



FY 2021 Capital Magnet Fund Application Webinar for Applicants with a Financing Entity Approach

September 28, 2021

COMMUNITY DEVELOPMENT FINANCIAL INSTITUTIONS FUND

www.cdfifund.gov

Agenda



1. Overview of CMF
2. Eligibility and CMF Applicant Approaches
3. CMF Program Requirements
4. Application Components & Deadlines
5. Application Guidance for Financing Entity Approach
6. Resources and Contacting the CMF Team

Notes:

- All capitalized terms are defined in the CMF Interim Rule (12 CFR part 1807), FY 2021 CMF NOFA, FY 2021 CMF Glossary, and/or the 2021 CMF Application Instructions.

★ Stars throughout the presentation represent the opportunity for Applicants to score more favorably.

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Overview of CMF



- The Capital Magnet Fund (CMF) was established through the Housing and Economic Recovery Act (HERA) of 2008 (Public Law 110-289, section 1131).
- CMF provides competitively-awarded grants to certified CDFIs and eligible Nonprofit Organizations to attract private capital for and increase investment in:
 - Development, Rehabilitation, Preservation, and Purchase of Affordable Housing – both Homeownership and rental – targeted to Low-, Very Low-, and Extremely Low-Income Families; and
 - Economic Development Activities designed to stabilize and/or revitalize Areas of Economic Distress such as renovating buildings that will house neighborhood businesses and Community Service Facilities.

CMF Program Resources and Topics



- The CDFI Fund has on its CMF webpage a FY 2021 Capital Magnet Fund Pre-Round Outreach Presentation from June 2021, which provides a basic overview of the program.
- In addition, there are six modules on the CMF webpage that provide an overview of the key program requirements and topics. We recommend prospective Applicants review these modules if they have not already. These modules cover:
 - Introduction to Capital Magnet Fund (CMF)
 - CMF Eligibility and Program Requirements
 - Attracting Capital Through CMF
 - A Good Business Strategy is Key
 - Affordable Housing and CMF
 - Economic Development and CMF
- For more information on any of these topics, see our website: www.cdfifund.gov/CMF. The modules are under “Step 2: Apply.”

FY 2021 CMF Priorities★



- **Leverage Private Capital**
- **Affordable Housing: *Rental***
 - CMF-supported Rental units targeted to Very Low-Income Families (50% AMI and below). *Note: 45% or more targeted to VLI will score more favorably.*
 - CMF-supported rental units located in either Areas of Economic Distress (AED) or High Opportunity Areas (HOA).
- **Affordable Housing: *Homeownership***
 - CMF-supported Homeownership units: Targeted to Low-Income Families (80% AMI and below)
 - Located in AED and targeted to Eligible-Income Families (120% AMI and below).
 - *Note: 100% of units targeted LI Families or located in AED will score more favorably*
- **Geographically Diverse Areas**
 - Areas of Economic Distress
 - Metropolitan and Rural Areas
 - Territories not served in recent funding Rounds: *American Samoa, Guam, the Northern Mariana Islands, and the U.S. Virgin Islands.*

FY 2021 NOFA Highlights



- More funding will be available in the FY 2021 CMF round, bringing more opportunity for organizations of all sizes. Minimum awards remain at \$500,000 but larger awards than past rounds are likely (*see Slide 16*).
- High Opportunity Areas added as a Rental Housing priority (*see Slide 50-51*).
- Incomes up to 120% AMI served in Areas of Economic Distress added as a priority for Homeownership (*see Slide 50-51, 53*).
- Income targeting scoring is clarified (*see Slides 52-53*).
- For FY 2021 Recipients, up to 15% of the CMF Award may be used outside an approved Service Area (*see Slide 32*).
- Affiliates now are allowed to submit separate Applications (*see Slide 10*).
- Awards may be requested in two payments, extending Commitment time for Awards. This does not change the disbursement and Project Completion deadlines.
- Based on track record and strategy, CDFIs can select either Entity Approach: Developers/Managers or Financing Entity (*see Slide 12-14*).

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Eligibility for CMF



- To be eligible to apply for a CMF Award, an Applicant must be either:
 - A certified Community Development Financial Institution (CDFI) that
 1. *Must be certified by the CDFI Fund by the date the NOFA was published in the Federal Register.*
 2. *Has NOT been notified by the CDFI Fund that its CDFI certification is in default or has been terminated.*
 - OR
 - A Nonprofit Organization having one of its principal purposes the development or management of affordable housing.
 - *A nonprofit housing affordable housing developer/manager.*
 - *A housing finance agency/authority (HFA) may be eligible to apply depending on state law. An HFA must be exempt from Federal taxes. Reach out to the CDFI Fund for guidance.*
- All Applicants must have been in existence as a legally formed entity for at least three years prior to the Application deadline.
- All Applicants must submit audited financial statements for its most recently completed two fiscal years as of the date of the NOFA.

Eligibility for CMF – Affiliates



- Affiliates of an Applicant may submit separate applications under this NOFA.
- Affiliates that will play a role in executing the Applicant's strategy cannot apply for the FY 2021 round.
- Each Applicant must propose a substantially different strategy than its Affiliate(s) applying in the same funding round.
- Each Applicant must also present a distinct project pipeline and rely on its own track record.
- Any Applicant must be eligible on its own and cannot rely on any other organization for eligibility purposes, including Affiliates.
- Collectively, all Affiliates may not request more than 15% of the total amount available for the funding round.

Additional Eligibility Requirements



Certified CDFIs and qualified Nonprofit Organizations that are NOT eligible for a CMF Award:

- Any 501(c)(4) organization that engages in lobbying activities.
- Any Applicant that has defaulted on a CDFI Fund loan within five years of the AMIS Application deadline.
- Any Applicant that is non-compliant or in default of prior CDFI Fund awards, if, as of the date of the AMIS Application deadline:
 - The CDFI Fund has made a determination that such entity, or any of its Affiliates, is in noncompliance with or default of a previously executed assistance agreement, award agreement, allocation agreement, bond loan agreement, or agreement to guarantee; AND
 - The CDFI Fund has provided written notification that such entity, or any of its Affiliates, is ineligible to apply for or receive any CDFI Fund awards during the FY 2021 round.

Two Approaches for CMF Applicants



Eligibility Types:

Certified CDFIs

Eligible Nonprofits

Entity Approaches:

Financing Entity Approach

Affordable Housing
Developers/Managers Approach

- **FY 2021 Update:** All Applicants (CDFIs and Nonprofits) will be able to select whether they are applying using a Financing Entity Approach or an Affordable Housing Developer/Manager Approach.
- This presentation focuses on Applicants with a Financing Entity Approach; a separate presentation is available for Applicants with an Affordable Housing Developers/Managers Approach.

Which CMF Application Approach to Use?



Each approach is defined in the NOFA and Application:

- **Financing Entity Approach** should be selected by Applicants that intend to use the CMF Award to make arms-length loans and equity investments to individuals, families, and project-sponsors for affordable housing and community or economic development.
- **Affordable Housing Developers/Managers Approach** should be selected by Applicants who have the construction, development, redevelopment, preservation, or management of affordable housing as a predominant purpose.
 - An Affordable Housing Developer/Manager may own the housing that is developed, may own it in part such as in a limited partnership, may sell the housing it develops once completed if single family housing, or may sell and continue to manage the housing if rental housing.

Which CMF Application Approach to Use?



- Applicants should choose their Entity Approach based on the **track record and proposed capacity** in which it will be acting in implementing the award.
- Applicants will be evaluated based on the entity approach selected.
 - For example, a CDFI that selects financing entity approach will be evaluated on its financing track record, and vice versa.
- In AMIS, confirm that the “Entity Approach” field in the Program Profile Section is correct before creating an FY 2021 CMF Application.

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General CMF Requirements and Limitations



- The minimum Award request is \$500,000.
- By statute, the maximum Award amount is 15% of the total CMF amount available for the FY 2021 round, which also applies to affiliated applicants.
 - In past rounds, the CDFI Fund has typically provided awards significantly smaller than the statutory cap. For example, for the FY 2020 funding round, awards ranged from \$750,000 to \$8 million. The statutory cap was \$26 million but the average award was \$3.7 million.
 - Given the larger amount of funding available for the FY 2021 CMF Round (\$380 million) compared with the FY 2020 CMF Round, the CDFI Fund anticipates providing larger award sizes under this funding round.
- CMF Recipients are required to leverage their CMF Award at a ratio of at least ten to one.
- Each CMF Award must result in Eligible Project Costs (CMF Award dollars plus Leveraged Costs) in an amount that equals at least 10 times the amount of the CMF Award.
 - For example, if the Applicant is requesting a \$1 million award, it would need to leverage another \$9 million, resulting in \$10 million of Eligible Project Costs.

Private and Public Leverage Sources



- Sources of capital leveraged by the CMF Award may be loans from banks, program-related investments from foundations, Low Income Housing Tax Credit (LIHTC) investments, funds contributed by the Recipient, state or local government, or any number of other private or public sources.
- **Public sources** of leverage are typically grants, loans, or awards made to the Applicant or Projects with funds that are allocated by federal, State, or local governments.
 - Please note that costs financed/supported by the Recipient's award or allocation from another CDFI Fund program cannot be counted as Leveraged Costs for the CMF Award.
- **Private sources** of leverage generally refer to investments or loans from private third-party entities. Examples include:
 - Private activity bonds
 - LIHTC equity and other equity investments
 - Lines of credit, loans, or other investments that are made to the Applicant or Projects from private sources, such as banks, private investors, or philanthropic entities.
 - For a regulated depository institution, deposits are also considered private.

Three Ways to Leverage CMF



1) Enterprise-Level Leverage: Capital earned, borrowed, or raised by the Applicant which is designated for the Applicant's use and ultimately used to pay for Leveraged Costs, but is not initially restricted for use for specific properties at the time it is earned, borrowed, or raised. Enterprise-Level Leverage can be either private or public. Examples:

- Program-Related Investments (PRIs),
- Loans from third parties,
- An organization's own contributed capital (equity or retained earnings).

2) Project-Level Leverage: Capital raised or earned that is restricted to a specific project at the time it is raised that will be used to pay Leveraged Costs. Examples:

- Mortgages secured by the property
- Proceeds from the sale of bonds
- Equity investment raised through LIHTC
- Deferred developer fees
- Loans and grants from local and state government made directly to a Project

Three Ways to Leverage CMF



3) Reinvestment Level: Re-deploying repaid proceeds of CMF Award dollars and/or Enterprise-Level Capital during the five-year Investment Period.

- Recipients have the option to count reinvestment leverage to meet their total leverage multiplier. However, there is no requirement to use a reinvestment strategy to reach your leverage goals.
- Reinvestment of CMF principal and/or equity repayments (Program Income) into eligible activities is required during the five-year Investment Period.
- Only include projected reinvestment for Projects that will be completed within the five-year Investment Period.
- If your business strategy will generate CMF Program Income during the five-year Investment Period for which you plan to reinvest and count as leverage, you should note that in your Application. This may be the case when a CMF Award is used for short-term financing needs, such as predevelopment, and will be repaid during the Investment Period and redeployed to another Project.

Investing in Affordable Housing



- CMF Awards may be used to finance both rental Housing and Homeownership.
 - **Rental** housing may be Multi-family (5+ units) or Single-family housing (4 units or less), and while most rental Housing is developed as one property, scattered site development is permitted.
 - **Homeownership** is usually Single-Family Housing. Homeownership may include single family-detached, condominium, co-operative, and manufactured housing.
- Some Recipients use their CMF Award to make direct mortgage loans, purchase homes in order to sell them to qualified home buyers, or to establish a Loan Loss Reserve for loans they have made using their own capital.

Eligible Activities Using CMF Funds



- Capitalize an Affordable Housing Fund
- Capitalize a Revolving Loan Fund
- Capitalize Loan Loss Reserves
- Make Risk-Sharing Loans
- Provide Loan Guarantees
- Capitalize a Fund for Economic Development Activities
 - Recipients may use **no more than 30%** of their Award to finance Economic Development Activities (if requested in their Application).
- Direct Administrative Expenses
 - **No more than 5%** of the CMF Award can be used for Direct Administrative Expenses.

What is an Economic Development Activity?



- An Eligible Economic Development Activity (EDA) is the development, rehabilitation, preservation, or acquisition of physical structures that house Community Service Facilities (e.g. daycare centers or health clinics) or neighborhood-based businesses (e.g. revitalization of a commercial block).
- EDA must be undertaken “In Conjunction With” Affordable Housing.
- EDA must be part of a Concerted Strategy, i.e. a plan adopted by a local jurisdiction or the State.
- Recipients may spend no more than 30% of their CMF Award on EDA and must request this as part of their Application.
- Some examples resulting from Economic Development Activities include: day care centers and schools, grocery stores, health clinics, rehabilitation of dilapidated commercial property, and/or community centers. Restrictions:
 - Providing loans to businesses is not an eligible EDA.
 - A facility that is part of a residential property and limited only to those residents, rather than the broader neighborhood (e.g. a fitness center in an Affordable Housing development) is not considered an eligible EDA.

Requirements for Affordability



Income Limits (Eligible-Income): The maximum income level for a Family may not exceed 120% of AMI for units financed with Eligible Project Costs.

Percentage of Costs: 100% of the total Eligible Project Costs (EPCs) must be attributable to units that are restricted to Families at incomes of 120% AMI and below. Greater than 50% of the EPCs must be attributable to units that serve Low-, Very Low- and Extremely Low-Income Families (80% AMI and below).

Project Level: To qualify as Affordable Housing, at least 20% of units in each Multi-family Rental Project must be affordable to and occupied by Low-Income Families (80% AMI and below).

Portfolio Level: Applicants will indicate the percentage and the income levels they intend to serve in their Application and will be held to that if selected for an Award. However, this is measured portfolio-wide across all projects financed with a CMF Award and not project-by-project.

- Committing to a greater percentage of units for Low-Income Families for Homeownership and/or Very-Low Income Families for Rental is encouraged.

Requirements for Affordability



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

- For ***Rental Housing***, this is accomplished through deed restrictions, land covenants, or other mechanisms which survive sale and transfer, during the Affordability Period.
- For ***Homeownership***, the Recipient must develop its own plan for achieving this 10-year affordability in the event of resale.

Rents: Rents control affordability. Rents are set using a formula similar to that used for Low Income Housing Tax Credits (LIHTC). Refer to 12 C.F.R. 1807.401 of the CMF Interim Rule for additional information.

Homeownership Cost Limits: The purchase price limits for Homeownership are capped at 95% of the median purchase price for the area, as determined by HUD.

Combining CMF Awards with other CDFI Fund Awards/Allocations



- A CMF Recipient that has awards/allocations from other CDFI Fund programs may use a combination of the CMF Award and those other awards for the same property only in different phases of the Project's development.
- The phases are defined as 1) predevelopment; 2) acquisition; 3) site work (preconstruction); 4) construction/rehabilitation; 5) permanent financing; 6) bridge financing between two or more phases.
- Costs financed by awards from other CDFI Fund programs may not be counted as Leveraged Costs.
- Award funds received under any CDFI Fund program may not be used to pay principal, interest, or other costs related to the CDFI Bond Guarantee Program.
- See Part II.C of the NOFA for additional requirements related to multiple CMF Awards.

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Application Timeline



Application Form	Submission Method	Due Date
SF-424 Mandatory Form	Electronically via Grants.gov	October 12, 2021 11:59 pm ET
Creation of AMIS Organization Account (using EIN & DUNS)	Electronically via Awards Management Information System (AMIS)	October 12, 2021 11:59 pm ET
CMF Online Application and Required Attachments*	Electronically via AMIS	November 9, 2021 5:00 pm ET

Application Open Period September 9, 2021 to November 9, 2021 (*SF-424 due 10/12*)
Announcement Estimated Spring 2022

The last day to contact CMF staff with Application-related questions is November 4, 2021 (5:00 pm ET). Questions received after that will not be answered until after the deadline.

Application Overview in AMIS



The Application submitted through AMIS has the following parts:

- Organization and Application Information
- Part 1: Business Strategy and Leveraging Strategy
- Part 2: Community Impact
- Part 3: Organizational Capacity
- Appendices (related to the above sections and including additional forms and certifications)
- Attachments

Application Scoring: Two Parts



- External Review and Quantitative Assessment:
 - Business and Leveraging Strategy (40 possible points)
 - Community Impact (35 possible points)
 - Organizational Capacity (25 possible points)
- Internal Review: Each group of Applications (financing or developer approach) will be ranked separately based on their External Review score. CMF will initially forward an amount up to the highest scoring 50% of Applications from the External Review to the Internal Review, as long as the forwarded Applications reflect, within no more than 5% variance, the proportion of financing to developer approach in the overall Application Pool. Scored based on:
 - Final External Review score;
 - Alignment with CMF statutory and policy priorities;
 - The overall quality of the Applicant's strategy; and
 - The Applicant's organizational capacity and financial health.

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Organization and Application Information



- The Organization and Application Information section consists of Questions 1-8.
- In this section you will provide organizational information, contact information, the amount of your CMF Award request, your requested CMF Service Area, eligibility criteria, Affiliate information (if applicable), and a summary of your CMF strategy.
- Information in this section is largely informational/administrative and is not specifically scored, unless noted in the Application guidance.

Identifying Your States Served



- Indicate the states(s) you plan to serve with your CMF Award in Question 3 of the Application.
 - Indicate “Statewide” if you plan to conduct your CMF activities in one state/territory.
 - Indicate “Multi-State” if you are serving more than one state; limited to 15 states and/or territories.
 - The states selected in Question 3 will be used to determine your CMF Award Service Area. *If selected for a FY 2021 CMF Award, Recipients will be allowed to use up to 15% of their Award outside of the approved Service Area and Program Income reinvested anywhere in the US.*
 - You may be held to funding Projects in all or a portion of the states you propose to serve as part of your Service Area, so make sure you would be comfortable financing at least one Project in each state you select.
 - The Service Area for which you are approved may be smaller than what you propose in your Application, subject to the overall need for geographic diversity for the CMF Program.
- ★ *An Applicant will score more favorably if it proposes to serve American Samoa, Guam, the Northern Mariana Islands, or the U.S. Virgin Islands.*

Part 1: Business Strategy & Leveraging Strategy



Applicants are asked to describe:

- The needs of communities and people in the areas that will be served with a CMF Award and the extent to which the proposed strategy addresses these needs;
- The affordable housing, economic development, and financing gaps addressed by their business strategy;
- The projected CMF activities and track record;
- The role CMF plays in their project financing strategy;
- Their strategy for leveraging private capital with a CMF Award; and
- Their strategy for leveraging its CMF Award at the Enterprise-Level, through reinvestments, and/or at the Project-Level (as applicable).

Part 1: Business Strategy & Leveraging Strategy



Question 9 (Eligible Activities, Financing Activities, & Proposed Uses)

- **Eligible Activities (9a)** - Applicants will be restricted in their Assistance Agreement to use the CMF Award for the options selected.
- **Financing Activities (9b)** – Activities financed with CMF Award dollars and any Program Income earned during 5-year Investment Period. Applicants will not be held to these selections in their Assistance Agreement.
- **Proposed Uses (9c)** – The application will generate the applicable sections, based on the selection of Homeownership, Rental Housing, and/or Economic Development Activities. Applicants will not be held to the specific uses indicated in 9c (e.g. Development or Rehabilitation), but will be held to their chosen activity type of Homeownership, Rental Housing, and/or Economic Development Activities in the Assistance Agreement.

Part 1: Business Strategy & Leveraging Strategy



Question 10 (Community Analysis and Financing Gaps)

- Challenges – describe the nature and extent of affordable housing needs and your vision for addressing these needs, and if applicable, economic development needs. (Question 10a)
 - Financing Gaps - Discuss financing that is missing or not available at appropriate rates and terms. (Question 10b)
- ★ *An Applicant will score more favorably if it clearly aligns its proposed CMF Award activities with the identified affordable housing needs.*

Information presented should be supported by relevant data.

Part 1: Business Strategy & Leveraging Strategy



Question 11(a-d)– Proposed CMF Award Financing Activities

- Financing Strategy (11b): Narrative should tie everything together, and indicate how the activities you plan to undertake address the needs and financing gaps in your market.
 - Clearly describe how the CMF Award will be delivered to the project (e.g., grant or loan) and what phase of project financing it will support.
 - Financing strategy narrative should discuss the Financing Activities/Products table in Appendix 1.
- ★ *An Applicant will score more favorably if its CMF Award activities will result in more favorable financing rates and terms.*
- Secondary Market Activity (11c): If applicable, describe the anticipated transaction(s) and how all CMF requirements will remain in place.
- Loan Loss Reserve or Loan Guarantees (11d): If applicable, describe the strategy, the structure, and the role of a CMF Award.
 - *This question will only appear if the Applicant selects these options in Q9a.*
- Financing strategy narrative should discuss the Financing Activities/Products table in Appendix 1. In this table, the Applicant will provide data for each product planned to be offered with the CMF Award.

Part 1: Business Strategy & Leveraging Strategy



Question 12 – Track Record

- Track Record (Question 12) — describe your track record relevant to proposed financial products and activities. Discuss your experience serving the proposed Service Area and undertaking similar activities.
- Track record narrative should support projections in scale and scope. Track record narrative should discuss the Track Record tables in Appendix 2.
- Applicants should rely on their own track record and not include activities of 1) Affiliates that are not Subsidiaries and 2) any Affiliate who is also an Applicant for the CMF FY 2021 NOFA.

Part 1: Business Strategy & Leveraging Strategy



Question 13 –Projected Performance and Pipeline

- Be sure to describe your activities and/or projects so it is clear how a CMF Award will be used and what outcomes are expected. To the extent you are undertaking a significant increase in activities compared to your track record; offering a new product; or serving a new market, be sure to describe what you are doing to ensure this will be achievable. The projections narrative should be supported by the Projections Tables in Appendix 2.
- You are not required to have “shovel-ready” projects, but we want to see that you have a pipeline of projects or can easily build a pipeline. All CMF Awards must be Committed within two years and all Projects must be completed in five years.
- The pipeline discussion for Question 13 should be consistent with the projects identified in Appendix 3.

Part 1: Business Strategy & Leveraging Strategy



Question 13 – Projected Performance and Pipeline

★ *For both Homeownership and Rental, an Applicant will score more favorably if:*

- Its projected activities are achievable based on the Applicant's strategy and track record
- It has a credible pipeline of projects or can demonstrate clear demand for its proposed financial products from borrowers
- For projects proposed, it has some financing sources committed, awarded, or funded

Part 1: Business Strategy & Leveraging Strategy



Appendix 2 Tables

- **Track Record (Tables A1, B1, and C1):** Enter data on the Applicant's track record of deployment and production based solely on activities undertaken by the Applicant; do not include the activities of Affiliates that are not Subsidiaries of the Applicant
- **Projections Tables (Tables A2, B2, and C2):** Enter data on the Applicant's projected deployment and production **only** related to its CMF Award. The projections in Tables A2 and B2 will be used to determine a minimum number of units to be produced with the CMF Award and will become a condition of the Assistance Agreement.

Note: *Tables C1 and C2 will only appear for Applicants with a Financing Entity approach.*

Part 1: Business Strategy & Leveraging Strategy



Appendix 3 Tables

- **Appendix 3(a) - Project Pipeline**

- Include at least two and up to eight projects, unless capitalizing solely a Homeownership Program.
- For pipelines exceeding eight projects or where not all projects have yet been identified, provide estimated aggregate cost information on those projects in the “Total for Additional Projects” category.
- The total EPCs entered in Appendix 3(a) must equal to Question 14(c).

- **Appendix 3(b) – Sources**

- List the total of all anticipated sources of capital needed to finance pipeline provided in 3(a).
- List capital by status, “Sources Secured/Received” or “Anticipated/Projected” as well as by source, “Early Stage” or “Permanent”.
- Net Sources at the bottom of Appendix 3(b) must equal the Eligible Project Costs in Appendix 3(a).

Part 1: Business Strategy & Leveraging Strategy



Important Reminders on Leverage:

- The overall amount leveraged by your CMF Award is determined based on the total Eligible Project Costs (EPCs) for Projects financed/supported by the Award.
- Guidance on what counts as EPCs is found in the Application FAQ. The total EPCs for a Project won't exceed the total development cost for the Project.

Question 14 – Overall Leverage Summary

- Applicants will enter the total Eligible Projects Costs that will be supported by the CMF Award (Question 14c).
- Projected Leveraged Costs will be auto-calculated (Question 14e).
- Enter the amount of Leveraged Costs that will be generated from private sources and public sources (Questions 14f and 14g).

Part 1: Business Strategy & Leveraging Strategy



Question 15 – Enterprise-Level Leverage

- Applicants will enter the amount of Enterprise-Level Capital raised from private (15a) and public (15b) sources. Enter \$0 if your organization does not intend to raise any Enterprise-Level Capital.
- Discuss your strategy to attract Enterprise-Level Capital, particularly private capital (Question 15d).
- Discuss the Applicant's prior track record in raising and deploying funds from sources you are targeting for Enterprise-Level Capital. (Question 15e)
- Identify potential sources of Enterprise-Level Capital in Appendix 4.
 - *Appendix 4 will not appear if the Applicant is not proposing any Enterprise-Level Capital.*

Part 1: Business Strategy & Leveraging Strategy



Question 16 – Reinvestment

- Indicate whether the Applicant plans to reinvest any CMF Award proceeds or Enterprise-Level Capital during the five year investment period in Questions 16(a), 16(b), and 16(c). Enter \$0 for these questions if you don't intend to reinvest.
- Be aware that if your strategy involves short term lending/investment that will generate repayment of principal or equity from your initial deployment of the CMF Award during the first five years, you will be required to reinvest these funds, as they are considered Program Income.
- Only include projected reinvestment for Projects that will be completed within the five year Investment Period when completing Question 16.
- If your CMF Strategy will involve reinvestment, indicate how much the Applicant intends to reinvest each year during the five-year Investment Period (16d).
- Discuss your strategy for reinvesting your CMF Award and Enterprise-Level Capital (if applicable) (16e).
- Describe your track record of managing repayment and reinvesting capital (if applicable) (16f).

Part 1: Business Strategy & Leveraging Strategy



Question 17 – Project-Level Leverage

- Indicate the amount of capital that will be leveraged at the Project-Level from private sources and public sources (Question 17a & b). Enter \$0 if you are not proposing to use Project-Level Leverage.
- If applicable, describe your approach to attracting Project-Level capital, identifying the likely sources (Question 17d).
- If applicable, discuss the track record of providing financing at the Project-Level, quantifying amounts (Question 17e).

Question 18 – Adaptability

- Discuss the Applicant's track record in adjusting its strategy and/or pipeline due to changing market conditions, availability or cost of capital or other external pressures, including: loss of anticipated pipeline projects, changes to interest rates, availability, & cost of capital.

Part 1: Business Strategy & Leveraging Strategy Scoring Summary



In summary, an Applicant will be given more favorable consideration in scoring, if it:

- Identifies affordable housing needs and financing gaps and aligns its proposed CMF activities and products to meet them;
- Demonstrates its strategy and activities will result in more favorable financing rates and terms;
- Demonstrates that its proposed activities are achievable based on the Applicant's track record;
- Describes a clear process for selecting projects that need CMF support;
- Has a credible pipeline of projects or can demonstrate clear demand for its proposed financial products from borrowers; and
- Has a clear strategy for and track record of leveraging, particularly private capital.

Part 2: Community Impact



Applicants are asked to describe:

- How the Applicant's strategy will lead to the impacts referenced in the Application;
- Its strategy and track record of financing and/or supporting housing targeted to Low-Income Families (for Homeownership) and to Very Low-Income Families (for Rental);
- Its plans for financing and/or supporting Affordable Housing in Areas of Economic Distress and High Opportunity Areas (if applicable);
- Its community engagement and partnerships; and
- If applicable, its strategy and track record of financing and/or supporting Economic Development Activities and how these activities fit within a Concerted Strategy and will benefit the residents of nearby Affordable Housing.

Part 2: Community Impact



Question 19 – Housing and Economic Development Impacts

- The CDFI Fund is focused on ensuring that its funds have a significant and lasting impact on the communities where they are invested.
- Applicants should indicate which of the listed impacts will result from an Award and describe the strategy for achieving the desired impact.
- Applicants will select at least one, and up to three total, from the six identified Affordable Housing Impacts.
- For those proposing EDA, select one or both of the two identified Economic Development Activities Impacts.
- For each housing or economic development impact selected, Applicants will identify the relevant metrics and discuss the plan for tracking the metrics identified. Applicants may choose from a list of metrics or identify their own.

Part 2: Community Impact



Question 19(a) - Affordable Housing Impacts are:

1. Improved financial stability and wealth building for Low-Income Families.
2. Improved health outcomes for Low-Income individuals and Families, particularly seniors, children, formerly homeless, persons with disabilities, or people with other health challenges.
3. The opportunity for Low-Income residents to avoid dislocation and remain in their affordable homes and/or neighborhoods.
4. Improved access to educational opportunities or transportation for Low-Income Families.
5. Assist in the long term recovery and rebuilding of affordable housing in federally designated disaster areas through disaster-prevention or disaster-resistant design.
6. Increase homeownership rate for populations with lower rates of homeownership

Question 19(c) – Economic Development Activities Impacts (if applicable):

1. Increased access to goods or services for Low-Income Families, especially community and educational services.
2. Increased economic opportunity for Low-Income Families, especially those in Areas of Economic Distress and the most vulnerable.

Part 2: Community Impact



Question 20 – Rental Housing: Areas of Economic Distress and High Opportunity Areas

- Areas of Economic Distress (AED) & High Opportunity Areas (HOA)—serving these areas is a priority of the CMF program (but not a requirement).

★ *Rental Applicants that present a strong ability to support Affordable Housing in AEDs and/or HOAs and propose a larger percentage of units in AED/HOAs will score more favorably.*

- FY 2021 CMF Areas of Economic Distress, Rural, High Opportunity, Low Income Area datasets posted on the CDFI Fund website:
<https://www.cdfifund.gov/programs-training/Programs/cmf/Pages/apply-step.aspx#step2>

Part 2: Community Impact



Question 20 – Rental Housing: Areas of Economic Distress and High Opportunity Areas

- **Areas of Economic Distress** are defined as those census tracts: **(a)** where at least 20% of Very Low- Income households (50% AMI or below) spend more than half of their income on housing; or **(b)** that are designated Qualified Opportunity Zones 26 U.S.C § 1400Z-1; or **(c)** that are a LIHTC Qualified Census Tract; or **(d)** where over 20% of the households have incomes below the poverty rate and the rental vacancy rate is 10% or higher; or **(e)** where over 20% of the households have incomes below the poverty rate and the homeownership vacancy rate is 10% or higher; or **(f)** that are an Underserved Rural Area as defined in 12 CFR Part 1807.
- **High Opportunity Areas** are defined by the Federal Housing Finance Agency as: **(a)** an area designated by the Department of Housing and Urban Development (HUD) as a “Difficult Development Area” during any year covered by an Enterprise’s Underserved Markets Plan (Plan) or in the year prior to a Plan’s effective date, whose poverty rate falls below 10% (for Metropolitan areas) or below 15% (for Non-Metropolitan areas); or **(b)** an area designated by a state or local Qualified Allocation Plan (QAP) as a high opportunity area whose poverty rate falls below 10% (for Metropolitan areas) or 15% (for Non-Metropolitan areas). An area designated by a state or local Qualified Allocation Plan (QAP) as a high opportunity area whose poverty rate falls below 10% (for Metropolitan areas) or 15% (for Non-Metropolitan areas).

Part 2: Community Impact



Question 21 – *Rental Housing* Income Targeting

- Generating rental housing for Very-Low Income Families (50% AMI and below) is a priority for the CMF Program.
- Question 21(a) – Minimum percentage of the total number of rental housing units that the Applicant will commit to Very Low-Income Families
 - Becomes a Performance Goal in Assistance Agreement
- Question 21(b) - Describe how you will be able to achieve the percentage listed based on your Application strategy and track record of financing/producing housing for Very Low-Income Families.

★ *Applications will score more favorably in this category if the Applicant commits that **45% or more of the total CMF Rental Portfolio** will be set aside for Very Low-Income Families and demonstrates that these percentages are achievable based on the Applicant's strategy and track record. Applicants serving less than 45% are eligible but will not score as high on this question.*

Part 2: Community Impact



Question 22 – Geographic and Income Targeting for Homeownership

- Generating Homeownership housing for Low-Income Families (80% AMI and below) is a priority for the CMF Program.

★ *Question 22(a) – Percentage of Homeownership units that will be located in AED for Eligible Income Families (up to 120% of AMI)*

★ *Question 22(b) - Percentage of Homeownership units will be targeted to Low-Income Families (80% AMI or below)*

- Question 22(c) – Total percentage of Homeownership units located in an AED or targeted to Low-Income Families
 - Will become a Performance Goal in the Assistance Agreement

★ *Applications where 100% of its Homeownership Affordable Housing units are either located in an AED or targeted to Low-Income Families will be scored more favorably.*

- *If a Homeownership unit is located in an Area of Economic Distress AND targeted to Low-Income Families (80% AMI and below), **do not double count** it in the percentage total.*

- Question 22(d) - Describe how you will be able to achieve the percentage listed in 22(c) based on your Application strategy and experience.

Part 2: Community Impact



Question 23 - Community Partnerships

- Describe partnerships with other organizations (e.g. housing developers, lenders, community organizations) that will enhance the Applicant's strategy and impact for Low-Income Families and help address priorities of the CDFI Fund.
- Potential areas of partnership include, but are not limited to, those that a) facilitate supportive services for residents; b) allow the Applicant to reach new markets, significantly increase production, or undertake new activities; c) facilitate addressing priorities of the NOFA.

Questions 24 Economic Development Activities (if proposed)

- Describe how the Applicant will ensure that its activities are certified as being part of a Concerted Strategy to stabilize or revitalize a Low-Income Area or Underserved Rural Area In Conjunction with Affordable Housing.
 - *Concerted Strategy* means a formal planning document that evidences the connection between Affordable Housing Activities and Economic Development Activities.
- Describe how the planned EDA will serve nearby residents of Affordable Housing.

Part 2: Community Impact



Question 25 - Rural Areas

- ★ *Applicants will score favorably if they commit to investing at least 10% of the CMF Award in Rural Areas and demonstrate a track record that supports the proposed percentage.*
- For FY 2021, the CMF program is using the following definition of “Rural Area”:
 - i) a census tract outside a Metropolitan Statistical Area (MSA); or ii) a census tract in an MSA that is outside the Urbanized Area and outside tracts with a housing density greater than 64 units per square mile.
- This definition is from 12 C.F.R. 1282.1 (Enterprise Duty to Serve Final Rule).
- Be aware that Applicants will be held to the percentage entered in Question 25(a) as a condition of the Assistance Agreement.
- CDFI Fund published a dataset indicating which census tracts are designated as Rural Areas for the FY 2021 Round on its website.
 - The dataset is available under “Step 2: Apply”:
<https://www.cdfifund.gov/programs-training/Programs/cmf/Pages/apply-step.aspx#step2>

Part 2: Community Impact Scoring Summary



In summary, an Applicant will be given more favorable consideration in scoring, if it:

- Demonstrates a clear strategy for achieving the selected Affordable Housing and/or Economic Development Activities impacts and presents a clear and effective plan to track metrics related to relevant outcomes;
- Demonstrates a clear and compelling strategy for financing and/or supporting housing units targeted to Low-Income Families (for Homeownership) and Very Low-Income Families (for Rental);
- Presents a strong ability and commitment to finance and/or support Affordable Housing in Areas of Economic Distress and/or High Opportunity Areas;
- If proposing Economic Development Activities, demonstrates how its proposed Economic Development Activities fit within a Concerted Strategy and will benefit the residents of the nearby Affordable Housing; and
- Commits to invest at least 10% of the CMF Award in Rural Areas and demonstrates a track record of serving Rural Areas.

Part 3: Organizational Capacity



In this section, Applicants are asked to identify and describe:

- Their management team and key staff.
- The roles and responsibilities of those staff in managing a CMF Award.
- Their past experience managing Federal awards.
- The financial health of the Applicant.
- The Applicant's lending portfolio performance.

** Appendices 5-7 are associated with the Organizational Capacity Section*

Part 3: Organizational Capacity



Question 26 and Appendix 5 – Key Personnel

- In Question 26, you will discuss the roles and responsibilities of the Key Personnel in managing the CMF Award. No need to repeat the qualifications narratives from Appendix 5.
- These roles and responsibilities should be appropriate to a Financing Entity. In particular:
 - Building a pipeline of projects
 - Financing Affordable Housing/Economic Development Activities
 - Asset/portfolio/construction loan management
 - Managing program compliance.
- Appendix 5: List Key Personnel who will be integral to managing a CMF Award and provide information on their experience and expertise.

Part 3: Organizational Capacity



Question 27 – Previous Awards

- Appendix 6 should pre-populate with past award information from the CDFI Fund (if applicable)
- On Question 27(b) narrative, describe
 - Experience managing Federal Awards in the last three years
 - Any noncompliance with a Federal award or Office of Inspector General (OIG) audit finding in the past three years.
 - If no federal award experience, describe experience administering awards from other entities, particularly large monetary awards with substantial compliance requirements.
- ★ *Applicants will score favorably if they demonstrate a strong ability to successfully manage Federal awards based on prior experience*
- Question 27(d) – Past CMF experience (if applicable): Discuss your progress in deploying your past CMF Awards, including funding Committed and disbursed to Projects/borrowers, as well as Projects that have achieved Project Completion.

Part 3: Organizational Capacity



Question 28: Financial Health

- Applicants must provide financial health information on audit findings, as well as a narrative focused on financial health for the three most recently completed fiscal years.
 - Explain any weaknesses. Discuss how you are trying to improve any problem areas.
 - Discuss any recent material changes to the Applicant's financial health that are not reflected in the audited financial statement for the most recently completed fiscal year.
 - Ensure that your narrative is consistent with and refers to the financial data presented in Table D of Appendix 7.
- ★ *Applicants will generally score more favorably if they demonstrate strong financial health, including strong capitalization, sound operating performance, strong liquidity, and favorable audit results.*

Part 3: Organizational Capacity



Question 29: Portfolio Health

- Financing Entities must describe their Loan/Equity Portfolios.
 - Describe key trends or changes in the portfolio for the three most recently completed fiscal years and the current fiscal year-to-date.
 - The narrative should be consistent with and refer to the loan portfolio data presented in Table E of Appendix 7.
 - Compare your performance with industry benchmarks - for example, your delinquency rate, net loan losses, etc.
 - Explain any weaknesses. Discuss how you are trying to improve any problem areas.
- ★ *Applicants will score more favorably if they demonstrate solid loan/investment portfolio performance (i.e. loan/investment portfolio).*

Part 3: Organizational Capacity



Appendix 7: Tables D and E Applicant Financial Data and Loan Portfolio Tables

- **Appendix 7, Table D**– Provide the Applicant’s financial data as of the Fiscal Year End (FYE) for the three most recently completed fiscal years. Data entered must be for the Applicant and Subsidiaries, if applicable. It should not include data for Affiliates that are not wholly controlled.
- The data entered should align with the audits for the Applicant’s two most recently completed fiscal years attached to Appendix 8 of the Application.
- **Appendix 7, Table E** Provide data on the Applicant’s loan/investment portfolio maintained on balance sheet for its three most recently completed fiscal years as of the date of the NOFA.

Part 3: Organizational Capacity

Scoring Summary



In summary, an Applicant will be given more favorable consideration in scoring if it:

- Presents strong qualifications of its key personnel with respect to their skills and experience in identifying investments, underwriting or developing similar projects (as applicable), managing a portfolio of similar activities and ensuring compliance with program requirements;
- Demonstrates success in administering Federal awards or administering state or local government awards, foundation grants, or other programs with complex compliance requirements;
- Demonstrates strong financial health and favorable audit results; and
- Presents solid loan/equity portfolio performance.

Appendix 8: Application Attachments



Audited Financial Statements for the two most recently completed fiscal years as of the date of the NOFA.	Required for All Applicants
Any management letters related to the audited financial statements for the two most recently completed fiscal years as of the date of the NOFA. Refer to Application Instructions for additional guidance.	Required for All Applicants
State charter, articles of incorporation, or other establishing documents designating that the Applicant is a nonprofit or not-for-profit entity under the laws of the organization's State of formation.	Required only for Applicants that are <u>not</u> Certified CDFIs
A certification or legal opinion demonstrating tax exempt status from the IRS.	Required only for Applicants that are <u>not</u> Certified CDFIs
Articles of incorporation, by-laws or other establishing documents demonstrating the Applicant has a principal purpose of managing or developing affordable housing.	Required only for Applicants that are <u>not</u> Certified CDFIs
An organizational chart demonstrating the relationship between the Applicant and any Affiliate, Subsidiary or parent entity that will play a role in executing the CMF Award.	Required for Applicants with <u>Affiliates, Subsidiaries, or parent entity</u> that will play a role in executing the CMF Award.

Agenda



1. Overview of CMF
2. Eligibility and CMF Applicant Approaches
3. CMF Program Requirements
4. Application Components & Deadlines
5. Application Guidance for Financing Entity Approach
6. Resources and Contacting the CMF Team

Additional Resources for FY 2021 CMF Applicants



- The CDFI Fund has posted many training resources for Applicants on its website (www.cdfifund.gov/cmf) under “Step 2: Apply.”
- We encourage you to review:
 - FY 2021 Capital Magnet Fund Pre-Round Outreach Presentation
 - Training Modules 1-6
 - CMF Interim Rule (12 CFR 1807), as amended on 2/08/2016
 - FY 2021 CMF Notice of Funds Availability (NOFA)
 - FY 2021 CMF Application Instructions
 - FY 2021 CMF Application FAQs
 - FY 2021 CMF Glossary
 - FY 2021 CMF Economic Distress, Rural, High Opportunity, Low Income Area Dataset

Who can I contact if I have more specific questions?



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

How to Submit a Question (Service Request) through AMIS



1. Log into your AMIS account
2. Click on the “Service Requests” tab on the top
3. Click on the “Create New Service Request” button
4. Select “Capital Magnet Fund” for the “Program” field
5. Complete all required fields
6. Press “Submit”

CMF Staff will review your Service Request and respond by email and/or through AMIS.