



FY 2021 Capital Magnet Fund Outreach Presentation

Module 1: Introduction to Capital Magnet Fund

COMMUNITY DEVELOPMENT FINANCIAL INSTITUTIONS FUND

www.cdfifund.gov

Capital Magnet Fund & Alignment with CDFI Fund's Mission



- **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), FY 2021 CMF Application, FY 2021 CMF Glossary.*

[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 and 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 2010 and in every year since 2016.



Leveraging 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).
- 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 Rural 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 (Development, Preservation, Rehabilitation, and/or Purchase of Affordable Housing).

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 Recipient with other lenders (e.g., participation loans).

Provide Loan Guarantees

The Recipient's use of the 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 2021 application round.
- No more than 30% of a CMF Award may be used for Economic Development Activities.



Achieving Results: FY 2020 CMF Round

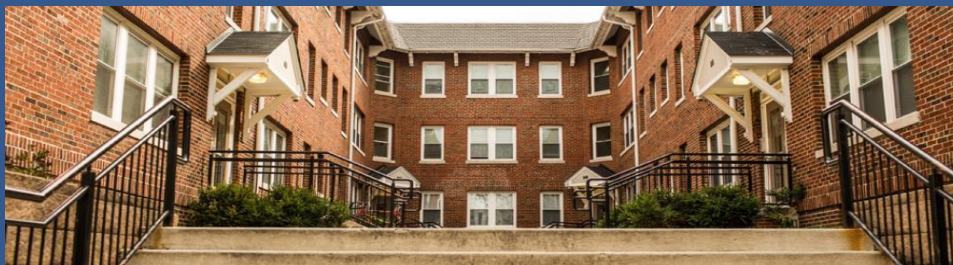


Awards Overview

- \$175.35 Million awarded to 48 Recipients (137 eligible applicants requested \$642.2 million in awards).
- 27 Certified CDFIs and 21 non-profit housing organizations.
- 52 states and territories will be served.

Attracting Capital

- \$5.3 billion expected in public and private investment.
- 81% of the leverage (capital attracted) is projected to come from private investment.



Achieving Results: FY 2020 CMF Round (Continued)



Affordable Housing Production

- Nearly 23,000 affordable housing units expected to be developed, rehabbed, or preserved.
 - More than 20,300 will be rental units.
 - More than 2,600 will be homeownership units.

Income Targeting

- 98% of the Homeownership Units will be developed for Low-Income Families (80% of the Area Median Income or below).
- 61% of the Rental Units will be developed for Very Low-Income Families (50% of the Area Median Income or below).

Areas of Economic Distress, Rural, and Economic Development

- 66% of units projected in Areas of Economic Distress.
- 52% of Awardees plan to invest a portion of the Award in Rural Areas.
- 8% of Awardees projected to undertake Economic Development Activities.



Questions?



- Submit a Service Request in the CDFI Fund's Awards Management Information System (AMIS)
- E-mail cmf@cdfi.treas.gov
- Contact the CDFI Fund Help Desk at (202) 653-0421; Option 6