



NATIONAL
ASSOCIATION FOR
LATINO
COMMUNITY
ASSET
BUILDERS

August 26, 2024

Capital Magnet Fund, CDFI Fund
U.S. Department of Treasury
1310 G Street, NW
Washington, DC 20005

To Whom It May Concern:

We write in response to the June 25, 2024, Request for Public Comment by the Community Development Financial Institution Fund (CDFI Fund) regarding a revised interim rule implementing the Capital Magnet Fund (CMF). Updates to project level requirements and programmatic changes are intended to better align the CMF with other Federal housing programs and address current business practices in the affordable housing industry. NALCAB members comprise both awardees of CMF funds and aspiring awardees. We appreciate the opportunity to provide comments to help increase access and therefore enhance the impact of the Capital Magnet Fund Program.

NALCAB, the National Association for Latino Community Asset Builders, is a U.S. Treasury-certified Community Development Financial Institution (CDFI) that represents and serves over 200 diverse nonprofit community development and asset-building organizations across the country. Approximately one third of our members are certified CDFIs. Our members uplift Latino communities by strengthening access to quality affordable housing, safe financial products, and successful entrepreneurship. Many of the people served by the NALCAB Network are low- to moderate-income individuals who are first- or second-generation immigrants. In 2022 NALCAB launched NALCE, the National Alliance of Latino CDFI Executives, to unite and amplify the voices of Latino-led CDFIs and drive capital toward them to further meet the financing needs of Latino communities across the nation. By supporting minority led and minority serving CDFIs we can promote equity in our financial services marketplace and access to affordable loan products designed to grow assets, preserve, and advance neighborhood economic power, and promote generational wealth-building.

Initiatives that help spur affordable housing for the most vulnerable are not only important but especially timely. Increasingly Latino and low-income families across the country face challenges to obtaining affordable housing. In 2021, 53% of Latino renters spent more than 30% of their income on rent, compared to 45% of white renters that were considered cost burdened.¹ Further compounding this is that the U.S. is currently experiencing a national shortage of affordable housing units for low-income and extremely low-income renters - in 2021 this shortage grew to 7.3 million

¹ Abu-Khalaf, Ahmad, and Fehintola Abioye. "Four Key Findings From 2023 State of the Nation's Housing Report." Enterprise Community. June 21, 2023. <https://www.enterprisecommunity.org/blog/four-key-findings-2023-state-nations-housing-report>.



units, an 8% increase from just 2019.² Evaluating and improving federal programs, such as the CMF, that increase affordable housing and help revitalize neighborhoods in areas of economic distress are key to addressing this nation's affordable housing crisis.

We offer the following comments in response to the revised interim rule;

Program Alignment -NALCAB is pleased to see that the incorporation of feedback the CDFI Fund received in response to the Notice and Request for Information (RFI) that was published in the Federal Register on July 7, 2023 – to which NALCAB submitted comments. We recommended aligning the CMF with other Federal programs in order to reduce administration burden and prevent duplication of compliance reporting requirements such as with the Low-Income Housing Tax Credit (LIHTC) Program, the U.S Department of Housing and Urban Development HOME Investment Partnership Program, U.S. Department of Agriculture (USDA) Rural Development Section 515 Rural Rental Housing Program, and Section 502 Direct Loan Program. NALCAB agrees that aligning the CMF with other Federal housing programs allows for a cohesive structure within the affordable housing industry and promotes administrative efficiencies. We appreciate the CDFI Fund making progress in this area by establishing the “Presumptively Compliant” concept as set forth in § 1807.106, and/or “Presumptive Compliance” in § 1807.104.

As stated in the notice for the revision of the rule under the Presumptively Compliant concept, certain CMF Affordable Housing projects that are also funded under other designated Federal housing programs and subject to certain rules and restrictions that are similar to those under the CMF program. Subject to verification by the CDFI Fund and as further set forth in the Assistance Agreement and guidance, these projects would be presumed to meet certain CMF rules and requirements, as long as those projects are deemed compliant under applicable designated Federal housing programs.

Income Certification for LIHTC Projects: HERA addresses and provides guidance regarding the requirement for annual recertification of tenant incomes for properties financed under the LIHTC Program. Under this guidance, properties that are 100% low-income rent-restricted are no longer required to undertake ongoing recertification. See Housing and Economic Recovery Act of 2008, Public Law 110–289 (7/30/2008), 122 Stat. 2888, section 3010(a) (2007–2008) (codified at Public Law 110–289, 122 Stat. 2654 (2008)). The CMF Interim Rule at 12 CFR 1807.401(f) requires annual re-examination of tenant income. NALCAB is pleased that with the revisions the CDFI Fund will no longer require the annual tenant income recertification for Projects where 100% of the units are subject to CMF affordability restrictions. We would welcome this approach as it help reduce the administrative burden.

Project Commitment Flexibility: Section 1339(c) of HERA stipulates that grants under the program must be committed for use within two years after the allocation of the Award. As a way to ensure that funds are used in a timely manner, the CMF Interim Rule applied a two-year commitment of any

² "Addressing America's Affordable Housing Crisis." Urban Institute. April 12, 2023.
<https://housingmatters.urban.org/research-summary/addressing-americas-affordable-housing-crisis>.



Award to specific projects. The revised interim rule extends this time period stating that a Recipient must make a Project Commitment within three years of receiving the CMF Award. This change will allow Recipients one additional year to source qualified projects during the Investment Period. We recognize the value in reducing the burden on Recipients and agree that this extension would provide the project with additional time helping to meet its objective.

Purchase Price Limitation Rules: The current limit set in the 2016 interim rule is a purchase price limitation for a Single-family home at 95% of the median purchase price for the area, as used in the HOME program (12 CFR 1807.402(a)(2)). NALCAB previously noted that depending on how frequently the index is updated, this approach could artificially dampen the range of homes which CMF could be used for (e.g., in a hot housing market with rapidly rising prices, the 95% maximum may reflect past prices that are no longer indicative of present-day pricing). The revised interim rule is revised to mirror the limits set forth in the HUD FHA Section 203(b) Mortgage Insurance Program. NALCAB agrees that the FHA 203(b) limits are more reflective of current market conditions.

CMF Economic Development Activities Compliance Requirements: CMF allows Recipients to use up to 30% of their Award for Economic Development Activities (EDA) in conjunction with Affordable Housing Activities ([12 CFR 1807.302 \(c\)](#)). These activities may include the development of community facilities, as well as the development/revitalization of commercial space. Under the current CMF interim rule, Economic Development Activities, unlike Affordable Housing, do not have a specific requirement that the EDA retain its eligible use for a minimum period. NALCAB appreciated that in § 1807.403 of the revised interim rule now includes a minimum compliance period of three years for Economic Development Activities.

Additional Comments:

Simplify Reporting. Allow an excel sheet to be downloaded from the prior year, updated, and uploaded back into the portal. Reporting loan level data annually for down payment loans is extremely time consuming.

Enhance Local Organization Program Access. To ensure the program remains accessible to local groups. Consider placing a specific set aside of funds that can be awarded to regional and national groups and/or local organizations. From the last four CMF award periods, over 50% of the national organizations that applied received funding, whereas only about 30% of local organizations that applied received funding.

Reconsider Match Requirement. Affordable homeownership is a critical need across the country. Consider lowering the match requirement for projects producing homeownership outcomes.

The Capital Magnet Fund (CMF) is designed to attract private capital to the development, preservation, rehabilitation, or purchase of affordable housing for low-income families. With enhancements made to the CMF, it can further leverage community-based organizations who know the unique challenges of the local community and can deploy program dollars into under invested communities on a local basis. Latinos disproportionately represent these areas and make up 38% of



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under-resourced communities.³ NALCAB looks forward to working with the CDFI Fund on strengthening the CMF program and other initiatives to promote equitable access to resources for non-profit organizations that are deeply embedded in minority communities and improve outcomes for this nation's 63 million Latinos.

Sincerely,

Clarinda Landeros

Director of Public Policy

³ Eberhardt, Peter, Howard Wial, and Devon Yee. "The New Face of Under-Resourced Communities." Initiative for a Competitive Inner City, October, 2020. <https://icic.org/wp-content/uploads/2020/10/The-New-Face-of-Under-Resourced-Communities.pdf>.