



Wells Fargo

**NEXT** Awards  
for Opportunity Finance

# **2012 NEXT Seed Capital Award** Application Guidelines



# 2012 Application Guidelines NEXT Seed Capital Award

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## NEXT Awards Overview & Background

The **NEXT Awards** have celebrated innovation by 30 of the nation's most promising CDFIs by awarding \$41.75 million through a competitive awards process over the last five years (2007–2011).

The **Wells Fargo NEXT Awards for Opportunity Finance** will continue for another five years with continued generous support from Wells Fargo and The John D. and Catherine T. MacArthur Foundation, and with the introduction of a new partner, The Kresge Foundation. In addition to bringing both grant support and PRI funding to the awards, Kresge Foundation will provide collaborative and critical thought-leadership to the partnership.

## NEXT Awards: 2012–2016

The Wells Fargo NEXT Awards for 2012–2016 will recognize the NEXT generation of CDFIs expanding CDFI coverage in underserved communities. In an increasingly challenging economic environment, CDFIs are needed more than ever to ensure that much-needed financial products and services are available in underserved markets in all 50 states. The second round of the NEXT Awards will support those CDFIs that demonstrate creativity and develop partnerships and new business models and opportunities to meet market needs.

## 2012 NEXT Awards Specifics

For each of the next five years, the NEXT Awards will provide a programmatic theme that falls within the overall goal of expanding CDFI coverage. In 2012, the NEXT Awards are focused on expanding geographic and product coverage. This might involve new and/or expanded partnerships that increase CDFI coverage in underserved communities or bring new or more products to existing and/or expanded markets.

There will be **two** NEXT Awards pools of awards in 2012:

-  **the NEXT Opportunity Award** and
-  **the NEXT Seed Capital Award.**

### The NEXT Opportunity Award

The NEXT Opportunity Award will provide \$8.25 million in aggregate to 1–4 CDFIs that present the most compelling applications supporting their plans to expand CDFI coverage through geographic, or product expansion of financing products. Prospective award applicants should demonstrate high capacity, strong financial performance, and a high level of readiness to implement their plan.

The \$8.25 million in awards will comprise \$7.5 million in low-interest loans and \$750,000 in grant funding (10% of the debt amount for each award will be the grant; for example, for a \$2,750,000 total award, \$2,500,000 is debt and \$250,000 is an unrestricted grant)

The low-interest loans will offer a 3% interest rate and a 10-year term, with amortizing payments beginning in year 7.

Applicants must have at least \$5 million in assets and can apply for award amounts up to 10% of their total assets.



### The NEXT Seed Capital Award

The NEXT Seed Capital Award will provide a \$100,000 grant to one CDFI per year to support the development of a compelling idea to expand coverage in underserved communities through geographic or product expansion of financing products. Applicants might be in various stages of product or organizational development and should demonstrate a need for a grant to help develop or expand a promising idea to expand coverage. There is no minimum asset size for applicants.

## IMPORTANT NOTES:

### Note about applicants:

- CDFIs do *not* need to be a Member of OFN to apply for the NEXT Awards.
- CDFIs **cannot** apply for both the NEXT Seed Capital Award and the NEXT Opportunity Award in the same year as they require different stages of development for an applicant's expansion strategy.
- The 10 CDFIs that won a large NEXT Award in 2007–2011 may not apply for the NEXT Awards in 2012–2017.
- CDFIs that are awarded the NEXT Seed Capital Award in one year may apply in future years for the NEXT Opportunity Award, but CDFIs that are awarded the NEXT Opportunity Award may not apply in future years for the NEXT Awards.

The NEXT Awards selection process will incorporate CARS Ratings, if available. For more detailed information about CARS, please visit [www.carsratingsystem.net](http://www.carsratingsystem.net). Applicants do not have to be CARST<sup>™</sup> Rated to apply. The NEXT Opportunity Awardees will be required to get a CARST<sup>™</sup> Rating if they do not already have one, subject to CARST<sup>™</sup> having the capacity to rate your organizational type. The Awardee of the NEXT Seed Capital Award has no obligation to get rated.

**CONFIDENTIALITY:** Opportunity Finance Network will to the best of its ability, ensure the confidentiality of all application materials. Materials submitted in connection with the 2012 NEXT Awards will be reviewed by the Opportunity Finance Network staff, and members of the Selection Committee, as necessary and appropriate. Selection Committee members will be requested to execute a Non-Disclosure Letter before reviewing materials submitted to them. No material will be disclosed to any other third party except with written authorization from the Opportunity Finance Network.

**DISCLAIMER:** OFN reserves the right to reject any and all applications, and no applicant has any rights to any award unless and until granted in writing and applicant complies with all terms and conditions of the Wells Fargo NEXT Awards program.

Application Guidelines are subject to change without notice. Check the Next Awards Web site regularly for the most current guidelines.

## Application Materials for the NEXT Seed Capital Award

The NEXT Seed Capital Award will provide a \$100,000 grant to one CDFI to support development of a compelling plan to expand geographic or product coverage in underserved communities. Applicants may be in various stages of product or organizational development. Applicants should demonstrate a need for a grant to help develop or expand a promising idea to expand their CDFI coverage.

### 2012 Timeline

Date	Action	Description
March 1, 2012	APPLICATION AND GUIDELINES POSTED	Application and guidelines posted on the NEXT Awards Web site
March 1–April 17, 2012	APPLICATION PERIOD	Applications and supporting documents can be uploaded at the NEXT Awards Web site. <b>All applications must be submitted online. Hard copy applications will not be accepted.</b>  The cutoff for submitting an application is <b>5:00 PM Eastern Daylight Time on April 17, 2012</b> . Applications will not be accepted after this deadline.
May 1–August, 2012	EVALUATION PERIOD	Applications are evaluated against the eligibility and selection criteria for the NEXT Seed Capital Award detailed below. OFN senior staff may follow up during this period to ask for additional financial and portfolio information from applicants. A subcommittee of the NEXT Awards Selection Committee will evaluate the applications and select award recipients. Finalists may be asked to present via conference call to Selection Subcommittee.
Prior to the Celebration Event	NOTIFICATION	The NEXT Seed Capital Award recipient will be notified prior to the Celebration Event at the annual Opportunity Finance Network conference in San Antonio, Texas.
October 16, 2012	CELEBRATION EVENT	The Awardee will be recognized at an evening Celebration Event at the annual Opportunity Finance Network conference in San Antonio, Texas.



## Conditions of the Award

The Awardee of the NEXT Seed Capital Award will be required to submit a narrative progress report one year after the award is made.

## Eligibility Requirements

To be eligible for the NEXT Seed Capital Award, organizations must satisfy each of the five conditions specified below.

### 1. Charitable Purpose

Applicant is a US tax-exempt organization with a current 501(c)(3) determination letter from the Internal Revenue Service. If your organization does not have this tax status, it may be eligible if it is a U.S. Treasury CDFI Fund certified CDFI.

*NOTE: CDFI Fund certification does not automatically guarantee eligibility. If the organization is not a 501(c)(3), OFN may request additional information during the application review process to determine whether the activities that would be supported by the NEXT Award comply with relevant government rules and regulations for charitable giving. Native CDFIs that are CDFI Fund certified must not be tribally controlled.*

### 2. Community Development Mission & Impact

Applicant has a primary mission of community development and strives to have a positive impact on low-income, low-wealth and other disadvantaged people and communities. If the institution is part of, or controlled by, another corporation(s), the other corporation(s) must also have a primary mission of community development.

### 3. Finance-based Strategy

Applicant is a private non-governmental financial intermediary that uses financing as an integral part of its community development strategy.

### 4. Discipline and Performance

Applicant is currently in compliance with all financial covenants, reporting requirements and performance obligations stipulated by public, private and philanthropic providers of capital and grant support.

### 5. OFN's Goals

Applicant affirms Opportunity Finance Network's goal to ensure that low-income, low-wealth and other disadvantaged people and communities have access to affordable, responsible financial products and services.

## Selection Criteria

Successful candidates will have a compelling plan to expand coverage in underserved communities through geographic or product expansion. Applicant might be in various stage of product or organizational development, and should demonstrate the need for a grant to help develop or expand a promising idea.

Eligible applicants will be evaluated according to the six criteria below.

### 1. Rationale for Entering New Geography or Offering New Product

A description and analysis of the unmet market need that applicant plans to address with geographic and/or product coverage strategy, or a plan to obtain the market data needed to address this issue.

### 2. Coverage Strategy

A compelling strategy to expand geographic market and/or product coverage. The expansion strategy must have financing as a primary component, and should be on track to implement within twelve to eighteen months of receiving an award.

### 3. Use of Funds

A compelling use of funds that demonstrates how the NEXT Seed Capital Award will be used to advance the applicant's plan to expand coverage in ways that otherwise would not be possible.

### 4. Impact

A solid track record of tracking impact over the organization's history and an articulation of how the applicant plans to develop projections for outcomes/impact of applicant's proposed coverage strategy.

### 5. Readiness

A clear articulation of any resources (i.e. staff; financial; partners; capital) the applicant anticipates needing to develop its plan for expanded coverage.

### 6. Financial Strength and Performance

Acceptable financial performance and risk management, dedicated staff, and a sound business model that positions the organization for sustained growth, innovation, and success.

## How to Apply

Applications must be submitted electronically through the **NEXT Awards Web** site at [www.nextawards.org](http://www.nextawards.org).

*Hard copy applications will not be accepted.*

**The final deadline to submit applications for the 2012 NEXT Awards is 5:00p.m. Eastern Daylight Time on April 17, 2012.**

The Web site's online application function will become inactive after this deadline.



Potential applicants must complete an online Eligibility Questionnaire that will determine if they are eligible to apply.

## Application Guidelines for the Wells Fargo NEXT Seed Capital Award

The following are complete guidelines for submitting the materials and information required to apply for a 2012 NEXT Seed Capital Award. As noted above, only online applications will be accepted.

### 1. Organizational Information

The application will prompt applicants to enter the legal name and address of the headquarters of the entity seeking to receive an award. Email addresses and phone numbers will be requested for a lead Contact Person, the Executive Director (or Equivalent) and the Chief Financial Officer or Controller.

#### Applicants also will need to specify:

- CDFI grantee name:
- The organizational structure of the institution seeking this award (e.g., loan fund, bank, credit union, venture fund);
- The organization's Tax Status (e.g., 501(c)(3), other non-profit, for-profit);
- The year in which the organization began to make investments or provide financing as a means of accomplishing a community development mission.
- Total assets based on latest audit or interim financial statements.

Applicants also will need to complete a summary financial information table with the following information: total loans/investments originated, net write-offs, delinquency % > 30 days (loan fund/banks); delinquency % > 90 days (loan fund/banks); delinquency % > 2 months (credit unions); delinquency % > 12 months (credit unions). Please see Glossary of Financial Terms for more information.

Finally, applicants will need to certify that they are currently in compliance with all financial covenants, reporting requirements, and performance obligations stipulated by private, public, and philanthropic providers of capital and grants.

### 2. NEXT Seed Capital Award Statement

A statement (maximum 2,500 words) which addresses the following:

#### ***Overview***

- Briefly describe the mission and core activities of applicant (if applicant is not CARS rated)

#### ***Rationale for Entering New Geography or Offering New Product***

- What are/were the motivators for your CDFI to consider expanding coverage?
- What is the unmet market demand that your CDFI is addressing?
- Why are current capital providers (including other CDFIs in the market) not adequately serving the market?
- What market research, feasibility studies or other assessment tools have been undertaken or are proposed by your CDFI in analyzing the unmet market demand?



### ***Coverage Strategy***

- Describe your CDFI's plan for expanding its CDFI coverage (geographic or product) to meet market need.
- How has or will your organization develop or formulate this plan?
- What is the target market for your proposed strategy?

### ***Use of Funds***

Please describe how your organization intends to deploy the grant funds in support of your CDFI's expanded coverage. Please provide a budget for the use of the grant. Eligibility use of proceeds includes operating costs (i.e. salary; third party contractors, loan loss reserve expense) or equity capital. Grant funds should be fully expended within two years.

- Does your CDFI have other capital or grant sources which will target and support its planned expansion?
- Describe the timeline for expending the grant?
- How would a NEXT Seed Capital Award enhance your CDFI's ability to achieve its plan?

### ***Impact***

- How does your CDFI anticipate that the development of its coverage plan will translate into valuable benefits for the populations, markets, and communities directly served by your organization?
- Does your CDFI anticipate any changes in the types of impact measures and/or outcomes collected as a result of the proposed expanded coverage?

### ***Readiness***

- How does your CDFI anticipate the plan will be implemented internally? What additional staff and resources do you anticipate will be needed, if any?
- Please describe any public/private partnerships, funders, or collaborations planned for your expansion strategy.
- Has the organization been successful at other expansions of coverage in the past three years?

## **3. Latest Interim Financial Statements**

Please provide interim financial statements for your most recently completed quarter or month.

## **4. IRS Tax-Exempt Determination Letter(s) or Proof of CDFI Fund Certification**

Provide copy(ies) of 501(c)(3) determination letter(s) from the U.S. Internal Revenue Service regarding the applicant organization's charitable purpose and tax-exempt status OR provide proof of CDFI Fund certification (letter or other correspondence from the CDFI Fund).






**Items 5–8: Required for all applicants without a CARST<sup>TM</sup> Rating.\*\***

\*\*If you have a CARST<sup>TM</sup> Rating, then for each item only submit an update if material changes have occurred since the last CARST<sup>TM</sup> report or you have additional information to report on that topic.

**5. Financial Strength and Performance Statement**

(For the Financial Strength and Performance, word limit is 1,500 words.)

Please briefly provide a financial self-assessment that addresses the following questions.

-  How does your current capital structure support your activities and manage investor risk?
-  Describe portfolio performance and trends over the past two years.
-  Describe growth in loan originations during the past three years.
-  How do you manage the risk inherent in your lending activities?
-  Describe operating results (for non-profits, focus on changes in unrestricted net assets) during the last three years?

**CARST<sup>TM</sup> Rated Applicants:** *The Financial Strength and Performance Statement is required only if material changes have occurred since your last CARST<sup>TM</sup> report. Please indicate changes and updates from the CARST<sup>TM</sup> report.*

**6. Impact Statement**

**Impact**

Please provide: An impact statement that addresses how your organization's mission aligns with its strategies, products and the information you track and analyze to assess your impact performance

Or; a sample impact tracking report or a list of impact indicators your CDFI collects.

**CARST<sup>TM</sup> Rated Applicants:** *This item is not required unless material changes have occurred since your last CARST<sup>TM</sup> report.*

**7. Two Years of Audited Financial Statements**

Audited financial statements for the two most recently completed fiscal years. Please note that credit unions can substitute NCUA Statements of Financial Conditions (5300 report) for audited financials.

**CARST<sup>TM</sup> Rated Applicants:** *This item is not required unless material changes have occurred since your last CARST<sup>TM</sup> report.*

**8. Key Staff**

A document listing key staff (name and position) with a summary of their experience and qualifications.

**CARST<sup>TM</sup> Rated Applicants:** *This item is not required unless material changes have occurred since your last CARST<sup>TM</sup> report.*

## Questions & Technical Assistance

If you have questions about the application process for the 2012 NEXT Awards, we invite you to:

- Participate in an informational conference calls scheduled for:
  - March 6th, 1:00 PM–2:00 PM EDT, and
  - March 15th, 1:30 PM–2:30 PM, EDT

A downloadable, digital record of this discussion will be available afterward at the Wells Fargo NEXT Awards Web site [www.nextawards.org](http://www.nextawards.org).

- Send an email with your question to [info@nextawards.org](mailto:info@nextawards.org). Your question and a response will be added to our NEXT Awards FAQ on the Web site.

If you experience technical difficulty with the electronic application, please send an email to [techsupport@nextawards.org](mailto:techsupport@nextawards.org).

## Glossary of Financial Terms

### Loans and/or Investments Originated

Includes loans, debt-with-equity and equity investments originated. A loan is considered originated when a legally binding note has been signed by the borrower in favor of the lender. An equity investment is considered originated when a document evidencing a commitment has been signed. If the applicant's primary financing activity is loan purchases or guarantees, include loans purchased and guarantees made, and explain.

### Delinquency Percentage

We request delinquency % for different categories depending on whether you are a loan fund/bank or credit union. Loan Funds and banks are required to submit delinquency % greater than 30 days and delinquency % greater than 90 days. Credit unions are required to submit delinquency % greater than 2 months and delinquency % greater than 12 months. Delinquency % is calculated as the dollar amount of principal outstanding on loans (or debt with equity features) that have payments (of principal and/or interest) late (by the specified time period) / total gross loans outstanding (including debt with equity features).

### Net Write-Off Percentage

Net Write-Off Percentage is the net amount charged off on loans (including debt with equity) in a year divided by the gross loans outstanding (including debt with equity) at the end of the given year. Losses are reported after default, foreclosure, and liquidation and are net of any recovered assets. If any amount is reclaimed in the current fiscal year on loans that were written-off in previous years, that amount should be subtracted from the amount lost (i.e. written off) in the current fiscal year. Includes losses on any loans purchased. Does not include losses on guarantees. (i.e. calculation for 2010 is net write-offs in 2010 / gross loans outstanding at fiscal year end 2010)

**Note:** Application Guidelines are subject to change without notice. Please check [www.nextawards.org](http://www.nextawards.org) for most recent version of this document.