

# 2010 Capital Magnet Fund Application Q & A Document

## Community Development Financial Institutions Fund

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On March 4, 2010, the CDFI Fund published on its website a Proposed Rule for the Capital Magnet Fund (CMF), as well as a Notice of Funds Availability (NOFA) for the FY 2010 Funding Round of the new program. The Proposed Rule and the NOFA provide detailed guidance on the requirements of the CMF. The CDFI Fund encourages Applicants to review the Proposed Rule and the NOFA for such detailed information. Please note that the Proposed Rule is subject to revision when published as a final rule.

All capitalized terms in this document (except the headings) are defined in the Proposed Rule and the NOFA.

### March 16, 2010 Updates:

Updated Question 1 to better reflect the NOFA language  
Added Question 4  
Added example to Question 10  
Added Question 13  
Added Question 14  
Added Question 15  
Added Question 16  
Added Question 17  
Added Question 21  
Clarified Question 22  
Updated Question 23 to better reflect the Application language  
Added Question 35

### Questions on Eligibility

#### **(1)** *Who is eligible to apply for CMF awards?*

In order to be eligible to apply for a CMF award through the FY 2010 Funding Round, an entity must be a duly organized and validly existing legal entity under the laws of the applicable jurisdiction (including a Tribal jurisdiction) in which it is incorporated or otherwise established. Further, In order to be deemed eligible to apply for a CMF award, an organization must: (1) be certified as a Community Development Financial Institution (CDFI) by the CDFI Fund; (2) have submitted complete CDFI certification application materials to the CDFI Fund on or before April 4, 2010; or (3) be a Nonprofit Organization that has as one of its principal purposes the development or management of affordable housing and that dedicates at least one-third of its resources to the development or management of affordable housing.

All Applicants (regardless of entity type) must demonstrate that they have been in existence as a legally formed entity for at least three years prior to the FY 2010 Funding Round Application deadline.

In order to be eligible as a Nonprofit Organization, the organization must demonstrate that:

- (a) It is nonprofit or not-for-profit under the laws of the organization's State of formation AND designated by the Internal Revenue Service as tax-exempt from Federal taxation; and
- (b) Its incorporating documents, mission statements, or other board-approved documents evidence that one of the organization's principal purposes is the development or management of affordable housing; and
- (c) At least 33 percent of its resources (e.g., assets or staffing) are dedicated to the development or management of affordable housing.

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Nonprofit Organizations are not required to affirmatively demonstrate that they satisfy these criteria at the time of Application submission. Rather, the CDFI Fund shall verify this information prior to making an award to the entity. Accordingly, the CDFI Fund reserves the right to collect additional information from the Applicant in order to verify that it has satisfied these requirements.

NOTE: The Applicant must meet the eligibility requirements itself. While it may, for example, look to the activities of its Subsidiaries, it may not rely upon the track record of any other Affiliates, including its parent company.

**(2) *What are the deadlines and dates that I need to know if my organization intends to apply for a CMF award in FY 2010?***

Applicant Type	Document	Deadline	Last Date to Contact CDFI Fund Staff
Certified CDFIs	CDFI Certification Material Events Form	April 1, 2010	March 30, 2010
Entities Applying for CDFI Certification	CDFI Certification Application	April 1, 2010	March 30, 2010
All Applicants	CMF Application	April 15, 2010	April 13, 2010

*Please note that all deadlines are at 5:00 P.M. EDT on the date noted above.*

The CDFI Fund expects to make its CMF award announcements in Fall 2010.

**(3) *Is an entity that has previously received a NMTC Program allocation, a CDFI Program award or a BEA Program award (or an Affiliate of such an Awardee) eligible to apply for a CMF award?***

Prior awardees or allocatees of any component of the CDFI Fund's NMTC Program, CDFI Program, BEA Program, or any other CDFI Fund program, are generally eligible to apply for awards under the FY 2010 Funding 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 CMF Application may be deemed ineligible. Please refer to the NOFA for a complete description of this eligibility criterion.

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 allocation or assistance agreements governing said prior awards or allocations and to comply with all requirements found therein;
- (b) Contact the 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
- (c) Confirm that any entity that Controls the Applicant, is Controlled by the Applicant, or shares common management officials with the Applicant, and 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.

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**(4)** *If my organization is a government-controlled entity, Tribal entity, etc, can it apply?*

Yes, so long as the organization is a Nonprofit Organization that meets all of the requirements set forth in the NOFA. Tribal entities that are certified CDFIs may also apply for CMF awards.

### Questions on the Process for Applying for and Receiving a CMF Award

**(5)** *How can my organization apply for a CMF award?*

An organization interested in applying for a CMF award in the FY 2010 Funding Round must submit complete Application materials **no later than 5:00 pm Eastern Time on April 15, 2010**. A complete application submission consists of:

1. the Application Form (a fillable PDF form available through myCDFIFund);
2. SF-424 (which may be downloaded from the CDFI Fund's website);
3. documentation of the entity's Employer Identification Number (EIN); and
4. the Applicant's most recent audited financial statements.

The CDFI Fund requires all Applicants to submit these Application materials electronically through myCDFIFund. In order to download and submit the Application Form and all three attachments, Applicants must register User and Organization accounts in myCDFIFund, the CDFI Fund's Internet-based interface. As the myCDFI Fund account is the CDFI Fund's primary means of communication with Applicants and Awardees, organizations must update their contact information in their myCDFI Fund accounts before the Application deadline. For more information on myCDFI Fund accounts, please see the "Frequently Asked Questions" link posted at <https://www.cdfifund.gov/myCDFI/Help/Help.asp>. Applicants that have not already done so are encouraged to register a user account through myCDFIFund as soon as possible.

Only those attachments requested by the CDFI Fund will be considered during the Application review process. Furthermore, the CDFI Fund will not accept any revisions or amendments to a CMF Application or the attachments once they have been submitted for review.

Please follow the online CMF Application submission instructions that are provided to you through myCDFIFund.

**(6)** *Where do I find the Application form?*

In order to download the Application Form and submit the Form and all attachments, Applicants must register User and Organization accounts in myCDFI Fund, the CDFI Fund's Internet-based interface. The Application Form will be available under the "Applications" section of your account.

**Please note:** the account should be set up for your organization, not the person submitting the application. It is useful if an organization authorizes several persons to access this account.

To set up and access your myCDFI Fund account, select the button on the left-hand side of the home page marked "Log onto myCDFI Fund." From there, you will be prompted to log into your account – or create an account if you don't already have one.

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**(7)** *The PDF Application form isn't working properly. What can I do?*

The Applicant must use the Application Form to respond to all questions. The Application Form is a fillable Adobe PDF form. It can only be completed using the Adobe Reader software. The latest version of Adobe Reader can be downloaded for free at <http://get.adobe.com/reader>.

If the tables in the form are not calculating properly, you may need to enable Javascript within your Adobe Reader. (Your security settings may have disabled this feature). ***The settings can not be changed while the document is open.*** First, close the document while leaving the Adobe Reader open. Next, go to the Edit menu and select Preferences. From there, select JavaScript from the list on the right-hand column. You will then need to check the button labeled "Enable Acrobat JavaScript." Once this is done, you may open the Application form.

Also, keep in mind that each question has stated character limitations, ranging from 1,000 characters (approximately one paragraph) to 10,000 characters (2 pages). The Application Form will not permit Applicants to submit responses longer than the specified character limitation contained in the question.

**(8)** *How do I complete the SF-424?*

The SF-424 must be signed, scanned, and uploaded as an attachment when submitting the CMF Application through myCDFIFund. In addition, please include the following information for Lines 11, 12, 13, and 17:

11. Catalogue of Federal Domestic Assistance Number: 21.011  
Title: Capital Magnet Fund

12. Funding Opportunity Number: Leave Blank  
Title: FY10 Funding Round of the Capital Magnet Fund

13. Leave Blank

17. a) Start Date: 10/1/10                      b) End Date: 9/30/15

The instructions for the SF-424 can be found at the end of the SF-424 document.

**(9)** *Will the information that I provide in my CMF Application be available to the general public?*

Subject to certain exemptions, any information submitted by Applicants may be released to the general public pursuant to the Freedom of Information Act (FOIA) (5 U.S.C. 552) and other federal laws and regulations. In general, the FOIA makes 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.

**(10)** *Are there any limitations with respect to using CMF awards in conjunction with other CDFI Fund program awards?*

There are generally no broad prohibitions for using CMF awards in conjunction with other CDFI Fund programs. However, the FY 2010 NOFA prohibits the use of CMF funds for activities that are identical to those activities for which the Applicant has received an award under another CDFI Fund program.

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Limitations with respect to use of CMF dollars with other CDFI Fund program awards are described in the applicable Notices of Funds Availability (NOFAs) and/or Notices of Allocation Availability (NOAAs) related to those programs.

The CDFI Fund wants to ensure that those CMF Applicants, and any of its Subsidiaries or Affiliates, that are prior Awardees/Allocatees under any other CDFI Fund programs don't receive funding for activities that are the same for which the Applicant received an award under another CDFI Fund program. For the FY 2010 funding round, the CDFI Fund has interpreted this prohibition on a project or property basis. This rule is intended to prevent Applicants from proposing projects, when measured in terms of Eligible Project Costs, which consists of funds from CDFI Fund programs, other than the CMF. This restriction is in place to prevent Awardees from receiving double-funding for the same project or property. The CDFI Fund wants CMF Applicants to demonstrate that they have the capability to leverage CMF awards from additional new sources and for projects or properties not previously funded with CDFI Fund program awards. The CDFI Fund intends to apply this restriction narrowly, such that CMF awards cannot be used on the same project or property funded through other CDFI Fund programs.

For example, if a CMF Applicant is a prior Awardee/Allocatee and received a prior CDFI Program award or NMTC allocation and used the funding under those programs to finance a project or property, it cannot receive a CMF award to finance that same project or property.

Likewise, if an Applicant is a prior BEA Awardee and received BEA credit for financing a property or project, it cannot receive a CMF award to finance that same property or project.

Applicants are NOT required to propose new products or lines of business in order to receive a CMF award. The CDFI Fund reserves the right to not approve an activity or award, if it determines, in its own discretion, that the Applicant is proposing using all or some of its CMF award to fund a project or property for which the Applicant received an award under another CDFI Fund program to fund that same project or property.

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

As set forth in detail in the FY 2010 NOFA, with respect to the CDFI Program (Financial Assistance and Technical Assistance) and the Native American CDFI Assistance (NACA) 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, the application will be deemed ineligible.

The "undisbursed award funds" calculation does not include: (i) awards of NMTC Program tax credit allocation authority; (ii) any award funds for which the CDFI Fund received a full and complete disbursement request from the awardee by the applicable 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:



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**(12)** *Is there a limit to the total CMF award amount that an Applicant may request in the FY 2010 Funding Round?*

For the FY 2010 Funding Round, the CDFI Fund has \$80 million available in appropriated funds. The statutory limit for any one Applicant (and its Subsidiaries and Affiliates) is 15% of the total available funds, or approximately \$12 million. Subject to such limitation, the CDFI Fund reserves the right to fund all, a portion of, or none of an Applicant's request.

**(13)** *If my organization has subsidiaries, which entity should apply?*

You may choose which entity applies, so long as it meets the CMF eligibility criteria set forth in the NOFA. Please keep in mind that while an Applicant may look to the activities of Subsidiary entities that it Controls, it may not rely upon the track record of any other Affiliated entities, including its parent company.

The CDFI Fund will enter into an Assistance Agreement only with the entity that applies for an award. The entity which applies for and receives an award will be held to all of the performance, reporting and compliance requirements under the Assistance Agreement.

**(14)** *Can you clarify the timelines associated with CMF awards?*

As outlined in the NOFA for the FY 2010 Funding Round (Section II.C.5-6), the timelines are as follows:  
Commitment – within 2 years of the effective date of the Assistance Agreement  
Initial Disbursement – within 3 years of the effective date of the Assistance Agreement  
Placed in service – within 5 years of the effective date of the Assistance Agreement

**(15)** *Will awards be loans or grants?*

CMF awards are grants. Although the CDFI Fund anticipates disbursing the grants in one lump sum after the Assistance Agreement becomes effective, it may disburse the grant in some other manner, as it deems appropriate.

**(16)** *In Table D of the Application, how is delinquency defined?*

Delinquency is defined the same as in the CDFI's Financial Assistance Program, which is 90 days or more overdue.

**(17)** *Who should answer Question 20 of the Application and how does it differ from Question 22, Part (iii)?*

In Question 20, Part a, all applicants should discuss if and how their proposed activities (including housing activities that are unrelated to Economic Development Activities and Community Service Facilities) are coordinated with local plans and strategies. In other words, the term "coordinated with local plans and strategies" should replace the term "Concerted Strategy." This question provides Applicants with a chance to discuss how their proposed activities will fit into broader local strategies and goals related to areas such as affordable housing, neighborhood stabilization and community development.

Similarly, in Question 20, Part b, the term "coordinated with local plans" will be used in place of "Concerted Strategy" in Assistance Agreements.

In Question 22, Part (iii) the reference to "Concerted Strategy" denotes those Affordable Housing Activities that the Applicant is proposing in conjunction with Economic Development Activities or Community Service Facilities. Per the authorizing statute, proposed Economic Development Activities and Community Service Facilities must implement a Concerted Strategy to stabilize or revitalize a Low-Income Area or Underserved

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Rural Area. As such, Question 22, Part (iii) asks Applicants, whose activities include Economic Development Activities and Community Service Facilities, to explain how their proposed activities meet this requirement. Applicants are encouraged to review the NOFA for the specific definitions related to this question.

### Questions on CMF Eligible Uses

**(18)** *What use restrictions apply to CMF award dollars and what restrictions apply to both the CMF award and the activities used to count Leveraged Costs?*

The proposed restrictions on the eligible uses of a CMF award, as well as what is likely to qualify as total Eligible Project Costs with respect to funds leveraged through the CMF award, are detailed in the Proposed Rule and the NOFA for the FY 2010 Funding Round. All Applicants should review the Proposed Rule and the NOFA prior to completing CMF Application materials. As noted above, the Proposed Rule is subject to revision when published as a final rule.

As detailed in the Proposed Rule and the NOFA, some notable restrictions include:

- No CMF award dollars, nor any funds reported by the Awardee as having been leveraged through CMF award dollars (Leveraged Costs), may be attributable to units of housing unless the units are affordable to persons making at or below 120% of the area median family income, as determined by HUD.
- Of the CMF award dollars (and leveraged funds) used to support Affordable Housing Activities, greater than 50% of the Eligible Project Costs must be attributable to units of housing that are affordable to Low-Income, Very Low-Income, or Extremely Low-Income persons (households whose incomes are at or below 80% of the area median income).
- Each multifamily housing project financed with CMF award dollars must have at least 20% of the units affordable to persons whose incomes are at or below 80% of the area median income.
- No more than 30% of a CMF award may be used to finance Community Service Facilities or Economic Development Activities.
- No more than 5% of a CMF award may be used to cover the Awardee's Operations.

**(19)** *Can CMF award funding be used for mortgage financing of owner-occupied homes?*

Yes, mortgage financing of owner-occupied homes is an eligible use of CMF funding.

**(20)** *Can CMF award funding be used for non-real estate activities?*

All funding must be for Affordable Housing Activities, Community Service Facilities, or Economic Development Activities. All of these activities are based on physical structures. Through the Proposed Rule, the CDFI Fund is seeking public comment on whether Economic Development Activities should be defined to include activities that are not related to physical structures, such as loans to businesses. The CDFI Fund will clarify this issue when it issues the Proposed Rule as a final rule.

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**(21)** *Can CMF award funding be used to finance acquisition of multifamily properties?*

Yes. An applicant that proposes to acquire a multifamily property that already meets the affordability standards of the CMF can do so under the definition of Preservation. Acquiring a multifamily property that is unassisted (or that does not meet the affordability standards) for the purposes of making it affordable is intended to be an allowed use, even though it is not explicitly mentioned as an eligible activity in the CMF NOFA. The CDFI Fund will ensure that this is clarified in future documentation, including the Interim or Final Rule.

### Questions on Leverage Calculations

**(22)** *What is "leveraging" and how do I calculate it?*

Leveraging refers to the ratio of the CMF award to the total aggregate Eligible Project Costs of all Affordable Housing Activities, Economic Development Activities, and Community Service Facilities financed with those award dollars.

For example, if an Awardee receives a \$12 million CMF award, and it finances several multifamily housing projects whose aggregate Eligible Project Costs total \$120 million, it would be deemed to have leveraged its award dollars by a factor of 10 (i.e., \$120 million / \$12 million = 10).

In Question 12 of the Application, Applicants are asked to calculate the total leveraging that they intend to achieve. As part of this calculation, Applicants will show the amount of leveraging they plan to raise at the investment level. This is any funding that Applicants may obtain prior to or in addition to the project financing, through: (i) pre-investment leveraging (e.g., when award dollars are used to secure third-party capital to finance a loan fund); and (ii) re-investment of award dollars (e.g., when award dollars are used to capitalize a revolving loan fund where loan repayments are reinvested into additional eligible projects). The pre-investment leveraging amount should include the CMF award amount (minus any costs used for operations, up to 5%). The reinvestments projection should only include funds paid back from the initial financing that are then lent out to create Eligible Project Costs for projects or activities completed within 5 years of the Assistance Agreement. Reinvestments should not include the initial pre-investment amount.

An example of how leveraging works: if an organization receives \$1 million in CMF funding and uses it to raise \$5 million (including the initial CMF award amount) for an affordable housing fund that is invested in Activities which total \$10 million in Eligible Project Costs, then it would have achieved a 10 times multiplier—a 5 times multiplier through the Pre-Investment Stage strategy and a 2 times multiplier through the Project Level strategy.

Or another example: suppose an Applicant uses its \$1 million CMF award to create a \$4 million affordable housing fund which invests in an project with \$6 million in total Eligible Project Costs. The project repays the \$4 million, which the Applicant then reinvests into another activity which has \$4 million in total Eligible Project Costs. In this example, the Applicant's \$1 million CMF award was used to raise a total \$4 million (a 4 times multiplier at the pre-investment level), this \$4 million was reinvested to support total investments of \$8 million (a 2 times multiplier), and that \$8 million of investments supported \$10 million in total project costs (1.25 times multiplier). If all the multipliers are multiplied together (4x2x1.25), then the total 10 times

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multiplier is achieved, which is validated by the \$10 million in total Eligible Project Costs that the Applicant claimed from its initial \$1 million award.

With respect to calculating these multipliers, the electronic Application form does most of the hard work. The Applicant must indicate the amounts it intends to leverage at the “pre-investment stage” and through the “re-investments” strategy. Based on this information, the Application form will automatically calculate an “investment level subtotal” and a corresponding multiplier. The Applicant will then input the total aggregate Eligible Project Costs that will be supported by the investment level subtotal: this figure is the “Total Leveraging Projection.” The Application form will automatically calculate this figure and the corresponding leveraging multiplier.

**(23)** *Is there a preference for the type of leverage or leveraging strategy?*

As set forth in the authorizing statute, the goal of the CMF is to attract private capital to and increase investment in eligible activities, so Applicants that show that they can use the CMF award to raise private capital will receive greater consideration. Similarly, those Applicants that utilize Pre-Investment Stage or Reinvestment Strategies will be favored because of their ability to leverage financing. Finally, Applicants that will use CMF funding for at least 5% of the total costs of each activity or project, or can otherwise explain why its financing is critical to the project’s success, will score most favorably.

### Questions on Community Impact

**(24)** *Is there a preference for particular populations or geographies?*

Applicants will be scored more favorably to the extent that they commit to: 1) serving larger concentrations of Low-Income, Very Low-Income, or Extremely Low-income families than are minimally required by the Proposed Rule; and/or 2) finance Affordable Housing Activities that are located in areas of “high housing need.” In Question 18 of the application, Applicants are asked to designate the percentage of activities that will be directed to these populations and areas, and will be held to these commitments through their Assistance Agreements.

**(25)** *What is an area of “high housing need”?*

High housing need areas are those census tracts that have a score of at least 18 (out of 20) on the vacancy index or foreclosure index in HUD’s Neighborhood Stabilization Data.

A list of census tracts and their scores by state can be found here:

[http://www.huduser.org/nspgis/nsp\\_map\\_by\\_state.html](http://www.huduser.org/nspgis/nsp_map_by_state.html).

A mapping tool, which can provide scores by address, zip code, or census tract, is available here:

<http://www.huduser.org/nspgis/map.aspx>.

**(26)** *What is the definition of a Non-Metropolitan Area?*

Non-Metropolitan Areas 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. These data can be readily accessed through the mapping system (CIMS) available in users’ myCDFIFund accounts to determine which counties qualify as Non-Metropolitan Counties. Users can either enter a census tract number or geocode an address. Users can then click on the “Reports” tab, and select the “Low-Income Community Worksheet”

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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.

**(27)** *How will the CDFI Fund ensure that a proportional allocation of CMF awards is made to Non-Metropolitan Areas?*

The CDFI Fund will endeavor to make at least 20 percent of all FY Funding Round awards to Non-Metropolitan Areas.

Question 23 of the Application asks all Applicants to indicate both the minimum and maximum anticipated amount of financing that will be deployed in Non-Metropolitan Areas. The CDFI Fund may require each Awardee to meet the "minimum" commitment stated in its application. However, if, after initial funding determinations are made, this "minimum" commitment results in less than 20 percent of the dollars being invested in Non-Metropolitan Areas, the CDFI Fund may require Awardees to meet a percentage of financing to Non-Metropolitan Areas that is higher than the Awardee's stated minimum in its application, in order to assist the CDFI Fund to achieve its 20 percent goal. The CDFI Fund will achieve its 20 percent goal by applying increases incrementally and uniformly.

### Compliance Questions

**(28)** *What terms and conditions will be placed upon CMF Awardees?*

Each Applicant that is selected for a CMF Award must enter into an Assistance Agreement with the CDFI Fund in order to receive its award. The terms and conditions set forth in an Assistance Agreement include, but are not limited to, the following:

- The amount of the CMF award;
- The amount of Eligible Project Costs supported through the CMF award dollars;
- The approved uses of the CMF award;
- The timelines for using the award;
- The approved Service Area, including the level of commitment to Non-Metropolitan Areas;
- The amount of CMF dollars (including leveraged funds) that support Affordable Housing for Low-Income persons;
- Reporting requirements; and
- Other commitments, often identified through "Tips" in the Application.

**(29)** *How is "affordability" defined?*

The proposed affordability qualifications are set forth in detail in the Proposed Rule and the NOFA. The CDFI Fund encourages Applicants to review the Proposed Rule and the NOFA. Although the Proposed Rule has not yet been issued as a final rule, the Proposed Rule, at 12 CFR Part 1807.401(a), states that the maximum rent for rental housing that is deemed to be affordable is a rent that does not exceed 30 percent of the family's annual income. This includes utility and service allowances defined by the applicable Participating Jurisdiction or public housing authority. As noted above, the Proposed Rule is subject to revision when published as a final rule.

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As provided for in the Proposed Rule, at 12 CFR Part 1807.402(a)(2), there are two options for determining ownership housing affordability. First is housing costs that fall within a front-end ratio of 28 percent of household income and a back-end ratio of 36 percent of household income. The front-end ratio is a percentage comparing a Low-Income borrower's total monthly cost to buy a property (mortgage principal and interest, insurance, and real estate taxes) to the borrower's monthly income before deductions. The back-end ratio is a percentage comparing a Low-Income borrower's total monthly debt payments (mortgage, real estate taxes and insurance, car loans, and other consumer loans) to the borrower's gross monthly income. The second affordability option is the housing price does not exceed 95 percent of the median purchase price for the area as used in the HOME Program and as determined by the applicable Participating Jurisdiction.

**(30)** *Where is the data to determine who qualifies as Low-Income, Very Low-Income, and Extremely Low-Income Families?*

HUD provides an annual Area Median Income (AMI) for every Metropolitan Area and county, which is the basis for determining income eligibility. A family that makes 80% or less than the AMI is considered Low-Income. A family that makes 50% of the AMI or less is considered Very Low-Income and a family that makes 30% of the AMI or less is considered Extremely Low-Income.

This information can be found at: <http://www.huduser.org/portal/datasets/il.html> under "HUD Program Income Limits" for the most recent Fiscal Year.

**(31)** *With respect to monitoring compliance for meeting the affordability requirements (e.g., that at least 50% of CMF award dollars and leveraged funds are attributable to Low-Income units), will this analysis be undertaken a project-by-project basis, or on an aggregate basis for all projects funded?*

Although the CDFI Fund has not finalized CMF compliance requirements, it anticipates that this analysis will be done on an aggregate basis for all projects for which the Awardee has committed funds, rather than on a project-by-project basis. For example, suppose an Awardee receives a \$2 million award. It invests \$1 million in each of two different projects that have total Eligible Project Costs of \$10 million each. At Project A, \$4 million of the \$10 million (40%) was used to finance housing for Low-Income families; and at Project B, \$8 million of the \$10 million (80%) was used to finance housing for Low-Income families. This Awardee will have satisfied the requirement that at least 50% of the Eligible Project Costs be used to finance housing for Low-Income persons, since collectively \$12 million (60%) of the \$20 million supported such Low-Income housing.

That being said, as contemplated in the Proposed Rule, in no circumstance can an Awardee finance a multifamily housing project where less than 20 percent of the units are made available to Low-Income families.

**(32)** *What is the affordability period for CMF awards?*

The proposed affordability qualifications are set forth in detail in the Proposed Rule and the NOFA. The CDFI Fund encourages Applicants to review the Proposed Rule and the NOFA. Although the Proposed Rule has not been issued as a final rule, the Proposed Rule contemplates that all units reported as affordable must remain so for 10 years from the time of initial occupancy and beginning after Project Completion. The Proposed Rule contemplates that an Awardee will be allowed to "float" units, such that the physical unit funded with a CMF award itself need not remain occupied by an eligible income-qualified family for 10 years, so long as the Awardee can demonstrate that the building consists of the required number of

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units occupied by eligible income-qualified families. As noted above, the Proposed Rule is subject to revision when published as a final rule.

**(33) How will Awardees certify affordability?**

The CDFI Fund has not finalized CMF compliance requirements. It anticipates issuing a separate Q&A document to specifically address compliance issues.

**(34) Must all of the units in a development or project for which the CMF award has been used serve households under 120% of Area Median Income?**

No. The CDFI Fund will measure an Awardee's affordability compliance in terms of costs. Thus, an Awardee will report how it has used its CMF award in terms of costs, not units. 100% of Eligible Project Costs must be attributable to housing units that meets the affordability qualifications for families whose annual income does not exceed 120% of AMI. Thus, it is possible to use CMF award dollars on a development or project that consists of units which serve higher-income families, but those costs associated with those units cannot be counted as Eligible Project Costs.

**(35) Does Davis Bacon apply?**

No, the requirements of the Davis-Bacon Act do not apply to the CMF.

### Contact Information

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

Topic of Question	Contact
CDFI certification criteria or process CMF Application questions	CDFI Fund Program Staff Ph: (202) 622-6355, option 9 E-mail: <a href="mailto:cdfihelp@cdfi.treas.gov">cdfihelp@cdfi.treas.gov</a>
Compliance with previous award, assistance or allocation agreements	CDFI Fund CCME Staff Ph: (202) 622-8226 E-mail: <a href="mailto:cme@cdfi.treas.gov">cme@cdfi.treas.gov</a>
Technology problems	CDFI Fund IT Staff Ph: (202) 622-2455 E-mail: <a href="mailto:ithelpdesk@cdfi.treas.gov">ithelpdesk@cdfi.treas.gov</a>

You may contact the CDFI Fund with questions until 5:00 pm ET, on April 13, 2010. After such time, the CDFI Fund will no longer respond to questions until after the CMF Application deadline has passed.

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*More detailed application content requirements are found in the FY 2010 CMF Application and NOFA. In the event of any inconsistency between the contents of this Q&A document, the Proposed Rule, the NOFA, the General Guidance, the 2010 CMF Application, and the statute that created the CMF Program (Housing and Economic Recovery Act of 2008, Pub. L. No. 110-289), the provisions of the statute shall govern.*

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