Updated 2024-2025 NMTC Application FAQs

NEW MARKETS TAX CREDIT PROGRAM

NMTC PROGRAM

ALLOCATION APPLICATION FREQUENTLY ASKED QUESTIONS

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

WWW.CDFIFUND.GOV/NMTC

I. UPDATES & CLARIFICATIONS TO THE CY 2024-2025 APPLICATION FREQUENTLY ASKED QUESTIONS (FAQ) DOCUMENT

Text edits to CY 2024-2025 Application FAQ: these edits are highlighted in the document.

FAQ #	Description
FAQ 40	Updated: removed text "and how often the best rates, terms and features would be offered."
FAQ 41	Updated: removed text "and how those sources impact the circumstances that results in the best rates and terms." Examples added.
FAQ 98	FAQ updated to read "**Q. 27(a) asks how the input received through community accountability and…**"
FAQ 116	Example has been revised to reflect years 2025 and 2026.

Guidance Updates to the CY 2024-2025 Application FAQ: The CDFI Fund is providing the following clarifications in response to questions received via service requests.

Eligibility

A. The CY 2024-25 NOAA Table 1 shows January 17, 2025, 11:59 pm as the deadline to submit in AMIS amendment requests to add Subsidiary *CDEs* to *Allocation Agreements* for meeting *QEI* issuance thresholds. Can a CY 2024-25 NMTC *Applicant* request an extension to submit the amendment request to add Subsidiary CDEs to an Allocation Agreement for meeting QEI issuance thresholds?

Yes, a CY 2024-25 NMTC Applicant may request an extension of up to 30 calendar days to submit the request to add Subsidiary CDEs to an Allocation Agreement if the Applicant has submitted the NMTC Application Registration in AMIS by the NOAA deadline. The request for an extension must be submitted in AMIS via a service request no later than 11:59 pm January 17, 2025.

Business Strategy:

B. In Question 18, do "borrowers/investees" refer to the QALICBs, which may be special purpose entities, or the project sponsors (i.e. the QALICB affiliates) that a CDE underwrites?

Application Q. 18 is related to the due diligence conducted prior to making a QLICI, therefore the borrower/investee refers to the operating entity that is/will be responsible for the QALICB. If the intended QALICB will use the QLICI to develop real estate to be leased to unaffiliated 3rd parties, the borrower/investee is the real estate developer that is/will be responsible for the QALICB.

Community Outcomes:

C. Question 25(c) asks the Applicant to discuss its track record of investing in areas selected in Question 25(b). What time period should the track record reflect?

In Q. 25(c), the Applicant should discuss its track record of loans/equity investments made during the period 2019 to 2024 YTD (prior to the 2024-25 Application release date of 11/19/2024), the same period covered in Exhibit B, Tables B1-B4.

D. For Quality Jobs, should the Applicant address all the criteria in Question 26(a)(2)?

Yes. Question 26(a)(2) requires the *Applicant* to quantify and describe how temporary and permanent jobs will meet the *Applicant's* criteria for quality jobs. Specifically, the *Applicant* is to explain whether its proposed pipeline projects will provide livable wages **and/or** employment benefits based on the proposed pipeline in Table A5.

If the Applicant's proposed pipeline in Table A5 includes businesses that will provide living wages, then the Applicant should discuss the minimum hourly wage necessary for an individual to meet basic needs, including housing, nutrition, daily living expenses and other incidentals such as clothing, for an extended period.

If the Applicant's proposed pipeline in Table A5 includes businesses that will provide employment benefits, the Applicant should discuss the types of benefits to be provided, such as health insurance, retirement saving plans, paid leave/paid time off (PTO), profit sharing/stock options, and/or career advancement and training.

If the Applicant's QLICIs will be used for construction or rehabilitation, the Applicant should discuss whether construction jobs will provide livable wages and/or employment benefits.

E. If my CDE's QLICIs will result in job-related community outcomes (jobs created/retained, quality jobs, accessible jobs), will my CDE be disadvantaged in scoring of Q. 27(b) when compared to Applicants whose QLICIs will result in various community outcomes (e.g., job-related and community goods and services)?

Question 27(b) requires the Applicant to describe the *Applicant*'s (or *Controlling Entity's*) process for ensuring that *Low-Income Persons* and/or *LIC* residents will benefit from its proposed investments. All outcomes listed in Question 26(a) require the Applicant to discuss the benefits to *LIPs* and *LIC* residents. In Question 27(b), the Applicant will be evaluated on whether the specific needs or challenges that it seeks to address with its NMTC investments are supported by the quantitative and/or qualitative data used by the Applicant to determine the needs of communities it will invest in. In effect, the CDFI Fund seeks to understand how the *Applicant* uses quantitative or qualitative data to ensure that it's NMTC investments will address the needs of the *LIP*s and/or *LIC* residents in its service area. For example, if the Applicant's NMTC investments seek to address availability of quality jobs for *LIP*s and/or *LIC* residents that provide living wages, the Applicant should provide qualitative or quantitative data on the need for living wage jobs in its service area. See FAQ #99 for examples of quantitative and qualitative data on community needs.

F. Where can Applicant describe its community engagement related to its planned investment activities?

Applicants may discuss community engagement activities in Question 27(c), including those related to its pipeline described in Question 17(c) and those related to NMTC investments using prior allocations that closed after the Application release date.

Previous Awards:

G. How should an *Applicant* answer Question 44(a) if one of the *Applicant's* three most recent Allocations was prior to CY 2018 Round and Table D2 was not part of the Allocation Application prior to the CY 2018 Round?

Question 44(a) indicates that for projects that received the largest *QLICI*s in each of the *Applicant's* three most recent Allocations, as of the *Allocation Application* release date, the Applicant is to provide the total fee percentage and fee structure by listing the individual fees applicable to each project using the categories listed in Table D2. The CDFI Fund acknowledges that Table D2 includes fee information that was not requested prior to the CY 2018 *Allocation Application*. If the Applicant's largest transactions from its last three NMTC Allocations used CY 2012 to CY2017 Allocation rounds, the Applicant should use the signed Fee Disclosure forms provided to the QALICB per Allocation Agreement Section 6.12 to provide the fee information requested in Q. 44(a). The Applicant's response should include Table D2 fee information such as the type of fee (e.g., upfront, ongoing, or backend fee); the source payer (e.g. investor/investor affiliate, QALICB or QALICB Affiliate, other); and fee recipient (the Applicant or Applicant Affiliate, Investor/investor Affiliate, unaffiliated third-party). For fees paid to unaffiliated third party (e.g. consultants), the Applicant should indicate the purpose of the fee (e.g., application preparation, identifying transactions, due diligence, asset management, compliance, etc). See Compliance FAQ 48 for information on Allocation Agreement Section 6.12 and Application FAQ 109 - 115 for details on fees.

H. Should Applicants include transaction costs when responding to the fifth bullet point in Q44(a), since FAQ 115 states not to include transaction costs in Table D2, and the fifth bullet point in Q44(a) references Table D2?

Application Q. 44(a), 5th bullet refers to fees, not transaction costs. Per FAQ 115, "*Applican*t fees include operating costs such as impact assessments, Application preparation, loan servicing, and asset management, as well as *Allocation Agreement* compliance and related reporting, even if these activities are performed by third parties." FAQ 115 also states that if a fee includes transaction cost(s), the Applicant should be sure to provide only the fee.

Except as authorized by law or as incorporated into a contract, the contents of this document do not have the force and effect of law and are not meant to bind the public in any way. This document is intended only to provide clarity to the public regarding existing requirements under the law or agency policies.

The CDFI Fund added or significantly modified the highlighted questions in this document as compared to the "2023 NMTC Program *Allocation Application* Frequently Asked Questions."

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II. QUESTIONS ON KEY DATES

1) What are the deadlines and dates that I need to know if my organization intends to apply for *NMTC Allocations* in the current round?

Table 1: CY 2024- 2025 ALLOCATION ROUND NMTC PROGRAM CRITICAL DEADLINES FOR *APPLICANTS*			
Description	**Deadline/Date**	**Time (eastern time – ET)**	**Submission Method**
Request to modify *CDE* certification service area	December 3, 2024	11:59 p.m. ET	Electronically via AMIS
Subsidiary *CDE Certification Application* for meeting Qualified Equity Investment (*QEI*) issuance thresholds	December 3, 2024	11:59 p.m. ET	Electronically via AMIS
CY 2024 - 2025 Allocation Application Registration	December 5, 2024	5:00 p.m. ET	Electronically via AMIS
Amendment request to add Subsidiary *CDE*s to *Allocation Agreements* for meeting *QEI* issuance thresholds	January 17, 2025	11:59 p.m. ET	Electronically via AMIS
Amendment request to remove a *Controlling Entity* from *Allocation Agreement(s)*	January 17, 2025	11:59 p.m. ET	Electronically via AMIS
Last date to contact CDFI Fund staff	January 27, 2025	5:00 p.m. ET	Electronically via AMIS
CY 2024 - 2025 *Allocation Application* (including required Attachments)	January 29, 2025	5:00 p.m. ET	Electronically via AMIS
QEI Issuance and making *Qualified Low Income Community Investments* (*QLICIs*) by	April 17, 2025	11:59 p.m. ET	Not Applicable
Report *QEIs* and certify *QLICIs* by	April 24, 2025	11:59 p.m. ET	Electronically via AMIS

III. QUESTIONS ON ELIGIBILITY AND *CDE* CERTIFICATION

2) Who is eligible to apply for *NMTC Allocations*?

In order to be eligible to apply for *NMTC Allocations* from the CDFI Fund in the Allocation Round, an *Applicant* must be certified as a *Community Development Entity* (*CDE*) as of the publication date of the CY 2024-2025 *NOAA* in the Federal Register.

3) Is an entity that previously received an *NMTC Allocation*, a CDFI Program award or a BEA Program award (or an *Affiliate* of such an awardee) eligible to apply for *NMTC Allocations*?

Prior recipients of any component of the CDFI Fund's CDFI Program, CDFI Rapid Response Program, Bank Enterprise Award (BEA) Program, Capital Magnet Fund (CMF), CDFI Bond Guarantee Program, Small Dollar Loan Program or any other CDFI Fund program, and prior *Allocatees* under the NMTC Program, are generally eligible to apply for an *NMTC Allocation* under the Allocation round. However, if certain circumstances exist with respect to prior awards or allocations made to the *Applicant* or its *Affiliate*s (e.g., previous incidents of noncompliance or default; failure to meet reporting requirements), the *Allocation Application* may be deemed ineligible. Please refer to Section III of the *NOAA* for a complete description of this eligibility criteria.

The CDFI Fund will also consider the extent to which the *Applicant* (and *Affiliate*s, as determined by the CDFI Fund) has complied with the terms and conditions and other requirements of any previous or existing assistance, award or *Allocation Agreements* with the CDFI Fund.

Accordingly, *Applicant*s that are prior award recipients or *Allocatees* under any other CDFI Fund program are advised to:

a) Submit all required reports by the deadlines specified in the assistance, award or *Allocation Agreements* governing said prior awards or Allocations and to comply with all requirements found therein; and

b) Confirm that any *Affiliate* that is a prior CDFI Fund awardee or *Allocatee*, has submitted all required reports to the CDFI Fund.

4) Are *CDEs* with prior allocation awards required to issue a minimum amount of *QEIs* and close a minimum amount of *QLICIs* to be eligible for a subsequent award?

Yes. *Applicants* that have previously received an *NMTC Allocation* (or whose *Affiliates* have previously received an *NMTC Allocation*) are required to demonstrate that they have issued a requisite minimum amount of *QEIs* and closed a minimum amount of *QLICIs* from their prior allocation(s) in order to be eligible. Specifically, *Applicants* that are *Allocatees* under the Calendar Year (CY) 2019 to the CY 2023 rounds must finalize at least the percentage of *QEIs* noted in Table 2 of the *NOAA* for each NMTC Allocation round and use at least the percentage of those *QEIs* designated in Schedule 1, section 3.2(j) of their *Allocation Agreements* to make *QLICIs* by the deadline in Table 1 of the *NOAA*. Please refer to Section III of the *NOAA* for a complete description of these and other eligibility thresholds. The eligibility thresholds may require *QEIs* and *QLICIs* earlier than otherwise required under the relevant *Allocation Agreement*.

Note: The CDFI Fund will only consider as "issued" those *QEIs* that have been recorded and finalized (as opposed to listed as "pending") in AMIS.

Detailed instructions on recording *QEIs* and *QLICIs* in AMIS are available at https://www.cdfifund.gov/amis-reporting.

5) How will the CDFI Fund determine that an *Applicant* has met the minimum *QEI* issuance thresholds and has used at least the percentage of those *QEI*s, designated in Schedule 1, section 3.2(j) of their *Allocation Agreements*, to make *QLICI*s by the deadline in Table 1?

The CDFI Fund will review *QEI* and Transaction Level Report (TLR) data recorded in AMIS to determine whether the *Applicant* has met the *QEI* and *QLICI* thresholds described in Section III of the *NOAA*. *Applicants* must report their *QEI* issuance and certify *QLICIs* closed in AMIS no later than the deadline in Table 1.

The CDFI Fund will only consider *QLICIs* reported in the TLR in AMIS that have completed "Interim Certification" or "Final Certification" by the deadline in Table 1 of the *NOAA*. *Applicants* should confirm that each entered *QLICI* has an "Interim Certification" or "Final Certification" date by the deadline in Table 1 of the *NOAA*. Prior year Allocatees should use the latest Interim Certification fiscal year available in AMIS to ensure all reported *QLICI*s are considered. For instructions on certifying the TLR, please see the "New Markets Tax Credit *Allocatee* (*CDE*) Transaction Level Report Data Point Guidance for AMIS" on the CDFI Fund website https://www.cdfifund.gov/media/8016416/download?inline.

For TLR data that has achieved "Interim Certification" or "Final Certification." the CDFI Fund will only consider *QLICIs* in such TLR data where the *Allocatee* (or *Subsidiary Allocatee)* has made an initial disbursement, and the borrower has signed a loan agreement. If the *Allocatee* (or *Subsidiary Allocatee)* provides a *QLICI* in the form of an *equity investment*, a *QLICI* will be considered "closed" if the *Allocatee* (or *Subsidiary Allocatee)* has made an initial disbursement and:

a) The investee has issued an amended and restated operating agreement showing the *Allocatee* (or Subsidiary *Allocatee*) as a new member, if the investee is a Limited Liability Company (LLC); or

b) The investee has issued equity shares to the *Allocatee* (or *Subsidiary Allocatee*), if the investee is a corporation.

*Applicant*s should be aware that minimum *QEI* and *QLICI* threshold requirements are used to determine an *Applicant's* eligibility for an *NMTC Allocation* award. Meeting such requirements, however, does not guarantee an *NMTC Allocation* award.

6) How will the CDFI Fund calculate whether an *Applicant* meets the *QEI* issuance and *QLICI* closing thresholds in the *NOAA*?

Using the example of an *Applicant* that has received a single *NMTC Allocation* award of $50 million in the CY 2020 allocation round: In order to meet the *QEI* issuance threshold, the *Applicant* is required to finalize a minimum of $45 million (90% of $50 million) in *QEIs* by the deadline in the *NOAA* in order to remain eligible for a CY 2024 - 2025 *NMTC Allocation*. This deadline can also be found in FAQ #1. In addition, if Schedule 1, Section 3.2(j) of the *Applicant's* CY 2020 *Allocation Agreement* indicates that 96% of *QEIs* will be used to make *QLICIs*, then in order to meet the *QLICI* closing threshold in the *NOAA*, the *Applicant* is required to close *QLICIs* totaling $43.2 million (96% of the $45 million in *QEIs*) by the same deadline.

7) What is the effect for my organization if it has reports outstanding for another CDFI Fund program award (e.g. CDFI Program's Financial Assistance award) at the time of the deadline for the current *Allocation Application* or if there is a record of late reporting on such other awards? Will this affect the eligibility or scoring of its *Allocation Application*?

In the case of an *Applicant*, or *Affiliates*, that have previously received an award or allocation from the CDFI Fund through any CDFI Fund program, the CDFI Fund will deduct (up to 5) points for the *Applicant*'s (or its *Affiliate's*) failure to meet the reporting deadlines set forth in any assistance, award or *Allocation Agreement*(s) with the CDFI Fund during the period from December 20, 2023 to the *Allocation Application* deadline in the *NOAA*.

8) If my organization intends to transfer all or part of an *NMTC Allocation* to one or more Subsidiaries, do the Subsidiaries need to be established and certified as *CDEs* prior to submission of the *Allocation Application*?

No. An *Applicant* will not be required to form and obtain *CDE* certification for anticipated *Subsidiary* entities prior to the submission of its *Allocation Application*. However, once selected for an *NMTC Allocation*, the *Allocatee* will not be permitted to transfer any of its *NMTC Allocation* to *Subsidiaries* unless those *Subsidiaries* have been: (a) certified as *CDEs* by the CDFI Fund; and (b) enjoined by name in the *Allocatee*'s *Allocation Agreement as Subsidiary Allocatees*. Such *Subsidiaries* either must be signatories to the *Allocation Agreement* at the time of closing or added to the *Allocation Agreement* via amendment after the initial closing. *Allocatees* must submit such request for amendments as an AMIS Service Request for approval and processing.

9) Can a non-profit entity apply for an *NMTC Allocation*?

Yes. A non-profit *CDE* may apply for an *NMTC Allocation* with the intention of transferring the Allocation to one or more for-profit *Subsidiary Allocatees*. Only a for-profit *CDE* may offer NMTCs to investors because the investors must purchase stock or capital interests in the *CDE*. If a non-profit *CDE* is selected for an Allocation, at least one for-profit *Subsidiary* must be enjoined to the *Allocation Agreement*. The for-profit *Subsidiaries* do not have to be formed at the time that the non-profit *CDE* applies for an *NMTC Allocation*. However, the non-profit *CDE* must submit a *CDE Certification Application* to the CDFI Fund for at least one for-profit *Subsidiary* within 30 days of receiving notification from the CDFI Fund of its *NMTC Allocation* award. Such *Subsidiary* must be certified as a *CDE* prior to being enjoined to the *Allocatee's Allocation Agreement* with the CDFI Fund. The transfer of the *NMTC Allocation* from the Non-profit *Allocatee* to one or more for-profit *Subsidiary Allocatees* must be pre-approved by the CDFI Fund, and will be a condition of the *Allocation Agreement*.

10) Can a *Subsidiary CDE* apply for an *NMTC Allocation* in the Allocation Round?

No. An organization that is certified as a *Subsidiary CDE* to a certified *CDE* is not eligible to apply for an *NMTC Allocation*.

11) What happens if an *Applicant* fails to respond accurately to a question in the *Allocation Application* Assurances and Certifications and/or fails to submit the required written explanation?

In its sole discretion, the CDFI Fund may deem the *Applicant*'s *Allocation Application* ineligible, if the CDFI Fund determines that the *Applicant*:

a) Inaccurately responded to a question, with respect to the *Allocation Application* Assurances and Certifications; or

b) Failed to submit any required written explanation, with respect to the *Allocation Application* Assurances and Certifications; or

c) Fails to notify the CDFI Fund of any changes to the information submitted, with respect to the *Allocation Application* Assurances and Certifications, between the date of application and the date that the *Applicant* executes the *Allocation Agreement*, if selected for an allocation award.

If the *Applicant* cannot certify to one or more questions, the *Applicant* must provide a written narrative explaining why the *Applicant* cannot make the certification, the circumstances, and what the entity is doing to address it. See the "CY 2024 - 2025 *NMTC Allocation Application* – AMIS Navigation Guide" for details on how to provide a narrative explanation. The *Applicant* should identify the existence of any related regulatory orders in its written explanation to the Assurances and Certifications. The CDFI Fund may request additional information, such as copies of any applicable regulatory orders, after the *Allocation Application* deadline as part of its review.

The CDFI Fund will review the information submitted and the *Applicant's* responses to the Assurances and Certifications, to determine the *Applicant's* continued eligibility for an *Allocation* award. In making the determination, the CDFI Fund will take into consideration, among other factors, the substance of any supplemental responses provided, and whether the information in the *Applicant*'s supplemental responses will have a material adverse effect on the *Applicant*, its financial condition or its ability to perform under an *Allocation Agreement*, should the *Applicant* receive an *NMTC Allocation*.

12) If there are changes to the Assurances and Certifications after the *Allocation Application* is submitted to the CDFI Fund, what steps is an *Applicant* required to take to remain eligible for consideration?

If there are changes to any of the *Applicant's* responses to the *Allocation Application* Assurances and Certifications, including the narrative explanations or supplemental documentation provided, between the date the *Applicant* submits an *Allocation Application* and the date the *Allocatee* executes the *Allocation Agreement,* the *Applicant* must report such changes by submitting a service request in AMIS to the NMTC Program. The NMTC Program will review those changes to determine the *Applicant's* continued eligibility for an *NMTC Allocation* award.

IV. QUESTIONS ON THE PROCESS OF APPLYING FOR AND RECEIVING AN NMTC ALLOCATION

13) How can my organization apply and submit an *Allocation Application* for *NMTC Allocations*?

An organization interested in applying for *NMTC Allocation*s in the current round must submit its *Allocation Application* by the CY 2024 - 2025 *Allocation Application* deadline provided in the *NOAA* and FAQ #1**.** The CDFI Fund requires all *Applicant*s to submit online *Allocation Application*s through the CDFI Fund's AMIS. Please review the "CY 2024 - 2025 NMTC Allocation Application – AMIS Navigation Guide" for a step-by-step guide to submit an application.

*Applicant*s that have not already done so are encouraged to register a user account through AMIS at https://amis.cdfifund.gov/s/AMISHome as soon as possible. Please contact the CDFI Fund's IT Help Desk at amis@cdfi.treas.gov or (202) 653-0422 if you are having problems registering in AMIS.

Only the AMIS user designated as the *Authorized Representative in the NMTC Program Profile and* in Question 5 of the *Allocation Application* will receive notifications from the CDFI Fund and be eligible to sign the *Allocation Application*. To be able to sign the *Allocation Application*, the *Authorized Representative* listed in Question 5 must be logged in with a username that: 1) is listed in the "Contacts" (not "External Contacts") section of the Organization Detail page, 2) is designated as an *"Authorized Representative"* under "Type," and 3) has a valid email address associated with it.

14) What is the Allocation Application Registration referenced in the *NOAA*?

The Allocation Application Registration is a section within the AMIS *Allocation Application* that contains certain Applicant information such as *Applicant* Name, *Controlling Entity* Name, etc.

<u>*Applicants* must complete and save the Allocation Application Registration by the deadline in Table 1</u>.

<u>After the Allocation Application Registration Deadline</u>:

a) *Applicants* will not be allowed to save their responses to the NMTC Application Registration.

b) Only those *Applicants* that completed and saved their NMTC Application Registration by the specified Application Registration deadline will be allowed to submit the remaining sections of the *Allocation Application* by the Application Deadline.

c) No new *CY 2024 - 2025 Allocation Applications* can be created. Therefore, potential *Applicants* that did not start a *CY 2024 - 2025 NMTC Allocation Application* before the Application Registration deadline will not be able to create a new *CY 2024 - 2025 NMTC Allocation Application*.

15) How can an *Applicant* change the *Authorized Representative* and *Application Contact Person* after the Allocation Application Registration is completed but before the Application submission deadline?

Should the *Applicant's Authorized Representative* change after the *Applicant* completes the Allocation Application Registration, the *Applicant* will need to submit an AMIS service request titled "[Applicant Name] and [AMIS Application Number] – *Authorized Representative* Change" so that the new Authorized Representative is able to sign the *Allocation Application* at the time of submission. To ensure that the *Applicant's Authorized Representative* is able to electronically sign the *Allocation*

Application on or before the Application deadline, the CDFI Fund strongly advises that the *Applicant* submits an AMIS service request (select the NMTC Program as the business unit) as soon as possible after the change in *Authorized Representative,* but no later than five (5) business days prior to the Application submission deadline. As stated in the *NOAA*, the CDFI Fund reserves the right to reject an *Allocation Application* if the *Authorized Representative* does not sign the *Allocation Application* in AMIS. For instructions on changing the *Authorized Representative* after the *Allocation Application* is submitted, see FAQ #33.

16) What attachments am I required to submit with my *Allocation Application*, and how do I submit them?

All *Applicants* will be required to submit attachments electronically through AMIS. You will be able to upload the attachments only prior to the electronic submission of the *Allocation Application*. The attachments requested by the CDFI Fund in the CY 2024 - 2025 *NMTC Allocation Application* are as follows:

- Organizational charts as requested in Question 28.. .
- Investor letters to support data provided in Table E1 (if applicable).
- Attachments to support explanations provided in the Assurances and Certifications section of the *Allocation Application* (if applicable).
- *Controlling Entity* signature page (if applicable).

Please review the “CY 2024 - 2025 NMTC Allocation Application – AMIS Navigation Guide” for a step-by-step guide on how to upload attachments.

Attachments must be submitted by the CY 2024 - 2025 *Allocation Application* deadline provided in FAQ #1. **Only those attachments requested by the CDFI Fund will be considered as part of the review process.** Furthermore, the CDFI Fund will not accept any revisions or amendments to an *Allocation Application* or accept attachments once the Application is submitted. All required documents must be submitted in AMIS. The CDFI Fund will not review any materials only accessible through hyperlinks in submitted materials. As stated in the *NOAA*, the CDFI Fund reserves the right to reject an *Allocation Application* if the executed *Controlling Entity Representative* signature page (if applicable) has not been uploaded in AMIS by the stated deadline.

17) Will the information that I provide in my *Allocation Application* be accessible to the general public?

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

Should the *Applicant* be selected to receive an *NMTC Allocation*, the CDFI Fund reserves the right to publish the *Applicant*’s response to select questions in the *Applicant* Information and Business Strategy sections. This information may include the *Controlling Entity* Name (Q. 3(a)), City and State of *Applicant* Headquarters (Q. 4), *Public Contact Person* Information (Q. 5(c)), Service Area (Qs. 7 & 8), Percentage of major urban vs. minor urban vs. rural (Q. 9), Predominant Financing Activity (Q. 10), *commitments* to innovative investments (Q. 19), and required percentage of activities *in Non-Metropolitan counties* (Q. 22).

18) Can more than one *Affiliate* or member of a Common Enterprise submit an *Allocation Application*?

No. Entities that are *Affiliate*s or members of a Common Enterprise may only collectively submit one *Allocation Application* per round of the NMTC Program. An *Affiliate* is an entity that *Control*s, is *Controlled* by, or is under common *Control* with another entity (as determined by the CDFI Fund). Both the terms "*Affiliate*" and "*Control*" are defined in the Glossary of Terms that accompanies the *Allocation Application*. As an example, entity ABC is *Controlled* by entity XYZ. XYZ also *Control*s entity DEF, which in turn *Control*s entity HIJ. ABC, XYZ, DEF and HIJ are all considered *Affiliate*s. Only one of these entities can submit an *Allocation Application* in any given round. An *Applicant* may, however, under certain circumstances submit a consolidated *Allocation Application* on behalf of one or more *Affiliates*.

The CDFI Fund will also evaluate whether each *Applicant* is operated or managed as a "Common Enterprise" using the following indicia, among others: (i) whether different *Applicants* have the same individual(s), including the *Authorized Representative*, staff, board members and/or consultants, involved in day-to-day management, operations, and/or investment responsibilities; (ii) whether the *Applicants* have business strategies and/or proposed activities that are so similar or so closely related that, in fact or effect, they may be viewed as a single entity; and (iii) whether *Allocation Applications* submitted by separate *Applicants* contain significant narrative, textual or other similarities such that they may, in fact or effect, be viewed as substantially identical *Allocation Applications*. In such cases, the CDFI Fund will reject all *Allocation Applications* received from such entities.

The CDFI Fund reserves the right to examine all facts and circumstances in determining whether multiple entities may constitute a "Common Enterprise." In evaluating whether multiple entities constitute a Common Enterprise, the CDFI Fund will consider, among other things, whether such entities share: (i) *principal* or senior management staff or governing or advisory board members or consultants; (ii) investments and projects or businesses; (iii) investors or other funding sources; (iv) marketing and advertising; or (v) office space or other physical resources.

In the case of State-owned or State-controlled governmental entities, the CDFI Fund may accept Allocation Applications submitted by different government bodies within the same State, but only to the extent the CDFI Fund determines that business strategies and/or activities described in such Allocation Applications, submitted by separate entities, are distinctly dissimilar and/or are operated and/or managed by distinctly dissimilar personnel, including staff, board members or identified consultants. In such cases, the CDFI Fund reserves the right to limit award amounts to such entities to ensure that the entities do not collectively receive more than the $100 million cap. If the CDFI Fund determines that the Allocation Applications submitted by different government bodies within the same State are not distinctly dissimilar and/or are not operated and/or managed by distinctly dissimilar personnel, it will reject all such Allocation Applications.

__Example 1 [not permissible]__: ABC and DEF are separate entities, and each applies for an allocation of tax credits. John Doe is the Chief Executive Officer (CEO) of ABC. In this role, John Doe is involved in the day-to-day management, operations, and investment decisions of ABC. For example, as CEO of ABC, John Doe manages the business and affairs of ABC and approves or disapproves all investments over $500,000. He is also the *Authorized Representative* of DEF, which grants him authority to sign the 2023 *Allocation Application* and make representations on behalf of DEF. Since the same individual, John Doe, has substantial involvement with both ABC and DEF, it could be determined that both entities constitute a Common Enterprise. Therefore, the CDFI Fund would reject both *Allocation Application*s.

__Example 2 [not permissible]__: ABC and DEF are separate entities, and each applies for an allocation of tax credits. ABC and DEF each receive an *NMTC Allocation* award, and each enters into an *Allocation Agreement* with the CDFI Fund. Subsequently, both organizations contract with a management company (GHI) and, in its role as manager, GHI *Controls* the general management, operations and investment decisions of ABC and DEF. ABC and DEF would be considered *Affiliate*s and part of a Common Enterprise due to the common management *Control* of GHI, and ABC and DEF would be in violation of their *Allocation Agreement*s and subject to all of the remedies available to the CDFI Fund therein.

__Example 3 [permissible]__: ABC and DEF are separate entities, and each applies for an allocation of tax credits. ABC and DEF each receive an *NMTC Allocation* award, and each enters into an *Allocation Agreement* with the CDFI Fund. Subsequently, each organization contracts with GHI to provide discreet and specific consulting and/or management services (e.g., compliance monitoring), but at no time will GHI assume *Control* over the day-to-day management, operations or investment decisions of ABC or DEF. In addition, the parties do not share any of the other items enumerated as indicia of a Common Enterprise, as set forth above. ABC, DEF and GHI would not be considered *Affiliate*s or part of a common enterprise.

__Example 4 [permissible]__: ABC and DEF are separate entities, and each applies for an allocation of tax credits. ABC and DEF each receive an *NMTC Allocation* award of $1,000,000, and each enters into an *Allocation Agreement* with the CDFI Fund. JKL is an investor. JKL makes a $990,000 *QEI* into an ABC's *Subsidiary Allocatee* and a $990,000 *QEI* into DEF's *Subsidiary Allocatee*, and receives a 99% ownership interest in each of the two *Subsidiary Allocatees*. JKL was not an *Affiliate* of either ABC or DEF prior to making the *QEIs* in each entity's subsidiaries. In addition, except for a common investor (JKL), the parties do not share any of the other items enumerated as indicia of a Common Enterprise, as set forth above. ABC, DEF and JKL would meet the requirements for the exception to the general prohibition on multiple *Allocatees* becoming *Affiliate*s or part of a Common Enterprise, since the common *Controlling Entity* (JKL): (i) was not an *Affiliate* of either entity prior to making its *QEIs* in ABC and DEF and (ii) obtained *Control* of ABC's *Subsidiary* and DEF's *Subsidiary* solely due to its common ownership by making a *QEI* in each entity.

19) Are there any limitations with respect to using NMTCs, or the proceeds of *QEIs*, in conjunction with other CDFI Fund program awards?

An investor that is an insured depository institution, or an *Affiliate* of an insured depository institution, may not claim both NMTCs and a BEA Program award for the <u>same</u> investment in a *CDFI or CDE*.

<u>Example 1</u>: If a bank makes a $1 million *Equity Investment* into a *CDFI-CDE* that has received *NMTC Allocation*s from the CDFI Fund, the bank may use the *Equity Investment* for purposes of claiming NMTCs **<u>or</u>** it may use the *Equity Investment* to apply for a BEA Program award – it may not claim both.

<u>Example 2</u>: If a bank makes a $1 million *Equity Investment* into a *CDFI-CDE* that has received *NMTC Allocation*s from the CDFI Fund, **<u>and</u>** the bank also makes a $1 million loan to the *CDFI-CDE*, the bank may claim NMTCs on its $1 million *Equity Investment* **<u>and</u>** use its $1 million loan to apply for a BEA Program award.

The CDFI Bond Guarantee Program and Capital Magnet Fund may also have restrictions about combining NMTCs with those program funds, so Recipients should check the requirements of those programs.

Any future limitations on the use of NMTCs or the proceeds of *QEIs* in conjunction with other CDFI Fund programs will be described in the applicable Notices of Funds Availability (NOFAs), Notices of Guaranty Authority (NOGAs), Notices of Allocation Availability (*NOAA*), program agreements, and/or other program guidance documents.

20) Can my organization start to offer NMTCs to investors as soon as it receives notice of an *NMTC Allocation award*?

A *CDE* that receives an *NMTC Allocation* may, in certain circumstances, offer NMTCs to investors that make *QEIs* <u>before</u> the *CDE*'s *Allocation Agreement* is finalized. For purposes of this look-back period, the investor must have made its *QEI* on or after the date that the *NOAA* for the current round was published; and the investor's seven-year credit period begins on the date that the *CDE* enters into an *Allocation Agreement* with the CDFI Fund. The *CDE* is required to invest substantially all of the investor's *QEI* proceeds in *QLICIs* within one year of the date that the *CDE* enters into an *Allocation Agreement* with the CDFI Fund.

21) What terms and conditions will be placed upon *Applicants* that receive *NMTC Allocation*s from the CDFI Fund?

Each *Applicant* that is selected to receive an *NMTC Allocation* must enter into an *Allocation Agreement* with the CDFI Fund before it can designate *QEIs* and offer tax credits to its investors. The terms and conditions set forth in an *Allocation Agreement* may include, but not be limited to, the following:

a) The amount of the *NMTC Allocation*;

b) The approved uses of the *NMTC Allocation* (e.g., loans or *Equity Investments* to Qualified Active Low-Income Community Businesses (*QALICB*s), loans to or *Equity Investments* in other *CDEs*, purchase of qualifying loans from other *CDEs*);

c) The approved service area(s) in which the QEI proceeds may be used;

d) List of enjoined *Subsidiary Allocatees*;

e) *Commitment* to invest in *Unrelated* Entities;

f) Requirements for *QLICIs* to offer flexible features;

g) The *CDE*'s schedule for obtaining *QEIs* from investors;

h) The level of required activity *in Non-Metropolitan Counties*, committed to by the *CDE* in the *Allocation Application*;

i) Commitment to invest at least 85% of *QLICIs* in highly distressed communities;

j) Commitment to invest a specific percentage of *QLICIs* in areas of deep distress;

k) Percentage of proceeds from loan purchases required to be re-invested as *QLICIs*;

l) Percentage of *QEIs* required to be invested as *QLICIs*;

m) Requirement to ensure at least 20% of any housing units developed and/or rehabilitated as a result of *QLICIs* are affordable to Low-Income Persons;

n) Innovative investments or specific transactions, committed to by the *CDE* in the *Allocation Application*;

o) Any restrictions on the use of the *NMTC Allocation*;

p) Reporting requirements for all *CDEs* receiving *NMTC Allocatio*ns; and

q) Other information, often identified in the "Notes" in the *Allocation Application*.

If a *CDE* has represented in its *Allocation Application* that it intends to invest substantially all of the proceeds from its investors in *QALICB*s in which persons *Unrelated* to the *CDE* hold a majority equity interest, the *Allocation Agreement* will contain a covenant requiring such.

V. QUESTIONS ON THE NMTC *ALLOCATION APPLICATION* CONTENTS

A. Selecting an Amount of NMTCs to Request

22) When requesting *NMTC Allocations* from the CDFI Fund, should the *Applicant* ask for the total amount of equity it intends to raise through NMTCs, or should it ask for the total value of the tax credits that will be available to its investors?

The *Applicant*'s *Allocation Application* request must be for the amount of *QEIs* the *Applicant* intends to raise by offering NMTCs as an incentive. For example, if a *CDE* wishes to raise $10 million in equity, it would request a $10 million *NMTC Allocation* from the CDFI Fund – even though the actual amount of NMTCs an investor may claim over seven years is $3.9 million (39% of the investment amount). An *Allocatee* cannot offer NMTCs on equity raised in excess of its *NMTC Allocation*.

23) Is there a limit to the total *NMTC Allocation* amount that an *Applicant* may request in the current *Allocation* round?

While there is no limit on the amount of *NMTC Allocations* that an *Applicant* may request, the CDFI Fund does not anticipate issuing more than $120 million in general allocation authority to any one *Allocatee*.

Please note that *Applicants* will be evaluated on whether the requested *NMTC Allocation* amount is consistent with the *Applicant's* track record of direct financing or otherwise facilitating financing activities that would qualify as or are substantially similar to *QLICIs*, based on the narrative provided in Q.20 and Tables B1-B3; as well as financing activities that would not qualify as *QLICIs*, based on the narrative provided in Q. 21 and Table B4. See FAQ #69 for additional details on direct financing versus indirect or facilitated financing. See FAQ #71 for additional information on which types of activities should be included in Question 21 and Table B4.

Note: Prior NMTC *QLICI* experience is not required to score favorably if an *Applicant* has a demonstrated track record of making loans or investments, purchasing loans, and/or *Financial Counseling and Other Services (FCOS)* that are substantially similar to NMTC *QLICIs*.

B. General Questions on the Contents of the *Allocation Application*

24) The *Allocation Application* includes several "Notes" informing *Applicants* that responses to certain questions may be used to populate fields in their *Allocation Agreements*, should they receive an *NMTC Allocation*. Are these the only application-specific items that will be included in the *Allocation Agreements* for current round *Allocatees*?

No, not necessarily. While responses to certain questions identified in the "Notes" in the *Allocation Application* will become a requirement in the *Allocation Agreement*, the CDFI Fund reserves the right to add other specific requirements or restrictions to the *Allocation Agreements* as necessary to further programmatic goals. For example, if it appears any of the proposed transactions in an *Allocation Application* violate the NMTC statute or regulations, the CDFI Fund may include explicit restriction language in the *Allocation Agreement* to prohibit such transactions.

25) How do I complete the *Allocation Application* if my organization is a newly-formed entity?

A newly-formed or start-up entity that does not itself have a track record of raising capital, offering products and services, creating community outcomes, etc., may reference the track record of its

*Controlling Entity (*if the *Applicant* designated a *Controlling Entity)* as appropriate throughout the *Allocation Application*. (For more information about who is considered a *Controlling Entity*, see the *Allocation Application* Glossary of Terms, Q. 3 Notes in the *Allocation Application,* as well as FAQ #27 below.)

26) How can *CDEs* identify whether potential NMTC investments are located in NMTC-eligible *Low-Income Communities (LICs)*?

Applicants should use the CDFI Information Mapping System v.4 (CIMS4) to geocode addresses, map census tracts and counties, and determine whether potential *QLICIs* are located in NMTC eligible *Low-Income Communities*. For more information on accessing CIMS4, please visit https://www.cdfifund.gov/Pages/mapping-system.aspx. Since QLICIs closed on or after September 1, 2024 must be based on 2016-2020 ACS data applied to the 2020 census tracts to determine Low-Income Community eligibility, *Applicants* must use 2016-2020 ACS data to determine NMTC eiligibility for potential CY 2024-2025 Round pipeline businesses or projects. Additional information on *Low-Income Community* eligibility is available on the Research and Data webpage of the CDFI Fund's website (www.cdfifund.gov/research) under the heading "Program Eligibility Guidance." For questions on the transition to ACS 2016-2020 data, please visit https://www.cdfifund.gov/sites/cdfi/files/2023-08/NMTC_LIC_FAQs_2020_ACS_Sept1_2023.pdf.

C. *Applicant* Information Section

27) Who can be considered a *Controlling Entity* for purposes of demonstrating an organizational track record?

All *Applicant*s designating a *Controlling Entity* must identify the entity that satisfies the definition of *Controlling Entity* in the *Allocation Application* Glossary of Terms. The CY 2024 - 2025 *Allocation Application* provides requirements for what constitutes a *Controlling Entity* for *Applicants* that have not received an *NMTC Allocation* under prior NMTC Program rounds CY 2013 to CY 2020. If awarded, a CY 2024 - 2025 *Applicant* that designated a *Controlling Entity* in Q. 3 and has not received an allocation(s) under NMTC Program rounds CY2013 to CY 2020, will be required to demonstrate that the designated entity meets the applicable *Controlling Entity* definition in the CY 2024 - 2025 *Allocation Application* no later than 60 days from the date it receives notification from the CDFI Fund of its allocation award.

Applicants that have received allocations starting in CY 2013 Round will be required to meet the *Controlling Entity* definition in their prior *Allocation Agreements*, which is also reflected in the CY 2024 - 2025 *Allocation Application* Glossary of Terms definition of *Controlling Entity*. Such *Applicants* are required to maintain the same *Controlling Entity*, except in cases where the CDFI Fund has amended the applicable *Allocation Agreement(s)*.

Should the *Applicant* receive an *NMTC Allocation* in the CY 2024 - 2025 round, the *Controlling Entity Representative* will be required to sign the *Allocation Agreement,* and the entity that is designated as the *Controlling Entity* will need to continue in that capacity throughout the term of the *Allocation Agreement.* Any changes must be approved in advance and in writing by the CDFI Fund. See the "NMTC Program Compliance Monitoring Frequently Asked Questions" for more information on amending *Allocation Agreements* to remove or change the *Controlling Entity*. If the *Applicant* receives an *NMTC Allocation* in this round, the *CDE*'s *Allocation Applications* in future rounds must designate the same *Controlling Entity* as the entity designated in this *Allocation Application,* unless the CDFI Fund has amended the *Allocation Agreement(s).*

If the *Applicant* does not properly fill out the *Controlling Entity* question in the *Allocation Application* or continually references more than one entity as its *Controlling Entity* in the narrative for the Business Strategy section (including track record of serving *Disadvantaged Businesses or Disadvantaged Communities*), Community Outcomes section, or the Exhibits, the *Applicant's* score may be adversely affected in the review of its *Allocation Application*.

28) If an *Applicant* previously applied with a *Controlling Entity*, can it apply without one in this round?

An *Applicant* that received an *NMTC Allocation(s)* in CY 2013 Round and later rounds that designated a *Controlling Entity* in that *Allocation Application,* may not submit an *Allocation Application* in a later round with a different *Controlling Entity* or without a *Controlling Entity* unless the CDFI Fund has approved an amendment to the prior round *Allocation Agreement(s)*. See the "NMTC Program Compliance Monitoring Frequently Asked Questions" for more information on requesting a change or removal of a *Controlling Entity*.

Applicants that have received *NMTC Allocation(s)* in the CY2013 round and later rounds are required to maintain the same *Controlling Entity* throughout the terms of those *Allocation Agreements* with the CDFI Fund, as set forth in section 6.13 of the *Allocation Agreement(s).* Failure to do so without the prior written approval of the CDFI Fund could result in the CDFI Fund declaring the *Applicant* in default of its *Allocation Agreement(s)*.

29) Is an *Applicant* able to use the track record resulting from its role as a *Controlling Entity* in a prior round?

An organization that was a *Controlling Entity* to an *Allocatee* in a prior round(s) and subsequently separated from that *Allocatee*, as a result of an amendment to the *Allocation Agreement(s)*, may not claim the NMTC-related track record of such *Allocatee*.

If the *Allocation Agreement* is in effect (within the compliance period), there has been no amendment to the *Allocation Agreement* to separate the *Controlling Entity* from the *Applicant*, and the *Applicant* and the *Controlling Entity* both apply separately in this round, they will be considered a Common Enterprise and such *Allocation Applications* will be rejected. See *NOAA* section III.A.6 for additional details regarding Common Enterprise. Also see FAQ #18.

30) If an *Applicant* that received allocation under prior NMTC Program rounds CY 2013 to CY 2022 is considering removing or replacing its *Controlling Entity*, can the *Applicant* submit an amendment request concurrent with or subsequent to submitting a CY 2024 - 2025 *Allocation Application*? How will the CDFI Fund evaluate the CY 2024 - 2025 *Allocation Application* if the *Applicant* also submits an amendment request to remove or replace the *Controlling Entity* from its existing *Allocation Agreement(s)*?

Prior round *Applicants* that are considering amending their existing *Allocation Agreement(s)* to remove a *Controlling Entity* or replace a *Controlling Entity* must follow the procedure in the "NMTC Program Compliance Monitoring Frequently Asked Questions" on the CDFI Fund website. *Applicants* that received an allocation(s) under NMTC Program rounds CY 2013 to CY2022 that want to remove their *Controlling Entity* are required to submit the amendment request by the deadline in Table 1 in the *NOAA*. In any case, unless the CDFI Fund has amended any applicable prior round *Allocation Agreement(s)* to replace or remove a *Controlling Entity*, the *Applicant*'s CY2023 *Allocation Application* must reflect the *Controlling Entity* designated in its prior round (CY2013-CY2022) *Allocation Applications* and in the applicable *Allocation Agreement(s)*. Note that the *Allocatee* may replace (but not remove) the Controlling Entity in situations where there is a merger, acquisition, bankruptcy, or similar legal actions. However, the *Allocatee* must notify the CDFI Fund of any change to the designated Controlling Entity via a Material Event submission.

An *Applicant* will be reviewed based on the information provided in the *Allocation Application,* as well as any subsequent information obtained during the due diligence process as described in the *NOAA*, including Certification of Material Events Forms required under existing *Allocation Agreements*. For more information on the requirement to advise the CDFI Fund of certain material events, please refer to the "NMTC Program Compliance Monitoring Frequently Asked Questions" and *Allocation Agreement* section 6.9.

31) If an *Applicant* has a multi-state, statewide, or local service area, can it use *Allocation Application* Question 8 to identify specific states or counties it intends to serve?

No, only *Applicants* with a national service area should use *Allocation Application* question 8 to identify states where they expect to deploy the largest amount of *QLICIs*. The specific states or counties an *Applicant* may serve is based on the *CDE* certification data contained in AMIS. If the *Applicant* has submitted a service area amendment in accordance with guidance provided in the *NOAA*, then that information will be taken into account during the review process.

32) How should an *Applicant* approach the *Allocation Application* if it submits a request to modify its *CDE* service area, but will not know the outcome of the request before the *Allocation Application* is due?

If the *Applicant* has submitted a service area amendment in accordance with guidance provided in the *NOAA* and by the date in Table 1, then that information will be taken into account during the review process. The *Applicant* may submit its *Allocation Application* assuming the amendment request will be approved. The only exception is the response to Question 7, which asks for the service area already approved by the CDFI Fund. If the *Applicant* receives an *NMTC Allocation* and its service area amendment request is approved, the updated service area will be reflected in the CY 2024-2025 *Allocation Agreement* for all future allocations.

If the Applicant's service area amendment request is not approved, the CDFI Fund will consider a a second service area amendment request if submitted within 60 days of receiving the CDFI Fund's notification letter indicating that its initial request was not approved. If the second service area is approved and the *Applicant* is selected to receive an allocation in this Round, the expanded service area will be reflected in CY 2024-2025 *Allocation Agreement* and all future allocations. If the Applicant's second service area amendment is not approved and the *Applicant* is selected to receive an allocation in this Round, the *Applicant*'s *Allocation Agreement* will reflect its existing service area (prior to its amendment request).

If the *Applicant* did not submit the request via AMIS by the deadline in Table 1 of the *NOAA*, and the *Applicant* is selected to receive an allocation, the existing service area (prior to the amendment request) will be reflected in the CY 2024-2025 *Allocation Agreement*.

33) How can an *Applicant* change the *Authorized Representative* and *Application Contact Person* after the *Allocation Application* is submitted?

If the *Applicant* wishes to change the *Authorized Representative*, the *Applicant* will attach to an AMIS service request a letter on the organization's letterhead providing the following information, as applicable:

- If the individual identified as the *Authorized Representative* at the time of *Allocation Application* submission was involved in New Markets Tax Credits activities (e.g. Management Capacity and Exhibit C), the *Applicant* will provide the name, experience and roles and responsibilities of the individual(s) undertaking these activities going forward.
- A certification that the individual selected to be the new *Authorized Representative* is not the *Authorized Representative* for another *CDE* applying in the same Allocation Round.
- A certification that the individual selected to be the Authorized Representative has the actual authority of the Governing Board (or equivalent) of the *Applicant* to sign for and make representations on behalf of the *Applicant.*

If the *Applicant* wishes to change the *Application Contact Person,* only an AMIS service request is required. The *Application Contact Person* is the individual that the CDFI Fund may contact—jointly with the *Authorized Representative*—during the course of the *Allocation Application* review with questions or requests for additional information regarding the *Allocation Application*.

34) If an *Applicant* is planning to finance predominantly facilities for *Operating Businesses*, what option should they select in Question 10?

If the facilities being predominantly financed will be owned (either directly or through an *Affiliate*) by an *Operating Business*, the *Applicant* should select *Operating Business* financing in Question 10. If the *Applicant* intends to predominantly finance the development (including construction of new facilities and rehabilitation/enhancement of existing facilities), acquisition, management or leasing of real estate that will be sold or leased to third parties, the *Applicant* should select one of the real estate financing options.

The information in Question 10 is used in the CDFI Fund's public releases about *Allocatees*, including the *QEI* Issuance Report. **An *Applicant*'s response to Question 10 will not impact the scoring or evaluation of its *Allocation Application*.** If the *Applicant* indicates in Question 10 that it proposes to predominantly finance *Operating Businesses*, it would be generally expected that the *Applicant* will devote the majority of its *QALICB* financing to Non-*Real Estate Activities* or *Real Estate Activities* where the real estate will be owned (either directly or through an *Affiliate*) and principally occupied by an *Operating Business* as shown in Question 13.

Note: When answering *Allocation Application* Question 19 (Innovative Investments), refer to FAQ #64 for what specifically qualifies as Non-Real Estate innovative investments.

D. Business Strategy Section

35) Will an *Applicant* be advantaged in the *Allocation Application* scoring if they select to pursue certain activity types in Question 13(b) or business types in Q. 17 and Table A5?

No, *Applicant*s will not receive any advantage in the *Allocation Application* scoring by simply selecting certain business types or activity types.

36) In Question 14, will the *Applicant* receive any advantage by offering more than one financial product?

No, *Applicants* receive no advantage in the evaluation of the *Allocation Application* by selecting and describing more than one financial product. *Applicants* that use the same narrative text for different financial products will not be scored as favorably as those that provide a distinct and unique narrative for each product.

37) How should an *Applicant* respond to Question 14 if it will offer multiple financial notes to a single *QALICB*?

Question 14 of the CY 2024 - 2025 *NMTC Allocation Application* asks *Applicants* to describe up to three financial products that will be offered with capital raised from its *NMTC Allocation*. Each financial product described by the *Applicant* must be a stand-alone financial product. For each product, the *Applicant* should clearly discuss how the product is structured, as well as the benefits this structure provides to borrowers/investees. A single financial product may contain multiple financial notes offered together. For example, the *Applicant* will offer a financing package that includes a senior loan (A note) and a subordinate loan (B note) to *QALICBs*. *This financing package should be described as a single financial product to the extent that the individual loans will not be offered individually*.

Applicants that will offer multiple financial notes in a single financial product should describe the rates and terms of the financial notes on a blended basis. To determine the blended interest rate for two or more financial notes, the *Applicant* should calculate the weighted interest rate for each financial note (see FAQ #40). To the extent different financial notes have different flexible features (e.g., the A-note has a 30-year term and the B-note has a seven-year term), *Applicants* should clearly describe the flexible features of each financial note.

38) In Question 14(b), what does subordination mean as a flexible feature?

Subordinated debt is NOT a specific type of debt product for the purposes of this question. Per the Note to Question 14(b) and FAQ #37 above, a financial product with multiple financial notes (e.g., an A and B note, or an A, B, and C note) must be described as one product. The *Applicant* may describe subordination as a flexible feature for the product(s) described in Question 14(b). For example, the *Applicant* is offering a product with an A and B note where the B note is subordinate to the A note. The *Applicant* may also discuss subordination in relation to the financing provided to the *QALICB* by other sources (e.g. *unrelated CDEs* in multi-*CDE* transactions; or in relation to non-NMTC financing provided to the *QALICB)*.

39) In Question 14(b), the *Applicant* is asked to describe how the rates and terms of its proposed *QLICIs* compares to the financial products typically offered by other financial institutions or investors in the Applicant's service area. If the Applicant or an Affiliate is a regulated financial institution, can the Applicant compare the rates and terms of its proposed QLICIs with those that the *Applicant* or its *Affiliate* provides without NMTCs?

If the *Applicant* or an *Affiliate* is a regulated financial institution providing financial products in its NMTC service area, the *Applicant* can use the non-NMTC lending and/or investing activities of the regulated financial institution when comparing the proposed *QLICLIs* to the other financial institutions or investors in the *Applicant's* service area.

40) For the purposes of answering Questions 14 and 15, how is the interest rate calculated for NMTC investments made through the A-B leverage structure?

The interest rate should be calculated by taking the weighted average of the interest rate on the A loan and on the B loan, provided these transactions are offered as one financial product. For example, if the interest rate on a $7 million Note A in the leverage structure is 7.0% and the interest rate on a $3 million Note B is 1.0%, then the weighted average interest rate will be 5.2%. If the market interest rate was 8.0%, then the interest rate on the NMTC financing would be 35% below market.

When answering Question 14(b), the Note clearly states that *Applicants* should describe what circumstances would dictate the specific rates, terms or features (lower LTV, DSCR, etc.). The CDFI Fund understands that there are a number of factors that may affect *QLICI* interest rates, terms and features offered, including but not limited to: sources of capital expected to finance the business; risk, such as business start-up versus existing business; etc. In the response to Q. 14(b), *Applicants* must discuss the factors that would affect the *QLICI* interest rates, terms and features offered.

For additional guidance on compliance with this requirement, please see the "NMTC Program Compliance Monitoring Frequently Asked Questions" document.

41) If an Applicant is proposing to use its *NMTC Allocation* to finance one or more loan funds, including small dollar loan funds (*QLICIs* of up to $4 million) and/or revolving loan funds (with terms of 60 months or less), what information should be provided as part of its product description in Q. 14?

In addition to elements listed in Q. 14(b) (e.g. % of Allocation, rates, terms, flexible features, if the product will be structured with a single note or multiple notes, etc), the Applicant should indicate if a single *QEI* will finance *QLICIs* to multiple unaffiliated *QALICBs*. If the loan fund will use leveraged debt, the *Applicant* should discuss the typical source(s) of leverage debt that will be used (e.g project sponsor, third-party lender, NMTC investor, *Applicant/Controlling Entity*).

Example of small QLICI loan pool (SQLP) – the Applicant will use 20% of its Allocation to provide QLICIs of $4 million or less. It plans to use a single QEI to finance several several QALICBs, each receiving a single QLICI note that is X% below market. The SQLP will use NMTC investor equity and third-party bank debt. The rates, terms and flexible features include…."

Example of a Revolving Loan Pool (RLP) – The Applicant will use 20% of its Allocation to finance one or more RLPs to provide QLICIs ranging from $X to $Y. The Applicant will combine leverage debt from the Controlling Entity to provide loans to QALICBs with an interest rate reduction and the flexible features noted below. By using standardized loan documents and a single QEI to fund multiple borrowers, the RLP enables borrowers to avoid $200,000 in closing fees. The rates, terms and flexible features include:…".

42) **The *Allocation Application* clearly states that *Applicants* may not include information about loans or investments closed after the release date of the *Allocation Application*. Where may a prior *Allocatee* discuss *QLICIs* closed or expected to close after this date?**

An *Applicant's* responses to questions related to its track record must not include loans and/or investments closed after the release date of the CY 2024 - 2025 *Allocation Application*. However, *Applicants* should include information about NMTC investments closed and/or expected to close after the release date of the *Allocation Application* in Question 17(c). If the *Applicant* has committed *QEIs*/*QLICIs* from prior allocations to specific projects, the *Applicant* should provide the name of the business, city, state, business type (e.g. education, healthcare, manufacturing/industrial, mixed-use real estate, etc.), anticipated closing date, year of allocation, and the amount of QEI/*QLICI* committed. If the *Applicant* intends to use *QEIs/QLICIs* from prior allocations to fund a small *QLICI* loan fund, the *Applicant* should provide the status of such loan fund (e.g. dollar amount of *QEIs* to be used, number of businesses/borrowers identified).

Applicants may not discuss NMTC investments closed after the release date of the CY 2024 - 2025 *Allocation Application* in Questions 20, 21, 22(e), 26 (track record of community outcomes), 27 (track record of community accountability and involvement), 35 (track record of raising capital), or 44. These investments must not be included in Exhibits B.

Application reviewers will be directed to disregard any investments made after the release date of the CY 2024 - 2025 *Allocation Application* for the evaluation of these questions and exhibits.

43) **How will the CDFI Fund evaluate whether a prior *Allocatee* has utilized its prior allocations in a manner that is generally consistent with the representations made in the relevant prior year *Allocation Applications*?**

The CDFI Fund expects that the *Applicant* will use its QEIs to provide *QLICIs* to projects or businesses that are generally consistent with the business strategy articulated in the *Allocation Application* that was awarded, including but not limited to, the proposed product offerings, business type, fees, and markets served (i.e., service area) and Notable Relationships. As described in the *NOAA*, the CDFI Fund reserves the right to reject or reduce the *NMTC Allocation* award amount of any *NMTC Allocation Application* in the case of a prior *Allocatee*, if such *Applicant* has failed to use its prior *NMTC Allocation(s)* in a manner that is generally consistent with the business strategy set forth in the *Allocation Application(s)* related to such prior *NMTC Allocations*.

For example, if *CDE* XYZ Community Investments' pipeline for a prior year *Allocation Application* includes investments in business types consisting of mixed-use real estate as well as multi-service community organizations, the CDFI Fund expects that *CDE* XYZ Community Investments will provide *QLICIs* to these types of businesses. If, subsequently, *CDE* XYZ Community Investments provided a *QLICI* to a hotel (i.e. hospitality business), which was not discussed as a project or business type in Q.17 or Table A5, this divergence from the *Applicant's* proposed business strategy will be considered during evaluation of whether the *Applicant* used its prior *NMTC Allocation* in a manner generally consistent with business strategy in its prior *Allocation Application*.

The CDFI Fund will consider whether the *Allocatee* used *QEIs* to finance one or more projects or businesses that are not generally consistent with the business strategy of the *Allocation Application* that was awarded. If so, the CDFI Fund will determine whether the amount of *QEIs* so used exceeds 15% of any one Allocation awarded to the *Allocatee*; or 30% of any one Allocation awarded to the *Allocatee* in the CY 2017 to CY 2020 rounds, relative to business types as outlined in FAQ #45 below.

CY 2024 - 2025 *Allocatees* that use an amount of *QEIs* greater than 15% of their CY 2024 - 2025 *NMTC Allocation* to finance one or more projects or businesses that are not generally consistent with their CY 2024 - 2025 *Allocation Application* (i.e., business types in Q. 17 and Table A5) may be denied an *NMTC Allocation* in future allocation rounds.

44) What information will the CDFI Fund evaluate to determine whether a prior *Allocatee* has utilized its prior allocations in a manner that is generally consistent with the representations made in the relevant prior year *Allocation Applications*?

The CDFI Fund will evaluate whether a prior *Allocatee* has provided *QLICIs* that are generally consistent with prior business strategies by reviewing transaction-level data submitted to the CDFI Fund by prior *Allocatees*, as well as narratives provided in Q.44 of the CY 2024 - 2025 *Allocation Application*. The CDFI Fund will review transaction-level data related to prior Allocations and compare it to prior successful *Allocation Applications*.

Applicants that receive an allocation under prior rounds should ensure that the information they provide in their Transaction Level Report (e.g. business description primary and business description narrative, fees, note purpose, etc.) is in accordance with the Allocatee (CDE) Transaction Level Report Data Point Guidance for AMIS on the CDFI Fund's website.

45) How will the CDFI Fund evaluate changes in an *Allocatee's* business strategy in response to the COVID-19 pandemic in terms of compliance with and future eligibility for the NMTC Program?

To mitigate the impact of the COVID-19 pandemic on compliance with existing *Allocation Agreements* and eligibility in future *Allocation Rounds*, the CDFI Fund will consider whether the *Allocatee* used an amount of *QEIs* greater than 30% of any one *NMTC Allocation* to finance one or more projects or businesses that are not generally consistent with the business strategy (specifically the business types) of the *Allocation Application* that was awarded. This COVID-19 pandemic exception only applies to CY 2017, 2018, 2019, and 2020 *NMTC Allocations*.

46) Will the *CDE* be required to make innovative investments it committed to in the *Allocation Application* if the *Allocation Agreement* does not explicitly require it in Schedule 1?

A *CDE* that proposes to pursue an innovative investment of an *NMTC Allocation* in its *Allocation Application* is only required to make such innovative investments if Schedule 1 of the *Allocation Agreement* so indicates. If Schedule 1 does not require an *Applicant* to make innovative investments, the *Applicant* may choose whether to engage in such innovative investments consistent with the terms and conditions of its *Allocation Agreement*; such an *Applicant*'s failure to make innovative investments will not negatively affect the CDFI Fund's assessment of whether the *Applicant* remained 'generally consistent' with its *Allocation Application* in carrying out its *NMTC Allocation*.

47) If awarded an Allocation, will the *CDE* be required to invest in all the businesses identified in Q17 and Table A5?

The purpose of Question 17 and Table A5 is for the *Applicant* to illustrate the types of projects or businesses it intends to finance with its *NMTC Allocation*. Question 17 and Table A5 also allow the *Applicant* to demonstrate that it is able to identify a pipeline of businesses/projects equal to the amount of its allocation request.

The CDFI Fund recognizes that some projects or businesses may become infeasible and new opportunities may arise between the time the *Allocation Application* is submitted and allocation awards are announced. The CDFI Fund also recognizes that most *Applicants* who receive an allocation will be awarded an amount below their allocation request. Therefore, the CDFI Fund does not expect an *Applicant* to invest in all of the projects listed in Question 17 and Table A5. However, all *QLICIs* made by *Allocatees* must be clearly consistent with the overall strategy, including the business types the *Applicant* identified in Question 17 and Table A5 (e.g. education, health, multi-service community organization, business services, infrastructure, manufacturing/industrial, etc.).

Applicants are cautioned against repeating the same pipeline projects or businesses from past successful *Allocation Applications* without explaining in Question 17 why the projects or businesses have not progressed. Should the *Applicant* make it to Phase 2 panel review, the CDFI Fund may not consider those projects in its award determinations should the *Applicant* fail to explain why the project(s) or business(es) have not progressed.

48) What information should an *Applicant* include in its response to Question 17?

In its narrative on the pipeline of activities, the *Applicant* should address:

- Total number of businesses or *CDEs* the *Applicant* intends to finance with the Allocation, including the total dollar amount of NMTC financing (e.g. *QEI* and *QLICI* amount) to be provided. Total *QEI* needs should be equivalent to the *Applicant's* allocation request in Question 1;
- The portion of the *Applicant's* pipeline that falls into different business types (e.g. education/training, retail, multiservice community organization, business services, consumer retail/services, energy generation, manufacturing/industrial, etc.) consistent with the selections in Table A5 (row n) and activity types (e.g. loans to *QALICBs,* investments in *CDEs*, loan purchases from *CDEs*, etc.); and
- Factors that inform the *Applicant*'s investment strategy, including borrower/investee selection criteria, the capital needs of its borrowers/investees, the Applicant's range of dollar amounts of proposed NMTC investments, etc.

Applicants should not provide detailed descriptions of sample transactions in Question 17, since those are provided in Table A5. However, *Applicants* should <u>use Question 17 to describe fully the types of smaller transactions they plan to make using a loan fund or loan pool structure</u>. See FAQ #53 for more information on describing transactions associated with a loan fund/pool structure.

For the *Applicant's* investment strategy, the selection criteria should address how the *Applicant* identifies borrowers and investees; and how the capital needs of the borrower/investees informs the range of dollar amounts of proposed NMTC investments and allocations to be provided by unaffiliated *CDEs.*

Applicants should ensure that it only provides the required information without duplicating information provided in Table A5. See the "CY 2024 - 2025 NMTC Allocation Application – AMIS Navigation Guide" for additional details.

Please also refer to FAQ #42, which provides details on what to include in the response to Question 17 regarding planned *QLICIs* that will close after the release date of the CY 2024 - 2025 *Allocation Application*.

49) What information should the *Applicant* provide related to how the capital needs of borrowers and investees inform allocations to be provided by unaffiliated *CDEs*?

If the *Applicant* intends to provide the full amount of its *borrowers' or investees' QEI/QLICI* needs, then the *Applicant* would not need to discuss allocations to be provided by unaffiliated *CDEs* in response to this part of Q. 17. However, if the *Applicant* determines that it cannot provide the full amount of *QEI/QLICIs* needed by borrowers or investees and the *Applicant* anticipates partnering with unaffiliated *CDEs*, then the *Applicant* should explain the circumstances where unaffiliated *CDEs* would provide additional *QEIs/QLICIs*.

50) Should the projects and activities listed in Table A5 match the projects and activities listed in Question 17?

The projects and activities listed in Table A5 should be consistent with the information presented in Question 17. However, for Question 17, *Applicants* should not provide details of the sample transactions described in Table A5. The total *Applicant QEIs* for the projects and activities listed in Table A5 should match the *Applicant's* allocation request in *Allocation Application* Question 1 (unless the *Applicant* is proposing *FCOS* or loan purchases in Q.13(b)).

In cases where the *Applicant* anticipates using a portion of its Allocation to invest in a small dollar loans (equal to or less than $4MM) and/or revolving loan or equity fund (QLICI terms of 60 months or less), the *Applicant* should indicate "yes" for row m ("Small Dollar Fund and/or Revolving Loan Fund") in Table A5.

If the *Applicant* is planning to use a portion of its Allocation to fund a loan fund, but the QLICIs will not be less than $4 million and the QLICIs will not revolve, select "no" for row m in Table A5..

See FAQ #53 for more information on describing QLICIs to be made using a loan fund structure.

51) In Table A5, what are the most important items to cover in Project/Business Name (row a1) and Description (row a2)?

In Table A5, Applicants should provide the Project/Business Name (row a1) and Description (row a2) which aligns with the narrative in Question 17. For all pipeline projects in Table A5, the Description should include how the *QLICIs* will be used (e.g., build new facility, acquisition and rehab of vacant building, purchase/installation of equipment, expand existing facility, provide working capital and make leasehold improvements, etc.).

For an investment in, or loan to, a *QALICB* that is an *Operating Business* (non-Real Estate), the Description in Table A5 (row a2) must include the type of business that is being financed (e.g. grocery store, Federally Qualified Health Center, charter school, manufacturing company, multiservice community organization, etc.) and the products or services provided by the *Operating Business* (e.g. healthy foods, primary health care, grades K-12 education, manufacture of farm equipment, early childhood education, youth services, job training, storage and distribution of medical equipment, etc.).

For an investment in, or loan to, a *QALICB* that is a Real Estate business (where the real estate will be principally leased to third-party tenants or sold to a third-party), the Description in Table A5 (row a2) must include the type of businesses that will be the anchor tenant(s), (e.g. grocery store, distribution center, commercial kitchen, etc.) and of the products or services provided by the anchor tenant(s) (e.g. retail groceries with fresh produce and pharmacy, wholesale distribution of meat and seafood to restaurants, space for food preparation and storage facilities for small food vendors, etc.).

If the *Applicant* is proposing to provide *QLICI*s to other *CDEs*, the *Applicant* should indicate the name of the other *CDE*(s) (i.e. *Unrelated CDEs*). Additionally, the *Applicant* should clearly state how the *QLICIs* will be used. For example, the *Applicant* should describe how the subsequent *QLICIs* made by the *Unrelated CDE* will provide a loan or *equity investment* into one or more *QALICBs* as well as the business types of the *QALICBs* to be financed.

Example 1 (Investment in, or loan to *QALICB; Operating Business*):

Business Name (row a1) Global Lenses
Description (row a2) QLICIs will finance retrofitting and expansion a 110K SF facility to produce lenses for industrial and aeronautical uses for domestic and international markets. The *QLICI* will allow this manufacturing business to increase production and meet increased demand for its products.

Example 2 (Investment in, or loan to *QALICB; Real Estate)*:

Business Name (row a1) Southeast Neighborhood Hub
Description (row a2) A mixed-use real estate project in the disinvested Southeast neighborhood that will acquire and construct a 75K SF social services campus anchored by a Federally Qualified Health Center providing primary healthcare and preventative care. The campus will also include non-profits providing educational programs, and social services.

Example 3 (Investments in, or loans to, other *CDEs)*:

Business Name (row a1) XYZ *CDE*
Description (row a2) The Applicant will make a $15MM QLICI in XYZ CDE, which it will use to finance 4 to 5 education facilities in the city of Wright. The Evergreen School is an example of a borrower seeking financing for the construction of a 31,000 SF addition to the existing school to provide additional programs for students in grades 5 through 8 from the surrounding LIC.

52) In Table A5, how should an *Applicant* respond if a single *QLICI* will finance several business types (row n), will finance several planned uses (row o), or result in several community outcomes (row p)?

For each planned transaction in the Applicant's pipeline, *Applicants* may one or more options in Table A5 for planned uses (row o), community outcomes (row p) and business types (row n). See FAQ #53 for exception to this requirement. For business type (row n), *Applicants* should select one or more options which most closely captures the *QALICBs* the *Applicant* intends to finance. Table A5 reflects a variety of business types to help the *Applicant* categorize its pipeline projects with the specific business types:

Cultural	For-Sale Housing	Manufacturing/Industrial
Education/Training	Mixed-Use Real Estate	Consumer Retail/Services
Healthcare	Office Space	Business Services
Multi-service Community Organizations/Social Services	Hospitality/Tourism	Utilities/Energy Generation
	Other	Infrastructure

The *Applicant* should use "Other" only when the QALICB's business activities do not align with any of those listed in Table A5. If the *Applicant* selects "Other," it should clearly describe the QALICB's business activities in Description (row a2) as well as the QLICI uses. See FAQ 51 for details on the information to be included in the Description.

Note: The NMTC TLR Data Point Guidance for AMIS indicates that "transportation, logistics, or warehousing space" are to be recorded as Industrial under "Business Description –Primary".

53) In Table A5, how should an *Applicant* respond if the Allocation will be used for a loan fund, including a small dollar loan fund and/ or a revolving loan fund. What information should the *Applicant* provide in Table A5 and Q. 17?

Applicants that plan to use $15 million or less of the requested allocation to provide *QLICIs* through a loan fund structure may aggregate these transactions into one or more entries in Table A5 and select "yes" for row m if the QLICIs will be made through small dollar loan fund structure (amounts up to $4 million) or if the QLICIs will be made through a revolving loan fund structure (with terms of 60 months or less). If the loan fund will not be structured as a small dollar loan fund or a revolving loan fund the *Applicant* should select "no" in Table A row m. For business type (row n), the *Applicant* should select the business type for the most prevalent type of QALICBs to be financed. If the QALICBs will be located in multiple locations, enter "Multi-City" for the City in row b, select the most likely state or the state where the largest portion of *QLICIs* will be located in row b, and select "Multi-Tract" for row c.

In Q. 17, the *Applicant* must make sure to provide the total amount of *QEIs* to be used for the loan fund, the activity types (e.g., loans to or *equity investment*s in *QALICBs*, loans to other *CDE*s), whether a *QEI* will fund multiple *QALICBs*, whether each *QALICB* will receive QLICIs of $4 million or less, whether the *QLICIs* provided to *QALICBs* will have terms of 60 months or less, the businesses types it intends to finance (e.g. mixed use, multiservice community organizations, business services, retail, etc.), and the total number of businesses identified.

Applicants that plan to use more than $15 million of the requested allocation to provide *QLICIs* through one or more loan fund structures, Table A5 must identify pipeline projects for all planned *QLICIs* of more than $4 million that will be funded through a loan fund structure. As these transactions are entered separately, the *Applicant* should select “no” for row “m” in Table A5 for each transaction.

For planned loan fund structures with *QLICIs* that are equal to or less than $4 million (i.e. small dollar loan fund), the *Applicant* should provide distinct representative pipeline projects in Table A5 for at least 50% of the requested allocation to be used for a small dollar loan fund and select “yes” for row “m” in Table A5. For the remaining 50% of allocation to be used for a small dollar loan fund, the *Applicant* may aggregate these *QLICIs* into one entry in Table A5 and selecting “yes” for row “m.”

If the loan fund will include *QLICIs* greater than $4 million AND the *QLICIs* will not revolve during the NMTC compliance period (i.e. loan term is greater than 60 months), for each transaction in Table A5 row m the *Applicant* should select “no”. For each representative transaction, the *Applicant* should select one or more business types (row n) that most closely captures the *QALICBs* the *Applicant* intends to finance. If the *QALICBs* will be located in multiple locations, enter “Multi-City” for the City in row b, select the most likely state or the state where the largest portion of *QLICIs* will be located in row b, and select “Multi-Tract” for row c.

In Q. 17, the *Applicant* must make sure to provide the total amount of *QEIs* to be used for the loan fund structure, the activity types (e.g., loans to or *equity investment*s in *QALICBs*, loans to other *CDE*s), whether a *QEI* will fund multiple *QALICBs*, whether each *QALICB* will receive *QLICIs* of $4 million or less, whether the *QLICIs* will have terms of 60 months or less, the businesses types it intends to finance (e.g. mixed use, multiservice community organizations, business services, retail, etc.), and the total number of businesses that it anticipates financing.

54) In Table A5, what is the meaning of “Mixed-use real estate” (row n)? How should food-related businesses be classified in row n?

A *QALICB* may be classified as mixed-use real estate if it provides more than one business use (e.g. office, retail, housing, manufacturing/industrial, healthcare, hotel/hospitality, arts/cultural, and education, multi-service community organizations, housing, etc.) For example, combinations of the following would qualify as mixed-use real estate: office and retail; housing, office, and multi-service community organization; or arts/cultural and retail.

Applicants should only list the business types of the *QALICB* that will receive the *QLICI* funds. For example, if a mixed-use real estate includes rental housing, multiservice community organization, a farmers market (retail) and a food business incubator, but the *Applicant’s QLICI* will only finance the multiservice community organization, farmer’s market and food business incubator, the Description (row a2) in Table A5 should not include rental housing.

Note: Multi-service community organizations alone are not the same as mixed-use real estate.

Food-related businesses such as groceries, bakeries, and farmers' markets should be classified as consumer retail/services in Table A5 row n. Food banks providing goods free of charge should be classified as multi-service community organization in Table A5 row n. Food wholesalers should be classified as business services in Table A5 row n.

55) Can NMTCs be used to finance broadband and other infrastructure related activities?

Broadband, similar to other infrastructure (e.g. roads, water, sewer), is eligible for NMTC investments provided that those activities meet the IRS Regulations related to a business qualifying under the NMTC program. For additional details, please see IRC 45D and related IRS guidance.

56) There are some activities that are not clearly prohibited by the IRS Tax Regulations, but that are also not clearly allowed. If my business strategy falls within one of these more undefined areas, how will my *Allocation Application* be scored by the CDFI Fund?

The CDFI Fund will evaluate each *Allocation Application* on a case-by-case basis, and consult with the IRS as necessary during Phase 2 of the review process, to ensure that the activities proposed are within the guidelines set forth in the IRS Tax Regulations. If some or all of the *Applicant*'s proposed activities are not allowable pursuant to the IRS Tax Regulations, the CDFI Fund may reduce the recommended amount of an *NMTC Allocation* as appropriate or deny the *Applicant* an *NMTC Allocation* entirely. Please see the third Note in Part I, Section A of the *Allocation Application* for certain CDFI Fund eligibility requirements and to ensure that your business strategy falls within those guidelines.

57) What types of due diligence should the *Applicant* address in Q.18?

In Q. 18 the *Applicant* should identify the documents reviewed and analysis performed as part of its due diligence related to the four areas noted below. The *Applicant*'s due diligence conducted in determining *QALICB*s' ability to remain financially viable and operational, prior to making a *QLICI,* should include at minimum: 1) financial considerations of the borrower or investee; 2) the likelihood of project completion related to the asset(s) financed with NMTC; 3) management team's ability to effectively undertake and successfully manage the operations of the *QALICB*; and 4) market demand for the *QALICB's* products or services.

The *Applicant* should be sure to explain how the different business types (e.g., education, retail, manufacturing/industrial, etc.) and planned uses of financing (e.g., acquisition, construction, equipment purchase and installation, etc.) described in Q. 17 and selected in Table A5 inform the due diligence performed prior to making a *QLICI*. The *Applicant* should also explain how the analyses performed are documented. <u>The *Applicant* should not refer to other parts of the *Allocation Application* in its response to Q. 18</u>.

The *Applicant* may describe additional areas of due diligence (e.g., ability to close the *QLICI)*. However, an *Applicant* will not score favorably if it does not address the documents reviewed and analysis performed for the four areas listed above.

58) **If the *Applicant* uses market analysis software to assess market demand for the QALICBs products or services, what specific information should the *Applicant* describe in its response to Q. 18?**

The *Applicant* should identify the software used, which industries, business types and geographies (e.g. national, local markets) would be referenced in these reports and what factor(s) would support the *Applicant's* decision to provide NMTC financing**.**

59) **How will the CDFI Fund assess an *Applicant's* responses to Q. 18?**

The CDFI Fund will evaluate the *Applicant's* response based on the guidance provided in FAQ 57. In addition, the CDFI Fund may request copies of documents (e.g. policies and procedures, underwriting memos, etc.) evidencing the *Applicant's* due diligence of prior NMTC loans or investments.

60) **If an *Applicant* commits in Question 19 to invest in *Unrelated CDEs or Unrelated Minority-owned or controlled or Native American-owned or controlled CDEs* that do not have *NMTC Allocations*, how would it determine if a *CDE* is eligible to receive a *QLICI* under this *commitment*?**

In order for an *Applicant* to make a *QLICI* in an *Unrelated CDE* and qualify to meet the innovative investment requirements, the *CDE* receiving the *QLICI* must not have received more than one *NMTC Allocation* in the CY 2021, CY 2022 or 2023 rounds. To determine which *CDEs* received such allocations, the *Applicant* may consult the CDFI Fund's award database: https://www.cdfifund.gov/awards/state-awards. See also the definitions of *Unrelated, Minority-owned or controlled,* and *Native American-owned or controlled* in the *Allocation Application* Glossary of Terms.

The *Unrelated CDE(s)* that would receive the *QLICI(s)* may apply for a CY 2024 - 2025 *NMTC Allocation*. Should the *Unrelated CDE(s)* and the *Applicant* be awarded a CY 2024 - 2025 *NMTC Allocation*, the *Applicant* can still make a *QLICI(s)* in that *Unrelated CDE* but such *QLICI*(s) will not qualify to meet the *Applicant's* innovative investment requirements.

For example, *Applicant CDE* DEF will make a *QLICI* in *Unrelated CDE* XYZ, as listed in Table A5 and/or described in Question 19 as an investment in "*Unrelated CDEs* that do not have *NMTC Allocations.*" If both *CDE* DEF and *CDE* XYZ apply for and receive a CY2024-25 *NMTC Allocation*, this *QLICI* in *CDE* XYZ will not qualify to meet the innovative investment requirements in *CDE* DEF's *Allocation Agreement*.

Applicants should also ensure that the percentage of investments in, or loans to, other *CDEs* selected in Q.13(b) is consistent with the percentages in Q.19 for investments in *Unrelated CDEs*.

61) **If an *Applicant* commits in Question 19 to invest a percentage of *QLICIs* in states identified by the CDFI Fund as having historically received fewer dollars of *QLICIs*, will it be held to the specific subset of states identified in the *Applicant's* strategy to deploy these *QLICIs* (for example, three states of the ten states identified by the CDFI Fund)? Or will it simply be held to any of the CDFI Fund identified states?**

The *Applicant* can invest in any of the states identified by the CDFI Fund that are within the *Applicant's* service area. The terms of the *Allocation Agreement* will hold the *Allocatee* with a national service area to investing a designated percentage in any of the identified states or U.S. Island Areas listed in FAQ #62. *Applicant*s that do not have a national service area will be required to invest in any of the identified states or U.S. Island Areas that are within the *Applicant's* service area.

62) **What are the states identified by the CDFI Fund that have historically received fewer dollars of *QLICIs*, referenced in Question 19?**

Since the inception of the NMTC Program, *QLICIs* have been made in all 50 states, the District of Columbia, Puerto Rico, and Guam. However, the CDFI Fund has identified **Puerto Rico**, along with the following 10 states, as areas that have received fewer dollars of *QLICIs* in proportion to their statewide population residing in *Low-Income Communities*: **Arizona, California, Colorado, Connecticut, Florida, Kansas, North Carolina, Texas, Virginia, and West Virginia.**

The above states are identified by dividing the total dollars of *QLICIs* invested (FY2004-FY2022) in each state by the population residing in *LIC*s in that state. Total dollars of *QLICIs* are based on the NMTC Public Data Release updated in June 2024. The population residing in *LICs* by state is established using data listed as "population for whom poverty is determined" in the 2016-2020 American Community Survey (ACS) NMTC eligibility data (and 2020 Island Areas Decennial Island Areas). For additional information see https://www.cdfifund.gov/documents/geographic-reports. The CDFI Fund also considers **the Island Areas of the United States (American Samoa, Guam, Northern Mariana Islands, and US Virgin Islands)** to have received lower levels of NMTC investment, as these areas have only received minimal amounts of *QLICIs*.

While investment in the geographies listed above is considered an innovative investment of NMTCs for the purposes of Question 19, the CDFI Fund does not give preference to this innovative investment type over any other innovative investment type.

63) **If the *Applicant* commits in Q. 19 to provide *QLICIs* where the total *QLICIs* received by the *QALICB* are $4 million or less, does that include *QLICIs* made into multi-*CDE* transactions?**

Yes. To qualify as an innovative investment, total *QLICIs* received by the *QALICB*, from all *CDEs* involved in the transaction, must be $4 million or less. For more information about how this activity will be monitored, please see the NMTC Program Compliance Monitoring FAQ #22.

64) **If the *Applicant* commits to provide *QLICIs* for non-*Real Estate Activities* as an innovative investment in Q. 19, can *QLICIs* financing both *Real Estate* and non-*Real Estate Activities* count toward this *commitment*?**

No. In order for the *Applicant's QLICIs* to count toward the innovative investment commitment, any financial note provided by the *Allocatee* to a *QALICB* must be used entirely for non-*Real Estate Activities*. For example, if the *Applicant* provides two financial notes (i.e. an A Note and a B Note) to a *QALICB* and a portion of one note is financing R*eal Estate Activities*, then none of the financial notes to that *QALICB* can be counted towards its *commitment* for non-Real Estate innovative investments.

With respect to multi-*CDE* transactions, the financing activities of other *CDEs* are not considered in the *Applicant's commitment* to Non-*Real Estate Activities*. In effect, in such transactions, other *CDEs* may provide financing for *Real Estate Activities*. In multi-*CDE* transactions, the *Applicant*'s *QLICIs* will count toward its non-Real Estate *commitment* as long as these *QLICIs* finance ONLY non-*Real Estate Activities*, notwithstanding the financing provided by other *CDEs*.

Non-Real Estate innovative investments are defined as "*QLICIs* made for non-*Real Estate Activities*, such as working capital, inventory or equipment purchase, as long as no part of the *QLICI* was used for *Real Estate Activities*." Per the CY 2024-2025 *Allocation Application* Glossary of Terms, *Real Estate Activities* "refers to the development (including construction of new facilities and rehabilitation/enhancement of existing facilities), acquisition, management or leasing of real estate by a business." Financing for activities not considered *Real Estate Activities* are considered non-*Real Estate Activities*.

65) If the *Applicant* commits to investing in *NMTC Native Areas (Federal Indian Reservations, Off-Reservation Trust Lands, Hawaiian Home Lands, and Alaska Native Village Statistical Areas)*, how can the *Applicant* identify whether potential NMTC investments are located in these areas?

Applicants should use the CIMS4 mapping tool to geocode addresses and determine whether potential *QALICBs* are located in *NMTC Native Areas.*

To determine whether a proposed *QALICB* is located in one of these areas, first access CIMS4 by clicking https://www.cdfifund.gov/cims and selecting the NMTC button. Then, click on the Layers button in upper left portion of the screen. Select *NMTC Native Areas*. Put in the address of the proposed *QALICB* in the Search bar at the top left of the screen and press Enter. Click on the search result that matches the address you are looking for and zoom in to the address. If the address shown is located in the shaded area per the Legend, then the proposed *QALICB* is located in one of these areas stated above and consequently can be considered an innovative investment. Click on the shaded area around the address to obtain the specific name of the area (e.g. Fort Apache Reservation; Kalamaula *Hawaiian Home Land*); select the "information icon" next to the area name to obtain additional demographic information about the area. Lastly, click on the Layers button and de-select the *NMTC Native Areas* layer and instead select 2020 NMTC Tract to determine whether the proposed *QALICB* is located in an *NMTC*-eligible census tract. Note that the determination of whether a proposed *QALICB* is located in one of these areas and in an *NMTC*-eligible census tract has to be conducted separately.

66) How should an *Applicant* respond to Questions 20, 21, and Exhibit B based on the activities in Question 13(b)?

The activities in Q.13(b) represent the types of NMTC activities that would generally qualify as *QLICIs*. The *Applicant* should use the types of activities in Q.13(b) as a guide for responding to Q.20, and Tables B1-B3. If the *Applicant* has a track record of providing loans or *equity investments* different than those described in Q.13(b), the *Applicant* should include these activities in Q.21 and Table B4.

Table B1 should include, and Q.20 should discuss, the *Applicant*'s (or its *Controlling Entity's*) track record of directly providing or otherwise facilitating loans or *Equity Investments* to Real Estate and *Operating Businesses* (including any *QLICIs* to *QALICBs*). Table B2 should include, and Q.20 should discuss, the *Applicant's* (or *Controlling Entity's*) track record of providing loans or *Equity Investments* in other *CDEs*. Exhibit B3 should include, and Q.20 should discuss, the *Applicant's* (or

Controlling Entity's) track record of purchasing loans from other *CDEs*. *Financial Counseling and Other Services* (*FCOS)* should be described in the narrative to Q.20.

For example, if the *Applicant* indicated that it would provide "investments in, or loans to, *QALICBs*" in Q.13(b), then in each of the annual columns in Table B1 it should provide data on the *Applicant's* or *Controlling Entity*'s track record of directly providing loans and/or *equity investments* to real estate businesses and *Operating Businesses* (excluding Restricted NMTC Business Activities) and record these in row 2(a) or 2(b). The *Applicant* may also quantify its (or its *Controlling Entity*'s) track record of facilitating loans or *Equity Investments* (e.g. loan packaging, project development) to real estate businesses and *Operating Businesses* and record these in row 3. The track record included in Tables B1-B3 may include both past NMTC loans/investments and non-NMTC loans/investments.

If the *Applicant* made an additional investment into a real estate business or *Operating Business* it previously financed, it may include the amount of additional financing in the column corresponding to the year of the subsequent investment in Exhibit B1. <u>However, the *Applicant* should not double count the number of businesses in row 1.</u> For example, if the *Applicant* made a $5,000,000 loan to XYZ business in 2017 and a subsequent $2,000,000 loan to the same business in 2019, the *Applicant* may record these amounts in the respective columns.

Exhibit B4 should include, and Q.21 should discuss, any loans, and *Equity Investments* that do not correspond to the types of activities listed in Q.13(b). This may include Restricted NMTC Activities, loans and/or *Equity Investments* in NMTC investment funds or non-*CDE* financial institutions, personal or consumer loans, and residential mortgages among other types of loans and/or *Equity Investments. Applicant*s should explain the dollar amount of each type of activity included in Table B4. Financial counseling to businesses that do not correspond to the types of activities listed in Q. 13(b), should be discussed in Q. 21.

67) What if an *Applicant's* proposed business strategy has shifted, as compared to its track record, due to changing community priorities?

In Question 20, *Applicants* are asked to describe the similarity between their track record in Exhibit B and the types of businesses to which they plan to provide *QLICI*s. The CDFI Fund understands that some portion of an *Applicant's* proposed business strategy may shift, compared to an *Applicant's* track record, to respond to changing community priorities. Such changes in business strategy may lead an *Applicant* to propose to invest a portion of its requested allocation in activity types or business types that it may not have recent experience with based on the track record of activities demonstrated in Exhibit B. An *Applicant* will score more favorably to the extent that at least 70% of the *Applicant's* pipeline is supported by a track record of loans and/or investments that include similar activity types and business types in Q.20 and Exhibit B. If the *Applicant* proposes to shift a portion of its business strategy due to changing community priorities, then the *Applicant* must explain how these changes affect activity types and/or business types it intends to pursue in Q.17.

68) What should I consider when completing the tables in Exhibit B?

In addition to the Notes in Q.20 and the instructions in Exhibit B, you should also consider the following:

a) In Row 3 of Table B1 and Row 2 of Table B4, an *Applicant* may indicate the financial contributions of others. This will enable the *Applicant* to include projects or businesses in which it engaged in financing-related activities such as loan packaging, project management/development, etc.

b) An *Applicant* (or *Controlling Entity*) may describe their track record of providing *FCOS* (for NMTC-related activities) in *Allocation Application* Question 20. However, *FCOS* should not be included in Tables B1-B3. Per the CY 2024 - 2025 *Allocation Application* glossary, *FCOS* is advice provided by a *CDE* relating to the organization or operation of a trade or business. See 26 CFR 1.45D-1(d) (7) for additional guidance.

c) An *Applicant* (or *Controlling Entity*) may describe their track record of financial counseling for Restricted NMTC Business Activities (e.g. counseling for residential mortgages) in *Allocation Application* Question 21, but this should not be included in Table B4. See FAQ #71 below on what types of financial counseling should only be included in *Allocation Application* Question 21.

d) *Applicant*s may not include direct expenditures on project costs (e.g. paying a contractor for infrastructure work) as financing. Only loans and/or *Equity Investments* may be included in Exhibit B.

e) *Applicants* are required to complete the column Totals to *Non-Metropolitan Counties* (2019-2024) indicating their track record of direct loans/investments and/or facilitating loans/investments provided by other sources, which will enable the CDFI Fund to determine the reasonableness of the *Applicant's commitments* to invest in *Non-Metropolitan Counties*, as well as whether the entity should receive special consideration as a "*Rural CDE*" (see FAQ #134 below).

69) What is the difference between direct financing and indirect financing for the purposes of Exhibit B?

Direct financing consists of loans and *Equity Investments* that the *Applicant* (or *Controlling Entity*) financed with its own capital, which is at risk. *QLICIs* made with an *Applicant*'s previous *NMTC Allocation*s should be listed as direct financing.

Indirect financing consists of loans and *Equity Investments* financed using capital from third-party sources that were facilitated by the *Applicant* (or *Controlling Entity)*. In effect, the *Applicant's* (or *Controlling Entity's*) capital was not used to finance the loan or *equity investment*. Examples of indirect or facilitated financing include loan packaging, project development, and structuring transactions for *unrelated* entities, including local, state or federal government.

Note: An *Applicant* may **not** include in Exhibit B income earned by the *Applicant (*or *Controlling Entity*) for providing services (e.g. structuring NMTC transactions, project development, etc.) to other *CDEs*.

70) In Exhibit B, can an *Applicant* select "*Applicant*" for Tables B1-B3 and "*Controlling Entity*" for Table B4?

No, the online *Allocation Application* does not allow an *Applicant* to select "*Applicant*" for Tables B1-B3 and "*Controlling Entity*" for Table B4. All tables in Exhibit B, Table D1 and Table E1 must be completed with information for the same entity – either the *Applicant* or the *Controlling Entity* – by selecting the appropriate entity in Question 3. If the *Applicant* would like to include non-*QLICI* activities of the *Controlling Entity* in Table B4, the *Applicant* must select "*Controlling Entity*" in Question 3, which will carry over to Tables B1-B3, Table D1 and Table E1 as well. *Applicants* should, however, be sure to address the extent to which the *Applicant* has itself engaged in these activities in the narrative responses to Questions 20 and 21.

71) What types of activities should be included in Question 21 and Table B4? For example, can an *Applicant* report consumer loans or mortgages in Table B4?

Responses to Question 21 and Table B4 are not required. *Applicants* should consider responding to Q. 21 and completing Table B4 if the *Applicant* has less than five years of track record in *QLICI*-like financing activities to report in Table B1-B3, and doing so would demonstrate a track record of serving *Disadvantaged Businesses or Disadvantaged Communities* or a track record of serving *Non-Metropolitan Counties*. *Applicants* may use Question 21 and Table B4 to report direct loans or *equity investments* that would not qualify as or are not substantially similar to *QLICI* activities, and therefore cannot be included in Tables B1-B3.

In Table B4, *Applicants* can report activities such as consumer loans or mortgages. Other examples of activities that can be reported in Table B4 include:

- loans/investments to real estate properties where 80% or more of the gross income is derived from renting residential dwelling units,
    - loans/*equity investments* to NMTC investment funds or non-*CDE* financial institutions,
    - personal or consumer loans,
    - residential mortgages,
    - investments in other NMTC prohibited businesses (e.g. certain farming businesses, gambling businesses, massage parlors, country clubs, etc.), and
    - financial counseling related to any of the above products that do not align with activities listed in Question 13 and should not be included in Question 20.

<u>All types of business lending, except for *Restricted NMTC Business Activities*, should be listed in Tables B1-B3, regardless of the size of the investment or geographic location of the investment.</u> Similarly, the *Applicant's* track record of *Financial Counseling and Other Services (FCOS)* provided to businesses should be described in the narrative response to Question 20. Per the CY 2024 - 2025 *Allocation Application* glossary, *FCOS* is advice provided by a *CDE* relating to the organization or operation of a trade or business. See 26 CFR 1.45D-1(d) (7) for more guidance.

Please be advised that "financing activities" consist solely of the provision of loans or *Equity Investments*. The provision of grants to entities, including businesses and/or *CDEs*, by the *Applicant* (or *Controlling Entity*) cannot be reported in Exhibit B and should not be referenced in the narrative responses to Questions 20 and 21.

72) How does the CDFI Fund verify the information presented in Exhibit B?

The CDFI Fund may verify the information presented in Exhibit B by requesting documentation to support the track record reported in Exhibit B, including but not limited to the *Applicant's* or *Controlling Entity's* audited financial statements, loan or investment documents, and operating agreements.

73) How should an *Applicant* categorize Paycheck Protection Program (PPP) loans in Exhibit B?

PPP loans originated by the *Applicant* (or *Controlling Entity*) may be included in Table B1 if those loans were made to Real Estate or *Operating Businesses* and the loans were not made for *Restricted NMTC Business Activities,* as defined in the Glossary of the NMTC CY 2024 - 2025 *Allocation Application*. If the *Applicant* intends to include PPP loans that were made to *Restricted NMTC Business Activities,* then such loans should be included in Table B4.

*Applicant*s may consider PPP loans direct financing to the extent that the *Applicant* (or *Controlling Entity*) originated the PPP loans and those loans are documented in the *Applicant's* (or *Controlling Entity's*) financial statements.

Applicants should be sure to clearly describe in Q. 20 where this activity is reflected in Exhibit B by specifically referring to the row (direct or indirect), annual columns, and providing the amount of the overall activity that is attributable to the PPP lending.

In Q. 37 (c), *Applicants* should include the source used for PPP loans if the source is one of the three largest sources of capital used in the *Applicant's* (or *Controlling Entity's*) direct lending or *equity investments*.

74) Will the CDFI Fund view prior *Allocatees* that have invested smaller amounts of their past *NMTC Allocation(s)* into multiple projects with other *CDEs* more favorably than prior *Allocatees* that have invested larger amounts into fewer projects with their own *NMTC Allocation*?

No scoring preference or other consideration is given based on the number of investments made or the size of the investments made with prior *NMTC Allocation*s.

Applicants with a track record of investing smaller amounts of *QEIs* into more projects are not favored over *Applicant*s who invest a larger amount of *QEIs* into fewer projects. *Applicants* with previous allocations are evaluated based on the quality (e.g. below-market financial products, reasonable transaction costs) of their past NMTC investments and whether their past NMTC investments were generally consistent with the business strategies (including, but not limited to, the proposed product offerings, business type, fees and markets served) presented in past successful *Allocation Application*s, among other considerations.

The CDFI Fund recognizes that investing smaller amounts of *QEIs* into a project may increase the number of *CDEs* involved in the project, which may drive up transaction costs. The CDFI Fund strongly encourages *CDEs* to continue to explore ways to minimize transaction costs on NMTC transactions.

75) What cutoff date should *Applicants* use when describing their track record of past investment activities in *Allocation Application* Questions 20, 21, 22(e), 26 (when discussing the track record of community outcomes), 35 and 44, as well as Exhibit B?

In describing their track record*, Applicants* may include loans and/or investments closed prior to or the release date of the CY 2024 - 2025 *Allocation Application*. The *Applicant* **may not** enter information on capital raised or previous financing activities that occurred after release date of the CY 2024 - 2025 *Allocation Application*. Please review FAQs #42 and 83 for more details.

76) **How can an *Applicant* earn up to five priority points for a track record of providing capital or technical assistance to *Disadvantaged Businesses or Communities*?**

Applicants that demonstrate a track record (or a *Controlling Entity*'s track record) of having successfully provided capital or technical assistance to *Disadvantaged Businesses or Disadvantaged Communities* may earn up to 5 priority points. Evaluation of track record is based on the information provided in Exhibit B and the responses to Questions 20 and 21. Note that the response to Questions 20(c) and 21(c) may include the track record of providing capital or technical assistance to *Disadvantaged Businesses* or *Disadvantaged Communities* prior to the time period in Exhibit B. However, *Applicants* must only report years in which financing was approved by the *Applicant* or *Controlling Entity,* or technical assistance was provided to *Disadvantaged Business* or *Disadvantaged Communities*. See FAQ #66 for the track record to be listed in Exhibits B1-B3, versus track record to be listed in Exhibit B4.

77) **In Question 23 of the *Allocation Application*, how can an *Applicant* earn the five priority points for investing in *Unrelated Entities*?**

Beginning in the combined CY 2015-16 *NMTC Allocation Application* round, an *Applicant* may earn 5 priority points if it intends to invest in and commits to use "substantially all" of its *QEI* proceeds to make investments in one or more businesses in which persons *Unrelated* to the *Applicant* and the *Subsidiary Allocatee* hold the majority equity interest ("*Unrelated Entities*") during and after the NMTC compliance period. Whether a *QALICB* is related to a *CDE* is determined pursuant to IRC Sections 267(b) and 707(b)(1).

An *Allocatee* investing in *Unrelated Entities* will be in compliance with its *Allocation Agreement* only if persons *Unrelated* to the *Allocatee* and *Subsidiary Allocatee* (if the *Subsidiary Allocatee* makes the *QLICI*) will hold a majority equity interest in the *QALICB* after a *QEI* is made in the *Allocatee or Subsidiary Allocatee*, but before the *Allocatee or Subsidiary Allocatee* uses the proceeds of that *QEI* to make its initial *QLICI* in the *QALICB*. The *Allocatee* must determine whether such persons are related to the *Allocatee and Subsidiary Allocatee* (within the meaning of IRC §267(b) and §707(b)(1)) in consultation with its own tax advisors. The CDFI Fund will assess compliance with the *Unrelated Entities* requirement at the *Allocatee* level, and also at the *Subsidiary Allocatee* level if the *Subsidiary Allocatee* makes the *QLICI*. This requirement applies to all *QLICIs* made with *Allocations* awarded in this round.

Anti-Abuse Provision: The CDFI Fund may review any subsequent changes in the *QALICB*, *Allocatee*, or *Subsidiary Allocatee* ownership resulting in common ownership between the *Allocatee* (and *Subsidiary Allocatee*) and the *QALICB* on a case-by-case basis to determine whether a principal purpose of a transaction or a planned series of transactions is to achieve a result that is inconsistent with the purpose of this rule.

78) **If an *Applicant* intends to combine historic tax credits with NMTCs and use a lease pass-through structure in which the *CDE* will be the 100% owner of the Master Tenant and, therefore, a lessee of the *QALICB* and/or a member of the *QALICB*, does the *Applicant* need to describe this relationship in its response to Question 24(d)?**

Yes, the *Applicant* should disclose this relationship in Question 24(d). The *Applicant* may discuss how this relationship adds value to the *QALICB* in the response to Question 24(d). The scoring criteria do not penalize the *Applicant* for using a lease pass-through structure to twin New Markets Tax Credits with Historic Tax Credits, provided the *Applicant* articulates how this structure adds notable added value to the *QALICB*.

E. Community Outcomes Section

79) How can an *Applicant* meet the *commitment* to provide at least 85 percent of QLICIs (in terms of aggregate dollar amounts) in areas of higher distress listed in Question 25?

An *Applicant* that commits to provide at least 85% of its QLICIs in areas of higher distress (and checks "Yes" to Question 25(a)) will generally score more favorably. If the *Applicant* receives an *NMTC Allocation*, it will be required to meet this *commitment* as a term of its *Allocation Agreement*. Starting in the 2023 Round, an *Allocatee* can meet this *commitment* by providing QLICIs to projects or businesses located in census tracts that are either: <u>(1) characterized by at least one of items 1-5 on the list in Question 25 for each QLICI; or (2) characterized by at least two of items 6-12 on the list in Question 25 for each QLICI</u>.

80) What are some examples of permissible and non-permissible activities for organizations that answer "yes" to Question 25(a)?

In Question 25(a) of the *Allocation Application*, an *Applicant* can commit to targeting 85% of the aggregate dollar amount of its *QLICIs* within *Low-Income Communities* that are characterized by at least one of the following items: a) Severe Distress, *NMTC Native Areas*, US Island Areas, *Non-Metropolitan Counties*, or *Targeted Populations*; OR b) at least two of items: 6-12 in Question 25.

<u>Example 1 [permissible]</u>: An *Allocatee* is awarded a $50 million Allocation and provides $50 million in total QLICIs. It invests $42.5 million (85%) of its $50 million *QLICI* activities in areas characterized by census tracts with poverty rates greater than 30% (item 1 in Question 25). This example satisfies the "at least one of items 1-5" in Question 25 requirement, so this qualifies as permissible.

<u>Example 2 [permissible]</u>: An *Allocatee* invests $42.5 million (85%) of its $50 million total *QLICI* in two transactions. One *QALICB* is in a federally designated Brownfield development area (item 7 in Question 25) <u>and</u> in a Federal Medically Underserved Area (item 10 in Question 25); while the other *QALICB* is located in a census tract with 70% median family income (item 6 in Question 25) and in a FEMA Disaster Area (item 11 in Question 25). In this example, both of the transactions satisfy the "at least two of items 6-12" requirement in Question 25, so this qualifies as permissible.

<u>Example 4 [not permissible]</u>: An *Allocatee* invests 100% of its *QLICIs* in an area that is not characterized by any items 1-5 and is only characterized by one of the criteria in items 6-12 in Question 25. Although the *Allocatee* invested 100% of its *QLICIs* in a *Low-Income Community*, it failed to satisfy either of the tests in Question 25(a), since its *QLICIs* were made in areas that had only one (as opposed to two or more) of the criteria listed in items 6-12 of Question 25.

81) **If my *CDE* commits to use 85% of QLICIs in Application Q. 25(a) and plans to make additional commitments in Application Q. 25(b)(i) or Q. 25(b)(ii), how will the CDFI Fund measure compliance with these commitments?**

As noted in Q. 25(b), if the *CDE* selects a commitment of 20% in Q. 25(b)(i), it should enter an amount equal to or greater than 20% in Q. 25(b)(ii). If selected to receive an Allocation, the *Allocation Agreement* will reflect one commitment in schedule 1 that captures the larger of the *Applicant's* commitment(s) in Q. 25(b)(i) or Q. 25(b)(ii).

To meet the commitments in Q. 25(b)(i) or Q. 25(b)(ii), the *CDE* must make the stated percentage of *QLICIs* in census tracts located in areas identified as 1) Deep Distress; 2) *NMTC Native Areas*; 3) High Migration Rural Counties, or 4) US Island Areas. See Application Q. 25(b) for a description of these areas.

Note: *QLICIs* in census tracts located in areas identified as 1) Deep Distress; 2) *NMTC Native Areas*; 3) High Migration Rural Counties, or 4) US Island Areas meet the commitments *for* Application Q. 25(a), as well as Application Q. 25(b)(i) and Q. 25(b)(ii).

For example, assuming a *CDE* receives a $50MM Allocation and has committed to use 97% of its *QEIs* to make *QLICIs*, for total *QLICIs* of $48.5 million. The *CDE* agrees to the 85% commitment in Q. 25(a); selects a 20% commitment in Q. 25(b)(i) and makes a 25% commitment in Q. 25(b)(ii). The 85% commitment made in Q.25(a) and the 25% commitment made in Q. 25(b)(ii) will be reflected in Schedule 1 of the CDE's *Allocation Agreement*. If the *CDE* makes a $9.7 million *QLICI* to a *QALICB* located in a census tract with unemployment rate of at least 2.5 times the national average (Deep Distress), it has used 20% of total *QLICIs* ($9.7 million/$48.5 million) towards both the commitments made in Application Q. 25(a) and Q. 25(b)(ii), as reflected in Schedule 1 of the Assistance Agreement.

Thus, the *CDE* will need to make an additional $31.25MM in *QLICIs* to the areas listed in Q. 25(a) or the areas listed in Q. 25(b), and ensure that at least $2.425 million of these *QLICIs* occur in census tracts located in areas identified in Q. 25(b) in order to meet the commitments reflected in Schedule 1 of the Allocation Agreement. Reports on census tracts that meet these criteria are provided on CDFI Fund's website https://www.cdfifund.gov/documents/geographic-reports.

82) **What portion of my pipeline should I use to project potential community development outcomes in Question 26 of the *Allocation Application*?**

Applicants should base their community development outcome projections in Question 26 on the "priority pipeline" identified in Question 17 and Table A5. ***Applicant*s must use the same set of pipeline projects as a basis for projecting all of the selected community development outcomes.**

83) **What information should an *Applicant* provide when quantifying both its projected and track record of community outcomes in Question 26(a)?**

To score highly in the Community Outcomes section, an *Applicant* must quantify both its projected and track record of community outcomes in Question 26(a).

When projecting the outcomes to be achieved with their *NMTC Allocation*, *Applicants* must clearly explain, for each of the outcomes selected in Question 26(a):

- The total number of the quantifiable community outcome(s) projected to be generated by the proposed pipeline identified in Table A5. Examples include the number jobs created by manufacturing, number patients served by healthcare, number of students served by a school, number of *LIC* residents served by retail; number of square feet of cultural space constructed; number of minority or *Native American owned or controlled* businesses; the percent of reduced water consumption due to green building standards; number of square feet of brownfields remediated, etc.
- The number or percent of such community outcomes benefiting *LIC* residents or Low-Income People. For example, a school will serve X students, of which Y are on free or reduced lunch (i.e. Low-Income People)
- The total number of NMTC *QALICB*s the above figure is based on;
- The aggregate total dollar amount of project costs;
- The number or percent of pipeline projects in Table A5 that will be in collaboration with unaffiliated *CDEs* (i.e. multi-*CDE* transactions);
- The total dollar amount of *QEIs* the *Applicant* will use for projected *QALICB*s listed in Table A5 and the dollar amount of total financing provided to similar borrowers or investees from its track record in Exhibit B; and
- The total dollar amount of *QEIs* that unaffiliated *CDEs* will contribute to *QALICBs* in listed Table A5
- the total dollar amount of *QEIs and QLICIs* that the *Applicant* and unaffiliated *CDEs* have contributed to borrowers or investees from its track record in Exhibit B.

When discussing the *Applicant's* (or *Controlling Entity's*) quantified track record of achieving community outcomes, the *Applicants* should provide a similar level of detail on the aggregate track record, of community outcomes based on financing activities in Exhibit B, (i.e. reflecting the same years presented of track record in Exhibit B). <u>Applicants should note that the track record of community outcomes does not have to be of an equivalent quantity to the projected community outcomes in order to score well on Application Q. 26</u>.

<u>Example 1 - Projections</u>: XYZ *CDE* projects that a $100 million allocation will allow it to create 1,400 direct jobs, of which 800 will be accessible to *LIC* residents or Low-Income People. This job creation figure is based on the *Applicant* investing in 10 pipeline *QALICB*s. These *QALICB*s have a total estimated project cost of $250 million with $175 million in *QLICI* needs. XYZ *CDE* plans to utilize $100 million in *QEIs* to finance these projects. The balance of the project cost needed is projected to come from *unaffiliated CDEs*.

<u>Example 2 - Projections</u>*:* The 10 priority pipeline businesses to be supported with the *Applicant*'s allocation request have total estimated project costs of $90MM, of which the *Applicant* plans to provide using $70MM in *QEIs*. No other *CDEs* will be providing allocation. The 10 businesses represent 300,000 SF in newly constructed or renovated mixed-use space and will serve an estimated 150,000 *LIC* residents.

<u>Example 1 - Track Record</u>: Based on XYZ *CDE*'s financing track record in Exhibit B, its loans and investments to 15 manufacturing businesses resulted in a total of 5,000 direct jobs. These 15 manufacturing businesses had combined total project costs of $300 million. XYZ *CDE* provided $150 million in aggregate financing. Of the 15 businesses, five businesses with total project costs of $100MM, received a total of $25 million in *QEIs* from other *CDEs* along with *$60 million in QEIs* provided by XYZ *CDE*. These five businesses created/retained a total of 1,600 jobs, of which X% were *LIC* residents, Low-Income Persons or faced employment barriers.

Example 2 - Track Record: In the last five years, HIJ *CDE* provided $65 million in *QEIs* to ten non-profit borrowers to develop or rehabilitate a total of 22,000,000 square feet of community facilities providing healthcare, social services, and childcare to *LIC* residents. These non-profit organizations served an aggregate of 30,000 patients, 20,000 clients, and 200 children. These community facilities had total project costs of $80 million. No other *CDEs* provided allocations to these organizations.

Each community outcome listed in Question 26 is defined and includes examples of how each outcome may be quantified. These examples are illustrative and not meant to be exhaustive. *Applicants* can elect to use other units of measurement they find relevant. *Applicants* are expected to quantify all community outcomes selected (projected and track record).

84) When quantifying its projected community outcomes in Q. 26(a), is it sufficient for the *Applicant* to state the number of projects or businesses that will result in the selected outcome?

No. The *Applicant* will not score favorably if it only states the number or percent of pipeline projects that will result in the selected outcome without quantifying the specific outcomes of those projects. As an example, for Community Goods or Services, it is not adequate if the *Applicant* merely states that three pipeline projects are community healthcare centers. Instead, for the *Applicant* to score favorably, it must quantify the outcomes resulting from these healthcare centers, such as number of low-income patients or patients from *Low-Income Communities* expected to be served by the centers, the total square footage of the healthcare centers, etc. Note that *Applicant*s must describe the method used for its projections of the selected Community Outcomes. See FAQ #86 for additional details on methods.

The only exceptions are (6) Financing Minority Businesses and (7) Financing *Native American* Businesses in which the number of QALICBs or contractors that are *Minority-owned or Minority-controlled, or Native American-owned or Native American-controlled,* is considered an appropriate quantification of this outcome. See FAQ #93 for additional information related to Financing Minority and Native Businesses.

85) What details should be provided to support the quantification of projected community outcomes?

*Applicant*s should provide the necessary detail on how the projected community outcomes were estimated. An *Applicant* will be evaluated on its ability to quantify the projected community outcomes, such as its methods and metrics used to project those outcomes. See FAQ #86 for additional details on methods and metrics. The *Applicant* should also discuss the extent that it has a track record of achieving similar outcomes based on past investments in Exhibit B. The *Applicant* will not be evaluated simply on the sheer number of outcomes projected.

86) **When supporting community outcome(s) projections, what is the difference between a method and a metric?**

To score highly in the Community Outcomes section, the *Applicant* must support its projections with sound methods and metrics. **Methods and metrics are not the same.**

A method is **the procedure** the *Applicant* used **to obtain the numbers** for quantifying its projections for each selected community outcome. Examples include:

- Obtaining projected outcome data from the borrower (i.e. *project sponsor*). Such data may include square feet, jobs, clients served, savings in energy or water usage from LEED certification;
- Using XYZ economic impact modeling software to estimate the number of construction jobs;
- Calculating projections (e.g. square feet, jobs, clients served) based on similar projects previously financed by the *Applicant*;
- Analyzing a *QALICB* pro-forma to determine projections (e.g., number of patient visits, customers); or
- Reviewing *QALICB's* organizing documents, to determine Minority or Native-American ownership or Control.

A metric is **the basis** the *Applicant* used **to validate the reasonableness of the quantified projections** for each selected outcome. It is the function or ratio used to verify the *Applicant's* quantified projections are reasonable. Examples of metrics include:

- X jobs per Y square feet of manufacturing space;
- X square feet of commercial real estate will result in the creation of Y construction jobs;
- Charter schools create X Full Time Equivalent jobs for every Y students;
- X square feet of health care space will result in Y patient visits per year;
- X number of classrooms with an average Y children per classroom results in Z number of children served by early education programs; or

Additionally, *Applicants* should include the source of the metric (e.g. name of the industry trade group, name of governmental entity, based on *Applicant's* prior loans to similar businesses, etc.) *Applicants* will score more favorably if metrics are obtained from or informed by third-party sources rather than relying solely on the *Applicant's* own track record.

Note: Metrics are not required for (3) Accessible Jobs, (6) Financing Minority Businesses, (7) Financing *Native American* Businesses, (8) Housing Units, or (9) Environmentally Sustainable Outcomes.

87) **What are examples of third-party sources that an *Applicant* can use for its metrics?**

As noted in FAQ #86, *Applicants* will score more favorably if metrics are obtained from or informed by third-party sources rather than relying solely on the *Applicant's* own track record. For metrics, a third-party source is an independent, unaffiliated entity that is not a party to or consultant to the transaction. Potential sources include: a federal, state, or local government agency; industry trade group; peer-reviewed journal article; or independent market analysis report.

Note: The CDFI Fund does not have any preferred third-party source or economic impact modeling software.

Example 1 – Metrics (Job Creation/Retention): ABC *CDE* validated its job creation projections by utilizing a metric of 9.7 construction jobs per $1 million in construction costs (source of metric: Associated General Contractors of America).

Example 2 – Metrics (Community Goods or Services to LICs): The 5 pipeline healthcare centers will create an aggregate of 200 additional full time equivalent medical staff positions. XYZ *CDE*'s estimate of 189,200 aggregate clinic visits per year of operation is validated by the metric of 946 clinic visits per medical staff personnel (source of metric: Health Resources & Services Administration's 2020 Health Center Program National Awardee Data).

Example 3 – Metrics (Community Goods or Services to LICs): Using census data on the number of households residing in the food bank's service area, HIJ *CDE* validated its projections for the number of "food insecure" households to be served by the food bank using the metric of 35.5% of households with annual incomes below the official poverty line are "food insecure" (source of metric: USDA Economic Research Service report "Household Food Security in the United States in 2020).

88) Does the number of community outcomes selected in Question 26(a) affect how the *Applicant* will be evaluated?

No. The *Applicant* will not be evaluated simply on the sheer number of outcomes selected in *Allocation Application* Question 26(a). The *Applicant* should only select those community outcomes that directly apply to the investments described in *Allocation Application* Question 17 and listed in Table A5. Additionally, *Applicant*s should select outcomes where they can:

- confidently quantify the projected outcome;
- provide clear and sound methods and metrics;
- demonstrate how the projected outcome will clearly benefit Low-Income Persons and/or residents of LICs; and
- describe how the projected quantity for each selected outcome compares to the quantities in its track record.

89) Should an *Applicant* complete a Community Outcome narrative for each Targeted Community Outcome selected in Table A5?

Yes. For each community outcome selected in Table A5, the CDFI Fund expects *Applicant*s to select and complete narratives in *Allocation Application* Question 26(a). For selected outcomes, the narrative must include all required information noted in the *Allocation Application* and FAQs #82 to #88 above. For example, if an *Applicant* selects "Community Goods or Services" as a Targeted Community Outcome in row p for one of its proposed projects in Table A5, it must select "Community Goods or Services" and provide a narrative in Q. 26(a). In addition, if the *Applicant* selects Financing

Minority (or *Native American*) Businesses in Q. 26(a), the *Applicant* must select this outcome in Table A5 row p.

90) Can the *Applicant* discuss indirect or induced jobs in its response to Question 26(a) (1), Job Related – Job Creation/Retention?

No, only direct jobs created or retained as a result of the *Applicant*'s proposed *QLICIs* or track record of loans or *equity investments* may be discussed in response to all the job related questions – Job Creation/Retention, Quality Jobs, and Accessible Jobs.

91) What distinct information should the *Applicant* provide in each of the three job-related questions in Question 26?

The CDFI Fund provides no preference in scoring or evaluating *Applicant*s based solely on outcomes selected in Question 26. However, if the *Applicant* selects one of the Job-related outcomes in Q. 26(a), it must provide a narrative response for all three Job-related outcomes. The *Applicant* will score higher if it can successfully quantify that the jobs created/retained represent high quality jobs and is able to quantify the number or percentage of jobs that are accessible to *Low-Income Persons* or residents of *Low-Income Communities*. Each sub-category in Question 26(a) gives the *Applicant* an opportunity to discuss unique aspects of their potential job creation outcomes. ***Applicants should not repeat the same information in each narrative for Question 26(a)(1-3).***

For Question 26(a)1) Job Creation/Retention, the *Applicant* should quantify the number of direct jobs that will be created or retained as a result of the *Applicant's QEIs* in Table A5, as well as direct jobs created/retained as a direct as a result of the *Applicant*'s financing track record in Exhibit B. (see FAQ #83 above for required narrative details).

For Question 26(a)(2) Quality of Jobs, the *Applicant* should quantify the number or percentage of the jobs created/retained that will provide opportunities to receive living wages and/or employment benefits, as well as provide opportunities for training and career advancement for *Low-Income Persons* or residents of *Low-Income Communities* (particularly for low-skilled workers). The *Applicant* should clearly discuss how it defines a "quality job" (see FAQ #83 above for required narrative details).

For Question 26(a)(3) Accessible Jobs, the *Applicant* should quantify the number or percentage of jobs created/retained that will be targeted and/or available to: 1) *Low-Income Persons;* 2) residents of *Low-Income Communitie; 3)* people with lower levels of education; and/or 4) people who face other barriers to employment (e.g. longer term unemployed, justice-involved individuals, etc.). The *Applicant* will score highly if they address job accessibility for at least one of the aforementioned groups. In addition to the narrative details described in FAQ #82 above, the *Applicant* should also describe the *QALICB*'s strategy for placing these individuals in accessible jobs (e.g. partnerships with community job training agencies, internal QALICB resources dedicated to training or technical assistance for jobseekers, recruiting from local community colleges, listing with state/local government employment divisions, etc.).

Note: Community Outcomes resulting from a *QALICB* that provides only job training **but does not provide employment** are to be included and discussed under (5) Community Goods and Services.

92) What are some examples of commercial goods and services that would be included in Question 26(a)(4)? How does commercial goods and services differ from community goods and services to *Low-Income Communities*?

*QALICB*s that provide commercial goods and services to *LIC* residents and *Low-Income Persons* may include both for-profit and non-profit *QALICB*s. Examples of commercial goods and services include, but are not limited to:

- Restaurants, Hospitality
- Movie theaters, theme parks, and other entertainment venues (excluding NMTC prohibited activities)
- Consumer Retail/Services (e.g. grocery stores, pharmacies, sale/installation/maintenance of solar panel to consumers, information technology services to or consumers)
- Business Services (e.g. supplying products/inputs to be used in manufacturing, good/services to wholesale suppliers, IT services to other businesses,
- Infrastructure (e.g. transportation, broadband, water/wastewater)

Examples of community goods and services to *Low-Income Persons* or *LIC* residents include, but are not limited to:

- Education (e.g., childcare/early childhood education, schools, universities, job training, etc.)
- Healthcare (e.g., primary care, emergency medical services, hospitals, mental health, drug treatment)
- Cultural (e.g., museums, libraries, performing arts)
- Multiservice Community Organizations providing social services (e.g. youth services, food banks, etc.)

In describing commercial and/or community goods and services, *Applicant*s will be scored more favorably if they can quantify how residents of *Low-Income Communities* and/or *Low-Income Persons* will be served as a result of the *Applicant's QLICIs*.

- Example of *LIC* benefits of commercial goods and services: the *QLICI* will finance a new pharmacy that will provide X number of *LIC* residents within Y radius with access to prescription and over-the-counter drugs accessible by walking or public transportation.
- Example of *LIC* benefits of community goods and services: the *QLICI* will finance a multi-service facility that provides after-school programs for X number of low-income at-risk youth and mental health services to Y number of individuals that are homeless or are at risk of being homeless.

93) What are other examples of how *Applicants* can demonstrate that projected community outcomes will clearly benefit *Low-Income Persons* and residents of *LICs*?

Examples include:

Commercial Goods or Services:

- The *QLICI* will finance a new grocery store located in a census tract that is designated as Low-Income and Low-Access to supermarkets according to the USDA's Food Access Research Atlas. The grocery store will provide X number of *LIC* residents access to healthy foods (fresh meat, vegetables, and fruits) at affordable prices.

- A QALICB will provide broadband internet services to non-metro areas, including tribal lands serving to Y households and X businesses.

Financing Minority or *Native American* Businesses:

- *QLICIs* will finance expansion of a *minority-owned* construction company, which will result in the hiring of X number of Low-Income Persons.
- A *QLICI* to a *Native American-controlled* Multi-Service Community Organization that will provide childcare and social services to Y Low-Income clients per year.

Community Goods and Services:

- *A QLICI* to a charter school located in a *Low-Income Community* will serve 1200 students of which 90% of students are on free or reduced lunch.
- A Tribal community center will provide educational, cultural and meeting space for X number of tribal members per year.

Housing Units:

- *QLICI* will finance construction of mixed-use development that will include 50 rental units, of which 25 will be affordable and leased to Low-Income Persons; and renovate 2,000 sf of office space for non-profits serving 1200 *LIC* residents annually.
- A QALICB will develop 100 units of for-sale housing with 20 units to be sold to families earning at or below 80% of area median income.

Environmentally Sustainable Outcomes:

- *QLICI* will finance remediation of a brownfield site that will be repurposed for a distribution center, which will result in 100 employees who are *LIC* residents that will not be exposed to environmental hazards.

Note that these examples are not exhaustive, as there are many other ways to demonstrate how projected community outcomes will clearly benefit *Low-Income Persons* and residents of *Low-Income Communities (LICs).* Also, solely indicating that the location of a project is in a *LIC* is not sufficient to demonstrate benefit to *LIC* residents/*LIPs*; specific community outcomes must be identified.

94) What information should be included when quantifying Environmentally Sustainable outcomes in Q. 26? What are some examples of how I can quantify Environmentally Sustainable Outcomes in Q. 26(a)?

Applicants are no longer required to provide a metric for this outcome in Q.26. However, *Applicants* are required to clearly describe how it quantified the Environmentally Sustainable outcomes, including the extent the quantification used third-party sources and/or standards. For example, the *Applicant* used a U.S. EPA study to quantify that the energy efficient equipment purchased for a manufacturing facility will result in X% energy reduction. Another example: the *Applicant* projects that the school that it will finance will be built using U.S. Green Building Council standards, reducing energy consumption by at least X% per year compared to non-LEED certified buildings.

Examples of quantifying Environmentally Sustainable Outcomes include providing the amount or percentage in reduced energy or water usage by the *QALICB,* the reduced cost of energy or water to businesses leasing space, the amount of contaminants (e.g. oil spills, stored chemicals) removed from a brownfield, the square feet of contaminated real estate that was remediated, the number of housing units for which lead abatement was performed, the number of residents of *Low-Income Communities* no longer exposed to a specific environmental or health hazard, the number of tons of building materials that are re-used, among others. Of importance, it is not sufficient for the *Applicant* to state merely the number of pipeline projects that will produce specific environmental outcomes.

Also, *Applicant*s must demonstrate how projected environmentally sustainable outcomes will clearly benefit *Low-Income Persons* and/or residents of *Low-Income Communities (LICs)*. For example, a shuttered hospital was remediated and repurposed into a mixed-use development with affordable housing units, a homeless shelter, and Federally Qualified Health Center serving X number of *LIPs*. Alternatively, a new youth services facility was constructed to reduce energy consumption by X%, saving Y dollars on utility bills, allowing them to provide after school programming to Z *LIC* residents.

95) Which community outcomes may be discussed by the *Applicant* in Q. 26 when NMTC financed only a portion of the facility?

Only outcomes related to the portion of the facility financed by the *Applicant's NMTC Allocation* should be discussed. For example, for a mixed-use development where the commercial portion is financed using NMTC and the housing is financed by Low Income Housing Tax Credits, only the outcomes related to the commercial portion financed by the *Applicant's QLICIs* should be discussed.

96) What requirements will be in the *Allocation Agreement* if an *Applicant* uses its *NMTC Allocation* to make *QLICIs* resulting in housing units?

If awarded, *Applicants* that make *QLICIs* resulting in housing units will be required to ensure that at least 20% of the aggregate housing units (rental or for-sale) that the *Allocatee* finances are affordable to and occupied by persons with income less than or equal to 80% of AMI for the seven-year compliance period, and such requirement will be a term of the *Allocation Agreement*.

Guidance on how the CDFI Fund evaluates whether 20% of housing units financed are affordable is found in the "NMTC Program Compliance Monitoring Frequently Asked Questions."

97) If the *Applicant's* current Low-Income Community (LIC) representatives differ from the LIC representatives listed it's CDE Certification, how should the *Applicant* address this in Table C1?

The entries in Table C1 should reflect the *Applicant's LIC* accountability representation (whether Governing Board or Advisory Board) as of the date the *NMTC Allocation Application* is submitted.

98) Q. 27(a) asks how the input received through community accountability and the role the *LIC* representatives on the Applicant's Advisory Board (AB) and/or Governing Board (GB) play in formulating the Applicant's pipeline of investments, setting investments priorities, and approving the Applicant's investment decisions. What information should be provided when describing community engagement and the AB's and/or GB's role in formulating the Applicant's pipeline of investments, setting investment priorities and approving investment decisions?

When discussing the *LIC* representative's role on the AB and/or GB in formulating the *Applicant's* investment pipeline and setting investment priorities in Q. 27 (a), the *Applicant* should explain at what point in time the *LIC* representatives on the AB and/or GB inform the Applicant's investment strategy and priorities, including the types of businesses selected for the pipeline, how these investments will address the needs of *LIP* and *LIC* residents in the service area, and how *LIC* representatives inform the Applicant's investment decisions.

When addressing the *LIC* representatives*'* role in approving the *Applicant's* investment decisions, the *Applicant* should be sure to explain key documents related to the *Applicant's* investment priorities provided during the investment decision-making process.

99) In Question 27(b), the *Applicant* is asked to describe the Applicant's (or Controlling Entity's) process for ensuring that Low-Income Persons and/or LIC residents will benefit from its proposed investments and to provide quantitative and/or qualitative data used by the Applicant to determine the needs of the communities in which the Applicant intents to invest. What are some examples of quantitative data and qualitative data used to determine the LIC needs?

In previous questions, the *Applicant* is asked to describe its business strategy and investment priorities. In Q. 27(b), the CDFI Fund seeks to understand the data the *Applicant* uses to determine the needs or challenges of the *LIC* and how it will ensure its investments will benefit *Low-Income Persons* and/or *LIC* residents. The *Applicant* should be sure to address how the community needs data informs its investments and how it will prioritize its investments to benefit *Low-Income Persons* and/or *LIC* residents. The *Applicant* may find it helpful to provide an example that illustrates how it has used data to ensure that *Low-Income Persons* and/or *LIC* residents benefit from its investments.

The examples provided below are intended for illustrative purposes only.

Quantitative data includes:

1) Published research studies (e.g. Governmental entities, Federal Reserve, think tanks, philanthropic organizations, advocacy organizations) on:
   - how local small businesses in the U.S. reduce income inequality in low-income communities;
   - health disparities and healthcare needs of Low-Income People;
   - job growth/demand in manufacturing industries;
   - broadband access in rural America;
   - childcare cost burden of Low-Income Households;
   - Census data on households that are housing cost burdened in the *Applicant's* Service Area.
2) Formal survey conducted by the CDE, QALICB or other parties (e.g. chamber of commerce, local government, etc.)

Qualitative data includes:

- A tribal council resolution for a project on tribal land and how the project will meet tribal member needs.
- City or neighborhood plans adopted by the local government specifying the needs or challenges of LIC and efforts to address the needs or challenges (e.g. affordable childcare, access to healthy foods, access to healthcare, commercial corridor etc.).
- QALICB waitlist for homeownership training and mortgage assistance.

100) **In Question 27(d), what are examples of broader community and economic development strategies?**

Community and economic development strategies are often outlined in a formal plan approved and adopted by a neighborhood, community group, local government, or state government. To the extent such plans exist, the *Applicant* should discuss how its projects fit into the priorities and goals outlined by those plans. If the *Applicant* intends to make NMTC investments in areas that do not have a formal plan or planning process, the *Applicant* should discuss other methods it used to ensure alignment with the community's strategic priorities. For example:

- An *Applicant* that is providing a *QLICI* to an *operating business* that will lease space in an industrial park may check with the local economic development agency to determine whether the municipality has identified that area as a priority for redevelopment or attracting new businesses.
- Some rural communities may not have a formal plan, but the *Applicant* can demonstrate alignment with the community's priorities by meeting with local business and civic leaders, attending town council meetings, and partnering with local organizations, among other methods.

F. Management Capacity Section

101) **How many individuals should an *Applicant* list in Table C2?**

The *Applicant* will be limited to 15 individuals in Table C2. Applicants should focus on the individuals who will have a direct role managing the requested allocation (e.g. capital deployment, raising capital from investors, asset management, and compliance and reporting) and application preparation. Be sure to clearly explain the roles and responsibilities of key personnel related to managing an *NMTC Allocation* (include personnel from the *Controlling Entity*, if applicable). If the *Applicant* relies on consultants for certain services (e.g. legal, accounting, asset management, compliance, application writing/review, deal structuring, etc.), please review FAQ 105 below as well.

102) **Should the *Applicant* include in Table C2 the *Controlling Entity*'s personnel that have/will have a role in carrying out key NMTC functions?**

Yes. In Table C2 as well as *Allocation Application* Questions 29, 30 and 31, the *Applicant* should include the *Controlling Entity's* personnel if they will play a direct role in managing the *Applicant*'s *NMTC Allocation*, including capital deployment, raising capital from investors, asset management, and compliance. **If the *Applicant* were to receive an *NMTC Allocation*, misrepresentations later identified in Table C2 and/or Questions 29, 30, and 31 may place the *Applicant* in violation of its *Allocation Agreement,* in addition to affecting eligibility for future NMTC rounds.**

103) **How should *Applicants* disclose the current roles and responsibilities of its personnel (including staff from its *Controlling Entity*, if applicable)?**

For *Allocation Application* Questions 29(a) and 30(a), the *Applicant* should describe the CURRENT roles and responsibilities of the *Applicant's* (and *Controlling Entity's*) key personnel, consultants and board members in carrying out key NMTC functions. Be sure these descriptions accurately reflect the individual's current role(s) and responsibility(ies) as of the submission date of the *Allocation Application*. If additional staff would need to be hired and/or the roles described in Questions 29(a) and 30(a) would change with a new *NMTC Allocation*, the *Applicant* must describe these changes in Questions 29(b) and 30(b).

104) Table C2 includes a column heading "Years with (or years providing services to) the *Applicant*." In completing this information, may a newly-formed entity refer to the years of service that an individual provided to its *Controlling Entity*?

Yes, provided that the *Applicant* has consistently referred to the track record of its *Controlling Entity* throughout its *Allocation Application*. Also, the *Applicant* should be sure to indicate, in the Management Capacity and Capitalization Strategy sections of its application, that the information provided in Tables C1 and C2 refers to the individual's track record of service to the *Controlling Entity*.

105) How should *Applicants* disclose the use of consultants in the *Allocation Application*?

*Applicant*s must identify key consultants in Table C2, indicating the general area of work conducted by each consultant (e.g. raising capital, deploying capital, asset/risk management, compliance, etc.). *Applicant*s <u>will not</u> be penalized in the *Allocation Application* scoring for the use of consultants, since the Management Capacity section is not scored in Phase 1. The CDFI Fund recognizes that *CDEs* may gain greater efficiencies by outsourcing certain functions (e.g. asset management functions, compliance reporting, etc.) for their NMTC transactions to organizations that have already built the capacity to efficiently manage these processes. The CDFI Fund also acknowledges that a *CDE* without prior NMTC experience may wish to retain outside expertise, including that related to structuring NMTC transactions, *Allocation Application* preparation, etc. However, *CDEs* must disclose these individuals/firms in Table C2 and discuss their roles and responsibilities in Questions 29-31.

If the *Applicant* will be receiving consulting services from multiple employees of one firm, they should only list the main contact or *principal* from this firm as well as list all activities the firm will support. An *Applicant* should also provide, in the narratives for Questions 29-31, an <u>estimate of the percentage of work to be performed by the consultant</u>(s). *An Applicant* must also identify any consultant(s) contracted to read or write either portions or the entirety of their *Allocation Application* in Table C2.

106) Which fiscal years (FY) should the *Applicant* include in Table D1?

In Table D1, the *Applicant* should include its three most recently completed fiscal years, with Year 3 as the most recent year. For Year 3, please select the most recently completed fiscal year prior to *Allocation Application* release date.

- If the Applicant's 2024 fiscal year end is after the *Allocation Application* release date (e.g., 12/31), then Year 3 should be 2023.
- If the *Applicant's* 2024 fiscal year end was <u>before</u> the A*llocation Application* release date, Year 3 should be 2024.

107) What financing activities should be included in Table D1 (Investment Portfolio)? Should the *Applicant* include non-*QLICI* activities in Table D1?

When completing Table D1, please include any financing activities that are referenced in Question 20, Question 21, and Exhibit B as part of your track record. In fact, <u>Table D1 should closely reflect</u>

the direct financing indicated in Exhibit B. For example, if you discuss a multi-family residential real estate track record in Question 21 and Table B4, you must include these activities as "Real Estate Business Loans & Equity Investments" in Table D1. If you did not describe a track record of non-QLICI activities in Question 21, then you should not include these activities in Table D1.

You should also discuss the performance of certain types of investment activities (e.g. business loans, commercial real estate, and residential multi-family) in the narrative to Question 30(d).

Table D1 should include loans that are delinquent, and/or charged-off. These should be explained in Question 30(d).

Table D1 and Q. 30(d) should also include *equity investments* whose market value have been reduced.

Loans that are in non-accrual should not be included in Table D1, but should be discussed in Q. 30(d).

Applicants are not required to report an outstanding loan or investment as delinquent if the loan or investment has been formally restructured or the *Applicant* and borrower have agreed on a formal strategy for addressing any late payments. For example, if the *Applicant* and the borrower have formally agreed on a deferred payment whereby the missed payments will be added to the principal or will be paid on a date after the original term ends, the loan or investment does not need to be reported in Table D1 as delinquent. If the Applicants has restructured its loans, it should describe such restructuring or formal agreements in Q.30(d), if applicable.

108) In Application Q. 30(e) does the "last ten years" refer to the year the *QLICI* was made?

No, in Q. 30 (e) the "last ten years" refers to the year the *QLICI* experienced delinquency, default or impairment. If such delinquencies, defaults or impairments occurred during the *Applicant's* (or *Controlling Entity's*) three most recent fiscal years, then these *QLICI*s must be reflected in Table D1 and discussed in Q. 30(e). If the delinquencies, defaults or impairments occurred prior to the fiscal years reported in Table D1, then these *QLICI*s must be discussed in Q. 30 (e).

109) In Table D2, how should an *Applicant* report a recurring fee or a fee that will be charged incrementally?

An *Applicant* with recurring fees or fees that will be charged incrementally should select 'Ongoing Fee' as the fee type in Table D2 and report the total, in the aggregate, that will be charged over the 7-year compliance period.

For example, an *Applicant* that expects to charge 50 basis points per year in Asset Management fees over the 7-year compliance period should select 'Ongoing Fee' as the fee type and report the 'Amount in Percent' as 3.50%. The *Applicant* should indicate in the 'Description' that the 'Amount in Percent' represents a 7-year total.

110) The instructions for Table D2 indicate that an *Applicant* should select 'Upfront Fee' for any fee that is expected to be charged before or at the time the *QLICI* is closed. Does this mean that an *Applicant* is required to report a fee charged at the investment fund level or outside of the *NMTC* structure?

Yes. In the 'Upfront Fee' category, *Applicant*s are required to report any non-recurring fees charged before or at the time the *QLICI* is closed, including any and all fees charged at the Investment Fund level as well as outside of the NMTC structure (e.g. *QEI* reservation fee, *QALICB* technical assistance), fees taken from the *QEI* and fees taken at the time of *QLICI* closing. Fees include payments, loans, or other remuneration (type, usage), whether paid or directed to the *CDE*, a *CDE Affiliate*, or other third parties related to *CDE's* NMTC line of business (e.g. allocation application preparation, identifying and underwriting transactions, asset management, *QLICI* monitoring and servicing, *Allocation Agreement* compliance and reporting).

111) How should an *Applicant* report an 'Upfront Fee' when a portion of the fee is charged before the *QEI* is made and the other portion is charged from the *QEI*?

How to report this depends on whether the 'Recipient (Payee)' is the same for the portion of the fee charged before the *QEI* is made and the other portion charged from the *QEI*. If the 'Recipient (Payee)' is the same entity, the *Applicant* should report this as a single item and provide the total, in the aggregate, that will be charged in the 'Amount in Percent' field.

If, however, there is more than one 'Recipient (Payee)', the *Applicant* should report the fee as separate items. The *Applicant* should select the appropriate 'Recipient (Payee)' for each item and report the total for each item separately in the 'Amount in Percent' field.

For example:

> An *Applicant* expects to charge a total 'Upfront Fee' of 3.00% as follows: 1.00% before the *QEI* is made; and 2.00% charged from the *QEI*. If the *Applicant* is the 'Recipient (Payee)' of both the 'Upfront Fee' of 1.00% charged before the *QEI* and the 2.00% charged from the *QEI*, this should be reported as a single item. The *Applicant* would select 'Upfront Fee', the appropriate 'Source (Payer)', indicate that it is the recipient by selecting '*Applicant* or *Applicant Affiliate*', and report the 'Amount in Percent' as 3.00%. The *Applicant* should make sure that it describes in the 'Description' field how the fee is charged.
>
> Using the same example, if the 'Recipient (Payee)' of either portion of the total 'Upfront Fee' of 3.00% is a different entity, the *Applicant* must report the fees as separate items. If, for example, the 'Recipient (Payee)' of the 'Upfront Fee' of 1.00%, charged before the *QEI* is made, was an '*Unaffiliate*d Third-Party' and the Recipient (Payee)' of the 2.00% charged from the *QEI* is the '*Applicant* or *Applicant Affiliate*', this should be reported as two separate items.

112) Does the *Applicant* need to include fees charged by or paid to an *Unaffiliate*d Third Party such as a consultant contracted by the *Applicant* (or an *Affiliate*)?

Yes, the *Applicant* should include fees charged by, or paid to an *Unaffiliate*d Third-Party, including any consultants contracted by the *Applicant* (or an *Affiliate*) in Table D2. In order to do so, the *Applicant* must first select the appropriate 'Type' and then indicate the source of the fee in the 'Source (Payer)' column. The *Applicant* should then select '*Unaffiliate*d Third Party' in the 'Recipient

(Payee)' column, provide the 'Amount in Percent' and a description of the services that the recipient will be providing the *Applicant*.

Applicants should note that fees charged by or paid to *Unaffiliate*d Third-Parties should be reported this way regardless of whether the *Unaffiliate*d Third Party is directly compensated or whether the *Applicant* initially receives the fee and subsequently compensates the *Unaffiliate*d Third-Party. *Applicants* should use as many entries as needed to accurately reflect the recipients for each portion of its overall fee. To avoid double counting, each line in Table D2 should be mutually exclusive.

113) How should an *Applicant* that expects to charge a fee as interest above what is required to service the *QLICI* debt report it in Table D2?

Applicants that will charge a fee as interest above what is required to service *QLICI* debt (i.e. the leveraged loan) should report it as an 'Ongoing Fee' and provide an 'Amount in Percent' total that reflects the total, in the aggregate, that will be charged over the seven-year compliance period.

For example, an *Applicant* that expects to charge a fee as interest of 25 basis points per year over the 7-year compliance period, should select 'Ongoing Fee' as the fee type and report the 'Amount in Percent' as 1.75%. The *Applicant* should indicate in the 'Description' that the 'Amount in Percent' represents a 7-year total.

114) Should an *Applicant* include in Table D2 any tax credit residual that will be retained by the *Applicant* at the end of the 7-year compliance period or thereafter?

Yes, any tax credit residual that will be retained by the *Applicant* after the 7-year compliance period must be reported in Table D2. The CDFI Fund considers the tax credit residual to be income derived from the Allocation, and therefore it should be reported as an exit fee regardless of if this income is provided directly or through an *Affiliate*, even if the actual receipt of that income is at-risk and uncertain. In Table D2, the *Applicant* should select "Backend fee" in the "type" field and provide additional information in "Description of Fee" field.

115) What are NMTC transaction costs versus *Applicant* fees? Should NMTC transaction costs be included in Table D2?

NMTC transaction costs include legal, financial modeling/projections, audit, tax preparation, and accounting expenses regardless of when those costs occur. <u>These should not be included in Q. 34 (b) or Table D2</u>. However, their specific costs and uses should be included in Table D3, if these costs are paid through the *Applicant*, and discussed in the response to Question 34(c).

*Applican*t fees include operating costs such as impact assessments, Application preparation, loan servicing, and asset management, as well as *Allocation Agreement* compliance and related reporting, even if these activities are performed by third parties. <u>These fees should be included in both Tables D2 and D3, as well as the narrative responses to Question 34 (b).</u> For example, if the upfront fee includes the *Applicant's* costs related to Application preparation, due diligence and underwriting, these costs should be included in Table D2 and described in Q. 34(b). The same applies for on-going and back-end fees.

<u>In Q. 34(b), the *Applicant* should be sure to differentiate its transaction costs from its operating costs, even if both activities are covered within a fee</u>. For example, if the *Applicant's* upfront fee includes Application preparation and financial modeling/projections, the *Applicant* should be sure to include in

Table D2 and explain in Q. 34(b) the amount of upfront fees related to Application preparation (operating costs) only. Another example, if the ongoing fee includes loan servicing and annual audits, the *Applicant* should explain in Q. 34(b) and include in Table D2 only the fees related to loan servicing (operating costs).

116) How should *Applicants* complete Question 34(c) and Table D3?

Table D3 asks *Applicants* to complete a multi-year operating budget for administering their requested *NMTC Allocation*. *Applicants* are asked to detail the sources of income and the expenses associated with administering the requested *NMTC Allocation*. In completing Table D3, *Applicant*s should be sure to include all costs associated with sustaining its NMTC line of business (including both transaction and operating costs) and have identified all sources of income attributable to its NMTC line of business.

In Question 34(c), *Applicants* should clearly explain the assumptions that underlie their entries in Table D3. The *Applicant* should provide details on the key expenses and sources of income. If the *Applicant* will be receiving income by retaining a portion of the capital at the investment fund level and/or *QEI*, receiving fees or other form of compensation from the *QALICB*/*project sponsor,* the type and amount of the income should be clearly explained. Additionally, your narrative in Question 34(c) should address all items listed beneath Question 34(c).

Please provide a sufficient level of detail such that the CDFI Fund will be able to align the information provided in Table D3 with the information provided in Question 34(c) and Table D2. Any ambiguity between the responses to Question 34(c), Table D2, and Table D3 could negatively impact the CDFI Fund's evaluation of the *Allocation Application*.

Applicants must complete Table D3 based on the projected NMTC activity shown in Exhibit A. For example, if the *CDE* requests a $100 million *NMTC Allocation* and projects in Exhibit A that they will deploy $70 million in six investments in 2026 and $30 million in four investments in 2027. In this case, the *Applicant* should base income and expense projections on making six *QLICIs* totaling $70 million in 2025 and four *QLICIs* totaling $30 million in 2026.

When completing Table D3, *Applicant*s should assume they will not receive any subsequent *NMTC Allocation*s over the seven-year credit period. However, they may include fee income from past *NMTC Allocation*s under "Other" income if that fee income will support operations related to managing their requested *NMTC Allocation*.

Income

*Applicant*s are given space to report income from a variety of sources. Income from investors (Row 1a) includes the dollar amount of funds retained from the investment fund and/or the *QEI,* by the *Applicant* or its *Affiliates*, fees charged by the *Applicant* or its *Affiliates* at the investment fund level (e.g. syndication fees), etc. Income from the *QALICB* (Row 1b) includes interest income, any on-going or one-time fees charged to the *QALICB* by either the *Applicant* or its *Subsidiary Allocatee(s)*, etc. Income from *Affiliates* (Row 1c) includes any income from *Subsidiary Allocatee(*s), the *Controlling Entity*, or any other *Affiliate*. Income from other sources (Row 1d), includes grants, revenue from other lines of business, etc. *Applicant*s should list any income from **previous** *NMTC Allocations* that will be used to support operations related to managing their requested *NMTC Allocation* in the "Other Sources" category. *Applicants* must also include the projected value of any income from exit fees charged or residual value of the *QLICI* retained by the *Applicant* (either directly or through an *Affiliate*) in the appropriate row, even if the actual receipt of that income is at-risk and uncertain. This income should be listed in the fiscal year the value is most likely to be received or in the "After 2031" column.

If an *Affiliate* receives any income from a *QALICB* or Investor and then passes this income through to the *Applicant*, this income must be listed in either Row 1a or Row 1b, based on the initial source of the income. This income should not be listed in Row 1c. Additionally, any income that is received at the *Subsidiary Allocatee* level and is not passed up to the *Applicant* must still be reported as income in Table D3.

Operating Expenses

The *Applicant*'s operating expenses for the NMTC program include the NMTC-related expenses of the *Applicant* as well as any *Subsidiaries* and *Affiliates*. For example, annual audits of *Subsidiary Allocatees* may be considered an expense of the *Applicant* and should be listed in Table D3, if the audits are paid for directly by the *Subsidiaries*. Also, if the *Applicant* uses its *Controlling Entity's* staff to manage the NMTC program, these staff expenses should be listed in Table D3.

Table D3 provides two categories of expenses. The first category – fixed expenses – should include any expenses that are unlikely to change based on how many investments an *Applicant* makes. These expenses include items like staff costs, facilities/overhead, annual *CDE* audit, etc. The second category – variable expenses – includes expenses that vary based on the number of investments an *Applicant* makes or has under management in a given year. These expenses may include transaction closing expenses, *Subsidiary Allocatee* audit expenses, etc.

Profit/(Loss)

Table D3 will calculate Profit/Loss for each year automatically based on Total Income minus Total Expenses.

117) Does the *Applicant* need to include fees charged by consultants contracted by the *Applicant* (or an *Affiliate*) and charged directly to investors or the *QALICB* in Table D2 and D3?

Yes, the *Applicant* should include fees charged by, or paid to consultants contracted by the *Applicant* (or an *Affiliate*), that are paid directly by investors or *QALICBs* in both Table D2 and Table D3. In Table D3, an offsetting expense equaling the amount paid to the contractor should be recorded as an expense of the *CDE* and the amount paid directly by the investor or *QALICB* to the contractor should be reported as Income in the appropriate field in Table D3. Also, the *Applicant* must disclose and discuss these payments in the narrative response to Question 34(b) and Question 34(c), and clearly state the amount of the fee charged to the *QALICB* or investor.

118) How will the change in NMTC Transaction Level Report (TLR) data points in AMIS and updated TLR guidance on fees affect the CDFI Fund's evaluation of the *Applicant*'s fees for prior awards?

For QLICIs closed on or after October 1, 2023, fees and transaction costs should be reported in accordance with the NMTC TLR Guidance published on the Fund's website. The TLR fee data points in AMIS have been updated to better align with the *Allocation Application*. In Table D2, the *Applicant* provides fees on a portfolio basis for the requested *NMTC Allocation* and as a percentage of QEIs. The *Applicant*'s TLR should report any and all direct and indirect NMTC related fees and transaction costs reflected in the fee disclosure document provided to the QALICB per NMTC Compliance FAQ #48 and in accordance to the most recent NMTC TLR Guidance, including the required data fields, published on the CDFI Fund's website. The CDFI Fund will review the *Applicant*'s TLR to determine general consistency with the proposed fee structure described in the *Allocation Application* that was awarded. Failure to report fees in the TLR in accordance with the NMTC TLR Guidance may affect the *Applicant*'s award amount.

119) If the *Applicant* requires a *QALICB* to make a contribution or donation to one or more organizations, as a condition of NMTC financing, how should the *Applicant* disclose the contribution in the *Allocation Application*?

In instances when a *QALICB* makes a contribution to one or more organizations (either using *QLICI* proceeds or outside of the *NMTC* financing) as a condition of receiving NMTC financing from the *Applicant*, the *Applicant* must include these amounts, in Tables D2 and D3, and discuss these contributions in the narrative responses to Question 34(b) and 34(c). In Table D3, the amount of the contribution must be reported as Income to the *CDE* in the appropriate field and an offsetting expense equaling the amount of the contribution must be recorded as an Expense of the *CDE*.

120) How should the *Applicant* record expenses to the *CDE* that are reimbursed by the *QALICB*, investor, or third parties in Table D3?

If a *CDE* has an obligation to pay a consultant, advisor, etc. or expects to pay the costs attributable to other transaction participants (such as investors), it should be treated as an operating expense of the *CDE* associated with sustaining its NMTC line of business and should be reported in Table D3 as either a fixed or variable expense, even if the *CDE* will use funds from another source to pay those expenses.

For example, the *Applicant* expects to hire ABC Legal Counsel to prepare loan and other closing documents in connection with a *QLICI*. In addition, the tax credit investor for this transaction will require the *CDE* to pay the tax credit investor's legal costs in connection with its *QEI* investment. To pay these expenses, the *CDE* will pass both expenses along to the *QALICB*. In this example, both the *CDE* and tax credit investor's costs are obligations of the *CDE* and should be reported as expenses. The *CDE* should also report as income from the *QALICB* the anticipated payments made by the *QALICB* to the *CDE*.

121) How should the *Applicant* record interest expense and interest income associated with a leveraged loan?

The *Applicant* should record these items in Table D3 consistent with the *Applicant*'s customary accounting practices. The narrative response to Question 34(c) must explain how these items are currently being recorded in the applicable financial statements. If the *Applicant* does not have an *NMTC Allocation*, it should explain how it is currently recording expenses and interest income associated with its current loan products.

122) How should *Applicant*s that have received past *NMTC Allocations* complete Table D3?

Applicants should complete Table D3 based solely on their current *NMTC Allocation* request. Thus, *Applicants* should not include the costs of administering prior *NMTC Allocations* in Table D3. If an

Applicant's plan involves the use of income from past allocations to pay for expenses related to this *NMTC Allocation*, it should list this income under the 'Other Sources' income category in Table D3 and describe in the narrative to Question 34(c).

The CDFI Fund recognizes that *Applicants* may have certain fixed expenses (e.g. staff costs) that are associated with administering multiple *NMTC Allocations*. *Applicants* may elect to treat these expenses one of two ways in Table D3:

a) Include the full amount of the fixed expense in Table D3 and then include the portion that will be paid for by income from previous *NMTC Allocations* in the "Other Sources" income category; or

b) Record only the prorated portion of the fixed expense that would be directed towards administering an allocation as an expense in Table D3. Please be sure to explain the method for recording these expenses in Question 34(c).

123) My *CDE* earns the bulk of its revenue on the front end at the time the *QLICI* is made. I'm concerned that I will show large surpluses in the early years and deficits in later years. How should I represent this in Table D3?

The CDFI Fund recognizes that income and expenses may fluctuate from year to year. If you plan to use surpluses in one year to cover expenses in subsequent years, please explain this in Question 34(c). Additionally, *Applicant*s may complete Table D3 on an accrual or cash basis, depending on what is consistent with its normal accounting practices. Your narrative response to Question 34(c) must clearly describe the approach (accrual or cash basis) used to populate Table D3.

124) Should a *CDE* show Profit in Table D3 if any surpluses will be used to make other investments in Low-Income Communities?

Yes. If a *CDE* earns a profit (or surplus) from NMTC activities, it must be shown in Table D3, even if the *CDE* uses the profit to make other investments in *LICs* by the *Applicant*, *Controlling Entity*, or any *Affiliates*. In Question 39(c), *Applicant*s have an opportunity to explain how profits from an NMTC line of business are used by the *Applicant*, the *Controlling Entity*, or any *Affiliate*s.

125) What information should be included in the "After 2031" column in Table D3?

An *Applicant* should put the sum of all anticipated income to be earned and expenses to be paid in 2031 and beyond in the column "After 2031." This would include any income or expenses associated with on-going compliance, unwinding of NMTC transactions, any back-end sources of compensation (such as exit fees) for the *Applicant* or its *Affiliates*, etc. <u>Even if these back-end sources of compensation are at-risk and uncertain, they should still be disclosed in Table D3 at their face value. *Applicants* must also disclose any projected residual value of the *QLICI* they will acquire/retain at the end of the seven-year credit period.</u>

For example, assume that the *Applicant* projects in Exhibit A1-A4 that it will close $30 million in NMTC investments in 2025 and $10 million in 2026. These investments will have a 0.5% annual asset management fee (charged annually for seven years) and a 1% success fee charged at the transaction exit after the seven-year credit period. Thus, for the $30 million investment, the *Applicant* would anticipate realizing a $150,000 asset management fee in 2032 and a $300,000 exit fee in 2033. For the $10 million investment closed in 2024, the *Applicant* would anticipate realizing a

$50,000 asset management fee in 2032, a $50,000 asset management fee in 2031 and a $100,000 exit fee in 2034. Thus, the Applicant would report the total amount of “After 2031” income as $650,000.

126) Staff from our *Controlling Entity* will administer the *Applicant’s* NMTC program. How should I record this in Table D3?

Staff, office space, or other items that are contributed from the *Controlling Entity* to the *Applicant* are considered in-kind contributions and should be recorded in Table D3 as an expense (based on the dollar value of the services and other contributions received from the *Controlling Entity*) and as offsetting income from *Affiliates* (item 1(c) in Table D3). In Question 34(c), be sure to discuss in-kind contributions from the *Controlling Entity*.

G. Capitalization Strategy Section

127) What documents are considered acceptable to demonstrate investor *Commitments* for Table E1?

An *Applicant* who responds “no” to Application Q. 37 (a) is required to enter information in Table E1 and submit attachments noted in Q. 37(b) validating the following information for each investor: name of investor, dollar amount of equity (or debt, in the case of investments into a pass-through entity) sought or obtained, status of the investment request (e.g., funds received, *Commitment* of funds, and *Letter of Interest/Intent*). If an *Applicant* answers “Yes” to Question 36(a), indicating that it intends to use a pass-through partnership entity to secure investments, the *Applicant* is expected to list in Table E1 (if applicable) both the non-equity (e.g., debt, grant dollars) and equity providers; and to submit attachments evidencing the interest of the equity investors and non-equity investments (e.g., debt, grant dollars) providers into the partnership entities.

Example #1 – The *Applicant* or its *Affiliates*, either directly or through *Subsidiary Allocatees*, have received *QEI(s)* from investor(s) in amounts equal to or greater than the *NMTC Allocation* requested in Question 1 between January 1, 2019 and the release date of the *CY 2024 - 2025 NMTC Allocation Application*:

- *Applicant* responds “Yes” to Question 37(a).
- The *Applicant* is not required to complete Table E1 or submit documentation.
- The *Applicant* does not respond to Q. 37(c).

Example #2 – The *Applicant* answered “yes” to Question 36(a) and has received less QEIs than the amount requested in Question 1 between January 1, 2019 and the release date of the *CY 2024 - 2025 NMTC Allocation Application.* The *Applicant* also has a *Commitment* for a $10 million *QEI* from ABC Bank, which includes debt for $7 million and equity for $3 million. To describe this *Commitment* in its *Allocation Application:*

- The *Applicant* responds “No” to Question 37(a)
- In Table E1, the *Applicant* lists the $10 million *Commitment* from ABC Bank; in column “Type of Investment” the *Applicant* indicates debt and equity; and completes the rest of the information requested.

- Submits documentation evidencing the $10 million *Commitment* from ABC Bank, that includes debt for $7 million and equity for $3 million; and
- Responds to Question 37(c).

If the documentation evidencing the *Applicant's Commitments* from Investors is missing or does not contain information to validate the information entered in Table E1, the *Applicant* will not receive credit for such *Commitments*. Acceptable documents for a *Commitment* include a signed and dated investment agreement or a letter indicating that the investor has made such a *Commitment*. Likewise, a letter indicating that the investor has demonstrated a level of interest (as opposed to a stated *Commitment*) in making an investment shall suffice as a *Letter of Interest/Intent*.

128) In Question 38(b), does the *Applicant* need to indicate that it will be receiving *QEIs* from an *Affiliate* if the *Applicant* or an *Affiliate* is also a managing or non-managing member of the investment fund created as part of the leverage structure with an ownership interest of less than 1%?

No, the *Applicant* does not need to indicate that they will be receiving *QEIs* from *Affiliate*s if they are receiving the *QEIs* through an investment fund in which the *Applicant* or an *Affiliate* is a managing or non-managing member with ownership interest of less than 1%. The *Applicant* only needs to answer "Yes" if an *Affiliate* is either a debt or an equity investor in the investment fund itself.

H. Information Regarding Previous Awards

129) Question 44(a) asks previous *Allocatees* to discuss the largest transaction from each of its three most recent Allocations. How should a previous *Allocatee* select the three transactions to report?

An *Applicant* that has received three or more Allocations should select the largest transactions from its three most recent Allocations. For example, an *Applicant* that received an *NMTC Allocation* in 2022, 2021 and 2020 should report the largest transaction closed with each Allocation and not the three largest transactions overall. In this example, the *Applicant* would report the largest transaction for each *NMTC Allocation* award (2022, 2021 and 2020).

An *Applicant* that has received two Allocations, should select two transactions from the most recent Allocation and the third transaction from the earlier Allocation. For example, an *Applicant* that received an *NMTC Allocation* in 2022 2021 should select the two largest transactions from the 2022 Allocation and the third transaction should be the largest transaction from the 2021 Allocation. This is the same regardless of how much time has passed between the Allocations. For example, an *Applicant* that received two Allocations that are several years apart (e.g., 2019 and 2009), will still report the two largest transactions from the most recent *NMTC Allocation* (2019) and the one largest transaction from the older *NMTC Allocation* (2009).

An *Applicant* that has received one *NMTC Allocation* should report the three largest transactions closed with that Allocation.

An *Applicant* that used more than one *NMTC Allocation* to fund one of its largest transactions, should report that transaction as one of its largest transactions and select the other two transactions based on the criteria described above.

For example:

An *Applicant* has received Allocations in CY 2018, CY 2020 and CY2021, each *NMTC Allocation* provided QLICIs of $10 million or less. If the *Applicant* provided $10 million using CY 2018 *NMTC Allocation* and $8 million from CY 2021 *NMTC Allocation* to the same QALICB or an affiliate of that QALICB, this becomes the largest transaction. Since the use of the CY 2021 *NMTC Allocation* made this the largest transaction, the *Applicant* should discuss this as one of its largest transactions for the CY 2021 Allocation. The *Applicant* would then select the largest transaction funded exclusively with CY2018 and CY2020 Allocations as the other two transactions to report.

130) Can a previous *Allocatee* use a transaction from its CY 2023 *NMTC Allocation* as one of the transactions discussed in its response to Q.44(a)?

Previous *Allocatees* may use a closed transaction from its CY 2023 *NMTC Allocation* if the transaction closed <u>on or before</u> the release date of the 2024 *Allocation Application* and it anticipates that the transaction will represent its largest transaction for its CY 2023 allocation. If the *Applicant* closed a transaction using its CY 2023 *NMTC Allocation* <u>after</u> the release date of the 2024 *Allocation Application*, the *Applicant* should discuss the largest project financed from each of the *Applicant's* three most recent *NMTC Allocations*, <u>excluding the CY 2023 Round</u>.

131) If an *Applicant* did not anticipate a Notable Relationship in a prior *Allocation Application*, but has since made a *QLICI* involving a Notable Relationship, how should the Applicant report such changes?

Inconsistencies between the Notable Relationships noted in the *Applicant's* prior *Allocation Application(s)* and the *Applicant's QLICIs* resulting from such *NMTC Allocations*, should be reported in Q.44(e). Any Notable Relationship(s) not foreseeable at the time of Application should be described, including whether these Notable Relationships represent a one-time occurrence. The CDFI Fund would not view an unforeseeable one-time occurrence negatively, depending on the specific circumstances and the *Applicant's* explanation.

132) When responding to Application Q. 44(e), how far back should Applicants report any Notable Relationships that were not discussed in the awarded Applications?

Applicants must discuss whether the activities undertaken with the NMTC financing were consistent with the Notable Relationships presented in the relevant *Allocation Applications* <u>for any active</u> *NMTC Allocation Agreement*s.

VI. QUESTIONS ON PROPORTIONAL *NMTC ALLOCATIONS* OF *QEIS* TO NON-METROPOLITAN COUNTIES

133) What is the definition of a *Non-Metropolitan County*?

For the purposes of the current *NMTC Allocation Application, Non-Metropolitan Counties* are counties not contained within a Metropolitan Statistical Area (MSA), as defined in OMB Bulletin No. 20-01 ("Revised Delineations of Metropolitan Statistical Areas, Micropolitan Statistical Areas, and Combined Statistical Areas, and Guidance on Uses of the Delineations of These Areas") with respect to Census data. This data can be readily accessed on the CDFI Fund's website using the CIMS mapping tool for NMTC: https://www.cdfifund.gov/Pages/mapping-system.aspx. To determine whether proposed investments using the CY 2024-25 Round Allocation are NMTC-eligible and located in *Non-Metropolitan Counties*, first select the data layer "2020 NMTC Tract" in the mapping system, search for the address, click on the census tract the prospective project is located in, and click on the "i" that appears to see the Metro Designation. Non-Metropolitan status is also available in the tabular form of the data via: https://www.cdfifund.gov/sites/cdfi/files/2023-09/NMTC_2016-2020_ACS_LIC_Sept1_2023.xlsb

134) What is a *Rural CDE*?

A *Rural CDE* is one that has a track record of at least three years of direct financing experience, has dedicated at least 50% of its direct financing dollars to *Non-Metropolitan Counties* over the past five years, and has committed that at least 50% of its NMTC financing dollars with this Allocation will be deployed in such areas. The CDFI Fund determines whether an *Applicant* qualifies as a *Rural CDE* based on the information contained in Exhibit B and in Question 22 of the *Allocation Application*.

135) Question 22(a) requires the *Applicant* to indicate whether at least 50% of the *Applicant*'s (or its *Controlling Entity*'s) direct financing activities over the past five years have been directed to *Non-Metropolitan Counties*. What activities are eligible to be used as the basis for calculating the 50% figure?

Activities will be considered eligible if they are the *Applicant*'s (or its *Controlling Entity*'s) direct financing activities (as shown in Exhibit B) and these activities occurred in *Non-Metropolitan Counties* as defined in OMB Bulletin No. 20-01. Activities in areas considered rural (as defined in Section 520 of the Housing Act of 1949) that do not lie in *Non-Metropolitan Counties* cannot be included for the purposes of demonstrating a track record of investment in *Non-Metropolitan Counties* in Exhibit B.

136) What time period and dollar amounts should the Applicant include when responding to Question 22(b) and Table B1-B4 regarding its track record of financing in Non-Metropolitan Counties?

In Question 22(b) *Applicants* must only report the dollar amount of direct financing activities for years 2019 to 2024 YTD (prior to release of *Allocation Application*) in *Non-Metropolitan Counties and approved by the Applicant* or *Controlling Entity.* In Tables B1 and B4, the *Applicant* must distinguish between direct financing provided by the *Applicant* or its *Controlling Entity*, as entered in Table B1, row 2 and Table B4, row 1 and indirect financing (financing provided by third-party sources), Table

B2 and Table B3 include only direct financing activities. Direct financing activities are those recorded in the Applicant's or Controlling Entity's financial statements.

137) If the *Applicant* is committing to investments in *Non-Metropolitan Counties*, in Question 22(f) does the *Applicant* need to repeat all the details (e.g. projected closing date, business type) for the sample transactions in its Non-Metropolitan pipeline that it has already provided in response to Table A5?

No. In Question 22(f), the *Applicant* can reference the specific projects in Table A5 rather than repeating the same details in Q. 22(f). For instance, in Q. 22(f) the *Applicant* can state, "Please refer to Project XYZ in Table A5." However, since Table A5 is scored by Phase 1 Reviewers, but Q. 22 will not be scored by the Phase 1 Reviewers, *Applicant*s must provide all necessary details for its sample pipeline projects in Table A5. In responding to Table A5, *Applicant*s cannot reference pipeline projects that are fully described only in Q. 22(f). The *Applicant*'s score could be adversely affected if the *Applicant* does not provide the necessary details in Table A5 for all sample transactions in its pipeline and instead provides these details in Q. 22(f).

138) How will the CDFI Fund ensure a proportional allocation of *QEIs* to Non-Metropolitan Counties?

Pursuant to Section 102(b) (6) of the Tax Relief and Health Care Act of 2006, the CDFI Fund is required to ensure that a proportional allocation of *QEIs* will be provided in *Non-Metropolitan Counties*. As detailed in the *NOAA*, the CDFI Fund will: (i) endeavor to ensure that 20% of the *QLICIs* to be made using *QEI* proceeds are invested in *Non-Metropolitan Counties*; and (ii) ensure that the proportion of *Allocatees* that are *Rural CDEs* is, at a minimum, equal to the proportion of *Applicant*s in the highly qualified pool that are *Rural CDEs*.

If, after initial *NMTC Allocation* determinations are made, there is not an appropriate proportion of *Rural CDEs* in the awardee pool, the CDFI Fund will provide *NMTC Allocations* to additional *Rural CDEs* (in descending order of final rank score) until the appropriate balance is achieved. In order to accommodate the additional *Rural CDEs* in the *Allocatee* pool within the available allocation limitations, a formula reduction will be applied as uniformly as possible to the allocation amount for all *Allocatees* in the pool that have not committed to investing a minimum of 20% of their *QLICIs* in *Non-Metropolitan Counties*.

Question 22 also asks all *Applicant*s to indicate both the minimum anticipated amount of *QLICIs* that will be deployed in *Non-Metropolitan Counties*, and the maximum amount of *QLICIs* that they are willing to commit to deploy in *Non-Metropolitan Counties*. The CDFI Fund will first apply the "minimum" *commitment* stated in the *Allocation Application*. If, after the initial *NMTC Allocation* determinations are made, this "minimum" *commitment* results in less than 20% of the dollars being invested in *Non-Metropolitan Counties*, then the CDFI Fund will consider requiring any or all of the *Allocatees* to direct up to the "maximum" percentage of *QLICIs* to *Non-Metropolitan Counties* in an effort to meet the 20% threshold. The CDFI Fund will take into consideration the *Allocatees'* track record and ability to deploy dollars in *Non-Metropolitan Counties*. <u>*Applicant*s should be careful to select a "maximum" percentage that they will be prepared to meet regardless of the size of their final award</u>.

139) My organization is focused on an urban market. It does not intend to make any investments in *Non-Metropolitan Counties.* Will it be disadvantaged in the application round?

No. As described above, all adjustments to the awardee pool will be made AFTER the initial *NMTC Allocation* determinations have been made. All organizations initially selected to receive *NMTC Allocations* will receive allocations regardless of geographic focus. The adjustments described above may result in an across-the-board percentage reduction in award amounts for potential awardees with Non-Metropolitan *commitments* of less than 20%, but under no circumstances will an *Applicant* fall out of consideration due to its geographic focus.

Additionally, Question 22 <u>will not</u> be evaluated and scored in Phase 1 of *Allocation Application* reviews. Therefore, this question is not used to determine whether an *Applicant* scored highly enough to receive consideration for an *NMTC Allocation*. The response to this question will be considered in Phase 2 of the *Allocation Application* reviews and may affect the size of the *Applicant*'s *NMTC Allocation* (along with other evaluation criteria as discussed in the 2023 *NOAA*). An *Applicant* that: i) makes a minimum *commitment* of 20% or greater in response to Question 22(c), ii) has a track record of at least three years of serving *Non-Metropolitan Counties* and a strong strategy for deploying NMTC investments in these communities; iii) and is ranked highly enough to be considered for an *NMTC Allocation* may receive a larger *NMTC Allocation* than would otherwise be the case, regardless of designation as a *Rural CDE*.

VII. CONTACT INFORMATION

140) Whom can I contact if I have more specific questions?

Topic of Question	Contact
Tax/compliance aspects of the IRS Tax Regulations	IRS James Holmes and Dillon Taylor, Office of the Chief Counsel (Passthroughs and Special Industries) Telephone: (202) 317-4137 Fax: 855-591-7867
Allocation Application criteria or process	CDFI Fund NMTC Program Staff AMIS: Send Service Request to NMTC Program Phone: (202) 653-0421 Email: cdfihelp@cdfi.treas.gov
CDE certification criteria or process	CDFI Fund Certification Staff AMIS: Send Service Request to Certification Email: ocpecert@cdfi.treas.gov
Compliance with previous award, *Assistance* or *Allocation Agreements*	CDFI Fund Compliance Staff AMIS: Send Service Request to Compliance and Reporting Email: ccme@cdfi.treas.gov
Technology problems	CDFI Fund IT Staff AMIS: Send Service Request Phone: (202) 653-0422 Email: Amis@cdfi.treas.gov

You may contact the CDFI Fund with questions until two days before the CY 2024 - 2025 *Allocation Application* deadline, which can be found in the Table included in FAQ #1. After such time, the CDFI

Fund will no longer respond to questions until after the *CY 2024 - 2025 NMTC Allocation Application* deadline has passed.

* * * *

More detailed application content requirements are found in the *CY 2024 - 2025 NMTC Allocation Application* and *NOAA*. In the event of any inconsistency between the contents of this FAQ document, the *NOAA*, the General Guidance, the *CDE* Certification Guidance, the *Allocation Application*, the statute that created the NMTC Program (Title I, subtitle C, section 121 of the Community Renewal Tax Relief Act of 2000) (the "Act"), or the *NMTC Program Income Tax Regulations*, the provisions of the Act and the *NMTC Program Income Tax Regulations* shall govern.

All terms and phrases that are italicized in this document are defined in the Glossary of Terms contained in the *Allocation Application*.