New Markets Tax Credit Program
CY 2021 Round Webinar
Native CDFIs & Native CDEs

The CDFI Fund is an equal opportunity provider.
Workshop Roadmap

- Welcome and Introductions
- NMTC 101 – The Basics, Program IRS Regulations; NMTC Investments in Native Areas
- NMTC Transaction Participants
- Break
- Intro to the NMTC Allocation Application – Review Process; Application Materials
- NMTC Application Topics
Welcome and Introduction

- **Facilitators:**
  - Rosa Martinez
    - Associate Program Manager, NMTC Program
  - Clint Hastings
    - Associate Program Manager, NACA Program
  - Karen Leung
    - Senior Policy and Program Officer, NMTC Program
  - Adrian Russell
    - Senior Policy and Program Officer, NMTC Program
  - Richard Yu
    - Policy and Program Officer, NMTC Program
The CDFI Fund achieves its mission by directly investing in and supporting *Community Development Financial Institutions (CDFIs)*, *Community Development Entities (CDEs)*, and other financial institutions through the following programs and initiatives:

- Bank Enterprise Award Program (BEA Program)
- CDFI Bond Guarantee Program (BG Program)
- Capital Magnet Fund (CMF)
- Community Development Financial Institutions Program (CDFI Program)
- Native American CDFI Assistance Program (NACA Program)
- New Markets Tax Credit Program (NMTC Program)
- Small Dollar Loan Program (SDL Program)
- CDFI Rapid Response Program
- Economic Mobility Corps
NMTC Application Webinar – Native CDEs

NMTC 101 – The Basics
New Markets Tax Credit (NMTC) Key Terms

- Low-Income Community (LIC)
- Community Development Entity (CDE)
- Qualified Equity Investment (QEI)
- Qualified Low-Income Community Investment (QLICI)
- Qualified Active Low-Income Community Business (QALICB)
- Financial Counseling and Other Services (FCOS)
How NMTCs Work

- NMTCs provide a credit against Federal income taxes for investors that make Qualified Equity Investments (QEIs) in certified financial intermediaries called Community Development Entities (CDEs).

- CDEs, in turn, use the proceeds of these QEIs to make Qualified Low-Income Community Investments (QLICIs), in Low-Income Communities.
In order to claim the NMTCs, an investor must make an equity investment into a CDE – provide cash for either stock in a corporation or a capital interest in a partnership – in exchange for the credits.

- The equity investment must be acquired by the investor at its original issue, solely in exchange for cash.
- The equity investment must be designated by the CDE as a Qualified Equity Investment (QEI).
- The QEI must remain invested in the CDE during the 7-year tax credit period from the date the investment was initially made.
Use of QEI Proceeds

- **“Substantially all”** of QEI proceeds must be invested in Qualified Low-Income Community Investments (QLICIs) within 12 months:
  - **Years 1 – 6:** Substantially All = 85% of amount paid by investor at original issue. Generally, returns of equity, capital or principal must be reinvested within 12 months.
  - **Year 7:** Substantially All = 75%. Reinvestment is not required in the final year of the 7-year credit period.
Qualified Low-Income Community Investments (QLICIs)

QLICIs include:

• Any capital or equity investment in, or loan to, a “Qualified Active Low-Income Community Business” (QALICB).
• Purchase of a loan from another CDE if the loan is a QLICI.
• Any equity investment in, or loan to, a CDE.
• “Financial Counseling and Other Services” (FCOS) to businesses located in, or residents of, Low-Income Communities (LICs).
Community Development Entity (For-profit only)

CDEs must make QLICIs within 12 months of receipt of Investor QEIs

- Investing in or Lending to QALICBs
- Purchasing Loans from CDEs
- Investing in or Lending to CDEs
- Financial Counseling and Other Services*

CDE must offer credits to investors within 5 years

Private Investors

QEI must stay invested in CDE for 7 years

*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.
Restricted NMTC Activities

- Residential rental property
  - Buildings or structures that derive 80% or more of their gross rental income from renting dwelling units.

- Certain types of businesses:
  - Golf courses
  - Race tracks
  - Gambling facilities
  - Certain farming businesses
  - Country clubs
  - Massage Parlors
  - Hot tub facilities
  - Suntan facilities
  - Stores where the principal business is the sale of alcoholic beverages for consumption off premises

- Refer to IRS regulations for additional details.
NMTCs may be recaptured from investors during the 7-year credit period under certain circumstances.

Events triggering recapture include:
- The QEI fails the “substantially-all” requirement.
  - Failure to invest 85% of original QEI; or
  - Failure to meet “Qualified Active Low-Income Business” (QALICB) requirements; or
  - Failure to meet one-year investment/reinvestment requirement
- The CDE redeems the investment.
- The CDE ceases to qualify as a CDE.

*It is not an event of recapture if a CDE files for bankruptcy. An investor may continue to claim NMTCs.
To receive CDE certification, a domestic corporation or partnership must:

- Demonstrate a primary mission of serving or providing investment capital for low-income communities or people; and
- Maintain accountability to Low-Income Communities through representation on the organization’s Governing Board or Advisory
- If not certified as a CDE, Native CDFIs must submit a CDE Certification Application.
NMTC Program: Statutory Priorities

- Direct Service to Disadvantaged Businesses and Communities:
  - Competitive applicants must demonstrate a record of having successfully provided capital or technical assistance to disadvantaged businesses or communities (DBCs)

- Investments in Unrelated Entities:
  - IRS Code 45D: “...making QLICIs in 1 or more businesses in which persons unrelated to such entity within the meaning of section 267(b) or 707(b)(1) hold the majority equity interest.”
Investments in Non-Metropolitan Counties:

- Section 102(b)(6) of the Tax Relief and Health Care Act of 2006 (Pub. L. 109-432), the CDFI Fund shall ensure that Non-Metropolitan counties receive a proportional allocation of QEIs under the NMTC Program.

- CY 2021 Allocations will endeavor to ensure:
  
  i. a proportionate number of Rural CDEs (as defined in the NOAA) receive allocation awards; and
  
  ii. 20 percent of all QLICIs made by Allocatees under this Round are invested in Non-Metropolitan Counties.
Rural CDEs & Investment in Non-Metropolitan Counties.
  - The number of Rural CDEs in the Awardee pool are proportional to the number of Rural CDEs that meet minimum scoring thresholds.

To be a Rural CDE, an organization must:
  - Have a track record of at least 3 years of direct financing experience;
  - Have dedicated at least 50% of its direct financing activities in the last 5 years to Non-Metropolitan Counties; and
  - Commit that at least 50% of QLICIs will be directed to Non-Metropolitan Counties.
NMTC Investments in Native Areas*

*Federal Indian Reservations, Off-Reservation Trust Lands, Hawaiian Home Lands, and Alaska Native Village Statistical Areas

2003-2021:
$1.56 billion in
200 businesses
NMTC Investments in Native Areas

- Types of Projects:
  - **Community Facilities**: Health Care, Childcare, Tribal Administration, Education (charter school); Community College
  - **Commercial Facilities**: Hotels, Restaurants, Grocery Stores, Convenience Stores; Travel Plaza
  - **Industrial/Manufacturing**: Marine Vessel Repair & Refurbishment; Steel & nickel alloy tube manufacturing; Seafood Processing
  - **Infrastructure**: Wastewater Treatment Facility, Internet Communication & Broadband; Solar Energy
  - **Mixed-Use Real Estate**: Residential & Retail
Questions?
NMTC Transaction Participants
NMTC Investment Structures - Unleveraged Structure Example

- **CDE**
  - $10 MM Allocation

- **Sub-CDE**
  - QE1=$10MM
  - QLICI = $9 MM

- **Investor**
  - The Tax Credit Investor receives a reduction in Federal taxes = $3.9 MM

- **QALICB**
  - Borrower or Investee

- **Fees, Expenses, Transaction Costs**
  - $1MM
  - $ Interest payments
NMTC Investment Structures - Leveraged Structure Example

Leverage Debt Provider
- Lev Debt $7.08 MM

Investment Fund
- $10MM in Capital
- QEI = $10MM

CDE $10 MM Allocation
- QLICI = $9.0MM

Sub-CDE
- $ interest payments

QALICB

Investor
- $3.9MM
- $1 MM

Fees, Expenses, Transaction costs

*$assumes a credit price of 75¢.
$3.9MM X 0.75 = $2.93 MM tax credit equity
$10MM - $2.93MM = $7.08MM Lev Debt
NMTC Leveraged Transactions – Participants

- Tax Credit Investor
- Leverage Lender
- Qualified Active Low Income Community Business (QALICB)
- Community Development Entity (CDE)
  - LIC representation on Advisory Board or Governing Board
The tax credit investor is looking to reduce its taxes.
- Buys the tax credit at a discount based on current market pricing for the tax credits

It wants to ensure that the tax credit is not recaptured.
- The QLICI and QALICB must meet IRS requirements
- CDE & QALICB must remain compliant for full 7 years of the compliance period

Other motivations– Community Reinvestment Act (CRA), social impact
CDE-Allocatee

- Incurs the time and expense of applying for an allocation
- If awarded, Allocatee CDEs are responsible for
  - Finding tax credit investors
  - Finding borrowers/investees consistent with the business strategy in the Application
  - Underwriting QLICIs, including conducting due diligence to determine a QALICB’s ability to remain financially viable and operational during the term of the QLICI and through a successful exit of the QLICI.
  - Financing projects/business that will result meaningful economic and community development outcomes for the communities they serve.

This is why each Allocatee CDE must have:
  - Low-Income community representatives participating meaningfully in its Advisory Board or Governing board;
  - A business plan likely to bring about significant, and measurable community outcomes; and
  - A demonstrable track record of success with similar business types.
Questions?
Break
Introduction to the NMTC Application
NMTC Application Round Opening

• Notice of Allocation Availability
• The Application (pdf)
• Application FAQ – provides additional details
• Application Roadmap – slide presentation
• Electronic Application
• NMTC AMIS Navigation Guide
• Link to NMTC Application Resources: New Markets Tax Credit Program - Step 2: Application Process | Community Development Financial Institutions Fund (cdfifund.gov)
## 2021 NMTC Allocation Round Deadlines*

*All deadlines are strictly adhered to.

### CY 2021 Allocation Round NMTC Program Critical Deadlines for Applicants

<table>
<thead>
<tr>
<th>Description</th>
<th>Deadline/Date</th>
<th>Time (Eastern Time)</th>
<th>Submission Method</th>
</tr>
</thead>
<tbody>
<tr>
<td>Community Development Entity (CDE) Certification Application</td>
<td>November 18, 2021</td>
<td>11:59 p.m. ET</td>
<td>Electronically via the Awards Management Information System (AMIS)</td>
</tr>
<tr>
<td>Request to modify CDE certification service area</td>
<td>November 18, 2021</td>
<td>11:59 p.m. ET</td>
<td>Electronically via AMIS</td>
</tr>
<tr>
<td>Subsidiary CDE Certification Application for meeting Qualified Equity Investment (QEI) issuance thresholds</td>
<td>November 18, 2021</td>
<td>11:59 p.m. ET</td>
<td>Electronically via AMIS</td>
</tr>
<tr>
<td>CY 2021 Application Registration</td>
<td>December 6, 2021</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>January 11, 2022</td>
<td>5:00 p.m. ET</td>
<td>Electronically via AMIS</td>
</tr>
<tr>
<td>CY 2021 Allocation Application (including required Attachments)</td>
<td>January 13, 2022</td>
<td>5:00 p.m. ET</td>
<td>Electronically via AMIS</td>
</tr>
<tr>
<td>Amendment request to add Subsidiary CDEs to Allocation Agreements for meeting QEI issuance thresholds</td>
<td>January 20, 2022</td>
<td>11:59 p.m. ET</td>
<td>Electronically via AMIS</td>
</tr>
<tr>
<td>QEI Issuance and making Qualified Low Income Community Investments (QLICIs) by:</td>
<td>March 21, 2022</td>
<td>11:59 p.m. ET</td>
<td>Not Applicable</td>
</tr>
<tr>
<td>Amendment request to remove a Controlling Entity from Allocation Agreement(s)</td>
<td>March 21, 2022</td>
<td>11:59 p.m. ET</td>
<td>Electronically via AMIS</td>
</tr>
<tr>
<td>Reporting QEIs and QLICIs by</td>
<td>March 28, 2022</td>
<td>11:59 p.m. ET</td>
<td>Electronically via AMIS</td>
</tr>
</tbody>
</table>
Phase 1: Peer Review
External reviewers evaluate and score Part I and Part II of Applications.

Phase 2: Panel Review
Applications that meet minimum scoring thresholds are evaluated, based on rank score, by a CDFI Fund panel.

Selection of Applicants:
Selecting Official makes final determinations based upon panel recommendations.

Details on the previous round Application Evaluation process can be found on the CDFI Fund’s website (www.cdfifund.gov/nmtc). Details on the current Application Evaluation process can be found in the NOAA (Section V – Application Review Information).
How to Apply for a 2021 NMTC Allocation – Eligibility

- **CY 2021 NOAA: Eligibility for an NMTC Allocation**
  - Applicants must meet all eligibility requirements in the 2021 NOAA, including the “QLICI Uses and Activities” commitment outlined in Application Q. 13(a)

- QEI issuance and QLICI requirements must be met by CDEs that have previously received NMTC Allocations in order to receive an NMTC Allocation in the 2021 Round (Section III.A.5.a)

- Reporting and Compliance with previous award agreements and Allocation Agreements: CDEs and Affiliates that have received CDFI Fund awards or NMTC Allocations may be deemed ineligible if they fail to meet reporting requirements or otherwise fail to maintain compliance with previous awards/Allocation Agreements (Section III.A.5.c)
NMTC Application Webinar – Native CDEs

Application Topics
The NMTC Allocation Application has five main sections:

- Part I: Business Strategy (Exhibit A & Exhibit B)
- Part II: Community Outcomes
- Part III: Management Capacity (Exhibit C & Exhibit D)
- Part IV: Capitalization Strategy (Exhibit E)
- Part V: Information Regarding Previous Awards

Applicants are also required to complete the Application Registration, Applicant Information, and Assurances/Certification sections (Application FAQ#14).

A glossary of terms is included in the Application for reference. Any italicized word in the Application is defined in the glossary.
NMTC Allocation Application: Applicant Information

- At the beginning of the Allocation Application, Applicants are required to answer several informational questions. Q. 1-12 in the Application Information Section are for information purposes only – they are not scored.

- An Applicant may wish to designate a Controlling Entity for the purpose of completing the Allocation Application.
  - More guidance on designating a Controlling Entity can be found in the NMTC Allocation Application NOTE related to Q. 3 and Application FAQs #28, #29, and #30
Read the questions and notes carefully and provide the information requested.

Each question has a character limit. Your responses only needs to be long enough to provide the information requested in the question.

Your responses should clearly explain and reference data from applicable tables/exhibits as requested.

Your responses should only provide information specifically related to the topic of the question.

Respond only to the questions that are relevant to your planned NMTC activities. Applicants gain no advantage by responding to all optional questions.

Review the Application FAQs for additional guidance on specific questions.
The Business Strategy section is scored during Phase 1 of the Application review process.

It will be evaluated by two independent reviewers.

Each reviewer may provide a maximum of 25 points.

An Applicant will score well in this section to the extent it can articulate, with specificity:

- its strategy to use an NMTC Allocation, and
- a strong, relevant track record, including a track record of serving Low Income Communities.
NMTC Allocation Application: Business Strategy

• For notes on how to score highly in this section, please consult the following application materials:
  – 2021 NMTC Allocation Application FAQs: Section IV. D
  – 2021 NMTC Allocation Application NOTEs: Q. 13 – 24
    • Pay special attention to the NOTEs embedded in the application! (Example below)

**NOTE**: If an Applicant intends to utilize its requested NMTC Allocation to engage solely in either the purchase of loans from other CDEs or in the provision of FCOS, and not in the origination of loans or equity, it should skip Questions 14 and 15.

**NOTE**: The Applicant should base the expected percentage of Allocation on the Applicant's intended strategy. Expected percentages of Allocation will not be subject to reporting or be considered in measuring compliance with the Allocation Agreement.
Q. 14 – Proposed Financial Product to be Offered with NMTCs

- Up to 3 financial products can be entered into this section
  - Ex. A/B Senior/Subordinate Debt, Equity, Loan Funds, etc.
  - **Note:** If the Applicant indicates it will be providing more than one financial product in Question 14(a), the Applicant should provide a distinct and unique narrative description for each financial product. Applicants that use the same narrative text for different financial products will not be scored as favorably.
  - See Application FAQs # 36-40

Q. 15 – Commitments Regarding Proposed Financial Products

- If your application is awarded, commitments concerning the rates and terms you proposed are incorporated into your allocation agreement.
Q. 17 – Proposed NMTC Investments

- Provide a narrative describing the Applicant’s planned investments. This narrative should be consistent with Table A5.

- Note: Projected activities should be consistent with an Applicant’s request for an NMTC Allocation and the QLICI activities selected in Question 13(b). An Applicant that has a set of clearly-defined potential business activities and that can demonstrate an effective strategy for locating qualifying loans/investments in businesses and/or other eligible QLICI activities will score well under this subsection.

- For more information on proposed NMTC investments, please review Application FAQs #41-44; 46-55.
• Q. 18 – Due Diligence, Prior to Making a QLICI, to determine a QALICB’s ability to remain financially viable and operational during the term of the QLICI and through a successful exit of the QLICI.

• Describe any documents that will be required from borrowers/investees.
• Describe the types of analysis that will be performed on projected NMTC investments to make this determination

– For more information on QLICI Due Diligence, please review Application FAQ #56.
Innovative Investments (Q. 19)

- This question will not be evaluated or scored in Phase 1 of the Allocation Application review.
- Responses will be considered in Phase 2 of the Allocation Application review and may affect the size of the Applicant’s NMTC Allocation.
- Commitments to these activities must be clearly stated as a percent of total QLICIs.
- Commitments may be reflected in the Allocation Agreement, if an Applicant is selected to receive an NMTC Allocation.
- See Application FAQs #45; #58 - #62.
Innovative Investments (Q. 19) Includes investing in:

- Unrelated CDEs that do not have allocations
- Unrelated *Minority-owned or controlled or Native American-owned or controlled CDEs* that do not have NMTC Allocations
- Investing in states identified by the CDFI Fund as having received fewer dollars of QLICIs historically;
- Small dollar QLICIs: total QLICILs must be $4 million or less (small dollar funds)
- *QLICIs* with an original term less than or equal to 60 months (i.e. revolving loan funds)
- non-*Real Estate Activities*, such as working capital, inventory or equipment purchase
- *Federal Indian Reservations, Off-Reservation Trust Lands, Hawaiian Home Lands, and Alaska Native Village Statistical Areas*
Q. 20: Track Record of Financing Activities similar to those selected in Q. 13:

- The track record described in Q. 20 should reflect the track record within Exhibits B1 thru B3.
- May include direct financing and indirect financing (excluding restricted NMTC Activities)
- “Financing activities” consist solely of the provision of loans or Equity Investments.

Note: 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 20 or 21.

- For more info, see FAQ #63, #66 - #68
Q. 21: Track Record of Financing Activities NOT similar to those selected in Q. 13:

For examples: loans or equity investments in

- NMTC investment funds; non-CDE financial institutions, personal or consumer loans, and residential mortgages; Restricted NMTC Activities. See slide #12 for examples.
- Track record described in this section should reflect the Track Record within Exhibit B4
- May include direct financing and indirect financing
A maximum of 10 priority points are awarded by each reviewer based on the Applicant’s responses to questions in the Business Strategy section and Exhibit B.

Priority points are based on two distinct categories outlined in the NMTC authorizing statute:
- Q. 20-21, Exhibit B: Track record of providing capital or technical assistance to disadvantaged businesses or communities (up to 5 pts).
- Q. 23 - Commitment to use NMTC proceeds to invest in Unrelated Entities (5 pts).

Additional guidance provided in:
- NOAA: Section V, Subsection B.1.b
- Application FAQs: # 72 and 73
Q. 22 will not be evaluated or scored in Phase 1 of the Allocation Application review.

The response to this question will be considered in Phase 2 of the Allocation Application review and may affect the size of the Applicant’s NMTC Allocation.

Applicants are required to provide two target estimates: (1) a minimum percentage and (2) the maximum percentage of QLICIs that the Applicant is willing to commit to invest in Non-Metropolitan Counties.

A final commitment within the proposed minimum and maximum will be reflected in the Allocation Agreement, if an Applicant is selected to receive an NMTC Allocation.

For more information on activities in Non-Metropolitan Counties:

- See the NOAA (Section V, Subsection D) and/or Section V.
- Application FAQs #125 - #131
NMTC Allocation Application: Business Strategy

Questions?
The Community Outcomes section is scored during Phase 1 of the Application review process.

It will be evaluated by two independent reviewers.

Each reviewer may provide a maximum of 25 pts.

An Applicant will score well under this section to the extent it can articulate, with specificity:

- it is working in particularly economically distressed or otherwise underserved communities;
- it demonstrates that its projected financing activities will generate quantifiable and demonstrable community outcomes; and
- it demonstrates meaningful engagement with community stakeholders when vetting potential NMTC investments.
Please consult the following application resources for information on how to score well within this section:

- Application FAQs: Section E (#75-#93)
- 2021 NMTC Allocation Application NOTEs: Q. 25 - 27
  - Pay special attention to the NOTEs embedded in the application!
  
  (Example below)

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**NOTE**: An Applicant that checks “Yes” to Question 25(a) above will generally score more favorably. If the Applicant receives an NMTC Allocation, it will be required to meet the percentage figure identified above, and such requirement will be a term of its Allocation Agreement.
Areas of Higher Economic Distress (Q. 25)

- The Applicant selects the areas that it will target;
- Discusses how it will target these areas, including the criteria used to prioritize these areas in making QLICIs; and
- Respond whether the Applicant commits to make at least 85% of its QLICIs in these areas. This commitment will be part of the Allocation Agreement, if selected to receive an award.
Q. 26

An Applicant will score well in this sub-section to the extent that:

(a) It (or its Controlling Entity) has a track record of producing quantitative community outcomes similar to those expected to be achieved.

Note: A community outcome is a benefit to LIC residents or Low Income Persons, as a direct result of an Applicant’s loans or investments referenced in Exhibit A (Projected Activities) and Exhibit B (Track Record) of this Application.

- For additional guidance and examples on quantifying outcomes see FAQs #78- #80; #83; #86; #89.
An Applicant will score well in this sub-section to the extent that:

- (b) Its projected community outcomes are supported by clear and sound methods and metrics for each outcome selected;
- (c) The projected community outcomes are highly likely to result from the proposed financing activities described in Question 17;
- See FAQ # 80 - #90
Q. 26: New Outcome: Financing Native American owned or controlled businesses

Glossary:

**Native American**
For the purpose of the NMTC Program this term shall include, members of Tribal entities recognized by the U.S. Department of the Interior, Bureau of Indian Affairs (BIA); and individuals having origins in any of the original peoples of Hawaii.

**Native American-owned or Native American-controlled**
For-profit entity: A for-profit entity, including an MDI, that has at least 51 percent of its equity ownership (or the equivalent in limited liability companies) interest being owned by individuals who are Native American.

Not-for-profit entity: A not-for-profit entity with at least 51 percent of its Board of Directors (i.e. Governing Board) comprised of individuals who are Native American.

See FAQ # 79; #81; #88
Q. 27: Community Accountability and Involvement

- The Applicant’s process for determining if a proposed investment aligns with Low-Income Community priorities and how this process affects investment decisions.

- The number and percentage of Low-Income Community representatives on the Applicant’s Advisory and/or Governing Board. Information about specific LIC representatives in Advisory Board or Governing Board is provided in Table C1.

- Application FAQs Document: #92, 93
Q. 27: Community Accountability and Involvement

- The role, formal or otherwise, LIC reps in Advisory Board or Governing Board play in
  - setting investments parameters, formulating the Applicant’s pipeline of investments, and approving the Applicant’s investment decisions.
- Applicant’s (or Controlling Entity’s) track record of project-specific community engagement related to past investment decisions.
  - Application FAQs Document: #92; #93
Questions?
The Management Capacity section is not scored during Phase 1 of the Application review process. It will be evaluated by CDFI Fund staff as part of Phase 2.

An Applicant will be evaluated more favorably under this section if it can demonstrate that:

- It has experienced personnel and appropriate procedures and systems in place to successfully manage a loan and/or investment portfolio;
- Its personnel have experience identifying borrowers, evaluating businesses, and structuring QLICIs; and
- It has experience with similar regulatory compliance requirements and can articulate a specific strategy for ensuring NMTC compliance.
Q. 28 - Provide an Organizational Chart

- The Applicant’s organizational chart should provide the following:
  - The Applicant’s relationship to its Controlling Entity, if applicable
  - The Applicant’s staffing structure
  - The names of Controlling Entity Governing Board members, and names of staff members shared with Affiliates, including Controlling Entity
Q. 28-31: Personnel

- Clearly describe the roles and responsibilities of personnel responsible for managing an allocation, including:
  - finding borrowers,
  - underwriting,
  - structuring NMTC transactions,
  - asset management and
  - loan monitoring,
- compliance

- See FAQ #94-#98
• Q. 30-31: Procedures and systems for asset management and compliance with NMTC Program Income Tax Regulations.
  – See FAQs #95-#96

• Q. 30(d): Portfolio Quality, including delinquencies and write-offs.
  – See FAQ #99 for more info.
• Q. 33: Financial Health of Applicant (or Controlling Entity, if the Applicant is newly established).

• Q. 34: Fee Structure(Table D2)
  – See FAQs #99- #105; #108

• Q. 35: NMTC Income and Expenses.
  – See FAQs #106 - #115
Questions?
The Capitalization Strategy section is not scored during Phase 1 of the Application review process. It will be evaluated by CDFI Fund staff as part of Phase 2.

To receive an award, an Applicant must demonstrate the ability to raise capital for an NMTC Allocation, including:

- A track record of raising capital from investors;
- A sound strategy for raising QEIs or investor interest/commitments (if applicable);
- The appropriate sharing of NMTC benefits between the Applicant, investors, and borrowers/investees.
Q. 35: Capital raising track record (Table E1).
- See FAQs #116 and #117.

Q. 36-37: Strategy for raising QEIs, including leverage debt and equity if using the leveraged structure.
- Table E2 if previously raised QEIs equal to or greater than the Allocation request
- Table E3 if haven’t previously raised QEIs & requires Investor Letters
- See FAQs #118-120 for more details.
Q. 38: Additional questions related to tax credit investors, if applicable.
  – See FAQ #121

Q. 39: Distribution of benefits among NMTC transaction participants: CDE/Applicant; investors; QALICB investees/borrowers
  • (d) new sub-question: co-investments with other CDEs.
Questions?
Closing Remarks

• **Keep in mind:**
  
  – All deadlines are strictly adhered to.
  – If you have questions, submit a service request.
  – Last date to contact the CDFI Fund is 5:00 p.m. ET January 11, 2022.
  – Application and Attachments submitted in AMIS by 5:00 p.m. ET January 13, 2022.
  – Be sure to subscribe to GovDelivery to receive updates (e.g. Supplemental Application FAQ).