

**Community
Development
Financial
Institutions
Fund**

**New Markets Tax Credit
CDE Certification
Glossary of Terms**

GLOSSARY OF TERMS

Affiliate	Any legal entity that <i>Controls</i> , is <i>Controlled</i> by, or is under common <i>Control</i> with the <i>Applicant CDE</i> .
Allocation Agreement	A written agreement between the Fund and a CDE Awardee specifying the terms and conditions associated with the receipt of a <i>NMTC Allocation</i> , pursuant to IRC §45D(f)(2).
Applicant CDE	Any legal entity that is applying to the Fund to be certified as a <i>CDE</i> , either for itself or on behalf of its <i>Subsidiaries</i> .
Authorized Representative	An officer, or other individual, who has the actual authority to sign for and make representations on behalf of the <i>Applicant CDE</i> . This person will also be the primary point of contact for the <i>Applicant CDE</i> .
CDE Certification Application	The application form, issued by the Fund, to be completed and submitted by an <i>Applicant CDE</i> in order to be certified as a <i>CDE</i> .
CDFI Intermediary	An entity whose primary business activity is the provision of financial products to <i>CDFIs</i> and/or emerging <i>CDFIs</i> , and that meets the <i>CDFI</i> certification eligibility requirements.
Community Development Entity (CDE)	<p>Under IRC §45D(c)(1), any domestic corporation or partnership if:</p> <ol style="list-style-type: none">(1) The primary mission of the entity is serving, or providing investment capital for, <i>Low-Income Communities</i> or <i>Low-Income Persons</i>;(2) The entity maintains accountability to residents of <i>Low-Income Communities</i> through their representation on any governing board of the entity or on any advisory board to the entity; and(3) The entity is certified by the Fund as a <i>CDE</i>. <p><i>Specialized Small Business Investment Companies (SSBICs)</i>, and Fund certified <i>Community Development Financial Institutions (CDFIs)</i> will be deemed to be <i>CDEs</i>.</p>
Community Development Financial Institution (CDFI)	An entity designated in writing as a <i>CDFI</i> by the Fund. To be certified by the Fund as a <i>CDFI</i> , applicants must legally exist (e.g., be incorporated or chartered) and be located in the United States or a U.S. territory. In addition, the applicant must have a primary mission of promoting community development, predominantly serve and maintain accountability to eligible target markets, be a financing entity, provide development services, and not be either a government entity or <i>Controlled</i> by a government entity. For further details, refer to the CDFI Program regulations set forth at 12 CFR §1805.201.

Control	<p><i>Control</i> is defined as:</p> <ol style="list-style-type: none"> (1) Ownership, control, or power to vote more than 50 percent of the outstanding shares of any class of voting securities of any entity, directly or indirectly or acting through one or more other persons; (2) Control in any manner over the election of a majority of the directors, trustees, or general partners (or individuals exercising similar functions) of any other entity; or (3) Power to exercise, directly or indirectly, a controlling influence over the management policies or investment decisions of another entity, as determined by the Fund.
Credit Allowance Period	<p>The seven-year period during which a taxpayer may claim New Markets Tax Credits for <i>Qualified Equity Investments</i> made to a CDE. In each of the first three years, the taxpayer may claim a credit equal to five percent of the total value of the investment at the time of purchase. For each of the next four years, the taxpayer may claim a six percent tax credit on the investment amount.</p>
Equity Investment	<p>Under IRC §45D(b)(6) and the <i>Temporary Proposed Income Tax Regulations</i>, <i>Equity Investment</i> means (1) any stock (other than nonqualified preferred stock as defined in IRC §351(g)(2)) in any entity that is a corporation; and (2) any capital interest in any entity that is a partnership.</p>
Financial Counseling and Other Services	<p>Services provided to businesses located in and residents of <i>Low-Income Communities</i> that promote and are integral to the <i>Applicant CDE's</i> primary mission of serving or providing investment capital for <i>Low-Income Communities</i> or <i>Persons</i>. See 26 CFR 1.45D-1T(d)(7).</p>
Insured Credit Union	<p>Any credit union, the member accounts of which are insured by the National Credit Union Share Insurance Fund.</p>
Insured Depository Institutions	<p>Any bank or thrift, the deposits of which are insured by the Federal Deposit Insurance Corporation.</p>

Low-Income Community	<p>Under IRC §45D(e)(1), any population census tract if:</p> <ol style="list-style-type: none"> (1) The poverty rate for such tract is at least 20 percent, or (2) (a) In the case of a tract not located within a <i>Metropolitan Area</i>, the median family income for such tract does not exceed 80 percent of statewide median family income, or (b) in the case of a tract located within a <i>Metropolitan Area</i>, the median family income for such tract does not exceed 80 percent of the greater of statewide median family income or the <i>Metropolitan Area</i> median family income. <p>With respect to IRC §45D(e)(1)(B), possession-wide median family income shall be used (in lieu of statewide income) in assessing the status of census tracts located within a possession of the United States.</p> <p>Upon application by an entity for certification as a CDE, the Fund may designate under IRC §45D(e)(2) an area within a census tract as a <i>Low-Income Community</i> if:</p> <ol style="list-style-type: none"> (1) The boundary of the area is continuous; (2) The area would otherwise meet the definition of a <i>Low-Income Community</i> under IRC §45D(e)(1) if it were a census tract; and (3) There is inadequate access to investment capital in the area (as demonstrated by studies, surveys, or other analyses provided by the applicant). <p>Under IRC §45D(e)(3), in the case of an area that is not tracted for population census tracts, the equivalent county divisions (as defined by the Bureau of the Census for purposes of determining poverty areas) shall be used for purposes of defining poverty rates and median family incomes.</p>
Low-Income Designated Credit Union	<p>A credit union designated as such by the appropriate National Credit Union Administration Regional Director in accordance with the criteria set forth in 12 C.F.R. § 701.34.</p>
Low-Income Person	<p>Any individual having an income, adjusted for family size, of not more than:</p> <ol style="list-style-type: none"> (1) For non-<i>Metropolitan Areas</i>, 80 percent of the statewide median family income; and (2) For <i>Metropolitan Areas</i>, the greater of (a) 80 percent of the statewide median family income or (b) 80 percent of the <i>Metropolitan Area</i> median family income.
Metropolitan Area	<p>An area designated as such by the Office of Management and Budget pursuant to 44 USC §3504(e) and 31 USC §1104(d) and Executive Order 10253 (3 CFR §§1949-1953 Comp., p. 758), as amended.</p>

Qualified Active Low-Income Community Business (QALICB)

Under IRC §45D(d)(2), any corporation (including a nonprofit corporation) or partnership if, for any taxable year:

- (1) At least 50 percent of total gross income of such entity is derived from the active conduct of qualified business within any *Low-Income Community*;
- (2) A substantial portion of the use of the tangible property of such entity (whether owned or leased) is within any *Low-Income Community*;
- (3) A substantial portion of the services performed for such entity by its employees are performed in any *Low-Income Community*;
- (4) Less than 5 percent of the average of the aggregate unadjusted bases of the property of such entity is attributable to collectibles (as defined in IRC § 408 (m)(2)) other than collectibles that are held primarily for sale to customers in the ordinary course of such business; and
- (5) Less than 5 percent of the average of the aggregate unadjusted bases of the property of such entity (as defined in IRC § 1397C(e)) is attributable to nonqualified financial property.

Please refer to the *IRS Final Regulations* at 26 CFR 1.45-1T(d)(4) for more information.

Qualified Equity Investment

Under IRC §45D(b)(1), any *Equity Investment* in a *CDE* if:

- (1) Such investment is acquired by the investor at its original issue (directly or through an underwriter) solely in exchange for cash;
- (2) Substantially all of such cash is used by the *CDE* to make *Qualified Low-Income Community Investments*; and
- (3) The investment is designated by the *CDE* as a *Qualified Equity Investment*. A QEI also includes an *Equity Investment* purchased from a prior holder, to the extent provided in IRC §45D(b)(4).

Qualified Equity Investment does not include any *Equity Investment* issued by a *CDE* more than five years after the date the *CDE* receives a NMTC allocation.

Qualified Low-Income Community Investments

Under IRC §45D(d)(1), a *Qualified Low-Income Community* investment is:

- (1) Any capital or *Equity Investment* in, or loan to, any *Qualified Active Low-Income Community Business* (as defined in IRC §45D(d)(2));
- (2) The purchase from a *CDE* of any loan made by such entity that is a *Qualified Low-Income Community Investment*;
- (3) *Financial Counseling and Other Services* to businesses located in, and residents of, *Low-Income Communities*; and
- (4) Any *Equity Investment* in, or loan to, any *CDE*.

Please refer to the *IRS Final Regulations* at 26 CFR 1.45-1T(d)(1) for more information.

Small and Emerging	<p><i>Small and Emerging</i> entities include: (1) institutions that have total assets of no more than \$5 million as of the last day of the applicant's most recently completed fiscal year, and have never received a Notice of Award for Financial Assistance from the Fund; or (2) Depository Institution Holding Companies or other <i>Insured Depository Institutions</i> that have been chartered by the appropriate federal or state regulatory agency on or after three years prior to the date of the applicable NOFA and have never received a Notice of Award for Financial Assistance from the Fund prior to the date of application for the <i>Small and Emerging CDFI</i> Assistance Component of the <i>CDFI</i> Program.</p>
Specialized Small Business Investment Companies (SSBICs)	Entities as defined in IRC §1044(c)(3).
Subsidiary	Any legal entity that is owned or <i>Controlled</i> directly or indirectly by the <i>Applicant CDE</i> . This term includes series funds, which are separate investment funds <i>Controlled</i> by an <i>Applicant</i> .
Subsidiary Applicant	An entity that is a <i>Subsidiary</i> of an <i>Applicant CDE</i> and that applies for <i>CDE</i> certification with the <i>Applicant CDE</i> .