



# Capital Magnet Fund

## Introduction

The Capital Magnet Fund (CMF) provides grants on a competitive basis to community development financial institutions (CDFIs) and nonprofits that develop or manage housing to finance and develop housing for low-and-moderate-income households and community development efforts. Grants are used to support housing financing tools such as loan loss reserves or loan guarantees and must be matched at least 10 to one with funding from other sources. The Capital Magnet Fund is administered by the Treasury Department's CDFI fund. At least 70% of a Capital Magnet Fund award must be used on housing.

## Disbursement Methods

Funding is allocated on a competitive basis to affordable housing organizations. The Capital Magnet Fund issues an annual Notice of Funding Availability which outlines eligibility and the application process.

## Local Governing Body

Funding is distributed directly to community development financial institutions (CDFIs) and nonprofit housing developers.

## General Federally Allowable and Prohibited Activities for Social Housing

### Program-Wide Requirements

Capital Magnet Fund grants are used to fund housing financing tools and must be matched at least 10 to one with funding from other sources.

Capital Magnet Fund properties are subject to affordability requirements for at least 10 years after project completion. 100% of funding must be for units for households with incomes less than 120% of AMI; at least 51% of funding must be for units for

households with incomes less than 80% of AMI. CMF award recipients normally commit to utilizing the award for deeper income targeting than the minimum standards described. For instance, 98% of all housing units to be developed from the FY19 CMF funding round are for households with incomes less than 80% of AMI. If CMF finances rental housing, then at least 20% of the units must be occupied by households with incomes less than 80% of AMI. Maximum rent is fixed at 30% of either 120% AMI, 80% AMI, 50% AMI, or 30% AMI, depending on the household's income.

Funding may not be used for advocacy, lobbying, travel expenses, counseling services, political activities, emergency shelters, nursing homes, residential treatment facilities, convalescent homes, and student dormitories.

## **Rehabilitation of Existing Affordable Housing**

CMF funds may be used for the rehabilitation of affordable housing for extremely low-income, very low-income, and low-income families. Rehabilitation of single-family housing using CMF funds must be for a home that does not exceed 95% of the median purchase price, must be the principal residence for a qualifying family, and must remain affordable for at least 10 years after rehabilitation is completed.<sup>1</sup>

## **Single-Family Purchase**

CMF grants can be used to help buy a home, including detached homes, condos, co-ops, and manufactured housing. CMF awards may be used for down payment loans, first and second mortgages, and other forms of purchase assistance. The purchase price is limited to 95% of the median price in the area. The property must stay affordable for at least 10 years and resale restrictions must be in place to ensure that the 10 year affordability period is met.

## **Multi-Family Purchase**

CMF awards may be used to acquire affordable rental multi-family housing. Each rental multi-family project financed with CMF grants must have at least 20% of the units occupied by low-income families (80% AMI or below). Mixed-income units are allowed with a maximum income for assisted units set at 120% AMI.

Any multi-family rental property financed or assisted with a CMF grant must stay affordable for at least 10 years. Rents in CMF assisted properties must be set at affordable levels. Rents are calculated using the same formula as the one used for the Low-Income Housing Tax Credit (LIHTC) program.

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<sup>1</sup> 12 CFR §1807

## **Construction**

CMF awards may be used to develop affordable rent single-family or multi-family housing.

## **Local Advocacy Strategies/Opportunities**

The Capital Magnet Fund issues an annual Notice of Funding Availability which outlines the application process. Eligible recipients are Treasury-certified CDFIs or nonprofit organizations that have the development or management of affordable housing as one of their principal purposes. Applications are required to include a detailed description of the types of housing and economic and community revitalization projects that would be funded by the grant as well as a timeframe for using the grant.