

Bond Case Briefs

Municipal Finance Law Since 1971

CDFI Bond Guarantee Program.

CDFI Bond Guarantee Program Benefits

Through the CDFI Bond Guarantee Program, the Secretary of the Treasury makes debt available to CDFIs from the Federal Financing Bank. The loans provide long-term capital not previously available to CDFIs, and inject new and substantial investment into our nation's most distressed communities. The CDFI Bond Guarantee Program has guaranteed nearly \$1.7 billion in bonds to date.

OVERVIEW

Enacted through the Small Business Jobs Act of 2010, the CDFI Bond Guarantee Program responds to a critical market need—long-term, low-cost capital that can be used to spur economic growth and jump start community revitalization. Through the CDFI Bond Guarantee Program, Qualified Issuers (CDFIs or their designees) apply to the CDFI Fund for authorization to issue bonds worth a minimum of \$100 million in total. The bonds provide CDFIs with access to substantial capital that is then used to reignite the economies of some of our nation's most distressed communities.

Unlike other CDFI Fund programs, the CDFI Bond Guarantee Program does not offer grants, but is instead a federal credit subsidy program, designed to function at no cost to taxpayers. The bond proceeds are debt instruments that must be repaid.

The Secretary of the Treasury provides a 100 percent guarantee on these loans, with a maximum maturity of 30 years. The Qualified Issuer sells the government-backed bonds to the Federal Financing Bank (FFB)—a government corporation that ensures the efficient use of federal financing—and bond proceeds are used to extend credit to CDFIs for community development purposes. The Qualified Issuer thus acts as a “go between” financier to the broader CDFI community.

CDFIs benefit from the potential scale of the CDFI Bond Guarantee Program, which offers long-term credit at below-market interest rates. This unique program incentivizes and empowers CDFIs to execute large-scale projects, including the development of commercial real estate, housing units, charter schools, daycare or healthcare centers, and municipal infrastructure. In addition to these projects, eligible CDFIs may use the capital to extend credit to other community development borrowers—or Secondary Borrowers—or refinance existing loans at low interest rates, freeing up capital for additional investments. By promoting large-scale, long-term investment, the CDFI Bond Guarantee program helps breathe new life into economically underserved areas.

[Download CDFI Bond Guarantee Program Fact Sheet.](#)