

# 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 1<sup>st</sup> try (or 2<sup>nd</sup> 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 3<sup>rd</sup> party sources, pre-investment stages are best
  - ❖ Demonstrate strong leverage capacity through your past track record of leveraging 3<sup>rd</sup> 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.