

# CDFI BOND GUARANTEE PROGRAM

## ACCESS TO LONG-TERM CAPITAL AT NO COST TO TAXPAYERS

### OFN's FY18 Request

**Continuation of the CDFI Bond Guarantee Program with \$500 million in guarantee authority.**

The CDFI Bond Guarantee Program (BGP) was enacted as part of the Small Business Jobs Act of 2010. Designed as a zero-subsidy federal program—operating at no cost to taxpayers—the BGP enables participating CDFIs access to affordable, long-term capital.

The BGP is administered by the U.S. Department of the Treasury's Community Development Financial Institutions Fund (CDFI Fund). In FY17, the CDFI Fund was authorized to issue up to \$500 million in bonds through the BGP.

### BGP Impact\*

**\$333 million**

Lending

**\$118.5 million**

Rental housing

**\$102.3 million**

Charter schools

**\$77.5 million**

Commercial real estate

**\$13.3 million**

Healthcare facilities

**\$2.9 million**

Small businesses

**\$2.7 million**

Day care centers

### How It Works

The BGP Qualified Issuers (QI) apply to the CDFI Fund for authorization to issue bonds, with each bond issued for a minimum of \$100 million, on behalf of the CDFI(s) that the QI has underwritten. The CDFI industry, with OFN at the lead, has increased utilization of the BGP in recent years by applying for large multi-party bonds. This enables smaller CDFIs—CDFIs that are just as creditworthy as larger organizations but who on their own could not borrow \$100 million—to apply for bond financing together to take advantage of more affordable capital. In a multiparty bond, each CDFI is required to apply for a minimum of \$10 million of the total \$100 million application.

The BGP is designed to operate at no cost to taxpayers, as the proceeds are debt instruments that must be repaid. The U.S. Department of the Treasury underwrites the QI and each CDFI that is part of an application. After determining that all parties are creditworthy, the Department guarantees the bonds, which can be for a term up to 30 years.

The QI then sells the Treasury-guaranteed bonds to the Federal Financing Bank. Bond proceeds are then drawn down over a 60-month period to extend credit to CDFIs for community development purposes. The QI must use the proceeds from the bond sale to extend credit to other CDFIs.

\*CDFI Fund, Investing in Opportunity Fiscal Year 2016 Year in Review.

## List of BGP Recipients

- Bridgeway Capital  
—Pittsburgh, PA
- Capital Impact Partners  
—Arlington, VA
- Chicago Community Loan Fund  
—Chicago, IL
- Citizen Patowatomi CDC  
—Shawnee, OK
- Clearinghouse CDFI  
—Lake Forest, CA
- Community Development Trust  
—New York, NY
- Community Ventures Corporation  
—Lexington, KY
- Enterprise Community Loan Fund  
—Columbia, MD
- Fahe  
—Berea, KY
- IFF  
—Chicago, IL
- Kentucky Highlands Investment Corporation—London, KY
- LIIF  
—San Francisco, CA
- LISC  
—New York, NY
- New Jersey Community Capital  
—New Brunswick, NJ
- Raza Development Fund  
—Phoenix, AZ
- Self-Help Ventures Fund  
—Durham, NC
- TRF  
—Philadelphia, PA

## BGP Financed Projects

### American Legion Post 266

*Westminster, California*

Clearinghouse CDFI, a loan fund based in Lake Forest, California, has helped bridge the financing gap between conventional lending standards and the needs of low-income and distressed communities. Some of their products and services include: nonprofit loans, commercial loans/facilities, educational facilities, faith-based lending, small business loans, and economic development/ community revitalization. Using proceeds from the BGP, Clearinghouse issued a \$715,000 loan for American Legion Post 266 to continue financing its blind and disabled veterans' facility. Post 266 provides valuable services, such as meals for homeless veterans and community events for veterans, and is the only designated blind and disabled veteran post in the country.

### American Health Management

*Richmond, Kentucky*

Kentucky Highlands Investment Corporation (KHIC) of London, Kentucky, provides and retains employment opportunities in southeast Kentucky through sound investment and management assistance. Since its founding in 1968, KHIC has been a leader in the field of community development venture capital investing. KHIC used BGP to provide a \$3 million loan that allowed American Health Management to refinance its outstanding debt and purchase real estate to expand one of its current facilities. This expansion will allow American Health Management to increase its capacity to provide health care services to the elderly population throughout rural Kentucky.

### TEAM Academy Charter School (TEAM)

*Newark, New Jersey*

Enterprise Community Loan Fund (Enterprise), a national CDFI based in Columbia, Maryland, is a leading source of financing to build affordable housing and community facilities in the United States. Enterprise committed \$6 million of its BGP proceeds to the construction of a new elementary and middle school facility in Newark's Central Ward by TEAM. The new facility opened in August 2016 and will become the permanent site for TEAM's 3rd elementary school and 4th middle school, serving approximately 560 elementary and 400 middle school students at full enrollment.

*Updated 05/17*