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Capital Magnet Fund

The Capital Magnet Fund (CMF) provides up to $750,000 of flexible gap financing for the preservation or construction of 4% or 9% LIHTC projects that are located in eligible areas and serve incomes at or below 50% of the Area Median Income.

Mission-driven.
Community-focused.
Trusted partner.

Eligible Projects	4% or 9% LIHTC: Acquisition, new construction, and rehabilitation Projects serving incomes at or below 50% AMI Projects in area of economic distress
Program Benefits	Flexible debt: Use as first mortgage, secondary gap financing, up to 20% as a grant (w/CHFA senior debt), or a third mortgage 3% interest rate 60-90 days from receipt of complete application to loan commitment Pair with any of CHFA's senior debt programs or as a standalone second
CHFA-specific Benefits	Can be used as grant when paired with CHFA senior debt Streamlined underwriting if used in conjunction with other CHFA debt Solutions-oriented underwriting team
Loan Limits	$750,000; 90% LTV Debt Service Coverage: 1.05 when combined with all must-pay debt Amount supportable by the project's stabilized net operating income
Loan Terms	17 years; 35-year amortization Prepayment lockout: 5 years
Interest Rates and Fees	3% fixed Loan Origination Fee: 1% Application Fee: $500 Additional Fees: Third-party costs and legal fees (if CHFA is not senior lender)
Conditions Include	AMI restrictions: At or below 50% AMI preferred Must conform with CHFA Credit Policy, including operating and replacement reserve requirements

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Capital Magnet Fund FAQs

What is the purpose of the program and how is it funded?

The Capital Magnet Program is administered and awarded by The CDFI Fund (CDFI), which is part of the U.S. Treasury Department. CHFA has received multiple-year awards through a competitive process and the funds are utilized for affordable multifamily housing.

Is the debt must-pay "hard debt," or is repayment cash flow dependent ("soft debt")?

The loan program requires must-pay monthly principal and interest payments. As such, the project must demonstrate ability to repay the debt in addition to all senior loans.

How are the funds allocated?

Loans are normally funded at the time of conversion to permanent debt upon meeting all closing requirements.

How may it be paired with other CHFA programs or products?

The Capital Magnet Fund program provides up to $750,000 of gap financing for the preservation or construction of projects that receive a reservation of 4% or 9% Low Income Housing Tax Credits (LIHTC). Additionally, up to 20% of the loan amount can be structured in the form of a grant to a nonprofit when CHFA is the senior lender on the project.

Does the loan product require CHFA be the senior permanent lender?

No, we can provide a second mortgage behind another lender's senior loan.

How do we determine if our project is eligible for Capital Magnet Funds?

The preference is the funds be utilized for projects with at least half of the units serving households at or below 50% AMI and those properties located in areas of economic distress as defined by The CDFI Fund (CDFI), and/or located in rural areas. However, CHFA must balance the projects awarded to ensure additional threshold requirements are being met.

Are projects able to use a loan term longer than 17 years to better align with other funding sources?

Generally, no, although CHFA would consider this on a case-by-case basis.

Does CHFA have reserve requirements?

Yes, when the CMF program is used as a first mortgage or senior debt. If used as a secondary or tertiary debt, reserve requirements are not in place. CHFA requires an operating reserve sized to six months of underwritten operating expenses and debt service. Replacement reserve deposits and tax/insurance escrows are required once the project converts to the permanent period. For new construction projects, the minimum replacement reserve deposit is $250 per unit per year for senior properties, $300 per unit per year for family properties, and $350 per unit per year for permanent supportive housing properties. For acquisition/rehab properties, the corresponding reserves minimums would be increased by $50 per unit per year.

This document is intended only to highlight certain CHFA program requirements. Loans are subject to other requirements including the CHFA Credit Policy and applicable operating and replacement reserve requirements.