



CY 2024 - 2025 New Markets Tax Credit Program Allocation Application Roadmap Presentation

PREPARED ON
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The CDFI Fund is an equal opportunity provider.

Roadmap Overview:



- The purpose of this presentation is to direct *Applicants* to important information and resources for the CY 2024 - 2025 NMTC *Allocation Application* round.
- If you are unfamiliar with the NMTC Program, please review the “Introduction to the New Markets Tax Credit Program” presentation available on the [CDFI Fund’s website](#) before continuing with this presentation.

List of Application Materials



Please review each of these materials in detail, which can be found under the “Application Materials” section of “Step 2: Apply” on the [NMTC Program Webpage](#):

1. CY 2024 – 2025 NMTC Program Application Frequently Asked Questions (FAQs)
2. CY 2024 – 2025 NMTC Program *Application*
3. CY 2024 – 2025 NMTC Program *Notice of Allocation Availability (NOAA)*
4. CY 2024 – 2025 NMTC *Allocation Application* – AMIS Navigation Guide

Presentation Roadmap



- **How to Apply for an NMTC Allocation**
- *NMTC Allocation Application Overview*
- *NMTC Allocation Application Evaluation Process*
- **Contact Information**

How to Apply for an NMTC Allocation



- **Eligibility for an NMTC Allocation**

- Applicants must meet **all** eligibility requirements in the CY 2024 - 2025 NOAA, including but not limited to:
 - Being certified as a CDE as of the Federal Register publication date of the NOAA.
 - The “*QLICI Uses and Activities*” commitment in Application Q. 13(a).
- QEI issuance and QLICI requirements must be met by CDEs that have previously received NMTC Allocations to receive an NMTC Allocation in the CY 2024 - 2025 Round (Section III.A.6.a).
- Reporting and compliance with previous award and Allocation Agreements: CDEs and Affiliates that have received CDFI Fund awards or NMTC Allocations may be deemed ineligible if they fail to meet reporting requirements or otherwise fail to maintain compliance with previous awards/Allocation Agreements (Section III.A.6.c).

- **Key Dates and Deadlines**

- See NOAA Table 1: CY 2024 - 2025 Allocation Round NMTC Program Critical Deadlines for Applicants for key dates and deadlines.

How to Apply for an NMTC Allocation



- **Submitting an NMTC *Allocation Application* and required materials:**
 - The NMTC *Allocation Application* can only be submitted online through the Awards Management Information System (AMIS).
 - For more information on submitting Application materials:
 - Application FAQs Document
 - **FAQ #13** – How to apply for *NMTC Allocations*
 - **FAQ #14** – Application Registration
 - **FAQ #16** – Application attachments required to submit an *Allocation Application* and how to submit them
 - CY 2024 - 2025 NMTC *Allocation Application* – AMIS Navigation Guide

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NMTC *Allocation Application* Overview – Application Contents



- The NMTC *Allocation Application* has five main sections:
 - Part I: Business Strategy (Exhibit A & Exhibit B)
 - Part II: Community Outcomes
 - Part III: Management Capacity (Exhibit C & Exhibit D)
 - Part IV: Capitalization Strategy (Exhibit E)
 - Part V: Information Regarding Previous Awards
- *Applicants* are also required to complete the Application Registration, Applicant Information, and Assurances/Certification sections.
- A glossary of terms is included in the *Application* for reference. Any italicized word in the *Application* is defined in the glossary.

NMTC Allocation Application Overview – Application Question Updates



- Glossary Terms Revisions
 - Definition of *Disadvantaged Business* has been revised and combined with the Definition of *Disadvantaged Community* (DBC) combined into a single term since they are considered collectively.
- Application Question 25 Areas of Higher Distress
 - Secondary areas of targeted areas of distress have been revised and subparts (b) and (c) have been updated with optional commitment to new areas meeting one of four indicia of deeper distress.
- Application Question 27 Community Accountability and Involvement.
 - Substantive changes to the subparts (a), (b), and (c).
- Application Question 28 Key Personnel
 - New subpart (c) has been added.
 - Instructions revised in Table C2 Key Personnel.
- Application Question 37 Investment Strategy
 - Substantive changes to subparts (b) and (c)
 - Tables E1 and E2 have been removed. Table E3 has been renamed as Table E1.

NMTC *Allocation Application* Overview – Applicant Information Section



- At the beginning of the *Allocation Application*, Applicants are required to answer several informational questions. Q. 1-12 in the Application Information Section are for information purposes only – they are not scored.
- An *Applicant* may wish to designate a *Controlling Entity* for the purpose of completing the *Allocation Application*.
 - More guidance on designating a *Controlling Entity* can be found in the *NMTC Allocation Application* NOTE related to Application Q. 3 and Application FAQs #27 through #30.

NMTC Allocation Application Overview – Business Strategy Section



- The Business Strategy section is scored during Phase 1 of the Application review process.
- It will be evaluated by two independent reviewers.
- Each reviewer may provide a maximum of 25 points.
- An *Applicant* will score well in this section to the extent it can articulate, with specificity:
 - its strategy to use an *NMTC Allocation*, and
 - a strong, relevant track record, including a track record of serving *Low-Income Communities*.

NMTC Allocation Application Overview – Business Strategy Section



- For notes on how to score highly in this section, please consult the following Application materials:
 - CY 2024 - 2025 NMTC Allocation Application FAQs Document: Section IV. D
 - CY 2024 - 2025 NMTC Allocation Application Questions 13 – 24
 - Pay special attention to the NOTES and Question Notes in the Application! (Example of NOTE below)

NOTE: An Applicant will score well in this section to the extent it can articulate, with specificity, its strategy to use an NMTC Allocation and can describe a strong, relevant track record, including a track record of serving LICs. Included in this section is the ability to earn “priority points” for meeting the statutory priorities of 1) investing in Unrelated entities; and/or 2) demonstrating a track record of serving Disadvantaged Businesses or Disadvantaged Communities. Refer to the NOAA for further information on the statutory priorities.

NMTC Allocation Application Overview – Business Strategy Section



- **Innovative Activities (Q. 19)**
 - This question will not be evaluated or scored in Phase 1 of the *Allocation Application* review.
 - Responses will be considered in Phase 2 of the *Allocation Application* review and may affect the size of the *Applicant's NMTC Allocation*.
 - Commitments to these activities must be clearly stated as a percent of total *QLICs*.
 - Commitments may be reflected in the *Allocation Agreement*, if an *Applicant* is selected to receive an *NMTC Allocation*.
 - For more information on Innovative Activities, please review Application FAQs #46, and #60 thru #65.

NMTC Allocation Application Overview – Business Strategy Section



- **Activities in Non-Metropolitan Counties**
 - This question will not be evaluated or scored in Phase 1 of the *Allocation Application* review.
 - The response to this question will be considered in Phase 2 of the *Allocation Application* review and may affect the size of the *Applicant's NMTC Allocation*.
 - *Applicants* are required to provide two target estimates: (1) a minimum percentage and (2) the maximum percentage of *QLICs* that the *Applicant* is willing to commit to invest in *Non-Metropolitan Counties*.
 - A final commitment within the proposed minimum and maximum will be reflected in the *Allocation Agreement*, if an *Applicant* is selected to receive an *NMTC Allocation*.
 - For more information on activities in Non-Metropolitan Counties, please see the *NOAA* (Section V, Subsection D) and/or Section V in the *Application FAQs* document.

NMTC Allocation Application Overview – Priority Points



- A maximum of 10 priority points are awarded based on the *Applicant's* responses to questions in the Business Strategy section and Exhibit B.
- Priority points are based on two distinct categories outlined in the NMTC authorizing statute:
 - Track record of providing capital or technical assistance to disadvantaged businesses or communities (up to 5 pts).
 - Commitment to use NMTC proceeds to invest in *Unrelated Entities* (5 pts).
- Additional guidance on priority points can be found in the following Application resources:
 - NOAA: Section V, Subsection B.1.b.
 - Application FAQs: #76 and #77.

NMTC Allocation Application Overview – Community Outcomes Section



- The Community Outcomes section is scored during Phase 1 of the Application review process.
- It will be evaluated by two independent reviewers.
- Each reviewer may provide a maximum of 25 pts.
- An *Applicant* will score well under this section to the extent it can articulate, with specificity:
 - it is working in particularly economically distressed or otherwise underserved communities;
 - it demonstrates that its projected financing activities will generate quantifiable and demonstrable community outcomes; and
 - it demonstrates meaningful engagement with community stakeholders when vetting potential NMTC investments.

NMTC Allocation Application Overview – Community Outcomes Section



- Methods and Metrics (NMTC Application Q. 26)
 - These two concepts are critically important for *Applicants* as they quantify and estimate projected community outcomes.
 - Each projected community outcome should be supported by clear and sound methods and metrics.
 - For definitions and examples of methods and metrics, please review FAQs #85 and #86.
 - For examples quantifying community outcomes, please review FAQs #82-#84, #87, and #90.

NMTC Allocation Application Overview – Community Outcomes Section



- Please consult the following Application resources for information on how to score well within this section:
 - Application FAQs Document: Section E
 - CY 2024 - 2025 *NMTC Allocation Application* Questions 25 - 27
 - Pay special attention to the NOTES and Question Notes in the PDF application!
 - Example of NOTE:

NOTE: The CDFI Fund will review the extent to which the Applicant’s strategy will have positive community outcomes. An Applicant will generally score well under this section to the extent that:

- it is working in particularly economically distressed or otherwise underserved communities;
- it shows that its projected financing activities will generate demonstrable community outcomes; and
- it demonstrates meaningful engagement with community stakeholders when vetting potential NMTC investments.

NOTE: The CDFI Fund does not expect that each and every investment will be in an area identified in Question 25.

NMTC Allocation Application Overview – Community Outcomes Section



- Application Question 25 - Areas of Higher Distress
 - Subpart (a) Federally Medically Underserved Areas and Food Deserts have been updated.
 - New areas of deeper distress (listed below) have been added to subpart (b):
 - Deep Distress (as defined in the application)
 - NMTC Native Areas
 - High Migration Rural Counties
 - U.S. Territories
 - Applicants have the option to commit to serving these areas in subpart (b).
 - Applicants that commit to providing up to 20% of QLICs to these areas will be scored more favorably in Phase 1.
 - Applicants that commit to an amount that is 20% or greater may be considered for additional allocation.
 - Applicants that commit to serving these areas that are selected to receive an Allocation Award, will be required to meet the greater of the commitment percentage in Q. 25b(i) and Q.25 b(ii) as a condition of the Allocation Agreement.
 - Subpart (c) has been revised to support the Applicant’s optional commitment in subpart (b).
 - See FAQ# 81

NMTC Allocation Application Overview – Community Outcomes Section



- Application Question 27 - Community Accountability and Involvement
 - Subpart (a) has been revised. The Applicant should discuss the roles of their Advisory Board and/or Governing Board members play in formulating the Applicant’s pipeline of investments, setting investments priorities, and approving the Applicant’s investment decisions.
 - New question added in subpart (b) for the Applicant to describe its process for ensuring that Low-Income Persons and/or LIC residents will benefit from its proposed investments. When answering this question, make sure to specifically discuss:
 - How specific needs or challenges of the Applicant’s service area will be addressed with NMTC, including a summary of the service area.
 - Provide quantitative and/or qualitative data used by the Applicant to determine the needs of the communities in which the Applicant intends to invest; and
 - How the Applicant will target its investments to address needs or challenges of Low-Income Persons and/or LIC residents in its service area.
 - Formerly subpart (b) has been revised and re-named as subpart (c)
 - More guidance can be found in FAQs # 98-100

NMTC Allocation Application Overview – Management Capacity Section



- The Management Capacity section is not scored during Phase 1 of the Application review process. It will be evaluated by CDFI Fund staff as part of Phase 2.
- An *Applicant* will be evaluated more favorably under this sub-section if it can demonstrate that:
 - It has experienced personnel and appropriate procedures and systems in place to successfully manage a loan and/or investment portfolio;
 - Its personnel have experience identifying borrowers, evaluating businesses, and structuring *QLICs*; and
 - It has experience with similar regulatory compliance requirements and can articulate a specific strategy for ensuring NMTC compliance.

NMTC *Allocation Application Overview* – Management Capacity Section



- Please review the following Application resources for information on how to score well within this section:
 - Application FAQs Document: Section F
 - CY 2024 - 2025 *NMTC Application Instructions* Questions 28 – 34:
 - Pay special attention to the NOTES and Question Notes in the PDF Application!

NMTC Allocation Application Overview – Management Capacity Section



- Question 28 - Key Personnel
 - Questions in Subpart (a) and (b) have been revised to focus on key personnel that will have a direct role in managing the NMTC Allocation.
 - The Applicant will be limited to 15 individuals in Table C2.
 - New questions added to subparts (c) and (d)
 - Only applicable to Applicants Awarded Allocation in CY 2021, 2022, or 2023.
 - The Applicant should discuss any notable changes to key personnel who have a direct role in managing the Allocation since their previous Allocation Award. Changes can include, but are not limited to, key personnel changes described in a Material Events form.
 - Applicants must also submit a Material Events Form if required to do so by its Allocation Agreement(s) or any Award Agreement(s) with the CDFI Fund.
 - See FAQs # 101, 105

NMTC Allocation Application Overview – Capitalization Strategy Section



- The Capitalization Strategy section is not scored during Phase 1 of the Application review process. It will be evaluated by CDFI Fund staff as part of Phase 2.
- To receive an award, an *Applicant* must demonstrate the ability to raise capital for an *NMTC Allocation*, including:
 - A track record of raising capital from investors;
 - A sound strategy for raising QEIs or investor interest/commitments (if applicable);
 - The appropriate sharing of NMTC benefits between the *Applicant*, investors, and borrowers/investees.

NMTC Allocation Application Overview – Capitalization Strategy Section



- Please consult the following Application resources for information on how to score well within this section:
 - Application FAQs Document: Section G
 - CY 2024 - 2025 NMTC Allocation Application Notes: Application Q. 35 – 41
 - Pay special attention to the NOTES in the PDF Application!
 - Example of Note:

NOTE: An Applicant that demonstrates a track record of raising capital from investors (including market rate capital) consistent with the Allocation request and, if applicable, a high level of investor Commitment will be evaluated favorably under this sub-section. If an Applicant is seeking investments from investors that have not yet provided capital, the Applicant may be evaluated favorably if it presents a strong strategy for raising capital from such investors.

NMTC Allocation Application Overview – Capitalization Strategy Section



- Application Question 37 - Investment Strategy
 - Tables E1 and E2 from prior round have been removed. Table E3 has been renamed as Table E1.
 - The question has been revised to no longer require Applicants who answer “yes” to subpart (a) to complete subparts (b), (c), or Table E1.
 - Applicants who answer “no” to subpart (a) will be required to
 - provide investment letters in subpart (b)
 - discuss their strategy to raise capital in subpart (c), and
 - complete Table E1
 - FAQ# 127

NMTC Allocation Application Overview – Information Regarding Previous Awards



- **Notes for completing information regarding previous awards:**
 - Must be completed by all *Applicants*:
 - If the *Applicant* (and any *Affiliates*) has never received an award from the CDFI Fund or an NMTC Allocation, answer “save” to confirm the pre-populated information for Application Q. 42 and 43, and answer “no” to Application Q.44 and Application Q. 45. You will not be required to complete the remainder of Application Q. 44 and Application Q.45.
 - Part V is not scored in Phase 1 of the review process. It will only be considered in Phase 2 of the review process.
 - Please consult the following Application resource for more information on this section:
 - Application FAQs Document: #129- #131

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NMTC Allocation Application Evaluation Process: Flowchart



Phase 1: Peer Review

External reviewers evaluate and score Part I and Part II of Applications.

Selection of Applicants:

Selecting Official makes final determinations based upon panel recommendations.



Phase 2: Panel Review

Applications that meet minimum scoring thresholds are evaluated, based on rank score, by a CDFI Fund panel.

Details on the previous round Application evaluation process can be found on the CDFI Fund's website (www.cdfifund.gov/nmtc). Details on the current Application evaluation process can be found in the *NOAA* (Section V – Application Review Information).

NMTC Allocation Application Evaluation Process: Phase 1 – Peer Review



- Each Reviewer may award an Application a maximum of 60 points.
 - Two sections of 25 points each:
 - Part I: Business Strategy
 - Part II: Community Outcomes
 - *Applicants* may also earn 10 “priority points.”
- Not Scored in Phase 1:
 - Application Q.19, Q.22, and Q. 24 in Business Strategy
 - Part III (Management Capacity),
 - Part IV (Capitalization Strategy), and
 - Part V (Previous Awards).

NMTC Allocation Application Evaluation Process: Phase 1 – Peer Review



- In Phase 1, each eligible *Applicant* is reviewed by two independent reviewers.
 - Reviewers consist of public and private sector professionals with strong credentials in community and economic development finance.
- To ensure consistency with scoring guidelines, each reviewer evaluation form is reviewed by a team leader before it is accepted.
 - Team leaders consist of CDFI Fund staff and other federal employees.

NMTC Allocation Application Evaluation Process: Phase 1 – Peer Review



- After the Business Strategy & Community Outcomes sections of each application are reviewed by the two independent reviewers, an analysis is conducted to identify if there is an anomalous score.
- An anomalous score may be deemed to occur when the two reviewers' scores vary significantly.
- When an anomalous reviewer score will impact the ability of any *Applicant* to receive an award, a third independent reviewer will be used to determine whether the anomalous score should be replaced.

NMTC Allocation Application Evaluation Process: Phase 2 – Panel Review



- *Applicants* with Phase 1 review scores within the “Highly Qualified” benchmarks will be ranked in descending order based on their Phase 1 Rank Score.
 - Phase 1 Rank Score is calculated by adding the *Applicant’s* scores in the Business Strategy and Community Outcomes sections, along with half of the total priority points.
- Highly Qualified *Applicants* will be forwarded for a Phase 2 Panel Review in descending order of the Phase 1 Rank Score.

NMTC Allocation Application Evaluation Process: Phase 2 – Panel Review



- The Panel will review the Application contents, Phase 1 reviewer comments, as well as any other relevant compliance, eligibility, due diligence, and regulatory information.
- The Panel will review Section III (Management Capacity), Section IV (Capitalization Strategy), and Section V (Information Regarding Previous Allocations).
- Additionally, the Panel will review past NMTC transactions from *Applicants* who are prior *Allocatees*.
- At the conclusion of Phase 2, the Panel's allocation award recommendations are forwarded to the Selecting Official.

NMTC Allocation Application Evaluation Process: Selection of Allocatees



- The Selecting Official makes “preliminary determinations” based on Panel recommendations, review of Phase 1 and application materials, and any additional due diligence undertaken.
 - Adjustments may be made to the final pool of *Allocatees* based on relevant regulatory agency information (in the case of regulated depository institutions), compliance with award or *Allocation Agreement(s)*, eligibility, and due diligence checks (e.g. omission of required information, common enterprise), including review of past NMTC transactions from *Applicants* who are prior *Allocatees*.
 - Adjustments may be made to the final pool to ensure proportional investments in *Non-Metropolitan Counties* and/or representation of *Rural CDEs*.
 - Adjustments may be made to ensure that the *NMTC Allocation* awards do not exceed the allocation authority for this Round.

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Contact Information



- Visit the CDFI Fund’s NMTC Program website at www.cdfifund.gov/nmtc
- Contact the CDFI Fund directly:

Program Support	IT Support
Phone: (202) 653-0421 (option 3)	Phone: (202) 653-0422
Please submit a service request in AMIS for programmatic questions	Please submit a service request in AMIS for technical issues

- Contact the IRS via James Holmes and Dillon Taylor, Office of the Chief Counsel (Passthroughs and Special Industries), IRS, by telephone at (202) 317-4137, by facsimile at (855) 591-7867, for questions about IRS regulations, eligibility of possible QLIC activities and other tax implications of the program. These are not toll-free numbers. Applicants wishing for a formal ruling request should see IRS Internal Revenue Bulletin 2021-1, issued January 4, 2021.