

February 22, 2019

The Honorable Joseph M. Otting
Federal Housing Finance Agency
400 7th Street, SW
Washington, D.C. 20219

Dear Acting Director Otting:

We are writing to urge you to continue making allocations to the Capital Magnet Fund (CMF) and the national Housing Trust Fund (HTF) in fiscal year 2019 and going forward. These programs are effective tools in creating affordable housing supply and are funded by a de minimis fee on new business, currently 4.2 basis points, and not through federal appropriations. They have broad bipartisan support and failure to continue to fund them will result in an even greater need for government spending to address the shortage of affordable housing in the future.

The CMF was created in the Housing and Economic Recovery Act of 2008. It's a competitive program administered by the Treasury Department and is open to community development financial institutions and non-profit housing organizations like Habitat for Humanity to develop, preserve, rehabilitate, or purchase affordable housing, as well as related economic development activities such as day care centers, community health clinics and workforce development centers. CMF recipients are required to attract at least \$10 of outside capital for each dollar awarded, although in practice they have attracted in excess of \$22 for every dollar awarded. The CMF provides funding that non-profit developers and lenders often cannot find elsewhere—funding to do pre-development work, create revolving loan funds, establish loan loss reserves, and provide loan guarantees—all critical pieces of affordable housing and community development. In all, four rounds of funding have gone out for a total of \$434 million, which has or will help to attract \$13.5 billion in other capital into these projects. CMF awards are supporting the creation of over 64,000 rental units and over 8,700 single-family homes in 47 states, the District of Columbia, and Puerto Rico. In every award round, more than twenty percent of recipients are investing the majority of their funds in rural areas.

In the first three years of HTF, \$659.8 million has been allocated to states. Because the HTF is administered as a block grant, each state has the flexibility to decide how to best use HTF resources to address its most pressing housing needs. Most states have chosen to use their HTF investment to build and preserve affordable rental housing for extremely low-income veterans, seniors, people with disabilities or special needs, and people experiencing homelessness.

Fannie Mae and Freddie Mac have been accruing CMF and HTF dollars on a quarterly basis during 2018 and any suspension of the distribution will result in the dollars being “swept” by the U.S. Department of the Treasury where it will never be spent for housing – or anything other than making a miniscule interest payment on the US debt. The GSEs were profitable in fiscal year 2018 and gave back billions to the Treasury. Leaving the CMF and HTF dollars to be allocated as intended by Congress will have no impact on their financial condition. Furthermore, the fees imposed on the GSEs are designed to ensure that they make a contribution to segments

of the market that are underserved since they often struggle to reach these communities through their normal business. We strongly urge you to continue funding these critically important funds.

Thank you for your consideration of our views.

Sincerely,

Atlanta Neighborhood Development Partnership
Capital Magnet Fund Coalition
Central Bank of Kansas City
Cinnaire
Coalition of Community Development Financial Institutions
Community Development Bankers Association
Disability Opportunity Fund
Enterprise Community Partners
Genesis LA Economic Growth Corporation
GROW South Dakota
Gulf Coast Housing Partnership
Bart Harvey
Habitat for Humanity International
Homewise Inc
Housing Partnership Network
Kentucky Highlands Investment Corporation
LeadingAge
Legacy Bank and Trust
Leviticus Fund
Local Initiatives Support Corporation
Low Income Investment Fund
Mercy Loan Fund
National Association of Affordable Housing Lenders
National Council of State Housing Agencies
National Housing and Rehabilitation Association
National Housing Conference
National Low Income Housing Coalition
National Multifamily Housing Council
National Rural Housing Coalition
New Hampshire Community Loan Fund
Novogradac
Ohio Capital Finance Corporation
Opportunity Finance Network
RIHousing
Rural Community Assistance Corporation
Self-Help Credit Union
Stewards of Affordable Housing for the Future
Twin Cities Habitat for Humanity
Volunteers of America