New Market Tax Program

Overview: https://www.cdfifund.gov/programs-training/Programs/new-markets-tax-credit/Pages/default.aspx

IRS Info: https://www.irs.gov/businesses/new-markets-tax-credit-1

Area program: http://www.fclf.org/nmtc-new-markets-tax-credit?gclid=EAIaIQobChMI6PmZuunA1wIVVCSBCh2-2w5wEAAYAyAAEgKnEfD_BwE

NEW MARKETS TAX CREDIT PROGRAM

COMMUNITY

Revitalization by Rewarding Private **INVESTMENT**

Over the past decade, our nation's low-income communities have suffered due to factors such as dormant manufacturing facilities, inadequate education and healthcare services, vacant commercial properties, and lower property values. As a result, many of these communities find it difficult to attract the necessary capital from private investors. The New Markets Tax Credit Program (NMTC Program) helps economically distressed communities attract private capital by providing investors with a Federal tax credit. Investments made through the NMTC Program are used to finance businesses, breathing new life into neglected, underserved low-income communities.

HOW DOES THE NMTC PROGRAM WORK?

Through the NMTC Program, the CDFI Fund allocates tax credit authority to Community Development Entities (CDEs) through a competitive application process. CDEs are financial intermediaries through which private capital flows from an investor to a qualified business located in a low-income community. CDEs use their authority to offer tax credits to investors in exchange for equity in the CDE. Using the capital from these equity investments, CDEs can make loans and investments to businesses operating in low-income communities on better rates and terms and more flexible features than the market.

In exchange for investing in CDEs, investors claim a tax credit worth 39 percent of their original CDE equity stake, which is claimed over a seven-year period.

HOW DO COMMUNITIES BENEFIT?

The NMTC Program has supported a wide range of businesses including manufacturing, food, retail, housing, health, technology, energy, education, and childcare. Communities benefit from the jobs associated with these investments, as well as greater access to community facilities and commercial goods and services. Since 2003, the NMTC Program has created or retained an estimated 275,000 jobs. It has also supported the construction of 37 million square feet of manufacturing space, 80 million square feet of office space, and 61 million square feet of retail space. In addition, as these communities develop, they become even more attractive to investors, catalyzing a ripple effect that spurs further investments and revitalization.

HOW DO BUSINESSES BENEFIT?

The NMTC Program helps businesses with access to financing that is flexible and affordable. Investment decisions are made at the community level, and typically 90 to 97 percent of NMTC investments into businesses involve more favorable terms and conditions than the market typically offers. Terms can include lower interest rates, flexible provisions such as subordinated debt, lower origination fees, higher loan-to-values, lower debt coverage ratios and longer maturities.

To see which CDEs have received NMTC allocation authority, please visit our searchable awards database at www.cdfifund.gov/awards.

AN EFFICIENT AND EFFECTIVE USE OF FEDERAL DOLLARS

For every $1 invested by the Federal government, the NMTC Program generates over $8 of private investment. The NMTC Program catalyzes investment where it's needed most – over 74 percent of New Markets Tax Credit investments have been made in highly distressed areas. These are communities with low median incomes and high rates of unemployment, and the NMTC investments can have a dramatic positive impact.

FIND OUT MORE

Visit our website: www.cdfifund.gov/nmtc
Learn about CDE Certification: www.cdfifund.gov/cde
Call our help desk for support: (202) 653-0421
Email us your questions: cdfihelp@cdfi.treas.gov

COMMUNITY DEVELOPMENT
FINANCIAL INSTITUTIONS FUND

www.cdfifund.gov

CDFI Program and NACA Program Awardees: A Snapshot in 2015

Prepared by

Financial Strategies and Research
CDFI Fund

August 2017

Introduction and Overview of Data

- This summary snapshot report, and the accompanying data file, is based on annual performance reports submitted in 2016 by CDFI and NACA Program Financial Assistance and Technical Assistance awardees.
  - The study analyzes activities that occurred in FY 2015 as reported by a cohort of CDFI and NACA program awardees.
  - Data is derived from the Institutional and Transactional Level Reports submitted to the CDFI Fund.
- The CDFI institutional level data provides key summary data and comparisons by institution type.
- The transactional data demonstrates how CDFIs target distressed communities and underserved populations throughout the United States.

Reporting CDFIs by Institution Type in 2015

Institution Type	CDFI	Percent
Bank	4	1.3%
Credit Union	49	16.0%
Loan Fund	248	81.0%
Venture Fund	5	1.6%
Total	306	100.0%

Source: CIIS-ILR

This report includes all CDFI Program and NACA Program awardees except the 12 bank holding companies, and their affiliates, that have limited reporting requirements under their assistance agreements.

Asset Size by Institution Type in 2015

Institution Type	N	Average	Median
Bank	4	$328,588,500	$201,846,000
Credit Union	48	$262,289,476	$85,402,021
Loan Fund	243	$33,361,487	$10,437,156
Venture Fund	5	$22,457,157	$7,683,996

Source: CIIS-ILR
Note: Excludes 12 bank holding companies

On average, CDFI Loan Funds and Venture Funds were approximately comparable in terms of asset size in 2015.

CDFI Staff by Activity in 2015

	Bank			Credit Union			Loan Fund			Venture Fund		
	N	Staff	Percent	N	Staff	Percent	N	Staff	Percent	N	Staff	Percent
Lending/Investing	4	96	34.6%	47	914	28.6%	233	1,515	38.8%	5	22	33.1%
Development Services	3	17	6.2%	45	228	7.1%	217	980	25.1%	5	26	39.5%
Financial Services	4	82	29.5%	48	1,384	43.3%	0	0	0.0%	0	0	0.0%
Administration and Other Activities	4	83	29.8%	47	670	21.0%	230	1,407	36.1%	5	18	27.5%
Total		279	100.0%		3,197	100.0%		3,902	100.0%		67	100.0%

Source: CIIS-ILR

In 2015, banks and loan funds dedicated more of their staff activities to lending and investing. Credit unions focused more on financial services. Loan funds devoted approximately similar staffing for lending and investing, development services, and administration. Venture funds directed slightly more of their staff to development services.

CDFI Portfolio Outstanding by Loan Purpose in 2015

	Bank			Credit Union			Loan Fund			Venture Fund		
	N	Number of Loans	Percent	N	Number of Loans	Percent	N	Number of Loans	Percent	N	Number of Loans	Percent
Business and Micro	4	3,281	16.5%	30	7,025	1.4%	157	31,926	37.0%	4	726	90.5%
Commercial Real Estate	4	2,885	14.5%	15	735	0.1%	77	2,077	2.4%	0	0	0.0%
Consumer	4	9,400	47.2%	29	461,708	90.2%	49	17,474	20.3%	1	20	2.5%
Home Improvement and Purchase	4	2,176	10.9%	37	40,376	7.9%	76	28,185	32.7%	0	0	0.0%
Residential Real Estate	4	1,530	7.7%	15	701	0.1%	88	4,397	5.1%	1	1	0.1%
Other	4	658	3.3%	21	1,315	0.3%	86	2,218	2.6%	1	55	6.9%
Total		19,930	100.0%		511,860	100.0%		86,277	100.0%		802	100.0%

Source: CIIS-ILR and CIIS-TLR

In 2015, banks and credit unions mainly conducted consumer lending as measured by the number of loans. Loan funds emphasized business, microenterprise, home improvement, and home purchase loans. Venture funds largely focused on business and microenterprise loans.

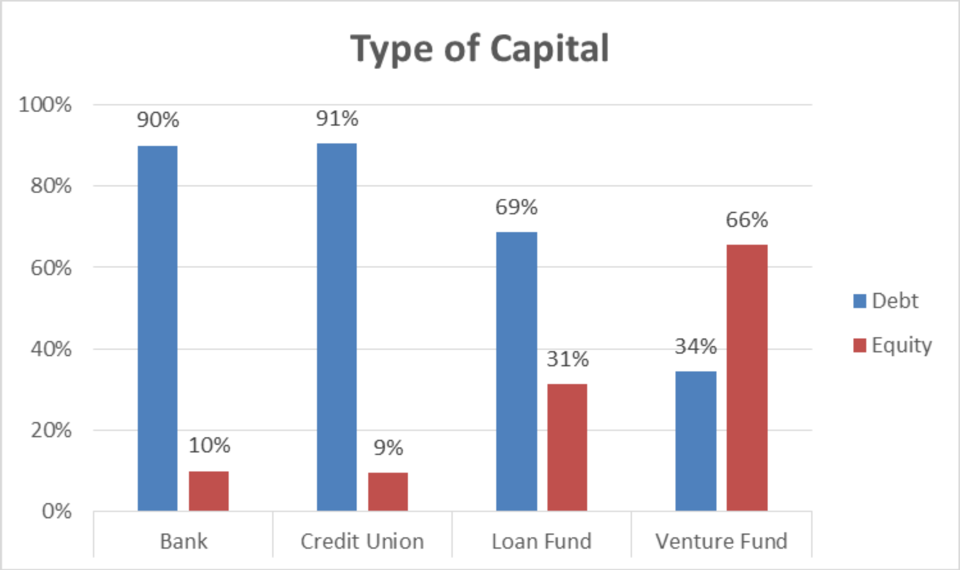
CDFI Source of Capital in 2015

	Bank			Credit Union			Loan Fund			Venture Fund		
	N	Amount	Percent	N	Amount	Percent	N	Amount	Percent	N	Amount	Percent
Depository Institution	2	$107,103,980	7.1%	16	$218,972,757	2.3%	158	$2,202,512,328	36.2%	4	$16,252,170	15.3%
Corporation	3	$112,595,152	7.4%	9	$162,880,301	1.7%	90	$491,904,584	8.1%	1	$1,838,889	1.7%
Government	2	$13,328,863	0.9%	26	$101,886,620	1.1%	190	$1,153,627,821	19.0%	3	$14,653,556	13.8%
GSE	0	$0	0.0%	2	$67,255,300	0.7%	6	$11,551,544	0.2%	0	$0	0.0%
Individuals	3	$1,250,016,200	82.5%	27	$7,007,552,228	72.2%	46	$91,428,332	1.5%	0	$0	0.0%
Philanthropy	0	$0	0.0%	5	$5,000,539	0.1%	130	$704,247,419	11.6%	3	$5,350,000	5.0%
Internal Funds	2	$31,815,996	2.1%	30	$1,028,165,388	10.6%	113	$881,441,499	14.5%	2	$67,892,679	63.9%
Other	0	$0	0.0%	9	$1,109,890,243	11.4%	63	$539,924,883	8.9%	1	$283,333	0.3%
Total		$1,514,860,191	100.0%		$9,701,603,376	100.0%		$6,076,638,410	100.0%		$106,270,627	100.0%

Source: CIIS-ILR
Note: Corporation category includes CDFI intermediaries, non-depository financial institutions, and all other corporations; Government category includes CDFI Fund, other federal entities, and local and state entities.

In 2015, banks and credit unions received most of their capital from customer deposits. Loan funds’ capital was mainly from depository institutions. Venture funds got most of their capital internally such as equity investments.

CDFI Type of Capital in 2015



Source: CIIS-ILR

In 2015, only venture funds' capital was mostly in the form of equity.

CDFI Source of Contributed Revenue in 2015

	Bank			Credit Union			Loan Fund			Venture Fund		
	N	Amount	Percent	N	Amount	Percent	N	Amount	Percent	N	Amount	Percent
Depository Institutions	0	$0	0.0%	3	$207,500	1.2%	108	$52,914,861	12.3%	3	$231,694	9.1%
Corporation	0	$0	0.0%	0	$0	0.0%	87	$29,622,103	6.9%	3	$145,380	5.7%
Government	0	$0	0.0%	21	$15,488,361	89.9%	144	$164,834,236	38.2%	3	$1,098,818	43.3%
GSE	0	$0	0.0%	0	$0	0.0%	12	$2,718,101	0.6%	0	$0	0.0%
Individuals	0	$0	0.0%	1	$54,184	0.3%	89	$8,076,019	1.9%	1	$87,820	3.5%
Philanthropy	0	$0	0.0%	7	$1,464,321	8.5%	119	$151,932,560	35.2%	3	$823,875	32.5%
Other	0	$0	0.0%	1	$9,354	0.1%	66	$21,515,468	5.0%	2	$147,500	5.8%
Total		$0	0.0%		$17,223,720	100.0%		$431,613,348	100.0%		$2,535,087	100.0%

Source: CIIS-ILR

Note: Corporation category includes CDFI intermediaries, non-depository financial institutions, and all other corporations; Government category includes CDFI Fund, local, state, and other federal entities.

In 2015, as in other years, the source of contributed revenue varies considerably by institution type, with Credit Unions, Loan Funds and Venture Funds receiving revenue from a diverse array of sources. Prominent sources include government and philanthropy.

CDFI Source of Earned Revenue in 2015

	Bank			Credit Union			Loan Fund			Venture Fund		
	N	Amount	Percent	N	Amount	Percent	N	Amount	Percent	N	Amount	Percent
Interest Income Earned on Portfolio	4	$72,438,752	74.2%	48	$572,897,082	71.5%	237	$271,272,574	46.2%	4	$2,683,161	33.6%
Fee Income from Lending Portfolio	4	$12,432,976	12.7%	48	$126,883,279	15.8%	217	$102,935,066	17.5%	4	$1,948,175	24.4%
Interest from Marketable Securities	4	$8,440,000	8.7%	48	$16,491,970	2.1%	181	$9,141,206	1.6%	3	$151,231	1.9%
Contract and Training Income	0	$0	0.0%	4	$926,327	0.1%	139	$141,816,813	24.1%	3	$2,699,617	33.8%
Other Earned Income	4	$4,259,000	4.4%	37	$84,515,586	10.5%	135	$62,217,566	10.6%	3	$512,018	6.4%
Total		$97,570,728	100.0%		$801,714,244	100.0%		$587,383,225	100.0%		$7,994,202	100.0%

Source: CIIS-ILR

In 2015, income earned from lending activities was a prominent source of earned revenue for all CDFIs except venture funds, for which income from contract and training was also a major source.

CDFI Operating Expenses in 2015

	Bank			Credit Union			Loan Fund			Venture Fund		
	N	Amount	Percent	N	Amount	Percent	N	Amount	Percent	N	Amount	Percent
Interest Expenses	4	$6,273,000	12.2%	48	$59,643,337	10.3%	209	$105,898,180	12.2%	5	$867,596	7.3%
Loan Loss Provision	3	$1,157,000	2.3%	44	$49,221,658	8.5%	185	$51,190,390	5.9%	3	$61,531	0.5%
Salaries and Benefits for Staff	4	$21,859,000	42.5%	48	$233,426,856	40.1%	238	$384,031,620	44.3%	5	$7,469,916	62.6%
Professional Fees	4	$6,378,026	12.4%	47	$35,379,461	6.1%	240	$81,398,595	9.4%	5	$2,349,855	19.7%
Other	4	$15,732,674	30.6%	48	$204,098,756	35.1%	232	$243,524,276	28.1%	4	$1,191,620	10.0%
Total		$51,399,700	100.0%		$581,770,068	100.0%		$866,043,061	100.0%		$11,940,518	100.0%

Source: CIIS-ILR

In 2015, salaries and benefits for staff made up the largest share of operating expenses for all CDFI types.

CDFI Financials in 2015

	Bank		Credit Union		Loan Fund		Venture Fund	
	N	Average	N	Average	N	Average	N	Average
Self-Sufficiency Rate	3	105.3%	47	102.6%	240	69.7%	5	61.9%
Net Assets Rate	4	11.7%	46	11.0%	240	53.2%	5	45.0%
Leverage Ratio	4	7.8	48	8.6	240	1.8	5	3.1
Operating Liquidity Ratio	3	5.3	47	7.8	240	8.7	5	7.1

Source: CIIS-ILR and CIIS-TLR
Note: Self-Sufficiency Rate=Earned Revenues/Operating Expenses; Net Assets Rate=Total Equity/Total Assets; Leverage Ratio=Total Liabilities/Total Equity; Operating Liquidity Ratio=Cash Available/(.25*(Operating Expenses – Loan Loss Provision))

In 2015, regulated CDFIs had a higher rate of self-sufficiency and had a higher leverage ratio compared to unregulated CDFIs.

CDFI Impact: Development Service Activity in 2015

	Bank			Credit Union			Loan Fund			Venture Fund		
	N	Client	Percent	N	Client	Percent	N	Client	Percent	N	Client	Percent
Affordable Housing Service	4	548	10.2%	21	3,450	1.7%	112	84,454	33.5%	1	15	2.0%
Economic Development Service	4	223	4.1%	15	4,041	1.9%	151	68,169	27.0%	3	411	53.7%
Consumer Development Service	4	1,710	31.7%	40	183,941	88.2%	77	90,334	35.8%	0	0	0.0%
Other Service	1	2,913	54.0%	13	17,055	8.2%	45	9,142	3.6%	2	339	44.3%
Total		5,394	100.0%		208,486	100.0%		252,099	100.0%		765	100.0%

Source: CIIS-ILR
Note: Affordable housing services include housing technical assistance and homeownership counseling. Economic development services include business technical assistance and real estate technical assistance. Consumer development services include credit counseling and financial education.

In 2015, credit unions primarily focused on providing consumer development services. Loan funds emphasized both affordable housing and consumer development. Venture funds focused on economic development.

CDFI Impact: Target Market in 2015

	Bank (N=4)		Credit Union (N=39)		Loan Fund (N=205)		Venture Fund (N=4)		Total	
	Amount	Percent	Amount	Percent	Amount	Percent	Amount	Percent	Amount	Percent
Investment Area (IA)	$219,190,741	48.6%	$516,129,350	51.9%	$1,442,717,441	66.5%	$25,998,405	59.5%	$2,204,035,937	60.2%
Low Income Targeted Population (LITP)	$4,945,410	1.1%	$70,220,784	7.1%	$189,177,767	8.7%	$0	0.0%	$264,343,961	7.2%
Other Targeted Population (OTP)	$699,100	0.2%	$37,098,971	3.7%	$74,636,576	3.4%	$0	0.0%	$112,434,647	3.1%
IA Enduser	$49,053,671	10.9%	$37,559,995	3.8%	$88,885,837	4.1%	$17,731,196	40.5%	$193,230,699	5.3%
LITP Enduser	$125,000	0.0%	$8,629,162	0.9%	$170,834,987	7.9%	$0	0.0%	$179,589,149	4.9%
OTP Enduser	$1,071,222	0.2%	$15,227,488	1.5%	$781,829	0.0%	$0	0.0%	$17,080,539	0.5%
Non-Distressed Area	$176,368,932	39.1%	$308,827,995	31.1%	$202,881,484	9.3%	$0	0.0%	$688,078,411	18.8%
N/A	$0	0.0%	$93,375	0.0%	$336,240	0.0%	$0	0.0%	$429,615	0.0%
Total	$451,454,076	100.0%	$993,787,120	100.0%	$2,170,252,161	100.0%	$43,729,601	100.0%	$3,659,222,958	100.0%

Source: CIIS-TLR, Census Tract 2010

Note: End users are third-party beneficiaries from CDFI loans and investments. They include OTP, LITP, and IA end users. "N/A" means missing geographical information. Since banks and credit unions are not required to report consumer loans in TLR, these transactions were not included in the analysis.

In 2015, CDFI Program and NACA Program awardees made approximately 80 percent of their loans and investments in distressed areas and populations, which exceeds the statutory threshold of 60 percent.

CDFI Impact: Persistent Poverty Counties in 2015

	Bank (N=4)		Credit Union (N=39)		Loan Fund (N=205)		Venture Fund (N=4)		Total	
	Amount	Percent	Amount	Percent	Amount	Percent	Amount	Percent	Amount	Percent
Persistent Poverty County	$99,210,129	22.0%	$274,883,433	27.7%	$236,026,951	10.9%	$30,534,744	69.8%	$640,655,257	17.5%
Non-persistent Poverty County	$352,243,947	78.0%	$718,344,814	72.3%	$1,933,448,219	89.1%	$13,194,857	30.2%	$3,017,231,837	82.5%
N/A	$0	0.0%	$558,876	0.1%	$776,985	0.0%	$0	0.0%	$1,335,861	0.0%
Total	$451,454,076	100.0%	$993,787,123	100.0%	$2,170,252,155	100.0%	$43,729,601	100.0%	$3,659,222,955	100.0%

Source: CIIS-TLR

Note: Persistent poverty counties are defined as any county that has had 20 percent or more of its population living in poverty over the past 30 years, as measured by the 1990, 2000, and 2010 decennial censuses. "N/A" means missing geographical information. Since banks and credit unions are not required to report consumer loans in TLR, these transactions were not included in the analysis.

In 2015, CDFI Program and NACA Program awardees made approximately 18 percent of their loans and investments in persistent poverty counties, which exceeds the statutory threshold of 10 percent.

CDFI Impact: Geography in 2015

	Bank (N=4)		Credit Union (N=39)		Loan Fund (N=205)		Venture Fund (N=4)		Total	
	Amount	Percent	Amount	Percent	Amount	Percent	Amount	Percent	Amount	Percent
Metropolitan Statistical Area	$316,267,835	70.1%	$732,178,961	73.7%	$1,931,931,812	89.0%	$5,439,650	12.4%	$2,985,818,258	81.6%
Micropolitan Statistical Area	$110,926,903	24.6%	$117,723,556	11.8%	$133,401,635	6.1%	$15,075,384	34.5%	$377,127,478	10.3%
Rural Non-Designated Area	$24,259,340	5.4%	$143,325,732	14.4%	$103,766,714	4.8%	$23,214,568	53.1%	$294,566,354	8.0%
N/A	$0	0.0%	$558,876	0.1%	$1,151,985	0.1%	$0	0.0%	$1,710,861	0.0%
Total	$451,454,078	100.0%	$993,787,125	100.0%	$2,170,252,146	100.0%	$43,729,602	100.0%	$3,659,222,951	100.0%

Source: CIIS-TLR, Feb 2013 OMB metro/non-metro designation
Note: CDFI activities in non-metro areas represent only CDFI transactions for 2015 and are not comparable to the published data for 2012 which included cumulative activities from 2003 to 2012. "N/A" means missing geographical information. Since banks and credit unions are not required to report consumer loans in TLR, these transactions were not included in the analysis.

In 2015, CDFI Program and NACA Program awardees reported that approximately 18 percent of their loans and investments were in Micropolitan and Rural non-designated areas which, together, make up Non-Metropolitan areas; exceeding the share of the population living in Non-Metropolitan areas (15 percent).

Key Findings

- This annual snapshot of activities shows how CDFIs meet and exceed their mission to provide financial products and services to distressed communities and underserved populations while maintaining safety and soundness.
  - More than 80 percent of their lending portfolio is targeted to serve low-income families, high poverty communities and underserved populations.
  - Non-Metropolitan and rural areas account for nearly 18% of lending, exceeding the national rural population share.
  - Persistent poverty counties, both urban and rural, likewise account for more than 18% of all CDFI lending.
- Furthermore, CDFIs provide vital development and financial counseling services to underserved populations to increase access to financial products for homeownership, affordable housing, consumer products and business development.