

December 15, 2014

Dear OFN Member,

For the past few months, many of you have been working on or following the FY2015 federal budget negotiations. Because of the significance of this budget, I am writing to provide you with an overview of what happened in Washington last week and how it will likely impact our industry next year and possibly for years to come.

### **The CDFI Fund**

In the final FY2015 budget deal, which Congress completed on Saturday night and which President Obama has said he will sign, the overall funding level for the CDFI Fund increased from \$226 million (for FY2014) to \$230.5 million (for FY2015).

While the increase is important, the significance of it is that it provided insight about the level of support as well as the challenges our policy priorities will face in the Republican-controlled 114th Congress next year.

The \$230.5 million is allocated as follows:

- \$152.4 million for Financial Assistance and Technical Assistance awards
- \$15 million for Native CDFIs
- \$18 million for the Bank Enterprise Award Program, and
- \$22 million for Healthy Foods Financing

The bill waives the match requirement for Small and Emerging CDFIs and Native CDFIs, reducing a barrier to access that many smaller CDFIs and CDFIs led by people of color have expressed strong concern about. In addition, the match waiver was a top priority for Native CDFIs.

### **The CDFI Bond Guarantee Program**

Congress continued the CDFI Bond Guarantee Program at \$750 million through FY2015. Continuing the program was the first of three advocacy goals OFN and its Members had for this program; the other two are to make it work better and to make it work for more CDFIs.

With support from many Member CDFIs, OFN is working with the CDFI Fund and Treasury Department on ways to achieve both of these goals. We believe, based on these conversations, that we will make significant progress in 2015 on both objectives—making the program easier to use and making it valuable to more CDFIs.

### **New Markets Tax Credit**

This week the Senate will consider approving a tax bill that includes a one-year extension of the New Markets Tax Credit Program with \$3.5 billion in annual credit authority provided for 2014. We expect the Senate will approve this bill and President Obama will sign it into law.



### **The Capital Magnet Fund**

Finally, last week there was also a significant development that could affect CDFI lending for affordable housing. Federal Housing Finance Agency (FHFA) Director Mel Watt instructed Fannie Mae and Freddie Mac to begin funding the Capital Magnet Fund (CMF) and the National Housing Trust Fund. Congress initially directed Fannie and Freddie to do so in 2008, but the housing crisis led Mr. Watt's predecessor to suspend the program.

OFN and its Members persuaded Congress to create the CMF to use fees from Fannie and Freddie to fund capital grants to CDFIs and housing developers through the CDFI Fund. Getting the program back up and running was another OFN priority in 2014.

Director Watt's action is an important first step in finally funding the CMF as Congress intended. OFN looks forward to working with many of our Members and our housing partners to make sure money flows to the CMF as soon as possible.

At the same time, Director Watt's action, which OFN supports, drew strong partisan criticism that is likely to result in hearings and investigations. This may create headwinds for future CDFI Fund appropriations, and OFN continues to monitor the political situation closely. One price of success for CDFIs is that we face more scrutiny than in the past, but we are prepared for it.

### **Conclusion**

Overall, OFN is very proud and pleased about the exceptional outcomes our industry achieved this year. Our successes in Washington reflect the incredible efforts OFN Members, Board, and staff made to stay focused on our priorities based on your work. I want to thank you for your ongoing commitment to advancing the industry's policy priorities. We will need to continue and expand our advocacy with members of the new Congress in 2015, and I hope you will support our efforts to provide opportunity. For all.

Thanks to everyone who has been part of this sustained team effort.

Wishing you a peaceful holiday and a healthy and happy New Year!

Sincerely,

Mark Pinsky  
President & CEO  
Opportunity Finance Network