

Mr. David Dworkin
Capital Magnet Fund Manager
Community Development Financial Institutions Fund
U.S. Department of the Treasury
601 13th Street, NW, Suite 200 South
Washington, DC 20005
Via email: cdfihelp@cdfi.treas.gov

November 16, 2010

Dear Mr. Dworkin:

Opportunity Finance Network appreciates the opportunity to comment on reporting requirements for the Capital Magnet Fund (CMF). As OFN represents a national network of community development financial institutions (CDFIs), our comments focus primarily on the issues CDFIs will face reporting on the CMF. All of the certified CDFIs that won CMF awards are Members of OFN, and represent about half of the award dollars committed.

As CMF awardees have not yet executed Assistance Agreements for the inaugural round of the program, we hope that the CDFI Fund can incorporate suggestions received under this request for comments as it finalizes award disbursements. However, since this year is the first of the program, both awardees and the Fund are likely to encounter unanticipated issues in the closing of awards. For that reason, we urge the Fund to consider comments received after the deadline.

Reporting requirements for the CMF should adhere to the principles that OFN suggested in our letter of July 6, 2010, responding to a Request for Comments from the CDFI Fund on awardee and allocatee annual reports for the CDFI and New Markets Tax Credit programs. The principles we promoted in that letter included:

-  The Fund should be a source of high-quality, reliable data about the CDFI industry.
-  Collection of some transaction-level data is important for CDFIs and their investors as one tool for understanding their markets.
-  With appropriate protections and safeguards, data should be made public in a timely fashion.
-  The Fund must minimize burden on CDFIs.
-  Improving infrastructure for submission and use is critical.

While implementation of data collection and reporting may vary between the Financial Assistance (FA) programs and the CMF, the same principles should undergird the Fund's strategy in



collecting data from CMF awardees. In addition, the CMF reporting should:

- *Use information, particularly institution-level data, which Financial Assistance awardees already provide as a condition of assistance agreements in that program.* CMF reporting requirements should mirror requirements of the FA program as closely as is practicable. CDFIs should be able to combine submission of FA and CMF reporting, and provide reports on the same timetable and for the same fiscal year for both programs.

For reporting not easily transferable from FA awardee obligations, the Fund should use information generally reported to other resources for similar projects, such as for Low Income Housing Tax Credits.

- *Take into account the operational differences between CDFI and non-CDFI awardees.* As lenders, CDFIs have different recordkeeping systems and different relationships with end users of the funding than developers or housing finance agencies. The reporting instruments must not only incorporate the appropriate definitions and understanding of CDFIs; they must also reflect CDFIs' operational practices.

The Capital Magnet Fund Program capitalizes on what CDFIs and nonprofit affordable housing developers do best, which is to leverage a small federal investment with other funding; its funds are *not* permanent sources of capital in a project, but rather seed capital. Accordingly, CDFIs use investments such as the CMF to leverage additional funding and cannot always track the path of specific dollars into a particular project. In the specific case of this year's CMF awards, many CDFIs prepared their applications based on a pipeline of investments anticipated in early 2010. With disbursement of funds coming a year later, the CDFI may not invest the CMF award dollars in the same projects it identified at application. For reasons like these, it is critical that the Fund's reporting requirements for the CMF reflect the way CDFIs do business.

- *Obligate CDFIs to report at the project level rather than the end-user level.* Rather than obligating CDFIs to track individual tenants and end users of projects, the Fund should permit CDFI awardees to certify annually statements from their borrowers that the projects meet affordability requirements. As lenders, CDFIs are several steps removed from the end users in affordable housing projects. They rely on their housing developer partners and other borrowers to comply with affordable housing obligations and track tenant income. CDFI financing has been provided and in many cases repaid before a housing project secures tenants.
- *Be no longer than five years.* If the Fund maintains the ten-year affordability requirement for CMF projects,¹ reporting after year 5 should be limited to an annual certification that projects continue to met those affordability requirements.

¹ In our comment letter of May 13, 2010, OFN argued against the Fund's use of a ten-year affordability requirement, and we continue to hold that position.



Specific Comments on the Proposed Data Points

The following comments reflect concerns with or suggestions for particular items proposed in the “List of Relevant Data Points to be collected for Capital Magnet Fund Program,” downloaded from http://www.cdfifund.gov/docs/2010/cmf/Updated_Data_Points_Memo_083110.pdf on November 10, 2010. In general, the Fund should provide guidance on the completion of the report that clarifies which data points are required of all awardees, which are required on non-CDFI awardees, and which may be required of awardees using their funds for specific kinds of projects (e.g., an awardee that uses all of its funds to support rental projects may not be able to provide data points related to homeownership financing).

Part I-Award Use Summary: The Fund should provide guidance on reporting on item 7, “Total jobs created from CMF-funded activities,” so that awardees are reporting these figures consistently. The Fund should also consider minimally-burdensome options that help awardees identify jobs created from construction vs. non-construction funding.

Part II: Financial Position: In the case of any CDFI that has a current reporting obligation or Assistance Agreement for an FA award, the Fund should use the CDFI’s institution-level report (ILR) to complete this part of the CMF report and should not require the CDFI to provide the information separately for the CMF.

Part IV-Schedules: Schedule 7-W makes a comparatively simple data collection effort unnecessarily complex. In providing affordable housing finance, CDFIs gather all of the project’s financial information as part of the underwriting process. To collect information about leverage, the Fund should instead prepare lists of allowed and disallowed sources which can be considered leverage, and present a reasonable form for awardees to convey that leverage information.

Part V-Material Events: Because CDFIs are lenders to housing developers rather than being themselves the developers, it is not feasible to expect a CDFI awardee to notify the CDFI Fund each time a tenant no longer qualifies as low-income (item 3). Instead, the Fund should require that CDFIs obtain from borrowers or developers an annual certification that the project maintains, in aggregate, the required affordability thresholds. Such a certification could be similar to the annual reporting and certification required for the Low Income Housing Tax Credit program.

Part VI-Auditable Data: Along similar lines as the concern expressed in “Material Events,” above, it is not feasible for CDFIs to maintain end-user data for all projects on site (items 1, 2, and 3 in this section). Instead, the Fund should require CDFI awardees to maintain on site annual reports or certifications from the borrowers and/or developers that reflect this information.

Conclusion

OFN and the opportunity finance industry are very excited about the prospects for the new CMF program, and share with the Fund a desire for its continued success. We recognize that timely reporting and accurate data are an important part of ensuring the future success of the program.



I hope that the suggestions in this letter assist the Fund in developing a reporting instrument and compliance process that reflects the strength of CDFIs in leveraging private-sector funding, and builds on the CDFI Fund's track record of supporting strong institutions and their strategies. Please do not hesitate to contact me if you have questions or would like additional information about the issues raised in this letter.

Sincerely,

Mark Pinsky
President and CEO