

NMTC ALLOCATION APPLICATION (OMB APPROVAL NUMBER 1559-0016)
ATTACHMENT
PAPERWORK REDUCTION ACT
CHANGE WORKSHEET
Comparison of the Current Record to New Record

Summary

On June 1, 2006, the Community Development Financial Institutions Fund (the Fund) closed the fourth competitive allocation round of the New Markets Tax Credit (NMTC) Program. Subsequent to the closing of this round, the Fund re-evaluated all Allocation Application materials and is making some enhancements to the Allocation Application in the interest of reducing the collection burden for applicants, clarifying certain questions, and improving the Fund's ability to evaluate applications. Overall, the Fund has slightly increased the number of questions from 59 in 2006 to 61 in 2007. However, the net increase of 2 questions is due to 7 new questions that exclusively relate the additional allocation authority to be administered by the Fund under the Gulf Opportunity Zone Act of 2005 (Pub. L. 109-135). The summary below outlines the changes.

Global Changes:

- 1. *Incorporation of Supplemental GO Zone Questionnaire.*** All questions from the Supplemental GO Zone Questionnaire have been added to the regular NMTC Allocation Application either as new questions or incorporated into existing questions. Applicants will indicate in the first application question whether or not they wish to be considered for GO Zone-only allocations, and if they respond affirmatively, the Application will be populated with the GO Zone-only questions. Applicants that decline to seek GO Zone-only allocations will not see or be required to respond to the GO Zone-only questions.
- 2. *Shorter Responses.*** It is our intention to significantly limit the length of responses to all questions. In the past, we have limited certain responses to half a page, and all others were open-ended. This has led to responses that have exceeded 10-15 printed pages on just a single question. While certain responses will still be limited to half a page, we are going to limit all other responses to no more than 5 pages. As in past rounds, the electronic application will be programmed to cut-off lengthier responses.

Applicant Information:

- 3. *Question 1 (modified): Applicants will be asked if they wish to be considered for GO Zone-only allocations.*** If the Applicant indicates "yes" that they would like to be considered for GO Zone-only allocations, this question will trigger additional questions and sub-questions further in the Application. These questions, with just one exception discussed below, were pulled directly from the GO Zone Supplemental Survey used in the 2006 round.

4. **Old Question 9 (removed): This question was redundant with Question 57.** The TIP associated with Old Question 9 is moved to Question 57.

Business Strategy:

5. **Question 14 (modified): Changed sub-categories.** Questions 14.a and 14.b previously had sub-questions that asked the Applicant to indicate if they would be providing loans, investments or both. These sub-questions have been eliminated in 14.b, and replaced in 14.a with different sub-questions, which ask for the portions of loans and investments that will support real estate development or acquisition of property as opposed to supporting business operations. These sub-questions have been added in order to see a more accurate total of the Applicants activities that are related to real estate, as many loans and investments made to non-real estate QALICBs actually are for the purpose of real estate development or acquisition.
6. **Question 15 (modified): This question has been changed to be an executive summary of the Applicant's business strategy.** Previously, there was not a question that pointedly asked the Applicant for a high level and comprehensive summary of its business strategy. This question will now offer the opportunity and require the Applicant to provide such a summary. Applicants previously often used this question to repeat information that was specifically solicited in later Business Strategy Section questions. The main points to be addressed by this question have been refocused to include descriptions of the Applicant's target market, types of projects, borrowers, products, and how the NMTC will enhance the Applicant's offerings.
7. **Questions 16 & 17 (modified): The commitment to providing flexible and non-traditional products, rates and terms bar has been raised.** The percentage of QLICIs with flexible and non-traditional products, rates and terms to which the Applicant commits to has been eliminated in Question 16, and has been incorporated into the commitment in Question 17. The commitment in Question 17 has substantially raised the bar for Applicant commitments to providing QLICIs with flexible or non-traditional products, rates and terms. This was necessary as all allocatees from the 2006 round made the maximum commitment allowed by the Application.
8. **Question 20.d. (new): Incorporated GO Zone-only QLICI Track Record Question.** This question is from the Supplemental GO Zone-only Questionnaire. It asks for information regarding the Applicant's QLICI track record in the GO Zone.
9. **Question 21.d. (new): Incorporated GO Zone-only Non-QLICI Track Record Question.** This question is from the Supplemental GO Zone-only Questionnaire.

It asks for information regarding the Applicant's non-QLICI track record in the GO Zone.

10. Question 22 (new): Incorporated GO Zone-only Significant Mission Question:

This question is from the Supplemental GO Zone-only Questionnaire. It asks for descriptions of the Applicant's physical presence and operations in the GO Zone, as well as any other resources it has available in the GO Zone.

11. Question 25 (modified TIP): Directs the Applicant, if applying for GO Zone-only allocations, to specifically discuss its GO Zone pipeline. This question is from the Supplemental GO Zone-only Questionnaire.

12. Question 26 (new): Incorporated GO Zone-only Amount of Allocation

Question: This question is from the Supplemental GO Zone-only Questionnaire. It asks for the Applicant to indicate the amounts of allocations it can invest in the GO Zone over both 3-year and 5-year timeframes, and to provide a supporting discussion.

Community Impact:

13. Question 29(a) (modification): Modified the list of “severely economically distressed or underserved communities” as follows:

- a. For items #1, #2 and #3, added a condition for metropolitan areas, requiring that such areas have populations of at least 500 persons. The purpose of this change is to try and exclude those deals which are taking place in census tracts that have such little population (e.g., central business districts consisting of office and retail) that the “distress” characteristics are artificially inflated.
- b. Replaced “Federally Designated Brownfields” text with “Brownfield sites as defined under 42 U.S.C. 9601(39)”. This designation provides Applicants a clear definition, which the prior Brownfields designation did not.
- c. Added a Targeted Populations item to the list.
- d. Removed CDFI Hotzones from the list, as those areas are already covered under item #3 on the list.
- e. Removed TIF districts from item #14.
- f. Added USDA Champion Communities and REAP Zones designation for rural areas.
- g. Modified the language in the FEMA item (#16) to require that the initial investments in these areas (with the exception of the GO Zone) must be made within 18 months of the disaster declaration.

14. Question 29(c) and TIP (new): For GO Zone-only allocations, added an optional commitment to invest in areas that have experienced flooding or severe/catastrophic damage. This is a new item that was not incorporated in last

year's GO Zone questionnaire. This question offers an Applicant that is applying for GO Zone-only allocations the opportunity to score a higher priority by committing to invest in census tracts in the GO Zone that have been identified by FEMA as having experienced flooding and/or extensive or catastrophic damage. This question will not affect the scoring of the regular application allocations. If the Applicant commits to this targeting, it will become a condition of its allocation agreement.

15. Question 33.a. (modified): Added an item on the list of specific community development impacts for creating environmentally sustainable outcomes.

16. Question 33.c. (new): Added an optional commitment to invest in affordable housing. For those Applicants planning to develop/rehabilitate rental or for-sale housing: If the Applicant's activities are directed to developing or rehabilitating rental or for-sale housing, "will the Applicant commit to providing at least 20 percent of the developed units as affordable housing units to persons with income less than 80% of AMI? This commitment will become a requirement of the Applicant's allocation agreement.

17. Question 34 (modified): Addition of clarifying sub-questions. Three bulleted clarifying sub-questions have been added to this question to encourage the Applicant's to provide more specific details when responding to this question.

Management Capacity:

18. Question 41.v. (new): Incorporated GO Zone-only Accountability Question. This question is from the Supplemental GO Zone-only Questionnaire. This sub-question asks the Applicant to specifically address maintaining accountability to LICs in the GO Zone.

19. Question 45 (modified): Removed the requirement of entering investor activity in the table. Investor activity will be separated into a new question, (Q47).

20. Questions new 46 & old 46 (modified/moved): Merged the two questions – added old Question 46 to new Question 46 (which was old Q45) as a sub-question. Combined two questions that logically go together, allowing applicants the opportunity to provide just one, more comprehensive and streamlined response to both previous questions.

21. Question 47 (new/modified): Investor portion of old Question 45 made into separate question. As some Applicants are prior investors, as opposed to prior allocatees, previous investor activity has been removed from Question 45 into this question. Combining previous Allocatee and investor activity in one table proved too confusing.

Capitalization Strategy:

- 22. Question 55 (modified): Clarifying language.** Changed the wording of the second bullet text slightly to solicit more specific responses with respect to the quantification of community benefits. Additionally, a third bullet was added to glean information regarding possible investor commitments to reinvest returns in LICs.
- 23. Question 57 (modified): Clarified fee language.** Changed the wording of the question to, instead of just using the term “fees”, use the terms “front-end”, “back-end”, “residuals”, and “profits”, to capture the most comprehensive picture of the Applicant’s entire fee structure.
- 24. Question 58 (new): Separates cost of operations question from fee structure question.** Separates discussion of cost of operations, earned profits, and how the Applicant will finance its operations from discussion of transaction fee structures.
- 25. Question 61.b. (new): Incorporated GO Zone-only Minimum Amount Question.** This question is from the Supplemental GO Zone-only Questionnaire. This sub-question asks Applicant if it has a minimum request amount for GO Zone-only allocations, if so, what that amount is, and to provide a supporting narrative discussion.