

## Capital Magnet Fund

Competitive monetary awards to CDFIs and nonprofit housing developers to attract private capital for affordable housing and community and economic development associated with affordable housing

### BACKGROUND AND PURPOSE

The Capital Magnet Fund (CMF) is a competitive grant program designed to attract private capital to the development, preservation, rehabilitation, or purchase of affordable housing for low-income families. The CMF is not a block grant to state or local governments or housing authorities; the monetary awards are competitively awarded as grants to community development financial institutions (CDFIs) and nonprofit housing organizations to support financing tools, such as loan loss reserves or loan guarantees for affordable housing. Awards must be leveraged at least \$10 to \$1 with funding from other sources.

The CMF was enacted as part of the Housing and Economic Recovery Act (HERA) of 2008 to provide flexible public funds to attract private investment into affordable housing projects through allocations from

Fannie Mae and Freddie Mac based on new business purchases. This funding was suspended because of the conservatorship of Fannie Mae and Freddie Mac until the Federal Housing Finance Agency (Fannie Mae and Freddie Mac's regulator) lifted the suspension in late 2014, starting contributions on January 1, 2015. In 2016, CMF will award over \$93 million in grants to CDFIs and nonprofit housing organizations.

The legislation creating the CMF also allowed it to be capitalized through regular appropriations, which occurred in fiscal year (FY) 2010 with \$80 million to jumpstart the program. During the FY 2010 round of the CMF, the CDFI Fund received applications requesting over \$1 billion in grants. Of 230 applicants, 23 organizations received awards; 13 awardees were nonprofit housing developers, nine were CDFIs, and

PROGRAM NAME	Capital Magnet Fund
AGENCY	U.S. Department of the Treasury - CDFI Fund
EXPIRATION DATE	Dependent on Fannie Mae and Freddie Mac contributions
APPLICATIONS	<a href="https://www.cdfifund.gov/programs-training/Programs/cmf/Pages/default.aspx">https://www.cdfifund.gov/programs-training/Programs/cmf/Pages/default.aspx</a>
WEB LINK	<a href="https://www.cdfifund.gov/programs-training/Programs/cmf/Pages/default.aspx">https://www.cdfifund.gov/programs-training/Programs/cmf/Pages/default.aspx</a>
CONTACT INFORMATION	<a href="mailto:cdfihelp@cdfi.treas.gov">cdfihelp@cdfi.treas.gov</a>
APPLICATION PERIOD	Annually
GEOGRAPHIC SCOPE	National

one was a Tribal housing authority. Each dollar of CMF funding attracted over \$12 in other capital for affordable housing.

## ELIGIBILITY CRITERIA

Eligible recipients are U.S. Department of the Treasury certified CDFIs or nonprofit organizations that develop or manage affordable housing.

Applications for the competitive grants are required to include a detailed description of the types of affordable housing and economic and community revitalization projects for which the entity would use the grant, as well as the anticipated timeframe in which the entity intends to use it. CMF award dollars (and leveraged costs) must be used to finance affordable housing units that are affordable to families making less than 120 percent of the area median income (AMI). Greater than 50 percent of CMF award dollars (and leveraged costs) must be used to finance affordable housing units that are affordable to families making less than 80 percent of AMI.

At least 20 percent of the units in each rental project financed in whole or in part by CMF award dollars must be affordable to families making less than 50 percent of AMI and at least 20 percent of the units in each multifamily homeownership project must be affordable to families making less than 80 percent of AMI. No more than 5 percent of CMF award dollars can be used for direct administrative costs.

No grantee (including subsidiaries or affiliates) can be awarded more than 15 percent of all funding available in a given year, and those receiving grants must spend the funds within two years of the date received.

A minimum of 70 percent of CMF money must be used for housing; the remainder may be used for economic development activities or community service facilities (such as day care centers, workforce development centers, and health care clinics), which in conjunction with affordable housing activities, implement a concerted strategy to revitalize low-income or underserved rural areas.

CMF financed housing must meet affordability requirements for at least 10 years.

Each grantee must track its funds by issuing periodic financial and project reports, and by fulfilling audit requirements.

CMF monetary awards must be leveraged at least \$10 to \$1 with funding from other sources. To leverage funds, CMF dollars may be used to provide loan loss reserves, capitalize a revolving loan fund or an affordable housing fund, make risk-sharing loans, or finance community and economic development activities mentioned previously.

## POTENTIAL BENEFITS

The Capital Magnet Fund is effective at using a small government subsidy to attract large amounts of private capital to support affordable housing and related community or economic development.

It may be used to meet capital requirements and mitigate risk.

## POTENTIAL CHALLENGES

Application requires staff time and knowledge to complete.

Requires extensive knowledge of potential business opportunities and community partnerships in order to use the funds in a short time frame.

## Potential Benefits

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## RESOURCES

### CDFI certification

<https://www.cdfifund.gov/programs-training/certification/cdfi/Pages/default.aspx>

### Capital Magnet Fund

<https://www.cdfifund.gov/programs-training/Programs/cmfi/Pages/default.aspx>

### Capital Magnet Fund impact assessment

[https://www.cdfifund.gov/Documents/CMF\\_Impact\\_Assessment.pdf](https://www.cdfifund.gov/Documents/CMF_Impact_Assessment.pdf)

### Capital Magnet Fund fact sheet (available in English and Spanish)

[https://www.cdfifund.gov/Documents/CMF%20Fact%20Sheet\\_JAN2016.pdf](https://www.cdfifund.gov/Documents/CMF%20Fact%20Sheet_JAN2016.pdf)

### Capital Magnet Fund reference documents

[https://www.cdfifund.gov/Documents/Forms/Reference%20Documents.aspx?FilterField1=CDFI\\_x0020\\_Program&FilterValue1=Capital%20Magnet%20Fund](https://www.cdfifund.gov/Documents/Forms/Reference%20Documents.aspx?FilterField1=CDFI_x0020_Program&FilterValue1=Capital%20Magnet%20Fund)