



Community Development Financial Institutions (CDFI) Fund

2010 Capital Magnet Fund Application Training Presentation





Presentation Agenda

- ❖ CDFI Fund Overview
- ❖ Capital Magnet Fund Overview
- ❖ Capital Magnet Fund Application
- ❖ Application Submission Process





CDFI Fund Mission and Vision

Mission

- ❖ The CDFI Fund's mission is to expand the capacity of financial institutions to provide credit, capital, and financial services to underserved populations and communities.

Vision

- ❖ The vision of the CDFI Fund is an America in which all people have access to affordable credit, capital and financial services.





Programs and Initiatives

The Fund achieves its mission by directly investing in and supporting Community Development Financial Institutions (CDFIs), Community Development Entities (CDEs), and other financial institutions through the following programs and initiatives:

- **CDFI Program**
- **Native Initiatives Program**
- **Bank Enterprise Award (BEA) Program**
- **New Markets Tax Credit (NMTC) Program**
- **Financial Education & Counseling (FEC) Pilot Program**
- **Capital Magnet Fund (CMF)**



CDFI Fund Accomplishments

- ❖ Through its various programs, the CDFI Fund makes investments that strengthen and sustain a network of CDFIs and CDEs, and other entities.
- ❖ Since its creation in 1994, the CDFI Fund has awarded over \$1 billion to community development organizations and financial institutions; and has awarded \$26 billion in tax credit allocations under the New Markets Tax Credits Program.





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Capital Magnet Fund (CMF) Background

- ❖ Created in the Housing and Economic Recovery Act of 2008, Public Law 110-289.
- ❖ Provides a dedicated source of funding to finance the development, rehabilitation and purchase of affordable housing for low-income persons.
- ❖ Under the FY2010 budget, \$80 million has been appropriated for use under this program.



Capital Magnet Fund (CMF) Overview

- ❖ CMF provides competitively awarded grants to CDFIs and qualified nonprofit housing organizations to finance affordable housing and related community development activities
- ❖ CMF awards must be used predominately to support affordable housing activities, though awardees may use up to 30% of their awards to finance community service facilities and economic development activities
- ❖ CMF award funds are expected to result in eligible activities whose aggregate costs are at least 10 times the award amount



Capital Magnet Fund (CMF) Overview (continued)

- ❖ No single applicant may apply for or receive more than \$12 million (15% of the aggregate award pool of \$80 million) under the FY 2010 application round.
- ❖ CMF award funds must be:
 - committed for use by the awardee within 2 years of award;
 - at least partially disbursed within 3 years of award; and
 - used to finance projects that are fully funded and placed in service within five years of award.



Applicant Eligibility Factors

- ❖ The Applicant must be a legally formed entity that has been operating as an ongoing concern for at least three years prior to the application due date.
- ❖ The Applicant must, at the time of application submission:
 - Be certified as a CDFI by the CDFI Fund; OR
 - Have an application for CDFI certification pending with the CDFI Fund, with such application having been submitted to the CDFI Fund on or before April 1, 2010; OR
 - Be a non-profit organization having as one of its principal purposes the development or management of affordable housing



Applicant Eligibility Factors

An eligible non-profit organization must:

- ❖ Be designated as a non-profit or not-for-profit entity under the laws of the organization's State of formation; AND
- ❖ Be exempt from federal income taxation pursuant to the Internal Revenue Code of; AND
- ❖ Have incorporating documents, mission statements or other board-approved documents evidencing that one of the organization's principal purposes is the development or management of affordable housing; AND
- ❖ Demonstrate that at least 33 percent of its resources (i.e., budget or staffing) are dedicated to the development or management of affordable housing.



Eligible Uses of CMF Award Dollars

- ❖ To provide Loan Loss Reserves
- ❖ To capitalize a Revolving Loan Fund
- ❖ To capitalize an Affordable Housing Fund
- ❖ To capitalize a fund to support Economic Development Activities or Community Service Facilities
- ❖ For Risk-Sharing Loans
- ❖ For Loan Guarantees
- ❖ To support operations



Eligible Activities and Restrictions

- ❖ CMF award dollars (and leveraged funds) used to finance affordable housing activities may only be used to support units that are affordable to families making less than 120% Area Median Income (AMI).
- ❖ At least 50% of the CMF award dollars (and leveraged funds) used to finance affordable housing activities must be directed towards units that are affordable to families making less than 80% of AMI.
- ❖ At least 20% of the units in each multifamily rental housing property financed in whole or in part by CMF award must be affordable to families making less than 80% of AMI.
- ❖ No more than 30% of the CMF award dollars can be used for Community Service Facilities or Economic Development Activities
- ❖ No more than 5% of the CMF award dollars can be used for operations.



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Application Sections

The CMF Application consists of three sections:

- ❖ Part I: Applicant Information and Eligibility Questionnaire
- ❖ Part II: Capital Magnet Fund Proposal
 - Executive Summary
 - Business Strategy
 - Leveraging Strategy
 - Community Impact
 - Organizational Capacity
- ❖ Part III: Certifications and Assurances



Part I: Application Information & Eligibility Questionnaire

- ❖ The information provided here does not factor into the competitive review or scoring of the application.
- ❖ This information will be used by the CDFI Fund for administrative purposes only, including:
 - Applicant eligibility verifications;
 - Classifying applications and creating peer groupings for ease of application review;
 - Reporting information regarding the characteristics of the overall applicant pool.



Part II: Capital Magnet Fund Proposal Scoring

- ❖ Maximum of 100 points
- ❖ Executive Summary highlights the key elements of the CMF Proposal and is not scored
- ❖ Four sections of 25 points each:
 - Business Strategy
 - Leveraging Strategy
 - Community Impact
 - Organizational Capacity



Business Strategy

- ❖ Applicants are asked to discuss:
 - Their proposed activities, including the financing tools that will be used and the rates and terms that will be offered.
 - Their track record of financing housing activities, community service facilities or economic development activities
 - Their pipeline of activities and their strategy for identifying potential projects.



Business Strategy

- ❖ To score favorably an applicant must:
 - Utilize the CMF Award to provide products better than those currently offered in the marketplace
 - Propose activities that are consistent with the Applicant's track record
 - Illustrate a viable and high-quality pipeline of potential activities



Leveraging Strategy

- ❖ Applicants are asked to discuss:
 - Their strategy for leveraging additional capital to support its CMF investments, whether: (i) at the pre-investment stage; (ii) through re-investment of capital; or (iii) at the project level.
 - The extent to which they will be leveraging private capital to support their activities.
 - How the CMF award will add value to their anticipated activities.
 - The extent to which the CMF financing will play a significant role in financing the projected activities.



Leveraging Strategy

- ❖ To score favorably an Applicant must:
 - Commit to financing projects with Eligible Project Costs significantly higher than the dollar amount of the CMF award
 - Utilize strategies for leveraging funds at the Pre-Investment Stage or through Reinvestment, as opposed to solely at the Project Level
 - Utilize the CMF Award to leverage private capital
 - Provide financing that represents a significant portion (at least 5%) of the total costs of each activity; or which otherwise plays a critical role in project financing.



Community Impact

- ❖ Applicants are asked to discuss:
 - The communities and populations that they intend to serve.
 - The extent to which their activities are coordinated with local planning initiatives and take into consideration broader community needs.
 - Any additional community and economic development impacts that will be achieved through their activities.
 - The extent to which activities will be directed to non-metropolitan areas (NOTE: This does not affect application scoring).



Community Impact

- ❖ To score favorably an Applicant must:
 - Commit to targeting its activities to lower-income populations and/or areas with high housing need.
 - Present a strategy for reducing concentrations of poverty and coordinating its activities with local plans.
 - Present a strategy, supported by a track record, for delivering community and economic development benefits alongside its housing activities.



Organizational Capacity

- ❖ Applicants are asked to discuss:
 - The capacity, skills and experiences of key personnel.
 - The role of the governing board and/or advisory board in its operations.
 - Their experience administering other governmental and non-governmental awards.
 - Their capacity for deploying CMF award dollars.
 - Their overall financial health, including the quality of their loan portfolio.



Organizational Capacity

- ❖ To score favorably an Applicant must:
 - Demonstrate that its staff, board members and other personnel have the requisite skills and experience to administer the award and maintain compliance with its Assistance Agreement.
 - Involve low-income persons or low-income community representatives in its decision-making process.
 - Demonstrate an ability to deploy CMF award dollars quickly.
 - Demonstrate a strong portfolio and stable financial position.



Part III: Forms and Certifications

- ❖ The final section is made up of three questions that relate to the following three forms and certifications:
 - Environmental Form
 - Assurances and Certifications
 - 501(c)(4) Questionnaire



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myCDFI Fund Account

- ❖ The CMF Application Form is a fillable PDF document that must be completed in its entirety.
- ❖ The applicant must submit this Form and three required attachments electronically through “myCDFIFund”, the CDFI Fund’s user interface.
- ❖ To access this Form, all Applicants are required to create user accounts in myCDFIFund by clicking on the “Log on to MyCDFIFund” link on the CDFI Fund’s website at www.cdfifund.gov.
- ❖ In completing this Form, applicants must also review the related application materials made available on the CDFI Fund’s website:
 - **The CMF Application Instructions document**, which includes valuable tips and information, and should be used as a companion document as the applicant completes the Form;
 - **The CMF Application Q&A document**, which attempts to answer some anticipated frequently asked questions, and should be consulted by the applicant prior to contacting the CDFI Fund with any questions.



myCDFI Fund Account

Steps to completing Application Form:

1. Log on to myCDFI account
2. Click “Applications” (on left)
3. Choose “2010 Capital Magnet Fund Application”
4. Follow submission instructions



Applying for a CMF Award

- ❖ Each question response has specified word limitations. The CDFI Fund recommends preparing responses to application questions in an off-line format, and then pasting them into the final document before submission.
- ❖ Allow plenty of time to submit. Inquiries must be received by the CDFI Fund no later than two days before the application due date in order to receive a response. The CDFI Fund therefore recommends applicants submit their applications two days prior to the deadline, so that we may be available to assist them in case technical issues arise.
- ❖ Applicants will not be able to make any changes after application is submitted in the myCDFI Fund system



Application Materials Checklist

Table 1 – Application Checklist

Application Component	Prepare In...
Application Form (includes Proposal and Certifications)	PDF Form
Standard Form (SF) 424	MS Word (then print, sign, and scan)
Documentation of EIN	PDF
Audited Financial Statements (most recent year)	PDF or MS Word



Key Application Deadlines

FY 2010 CMF Deadlines (All 5:00 p.m. EDT deadlines)			
Applicant Type	Document	Deadline	Last Date to Contact CDFI Fund Staff
Certified CDFIs	CDFI Certification Material Events Form	April 1, 2010	March 30, 2010
Entities Applying for CDFI Certification	CDFI Certification Application	April 1, 2010	March 30, 2010
All Applicants	CMF Application	April 15, 2010	April 13, 2010



Contacting the Fund

❖ Programmatic Support:

cdfihelp@cdfi.treas.gov or 202.622.6355; option #9

❖ Compliance Support:

ccme@cdfi.treas.gov or 202.622.6330

❖ Technical Support:

ithelpdesk@cdfi.treas.gov or 202.622.2455

❖ Legal Counsel Support:

See “How to Request a Legal Review” at www.cdfifund.gov