



**Community Reinvestment Associates**

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## New Markets Tax Credit Program

The **Benefits** of NMTC Financing include:

- gap financing in the amount of approximately 33% of the NMTC Financing (which is in the form of a **forgiven loan** at the end of the 7-year compliance period with **approximate 1.5% interest-only** payments during such period);
- depending on the size of the NMTC financing, either (a) forgiven loan, or a (b) non-forgiven loan, each of which is generally **subordinated** to the borrower's other creditors;
- the **ability to obtain other financing** as a result of the NMTC Program subsidy;
- **favorable and nontraditional terms** (such as limited guarantees, and nonconventional forms of collateral);
- **flexible underwriting criteria** (such as high loan to values, lower debt service coverage ratios, and less borrower operational history);
- the ability to leverage other sources of financing for a **multiplier economic benefit**;
- **"softer" lender foreclosure and enforcement rights**; and
- **substantial community impacts** to residents in "low-income communities" and "targeted populations" (such as low-income persons, veterans, women, minorities, and long-term unemployed individuals etc.).

**Legal Requirements** include:

- there must a gap in financing;
- the borrower or project must be predominantly located in a "low-income community" or otherwise benefit "targeted populations;"
- the borrower must be a "qualified active low-income community business" (which includes a nonprofit's operations);
- the borrower's trade or business must be a "qualified business" (which includes a nonprofit's operations); and
- the NMTC financing proceeds must be used for "permitted uses" and not for "prohibited uses."

**Underwriting Requirements** include that the borrower or project should:

- be "shovel-ready" (*i.e.*, there are no significant economic or non-economic contingencies to close);
- be located in a "highly distressed" "low-income community" (such as being located in a rural community or characterized by high poverty and/or unemployment rates etc.);
- provide substantial community impacts (such as job creation, job training, and employee benefits etc.); and
- have strong local support.

**Our Services:**

- As described on the back side of this page, on a **contingent fee basis**, we identify and secure NMTC financing participants, including (a) NMTC investors; (b) "Allocatees" (which are the entities that have received NMTC Program awards and facilitate NMTC financings); (c) "leverage sources" of funds (which are necessary to facilitate the NMTC Program subsidy); and (d) other sources of financing (such as traditional equity and debt, as well as other federal, state and local subsidies).



**CRAssociates**

We bridge financing shortfalls

Community Reinvestment Associates has facilitated the **closing of approximately \$1.1 Billion of NMTC financings over the past 20 years** (since the inception of the NMTC Program).



We are technically and uniquely qualified to represent our borrower clients at each step of the NMTC financing.

Specifically, our financial, legal, accounting, and tax backgrounds, as well as our significant experience in community and economic development finance enables us to strategically underwrite, structure and close these complex financings by providing the maximum financial multiplier effect using all sources of public subsidies and private capital.

We have strong relationships with NMTC Investors, Allocatees and providers of leverage funds used in the IRS Approved Leverage Structure, and understand the particular underwriting requirements of NMTC Investors, Allocatees and providers of leverage funds at any particular time.

We serve as a gateway of credibility to secure NMTC financing because we sign off on the underwriting and structuring of the NMTC financing before NMTC financing applications are submitted to Investors, Allocatees and providers of leverage loans.

Upon engagement we will:

- promptly provide our Comprehensive NMTC Financing Intake Form, assist in completion, and answer any questions relating to the questions in such form;
- strategically identify, profile and solicit (a) NMTC Investors (for best pricing and terms); (b) Allocatees (for maximum NMTC Allocation, low fees, maximum forgiveness of the Forgiven NMTC Loan, and other favorable terms); and (c) sources of leverage needed for the NMTC financing (to create a maximum economic multiplier effect);
- underwrite the NMTC financing to satisfy each of the unique underwriting requirements of each potential NMTC Investor, Allocatee, and source of leverage financing;
- identify and secure other sources of financing (including traditional financing, state NMTCs, and other federal, state and local subsidies);
- structure the overall financing (including not just the NMTC financing) to satisfy specific underwriting, legal and tax requirements of the NMTC Program, and as otherwise required;
- draft a detailed strategic marketing executive summary of the borrower's operations and project, including but not limited to: (a) a census tract distress analysis; (b) detailed analysis to support the quantification and qualification of community impacts; (c) support that all legal and tax requirements are satisfied; (d) support that all underwriting requirements are satisfied; and (e) support that any other requirements that are unique to the particular overall financing and the structure is satisfied;
- timely and strategically complete all intake forms from targeted NMTC Investors, Allocatees, and sources of leverage financing, as well as provide any required due diligence materials;
- negotiate term sheets provided by NMTC Investors, Allocatees, sources of leverage financing, and any other debt or equity providers;
- prepare financial projections required for the overall financing;
- provide an efficient timeline with benchmarks through the targeted closing date of the NMTC financing;
- facilitate each closing by collecting due diligence materials and creating a drop box;
- manage the closing and funding;
- provide ongoing asset management, compliance and reporting services; and
- provide such other services as set forth in our Consulting Agreement in order to "quarterback" the facilitation of the overall financing.

