

2010 NMTC Allocation Application Q & A Document

Community Development Financial Institutions Fund

Table of Contents

Questions on the NMTC Program

- (1) *How does the New Markets Tax Credit (NMTC) Program work?*
- (2) *What is a CDE?*

Questions on Eligibility and CDE Certification

- (3) *Who is eligible to apply for NMTC Allocations?*
- (4) *What are the deadlines and dates that I need to know if my organization intends to apply for NMTC Allocations in 2010?*
- (5) *My organization submitted its CDE Certification Application prior to the April 26, 2010 deadline, and received a confirmation that it was received. Will the CDFI Fund be able to make a determination regarding my certification status prior to June 2, 2010? If not, how will this affect my ability to submit an NMTC Allocation Application to the CDFI Fund?*
- (6) *Is an entity that has previously received a NMTC allocation, a CDFI Program award or a BEA Program award (or an Affiliate of such an awardee) eligible to apply for NMTC Allocations?*
- (7) *Are CDEs with a prior allocation award(s) required to issue a minimum amount of Qualified Equity Investments in order to be eligible for a subsequent award?*
- (8) *How does the CDFI Fund determine whether an applicant with prior-year CDFI Fund awards has a balance of “undisbursed funds”?*
- (9) *If my organization intends to transfer all or part of an NMTC Allocation to one or more Subsidiaries, do the Subsidiaries need to be established and certified as CDEs prior to submission of the Allocation Application?*
- (10) *Can a non-profit entity apply for a NMTC Allocation?*
- (11) *In Question #9 of the Allocation Application, can I designate a service area that is different than the service area that I was certified for in my CDE Certification Application?*

Questions on the Process for Applying for and Receiving a NMTC Allocation

- (12) *How can my organization apply for NMTC Allocations?*
- (13) *What is the process for submitting an online Allocation Application?*
- (14) *What attachments am I required to submit with my Allocation Application, and how do I submit them?*
- (15) *Will the information that I provide in my Allocation Application be accessible by the general public?*
- (16) *Can more than one Affiliated entity or member of a Common Enterprise submit an application?*
- (17) *Are there any limitations with respect to using NMTCs, or the proceeds of QEIs, in conjunction with other CDFI Fund program awards?*

2010 NMTC Allocation Application Q & A Document

Community Development Financial Institutions Fund

- (18) When will the CDFI Fund make Allocation decisions? Can my organization start to offer NMTCs to investors as soon as it receives an Allocation?*
- (19) What terms and conditions will be placed upon Applicants that receive NMTC Allocations from the CDFI Fund?*
- (20) My organization applied for an Allocation of tax credits in a previous round. How do I access an electronic copy of that application and my debriefing document?*

Questions on the NMTC Allocation Application Contents

- (21) When requesting NMTC Allocations from the CDFI Fund, should the Applicant ask for the total amount of equity it intends to raise through NMTCs, or should it ask for the total value of the tax credits that will be available to its investors?*
- (22) Is there a limit to the total NMTC Allocation amount that an Applicant may request in the 2010 Allocation round?*
- (23) If an Applicant indicates a minimum allocation amount (Q#49), will the Applicant receive at least its minimum request if the Applicant receives an allocation award?*
- (24) The Application includes several "Tips" informing Applicants that responses to certain questions may be used to populate fields in their Allocation Agreements, should they receive an allocation award. Are these the only application-specific items that will be included in the Allocation Agreements for 2010 round allocatees?*
- (25) How do I complete the Allocation Application if my organization is a start-up entity?*
- (26) If an Applicant intends to use part or all of the QEI proceeds to capitalize an Affiliate CDE (e.g., capitalize a Subsidiary CDE bank), how should it complete the Allocation Application?*
- (27) Is there an example of what format the CDFI Fund would like to see in Question #14b?*
- (28) Who can be considered a Controlling Entity, for purposes of demonstrating an organizational track record? Can an individual be considered a Controlling Entity? Can an Applicant have more than one Controlling Entity? Can an Applicant identify the parent of its parent company as a Controlling Entity?*
- (29) If the Applicant (or Controlling Entity) engages in activities through one or more subsidiary entities, am I permitted to present these activities on a consolidated basis for the purposes of completing the tables in Exhibit A?*
- (30) What data should I be providing in the tables in Exhibit A?*
- (31) There are some activities that are not clearly prohibited by the IRS Tax Regulations, but that are also not clearly allowed. If my business strategy falls within one of these more undefined areas, how will my application be scored by the CDFI Fund?*
- (32) What is a non-real estate versus real estate QALICB?*
- (33) In Question #25 of the Allocation Application, how can an Applicant earn the 5 priority points for investing in Unrelated entities?*

2010 NMTC Allocation Application Q & A Document

Community Development Financial Institutions Fund

- (34)** *What are some examples of permissible and non-permissible activities for organizations that answer "yes" to Question #27a?*
- (35)** *Questions #29(a)1 in the Allocation Application asks the Applicant to describe the underlying methodologies and assumptions supporting its track record and projected outcomes for job creation. What information should an Applicant disclose in describing its methodologies and assumptions?*
- (36)** *Question #29(b)(iv) asks the Applicant whether it expects its investments to QALICBs will result in the provision of goods and services to Low-Income persons or residents of Low-Income Communities. What are some examples of goods and services to low-income communities?*
- (37)** *Question #29(b)(v) allows Applicants to indicate their intention to invest in minority CDEs. What is the CDFI Fund's definition of a minority CDE?*
- (38)** *Question #29c in the Allocation Application asks the Applicant whether it will commit to providing at least 20% of developed units as affordable housing units. If an Applicant's response is "No", what information should an Applicant disclose in providing a justification?*
- (39)** *Is the Applicant permitted to include information pertaining to both its QLICI-type activities and its non-QLICI type activities? If so, where should these activities be discussed?*
- (40)** *Table C1 includes a column heading "Years with (or years providing services to) the Applicant". In completing this information, may a start-up entity refer to the years of service that an individual provided to its Controlling Entity?*
- (41)** *How should Applicants disclose the use of consultants in the Application?*
- (42)** *What documents are considered acceptable to demonstrate investor commitments for Table E1?*
- (43)** *My organization has not yet received commitments from its investors. Will this prevent it from scoring well under the Capitalization Strategy section of the application?*
- (44)** *In Table E2, can an Applicant rely upon the track record of its Controlling Entity?*
- (45)** *What types of income qualify as fees for Table F1? How will this information, and the narrative responses to Q.47 and Q.48 of the application, be considered by reviewers?*

Questions on Proportional Allocations of QEIs to Non-Metropolitan Counties

- (46)** *What is the definition of a Non-Metropolitan County?*
- (47)** *How will the CDFI Fund ensure a proportional allocation of QEIs to Non-Metropolitan Counties?*
- (48)** *My organization is focused on an urban market. It does not intend to make any investments in Non-Metropolitan Counties. Will it be disadvantaged in the 2010 application round?*
- (49)** *The CDFI Fund requires that prior-year allocatees wishing to apply for additional allocation authority achieve certain minimum threshold requirements for issuing QEIs from those prior year awards. Assuming there is an NMTC allocation round*

2010 NMTC Allocation Application Q & A Document

Community Development Financial Institutions Fund

in 2011, will the 2010 round allocatees that commit to provide a significant amount of investments in Non-Metropolitan Counties receive any consideration with respect to these QEI issuance requirements?

Contact Information

(50) *Who can I contact if I have more specific questions?*

Questions on the NMTC Program

(1) *How does the New Markets Tax Credit (NMTC) Program work?*

The NMTC Program permits taxpayers to claim a credit against Federal income taxes for Qualified Equity Investments (QEIs) made to acquire stock or a capital interest in designated Community Development Entities (CDEs). Designated CDEs must use substantially all of the proceeds from the QEIs to make Qualified Low-Income Community Investments (QLICIs). The tax credit provided to the investor (either the original holder or a subsequent purchaser) is claimed over a seven-year credit period. In each of the first three years, the investor receives a tax credit equal to five percent of the total amount paid for the stock or capital interest at the time of purchase. For the next four years, the value of the tax credit is six percent annually. The Community Development Financial Institutions Fund (the CDFI Fund) certifies CDEs on an ongoing basis, and allocates NMTC Allocations annually to select CDEs through a competitive application process.

(2) *What is a CDE?*

A CDE is any duly organized entity that is treated as a domestic corporation or partnership for federal tax purposes and that: (a) has a primary mission of serving, or providing investment capital for, low-income communities or low-income persons; (b) maintains accountability to residents of low-income communities through their representation on any governing board of the entity or any advisory board to the entity; and (c) has been certified as a CDE by the CDFI Fund.

The CDFI Fund is currently accepting applications from organizations seeking designation as CDEs. An organization seeking such a designation should review the CDFI Fund's CDE Certification Guidance and a document titled "CDE Certification Q&A" prior to submitting its CDE Certification Application to the CDFI Fund. These documents are available on the CDFI Fund's website at www.cdfifund.gov. Community Development Financial Institutions (CDFIs) certified by the CDFI Fund and Specialized Small Business Investment Companies (SSBICs) licensed by the Small Business Administration (SBA) are deemed to automatically meet the requirements for certification as a CDE, and need only register on-line at the CDFI Fund's website at www.cdfifund.gov.

2010 NMTC Allocation Application Q & A Document

Community Development Financial Institutions Fund

Questions on Eligibility and CDE Certification

(3) Who is eligible to apply for NMTC Allocations?

In order to be eligible to apply for NMTC Allocations from the CDFI Fund in the 2010 Allocation round, an Applicant must: (a) be legally incorporated or formed as a domestic corporation or partnership for Federal tax purposes; (b) have a valid Employer Identification Number (EIN) at the time of application submission; and (c) be certified as a CDE by the CDFI Fund or have a CDE Certification Application pending with the CDFI Fund. Entities seeking a 2010 NMTC Allocation must submit a CDE Certification Application that is Postmarked* on or before **April 26, 2010**. **An entity whose CDE Certification Application is not submitted within this timeframe is not eligible to apply for a 2010 NMTC Allocation.**

**As defined by 26 CFR 301. 7502-1. In general, the CDFI Fund will require a postmark date that is on or before the applicable deadline. The document must be in an envelope or other appropriate wrapper, properly addressed and deposited in the U.S. mail. The document may be delivered by the United States Postal Service or any other private delivery service designated by the Secretary of the Treasury. For more information on designated delivery services, please see IRS Notice 2002-62, 2002-2 C.B. 574*

(4) What are the deadlines and dates that I need to know if my organization intends to apply for NMTC Allocations in 2010?

Deadline	Deadline Date
CDE Certification: If the Applicant has not yet been certified as a CDE (see Q&A #3), its CDE Certification Application must be...	<u>Postmarked</u> on or before April 26, 2010
Questions Regarding Application: The last date to contact the CDFI Fund with any questions regarding completion or submission of the 2010 Allocation Application is...	5:00 pm, ET, on May 31, 2010.
Request to modify CDE Certification service area (see Q&A #11): Requests must be received by...	5:00 pm, ET, on June 2, 2010
Application: Online Allocation Applications must be <u>submitted electronically</u> by...	5:00 pm, ET, on June 2, 2010
Application Attachments: Supporting documents must be submitted electronically by...	<u>5:00 pm, ET, on June 4, 2010</u>

2010 NMTC Allocation Application Q & A Document

Community Development Financial Institutions Fund

Deadline	Deadline Date
<p>QEI Issuance thresholds (see Q&A #7): Previous Allocatees must meet the necessary QEI issuance thresholds by...</p>	11:59 pm, ET, on July 21, 2010
<p>Allocatees requiring any action by the CDFI Fund (e.g., certifying a subsidiary CDE; adding a subsidiary CDE to an allocation agreement) must submit their requests to the CDFI Fund by</p>	5:00 pm, ET, on May 21, 2010.
<p>Final Award Decisions to be announced. . .</p>	December 2010

- (5) ***My organization submitted its CDE Certification Application prior to the April 26 2010 deadline, and received a confirmation that it was received. Will the CDFI Fund be able to make a determination regarding my certification status prior to June 2, 2010? If not, how will this affect my ability to submit an NMTC Allocation Application to the CDFI Fund?***

Due to the volume of CDE Certification Applications that are expected to be submitted before the applicable deadline, the CDFI Fund may not complete reviews on all CDE Certification Applications prior to the applicable Allocation Application due date. However, the CDFI Fund will review Allocation Applications from organizations that have not yet received a certification determination, provided that their CDE Certification Applications were Postmarked on or before April 26, 2010. The CDFI Fund will not make Allocation awards to organizations until such time as they have been certified as CDEs. Accordingly, organizations will likely know their certification status in advance of the award decisions.

- (6) ***Is an entity that has previously received an NMTC allocation, a CDFI Program award or a BEA Program award (or an Affiliate of such an awardee) eligible to apply for NMTC Allocations?***

Prior awardees of any component of the CDFI Fund's CDFI Program, Bank Enterprise Award (BEA) Program, or any other CDFI Fund program, and prior Allocatees under the NMTC Program, are generally eligible to apply for NMTC Allocation under the 2010 Allocation round. However, if certain circumstances exist with respect to prior awards made to the Applicant or its Affiliates (e.g., previous incidents of default; failure to meet reporting requirements; a balance of undisbursed funds), the application may be deemed ineligible. Please refer to Section III of the NOAA for a complete description of this eligibility criterion.

The CDFI Fund will also consider the extent to which the Applicant (and Affiliates, as determined by the CDFI Fund) has complied with the terms and conditions and other requirements of any previous or existing assistance, Allocation or award agreements with the CDFI Fund.

2010 NMTC Allocation Application Q & A Document

Community Development Financial Institutions Fund

Accordingly, Applicants that are prior awardees or Allocatees under any other CDFI Fund program are advised to:

- (a) Submit all required reports by the deadlines specified in the assistance, Allocation or award agreements governing said prior awards or Allocations and to comply with all requirements found therein;
- (b) Contact the appropriate program operations representative of the CDFI Fund to ensure that all necessary actions are underway for the disbursement of any outstanding balance of prior awards and/or the issuance of any QEIs; and
- (c) Confirm that any Affiliate that is a prior CDFI Fund awardee or Allocatee, has submitted all required reports to the CDFI Fund and is taking all necessary actions for the disbursement of any outstanding balances of any prior awards and/or the issuance of any QEIs.

(7) *Are CDEs with a prior allocation award(s) required to issue a minimum amount of Qualified Equity Investments in order to be eligible for a subsequent award?*

Yes. Applicants that have previously received an NMTC allocation (or whose Affiliates have previously received an NMTC allocation) are further required to demonstrate that they have issued a requisite minimum amount of QEIs from their prior allocation(s) in order to be eligible. Please refer to Section III of the NOAA for a complete description of these eligibility thresholds.

The CDFI Fund will only consider as “issued” those QEIs that have been recorded and finalized (as opposed to listed as “pending”) in the CDFI Fund’s Allocation Tracking System. Allocatees and their Subsidiary transferees, if any, are advised to access the CDFI Fund’s Allocation Tracking System to record and finalize each QEI that they issue to an investor in exchange for cash. Allocatees that require certain action by the CDFI Fund (e.g., certifying a subsidiary entity as a CDE; adding a subsidiary CDE to an Allocation Agreement; etc.) in order to meet their QEI issuance requirements must be sure to submit their requests by May 21, 2010 in order to guarantee that the CDFI Fund completes all necessary approvals prior to the QEI issuance deadline of July 21, 2010.

Applicants should be aware that these QEI issuance requirements represent the minimum threshold requirements that must be met in order to submit an application. As stated in the NOAA, the CDFI Fund reserves the right to reject an application and/or adjust award amounts as appropriate based on information obtained during the review process – including an applicant’s track record of raising QEIs and/or deploying its QLICs.

(8) *How does the CDFI Fund determine whether an Applicant with prior-year CDFI Fund awards has a balance of “undisbursed funds”?*

2010 NMTC Allocation Application Q & A Document

Community Development Financial Institutions Fund

The CDFI Fund examines the aggregate of applicable CDFI Program, Native Initiatives Funding and BEA Program awards made to the Applicant (including awards made to any Affiliate, as determined by the CDFI Fund) to determine whether more than 5% of the total award amount has not yet been disbursed as of the 2010 NMTC application deadline. If undisbursed funds exceed this 5% threshold, then the application will be deemed ineligible.

With respect to the CDFI Programs (Financial Assistance; Technical Assistance; Core; SECA) and Native Initiatives Program, the CDFI Fund will only take into account awards made during FY 2005, 2006, 2007 and 2008 (“includable CDFI/NI awards”). With respect to the BEA Program, the CDFI Fund will only take into account awards made during FY 2005, 2006 and 2007 (“includable BEA awards”). The total amount of each award will be summed, as will the total amount of each award that remains undisbursed as of the application deadline. If the sum total of award balances that remain undisbursed exceeds 5% of the sum total of all awards, then the application will be deemed ineligible.

The “undisbursed award funds” calculation does not include: (i) NMTC Program awards; (ii) any award funds for which the CDFI Fund received a full and complete disbursement request from the awardee by the NMTC application deadline; (iii) any award funds for an award that has been terminated in writing by the CDFI Fund or deobligated by the CDFI Fund; or (iv) any award funds for an award that does not have a fully executed assistance or award agreement.

See “undisbursed award funds” calculation example on the following page:

2010 NMTC Allocation Application Q & A Document

Community Development Financial Institutions Fund

Prior Awardee Name	Prior Award Number	Fund Program	Prior Award Amount	Amount Disbursed By CDFI Fund As of Application Deadline*	Undisbursed Funds
CDFI and NI Program Awards					
FY 2010 Applicant or Affiliate	051CD00XXXX	CDFI	\$ 100,000	\$ 100,000	\$ -
FY 2010 Applicant or Affiliate	051CD00XXXX	CDFI	\$ 200,000	\$ 150,000	\$ 50,000
FY 2010 Applicant or Affiliate	061CD00XXXX	CDFI	\$ 300,000	\$ 300,000	\$ -
FY 2010 Applicant or Affiliate	061CD00XXXX	CDFI	\$ 400,000	\$ 400,000	\$ -
FY 2010 Applicant or Affiliate	071CD00XXXX	CDFI	\$ 500,000	\$ 400,000	\$ 100,000
FY 2010 Applicant or Affiliate	071NA00XXXX	NI	\$ 175,000	\$ 175,000	\$ -
FY 2010 Applicant or Affiliate	071NA00XXXX	NI	\$ 275,000	\$ 250,000	\$ 25,000
Above CDFI and NI Amounts Not Includable (gray shaded)			\$ (600,000)	\$ (550,000)	\$ (50,000)
Includable CDFI and NI Program Awards			\$ 1,350,000	\$ 1,225,000	\$ 125,000
BEA Program Awards					
FY 2010 Applicant or Affiliate	051BE00XXXX	BEA	\$ 150,000	\$ -	\$ 150,000
FY 2010 Applicant or Affiliate	051BE00XXXX	BEA	\$ 250,000	\$ 250,000	\$ -
FY 2010 Applicant or Affiliate	061BE00XXXX	BEA	\$ 350,000	\$ 300,000	\$ 50,000
FY 2010 Applicant or Affiliate	061BE00XXXX	BEA	\$ 450,000	\$ 450,000	\$ -
FY 2010 Applicant or Affiliate	071BE00XXXX	BEA	\$ 550,000	\$ 550,000	\$ -
FY 2010 Applicant or Affiliate	071BE00XXXX	BEA	\$ 650,000	\$ -	\$ 650,000
Above BEA Amounts Not Includable (gray shaded)			\$ (750,000)	\$ (550,000)	\$ (200,000)
Includable BEA Program Awards			\$ 1,650,000	\$ 1,000,000	\$ 650,000

Total Includable Awards **\$ 3,000,000** **\$ 2,225,000** **\$ 775,000**

Percentage Undisbursed (\$775,000 / \$3,000,000) 26%

Conclusion - Undisbursed amount exceeds 5% of the total includable awards, so applicant is deemed ineligible to participate in the funding round.

* - includes requests for disbursement received as of the application deadline.

Explanation of Award Number: 021 CD 00XXXX

↗ 1st 2 digits - FY of Award
 ↑ 4th and 5th digits - type of award
 (CD - CDFI Program
 BE - BEA Program
 NA - Native Programs)

In this example, the total includable CDFI and NI awards are \$1,350,000, of which \$125,000 is undisbursed, and the total includable BEA awards are \$1,650,000 of which \$650,000 is undisbursed. Therefore, the total includable awards are \$3,000,000 of which \$775,000 remains undisbursed. Since this \$775,000 exceeds five percent of the total includable awards of \$3,000,000 (the actual percentage as shown above is 26%), this Applicant would be deemed ineligible to participate in the FY 2010 allocation round.

(9) If my organization intends to transfer all or part of an NMTC Allocation to one or more Subsidiaries, do the Subsidiaries need to be established and certified as CDEs prior to submission of the Allocation Application?

2010 NMTC Allocation Application Q & A Document

Community Development Financial Institutions Fund

No. An Applicant will not be required to form and secure CDE certification for Subsidiary entities prior to the submission of its Allocation Application. However, once selected for an Allocation, the Allocatee will not be permitted to transfer any of its Allocation to Subsidiaries unless those Subsidiaries have been: (a) certified as CDEs by the CDFI Fund; and (b) identified by name in the Allocatee's Allocation Agreement. Such Subsidiaries must either be signatories to the Allocation Agreement at the time of closing or added to the Allocation Agreement via amendment after closing. Allocatees must submit such request for amendments to the CDFI Fund for approval and processing. Upon review, the CDFI Fund may, in its sole discretion, amend the Allocatee's Allocation Agreement to add Subsidiary entities that were not yet formed and/or certified as CDEs at the time of the Allocatee's receipt of a NMTC Allocation.

(10) *Can a non-profit entity apply for a NMTC Allocation?*

Only a for-profit CDE may offer NMTCs to investors because the investors must purchase stock or capital interests in the CDE. However, a non-profit CDE may apply for a NMTC Allocation with the intention of transferring the Allocation to one or more for-profit Subsidiary CDEs. The for-profit Subsidiaries do not have to be formed at the time that the non-profit CDE applies for an NMTC Allocation. However, at least one for-profit Subsidiary transferee: (i) should submit a CDE Certification Application to the CDFI Fund within 30 days after the non-profit CDE receives a Notice of Allocation from the CDFI Fund; and (ii) must be certified as a CDE prior to the CDFI Fund entering into an Allocation Agreement with the non-profit CDE and that Subsidiary transferee. The NMTC Allocation transfer must be pre-approved by the CDFI Fund, and will be a condition of the Allocation Agreement.

(11) *In Question #9 of the Allocation Application, can I designate a service area that is different than the service area that I was certified for in my CDE Certification Application?*

The service area designated in Question #9 of a CDE's NMTC Allocation Application must be consistent with (i.e., identical to or a subset of) the service area that the Applicant was certified for in its CDE Certification approval letter, or in the case of an Applicant that has not yet been certified, the service area requested in its CDE Certification Application. The CDE certification process does not require a CDFI or SSBIC to designate a service area, but the CDFI Fund expects a CDE that is a CDFI to designate (in its response to Question #9 of the Application) a service area that is consistent with its target market designated under the CDFI Program.

In the event that an Applicant who is not a CDFI/SSBIC intends to amend its CDE certification service area prior to submitting its Allocation Application, it may do so by sending an email to the CDFI Fund's Helpdesk at cdfihelp@cdfi.treas.gov, with the subject line, "NMTC Program: Revision of

2010 NMTC Allocation Application Q & A Document

Community Development Financial Institutions Fund

Service Area.” In this email, a CDE should include, for itself and any Subsidiary CDEs for which it is seeking to amend a service area: (1) the CDE certification control number; (2) the initial service area designated by the CDE, as well as the revised service area that the organization intends to serve; and (3) a revised Accountability Chart, indicating the most current list of board members and how they are representative of Low-Income Communities in the revised service area. If a CDFI would like to amend its target market, it should contact the program operations staff at cdfihelp@cdfi.treas.gov or by calling (202) 622-6355 for additional instructions. **Organizations that would like an amended service area to be considered in the context of their 2010 NMTC Allocation Application must submit this information to the CDFI Fund no later than 5:00 pm Eastern Time on June 2, 2010.**

Questions on the Process for Applying for and Receiving a NMTC Allocation

(12) How can my organization apply for NMTC Allocations?

An organization interested in applying for NMTC Allocations in the 2010 round must submit its Allocation Application **no later than 5:00 pm Eastern Time on June 2, 2010**. The CDFI Fund requires all Applicants to submit online Allocation Applications. Beginning in May 2010, Applicants may access the online Allocation Application by logging in through myCDFI Fund on the CDFI Fund's website at www.cdfifund.gov. Applicants that have not already done so are encouraged to register a user account through myCDFI Fund as soon as possible. Please contact the CDFI Fund's IT Help Desk at (202) 622-2455 or ithelpdesk@cdfi.treas.gov if you are having problems registering under myCDFI Fund. (For more information on submitting an online Allocation Application, see response to Q&A #13.)

(13) What is the process for submitting an online Allocation Application?

To apply online, Applicants must have: (1) Internet Explorer 5.5 or higher or Netscape Navigator 6.0 or higher, and (2) Windows 98 or higher (or other system compatible with the above Explorer and Netscape software). Ideally, Applicants should have a 56 Kbps Internet connection, however, Applicants can use the online Allocation Application with a slower Internet connection. Additionally, as noted in Q&A #12, Applicants will need to establish an account with myCDFI Fund (via the CDFI Fund's website www.cdfifund.gov) to access the online Allocation Application.

Start filling in the online application early. The CDFI Fund recommends that Applicants do not type narrative responses directly into the online Allocation Application. Applicants may consider using another word-processing program (e.g., Microsoft Word) to type narrative responses, which may then be copied and pasted into the appropriate sections of the online Allocation Application. This will help protect Applicants against potential data loss (e.g., if

2010 NMTC Allocation Application Q & A Document

Community Development Financial Institutions Fund

the Applicant's online session times out, the online Allocation Application logs the Applicant out automatically).

Keep narrative responses concise. In most questions, Applicants will be limited to responses of no more than 2,000 characters (including spaces and punctuation), or approximately ½ page of text. In questions that require longer responses, Applicants will be permitted to enter up to 10,000 characters, or approximately 2 pages of text. Specific character limitations are clearly identified in each question requiring a narrative response. The electronic application does not permit an Applicant to save a response that has exceeded the designated character limits, so Applicants should review responses and edit them as necessary to ensure they comply with the stated character limitations. All narrative answers must be in plain text form only. The online Allocation Application will not accept any special formatting (e.g., bolding or underlining), charts, tables or other graphics not required in the application.

Allow adequate time to prepare and submit your application. *The CDFI Fund advises all applicants to submit their electronic application by May 31, 2010.* This is the last day by which Applicants can contact the CDFI Fund with questions. If you encounter difficulties after 5:00 PM ET on May 31, 2010, you will not be able to obtain assistance from CDFI Fund staff. In addition, there will likely be considerable traffic on the CDFI Fund's website on June 2, 2010; which may slow down the system and lead to delays in submission.

(14) *What attachments am I required to submit with my Allocation Application, and how do I submit them?*

All Applicants will be required to submit attachments electronically through their myCDFIFund account. You will be able to upload the attachments after the application is submitted. After the application is submitted, log in to myCDFI Fund, access the applicant organization, and navigate to Applications /Submitted Applications. Locate and click on the link for the 2010 NMTC application, and go to the Application Status page. Click on the "Upload Attachments" link below the Application Details section and the Upload Attachments page will open. Follow the instructions on the screen to upload your attachments. Individual files should be no larger than 5 megabytes to ensure submission.

Attachments must be submitted by 5:00 pm, Eastern Time, on June 4, 2010. If the attachments are not received by the applicable deadline, they will not be given consideration as part of the review process. The attachments requested by the CDFI Fund in the NMTC Allocation Application are as follows:

- Investor letters to support data provided in Table E1; and
- Organizational charts as requested in Question #31.
- Authorized Representative's Signature Page

2010 NMTC Allocation Application Q & A Document

Community Development Financial Institutions Fund

Only those attachments requested by the CDFI Fund will be considered as part of the review process. Furthermore, the CDFI Fund will not accept any revisions or amendments to an application or the attachments once they have been submitted for review.

(15) Will the information that I provide in my Allocation Application be accessible by the general public?

The CDFI Fund does not publish proprietary or confidential information submitted by Applicants as a general practice. However, any information submitted by Applicants in Allocation Applications may be released pursuant to the Freedom of Information Act (FOIA) (5 U.S.C. 552) and other federal laws and regulations. In general, FOIA makes a federal agency records available to the public, unless the information requested is exempt from disclosure. Trade secrets and commercial or financial information submitted by Applicants may be exempt from disclosure pursuant to the FOIA. Applicants should consult their legal counsel for further guidance on this matter.

(16) Can more than one Affiliated entity or member of a Common Enterprise submit an application?

No. Entities that are Affiliates, or members of a Common Enterprise, may only collectively submit one Allocation Application per year under the NMTC Program. An Affiliate is an entity that Controls, is Controlled by or is under common control with another entity (as determined by the CDFI Fund). Both the terms “Affiliate” and “Control” are defined in the Glossary of Terms that accompanies the Allocation Application. As an example, entity ABC is Controlled by entity XYZ. XYZ also Controls entity DEF, which in turn Controls entity HIJ. ABC, XYZ, DEF and HIJ are all considered Affiliates. Only one of these entities can submit an application in any given round. An Applicant may, however, under certain circumstances submit a consolidated application on behalf of one or more Subsidiary entities.

In addition, an entity (or its Subsidiary Allocatees) that receives an allocation may not become an Affiliate or member of a Common Enterprise (see below) with another entity (or its Subsidiary Allocatees) that receives an allocation in the same allocation round at any time after the submission of an Allocation Application to the CDFI Fund. This prohibition, however, will not apply when an investor: (i) makes QEIs in multiple Allocatees (or Subsidiary Allocatees) from the same allocation round; (ii) was not an Affiliate of any of the Allocatees (or Subsidiary Allocatees) prior to making the QEIs; and (iii) obtains Control of such Allocatees or (Subsidiary Allocatees) solely through common ownership and/or control of their investment decisions after the QEI is made.

In addition to assessing whether Applicants meet the definition of the term “Affiliate”, the CDFI Fund will consider: (i) whether the activities described in

2010 NMTC Allocation Application Q & A Document

Community Development Financial Institutions Fund

applications submitted by separate entities are, or will be, operated or managed as a Common Enterprise that, in fact or effect, could be viewed as a single entity; and (ii) whether the applications submitted by separate entities contain significant narrative, textual or other similarities; and (iii) whether the business strategies and/or activities described in applications submitted by separate entities are so closely related that, in fact or effect, they could be viewed as substantially identical applications. In such cases, the CDFI Fund reserves the right either to reject all applications received from all such entities or to select a single application as the only one that will be considered for an Allocation.

The CDFI Fund reserves the right to examine all facts and circumstances in determining whether multiple entities may constitute a “Common Enterprise.” In evaluating whether multiple entities constitute a common enterprise, the CDFI Fund will consider, among other things, whether such entities share: (i) principal or senior management staff or governing or advisory board members; (ii) investments and projects; (iii) investors or other funding sources; (iv) marketing and advertising; or (v) office space or other physical resources. At a minimum, a Common Enterprise would be deemed to exist if a single organization (either on its own or through Affiliated entities) were to Control (as such term is defined by the CDFI Fund) multiple organizations that apply for allocations in the same allocation round such that these organizations could, in fact or effect, be viewed as a single entity.

Example 1 [not permissible]: ABC and DEF are unaffiliated entities, and each applies for an allocation of tax credits. ABC and DEF each receive an allocation award, and each enters into an Allocation Agreement with the CDFI Fund. Subsequently, both organizations contract with a management company (GHI) and, in its role as manager, GHI controls the general management, operations and investment decisions of ABC and DEF. ABC and DEF would be considered Affiliates and part of a common enterprise due to the common management control of GHI, and ABC and DEF would be in violation of their Allocation Agreements and subject to all of the remedies available to the CDFI Fund therein.

Example 2 [permissible]: ABC and DEF are unaffiliated entities, and each applies for an allocation of tax credits. ABC and DEF each receive an allocation award, and each enters into an Allocation Agreement with the CDFI Fund. Subsequently, each organization contracts with GHI to provide discreet and specific consulting and/or management services (e.g., compliance monitoring; loan underwriting), but at no time will GHI assume control over the general management, operations or investment decisions of ABC or DEF. In addition, the parties do not share any of the other items enumerated as indicia of a common enterprise, as set forth above. ABC, DEF and GHI would not be considered Affiliates or part of a common enterprise.

Example 3 [permissible]: ABC and DEF are unaffiliated entities, and each applies for an allocation of tax credits. ABC and DEF each receive an allocation

2010 NMTC Allocation Application Q & A Document

Community Development Financial Institutions Fund

award of \$1,000,000, and each enters into an Allocation Agreement with the CDFI Fund. JKL is an investor. JKL makes a \$990,000 QEI into ABC and a \$990,000 QEI into DEF, and receives a 99% ownership interest in each of the two organizations. In addition to Controlling both organizations through ownership, JKL exercises Control over the investment decisions of each entity because it has veto authority over the investment decisions made by the managing partners of ABC and DEF. JKL was not an Affiliate of either ABC or DEF prior to making the QEIs in each entity. In addition, except for a common investor (JKL), the parties do not share any of the other items enumerated as indicia of a common enterprise, as set forth above. ABC, DEF and JKL would meet the requirements for the exception to the general prohibition on multiple Allocatees becoming Affiliates or part of a common enterprise, since the common Controlling Entity (JKL): (i) was not an Affiliate of either entity prior to making its QEIs in ABC and DEF and (ii) obtained Control of ABC and DEF solely due to its common ownership and/or control of such entities' investment decisions.

(17) *Are there any limitations with respect to using NMTCs, or the proceeds of QEIs, in conjunction with other CDFI Fund program awards?*

An investor that is an insured depository institution, or an affiliate of an insured depository institution, may not claim both NMTCs and a BEA Program award for the same investment in a CDFI-CDE.

Example 1: If a bank makes a \$1 million equity investment into a CDFI-CDE that has received NMTC Allocations from the CDFI Fund, the bank may use the equity investment for purposes of claiming NMTCs **or** it may use the equity investment to apply for a BEA Program award – it may not claim both.

Example 2: If a bank makes a \$1 million equity investment into a CDFI-CDE that has received NMTC Allocations from the CDFI Fund, and the bank also makes a \$1 million loan to the CDFI-CDE, the bank may claim NMTCs on its \$1 million equity investment and use its \$1 million loan to apply for a BEA Program award.

A Financial Assistance (FA) Component Applicant, its Subsidiaries or Affiliates, may apply for and receive a FA award, but only to the extent that the FA activities are different from those activities for which the Applicant receives a NMTC Program Allocation.

There are currently no other specific prohibitions for using NMTCs or the proceeds of QEIs in conjunction with other CDFI Fund programs. Any future limitations will be described in the applicable Notices of Funds Availability (NOFAs) and/or NOAAs that accompany those programs.

2010 NMTC Allocation Application Q & A Document

Community Development Financial Institutions Fund

(18) *When will the CDFI Fund make Allocation decisions? Can my organization start to offer NMTCs to investors as soon as it receives an Allocation?*

The CDFI Fund expects to announce its NMTC Allocation decisions in December 2010, and execute Allocation Agreements with Allocatees shortly thereafter. As soon as an Allocatee enters into an Allocation Agreement with the CDFI Fund, it may offer NMTCs to its investors. Generally, investors may claim NMTCs beginning in the taxable year in which they make a QEI in the Allocatee.

However, a CDE that receives an Allocation of NMTCs in the 2010 Allocation round may, in certain circumstances, offer NMTCs to investors that make QEIs before the CDE's Allocation Agreement is finalized. For purposes of this look-back period, the investor must have made its QEI on or after the date that the NOAA for the 2010 round was published; and the investor's seven-year credit period begins on the date that the CDE enters into an Allocation Agreement with the CDFI Fund. The CDE is required to invest substantially all of the investor's QEI proceeds in QLICs within one year of the date that the CDE enters into an Allocation Agreement with the CDFI Fund.

(19) *What terms and conditions will be placed upon Applicants that receive NMTC Allocations from the CDFI Fund?*

Each Applicant that is selected to receive a NMTC Allocation must enter into an Allocation Agreement with the CDFI Fund before it can designate QEIs and offer tax credits to its investors. The terms and conditions set forth in an Allocation Agreement may include, but not be limited to, the following:

- (a) The amount of the NMTC Allocation;
- (b) The approved uses of the NMTC Allocation (e.g., loans or equity investments to QALICBs, loans to or equity investments in other CDEs, purchase of qualifying loans from other CDEs, etc.);
- (c) The approved service area(s) in which the QEI proceeds may be used;
- (d) The CDE's schedule for obtaining QEIs from investors;
- (e) The level of activity in *Non-Metropolitan Counties*, as committed to in the application;
- (f) Reporting requirements for all CDEs receiving NMTC Allocations; and
- (g) Other information, often identified in the "Tips" in the Allocation Application.

If a CDE has represented in its Allocation Application that it intends to invest substantially all of the proceeds from its investors in QALICBs in which persons Unrelated to the CDE hold a majority equity interest, the Allocation Agreement will contain a covenant attesting to such.

2010 NMTC Allocation Application Q & A Document

Community Development Financial Institutions Fund

(20) *My organization applied for an Allocation of tax credits in a previous round. How do I access an electronic copy of that application and my debriefing document?*

To access your first round (CY 2001-2002) application or your debriefing document (in the case of an unsuccessful first round Applicant):

- (1) Go to the CDFI Fund's website at www.cdfifund.gov.
- (2) Log into myCDFI-Fund, or create an account if you have not already done so.
- (3) On your myCDFI-Fund homepage, under *Quick Links* in the lower right hand corner of the screen, click on the link "2002 NMTC Handbooks". If you do not see the link, this means that the system did not recognize your organization's EIN as having a 2002 NMTC handbooks account.

To access subsequent rounds (CY 2003-2009) application or your debriefing documents:

- (1) Go to the CDFI Fund's website at www.cdfifund.gov.
- (2) Log into myCDFI-Fund, or create an account if you have not already done so.
- (3) To access your debriefing - on your myCDFI-Fund homepage, in the left menu bar, click on the "Debriefings" link. Only those with "Administrator" privileges to your organization's myCDFI-Fund Account will be able to view the debriefing. If an individual with "User" privileges needs to view your organization's debriefing, s/he will have to be granted "Administrator" level privileges.
- (4) To access your submitted Application - on your myCDFI-Fund homepage, in the left menu bar, click on the "Applications" link, and then click on the "Submitted Applications" link that will appear below the first link.

If you are having trouble accessing any of the above, please contact our IT Help Desk at ithelpdesk@cdfi.treas.gov or 202-622-2455.

Questions on the NMTC Allocation Application Contents

(21) *When requesting NMTC Allocations from the CDFI Fund, should the Applicant ask for the total amount of equity it intends to raise through NMTCs, or should it ask for the total value of the tax credits that will be available to its investors?*

The Applicant's Allocation Application request must be for the amount of QEIs the Applicant intends to raise by offering NMTCs as an incentive. For example, if a CDE wishes to raise \$10 million in equity, it would request a \$10 million Allocation from the CDFI Fund – even though the actual amount of NMTCs an investor may claim over 7 years is \$3.9 million (39% of the investment amount). An Allocatee cannot offer NMTCs on equity raised in excess of its NMTC Allocation.

2010 NMTC Allocation Application Q & A Document

Community Development Financial Institutions Fund

(22) *Is there a limit to the total NMTC Allocation amount that an Applicant may request in the 2010 Allocation round?*

For the 2010 Allocation round, the CDFI Fund will have, subject to authorization, the availability of up to \$5 billion in Allocation authority. While there is no firm limit on the amount of Allocations that an Applicant may request, the CDFI Fund does not anticipate issuing more than \$150 million in general allocation authority to any one allocatee. In order to receive an Allocation in excess of \$150 million, an Applicant will likely need to demonstrate, for example, that: (i) no part of its strategy can be successfully implemented without an Allocation in excess of \$150 million or (ii) its strategy will produce extraordinary community impact.

(23) *If an Applicant indicates a minimum allocation amount (Q#49), will the Applicant receive at least its minimum request if the Applicant receives an allocation award?*

No. There is no guarantee that an Applicant will receive its minimum allocation amount request. An Applicant that indicates a minimum allocation amount may not receive an allocation if the Applicant is recommended for an allocation amount that is less than its minimum request. An Applicant should indicate a minimum allocation amount request only if that amount is critical for it to execute its business strategy, and the Applicant can communicate a compelling need for the request

(24) *The Application includes several “Tips” informing Applicants that responses to certain questions may be used to populate fields in their Allocation Agreements, should they receive an allocation award. Are these the only application-specific items that will be included in the Allocation Agreements for 2010 round allocatees?*

No, not necessarily. While the CDFI Fund expects all Allocatees to engage in activities that are generally consistent with the strategies proposed in their applications, and has identified certain requirements which are almost certain to appear in the 2010 round Allocation Agreements, the CDFI Fund reserves the right to add other specific requirements to these Agreements as necessary to further programmatic goals.

(25) *How do I complete the Allocation Application if my organization is a start-up entity?*

A start-up organization that does not itself have a track record of raising capital, offering products and services, creating community impact, etc., may reference the track record of its Controlling Entity as appropriate throughout the Allocation Application. The CDFI Fund recognizes that, in circumstances where the Controlling Entity is also a start-up, it will be difficult if not impossible for an Applicant to respond to certain questions (and complete

2010 NMTC Allocation Application Q & A Document

Community Development Financial Institutions Fund

certain tables) related to a prior track record. In such circumstances, the Applicant should be sure to emphasize, under the Management Capacity section, the relevant experiences, knowledge base, and skills of its management team to carry out its prospective activities. (For more information about who is considered a Controlling Entity, see response to Q&A #28 below and tips in the Allocation Application.)

(26) *If an Applicant intends to use part or all of the QEI proceeds to capitalize an Affiliate CDE (e.g., capitalize a Subsidiary CDE bank), how should it complete the Allocation Application?*

Such an Applicant must be sure to:

- (a) Under Question #13, check “c” and complete the boxes underneath to indicate the type and percentage of QLICI activities that will be carried out by the Affiliate CDE.
- (b) Identify in Question #14 that the Applicant’s business strategy consists solely or partially of capitalizing the Affiliate CDE. An Applicant that intends to capitalize more than one Affiliate CDE (e.g., a CDE bank holding company that intends to capitalize multiple Subsidiary CDE banks) should identify each such Affiliate CDE.
- (c) Answer all questions (and complete all tables and exhibits) as if the Affiliate CDE were itself applying for the Allocation of tax credits. An Applicant that intends to capitalize more than one Affiliate CDE or conduct only a portion of its activities with an Affiliate CDE should consolidate its and its Affiliate CDE’s QLICI activities when completing tables and exhibits, but should use the narrative portions of the application to distinguish between the respective roles and activities of each Affiliate organization.
- (d) An Applicant that intends to use more than 15 percent of its QEI proceeds to capitalize a Subsidiary CDE generally may not claim the 5 priority points for investing in an Unrelated entity in Question #25 – even if the Subsidiary CDE intends to use substantially all of the proceeds to invest in Unrelated entities.

2010 NMTC Allocation Application Q & A Document

Community Development Financial Institutions Fund

(27) *Is there an example of what format the CDFI Fund would like to see in Questions #14?*

The following is an example of the format, but not the substance, of what the CDFI Fund would expect to see in Question #14.

Sample #14b:

Sample profile:

XYZ, CDE (XYZ) will use its NMTC allocation to: (i) increase its current lending capacity and offer better rates and terms to borrowers; (ii) increase the volume of investments made in high-impact, primarily rural businesses; and (iii) grow new lines of business, including a residential foreclosure prevention and neighborhood stabilization program. XYZ will focus in particular on projects that are likely to be located in rural areas, including renewable energy businesses. The NMTC allocation will enable XYZ to offer subordinated debt products with significantly reduced interest rates.

2010 NMTC Allocation Application Q & A Document

Community Development Financial Institutions Fund

(28) *Who can be considered a Controlling Entity, for purposes of demonstrating an organizational track record? Can an individual be considered a Controlling Entity? Can an Applicant have more than one Controlling Entity? Can an Applicant identify the parent of its parent company as a Controlling Entity?*

An Applicant, in Question #3 of its Allocation Application, may designate any organization as a Controlling Entity, provided that the organization controls the day-to-day management and operations (including investment decisions) of the Applicant, and otherwise meets the definition of a “Controlling Entity” pursuant to the NOAA, Glossary of Terms and related guidance [most notably the “Allocation Agreement Q&A Document” available on the CDFI Fund’s website at www.cdfifund.gov]. Individuals, such as principals or the board of directors, cannot be treated as Controlling Entities for the purposes of demonstrating an organizational track record under relevant sections of the Allocation Application and Exhibits. However, an Applicant may describe such individuals’ experience and track record in the Management Capacity section.

With regard to multiple Controlling Entities, the online NMTC Allocation Application is not equipped to accept more than one Controlling Entity. Therefore, Applicants will need to select one Controlling Entity in Question #3 to use throughout the Application to assist in demonstrating track record and in completing related exhibits.

All Applicants designating a Controlling Entity must identify the entity that has, and is expected to continue to maintain, the power to control the day-to-day management and operations (including investment decisions) of the Applicant and of any Subsidiary entities to which the Applicant may transfer its allocation of tax credit authority. Should the Applicant receive an NMTC allocation, the entity that is designated as the Controlling Entity will need to continue in that capacity throughout the term of the Allocation Agreement with the CDFI Fund.

An Applicant may identify the parent of its parent as its Controlling Entity to demonstrate an organizational track record, provided that the “grandparent” organization has, and is expected to continue to maintain, the power to control the day-to-day management and operations (including investment decisions) of the Applicant and of any Subsidiary entities to which the Applicant may transfer its allocation of tax credit authority.

If the Applicant does not properly fill out the Controlling Entity question or continually references more than one Controlling Entity in the narrative for the Business Strategy (including track record of serving Disadvantaged Businesses or Communities), Capitalization Strategy, Community Impact or the Exhibits, the Applicant is not likely to earn as many points in the review of its application.

2010 NMTC Allocation Application Q & A Document

Community Development Financial Institutions Fund

(29) *If the Applicant (or Controlling Entity) engages in activities through one or more subsidiary entities, am I permitted to present these activities on a consolidated basis for the purposes of completing the tables in Exhibit A?*

Yes. You are permitted to consolidate the activities of one or more subsidiary entities. For example, if the Applicant (or Controlling Entity) is a bank holding company, you may, in Exhibit A, consolidate the activities of its various subsidiary operating entities (e.g., the bank, the real estate development company, the non-profit Community Development Corporation and the Applicant) and present them as a single set of activities. Just be sure to clearly indicate, in your narrative responses, which entities were responsible for the various activities.

(30) *What data should I be providing in the tables in Exhibit A?*

Tables 1-4 in Exhibit A should be used to demonstrate the Applicant's (or its Controlling Entity's) overall track record of lending, investing or related activities. An Applicant need only fill out those tables that are pertinent to the types of activities that it intends to pursue with a NMTC Allocation (i.e., the types of activities checked in Q.13 of the Allocation Application). In Exhibit A, you should quantify the Applicant's general track record in the types of QLICI activities that it indicated it would offer in Question 13. For example, if the Applicant indicated that it would provide "investments in, or loans to, real estate QALICBs", then in each of the annual columns in Exhibit A-2 you should quantify any relevant track record the Applicant has of investing in, lending to otherwise supporting real estate businesses overall.

When completing a given table, Applicants should report on the totality of historical activities that could potentially qualify as NMTC investments – not just the portion of those activities that were undertaken in NMTC-eligible low-income communities. In the column "Totals to *Disadvantaged Businesses and Communities (2005-2009)*", you should report the amount of the Applicant's overall activity that was directed to businesses that: a) are located in Low-Income Communities; b) are owned by Low-Income persons; or c) otherwise have inadequate access to investment capital. In narrative to Question 18c, you should describe how you derived the information quantified in the column "Totals to *Disadvantaged Businesses and Communities (2005-2009)*" (e.g., geo-coded the entire outstanding portfolio of loans; conducted a statistical sampling of a subset of recent lending activity; etc.).

Activities that are not eligible for NMTC investments (e.g., residential rental housing; consumer loans) SHOULD NOT be included in the tables in Exhibit A. Applicants may discuss these activities in their narrative response to Question #19a of the Allocation Application.

2010 NMTC Allocation Application Q & A Document

Community Development Financial Institutions Fund

Please note that the following changes were incorporated into the Tables in Exhibit A starting with the 2008 Application:

- (a) Applicants may choose, at their discretion, to reference either the track record of the Applicant or the Controlling Entity, even if the Applicant has its own distinct track record of activities. Applicants should, however, be sure to address in their narrative responses to Questions #18 and #19 the extent to which the Applicant has itself engaged in these activities.
- (b) In Tables 1-2, an Applicant may indicate the financial contributions of others in financing real estate and non-real estate businesses, in addition to its own capital that it has originated and put at risk. This will enable the Applicant to include projects in which it engaged in financing-related activities such as loan packaging, project management/development, etc.
- (c) Applicants are required to complete a column indicating their experience in supporting activities in *Non-Metropolitan Counties*; which will enable the CDFI Fund to better determine whether the entity should received special consideration as a "Rural CDE" (see Q&A #47 below).

(31) *There are some activities that are not clearly prohibited by the IRS Tax Regulations, but that are also not clearly allowed. If my business strategy falls within one of these more undefined areas, how will my application be scored by the CDFI Fund?*

The CDFI Fund will evaluate each Allocation Application on a case-by-case basis, and consult with the IRS as necessary, to ensure that the activities proposed are within the guidelines set forth in the IRS Tax Regulations. If some or all of the Applicant's proposed activities are not allowable pursuant to the IRS Tax Regulations, the CDFI Fund may reduce the recommended amount of an Allocation as appropriate, or deny the Applicant a NMTC Allocation entirely.

2010 NMTC Allocation Application Q & A Document

Community Development Financial Institutions Fund

(32) *What is a non-real estate versus real estate QALICB?*

For the purposes of completing the Business Strategy section and all relevant exhibits, financing provided to real estate Qualified Active Low Income Community Business (QALICB) refers to entities whose predominant business activity is the development (including construction of new facilities and rehabilitation/enhancement of existing facilities), management or leasing of real estate.

Transactions with QALICBs whose predominant business activity includes all other types of business activities should be classified as non-real estate businesses regardless of: 1) how the business intends to use the proceeds of the transaction; or 2) whether the business intends to use any real estate owned as collateral for a loan.

For example, if an Applicant provided a loan to a childcare provider for the purpose of purchasing the property where the childcare center would be housed, the Applicant would categorize this loan as a non-real estate transaction. However, if the Applicant provided a loan to a real estate development company whose predominant business is the development of community facilities, for the purpose building a childcare center, this loan would be considered financing a real estate transaction.

Notwithstanding the above, loans or investments made to a special purpose entity that is controlled by or under common control with an operating company, and that was set up specifically to lease the property back to the operating company such that the operating company is the principal user of the property, may be classified as either a “real estate QALICB” or a “non-real estate QALICB”, at the discretion of the CDE.

(33) *In Question #25 of the Allocation Application, how can an Applicant earn the 5 priority points for investing in Unrelated entities?*

An Applicant may earn 5 priority points for committing to use “substantially all” of its QEI proceeds to make investments in one or more businesses in which persons unrelated to the Applicant hold the majority equity interest (“Unrelated Entities”). Whether a QALICB is related to a CDE is determined under IRC Sections 267(b) and 707(b)(1).

A CDE that has committed to invest in Unrelated Entities will be in compliance with its Allocation Agreement only if persons unrelated to the CDE will hold a majority equity interest in the QALICB immediately after a QEI is made in the CDE but before the CDE uses the proceeds of that QEI for making its initial QALICB. The CDE must determine whether such persons are related to the CDE (within the meaning of IRC §267(b) and §707(b)(1)) in

2010 NMTC Allocation Application Q & A Document

Community Development Financial Institutions Fund

consultation with its own tax advisors. The CDFI Fund will assess compliance with the Unrelated Entities requirement at either the Allocatee CDE or Subsidiary CDE level depending upon which entity receives the QEI investment and makes the corresponding QLICI.

Anti-Abuse Provision: The CDFI Fund may review any subsequent changes in QALICB, Allocatee CDE, or Subsidiary CDE ownership resulting in common ownership between the Allocatee CDE (or Subsidiary CDE) and the QALICB on a case-by-case basis to determine whether a principal purpose of a transaction or a planned series of transactions is to achieve a result that is inconsistent with the purposes of this rule.

(34) *What are some examples of permissible and non-permissible activities for organizations that answer “yes” to Question #27a?*

In Question #27a of the Allocation Application, an Applicant can commit to targeting 75% of the aggregate dollar amount of its QLICIs within Low-Income Communities that are characterized by at least one of the following items: a) severe distress, non-metropolitan counties, or targeted populations; OR b) at least two of items #4-#15 in Question #27.

Example 1 [permissible] – an Allocatee invests \$90 million (90%) of its \$100 million QLICI activities in areas characterized by census tracts with poverty rates greater than 30% (item 1 in Question 27). This example satisfies the “at least one of items 1-3” in Question 27 requirement, so this qualifies as permissible.

Example 2 [permissible] – an Allocatee invests \$75 million (75%) of its \$100 million QLICI activities in two transactions. One eligible deal is in a federally designated Brownfields development area (item 7 in Question 27) and in a Federal Native Area (item 9 in Question 27); while the other eligible deal is in a HOPE VI redevelopment area (item 8 in Question 27) and in a Federal Economic Development Zone (item 5 in Question 27). In this example, both of the transactions satisfy the “at least two of items 4-15” requirement in Question 27, so this qualifies as permissible.

Example 3 [permissible] – an Allocatee invests \$50 million (50%) of its \$100 million QLICI activities in an area of severe distress with high poverty rates (30% or greater) (item 1 in Question 27). It also invests a \$25 million (25%) QLICIs in Colonias areas (item 11 In Question 27) and in a Local Economic Zone (item 13 in Question 27). In this example, 50% of the QLICI dollars satisfy the “at least one of items 1-3” requirement, and 25% of the QLICI dollars satisfy the “at least two of items 4-15” requirement. A total of 75% of the QLICI dollars meet the requirements of Question #27. Therefore, this qualifies as permissible.

2010 NMTC Allocation Application Q & A Document

Community Development Financial Institutions Fund

Example 4 [not permissible] – an Allocatee invests 100% of its QLICs in an area that is not characterized by any of items 1-3, and is only characterized by one of the criteria in items 4-15 in Question 27. Although the Allocatee invested 100% of its QLICs in a Low-Income Community, it failed to satisfy either of the tests in Question #27a, since its QLICs were made in areas that had only one (as opposed to two or more) of the criteria listed in items 4-15 of Question 27.

- (35) Question #29(a)1 in the Allocation Application asks the Applicant to describe the underlying methodologies and assumptions supporting its track record and projected outcomes for job creation. What information should an Applicant disclose in describing its methodologies and assumptions?**

In discussing methodologies, the Applicant should describe the process(es) by which it obtained the outcome data described in its narrative. For example: “To estimate direct permanent job creation/retention, the *Applicant* evaluated (i) staffing plans and projected operating budgets of specific pipeline projects; (ii) economic impact studies that had been prepared by ABC Corporation for specific pipeline projects; (iii) national reports prepared by XYZ Association that included formulas for estimating economic impact for specific industries.”

In discussing assumptions, the Applicant should describe the values, including industry source(s) and standards, used to compare and/or verify the reasonableness of its impact estimates. For example:, “The *Applicant* used job creation measures, namely 4 permanent FTEs for office per XX sq.ft developed/rehabilitated; 2.5 FTEs for retail for YY sq.ft developed/rehabilitated; and 5 FTEs for light industrial per ZZ square feet of space for projects in which likely tenants had not been identified. These estimates were drawn from studies conducted by the local redevelopment authority and corroborated by discussions with project sponsors.”

- (36) Question #29(b)(iv) asks the Applicant whether it expects its investments to QALICBs will result in the provision of goods and services to Low-Income persons or residents of Low-Income Communities. What are some examples of goods and services to low-income communities?**

Examples of QALICBs that provide goods and services include, but are not limited to: restaurants, dry cleaning, retail shopping, pharmacies or full service supermarkets. Providing financing to facilities that serve Low-Income Persons or LIC residents such as, charter schools, healthcare or childcare facilities or facilities that provide social service or job training would also be considered QALICBs that provide goods and services.

- (37) Question #29(b)(v) allows Applicants to indicate their intention to invest in minority CDEs. What is the CDFI Fund’s definition of a minority CDE?**

2010 NMTC Allocation Application Q & A Document

Community Development Financial Institutions Fund

- **Minority-owned for-profit entity:** A for-profit entity that is not a Minority insured depository institution (MDI) and that has at least 51 percent of its equity ownership interest being owned by individuals who identify themselves as Black American, Asian American, Hispanic American, or Native American.
- **Minority-controlled not-for-profit entity:** A nonprofit entity with at least 51 percent of its Board of Directors comprised of individuals who identify themselves as Black American, Asian American, Hispanic American, or Native American.
- **Minority insured depository institution (MDIs):** An entity that is designated by the FDIC as a Minority Depository Institution.

(38) Question #29c, the Allocation Application asks the Applicant whether it will commit to providing at least 20% of developed units as affordable housing units. If an Applicant's response is "No", what information should an Applicant disclose in providing a justification?

An Applicant will generally obtain a higher score if it responds "Yes" to Q. 29c when its NMTC activities include financing housing units. If the Applicant's NMTC activities include financing housing units, yet it responds "no" to Q. 29c, then it will need to explain why it does not anticipate meeting this commitment. (e.g., in the case of a mixed-use real estate project where NMTCs will be used solely for the commercial component of the project).

(39) Is the Applicant permitted to include information pertaining to both its QLICI-type activities and its non-QLICI type activities? If so, where should these activities be discussed?

Yes. The Applicant may reference all appropriate historical activities, not just its QLICI-type activities. In the narrative response to Question 18, the Applicant should discuss its QLICI-type activities and include these in the Tables in Exhibit A. In the narrative response to Question 19, it should discuss its non-QLICI type activities.

(40) Table C1 includes a column heading "Years with (or years providing services to) the Applicant". In completing this information, may a start-up entity refer to the years of service that an individual provided to its Controlling Entity?

Yes, provided that the Applicant had consistently referred to the track record of its Controlling Entity throughout its Allocation Application. Also, the Applicant should be sure to indicate, in the relevant narrative portions of its application, that the information provided in Tables C1 and C2 refers to the individual's record of service to the Controlling Entity.

2010 NMTC Allocation Application Q & A Document

Community Development Financial Institutions Fund

(41) *How should Applicants disclose the use of consultants in the Application?*

Applicants must identify each consultant in Table C1, indicating the general area of work conducted by the consultant. Applicants should also provide, in the narratives for Question#32-34, an estimate of the percentage of work to be performed by the consultant. Please note that the information provided in Table C1 and C2 and the corresponding narratives may be used by the CDFI Fund to determine the extent to which multiple applications may be part of Common Enterprise.

(42) *What documents are considered acceptable to demonstrate investor commitments for Table E1?*

An Applicant who enters information into Table E1 is required to submit attachments validating the following information for each investor: name of investor, dollar amount of equity (or debt, in the case of investments into a pass-through entity) sought or obtained, status of the investment request (e.g., funds received, commitment of funds, and letter of interest/intent). If an Applicant answers “Yes” to Question #43a, indicating that it intends to use a pass-through partnership entity to secure investments, the Applicant is expected to list (if applicable) both the debt and equity providers in Table E1; and to submit attachments evidencing the interest of the Equity investors and debt providers into the partnership entities.

Example: The Applicant has a commitment for a \$1 million QEI from ABC Partnership LP, which is using the leveraged QEI structure. ABC Partnership LP will receive \$600,000 in debt from 123 Bank and \$400,000 in equity from XYZ Corporation. To describe this QEI in its application, the Applicant should: (1) list a \$600,000 debt investment from 123 bank and a \$400,000 equity investment from XYZ corporation in Table E1; (2) respond “Yes” to Question #43a and discuss the structure of the QEI from ABC Partnership LP, and the commitments from 123 Bank and XYZ Corporation; and (3) submit documentation evidencing the commitment of (i) 123 Bank to provide the \$600,000 debt investment; and (ii) XYZ Corporation to provide the \$400,000 equity investment.

If the documents are missing altogether, or do not contain such information to validate the information entered in Table E1, the Applicant will not receive credit for such transactions. Acceptable documents for a commitment include a signed and dated investment agreement or a letter indicating that the investor has made such a commitment. Likewise, a letter indicating that the investor has a demonstrated level of interest (as opposed to a stated commitment) in making an investment shall suffice as a letter of intent/interest. To demonstrate that funds have been received, an Applicant should include both a signed agreement indicating the terms of the equity investment (or debt if

2010 NMTC Allocation Application Q & A Document

Community Development Financial Institutions Fund

applicable) and proof that investment funds have been received by the Applicant (e.g., a copy of a check).

(43) *My organization has not yet received commitments from its investors. Will this prevent it from scoring well under the Capitalization Strategy section of the application?*

Receipt of investor commitments is not a prerequisite for receiving an NMTC Allocation. Many Allocatees from the 2009 application round, for example, had not yet secured investor commitments at the time of initial application. As stated in the 2010 NOAA (and re-stated in various tips within the body of the Allocation Application):

An Applicant will generally score well under this section to the extent that: (a) it has secured investor commitments, or has a reasonable strategy for obtaining such commitments (emphasis added); (b) its request for Allocations is commensurate with both the level of Qualified Equity Investments it is likely to raise and its expected investment strategy to deploy funds raised with NMTCs; (c) it generally demonstrates that the economic benefits of the tax credit will be passed through to end users; (d) it is likely to leverage other sources of funding in addition to NMTC investor dollars; and (e) it intends to invest the proceeds from the aggregate amount of its Qualified Equity Investments at a level that exceeds the requirements of IRC § 45D(b)(1)(B).

(44) *In Table E2, can an Applicant rely upon the track record of its Controlling Entity?*

In order to list the track record of the *Controlling Entity* in Table E2, the Applicant must designate a *Controlling Entity* in Question 3. If the information reflects the *Controlling Entity*, it may include in the aggregate the track record of all *Affiliates*, including the Applicant. Be sure to clearly indicate, in your narrative to Q. 42, which entities were responsible for the various types and amounts of investments noted in Table E2.

(45) *What types of income qualify as fees for Table F1? How will this information, and the narrative responses to Q.47 and Q.48 of the application, be considered by reviewers?*

Table F1 requires the Applicant to designate the amount and source of any and all fees, compensation and profits received by that Applicant or any of its Affiliates (including, if applicable, investment partnership funds) throughout the seven year compliance period. Any QEI proceeds that are retained by the Applicant must be included in Table F1, whether those monies are charged to investors, borrowers or other entities. For example, a company that retains \$.05 of every \$1.00 in QEI proceeds for NMTC program administrative costs would list “500 basis points” in Row 1 under “Total Amount”. However, a

2010 NMTC Allocation Application Q & A Document

Community Development Financial Institutions Fund

company that deploys 100% of QEI proceeds into QLICs and charges a 4% fee to investors at the closing of their QEI investments would list “zero” across Row 1 and “400 basis points” in Row 2 under “Total Amount Charged to Investors”.

The Applicant should reconcile the data provided in Table F1 with its narrative for Q. 48 to describe the compensation received through NMTC activities. Part (b) of Q. 48 allows the Applicant the opportunity to discuss its cost of operations.

In general, to score well under Q.47 of the allocation application, the CDFI Fund expects Applicants to be able to commit to investing at least 95 percent of QEI proceeds as QLICs; and that the fee structure discussed under Q.48 is reasonable relative to the standard fees charged in the marketplace. An Applicant that cannot make this commitment in Q.47 and/or otherwise appears to be charging higher than standard fees may still score well under these questions, provided that the Applicant can demonstrate that these higher costs of operation are critical to support the product offerings and/or will be used to provide additional benefits to the borrowers or low-income communities.

Questions on Proportional Allocations of QEIs to Non-Metropolitan Counties

(46) *What is the definition of a Non-Metropolitan County?*

Non-Metropolitan Counties are counties not contained within a Metropolitan Statistical Area (MSA), as defined in OMB Bulletin No. 99-04, with respect to the 2000 Census data. This data can be readily accessed by NMTC Program users through the mapping system (CIMS) available in their myCDFI Fund accounts to determine which counties qualify as *Non-Metropolitan Counties*. Users can either enter a census tract number or geocode an address to determine whether the relevant census tract qualifies as an NMTC-eligible low-income community. Users can then click on the “Reports” tab, and select the “Low-Income Community Worksheet” option. Column 3 of this worksheet will indicate the name of the MSA, or will say “Non-Metropolitan Area” if the census tract is not contained within an MSA.

The CDFI Fund has also made available on its website a list of NMTC-eligible low-income census tracts with a poverty rate of at least 20 percent and/or a median family income that is at or below 80 percent of the relevant area median family income that are located in *Non-Metropolitan Counties*.

(47) *How will the CDFI Fund ensure a proportional allocation of QEIs to Non-Metropolitan Counties?*

Pursuant to Section 102(b)(6) of the Tax Relief and Health Care Act of 2006, the CDFI Fund is required to ensure that a proportional allocation of QEIs will be provided in Non-Metropolitan counties. As detailed in the 2010 NOAA, the

2010 NMTC Allocation Application Q & A Document

Community Development Financial Institutions Fund

CDFI Fund will ensure that: (i) at least 20% of all QLICs made by allocatees under the 2010 allocation round are invested in *Non-Metropolitan Counties*; and (ii) the proportion of awardees that are “Rural CDEs” is, at a minimum, equal to the proportion of Applicants deemed eligible for Phase II of review that are Rural CDEs. A “Rural CDEs” is one that has historically dedicated at least 50 percent of its activities to Non-Metropolitan counties and has committed that at least 50 percent of its NMTC activities will target *Non-Metropolitan Counties*.

The CDFI Fund will determine whether an Applicant qualifies as a Rural CDE based upon its response to Question #24 of the application and the Tables in Exhibit A. If, after initial allocation determinations are made, there is not an appropriate balance of Rural CDEs in the awardee pool, the CDFI Fund will provide allocations to additional Rural CDEs (in descending order of final rank score) until the appropriate balance is achieved. If it is necessary to add additional groups to the awardee pool to achieve this balance, the CDFI Fund will provide a uniform, across-the-board percentage reduction to all allocation amounts, so that it remains within the \$5 billion in total allocation authority available in the 2010 round subject to authorization.

Question #24 also asks all Applicants to indicate both the minimum anticipated amount of QLICs that will be deployed in *Non-Metropolitan Counties*, and the maximum amount of QLICs that they are willing to commit to deploy in Non-Metropolitan counties. The CDFI Fund will require every allocatee to meet the “minimum” commitment stated in the application. If, after the initial allocation determinations are made, this “minimum” commitment results in less than 20% of the dollars being invested in *Non-Metropolitan Counties*, then the CDFI Fund shall require any or all of the allocatees to direct up to the “maximum” percentage of QLICs to *Non-Metropolitan Counties* until the 20 percent threshold is met. The CDFI Fund will likely attempt to achieve this balance by applying increases incrementally and uniformly.

(48) *My organization is focused on an urban market. It does not intend to make any investments in Non-Metropolitan Counties. Will it be disadvantaged in the 2010 application round?*

No. As described above, all adjustments to the awardee pool will be made AFTER the initial allocation determinations have been made. All organizations initially selected to receive allocations will receive allocations regardless of geographic focus. The adjustments describe above may result in an across-the-board percentage reduction in award amounts for all awardees, but under no circumstances will an awardee fall out of consideration due to its geographic focus.

(49) *The CDFI Fund requires that prior-year allocatees wishing to apply for additional allocation authority achieve certain minimum threshold requirements for issuing QEIs from those prior year awards. Assuming there is an NMTC allocation round in 2011, will the 2010 round*

2010 NMTC Allocation Application Q & A Document

Community Development Financial Institutions Fund

allocateses that commit to provide a significant amount of investments in Non-Metropolitan Counties receive any consideration with respect to these QEI issuance requirements?

At this time, the CDFI Fund cannot make any guarantees with regard to a prospective 2011 NMTC allocation round. In the event of a 2011 NMTC round, the CDFI Fund will consider excluding from the QEI issuance threshold calculations a certain portion of those QEIs that have been dedicated for investments in *Non-Metropolitan Counties* by 2010 NMTC allocateses that pledged to invest at least 20 percent of their QLICs in *Non-Metropolitan Counties*.

Contact Information

(50) Who can I contact if I have more specific questions?

Topic of Question	Contact
Tax/compliance aspects of the IRS Tax Regulations	IRS Email: new.market.tax.credit@irs.gov
CDE certification criteria or process Allocation Application criteria or process	CDFI Fund Program Staff Ph: (202) 622-6355 Email: cdfihelp@cdfi.treas.gov
Compliance with previous award, assistance or Allocation agreements	CDFI Fund CCME Staff Ph: (202) 622-6330 Email: cme@cdfi.treas.gov
Technology problems	CDFI Fund IT Staff Ph: (202) 622-2455 Email: ithelpdesk@cdfi.treas.gov

You may contact the CDFI Fund with questions until **5:00 PM Eastern Time, on May 31, 2010**. After such time, the CDFI Fund will no longer respond to questions until after the NMTC Allocation Application deadline has passed.

* * * *

More detailed application content requirements are found in the 2010 NMTC Allocation Application and 2010 NOAA. In the event of any inconsistency between the contents of this Q & A document, the NOAA, the General Guidance, the CDE Certification Guidance, the 2010 Allocation Application, the statute that created the NMTC Program (Title I, subtitle C, section 121 of the Community Renewal Tax Relief Act of 2000) (the "Act"), or the NMTC Program Income Tax Regulations, the provisions of the Act and the NMTC Program Income Tax Regulations shall govern.

All terms and phrases that are capitalized in this document are defined in the Glossary of Terms contained in the Allocation Application.