

**Statutory Language Establishing
a Capital Magnet Fund
(from Public Law 110-289)**

SEC. 1339. CAPITAL MAGNET FUND.

(a) Establishment- There is established in the Treasury of the United States a trust fund to be known as the Capital Magnet Fund, which shall be a special account within the Community Development Financial Institutions Fund.

(b) Deposits to Trust Fund- The Capital Magnet Fund shall consist of--

(1) any amounts transferred to the Fund pursuant to section 1337; and

(2) any amounts as are or may be appropriated, transferred, or credited to such Fund under any other provisions of law.

(c) Expenditures From Trust Fund- Amounts in the Capital Magnet Fund shall be available to the Secretary of the Treasury to carry out a competitive grant program to attract private capital for and increase investment in--

(1) the development, preservation, rehabilitation, or purchase of affordable housing for primarily extremely low-, very low-, and low-income families; and

(2) economic development activities or community service facilities, such as day care centers, workforce development centers, and health care clinics, which in conjunction with affordable housing activities implement a concerted strategy to stabilize or revitalize a low-income area or underserved rural area.

(d) Federal Assistance- For purposes of the application of Federal civil rights laws, all assistance provided using amounts in the Capital Magnet Fund shall be considered Federal financial assistance.

(e) Eligible Grantees- A grant under this section may be made, pursuant to such requirements as the Secretary of the Treasury shall establish for experience and success in attracting private financing and carrying out the types of activities proposed under the application of the grantee, only to--

(1) a Treasury certified community development financial institution; or

(2) a nonprofit organization having as 1 of its principal purposes the development or management of affordable housing.

- ˘ (f) Eligible Uses- Grant amounts awarded from the Capital Magnet Fund pursuant to this section may be used for the purposes described in paragraphs (1) and (2) of subsection (c), including for the following uses:
 - ˘ (1) To provide loan loss reserves.
 - ˘ (2) To capitalize a revolving loan fund.
 - ˘ (3) To capitalize an affordable housing fund.
 - ˘ (4) To capitalize a fund to support activities described in subsection (c)(2).
 - ˘ (5) For risk-sharing loans.
- ˘ (g) Applications-
 - ˘ (1) IN GENERAL- The Secretary of the Treasury shall provide, in a competitive application process established by regulation, for eligible grantees under subsection (e) to submit applications for Capital Magnet Fund grants to the Secretary at such time and in such manner as the Secretary shall determine.
 - ˘ (2) CONTENT OF APPLICATION- The application required under paragraph (1) shall include a detailed description of-
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 - ˘ (A) the types of affordable housing, economic, and community revitalization projects that support or sustain residents of an affordable housing project funded by a grant under this section for which such grant amounts would be used, including the proposed use of eligible grants as authorized under this section;
 - ˘ (B) the types, sources, and amounts of other funding for such projects; and
 - ˘ (C) the expected time frame of any grant used for such project.
- ˘ (h) Grant Limitation-
 - ˘ (1) IN GENERAL- Any 1 eligible grantee and its subsidiaries and affiliates may not be awarded more than 15 percent of the aggregate funds available for grants during any year from the Capital Magnet Fund.
 - ˘ (2) GEOGRAPHIC DIVERSITY-
 - ˘ (A) GOAL- The Secretary of the Treasury shall seek to fund activities in geographically diverse areas of economic distress, including metropolitan and underserved rural areas in every State.
 - ˘ (B) DIVERSITY DEFINED- For purposes of this paragraph, geographic diversity includes those areas that meet objective criteria of economic distress

developed by the Secretary of the Treasury, which may include--

- ` (i) the percentage of low-income families or the extent of poverty;
- ` (ii) the rate of unemployment or underemployment;
- ` (iii) extent of blight and disinvestment;
- ` (iv) projects that target extremely low-, very low-, and low-income families in or outside a designated economic distress area; or
- ` (v) any other criteria designated by the Secretary of the Treasury.

` (3) LEVERAGE OF FUNDS- Each grant from the Capital Magnet Fund awarded under this section shall be reasonably expected to result in eligible housing, or economic and community development projects that support or sustain an affordable housing project funded by a grant under this section whose aggregate costs total at least 10 times the grant amount.

` (4) COMMITMENT FOR USE DEADLINE- Amounts made available for grants under this section shall be committed for use within 2 years of the date of such allocation. The Secretary of the Treasury shall recapture into the Capital Magnet Fund any amounts not so used or committed for use and allocate such amounts in the first year after such recapture.

` (5) PROHIBITED USES- The Secretary shall, by regulation, set forth prohibited uses of grant amounts awarded under this section, which shall include use for--

- ` (A) political activities;
- ` (B) advocacy;
- ` (C) lobbying, whether directly or through other parties;
- ` (D) counseling services;
- ` (E) travel expenses; and
- ` (F) preparing or providing advice on tax returns;

and for the purposes of this paragraph, the prohibited use of funds for political activities includes influencing the selection, nomination, election, or appointment of one or more candidates to any Federal, State or local office as codified in section 501 of the Internal Revenue Code of 1986 (26 U.S.C. 501).

` (6) ADDITIONAL LOBBYING RESTRICTIONS- No assistance or amounts made available under this section

may be expended by an eligible grantee to pay any person to influence or attempt to influence any agency, elected official, officer or employee of a State or local government in connection with the making, award, extension, continuation, renewal, amendment, or modification of any State or local government contract, grant, loan, or cooperative agreement as such terms are defined in section 1352 of title 31, United States Code.

ˆ (7) PROHIBITION OF CONSIDERATION OF USE FOR MEETING HOUSING GOALS OR DUTY TO SERVE- In determining the compliance of the enterprises with the housing goals under this section and the duty to serve underserved markets under section 1335, the Director of the Federal Housing Finance Agency may not consider any Capital Magnet Fund amounts used under this section for eligible activities under subsection (f). The Director of the Federal Housing Finance Agency shall give credit toward the achievement of such housing goals and such duty to serve underserved markets to purchases by the enterprises of mortgages for housing that receives funding from Capital Magnet Fund grant amounts, but only to the extent that such purchases by the enterprises are funded other than with such grant amounts.

ˆ (8) ACCOUNTABILITY OF RECIPIENTS AND GRANTEES-

ˆ (A) TRACKING OF FUNDS- The Secretary of the Treasury shall--

ˆ (i) require each grantee to develop and maintain a system to ensure that each recipient of assistance from the Capital Magnet Fund uses such amounts in accordance with this section, the regulations issued under this section, and any requirements or conditions under which such amounts were provided; and
ˆ (ii) establish minimum requirements for agreements, between the grantee and the Capital Magnet Fund, regarding assistance from the Capital Magnet Fund, which shall include--

ˆ (I) appropriate periodic financial and project reporting, record retention, and audit requirements for the duration of the grant to the recipient to ensure compliance with the limitations and

requirements of this section and the regulations under this section; and
` (II) any other requirements that the Secretary determines are necessary to ensure appropriate grant administration and compliance.

` (B) MISUSE OF FUNDS- If the Secretary of the Treasury determines, after reasonable notice and opportunity for hearing, that a grantee has failed to comply substantially with any provision of this section and until the Secretary is satisfied that there is no longer any such failure to comply, the Secretary shall--

` (i) reduce the amount of assistance under this section to the grantee by an amount equal to the amount of Capital Magnet Fund grant amounts which were not used in accordance with this section;

` (ii) require the grantee to repay the Secretary any amount of the Capital Magnet Fund grant amounts which were not used in accordance with this section;

` (iii) limit the availability of assistance under this section to the grantee to activities or recipients not affected by such failure to comply; or

` (iv) terminate any assistance under this section to the grantee.

` (i) Periodic Reports-

` (1) IN GENERAL- The Secretary of the Treasury shall submit a report, on a periodic basis, to the Committee on Banking, Housing, and Urban Affairs of the Senate and the Committee on Financial Services of the House of Representatives describing the activities to be funded under this section.

` (2) REPORTS AVAILABLE TO PUBLIC- The Secretary of the Treasury shall make the reports required under paragraph (1) publicly available.

` (j) Regulations-

` (1) IN GENERAL- The Secretary of the Treasury shall issue regulations to carry out this section.

` (2) REQUIRED CONTENTS- The regulations issued under this subsection shall include--

- ` (A) authority for the Secretary to audit, provide for an audit, or otherwise verify an enterprise's activities, to ensure compliance with this section;
- ` (B) a requirement that the Secretary ensure that the allocation of each enterprise is audited not less than annually to ensure compliance with this section;
- ` (C) a requirement that, for the purposes of subparagraphs (A) and (B), any financial statement submitted by a grantee to the Secretary shall be reviewed by an independent certified public accountant in accordance with Statements on Standards for Accounting and Review Services, issued by the American Institute of Certified Public Accountants; and
- ` (D) requirements for a process for application to, and selection by, the Secretary for activities to be funded with amounts from the Capital Magnet Fund, which shall provide that--
 - ` (i) funds be fairly distributed to urban, suburban, and rural areas; and
 - ` (ii) selection shall be based upon specific criteria, including a prioritization of funding based upon--
 - ` (I) the ability to use such funds to generate additional investments;
 - ` (II) affordable housing need (taking into account the distinct needs of different regions of the country); and
 - ` (III) ability to obligate amounts and undertake activities so funded in a timely manner.'.