Secret Sauce: Best Lessons Learned in Applying to the CDFI Fund

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Bank Enterprise Award (BEA)

- Develop a Strategy & Plan Ahead: Before the assessment period begins...
  - Set BEA lending goals
  - Know which census tracts are BEA qualified
  - Educate and engage loan officers and/or business development staff

- Nuts & Bolts
  - Track physical addresses for both borrowers and projects financed
  - Track new loans, renewals and loan participation
  - Understand nuances of categorizing loans (Particularly for CRE vs Small Business Loans)

- CDFI Support Activities
  - Consider CDFI Support Activities as part of your strategy since it is a high priority activity
  - Ensure CDFI Partners understand what is a qualified activity, qualified census tract & documentation requirements

- Consider BEA Distressed Community census tract when branching or placing ATMs

- Documentation: Confirm that documentation is accurate and complete, the CDFI Fund does not call with clarifying questions or allow supplemental information to be submitted if documents are not complete -- the transaction will be disqualified
Financial Assistance/
Technical Assistance Award (FA/TA)

- **Have a Strategy & Plan Ahead:**
  - **Plan:** Make sure your bank’s strategic or business plan addresses your community development activities
  - **Think big & be strategic:** What would you do with FA/TA funds? What does your community need? How can your bank best fill a niche?
  - **Show Need:** What will the award allow you to do that you couldn’t otherwise do? Target funds for new or higher risk products or services - or activities that will be slow to generate revenue.
  - **Impact Data:** Collect or repurpose existing data during the year before the application period

- **Apply to FA/TA through your bank holding company and have your bank apply to BEA**

- **Customer Needs:** Identify your customer profile and clearly show how your proposed use of funds is tailored to their needs

- **Balance hard data with heart warming customer stories**

- **Alignment:** Make sure your strategy, goals, market analysis, partnerships & products and services align in your narrative

- **Matching Funds:** Ensure you have sufficient match in hand or retained earnings

- **Partnerships:** Create community partnerships that can help address market needs and highlight them in your application

- **Have policies/procedures/controls for grant funds management and compliance.**
New Market Tax Credit Program

- **Develop a Strategy & Plan Ahead:**
  - Make sure your NMTC strategy is consistent with your bank’s past experience and track record
  - Identify a niche and clearly explain how you will address the needs of the low income community
  - Create partnerships with investors, local community organizations, lenders, consultants that can help you identify good NMTC projects

- **Pipeline**
  - Demonstrate that your pipeline of eligible NMTC projects is consistent with your bank’s track record
  - Build a robust pipeline of projects that is 1.5 times the amount requested
  - Details Count: Have data on census tract qualifications, total project costs, what impacts a project will create (e.g. jobs, people served), project timeline, etc.

- **Outcomes**
  - Start early in collecting data.
  - Measure & communicate impact clearly with examples that tie to your past experience and future pipeline to demonstrate that you will use NMTC subsidy effectively.

- **Team:**
  - Demonstrate management capacity to deliver on projects and raise third-party investor commitments (you will need commitment letters in your application)
  - Identify a team of third party experts with NMTC experience for accounting, legal and compliance.

- **Priority Points:** You can get bonus points for targeting rural communities, underserved states, or other innovation activities

- **Plan for a long term strategy and persist**
  - This is a long term strategy - once involved with a deal, one has to maintain an infrastructure for 7-10 years. Hence plan for long term involvement.
  - Few applicants are successful their 1st try (or 2nd try). Learn from your feedback and don’t give up.
  - Even without an allocation, you can build NMTC track record that will make you more competitive in the future as a leveraged lenders or by partnering with others on their NMTC deals.
Capital Magnet Fund (CMF)

- Affordability:
  - Must have a strategy to ensure affordability of the project or units for 10 years from initial occupancy.

- Pipeline
  - Demonstrate a solid pipeline of eligible projects that is consistent with your bank’s track record of serving low, very-low, and extremely low-income populations
  - Identify a robust pipeline of projects. Identify stage of project readiness.

- Leverage:
  - Leverage Strategy is key. Leverage must be at least 10 times CMF dollars.
  - Private or 3rd party sources, pre-investment stages are best
  - Demonstrate strong leverage capacity through your past track record of leveraging 3rd party funds for similar projects
  - Identify potential leverage partners in your pipeline of projects

- Impact
  - Demonstrate impact by tracking Affordable Housing activities (units, deed restricted, income level of affordability, etc.) early and knowing if you are provided units to low, very-low, and extremely low-income populations or in areas designated as “high housing need” or “underserved rural” areas.
  - Highlight creative/innovative uses of CMF proceeds.