3, regardless of the size of the investment or geographic location of the
investment. Similarly, the Applicant’s track record of Financial Counseling and Other Services (FCOS) provided to businesses should be described in the narrative response to Question 19. Per the 2020 Allocation Application glossary, FCOS is advice provided by a CDE relating to the organization or operation of a trade or business. See 26 CFR 1.45D-1(d)(7) for more guidance.

Please be advised that “financing activities” consist solely of the provision of loans or Equity Investments. The provision of grants to entities, including businesses and/or CDEs, by the Applicant (or Controlling Entity) cannot be reported in Exhibit B and should not be referenced in the narrative responses to Questions 19 and 20.

64) Will the CDFI Fund view prior Allocatees that have invested smaller amounts of their past NMTC Allocation(s) into multiple projects with other CDEs more favorably than prior Allocatees that have invested larger amounts into fewer projects with their own NMTC Allocation?

No scoring preference or other consideration is given based on the number of investments made or the size of the investments made with prior NMTC Allocations.

Applicants with a track record of investing smaller amounts of QEIs into more projects are not favored over Applicants who invest a larger amount of QEIs into fewer projects. Applicants with previous allocations are evaluated based on the quality (e.g. below-market financial products, reasonable transaction costs) of their past NMTC investments and whether their past NMTC investments were generally consistent with the business strategies (including, but not limited to, the proposed product offerings, QALICB type, fees and markets served) presented in past successful Allocation Applications, among other considerations.

The CDFI Fund recognizes that investing smaller amounts of QEIs into a project may increase the number of CDEs involved in the project, which may drive up transaction costs. The CDFI Fund strongly encourages CDEs to continue to explore ways to minimize transaction costs on NMTC transactions.

65) What cutoff date should Applicants use when describing their track record of past investment activities in Allocation Application Questions 19, 20, 21(d), 25 (when discussing the track record of community outcomes), 26 (track record of community accountability and involvement), 34, and 43, as well as Exhibits B and Tables E1-E2?

In describing their track record, Applicants may include loans and/or investments closed prior to or the release date of the CY 2020 Allocation Application. The Applicant may not enter information on capital raised or previous financing activities that occurred after release date of the CY 2020 Allocation Application. Please review FAQs #40, 116, and 120 for more details.

66) How can an Applicant earn the five priority points for providing capital or technical assistance to Disadvantaged Businesses or Communities?

Applicants that demonstrate a track record (or a Controlling Entity’s track record) of having successfully provided capital or technical assistance to Disadvantaged Businesses or Communities may earn up to 5 priority points. Evaluation of track record is based on the information provided in Exhibit B and the responses to Questions 19 and 20.
67) In Question 22 of the Allocation Application, how can an Applicant earn the five priority points for investing in Unrelated Entities?

Beginning in the Combined 2015-16 NMTC application round, an Applicant may earn 5 priority points if it intends to invest in and commits to use “substantially all” of its QEI proceeds to make investments in one or more businesses in which persons Unrelated to the Applicant and the Subsidiary Allocatee hold the majority equity interest (“Unrelated Entities”) during and after the NMTC compliance period. Whether a QALICB is related to a CDE is determined pursuant to IRC Sections 267(b) and 707(b)(1).

An Allocatee investing in Unrelated Entities will be in compliance with its Allocation Agreement only if persons Unrelated to the Allocatee and Subsidiary Allocatee (if the Subsidiary Allocatee makes the QLICI) will hold a majority equity interest in the QALICB after a QEI is made in the Allocatee or Subsidiary Allocatee, but before the Allocatee or Subsidiary Allocatee uses the proceeds of that QEI to make its initial QLICI in the QALICB. The Allocatee must determine whether such persons are related to the Allocatee and Subsidiary Allocatee (within the meaning of IRC §267(b) and §707(b)(1)) in consultation with its own tax advisors. The CDFI Fund will assess compliance with the Unrelated Entities requirement at the Allocatee level, and also at the Subsidiary Allocatee level if the Subsidiary Allocatee makes the QLICI. This requirement applies to all QLICIs made with Allocations awarded in the 2020 round.

Anti-Abuse Provision: The CDFI Fund may review any subsequent changes in the QALICB, Allocatee, or Subsidiary Allocatee ownership resulting in common ownership between the Allocatee (and Subsidiary Allocatee) and the QALICB on a case-by-case basis to determine whether a principal purpose of a transaction or a planned series of transactions is to achieve a result that is inconsistent with the purpose of this rule.

68) If an Applicant intends to combine historic tax credits with NMTCs and use a lease pass-through structure in which the CDE will be the 100% owner of the Master Tenant and, therefore, a lessee of the QALICB and/or a member of the QALICB, does the Applicant need to describe this relationship in its response to Question 23(d)?

Yes, the Applicant should disclose this relationship in Question 23(d). The Applicant may discuss how this relationship adds value to the QALICB both in the response to Question 23(d) and in the response to Question 23(f). The scoring criteria do not penalize the Applicant for using a lease pass-through structure to twin New Markets Tax Credits with Historic Tax Credits, provided the Applicant articulates how this structure adds notable added value to the QALICB.

69) What notable relationships is the Applicant required to disclose and describe in Question 23?

In addition to the information identified in FAQ #68 the Applicant must disclose relationships such as instances where the Applicant, its Affiliates (including the Controlling Entity) or its personnel listed in Exhibit C:

a) Own more than a one percent interest in the QALICB,
b) Provide professional services (developer, real estate agent, property manager, or general contractor, etc.) for the QALICB,
c) Are lessees at property developed with the QLICI,
d) Are parties to a business transaction financed with the QLICIs, or
e) Receive other financial benefits not included above.

Such relationships must be disclosed and described in Question 23 (a) – (e).

E. Community Outcomes Section

70) What are some examples of permissible and non-permissible activities for organizations that answer “yes” to Question 24(a)?

In Question 24(a) of the Allocation Application, an Applicant can commit to targeting 75% of the aggregate dollar amount of its QLICIs within Low-Income Communities that are characterized by at least one of the following items: a) Severe Distress, Non-Metropolitan Counties, or Targeted Populations; OR b) at least two of items 4-14 in Question 24.

Example 1 [permissible]: An Allocatee invests $90 million (90%) of its $100 million QLICI activities in areas characterized by census tracts with poverty rates greater than 30% (item 1 in Question 24). This example satisfies the “at least one of items 1-3” in Question 24 requirement, so this qualifies as permissible.

Example 2 [permissible]: An Allocatee invests $75 million (75%) of its $100 million QLICI activities in two transactions. One QALICB is in a federally designated Brownfields development area (item 6 in Question 24) and in a Federal Native Area (item 8 in Question 24); while the other QALICB is in a HOPE VI redevelopment area (item 7 in Question 24) and in a Federal Medically Underserved Area (item 11 in Question 24). In this example, both of the transactions satisfy the “at least two of items 4-14” requirement in Question 24, so this qualifies as permissible.

Example 3 [permissible]: An Allocatee invests $50 million (50%) of its $100 million QLICI activities in an area of severe distress with high poverty rates (30% or greater) (item 1 in Question 24). It also invests $25 million (25%) of QLICIs in census tracts that are within both a Colonias area (item 10 in Question 24) and in a Food Desert (item 14 in Question 24). In this example, 50% of the QLICI dollars satisfy the “at least one of items 1-3” requirement, and 25% of the QLICI dollars satisfy the “at least two of items 4-14” requirement. A total of 75% of the QLICI dollars meet the requirements of Question 24. Therefore, this qualifies as permissible.

Example 4 [not permissible]: An Allocatee invests 100% of its QLICIs in an area that is not characterized by any of items 1-3, and is only characterized by one of the criteria in items 4-14 in Question 24. Although the Allocatee invested 100% of its QLICIs in a Low-Income Community, it failed to satisfy either of the tests in Question 24(a), since its QLICIs were made in areas that had only one (as opposed to two or more) of the criteria listed in items 4-14 of Question 24.
71) Question 24 (which asks Applicants to identify areas where they propose to target the use of QLICIs), item 12 [Federal/State/Local Zones] includes Promise Zones and Opportunity Zones. What are Promise Zones? What are Opportunity Zones?

Federally designated Promise Zones are geographic areas defined by the Department of Housing and Urban Development (HUD). Promise Zone designation enables the Federal government to partner with local leaders who are addressing multiple community revitalization challenges in a collaborative way. More detailed information on what constitutes a Promise Zone, which communities have been selected, and other guidance on the initiative can be found at the following HUD website: https://www.hudexchange.info/programs/promise-zones/promise-zones-overview/.

Opportunity Zones are economically distressed census tracts where new investments, under certain conditions, may be eligible for preferential tax treatment. Localities qualify as Opportunity Zones if they have been nominated for that designation by the state and that nomination has been certified by the Secretary of the U.S. Treasury. More information on Opportunity Zones, including a list of designated Qualified Opportunity Zones, is available on the CDFI Fund’s website: https://www.cdfifund.gov/Pages/Opportunity-Zones.aspx.

Not all Promise Zones or Opportunity Zones are Low-Income Communities eligible for NMTC investment. Prior to making any NMTC investment decisions, you should check the NMTC eligibility of the census tract in the CDFI Fund’s mapping system (CIMS3). The CDFI Fund only guarantees the accuracy of information in its own mapping system (CIMS3).

Please note that the CDFI Fund does not give preference to Applicants proposing to target QLICIs in Promise Zones, Opportunity Zones, or any other area of higher distress listed in Question 24. Per the Allocation Application TIP, an Applicant that checks “Yes” to Question 24(a) will generally be scored more favorably, but Applicants are not evaluated based on selecting any specific one of the 14 areas of higher distress listed. Note that if the Applicant receives an NMTC Allocation, it will be required to meet the percentage figure identified in Question 24(a), and such requirement will be a term of its Allocation Agreement.

72) What portion of my pipeline should I use to project potential community development outcomes in Question 25 of the Allocation Application?

Applicants should base their community development outcome projections in Question 25 on the “priority pipeline” identified in Question 17 and Table A5. Applicants must use the same set of pipeline projects as a basis for projecting all of the selected community development outcomes.

73) What information should an Applicant provide when quantifying both its projected and track record of community outcomes in Question 25(a)?

To score highly in the Community Outcomes section, an Applicant must quantify both its projected and track record of community outcomes in Question 25(a).

When projecting the outcomes to be achieved with their NMTC Allocation, Applicants must clearly explain, for each of the outcomes selected in Question 25(a):
• the total number of the quantifiable community outcome(s) (e.g. number of LIC residents served, number of square feet of community space constructed) projected to be generated by NMTC investments;

• the total number of NMTC QALICBs the above figure is based on;

• the aggregate total dollar amount of project costs;

• what portion of these investments will be in collaboration with other CDEs (i.e. multi-CDE transactions);

• the total dollar amount of QEIs/QLICIs the Applicant will use for projected QALICBs listed in Table A5 and the dollar amount of total financing provided to similar borrowers or investees from its track record in Exhibit B; and

• the total dollar amount of QEIs/QLICIs that other unrelated CDEs will contribute to projected QALICBs in Table A5 as well as the total dollar amount of financing (including QEIs/QLICIs) that other unrelated CDEs have contributed to borrowers or investees from its track record in Exhibit B.

**Example 1 - Projections:** XYZ CDE projects that a $100 million allocation will allow it to create 1,400 direct jobs. This job creation figure is based on the Applicant investing in 10 pipeline QALICBs. These QALICBs have a total estimated project cost of $250 million with $175 million in QLICI needs. XYZ CDE plans to provide $100 million in QLICIs to finance these projects. The remaining $75 million in QLICIs are projected to come from other CDEs.

**Example 2 - Projections:** The 10 priority pipeline businesses to be supported with the Applicant’s allocation request have total estimated project costs of $90MM, of which the Applicant plans to provide $70MM. No other CDEs will be providing allocation. The 10 businesses represent 300,000 SF in newly constructed or renovated space and will serve an estimated 150,000 LIC residents.

When discussing their quantified track record of achieving community outcomes, Applicants should provide a similar level of detail on the aggregate track record based on financing activities in Exhibit B.

**Example 1 - Track Record:** Based on XYZ CDE’s financing track record in Exhibit B, its loans and investments to 15 manufacturing businesses resulted in a total of 5,000 direct jobs. These 15 manufacturing businesses had combined total project costs of $300 million. XYZ CDE provided $150 million in aggregate financing. Of the 15 businesses, five businesses with total project costs of $100MM, received a total of $25 million in QLICIs from other CDEs along with $60 million in QLICIs provided by XYZ CDE. These five businesses created/retained a total of 1,600 jobs.

**Example 2 - Track Record:** In the last five years, HIJ CDE provided $65 million in QLICIs to ten non-profit borrowers to develop or rehabilitate a total of 22,000,000 square feet of community facilities providing healthcare, social services, and childcare to LIC residents. These non-profit organizations served an aggregate of 30,000 patients, 20,000 clients, and 200 children. These community facilities had total project costs of $80 million. No other CDEs provided allocation to these organizations.
Each community outcome listed in Question 25 is defined and includes examples of how each outcome may be quantified. These examples are illustrative and not meant to be exhaustive. Applicants can elect to use other units of measurement they find relevant. Applicants are expected to quantify all community outcomes selected (projected and track record).

74) **When quantifying its projected community outcomes in Q. 25(a), is it sufficient for the Applicant to state the number of projects that will result in the selected outcome?**

No. The Applicant will not score favorably if it only states the number or percent of pipeline projects that will result in the selected outcome without quantifying the specific outcomes of those projects. As an example, for Community Goods or Services, it is not adequate if the Applicant merely states that three pipeline projects are community healthcare centers. Instead, in order for the Applicant to score favorably, it must quantify the outcomes resulting from these healthcare centers, such as number of low-income patients or patients from Low-Income Communities expected to be served by the centers, the total square footage of the healthcare centers, etc. Note that Applicants must describe the method used for its projections of the selected Community Outcomes. See FAQ #76 for additional details on methods.

The only exception is (7) Financing Minority Businesses in which the number of QALICBs or contractors that are Minority-owned or Minority-controlled is considered an appropriate quantification of this outcome.

75) **What details should be provided to support the quantification of projected community outcomes?**

Applicants should provide the necessary detail on how the projected community outcomes were estimated. An Applicant will be evaluated on its ability to quantify the projected community outcomes, such as its methods and metrics used to project those outcomes. See FAQ #76 for additional details on methods and metrics. The Applicant should also discuss the extent that it has a track record of achieving similar outcomes based on past investments in Exhibit B. The Applicant will not be evaluated simply on the sheer number of outcomes projected.

76) **When supporting community outcome(s) projections, what is the difference between a method and a metric?**

To score highly in the Community Outcomes section, the Applicant must support its projections with sound methods and metrics. Methods and metrics are not the same. A method is the procedure the Applicant used to obtain the numbers for quantifying its projections for each selected community outcome. Examples include:

- Obtaining projected outcome data (e.g. square feet, jobs, clients served, savings in energy or water usage from LEED certification) from the borrower (i.e. project sponsor);
- Using XYZ economic impact modeling software to estimate the number of construction jobs;
• Calculating projections (e.g. square feet, jobs, clients served) based on similar projects previously financed by the Applicant; or
• Analyzing a QALICB pro-forma to determine projections (e.g. lease rates, number of patient visits, number of minority businesses).

A metric is the basis the Applicant used to validate the reasonableness of the quantified projections for each selected outcome. It is the function or ratio used to verify the Applicant’s projections are reasonable. Examples of metrics include:

• X jobs per Y square feet of manufacturing space;
• X square feet of commercial real estate will result in the creation of Y full-time construction jobs;
• Charter schools create X Full Time Equivalent jobs for every Y students;
• X square feet of health care space will result in Y patient visits per year;
• X% reduction in lease rates results in Y number of non-profit social service providers;
• X number of classrooms with an average Y children per classroom results in Z number of children served by early education programs; or
• X environmental remediation costs will result in Y square feet of reusable space in LIC.

Additionally, Applicants should include the source of the metric (e.g. name of the industry trade group, name of governmental entity, based on Applicant’s prior loans to similar businesses, etc.) Applicants will score more favorably if metrics are obtained from or informed by third-party sources rather than relying solely on the Applicant’s own track record.

Note: Metrics are not required for (3) Accessible Jobs, (7) Financing Minority Businesses, and (9) Housing Units.

77) What are examples of third-party sources that an Applicant can use for its metrics?

As noted in FAQ #76, Applicants will score more favorably if metrics are obtained from or informed by third-party sources rather than relying solely on the Applicant’s own track record. A third-party source is an independent entity and is not a party to or consultant to the transaction. Potential sources include: a federal, state, or local government agency; industry trade group; peer-reviewed journal article; or independent market analysis report.

Note: The CDFI Fund does not have any preferred third-party source or economic impact modeling software.

Example 1 – Metrics (Job Creation/Retention): ABC CDE validated its job creation projections by utilizing a metric of 9.7 construction jobs per $1 million in construction costs (source of metric: Associated General Contractors of America).

Example 2 – Metrics (Community Goods or Services to LICs): The 5 pipeline healthcare centers will create an aggregate of 200 additional full time equivalent medical staff positions.
XYZ CDE’s estimate of 189,200 aggregate clinic visits per year of operation is validated by the metric of 946 clinic visits per medical staff personnel (source of metric: Health Resources & Services Administration’s 2019 Health Center Program National Awardee Data).

Example 3 – Metrics (Community Goods or Services to LICs): Using census data on the number of households residing in the food bank’s service area, HIJ CDE validated its projections for the number of “food insecure” households to be served by the food bank using the metric of 35.5% of households with annual incomes below the official poverty line are “food insecure” (source of metric: USDA Economic Research Service report “Household Food Security in the United States in 2019).

78) Does the number of community outcomes selected in Question 25(a) affect how the Applicant will be evaluated?

No. The Applicant will not be evaluated simply on the sheer number of outcomes selected in Allocation Application Question 25(a). The Applicant should only select those community outcomes that directly apply to the investments described in Allocation Application Question 17 and listed in Table A5. Additionally, Applicants should select outcomes where they can:

- confidently quantify the projected outcome;
- provide clear and sound methods and metrics;
- demonstrate how the projected outcome will clearly benefit Low-Income Persons and/or residents of LICs; and
- describe how the projected quantity for each selected outcome compares to the quantities in its track record.

79) Should an Applicant complete a Community Outcome narrative for each Targeted Community Outcome selected in Table A5?

Yes. For each community outcome selected in Table A5, the CDFI Fund expects Applicants to select and complete narratives in Allocation Application Question 25(a). For selected outcomes, the narrative must include all required information noted in the Allocation Application and FAQs #72 to 78 above. For example, if an Applicant selects “Community Goods or Services” as a Targeted Community Outcome in Row N for one of its proposed projects in Table A5, it must select “Community Goods or Services” and provide a narrative in Q. 25(a).

80) Can the Applicant discuss indirect or induced jobs in its response to Question 25(a) (1), Job Related – Job Creation/Retention?

No, only direct jobs created or retained as a result of the Applicant’s proposed QLICIs or track record of loans or equity investments may be discussed in response to all the job related questions – Job Creation/Retention, Quality Jobs, and Accessible Jobs. Indirect jobs can be discussed in Allocation Application Question 27 as evidence of additional private investment. See FAQ #90 below for more information on Allocation Application Question 27.
81) **What distinct information should the Applicant provide in each of the three job-related questions in Question 25?**

The CDFI Fund provides no preference in scoring or evaluating Applicants based solely on outcomes selected in Question 25. However, if the Applicant selects one of the Job related outcomes in Q. 25(a), it must provide a narrative response for all three Job related outcomes. The Applicant will score higher if it can successfully quantify that the jobs created/retained represent high quality jobs and is able to quantify the number or percentage of jobs that are accessible to Low-Income Persons or residents of Low-Income Communities. Each sub-category in Question 25(a) gives the Applicant an opportunity to discuss unique aspects of their potential job creation outcomes. **Applicants should not repeat the same information in each narrative for (1)-(3).**

For (1) Job Creation/Retention, the Applicant should quantify the number of direct jobs that will be created or retained as a result of the Applicant’s QLICIs in Table A5, as well as direct jobs created/retained as a direct as a result of the Applicant’s financing track record in Exhibit B. (see FAQ #73 above for required narrative details).

For (2) Quality of Jobs, the Applicant should quantify the number or percentage of the jobs created/retained that will provide opportunities to build wealth, receive living wages and/or employment benefits, as well as provide opportunities for training and career advancement for Low-Income Persons or residents of Low-Income Communities. The Applicant should clearly discuss how it defines a “quality job” (see FAQ #73 above for required narrative details).

Note: Community Outcomes resulting from a QALICB that provides only job training but does not provide employment is to be included and discussed under (2) Community Goods and Services.

For (3) Jobs Accessible, the Applicant should quantify the number or percentage of jobs created/retained that will be targeted and/or available to Low-Income Persons, residents of Low-Income Communities, people with lower levels of education, and/or people who face other barriers to employment (e.g. longer term unemployed, ex-convicts, etc.). In addition to the narrative details described in FAQ #73 above, the Applicant should also describe the QALICB’s strategy for placing these individuals in accessible jobs (e.g. partnerships with community agencies, listing with state/local government employment divisions).

82) **What are some examples of commercial goods and services that would be included in Question 25(a)(4)? How does commercial goods and services differ from community goods and services to Low-Income Communities?**

QALICBs that provide commercial goods and services to LIC residents and Low-Income Persons may include both for-profit and non-profit QALICBs. Examples of commercial goods and services include, but are not limited to:

- Restaurants,
- Movie theaters, theme parks, and other entertainment venues (excluding NMTC prohibited activities),
• Retail shopping, or
• Pharmacies.

Examples of community goods and services to Low-Income Persons or LIC residents include, but are not limited to:

• Schools,
• Healthcare, childcare, job training or social service facilities,
• Libraries, or
• Shelters, supportive services (e.g. drug treatment, mental health, etc.)

In describing commercial and/or community goods and services, Applicants will be scored more favorably if they can quantify how residents of Low-Income Communities and/or Low-Income Persons will be served as a result of the Applicant’s QLICIs.

• Example of LIC benefits of commercial goods and services: the QLICI will finance a new pharmacy that will provide X number of LIC residents within Y radius with access to prescription and over-the-counter drugs accessible by walking or public transportation.

• Example of LIC benefits of community goods and services: the QLICI will finance a multi-service facility that provides after-school programs for X number of low-income at risk youth and mental health services to Y number of individuals that are homeless or are at risk of being homeless.

83) What are other examples of how Applicants can demonstrate that projected community outcomes will clearly benefit Low-Income Persons and residents of LICs?

Some examples are as follows:

• Healthy Food Financing: the QLICI will finance a new grocery store in a USDA-designated food desert that will provide X number of LIC residents with access to affordable healthy foods (fresh meat, vegetables, and fruits).

• Financing Minority Businesses: QLICIs will finance expansion of a minority-owned manufacturing plant, which will result in the hiring of X number of Low-Income Persons. A QLICI to a minority developer of an entertainment complex will provide 100% of the X jobs to LIC residents. A minority-controlled non-profit organization will provide temporary housing and social services to 500 Low-Income clients per year.

• Flexible Lease Rates: QLICI will result in reduced rental rates for a nonprofit social service provider, and the lease savings will allow the nonprofit to serve X LIC residents.

• Housing Units: QLICI will finance construction of mixed-use development that will include X number of apartments, of which Y will be affordable to Low-Income Persons.
- Environmentally Sustainable Outcomes: QLICI will finance remediation of a brownfield site that will be repurposed for a distribution center, which will result in X employees that will not be exposed to environmental hazards.

Note that these examples are not exhaustive as there are many other ways to demonstrate how projected community outcomes will clearly benefit Low-Income Persons and residents of Low-Income Communities (LICs). Also, remember that solely indicating that the location of a project is in a LIC is not sufficient to demonstrate benefit to LIC residents/LIPs; specific community outcomes must be identified.

84) If an Applicant selects Flexible Lease Rates in Question 25(a), should it only discuss Real Estate Activities between a QALICB and a third party?

Yes, the Applicant should only include Real Estate Activities where the tenant/lease arrangement is between a QALICB and a third party. A QALICB offering a favorable lease rate to an Affiliate is not an acceptable example of offering Flexible Lease Rates in Question 25(a)(8).

85) What are some examples of how I can quantify Environmentally Sustainable Outcomes in Q. 25(a)?

Examples of quantifying Environmentally Sustainable Outcomes include providing the amount or percentage in reduced energy or water usage by the QALICB, the reduced cost of energy or water to businesses leasing space, the amount of contaminants (e.g. oil spills, stored chemicals) removed from a brownfield, the square feet of contaminated real estate that was remediated, the number of housing units for which lead abatement was performed, the number of Low-Income Persons or residents of Low-Income Communities no longer exposed to a specific environmental or health hazard, the number of tons of building materials that are re-used, among others. Of importance, it is not sufficient for the Applicant to state merely the number of pipeline projects that will produce specific environmental outcomes.

Also, Applicants must demonstrate how projected environmentally sustainable outcomes will clearly benefit Low-Income Persons and residents of Low-Income Communities (LICs). For example, a shuttered manufacturing facility was remediated and repurposed into a mixed-use development with affordable housing units, a homeless shelter, and Federally Qualified Health Center serving X number of LIPs. Alternatively, a new community facility was constructed to reduce energy consumption by X%, saving non-profit tenants Y dollars on utility bills, allowing them to serve Z additional LIC residents.

86) Which community outcomes may be discussed by the Applicant in Q. 25 when NMTC financed only a portion of the facility?

Only outcomes related to the portion of the facility financed by the Applicant’s NMTC Allocation should be discussed. For example, for a mixed-use development where the commercial portion is financed using NMTC and the housing is financed by Low Income Housing Tax Credits, only the outcomes related to the commercial portion financed by the Applicant’s QLICIs should be discussed.
87) What requirements will be in the Allocation Agreement if an Applicant uses its NMTC Allocation to make QLICIs resulting in housing units?

Beginning in the CY 2017 Round, if an Applicant receives an Allocation and its QLICIs are used to finance housing units, it will be required to ensure that at least 20% of the aggregate housing units that the Allocatee financed are affordable housing units (e.g. affordable to persons with income less than 80% of AMI) for the seven-year compliance period, and such requirement will be a term of its Allocation Agreement.

Guidance on how the CDFI Fund evaluates whether 20% of housing units financed are affordable is found in the NMTC Program Compliance Monitoring Frequently Asked Questions.

88) In Question 26(b), what are examples of project-specific community engagement related to past investment decisions?

Examples of project-specific community engagement related to past investment decisions include:

- Consulting with a local government economic development agency, or local Chamber of Commerce regarding projects; and
- Receiving community feedback on projects at local public hearings, charrettes, or through community surveys.

89) In Question 26(c), what are examples of broader community and economic development strategies?

Community and economic development strategies are often outlined in a formal plan approved and adopted by a neighborhood, community group, local government, or state government. To the extent such plans exist, the Applicant should discuss how its projects fit into the priorities and goals outlined by those plans. If the Applicant intends to make NMTC investments in areas that do not have a formal plan or planning process, the Applicant should discuss other methods it used to ensure alignment with the community’s strategic priorities. For example:

- An Applicant that is providing a QLICI to an operating business that will lease space in an industrial park may check with the local economic development agency to determine whether the municipality has identified that area as a priority for redevelopment or attracting new businesses.
- Some rural communities may not have a formal plan, but the Applicant can demonstrate alignment with the community’s priorities by meeting with local business and civic leaders, attending town council meetings, and partnering with local organizations, among other methods.
90) In Question 27, how does the CDFI Fund want Applicants to discuss additional private investment as a result of the proposed QLICIs described in the Business Strategy section (Questions 17, 18, and 21(e))? Applicants should discuss the extent that projected QLICIs will stimulate additional private investment and examples of past investments that have stimulated additional private investment. Examples of additional private investment include, but are not limited to:

**Example 1:** If the Applicant’s pipeline investments are part of or coordinated with local economic development plans, the Applicant may discuss the expected additional private investments (e.g., new businesses opened, new housing developed, etc.) included in such plans.

**Example 2:** Applicants may discuss the projected number of indirect jobs or additional dollar value of economic activity projected to be created as a result of the NMTC investment based on economic impact modeling software. The Applicant should state the impact modeling software used.

**Example 3:** Applicants may also discuss the ability of Operating Businesses financed to attract subsequent private investment from other sources after the initial QLICI was made.

**Example 4:** Applicants may discuss supply chain impacts (e.g. a QLICI in a rural food processing plant will lead to $X in purchases from local farmers).

Private investment does not include additional local, state, or federal subsidies (government grants, bond financing, tax-increment financing, historic tax credits, etc.).

F. Management Capacity Section

91) What details should be on the organizational chart requested in Question 28(a)?

In addition to the information requested in Question 28(a) Applicants should include:

- Names of staff members that will have responsibilities managing an NMTC Allocation;
- names of Applicant’s Governing and Advisory Board members;
- any entities with an ownership interest in the Applicant;
- names of staff members shared with Affiliates, including Controlling Entity, and
- the Controlling Entity and names of Controlling Entity’s Governing Board members

Note that an Organizational chart is a required document and failure to provide the required information may negatively impact the evaluation of the Allocation Application.

92) How many individuals should an Applicant list in Table C2?

Please list no more than 15 individuals in Table C2. CDFI Fund staff will only evaluate the initial 15 individuals listed in Table C2. Focus on the individuals who are most important to managing the organization’s New Markets Tax Credit Program (e.g. capital deployment, raising capital from investors, asset management, and compliance) and application preparation. Be sure to clearly explain the roles and responsibilities of key personnel related
to managing an NMTC Allocation (include personnel from the Controlling Entity, if applicable). If the Applicant relies on consultants for certain services (e.g. legal, accounting, compliance, application writing/review, deal structuring, etc.), please review FAQ #96 below as well.

93) Should the Applicant include the Controlling Entity’s personnel that have/will have a role in carrying out key NMTC functions?

Yes. In Table C2 as well as Allocation Application Questions 29, 30 and 31, the Applicant should include the Controlling Entity’s personnel if they will play a role in managing the Applicant’s New Markets Tax Credit Program, including capital deployment, raising capital from investors, asset management, and compliance. If the Applicant were to receive an allocation, misrepresentations later identified in Table C2 and/or Questions 29, 30, and 31 may place the Applicant in violation of its Allocation Agreement in addition to affecting eligibility for future NMTC rounds.

94) How should Applicants disclose the current roles and responsibilities of its personnel (including staff from its Controlling Entity, if applicable)?

For Allocation Application Questions 29(a) and 30(a), the Applicant should describe the CURRENT roles and responsibilities of the Applicant’s (and Controlling Entity’s) key personnel, consultants and board members in carrying out key NMTC functions. Be sure these descriptions accurately reflect the individual’s current role(s) and responsibility(ies) as of the submission date of the Allocation Application. If additional staff would need to be hired and/or the roles described in Questions 29(a) and 30(a) would change with a new NMTC Allocation, the Applicant must describe these changes in Questions 29(b) and 30(b).

95) Table C2 includes a column heading “Years with (or years providing services to) the Applicant.” In completing this information, may a start-up entity refer to the years of service that an individual provided to its Controlling Entity?

Yes, provided that the Applicant has consistently referred to the track record of its Controlling Entity throughout its Allocation Application. Also, the Applicant should be sure to indicate, in the Management Capacity and Capitalization Strategy sections of its application, that the information provided in Tables C1 and C2 refers to the individual’s track record of service to the Controlling Entity.

96) How should Applicants disclose the use of consultants in the Allocation Application?

Applicants must identify key consultants in Table C2, indicating the general area of work conducted by each consultant (e.g. Raising/Deploying Capital, Asset/Risk Management, etc.). Applicants will not be penalized in the Allocation Application scoring for the use of consultants, since the Management Capacity section is not scored in Phase 1. The CDFI Fund recognizes that CDEs may gain greater efficiencies by outsourcing certain functions (e.g. asset management functions, compliance reporting, etc.) for their NMTC transactions to organizations that have already built the capacity to efficiently manage these processes. The CDFI Fund also acknowledges that a CDE without prior NMTC experience may wish to retain outside expertise, including that related to structuring NMTC transactions, Allocation
Application preparation, etc. However, CDEs must disclose these individuals/firms in Table C2 and discuss their roles and responsibilities in Questions 29-31.

If the Applicant will be receiving consulting services from multiple employees of one firm, they should only list the main contact or principal from this firm as well as list all activities the firm will support. An Applicant should also provide, in the narratives for Questions 29-31, an estimate of the percentage of work to be performed by the consultant(s). An Applicant must also identify any consultant(s) contracted to read or write either portions or the entirety of their Allocation Application in Table C2.

97) What financing activities should be included in Table D1 (Investment Portfolio)?
Should the Applicant include non-QLICI activities in Table D1?

When completing Table D1, please include any financing activities that are referenced in Question 19, Question 20 and Exhibit B as part of your track record. In fact, Table D1 should closely reflect the direct financing indicated in Exhibit B. For example, if you discuss a multi-family residential real estate track record in Question 20 and Table B4, you must include these activities as “Real Estate Business Loans & Equity Investments” in Table D1. You may also want to discuss the performance of certain types of investment activities (e.g. business loans, commercial real estate, and residential multi-family) in the narrative to Question 30(d).

If you did not describe a track record of non-QLICI activities in Question 20, then you should not include these activities in Table D1.

Even if the Applicant has experienced zero delinquencies and write-offs in the past three years, it still needs to complete Table D1. In this case, the Applicant should simply list the number and dollar amount of loans & equity investments outstanding at each fiscal year end and enter “0” for the delinquency rates and write-offs. Applicants should not select “N/A” for Table D1 in this scenario.

98) In Table D2, how should an Applicant report a recurring fee or a fee that will be charged incrementally?

An Applicant with recurring fees or fees that will be charged incrementally should select ‘Ongoing Fee’ as the fee type in Table D2 and report the total, in the aggregate, that will be charged over the 7-year compliance period.

For example, an Applicant that expects to charge 50 basis points per year in Asset Management fees over the 7-year compliance period should select ‘Ongoing Fee’ as the fee type and report the ‘Amount in Percent’ as 3.50%. The Applicant should indicate in the ‘Description’ that the ‘Amount in Percent’ represents a 7-year total.

99) The instructions for Table D2 indicate that an Applicant should select ‘Upfront Fee’ for any fee that is expected to be charged before the QLICI is closed and that this includes any fee that will be charged before the QEI is made. Does this mean that an Applicant is required to report a fee charged at the investment fund level or outside of the NMTC structure?

Yes. Applicants are required to report in the ‘Upfront Fee’ category any fees charged before the QLICI is closed, which includes any fee charged from the QEI or before the QEI is made. This includes fees charged at the investment fund level or outside of the NMTC structure.
100) **How should an Applicant report an ‘Upfront Fee’ when a portion of the fee is charged before the QEI is made and the other portion is charged from the QEI?**

How to report this depends on whether the ‘Recipient (Payee)’ is the same for the portion of the fee charged before the QEI is made and the other portion charged from the QEI. If the ‘Recipient (Payee)’ is the same entity, the Applicant should report this as a single item and provide the total, in the aggregate, that will be charged in the ‘Amount in Percent’ field.

If, however, there is more than one ‘Recipient (Payee)’, the Applicant should report the fee as separate items. The Applicant should select the appropriate ‘Recipient (Payee)’ for each item and report the total for each item separately in the ‘Amount in Percent’ field.

For example:

An Applicant expects to charge a total ‘Upfront Fee’ of 3.00% as follows: 1.00% before the QEI is made; and 2.00% charged from the QEI. If the Applicant is the ‘Recipient (Payee)’ of both the ‘Upfront Fee’ of 1.00% charged before the QEI and the 2.00% charged from the QEI, this should be reported as a single item. The Applicant would select ‘Upfront Fee’, the appropriate ‘Source (Payer)’, indicate that it is the recipient by selecting ‘Applicant or Applicant Affiliate’, and report the ‘Amount in Percent’ as 3.00%. The Applicant should make sure that it describes in the ‘Description’ field how the fee is charged.

Using the same example, if the ‘Recipient (Payee)’ of either portion of the total ‘Upfront Fee’ of 3.00% is a different entity, the Applicant must report the fees as separate items. If, for example, the ‘Recipient (Payee)’ of the ‘Upfront Fee’ of 1.00%, charged before the QEI is made, was an ‘Unaffiliated Third-Party’ and the Recipient (Payee) of the 2.00% charged from the QEI is the ‘Applicant or Applicant Affiliate’, this should be reported as two separate items.

101) **Does the Applicant need to include fees charged by or paid to an Unaffiliated Third Party such as a consultant contracted by the Applicant (or an Affiliate)?**

Yes, the Applicant should include fees charged by, or paid to an Unaffiliated Third-Party, including any consultants contracted by the Applicant (or an Affiliate) in Table D2. In order to do so, the Applicant must first select the appropriate ‘Type’ and then indicate the source of the fee in the ‘Source (Payer)’ column. The Applicant should then select ‘Unaffiliated Third Party’ in the ‘Recipient (Payee)’ column, provide the ‘Amount in Percent’ and a description of the services that the recipient will be providing the Applicant.

Applicants should note that fees charged by, or paid to Unaffiliated Third-Parties should be reported this way regardless of whether the Unaffiliated Third Party is directly compensated or whether the Applicant initially receives the fee and subsequently compensates the Unaffiliated Third-Party. Applicants should use as many entries as needed to accurately reflect the recipients for each portion of its overall fee. To avoid double counting, each line in Table D2 should be mutually exclusive.
102) **Does the Applicant need to include fees charged by consultants contracted by the Applicant (or an Affiliate) and charged directly to investors or the QALICB in Table D3?**

Yes, the Applicant should include fees charged by, or paid to consultants contracted by the Applicant (or an Affiliate), but that are paid directly by investors or QALICBs. An offsetting expense equaling the amount paid to the contractor should be recorded as an expense of the CDE and the amount paid directly by the investor or QALICB to the contractor should be reported as Income in the appropriate field in Table D3. Also, the Applicant must disclose and discuss these payments in the narrative response to Question 33(f), and clearly state the amount of the fee charged to the QALICB or investor.

103) **How should an Applicant that expects to charge a fee as interest above what is required to service the QLICI debt report it in Table D2?**

Applicants that will charge a fee as interest above what is required to service QLICI debt (i.e. the leveraged loan) should report it as an ‘Ongoing Fee’ and provide an ‘Amount in Percent’ total that reflects the total, in the aggregate, that will be charged over the seven year compliance period.

For example, an Applicant that expects to charge a fee as interest of 25 basis points per year over the 7-year compliance period, should select ‘Ongoing Fee’ as the fee type and report the ‘Amount in Percent’ as 1.75%. The Applicant should indicate in the ‘Description’ that the ‘Amount in Percent’ represents a 7-year total.

104) **If an Applicant is offering two or more different products (e.g. leveraged A/B structure, revolving loan fund) with different fee structures, which fee structure should the Applicant report in Table D2?**

Regarding Table D2, the Applicant should report the fee structure associated with the product for which it will use the majority (or plurality, if offering more than two products) of its requested NMTC Allocation. The Applicant would describe the other fee structures in Allocation Application Question 33(e). To illustrate, if an Applicant is requesting $100MM in allocation and plans to use 10% for a revolving loan fund and the rest for the leveraged A/B structure, in Table D2 the Applicant would report only the fee structure associated with the leveraged A/B structure, but would then describe the fee structure for the revolving loan fund in Question 33(e).

105) **How should Applicants complete Question 33(f) and Table D3?**

Table D3 asks Applicants to complete a multi-year operating budget for administering their requested NMTC Allocation. Applicants are asked to detail the sources of income and the expenses associated with administering the requested NMTC Allocation. In completing Table D3, Applicants should be sure to include all of the costs associated with sustaining its NMTC line of business (including both transaction and operating costs), and have identified all sources of income attributable to its NMTC line of business.

In Question 33(f), Applicants should clearly explain the assumptions that underlie their entries in Table D3. The Applicant should provide details on the key expenses and sources of income. If the Applicant will be receiving income by retaining a portion of the capital at the
investment fund level and/or QEI, receiving fees or other form of compensation from the QALICB/project sponsor, the type and amount of the income should be clearly explained. Additionally, please be sure to address all of the bullets beneath Question 33(f) in your narrative response to the question.

Please provide a sufficient level of detail such that the CDFI Fund will be able to align the information provided in Table D3 with the information provided in Question 33(f) and Table D2. Any ambiguity between the responses to Question 33(f), Table D2, and Table D3 could negatively impact the CDFI Fund's evaluation of the Allocation Application.

Applicants must complete Table D3 based on the projected NMTC activity shown in Exhibit A. For example, ABC CDE requests a $100 million NMTC Allocation and projects in Exhibit A that they will deploy $70 million in six investments in 2020 and $30 million in four investments in 2021. In this case, the Applicant should base income and expense projections on making six QLICIs totaling $70 million in 2020 and four QLICIs totaling $30 million in 2021.

When completing Table D3, Applicants should assume they will not receive any subsequent NMTC Allocations over the seven-year credit period. However, they may include fee income from past NMTC Allocations under “Other” income if that fee income will support operations related to managing their requested NMTC Allocation.

Income

Applicants are given space to report income from a variety of sources. Income from investors (Row 1a) includes the dollar amount of funds retained from the investment fund and/or the QEI, by the Applicant or its Affiliates, fees charged by the Applicant or its Affiliates at the investment fund level (e.g. syndication fees), etc. Income from the QALICB (Row 1b) includes interest income, any on-going or one-time fees charged to the QALICB by either the Applicant or its Subsidiary Allocatee(s), etc. Income from Affiliates (Row 1c) includes any income from Subsidiary Allocatee(s), the Controlling Entity, or any other Affiliate. Income from other sources (Row 1d), includes grants, revenue from other lines of business, etc. Applicants should list any income from previous NMTC Allocations that will be used to support operations related to managing their requested NMTC Allocation in the “Other Sources” category. Applicants must also include the projected value of any income from exit fees charged or residual value of the QLICI retained by the Applicant (either directly or through an Affiliate) in the appropriate row, even if the actual receipt of that income is at-risk and uncertain. This income should be listed in the year the value is most likely to be received or in the “After 2025” column.

If an Affiliate receives any income from a QALICB or Investor and then passes this income through to the Applicant, this income must be listed in either Row 1a or Row 1b, based on the initial source of the income. This income should not be listed in Row 1c. Additionally, any income that is received at the Subsidiary Allocatee level and is not passed up to the Applicant must still be reported as income in Table D3.

Operating Expenses
The Applicant’s operating expenses for the NMTC program include the NMTC-related expenses of the Applicant as well as any Subsidiaries and Affiliates. For example, annual audits of Subsidiary Allocatees may be considered an expense of the Applicant and should be listed in Table D3, if the audits are paid for directly by the Subsidiaries. Also, if the Applicant uses its Controlling Entity’s staff to manage the NMTC program, these staff expenses should be listed in Table D3.

Table D3 provides two categories of expenses. The first category – fixed expenses – should include any expenses that are unlikely to change based on how many investments an Applicant makes. These expenses include items like staff costs, facilities/overhead, annual CDE audit, etc. The second category – variable expenses – includes expenses that vary based on the number of investments an Applicant makes or has under management in a given year. These expenses may include transaction closing expenses, Subsidiary Allocatee audit expenses, etc.

**Profit/(Loss)**

Table D3 will calculate Profit/Loss for each year automatically based on Total Income minus Total Expenses.

106) **If the Applicant requires a QALICB, as a condition of NMTC financing, to make a contribution or donation to one or more organizations identified by the Applicant (or Affiliate of the Applicant), how should the Applicant disclose the contribution in the Allocation Application?**

In instances when an Applicant requires a QALICB to make a contribution (either using QLICI proceeds or outside of the NMTC financing) to the Applicant’s (or Affiliate’s) chosen beneficiary(ies), the Applicant must include such uses in Table D3, discuss these contributions in the narrative response to Question 33(f), and clearly state the amount of contribution required by the QALICB in Table D3. In Table D3, the amount of the contribution must be reported as Income to the CDE in the appropriate field and an offsetting expense equaling the amount of the contribution must be recorded as an Expense of the CDE.

107) **How should the Applicant record expenses to the CDE that are reimbursed by the QALICB, investor, or third parties in Table D3?**

If a CDE has an obligation to pay a consultant, advisor, etc. or expects to pay the costs attributable to other transaction participants (such as investors), it should be treated as an operating expense of the CDE associated with sustaining its NMTC line of business and should be reported in Table D3 as either a fixed or variable expense, even if the CDE will use funds from another source to pay those expenses.

For example, the Applicant expects to hire ABC Legal Counsel to prepare loan and other closing documents in connection with a QLICI. In addition, the tax credit investor for this transaction will require the CDE to pay the tax credit investor’s legal costs in connection with its QEI investment. To pay these expenses, the CDE will pass both expenses along to the QALICB. In this example, both the CDE and tax credit investor’s costs are obligations of the CDE and should be reported as expenses. The CDE should also report as income from the QALICB the anticipated payments made by the QALICB to the CDE.
108) **How should the Applicant record interest expense and interest income associated with a leveraged loan?**

The Applicant should record these items in Table D3 consistent with the Applicant’s customary accounting practices. The narrative response to Question 33(f) must explain how these items are currently being recorded in the applicable financial statements. If the Applicant does not have an NMTC Allocation, it should explain how it is currently recording expenses and interest income associated with its current loan products.

109) **How should Applicants that have received past NMTC Allocations complete Table D3?**

Applicants should complete Table D3 based solely on their current allocation request. Thus, Applicants should not include the costs of administering prior NMTC Allocations in Table D3. If an Applicant’s plan involves the use of income from past allocations to pay for expenses related to this NMTC Allocation, it should list this income under the ‘Other Sources’ income category in Table D3 and describe it in the narrative to Question 33(f).

The CDFI Fund recognizes that Applicants may have certain fixed expenses (e.g. staff costs) that are associated with administering multiple NMTC Allocations. Applicants may elect to treat these expenses one of two ways in Table D3:

a) Include the full amount of the fixed expense in Table D3 and then include the portion that will be paid for by income from previous NMTC Allocations in the “Other Sources” income category; or

b) Record only the prorated portion of the fixed expense that would be directed towards administering an allocation as an expense in Table D3. Please be sure to explain the method for recording these expenses in Question 33(f).

110) **My CDE earns the bulk of its revenue on the front end at the time the QLICI is made. I’m concerned that I will show large surpluses in the early years and deficits in later years. How should I represent this in Table D3?**

The CDFI Fund recognizes that income and expenses may fluctuate from year-to-year. If you plan to use surpluses in one year to cover expenses in subsequent years, please explain this in Question 33(f). Additionally, Applicants may complete Table D3 on an accrual or cash basis, depending on what is consistent with its normal accounting practices. Your narrative response to Question 33(f) must clearly describe the approach (accrual or cash basis) used to populate Table D3.

111) **Should a CDE show Profit in Table D3 if any surpluses will be used to make other investments in Low-Income Communities?**

Yes. If a CDE earns a profit (or surplus) from NMTC activities, it must be shown in Table D3, even if the CDE uses the profit to make other investments in LICs by the Applicant, Controlling Entity, or any Affiliates. In Question 38(c), Applicants have an opportunity to explain how profits from an NMTC line of business are used by the Applicant, the Controlling Entity, or any Affiliates.
112) What information should be included in the “After 2027” column in Table D3?

An Applicant should put the sum of all anticipated income and expenses in 2028 and beyond in the column (“After 2027”). This would include any income or expenses associated with on-going compliance, unwinding of NMTC transactions, any back-end sources of compensation (such as exit fees) for the Applicant or its Affiliates, etc. Even if these back-end sources of compensation are at-risk and uncertain, they should still be disclosed in Table D3 at their face value. Applicants must also disclose any projected residual value of the QLICI they will acquire/retain at the end of the seven-year credit period.

For example, assume that the Applicant projects in Exhibit B it will close $30 million in NMTC investments in 2021 and $10 million in 2022. These investments will have a 0.5% annual asset management fee (charged annually for seven years) and a 1% success fee charged at the transaction exit after the seven-year credit period. Thus, for the first investment, the Applicant would anticipate realizing a $150,000 asset management fee in 2027 and a $300,000 exit fee in 2027. For the second investment, the Applicant would anticipate realizing a $50,000 asset management fee in 2027, a $50,000 asset management fee in 2028 and a $100,000 exit fee in 2028. Thus, they would report the total amount of “After 2027” income as $150,000.

113) Staff from our Controlling Entity will administer the Applicant’s NMTC program. How should I record this in Table D3?

Staff, office space, or other items that are contributed from the Controlling Entity to the Applicant are considered in-kind contributions, and should be recorded in Table D3 as an expense (based on the dollar value of the services and other contributions received from the Controlling Entity) and as offsetting income from Affiliates (item 1(c) in Table D3). Be sure to describe the Applicant’s progress in securing firm commitments to provide these in-kind contributions in the response to Question 33(f).

G. Capitalization Strategy Section

114) How should an Applicant reflect past QEIs raised using the leverage structure in Table E1? Specifically, should the leverage debt portion of the QEI be reflected as debt or equity in Table E1?

The “leverage structure” refers to combining debt and equity in an NMTC investment fund that then makes a QEI into a CDE. In this situation, the Applicant should reflect the total debt contributed to the NMTC investment fund as either “below market rate loans” or “market rate loans” as appropriate in Table E1. The tax credit equity contributed to the NMTC investment fund should be recorded as “Equity Investments” in Table E1.

Example: XYZ CDE has raised $100 million in QEIs. Using the “leverage structure,” the CDE has raised $30 million in equity from tax credit investors and $50 million in below market rate debt and $20 million in market rate debt for those QEIs. When completing Table E1, the Applicant should record the $50 million in below market rate debt in Rows 5 and 6 and $20 MM in market rate debt in Rows 7 and 8. The $30 million in tax credit equity should be recorded in Rows 9 and 10.
115) **Can an Applicant (or Controlling Entity) that is a depository institution list its increase in deposits in Table E1 as capital raised?**

Yes, an Applicant (or Controlling Entity) that is a depository institution may list year over year increases in deposits with a maturity of 12 months or greater (e.g. Certificates of Deposit) in Table E1. As there is no clear category in the Table E1 for this capital, Applicants are instructed to enter it in the “below market rate loans” category. The dollar amount listed in each year should equal the net increase in deposit instruments with a maturity of 12 months or greater over the course of the calendar year (e.g. Balance of deposits with a maturity of 12 months or greater at the end of the calendar year, less balance of deposits with a maturity of 12 months or greater at the beginning of the calendar year).

If the Applicant is including net increase in deposits as a source of capital raised in Table E1, it should clearly explain in the narrative response to Question 34 how this information was included in Table E1. Please be aware that Table E1 may only include information for the Controlling Entity, if the Applicant has designated a Controlling Entity and is using Controlling Entity information for Table D1 and Exhibit B.

116) **When should an Applicant complete Table E2 versus Table E3?**

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<thead>
<tr>
<th>Step 1</th>
<th>Step 2</th>
<th>Step 3</th>
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<tbody>
<tr>
<td>Answer Question 36(a)</td>
<td>If YES to Question 36(a), complete Table E2 and Question 36(c). <strong>Do not respond to Question 36(b), 36(d), or Table E3.</strong></td>
<td>If YES to Question 36(b), complete Question 36(c) and Table E3. <strong>Do not respond to Table 36(d) or Table E2.</strong></td>
</tr>
<tr>
<td></td>
<td>If NO to Question 36(a), answer Question 36(b)</td>
<td>If NO to Question 36(b), only complete Question 36(d). <strong>Do not respond to Question 36(c). Do not complete Table E2 or Table E3.</strong></td>
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</table>

If the Applicant or its Affiliates, either directly or through Subsidiary Allocatees, have received QEI(s) from investor(s) in amounts equal to or greater than the allocation requested in Question 1 between January 1, 2015 and the release date for the CY 2020 NMTC Allocation Application, the Applicant should respond “Yes” to Question 36(a) and complete Question 36(c) and Table E2. The Applicant should not complete Question 36(b) or Question 36(d).

Applicants that have not received QEI(s) during this time period or received less than the amount requested in Question 1 should respond “No” to Question 36(a). Such Applicants are required to respond to Question 36(b). If Applicant responds “Yes” to Question 36(b), it must respond to Question 36(c) and complete Table E3. If the Applicant responded “No” to
Question 36(b), it is required to answer Question 36(d). This Applicant should not respond to Question 36(c) or complete Table E3.

Only one table (either Table E2 or Table E3) will be evaluated by the CDFI Fund. The Applicant should complete only the appropriate table based on its response to Q. 36(a) and Q. 36(b). Applicants should not complete both Table E2 and Table E3. Any information not requested will be disregarded.

117) How should Applicants present leveraged lenders in Table E2?

Per the instructions to Table E2, if the Applicant used the leverage structure to raise QEI(s), it must provide separate information in Table E2 on the equity and non-equity (e.g., debt, grant dollars) investors who provided capital to the NMTC investment fund or partnership. If an Affiliate of the QALICB is aggregating multiple sources of capital and acting as a single leverage lender into the investment fund, only the Affiliate of the QALICB should be listed in Table E2 as an investor - not the multiple sources of capital.

If the Applicant has raised leverage capital from Affiliates of multiple different QALICBs, it may aggregate these sources into one row in Table E2 where the Name of Investor is listed as “Affiliate of the QALICB.”

If the Applicant plans to raise QEI(s) using an arrangement where the leverage debt at the time of QLICI closing is provided by a third-party source that will, in turn, be taken out by a leverage lender Affiliated with the QALICB during the seven-year credit period, this arrangement should be noted as leverage debt provided by the QALICB or Affiliates of the QALICB.

118) What documents are considered acceptable to demonstrate investor Commitments for Table E3?

An Applicant who enters information into Table E3 is required to submit attachments validating the following information for each investor: name of investor, dollar amount of equity (or debt, in the case of investments into a pass-through entity) sought or obtained, status of the investment request (e.g., funds received, Commitment of funds, and Letter of Interest/Intent). If an Applicant answers “Yes” to Question 35(a), indicating that it intends to use a pass-through partnership entity to secure investments, the Applicant is expected to list (if applicable) both the debt and equity providers in Table E3; and to submit attachments evidencing the interest of the Equity investors and debt providers into the partnership entities.

Example: The Applicant has a Commitment for a $1 million QEI from ABC Partnership LP, which is using the leveraged QEI structure. ABC Partnership LP will receive $600,000 in debt from 123 Bank and $400,000 in equity from XYZ Corporation. To describe this Commitment in its Allocation Application, the Applicant should respond “Yes” to Question 35(a). In addition:

Scenario #1 – The Applicant or its Affiliates, either directly or through Subsidiary Allocatees, have received QEI(s) from investor(s) in amounts equal to or greater than the allocation requested in Question 1 between January 1, 2015 and the release date of the CY 2020 NMTC Allocation Application:
• Applicant responds “Yes” to Question 36(a).

• Discusses in Question 36(c) the structure of the QEI from ABC Partnership LP as well as the Commitments from 123 Bank and XYZ Corporation.

• However, the Applicant should not list the $600,000 debt investment from 123 bank and the $400,000 Equity Investment from XYZ Corporation in Table E2.

• Finally, the Applicant is not required to submit documentation.

Table E2 should ONLY include QEIs raised on or before the release date of the CY 2020 NMTC Allocation Application. Information on planned QEIs or QEIs projected to close should not be entered in Table E2.

Scenario #2 – The Applicant has not received QEI(s) during this time period or received less than the amount requested in Question 1:

• Applicant responds “No” to Question 36(a)

• Responds “Yes” to Question 36(b) as Applicant will be providing investor Commitments.

• Lists the $600,000 debt investment from 123 bank and the $400,000 Equity Investment from XYZ Corporation in Table E3;

• Discusses in Question 36(c) the structure of the QEI from ABC Partnership LP as well as the Commitments from 123 Bank and XYZ Corporation; and

• Submits documentation evidencing the Commitment of (i) 123 Bank to provide the $600,000 debt investment, and (ii) XYZ Corporation to provide the $400,000 Equity Investment.

If the documentation evidencing the Applicant’s Commitments from Investors is missing, or do not contain information to validate the information entered in Table E3, the Applicant will not receive credit for such Commitments. Acceptable documents for a Commitment include a signed and dated investment agreement or a letter indicating that the investor has made such a Commitment. Likewise, a letter indicating that the investor has demonstrated a level of interest (as opposed to a stated Commitment) in making an investment shall suffice as a Letter of Interest/Intent.

119) In Question 37(b), does the Applicant need to indicate that it will be receiving QEI from an Affiliate if the Applicant or an Affiliate is also a managing or non-managing member of the investment fund created as part of the leverage structure with an ownership interest of less than 1%?

No, the Applicant does not need to indicate that they will be receiving QEI from Affiliates if they are receiving the QEI through an investment fund in which the Applicant or an Affiliate is a managing or non-managing member with ownership interest of less than 1%. The Applicant only needs to answer “Yes” if an Affiliate is either a debt or an equity investor in the investment fund itself.
H. Information Regarding Previous Awards

120) Question 43(a) asks previous Allocatees to discuss the largest transaction from each of its three most recent Allocations. How should a previous Allocatee select the three transactions to report?

An Applicant that has received three or more Allocations should select the largest transactions from its three most recent Allocations. For example, an Applicant that received Allocation 2019, 2018 and 2017 should report the largest transaction closed with each Allocation and not the three largest transactions overall. In this example, the Applicant would report the largest transaction for each allocation award (2019, 2018 and 2017).

An Applicant that has received two Allocations, should select two transactions from the most recent Allocation and the other transaction from the other Allocation. For example, an Applicant that received Allocation in 2019 and 2018 should select the two largest transactions from the 2019 Allocation and the other transaction should be the largest transaction from the 2018 Allocation. This is the same regardless of how much time has passed between the Allocations. For example, an Applicant that received two Allocations that are several years apart (e.g., 2019 and 2009), will still report the two largest transactions from the most recent Allocation (2019) and the largest transaction from the older Allocation (2009).

An Applicant that has received one Allocation, should report the largest transactions closed with that Allocation.

An Applicant that used more than one Allocation to fund one of its largest transactions, should report that transaction as one of its largest transactions and select the other two transactions based on the criteria described above.

For example:

An Applicant that received a 2019 and 2018 Allocation and used a combination of $5 Million in 2019 and $10 Million in 2018 Allocation to fund a $15 Million transaction, should report this as one of its largest transactions. The Applicant would then select the largest transaction funded exclusively with 2019 and 2018 Allocation as the other two to report.

121) Can a previous Allocatee use a transaction from its CY 2019 Allocation as one of the transactions discussed in its response to this question?

Previous Allocatees may use a closed transaction from its CY 2019 Allocation if the transaction closed on or before the release date of the 2020 Allocation Application and it anticipates that the transaction will represent its largest transaction for its CY 2019 allocation. If the Applicant closed a transaction using its CY 2019 allocation after the release date of the 2020 Allocation Application, the Applicant should discuss the largest project financed from each of the Applicant’s three most recent NMTC Allocations, excluding the CY 2019 Round.
V. QUESTIONS ON PROPORTIONAL ALLOCATIONS OF QEIS TO NON-METROPOLITAN COUNTIES

122) What is the definition of a Non-Metropolitan County?

For the purposes of the current NMTC Allocation Application, Non-Metropolitan Counties are counties not contained within a Metropolitan Statistical Area (MSA), as defined in OMB Bulletin No. 15-01 (“Revised Delineations of Metropolitan Statistical Areas, Micropolitan Statistical Areas, and Combined Statistical Areas, and Guidance on Uses of the Delineations of These Areas”) with respect to Census data. This data can be readily accessed on the CDFI Fund’s website: 
https://www.cims.cdfifund.gov/preparation/?config=config_nmtc.xml. To determine whether proposed investments using the 2020 Round allocation are NMTC-eligible and located in Non-Metropolitan Counties, first select the data layer “2011-2015 LIC Census Tract” in the mapping system and then click on the census tract the prospective project is located in to see the Metro Designation. Non-metropolitan status is also available in the tabular form of the data, which can be accessed here: https://www.cdfifund.gov/Documents/NMTC%202011-2015%20LIC%20Nov2-2017-4pm.xlsx

123) What is a Rural CDE?

A Rural CDE is one that has a track record of at least three years of direct financing experience, has dedicated at least 50% of its direct financing dollars to Non-Metropolitan Counties over the past five years, and has committed that at least 50% of its NMTC financing dollars with this Allocation will be deployed in such areas. The CDFI Fund determines whether an Applicant qualifies as a Rural CDE based on the information contained in Exhibit B and in Question 21 of the Allocation Application.

124) Question 21(a) requires the Applicant to indicate whether at least 50% of the Applicant’s (or its Controlling Entity’s) direct financing activities over the past five years have been directed to Non-Metropolitan Counties. What activities are eligible to be used as the basis for calculating the 50% figure?

Activities will be considered eligible if they are the Applicant’s (or its Controlling Entity’s) direct financing activities (as shown in Exhibit B) and these activities occurred in Non-Metropolitan Counties as defined in OMB Bulletin No. 15-01. Activities in areas considered rural (as defined in Section 520 of the Housing Act of 1949) that do not lie in Non-Metropolitan Counties cannot be included for the purposes of demonstrating a track record of investment in Non-Metropolitan Counties in Exhibit B.
125) If the Applicant is committing to investments in Non-Metropolitan Counties, in Question 21(e) does the Applicant need to repeat all the details (e.g. projected closing date, business type) for the sample transactions in its Non-Metropolitan pipeline that it has already provided in response to Table A5?

No. In Question 21(e), the Applicant can reference the specific projects in Table A5 rather than repeating the same details in Q. 21(e). For instance, in Q. 21(e) the Applicant can state, "Please refer to Project XYZ in Table A5." However, since Table A5 is scored by Phase 1 Reviewers, but Q. 21 will not be scored by the Phase 1 Reviewers, Applicants must provide all necessary details for its sample pipeline projects in Table A5. In responding to Table A5, Applicants cannot reference pipeline projects that are fully described only in Q. 21(e). The Applicant's score could be adversely affected if the Applicant does not provide the necessary details in Table A5 for all sample transactions in its pipeline and instead provides these details in Q. 21(e).

126) How will the CDFI Fund ensure a proportional allocation of QEIs to Non-Metropolitan Counties?

Pursuant to Section 102(b) (6) of the Tax Relief and Health Care Act of 2006, the CDFI Fund is required to ensure that a proportional allocation of QEIs will be provided in Non-Metropolitan Counties. As detailed in the NOAA, the CDFI Fund will: (i) endeavor to ensure that 20% of the QLICIs to be made using QEI proceeds are invested in Non-Metropolitan Counties; and (ii) ensure that the proportion of Allocatees that are Rural CDEs is, at a minimum, equal to the proportion of Applicants in the highly qualified pool that are Rural CDEs.

If, after initial NMTC Allocation determinations are made, there is not an appropriate proportion of Rural CDEs in the awardee pool, the CDFI Fund will provide NMTC Allocations to additional Rural CDEs (in descending order of final rank score) until the appropriate balance is achieved. In order to accommodate the additional Rural CDEs in the Allocatee pool within the available allocation limitations, a formula reduction will be applied as uniformly as possible to the allocation amount for all Allocatees in the pool that have not committed to investing a minimum of 20% of their QLICIs in Non-Metropolitan Counties.

Question 21 also asks all Applicants to indicate both the minimum anticipated amount of QLICIs that will be deployed in Non-Metropolitan Counties, and the maximum amount of QLICIs that they are willing to commit to deploy in Non-Metropolitan Counties. The CDFI Fund will first apply the “minimum” commitment stated in the Allocation Application. If, after the initial NMTC Allocation determinations are made, this “minimum” commitment results in less than 20% of the dollars being invested in Non-Metropolitan Counties, then the CDFI Fund will consider requiring any or all of the Allocatees to direct up to the “maximum” percentage of QLICIs to Non-Metropolitan Counties in an effort to meet the 20% threshold. The CDFI Fund will take into consideration the Allocatees’ track record and ability to deploy dollars in Non-Metropolitan Counties. Applicants should be careful to select a “maximum” percentage that they will be prepared to meet regardless of the size of their final award.
127) My organization is focused on an urban market. It does not intend to make any investments in Non-Metropolitan Counties. Will it be disadvantaged in the application round?

No. As described above, all adjustments to the awardee pool will be made AFTER the initial NMTC Allocation determinations have been made. All organizations initially selected to receive NMTC Allocations will receive allocations regardless of geographic focus. The adjustments described above may result in an across-the-board percentage reduction in award amounts for potential awardees with Non-Metropolitan commitments of less than 20%, but under no circumstances will an Applicant fall out of consideration due to its geographic focus.

Additionally, Question 21 will not be evaluated and scored in Phase 1 of Allocation Application reviews. Therefore, this question is not used to determine whether an Applicant scored highly enough to receive consideration for an NMTC Allocation. The response to this question will be considered in Phase 2 of the Allocation Application reviews and may affect the size of the Applicant's NMTC Allocation (along with other evaluation criteria as discussed in the 2020 NOAA). An Applicant that: i) makes a minimum commitment of 20% or greater in response to Question 21(b), ii) has a track record of at least three years of serving Non-Metropolitan Counties and a strong strategy for deploying NMTC investments in these communities; iii) and is ranked highly enough to be considered for an NMTC Allocation may receive a larger NMTC Allocation than would otherwise be the case, regardless of designation as a Rural CDE.
### VI. CONTACT INFORMATION

128) **Whom can I contact if I have more specific questions?**

<table>
<thead>
<tr>
<th>Topic of Question</th>
<th>Contact</th>
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<tbody>
<tr>
<td>Tax/compliance aspects of the IRS Tax Regulations</td>
<td>IRS</td>
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<tr>
<td></td>
<td>Jian Grant and James Holmes, Office of the Chief Counsel (Passthroughs and Special Industries)</td>
</tr>
<tr>
<td></td>
<td>Telephone: (202) 317-4137</td>
</tr>
<tr>
<td></td>
<td>Fax: 855-591-7867</td>
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<tr>
<td><strong>Allocation Application</strong> criteria or process</td>
<td>CDFI Fund NMTC Program Staff</td>
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<tr>
<td></td>
<td>AMIS: Send Service Request via AMIS to NMTC</td>
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<tr>
<td></td>
<td>Phone: (202) 653-0421</td>
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<tr>
<td></td>
<td>Email: <a href="mailto:cdfihelp@cdfi.treas.gov">cdfihelp@cdfi.treas.gov</a></td>
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<tr>
<td>CDE certification criteria or process; Compliance with previous award,</td>
<td>CDFI Fund CCME Staff</td>
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<td>AMIS: Send Service Request via AMIS</td>
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<td></td>
<td>Phone: (202) 653-0422</td>
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<td></td>
<td>Email: <a href="mailto:Amis@cdfi.treas.gov">Amis@cdfi.treas.gov</a></td>
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You may contact the CDFI Fund with questions until two days before the CY 2020 Allocation Application deadline which can be found in the Table included in FAQ #1. After such time, the CDFI Fund will no longer respond to questions until after the CY 2020 NMTC Allocation Application deadline has passed.

* * * *

More detailed application content requirements are found in the CY 2020 NMTC Allocation Application and NOAA. In the event of any inconsistency between the contents of this
Q & A document, the NOAA, the General Guidance, the CDE Certification Guidance, the Allocation Application, the statute that created the NMTC Program (Title I, subtitle C, section 121 of the Community Renewal Tax Relief Act of 2000) (the “Act”), or the NMTC Program Income Tax Regulations, the provisions of the Act and the NMTC Program Income Tax Regulations shall govern.

All terms and phrases that are italicized in this document are defined in the Glossary of Terms contained in the Allocation Application.