June XX, 2017

The Honorable Thad Cochran

Chairman, Committee on Appropriations

U.S. Senate

Washington, DC 20510

The Honorable Patrick J. Leahy

Vice Chairman, Committee on Appropriations

U.S. Senate

Washington, DC 20510

The Honorable Shelley Moore Capito

Chairman,

Financial Services & General Government Subcommittee

Committee on Appropriations

U.S. Senate

Washington, DC 20510

The Honorable Christopher A. Coons

Ranking Member,

Financial Services & General Government Subcommittee

Committee on Appropriations

U.S. Senate Washington, DC 20510

The Honorable Rodney Frelinghuysen

Chairman, Committee on Appropriations

U.S. House of Representatives

Washington, DC 20515

The Honorable Nita M. Lowey Ranking Member, Committee on Appropriations

U.S. House of Representatives

Washington, DC 20515

The Honorable Tom Graves

Chairman, Financial Services & General Government Subcommittee

Committee on Appropriations

U.S. House of Representatives

Washington, DC 20515

The Honorable Mike Quigley

Ranking Member, Financial Services & General Government Subcommittee

Committee on Appropriations

U.S. House of Representatives

Washington, DC 20515

Dear Chairs and Ranking Members:

On behalf of the undersigned community development organizations, we are writing to express our opposition to the Administration’s proposal in its fiscal year (FY) 2018 budget to eliminate funding for the Capital Magnet Fund (CMF). We respectfully request that Congress ensure that the Community Development Financial Institutions Fund (CDFI Fund) at the Department of Treasury continues to have the resources it needs for this critically important program.

The CMF was created by Congress through the bi-partisan Housing and Economic Recovery Act (HERA) of 2008, an early federal response to the nation’s growing housing and financial crisis. The intent of Congress was to generate new investment in affordable housing and other economic development projects in low-income communities across our nation, and the CMF has clearly succeeded in achieving that goal. In fact, in its first funding round, the CMF leveraged the federal investment twenty times over.[[1]](#footnote-1)

The innovation at the heart of CMF is that it facilitates direct, entity-level investments in high capacity Community Development Financial Institutions (CDFIs) and nonprofit housing developers that strengthen these organizations and enable them to meet the changing needs of their individual communities. This structure is designed to:

* *Attract private capital.* Organizations that receive grants through the CMF are required to leverage their funding 10:1 with other sources of capital, and so the program attracts much-needed private investment that creates jobs, housing, and services for underserved Americans.
* *Maximize return on investment.* The CMF multiplies the impact of program investment many times over because grant recipients also are required to redeploy CMF-supported loans in new projects throughout the grant term. Moreover, the grant recipient’s administrative expenses are limited to 5 percent of any grant.
* *Create an enduring program funded through the housing finance system.* HERA funded the CMF through a small fee on the total new business purchases of the Government-Sponsored Enterprises (GSEs) Fannie Mae and Freddie Mac. When that source was rendered temporarily unavailable,[[2]](#footnote-2) Congress felt strongly enough about the potential of the CMF to help address the deepening housing crisis that it appropriated $80 million in FY 2010.

Last month, the CDFI released data that illustrates the powerful impact of the FY 2010 funding round of CMF. According to the CDFI Fund, the 23 awardees from 2010 have used the $80 million in grants to attract $1.8 billion in other investment by the public and private sector (a 20:1 ratio); have produced 10,800 affordable homes for families, seniors, veterans, the homeless, and the disabled; and have created or retained 15,000 jobs in communities across America.

CMF is poised to continue its strong track record. The just-completed 2016 funding round will enable 32 grantees to serve 37 states and the District of Columbia. Collectively, awardees including Ohio Community Capital, Habitat for Humanity of the Mississippi Capital Area, MaineStream Finance, and Housing Vermont are projected to create approximately 17,000 additional jobs, produce 17,000 affordable housing units and attract more than $2.2 billion in private investment in every type of housing market--28 percent of awardees plan to invest the majority of their awards in non-metropolitan areas.

The need for affordable housing—and for CMF funding—is greater today than ever before. Although the economy has improved since 2008, the recovery has coupled rising housing costs with income stagnation among low-income Americans. As a result, the number of renter households that are considered severely cost burdened—that is, that pay more than half of their income in rent—is at an all-time high of 11.4 million families or more than one in four of all renters in the United States.[[3]](#footnote-3) Nowhere in the country can full-time minimum wage workers afford a modest two-bedroom rental.[[4]](#footnote-4)

The CMF has proven to be a highly cost-effective resource for creating affordable housing in low-income communities. We believe that the program’s track record merits its expansion, not its elimination. At the very minimum, we believe that the current funding structure should remain intact. Longer term, we look forward to working with Congress to expand the CMF in any legislation to restructure the nation’s housing finance system.

Thank you for considering this request.

1. *Capital Magnet Fund*, CDFI Fund Fact Sheet available at https://www.cdfifund.gov/Documents/CMF%20Fact%20Sheet%20Apr2017\_vfinal2.pdf [↑](#footnote-ref-1)
2. Shortly after HERA’s passage, the GSEs were forced into conservatorship. Even after both GSEs had returned to profitability, the acting Director of the Federal Housing Finance Agency (FHFA) suspended payments to the CMF and NHTF. In December, 2014, FHFA Director Mel Watt resumed payments to both funds. [↑](#footnote-ref-2)
3. Harvard University Joint Center for Housing Studies (JCHS), “The State of the Nation’s Housing, 2016” [↑](#footnote-ref-3)
4. Out of Reach 2016. National Low Income Housing Coalition. http://nlihc.org/sites/default/files/oor/OOR\_2016.pdf [↑](#footnote-ref-4)