

December 11, 2017

The Honorable Jeb Hensarling
Chairman, Financial Services Committee
Room 2129 Rayburn Building
U.S. House of Representatives
Washington, DC 20515

The Honorable Maxine Waters
Ranking Member, Financial Service Committee
Room 2129 Rayburn Building
U.S. House of Representatives
Washington, DC 20515

The Honorable Sean Duffy
Financial Services Committee
U.S. House of Representatives
Washington, DC 20515

The Honorable Emmanuel Cleaver
Financial Services Committee
U.S. House of Representatives
Washington, DC 20515

Dear Chairman Hensarling, Ranking Member Waters, Chairman Duffy, and Ranking Member Cleaver:

On behalf of the undersigned community development organizations, we are writing to express our strong opposition to H.R. 4560, scheduled for a vote in the Financial Services Committee tomorrow. This bill would suspend payments to the Capital Magnet Fund in the event that certain investors in Fannie Mae and Freddie Mac fail to receive dividend payments. The bill's sponsors appear to be motivated by a desire to spur action on legislation to reform Fannie Mae and Freddie Mac, which have been in government conservatorship for nearly a decade, awaiting Congressional action.

We agree comprehensive, bipartisan reform of these Government Sponsored Enterprises (GSEs) should replace the status quo. Indeed, we conveyed our eagerness to work with the Committee and its Senate counterpart on such legislation in a letter dated June 27, 2017 (attached). However, raising the specter of suspending payments to a highly successful program while the housing affordability crisis among our nation's lowest income seniors, veterans, persons with disabilities, and families with children stands at near record-levels is neither a prudent nor compassionate strategy for jumpstarting this legislative process.

The CMF 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. 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

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.

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

- *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 total new business purchases of the Government-Sponsored Enterprises (GSEs) Fannie Mae and Freddie Mac.

Earlier this year, the Community Development Financial Institutions (CDFI) Fund 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 across America.

CMF is poised to continue its strong track record. The 2016 funding round enabled 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 homes and attract more than \$2.2 billion in private investment in every type of housing market. Twenty-eight 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 pay more than half of their income in rent—is at an all-time high of 11.4 million families, more than one in four of all renters in the United States.² Nowhere in the country can full-time minimum wage workers afford a modest two-bedroom rental home.³

The CMF has proven to be a highly cost-effective resource for creating affordable housing in low-income communities. As we have previously communicated to the Committee, we believe that the program’s track record merits its expansion within broader GSE reform legislation. At minimum, however, it should not be eliminated through well-intentioned but deeply misguided legislation like H.R. 4560.

Thank you for considering this request.

Capital Impact Partners
 CDFI Coalition
 Corporation for Supportive Housing
 Enterprise Community Partners
 Hope Enterprise Corporation
 Housing Partnership Network
 IFF
 Local Initiatives Support Corporation
 Low Income Investment Fund
 National Association of Affordable Housing Lenders
 National Housing Conference

² Harvard University Joint Center for Housing Studies (JCHS), “The State of the Nation’s Housing, 2016”

³ Out of Reach 2016. National Low Income Housing Coalition.
http://nlihc.org/sites/default/files/oor/OOR_2016.pdf

National Rural Housing Coalition
National Housing Trust
Opportunity Finance Network
Reinvestment Fund
Self-Help Credit Union & affiliates
Stewards of Affordable Housing for the Future