ML STRATEGIES

Office of Strategic Capital Opens Application Window for National Security Fund Finance Program

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What Happened

On August 20, the Department of War's Office of Strategic Capital (OSC) posted a formal Notice of Funding Opportunity (NOFO) for the National Security Fund Finance (NSFF) Program. The program will provide capital support to credit funds investing in companies that address shortages, gaps, and vulnerabilities in critical minerals vital to United States national security.

Through NSFF, the OSC will provide multi-draw term loans to qualified fund managers that will combine federal financing with privately raised capital. Participating funds will use that capital to make secured loans to eligible portfolio companies. OSC anticipates making one or more awards, with each credit facility ranging from $500 million to $1 billion per fund and generally limited to no more than 125% of the fund's eligible private equity capitalization.

The NSFF NOFO is available for download **here**. Complete proposals are due by **5:00 pm ET on November 1, 2026**. OSC expects to select applicants for due diligence and negotiations by January 10, 2027, and anticipates issuing conditional commitments by March 10, 2027.

Background

OSC was established within the Department of War to "use the United States' comparative advantage in private capital markets to attract and scale investments in technologies" critical to national security. OSC is authorized to provide capital assistance — in the form of loans, loan guarantees, and technical assistance — to eligible entities developing dual-use technologies across **34 covered technology categories**.

The Department's FY2027 budget request includes approximately $216 million in discretionary funding and $20 billion in mandatory funding for OSC's capital assistance pilot programs, underscoring the Trump administration's commitment to using federal credit to mobilize private investment in national security industries.

Why It Matters

NSFF creates a significant new source of federally supported financing for critical minerals and materials companies. OSC has previously provided direct financing to companies in the sector, including its $150 million loan to MP Materials, and has announced additional conditional commitments supporting domestic magnet and critical minerals supply chains.

OSC also previously partnered with the Small Business Administration (SBA) to establish the Small Business Investment Company Critical Technologies (SBICCT) Initiative. The initiative's first cohort included 18 licensed or Green Light Approved funds expected to invest across DoW's 14 Critical Technology Areas and related component technologies and production processes. Each participating fund could access up to $175 million in SBA-backed leverage.

NSFF represents a major expansion of that fund-finance model. In contrast to SBICCT, NSFF will be administered directly by OSC using its own appropriated funding and will provide facilities of up to $1 billion per fund. The program is also narrower: NSFF financing must support critical minerals and materials supply chains and may be used only for qualifying first- and second-lien loans. Equity investments are generally prohibited, leaving an important financing gap for early-stage and higher-risk critical minerals projects that may not yet support conventional debt.

Although the application, due diligence, closing, and fund-deployment process will take time, critical minerals companies should begin identifying potential NSFF applicant funds and positioning qualifying projects for financing now.

Authors

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John Lushetsky draws on over 30 years of experience in government and industry to help clients identify strategic opportunities, secure federal funding, and position innovative technologies for success within evolving energy and infrastructure policy landscapes. He has successfully helped clients navigate complex issues through a variety of federal agencies.

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