

FY 2018 Capital Magnet Fund Application Review Process

Note: For the first two parts of the review process, the Quantitative Assessment and External Review, the Applications were grouped into two categories: (1) financing entities and (2) affordable housing developers/managers. Certified CDFIs were automatically categorized as financing entities. Nonprofit Organizations self-selected whether they are primarily financing entities or affordable housing developers/managers.

Quantitative Assessment

- Per the FY 2018 CMF NOFA, the first step in the Application review process was for all eligible Applications to be assessed based on the responses to quantitative questions in the Application. Applications could receive a score of up to 100 points based on the factors outlined in *Figure 1* below.

Figure 1: Quantitative Assessment Factors (Table 7 of NOFA)		
Section	Points	Assessment Criteria
Business and Leveraging Strategy	40	<ul style="list-style-type: none"> Private leverage multiplier. Reasonableness of projected activities based on track record. Applicant-level leverage multiplier. Whether the Application is proposing to serve underserved states including Iowa, Maine, North Dakota, Wyoming and the territories of the U.S. Virgin Islands, Guam, the Northern Mariana Islands, American Samoa or Puerto Rico.
Community Impact	35	<ul style="list-style-type: none"> Percent of rental housing units targeted to Very Low-Income (VLI) or below (50 percent of AMI or below). Percent of Homeownership units targeted to Low-Income (LI) or below (80 percent of AMI or below). Relevant track record of financing and/or supporting units targeted to VLI or LI families. Commitment to only finance Economic Development Activities in Low-Income Areas (if proposing Economic Development Activities). Percent of housing units to be financed and/or supported in Areas of Economic Distress.
Organizational Capacity	25	<ul style="list-style-type: none"> Capitalization. Operating Performance. Liquidity. Audit Results.

- Per Section V.B.1 of the NOFA, since less than 140 applications were received, all eligible Applications were forwarded for External Review, regardless of the quantitative assessment score.

External Review - Initial Application Review and Scoring

- In the External Review phase of the CDFI Fund’s review process, two External Reviewers independently evaluated and scored each eligible Application.

- Each External Reviewer's evaluation resulted in the Application being awarded up to 100 points. These points were distributed across 3 sections: Business and Leveraging Strategy (40 points), Community Impact (35 points), and Organizational Capacity (25 points). The score for each Application is a composite based on the External Reviewers' evaluation and quantitative assessment factors (outlined in *Figure 1* above). Approximately 65 out of the 100 points came from the External Reviewer analysis and 35 points came from quantitative factors.
- External Reviewers are professionals with expertise in affordable housing finance and economic/community development. Only non-Federal employees were eligible to serve as External Reviewers.
- The CDFI Fund screened each External Reviewer to identify any potential conflicts of interest with Applicants. Reviewers were also required to sign a confidentiality agreement stating they would not reveal any information obtained from the CDFI Fund during the review process.
- CMF Program staff prepared External Reviewers by providing instructions and guidance on how to evaluate and score Applications.
- To ensure consistency and accuracy with CMF Program scoring guidelines, the External Reviewers' evaluations were assessed by team leaders - CDFI Fund staff and other Federal employees - who provided oversight throughout the review process.
- After each Application was scored by two External Reviewers, an analysis was conducted by CDFI Fund staff to identify anomalous scores. An anomalous score was deemed to have occurred when the difference between the two External Application review scores was 20% or greater of the lower score. To resolve anomalous scores, a third External Reviewer evaluated the Application.
- At the conclusion of the External Review phase, the scores for the two External Reviewers (or the two least anomalous scores in case of three External Reviewers) were combined and the Application received a final External Application Review score of up to 200 points.

Internal Review – Award Recommendations

- Per the NOFA (Section V.B.3), at the conclusion of the External Review phase, each group of Applications -- Financing Entities and Affordable Housing Developers/Managers, described in Section 1 Note -- were ranked separately in descending order by their final External Application review score.
- Consistent with the NOFA, the CDFI Fund elected to forward 50 Applications for further evaluation and preliminary award recommendation by the Internal Review Panel (CMF staff and Federal employees). These 50 Applications were initially forwarded as the highly qualified pool, and were drawn, in descending order of rank score, from the Financing Entity and Housing Developer/Manager groups in proportion to each group's representation in the overall Application pool (68% were from the Financing Entity group while 32% were Housing Developer/Manager group).
- The 50 applications initially forwarded for Internal Review were scored and ranked by a Review Panel based on the following factors:

Capacity

- Financial position.
- Organizational strength (e.g. management and personnel capacity).
- Award management track record and capacity.

Alignment with Statutory Priorities and Impact

- Percent of housing units to be produced in Areas of Economic Distress.
- Percent of rental housing units targeted to Very Low-Income individuals or below (50% of AMI or below).
- Percent of homeownership units targeted to Low-Income individuals or below (80% of AMI or below).
- Amount of private capital leveraged, as well as leverage of new, private Enterprise-level capital.
- Alignment between proposed strategy and community impacts.

Quality of the Strategy

- The quality of the strategy and the extent to which it addresses community needs.
 - The extent to which the proposed strategy and activities address the identified financing gaps.
 - Applicant's capacity to execute the proposed strategy.
 - Strategy's adaptability to changing market conditions.
 - The extent to which the Applicant's strategy/approach is innovative.
 - Track record and capacity to implement its Economic Development Activities (if Economic Development Activities were proposed)
- Once Applications were internally evaluated by the Review Panel, the Applications were forwarded to a Selecting Official (SO) for a final award determination.
 - The SO conducted a secondary review of the Applications, as well as an assessment of the Internal Review Panel's analysis and recommendation for each application. The SO then made preliminary award determinations.
 - Prior to making final award determinations, the SO reviewed the Recipient pool to ensure alignment with the following statutory objectives:
 - Potential Recipients' proposed Service Areas collectively represent broad geographic coverage throughout the United States; and
 - Potential Recipients' proposed activities are proportionally distributed across Rural and Non-Rural Areas.
 - To achieve greater investment in Rural Areas and/or broader geographic coverage, the CDFI Fund reserved the right to review additional Applications ranked outside of the highly qualified pool (as long as those Applications were in the top 50% of all eligible Applications, based on External Review Rank score). For the 2018 Round, the SO directed that 3 additional Applications be forwarded for Panel Review and Award consideration due to high levels of projected activity in Rural Areas.

- The SO then made final Award selections and funding determinations from the 53 Applications that received Internal Review Panel evaluation.
- In the event that the SO's decision reversed or varied considerably from the Internal Review Panel, the Reviewing Official reviewed the Application materials and made the final award determination.
- The final award pool is composed of the 38 Applications that were evaluated most favorably in the Internal Review Phase and that also allowed the CDFI Fund to achieve its statutory objectives of investing in rural and geographically diverse areas of the United States.