

# ABOUT THE CDFI BOND GUARANTEE PROGRAM

## OFN Members Participating in the CDFI BGP

- 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

## 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 was 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.

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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**

### **American Legion Post 266**

*Westminster, California*

Clearinghouse CDFI of 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.

**Project:** 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.

**Project:** KHIC administered a \$3 million loan which allowed American Health Management to refinance its outstanding debt and purchase real estate in order 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 of Columbia, Maryland, is a leading source of financing to build affordable housing and community facilities in the United States.

**Project:** 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 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.

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