

COMMUNITY DEVELOPMENT FINANCIAL INSTITUTIONS FUND

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FY 2017 Capital Magnet Fund Outreach Presentation

Module 1: Introduction to Capital Magnet Fund

How the Capital Magnet Fund fits into the larger mission of the CDFI Fund



- **Mission & Vision:** The CDFI Fund's mission is to expand economic opportunity for underserved people and communities by supporting the growth and capacity of a national network of community development lenders, investors, and financial service providers. Our vision is an America in which all people and communities have access to the investment capital and financial services they need to prosper.
- **CMF:** The Capital Magnet Fund (CMF) is one of many CDFI Fund programs. The Capital Magnet Fund was created to spur private investment in affordable housing and related economic development efforts to revitalize neighborhoods across the country by serving low-income families and communities.

***Capitalized terms not defined in the presentation are defined in the CMF Interim Rule (as amended February 8, 2016; 12 CFR Part 1807)*



[Link to CMF Interim Rule](#)

Purpose of the Capital Magnet Fund



CMF provides competitively-awarded grants to CDFIs and eligible Nonprofit Organizations to attract private capital for and increase investment in:

- Development, Rehabilitation, Preservation, and Purchase of Affordable Housing – both homeownership and rental – targeted to Low-, Very Low-, and Extremely Low-Income families; and
- Economic Development Activities designed to stabilize and/or revitalize areas of economic distress such as renovated buildings that will house neighborhood businesses and Community Service Facilities.



CMF History & Funding

- CMF was established through the Housing and Economic Recovery Act (HERA) of 2008 (Public Law 110-289, section 1131).
- The source of funding for CMF comes from allocations from the government-sponsored enterprises (GSEs) – Fannie Mae and Freddie Mac.
- CMF conducted funding rounds in FY2010, FY2016 and another is expected in FY2017.



Leveraging Private Financing is Key



- CMF “primes the pump” for affordable housing and economic development.
- For every \$1 in CMF funding, Recipients are required to generate at least \$10 in Eligible Project Costs (CMF Award plus Leveraged Costs).
- FY2010 Recipients leveraged \$22 in total investment for every \$1 of CMF Award (reported).
- FY2016 Recipients are projected to attract – at a minimum – over \$900 million in Eligible Project Costs.
- CMF spurs investment from banks, foundations, private investors, state & local governments.





Other CMF Priorities

Affordable Housing Financing that:

- Creates and preserves housing that is affordable to individuals and families with Low-, Very Low- and Extremely Low-Incomes.
- Expands homeownership opportunities for Low-Income families.

Economic Development Financing that:

- Helps to stabilize and revitalize cities and rural communities experiencing economic distress.
- Creates jobs by investing in community facilities and physical structures in which neighborhood-based businesses operate.

Geographic Diversity throughout the country

- Ensuring CMF Recipients serve diverse geographic areas.
- Ensuring CMF Recipients serve Metropolitan and Non-Metropolitan Areas.

Eligible Activities of CMF Award Dollars



- Capitalize an Affordable Housing Fund
- Capitalize a Revolving Loan Fund
- Fund Loan Loss Reserves
- Make Risk-Sharing Loans
- Provide Loan Guarantees
- Capitalize a Fund for Economic Development Activities



Eligible Activities – Definitions (1)

Affordable Housing Fund

A revolving loan, grant or investment fund that is 1) managed by the Recipient; and 2) uses its capital to finance Affordable Housing Activities

Revolving Loan Fund

A pool of funds managed by the Applicant or the Recipient wherein repayments on loans for Affordable Housing Activities or Economic Development Activities are used to refinance additional loans





Eligible Activities – Definitions (2)

Fund Loan Loss Reserves

Proceeds from the CMF Award that the Recipient will set aside in the form of cash reserves, or through accounting-based accrual reserves, to cover losses on loans, accounts, and notes receivable for Affordable Housing Activities and/or Economic Development Activities, or for related purposes that the CDFI Fund deems appropriate

Make Risk-Sharing Loans

Loans for Affordable Housing Activities and/or Economic Development Activities in which the risk of borrower default is shared by the Applicant or Recipient with other lenders (e.g., participation loans)

Provide Loan Guarantees

The Recipient's use of CMF Award to support an agreement to indemnify the holder of a loan all or a portion of the unpaid principal balance in case of default by the borrower. The proceeds of the loan that is guaranteed with the CMF Award must be used for Affordable Housing Activities and/or Economic Development Activities



Eligible Activities – Definitions (3)

Economic Development Activity

- Development, Preservation, Acquisition and/or Rehabilitation of Community Service Facilities and/or other physical structures in which neighborhood-based businesses operate which, In Conjunction With Affordable Housing Activities, implements a Concerted Strategy to stabilize or revitalize a Low-Income Area or Underserved Rural Area
- Please refer to Module 6 for additional information on how CMF supports Economic Development Activities



CMF Award Restrictions

- No single Applicant may apply for or receive more than 15% of the total award amount available under the FY 2017 application round.
- No more than 30% of a CMF award may be used for Economic Development Activities.



Getting Results: 2016 CMF Award Round



- 32 organizations received \$91.47 million in awards to serve 37 states (including Washington, DC).
- 23 CDFIs and 9 Nonprofit Housing Organizations.
- Awards are expected to leverage over \$900 million in public and private investment.
- 17,000 Affordable Housing Units projected to be developed; more than 15,000 rental and nearly 2,000 homeownership units.
- 28% of Recipients plan to invest the majority of their award in Non-Metropolitan Areas.
- 19% of Recipients plan to undertake Economic Development Activities by financing community service facilities such as charter schools.

Getting Results: 2010 CMF Award Round



Impact data for FY2010 Recipients (through FY2016):

- Awarded **\$80 million** in competitively awarded grants to 23 CDFIs and qualified non-profit housing organizations serving 38 states
- Generated nearly **\$1.8 billion** of combined investment
- Generated **\$22** of investment for every **\$1** of CMF funding
- Supported **189** new development and preservation projects
- Created **10,895** affordable homes comprised of **9,507** affordable rental homes and **1,388** homeowner-occupied homes

Questions?



- Submit a Service Request in the CDFI Fund's Awards Management Information System (AMIS)
- Contact the CDFI Fund Help Desk at (202) 653-0421
- E-mail cmf@cdfi.treas.gov