



FY 2021 Capital Magnet Fund Outreach Presentation

Module 3: Attracting Capital Through the Capital Magnet Fund

COMMUNITY DEVELOPMENT FINANCIAL INSTITUTIONS FUND

www.cdfifund.gov

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

How Capital Magnet Fund Attracts Capital



- The Capital Magnet Fund (CMF) provides grants to organizations to generate additional investment in affordable housing and economic development.
- CMF Awards are made to Community Development Financial Institutions (CDFI) and eligible Nonprofit Housing Organizations.
- Each CMF Award must result in Eligible Project Costs (CMF Award dollars plus Leveraged Costs) in an amount that equals at least 10 times the amount of the CMF Award.

Leveraging Capital



- CMF Recipients are required to leverage their CMF Award at a ratio of least ten to one. For example, an Award of \$5 million should generate at least \$50 million in Eligible Project Costs.
- Sources of capital leveraged by the CMF Award may be loans from banks, program-related investments from foundations, Low Income Housing Tax Credits (LIHTCs) investment, funds contributed by the Recipient, state or local government or any number of other private or public sources.
- The combination of the CMF Award and the Leveraged Costs encompasses Eligible Project Costs for the CMF program.



Types of Capital: Enterprise Level Leverage



Enterprise Level-Capital: Capital earned, borrowed, or raised by the Applicant or its Affiliates designated for use and ultimately used to pay for Leveraged Costs, but is not initially restricted for use for specific properties at the time it is earned, borrowed or raised.

Private Investment

Capital raised from private sources (either contributed from the Applicant's own sources or from third parties) which is invested in or loaned to the Applicant and allocated to a CMF-related housing fund or similar financing activity. Examples include loans from financial institutions and program-related investments (PRI) from foundations.

Public Investment

Grants, loans or other investments to the Applicant from state, local or other federal government programs which is lent or contributed to a CMF-related housing fund or similar financing activity.

Types of Capital: Project-Level



Project-Level Leverage: Capital used to pay Leveraged Costs that is restricted to a specific project when it is raised. Project-Level leverage can, among other things, include mortgages secured by the property, proceeds from the sale of bonds, equity investment raised through LIHTC, deferred developer fees, loans and grants from local and state government made directly to a specific Project. Project-Level leverage does not include Enterprise-Level Capital or Reinvestments.

Private Investment

Capital raised from third party sources which is invested in or loaned to a specific project. This could include loans from financial institutions, secured by the real estate and investments through the sale of LIHTCs.

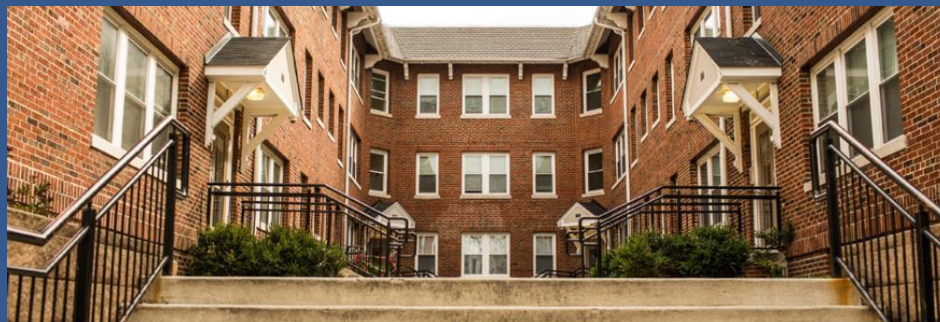
Public Investment

Grants, loans or other investments for a specific project from state, local or other federal government programs.

Reinvestment Leverage



- **Reinvestment:** Re-deploying re-paid proceeds of CMF Award dollars and/or Enterprise-Level Capital during the 5-year investment period.
 - Recipients of a CMF Award will be required to re-invest any principal repayments of CMF Award dollars into eligible activities during the five-year Investment Period.



Creative Ways to Use CMF



There are many creative ways to use a CMF Award:

- Setting up an Affordable Housing fund that may be used for predevelopment funding, construction loans, bridge financing or permanent debt.
- Blending the CMF Award with a larger financing pool, bringing down the overall interest rate to borrowers.
- Using the CMF Award as a Loan Loss Reserve or subordinate gap financing to reduce the risk to private investors.
- Providing down payment and closing cost assistance to first time home buyers.
- These are just examples of the many innovative ways the CMF Award may be used.

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