Investing in Affordable Housing

• One of the most critical objectives of the Capital Magnet Fund (CMF) is to finance Affordable Housing.
• CMF funding may be used to finance both rental housing and Homeownership.
• Rental housing may be Multifamily (5+ units) or Single-Family Housing, and while most rental housing is developed as one property, scattered site development is permitted.
• Homeownership is usually Single-Family Housing (4 or less units). This may include single family-detached, condominium, co-operative and manufactured housing.
Targeting Low-, Very Low-, and Extremely Low-Income Families

A priority of CMF is the development and preservation of housing that is affordable to Families and individuals with Low-, Very Low- or Extremely Low-Income.**

**Low-Income**
Families with incomes at or below 80% of the Area Median Income (AMI)

**Very Low-Income**
Families with incomes at or below 50% of the Area Median Income (AMI)

**Extremely Low-Income**
Families with incomes at or below 30% of the Area Median Income (AMI)

**Maximum income for CMF-supported housing is 120% of AMI**
How is Affordability Met?

For housing assisted through a CMF Award, affordability must be met in several ways:

**Income Limits (Maximum Eligible-Income)**
The maximum income level for a Family may not exceed 120% of AMI (for units financed with CMF Award).

**Income Limits for Rental Multi-family Projects (Per Project)**
Each rental Multi-family housing Project financed with CMF Award must have at least 20% of the units occupied by Low-Income Families (80% of AMI or below).

**Income Limits (Targeting Dollars)**
100% of the total Eligible Project Costs (EPCs)* must be attributable to units that are restricted to serve Families at incomes of 120% AMI or below. Greater than 50% of the EPCs must be attributable to units that are restricted to serve Families at Low-, Very Low- and Extremely Low- Incomes (80% of AMI or below).

*Eligible Project Costs consist of the CMF Award dollars plus the Leveraged Costs.

**Income Limits (Portfolio Minimum Threshold)**
- At least 20% of Affordable Housing rental units financed with CMF Award are targeted to Very Low-Income Families (50% of AMI or below).
- At least 20% of Affordable Housing homeownership units financed with CMF Award are targeted to Low-Income Families (80% of AMI or below).
Affordability Requirements (Continued)

In addition to income limits, CMF has additional requirements which include:

**Long-Term Restrictions**
Each Project funded must ensure affordability of the associated Affordable Housing for at least 10 years. For rental housing, this is accomplished through deed restrictions, land covenants, or other mechanisms which survive sale and transfer during the Affordability Period. For Homeownership, the Recipient must develop its own plan for achieving this 10 year affordability in the event of resale.

**Rents**
While Families must meet the income limits at the time of initial occupancy, the rents control affordability. Rents are set using a formula similar to that used for Low Income Housing Tax Credits (LIHTCs).

**Homeownership Cost Limits**
The purchase price limits for Homeownership are capped at 95% of the median purchase price for the area, as determined by HUD, located here: [https://www.hudexchange.info/resource/2312/home-maximum-purchase-price-after-rehab-value/](https://www.hudexchange.info/resource/2312/home-maximum-purchase-price-after-rehab-value/)
Requirements for Rental Housing

- CMF Awards may be used to develop, acquire, renovate and preserve affordable rental housing.

- Rental housing may be Multi-family or Single-family.

- Each rental Multi-family housing Project financed with CMF Award must have at least 20% of the units occupied by Low-Income Families (80% of AMI or below).

- Mixed income units are allowed, with maximum income for CMF-assisted units at 120% AMI. Costs for units above 120% of AMI cannot be part of the Eligible Project Costs. Units not restricted to 120% of AMI or below cannot be counted as Eligible Project Costs.

- Any rental property financed or assisted with a CMF Award must retain its affordability for at least 10 years.

- Rents are controlled and must be set at levels affordable to the relevant income level. The rents levels are calculated using the same formula as that used for LIHTC (IRC section 42).
Requirements for Homeownership

- CMF Awards may be used to help individuals and Families buy a home, as well as to Develop, Preserve or Rehabilitate Homeownership units.

- Down payment loans, first & second mortgages, and other Purchase assistance is allowed. In addition, CMF Awards may help support the Development and construction of owner-occupied housing.

- Condominiums, cooperatives, mutual housing, and Manufactured housing all fall under Homeownership.

- The purchase price is limited to 95% of the median price in the area, as determined by HUD.

- At least 20% of the homes assisted must be targeted to Low-Income Families (80% of AMI or below).

- The property must remain affordable for 10 years. The Recipient also must have resale restrictions to ensure that the 10 years of affordability is achieved.
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