



All About the Capital Magnet Fund

Getting Ready to Apply

COMMUNITY DEVELOPMENT FINANCIAL INSTITUTIONS FUND

www.cdfifund.gov

Zoom Meeting Ground Rules



- The meeting is being recorded so that it can be posted online as a resource.
- Here are some settings and ground rules to help facilitate an efficient and informative webinar:
 - Participants should be muted with cameras off throughout the presentation.
 - Hold all questions for the Q&A session following the webinar. The Q&A ground rules and quick demo will be shared immediately after the presentation.
 - Refrain from using the reaction buttons, including raising your hand, during the presentation.
 - The chat has been set up to only go to the hosts and cohosts.
- The host will be enforcing the ground rules throughout the presentation and Q&A session. Any participant who becomes a distraction will be removed from the meeting.

Topics We Won't Be Covering Today...



- Reasons why your organization was unsuccessful in prior award rounds.
- Specific details about the next Notice of Funds Availability (NOFA).
- Compliance questions concerning existing CMF Awards.
- Instructions on how to enter data into an Application in the CDFI Fund's Awards Management Information System (AMIS).

Agenda



Program Overview



Preparing to Apply for CMF



Questions and Next Steps

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 Low-Income Areas 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 & 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 with subsequent funding rounds annually from FY 2016 through FY 2021, and in FY 2023. The next round will be the ninth 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 2017 Recipients recently completed the 5-year investment period. They secured over \$3.2 billion in private investment, generating over \$30 of private leverage capital for every \$1 of CMF funding.



Source: Data provided by OCME as of November 2023

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 provide 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 Risk-Sharing Loans; and
- To provide Loan Guarantees.

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)

Applicant Eligibility Factors



- To be eligible to apply for a CMF Award, an Applicant must:
 - Be certified as a CDFI by the CDFI Fund; **OR**
 - Be a Nonprofit Organization having as one of its principal purposes the development or management of affordable housing.
- All Applicants must have been in existence as a legally formed entity for **at least three years** prior to the Application deadline.
- All Applicants must **submit audited financial statements** for its two (2) most recent historic fiscal years as of the date of the NOFA.
- The Applicant must meet all eligibility requirements on **its own behalf** and may not rely on any Affiliates or Subsidiaries to meet this requirement.

Leveraging Capital



- In community development finance, the term “leverage” means the ability to use capital from other sources to maximize public resources.
- CMF Recipients are required to leverage their CMF Award at a ratio of least ten to one. For example, an Award of \$5 million must 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 governments, or any number of other private or public sources.
- The combination of the CMF Award and the Leveraged Costs make up Eligible Project Costs for the CMF Program.

Types of Leverage:

Enterprise Level Leverage



Enterprise Level: Capital earned, borrowed, or raised by the Applicant which is designated for the Applicant's 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 Leverage:** Capital raised from private sources 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, program-related investments (PRI) from foundations, retained earnings, or equity.
- **Public Leverage:** Grants, loans, or other investments to the Applicant from state, local, or other federal government programs, which is loaned or contributed to a CMF-related housing fund or similar financing activity.

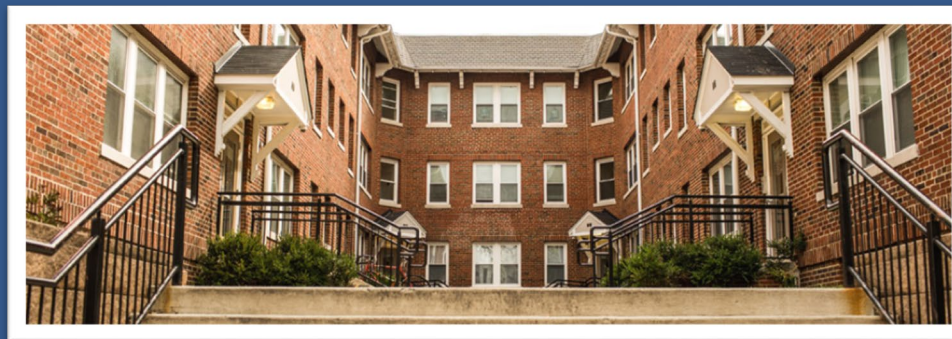
Types of Leverage:

Reinvestment Leverage



Reinvestment: Redeploying repaid CMF Award dollars and/or Enterprise Level capital redeployed into Projects that achieve Project Completion during the 5-year Investment Period.

- Recipients are required to reinvest any principal/equity repayments of CMF Award dollars into eligible activities during the five-year Investment Period.



Types of Leverage:

Project-Level Leverage



Project Level: Capital used to pay Leveraged Costs that is restricted to a specific project when it is raised.

- **Private Investment:** Capital raised from private sources which is invested in or loaned to a specific project. For example, 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.

Investing in Affordable Housing



- The primary objective of the Capital Magnet Fund (CMF) is to finance Affordable Housing.
- CMF Awards may be used to finance both rental and Homeownership Affordable Housing.
- Rental housing may be multifamily (5+ units) or single family, 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.

Creative Ways to Use CMF



There are many diverse ways to use a CMF Award, including the following examples:

- Many Recipients set up loan funds that may be used for predevelopment funding, construction loans, bridge financing or permanent debt.
- Some Recipients blend the CMF Award with a larger financing pool, bringing down the overall interest rate to borrowers.
- Others use the CMF Award as a Loan Loss Reserve or subordinate gap financing to reduce the risk to private investors.
- Some provide down payment and closing cost assistance to first-time home buyers.

Targeting Low-, Very Low-, and Extremely Low-Income Families



Another priority of the Capital Magnet Fund (CMF) is the financing and/or development 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 financed housing is 120% of AMI.

Affordability Requirements



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

- **Income Limits**- The maximum income level for Eligible-Income Families may not exceed 120% of AMI. In Multifamily Rental Projects, at least 20% of the units must be set-aside for Families with incomes at or below 80% of AMI.
- **Additional Income Targeting Benchmarks**- Further income targeting may be established in the CMF NOFA.
- **Dollars**- 100% of the total Eligible Project Costs (EPCs) must be attributable to units that serve Eligible-Income Families. Greater than 50% of the EPCs must be attributable to units that serve Families at Low-, Very Low-, and Extremely Low- Incomes. Eligible Project Costs is comprised of the costs paid for with the CMF Award dollars plus the Leveraged Costs.

Affordability Requirements (Continued)



In addition to income limits and income targeting benchmarks, the CMF program has additional requirements which include:

- **Long Term Restrictions-** Each Project must be affordable 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 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.

Requirements for Rental Housing



- CMF funds may be used to develop, acquire, renovate, and preserve affordable, rental housing.
- Rental housing may be Multi-family or Single Family Housing.
- Mixed income development is allowed, with maximum income for CMF-assisted units at 120% AMI.
- Any rental property financed/supported with a CMF Award must retain its affordability for at least 10 years.
- At least 20% of the units of Multi-family rental Projects must be occupied by Low-Income Families.
- Rents are controlled and must be set at levels affordable to the applicable income level. The rent levels are calculated using the same formula as that used for LIHTCs (found in 26 U.S. Code 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 and 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 are acceptable forms of Homeownership.
- The purchase price is limited to 95% of the median price in the area, as determined by HUD.
- The property must remain affordable for 10 years. Recipients must impose resale or recoupment restrictions to ensure that the 10 years of affordability is achieved.

Economic Development Activities



- CMF Awards finance Affordable Housing Activities, as well as related Economic Development Activities (EDA), including the financing of Community Service Facilities.
- Recipients can use no more than 30 percent of their CMF Awards for Economic Development Activities. CMF Awards may only be used for the financing and/or support of Projects and may not be used as grants or loans to businesses.



Examples of Eligible Economic Development Activities



Some examples of eligible Economic Development Activity structures and Community Service Facilities include, but not limited to:

- Day care centers and schools
- Grocery stores
- Health clinics
- Food banks
- Community centers
- Workforce development centers
- Facade improvements
- Revitalization of commercial buildings



Integrating Economic Development with Affordable Housing



Economic Development Activities (EDA) must be developed In Conjunction With Affordable Housing Activities, meaning that the Community Service Facility or neighborhood-based business must be:

1) Physically proximate:

- For a Metropolitan Area, being located within the same census tract or within 1 mile of the Affordable Housing.
- For a Non-Metropolitan Area, being located in the same county or within 10 miles of the Affordable Housing.

AND

2) Reasonably available to residents of Affordable Housing.

Economic Development as Part of a Concerted Strategy



Economic Development Activities, In Conjunction With Affordable Housing Activities, must implement a Concerted Strategy to stabilize or revitalize a Low-Income Area or Underserved Rural Area.

- **Concerted Strategy:** Formal planning document that evidences the connection between Affordable Housing Activities and Economic Development Activities. These documents include, but are not limited to, a comprehensive, consolidated, or redevelopment plan, or some other local or regional planning document adopted or approved by the jurisdiction.

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Preparing to Apply for CMF



- Obtain an Employer Identification Number (EIN) from the IRS and Unique Entity Identifier (UEI) number from SAM.gov if your organization does not have them already.
- Register and/or update your accounts in the following systems:
 1. System for Award Management (SAM.gov)
 2. Grants.gov
 3. Awards Management Information System (AMIS)
- Download and familiarize yourself with the CMF Program NOFA and Application materials found on the CMF Program website, including the CMF Interim Rule (as amended February 8, 2016; 12 CFR Part 1807)

EIN and UEI Number



- An Applicant should ensure the accuracy and uniformity of its EIN and UEI number across its SAM.gov, Grants.gov, and AMIS accounts.
- The CDFI Fund reserves the right to reject an Application if the EIN and UEI number in an Applicant's AMIS account do not match the EIN and UEI number in its SAM.gov and Grants.gov accounts.
- The CDFI Fund will reject an Application submitted with the EIN or UEI of a parent or affiliate organization.

SAM.gov (System for Award Management)



- New SAM.gov users should register as soon as possible. Existing users should ensure that their account is active and up-to-date.
- The CDFI Fund will not consider Applications from organizations that fail to register or activate their SAM.gov account and, as a result, are unable to submit their Standard Form (SF-424) through Grants.gov by the deadline (~30 days after NOFA publication).
- The CDFI Fund does not maintain SAM.gov, so Applicants must contact the Federal Service Desk for technical assistance.

Begin SAM Registration Now



- System for Award Management (SAM) is the award management system of the General Services Administration (GSA).
- Registration is a pre-requisite to applying for CMF.
- SAM requires the submission of an Entity Administrator notarized letter as part of the registration process. Please review the instructions provided by SAM.gov carefully.
- Applicants that have previously registered with SAM must verify their accounts are current and active, as they need to be renewed annually.
- This process may take **four weeks or longer** for both new applicants and applicants that need to re-activate an existing SAM.gov account.
- See the SAM.gov website for more information.



- **Only the SF-424 will be submitted via Grants.gov.**
- All Applicants **MUST** submit their SF-424 through Grants.gov by the deadline (~30 days after NOFA publication).
 - *Note:* If the SF-424 is not successfully accepted in Grants.gov by the deadline listed in the CMF Program NOFA, the CDFI Fund will not review any of the materials submitted in AMIS and the Application will be deemed ineligible.
- The SF-424 must be submitted under the correct Program Funding Opportunity Number.
 - Applicants that submit their SF-424 under the incorrect Program Funding Opportunity Number will be deemed ineligible.
- If the amount of the CMF Program award requested on the SF-424 is different from the amount an Applicant requests in its Application submitted via AMIS, the CDFI Fund will only consider the amount requested in the Application submitted in AMIS.

Awards Management Information System (AMIS)



- Each Applicant **must register as an organization in AMIS** and submit all required applicable Application materials via AMIS.
 - The SF-424 is the only required Application document that will not be submitted via AMIS. The SF-424 **MUST** be submitted in Grants.gov.
- ALL Applicants must enter their EIN and UEI number in AMIS by the deadline in the NOFA (~30 days after NOFA publication).
- An Applicant is required to designate at least one Authorized Representative and Point of Contact in its AMIS account (Authorized Representatives may **not** be consultants).
- An Applicant that fails to properly register and update its AMIS account may miss important communications from the CDFI Fund and may not be able to successfully submit an Application. To ensure you receive email communications, AMIS@cdfi.treas.gov should be listed as a safe sender by your email system.

Applicant Eligibility - Title VI of the Civil Rights Act



- All CMF Program Applicants* will be required to submit the Title VI Compliance Worksheet to assist the CDFI Fund in determining whether Applicants are compliant with the Treasury regulations implementing Title VI of the Civil Rights Act (Title VI), set forth in 31 CFR Part 22.
 - *For Depository Institution Holding Company Applicants, the Title VI Compliance Worksheet requirement also applies to the Applicant's Subsidiary Depository Institution.
- Title VI of the Civil Rights Act prohibits discrimination based on race, color, or national origin in programs or activities receiving federal financial assistance from the Department of the Treasury.
- The Title VI Compliance Worksheet is submitted via AMIS on an annual basis. For reference, the questions can be found [here](#).
- The AMIS User Guide for the Title VI Compliance Worksheet can be found [here](#).

Application Submission



- The CDFI Fund has a two-step process that requires the submission of Application documents on separate deadlines and different online systems.
 - Step 1: The SF-424 (submitted through Grants.gov). This form starts your Application and contains important fields about your organization's tax and payment information.
 - Step 2: The CMF Program Application (submitted through AMIS). The CMF Program Application will ask for information about your organization, such as your organization's financial data and your organization's objectives for your CMF Program Award.

Timeline for Applicants



Description	Deadline
Notice of Funds Availability (NOFA) Release	TBD
SF-424 Application for Federal Assistance	~30 days after NOFA publication
Enter Employer Identification Number (EIN) and Unique Entity Identifier (UEI) into AMIS Account	~30 days after NOFA publication
Complete Title VI Compliance Worksheet in AMIS (for calendar year 2024)	~30 days after NOFA publication
CMF Program Application due in AMIS	~60 days after NOFA publication

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How to Contact Us:

1. Submit a Service Request in the CDFI Fund's Awards Management Information System (AMIS). This method is strongly preferred and ensures the fastest routing.
 2. Email cmf@cdfi.treas.gov
- Watch for the Notice of Funding Availability (NOFA) in the Federal Register.
 - Register in GovDelivery to hear about additional webinars and CDFI Fund announcements. Here's the link to subscribe:
<https://service.govdelivery.com/accounts/USTREASCDFI/subscribe/new>

Q&A Session Ground Rules



- The Q&A session will be conducted verbally utilizing the hand raise feature:
 - To ask a question, raise your hand via the reactions buttons in Zoom.
 - Wait until you are called on by the host to ask your question. When it is your turn, the host will invite you to unmute and ask your question.
 - You are welcome to turn your camera on when you are asking your question but it is not required.
 - Do NOT put questions in the chat unless you are having audio issues when it is your turn to speak. If you are not able to verbally ask your question, you will be asked to type your question into the chat and the host will ask it on your behalf.
- If the Q&A session ends before your question is answered, please submit your question(s) to the CMF team via an AMIS Service Request.

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Thank you for
participating in today's
webinar!