

INTRODUCTION TO COMMUNITY DEVELOPMENT ENTITIES (CDEs)

Qualified investment groups apply to the U.S. Department of the Treasury's Community Development Financial Institutions Fund (CDFI) for an allocation of the New Markets Tax Credit. The investment group is known as a Community Development Entity (CDE). A CDE is an intermediary vehicle for the provision of loans, investment funding, or financial counseling in low-income communities (LICs).



CDE SERVICE AREAS



NATIONAL



REGIONAL



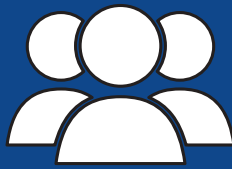
MULTI-STATE



LOCAL

How to become a CDE: An organization must submit an application to the CDFI Fund that demonstrates that it meets three criteria: (1) it is a domestic corporation or partnership duly organized under the laws of the jurisdiction in which it is incorporated, (2) it has a primary mission of serving low-income communities, and (3) it maintains accountability to residents of these low-income communities.

75%



25%

Will focus on investing in operating businesses with their most recent allocation

Will focus on investing in real estate projects with their most recent allocation

PREDOMINANT STRATEGIES



OPERATING BUSINESS FINANCING



COMMUNITY FACILITIES



INDUSTRIAL / MANUFACTURING



MIXED-USE REAL ESTATE



RURAL GEOGRAPHIES



HEALTHCARE FACILITIES



AFFORDABLE HOUSING

How the CDE receives cash: Treasury Department's CDFI Fund reviews NMTC applicants submitted by CDEs and issues tax credit authority to those CDEs deemed most qualified, and plays a significant role in program compliance. After the CDE is awarded a tax credit allocation, the CDE is authorized to offer the tax credits to institutional investors through the CDE. CDEs look for institutional investors (usually large banks) to make qualifying equity investments in the CDE. The CDE then takes the equity investments and makes a loan to low-income communities and low-income community businesses, all of which must be qualified under the program.

CDEs are the intermediaries between the potential low-income community investments and the CDFI Fund. CDEs also present investors with investment opportunities and provide the CDFI Fund the majority of its compliance data.

Source: CDFI Fund