FREQUENTLY ASKED QUESTIONS

CAPITAL MAGNET FUND

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FY 2020 APPLICATION
FREQUENTLY ASKED
QUESTIONS

U.S. DEPARTMENT of the TREASURY
CDFI FUND
Community Development Financial Institutions Fund

WWW.CDFIFUND.GOV/CMF

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For detailed information on the Capital Magnet Fund (CMF) and the fiscal year (FY) 2020 CMF Funding Round, Applicants should review the CMF Interim Rule (as amended on February 8, 2016), the FY 2020 Notice of Funds Availability (NOFA), the FY 2020 CMF Application Instructions document, and the FY 2019 CMF Assistance Agreement. Please note that the FY 2020 CMF Assistance Agreement will differ from the FY 2019 CMF Assistance Agreement. However, the FY 2019 version can be viewed as an example. These documents are available on the CDFI Fund's website (www.cdfifund.gov/cmf).

Notes

In these Frequently Asked Questions (FAQs), all capitalized terms are defined in the Interim Rule (12 C.F.R. 1807), FY 2020 CMF NOFA, the FY 2020 CMF Application Instructions, and/or FY 2020 CMF Glossary. All references to the CMF Interim Rule refer to the Interim Rule as amended on February 8, 2016.

Questions on Applicant Eligibility

(1) Who is eligible to apply for a CMF Award?

To be eligible to apply for a CMF Award through the FY 2020 Funding Round, an organization must be:

- Certified as a Community Development Financial Institution (CDFI) by the CDFI Fund as of the date of publication of the FY 2020 CMF NOFA, or
- A Nonprofit Organization that has as one of its principal purposes the development or management of affordable housing.

All Applicants, regardless of entity type, **must** demonstrate that they have been in existence as a legally formed entity for at least three years prior to the FY 2020 Funding Round Application deadline. Additionally, an organization must be able to submit audited financial statements (or Call Reports for a Regulated Financial Institution) for the two most recently completed fiscal years as part of their Application.

In order to be eligible as a Nonprofit Organization, the organization must:

(a) Demonstrate that it is a Nonprofit or not-for-profit under the laws of the organization's State of formation AND designated by the Internal Revenue Service as tax-exempt from Federal taxation; and
(b) Demonstrate that its articles of incorporation, by-laws, or other board-approved documents evidence that one of the organization's principal purposes is the development or management of affordable housing; and
(c) It must attest that at least 33 1/3 percent of its total assets (the sum of the value of all of the organization's assets) are dedicated to the development or management of affordable housing.

Nonprofit Organizations are required to submit documentation to demonstrate that they satisfy these criteria at the time of Application submission.

The CDFI Fund reserves the right to collect additional information from all Applicants (regardless of entity type) in order to verify that the Applicants have satisfied the eligibility requirements.

Applicants must meet the eligibility requirements on their own behalf and may not rely on Affiliates or Subsidiaries to meet this requirement.

Applicants must also demonstrate in their Application that their CMF Award will result in Eligible Project Costs that equal at least 10 times the Award amount. Additional eligibility requirements are contained in the Notice of Funding Availability. For example, an Applicant must not be under a CDFI Fund sanction prohibiting it from applying to any CDFI Fund programs.

(2) Is an entity that previously received a CMF Award, a New Markets Tax Credit Program (NMTC Program) allocation, a Community Development Financial Institutions Program (CDFI Program) award, a CDFI Bond Guarantee Program (BG Program) guarantee, or a Bank Enterprise Award Program (BEA Program) award (or an Affiliate of such an entity) eligible to apply for a CMF Award?

Prior Recipients of awards, allocations, or bond guarantees from any component of the CDFI Fund's CMF program, NMTC Program, CDFI Program, BEA Program, BG Program or any other CDFI Fund program, are generally eligible to apply for an award under the FY 2020 CMF Funding Round, including Recipients of previous CMF Awards. However, an Applicant may be deemed ineligible if certain circumstances exist with respect to prior awards made to the Applicant or its Affiliates (*e.g.*, previous incidents of noncompliance or default; failure to meet reporting requirements). Please refer to the NOFA (particularly Section III) for a complete description of this eligibility criterion.

Applicants that are prior Recipients of awards or allocations under any CDFI Fund program are advised to submit all required reports by the deadlines specified in the allocation, award or Assistance Agreements governing said prior awards or allocations, and comply with the requirements specified in an Assistance Agreement, award agreement, allocation agreement, bond loan agreement, or agreement to guarantee.

In the case where an Applicant intends to use other CDFI Fund awards in conjunction with a CMF Award (including prior CMF Awards) or for the same purpose, the Applicant should clarify in the Application how each of the awards will be used; and in the event it would like to use other CDFI Fund awards with a CMF Award for the same project, the Applicant should be aware of restrictions that limit the use of other CDFI Fund awards with a CMF Award for a project in the same phase of project development (See Section II.C of the FY 2020 NOFA for more information).

(3) If I am relying on my organization's status as a Nonprofit Organization for eligibility, how do I calculate whether 33 and 1/3 percent of my total assets are dedicated to the development and/or management of affordable housing?

The percentage of total assets – the sum of the value of all of the organization's assets – dedicated to the management and/or development of affordable housing is determined by dividing assets dedicated to the management and/or development of affordable housing by total assets, based on the Applicant's last audited financial statements. For purposes of this eligibility criterion, affordable housing is defined generally as housing in which at least 20 percent of the units are affordable to Families whose incomes are at or below 80 percent of the Area Median Income (AMI).

For example, if an Applicant has $8 million in total assets and has dedicated $4 million to affordable housing, 50% of the Applicant's total assets are dedicated to the development or management of affordable housing.

Applicants applying as eligible Nonprofit Organizations must attest that they meet this threshold in the Application.

(4) Is a state housing finance agency (HFA) or a local housing authority (LHA) eligible to apply for a CMF Award?

An HFA or LHA must meet the Applicant eligibility requirements outlined in Section III of the NOFA, including, among other things, meeting the criteria for a qualified Nonprofit Organization and having as a principal purpose the development or management of affordable housing, as defined in the CMF Interim Rule. Since state housing finance agencies (HFA) and local housing authorities (LHA) are generally created by state statute, whether they qualify as a Nonprofit Organization depends on the authorizing statute or charter of the agency or authority. The CDFI Fund requires a legal opinion to confirm the Applicant is not subject to federal taxation before determining the eligibility of a particular HFA or LHA entity. This legal opinion must be submitted as an attachment to the CMF Application as evidence of non-profit status. A separate, but affiliated, Nonprofit Organization formed by an HFA or LHA may be eligible to apply for a CMF Award as long as it meets the eligibility requirements outlined in Section 3 of the FY 2020 NOFA.

Questions on Affiliates, Subsidiaries, and Single Purpose Entities

(5) How does the CDFI Fund define Affiliate? What is the difference between Affiliate and Subsidiary?

Per the CMF Interim Rule (12 CFR 1807), "Affiliate" means any entity that Controls, is Controlled by, or is under common Control with, an entity. "Subsidiary" means any company that is owned or Controlled directly or indirectly by another company.

Organizations that are part of the same organizational family as the Applicant are deemed Affiliates, including the Applicant's parent organization or any other organizations under a common parent. Subsidiaries are only those organizations Controlled by the Applicant.

For reference, the CMF Program's definition of "Control" is as follows: (1) Ownership, control, or power to vote 25 percent or more of the outstanding shares of any class of Voting Securities of any company, directly or indirectly or acting through one or more other persons; or (2) Control in any manner over the election of a majority of the directors, trustees, or general partners (or individuals exercising similar functions) of any company; or (3) The power to exercise, directly or indirectly, a controlling influence over the management, credit or investment decisions, or policies of any company.

(6) Is an Affiliate or Subsidiary of my organization eligible to apply for CMF funding?

The Applicant entity may be an Affiliate or Subsidiary of the parent organization, but in all cases, the Applicant organization must meet the eligibility requirements itself and may not rely on Affiliates or Subsidiaries to meet these requirements. Affiliated organizations may submit only one Application and therefore should be careful in selecting the most appropriate entity as the Applicant, in order to carry out the activities and meet the obligations of the CMF Award.

(7) If my organization has Subsidiaries or Affiliates, which entity should apply?

You may choose any entity as the Applicant that meets the eligibility criteria outlined in the FY 2020 NOFA. In particular, if you are a Nonprofit Organization, you must be able to certify that the Applicant entity meets the test that 33 and 1/3% of its assets are devoted to affordable housing, without relying on the assets of any Affiliates or Subsidiaries.

An Applicant and its Affiliates may not submit separate Applications. If an Applicant and its Affiliate(s) both seek to apply for the CMF Program, they must select <u>only one of the Affiliated entities</u> to submit an Application; if Affiliates submit multiple or separate Applications, the CDFI Fund may at its discretion, reject all such Applications received or select only one of the submitted Applications to deem eligible and review. Furthermore, an Applicant that receives a CMF Award in this funding round may not become an Affiliate of another Applicant that receives an Award in this CMF round at any time after the submission of a CMF Application under this NOFA.

During the Application review process, all Affiliated relationships are subject to review by the CDFI Fund. Applicants are strongly advised to review the definitions of Affiliate, Subsidiary, and Control in the Interim Rule (see 12 C.F.R. 1807.104) in order to determine if their organization is considered an Affiliate under the CMF definition and subject to the restrictions preventing the submission of multiple Applications. In most cases, if an entity has its own independent board of directors or independent board governance, and makes its own investment decisions, it is considered an independent entity and could be an eligible Applicant, rather than an Affiliate or a Subsidiary of an Applicant. However, it is the CDFI Fund's determination of Control that is the deciding factor of whether two entities are Affiliated.

(8) If an Affiliate or Subsidiary of my organization has previously received a CMF Award, financial assistance, allocation, or bond guarantee from a CDFI Fund program, can my organization apply for an FY 2020 CMF Award? May the Affiliate or Subsidiary entity that received the prior award apply under these circumstances?

Yes, prior Recipients (or their Affiliates) of awards, allocations, or bond guarantees from any component of the CDFI Fund's CMF Program, NMTC Program, CDFI Program, BEA Program, BG Program or any other CDFI Fund program, are generally eligible to apply for awards under the FY 2020 CMF Funding Round, as long as they meet the eligibility criteria outlined in Section 3 of the NOFA and subject to the Affiliate rules in FAQ #6 and #7 above.

(9) Can a Certified CDFI Depository Institution Holding Company reference the activities of its CDFI Subsidiary Insured Depository Institution when completing the CMF Application?

If the Applicant is a Certified CDFI Depository Institution Holding Company that intends to carry out the activities of a CMF Award through its Certified CDFI Subsidiary Depository Institution, the Application submitted by the CDFI Depository Institution Holding Company must reflect the proposed activities, track record and financial performance of the Applicant's Certified CDFI Subsidiary Depository Institution.

Additionally, the Applicant must list in the FY 2020 Application the name and EIN of the Certified CDFI Subsidiary Depository Institution that will carry out the activities of a CMF Award.

(10) May a Recipient transfer its responsibilities under the Assistance Agreement to another entity, Affiliate or Subsidiary?

The responsibilities and obligations of a Recipient under the Assistance Agreement may <u>not</u> be transferred to another entity and must remain the sole responsibility of the Recipient. Also refer to questions 11 and 12 for further clarification.

<u>EXCEPTION FOR CERTIFIED CDFI DEPOSITORY INSTITUTION HOLDING COMPANIES ONLY:</u> The CDFI Fund will provide written permission to any Certified CDFI Depository Institution Holding Company to carry out the activities of a CMF Award through its Certified CDFI Subsidiary Depository Institution, so long as this Certified CDFI Subsidiary Depository Institution is specifically identified in the Holding Company's FY 2020 CMF Application. See Question 1 (g) and (h) of the Application.

(11) Does a Recipient need pre-approval from the CDFI Fund to make a loan to or investment in to an Affiliate to finance/support Affordable Housing or Economic Development Activities?

No. Recipients may lend to or invest in an Affiliate to finance/support Affordable Housing Activities or Economic Development Activities that the Affiliate is undertaking, as long as those activities are authorized in the Recipient's Assistance Agreement.

However, as described in FAQ #10, without pre-approval from the CDFI Fund, a Recipient <u>may not</u> allocate all or part of its CMF Award to an Affiliate in order to carry out the Recipient's eligible activities in 12 C.F.R. 1807.301 or CMF Award management responsibilities on behalf of the Recipient, or where the Affiliate solely acts as a pass-through to finance the Affordable Housing or Economic Development Activity.

For example, if a Recipient intends to allocate its CMF Award to an Affiliate and that Affiliate in turn carries out the lending functions of the Recipient, this scenario would constitute a sub-recipient relationship and would not be allowed unless such a transfer is pre-approved by the CDFI Fund, as described in FAQ #12.

(12) Can I transfer my CMF Award to a Special Purpose Entity for the purpose of creating an Affordable Housing Fund, Revolving Loan Fund, or Economic Development Activity fund? How can Special Purpose Entities (SPEs) be used in the Capital Magnet Fund?

SPEs may be used under limited circumstances in the CMF Program only with the prior written approval of the CDFI Fund. The "Approved SPE" must be a single purpose entity created to act as an Affordable Housing Fund, a Revolving Loan Fund, or a fund to support Economic Development Activities solely to carry out CMF eligible uses. The CMF Award may be transferred to the Approved SPE in the form of a loan, grant, or investment per a written agreement. The SPE must be wholly owned by the Recipient. Utilization of an SPE to make investments constitutes a Sub-recipient relationship that subjects the Recipient and Sub-recipient to specific requirements as specified in the CMF Assistance Agreement and 2 C.F.R. Part 200. Additional reporting by the Recipient may also be required. If a Recipient creates an SPE, all requirements of the Assistance Agreement still apply to the Recipient and will also apply to the SPE.

Questions on the Process for Applying for a CMF Award

(13) In what form will CMF Awards be provided?

CMF Awards will be awarded as grants (lump-sum payment). See 2 C.F.R. 200 for more information about federal requirements related to administration of federal awards.

(14) How can my organization apply for a CMF Award?

If an organization wants to apply for a CMF Award in the FY 2020 Funding Round, it must submit the required Application documents through Grants.gov and the CDFI Fund's Awards Management Information System (AMIS). The CDFI Fund will not accept Applications via e-mail, mail, facsimile, or other forms of communication, except in extremely rare circumstances that have been pre-approved in advance by the CDFI Fund. Only the Authorized Representative or Application Contact Person designated in AMIS may submit the Application through AMIS.

Application materials must be submitted by the deadlines below:

FY 2020 CMF Deadlines for Applicants

Document	Deadline	Time – Eastern Time (ET)	Submission Method
SF-424 Mandatory Form	June 26, 2020	11:59 pm ET	Electronically via Grants.gov
Create an AMIS Account (if Applicant does not already have one)	July 2 , 2020	11:59 pm ET	Electronically via AMIS
CMF Application and Required Attachments	July 27, 2020	5:00 pm ET	Electronically via AMIS

For more specific information about the content and form of Application submission, reference the FY 2020 NOFA and the FY 2020 Application Instructions documents.

Applicants must be registered in the System for Award Management (SAM), the award management system of the U.S. General Services Administration. Registration is a pre-requisite to applying for CMF. For more information on SAM registration, see the Application Instructions document and visit SAM.gov. In order to submit an SF-424 in Grants.gov, an Applicant must have a current and valid DUNS number and EIN, as well as an active SAM registration.

In addition, if you have not already done so, the CDFI Fund strongly encourages Applicants to start the Grants.gov and AMIS registration processes as soon as possible. For specific guidance on registering in Grants.gov, please visit Grants.gov. For specific guidance on using AMIS, see the AMIS homepage: https://amis.cdfifund.gov. Please note the deadlines in the chart above related to Grants.gov and AMIS.

Multiple Applications from one organization (including its Affiliates and Subsidiaries) are not permitted. If an Applicant submits multiple SF-424s in Grants.gov, the CDFI Fund will only review the SF-424 submitted in Grants.gov that is attached to the AMIS application. Applicants may only submit one Application through AMIS. Only those attachments requested by the CDFI Fund will be considered during the Application review process.

Each Applicant will receive an e-mail from Grants.gov immediately after submitting the SF-424 confirming that the submission has entered the Grants.gov system. This e-mail will contain a tracking number for the submitted SF-424. Within 48 hours, the Applicant will receive a second e-mail which will indicate if the submitted SF-424 was either successfully validated or rejected with errors. However, Applicants should not rely on the e-mail notification from Grants.gov to confirm that their SF-424 were validated. Applicants are strongly encouraged to use the tracking number provided in the first e-mail to closely monitor the status of their SF-424 by contacting the helpdesk at Grants.gov directly. If an Applicant has any questions related to the registration or submission process in Grants.gov or SAM.gov, it should contact these systems directly. The CDFI Fund does not manage Grants.gov or SAM.gov and is unable to respond to any questions related to these systems.

(15) What is the SF-424 field in the AMIS Application asking for and when must I update this field?

This field links your completed SF-424 to your AMIS Application. Once the Applicant completes the SF-424 Mandatory Form in Grants.gov, AMIS retrieves and stores it locally as a document in the AMIS document library. The identifier on the SF-424 Forms is your Assigned Grant Tracking Number, issued by Grants.gov. You can find and view the SF-424 Forms in the look-up field on next to the SF 424 field in the Application Information section. Searching for GRANT* will display the list of SF-424 forms.

Before submitting the AMIS Application, the Applicant must select and link the correct SF-424 document in this field from the AMIS local document library since it is possible that some organizations may have submitted multiple SF-424 forms. In the case of multiple SF-424 submissions, the Applicant should select the most recently submitted SF-424 for CMF. Please ensure that you attach an SF-424 as part of your FY 2020 CMF Application. Failure to attach the appropriate SF-424 could result in the Application being deemed ineligible.

(16) Does the award request amount we indicated in the SF-424 commit us to that amount in the CMF Application in AMIS?

No. The award amount requested submitted in the SF-424 in Grants.gov is an estimate. Ultimately, only the amount submitted in the AMIS CMF Application will be considered.

(17) When completing the Application, how do I determine if my organization is a Financing Entity or an Affordable Housing Developer/Manager?

A Financing Entity is an entity whose predominant business activity is the provision of arm's length transactions and services to independent, unrelated parties, each acting in its own best interest. Such transactions support and promote affordable housing and/or community development through the provision of financial products that serve low income communities, individuals or families with low incomes or underserved markets or communities.

An Affordable Housing Developer/Manager is a Nonprofit Organization whose primary mission is the construction, development, redevelopment, preservation or management of affordable housing. The Affordable Housing Developer may own the housing that is developed; may own it in part, such as a limited partnership; may sell the housing it develops once completed if single family housing; or may sell but continue to manage the housing if rental housing.

All Certified CDFI Applicants must select Financing Entity as an Entity Type. Applicants who are eligible Nonprofit Organizations should select whether they are best categorized as a Financing Entity or an Affordable Housing Developer/Manager based on their predominate business activity and the definitions above. If you do not select the appropriate entity type, you may not be able to complete the Application correctly. If you have specific questions about how your organization should be categorized, please contact the CDFI Fund via one of the methods listed in FAQ #95.

(18) Will the information that I provide in my CMF Application be available to the general public?

As a general practice, the CDFI Fund does not publish proprietary or confidential information submitted by Applicants. However, any information submitted by Applicants in Applications is subject to the Freedom of Information Act (FOIA) (5 U.S.C. 552, *et seq.*) and other federal laws and regulations. In general, the FOIA makes federal agency records available to the public, unless the information requested is exempt from disclosure. Trade secrets and commercial or financial information submitted by Applicants may be exempt from disclosure pursuant to the FOIA. Applicants should consult their legal counsel for further guidance on this matter.

Should the Applicant be selected to receive a CMF Award, the CDFI Fund reserves the right to publish the Applicant's responses to select questions in the Applicant Information, Business & Leverage Strategy, and Community Impact sections. This information may include the address of Applicant's headquarters; Contact Person information; Service Area; Application executive summary; proposed uses of the CMF Award; projected number of units to be financed; overall leverage summary information; projected activity in Areas of Economic Distress; projected income targeting; and projected activities in Rural Areas.

(19) 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 listed in Section II.C of the NOFA. Since Affordable Housing and Economic Development Activities result in physical structures, for the FY 2020 Round, 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 considered to be: 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 it may have received.

If a CMF Recipient uses its Award with other CDFI Fund program awards, including their own other CMF Awards, funds from these other awards may not be counted as Leveraged Costs. No prior CMF Award funds from any funding round can be counted as Leveraged Costs. While the Recipient may combine its CMF Award in this 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. Part 1807). Housing units resulting from multiple CMF Awards may not be double counted and should 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).

(20) Can a CMF Recipient combine its CMF Award with its CDFI Financial Assistance (FA) Award into one loan pool or one "fund"? Can it combine its CMF Award into a loan pool where other investors participate?

Although not recommended, Awards may be combined into one loan pool or fund, but the Recipient must be able to separately account for the use of CMF Award dollars and the Recipient must make the funding decisions with respect to obligating proceeds of the CMF Award to a third party.

Keep in mind that a Recipient's CMF Award and other CDFI Program awards may not be used in the same development phase in a property, as described in FAQ #19.

If a CMF Recipient uses its Award with other CDFI Fund program awards, funds from these other CDFI awards may not be counted as Leveraged Costs. Funds from other investors may qualify as Leveraged Costs.

(21) In addition to the Application Form, what additional attachments are required as part of the Application?

All Applicants are required to submit:

- Audited financial statements for the two most recently completed fiscal years as of the date of the NOFA;
- Management Letters related to the submitted audits if Management Letters were provided.[1] If Management Letters for the two most recently completed fiscal years were not provided, Applicant will attach a document in AMIS stating so. Please see the footnote on this page for additional guidance, as well as FAQ #81.

Additionally, Nonprofit Organization Applicants are required to submit:

- State charter, articles of incorporation, or other establishing documents designating that the Applicant is a nonprofit or not-for-profit entity;
- Articles of incorporation, by-laws or other documents demonstrating that the Applicant has a principal purpose of developing or managing affordable housing;
- A certification demonstrating tax-exempt status from the IRS. For Applicants that are governmental instrumentalities only, and as long as all other eligibility requirements are met, the CDFI Fund will accept a legal opinion from counsel, in form and substance acceptable to the CDFI Fund, opining that the Applicant is exempt from federal taxation.

[1] The Management Letter is prepared by the Applicant's auditor and is a communication on internal control over financial reporting, compliance, and other matters. The Management Letter contains the auditor's findings regarding the Applicant's accounting policies and procedures, internal controls, and operating policies, including any material weaknesses, significant deficiencies, and other matters identified during an audit. The Management Letter may include suggestions for improving identified weaknesses and deficiencies and/or best practice suggestions for items that may not be considered to be weaknesses or deficiencies. The Management Letter may also include items that are not required to be disclosed in the annual audited financial statements. The Management Letter is different than the auditor's Opinion Letter, which is required by Generally Accepted Accounting Principles (GAAP). Management Letters are not required by GAAP and are sometimes provided by the auditor as a separate letter from the Audit itself. The Management Letter is NOT a letter from the Applicant to its auditor, nor is it an introductory letter from an auditor.

Additional information may be required or requested by the CDFI Fund. These Application materials are submitted through the AMIS portal within the Application deadline.

(22) Is there a limit to the total CMF Award amount that an Applicant may request in the FY 2020 CMF Funding Round? Is there a minimum amount that an Applicant may request in the FY 2020 CMF Funding Round?

The Applicant should request an amount that can be used to achieve the projected production within five years of the Award. However, the CMF authorizing statute caps the amount that the CDFI Fund can award to one Applicant at 15 percent of the total amount available for the funding round. For the FY 2020 Round, this amount is $26 million. CMF Applicants cannot request an amount larger than this statutory cap. Applicants should be aware that the CDFI Fund does not intend to make awards as large as the statutory cap. For example, in the FY 2019 CMF Round, the statutory cap was $19.6 million, and the largest award was $7.7 million.

In addition, the CDFI Fund will not consider Applications that request less than $500,000, based upon the administrative and compliance responsibilities for Recipients for such awards.

The CDFI Fund reserves the right, in its sole discretion, to provide a CMF Award in an amount other than that which the Applicant requests. However, the total CMF Award amount will <u>not exceed</u> the Applicant's award request as stated in its Application or be less than $500,000. The CDFI Fund also will not Award an amount lower than the minimum Award amount the Applicant has indicated in their Application they will accept, which may result in no Award.

(23) Will there be an Excel template to help us prepare to enter data into AMIS?

No. Due to the revised, user-friendly AMIS Application, an Excel template is not needed to prepare for data entry.

(24) I missed the FY 2020 CMF Application webinars. Is this information available?

Yes, all PowerPoint presentations from the application webinars conducted by the Capital Magnet Fund team will be posted on the CDFI Fund's website within a few days of the webinars. The following materials are also available on the website: FY 2020 CMF Notice of Funding Availability (NOFA); FY 2020 CMF Outreach Presentation; six training modules on CMF; CMF Interim Rule (i.e. CMF Regulations); FY 2020 Application Instructions; FY 2020 CMF Glossary; and FY 2020 Economic Distress and Rural and Low Income Areas Dataset. For links to these materials, see the "Step 2: Apply" section of the CMF webpage at www.cdfifund.gov/cmf.

(25) Can a Consultant sign an Application?

No, consultants working on behalf of the Applicant <u>cannot</u> sign the Application. However, the Applicant may include consultants as Application point(s) of contact in the Application.

Only an Authorized Representative, listed under the organization contacts in AMIS, may sign an Application. An Authorized Representative is an officer, or other individual, who has the authority to legally bind and make representations on behalf of the Applicant. An organization's consultant <u>cannot</u> be an Authorized Representative.

While the Authorized Representative must sign the Application in AMIS before the Application can be submitted, either the Authorized Representative or an Application point of contact can submit the Application in AMIS.

Please note that the Authorized Representative and/or Application point(s) of contact must be included as "Contacts" in the Applicant's AMIS account. The Authorized Representative must also be a "user" in AMIS. An Applicant that fails to properly register and update its AMIS account may miss important communications from the CDFI Fund or fail to submit an Application successfully.

Questions on Service Area

(26) How does an Applicant determine a Service Area?

Applicants are asked in the Application to designate the geographic areas where they intend to undertake their CMF Activities. A Service Area may be statewide (statewide or territory-wide) or multi-state (more than one state/territory, up to 15). Applicants with a multi-state Service Area may select up to 15 states/territories (increased from a limit of 10 states/territories in previous rounds). CMF will consider the proposed Service Areas of all Applicants in order to ensure geographic diversity and, during the selection process, the CDFI Fund may modify or place restrictions on the Recipient's Service Area requested in the Application in order to further this objective.

(27) Once I identify a Service Area in the Application, am I held to undertaking CMF Activities in all areas included in the Application?

If you propose a multi-state Service Area, the CDFI Fund may, at its discretion, require that all or a portion of the CMF Award be invested in a specific state/territory of the Service Area you identify. For example, you may be required to use your CMF Award to finance/support at least one Project in a particular state. Recipients cannot invest their CMF Award outside of their Service Area designated in their Assistance Agreement.

(28) Our organization only serves a specific city. How do I select a Service Area? Will we be disadvantaged for serving an area smaller than a whole state?

The smallest Service Area that the CMF Program will grant in the FY 2020 round is statewide. However, Applicants should feel free to focus their CMF strategy on smaller geographies (e.g. a city or county); this will not disadvantage the Application. If the Applicant is planning to focus its CMF activities in a subset of its Service Area, it should clearly describe this geographic area in its response to Q. 9, and throughout the relevant narrative questions in the Application.

(29) Is there a preference for serving particular geographies?

CMF has a statutory objective to ensure that potential Recipients' proposed Service Areas collectively represent broad geographic coverage throughout the United States. In alignment with that objective, the CDFI Fund will provide scoring preferences for the following geographies in the FY 2020 Round:

a) Using a CMF Award for Affordable Housing Activities that are located in Areas of Economic Distress. See FAQs #58 and #59.
b) Using a CMF Award to serve states not served by CMF in the past two CMF rounds (FY 2018 and FY 2019) which include Alaska, North Dakota, and South Carolina, as well as American Samoa, Guam, the Northern Mariana Islands, and the U.S. Virgin Islands for the FY 2020 Round.

Additionally, CMF has a statutory objective to ensure that Awards serve both Metropolitan and Underserved Rural areas. This objective is pursued by adjustments made to final award amounts and the award pool during the award selection phase of the review process. For more information on the Application evaluation and selection process, please review Section V of the NOFA.

Questions on CMF Eligible Activities

(30) May I apply for more than one type of activity in a single application?

Yes, Applicants may apply for any of the program's eligible activities (listed in Question 9 of the Application). If selected for a CMF Award, the Recipient's approved authorized activities will be specified in the Assistance Agreement. The authorized activities in the Assistance Agreement may not include all those requested in the Application, depending on the final award determination.

(31) What restrictions are there on the use of a CMF Award (and associated Leveraged Costs)?

Restrictions on the use of a CMF Award and the costs that can be counted as Leveraged Costs are described in detail in the NOFA, Interim Rule, and Assistance Agreement. Applicants should review all of these documents before completing CMF Application materials. Also, please see FAQ #45 for more information about what is included in Eligible Project Costs.

As detailed in the Interim Rule and/or NOFA, some notable restrictions include:

- No CMF Award, nor any Leveraged Costs, may be attributable to units of housing unless the units are restricted and affordable to Eligible-Income Families (120% AMI or below).

- Greater than 50 percent of the Eligible Project Costs (CMF Award plus Leveraged Costs) must be attributable to Affordable Housing that comply with the affordability qualifications for Low-Income, Very Low-Income, or Extremely Low-Income Families.

- No more than 30 percent of a CMF Award may be used to finance Economic Development Activities (including Community Service Facilities), if requested in the Application and listed as an eligible activity in the Assistance Agreement.

- No more than 5 percent of a CMF Award may be used to cover the Direct Administrative Expenses, as defined in 12 C.F.R. 1807.104.

- The CMF Award must be Committed to Projects within two years of the Effective Date of the Assistance Agreement. Project Completion must be achieved within five years of the Effective Date.

(32) Can an Applicant lend directly to an entity it created to own a property (i.e., a limited liability company (LLC) or a limited partnership (LP) created to own a specific affordable housing property)?

Yes, a CMF Recipient may provide funds to an LLC or LP created to own a specific property if the funds are used for Affordable Housing Activities (see Interim Rule 1807.104 for definition). The Recipient must ensure that the property meets all requirements specified in the CMF Interim Rule and NOFA throughout the Affordability Period and report on the units to the CDFI Fund, as specified in the Assistance Agreement.

(33) Does a project need to have a minimum investment of CMF Award dollars in order for it to be considered a CMF-financed project?

A CMF-financed project must have been financed or supported with some portion of the CMF Award. However, the CDFI Fund does not specify the level of minimum investment for each Project in the FY 2020 Round. Note that in situations where the CMF Award will be used for a Loan Loss Reserve or a Loan Guarantee, the CMF Award is considered "expended" on a Project at the time it is allocated as a reserve for or guarantee of the loan for the CMF Project. In those cases, there does not need to be an actual draw against the loan loss reserve or guarantee in order to count those amounts as Eligible Project Costs. Please note that Program Income and reinvestment restrictions apply (2 CFR part 1000).

For Homeownership mortgages and Purchase assistance activity where the Recipient establishes an Affordable Homeownership Program, the CMF Award will be Committed to the Homeownership Program. It is not necessary to directly trace a minimum investment of CMF dollars in every home financed/supported under the Program (See FAQ #38).

(34) Can a CMF Award be used for mortgage financing for homeowners?

Yes, mortgage financing for homeowners is an eligible use of a CMF Award. Down payment and closing cost assistance, first mortgages, and subordinate loans are all allowable uses of a CMF Award and fall under the definition of Purchase.

(35) Can CMF Awards be used to finance /support activities other than real estate?

No. All CMF Award and Leveraged Costs must be used to finance/support Affordable Housing and/or Economic Development Activities, including Community Service Facilities (i.e. physical structures). Per the CMF Interim Rule, these activities must result in physical structures/facilities. For example, a CMF Award may not be used to pay for services offered at Community Service Facilities or ongoing operating costs at such facilities. Loan Loss Reserves and Loan Guarantees must also support real estate Projects.

(36) What is the difference between a Revolving Loan Fund and an Affordable Housing Fund?

Both terms are defined in the Interim Rule (see 12 C.F.R. 1807.104). An Affordable Housing Fund applies to a broader range of activities – including a grant fund, an equity investment fund, or any type of loan fund (including one that does not revolve). Capital in an Affordable Housing Fund must only be used to finance/support Affordable Housing Activities. Grants, loans, or investments from an Affordable Housing Fund may be either short- or long-term in nature, and repayment may exceed the 10 year affordability period of CMF.

A Revolving Loan Fund is a pool of funds managed by the Recipient that can be used to make loans for Affordable Housing and/or Economic Development Activities (based on the eligible uses of the CMF Award approved in the Assistance Agreement). Additionally, revolving loans tend to be shorter term in nature and are intended to be repaid so that the loan proceeds can be used to provide additional loans. Each property financed or supported with a loan from the Revolving Loan Fund must meet the affordability restrictions and all such properties must be monitored for affordability for 10 years, regardless of the term of the loan.

For the purposes of completing Question 8(a) in the Application, an Applicant may not double count the same proposed activity by entering the same amounts under both "% Capitalize a Revolving Loan Fund" and "% Capitalize an Affordable Housing Fund."

For example, if the Applicant plans to use 75 percent of its CMF Award to finance the production of Affordable Housing, it could do so by proposing to capitalize a Revolving Loan Fund for Affordable Housing Activities or it could propose to do so by proposing to capitalize an Affordable Housing Fund. The Applicant would either enter 75 percent into "% Capitalize a Revolving Loan Fund," 75 percent into "% Capitalize an Affordable Housing Fund," or elect to split the percentage between the two categories. It may not enter 75 percent into both categories, because all of the items in Question 8(a) must add up to 100 percent.

(37) What is the definition of Preservation? Is Preservation assumed to be without Rehabilitation or will some of our Rehabilitation and Preservation numbers overlap?

Generally speaking, Preservation refers to the purchase or refinancing of affordable housing for the purpose of keeping that housing affordable, particularly if it is at risk for losing its affordability through market forces. Please refer to the full definition of Preservation within the definition section of the Interim Rule (12 C.F.R. Part 1807.104). As outlined in the definition, Preservation could include activities with or without Rehabilitation. However, for the purposes of reporting the Applicant's Financing Activity by Activity Type (e.g., in Question 8(c), Tables A1 and A2), please report all Preservation Activities as Preservation even if it does include Rehabilitation, to prevent overlap or double counting.

(38) We would like to create a Homeownership Program to provide mortgages to Low-Income Families. The Program will be funded by a CMF Award and investments from other financial institutions. Is it necessary to directly trace the CMF Award dollars to each mortgage loan to a qualifying Family?

When a Recipient establishes a Homeownership Program for mortgages and other Purchase assistance, the Program may be considered a CMF Project. As a result, a Recipient can meet the 2-year Committed for use requirement by providing a commitment to a Homeownership Program that meets the requirements of § 1807.501 as clarified in Section VIII of the FY 2020 NOFA. In this scenario, the CMF Award needs only to be traced to the Project (the Homeownership Program) and not to each individual mortgage. However, the Recipient must be able to monitor if each qualifying family remains in the home for the 10 year Affordability Period and whether recoupment and resale strategies must be invoked. (Also see FAQs #33 and #90).

(39) Is manufacturing housing eligible for Capital Magnet Fund funding?

Yes, you can use a CMF Award to finance/support manufactured housing. For the purposes of CMF, manufacturing housing is considered Single-family housing and a Homeownership activity. Classified as Single-Family housing, the purchase price of the manufactured home may in no event exceed 95 percent of the median sales price as used in the HOME Program.

No distinction is made between manufactured housing and other owner-occupied housing in terms of income qualification or affordability requirements.

The purchase price limits, as determined by HUD, can be found at:
https://www.hudexchange.info/resource/2312/home-maximum-purchase-price-after-rehab-value/

Further, the combined cost of the home and the pad/lot rent should be used to determine affordability at the targeted income level. Additional information can be found in the CMF Interim Rule (see 12 CFR 1807.503(b)(4)).

(40) Are Homeownership cooperatives eligible for Capital Magnet Fund funding?

Yes, a Recipient can use its CMF Award to finance or support cooperatives, as long as membership in a cooperative constitutes Homeownership under applicable State law and the requirements for Homeownership under the Interim Rule (see 12 CFR 1807.402).

(41) Is "land banking" an eligible activity of the Capital Magnet Fund? Can CMF Awards be used to purchase land that will be used for development in the future?

The acquisition or assembly of land for the Development of Affordable Housing or for Economic Development Activities is allowed, as long as the Project will be completed within the five year Investment Period (or other Project completion timeframes specified in the Assistance Agreement for reinvestment of CMF Award Program Income). Land Banking, or buying, assembling, and holding land for future development with no clear plan or expectation for a Project that will be completed within the required timeframes in the Assistance Agreement is not an eligible use of the CMF Award.

(42) Can the CMF Award be used for transitional or permanent supportive housing?

Housing, as defined in the Interim Rule, includes permanent housing for persons with disabilities and/or homeless, transitional housing, single-room occupancy housing, and group homes. Emergency shelters, residential treatment facilities, and halfway houses are not eligible. For a complete list of what is considered Housing under the Capital Magnet Fund, see 12 C.F.R. 1807.104. Also, see 12 C.F.R. 1807.302 for a list of prohibited activities, including political activities, advocacy, lobbying, homebuyer/financial counseling services, travel, tax preparation, emergency shelters, student dormitories, residential treatment facilities, correctional facilities, convalescent homes, and nursing homes.

(43) Will we be required to adhere to the percentages entered in Question 8 of the Application? May we change specific activities, financing types, or proposed uses once we are awarded funds?

If you are selected for a CMF Award, you will enter into an Assistance Agreement with the CDFI Fund. The Assistance Agreement will restrict you to specific eligible activities and eligible uses based upon your responses to Question 8 in the Application. However, you will not be held to a specific percentage in the Assistance Agreement related to these activities, and you will be provided flexibility to allocate the funds among the approved activities to meet your Performance Goals. The exceptions are Economic Development Activities, which are limited to no more than 30% of your Award amount; and Direct Administrative Expenses, which are limited to 5%.

The percentages you indicate in your Application related to Financing Types provide an indicator of your plans and help to assess your track record in undertaking those financing types. While we allow some flexibility, we encourage you to stay close to the percentages you indicated in your Application.

All Recipients approved to capitalize an Affordable Housing Fund will also be approved to capitalize a Revolving Loan Fund and vice versa.

Questions on Leverage Calculations

(44) What is “leveraging” and how do I calculate it?

The term “leverage” refers to using limited public funds to attract capital from other sources. Each CMF Award must result in Eligible Project Costs (CMF Award plus Leveraged Costs) in an amount that equals at least 10 times the amount of the CMF Award. Sources of capital leveraged by the CMF Award may include loans from banks, investments from foundations, equity through Low Income Housing Tax Credits (LIHTC) or funds contributed by the Applicant or from State or local governments. The combination of the CMF Award and the funds leveraged make up Eligible Project Costs for the CMF program. Please refer to the Interim Rule (at 12 C.F.R. 1807.500) for further details on Eligible Project Costs.

For example, if an Awardee receives a $5 million CMF Award and it finances several Multi-family housing projects whose aggregate Eligible Project Costs total $50 million, it would be deemed to have leveraged its Award dollars by a factor of 10 (*i.e.*, $50 million / $5 million = 10). In this example, $45 million would be considered Leveraged Costs ($50 million - $5 million = $45 million).

Applicants are asked to categorize the amount of leveraged funds they plan to raise into three categories: (i) Enterprise-Level Leverage, (ii) Reinvestment Leverage, and (iii) Project-Level Leverage. These categories are specifically defined in the Application Instructions. Applicants must ensure that they are not listing the same leverage funds in more than one category.

(45) What are examples of Eligible Project Costs?

Eligible Project Costs are defined in the Interim Rule as the sum of the CMF Award and the funds leveraged (Leveraged Costs). Leveraged Costs are defined in the Interim Rule as costs for Affordable Housing Activities and Economic Development Activities that exceed the dollar amount of the CMF Award. Leveraged Costs are those costs that are directly attributable to the Affordable Housing Activity and Economic Development Activity being financed. Costs that may be deemed as Eligible Project Costs include:

- Development hard costs (including site improvements)
- Financing costs
- Cost of acquisition
- Refinancing
- Land or building acquisition cost
- Related soft costs, associated with financing or development of the Project, which may include:
  - Architectural, engineering, or related professional services
  - Building permits, legal fees, appraisal, builder/developer fees
  - Audits or accounting related to the project
  - Marketing
  - For new construction or rehabilitation, an initial operating deficit reserve
  - Impact fees
  - Environmental Review
- Relocation costs
- Loan Loss Reserves or Loan Guarantees (when the CMF Award is used for this purpose).

Ineligible costs are those that are not part of the financing of the Affordable Housing Activity and Economic Development Activity, such as Direct Administrative Expenses, general organization overhead, development of accompanying ineligible housing or real estate and costs associated with the Project after completion. Per the Interim Rule, the Recipient may not use more than 5 percent of its CMF Award for Direct Administrative Expenses, as described in 2 C.F.R. 200.413 of the Uniform Administrative Requirements. Please note that costs financed/supported by the Recipient's award or allocation from another CDFI Fund program <u>cannot</u> be counted as Leveraged Costs for the CMF Award. (See FAQ #19 for more information).

(46) What is "Enterprise-Level" Leverage?

Enterprise-Level Leverage: Capital earned, borrowed, or raised by the Applicant or its Affiliates, which is designated for use and ultimately used to pay for Leveraged Costs but is not initially restricted for use for specific properties at the time it is earned, borrowed or raised.

Enterprise-Level Leverage can include the following:

- <u>Private Leverage:</u> Capital raised from private sources (either contributed from the Applicant's own sources or from third parties) that is invested in or loaned to the Applicant and allocated to CMF eligible activities. Examples include loans from financial institutions and program-related investments (PRI) from foundations. Private Leverage includes New, Private Leverage (see below).
    - <u>New, Private Leverage:</u> Private Capital raised or projected to be raised by the Applicant <u>after</u> January 1, 2020, that will be used to leverage the proposed CMF Award. It is a sub-set of private Enterprise-level leverage.
- <u>Public Leverage:</u> Grants, loans to, or other investments in the Applicant from State, local or other federal government programs and used for CMF eligible activities that are not initially restricted for use for specific properties at the time it is earned, borrowed or raised.

(47) What is "Reinvestment" leverage?

Reinvestment-Level Leverage means redeploying repaid proceeds of CMF Award and/or Enterprise-Level Capital Program Income during the 5-year Investment Period.

Recipients of a CMF Award in the FY 2020 round will be required to reinvest any principal or equity repayments of <u>its CMF Award</u> into CMF eligible activities during the five year Investment Period.

(48) What is "Project-Level Leverage"?

Project-Level Leverage: Capital raised to finance specific, identified properties. This capital is designated for use and ultimately used to pay for Leveraged Costs and is <u>restricted for use</u> for specific properties at the time it is earned, borrowed or raised.

(49) What are public sources of leverage? What are private sources?

<u>Public sources</u> of leverage are typically grants, loans or awards made to the Applicant or Projects with funds that are allocated by federal, State or local governments. Please note that costs financed/supported by the Recipient's award or allocation from another CDFI Fund program cannot be counted as Leveraged Costs for the CMF Award. (See FAQ #19 for more information).

Private sources of leverage generally refer to investments or loans from private third-party entities. Examples include private activity bonds, LIHTC equity, other equity investments, lines of credit, loans or other investments from private sources, such as banks, private investors or philanthropic entities that are made to the Applicant or Projects. Deposits of a regulated depository institution are considered private.

(50) Is there a preference for the type of leverage or leveraging strategy?

As set forth in the authorizing statute, one of the goals of the CMF is to attract private capital to increase investment in eligible activities. Applicants demonstrating that they can use the CMF Award to raise private capital will score more favorably for this criterion in the Business and Leveraging Strategy section of the Application. Additionally, the amount of new private Enterprise-Level Leverage that will be attracted to the Applicant's Service Area will be a factor in scoring more favorably.

(51) How will CMF Recipients be held to the leverage ratios proposed in their Applications? Is Leverage measured for each Project or for the overall portfolio?

Leverage is measured at the portfolio-level across all Projects financed with the CMF Award at the end of the five year Investment Period.

Recipients must meet two benchmarks based on their CMF Application:

- Private-Leverage multiplier: Applicants must achieve the "Private Leverage Multiplier" auto-calculated in Question 16 of the Application as a condition of the Assistance Agreement.

- Total Leverage Multiplier: Applicants will be required to achieve total leverage of at least 10 times the CMF Award amount. This multiplier is auto-calculated in Question 12 of the Application.

(52) What are the Capital Magnet Fund (CMF) reinvestment requirements for FY 2020 CMF Recipients?

During the five-year Investment Period, Recipients must redeploy Program Income earned in the form of principal and equity repayments of the CMF Award as set forth in the Assistance Agreement. The uses of the Program Income must conform to the approved eligible activities and eligible uses that are set forth in the Assistance Agreement.

For Recipients who have indicated in Question 15 their intent to reinvest Program Income as part of their leverage strategy in order to meet their leverage multiplier and other (Performance Goals (production targets, geographic/Service Area goals, income targeting, etc.), the redeployed Program Income earned in the form of principal and equity repayments must be used to serve the same targeted incomes and other specific Performance Goals of the

Assistance Agreement. For example, if a Recipient has indicated in its Application that it plans to leverage its CMF Award by reinvesting Program Income and has committed to set aside 30% of its rental Affordable Housing units to Very-Low Income Families, then the units financed and/or supported by the Recipient's Program Income and completed by the end of the five year Investment Period will be counted towards its meeting this Performance Goal.

For those Recipients who do <u>not</u> indicate in Question 14 of the Application that they will reinvest Program Income as part of their leverage strategy in order to meet their leverage multiplier and other Performance Goals, they are subject to general Program Income requirements as described in the Assistance Agreement. In such cases, they are still required to redeploy Program Income as required per the Assistance Agreement in eligible activities and eligible uses located in its Service Area.

Please note that for all Homeownership and rental Affordable Housing financed with redeployed Program Income earned during the five year Investment Period in the form of principal and equity repayments, the Recipient must still meet the requirements of the CMF Interim Rule. For example, units must maintain affordability for at least 10 years; 100% of Eligible Project Costs must be attributable to Eligible-Income Families (at 120% AMI and below); greater than 50% of the Eligible Project Costs (CMF Award plus Leveraged Costs) across the Recipient's CMF portfolio must be attributable to Affordable Housing serving Low-Income Families.

Program Income earned in any form other than principal repayment and equity repayments (e.g. interest payments) during the five year Investment Period shall be used by the Recipient solely to further the objectives of its mission as a Certified CDFI or Nonprofit Organization. Additionally, any Program Income, including principal and equity repayments, that is earned after the five year Investment Period shall be used by the Recipient solely to further the objectives of its mission as a Certified CDFI or Nonprofit Organization.

(53) Should the Applicant include only Projects that will be completed within the five year Investment Period in the Reinvestment table for Question 14 (a)-(c) of the Application?

Yes. Only include projected reinvestment for Projects that will be <u>completed within the five year Investment Period</u> when completing Question 14. Do not include Projects where you simply plan to reinvest and close on the financing but do not expect to complete the project within the five year Investment Period.

(54) Can we treat a repaid CMF investment as a private source of leverage in a subsequent reinvestment?

No. The repayment of CMF Award funds during the Investment Period from the borrower to the Recipient does not change the character of those funds. Repayment of principal and equity is Program Income. CMF Awards retain their federal character for the entire five year Investment Period. For example, suppose that an initial investment of $250,000 from your CMF Award was invested in a Project. Two years later, during the Investment Period, this capital is repaid. The $250,000 is Program Income and considered CMF Award capital/federal funds and not private capital.

(55) Does rental income from a Multi-family rental Project count as Leveraged Costs?

No, rental income is not considered Leveraged Costs.

(56) If the CMF Award is used to finance the Development of Homeownership, and the homes are sold to Low-Income Families, are the proceeds from the sale considered Leveraged Costs?

No. The amount of the CMF Award repaid and any interest paid is considered Program Income, please refer to FAQ #52.

(57) In our Development Projects, we are leveraging private funds in every phase of Development. For example, construction financing provided by a bank may be taken out and repaid with permanent financing such as Low Income Housing Tax Credit (LIHTC) equity. How are EPCs calculated so that the full leverage is counted, but the actual Development cost is not overstated?

Eligible Project Costs (EPCs) is defined in the CMF Interim Rule as Leveraged Costs plus those costs funded directly by a CMF Award. Leveraged Costs is defined as costs for Affordable Housing and Economic Development Activities which exceed the CMF Award. EPCs include all costs (CMF Award plus Leveraged Costs) used to pay for completion of an eligible Project. EPCs are discussed in more detail in FAQ #45. In a Project containing 100% restricted Affordable Housing, the EPCs will generally be the same as the final total development costs (TDC). In a Project with market rate units, EPCs will be less than the TDC.

For purposes of completing your Application and meeting other CMF requirements, EPCs are calculated by subtracting funds used to pay for the same costs over different phases of the same Project. For example, consider a Project that receives a $1 million construction loan and then gets $1 million in take-out permanent financing that pays off the construction loan. As both of these sources of financing are paying for the same costs, the $1 million cost is only counted once in calculating EPCs. In this example, if either the construction loan or the permanent loan is from private sources, only $1 million would be counted toward the Applicant's Private Leverage Multiplier. All sources of private investment used to pay for Eligible Project Costs during any phase of a Project may be counted towards the Private Leverage Multiplier, but the private (and public) financing used to repay or take-out other financing over the course of development is subtracted out of the EPC calculation.

For purposes of calculating Leveraged Costs, total Leveraged Costs cannot exceed the total development cost (TDC) for a given Project.

Questions on Community Impact

(58) Is there a preference for serving particular populations?

Applicants will be scored more favorably when:

a) Proposing to use a CMF Award for Rental Affordable Housing Activities, serving Very Low-Income, or Extremely Low-income Families beyond what is minimally required by the Interim Rule and the FY 2020 NOFA; or
b) Proposing to Use a CMF Award for Homeownership Affordable Housing Activities, serving Low-Income Families beyond what is minimally required by the Interim Rule and FY 2020 NOFA.

(59) What is an "Area of Economic Distress"?

As defined in the FY 2020 CMF NOFA, Areas of Economic Distress are census tracts meeting one or more of the following:

(a) where at least 20 percent of households that are Very Low-Income (50% of AMI or below) spend more than half of their income on housing; or
(b) that are designated Qualified Opportunity Zones under 26 U.S.C § 1400Z-1; or
(c) that are Low-Income Housing Tax Credit Qualified Census Tracts; or
(d) where greater than 20 percent of households have incomes below the poverty rate and the rental vacancy rate is at least 10 percent; or
(e) where greater than 20 percent of the households have incomes below the poverty rate and the homeownership vacancy rate is at least 10 percent; or
(f) are Underserved Rural Areas as defined in the CMF Interim Rule (as amended February 8, 2016; 12 C.F.R. Part 1807).

The CDFI Fund has provided a data file on its website that indicates which census tracts qualify as Areas of Economic Distress for the FY 2020 CMF Round. Applicants can access that data file here: https://www.cdfifund.gov/programs-training/Programs/cmf/Pages/apply-step.aspx. This data file is the definitive source as to whether a census tract qualifies as an Area of Economic Distress. Applicants may not use other data to qualify census tracts as Areas of Economic Distress.

If an Applicant would like to geocode a specific address to determine what census tract it is located in, the CDFI Fund recommends that Applicants use the CMF Program view of the CDFI Fund's Community Impact Mapping System (CIMS). A public link to the CIMS mapping tool can be found here: https://www.cims.cdfifund.gov/preparation/?config=config_cmf.xml.

(60) Is it a requirement that all CMF Activities take place in Areas of Economic Distress?

No. Applicants are NOT required to undertake eligible activities exclusively in Areas of Economic Distress. However, Applicants proposing to finance/support a higher percentage of housing units in Areas of Economic Distress will tend to score more favorably for this criterion than those with a lower proposed percentage. Applicants proposing to finance/support Affordable Housing Activities located in Areas of Economic Distress will be held to a percentage of Affordable Housing that must located in Areas of Economic Distress in their Assistance Agreement.

(61) What is the definition of a Rural Area in the CMF Program?

For they FY 2020 Round, Rural Area is defined per 12 C.F.R. § 1282.1 (the Enterprise Duty To Serve Final Rule) as (i) a census tract outside of a Metropolitan Statistical Area (MSA) as designated by the Office of Management and Budget (OMB); or (ii) a census tract in a MSA as designated by OMB that is outside the MSA's Urbanized Area, as designated by the U.S. Department of Agriculture's (USDA) Rural-Urban Commuting Area (RUCA) Code #1, and outside of tracts with a housing density of over 64 housing units per square mile for USDA's RUCA Code #2. The CDFI Fund has published a dataset indicating which census tracts are designated as Rural Areas for the FY 2020 Round on its website located in the FY 2020 Economic Distress and Rural and Low Income Areas data set: https://www.cdfifund.gov/programs-training/Programs/cmf/Pages/apply-step.aspx.

(62) What is the difference between Rural Areas and Non-Metropolitan Areas?

Non-Metropolitan Areas is a term defined in the CMF Interim Rule and referenced in the Rule for various purposes. In past rounds, CMF has also used the term Non-Metropolitan Areas as part of its process to ensure that it meets its statutory objective for appropriate geographic diversity between Metropolitan and Rural Areas. Award Recipients in the FY 2016 and FY 2017 Rounds may have been held to using a certain percentage of their CMF Award in Non-Metropolitan Areas.

Rural Areas is a term defined in the FY 2020 NOFA, and the definition comes from the Enterprise Duty to Service Final Rule (12 CFR § 1282.1). In general, the definition of Rural Area encompasses more areas of the United States than the definition of Non-Metropolitan Area. In the FY 2020 Round, CMF will use the term Rural Areas to ensure it meets its statutory objective for appropriate geographic diversity. Award Recipients in the FY 2020 Round may be held to using a certain percentage of their CMF Award in Rural Areas, based on their Application.

The FY 2020 Areas of Economic Distress and Rural and Low Income Areas dataset, published on our website, identifies census tracts that meet the Rural definition for the FY 2020 CMF round. https://www.cdfifund.gov/programs-training/Programs/cmf/Pages/apply-step.aspx.

(63) How will the CDFI Fund ensure that the potential Recipient's proposed activities and Service Areas represent broad geographic coverage and a reasonable allocation of CMF Awards to Rural Areas?

The CDFI Fund will use the information collected in Question 23 of the Application to require Recipients to invest a certain percentage of its CMF Award in Rural Areas. This question asks all Applicants to indicate a percentage of its CMF Award that it will commit to deploying in Rural Areas. The percentage may range from 0% to 100%. The Assistance Agreement will require each Recipient to meet the commitment stated in its Application. Therefore, Applicants should be careful to select a percentage that they are prepared to achieve, regardless of the size of their actual CMF Award.

Additionally, the CDFI Fund requires that each Applicant identify a Service Area of up to 15 states/territories that they plan to serve with their Award. As a condition of the Award, the Applicant may be required to complete a Project in one or more specific states within their Service Area, so Applicants should select only states where they are confident they can deploy at least a portion of their CMF Award and complete at least one Project.

Recipients may be scored slightly more favorably during the External Review if they commit to investing 10% or more of their CMF Award in Rural Areas or to investing in certain underserved states identified in the NOFA.

During the final Award selection process, the CDFI Fund reserves the right to change the preliminary CMF Award amounts and/or the preliminary Recipient pool, if necessary to achieve these statutory objectives. In the event the preliminary Recipient pool does not reflect the geographic coverage or representation of Metropolitan and Rural Areas present in the overall Applicant pool, the CDFI Fund reserves the right to modify CMF Award amounts and/or the CMF Recipient pool if deemed necessary to achieve either of these statutory objectives. In order to analyze geographic coverage, the CDFI Fund will look at the states served by the preliminary Recipient pool. In order to analyze Rural/Metropolitan Areas proportionality, the CDFI Fund will classify Applications as addressing Rural Areas if they propose to use 20% or more of their Award in Rural Areas, and as addressing Metropolitan Areas if they propose to use less than 20% of their Award in Rural Areas.

(64) Question 18 in the Application provides a set of impacts for the Applicant to address. How will this be evaluated in the application review process by the CMF Program?

Question 18 in the Application provides a list of impacts for Applicants to address through their strategy. There are distinct impacts for Affordable Housing Activities and Economic Development Activities. Applicants are not required to address any of these impacts; however, Applicants whose strategy and activities address at least one of the listed impacts will be scored more favorably.

In the review process, the CDFI Fund will consider how well the Applicant's strategy and activities align with the impacts; the extent to which the Applicant demonstrates how its strategy and activities will result in the desired impacts; and of particular interest, how the Applicant will measure the results. Evidence, in the form of research studies or the Applicant's own data, should be shared if a correlation between the planned activities and the expected impact can be documented. Applicants should only address the impacts that best fit their CMF strategy. You will not be scored more favorably for selecting more impacts. Instead, you will evaluated based on the quality of your strategy and supporting evidence for achieving and measuring the impacts you select.

(65) In Application Question 20 (b) and (c), how should the percentage of units that will be income-targeted be calculated?

Question 20 (b) and (c) in the Application asks what percentage of your Affordable Housing units will be restricted to Low-Income (LI) Families, Very Low-Income (VLI) Families, and Extremely Low-Income (ELI) Families. For the purposes of this question, Affordable Housing units include any Eligible-Income units (any units restricted to Families at 120% of AMI or below), as well as LI, VLI, and ELI units. Thus, when calculating the percentage of LI, VLI, and ELI units, the total number of units with income restrictions for Eligible Income, LI, VLI and/or ELI is the denominator. Keep in mind that the number of units with these income restrictions could be less than the total number of units in the property. This will occur if there are any market rate units (i.e. units restricted to incomes above 120% AMI or unrestricted units). Some examples below help to clarify:

Example 1: Suppose the CMF Award will be used to finance four Projects that will be comprised of 500 units, of which 50 will be restricted to Extremely Low-Income Families (30% AMI or below) and 100 units will be restricted to Very Low-Income Families (50% AMI or below). The remaining 350 units will be restricted to units that are available only to Eligible-Income Families (120% AMI or below). In this case, the total number of units with relevant income restrictions in the Project is 500 units. Thus, the percentage of ELI units is 10% (50/500 = 10%), and the percentage of VLI units is 20% (100/500 = 20%).

Total Restricted Income Units = 500

• Low income Units = 0 units	LI % = 0 / 500 = 0%
• Very Low-Income Units = 100 units	VLI % = 100 / 500 = 20%
• Extremely Low-Income Units = 50 units	ELI % = 50 / 500 = 10%

Example 2: In this example, the CMF Award will be used to finance two Projects that will be comprised of 200 units. In the first Project, which has 75 units, 5 will be restricted to Extremely Low-Income Families (30% AMI or below), 10 will be restricted to Very Low-Income Families (50% AMI or below), and the remaining 60 will be restricted to Low-Income Families (80% AMI or below). In the second property, there are 125 units. 25 units will not have any income restrictions (market rate). 35 units will be restricted to 120% AMI or below. The remaining 65 units will be restricted to Low-Income Families (80% AMI or below). Here are the results:

Total units in the two Projects = 200 units

- Total Restricted Income Units = 75 units + 100 units = 175 units
- Low-Income Units = 60 units + 65 units = 125 units
- Very Low-Income Units = 10 + 0 units = 10 units
- Extremely Low-Income Units = 5 units + 0 units = 5 units

The percentages are as follows:

- LI % = 125 units / 175 units = 71%
- VLI % = 10 / 175 = 6%
- ELI % = 5 / 175 = 3%

Be aware that per the CMF Interim Rule (12 C.F.R. 1807.402), at least 20% of units in each CMF Multi-family rental Project must be targeted to households with incomes at or below 80% of Area Median Income (AMI). Additionally, 100% of the total Eligible Project Costs (EPCs) must be attributable to units that serve families at incomes of 120% AMI or below. Greater than 50% of the EPCs must be attributable to units that serve Families at Low-, Very Low-and Extremely Low-Incomes (80% of AMI or below). Thus in Example 2, costs associated with the unrestricted market rate units would not be considered EPC and may not be considered Leveraged Costs.

Questions about Economic Development Activities

(66) What does the requirement to finance economic development "In Conjunction With" affordable housing as part of a Concerted Strategy to stabilize or revitalize a Low-Income Area or Underserved Rural Area" mean? What information or documentation must be submitted in the Application?

Economic Development Activities (EDA) are intended to help stabilize or revitalize a Low-Income Area or Underserved Rural Area, create jobs, or develop facilities that will provide services to Low-Income Families. EDA must work In Conjunction With new or existing Affordable Housing Activities. "In Conjunction With" means Community Service Facilities and/or physical business locations are physically proximate to the Affordable Housing and reasonably available to Affordable Housing residents.

For a Metropolitan area, "In Conjunction With" means located within the same Census Tract or within one mile of the Affordable Housing; for Non-Metropolitan Areas, In Conjunction With means located within the same county, township, or village or within 10 miles of such Affordable Housing. For example, EDA could include the development of a health clinic that supports and serves Low-Income Families and is located close to the affordable housing.

Recipients that receive a CMF Award to undertake EDA will be required to establish that the EDA is part of a "Concerted Strategy" through written documentation. Such strategy documents include, but are not limited to: a comprehensive, consolidated, or redevelopment plan; or some other local or regional planning document adopted or approved by the jurisdiction. No documentation is required to be submitted with the Application, but the Concerted Strategy and how the Economic Development Activity will be financed "In Conjunction With" Affordable Housing should be described in the strategy section of the Application.

(67) Is a community room in an Affordable Housing Project considered an Economic Development Activity?

Adding amenities to a housing development or common space that are available only to residents of the building (e.g. a community room) is not considered an Economic Development Activity.

(68) What is a Low-Income Area?

Low-Income Area designations are only relevant for Applicants intending to undertake Economic Development Activities.

Per CMF Interim Rule (12 C.F.R. 1807.104), a Low-Income Area (LIA) is a census tract or block numbering area in which the median income does not exceed 80% of the median income for the area in which such census tract or block numbering area is located. With respect to a census tract or block numbering area located within a Metropolitan Area, the median Family income shall be at or below 80% of the Metropolitan Area median Family income or the national Metropolitan Area median Family income, whichever is greater. In the case of a census tract or block numbering area located outside of a Metropolitan Area, the median Family income shall be at or below 80% of the statewide Non-Metropolitan Area median Family income or the national Non-Metropolitan Area median Family income, whichever is greater.

To find the percentage of median income for a given census tract, please reference the FY 2020 Economic Distress and Rural and Low Income Areas data set: https://www.cdfifund.gov/programs-training/Programs/cmf/Pages/apply-step.aspx.

Alternatively, you may reference the CMF Program view of the CDFI Fund's CIMS mapping tool. A public link to this tool can be found here: https://www.cims.cdfifund.gov/preparation/?config=config_cmf.xml

Questions about Affordable Housing Requirements

(69) How is "affordability" measured?

The affordability qualifications for both rental and Homeownership housing are set forth in detail in the Interim Rule. Per the FY 2020 CMF NOFA, almost all affordability requirements will be measured on an aggregate basis, at the portfolio level, for Projects financed/supported with a FY 2020 CMF Award.

Affordability must be met in each of the following ways:

Costs*:* 100% of the Total Eligible Project Costs (EPC) must be attributable to units that are restricted and serve those at incomes of 120% AMI and below. Greater than 50% of the EPC must be attributable to units that serve those at Low-, Very Low-, and Extremely Low-Incomes. Eligible Project Costs include the CMF Award dollars plus the Leveraged Costs.

Income Limits: The maximum income level for residents may not exceed 120% of the Area Median Income (AMI) for units financed with a CMF Award or Leveraged Costs.

Project Income Targeting (Multi-Family Rental Only): At least 20% of the housing units for each Multi-Family rental Project produced with an FY 2020 CMF Award must be leased by Low-Income Families (80% AMI or below).

Portfolio Income Targeting: Priority is given to those Applicants who commit to target 20% or more of their CMF rental Housing to Families with Very Low-Income (50% AMI or below) and Applicants who commit to target 20% or more of their CMF Homeownership Housing to Families with Low-Incomes (80% AMI or below). This is measured at the portfolio level.

Rents: The Interim Rule, at 12 C.F.R. Part 1807.401(a), states that the gross rent limits for Affordable Housing are determined under the provisions in IRC section 42(g)(2).

Long-Term Restrictions: Each Project funded must ensure affordability for at least 10 years.

Homeownership Cost Limits: The purchase price limits for Homeownership are capped at 95% of the median purchase price for the area as determined by HUD. See FAQ #94 for the dataset with the price limits.

(70) Will performance related to the income targeting under the Assistance Agreement be measured on a project-by-project basis, or on an aggregate basis for all Projects financed or supported with a FY 2020 CMF Award?

Performance will be measured on an aggregate, portfolio level and not on a project level as it relates to meeting the income targeting unit goals. The exception is that, by regulation, for each Multi-family rental Project, at least 20% of the units must be targeted to Low-Income Families (80% of AMI or below).

(71) Can mixed-income projects be financed with a CMF Award, for example, projects in which a portion of the units may serve those above 120% AMI?

The CMF Award may be used to finance/support Affordable Housing units as part of a larger mixed income development where a portion of the units are at "market rate", (i.e. serving those with incomes above 120% AMI or unrestricted units). However, the Recipient may not use its CMF Award to finance any of these units or count the costs associated with market rate units as Leveraged Costs. Further, the market rate units may not be counted toward meeting any Performance Goals under the Assistance Agreement. The Applicant must also ensure the Project meets the minimum affordability requirements outlined in FAQ #69.

(72) When developing a mixed-income Project with both affordable and market rate housing, does the allocation of Eligible Project Costs need to be prorated?

The costs related to market rate units (i.e. units not restricted based on income limits) may not be counted as Eligible Project Costs. In general, a cost allocation formula largely based on square footage may be used to distinguish Eligible Project Costs for the CMF Affordable Housing from the costs related to the market rate housing. Shared costs could include common areas and non-luxury amenities that are available to all residents at no additional cost and should be pro-rated. Please note that 100% of Eligible Project Costs must be attributable to Affordable Housing (i.e. affordable to families at 120% AMI and below). Therefore, a cost allocation method should be performed with care to avoid an inappropriate allocation and overstatement of Eligible Project Costs.

(73) Where is the data to determine who qualifies as Low-Income, Very Low-Income, and Extremely Low-Income Families?

The Department of Housing and Urban Development (HUD) provides an annual Area Median Income (AMI) for every Metropolitan Area and county, which is the basis for determining income eligibility per the CMF Interim Rule (12 CFR 1807), as amended. A family that makes 80% of the AMI or less is considered Low-Income. A family that makes 50% of the AMI or less is considered Very Low-Income, and a family that makes 30% of the AMI or less is considered Extremely Low-Income (adjusted for family/bedroom size).

This information can be found at: http://www.huduser.org/portal/datasets/il.html under "HUD Program Income Limits" for the most recent Fiscal Year.

(74) What is the affordability period for Housing units financed and/or supported with a CMF Award?

The Affordability Period for each Project is the period beginning on the date of Initial Occupancy and consisting of the full 10 consecutive years thereafter, during which the Recipient must ensure the affordability requirements remain in place.

All rental units funded with a CMF Award must meet the affordability requirements stipulated in the Recipient's Assistance Agreement and affordability must be maintained for at least 10 years from the date of Initial Occupancy.

For Homeownership units, Recipients must design and implement resale strategies (also referred to as recoupment strategies) to ensure that CMF Awards are being used for qualifying Families for the entire 10-year affordability period. In the event the initial qualifying Family sells its unit before the end of the 10-year Affordability Period and the new homeowner does not meet the income restrictions (see 12 C.F.R. 1807.400), the Recipient must demonstrate that it placed another unit, not already under any affordability restriction, into service targeted to the same income population (*i.e.*, Extremely Low-Income, Very Low-Income, Low-Income) as the original unit, as set forth in the Assistance Agreement, for the remaining portion of the (original) 10-year Affordability Period. It is possible that this could require a Recipient to use non-CMF dollars, in the event the Recipient is unable to recoup the original CMF investment.

The affordability restrictions for rental housing may terminate upon foreclosure or transfer in lieu of foreclosure. However, the restrictions shall be revived if during the Affordability Period the owner of record, former owner or their family obtains an interest in the Project. The affordability restrictions for Homeownership units may terminate in the event of foreclosure, transfer in lieu of foreclosure, or assignment of an FHA-insured mortgage to HUD.

Questions on Application Tables and Attachments

(75) For the Track Record tables in Appendix 1, what dates should the data entered be based on and how should we handle projects under construction?

In Tables A1 and B1, data should be entered on the date the project was "**completed.**" A Rental Project is completed when it receives its certificate of occupancy. A Homeownership unit is completed when title is transferred to a buyer, and for existing homeowners, completion occurs when a refinanced loan closes or if applicable, when Rehabilitation is complete. No data on Projects currently under construction should be entered for the items in Table A1 or B1.

Per the Application Instructions document, in Table C1 (only applicable for Financing Entities) data should be entered based on the date the financing provided by the Applicant closed, regardless of the status of construction.

(76) In Table A1, for Economic Development Activities, should we show only those that are In Conjunction with Affordable Housing Activities, or all Economic Development Activities?

For Table A1, you can list Economic Development Activities similar to those that will be financed with proposed CMF activities. These similar Economic Development Activities do not necessarily need to have occurred in Conjunction with Affordable Housing Activities. For example, if your proposed CMF strategy will focus on financing grocery stores In Conjunction with Affordable Housing Activities, for the purposes of reporting your track record activities, you may include all grocery stores financed in Table A1.

(77) How should I capture Economic Development Activity in Table A1 and Table A2?

In Tables A1 and A2, enter the Economic Development Activities in the corresponding rows under Community Service Facilities or Other Economic Development Activities. Ensure that you've entered both the costs as well as the number of units.

Please note that Tables C1 and C2 should include data on the Applicant's housing track record/projected production. Applicants may not include any data on non-housing activity in Tables C1 and C2.

(78) How should I complete the fields within Tables in Appendices 1 and 6 if certain fields are not relevant to the Applicant?

Fields within each of these Tables are mandatory fields. An Applicant should enter "0" for any fields that do not apply to the Applicant in order to have AMIS recognize that the table is complete.

(79) Which audits should I submit with my Application?

The Applicant should submit audits for the two most recently completed fiscal years prior to the date of the NOFA. For the most common fiscal year ends, the following audits would be expected:

Most Recent Fiscal Year End Date	Required Financial Information
06/30/2019	• Audited financial statements for FY 2018 and FY 2019
09/30/2019	• Audited financial statements for FY 2018 and FY 2019
12/31/2019	• Audited financial statements for FY 2018 and FY 2019
03/31/2020	• Audited financial statements for FY 2019 and FY 2020*. *If Audit is not yet completed for FY 2020, submit audited financial statements for FY 2018 and FY 2019. The CDFI Fund will follow up and request an FY 2020 audit later in the review process, if necessary.

In general, the CDFI Fund expects that Applicants will have a completed audit within 6 months of the fiscal year end. If the most recently completed fiscal year end is less than 6 months before the AMIS Application deadline or the audit is delayed, the Applicant should submit the two most recently available audits. The CDFI Fund will reach out and request the more recent audit during the review process, if necessary, before making final award determinations.

(80) Can CDFI Banks (the bank itself, not the holding company) submit Call Reports instead of audited financials?

Certified CDFI Insured Depository Institutions can provide Call Reports as an alternative to Audited Financial Statements.

(81) What should I attach to the Application if my two most recent audits did not contain management letters?

Applicants are required to attach management letters for the two most recently completed audits prior to the date of the FY 2020 NOFA, if any are available. If your organization does not have management letters associated with either of the two most recently completed audits, please attach a document in AMIS stating that your organization does not have management letters.

Questions on Award Announcement and Assistance Agreement

(82) When is the anticipated Award announcement and anticipated start date for the Periods of Performance?

The CDFI Fund anticipates making the CMF Award announcement in the early part of 2021. The period of performance for the FY 2020 CMF Awards will start on the date of the Award announcement.

(83) Is there a contract or agreement between the CDFI Fund and the Award Recipient when an Award is made? Where can I get a sense of what this might entail?

The Recipient will execute an Assistance Agreement with the CDFI Fund as a condition of its Award. The Assistance Agreement spells out both specific requirements related to the Recipient (e.g. performance goals, reporting requirements) as well as requirements and obligations applicable to all Recipients. An example of the FY 2019 CMF Assistance Agreement can be found on the CDFI Fund's website. The FY 2019 CMF Assistance Agreement template is available by clicking on "Step 4: Closing and Disbursement" at the bottom of the Capital Magnet Fund's webpage, or by clicking on this link: https://www.cdfifund.gov/programs-training/Programs/cmf/Pages/closing-disbursement-step.aspx#step4.

Review of the FY 2019 CMF Assistance Agreement may provide you with an overview of the requirements related to the Award, but please note that while the FY 2020 CMF Assistance Agreement will be largely based on the FY 2019 CMF Assistance Agreement, there will likely be some changes.

(84) What terms and conditions will be placed upon CMF Award Recipients?

Each Applicant that is selected for a CMF Award must enter into an Assistance Agreement with the CDFI Fund in order to receive its award. The terms and conditions set forth in an Assistance Agreement include, but are not limited to, the following:

- The amount of the CMF Award;
- The amount of Eligible Project Costs supported through the CMF Award (total amount of leveraged dollars);
- Leverage Multipliers and Requirements;
- The approved uses of the CMF Award;
- Production Targets;
- Portfolio-Level Targeted Incomes and Geographies;
- The timelines and deadlines for committing and disbursing the Award;
- The approved Service Area(s), including the level of commitment to Rural Areas;
- The commitments made to produce Affordable Housing for Low- and Very Low-Income Families;
- The commitments made to invest in Areas of Economic Distress;
- Reporting requirements; and
- Other commitments, often identified in "Notes" in the Application Instructions or per the requirements of the FY 2020 CMF NOFA and Interim Rule.

(85) What will the Recipient's responsibility be under the Assistance Agreement related to Loan Loss Reserves and Loan Guarantees?

The responsibilities of the Recipient under the Assistance Agreement are the same regardless of the eligible activity or financing type supported by the CMF Award. For eligible activities that do not provide a direct investment or loan to a borrower or property (*e.g.,* Loan Loss Reserves, Loan Guarantees, etc.), the Recipient must ensure that the Affordable Housing Activities and Economic Development Activities meet all applicable requirements in the Assistance Agreement and in the Interim Rule (including the income-eligibility requirements of Subpart D and property standards of Subpart E).

For example, if the Applicant plans to use its CMF Award to provide Loan Guarantees for mortgages made by a third party, it will be responsible for ensuring that the properties being supported by such Loan Guarantees meet all requirements under its Assistance Agreement and the CMF Interim Rule.

(86) What is the Recipient's responsibility under the Assistance Agreement if a Project fails to achieve Project Completion?

If the Project does not achieve Project Completion, this would be an event of noncompliance per the Assistance Agreement. The CDFI Fund will assess such noncompliance on a case-by-case basis and may pursue any of the remedies set forth in the Recipient's Assistance Agreement. The Recipient should notify the CDFI Fund per the Material Events requirements outlined in the Assistance Agreement.

(87) Are proposed CMF projects subject to environmental review?

Yes. Proposed CMF Award projects must be evaluated to determine whether they will have a significant impact on the environment or are projects that would typically require the completion of an environmental impact statement. Recipients historically have been able to identify one or more "categorical exclusions" identified under 12 CFR 1815.110. A categorical exclusion means that the CDFI Fund has already determined that certain actions will not have a significant impact, so neither an environmental assessment nor environmental impact statement needs to be completed by the CDFI Fund prior to the Recipient using its CMF Award for the proposed project. See 12 C.F.R. 1815 for the CDFI Fund's Environmental Quality regulations and 12 C.F.R.1815.110 for the list of categorical exclusions of activities that do not have a significant impact on the environment.

The most common categorical exclusion is when the CDFI Fund financial assistance to the project (as defined 12 C.F.R. 1815.102 (a)(10)) is $1 million or less of CDFI Fund financial assistance. When calculating this, the Recipient must consider all sources of traceable financing (during all phases) from all CDFI Fund awards, except from the NMTC Program. This applies regardless if the CDFI Fund financing is from a source other than the Recipient. Only the actual CDFI Fund sourced dollars have to be counted, as opposed to other capital that is leveraged.

When applying for an Award, the Applicant needs to assess whether its pipeline includes projects that would be "categorically excluded" from a finding of significant impact. Based on this assessment, the Applicant is required to complete the Environmental Review Form as part of the Application, certifying that to its knowledge its investments will require neither an environmental assessment nor an environmental impact statement.

The CDFI Fund recognizes that proposed investments may change after the time of Application, and once a grant is awarded under the CMF Program, the Recipient will be expected to assess each project individually and to refer those projects that are not categorically excluded under the regulations to the CDFI Fund. Projects that are not categorically excluded must be reported to the CDFI Fund for administrative review. Otherwise, the Recipients must retain a copy of a completed Environmental Review Form for each Project in the event of inspection of the documentation for compliance purposes.

Questions About Other Program Requirements

(88) Can you clarify the key timeline requirements associated with using CMF Award funds?

As outlined in the Interim Rule, the timelines are as follows:

- Commitment of CMF Funds – within 2 years of Effective Date of Assistance Agreement all funds must be committed.
- Initial Disbursement – within 3 years of Effective Date of Assistance Agreement, at least an initial disbursement must be made of the CMF Award.
- Project Completion – within 5 years of Effective Date of Assistance Agreement, all Projects must be completed.

- Placed into Service – upon Project Completion, the Project shall be Placed into Service no later than six months of Project Completion.
- Initial Occupancy – must be achieved within 12 months of Project Completion.

(89) The CDFI Fund issued a general waiver of 12 CFR 1807.501(b) as part of the FY 2018 Capital Magnet Fund Notice of Funding Availability (NOFA) to address situations where a Recipient may not be able to meet the counterparty requirements for a Commitment of CMF dollars. Can you explain when this would apply and the actions needed by a Recipient to exercise this waiver?

The CMF Interim Rule 12 C.F.R. §1807.501(a) requires CMF Recipients to issue commitments for use of their Award within two years of the Effective Date of the Assistance Agreement. 12 C.F.R. §1807.501(b) requires that the commitment be a written, legally binding agreement to a qualifying Family, developer, or project sponsor for each specific Project. A legally binding agreement means that the Recipient must have a counterparty to which it can issue the commitment. In certain cases, this definition and requirement for a counterparty effectively precludes CMF Award Recipients from committing CMF Award dollars to an activity where the Recipient itself is the developer, direct lender or provides Loan Loss Reserves for its own loans, and where there is not a counterparty to effectuate a legally binding agreement.

As part of the FY 2018 NOFA, the CDFI Fund issued a general waiver of 12 C.F.R. §1807.501(a) under certain circumstances. This waiver applies to all CMF Award Recipients (current and future), not just FY 2018 CMF Recipients. The waiver applies in the following scenarios:

(1) the CMF Award 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 or limited liability company or other separate entity;
(2) the CMF Award Recipient is financing and/or supporting a Project for Purchase (i.e. a Homeownership Purchase Program) and that Project is not owned/sponsored by a limited partnership or limited liability company or other separate entity;
(3) the CMF Award 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 scenarios, the waiver allows the Recipient to evidence a commitment via a Board of Director's resolution for an identified Project, in lieu of a legally binding written agreement with a counterparty. The resolution will be required to be in the form and substance acceptable to the CDFI Fund in its sole discretion.

(90) We are providing mortgage assistance to first-time homebuyers in the form of direct loans. The borrowers meet the counterparty test, but given the short time frame between loan commitment and closing, we are concerned that we may need to both commit and

disburse all loans within two years to meet the CMF commitment test. Will the waiver provide relief for this situation?

Per the waiver, the portfolio of mortgage and purchase assistance loans under an Affordable Homeownership Purchase Program (Program) is deemed a Project, which the waiver refers to as a Project for Purchase. If the loans/investments under the Affordable Homeownership Purchase Program are being made directly by the Recipient and not a third party, the waiver allows for a Board of Directors resolution to establish and commit CMF Award funds to the Program to constitute the commitment of the CMF Award to a Project. The resolution must be in a form and substance approved by the CDFI Fund.

Similarly, for purposes of achieving Project Completion, the entire portfolio under this Affordable Homeownership Purchase Program is deemed a Project. All loans made under the Program are considered CMF financed and/or supported and will need to meet the requirements outlined in the CMF Interim Rule.

(91) We are buying homes that we will own initially and during their rehabilitation. They will eventually be sold to qualified homebuyers. Since we are the purchaser and will own the homes initially, we will not have a counterparty for commitment purposes. Is the waiver applicable to this situation?

If the homes are being directly purchased by the Recipient with the intent to rehabilitate them for the purpose of selling them to qualifying Families and no counterparty exists, the waiver may apply. In this example, the Recipient is purchasing the properties, rehabilitating them, and reselling them to qualified homebuyers. Each property is considered a discrete Project for CMF purposes. The Board of Directors of the Recipient must commit funds by board resolution to each Project (each property).

(92) We are a Financing Entity and will provide loans directly to nonprofit developers for affordable housing. We plan to use the CMF Award to establish a loan loss reserve for our loans. How does the waiver apply to this situation?

The waiver may apply to Recipients using the CMF Award to establish a Loan Loss Reserve against loans made directly by the Recipient and funded by the Recipient's Enterprise-Level Capital. The waiver would not apply if the reserve is pledged to a third party or separate entity affiliated with the Recipient because a counterparty would exist. If the Recipient establishes a Loan Loss Reserve to reserve against losses from loans directly made by the Recipient , each loan is considered a Project and a commitment of the Loan Loss Reserve must be made by resolution of the Recipient's Board of Directors to meet the requirements of 12 C.F.R. §1801.501 (b).

(93) For the purposes of documenting commitment of the CMF Award under the waiver, what must be included in the Board of Directors resolution?

For guidance and requirements for documenting commitment under the waiver, please refer to the waiver guidance document on our website: https://www.cdfifund.gov/Documents/Guidance%20on%20Alternative%20Form%20of%20Commitment%20of%20CMF%20Award%20Under%20the%20Waiver%20of%20General%20Applicability.pdf.

(94) We understand that in providing Homeownership Purchase Assistance under the CMF Program, the cost of the home may not exceed 95% of the average purchase price for the area as determined by HUD. Where is this information available?

The purchase price limits, as determined by HUD, can be found at: https://www.hudexchange.info/resource/2312/home-maximum-purchase-price-after-rehab-value/.

HUD publishes data sets annually. Currently the most recent available data is for 2020, if granted an Award, Recipients will use the appropriate data set for the year the home is purchased. The data set contains the maximum sale price limits for all of the counties in the U.S. and the U.S. territories. The value limits are based on the 95% of the median purchase price for the area.

Please note that there are distinct purchase price limits based on whether the home is pre-existing or a newly constructed home. Use the appropriate column when identifying the maximum price limit. The 1-unit column contains the maximum allowable purchase price. No calculations are required.

Contact Information

(95) Who can I contact if I have more specific questions?

Topic of Question	Contact
CMF Application content questions	CDFI Fund Program Staff - *Submit an AMIS Service Request in AMIS, e-mail cmf@cdfi.treas.gov, or call 202-653-0421*
CDFI Certification questions, compliance with previous award, assistance or allocation agreements	CDFI Fund CCME Staff - *Submit an AMIS Service Request in AMIS, e-mail ccme@cdfi.treas.gov, or call (202) 653-0421*
CDFI Fund IT Support (AMIS)	CDFI Fund IT Staff *First submit a Service Request in AMIS, e-mail AMIS@cdfi.treas.gov, or call (202) 653-0422*

The CDFI Fund will respond to Application-related questions between the hours of 9:00 a.m. and 5:00 p.m. ET, through July 23, 2020. You may contact the CDFI Fund with programmatic questions until 5:00 pm ET, on July 23, 2020. After such time, the CDFI Fund will no longer respond to such questions until after the CMF Application deadline has passed. The CDFI Fund will be able to respond to IT questions until the Application deadline (5:00 pm ET, July 27, 2020).

A Service Request is the preferred way to contact the CDFI Fund. To submit a Service Request, you need an AMIS user account. See the following question as to how to submit a Service Request.

(96) How can I submit a Service Request in AMIS to ask Application-related questions?

For general guidance on how to submit a Service Request, see the AMIS Service Request Quick Reference Guide.

When submitting a Service Request for a CMF Application question, follow these steps:

i. Log into your AMIS account
ii. Click on the "Service Requests" tab at the top
iii. Click on the "Create New Service Request" button
iv. Select "CMF" for the Program in the dropdown.
v. Complete the "Requested By Date"
vi. Enter a short Subject in the format "CMF Application – [question topic]".
vii. Provide a Description of your question or issue.
viii. Click the "Submit" button.

Be aware that selecting the incorrect Program for your Service Request could result in delays in your Service Request being processed.

* * * *

More detailed Application content requirements are found in the FY 2020 CMF Application and NOFA. In the event of any inconsistency between the contents of this Q&A document, the Interim Rule, the NOFA, the General Guidance, the 2020 CMF Application, and the statute that created the CMF Program (Housing and Economic Recovery Act of 2008, Pub. L. No. 110-289), the provisions of the statute and the Interim Rule shall govern.