



2018 NMTC Allocation Application Roadmap

New Markets Tax Credit Program

PREPARED ON
May 1st, 2018

Roadmap Overview:



- The purpose of this presentation is to direct *Applicants* to important information and resources for the 2018 NMTC application round.
- If you are unfamiliar with the NMTC Program, please review the “Introduction to the New Markets Tax Credit Program” presentation available on the [CDFI Fund’s website](#) before continuing with this presentation.

List of 2018 NMTC Application Materials



Please review each of these materials in detail:

- [NMTC Program Webpage](#)
- 2018 NMTC Program Application
- 2018 NMTC Program Application Frequently Asked Questions (FAQ)
- 2018 NMTC *Notice of Allocation Availability (NOAA)*
- 2018 NMTC Program Electronic Application Instructions

Presentation Roadmap



- **How to Apply for a 2018 NMTC Allocation**
- NMTC Application Overview
- NMTC Application Evaluation Process
- Contact Information

How to Apply for a 2018 NMTC Allocation – 2018 Round Deadlines



- **2018 Round Deadlines:**
 - Please consult the following document/website(s) for information on important dates and deadlines for the 2018 Application Round:
 - 2018 *Notice of Allocation Availability (NOAA)*, Section III. - Eligibility

How to Apply for a 2018 NMTC Allocation – Round Deadlines



Deadline	Deadline Date
<p>Application Release Date: Investments closed after the release date of the 2018 <i>NMTC Allocation Application</i> may not be included in certain Application Questions (see FAQ #37, 58, 105 and 109).</p>	<p>May 9, 2018</p>
<p>CDE Certification: If the <i>Applicant</i> has not yet been certified as a <i>CDE</i> (see FAQ #3), its <i>CDE Certification Application</i> must be submitted by...</p>	<p>11:59 pm, ET, on May 24, 2018.</p>
<p>Request to modify <i>CDE Certification service area</i> (see FAQ #28): Requests must be <u>received</u> by...</p>	<p>11:59 pm, ET, on May 24, 2018.</p>
<p>Questions Regarding Application: The last date to contact the CDFI Fund with any questions regarding completion or submission of the <i>Allocation Application</i> is...</p>	<p>5:00 pm, ET, on June 26, 2018.</p>
<p>Application: Electronic <i>Allocation Applications</i> must be <u>submitted electronically</u> by...</p>	<p>5:00 pm, ET, on June 28, 2018.</p>
<p>Application Attachments: Supporting documents must be <u>submitted electronically</u> by...</p>	<p>5:00 pm, ET, on June 28, 2018.</p>
<p><i>Prior Year Allocatees record QEIs in CDFI Fund systems.</i></p>	<p>11:59 pm, ET, on September 24, 2018.</p>
<p>Final Award Decisions expected to be announced...</p>	<p>Winter 2019</p>

How to Apply for a 2018 NMTC Allocation - Certification



- **CDE Certification:**
 - Please consult the following documents for more information *CDE Certification Deadlines*:
 - *NOAA*, Section III. – Eligibility

Deadline	Deadline Date
CDE Certification: If the <i>Applicant</i> has not yet been certified as a <i>CDE</i> (see FAQ #3), its <i>CDE Certification Application</i> must be submitted by...	11:59 pm, ET, on May 24, 2018.
Request to modify <i>CDE Certification service area</i> (see FAQ #28): Requests must be <u>received</u> by...	11:59 pm, ET, on May 24, 2018.

How to Apply for a 2018 NMTC Allocation - Eligibility



- **Eligibility to apply for an *NMTC Allocation*:**
 - *Applicants* must meet all eligibility requirements in the 2018 *NOAA*, including the “*QLICI Uses and Activities*” commitment outlined in Application Question 13(a).
 - *CDEs* that are prior awardees and/or *Allocatees* under any CDFI Fund program (or who have *Affiliates* that meet this criteria) may be deemed ineligible if they fail to meet reporting requirements or otherwise fail to maintain compliance with previous award/*Allocation Agreements*. See the 2018 *NOAA* (Section III.A.3.b) for more information.
 - In this round, the CDFI Fund is not requiring a minimum threshold of *Qualified Equity Investments (QEI)* be issued as a condition of eligibility. See the 2018 *NOAA* (Section I.A.1) for more details.

How to Apply for a 2018 NMTC Allocation - Eligibility



- **NMTC Eligibility Requirements:**
 - Please consult the following documents for more information on NMTC Eligibility Criteria:
 - *NOAA*, Section III. – Eligibility

How to Apply for a 2018 NMTC Allocation – Application Materials



- **Submit an NMTC Application and required materials:**
 - The NMTC Application can only be submitted online through the Awards Management Information System (AMIS). Please consult the following resources for more information on submitting application materials:
 - Application FAQ Document
 - Q. 12 – How to apply for *NMTC Allocations*
 - Q. 13 – Application attachments required to submit an *Allocation Application* and how to submit them
 - 2018 NMTC Application Electronic Instructions

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NMTC Application: Contents



- The NMTC Application has five main sections:
 - Part I: Business Strategy
 - Part II: Community Outcomes
 - Part III: Management Capacity
 - Part IV: Capitalization Strategy
 - Part V: Information Regarding Previous Awards
- *Applicants* are also required to complete an *Applicant Information* section and the tables included in Exhibits A – E.
- A glossary of terms is included in the back of the Application for reference. Any italicized word in the Application is defined in the glossary.

NMTC Application: New Items This Round



Listed below are the new additions to the NMTC Application this year:

- Table A5 – Proposed Transactions
 - This table provides a framework for *Applicants* to provide additional detail for each of their projected transactions as listed in Application Q. 17.
 - See FAQ Qs. 38, 40-42, 70, 71, and 113 for additional details
- Table D2 – Fee Structure
 - This table provides an itemized list of the individual fees that represent the Fee Structure the *Applicant (or Controlling Entity)* anticipates will typically apply to investments closed with the requested *NMTC Allocation* and result in compensation to the *Applicant (or Controlling Entity)*, an *Affiliate*, or an Unaffiliated Third-Party.
 - See FAQ Qs. 87-91 for additional details.

NMTC Application: General Tips



- **General Tips on the NMTC Application:**
 - Read the questions and tips carefully and provide the information requested.
 - Your responses only need to be long enough to provide the information requested in the question.
 - Your responses should clearly explain and reference data from applicable tables/exhibits if prompted.
 - In your response to each question, provide information only specifically related to the topic of the question.
 - Respond only to the questions that are relevant to your planned NMTC activities. *Applicants* gain no advantage by responding to all optional questions.
 - Review the Application FAQ Document for additional guidance on specific questions.

NMTC Application: Applicant Information



- At the beginning of the Application, *Applicants* are required to answer several informational questions. These questions are for information purposes only – they are not scored.
- An *Applicant* may wish to designate a *Controlling Entity* for the purpose of completing the Application.
 - *Controlling Entities*: *Applicants* may only have **one** *Controlling Entity*, and an individual cannot be treated as a *Controlling Entity*.
 - *Applicants* are required to identify the same *Controlling Entity* from year to year, with limited exceptions.
 - More guidance on designating a *Controlling Entity* can be found in the NMTC Application TIP related to Question #3 and in the Application FAQ document (Q. 26, Q. 27).

NMTC Application: Business Strategy Section



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

NMTC Application: Business Strategy Section



- For tips on how to score highly in this section, please consult the following application materials:
 - 2018 NMTC Application FAQ Document: Section D
 - 2018 NMTC Application TIPs: Q. 13 – 23
 - Pay special attention to the TIPs embedded in the application! (Example below)

TIP: If the Applicant indicates it will be providing more than one financial product in Question #14(a), the Applicant should provide a distinct and unique narrative description for each financial product. Applicants that use the same narrative text for different financial products will not be scored as favorably. To the extent the Applicant indicates a range of offerings within an item listed above (e.g., interest rates from 100 bps to 500 bps below market), it should describe what circumstances would dictate the specific rates or terms, and how often the best rates and terms would be offered.

NMTC Application: Business Strategy Section



- **Innovative Activities (Q. 18)**
 - This question will not be evaluated or scored in Phase 1 of *Allocation Application* reviews.
 - Responses will be considered in Phase 2 of the *Allocation Application* review and may affect the size of the *Applicant's NMTC Allocation*.
 - Commitments to these activities must be clearly stated as a percent of total *QLICs*.
 - Commitments will be reflected in the *Allocation Agreement*, if an *Applicant* is selected to receive an *NMTC Allocation*.
 - For more information on Innovative Activities, please review Q. 45 – Q. 50 of the Application FAQ document.

NMTC Application: Business Strategy Section



- **Non-Metropolitan Activities**
 - This question will not be evaluated or scored in Phase 1 of *Allocation Application* reviews.
 - 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*.
 - *Applicants* are required to provide two target estimates: (1) a minimum percentage and (2) the maximum percentage of *QLICs* that the *Applicant* is willing to commit to invest in *Non-Metropolitan Counties*.
 - For more information on Non-Metro Activities, please see the *NOAA* (Section V, Subsection D) and/or the Application FAQ document (Q. 53(h), Q. 110 – Q. 115)

NMTC Application: Priority Points



- A maximum of 10 priority points are awarded based on the *Applicant's* responses to questions in the Business Strategy section and Exhibit B.
- Priority points are based on two distinct categories outlined in the NMTC authorizing statute:
 - Track record of providing capital or technical assistance to disadvantaged businesses or communities (5 pts).
 - Commitment to use NMTC proceeds to invest in *unrelated entities* (5 pts).
- Additional guidance on Priority Points can be found in the following application resources:
 - NOAA: Section V, Subsection B
 - Application FAQ: Q. 24(d), Q. 59, Q. 60

NMTC Application: Community Outcomes Section



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

NMTC Application: Community Outcomes Section



- Methods and Metrics (NMTC Application Q. 25)
 - These two concepts are critically important for *applicants* as they quantify and estimate projected community outcomes.
 - Each projected community outcome should be supported by clear and sound methods and metrics.
 - For definitions and examples of methods and metrics, please review Q. 69 of the Application FAQ.

NMTC Application: Community Outcomes Section



- Please consult the following application resources for information on how to score well within this section:
 - Application FAQ Document: Section E
 - 2018 *NMTC Application* TIPs: Q. 24 - Q. 27
 - Pay special attention to the TIPs embedded in the application!
(Example below)

TIP: An *Applicant* may score higher to the extent that its projected activities will generate clear and well supported outcomes for the communities affected, not simply based on the sheer number of outcomes selected in Question #25.

NMTC Application: Management Capacity Section



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

NMTC Application: Management Capacity Section



- Please review the following application resources for information on how to score well within this section:
 - Application FAQ Document: Section F
 - 2018 *NMTC Application* Tips: Q. 28 – Q. 33
 - Pay special attention to the TIPS embedded in the application! (Example below)

TIP: Be sure to identify any and all consultants that will have a key role in assisting the *Applicant* in managing an NMTC line of business, including consultants who assisted in preparing the *Allocation Application*.

NMTC Application: Capitalization Strategy Section



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

NMTC Application: Capitalization Strategy Section



- Please consult the following application resources for information on how to score well within this section:
 - Application FAQ Document: Section G
 - 2018 NMTC Application Tips: Q. 34 – Q. 40
 - Pay special attention to the TIPS embedded in the application! (Example below)

TIP: An *Applicant* that demonstrates a track record of raising capital from investors (including market rate capital) consistent with the Allocation request and, if applicable, a high level of investor *Commitment* will be evaluated favorably under this sub-section.

NMTC Application: Information Regarding Previous Awards



- **Information Regarding Previous Awards Tips:**
 - Must be completed by all *Applicants*
 - If the *Applicant* (or any *Affiliates*) has never received an award from the CDFI Fund or an *NMTC Allocation*, the answer to Questions 41 and 42 will be “No” and Questions 43 and 44 can be skipped.
 - Part V is not scored in Phase 1 of the review process. It will only be considered in Phase 2 of the review process.
 - Please consult the following Application resource for more information on this section:
 - Application FAQ Document: Q. 109

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NMTC Application Evaluation Process: Flowchart



Phase 1: Peer Review

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

Selection of Applicants:

Selecting Official makes final determinations based upon panel recommendations.



Phase 2: Panel Review

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

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

NMTC Application Evaluation Process: Phase 1 – Peer Review



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

NMTC Application Evaluation Process: Phase 1 – Peer Review



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

NMTC Application Evaluation Process: Phase 1 – Peer Review



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

NMTC Application Evaluation Process:

Phase 2 – Panel Review



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

NMTC Application Evaluation Process: Phase 2 – Panel Review



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

NMTC Application Evaluation Process: Selection of Allocatees



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

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Contact Information



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

Program Support	IT Support
Phone: (202) 653-0421 (option 3)	Phone: (202) 653-0300
E-mail: cdfihelp@cdfi.treas.gov	Please file a service request via AMIS for technical issues

- Contact the IRS via Jian Grant and James Holmes, Office of the Associate Chief Counsel (Passthroughs and Special Industries), by telephone at (202) 317-4137, by facsimile at (202) 317-6731, for questions about IRS regulations, eligibility of possible QLICI activities and other tax implications of the program.