



We build homes and communities in rural America

August 26, 2024

Mr. Andrew Schlack
Program Manager, Capital Magnet Fund
Community Development Financial Institutions (CDFI) Fund
U.S. Department of the Treasury
1500 Pennsylvania Avenue NW
Washington, D.C. 20220

RE: Capital Magnet Fund – Interim Final Rule Request for Public Comment

Dear Mr. Schlack:

The Housing Assistance Council (HAC) thanks the CDFI Fund for the opportunity to provide feedback on proposals to improve the Capital Magnet Fund (CMF). We also would like to thank the CDFI Fund for its ongoing commitment to administering and improving the CMF program, which has been a critical resource for affordable housing in rural places and across the country more generally.

HAC helps build homes and communities across rural America. Founded in 1971, headquartered in Washington, D.C. and working in all 50 states, HAC is a national nonprofit and a certified community development financial institution (CDFI). We are dedicated to helping local rural organizations build affordable homes and vibrant communities. We provide below-market financing, technical assistance, training, and information services. HAC also serves as rural America’s “Information Backbone” with leading public and private sector institutions relying on HAC’s independent, non-partisan research and analysis to shape policy.

HAC is proud to have been a recipient of four CMF awards and is a member of the Capital Magnet Fund Coalition. The bulk of our CMF awards have been used for the preservation of USDA’s Section 515 multifamily housing portfolio. Over the last several years, we have been able to preserve nearly 1,000 units of Section 515 housing using our CMF awards. But nearly 400,000 units of Section 515 housing are at risk of being lost in rural places across the country, as

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mortgages on the properties mature and they lose their rental assistance, which is tied to the term of the mortgage. These units house a deeply vulnerable population, with an average income of around \$14,000. Two thirds of tenants in these units are elderly or disabled. Available funding at USDA to preserve this portfolio is woefully inadequate given the level of need, and being able to bring CMF dollars to those preservation deals has been critically important.

General Comments

Rural places, especially those experiencing persistent poverty, often face challenges with both local organizational capacity and access to capital. In recent decades, many rural regions have been stripped of their economic engines, financial establishments, and anchor institutions. Added to the shortage of federal and philanthropic investment, the result is that rural America faces a dire lack of access to capital. Access to capital can determine the future success of an entire rural community or region. And without deeply embedded, high-capacity local organizations, available federal funding and other capital will never evenly flow to rural communities. CMF has the power to bring both significant capital and, indirectly, increased local capacity to rural communities.

HAC is broadly supportive of the revisions to the CMF's interim rule. We appreciate the time and effort that the U.S. Department of the Treasury (Treasury) has put into improving the program since its creation in the Housing and Economic Recovery Act of 2008. We encourage the CDFI Fund to continue to engage stakeholders as the changes in the new regulation are further outlined in future sub-regulatory guidance, funding notices, and revised assistance agreements.

As Treasury continues to work on sub-regulatory efforts, we believe it is important to keep in mind that the key component of the CMF's program success, and what makes it distinct from other federal affordable housing programs, is the enterprise level nature of the funds. This structure allows deep leveraging and flexibility to respond to local housing market needs. As the CDFI Fund revises program guidance, we encourage Treasury to keep the funding as flexible as possible, while ensuring awards are utilized as proposed. Imposing excessive administrative and compliance requirements on the CMF program risks making it less viable and less attractive to potential applicants. This is especially true for rural awardees, who often have less internal capacity than their urban colleagues and work with groups who are smaller and less well-resourced as a result of systemic rural capacity challenges.

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Specific Comments

Creation of a National Rural Service Area

HAC appreciates the CDFI Fund including a national Service Area for Rural Areas in the new regulation. We have long supported this concept and feel it will broaden the reach of these resources into the rural communities where we work. Currently, CMF applicants can commit a percentage of their award for projects in rural communities in a 15 state Service Area. If awarded, Recipients are held to those commitments, and with rural projects in particular, it may be difficult to find projects meeting specific CMF requirements in a limited geographic area.

HAC has a large rural footprint, working in rural areas in all 50 states with an emphasis on regions experiencing persistent poverty. These communities are geographically diverse, stretching from the Mississippi Delta, to rural Appalachia, to Indian Country, farmworker communities, and the U.S.-Mexico border colonias. A national Rural Service Area will facilitate more rural lending by allowing HAC and others to be more confident in serving broader geographies instead of limiting rural activity to the current 15 state Service Area.

Definition of “Very Low-Income”

HAC supports the goal of aligning income requirements with other programs to make CMF more compatible with other critical sources of capital, including the Low-Income Housing Tax Credit (LIHTC). For that reason, we support the change to the definition for Very Low-Income in the interim rule. However, we also want to note that not all CMF deals include LIHTCs, and HAC does not support lessening the commitment to deeper income targeting for the CMF program overall. We would encourage the CDFI Fund to prioritize applicants who go beyond the 60 percent AMI Very Low-Income threshold in their CMF applications.

In HAC’s most recent CMF round, nearly 30 percent of our loans were for non-LIHTC deals and almost half of the households served will be below 50 percent of AMI. We encourage the CDFI Fund to consider how to continue to encourage this kind of deeper income targeting in the CMF application scoring process, since raising the Very Low-Income threshold could result in fewer households under 50 percent AMI being served.

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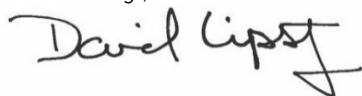
Definition of “Underserved Rural Area”

HAC is glad to see the CMF program using the definition of Underserved Rural Area used by the FHFA’s Duty to Serve program. HAC has conducted extensive research on the myriad of rural definitions across the federal government and continues to feel that the Duty to Serve rural definition is the most precise rural definition currently in use.

Generally, rural communities and territory have relatively few people living across a large geographic area. But rurality varies extensively based on proximity to a central place, community size, population density, total population, and various social and economic factors. There are scores of definitions used by government agencies and researchers to identify rural areas – each with its own distinctive pros and cons. HAC researchers developed a sub-county designation of rural and small-town areas that incorporates measures of housing density and commuting at the census tract level. This research was incorporated into the Duty to Serve rural definition. HAC believes this housing density measure is a more precise indicator of rural character than many of the more traditional methods employed. The Duty to Serve definition classifies areas at a sub-county census tract level and identifies important development patterns of suburban and exurban communities, which most major rural/urban definitions omit. We applaud the Treasury for including this definition in the CMF interim rule.

Thank you for your time and consideration of these comments. We greatly value our partnership and look forward to continuing to work with Treasury to improve CMF impact in rural communities across the country.

Sincerely,



David Lipsetz
President & CEO

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