



An Introduction to the CDFI Fund

**Making the New Markets Tax Credit
Work in Native Communities**

PRESENTED ON MAY 24, 2018

COMMUNITY DEVELOPMENT FINANCIAL INSTITUTIONS FUND

www.cdfifund.gov

About the CDFI Fund



OUR MISSION

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.

About the CDFI Fund



OUR VISION

The vision of 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.

About the CDFI Fund



- Since its establishment, the CDFI Fund has awarded nearly \$2.9 billion to CDFIs, community development organizations, and financial institutions through its funding programs, allocated \$54 billion in tax credits through the New Markets Tax Credit Program, and \$1.36 billion has been guaranteed in bonds through the CDFI Bond Guarantee Program.
- The CDFI Fund's investments are leveraged many times over. From program to program, the leverage ratio varies, but most attract at least \$8 of private capital for every \$1 of federal spending.

The CDFI Fund's Programs



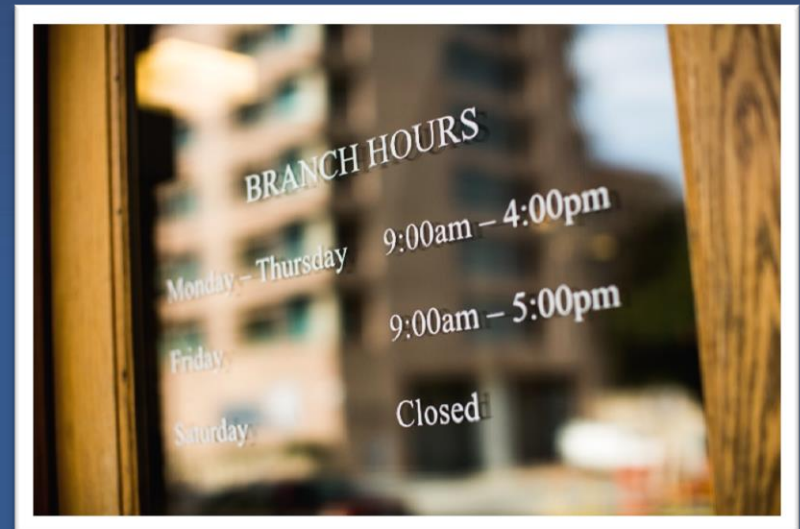
The CDFI Fund supports investments in low-income communities through our assistance programs

- Bank Enterprise Award Program (BEA Program)
- Capital Magnet Fund
- CDFI Bond Guarantee Program
- Community Development Financial Institutions Program (CDFI Program)
- Native Initiatives and Native American CDFI Assistance Program (NACA Program)
- New Markets Tax Credit Program (NMTC Program)

About the BEA Program



- The Bank Enterprise Award Program (BEA Program) is a performance-based grant program that provides monetary awards to FDIC-insured depository institutions (*i.e.*, banks and thrifts) that successfully demonstrate an increase in their investments in mission-driven lenders known as Community Development Financial Institutions (CDFIs) or in their own lending, investing, or service activities in most distressed communities.
- Distressed communities are defined as those where at least 30 percent of residents have incomes that are less than the national poverty level and where the unemployment rate is at least 1.5 times the national unemployment rate.



How the BEA Program Works



- Unlike the CDFI Fund's other programs, Bank Enterprise Awards are retrospective with award amounts calculated as a percentage of the applicant's demonstrated increase in BEA Qualified Activities from one annual reporting period, referred to as the Baseline Period, to the next annual reporting period, referred to as the Assessment Period. The greater the increase, the larger the overall award.
- BEA Qualified Activities Include:
 - CDFI-Related Activities
 - Distressed Community Financing Activities
 - Service Activities

Impact of the BEA Program



- Since 1996, the CDFI Fund has granted more than \$448 million in BEA Program awards over 21 rounds.
- Over the past three years, more than 90% of BEA Program Award Recipients were FDIC-Insured depository institutions defined as Small or Intermediate-Small Banks based on Federal Financial Institutions Examinations Council Community Reinvestment Act (CRA) Asset Size Thresholds.
- During this same period, BEA Program Award Recipients:
 - Increased their investments, lending and TA to certified CDFIs by \$190.5 million;
 - Increased their lending and direct investment in distressed communities by more than \$1 billion; and
 - Increased the provision of financial services in distressed communities by \$61.9 million.

About the Capital Magnet Fund



- The Capital Magnet Fund was created to spur investment in affordable housing and related economic development efforts that serve low-income families and low-income communities across the country.
- Through the Capital Magnet Fund, the CDFI Fund competitively awards funds to CDFIs and qualified non-profit housing organizations. These awards can be used to finance affordable housing activities, as well as related economic development activities and community service facilities.
- Funding for the Capital Magnet Fund comes from allocations made by the Government-Sponsored Enterprises Fannie Mae and Freddie Mac and varies from year to year.



How the Capital Magnet Fund Works



- The Capital Magnet Fund provides awards to CDFIs and qualified non-profit housing organizations to finance affordable housing and related community service facilities and economic development activities.
- Awardees are required to produce housing and community development investments at least ten times the award amount.
- The CDFI Fund seeks to promote Capital Magnet Fund-financed activity in geographically diverse areas of economic distress, including metropolitan and rural areas across the United States.
- The CDFI Fund accepts applications for Capital Magnet Fund awards annually through a competitive application process.

Impact of the Capital Magnet Fund

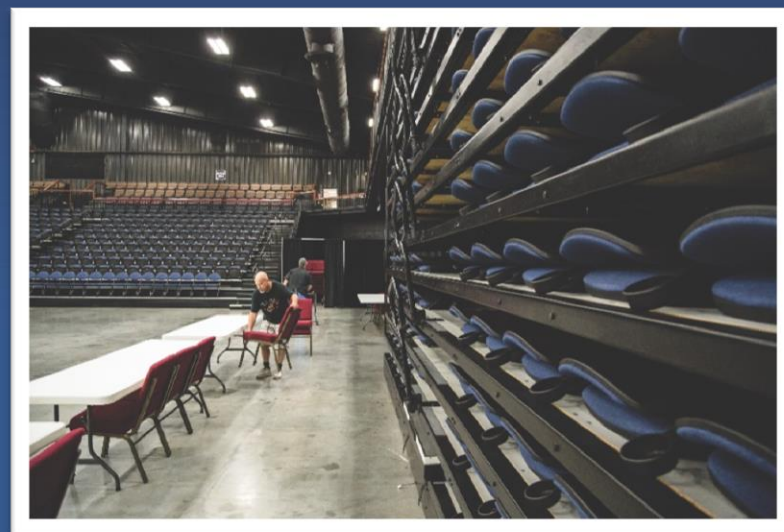


- From one award round in 2010, the Capital Magnet Fund has already generated nearly \$1.8 billion of investment—over 20:1 leveraging—with just \$80 million in awards, and created more than 13,300 affordable homes.
- The most recent award round for the program was in FY 2017. These recipients project that their investments will result in:
 - Approximately 21,000 affordable rental and homeownership housing units
 - More than \$3.2 billion in private and public investment in affordable housing and economic development activities.

About the CDFI Bond Guarantee Program



- The CDFI Bond Guarantee Program was designed to respond to a critical market need by providing long-term, fixed-rate, low-cost capital to certified CDFIs so that they, in turn, can utilize the financing to spur economic growth and jump start community revitalization.
- Unlike other CDFI Fund programs, the CDFI Bond Guarantee Program does not offer grants, but is instead a federal credit subsidy program, designed to function at no cost to taxpayers. The bond proceeds are debt instruments that must be repaid.



How the CDFI Bond Guarantee Program Works



- As a Qualified Issuer, a Certified CDFI (or its designee) applies to the CDFI Fund for authorization to issue Bonds worth a minimum of \$100 million. The Secretary of the Treasury provides a 100 percent guarantee on these Bonds, up to \$1 billion per year.
- The Federal Financing Bank, a government corporation that ensures that Federal obligations are financed efficiently, purchases the Bonds from the Qualified Issuer. Each Bond has a maximum maturity of 29.5 years.
- The Qualified Issuer must use the proceeds from the Bond sale to finance Bond Loans or refinance loans to other 'Eligible CDFIs.' The Qualified Issuer has no obligation for the payments due under the Bond. The Eligible CDFI is responsible for all payments due under the Bond.
- As a result, Qualified Issuers serve as a “go-between” or conduit to the broader CDFI industry.

Impact of the CDFI Bond Guarantee Program



- Through fiscal year 2017, \$1.4 billion had been guaranteed in Bonds through the CDFI Bond Guarantee Program.
- As of February 2018, the Eligible CDFIs have lent \$604 million of the \$1.4 billion in Bonds closed – a 43 percent disbursement rate – as Secondary Loans in rural, urban and Native communities in the following asset classes:
 - Charter schools: \$198.5 million
 - Rental housing: \$153.1 million
 - Commercial real estate: \$92.4 million
 - Financing entities: \$72.3 million (of which \$71.7 million represents loans for owner-occupied homes)
 - Health care facilities: \$36.2 million
 - Not-for-profit organizations: \$30.1 million
 - Small businesses: \$9.1 million
 - Daycare centers: \$7.1 million
 - Senior living and long-term care facilities: \$5.2 million

Learn More About Our Programs

Program	Who is Eligible?	Awards Available	Learn More
Bank Enterprise Award Program	FDIC-insured depository institutions	Awards for a demonstrated increase in lending and investments in distressed communities and CDFIs	www.cdfifund.gov/bea
Capital Magnet Fund	Certified CDFIs and non-profit affordable housing organizations	Awards to finance affordable housing solutions and related economic development activities	www.cdfifund.gov/cmf
CDFI Bond Guarantee Program	Certified CDFIs	Bond loans with a maximum maturity of 29.5 years	www.cdfifund.gov/bond
CDFI Program and Healthy Food Financing Initiative	Certified CDFIs and Certifiable CDFIs	Financial Assistance and Technical Assistance awards; HFFI awards available for CDFIs that receive FA and are interested in healthy food financing	www.cdfifund.gov/cdfi
Native American CDFI Assistance Program	Certified CDFIs, Certifiable CDFIs, and Sponsoring Entities	Financial Assistance and Technical Assistance awards to increase lending and to create or build the capacity of a Native CDFI	www.cdfifund.gov/native
New Markets Tax Credit Program	Certified Community Development Entities	Tax credit allocation authority	www.cdfifund.gov/nmtc