



FY 2023 Capital Magnet Fund Outreach Presentation

Module 1: Introduction to Capital Magnet Fund

COMMUNITY DEVELOPMENT FINANCIAL INSTITUTIONS FUND

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How CMF Fits into the CDFI Fund's Mission & Vision



- **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. The vision of the Community Development Financial Institutions Fund (the CDFI Fund) 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. CMF 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.

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.

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

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.
- Prior CMF rounds were conducted in FY 2010 and annually from FY 2016 to FY 2021.
- The FY 2023 round will be the eighth CMF funding round.



Leveraging Private Financing is Key



- CMF spurs investment from banks, foundations, private investors, and state & local governments to support affordable housing and economic development.
- By statute, for every \$1 in CMF funding, Recipients are required to generate at least \$10 in leveraged capital.
- FY 2016 Recipients recently completed the 5-year investment period. They secured over \$2.7 billion in private investment, generating over \$22 of private leverage capital for every \$1 of CMF funding.



Source: Data provided by OCME as of September 2022

CMF Program Funding Priorities



1. Income Targeting

- At least 20% of all rental Affordable Housing (AH) units targeted to Very Low-Income Families, and/or
- At least 20% of all Homeownership AH units targeted to Low-Income Families

2. Rental Affordable Housing

- Rental AH located in either Areas of Economic Distress (AED) or High Opportunity Areas (HOA)

3. Homeownership Affordable Housing

- Located in an AED targeted to Eligible-Income Families (120% AMI and below), or
- Targeted to Low-Income Families (80% AMI or below) irrespective of location, regardless of whether units are located in an AED, or not.

CMF Funding Priorities (cont.)



4. Leverage Private Capital

- Applications proposing to use the CMF Award to leverage private capital to finance and/or support Affordable Housing Activities and Economic Development Activities

5. Geographic Diversity

- Geographically diverse Areas of Economic Distress (AED), including Metropolitan and Underserved Rural Areas in every State
- Includes AED that meet objective criteria developed by the Secretary of the Treasury, which may include:
 - Percentage of Low-Income Families or the extent of poverty
 - Rate of unemployment or underemployment
 - Extent of blight and disinvestment
 - Projects that target Extremely Low-, Very Low-, and Low-Income Families in or outside a designated AED
 - Any other criteria designated by the Secretary of the Treasury

Eligible Activities Supported by CMF



CMF Awards are used to finance and support Affordable Housing Activities and/or Economic Development Activities through the following eligible activities:

- To capitalize Loan Loss Reserves;
- To capitalize a Revolving Loan Fund;
- To capitalize an Affordable Housing Fund;
- To capitalize a fund to support Economic Development Activities;
- For make Risk-Sharing Loans;
- To provide Loan Guarantees; and
- For Direct Administrative Expenses (no more than 5%).

Source: CMF Interim Rule (as amended February 8, 2016; 12 CFR Part 1807).

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 (i.e. the 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.



Source: CMF Interim Rule (as amended February 8, 2016; 12 CFR Part 1807).

Eligible Activities – Definitions (2)



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.

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.

Source: CMF Interim Rule (as amended February 8, 2016; 12 CFR Part 1807).

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.

Source: CMF Interim Rule (as amended February 8, 2016; 12 CFR Part 1807).

CMF Award Restrictions and Timelines



- Restrictions (from CMF FY 2023 NOFA):
 - No more than 30% of a CMF Award may be used for Economic Development Activities.
 - No more than 5% of a CMF Award may be used for Direct Administrative Expenses.
 - Housing financed and/or supported by CMF is subject to a 10-year affordability period.
- Timelines for Use:
 - CMF Award must be fully Committed to projects within 2 years.
 - There must be an initial disbursement of the CMF Award to at least one Affordable Housing or Economic Development project within 3 years.
 - CMF financed Projects must be complete within 5 years.

*Recipients who elect the two-payment option must have the Initial Payment fully committed within 2 years of the Effective Date and the Subsequent Payment fully committed within 3 years of the Effective Date. (Administration Policy)

Achieving Results: FY 2021 CMF Round



Awards Overview

- \$336.4 Million awarded to 59 Recipients (146 eligible applicants requested \$991.8 million in awards).
- 32 Certified CDFIs and 27 Nonprofit housing organizations.
- 49 states and territories will be served.

Attracting Capital

- Nearly \$12.4 billion expected in public and private investment.
- 79% of the leverage (capital attracted) is projected to come from private investment.



Achieving Results: FY 2021 CMF Round (Continued)



Affordable Housing Production

- More than 41,100 affordable housing units expected to be developed, rehabbed, or preserved.
 - More than 38,700 will be rental units.
 - More than 2,400 will be Homeownership units.

Income Targeting

- 88% 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

- 64% of units projected in Areas of Economic Distress.
- 51% of Recipients plan to invest a portion of the Award in Rural Areas.
- 10% of Recipients projected to undertake Economic Development Activities.



Questions?



- Submit a Service Request in the CDFI Fund's Awards Management Information System (AMIS) - *This method is strongly preferred and ensures the fastest routing.*
- E-mail cmf@cdfi.treas.gov
- Contact the CDFI Fund Help Desk at: (202) 653-0421; Option 6
- Current data sets may be found at: <https://www.cdfifund.gov/programs-training/programs/cmf/apply-step>