



FY 2021 Capital Magnet Fund (CMF) Application Evaluation Process

Introduction

The CDFI Fund received 146 Applications requesting over \$991.8 million in awards under the FY 2021 round of the CMF. These Applicants proposed to serve 48 states, the District of Columbia, and Puerto Rico. The 146 Applicants were comprised of 73 certified CDFIs and 73 nonprofit housing organizations. The CDFI Fund awarded \$336.4 million to 59 organizations. Of the Award Recipients, 32 are certified CDFIs and 27 are nonprofit housing organizations. For additional information on the characteristics of the Award pool, see the CDFI Fund's FY 2021 CMF Award Book.

This document describes the review process used by the CDFI Fund to evaluate the FY 2021 CMF Applications. The regulations and requirements governing the Capital Magnet Fund—found in 12 C.F.R. Part 1807 and in the FY 2021 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 Approach Categorization

- All Applicants were required to select whether they are applying with a financing entity approach or with an affordable housing developer/manager approach.
- Of the 146 applications, 78 were received from Applicants with a financing entity approach and 68 were received from Applicants with an affordable housing developers/manager approach.
- For the External Review, the Applications were grouped into two categories depending on their proposed approach: (1) financing entities and (2) affordable housing developers/managers.

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. The External Review analysis accounted for approximately 65 out of the 100 points, while the quantitative factors accounted for approximately 35 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 – Applicants with a financing entity approach and affordable housing developers/manager approach, described in Section 1 “Entity Approach 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 forwarded 60 Applications for further evaluation and preliminary award recommendation by the Internal Review Panel (CDFI Fund staff and Federal employees). These 60 Applications constituted the highly qualified pool, and were drawn, in descending order of rank score, from the financing entity and housing developer/manager approach groups in proportion to each group's representation in the overall Application pool (58% were from the financing entity approach group, while 42% were housing developer/manager approach group).
- The 60 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

- The likelihood of the Applicant to reach a minimum overall leverage multiplier of 10 times the Award amount or more;
- The amount of private capital it will leverage relative to the CMF Award;
- If rental housing is proposed, the Applicant's approach, track record and ability to finance/support a significant portion (up to 45%) of its rental housing for Very Low-Income Families;
- If rental housing is proposed, the Applicant's approach, track record and ability to finance/support a significant portion of rental housing located in Areas of Economic Distress (AED) and/or High Opportunity Areas (HOA) as a percentage of its CMF rental portfolio;
- If Homeownership is proposed, the Applicant's approach, track record and ability to successfully finance/support up to 100% of its Homeownership units for Low-Income Families (80% AMI or below) and/or in Areas of Economic Distress as a percentage of its CMF Homeownership portfolio;
- The number of Affordable Housing units expected to be generated as a result of the Award.

Quality of the Strategy

- The effectiveness and cohesiveness of the Applicant's strategy;
 - How well the proposed financing activities will help close the financing gaps in their market, including more favorable rates and terms than are currently available in its Service Area;
 - The Applicant's ability to execute its strategy and support its projections;
 - How adaptable the Applicant's strategy is to changing market conditions;
 - The alignment between the proposed activities and strategy and the selected impacts and outcomes; and
 - For Applicants proposing Economic Development Activities (EDA), the extent the activities are part of a Concerted Strategy, whether activities will benefit affordable housing residents, and the track record and capacity of the Applicant to carry out EDA.
- 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 2021 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. For the FY 2021 Round, the SO directed one additional Applications 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 61 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 59 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.