



CDFI BOND GUARANTEE PROGRAM

A GATEWAY

To Capital and Community **REVITALIZATION**

The CDFI Bond Guarantee Program provides Community Development Financial Institutions (CDFIs) access to a significant source of capital. By providing guarantees of bonds issued by certain qualified bond issuers, the CDFI Bond Guarantee Program injects new and substantial capital into our nation's most distressed communities. CDFIs can gain from the potential scale of the CDFI Bond Guarantee Program, which offers long-term credit at below-market interest rates. Administered by the Community Development Financial Institutions Fund (CDFI Fund), an office within the U.S. Department of the Treasury, the program is a groundbreaking effort to accelerate community economic revitalization.

UNDERSTANDING THE CDFI BOND GUARANTEE PROGRAM

Through the CDFI Bond Guarantee Program, qualified entities (CDFIs or their designees) will issue bonds that are guaranteed by the Federal government and use the bond proceeds to extend credit to the broader CDFI industry for community development purposes or to refinance certain existing obligations. Through fiscal year 2014, \$525 million had been guaranteed in bonds through the CDFI Bond Guarantee Program.

THE CDFI BOND GUARANTEE PROGRAM—BIRD'S EYE VIEW

As a Qualified Issuer, a Certified CDFI (or its designee) applies to the CDFI Fund for authorization to issue bonds worth a minimum of \$100 million. The CDFI Fund provides a 100 percent guarantee on these bonds, up to \$1 billion per year.

The Qualified Issuer then sells the government-backed bonds to the Federal Financing Bank (FFB) — a government corporation that ensures that Federal obligations are financed

efficiently. Each bond has a maximum maturity of 30 years. The Qualified Issuer must use the proceeds from the bond sale to extend credit to other CDFIs. As a result, Qualified Issuers serve as a “go-between” financier to the broader CDFI industry.

MOST CDFIS WILL PARTICIPATE IN THE CDFI BOND GUARANTEE PROGRAM AS ELIGIBLE CDFIS OR SECONDARY BORROWERS

These CDFIs have the opportunity to borrow capital from Qualified Issuers for long-term, large-scale community investments. Such projects may include such activities as the development of small businesses, commercial real estate, housing units, shelters, charter schools, daycare or healthcare centers, and municipal infrastructure, among others. In addition to these projects, Eligible CDFIs may use the capital to extend credit to other community development borrowers— or Secondary Borrowers— or refinance existing loans at below-market interest rates.

KEY PROGRAM DISTINCTIONS

- Unlike other CDFI Fund programs, the CDFI Bond Guarantee Program does not offer grants or direct loans, but is instead a federal credit subsidy program. The bond proceeds are debt instruments that must be repaid.
 - The CDFI Bond Guarantee Program is designed to function at no cost to taxpayers.
 - Bonds (including principal, interest, and call premiums) are 100 percent guaranteed by the U.S. government. The FFB is the sole purchaser of bonds issued under the CDFI Bond Guarantee Program.
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WHO SHOULD APPLY FOR QUALIFIED ISSUER STATUS?

To receive Qualified Issuer status, an organization must demonstrate the expertise, capacity, and experience to issue taxable bonds and make loans for Eligible Community and Economic Development Purposes. In short, a Qualified Issuer must:

- Be a Certified CDFI (as designated by the CDFI Fund), or its designee;
- Be able to issue bonds and make loans; and
- Demonstrate the capacity to perform specialized administrative functions, including loan servicing and financial reporting.

By taking some simple steps, CDFIs can begin preparing to become Qualified Issuers. These steps can include, among others:

- Reviewing the CDFI Bond Guarantee Program regulations (12 C.F.R. 1808) and the applicable Notice of Guarantee Authority;
- Reviewing the FFB’s Lending Policy at www.treasury.gov/ffb;
- Reviewing certain Office of Management and Budget circulars (particularly, Circulars A-11 and A-129) for further rules and guidance for Federal credit programs;
- Defining standardized loan terms, especially “default,” “delinquency,” and “modification”;
- Standardizing loan servicing procedures to facilitate smooth and equitable lending for Eligible Purposes; and
- Drafting a plan for proposed sources and uses of funds for Eligible CDFIs.

FIND OUT MORE

Visit our website: www.cdfifund.gov/bond

Attend a CDFI Bond Guarantee Program workshop (schedule available online)

Call our help desk for support: (202) 653-0421

Email us your questions: cdfihelp@cdfi.treas.gov