The Honorable Richard Shelby
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 James Lankford
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

May 9, 2018

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 rescission package to recapture $151 million in funding for the Capital Magnet Fund (CMF).

We respectfully request that Congress reject this rescission. Further, we urge prompt action to enable the Community Development Financial Institutions Fund (CDFI Fund) at the Department of Treasury to distribute the next round of funding to public and private sector awardees of this highly successful program who are successfully deploying these funds to address housing affordability crisis among our nation's lowest income seniors, veterans, persons with disabilities, and families with children.

The origin and intent of the rescission mechanism in the Congressional Budget Impoundment and Control Act is well-established. Namely, it was designed and has uniformly (though rarely) been used to return to the taxpayers unspent funds in appropriated accounts from prior fiscal years, typically for programs that are poorly performing or have been eliminated entirely. The Administration's effort to claw back CMF funding by means of rescission flies in the face of this well-established practice.

First, CMF is not an appropriated program. Rather, it was created by Congress through the bipartisan Housing and Economic Recovery Act (HERA) of 2008, an early federal response to the nation's growing housing and financial crisis. Indeed, HERA funded the CMF through a small fee on total new business purchases of the Government-Sponsored Enterprises (GSEs) Fannie Mae and Freddie Mac precisely to create an enduring program to generate new investment in affordable housing and other economic development projects in low-income communities across our nation through the housing finance system and <u>not</u> be reliant entirely on the annual Congressional appropriations process.

Second, CMF funds have not been sitting unspent at the CDFI Fund. Rather, these funds were not released to the Treasury Department by the GSEs until May 1, 2018, and if prior year CMF rounds are predictive, the entire amount of funds will be obligated to awardees before the end of calendar year 2018.

Finally, one would be hard pressed to find a program where taxpayers are getting more "bang for the buck" than the CMF. The innovation at the heart of CMF –unique among housing programs across the federal government--is that it facilitates direct, entity-level investments in high capacity CDFIs, nonprofit housing developers, banks and public sector agencies. This flexible capital strengthens these organizations in a way that private financing partners require, enabling the organizations to attract and combine multiple funding sources including traditional project-level subsidies to address the housing needs of their individual communities at scale.

More precisely, 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 awards many times over because grant recipients also are required to redeploy CMF-supported loans in new projects throughout the grant term. Moreover, grantees' administrative expenses are limited to 5 percent of an award.

By any measure, CMF has succeeded beyond any reasonable expectation, given its enactment early on in the deepest economic recession since the Great Depression. Earlier this year, the CDFI Fund released new data that illustrates the powerful impact of the FY 2010 funding round of CMF. 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 remarkable 22:1 ratio); have produced 13,325 affordable homes for families, seniors, veterans, the homeless, and the disabled; and have created or retained 16,000 jobs across America.[1]

And the CMF is poised to continue its strong track record. The 2017 funding round of $120 million will enable 40 grantees to serve 41 states and the District of Columbia. Collectively, awardees --including United Bank (AL), Hope Federal Credit Union (MS), Local Initiatives Support Corporation (LISC), Enterprise Community Loan Fund, Kentucky Highlands Investment Corporation, Rhode Island Housing and Mortgage Finance Corporation and Ohio Capital Finance Corporation -- are projected to create approximately 17,000 additional jobs, produce 21,000 affordable homes and attract more than $3.2 billion in additional investment, with 78% ($2.5 billion) expected to come from the private sector.[2] CMF and the funds it leverages will flow to every type of housing market: Fully one-fifth of awardees plan to invest the majority of their awards in rural 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 considered severely cost burdened—that pay more than half of their income in rent—is near an all-time high of 11.4 million

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[1] *Capital Magnet Fund*, CDFI Fund Fact Sheet available at https://www.cdfifund.gov/Documents/CMF%20Fact%20Sheet%20Apr2017_vfinal2.pdf

[2] The 2017 funding round was the third set of CMF awards: The CDFI Fund estimates that the 32 awardees of $91.5 million in funding are on track to provide 17,000 affordable homes, leverage over $3 billion in public and private sector capital, and create or retain over 17,000 jobs—figures which, like the FY 2010 round, will only increase as awardees recycle CMF loans that have been repaid.

families, 3.7 million more than in 2001 and one in four of all renters in the United States.[3] Nowhere in the country can full-time minimum wage workers afford a modest two-bedroom rental home.[4]

The CMF has proven to be a highly cost-effective resource for creating affordable housing in low-income communities. Accordingly, the nation would be better served if the Administration deployed the $151 million in available CMF funds as quickly as possible to meet the demand for this flexible, powerful to address the affordability crisis (in 2017, the CDFI Fund received applications for more than 3.5 times the amount awarded), rather than targeting it for rescission.

We urge Congress to reject this ill-advised request. Thank you for your consideration of this matter.

Capital Impact Partners
CDFI Coalition
Corporation for Supportive Housing
Enterprise Community Partners
Habitat for Humanity
Housing Partnership Network
IFF
Local Initiatives Support Corporation
Low Income Investment Fund
National Association of Affordable Housing Lenders
National Housing Conference
National Rural Housing Coalition
National Housing Trust
Opportunity Finance Network
Reinvestment Fund
Self-Help Credit Union
Stewards of Affordable Housing for the Future

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[3] Harvard University Joint Center for Housing Studies (JCHS), "The State of the Nation's Housing, 2017" http://jchs.harvard.edu/research/state_nations_housing

[4] Out of Reach 2017. National Low Income Housing Coalition. http://nlihc.org/sites/default/files/oor/OOR_2017.pdf