

## In Brief

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# CDFI Launches Pool to Finance Nonprofit Real Estate Needs

The Illinois Facilities Fund (IFF), one of the nation's top community development financial institutions, has launched a new *Investor Consortium*, which has already attracted almost 20 financial institutions from throughout Illinois, adding to the IFF's existing broad base of institutional investors. The Consortium's purpose is to pool investments and loans from institutions to increase the IFF's lending power by approximately \$100 million.

The IFF lends at below-market rates, exclusively to nonprofit corporations for real estate projects located in or serving low-income communities. Most IFF borrowers rely on government contracts to provide services and on charitable giving to close the gap in their annual budgets.

The Consortium is modeled on other successful loan pools, including the Community Investment Corporation's (CIC) structure, and a similar consortium offered by the IFF in 1995.

"We are very pleased that our financing model is being replicated so the IFF can grow, and banks throughout the state can have an efficient mechanism to support nonprofit real estate projects in low-income communities," said John Pritscher, president of CIC, a community development financial institution.

In order to make below-market loans to nonprofit borrowers, the IFF finances its operations by borrowing, at favorable rates, from banks, insurance companies, and foundations.

The IFF will create security instruments backed by first or second position mortgages. IFF loan terms are typically 15 years, adjusted every five years, and priced at 100 basis points over the U.S. Treasury rate of the same term.

The IFF's current portfolio of loans includes approximately 90 first position mortgages, some of which will secure the initial consortium note sale. Thereafter, funds generated by the note sales will be used to make new loans. Note sales will be held three times a year.

The first closing takes place the week of December 6, 2004 for about \$20 million, which includes the following banks:

- |                                 |  |
|---------------------------------|--|
| ■ Harris Trust and Savings Bank | ■ LaSalle Bank Community Development Corporation |
| ■ The Northern Trust Company    | ■ MB Financial Bank N.A.                         |
| ■ Cole Taylor Bank              | ■ Jacksonville Savings Bank                      |

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Visit the Web site of the Federal Reserve Bank of Chicago at:

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