



NEW MARKETS TAX CREDIT COALITION

CDFI Fund Makes Publishes Update to 2018 NMTC Application FAQ

Today, the CDFI Fund published an update of its [2018 NMTC Application FAQ](#). The updated FAQ includes two new questions addressing (A) how an applicant might describe a loan fund when responding to Question 17/Table A5 (Projected NMTC Investments/Proposed Transactions) and (B) how an applicant should describe fees associated with projects with two or more different fee structures.

It also includes four updates to old questions. Those updates clarify the \$4 million small QLICI threshold and give additional details on the interplay between Question 17 and Table A5. Below are the new and updated FAQs:

New FAQs:

A. NEW QUESTION: How should an Applicant that is planning to use its NMTC Allocation to finance one or more loan fund/pool structures complete Table A5?

For an Applicant that plans to use \$15MM or less of its requested allocation to provide QLICs through a loan fund/pool structure, the Applicant may aggregate those smaller transactions into one entry in Table A5 as described in the Tip before Question 17. The Applicant should fully describe the types of smaller transactions it plans to make in the narrative for Q.17.

For an Applicant that plans to use more than \$15MM of its requested allocation to provide QLICs through one or more loan fund/pool structures, the Applicant should provide distinct representative pipeline projects in Table A5 for all planned QLICs of \$4MM or more that will be funded through a loan fund/pool structure. For planned loan fund/pool QLICs that are less than \$4MM, the Applicant may aggregate those smaller transactions into one entry in Table A5. The Applicant should fully describe the types of smaller transactions it plans to make in the narrative for Q.17.

B. NEW QUESTION: If an Applicant is offering two or more different products (e.g. leveraged A/B structure, revolving loan fund) with different fee structures, which fee structure should the Applicant report in Table D2?

Regarding Table D2, the Applicant should report the fee structure associated with the product for which it will use the majority (or plurality, if offering more than two products) of its requested NMTC allocation. The Applicant would describe the other fee structures in Application Question 33(e). To illustrate, if an Applicant is requesting \$100MM in allocation and plans to use 10% for a revolving loan fund and the rest for the leveraged A/B structure, in Table D2 the Applicant would report only the fee structure associated with the leveraged A/B structure, but would then describe the fee structure for the revolving loan fund in Question 33(e).

Revised FAQs:

REVISED QUESTION (FAQ #48): If the Applicant commits to provide QLICs where the total QLICs received by the QALICB are \$4 million or less, does that include QLICs made into multi-CDE transactions?

Yes. In order to qualify as an innovative activity, total QLICs received by the QALICB, from all CDEs involved in the transaction, must be \$4 million or less. For more information about how this activity will be monitored, please see the 2017 NMTC Program Compliance Monitoring Frequently Asked Questions. Please note that the \$4 million or less threshold for this innovative activity only applies to the CY 2018 Application Round. For earlier rounds, the \$2 million or less threshold still applies.

REVISED QUESTION (FAQ #39): How many pipeline projects or businesses should an Applicant include in its response to Question 17?

In its narrative for the general pipeline of activities, the Applicant should address:

- Total number of businesses or CDEs already identified for the allocation request, including the total dollar amount of NMTC financing (e.g. QEI and QLIC amount) to be provided (Total QEI needs should be equivalent to the Applicant's allocation request in Question 1);
- What portion of the Applicant's pipeline falls into different business or activity types (e.g. community facilities, retail, industrial, mixed-use, investments in CDEs, loan purchases from CDEs, etc.);
- Applicant's strategy for identifying potential borrowers, investees, or other customers in Low-Income Communities; and
- The extent to which the Applicant intends to invest interest, dividends or other profits received from QLICs into additional QLICs, and the timeline for doing so.

With the addition of Table A5, Applicants are no longer required to provide detailed descriptions of all sample transactions in Question 17. However, Applicants can use Question 17 to fully describe the types of smaller transactions it plans to make using a loan fund/pool structure. See "A" above for more information on describing transactions associated with a loan fund/pool structure.

Also, Applicants can include information about future NMTC investments they plan to close using prior allocations in response to Question 17. See FAQ #37 for more information.

REVISED QUESTION (FAQ #40): Should the projects and activities listed in Table A5 match the projects and activities listed in Question 17?

For both "single or discrete number of investments" and "general pipeline of activities", the projects and activities listed in Table A5 should be consistent with the information presented in Question 17. However, for Question 17, Applicants are not required to provide details of all the sample transactions described in Table A5. The total Applicant QLICs for the projects and activities listed in Table A5 should match the Applicant's allocation request in Allocation Application Question 1. In cases where the Applicant anticipates investment in a small dollar and/or revolving loan or equity fund, the Applicant may, in Table A5, indicate "Small Dollar Fund" or "Revolving Loan Fund" as a single project. See "A" above for more information on describing transactions associated with a loan fund/pool structure.

REVISED QUESTION (FAQ #113): If the Applicant is committing to investments in Non-Metropolitan Counties, in Question 21(e) does the Applicant need to repeat all the details (e.g. projected closing date, business type) for the sample transactions in its Non-Metropolitan pipeline that it has already provided in response to Table A5?

No. In Question 21(e), the Applicant can reference the specific projects in Table A5 rather than repeating the same details in Q. 21(e). For instance, in Q. 21(e) the Applicant can state, "Please refer to Project XYZ in Table A5." However, since Table A5 is scored by

Phase 1 Reviewers, but Q. 21 will not be scored by the Phase 1 reviewers, Applicants must provide all necessary details for its sample pipeline projects in Table A5. In responding to Table A5, Applicants cannot reference pipeline projects that are fully described only in Q. 21(e). The Applicant's score could be adversely affected if the applicant does not provide the necessary details in Table A5 for all sample transactions in its pipeline and instead provides these details in Q. 21(e).

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