

FY 2020 Capital Magnet Fund (CMF) Application Evaluation Process

The CDFI Fund received 137 Applications requesting over \$642.2 million in awards under the FY 2020 round of the CMF. These Applicants proposed to serve 50 states, the District of Columbia, Guam, and Puerto Rico. The 137 Applicants were comprised of 72 certified CDFIs and 65 nonprofit housing organizations. The CDFI Fund awarded \$175.35 million to 48 organizations. Of the Award Recipients, 27 are certified CDFIs and 21 are nonprofit housing organizations. For additional information on the characteristics of the Award pool, please refer to the CDFI Fund's FY 2020 CMF Award Book.

This document describes the review process used by the CDFI Fund to evaluate the FY 2020 CMF Applications. The regulations and requirements governing the Capital Magnet Fund—found in 12 C.F.R. Part 1807 and in the FY 2020 CMF Notice of Funds Availability (NOFA)—also provide guidance on Application evaluation criteria. Please note that the CDFI Fund reserves the right to modify its policies and procedures in future funding rounds, consistent with requirements specified in the applicable NOFA and related application materials.

Entity Type Categorization

- For the first two parts of the review process, the Quantitative Assessment and External Review, the Applications were grouped into two categories: (1) Financing Entities and (2) Affordable Housing Developers/Managers.
- Certified CDFIs were automatically categorized as Financing Entities.
- Nonprofit Organizations self-selected whether they are primarily Financing Entities or Affordable Housing Developers/Managers.
- Of the 137 applications, 85 were received from Financing Entities and 52 were received from Affordable Housing Developers/Managers.

Quantitative Assessment

- As outlined in the FY 2020 CMF NOFA, the first step in the Application review process was for all eligible Applications to be assessed based on the responses to quantitative questions in the Application. Applications could receive a score of up to 100 points based on the factors outlined in *Figure 1* below.

Figure 1: Quantitative Assessment Factors (Table 7 of NOFA)

Section	Points	Assessment Criteria
Business and Leveraging Strategy	40	<ul style="list-style-type: none"> Private leverage multiplier. Reasonableness of projected activities based on track record. Whether the Application is proposing to serve underserved states including Alaska, North Dakota, South Carolina, American Samoa, Guam, the Northern Mariana Islands, or the U.S. Virgin Islands.
Community Impact	35	<ul style="list-style-type: none"> Percent of rental housing units targeted to Very Low-Income (VLI) or below (50 percent of AMI or below). Percent of Homeownership units targeted to Low-Income (LI) or below (80 percent of AMI or below). Relevant track record of financing and/or supporting units targeted to VLI or LI families (as applicable). Commitment to serve Rural Areas. Commitment to finance Economic Development Activities only in Low-Income Areas (if proposing Economic Development Activities). Percent of housing units to be financed and/or supported in Areas of Economic Distress.
Organizational Capacity	25	<ul style="list-style-type: none"> Capitalization. Operating Performance. Liquidity. Audit Results.

- Per Section V.B.1 of the NOFA, since less than 150 applications were received, all eligible Applications were forwarded for External Review, regardless of the quantitative assessment score.

External Review - Initial Application Review and Scoring

- In the External Review phase of the CDFI Fund's review process, two External Reviewers independently evaluated and scored each eligible Application.
- Each External Reviewer's evaluation resulted in the Application being awarded up to 100 points. These points were distributed across 3 sections: Business and Leveraging Strategy (40 points), Community Impact (35 points), and Organizational Capacity (25 points).
- The score for each Application is a composite based on the External Reviewers' evaluation and quantitative assessment factors (outlined in *Figure 1* above). The External Review analysis accounted for approximately 64 out of the 100 points, while the quantitative factors accounted for approximately 36 out of 100 points.
- External Reviewers are non-Federal employees who are professionals with expertise in affordable housing finance and economic/community development.
- The CDFI Fund screened each External Reviewer to identify any potential conflicts of interest with Applicants. Reviewers were also required to sign a confidentiality agreement stating that they would not reveal any information obtained from the CDFI Fund during the review process.
- CDFI Fund staff prepared External Reviewers by providing training, instructions, and guidance on how to evaluate and score Applications.
- To ensure consistency and accuracy with CMF scoring guidelines, the External Reviewers' evaluations were assessed by team leaders - CDFI Fund staff and other Federal employees - who provided oversight throughout the review process.
- After each Application was scored by two External Reviewers, an analysis was conducted by CDFI Fund staff to identify anomalous scores. An anomalous score was deemed to have occurred when the difference between the two External Application review was 10 points or greater. To resolve anomalous scores, a third External Reviewer evaluated the Application.
- At the conclusion of the External Review phase, the scores for the two External Reviewers (or the two least anomalous scores in case of three External Reviewers) were combined and the Application received a final External Application Review score of up to 200 points.

Internal Review – Award Recommendations

- Per the NOFA (Section V.B.3), at the conclusion of the External Review phase, each group of Applications -- Financing Entities and Affordable Housing Developers/Managers, described in Section 1 “Entity Type Categorization” -- were ranked separately in descending order by their final External Application review score.
- Based on the results of the External Review, the CDFI Fund initially forwarded 55 Applications for further evaluation and preliminary award recommendation by the Internal Review Panel (CDFI Fund staff and Federal employees). These 55 Applications constituted the highly qualified pool, and were drawn, in descending order of rank score, from the Financing Entity and the Housing Developer/Manager groups in proportion to each group’s representation in the overall Application pool (62% were from the Financing Entity group while 38% were from the Housing Developer/Manager group).
- The 55 Applications in the highly qualified pool were scored and ranked by a Review Panel based on the following factors:

Capacity

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

Alignment with Statutory Priorities and Impact

- Percent of housing units to be produced in Areas of Economic Distress.
- Percent of rental housing units targeted to Very Low-Income individuals or below (50% of AMI or below).
- Percent of Homeownership units targeted to Low-Income individuals or below (80% of AMI or below).
- The number of rental housing units targeted to Very Low-Income individuals or below (50% of AMI or below) and Homeownership units targeted to Low-Income individuals or below (80% of AMI or below), as applicable.
- Amount of private capital leveraged relative to the CMF award request, as well as leverage of new, private Enterprise-Level Capital.

Quality of the Strategy

- The quality of the strategy and the extent to which it addresses community needs.
- The extent to which the proposed strategy and activities address the identified financing gaps.
- The extent to which the CMF Award will contribute to the Applicant offering more favorable rates and terms than are currently available in the communities the Applicant intends to serve.
- The extent to which the proposed deployment/redeployment schedule is realistic.
- Applicant’s capacity to execute the proposed strategy.
- Strategy’s adaptability to changing market conditions.
- Alignment between the proposed strategy and community impacts.
- Track record and capacity to implement its Economic Development Activities (if Economic Development Activities were proposed).

- Once Applications were internally evaluated by the Review Panel, the Applications were forwarded to a Selecting Official (SO) for a final award determination.
- The SO conducted a secondary review of the Applications, as well as an assessment of the Review Panel’s analysis and recommendation for each Application. The SO then made preliminary Award determinations.
- Prior to making final award determinations, the SO reviewed the Recipient pool to ensure alignment with the following statutory objectives:
 - Potential Recipients’ proposed Service Areas collectively represent broad geographic coverage throughout the United States; and
 - Potential Recipients’ proposed activities are proportionally distributed across Rural and Non-Rural Areas.
- Per Section V of the FY 2020 NOFA, to ensure proportional activity in Rural Areas and/or broader geographic coverage, the CDFI Fund reserved the right to review additional Applications ranked outside of the highly qualified pool (as long as those Applications were in the top 50% of all eligible Applications, based on External Review Rank score). For the FY 2020 Round, the SO directed one additional Application to be forwarded for Review Panel and Award consideration to ensure broader geographic coverage.
- The SO then made final Award selections and funding determinations from the 56 Applications that received a Review Panel evaluation.
- In the event that the SO’s decision on funding determinations reversed or varied considerably from the Review Panel, the Reviewing Official reviewed the Application materials and made the final Award determination.
- The final Award pool is composed of the 48 Applications that were evaluated most favorably in the Internal Review Phase and that also supported the CDFI Fund’s statutory objectives of investing in rural and geographically diverse areas of the United States.