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## Capital Magnet Fund (CMF)

# Compliance Monitoring Frequently Asked Questions for FY 2017 Awards and Later

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This Frequently Asked Questions (FAQs) document applies to Recipients of FY 2017 and subsequent CMF Awards. All capitalized terms in the document are defined in the CMF Interim Rule (Regulations), respective NOFAs, CMF Assistance Agreements, and/or Application Instructions.

***Updated: October 2, 2023***

This resource addresses common questions about implementation of a CMF Award and compliance with CMF Program rules as presented in official documents. Users should refer to the Housing and Economic Recovery Act of 2008, Interim Rule ([Link to Interim Rule](#)), and Assistance Agreement for specific obligations for each applicable award year ([Link to CDFI Fund webpage where agreements can be found](#)). Other rules and regulations apply to CMF awards. Content new to this version is highlighted in yellow.

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## 1. Commitments and Disbursements

### 1.1 What is required to commit a CMF Award to finance a Project? What documents do we need to retain to evidence the CMF Award is Committed?

The commitment requirements are outlined in 12 C.F.R. §1807.501(b). This section includes requirements related to both the form of commitment and requirements that a Project must meet at the time the Capital Magnet Fund (CMF) Award is Committed.

#### Form of Commitment

- **Written Commitment to a Counterparty:** Recipients must be able to demonstrate that the CMF Award is Committed to each Project through a written, legally binding agreement to provide CMF financial assistance to a third party. The third party must be a developer, project sponsor, and/or borrower for the Project. An Affiliate of the Recipient is considered a third party if it is a separate legal entity from the Recipient.
- **Alternative Form of Commitment if No Counterparty:** Effective July 20, 2018, the CDFI Fund issued a waiver of 12 C.F.R. §1807.501(b) that, in very limited circumstances, provides an

alternate method for demonstrating the CMF Award is Committed if there is no third party involved in the transaction. FAQs 1.5 and 1.6 describe the waiver in more detail.

- Per Section 3.4 of the Assistance Agreement, the Recipient must expressly permit the CMF Award to be used to pay for Eligible Project Costs in a written agreement. The CDFI Fund recommends including this language in the commitment agreement.
- For clarity, the document through which the CMF Award is Committed should explicitly reference the CMF Award.

### **Project Requirements for Commitment**

For each Project, a valid commitment agreement must also meet at least one of the following Project requirements:

- 1) Construction on the Project can reasonably be expected to start within 12 months of the commitment agreement date; or
- 2) Property title will be transferred within six months of the commitment agreement date; for purposes of a Homeownership Project for Purchase in the form of down payment assistance or mortgage finance assistance, the requirements of Assistance Agreement Section 4.1(b) are deemed to be met when at least one loan is made that results in the transfer of property title within six months of the commitment agreement date; or
- 3) The construction schedule ensures Project Completion within five (5) years of the Effective Date listed in the Assistance Agreement (different timelines apply for commitments of Program Income).

Examples of supporting documentation include a construction schedule or documentation setting forth the anticipated construction start date. Preferably, the Recipient will provide a statement directly in the commitment agreement, such as a reference to the construction schedule in which that schedule demonstrates the Project will be complete within five years of the Assistance Agreement Effective Date.

### **Commitment Deadline**

100% of the CMF Award must be Committed within two years of the Effective Date of the Assistance Agreement (i.e., by the Committed for use date in the Recipient's Assistance Agreement). The CDFI Fund requires the Recipient to report the date of commitment for each Project as part of annual performance reporting. Recipients must retain a copy of each commitment agreement, as the CDFI Fund may require inspection of the document for compliance monitoring purposes.

## 1.2 Can a commitment be withdrawn once it is issued and reported to the CDFI Fund?

Yes, a Commitment may be changed, terminated, cancelled, withdrawn, or substituted, but only under the following circumstances:

### Prior to the Committed for use date specified in Section 3.2(h) of the Assistance Agreement

A Commitment can be withdrawn or terminated and recommitted to another Project if no CMF Award dollars have been disbursed under the initial Commitment.

### After the Committed for use date specified in Section 3.2(h) of the Assistance Agreement

A Commitment can be withdrawn or terminated if the Project is no longer feasible, is past the Commitment for use date and no CMF Award dollars were disbursed into the Project. The Project being “no longer feasible” shall mean that the Recipient cannot make the CMF investment to the Project due to:

- i. Project delays preventing completion by the Project completion date;
- ii. Project sponsor’s or other parties’ unwillingness to cooperate with Recipient related to CMF requirements;
- iii. The Recipient identifying another Project that will be a better fit for the CMF investment; or
- iv. Other reasons deemed reasonable by the CDFI Fund.

The Recipient shall identify a substitute eligible Project(s) to which its CMF Award can be Committed for use before the end of the Investment Period. The Recipient shall meet all of its Performance Goals by the Project Completion deadline.

Withdrawal of a Commitment after the Committed for use date is a Material Event and must be reported to the CDFI Fund in writing via Service Request through AMIS within 30 days of the event and describe the reason(s) for the withdrawal in sufficient detail.

## 1.3 Can a Commitment to a Project be withdrawn after the disbursement of CMF Award dollars to a Project?

No, a CMF Commitment cannot be terminated after the disbursement of CMF Award dollars to a specific Project. In the event a Recipient terminates a CMF Commitment after disbursement of the CMF Award to the Project but prior to Project Completion, it will be deemed an Event of Noncompliance, which must be reported to the CDFI Fund as a Material Event via a Service Request through AMIS. The Recipient can cure the noncompliance by (1) recapturing the CMF subsidy from the terminated Project for investment into a replacement Affordable Housing Project or (2) make its own dollars available, in an equivalent amount, for investment in a replacement Affordable Housing Project.



#### 1.4 What should a Recipient do if it does not have all of the CMF Award Committed by the Committed for use date?

The Recipient must advise the CDFI Fund using the Material Event Form via a Service Request in AMIS within 30 days of the Committed for use date as this constitutes a Material Event. The CDFI Fund shall recapture any amount of the CMF Award that has not been Committed for use by the Committed for use date specified in Schedule I of the Assistance Agreement.

#### 1.5 How does a Recipient demonstrate the CMF Award is Committed for use in a case where there is not a counterparty with whom to enter an agreement?

While a commitment generally requires a legally binding written agreement with a third party, the CDFI Fund issued a waiver of 12 C.F.R. §1807.501(b), effective July 20, 2018, for all CMF Recipients. It allows for alternative forms of commitment documentation in the following limited circumstances:

1. The Recipient serves in the role as the developer for the Project and the Project is not owned, sponsored, or being developed by a limited partnership, limited liability company, or other separate entity; or
2. The Recipient is financing and/or supporting a Project for Purchase (i.e., Homeownership) and the Project is not owned, sponsored, or being developed by a limited partnership or limited liability company or other separate entity; or
3. The Recipient is committing its CMF Award to a Loan Loss Reserve made by the Recipient, where the reserve is not pledged to a third party or separate entity affiliated with the Recipient but is used to reserve against losses from loans directly made by the Recipient.

In these circumstances, Recipients may evidence the CMF Award is Committed via a Board of Directors resolution for each identified Project, in lieu of a legally binding written agreement with a third party. The resolution is required to be in a form and substance acceptable to the CDFI Fund in its sole discretion. The CDFI Fund has posted guidance related to requirements for making commitments by a resolution of the Board of Directors. A link to this document is here: [Guidance on Commitment Counterparty Waiver](#).

#### 1.6 Would the waiver, described in Question 1.5, be applicable in a scenario where the Recipient is buying homes and holding them in inventory during Rehabilitation for sale to qualified homebuyers?

Yes. The Recipient may use the process outlined in the waiver of 12 C.F.R. §1807.501(b) to commit the CMF Award if homes are:

- (1) being purchased directly by the Recipient with the CMF Award,
- (2) held in inventory during Rehabilitation,
- (3) will be later sold to a third party, and
- (4) no third party exists for the purpose of Committing the CMF Award.

## 1.7 When using a CMF Award for a Loan Guarantee or Loan Loss Reserve, when are those dollars considered Committed? When are they considered disbursed per the Assistance Agreement?

Commitment of the CMF Award for use as a Loan Loss Reserve or Loan Guarantee must be made by the Committed for use date. See FAQ Question 1.1 for more information about Committed for use requirements and FAQ Question 1.5 regarding the commitment waiver.

CMF assistance in the form of a Loan Guarantee is Committed when the Recipient enters into a legally binding agreement with a third party to provide payment under the terms of the Loan Guarantee (or the commitment waiver process is used).

CMF assistance in the form of a Loan Loss Reserve is Committed when the Recipient enters into a legally binding agreement to use the CMF Award to cover losses on loans, accounts, and/or notes receivable for an identified Project or multiple identified Projects. The commitment waiver may also be used. See Question 1.8 for more information about demonstrating commitment for Loan Loss Reserves.

For Loan Guarantees and Loan Loss Reserves, the funds are considered disbursed at the time they are Committed for use to an identified Project, and the CMF Award Committed for the Project is placed into escrow or a segregated account.

Per 12 C.F.R. §1807.302(d) “Any Recipient that uses its CMF Award for a Loan Guarantee or Loan Loss Reserves must ensure the underlying loan(s) are made to support Affordable Housing Activities and Economic Development Activities. The Affordable Housing resulting from the Recipient's Loan Guarantee or Loan Loss Reserve shall be tracked for 10 years, as set forth in subpart D of this [regulation].” Further, any Project supported by the Loan Guarantee or Loan Loss Reserves must meet the conditions outlined in Assistance Agreement Section 4.1.

## 1.8 How does the Recipient demonstrate commitment if it plans to use the CMF Award to establish a Loan Loss Reserve?

The following outlines the ways a Recipient can demonstrate the CMF Award is Committed when establishing a Loan Loss Reserve:

### 1. Loan Loss Reserves for loans when the reserve is pledged to a third party or Affiliate

The commitment agreement must be in written form and made to a third party or Affiliate when such a counterparty exists, following the standard requirements for commitments. The commitment agreement is issued to the third party making the loans and must specify the developer or project sponsor that benefits from the underlying loan.

2. Loan Loss Reserves for a Recipient's loans (not a Homeownership Purchase program)

If the Recipient is committing its CMF Award to a Loan Loss Reserve for loans made by the Recipient and is not using an Affiliate, the Recipient must evidence the commitment in accordance with the Counterparty Waiver guidance.

See the commitment Counterparty Waiver guidance. A link to this document is here: [Guidance on Commitment Counterparty Waiver](#).

3. Loan Loss Reserves for a Homeownership Purchase program of the Recipient

If the Loan Loss Reserves will be used in support of a Project for Purchase that is a program of the Recipient (i.e., a Homeownership Purchase program, such as mortgage lending or down-payment assistance), the Recipient must evidence a commitment via a resolution of the Recipient's Board of Directors for the Project for Purchase program collectively. This process will be used in the event the Project is not owned/sponsored by a limited partnership, limited liability company, or other separate legal entity.

All homes under such a Purchase program are considered to be supported by the CMF Loan Loss Reserves and are subject to all of the standards and requirements of the CMF Program. Recipients are encouraged to form a separate reserve account restricted for the CMF supported loans for ease of tracking.

### 1.9 Must a commitment be made to individual homeowners when financing for-sale housing?

Recipients have the option to complete commitment agreements directly with homeowners. Alternatively, the Recipient may establish a Homeownership Purchase program and issue a commitment to finance for-sale housing as a single Project. In this more common approach, the Homeownership Purchase program is a Project for purposes of committing the CMF Award. When no counterparty exists, the Recipient must follow the waiver guidance for demonstrating the CMF Award is Committed.

The CDFI Fund recommends that Recipients request technical assistance from the CDFI Fund when deciding on the creation of a Homeownership Purchase program and issuing a commitment agreement to such a program.

### 1.10 Does a majority or all (100%) of the CMF Award need to be disbursed by the initial disbursement date in the Assistance Agreement?

No, a majority or all (100%) of the CMF Award does not need to be disbursed by the initial disbursement date. Instead, an initial disbursement, in any amount, for Affordable Housing Activities or Economic Development Activities must be made by the initial disbursement date set forth in Schedule 1 of the Assistance Agreement.

## 2. Eligible activities and Uses

### 2.1 Is a Recipient required to undertake each approved eligible activity and use listed in the Assistance Agreement?

No. There is no requirement or expectation that the Recipient undertakes each eligible activity or eligible use approved in the Assistance Agreement.

### 2.2 Can a Recipient use the CMF Award for an eligible activity or use for which it is not approved?

No. Recipients may only engage in approved eligible activities and uses listed in the Assistance Agreement. Recipients may not have been approved for all activities and uses proposed in its application. Please refer to Question 2.3 on how to request approval for eligible activities and uses not currently approved.

### 2.3 How can a Recipient request approval from the CDFI Fund to undertake an eligible activity or eligible use not currently approved?

If a specific eligible activity or eligible use is not approved as part of Schedule 1 of the Recipient's Assistance Agreement, the Recipient must submit a request to amend their Assistance Agreement. The CDFI Fund must provide approval before the Recipient can engage in the new eligible activity or use. The agency approves amendments to executed Assistance Agreement only in limited circumstances. Please refer to Question 2.4 on the steps to submit an amendment request.

### 2.4 How does a Recipient request an Amendment to its Assistance Agreement?

Amendments can be requested to the Performance Goals outlined in Schedule 1 of the Assistance Agreement and will be approved only under limited circumstances.

To initiate an amendment request, please submit an AMIS Service Request and select "Capital Magnet Fund" as the Program. In the Subject line for the Service Request, indicate "Amendment Request to FY 20XX CMF Assistance Agreement." The Service Request must include a summary of the requested change (e.g., allow Loan Loss Reserves as an eligible use), as well as the proposed new Performance Goal. As part of the Service Request, the Recipient should upload a comprehensive justification document that explains why it is requesting an amendment and how the requested modification is consistent with the business strategy and impact proposed in its CMF Application.

## 2.5 Can the CMF Award be used to assist manufactured housing communities and residents to purchase their properties? What are the income verification requirements for assisting manufactured housing communities/parks?

The CMF Award can be used to assist homeowners in manufactured home communities undertake any eligible activities associated with Homeownership. Homeownership activities include Purchase assistance, Rehabilitation, acquisition, construction, conversion of rental housing to Homeownership, financing the Development, purchase, or Preservation of a manufactured housing community, and other related activities.

The income verification requirements are the same as for all Homeownership activities financed or supported by the CMF Award must benefit a qualifying Family. See Q.7.11.

## 3. Leveraging Requirements

### 3.1 What are Eligible Projects Costs and how are they determined?

Eligible Project Costs, as defined in 12 C.F.R. §1807.104, are those costs of Affordable Housing Activities and Economic Development Activities paid for by the CMF Award and Leveraged Costs. 12 C.F.R. §1807.500 describes Leveraged Cost in more detail. Section 3.4 of the Assistance Agreement includes additional detail on Eligible Project Costs and Leveraged Costs and has the most in-depth description of which costs are Eligible Project Costs. Eligible Project Costs must be attributable exclusively to Affordable Housing costs for housing that is or will be occupied by Families at or below 120% of the area median income and/or physical structures in the case of Economic Development Activities.

Recipients must calculate Eligible Project Costs for each Project. Typically, the Recipient will start with a complete list of the known total development cost (TDC) for the Project at the time of Project Completion. From the final itemized list of TDCs, the Recipient must evaluate each line item to determine if the costs are Eligible Project Costs based on Section 3.4 of the Assistance Agreement.

Tips for calculating Eligible Project Costs:

- Eligible Project Costs for a Project may not exceed the TDCs of the Project at the time of Project Completion. The only exception to this rule occurs when a Recipient uses the CMF Award for Loan Loss Reserves and Loan Guarantees, as these are not typically included as part of TDCs.
- While the CDFI Fund recognizes that Recipients and other investors may make separate loans and investments in different phases of Projects, for purposes of determining Eligible Project Costs paid for by the CMF Award and Leveraged Costs, Recipients will only count final development cost. For

example, funds borrowed as acquisition financing replaced by a permanent loan to cover the same acquisition costs are not both counted as Eligible Project Costs.

### 3.2 How does the CDFI Fund determine overall leverage (at least 10 x CMF Award)?

Total Eligible Project Costs must be at least 10 times the amount of the CMF Award by the Project Completion date. This leverage multiplier is calculated by the following formula:

$$\text{Overall Leverage} = \frac{\text{Eligible Project Costs invested in Completed Projects by the Project Completion date}}{\text{Amount of the CMF Award}}$$

The multiplier is measured on a portfolio basis across all Projects (i.e., Recipient's CMF portfolio – not Recipient's entire real estate portfolio). Because this is a portfolio test, the Recipient is NOT required to maintain a minimum leverage multiplier for each Project. In other words, the leverage multiplier for an individual Project may be higher or lower than 10, as long as the total leverage multiplier based on the total Eligible Project Costs for all Projects is at least 10 times the amount of the CMF Award.

While Eligible Project Costs are reported and monitored by the CDFI Fund annually, compliance with the leverage goals are tested for compliance as of the Project Completion date in the Assistance Agreement.

Here are some examples to illustrate the calculation of Eligible Project Costs and overall leverage under different scenarios:

**Example A:** A CMF Recipient uses its \$2 million CMF Award to support three Projects with total Eligible Project Costs of \$20 million. Project A receives a \$1 million in CMF Award investment and Eligible Project Costs of \$8 million. Projects B and C each receive \$500,000 in CMF Award investments and each has Eligible Project Costs of \$6 Million.

CMF Award = \$2 M

Total Development Costs = \$20 M

Eligible Project Costs = \$20 million (\$8 M + \$6 M + \$6 M = \$20 M).

Overall Leverage Multiplier = 10 (\$20 M in Eligible Project Costs / \$2 M in CMF Award = 10)

Since the Recipient's Eligible Project Costs are 10 times the CMF Award amount, this Recipient has met the statutory 10:1 leverage requirement.

**Example B:** A CMF Recipient combines its \$1.5 million CMF Award with an additional \$8.5 million in an Affordable Housing Fund, for a total of \$10 million. The Affordable Housing Fund was invested in Projects that so far have a total of \$12 million in Eligible Project Costs.

CMF Award = \$1.5 M

Total Development Costs = \$12 M

Eligible Project Costs = \$12 M

Overall Leverage Multiplier = 8 (\$12 M in Eligible Project Costs / \$1.5 M CMF Award = 8)

Since the Recipient's Eligible Project Costs are less than 10 times the CMF Award amount, this Recipient has NOT yet met the statutory 10:1 leverage requirement. The Recipient will need to generate additional EPCs; for example, by re-lending repaid CMF Award investments (Program Income) and additional leveraged capital to ensure it meets the portfolio-leverage requirements.

**Example C:** A CMF Recipient establishes a loan loss reserve (LLR) using \$1 million in CMF grant dollars. This reserve will support \$20 million in mortgages originated by the Recipient as a first loss reserve. Homebuyers contribute \$600,000 in equity.

CMF Award = \$1.0 M

Total Mortgage Debt Issued = \$20 M

Homeowner Equity = \$600,000

Eligible Project Costs = \$1 M + \$20M + \$600K = \$21.6 M

Overall Leverage Multiplier = 21.6 (\$21.6 M in Eligible Project Costs / \$1.0 M CMF Award = 21.6)

Note that in this example the Eligible Project Costs are higher than the purchase price of the homes (i.e., TDC) due to the addition of the Loan Loss Reserve.

### 3.3 How does the CDFI Fund determine overall leverage when there are income-restricted and market-rate units in the same building?

The costs of the market-rate units do not qualify as Eligible Project Costs, because Families in the market-rate units are not required to have an income of 120% AMI or lower, and the units are not subject to Affordability Period restrictions. Accordingly, the total development costs will be greater than the Eligible Project Costs.

Example: There is only one Project in the CMF portfolio - a building that will have both income-restricted units and market-rate units. Two-thirds of the units are set aside for Eligible-Income Families and the other third are market-rate. All units are similar one-bedroom units, so there can be a simple proration of the costs between market-rate and Eligible-Income units.

CMF Award = \$1.5 M

Total Development Costs = \$15 M

Eligible Project Costs = \$10 M

Overall Leverage Multiplier = 6.67 (\$10 M in Eligible Project Costs / \$1.5 M CMF Award = 6.67)

The Recipient's Eligible Project Costs are less than 10 times the CMF Award amount, so it has NOT met the overall statutory 10:1 leverage requirement. The Recipient will need to generate additional Eligible Project Costs to ensure it meets the statutory requirement.

### 3.4 How does the CDFI Fund determine overall leverage when there are multiple phases in a Project?

The CDFI Fund recognizes only final costs at Project Completion and disregards intermediate-phase financing amounts.

Example: A Recipient uses \$1 million of its CMF Award for a Project acquisition that costs \$8 million. The other \$7 million for acquisition comes from \$1 million in owner's equity and \$6 million in foundation grants. At the time of acquisition, the developer plans a second phase that will cost \$2 million for renovations and additional construction. The developer can obtain \$2 million from other sources to pay for the renovation and new construction. After construction, the Recipient's acquisition loan of \$1 million and an additional \$2 million in construction financing are paid off by a \$3 million permanent loan.

Total Financing used in Project - \$13 million

- CMF Award = \$1 million
- Owner's Equity = \$1 million
- Foundation Grants = \$6 million
- Construction Financing = \$2 million
- Permanent Financing = \$3 million

Total Eligible Project Costs - \$10 million

- Total Eligible Project Costs for Acquisition = \$8 M
- Additional Eligible Project Costs for renovation = \$2 M

Overall Leverage Multiplier = 10 (\$10 M in Eligible Project Costs / \$1 M CMF Award = 10)

The overall leverage multiplier is based on the total Eligible Project Costs. All interim financing is netted out. In this example, the Recipient can count the acquisition and renovation costs, which are included in the scope of the Project.

### 3.5 How does the CDFI Fund determine overall leverage when a Recipient makes a CMF investment that is repaid prior to Project Completion?

In this case, the Recipient counts the total final Eligible Project Costs even though it invested earlier on and was repaid before Project Completion.



Example: A Recipient loans a developer \$1 million of its CMF Award to purchase land. The developer will build a new building that is 100% Affordable Housing. The Recipient's loan will be paid off at the start of construction by a construction loan. The CMF loan covers the entire acquisition cost. Total Eligible Project Costs on the date of Project Completion will be \$5 million. The Recipient will not have any continuing investment in the Project once construction starts.

CMF Award investment at acquisition = \$1 M

Acquisition cost = \$1 M

CMF Award investment at the start of construction = \$0 (Developer pays off Recipient's loan)

Construction costs = \$4 M

Total Eligible Project Costs = \$5 M (at Project completion)

Overall Leverage Multiplier = 5 (\$5 M in Eligible Project Costs / \$1 M CMF Award = 5)

Even though the Recipient exited the Project at the start of construction, all costs from acquisition through Project Completion are Eligible Project Costs and will be counted for purposes of calculating leverage.

### 3.6 When calculating leverage, what sources of capital are private and what sources are public?

Private capital is investments or loans to the Recipient, or Projects financed and/or supported by the Recipient, received from private entities that are not a unit of federal, state, or local government. Examples of private sources of leverage used to pay Eligible Project Costs include:

- Any private sector-sourced equity and debt (including investor or owner equity and conventional bank loans or lines of credit)
- Low-Income Housing Tax Credit equity investments or other tax credit equity investments
- Private financing supported by public agency guarantees, such as FHA-insured mortgages or the Department of Agriculture's Section 502 Guaranteed Loan Program
- The Recipient's (or an Affiliate's) own investments of Enterprise-Level Capital
- Loans or equity investments from nonprofits, so long as these are not pass-through investments of public grants or other capital.

Public sources of leverage are typically grants, loans, or awards made to the Recipient or directly to Projects with funds that are allocated by federal, state, or local governments. Examples of public sources of leverage include:

- The CMF Award
- CDBG (including Section 108 loans)
- HOME
- Department of Agriculture Section 502 Direct Loan Program
- Indian Housing Block Grant Funding

- Other federal, state, and local direct grants or loans

Note that costs financed/supported by the Recipient’s award or allocation from another CDFI Fund program are not counted as Leveraged Costs for the CMF Award.

### 3.7 How does the CDFI Fund calculate the Private Leverage Cost Multiplier? When will the CDFI Fund measure compliance with this goal?

While the multiplier is measured on a portfolio basis, data on Private Capital is reported for each Project. To determine the amount of Leveraged Costs paid for by Private Capital for an individual Project, the Recipient may count all sources of private investment used to pay for Leveraged Costs during any phase of a Project. However, the total amount of private costs cannot exceed the Leveraged Costs (Eligible Project Costs minus CMF Award) for a Project. The Private Leverage Cost Multiplier is measured at the end of the Investment Period (Project Completion date) and calculated as follows:

$$\text{Private Leverage Cost Multiplier} = \frac{\text{Leveraged Costs paid for by Private Capital}}{\text{Amount of the CMF Award}}$$

### 3.8 How is the Recipient-Level Leverage multiplier calculated? When will the CDFI Fund measure compliance with this requirement?

The Recipient-Level multiplier applies only to FY 2016, FY 2017, and FY 2018 Awards.

The Recipient must calculate and report the dollar amount of Recipient-Level capital invested in each Project. Once entered in the CMF Performance Report, AMIS will compute the Recipient-Level Leverage multiplier achieved for the entire portfolio.

Not all Recipients have a Recipient-Level Leverage multiplier<sup>1</sup> goal but if one exists, it is listed in Schedule 1. For compliance purposes, the multiplier is calculated based on Projects Completed by the Project Completion date. The formula is:

$$\text{Recipient-Level Capital Leverage Multiplier} = \frac{\text{CMF Award} + \text{Enterprise-Level Capital} + \text{Reinvestment}}{\text{CMF Award}}$$

Note: Enterprise-Level Capital means capital earned, borrowed, or raised by the Recipient or its Affiliates, which is designated for use and ultimately used to pay for Eligible Project Costs but is not initially restricted for use for specific properties at the time it is earned, borrowed, or raised.

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<sup>1</sup> This multiplier is called the “Applicant-Level” Leverage multiplier in the Application and is called the “Recipient-Level” multiplier in the Assistance Agreement.

Reinvestment refers to reinvested CMF Program Income or repaid Enterprise-level Capital.

**Example A:** A Recipient has a required Recipient-Level multiplier of 5. It combines its \$2 million CMF Award with \$8 million in Enterprise-Level Capital into an Affordable Housing direct mortgage lending program for a total of \$10 million. The Affordable Housing Fund supports home purchases totaling \$11 million in Eligible Project Costs as of the Project Completion date. Beyond the \$10 million costs financed by the Affordable Housing Fund, an additional \$1 million in costs is paid for by homeowner down payments.

To calculate the Recipient-Level Leverage multiplier:

$$\frac{\$2 \text{ M [CMF Award]} + \$8 \text{ M [Enterprise-Level Capital]} + \$0 \text{ M [Reinvestment]}}{\$2 \text{ M [CMF Award]}}$$

$$\$10 \text{ million} / \$2 \text{ million} = 5$$

The Recipient has met the requirement because it has achieved a Recipient-Level multiplier of 5.

**Example B:** The Recipient uses its \$1 million CMF Award and \$3 million from a Recipient-managed multi-bank loan participation fund to make a short-term loan to a developer for a Project with \$6 million in total Eligible Project Costs. The developer repays the \$4 million loan two years later. The Recipient then reinvests the \$4 million into another Project with \$4 million in total Eligible Project Costs, which is also completed before the Project Completion date. The required Recipient-Level multiplier goal is 10 (\$10 million).

To calculate the Recipient-Level Leverage multiplier:

$$\frac{\$1 \text{ M [CMF Award]} + \$3 \text{ M [Enterprise-Level Capital]} + \$4 \text{ M [Reinvestment]}}{\$1 \text{ M [CMF Award]}}$$

$$\$8 \text{ million} / \$1 \text{ million} = 8$$

In this example, the Recipient has not met its minimum Recipient-Level Leverage multiplier. It was required to achieve a Recipient-Level Leverage goal of 10 (\$10 million); however, its only performance was only 8 (\$8 million).

### 3.9 What evidence or documentation is required to demonstrate that the Recipient has leveraged Enterprise-Level Capital?

Recipients must retain documentation to support their Recipient-Level Capital data, inclusive of Enterprise-Level Capital, reported in the CMF Performance Report. Such documentation may include

copies of loan documents, wire transfers, account statements, and other documentation demonstrating that the capital raised/earned by the Recipient was not restricted to a specific project at the time it was raised/earned. The CDFI Fund may request documents to trace Enterprise-Level Capital and CMF Award into CMF Projects by the Project Completion date.

If the Recipient is planning to use unrestricted internal funds or to draw on a line of credit, it should maintain documentation of transfer records or account statements substantiating that these funds have been combined with CMF Award dollars for an eligible activity. While the CDFI Fund does not require the Recipient to submit these documents, they must be available for inspection at the request of the CDFI Fund.

### 3.10 If the Recipient has a line of credit, can this arrangement satisfy the requirements for Enterprise-Level Capital?

The amount drawn on the line of credit can count as Enterprise-Level Capital if all three conditions outlined below are met:

- 1) The provider of the line of credit does not direct the Recipient to use its line of credit for specific Projects.
- 2) The line of credit is provided to the Recipient as an entity – not to a Project-specific affiliated entity.
- 3) The amount drawn on the line of credit finances Eligible Project Costs.

### 3.11 In the case of a CMF investment in a mixed-use Project that includes Affordable Housing and an economic development component, how will Eligible Project Costs be determined?

It depends on whether the CMF Award is used to finance only the Affordable Housing portion, only the economic development portion, or both.

#### CMF financing only for Affordable Housing Portion in the Project

If the CMF Award is used only to finance the Affordable Housing portion of the building, Eligible Project Costs must be attributed exclusively to Affordable Housing costs (housing that is or will be occupied by Families at or below 120% of the area median income and is subject to the 10-year affordability restrictions). For shared development costs between the two uses (e.g., site work, common space, etc.), the CDFI Fund will accept a square-foot proration of the Affordable Housing or direct tracing or a combination of these methods.

For example, a Recipient financed the construction of a \$10 million building with a \$1 million CMF Award and \$9 million in other sources. The building includes a health clinic on the lower floors and

Affordable Housing on the upper floors. CMF financing was used for the Affordable Housing portion exclusively. Of the \$10 million total costs, \$3 million for hard costs directly traced to the health clinic, \$5 million is for hard costs for the Affordable Housing, and \$2 million is for soft costs, land acquisition, and site preparation that supports the entire building. Approximately 60% of the square footage is dedicated to Affordable Housing while 40% is used for the clinic. Using this proration, the Recipient can calculate that 60% of the shared costs are attributed to Affordable Housing:

Portion of shared costs that are Affordable Housing Eligible Project Costs= \$2 M [shared costs in the project budget] x 60% [square footage percentage] = \$1.2 M.

Total Eligible Project Costs = \$5 M [Affordable Housing hard costs] + \$1.2 M [portion of shared costs] = \$6.2 M

#### CMF Financing only for Economic Development Activities (EDA) in the Project

If the CMF Award is used to finance Economic Development Activities in a mixed-use development, leverage would only include Eligible Project Costs associated with physical structures for the identified Economic Development Activities. For shared development costs between the two uses (e.g., site work, common space, etc.), the CDFI Fund will accept a proration of these shared costs by multiplying the total shared costs by the percentage of property square footage of the Economic Development Activities.

Using the same example above, the calculation is the same, except focusing on the EDA component rather than the Affordable Housing:

Portion of shared costs for EDA Eligible Project Costs= \$2 M [shared soft costs in the Project budget] x 40% [square footage percentage] = \$0.8 M.

Total Eligible Project Costs = \$3 M [EDA hard costs] + \$0.8 M [EDA portion of shared costs] = \$3.8 M

#### Affordable Housing Activities and Economic Development Activities

If the CMF Award is used to finance both the Affordable Housing Activities and Economic Development Activities in a mixed-use Project, all costs associated with the Affordable Housing (i.e., housing that is or will be occupied by Families at or below 120% of the area median income and is subject to the 10-year Affordability Period) and the Economic Development Activities constitute Eligible Project Costs.

Using the same example, the total development cost of \$10 million would be the Eligible Project Costs.

Recipients are encouraged to submit to the CDFI Fund, via Service Request, individual transactions that are complex for technical review to ensure the Recipient is correctly calculating and reporting Eligible Project Costs.

### 3.12 How are CMF Award dollars used for Direct Administrative Expenses treated in calculating leverage?

Leverage is based on the total CMF Award, regardless of any portion used as Direct Administrative Expenses. Per the Assistance Agreement, Direct Administrative Expenses are not Eligible Project Costs.

For example, if the CMF Award is \$1,000,000 and the Recipient uses the maximum of 5% of the Award for Direct Administrative Expenses (\$50,000), the Recipient is still required to finance/support at least \$10 million in Eligible Project Costs (\$1 million x 10 = \$10 million); not \$9.5 million (\$950,000 x 10 = \$9.5 million). Because the Direct Administrative Expenses do not count towards the \$10 million minimum Eligible Project Costs requirement, the Recipient would need to identify additional leverage capital to fill the gap.

As a reminder, Direct Administrative Expenses are limited to 5% of the Award Amount, whether using the CMF Award or Program Income. The CMF Interim Rule defines Administrative Direct Expenses as direct costs incurred by the Recipient, related to the financing of the Project as described in 2 C.F.R. §200.413 of the Uniform Administrative Requirements.

### 3.13 Can the value of donations, assets held for development be treated as Eligible Project Costs and therefore be included as leveraged sources of capital?

Donations of land, material, sweat equity, and other goods and services are not leveraged sources of capital and are not Eligible Project Costs financed with the CMF Award or leveraged capital. This is because donations are not financed costs and instead reduce the amount of financing required for the Project that benefits from the donation.

Land and other assets held in inventory for development generally are not Eligible Project Costs, except when the acquisition occurred within 36 months of the date the CMF Award was Committed to the Project. Further, if the acquisition occurs within the 36-month period, the Eligible Project Costs are limited to the amount of capital paid at the time of acquisition. In other words, a current appraised value cannot be substituted for the actual acquisition cost.

## 4. Project Completion and Placed into Service

### 4.1 What is the difference between Project Completion, Placed into Service, and the Initial Occupancy dates under the Assistance Agreement?

Project Completion requirements are found in 12 C.F.R. §1807.503. In general, Project Completion occurs when necessary title transfer and/or construction are complete, and all CMF Award funds have been disbursed to the Project. In many cases, Project Completion and Placed into Service occur at the same time.

Placed into Service, defined in Section II of the Assistance Agreement, means that the Project is complete and ready for occupancy because a certificate of occupancy (or similar permit to occupy a structure) has been issued. For Rehabilitation of owner-occupied Homeownership units, Placed into Service is concurrent with Project Completion pursuant to 12 C.F.R. §1807.503. For Economic Development Activities, Placed into Service occurs when: (a) all requirements of 12 C.F.R. §1807.503 are met and (b) when the initial tenant has signed a lease and has the right to move in.

The Initial Occupancy date is defined in Section II of the Assistance Agreement and differs for rental and Homeownership Projects:

#### **Rental**

For rental Affordable Housing, Initial Occupancy is achieved after the Project is Placed into Service and when at least 90% of all CMF-financed and/or supported units within the property are occupied by Eligible-Income Families. This must occur no later than 12-months after the Project Completion date.

#### **Homeownership**

For Homeownership, the Initial Occupancy date is the date on which transfer of equitable title to the homeowner occurs.

#### **Owner-Occupied Homeownership Rehabilitation**

For owner-occupied Rehabilitation of Homeownership Affordable Housing only, the Initial Occupancy date is equivalent to the Project Completion date, pursuant to 12 C.F.R. §1807.503.

The ten-year Affordability Period for each Project starts on the Initial Occupancy date.

### 4.2 What happens if a Project is Placed into Service more than six months after Project Completion or Initial Occupancy occurs more than twelve months after Project Completion?

If a Project is not Placed into Service within 6-months of Project Completion or Initially Occupied with 12-months, this is an event of noncompliance and a Material Event. The Recipient must submit a

Material Events Form to report the noncompliance within 30 days of the missed deadline. Please submit this form as a Service Request in AMIS to the CMF Program. A copy of the form is posted on the CDFI Fund website and can also be accessed through this link: [Material Events Form](#). In the event of noncompliance, the CDFI Fund may, in its sole discretion, take one or more actions, as outlined in the Sanctions sections of the Assistance Agreement.

#### 4.3 If the Recipient has already Placed into Service more units than required by the Assistance Agreement prior to the five-year Project Completion date, does it still need to meet the required percentages under Sections 3.2(d), 5.2(a), and 5.3(a) for additional CMF-financed units?

Yes. Every initial investment of the CMF Award will factor into the required percentages under Sections 3.2(d), 5.2(a), and 5.3(a) of the Assistance Agreement, as measured at the end of the Investment Period (which concludes at the Project Completion date). In addition, certain Recipients committed to reinvesting Program Income to achieve their Performance Goals. For these Recipients, the Program Income reinvestments may also factor into the required percentages under Sections 3.2(d), 5.2(a), and 5.3(a) of the Assistance Agreement. For additional information, see the applicable Assistance Agreement Section 3.8(a) or (b) that governs the use of Program Income.

## 5. Affordability – General Topics

#### 5.1 How do I know when to report on affordability if my Assistance Agreement does not have a table with reporting periods or deadlines for the Affordability Report?

Depending on the award year, the Assistance Agreement may have a separate abbreviated reporting schedule printed in Schedule 1 for reporting on the Investment Period only. The CMF Performance Report includes both investment and affordability components, so after the conclusion Investment Period, Recipients will continue with the same annual reporting schedule – within 90 days of the end of the Recipient’s fiscal year. The CDFI Fund has loaded the schedule for submitting the performance report into each CMF Award’s reporting schedule in AMIS.

For purposes of establishing a reporting schedule, the CDFI Fund assumed that most Recipients will be reporting for 15 years. However, the actual reporting timeline for any given Recipient may be less or greater than 15 years; it depends on when the last Project financed and/or supported with the CMF Award (or applicable Program Income) exits its 10-year affordability period.

#### 5.2 When does the Affordability Period start and end?

There are two ways to think about the Affordability Period start and end dates. The first way is at the Project-level. Each rental or Homeownership Project is individually subject to a 10-year Affordability



Period that starts on the Initial Occupancy Date and ends ten years later. Thus, each Project has its own Affordability Period for which affordability data must be reported.<sup>2</sup>

A second way to think about the start and end dates of the Affordability Period is from a CMF Award portfolio-wide perspective: the Affordability Period starts on the date of Initial Occupancy for the Recipient's first completed Project and ends ten years after the Initial Occupancy Date for the last Project.

### 5.3 Are there any circumstances in which a CMF Award can be used to finance and/or support an Affordable Housing Project but the Project would not be subject to the affordability requirements?

No. Once a Project benefits from CMF financing during the Investment Period, whether through a direct investment/loan or a form of credit support such as a Loan Loss Reserve or Loan Guarantee, it becomes subject to the Affordability Period requirements for the full 10 years. This applies even if the CMF financial assistance is repaid before Project Completion, before Initial Occupancy, or at any time prior to the conclusion of the 10-year Affordability Period. The Recipient is required to monitor the affordability of Projects and report to the CDFI Fund throughout the 10-year period.

The Affordability Period for each housing Project begins on the Initial Occupancy date regardless of the development stage in which CMF financing was provided or it was paid off before Initial Occupancy.

### 5.4 Where is the data to determine who is qualified as an Eligible-Income, Low-Income, Very Low-Income, and Extremely Low-Income Family?

The Department of Housing and Urban Development (HUD) annually provides this data. The HUD dataset can be found here: [Median Income datasets link](#). From this page follow the link under "Access Individual Income Limits Areas."

A Family whose income is not in excess of 120% of the applicable Area Median Income (AMI) is Eligible-Income for CMF. A Family whose income is not in excess of 80% of the applicable AMI is Low-Income. A Family whose income is not in excess of 50% of the applicable AMI is Very Low-Income. A Family whose income is not in excess of 30% of the applicable AMI is Extremely Low-Income. The HUD database provides classification data, adjusted for Family size.

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<sup>2</sup> In the event a Homeownership Project needs to be replaced, such as when the Homeownership Project is sold to an over-income buyer, the Affordability Period will pause. It is not until the replacement unit achieves Project Completion that the 10-year Affordability Period will resume. The CMF Performance Report will add any such gaps to the original 10-year Affordability Period end date. CMF Recipients **have one year to replace the original unit but** are encouraged to identify replacements as quickly as possible to minimize the amount of time for which Affordability Period reporting on the Project exceeds 10 calendar years.

## 5.5 If a Recipient is using its CMF Award for Affordable Housing Activities related to manufactured housing and housing lots, how does it determine the affordability of the units?

Classified as Single-Family housing, the purchase price of the manufactured home may in no event exceed 95% of the median sales price as used in the HOME Program and as determined by HUD and the applicable Participating Jurisdiction. No distinction is made between manufactured housing and other owner-occupied housing for this test. See Question #7.6 for information on where to find this dataset.

## 5.6 Who is responsible for enforcing the affordability requirements for CMF-financed Projects?

The CMF Award Recipient always has the obligation to enforce the CMF requirements under the CMF Assistance Agreement and any applicable regulations during the 10-year Affordability Period. The CDFI Fund will not approve any proposed agreement or action that would prevent the Recipient from complying with any aspect of the Assistance Agreement or the Interim Rule, including the affordability requirements. Similarly, the CDFI Fund will not approve any proposed agreement or action that will have the effect of assigning the affordability requirements from the Recipient to another entity.

# 6. Affordability and Income Determination – Rental Property

## 6.1 What are the Affordability Period requirements for rental housing financed with the CMF?

The requirements for rental housing affordability are set forth in detail in several documents. Recipients should particularly review 12 C.F.R. §1807.400-401. In addition, see Assistance Agreement Sections 3.2 and 5.2.

Affordability for CMF is evaluated at both the portfolio-level for all CMF Projects and Project-level for each CMF Project:

### **Portfolio-Level (all CMF Projects under an Award)**

- (1) 100% of the Eligible Project Costs (the sum of costs funded by CMF Award plus Leveraged Costs) must be used for Affordable Housing to benefit Eligible-Income Families (at or below 120% of Area Median Income (AMI)).
- (2) Greater than 50% of the Eligible Project Costs must serve Families who are Low-Income, those at or below 80% of AMI, adjusted for Family size.
- (3) Schedule 1 of the Assistance Agreement (Sections 3.2(d), 5.2(a), and 5.3(a) – Portfolio-level Targeted Incomes and Geographies) identifies the Recipient’s specific portfolio-level targeted income requirements. Recipients must be aware that regardless of the Eligible Project Costs

requirements stated above, the Recipient may have deeper requirements with respect to units directed to Very Low-Income Families (for rental Housing) or Low-Income Families (for Homeownership). For example, while minimally 50% of costs must be directed to Low Income Families, the Recipient's Assistance Agreement may require a higher percentage of units be restricted to Very Low-Income Families.

### **Project-Level**

Per 12 C.F.R. §1807.401, a minimum of 20% of units in each Multi-family rental Project must be occupied by Low-Income Families (inclusive of Very Low or Extremely Low-Income Families) every year during the Affordability Period. To be eligible, an occupying Family must be income qualified at the time the rental unit is initially leased to the Family or when the Affordability Period starts, whichever is later. The income of each Family is subject to recalculation annually.

See 12 C.F.R. §1807.401 for rent restrictions and additional requirements that apply to rental Projects.

#### **6.2 How do Recipients report compliance with the requirement to record deed restriction, land covenants, or other pre-approved recordable mechanisms imposing Affordability Period restrictions?**

Pursuant to 12 C.F.R. §1807.401(d), affordability requirements must be imposed by deed restrictions, covenants running with the land, or other recordable mechanisms. Beginning with the 2017 Awards, Recipients are not required to submit these recorded documents to the CDFI Fund. However, Recipients must retain a copy of the appropriate recordable mechanism in the Project file as the CDFI Fund may require the Recipient to furnish these documents for review at any time.

#### **6.3 Can the Affordability Period restrictions on a rental Project be incorporated into a loan document instead of a deed restriction or other recorded mechanism?**

No, Affordability Period restrictions cannot be incorporated into a loan document instead of a deed restriction or other recordable mechanism. By both regulation and the terms of the Assistance Agreement, Recipients must use recordable mechanisms (e.g., deed restriction, covenant running with the land, etc.) that would survive the repayment of a loan, sale, or transfer of the property throughout the 10-year Affordability Period.

Recipients should consult with their legal counsel to ensure they select the appropriate recordable mechanisms under state and local law that will meet these requirements. Upon request, the CDFI Fund is willing to review a specific recordable mechanism if the Recipient is unsure if it will meet the requirements.

#### 6.4 What are the requirements when a CMF Award is used to finance the acquisition of an occupied property (Preservation) where not all tenants are income-eligible?

A CMF Award may be used to finance the acquisition of an occupied property. However, Recipients must ensure that the property is brought into compliance within 12 months of purchase to ensure all tenants are income eligible. This can be done in a few different ways. For example, some Recipients require that leases for non-eligible tenants not be renewed, and those tenants be replaced with income eligible tenants. In other cases, the proportion of eligible CMF units is adjusted, allowing non-eligible residents to remain but adjusting the percentage of CMF units to be decreased to a lower level. This is possible because the CMF program allows mixed income projects with a portion of unrestricted market-rate units serving higher-income Families. No costs for the unrestricted units can be paid for with a CMF Award, nor can costs for non-eligible units be counted towards Eligible Project Costs. Costs must be prorated between restricted and unrestricted units if you are unable to specifically allocate costs to the different types of units.

#### 6.5 If the Recipient is investing in a scattered site rental Project consisting of Single-Family housing or small Multi-Family rental buildings, can it aggregate these buildings to meet the requirement that 20% of the units in the Project must be affordable to Low-Income Families?

For scattered site rental units not part of the same property (e.g., several single-family houses that are rental units located on separate legal lots in a neighborhood), these units can be “counted” as part of the same rental Project if they are under a single ownership entity and financed under a common financing plan. Affordability Period restrictions must still be imposed for each site by deed restrictions, covenants running with the land, or other recordable mechanisms.

#### 6.6 What is required if a CMF assisted rental property is sold before the end of the 10-year Affordability Period to a new owner who does not plan to continue to meet the Affordability Period requirements during the 10-year period?

A CMF assisted rental property must continuously meet affordability requirements throughout the 10-year Affordability Period, regardless of any sale or transfer of the property or other change in ownership (See 12 C.F.R. §1807.401(d)). A Materials Events Form must be submitted within 30 days in the event any rental Project is sold before the end of the Affordability Period and no longer meets the Affordability Period requirements, as this would be an event of noncompliance. The CDFI Fund would then follow the procedures in the Assistance Agreement to provide a cure period and sanctions if warranted.

#### 6.7 May a Very Low-Income Family rent an 80% AMI designated unit and charged the rent associated with an 80% AMI unit if a 50% AMI unit is not available?

Yes. Property owners/managers may make rental units designated for higher-income Families available to Families that have lower incomes. Higher rent associated with the unit designation can be charged to those Families (see 12 C.F.R. §1807.401 regarding rent determinations and utility allowances). However, owners and managers cannot withhold units available at the lower rent level from such Families. If a unit at the lower rent level becomes available, the Family in the higher rent unit must be offered the unit or a reduction in rent. See FAQ 6.8 for additional guidance on reporting the income classification of families.

#### 6.8 How should each Family be reported on the Performance Report with respect to income category from year to year?

As described under FAQ 6.1, the Recipient must adhere to rental affordability requirements, including income targeting and rent limitations for each year a Project has an Affordability Period in effect. When reporting annual occupancy of the rental Affordable Housing, the Recipient must consider both (1) the annual income of the Family AND (2) the classification of the rental unit occupied by the Family. The reason both factors must be considered is that income categories in the CMF Program overlap and Families may occupy units designated for higher income classified Families. For example, a Family with an income of 45% of AMI is considered Very Low-Income but that Family may live in a unit that is restricted to those who are considered Very-Low Income, Low-Income or Eligible-Income.

Occupancy will generally be reported based on Family income. As described under FAQ 6.7, however, a Family may rent a unit designated for a higher income category when no lower-income category units are available. In this case, the Family will be classified based on the income targeting of the unit they occupy. For example, suppose there are no Very Low-Income units available and a Family with an income of 45% of AMI rents a unit reserved for a Low-Income Family. The Family pays the rent associated with a Low-Income unit and not the rent associated with a Very Low-Income unit, therefore, the Family must be initially classified as a Low-Income Family. As a reminder, if a unit at the lower rent level becomes available, the Family in the higher rent unit should be offered the unit or a reduction in rent (see FAQ 6.7).

Now consider a Family where Family income increases above the threshold of their current income classification. Suppose that a Family was initially classified as a Low-Income Family. The next year the Family income increases to 90% of AMI. At this income level, the Family no longer qualifies as a Low-Income Family and must be reported for occupancy purposes as an Eligible-Income Family. (This situation presents a temporary non-compliance that must be resolved as directed through the over-income tenant rules. See 12 C.F.R. §1807.401(g) for requirements for over-income tenants.)

6.9 For a Project financed using both Low Income Housing Tax Credits (LIHTC) and the CMF Award, can Recipients rely on the income examination and verification conducted for LIHTC to meet the tenant income determination compliance requirements of CMF?

Yes. Under 12 C.F.R. §1807.401(f)(4), the CDFI Fund has deemed that the Tenant Income Certification of a Family residing in a LIHTC-assisted property also meets the initial and annual income examination and verification requirements for the CMF Program.

6.10 What happens if funding has been disbursed to the Project and the Project is Placed into Service, but there is a foreclosure before the end of the 10-year Affordability Period?

The Recipient should review 12 C.F.R. 1807.401 regarding early termination of Affordability Period restrictions in the event of a foreclosure.

Outside of foreclosure, each rental Project that achieves Project Completion must complete the 10-year Affordability Period or an Event of Noncompliance occurs. As an Event of Noncompliance, the Recipient is obligated to report the event within 30 days of occurrence through submission of a Material Events Form. The CDFI Fund will address noncompliance situations on a case-by-case basis.

In all cases, the Recipient is advised to contact the CDFI Fund via a Service Request if it anticipates the 10-year Affordability Period may not be completed for any Project to discuss how to report the Project status in the CMF Performance Report.

6.11 How is tenant income determined for CMF-financed projects?

Recipients must ensure that affordable housing project managers properly screen the eligibility and income of rental applicants and existing tenants. See CMF Interim Rule at § 1807.401(f) *Tenant income determination*.

## 7. Affordability and Income Determination – Homeownership

7.1 What is a resale or recoupment strategy, and who is required to have one?

All Recipients undertaking Homeownership activities must prepare a written resale or recoupment strategy, as required by Assistance Agreement Section 5.3(g) and 12 C.F.R. §1807.402(5). A resale or recoupment strategy outlines how the 10-year Affordability Period is maintained if a home is sold is no longer to be verified as being the principal residence of the original Homeowner. The Recipient's governing board must approve the strategy. It should, minimally, contain all of the elements outlined in Section 5.3(g) of the Assistance Agreement and 12 C.F.R. §1807.402(a)(5). Approval must take place prior to the date the Recipient's first Homeownership Project is Committed for use. The Recipient's

resale or recoupment strategy (and evidence of its board approval) must be retained by the Recipient and be available for review at the CDFI Fund's request, including evidence of its date of approval by the Board of Directors.

## 7.2 What is the deadline for creating a resale or recoupment strategy before the CMF Award being Committed for use?

Per the CMF Interim Rule and the Assistance Agreement, the Recipient must create, and the governing board must approve a resale or recoupment strategy before the CMF Award being Committed for Homeownership.

## 7.3 How do Recipients report that a resale or recoupment strategy has been adopted for Homeownership before the first Committed for use document being issued for Homeownership?

Recipients do not need to submit their resale or recoupment strategy to the CDFI Fund for approval or inspection after adoption. However, the strategy and evidence of the date of board approval must be available for inspection if requested by the CDFI Fund.

## 7.4 What are some examples of resale or recoupment strategies that can be implemented?

There are different ways to maintain the affordability requirements under 12 C.F.R. §1807.402(a)(5). These strategies range from restrictions on home transfers to ensure an Eligible-Income Family continually occupies assisted properties for the entire 10-year affordability period to allowances for unrestricted sale of assisted properties with replacement. The following are some examples:

### Sale restriction to another qualified Family

The resale or recoupment strategy could restrict the sale of the home to only another qualified Family at a restricted price (not to exceed 95% of the area median price). Under this strategy, the Affordability Period would continue, and no replacement would be required. Deed restrictions or other enforcement mechanisms could be used to implement the strategy.

### Sale restricted to Recipient

Resale of CMF-financed homes could be restricted to the Recipient or another entity. This approach allows the Recipient to control who will next own the home and ensure that the home will be resold in full conformance with the CMF Program rules. If this solution is used, the Affordability Period is paused until the home is resold to another qualified Family.

### Unrestricted sale and replacement

The Recipient could allow the sale of a home with no restrictions. The resale or recoupment strategy would need to include a plan to finance another Homeownership property for the remainder of the

10-year period for a qualifying Family in the original income category as the home being replaced under any of the following conditions:

- The homeowner sells their home to a Family who is not an Eligible-Income Family
- The homeowner sells to an Eligible-Income Family but the sale price of the home is in excess of 95% of the area median price
- The Recipient does not know the income category of the new owner

In these situations, the Recipient must redeploy an amount equivalent to the amount of the CMF Award (or Program Income) used to finance the original home, whether it has been recouped from the homeowner or not.

#### Replacement if the home is refinanced

A Recipient that offers mortgage financing may decide it only wants to monitor the Affordability Period for properties on which it has an active mortgage. In this case, the Recipient's strategy would involve the replacement of any home that is refinanced, as well as those sold. The Recipient would need to finance another Homeownership property for the remainder of the 10-year period for a qualifying Family in the original income category as the home being replaced. The Recipient must redeploy an amount equivalent to the amount of the CMF Award (or Program Income) used to finance the original home, whether it has been recouped from the Homeowner or not.

### 7.5 What is the difference between a resale or recoupment strategy and Program Income investment requirements?

Resale or recoupment strategy requirements are separate from Program Income reinvestment requirements. The Program Income requirements outlined in Section 3.8 of the Assistance Agreement dictate how returned CMF Award funds (i.e., repaid principal, equity, or interest) must be used or reinvested throughout the Investment Period (5-year period starting with the Effective Date) and afterward. The resale or recoupment strategy addresses how the Recipient will maintain affordability obligations throughout the 10-year Affordability Period for each property in the event of resale or other changes in ownership of a Homeownership unit.

When the Recipient's recoupment or resale strategy features repayment of principal, equity, or interest of the original CMF Award, Program Income rules also apply.

### 7.6 What dataset should we reference for purposes of determining compliance with the Homeownership sale price limits?

As detailed under 12 C.F.R. § 1807.402(a)(2), the Single-Family housing price shall not exceed 95% of the median purchase price for the area, as used in the HOME Program and as determined by HUD and/or the applicable Participating Jurisdiction. The Recipient shall reference and report the median sale price information effective as of the Initial Occupancy date, which is the date of equitable title transfer to the homeowner (see FAQ 4.1). For example, if the Initial Occupancy date for a



Homeownership Project is March 1, 2020, the Recipient should reference and report the 2019 HOME Homeownership Value Limits (effective 4/15/2019 through 3/31/2020).

The sale price limits and effective dates can be found here: [HUD HOME Homeownership Value Limits](#).

The Recipient should use care to use the correct limits for new or existing homes. In the event a Participating Jurisdiction has HOME sale price limits that differ from those published by HUD, this documentation must be retained by the Recipient and be available for review at the CDFI Fund's request.

#### 7.7 Our CMF investment in a Homeownership Project was repaid but the Family remains in the home. Are we required to invest in another Homeownership Project?

Not unless specified by the Recipient's board-approved resale and recoupment strategy. In the event that the unit is not replaced, the Recipient must ensure the Family remains in the home for the full 10-year Affordability Period. If the Family's tenure is less than 10 years, the Recipient's recoupment/replacement plan will control. Regardless of whether the Recipient's resale or recoupment plan requires replacement of the home, repayment of the CMF investment during the Investment Period constitutes Program Income and would be subject to Program Income reinvestment rules in Section 3.8 of the Assistance Agreement.

#### 7.8 Are annual income certifications required for Homeownership Affordable Housing Projects?

No. However, Recipients must have procedures in place to ensure the home remains the principal residence of the Family so that it correctly applies the resale or recoupment strategy when required to do so. The CDFI Fund strongly encourages the Recipient to use recorded deed restrictions requiring sale notification or contractual requirements that require prior notification of the intent to sell by the homeowner to ensure the Recipient is aware any time a Family intends to sell. Regular self-certification from the homeowner that they continue to occupy the home as a principal residence is also a best practice.

#### 7.9 In the event a CMF-financed Homeownership unit is resold or is no longer used as the principal residence of the original Family and replaced with another unit during the Investment Period, how do the original and replacement units factor into the Recipient's Performance Goals?

The CDFI Fund will use the original Homeownership unit for assessment of compliance related to Performance Goals including Unit Production, Eligible Project Costs, Leverage, and Areas of Economic Distress, even if the original unit is replaced during the Investment Period, with one notable distinction. Since the Rural Area investment Performance Goal is structured as a percentage of the Award (including Program Income) invested in Rural Areas, the CDFI Fund will count the CMF investment in the original housing unit and any Program Income invested in the replacement unit to

determine whether the Recipient has met the Rural Area investment requirements specified in the Assistance Agreement.

<b>Table: Homeownership Replacement Unit(s) – Performance Goal and Unit Count Methodology<sup>3</sup></b>	
<b>Performance Goal</b>	<b>Applicable Unit</b>
Unit Production	Original Unit
Eligible Project Costs	Original Unit
Leverage	Original Unit
Areas of Economic Distress (2016 - 2020)	Original Unit
Areas of Economic Distress and Percentage of Units Restricted to Low Income Families (2021)	Original Unit
Rural Areas	Original and Replacement Units

### 7.10 What are appropriate methods for establishing the after-Rehabilitation value of Homeownership Single-Family housing if there is not a market sale to a new owner after Rehabilitation?

As required under 12 C.F.R. § 1807.402(b)(1), the estimated value of the Single-Family housing, after Rehabilitation, shall not exceed 95% of the median purchase price for the area, as used in the HOME Program and as determined by HUD and the applicable Participating Jurisdiction. To establish the after-Rehabilitation value in the event there is not a market sale to a new owner after Rehabilitation is complete, the CDFI Fund recommends either (1) a real estate appraisal or (2) a broker’s opinion of value (BOV)/broker’s price opinion (BPO). If ordered in conjunction with the Rehabilitation of CMF Single-Family housing, the appraisal or broker’s opinion costs may be considered Eligible Project Costs. The Recipient shall retain the valuation documentation as part of the Project file.

If the Recipient plans on using an alternative method for establishing the after-Rehabilitation value of Single-Family housing, the Recipient should contact the CDFI Fund to ensure the approach is suitable.

The sale price limits and effective dates can be found here: [HUD HOME Homeownership Value Limits](#). In the event a Participating Jurisdiction has HOME sale price limits that differ from those published by HUD, this documentation must be retained by the Recipient and available for review at the CDFI Fund’s request.

### 7.11 What steps are necessary to income qualify a Family for Homeownership Affordable Housing?

To determine if a Family is a CMF-qualifying Family, the Recipient must verify income for each Family. Keep in mind the following items:

<sup>3</sup> In addition, the above applies to the following two compliance situations. The original unit will be counted towards the Recipient’s Performance Goals and Measures (PG&Ms):

- In the event of foreclosure of the Homeownership unit; or
- In the event a Recipient invests in multiple replacement units to replace the original unit.

- (1) The maximum income, adjusted for Family size, must not exceed 120% of Area Median Income (AMI) or a lower targeted income as set by the Recipient for a particular home (i.e., a home designated for a Low-income Family must have a Low-income Family residing in it).
- (2) To ensure that purchasers, owners, and other Families who occupy the CMF financed/supported housing are qualifying Families, the household income must be verified before the time of title transfer.
- (3) The Recipient must establish in writing its procedure for verification. The procedure must include a process to verify income for each Family relying on third-party documentation. Self-certification by homeowners is not acceptable.
- (4) The Recipient cannot rely on general income statistics or survey methods to impute the individual income of any Family.
- (5) The Recipient may perform income verification through other entities but must be able to access primary documentation according to the records retention policy in the Assistance Agreement.
- (6) In all cases, every Family that will be a beneficiary of a CMF investment must have income verified for eligibility. If this information is not available for any reason for a given Family, then that Family cannot benefit from the CMF investment. Such verification must take place before disbursement of the CMF Award (or Program Income) for that Family.

Income verification determinations are subject to inspection by the CDFI Fund. Thus, the Recipient must be able to associate each specific address and income determination for the Family residing in that home.

## 8. Audits and Certifications

### 8.1 Are Federal Single Audits required for CMF Recipients?

A nonprofit Recipient must complete an annual Single Audit pursuant to the Uniform Administrative Requirements (2 C.F.R. §200.500) if it expends \$750,000 or more in Federal awards in its fiscal year or such other dollar threshold established by OMB pursuant to 2 C.F.R. §200.500. If a Single Audit is required, it must be submitted electronically to the Federal Audit Clearinghouse: [Link to Federal Audit Clearinghouse](#). Recipients are also encouraged to submit it via the AMIS, following the instructions in the AMIS guides for CMF compliance reporting available on the CDFI Fund website. Find these guides and other CMF compliance resources [here](#).

### 8.2 When must interest income be remitted to the Federal government and how is this done?

If at the end of any fiscal year, the Recipient determines that it has earned in excess of 500 dollars in interest income from deposits prior to their allocation to an Eligible Activity under 3.2(a) of the Recipient's CMF Assistance Agreement (Advances), the amount in excess of \$500 must be remitted to

the Federal government. See the Uniform Administrative Requirements 2 C.F.R. §200.305 for more information.

The Department of Health and Human Services manages the remittance of interest income. More information about how to submit payments can be found here: [Link to Returning Funds/Interest webpage.](#)

Be sure to review the “returning interest section.” The CDFI Fund does not use “PMS,” so use the instructions for returning interest not paid through the PMS.

## 9. Environmental Reporting Requirements

### 9.1 If a Project has \$1 million or less in CDFI Fund financing, does a “Categorical Exclusion” apply under 12 CFR Part 1815?

Yes, 12 CFR Part 1815 includes a Categorical Exclusion for Projects that have \$1 million or less of CDFI Fund financing (excluding any other leveraged capital but including any grants from the CDFI Fund in addition to CMF). A Categorical Exclusion means that the CDFI Fund has already determined that the Project does not have a significant effect on the human environment (40 C.F.R. §1508.4). Therefore, neither an Environmental Assessment nor an Environmental Impact Statement is required. A Categorical Exclusion under the CDFI Fund regulations does not impact the requirements associated with any other Federal programs.

The CDFI Fund has determined that only financial assistance that is derived from the Capital Magnet Fund or the CDFI Program Financial Assistance grant program applies when making this determination.

When determining the amount of CDFI Fund financial assistance, the Recipient must account for all financing provided by the Recipient in each phase of the Project and include all investments from CDFI Fund sources of capital. Thus, if the Recipient made two separate \$750,000 investments from the CMF Award in the same Project, or one investment from CDFI Financial Assistance and another made with funds from a CMF Award, this would mean more than \$1 million of investment came from CDFI Fund sources of capital. If the total is less than \$1 million, the Recipient should follow the instructions for Categorically Excluded Projects. The Recipient must consider financing from both the Capital Magnet Fund and the CDFI Program Financial Assistance grant program, regardless of whether the Recipient or another entity provided that financial assistance to the Project. Therefore, if two CDFI Fund-sourced investments cumulatively total more than \$1 million, this Categorical Exclusion would not apply.

## 9.2 What are the CMF Award Recipient's responsibilities under the environmental review provision in Section 6.12 of the Assistance Agreement?

To comply with the requirements of Section 6.12 of the Assistance Agreement the Recipient is required to evaluate whether each Project qualifies for a determination of a Categorical Exclusion of actions that do not individually or cumulatively have a significant effect on the human environment and does not involve actions that normally require preparation of an Environmental Impact Statement.

The Recipient should review each proposed Project against the list of Categorical Exclusions contained in 12 C.F.R. §1815.110 (reprinted in FAQ 9.3) before a commitment of the CMF Award to the Project. If a proposed Project is Categorically Excluded, the Recipient must complete the CDFI Fund Environmental Review Notification Report (ERNR) before investment but is not required to submit the form to the CDFI Fund. A link to the form is here: [Link to the Capital Magnet Fund Environmental Review Form](#).

If a proposed Project is not Categorically Excluded, the Recipient is required to submit an ERNR to comply with Section 6.12 of the Assistance Agreement. The Recipient should submit the form through a Service Request in AMIS **no later than 180 days before committing the CMF Award dollars to the proposed Project**. If the proposed Project is already undergoing (or has undergone) an environmental review as a condition of other funding (e.g., state or federal funding), the Recipient should include information about such reviews. The Recipient should be prepared to submit the approved and completed environmental review(s) to assist the CDFI Fund in conducting its Environmental Assessment or Environmental Impact Statement.

12 C.F.R. §1815 requires the CDFI Fund to determine if an Environmental Assessment and/or Environmental Impact Statement is required and to conduct such studies. At this time, although other environmental reviews can be used in its evaluation, the CDFI Fund cannot rely solely upon the findings of other agencies. As a result, proposed Projects that are not Categorically Excluded may be subject to lengthy delays, as the CDFI Fund arranges for and conducts necessary reports and regulatory processes.

## 9.3 What are the Categorical Exclusions under 12 C.F.R. §1815.110?

The Categorical Exclusions are reprinted below:

(a) Actions directly related to the administration or operation of the CDFI Fund (e.g., personnel actions, including, but not limited to, staff recruitment and training; purchase of goods and services for the CDFI Fund, including, but not limited to, furnishings, equipment, supplies and services; space acquisition; property management; and security);

(b) Actions directly related to and implementing proposals for which an environmental assessment or an environmental assessment and EIS have been prepared;

(c) Actions directly related to the granting or receipt of Bank Enterprise Act awards pursuant to part 1806 of this chapter;

(d) Actions directly related to training and/or technical assistance;

(e) Projects for the acquisition, disposition, rehabilitation and/or modernization of 500 existing housing units or less when all the following conditions are met:

(1) Unit density is not increased by more than 20%;

(2) The Project does not involve changes in land use from nonresidential to residential;

(3) The estimated cost of rehabilitation is less than 75% of the total estimated cost of replacement after rehabilitation; and

(4) The Project does not involve the demolition of one or more buildings containing the primary use served by the Project that, together, have more than 20% of the square footage of the Project;

(f) Projects for the construction of 200 housing units or less when all the following conditions are met:

(1) The Project does not involve changes in existing land use from nonresidential to residential; and

(2) The Project does not involve the demolition of one or more buildings containing the primary use served by the Project that, together, have more than 20% of the square footage of the Project;

(g) Projects for the acquisition, disposition, rehabilitation, and/or modernization of 200,000 square feet or less of existing commercial space when all the following conditions are met:

(1) The Project does not involve changes in existing land use from residential to nonresidential;

(2) The estimated cost of rehabilitation is less than 75% of the total estimated cost of replacement after rehabilitation; and

(3) The Project does not involve the demolition of more than 10,000 square feet of commercial space containing the primary use served by the Project;

(h) Projects for the construction of 100,000 square feet or less of commercial space when all the following conditions are met:

(1) The Project does not involve changes in existing land use from residential to nonresidential; and

(2) The Project does not involve the demolition of more than 10,000 square feet of commercial space containing the primary use served by the Project;

(i) Projects for the acquisition of an existing structure, provided that the property to be acquired is in place and will be retained in the same use;

(j) Projects involving CDFI Fund financial assistance of \$1,000,000 or less;

(k) Actions directly related to the provision of residential tenant-based rental assistance, Consumer Loans, health care, childcare, educational, cultural, and/or social services;

(l) Actions involving Fund financial assistance that is used to increase the permanent capital and/or liquidity of an applicant;

(m) Actions where no use of Federal funds is involved in the activity or Project; and

(n) Actions directly related to the provision of working capital, the acquisition of machinery and equipment, or the purchase of inventory, raw materials, or supplies.

#### 9.4 If the CMF investment supports only the predevelopment phase of a Project and does not finance construction, is the Project subject to environmental review by the CDFI Fund?

Yes, if the Recipient is unable to identify a categorical exclusion for the Project. Any Project that is under consideration for CMF financing/support, regardless of the phase of the development, is subject to the CDFI Fund's environmental regulations. Prior to the commitment of CMF financing to the Project, the Recipient must either determine that: 1) the Project meets one or more of the categorical exclusions listed in 12 C.F.R. §1815.110 (see Question 9.3), or 2) the CDFI Fund must complete an Environmental Assessment. Until one of these conditions are met, CMF funds may not be Committed or invested in the predevelopment or development costs of a Project.

## 10. Program Income and Reinvestment

### 10.1 What are the requirements for reinvestment of Program Income during the Investment Period?

The CDFI Fund has issued guidance to help Recipients understand reinvestment requirements. It is posted on the Compliance and Reporting webpage for the CMF Program. A direct link is here: [Program Income Guidance](#).

The CMF Performance Report calculates the amount of Program Income (PI) that is subject to commitment each year based on the prior year's activity. The following provides the formula for Recipients to use to track Program Income reinvestment requirements independently:

**For Year 1:**

PI earned in Year 1 in the form of equity returns, principal repayments, or recoveries	-	Commitments of PI in Year 1
		- <u>                    \$99,999</u>
Net PI Balance required to be Committed in Performance Year 2		

**For Year 2:**

		PI Balance from Previous Year
+ PI earned in Year 2 in the form of equity returns, principal repayments, or recoveries	-	Commitments of PI in Year 2
		- <u>                    \$99,999</u>
Net PI Balance required to be Committed in Performance Year 3		

This pattern continues through Year 5 of the Investment Period, depending on the award year. The Recipient should reference their Assistance Agreement to determine when the reinvestment requirements end.

Any Program Income in the form of interest earnings are not subject to the calculation above, however, these funds must be used only to further the Recipient’s mission as a Certified CDFI or Nonprofit Organization. Note that returns of leveraged capital or returns on leveraged capital are not Program Income. Therefore, leveraged capital returns are not subject to the reinvestment rules.

**10.2 When can the CMF Award funds be considered unrestricted?**

Recipients should consult their accounting advisors as to how Program Income should be presented on financial statements. The CDFI Fund cannot provide accounting advice. Per 12 C.F.R. §1807.602, CMF Award funds retain their Federal character until the end of the Investment Period.

**11. Records Retention**

**11.1 What particular documents must CMF Recipients maintain on-site for site reviews?**

Recipients are reminded to thoroughly review Section 7.3 and 7.4 of the Assistance Agreement (Record retention and access; General data collection). In general, records should be retained to reasonably demonstrate compliance with the Assistance Agreement.

All Recipients are required to maintain records on-site demonstrating program compliance and be prepared to furnish to the CDFI Fund, if requested, the following documents:

- Documentation that demonstrates compliance with and maintenance of the affordability requirements. Such documentation may include records restrictions or covenants in the title or deed of the property in question that stipulate that it be used solely for the purposes of



Affordable Housing, rental agreements that establish rents charged to tenants, and any other relevant written agreements that demonstrate affordability restrictions on the property. Such documentation must also confirm the incomes of all tenants living in rental housing units that are designated as affordable and the actual rents charged to those tenants on an annual basis.<sup>4</sup>

- Documentation that establishes adherence to all relevant environmental regulations pertaining to Projects, including a justification for Categorical Exclusion (if applicable).
- Documentation that establishes Family income at the time of home purchase or initial lease, as applicable.
- Loan Guarantee agreements, as applicable.
- Risk-Sharing Loan agreements, as applicable.
- Documentation that establishes the Project meets the property standards requirements set forth in 12 C.F.R. §1807.503.
- Documentation that the CMF Award has been Committed for use within two years of the Effective Date. Evidence of commitment includes a written, legally binding agreement under which CMF assistance will be provided to a homeowner, developer, or project sponsor for an identified Project.
- Documentation evidencing an initial disbursement of CMF Award for Affordable Housing Activities, and Project Completion by the date specified in the Assistance Agreement.
- Documentation evidencing Eligible Project Costs and that the CMF-assisted housing meets the targeted incomes and geographies set forth in Section 3.2 of the Assistance Agreement.
- Documentation of evidence of Concerted Strategy for Economic Development Activities, as applicable.
- If financing/supporting Homeownership Affordable Housing Activities, the board-approved resale or recoupment strategy.
- Any documentation not listed above that supports the data submitted in the Recipient's annual reports.

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<sup>4</sup> Recipients do not need to keep documentation on-site of the financial qualification of individual Families. However, Recipients are responsible for ensuring that reasonable access is available for the review of such records by the government. Recipients are strongly encouraged to review the requirements outlined in Section 5.5 of the Assistance Agreement.

## 12. Restrictions and Requirements

### 12.1 Are Recipients bound to the Geographic Areas designated in their Assistance Agreement?

Yes. The Recipient's use of its CMF Award (and Program Income) is restricted to the states and/or counties listed as approved in the Assistance Agreement.

### 12.2 What are the activity limitations with respect to using CMF Awards in conjunction with other CDFI Fund program awards? Can other CDFI Fund program awards be counted as leverage for a CMF Award?

The limitations on using a CMF Award with other CDFI Fund program awards are included in the applicable funding round Notice of Funding Availability (NOFA) and Section 3.5(h) of the Assistance Agreement. Since Affordable Housing and Economic Development Activities result in physical structures, the activity limitation will be implemented on a property-level basis. A CMF Award Recipient may not use its CMF Award and awards/allocations from its other CDFI Fund programs to finance activities for the same property unless the CMF Award dollars are used to finance/support a different "phase" of development than that funded by the Recipient's other CDFI Fund program awards/allocations. The separate phases of development are: 1) predevelopment; 2) acquisition; 3) site work (preconstruction); 4) construction/rehabilitation; 5) permanent financing; or 6) bridge financing between two or more phases. For example, financing for construction is a different phase than permanent financing. If the Recipient has received multiple CMF Awards, these awards are not subject to this phasing restriction and may be combined in the same Project phase.

If providing Homeownership assistance, a CMF Award may be used in conjunction with awards/allocations from other CDFI Fund programs only if the Project can be divided into such phases, and the CMF Award is used in a different phase from the other CDFI Fund program awards/allocations. To clarify, a CMF Award cannot be used for a Homeownership property that is permanently financed (or supported) by both the Recipient's CMF Award and an award/allocation from another CDFI Fund program (e.g., down payment assistance funded from CMF Award may not be combined with a permanent mortgage funded from another CDFI Fund award).

The restrictions described above only apply when a Recipient or any of its Affiliates combines its CMF Award with other CDFI Fund awards/allocations they receive.

If a CMF Recipient does use its Award with other CDFI Fund program awards, including its own other CMF Awards, funds from these other awards may not be counted as Leveraged Costs. While the Recipient may combine its CMF Award in a given Round with prior CMF Awards to finance/support the same Project, each CMF Award must separately meet the program requirements as outlined in the applicable Assistance Agreement and the CMF Interim Rule (12 C.F.R. §1807). Housing units resulting

from multiple CMF Awards may not be double-counted and have to be prorated between Awards for performance reporting purposes.

In all cases, the CMF Award remains subject to the following restriction imposed by the CDFI Bond Guarantee (BG) Program: award funds received under any CDFI Fund award cannot be used by any participant of the BG Program, including Qualified Issuers, Eligible CDFIs, and Secondary Borrowers, to pay principal, interest, fees, administrative costs, or issuance costs (including Bond Issuance Fees) related to the BG Program, or to fund the Risk Share Pool for a Bond Issue (all capitalized terms used in this sentence, other than “CMF Award”, shall have the meanings ascribed to them in the BG Program regulations and applicable guidance).

See the allowed uses and restrictions description in the “Secondary Loan Requirements” documents of the Bond Guarantee Program for more information.

### 12.3 Is there a limitation on co-investing the CMF Award in the same Project with another CMF Award Recipient?

Multiple Recipients may invest in the same project, including in the same phase of development; however, they must coordinate to ensure they do not double count units or costs during performance reporting.

### 12.4 Can a CMF Recipient combine its CMF Award with its CDFI Financial Assistance (FA) Award into one loan pool or one “fund” or “program”?

The CDFI Fund strongly discourages the mixing of CMF Award dollars with other awards from other CDFI Fund programs in a single fund or program account. Combining multiple award dollars into a single account will make reporting and tracking difficult, raising the risk of an event of noncompliance and the likelihood of incorrect performance reporting. Keep in mind that there are limitations with respect to using multiple CDFI Fund program awards to finance/support Projects in the same phase of development. Within a combined fund, the Recipient would need to be able to show that funds from other CDFI Fund programs are not combined in the same phase of development.

If despite the CDFI Fund’s advice, a Recipient of both CMF and CDFI-FA awards combines all or part of its awards into one fund, the Recipient must establish accounting procedures and internal controls to separately track the FA Award and CMF Award dollars such that the CMF program requirements can be met and documented for compliance purposes.

Any amount of Recipient’s FA Awards that are used to finance a Project alongside a CMF Award must be deducted from Eligible Project Costs.

### 12.5 Are Recipients of CMF Awards subject to Davis-Bacon wage requirements?

No, CMF Recipients are not subject to Davis-Bacon wage requirements regarding the use of CMF Awards. However, if other sources of funding from federal programs contributed to a Project it may trigger Davis-Bacon requirements for the entire Project. Recipients are advised to independently review the requirements for all sources of federal funding.

### 12.6 Can a Recipients use its CMF Award to fund Projects not in its application pipeline or for different purposes than specified in the Application?

The description of a Recipient's pipeline in its Application is not binding so the Recipient can finance different Projects, as long as they meet the program requirements in the CMF Interim Rule, authorizing statute, and Assistance Agreement. The Recipient may only deploy the CMF Award for the eligible activities and eligible uses approved in the Assistance Agreement. To request a revision of the approved eligible activities or eligible uses, Recipients must request an amendment to its Assistance Agreement.

### 12.7 As mentioned in Section 3.4 of the Assistance Agreement, can Recipients commit CMF Award dollars and pay for Eligible Project Costs incurred 36-months before the date that the CMF Award dollars are Committed to the Project?

Costs may only be treated as Eligible Project Costs if: (1) the costs were incurred not more than thirty-six (36) months before the date that the CMF Award dollars are Committed to the Project and (2) the costs were incurred for a Project that achieved Project Completion on or after the Award Announcement Date.

### 12.8 What are the requirements to submit a Subsequent Payment request?

The requirements for the Subsequent Payment Request are outlined in the Assistance Agreement (applicable to FY 2021 and future rounds). For Recipients who opt to receive the CMF Award in two Payments, the Initial Payment will be made following the execution of the Assistance Agreement. The Subsequent Payment amount will equal the balance of the total CMF Award not paid as an Initial Payment.

If the entire amount of the CMF Award is not paid at the initial Closing in a Lump Sum Payment, the Recipient must submit a Subsequent Payment Request, which includes a Certificate of Good Standing (COGS) from the Secretary of State, or other issuing State agency, in the Recipient's state of formation dated within 180 days prior to the date the Subsequent Payment Request is made; or an opinion of Recipient counsel as described in section 3.6(b)(ii) of the Assistance Agreement. Regulated entities are not required to submit a COGS or opinion of Recipient counsel.

Subsequent Payment Requests must be submitted via the Recipient's AMIS Account (or as otherwise directed by the CDFI Fund). All Subsequent Payment Requests must be received by the CDFI Fund no later than the "Date to request Subsequent Payment" specified in Schedule 1 of the Assistance Agreement (10 months from the Effective Date of the Assistance Agreement). All Subsequent Payment Requests are subject to CDFI Fund compliance review and approval.

### 12.9 Can a Recipient change a Project after it has been Committed for one Award Year to a different Award Year, e.g., from a FY 2019 to a FY 2021 Award?

A Recipient may be allowed to change a Project Committed for one Award Year to a different Award Year in order to meet its PG&Ms for a particular Award. However, the Recipient must follow the guidance provided in the following FAQs:

- For guidance on withdrawing Projects, see FAQs 1.2 and 1.3.
- For guidance on Commitment, see FAQs 1.1 and 1.4.
- For guidance on using multiple CMF Awards in the same Project, see FAQ 12.2.

## 13. Timelines

### 13.1 What are the key timelines for deploying CMF Award dollars and reporting activities to the CDFI Fund?

#### Deployment Timelines:

As specified in Section IV of the Assistance Agreement, Recipients are required to:

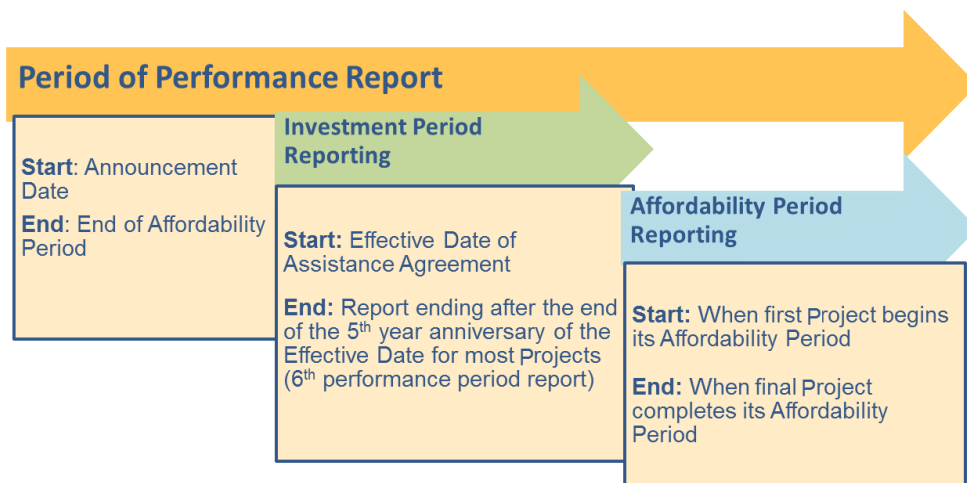
- (i) Commit the total amount of CMF Award for eligible uses no earlier than the date of the Award Announcement and no later than the Committed for use date in the Assistance Agreement (two years after the Effective Date of the Assistance Agreement);
- (ii) Begin disbursement of CMF Award towards eligible activities no earlier than the date the grant was paid to the Recipient and no later than initial Disbursement date in the Assistance Agreement (three years after the Effective Date of the Assistance Agreement); and
- (iii) Demonstrate that all Projects have achieved Project Completion no later than the Project Completion date in the Assistance Agreement (five years after the Effective Date of the Assistance Agreement).

Note: There are separate timelines associated with the reinvestment of Program Income. These are outlined in Section 3.8 of the Assistance Agreement.

In addition, per Section 5.4 of the Assistance Agreement, Recipients are required to ensure that the housing units funded or otherwise supported with a CMF Award shall be affordable to Eligible-Income Families for no less than 10 years, beginning after Project Completion.

**Reporting Timelines:**

A Recipient is required to report information to the CDFI Fund on an annual basis for the duration of its Assistance Agreement. Schedule 1-C of the Assistance Agreement sets forth the reporting deadlines.



## 14. Required Notices

### 14.1 Other than the Reports described in Schedule 1-B, what scenarios require written notification from the Recipient to the CDFI Fund? How are these submitted?

In the Assistance Agreement, there are several circumstances noted which require the Recipient to notify the CDFI Fund in writing. Please see the table below for a summary and review the relevant sections of the Assistance Agreement for complete information.

Issue	Description	Assistance Agreement Section
CMF Award not Committed by required date	<p>If the Recipient fails to have all its CMF Award Committed by the date set forth in Schedule 1 of the Assistance Agreement (two years after the Effective Date), the Recipient shall notify the CDFI Fund in writing of this failure as a Material Event by no later than <b>thirty (30) days</b> after the Committed for use date set forth in Schedule 1 of the Assistance Agreement. <b>Use AMIS to submit a Material Events Form. A reference copy of the Material Events Form is available <a href="#">here</a>. Please refer to the CDFI Fund’s website for the latest instructions on how to complete and to submit the form.</b></p>	Section 3.2
CMF Award not initially disbursed by required date	<p>If the Recipient fails to make an initial disbursement of its CMF Award to at least one Project by the date set forth in Schedule 1 of the Assistance Agreement (three years after the Effective Date), the Recipient shall notify the CDFI Fund in writing of this failure by no later than <b>thirty (30) days</b> after the disbursement date set forth in Schedule 1 of the Assistance Agreement. <b>Use AMIS to submit a Material Events Form.</b></p> <p><b>A reference copy of the Material Events Form is available <a href="#">here</a>. Please refer to the CDFI Fund’s website for the latest instructions on how to complete and to submit the form.</b></p>	Section 3.2
CMF Projects not completed by the Project Completion date	<p>If the Recipient fails to achieve Project Completion by the date set forth in Schedule 1 of the Assistance Agreement (five years after the Effective Date), the Recipient shall notify the CDFI Fund in writing of this failure by no later than <b>thirty (30) days</b> after the Project Completion date set forth in Schedule 1 of the Assistance Agreement. <b>Use AMIS to submit a Material Events Form.</b></p> <p><b>A reference copy of the Material Events Form is available <a href="#">here</a>. Please refer to the CDFI Fund’s website for the latest instructions on how to complete and to submit the form.</b></p>	Section 3.2
Environmental Review	<p>The CDFI Fund only requires submission of the Environmental Review Notification Report if the Recipient cannot identify one or more Categorical Exclusions (see Section 9 on Environmental Requirements in this document for more information). If the Recipient has not identified a Categorical Exclusion or the proposed project is normally one that would</p>	Section 6.12

Issue	Description	Assistance Agreement Section
	<p>require an Environmental Impact Statement, the Recipient shall advise the CDFI Fund by submitting a Service Request <b>no later than 90 or 180 days (depending on the award year) prior to committing CMF Award dollars to the Project.</b></p> <p>The process for completion of necessary assessments is likely to be lengthy, so Recipients are advised to allow significant time for this regulatory process.</p> <p><a href="#">Link to the Capital Magnet Fund Environmental Review Form</a></p>	
Material Events	<p>The Recipient shall advise the CDFI Fund in writing, within <b>thirty (30) days</b> of the event and in reasonable detail, of any of the Material Events listed in Section 7.8. <b>Use AMIS to submit a Material Events Form.</b></p> <p><b>A reference copy of the Material Events Form is available <a href="#">here</a>. Please refer to the CDFI Fund’s website for the latest instructions on how to complete and to submit the form.</b></p>	Section 7.8
Change in Key Personnel	<p>If the Recipient replaces its Executive Director, Executive Director, Chief Financial Officer, the Board Chairperson, equivalent leadership official, or other officials identified in the Recipient’s Assistance Agreement, the Recipient must notify the CDFI Fund in writing via a Service Request through the Recipient’s AMIS account within thirty (30) days of occurrence. <b>Use AMIS to submit a Material Events Form.</b></p> <p><b>A reference copy of the Material Events Form is available <a href="#">here</a>. Please refer to the CDFI Fund’s website for the latest instructions on how to complete and to submit the form.</b></p>	Section 9.9

**14.2 When and how must the Recipient notify the CDFI Fund of changes to key personnel, as outlined in Assistance Agreement Section 9.9?**

Section 9.9 of the Assistance Agreement indicates which changes to key personnel the Recipient must report to the CDFI Fund. The CDFI Fund must be notified if the Recipient replaces its Executive Director, Chief Financial Officer, the Board Chairperson, equivalent leadership official, as well as any other officials identified in the Recipient’s Assistance Agreement. The Recipient must notify the CDFI



Fund in writing on the Material Events Form submitted via a Service Request in AMIS account within thirty (30) days of occurrence. Use AMIS to submit a Material Events Form. A reference copy of the Material Events Form is available [here](#). Please refer to the CDFI Fund's website for the latest instructions on how to complete and to submit the form.

## 15. Compliance and Monitoring Contact and Reporting Requirements

### 15.1 Who should Recipients contact if a question is not addressed in this FAQ or the CMF guidance on the CDFI Fund website?

The best method for submission of questions regarding post-award matters is through AMIS Service Request. See the [CDFI Fund AMIS – Service Request Quick Reference Guide](#) for more information about submitting a Service Request.

### 15.2 What are the compliance reports Recipients must submit and when are they due?

Recipients are required to submit several reports to the CDFI Fund, in accordance with Schedule 1-B of the Assistance Agreement.

- **CMF Performance Report** (a single report including the Investment Period & Affordability Period Reports): due three months after the end of each fiscal year.
- **Financial Condition Reports:** Annual Financial Audit (not applicable for regulated financial institutions): due six months after the end of each fiscal year.
- **Single Audit Report** (if applicable): due nine months after the end of each fiscal year.
- **Federal Financial Report/OMB Standard Form 425:** due annually on October 15 of each fiscal year during the awards Investment Period only.

Other reports such as the Environmental Review Notification Report, Material Events report, and other reporting may require submission in certain circumstances.

The best way to find reporting deadlines for scheduled CDFI Fund compliance reports is through the Reporting Schedule in AMIS.

To access the **Reporting Schedule**:

1. Log into AMIS: <https://amis.cdfifund.gov/s/AMISHome>
2. Click on the **Reporting Schedule** tab.
3. To view all reports, choose **ALL** in the dropdown menu. Click on **GO**. A list of

compliance reports that are due is displayed.

Reporting schedules for each Recipient can also be located on Schedule 1-C of the Assistance Agreement. All report due dates are based on the Recipient's fiscal year end date.

Recipients that are Certified CDFIs are reminded that under the requirement of that certification they must also submit the Annual Certification and Data Collection Report (ACR), based on the CDFI Certification policies in which they were originally certified, to report on any changes to criteria supporting the organization's CDFI certification, as well as some additional organizational financial and other data. Under new CDFI Certification standards scheduled for release in the fall of 2023, Recipients that are Certified CDFIs whose CDFI Certification status is approved after submitting the new CDFI Certification Application, will be required to submit a Transaction Level Report in conjunction with their ACR to allow the CDFI Fund to evaluate the extent to which Certified CDFIs served their approved Target Market(s).

The AMIS ACR Reporting Schedule displays the due date for the ACR based on the organization's fiscal year end, unless directed otherwise by the CDFI Fund. The ACR Reporting Schedule section is located at the bottom of the Certification Related page in AMIS. Additional information on the AMIS Reporting Schedule can be found in the [AMIS Training Manual – Annual Certification and Data Collection Report](#) available on the CDFI Fund's website.

### 15.3 Where and how are compliance and monitoring reports submitted?

Financial and performance reporting schedules are contained in Schedule 1-C of the Assistance Agreement.

Reporting is completed through the AMIS platform. See the AMIS training guides for Capital Magnet Fund reporting for more information on how to complete required reports. These are located on the CMF Compliance webpage of the CDFI Fund website: [Capital Magnet Fund Compliance Resources and Reporting webpage](#).

### 15.4 What information do I need to report for the CMF Investment Period?

See the AMIS training guides for Capital Magnet Fund reporting for more information on the information to report. The guides are located on the CMF Compliance webpage of the CDFI Fund website: [Capital Magnet Fund Compliance Resources and Reporting webpage](#).

### 15.5 Do Recipients pursuing Homeownership Affordable Housing Activities need to report on every individual property supported or financed with Eligible Project Costs?

Yes. Recipients pursuing Homeownership Affordable Housing Activities must report information on every property financed/supported, including the income level of the supported unit and address. See the AMIS training guides for Capital Magnet Fund reporting for more information on how to complete required reports located on the CMF Compliance webpage of the CDFI Fund website: [Capital Magnet Fund Compliance Resources and Reporting webpage](#).

#### 15.6 What happens when a Recipient fails to achieve a Performance Goal and Measure (PG&M) on its Performance Report?

In the event the Recipient fails to meet a PG&M, the Recipient is deemed noncompliant. Subsequently, the CDFI Fund will issue a notice of noncompliance letter, giving the Recipient time to cure, prior to sanctions being imposed. If the Recipient cures the noncompliance within the given timeframe, the CDFI Fund issues a Noncompliant No Sanctions (NCNS)<sup>5</sup> letter. The Recipient receives and maintains a NCNS status for the Award until the next reporting period when a determination will be made whether the status remains or should be removed.

If the Recipient fails to cure within the cure period, the CDFI Fund will confirm the noncompliance status and sanctions may be imposed, including but not limited to:

1. De-obligating the remaining CMF Award;
2. Terminating the Assistance Agreement; and/or
3. Barring Recipient for two (2) years from receiving any CDFI Fund award.

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<sup>5</sup> Noncompliant No Sanctions compliance status is equivalent to Noncompliance Not in Default (NCND) status within AMIS.