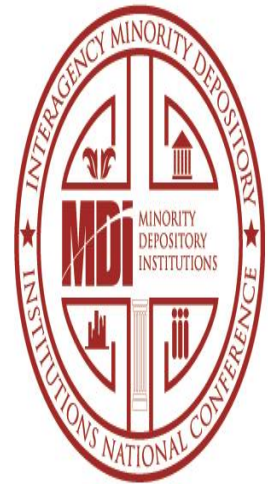


Expanding the Impact: Increasing Capacity and Influence

2017 Interagency Minority Depository Institution and CDFI Bank National Conference

Los Angeles, CA
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FDIC • FRB • OCC

Expanding Minority Community Development Participation in New Market Tax Credits

Panelists

- Saurabh Narain, National Community Investment Fund
- Joseph Haskins Jr., The Harbor Bank of Maryland
- Lori Elam, Metro Bank
- Annie Donovan, Moderator; Community Development Financial Institutions Fund

Expanding Minority Community Development Participation in New Market Tax Credits

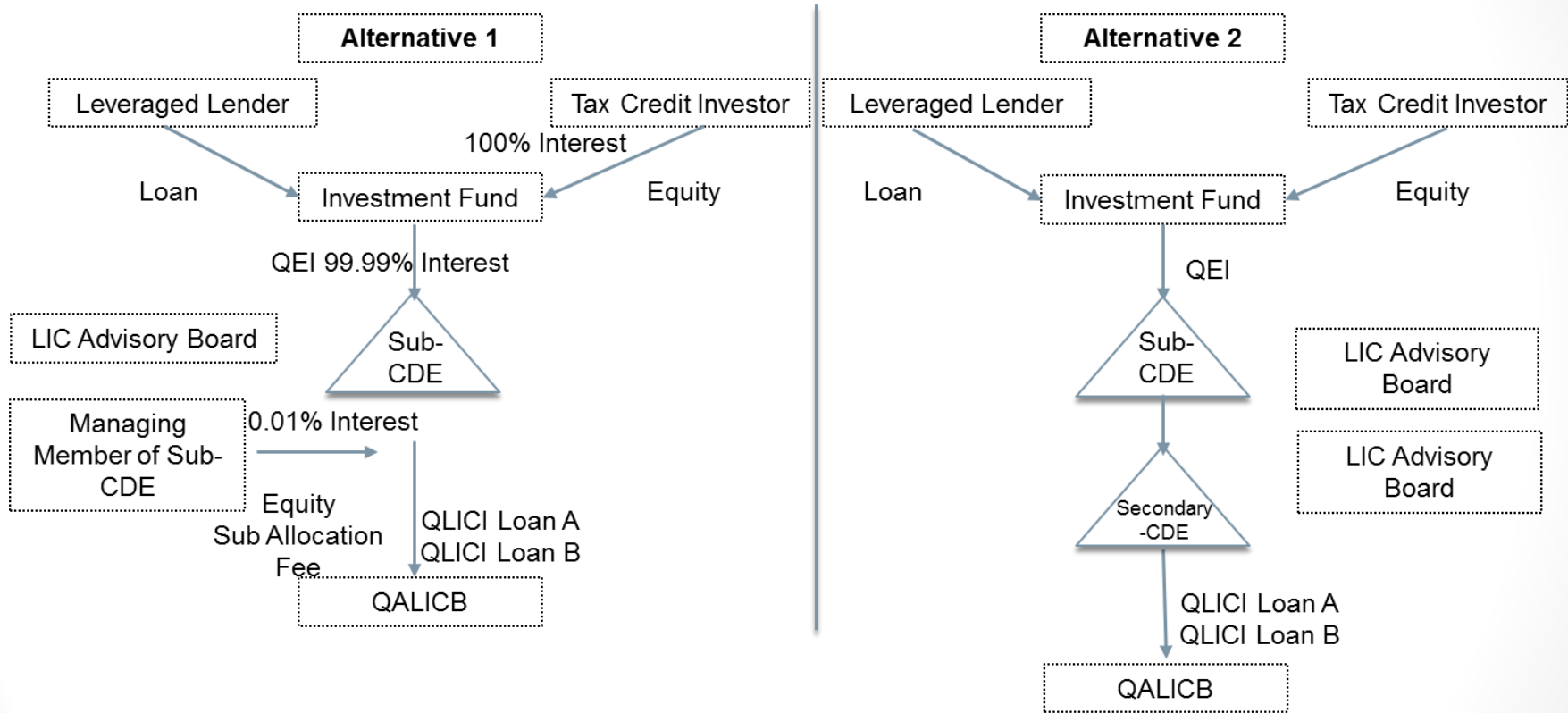
Outline

- CDFI Fund: The Minority CDE NMTC Training and Technical Assistance Initiative (“Minority CDE Initiative”)
- NCIF 3-Way Partnership Strategy

The Minority CDE Initiative - Goals

- Primary contractor to conduct training and technical assistance: National Community Investment Fund
- Goal: Increase participation of Minority Community Development Entities (“Minority CDEs”) in the NMTC Program. Eligible entities were banks, loan funds, government sponsored entities and others that identified as Minority CDEs and had applied for allocations during 2012-2016 rounds.
- Participation in NMTC Program includes all five roles:
 - **Potential Allocatee**
 - **Secondary Community Development Entity**
 - **Leverage Lender or Direct Lender to the project**
 - **Tax Credit Investor**
 - **Sponsor/Qualified Active Low-Income Community Business**
- Training does not guarantee that the Minority CDE will receive an allocation if it applies. The allocation approval process is independent and competitive. Training is not an “NMTC 101” course, but a peer learning format for ongoing engagement.

The Minority CDE Initiative - The Roles



The Minority CDE Initiative - Robust Process

- **Secondary research:** Minority CDEs that applied for NMTC CY 2012-2016 rounds + GAO Report on NMTC program (2008)
- **Collection of data** from CDFI Fund staff + Nine (9) industry experts
- **Intake Form** to curate training curriculum – focused on NMTC roles and areas of training interest, based on current capacity
- **2 Group training workshops** - in DC and Chicago
- **Individual technical assistance**
- **Virtual resource bank**

The Minority CDE Initiative – The 8 Training Modules

1. Program Overview: Getting Us All on the Same Page
2. Community Outcomes: The Reason We are Here
3. Strategic Planning for the CDE/Allocatee
4. Underwriting an NMTC Project
5. Building a Pipeline
6. Management and Staffing
7. Portfolio and Asset Management
8. The Financials for the CDE, Secondary CDE, Investor & Leverage Lender

The Minority CDE Initiative – 8 Training Modules' Goals

1. Quick overview of NMTC program history, oversight, key players, terminology, and methods.
2. Discuss the role of Allocatee CDE in generating community outcomes and the effects of various types of mission goals; to consider the impact of outcomes mission on CDE organizational design.
3. Creating a business strategy that is consistent with the CDE's mission.
4. Cover the primary aspects of underwriting an NMTC project: financial analysis, due diligence, compliance, and community impacts.
5. Discuss pipeline formation, community and board involvement, project screening, early underwriting, and when to walk away.
6. Discuss the business plan of a successful CDE: board recruitment, corporate forms, financial products, pipeline, QEI, capital deployment, financial and community outcomes, underwriting, compliance management, and outcomes enforcement.
7. Cover the essential aspects of asset and portfolio management systems that ensure the entity's portfolio stays in compliance throughout the 7 year compliance period.
8. Share cost, revenue, and return information for each key role; group discussion of how their organizations might participate; if being a CDE Allocatee is right for them, and why.

The Minority CDE Initiative - Key Highlights

- 90 Minority CDEs that applied for NMTC during CY 2012-2016 rounds were eligible to receive training under the initiative. 56 Minority CDEs approved, 44 Minority CDEs participated in training in Chicago and DC
- 1.5 days of intensive peer-learning and exchange
 - Minority CDEs successful in obtaining allocations, investors 'expert' speakers
- Candid and intensive dialog with CDFI Fund staff on challenges and opportunities
- Identification of ideas for consideration for increasing capacity and participation of Minority CDEs – legislative vs. regulatory
- Follow up technical assistance for 25 selected Minority CDEs

National Community Investment Fund (NCIF)

- National nonprofit private equity trust and Impact Investor; set up in 1995 with a mission to increase flow of responsible financial products and services in underserved markets nationally. NCIF works with CDFI, Minority and other Mission-Oriented Financial Institutions (MOFIs).
- Three lines of business
 1. **Equity and subordinated debt** into MOFIs
 - NCIF is the largest investor in MOFIs – CDFI, Minority and other institutions that are focused on underserved markets
 2. **New Markets Tax Credits and Lending**
 - \$271 million in NMTC allocations, national work with NCIF Network partners
 3. **Pioneered Research and Social Performance Metrics** – check bankimpact.org and bankimpactmaps.org. Run **Development Banking Conference** as a meeting place for institutions.

NCIF Initiatives

1. 3-way NMTC strategy: Investor, CDFI Bank, NCIF

- CDFI/MDI bank brings allocation, books loan, opens bank accounts and does loan servicing for customers of the bank
- Participation in transactions increases knowledge of and track record in the program. Till date NCIF has worked with 14 banks and loan funds in NMTC transactions.

2. Small transaction initiative

- Support customers of NCIF Network banks that have smaller transaction size needs of \$2 million or less
- Standardized (and substantially non-negotiable) documents to reduce cost

3. Provide loans to catalyze NMTC transactions

BankImpact Maps



Examples of CDFI Banks in California as identified by BankImpactMaps.org

American Plus Bank, N.A.	First Choice Bank
Bank of Rio Vista	First General Bank
Beneficial State Bank	Gateway Bank FSB
Broadway FSB	Mission National Bank
Community Bank of the Bay	Mission Valley Bank
Community Commerce Bank	Neighborhood National Bank
	Royal Business Bank

Contacts

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- Bob Ibanez, Program Manager, NMTC (ibanezr@cdfi.treas.gov)

2. National Community Investment Fund – NMTC/MCDE

- Alejandra Ruales, Senior Analyst (aruales@ncif.org, MCDEdesk@ncif.org)
- Leeda Wang, Senior Analyst (lwang@ncif.org)
- Terry Burm, Vice President, NMTC (tburm@ncif.org)
- Saurabh Narain, President and CEO (snarain@ncif.org)

Expanding Minority Community Development Participation in New Market Tax Credits – The Harbor Bank of Maryland

Bank Profile:

- Mission: provide access to banking services in an urban market and to stimulate economic growth in distressed and low income neighborhoods of Baltimore, Maryland
- Opened 1982, 7 branches, Total Assets \$265 million
- Lending focus:
 - Commercial lending to small and/or minority owned businesses
 - Faith-based organizations
 - Residential mortgages

Expanding Minority Community Development Participation in New Market Tax Credits – The Harbor Bank of Maryland

Bank Holding Company Profile:

- Chartered in 1992: First CDFI & CDE financial institution in Baltimore
- Received NMTC allocations in 6 rounds totaling \$244 million
- 24 total projects
- QLICs ranging from \$1,750,000 to \$25 million
- Small business loan funds
 - 9 projects
 - QLICs less than \$2 million

Expanding Minority Community Development Participation in New Market Tax Credits – The Harbor Bank of Maryland

Community Profile:

- Baltimore, Maryland
 - Largest city in Maryland, population 622,000
 - City government
- Primary NMTC service area: Local Baltimore and Baltimore City
 - General Unemployment Rate: 8.7%, Poverty Rate: 24.2%, Median Income: \$41,819
 - African Americans in Baltimore City: Unemployment rate: 14.1%, Poverty Rate: 28.3%, Median Income: \$33,610
- Target market includes specific distressed neighborhoods
 - Baltimore, Eastern Shore, MD and Washington, DC

Expanding Minority Community Development Participation in New Market Tax Credits – The Harbor Bank of Maryland

How our Program Works:

- QALICB questionnaire and summary application
 - Projects are prioritized by community distress factors and outcomes
- Pipeline resources
 - Community – government, elected officials, community groups, LIC residents and leaders
 - Internal – business development, board
- Sub-CDE is created for each project
 - Manage Sub-CDEs
 - Accounting and compliance functions
- Fee structure includes
 - Upfront fee (percentage of the QEI)
 - Management fees paid by the project throughout the NMTC period
- Community Benefit Agreement to map and monitor expected impacts
- Communication lines - QALICBs, investors, leverage lenders, Advisory/Governing Board
- Lender due diligence – site visits, financials, insurance, QALICB questionnaire
- Small Business Loan Fund
 - One investor, one Sub-CDE, one leverage lender, multiple projects
 - Streamline documents
 - Reduces borrower costs

Expanding Minority Community Development Participation in New Market Tax Credits – The Harbor Bank of Maryland

How NMTCs have Benefited our Organization:

- Generated substantial non-interest income which helped to position the bank to continue its overall mission
- Fund large dollar projects that are over legal lending limit
- Participate as a bank lender which generates interest income
- Fund or participate in the refinancing of the leverage debt
- Positive attention to our organization and mission

Expanding Minority Community Development Participation in New Market Tax Credits – The Harbor Bank of Maryland

How NMTCs have Benefited the Community:

- Attract private investment dollars to low-income communities
- Catalytic and Transformative – Encouraged additional investments in LICs
- Created over 3,000 construction jobs and over 1,500 permanent jobs
- Consistent goals and strategies with economic development initiatives of the local government and other LIC advocates
- Positive LIC impacts of our NMTCs:
 - Renovate underutilized and vacant buildings
 - Address health and wellness issues
 - Increase access to healthy foods
 - Provide social services
 - Supported charter school development in low-income communities

Expanding Minority Community Development Participation in New Market Tax Credits – Metro Bank

Bank Profile:

- Mission: stimulate economic growth within distressed and low income neighborhoods of Louisville, KY
- Chartered in 1996, one branch, assets of \$31 million
- Bank Holding Company is the NMTC allocatee
- NMTC allocations in four rounds totaling \$124.5 million
 - 23 total projects
 - QLICs ranging from \$500,000 to \$22 million
- Small business loan funds
 - 9 projects
 - QLICs less than \$2 million

Expanding Minority Community Development Participation in New Market Tax Credits – Metro Bank

Community Profile:

- Louisville
 - Largest city in Kentucky, population 764,000
 - Consolidated city-county government
 - Unemployment rate 4%; poverty rate 17%; median income 65% of US
- NMTC service area
 - Local - includes all of Louisville/Jefferson County, population 222,000
 - 74 NMTC eligible census tracts in the service area
 - Unemployment rate 16%; poverty rate 32%; median income 54% of US, 82% of Jefferson County
- Target market includes specific distressed neighborhoods
 - Flank downtown Louisville to the east and the west, pop. 72,000
 - Unemployment rate 22%; poverty rate 44%; median income 42% of US, 65% of Jefferson County

Expanding Minority Community Development Participation in New Market Tax Credits – Metro Bank

- **How our Program Works:**
 - QALICB questionnaire and summary application
 - Pipeline resources (community and internal)
 - Sub-CDE is created for each project
 - Fee structure includes upfront, management, and exit fees
 - Communication lines - QALICBs, investors, leverage lenders, Advisory/Governing Board
 - Lender due diligence – site visits, financials, insurance, QALICB questionnaire
 - Small Business Loan Fund

Expanding Minority Community Development Participation in New Market Tax Credits – Metro Bank

How NMTCs have Benefited our Organization:

- Generated over \$5.5 million in non-interest income
- Fund large dollar projects that are over legal lending limit
- Participate as leverage lender which generates interest income
- Fund or participate in the refinancing of the leverage debt
- Positive attention to our organization and mission

Expanding Minority Community Development Participation in New Market Tax Credits – Metro Bank

How NMTCs have Benefited the Community:

- Attract investment dollars to low-income communities
- Created over 2,200 construction jobs and over 1,200 permanent jobs
- Consistent goals and strategies with economic development initiatives of the local government and other LIC advocates
- Positive LIC impacts of our NMTCs:

Expanding Minority Community Development Participation in New Market Tax Credits

Questions?