About the CDFI Bond Guarantee Program

What It Is

The CDFI Bond Guarantee Program (BGP), enacted as part of the Small Business Jobs Act of 2010, is an innovative federal credit program that offers credit-worthy, certified CDFIs access to affordable long-term capital. The BGP is administered by the CDFI Fund at the U.S. Department of the Treasury (Treasury) and in FY 2016 is authorized to issue up to seven bonds for up to $750 million.

Designed as a zero cost federal program—operating at no cost to taxpayers—the BGP enables participating CDFIs to expand and deepen their work towards economic growth and opportunity.

How It Works

Under 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 innovatively increased its utilization of the BGP in recent years by applying for large multi-party bonds. What this does is allow smaller CDFIs—CDFIs that are just as creditworthy as their larger colleagues but who on their own could not borrow $100 million—to band together to take advantage of more affordable capital. Each smaller CDFI in this instance 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. Treasury underwrites the QI and each CDFI that is part of an application. After determining that all parties are creditworthy, Treasury guarantees the bonds, which can be for a term of up to 30 years.

Appropriations

- OFN's request for FY 2017 is $1 billion in guarantee authority for the CDFI Bond Guarantee Program.
- In FY 2016, Congress allocated $750 million in guarantee authority.

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
- LIFT—San Francisco, CA
- LISC—New York, NY
- New Jersey Community Capital—New Brunswick, NJ
- Raza Development Fund—Phoenix, AZ
- TRF—Philadelphia, PA

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The QI then sells the Treasury-guaranteed bonds to the Federal Financing Bank, which is tasked with ensuring efficient federal financing, the bond proceeds are then drawn down over a 60 month period to extend credit to CDFIs for community development purposes.

The BGP-financed projects are often long term in nature, and well suited for long term affordable debt capital. Some of these projects can include commercial real estate development, charter schools, housing units, daycare or health care centers, and municipal infrastructure. Additionally, CDFIs who receive BGP financing can loan to other community development borrowers or refinance existing loans, allowing existing capital to be used for additional community impact.

**BGP Financed Projects**

**Washoe Travel Plaza**—Clearinghouse issued a $5.6 million loan for the development of the Washoe Travel Plaza on Native American reservation land. This development will create approximately 125 jobs in a low-income tribal community in Nevada.

**TEAM Academy Charter School (TEAM)**—Enterprise committed $6 million to the construction of a new elementary and middle school facility in Newark’s Central Ward by TEAM. The new facility is expected to open 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. The new facility is expected to open 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.

**SHIELDS Housing Corporation**—Clearinghouse issued a $1.25 million loan to SHIELDS so that it could acquire a new building where it will provide health care, counseling, and education services to at-risk individuals—particularly women and children—in the Lynwood, California, area.