



Federal Housing Finance Regulatory Reform Act of 2008

Capital Magnet Fund

- A permanent trust fund, known as the Capital Magnet Fund, will be established by the Secretary of Treasury within the CDFI Fund. This will be a separate program from the other CDFI Fund programs.
- Funding for the Capital Magnet Fund is 35% of the allocations from Fannie Mae and Freddie Mac¹ and any other amounts that may be appropriated, transferred, or credited to the Capital Magnet Fund by law.
- Grantees can only be a CDFI or a nonprofit having as one of its principal purposes the development or management of affordable housing.
- Funds will be distributed through a competitive grant program to increase investment in:
 - Development, preservation, rehabilitation, and purchase of affordable housing for primarily extremely low, very-low, and low-income families;
 - Economic or community development activities that support or sustain an affordable housing project;
 - Loan loss reserves;
 - Revolving loan funds;
 - Affordable housing funds;
 - Economic or community development funds (in support of affordable housing);
 - Risk-sharing loans.
- The grant application must include a detailed description of the types of projects proposed; the specific use of the grant; the types, sources, and amounts of other funding; and the expected timeframe for project completion.
- Any one grantee and its subsidiaries and affiliates may not be awarded more than 15% of the aggregate funds available for grants each year.
- The Secretary will seek to fund activities in geographically diverse areas including metropolitan and underserved rural areas in every State. Geographic diversity includes:
 - The percentage of low-income families or the extent of poverty;
 - The rate of unemployment or underemployment;
 - Extent of blight and disinvestment;
 - Projects that target extremely low-, very-low, and low-income families in or outside a designated economic distress area; and
 - Any other criteria designated by the Secretary.

¹ Estimated at \$99 million in the second year; \$156 million in the third year, and then annually at least \$218 million in new grant funding (based on estimates at this point). See CBO report at: http://www.cbo.gov/ftpdocs/93xx/doc9366/Senate_Housing.pdf



- Each grant is reasonably expected to result in projects funded by a grant with aggregate costs totaling at least 10 times the grant amount.²
- Grants must be committed for use within two years of allocation. Uncommitted funds go back into the Capital Magnet Fund.
- The lobby restrictions are the same as for other CDFI Fund programs.
- The GSEs cannot count contributions to the Capital Magnet Fund toward their housing goals and duty to serve underserved markets unless the GSEs purchase mortgages created from the grants with capital outside of the annual 4.2 basis points on new business.
- The Secretary will require each grantee to track the funding, establish minimum requirements for agreements including financial and project reporting, record retention, audits, and any other requirements needed.
- If there is a misuse of funds, the Secretary can reduce the amount of assistance, require repayment of the unused/misused portion of the grant, limit the assistance, or terminate any assistance.
- The Secretary will submit a periodic report to the Senate Banking Committee and the House Financial Services Committee and make these reports publicly available.
- The Secretary will have the authority to issue regulations to carry out the program, including annual audit authority and verification, and an application and selection process.
- Funds must be fairly distributed to urban, suburban, and rural areas.
- Prioritization of funding is based on the ability to use funds to generate additional investments; affordable housing need; and the ability to obligate and undertake activities in a timely manner.
- The Secretary will establish requirements for experience and success in attracting private financing and performance.

For more information, contact:
CDFI Coalition
3240 Wilson Boulevard, Suite 220
Arlington, VA 22201
info@cdfi.org
703.294.6970 phone
703.294.6460 fax
www.cdfi.org

² There is no dollar-for-dollar match requirement for these grants because it is expected that these will be larger awards and the match might be difficult to deliver during the application phase of the program.