



Wells Fargo

NEXT Awards
for Opportunity Finance

2012 NEXT Opportunity Award Application Guidelines



2012 Application Guidelines NEXT Opportunity 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 Wells Fargo 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** Wells Fargo 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 2012-2016.
- 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. Applicants do not have to be CARS™ Rated to apply. The NEXT Opportunity Awardees will be required to get a CARS™ Rating if they do not already have one, subject to CARS™ having the capacity to rate your organizational type. The NEXT Seed Capital Awardee 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 Wells Fargo 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 Opportunity Award

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 | <p>Applications and supporting documents can be uploaded at the NEXT Awards Web site. All applications must be submitted online. Hard copy applications will not be accepted.</p> <p>The cutoff for submitting an application is 5:00 PM Eastern Daylight Time on April 17, 2012. Applications will not be accepted after this deadline.</p> |
| May 1–August, 2012 | EVALUATION PERIOD | <p>Applicants are screened for eligibility based on the requirements detailed below. Eligible Applicants are evaluated against the selection criteria for the 2012 NEXT Opportunity Award detailed below. The applicant pool will be narrowed to group of semi-finalists, and then to a group of finalists. Organizations selected as finalists will be notified in mid July. Detailed instructions for the next phase of the selection process will also be provided at that time.</p> |
| August 7, 2012 | SELECTION COMMITTEE MEETING | <p>Finalists meet with the NEXT Opportunity Award Selection Committee on August 7, 2012. The Selection Committee includes senior executives from The Wells Fargo Foundation, the Kresge Foundation and the MacArthur Foundation as well as highly regarded CDFI leaders and experts in banking, social policy, philanthropy, economics, and organizational development. The Selection Committee will determine the awardees.</p> |
| Prior to the Celebration Event | NOTIFICATION | <p>The recipients of the 2012 NEXT Opportunity Award will be notified prior to the Celebration Event at the annual Opportunity Finance Network conference in San Antonio, Texas.</p> |
| October 16, 2012 | CELEBRATION EVENT | <p>The Awardees will be recognized at an evening Celebration Event at the annual Opportunity Finance Network conference in San Antonio, Texas.</p> |

Conditions of the Award

Applicants should note that, in addition to all standard requirements in OFN's loan agreement, recipients of the Wells Fargo NEXT Awards will be required to submit a use of funds schedule and an annual narrative progress report.

Eligibility to Apply

To be eligible for the NEXT Opportunity Award organizations must satisfy each of the nine conditions specified.

Interested applicants should carefully review all of the eligibility requirements for the Wells Fargo NEXT Awards. For more information on the CDFI Fund, please visit www.cdfifund.gov.

2012 Eligibility Requirements

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 Wells Fargo 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. Three Years of Financing Experience

Applicant has been providing financing to achieve a community development mission for at least three years.

5. Audited Financial Statements

An applicant must upload their audited financial statements for at least three years. If the applicant is a credit union, a 5300 report may *not* substitute for an audited financial statement.

6. 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.

7. Current Plan

Applicant is operating under a business plan or strategic plan that was written or updated within the last five years.

8. Total Assets

Applicant reports more than \$5 million in total assets.

9. 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.

2012 Selection Criteria

Successful candidates will be CDFIs with a history of significant accomplishment that present the most compelling applications explaining their plans to expand its CDFI's coverage through geographic or product expansion. Applicants must demonstrate a high degree of readiness to successfully accept, use, and leverage a flexible grant and debt award from the Wells Fargo NEXT Awards.

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

1. Rationale for Expansion

A clear description and analysis of the unmet market need that applicant plans to address with geographic and/or product coverage strategy, including why current sources of capital are not providing the unmet market need.

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 must be in process or ready to implement within a six month timeframe of receiving an award.

3. Use of Funds

A compelling use of funds that demonstrates how the applicant will use the NEXT Opportunity Award to advance the applicant's coverage strategy in ways that otherwise would not be possible. Applicants must specify award amount requested.

4. Impact

A credible and compelling analysis of projected impact from applicant's coverage strategy over a short (2–3 year) and long-term (5–10 year) time horizon, as well as a solid track record of tracking impact over the applicant's history.

5. Readiness

A strong management team, partners, and other resources in place or planned to execute its coverage strategy. An indication of how this strategy will impact financial management and risk of the organization, and a strong grasp of internal and external challenges and realistic assumptions about the likelihood of success.

6. Financial Strength and Performance

Strong 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 Wells Fargo NEXT Awards Web site at www.nextawards.org. Hard copy documents will not be accepted.

The final deadline to submit an application for the 2012 Wells Fargo NEXT Awards is 5:00 p.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.

Applicants whose responses to the Eligibility Questionnaire meet the 2012 Wells Fargo NEXT Awards eligibility requirements will be prompted to begin the online application. **Required formats and maximum word counts for these items are specified in the 2012 Application Checklist.**

Detailed Application Guidelines for the NEXT Opportunity Award





The following is a complete list of the materials you will need to submit an application for the 2012 Wells Fargo NEXT Awards. For CARS™ rated organizations, the current CARS™ Rating and CARS™ report will cover much of the required information.

**All items except #1 Organizational Information must be uploaded. The Organizational Information section is an online questionnaire.*

1. Organizational Information: Online questionnaire

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 President (or Equivalent) and the Chief Financial Officer or Controller.

Applicants also will need to specify:

- The name of the CDFI that will be the borrower of the loan;
-  The amount of total award requested and the minimum amount of award that the applicant would accept if chosen as an awardee. (Please note that 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 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);
-  Total assets based on latest audit or interim financial statements.
- 

Applicants also will need to complete a summary financial information table on the following datapoints: total assets;

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. Wells Fargo NEXT Opportunity Award Statement:

Word document; Max. 3,500 words

A statement which addresses the following:

Overview

- Briefly describe the mission and core activities of applicant (if 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 organization in analyzing the unmet market demand? Describe any significant finding.

Coverage Strategy

- Describe your organization's strategy for expanding its CDFI coverage (geographic or product) to meet market need.
- Describe your organization's target market for its expansion.
- How long might it take your organization to assess if you should stay in a new geography and/or stick with a new product?

Use of Funds

Please describe how your organization intends to deploy the loan and grant funds in support of your CDFI's expanded coverage and in what timeframe does your CDFI project to use the funds? Is there currently a pipeline of transactions proposed for funding? (In your response, please differentiate between the uses of loan funds and grant funds.)

Please note that the CDFI applying for the award must state clearly what legal entity would be the borrower of the loan portion of the award, and the flow of funds if the loan will be used by a subsidiary or affiliate of the borrower.

- How would a NEXT Opportunity Award advance your CDFI's coverage strategy in ways that may otherwise not be possible?

- Does your CDFI have other loan capital or grant sources which will support the coverage strategy?
- At maturity, what are the sources of funds that will be used to repay the debt portion of the award?

Impact

- What does success look like from your CDFI's coverage strategy? How will your CDFI's coverage strategy translate into valuable benefits for the populations, markets, and communities directly served by your organization? What are its wider or longer-term implications?
- Do you anticipate any changes in the types of impact measures and/or outcomes collected as a result of the proposed expanded coverage? What projected key outputs (including origination volume) and outcomes will result from the organization's proposed geographic or product expansion over a two to three year time horizon?

Readiness

- Describe your organization's level of readiness to act on your strategy in a short period of time (within 6 months) if awarded a NEXT Opportunity Award.
- How will expanded coverage by your organization be implemented internally? What additional resources are anticipated or will be needed, if any? What management team member(s) is leading the proposed expansion strategy and what other team members are involved?
- How is the Board involved in the proposed expansion for your CDFI?
- Does your strategy depend on having other partners in place? What collaborations, public/private partnerships, funders or other entities are or may be a part of your CDFI's expanded coverage strategy? Describe any agreements with significant partners, or where you are in the process with partners.
- What challenges or obstacles are anticipated in the proposed expansion and how will your organization and leadership meet these challenges?
- Has the organization been successful at other expansions of coverage in the past three years?
- What impact, if any, does your organization anticipate financially as a result of the expansion of coverage by your CDFI? How long do you think it might take for the new strategy to be profitable for your CDFI?
- Does your organization foresee any financial or investment risk to it as a result of the proposed CDFI expansion? If so, what actions has your organization undertaken to address these risks?

3. Current Business or Strategic Plan: PDF format preferred; No max. length

Please provide a copy of the applicant's current business plan and/or strategic plan. This document should have been created or updated within the last five years.

4. Latest Interim Financial Statements: PDF format preferred; No max. length



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

Items 5 – 13: Required for all applicants without a CARS™ Rating.**

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

5. Financial Strength and Performance Statement: Word document; max. 3,000 words

Please provide a financial self-assessment that addresses the following questions or identify the pages of your business plan or strategic plan that address these questions.

-  How does your current capital structure support your activities and manage investor risk?
-  How do you see your capital structure changing over the next three to five years?
-  Describe portfolio performance and trends over the past three years. Do you anticipate any changes in these trends as a result of the proposed expansion? Please address delinquencies, write-offs, and restructured loans.
-  Describe growth in loan originations during the past three years.
-  How do you manage the risk inherent in your lending activities?
-  Describe the appropriateness of your management, board and staff's skills and experience relative to your organization's size, complexity and risk profile.
-  Explain turnovers in any key position within the last three years.
-  Describe operating results (for non-profits, focus on changes in unrestricted net assets) during the last three years?
-  How do you ensure the reliability of revenue needed to support your financing activities?
-  How do you ensure adequate operating and loan fund liquidity?

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

6. 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.

CARS™ Rated Applicants: This item is not required unless material changes have occurred since your last CARS™ report.

7. Three Years of Audited Financial Statements; PDF format; No max. length

Audited financial statements for the three most recently completed fiscal years. If the applicant is a credit union, a 5300 report may not substitute for an audited financial statement.

CARS™ Rated Applicants: This item is not required unless material changes have occurred since your last CARS™ report.

8. Corporate Entity Chart; PDF format preferred; No max. length

A current corporate entity chart that clearly shows all related corporate entities, their tax status, and their relationship to the applicant organization.

CARS™ Rated Applicants: This item is not required unless material changes have occurred since your last CARS™ report.

9. Mission Statement(s); PDF format preferred; No max. length

A mission statement(s) for the applicant organization and for each of its related entities.

CARS™ Rated Applicants: This item is not required unless material changes have occurred since your last CARS™ report.

10. Organizational Chart; PDF format preferred; No max. length

A current organizational chart showing position titles and reporting relationships must be provided. Vacant positions, if any, should be clearly identified, and the date when the vacancy began should be clearly noted.

CARS™ Rated Applicants: This item is not required unless material changes have occurred since your last CARS™ report.

11. Key Staff; PDF format preferred; No max. length

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

CARS™ Rated Applicants: This item is not required unless material changes have occurred since your last CARS™ report.

12. Board of Directors; PDF format preferred; No max. length

A list of the members of the Board of Directors with institutional affiliations.

CARS™ Rated Applicants: This item is not required unless material changes have occurred since your last CARS™ report.

13. IRS Tax-Exempt Determination Letter(s) or Proof of CDFI Fund Certification; PDF format preferred; No max. length

Provide copy(ies) of 501c(3) tax-exempt 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).

14. Additional Information; Word document; Max. 800 words (Optional)

All applicants are invited to provide additional information (maximum 800 words) that would be helpful in evaluating their organization and its qualifications for the 2012 NEXT Opportunity Award.

15. Additional Information Related to Coverage Strategy (Optional); PDF format preferred; No max. length

All applicants are invited to provide additional analysis such as a feasibility study, financial projections, market analysis or operating agreements/letters with key partners or funders related the applicant's coverage strategy.

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.

Send an email with your question to info@nextawards.org. Your question and a response will be added to our Wells Fargo NEXT Awards FAQ on the Web site.

If you experience technical difficulty with the electronic application, please send an email to 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 2011 is net write-offs in 2011 / gross loans outstanding at fiscal year end 2011)

Note: Application Guidelines are subject to change without notice. Please check www.nextawards.org for most recent version of this document.