

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.

While the allocations from Fannie Mae and Freddie Mac vary annually, Capital Magnet Fund awards average slightly over \$100 million per year.

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	https://www.cdfifund.gov/programs-training/Programs/cmf/Pages/default.aspx
WEB LINK	https://www.cdfifund.gov/programs-training/Programs/cmf/Pages/default.aspx
CONTACT INFORMATION	cdfihelp@cfdi.treas.gov
APPLICATION PERIOD	Annually
GEOGRAPHIC SCOPE	National

ELIGIBILITY CRITERIA

Eligible recipients are U.S. Department of the Treasury certified CDFIs or nonprofit organizations, with a principal purpose of developing or managing affordable housing solutions.

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

- 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.

RESOURCES

Direct access to the following web links can be found at <https://www.fdic.gov/mortgagelending>.

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 fact sheet (available in English and Spanish)

<https://www.cdfifund.gov/Documents/CMF%20Fact%20Sheet%20Dec2017.pdf>

Capital Magnet Fund reference documents

https://www.cdfifund.gov/Documents/Forms/Reference%20Documents.aspx?FilterField1=CDFI_x0020_Program&FilterValue1=Capital%20Magnet%20Fund