

**New
Markets
Tax
Credit
Program**

**COMMUNITY
DEVELOPMENT
ENTITY**

CERTIFICATION APPLICATION



OMB Approval No. 1559-0014

CDFI-0019

Paperwork Reduction Act Notice.

This submission requirements package is provided to applicants for Community Development Entity (CDE) certification under the New Markets Tax Credit (NMTC) Program. Applicants are not required to respond to this collection of information unless it displays a currently valid OMB number. The estimated average burden associated with this collection of information is 5 hours per applicant.

Comments concerning the accuracy of this burden estimate and suggestions for reducing this burden should be directed to the Financial Equity Manager, Department of the Treasury, Community Development Financial Institutions Fund, 601 13th Street, NW, Suite 200 South, Washington, DC 20005.



INTRODUCTION	iv
APPLICATION INSTRUCTIONS	1
COMPLETENESS CHECKLIST	2
Part I. APPLICANT INFORMATION	3
Part II. DESIGNATION OF CRITERIA FOR <i>CDES</i>	7
A. LEGAL ENTITY	7
B. PRIMARY MISSION	8
CERTIFICATION ATTESTING TO PRIMARY MISSION	9
C. ACCOUNTABILITY	10
SERVICE AREA FORM	12
ACCOUNTABILITY CHART	14
Part III. CERTIFICATION OF AUTHORIZED REPRESENTATIVE	17
Part IV. QUESTIONNAIRE OF <i>APPLICANT CDES</i>	18
GLOSSARY OF TERMS FOR NMTC PROGRAM	19

CDFI Fund Mission

The mission of the Community Development Financial Institutions Fund (the Fund) is to increase the capacity of financial institutions to provide credit, capital and financial services to underserved markets. It achieves this mission by directly investing and supporting *Community Development Financial Institutions (CDFIs)*, *Community Development Entities (CDEs)* and other financial institutions through four primary programs: 1) the CDFI Program; 2) the Bank Enterprise Award Program; 3) the Native American CDFI Development Program; and (4) the New Markets Tax Credit Program.

CDFI Program

The CDFI Program seeks to promote the development of a national network of community-based financial institutions that are dedicated to community development. The Fund certifies organizations as CDFIs and offers the following program components to support their development and growth:

Financial Assistance (FA) Component

Provides *Financial Assistance* in the form of grants, loans, equity investments, deposits, and credit union shares and TA grants to certified CDFIs in support of identified business plans. This program component is intended to provide assistance to strengthen established CDFIs in order to better serve underserved markets.

Technical Assistance (TA) Component (including Native American Technical Assistance) (TA/NATA).

Provides TA grants to CDFIs and entities proposing to become CDFIs in order to build their capacity to better address the community development and capital access needs of their particular target markets including *Native American*, *Alaska Native* or *Native Hawaiian* communities.

Bank Enterprise Award Program

The Bank Enterprise Award (BEA) Program provides financial incentives to insured depository institutions for the purpose of promoting investments in, or other support to, CDFIs and facilitating increased lending and provision of financial and other services in economically distressed communities.

Native American CDFI Development (NACD) Program

The Native American CDFI Development (NACD) Program provides grants to acquire services to be used to create CDFIs that will primarily serve *Native American*, *Alaska Native*, and/or *Native Hawaiian* communities. The proposed CDFI may serve a single community or multiple communities, on or off *Indian Reservations*. The NACD Program largely replaces the Native American CDFI Technical Assistance (NACTA) Program implemented in FY 2002.

New Markets Tax Credit Program

Under the New Markets Tax Credit (NMTC) Program, taxpayers may claim a credit against Federal income taxes for *Qualified Equity Investments* made to acquire stock or other capital interests in designated CDEs. Substantially all of the *Qualified Equity Investments* must in turn be used by the CDE to, among other things, make loans to, or equity investments in qualified businesses or CDEs operating in *Low-Income Communities (LIC)*. The credit available to the investor (either the original purchaser or a subsequent holder) covers a seven-year 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 final four years, the amount of the tax credit is six percent annually.

The NMTCs are allocated by the Fund to



¹ Terms in *Capitalized Italics* are defined in the Glossary of Terms found at the end of this application and are available on the Fund's website: www.cdfifund.gov.

CDEs under a competitive application process. To qualify as a *CDE*, an entity must be a domestic corporation or partnership that: 1) has a primary mission of serving, or providing investment capital for *LICs* or *Low-Income Persons*; 2) maintains accountability to residents of *LICs* through their representation on a governing or an advisory board to the entity; and 3) has been certified as a *CDE* by the Fund.

CDEs may be non-profit or for-profit entities, but only for-profit *CDEs* are entitled to provide *NMTCs* to their investors (for more information on this, refer to “Applying for *NMTC Allocations*” below).

Organizations, including non-profit entities, that do not intend to apply to the Fund for *NMTC Allocations* may nonetheless find it beneficial to gain designation as a *CDE*, since *CDEs* that receive *NMTC Allocations* may use proceeds from *Qualified Equity Investments* to: make equity investments in other *CDEs*, provide loans to other *CDEs* and purchase qualifying loans from other *CDEs*.

Applying for Designation as a *CDE*

Any organization seeking *CDE* designation must apply to the Fund. An *Applicant CDE* must be a legally established entity at the time of application submission. Each entity seeking certification as a *CDE* must also be a corporation or partnership for Federal tax purposes at the time of application submission. An organization may apply for certification solely on its own behalf, or it may apply on behalf of itself and one or more *Subsidiary Applicants*, provided that all of the entities seeking certification are legally established at the time of application. **Each entity seeking certification as a *CDE* must have a valid Employer Identification Number (EIN) at the time the *CDE Certification Application* is submitted.**

NOTE: *CDFIs* and *Specialized Small Business Investment Companies (SBICs)* seeking certification as *CDEs*

do not need to complete these application materials.

Organizations that are *CDFIs* and/or *SSBICs* automatically qualify as *CDEs*, and need only register electronically via the Fund’s website, www.cdfifund.gov. *Subsidiaries* and *Affiliates* of *CDFIs* and *SSBICs* do not automatically qualify as *CDEs*. Also, *Subsidiaries* of entities that are already certified as *CDEs* do not automatically qualify as *CDEs*.

Maintaining Designation as a *CDE*

All *CDEs* may be required, on an annual basis, to certify to the Fund that they continue to meet their primary mission and accountability requirements. The Fund may collect additional information from all *CDEs* that are awarded *NMTC Allocations* and/or are recipients of *Qualified Low-Income Community Investments (QLICIs)* from other *CDEs*. Information collected may include, but is not limited to, the following:

- For a *CDE* that is also a certified *CDFI* or *SSBIC*, certification that no material changes have occurred to affect its status as a *CDFI* or *SSBIC*;
- For all other *CDEs*:
 - 1) Data indicating that at least 60 percent of the *CDE’s* activities (e.g., loans and investments) have been directed to *LICs* or to *Low-Income Persons*; and
 - 2) Information indicating that the organization remains accountable to residents of the *LICs* it is serving.

If the *CDE* cannot provide such information, the Fund may revoke the organization’s *CDE* designation.

Applying for *NMTC Allocations*

Both for-profit and non-profit *CDEs* may apply to the Fund for an allocation of tax credits, but only a for-profit *CDE* is permitted to provide tax credits to its investors in exchange for stock or capital interests. A non-profit *CDE* wishing to



apply for *NMTC Allocations* will need to demonstrate, prior to entering into an *Allocation Agreement* with the Fund, that: 1) it controls one or more *Subsidiary CDEs* that are for-profit entities; and 2) it intends to transfer the entire allocation of tax credits it receives to those *Subsidiary* entities.

NMTC Allocations will be awarded to *CDEs* on a competitive basis, pursuant to a *Notice of Allocation Availability (NOAA)* that is published in the Federal Register.

All application materials and guidance on allocations are available on the Fund's website at www.cdfifund.gov under New Markets.

Allocation and Use of NMTCs

Each applicant that is selected to receive a NMTC allocation must enter into an *Allocation Agreement* with the Fund prior to receiving its allocation. This agreement will specify the terms and conditions of the NMTC allocation.

Tip: Each entity included in the application must have its own valid Employer Identification Number (EIN) prior to submission of the application. Failure to include this information for any entity will result in the rejection of the entire application. For more guidance on obtaining an EIN, refer to the Fund's *CDE* Certification Q&A Document.

INSTRUCTIONS

- 1) Read the applicable *CDE* Certification Guidance published in the Federal Register, Q&A guidance, and all available website materials that accompany this application for *CDE* certification.
- 2) Consult the Glossary of Terms when completing the application. All terms and phrases that are in *Capitalized Italics* in the application can be found in the Glossary.
- 3) Complete the application in its entirety. Failure to submit complete application materials may result in the Fund's rejection of the application. Follow the instructions provided under each Part of the application.
- 4) Submit one original and one copy of this application to the address below. The *copy* should be placed in a three-ring binder, without staples or other forms of binding. The original should not be placed in a binder and should not include tabs.
- 5) Optional: Applicants may find it helpful to prepare the Accountability Chart in Part II of the application in a MS Word file instead of typing the information into the printed version. Files may be obtained on the Fund's website, www.cdfifund.gov under New Markets.
- 6) Reminder: Certified *CDFIs* and *SSBICs* automatically meet the requirements of a *CDE* and may register to be *CDEs* on-line at www.cdfifund.gov under New Markets.

SUBMITTING YOUR APPLICATION

Send to: Bureau of the Public Debt
200 Third Street, PCB Room 10
Parkersburg, WV 26101-5312
Attn: Manager, Franchising Unit
CDE Certification Application
304-480-5450 (only to be used
on shipping labels when using
overnight delivery services)

Applications faxed or sent via e-mail will not be accepted.

ADDITIONAL QUESTIONS AND INFORMATION SOURCES

If you have any questions about this application, you may contact the Fund by telephone at (202) 622-7373, by e-mail at cdfihelp@cdfi.treas.gov, or visit the Fund's website at www.cdfifund.gov under New Markets.

Completeness Checklist

Please complete this checklist and submit it as part of your *CDE Certification Application*.

If any of the following information is missing from the *CDE Certification Application*, the Fund may determine that the application is incomplete. If such a determination is made, the Fund will notify the *Applicant CDE* in writing that the application for the *Applicant CDE* and, if applicable, *Subsidiary Applicant(s)*, has been rejected and will not be reviewed any further.

- PART I.** *Applicant CDE* Information and, if applicable, Part I. *Subsidiary Applicant* Information for each *Subsidiary Applicant*. This must include the signature of the *Authorized Representative* for the *Applicant CDE* and, if applicable, each *Subsidiary Applicant*.
- PART II.**
 - Establishing documents filed with the state and IRS notification of assignment of an EIN, for the *Applicant CDE* and each *Subsidiary Applicant*.
 - Organizational documents indicating the primary mission of the *Applicant CDE*. An *Applicant CDE* seeking to certify *Subsidiary Applicants* as *CDEs* must also either: (1) provide organizational documents indicating the primary mission for each *Subsidiary Applicant* seeking designation as a *CDE*; OR (2) sign the "Certification Attesting to Primary Mission of *Subsidiary Applicants*."
 - Service Area Form for *Applicant CDE* and, if applicable, each *Subsidiary Applicant*.
 - Accountability Chart for the *Applicant CDE* and, if applicable, each *Subsidiary Applicant*.
 - If applicable, geocoded data reports.
 - If applicable, narrative information detailing the process by which feedback is obtained by and from advisory boards.
- PART III.** Certification of *Authorized Representative*.
- PART IV.** Questionnaire of *Applicant CDEs*.

PART I: APPLICANT CDE INFORMATION

1. *Applicant CDE* Name:

2. *Applicant CDE* Employer Identification Number (required for processing):

3. Is the *Applicant CDE* already certified as a *CDE*? Yes No
If yes, identify the *CDE* Control Number of the *Applicant CDE*: _____

4. Mailing Address (Provide mailing address and physical address for overnight deliveries (if different). Provide nine-digit zip code):

5. <i>Authorized Representative</i> Name and Title, and address if different from #4:	Telephone number: Fax number: E-mail address:
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6. Congressional District of *Applicant CDE's* main office:

7. Market served and estimated % of total activities (percentages should add up to 100%):

____% Major urban areas in a Metropolitan Area with a population equal to or greater than 1 million (include both central city and surrounding suburbs).

____% Minor urban areas in a Metropolitan Area with a population of less than 1 million (include both central city and surrounding suburbs).

____% Rural areas

8. Structure of the *Applicant CDE* (check all that apply):

For-profit
 Non-profit
 Small Business Investment Company (SBIC)
 Specialized Small Business Investment Company (SSBIC)
 Certified Community Development Financial Institution (CDFI)
 Thrift, Bank or bank holding company
 Credit Union Publicly traded company
 Government-controlled entity *Faith-Based Institution*
 Tribal Entity New Markets Venture Capital Company

9. Structure of the *Applicant CDE's Controlling Entity* (check all that apply):

For-profit
 Non-profit
 Small Business Investment Company (SBIC)
 Specialized Small Business Investment Company (SSBIC)
 Certified Community Development Financial Institution (CDFI)
 Thrift, Bank or bank holding company
 Credit Union Publicly traded company
 Government-controlled entity *Faith-Based Institution*
 Tribal Entity New Markets Venture Capital Company
 Not Applicable - *Applicant CDE* does not have a *Controlling Entity*

PART I: SUBSIDIARY APPLICANT INFORMATION

1. Name of *Subsidiary Applicant*:
2. *Subsidiary Applicant's* Employer Identification Number (required for processing):
3. Mailing Address (Provide mailing address and physical address for overnight deliveries (if different). Provide nine-digit zip code):

- | | |
|--|--|
| <p>4. <i>Authorized Representative</i> Name and Title, and address if different from #3:</p> | <p>Telephone number:
Fax number:
E-mail address:</p> |
|--|--|

5. Congressional District of *Subsidiary Applicant's* main office:

6. Market served and estimated % of total activities (percentages should add up to 100%):
 - ___% Major urban areas in a Metropolitan Area, with a population equal to or greater than 1 million (include both central city and surrounding suburbs).
 - ___% Minor urban areas in a Metropolitan Area with a population of less than 1 million (include both central city and surrounding suburbs).
 - ___% Rural areas

7. Type of entity (check all that apply):
 - For-profit
 - Non-profit
 - Small Business Investment Company (SBIC)
 - Specialized Small Business Investment Company (SSBIC)
 - Certified Community Development Financial Institution (CDFI)
 - Thrift, Bank or bank holding company
 - Credit Union
 - Publicly traded company
 - Government-controlled entity
 - Faith-Based Institution
 - Tribal Entity
 - New Markets Venture Capital Company

8. Products and services that are or will be offered by the *Subsidiary Applicant* (check all that apply)
 - Microenterprise financing
 - Business financing
 - Real estate financing:
 - Retail
 - Industrial
 - Office space
 - Mixed-use (housing + commercial)
 - For-sale housing
 - Community Facilities
 - Financing of other *CDEs*
 - Loan purchases from other *CDEs*
 - Financial Counseling and Other Services*

PART I: SUBSIDIARY APPLICANT INFORMATION (cont')

9. Is the *Subsidiary Applicant* a corporation or partnership for federal tax purposes?

- Yes No

If no, the applicant is not eligible to apply for certification as a *CDE*

10. Is the *Subsidiary Applicant* duly organized and validly existing under the laws of the jurisdiction in which it was incorporated or otherwise established?

- Yes

Subsidiary Applicant's date of incorporation (month/day/year): _____

Subsidiary Applicant's total assets as of the date of this application: \$_____

- No (If no, the *Subsidiary Applicant* is not eligible to apply for certification as a *CDE*)

To the best of my knowledge and belief, all information in this application is true and correct. The *Subsidiary Applicant* identified above is a *Subsidiary* of the *Applicant CDE* (in accordance with the Fund's definition of *Subsidiary*). The execution of this application by the *Subsidiary Applicant* has been duly authorized by the governing body of the *Subsidiary Applicant*.

11. *Authorized Representative Signature*:

Date:



¹ ALL APPLICATIONS REQUIRE THE SIGNATURE OF THE ORGANIZATION'S *AUTHORIZED REPRESENTATIVE*, AND A UNIQUE EIN FOR THE *APPLICANT CDE* AND EACH *SUBSIDIARY APPLICANT*, OR THE APPLICATION WILL BE DEEMED INCOMPLETE AND REJECTED.

PART II: DESIGNATION CRITERIA FOR CDES

A. LEGAL ENTITY

Requirements

In order to be certified as a *CDE*, an *Applicant CDE* must be a domestic corporation or partnership for federal tax purposes and be duly organized and validly existing under the laws of the jurisdiction in which it is incorporated or established. An organization that is not yet a legal entity, does not yet have a valid EIN or is not a domestic corporation or partnership for federal tax purposes cannot apply for designation as a *CDE*.

An *Applicant CDE* and its *Subsidiary Applicants* may apply under one *CDE Certification Application*, but must provide (1) establishing documents and (2) a unique valid EIN for each entity wishing to receive designation. An *Applicant CDE* may not apply on behalf of its *Subsidiary Applicants* if the *Subsidiary Applicants* are not yet legally established, are not domestic corporations or partnerships for federal tax purposes or do not have a unique EIN.

Tip: In general, sole proprietorships and single member limited liability companies are not considered corporations or partnerships for federal tax purposes.

Information Needed

1) Attach a copy of the *Applicant CDE's* articles of incorporation or other establishing documents that have been filed with the state, and all appropriate amendments thereto.¹ If the *Applicant CDE* is attempting to certify one or more *Subsidiary Applicants* as *CDEs* through this application, it must also attach a copy of each of those entities' articles of incorporation or other establishing documents and all appropriate amendments thereto.

2) Attach a copy of the *Applicant CDE's* IRS notification regarding assignment of an EIN¹. If the *Applicant CDE* is attempting to certify one or more *Subsidiary Applicants* as *CDEs* through this application, it must also attach a copy of the IRS EIN notification for each entity. If the IRS notification regarding assignment of an EIN is not readily available, the *Applicant CDE* may instead submit other documentation (e.g., tax return documents, other communications with IRS), provided that such documentation references the entity's name and its EIN.

Tip: For additional information on how to obtain an EIN from the IRS, or how to obtain IRS notification regarding the assignment of an EIN, please review the CDE Certification Q&A document on the Fund's website at www.cdfifund.gov under New Markets.



¹ An *Applicant CDE* that is already a certified *CDE* does not need to provide this information.

B. PRIMARY MISSION

Requirements

A *CDE* must demonstrate that it has a primary mission of serving, or providing investment capital for *LICs* or *Low-Income Persons*, and that at least 60 percent of its activities (e.g., loans and investments) are targeted to *Low-Income Persons* or *LICs*.

An *Applicant CDE* may meet the primary mission requirement by demonstrating that its signed, board-approved incorporating documents, bylaws, annual reports or other organizational documents evidence a low-income mission. A low-income mission should include reference to *Low-Income Persons* or *LICs*. In the case of an *Applicant CDE* that is an *Insured Depository Institution* or *Insured Credit Union*, designation by a regulatory agency as a *Low-Income Designated Credit Union* or other community development institution is an indication of having such a mission.

An *Applicant CDE* must also demonstrate that, at a minimum, 60 percent of its products and services are directed to (or will be directed to) *Low-Income Persons*, to individuals, businesses or organizations that serve *Low-Income Persons* or to residents of *LICs*. The following are a few examples of such activities:

- Investing in, lending to or providing technical assistance to businesses that are located in *LICs* and/or are owned by *Low-Income Persons*;
- Lending to *Low-Income Persons* or residents of *LICs*;
- Investing in or providing loans to support commercial properties that are located in *LICs*; or
- Investing in, lending to or providing technical assistance to organizations (e.g., *CDEs* or *CDFIs*) engaged in activities that promote community development in *LICs* or for the benefit of *Low-Income Persons*.

Information Needed

1) Organizational documents from the *Applicant CDE* that evidence a primary mission of serving *LICs* or *Low-Income Persons*.¹ Such documentation includes, but is not limited to: signed, board-approved bylaws, articles of incorporation, annual reports, partnership agreements or board resolutions. It is not necessary to submit multiple pieces of documentation - only submit the minimum necessary to demonstrate that your organization principally serves *LICs* or *Low-Income Persons*.

2) If any *Subsidiary Applicants* are seeking designation as a *CDE* under this application, the *Applicant CDE* must either:

- a) Submit separate organizational documents demonstrating the primary mission for each entity seeking certification; or
- b) Sign and submit the attached form, "Certification Attesting to Primary Mission of *Subsidiary Applicants*."

3) All *Applicant CDEs* are required to complete Part III ("Certification of *Authorized Representative*"). Signing this form will demonstrate your organization's commitment to ensuring that at least 60 percent of its products and services (and 60 percent of the products and services of all *Subsidiary Applicants*) are directed to *Low-Income Persons*; to individuals, businesses or organizations located in *LICs*; and/or to organizations that principally serve *Low-Income Persons* or *LICs*.

It will also ensure that the *Applicant CDE* and each of its *Subsidiary Applicants* will continue to maintain accountability to residents of *LICs* at all times during the course of its/their designation as a *CDE*.

¹ An *Applicant CDE* that is already a certified *CDE* does not need to provide this information.

CERTIFICATION ATTESTING TO PRIMARY MISSION OF SUBSIDIARY APPLICANTS

Applicant CDEs wishing to designate *Subsidiary Applicants* as CDEs, but who have not provided separate organizational documents for each of these entities, must sign the following certification:

I certify, on behalf of _____ (name of the "Applicant CDE"), that the *Subsidiary Applicant(s)* listed below have the same primary mission of serving *LICs* or *Low-Income Persons* as indicated in the organizational documents of the *Applicant CDE*.

Subsidiary Applicant(s):

	Name	EIN
1.		
2.		
3.		
4.		
5.		
6.		
7.		
8.		
9.		

By: _____ Date _____
 Signature of Authorized Representative of Applicant CDE

Print Name: _____

Title: _____

C. ACCOUNTABILITY

Requirements

Each entity seeking designation as a *CDE* under this application must: 1) identify the service areas that it serves or intends to serve; and 2) demonstrate that it maintains accountability to residents of the *LICs* in those areas.

Identifying Service Areas. The *Applicant CDE* and each *Subsidiary Applicant* must identify the service areas that it serves or intends to serve. Each entity will be required to select from one of the following options:

- 1) Local service area(s). A local service area may be: (a) a neighborhood or neighborhoods within a local jurisdiction; (b) a city, town or local jurisdiction(s) within a larger jurisdiction; (c) a county, parish or other larger jurisdiction within a state; (d) an entire *Primary Metropolitan Statistical Area (PMSA)*; or (e) an Indian Reservation. Entities serving or intending to serve multiple communities within a single local service area (e.g., several neighborhoods within a single city, or several cities within a single *PMSA*) may wish to designate the larger encompassing jurisdiction as its local service area.
- 2) Statewide (or territory-wide) service area.
- 3) Multi-state service area (2-6 states).
- 4) Regional service area (multiple states or portions of states that form an identifiable region).
- 5) National Service Area

Designating a Service Area. *Applicant CDEs* needing to identify qualifying *LICs* in their service area should visit the Fund's online help desk at www.cdfifundhelp.gov. This help desk contains maps and

worksheets identifying the qualifying census tracts throughout the country.

Maintaining Accountability. An applicant must demonstrate that it is accountable to the residents of *LICs* in the service area that it designates. An applicant will be deemed to be accountable if at least 20% of its governing board or 20% of its advisory board(s) is representative of *LICs* within the selected service area. In order to be deemed representative under this accountability requirement, a board member must either: (a) reside in a *LIC* within the selected service area; or (b) otherwise represent the interest of residents of *LICs* (e.g., a small business owner whose business is located in the community, an employee or a board officer of a community-based or charitable organization serving the community, etc.) in the selected service area. The Fund encourages *Applicant CDEs* to appoint some *Low-Income Persons* from *LICs* to their advisory and/or governing boards.

TIP: Board members that are themselves, or whose family members are, principals or staff members of the *Applicant CDE* (or *Subsidiary Applicant*), its affiliated entities or, except in limited circumstances, its investors cannot be deemed representative of *LICs*. An *Applicant CDE* (or *Subsidiary Applicant*) may, however, designate a board member that also serves on the board of an affiliated entity as representative of *LICs*, provided that the board member is representative of *LICs* through means other than his or her association with the affiliated entity.

An entity that does not have a governing board, but in which the governing authority resides with a general partner or managing company, may satisfy the accountability requirements through the board(s) of the general partner or managing company. Any entity seeking to maintain accountability through advisory board(s) must also be able to demonstrate that the viewpoints of the advisory board(s) are given sufficient consideration and attention by the governing board.

To maintain accountability to the residents

of *LICs* in a **local service area(s)**, the applicant must demonstrate that at least 20% of its governing board or 20% of its advisory board is comprised of individuals that represent *LICs* in each of the local service areas identified. An entity may need to establish multiple advisory boards in order to satisfy this requirement.

To maintain accountability to the residents of *LICs* in a **statewide service area**, a **multi-state service area**, a **regional service area**, or a **national service area**, the applicant must demonstrate that at least 20% of its governing board or 20% of its advisory board(s) is representative of a cross-section of *LICs* within the state(s) that it serves. An entity may need to establish multiple advisory boards in order to satisfy this requirement, or select board members that are from organizations that represent the interests of a cross-section of *LICs* (e.g., a state-wide organization or nationwide non-profit community development organization).

Tip: For additional updated guidance on Accountability, please review the CDE Certification Q&A Document on the Fund's website www.cdfifund.gov under New Markets.

Target Areas

The Fund may designate, upon request from an applicant, one or more "target areas" within otherwise ineligible census tracts as *LICs* if: (a) the boundary of such an area is continuous, and the continuous boundary that delineates the portion of the census tract as a "low-income community" is a pre-existing

boundary (such as an established neighborhood, political or geographic boundary); (b) the area would satisfy the requirements of a *LIC* (either on account of the poverty rate or Median Family Income) if it were a census tract; and (c) an inadequate access to investment capital exists in the area, as demonstrated through studies, surveys or other analysis provided by the applicant.

It is incumbent upon the organization seeking designation of the target area to furnish the Fund with the information necessary to determine whether the target area satisfies each of the three requirements above. In order to comply with this requirement, an organization may need access to census data (such as census block group data) that is not available on the Fund's On-Line Help Desk. Such data may be retrieved through the Census Bureau's website at www.census.gov.

A *CDE* seeking to designate a target area as a *LIC* may submit its request to the Fund at any time, though the Fund encourages those organizations that know that they are likely to serve target areas within census tracts to identify such areas at the time of submission of their initial application for certification as a *CDE*.

Please refer to the Fund's CDE Certification Q&A document (under New Markets at www.cdfifund.gov) for additional information on how to request designation of Target Areas.

SERVICE AREA FORM

For each entity seeking certification under this application, complete the following information (submit as many copies of this page as necessary)¹. For more information on representation and accountability, refer to the Fund's CDE Certification Q&A Document under New Markets at www.cdfifund.gov.

- 1) Name of entity seeking certification (identify): _____

- 2) Do the *Applicant CDE* and the *Subsidiary Applicant(s)* have the same service area and same accountability mechanism (i.e., same governing or advisory board)?
 - Yes No NA
 - (if no, this form must be filled out separately for each entity.)

- 3) Service area(s) that the entity serves or intends to serve:
 - Local service areas (e.g., neighborhoods, cities, counties, or PMSAs) within a state or territory: _____
 - Statewide (or territory-wide) service area(s): _____
 - Multi-state service area(s) (2 - 6 states or territories): _____
 - Regional service area (multiple states that form an identifiable region): _____
 - _____
 - National service area

- 4) The entity intends to maintain accountability to the residents of *LICs* through their representation on:
 - Governing Board
 - Governing Board of *Controlling Entity*
 - Advisory Board(s) (see item #6 below)

- 5) All *Applicant CDEs* are required to complete an accountability chart. **This chart must be completed for (i) each entity seeking CDE certification, and (ii) each advisory board of each entity, if there are multiple advisory boards.** Visit the Fund's website at www.cdfifund.gov under New Markets to download an electronic, MS Word version of this form. Use additional sheets if necessary.

- 6) Certain Applicant CDEs are required to submit a geocoded data report to the Fund along with their accountability chart. Please refer to the instructions provided in the accountability chart to determine whether your organization must submit this report.



¹ An *Applicant CDE* that is already a certified *CDE* only needs to provide this information on behalf of its *Subsidiary Applicants*.

7) If your organization intends to maintain accountability to the residents of its *LIC* through their representation on **Advisory Board(s)**, on a separate sheet of paper, provide narrative information detailing:

- The process by which members are selected for the advisory board;
- How often the advisory board meets (to be accountable, a board must meet at least annually);
- How the board solicits (or intends to solicit) feedback from residents of *LICs* and how often this information is (or will be) collected (e.g., feedback collected semi-annually at community meetings, feedback collected annually through surveys, etc.); and
- How the information is used (or will be used) to inform the actions of the governing board in developing the organization's policies (e.g., an advisory board representative sits on the governing board; a member of the advisory board presents reports to the governing board, etc.).

Accountability Chart for: _____
 (Applicant CDE or Subsidiary Applicant Name)
Service Area: _____
 (Identify name of city, state, region, etc.)
Total Board Members: _____
 (Number)

Board Composition as of: _____
 (Today's Date)
Board Type: _____
 (Governing or Advisory)
Total LIC Representatives: _____
 (Number)

Instructions:
 1) Check the "Conflict of Interest" box at the top of the table to certify that such conflicts do not exist with respect to board members identified as being representative of LICs.
 2) In column 1, list all members of your governing or advisory board. Do not list more than one person in a single row.
 3) In column 2, check the appropriate box to indicate how the board member is deemed representative of the LIC. You need only check one box per board member.
 4) In column 3, complete the Service Area Information as required relevant to the information provided in column 2.
 5) If you've checked boxes a, b or d under Column 2, you must submit to the Fund verification that you have geocoded each address and that they are in qualifying census tracts in your service area. You may use the Fund's Online Help Desk at www.cdffundhelp.gov to print out a customized geocoded report. Simply click on the NMTC Program link and select option 3: "Use the address of your customers or transactions." Once you've submitted each address, click on "geocoded data report" to view a list of the addresses and their census tracts. **Print this list and submit it to the Fund along with your other application materials.**

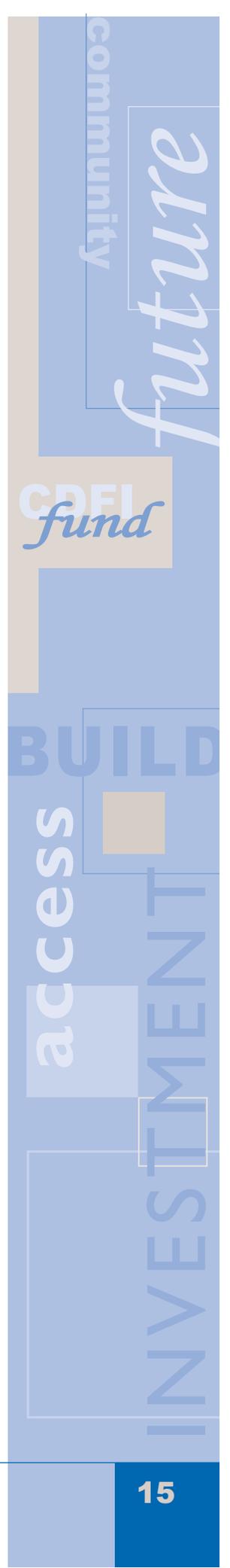
Conflict of Interest. Check here to certify that none of the board members listed below as being representative of a LIC, nor any of their family members, are principals or staff members of the Applicant CDE (or Subsidiary Applicant), its affiliated entities or its investors.

Name	Relationship to the LIC	SERVICE AREA INFORMATION
1.	a. Is a resident of a LIC (provide address and census tract in column 3). b. Is a small business owner who controls, operates or manages a business located in a LIC that: a) provides goods and services to residents of the LIC; or b) principally employs residents from the LIC (provide company name, address and census tract in column 3). c. Is an employee or board member of a non-affiliated community-based or charitable organization providing more than 50% of its activities or services to residents of LICs (provide the individual's title and the organization name, area served and mission in column 3). d. Is a religious leader whose congregation is based in a LIC (provide the individual's title and the religious entity name, address and census tract in column 3). e. Is an employee of a governmental agency or department that principally serves LICs; or is (or works for) an elected official whose constituency is comprised principally of residents of LICs (provide title, agency/department and community served in column 3). f. Is not representative of a LIC (do not complete column 3).	

Accountability Chart for: _____
 (Applicant CDE or Subsidiary Applicant Name)

Board Type : _____
 (Governing or Advisory)

Name	Relationship to the LIC	SERVICE AREA INFORMATION
2.	<p>a. Is a resident of a LIC (provide address and census tract in column 3).</p> <p>b. Is a small business owner who controls, operates or manages a business located in a LIC that: a) provides goods and services to residents of the LIC; or b) principally employs residents from the LIC (provide company name, address and census tract in column 3).</p> <p>c. Is an employee or board member of a non-affiliated community-based or charitable organization providing more than 50% of its activities or services to residents of LICs (provide the individual's title and the organization name, area served and mission in column 3).</p> <p>d. Is a religious leader whose congregation is based in a LIC (provide the individual's title and the religious entity name, address and census tract in column 3).</p> <p>e. Is an employee of a governmental agency or department that principally serves LICs; or is (or works for) an elected official whose constituency is comprised principally of residents of LICs (provide title, agency/department and community served in column 3).</p> <p>f. Is not representative of a LIC (do not complete column 3).</p>	
3.	<p>a. Is a resident of a LIC (provide address and census tract in column 3).</p> <p>b. Is a small business owner who controls, operates or manages a business located in a LIC that: a) provides goods and services to residents of the LIC; or b) principally employs residents from the LIC (provide company name, address and census tract in column 3).</p> <p>c. Is an employee or board member of a non-affiliated community-based or charitable organization providing more than 50% of its activities or services to residents of LICs (provide the individual's title and the organization name, area served and mission in column 3).</p> <p>d. Is a religious leader whose congregation is based in a LIC (provide the individual's title and the religious entity name, address and census tract in column 3).</p> <p>e. Is an employee of a governmental agency or department that principally serves LICs; or is (or works for) an elected official whose constituency is comprised principally of residents of LICs (provide title, agency/department and community served in column 3).</p> <p>f. Is not representative of a LIC (do not complete column 3).</p>	



Accountability Chart for: _____ (Applicant CDE or Subsidiary Applicant Name)

 Board Type : _____ (Governing or Advisory)

Name	Relationship to the LIC	SERVICE AREA INFORMATION
_____	a. Is a resident of a LIC (provide address and census tract in column 3). b. Is a small business owner who controls, operates or manages a business located in a LIC that: a) provides goods and services to residents of the LIC; or b) principally employs residents from the LIC (provide company name, address and census tract in column 3). c. Is an employee or board member of a non-affiliated community-based or charitable organization providing more than 50% of its activities or services to residents of LICs (provide the individual's title and the organization name, area served and mission in column 3). d. Is a religious leader whose congregation is based in a LIC (provide the individual's title and the religious entity name, address and census tract in column 3). e. Is an employee of a governmental agency or department that principally serves LICs; or is (or works for) an elected official whose constituency is comprised principally of residents of LICs (provide title, agency/department and community served in column 3). f. Is not representative of a LIC (do not complete column 3).	
_____	a. Is a resident of a LIC (provide address and census tract in column 3). b. Is a small business owner who controls, operates or manages a business located in a LIC that: a) provides goods and services to residents of the LIC; or b) principally employs residents from the LIC (provide company name, address and census tract in column 3). c. Is an employee or board member of a non-affiliated community-based or charitable organization providing more than 50% of its activities or services to residents of LICs (provide the individual's title and the organization name, area served and mission in column 3). d. Is a religious leader whose congregation is based in a LIC (provide the individual's title and the religious entity name, address and census tract in column 3). e. Is an employee of a governmental agency or department that principally serves LICs; or is (or works for) an elected official whose constituency is comprised principally of residents of LICs (provide title, agency/department and community served in column 3). f. Is not representative of a LIC (do not complete column 3).	

PART III: CERTIFICATION OF AUTHORIZED REPRESENTATIVE

All *Applicant CDEs* must sign the following certification:

I certify, on behalf of _____ (name of the *Applicant CDE*) and, if applicable, its *Subsidiary Applicants*, that it/they will, at all times during the course of its/their designation as a *CDE*, direct a minimum of 60 percent of its/their activities (including loans, investments and related technical assistance) to *Low-Income Persons*, to persons or organizations located in *Low-Income Communities*, or to other organizations that principally serve *Low-Income Persons* or residents of *Low-Income Communities*.

I further certify that the *Applicant CDE* and, if applicable, its *Subsidiary Applicant(s)*, will maintain accountability to residents of *Low-Income Communities* that it/they serve, through their representation on the governing board or on an advisory board to the *Applicant CDE* (and, if applicable *Subsidiary Applicants*), at all times during the course of its/their designation as a *CDE*.

The *Applicant CDE* and, if applicable, its *Subsidiary Applicant(s)* acknowledges that it may be required to certify to the Fund, not less than annually, that it continues to comply with the above certification requirements, and to notify the Fund if the *Applicant CDE* and, if applicable, its *Subsidiary Applicant(s)* fails to comply with these requirements. The *Applicant CDE* and, if applicable, its *Subsidiary Applicant(s)* acknowledges further that a failure to comply with these requirements may result in the *Applicant CDE* and, if applicable, its *Subsidiary Applicant(s)* losing its designation as a *CDE*, as well as the recapture of *NMTC Allocations* provided to the *Applicant CDE* or *Subsidiary Applicants* and/or the repayment of *NMTCs* claimed by investors for making *Qualified Equity Investments* in the *Applicant CDE* or *Subsidiary Applicants*.

By: _____ Date _____
Signature of *Authorized Representative of Applicant CDE*

Print Name: _____

Title: _____

CERTIFICATION OF AUTHORIZED REPRESENTATIVE
CDE Fund
PART III

community
future

BUILD

access
INVESTMENT

PART IV: QUESTIONNAIRE OF APPLICANT CDES

The Fund requires that all *Applicant CDEs* complete this questionnaire¹. The information provided here has no bearing on the applicant's ability to be certified as a *CDE* and is not binding. Rather, the information will be used to assist the Fund in planning its *CDE* reviews. Your application will not be considered complete unless you submit this questionnaire.

- 1) Does the *Applicant CDE* and/or its *Subsidiary Applicant(s)* intend to apply for NMTC allocations in the next round that allocations are made available?

Yes No Do not know

- 2) If yes, do you intend to transfer tax credit allocations to *Subsidiary Applicants*?

Yes No Not Applicable

- 3) Does the *Applicant CDE* and/or its *Subsidiary Applicant(s)* intend to sell eligible loans to other *CDEs*?

Yes No Do not know

- 4) If yes, have you approached such *CDEs*?

Yes No Not Applicable

If yes, please identify the *CDE(s)*: _____

- 5) Does the *Applicant CDE* and/or its *Subsidiary Applicant(s)* intend to request a loan or equity investment from other *CDEs*?

Yes No Do not know

- 6) If yes, have you approached such *CDEs*?

Yes No Not Applicable

If yes, please identify the *CDE(s)*: _____

■ ■ ■ ■ ■ ■ ■ ■

¹ An *Applicant CDE* that is already a certified *CDE* does not need to provide this information.

AFFILIATE

Any legal entity that *Controls*, is *Controlled* by, or is under common *Control* with, an *Applicant*, *Applicant CDE*, or *Subsidiary Applicant*.

ALLOCATEE

An *Applicant* that receives a *NMTC Allocation*.

ALLOCATION AGREEMENT

An agreement to be entered into by the Fund and a *CDE*, relating to the *NMTC Allocation*, pursuant to IRC §45D(f)(2).

ALLOCATION APPLICATION

The application form, issued by the Fund pursuant to a *Notice of Allocation Availability (NOAA)*, to be completed and submitted by an *Applicant* in order to be considered for a *NMTC Allocation*.

APPLICANT

Any legal entity that is applying to the Fund for the receipt of a *NMTC Allocation*. This term includes any *Subsidiary* of the *Applicant* which may receive a transfer of all or part of a *NMTC Allocation* from the *Applicant*.

APPLICANT CDE

Any legal entity that is applying to the Fund to be certified as a *CDE*, either for itself or on behalf of its *Subsidiary Applicants*.

AUTHORIZED REPRESENTATIVE

An officer, or other individual, who has the actual authority to sign for and make representations on behalf of the *Applicant*, *Applicant CDE* or *Subsidiary Applicant*.

CDE CERTIFICATION APPLICATION

The application form, issued by the Fund, to be completed and submitted by an entity in order to be certified as a *CDE*.

COMMUNITY DEVELOPMENT ENTITY (CDE)

Under IRC §45D(c)(1), any domestic corporation or partnership if:

1. The primary mission of the entity is serving, or providing investment capital for, *Low-Income Communities* or *Low-Income Persons*;
2. The entity maintains accountability to residents of *Low-Income Communities* through their representation on any governing board of the entity or on any advisory board to the entity; and
3. The entity is certified by the Fund as a *CDE*.

Specialized Small Business Investment Companies (SSBICs) and *Community Development Financial Institutions (CDFIs)* are deemed to be *CDEs* in the manner set forth in Guidance published by the Fund (66 [Federal Register](#) 65806, December 20, 2001).

COMMUNITY DEVELOPMENT FINANCIAL INSTITUTION (CDFI)

An entity that has been certified by the Fund as meeting the criteria set forth in section 103 of the Community Development Banking and Financial Institutions Act of 1994 (12 U.S.C. 4702). For further details, refer to the CDFI Program regulations set forth at 12 CFR 1805.201.

CONTROL

Control is defined as:

1. Ownership, *control*, or power to vote more than 50 percent of the outstanding shares of any class of voting securities of any entity, directly or indirectly or acting through one or more other persons;
2. *Control* in any manner over the election of a majority of the directors, trustees, or general partners (or individuals exercising similar functions) of any other entity; or
3. Power to exercise, directly or indirectly, a controlling influence over the management policies or investment decisions of another entity, as determined by the Fund.

CONTROLLING ENTITY

An entity that *Controls* an *Applicant*, *Applicant CDE* or *Subsidiary Applicant*.

DISADVANTAGED BUSINESS

A business that is (a) located in a *Low-Income Community*; or (b) is owned by a *Low-Income Person*; or (c) a business that has inadequate access to investment capital.

DISADVANTAGED COMMUNITY

This term has the same meaning as a *Low-Income Community*.

EQUITY INVESTMENT

Under IRC §45D(b)(6) and the *Temporary and Proposed Income Tax Regulations*, equity investment means any stock (other than nonqualified preferred stock as defined in IRC §351(g)(2)) in an entity that is a corporation and any capital interest in an entity that is a partnership.

FAITH BASED ORGANIZATION

An organization whose founding (through capitalization or otherwise), governance or membership is derived from a religious institution.

FINANCIAL COUNSELING AND OTHER SERVICES

Advice provided by a CDE relating to the organization or operation of a trade or business. See 26 CFR 1.45D-1T(d)(7).

INSURED CREDIT UNION

Any credit union, the member accounts of which are insured by the National Credit Union Share Insurance Fund.

INSURED DEPOSITORY INSTITUTION

Any bank or thrift, the deposits of which are insured by the Federal Deposit insurance Corporation.

LOW-INCOME COMMUNITY

Under IRC §45D(e)(1), any population census tract if:

1. The poverty rate for such tract is at least 20 percent, or
2. (a) In the case of a tract not located within a *Metropolitan Area*, the median family income for such tract does not exceed 80 percent of statewide median family income, or
(b) in the case of a tract located within a *Metropolitan Area*, the median family income for such tract does not exceed 80 percent of the greater of statewide median family income or the *Metropolitan Area* median family income.

With respect to IRC §45D(e)(1)(B), possessionwide median family income shall be used (in lieu of statewide income) in assessing the status of census tracts located within a possession of the United States.

Upon an entity's application for certification as a *CDE*, the Fund may designate under IRC §45D(e)(2) an area within a census tract as a *Low-Income Community* if:

1. The boundary of the area is continuous;
2. The area would otherwise meet the definition of a *Low-Income Community* under IRC §45D(e)(1) if it were a census tract; and
3. There is inadequate access to investment capital in the area (as demonstrated by studies, surveys, or other analysis provided by the *Applicant CDE* or *Subsidiary Applicant*).

Under IRC §45D(e)(3), in the case of an area that is not tracted for population census tracts, the equivalent county divisions (as defined by the Bureau of the Census for purposes of determining poverty areas) shall be used for purposes of defining poverty rates and median family incomes.

LOW-INCOME DESIGNATED CREDIT UNION

A credit union designated as such by the appropriate National Credit Union Administration Regional Director in accordance with the criteria set forth in 12 CFR §701.34.

LOW-INCOME PERSON

Any individual having an income of not more than:

1. For non-*Metropolitan Areas*, 80 percent of the statewide median family income; and
2. For *Metropolitan Areas*, the greater of (a) 80 percent of the statewide median family income or (b) 80 percent of the *Metropolitan Area* median family income.

METROPOLITAN AREA

An area designated as such by the Office of Management and Budget pursuant to 44 U.S.C. §3504(e) and 31 U.S.C. §1104(d) and Executive Order 10253 (3 CFR 1949-1953 Comp., p.758), as amended.

NEW MARKETS VENTURE CAPITAL COMPANY (NMVCC)

An entity designated as a *NMVCC* by the Small Business Administration under the New Markets Venture Capital Company Program. See 13 CFR 108.10 for more information.

NOTICE OF ALLOCATION AVAILABILITY (NOAA)

A document published by the Fund in the Federal Register that provides specific guidance on how a *CDE* may apply for a *NMTC Allocation*, the competitive procedure through which such

allocations will be made, and the actions that will be taken by the Fund to ensure that proper allocations are made to appropriate entities.

NMTC ALLOCATION

An allocation of tax credit authority pursuant to the New Markets Tax Credit Program.

PRIMARY METROPOLITAN STATISTICAL AREA (PMSA)

An area designated as such by the Office of Management and Budget pursuant to 44 U.S.C. §3504(e) and 31 U.S.C. §1104(d) and Executive Order 10253 (3 CFR 1949-1953 Comp., p.758), as amended.

QUALIFIED ACTIVE LOW-INCOME COMMUNITY BUSINESS (QALICB)

Under IRC §45D(d)(2), any corporation (including a non-profit corporation) or partnership if for such taxable year:

1. At least 50 percent of total gross income of such entity is derived from the active conduct of a qualified business within any *Low-Income Community*;
2. A substantial portion of the use of the tangible property of such entity (whether owned or leased) is within any *Low-Income Community*;
3. A substantial portion of the services performed for such entity by its employees are performed in any *Low-Income Community*;
4. Less than 5 percent of the average of the aggregate unadjusted bases of the property of such entity is attributable to collectibles (as defined in IRC §408(m)(2)) other than collectibles that are held primarily for sale to customers in the ordinary course of such business; and
5. Less than 5 percent of the average of the aggregate unadjusted bases of the property of such entity is attributable to nonqualified financial property (as defined in IRC §1397C(e)).

Please refer to the *Temporary and Proposed Income Tax Regulations* at 26 CFR 1.45-1T(d)(4) for more information.

QUALIFIED EQUITY INVESTMENT (QEI)

Under IRC §45D(b)(1), any *Equity Investment* in a *CDE* if:

1. Such investment is acquired by the investor at its original issue (directly or through an underwriter) solely in exchange for cash;
2. Substantially all of such cash is used by the *CDE* to make *QLICIs*; and
3. The investment is designated for purposes of IRC §45D by the *CDE* as a *QEI*.

The term *QEI* also includes an *Equity Investment* purchased from a prior holder, to the extent provided in IRC §45D(b)(4). *QEI* does not include any *Equity Investment* issued by a *CDE* more than five years after the date the *CDE* receives a *NMTC Allocation*. Please refer to the *Temporary and Proposed Income Tax Regulations* at 26 CFR 1.45-1T(c) for more information.

QUALIFIED LOW-INCOME COMMUNITY INVESTMENT (QLICI)

Under IRC §45D(d)(1), a *QLICI* is:

1. Any capital or *Equity Investment* in, or loan to, any *QALICB* (as defined in IRC§45D(d)(2));
2. The purchase from a *CDE* of any loan made by such entity that is a *QLICI*;

3. *Financial Counseling and Other Services* to businesses located in, and residents of, *Low-Income Communities*; and
4. Any *Equity Investment* in, or loan to, any *CDE*.

Please refer to the *Temporary and Proposed Income Tax Regulations* at 26 CFR 1.45D-1T(d)(1) for more information.

SPECIALIZED SMALL BUSINESS INVESTMENT COMPANY (SSBIC)

An entity defined in IRC §1044(c)(3).

SUBSIDIARY

Any legal entity that is owned or *Controlled* directly or indirectly by an *Applicant*, *Applicant CDE* or *Subsidiary Applicant*. This term includes series funds, which are separate investment funds *Controlled* by an *Applicant*, *Applicant CDE* or *Subsidiary Applicant*.

SUBSIDIARY APPLICANT

An entity that is a *Subsidiary* of an *Applicant CDE* and that applies for *CDE* certification.

TEMPORARY AND PROPOSED INCOME TAX REGULATIONS

The temporary and proposed regulations promulgated by the Internal Revenue Service which provide guidance for taxpayers claiming the New Markets Tax Credit under IRC §45D. See 26 CFR 1.45D-1T for more information.

UNRELATED

Persons who are not related within the meaning of IRC §267(b) or IRC §707(b)(1).

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