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Federal $1 Billion Bond Program Is Making a Difference in Community Development.

Steve and Deona Thomas manage a 13-unit apartment building on Chicago's South Side, and they needed to refinance the mortgage on it this year. Through their small property management and rehab company, the Thomases have become award-winning preservers of affordable housing in the city. Such developments don't get the familiar 30-year, fixed-rate mortgages that individuals and families use to buy their homes. Commercial loans, which apply in the Thomases' case, tend to have terms of five to 10 years. Typically, in order to lower monthly payments during the life of the loan, commercial loans are structured so that the last payment is a very large lump sum of the remaining balance (what's known as a balloon payment). As they near the end of a current loan, businesses usually refinance — and pay off the existing mortgage with a new five- to 10-year loan. That comes with a new balloon payment looming at the end.

For many small businesses and nonprofits, this mortgage game becomes a stress-inducing cycle.

A few weeks ago, the Thomases were able to obtain a 20-year loan for that property, fully amortized — meaning no balloon payment — from the Chicago Community Loan Fund (CCLF). No more endless refinancing cycles. At the end of the 20 years, the building will be free and clear of commercial mortgage debt.

That loan was made possible thanks to the newest program of the U.S. Treasury's CDFI Fund, known as the CDFI Bond Guarantee Program, or BGP. It was created by the Small Business Jobs Act of 2010. The federal government purchases bonds issued by federally certified community development financial institutions, or CDFIs. The bonds are 100 percent guaranteed by the U.S. Treasury, and each bond provides capital at up to 29.5-year terms. The BGP is currently the only source of long-term, fixed-rate capital for community development.

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