

The Honorable Mitch McConnell
Majority Leader
United States Senate
Washington, DC 20510

The Honorable Charles Schumer
Minority Leader
United States Senate
Washington, DC 20510

The Honorable Paul Ryan
Speaker
United States House of Representatives
Washington, DC 20515

The Honorable Nancy Pelosi
Minority Leader
United States House of Representatives
Washington DC, 20515

May **x**, 2018

Dear Majority Leader McConnell, Minority Leader Schumer, Speaker Ryan, & Minority Leader Pelosi:

On behalf of the **XXXX** undersigned organizations, we are writing to express our opposition to the Administration's proposal in its fiscal year (FY) 2018 rescission package to recapture \$151 million in funding for the Capital Magnet Fund (CMF).

We respectfully request that Congress promptly reject this rescission to enable the Community Development Financial Institutions Fund (CDFI Fund) at the Department of Treasury to distribute the next round of funding of this highly successful program as soon as possible. Organizations are deploying these funds to address the housing affordability crisis among our nation's seniors, veterans, persons with disabilities, and families.

The origin and intent of the rescission mechanism in the Congressional Budget Impoundment and Control Act is well-established. Namely, it was designed and has uniformly been used to return unspent funds in appropriated accounts from prior fiscal years to taxpayers, typically for programs that are poorly performing or have been eliminated entirely. The Administration's effort to claw back CMF funding by means of rescission flies in the face of this practice.

First, CMF is not an appropriated program. Rather, it 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. HERA funded the CMF through a small fee on total new business purchases of Fannie Mae and Freddie Mac (collectively, the Government-Sponsored Enterprises or GSEs) to create an enduring program to generate new investment in affordable housing and other economic development projects in underserved communities across our nation through the housing finance system and not be reliant entirely on the annual Congressional appropriations process.

Second, CMF funds have not been sitting unspent at the CDFI Fund. Rather, these funds were not released to the Treasury Department by the GSEs until May 1, 2018, and if prior year CMF rounds are predictive, the entire amount of funds will be obligated to awardees before the end of calendar year 2018.

Finally, one would be hard pressed to find a program where taxpayers are getting more "bang for the buck" than the CMF. The innovation at the heart of CMF is that it provides direct, entity-level investments in high capacity CDFIs, nonprofit housing developers, banks and public sector agencies.

This structure is designed to attract private capital and maximize return on investment. Organizations that receive the grants are required to leverage their funding 10:1 with other sources of capital. The CMF multiplies the impact of awards many times over because grant recipients are also required to redeploy CMF-supported loans in new projects throughout the grant term.

By any measure, CMF has succeeded. Earlier this year, the CDFI Fund released new data that illustrates the powerful impact of the FY 2010 funding round of CMF. 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 22:1 ratio; have produced 13,325 affordable homes and have created or retained 16,000 jobs across America.¹

The CMF is poised to continue its strong track record. The 2017 award round of \$120 million will enable 40 grantees to serve 41 states and the District of Columbia. Collectively, awardees are projected to create approximately 17,000 additional jobs, produce 21,000 affordable homes and attract more than \$3.2 billion in additional investment, with 78% (\$2.5 billion) expected to come from the private sector.²

The need for affordable housing—and for CMF funding—is greater today than ever before. Although the economy has improved since 2008, the number of renter households that pay more than half of their income in rent is near an all-time high of 11.4 million families, 3.7 million more than in 2001 and one in four of all renters in the United States.³

The CMF has proven to be a highly cost-effective resource for creating affordable housing and improving communities. In 2017, the CDFI Fund received applications for more than 3.5 times the amount awarded. The nation would be better served if the Administration deployed the \$151 million in available CMF funds as quickly as possible to meet the demand for this flexible, effective program rather than targeting it for rescission.

We urge Congress to reject this rescission request. If you have any questions or would like more information please contact Shannon Ross at Housing Partnership Network at ross@housingpartnership.net or Jonathan Harwitz at Low Income Investment Fund at jharwitz@liifund.org.

Thank you for your consideration of this matter,

Housing Partnership Network
Low Income Investment Fund

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

² The 2017 funding round was the third set of CMF awards: The CDFI Fund estimates that the 32 awardees of \$91.5 million in funding are on track to provide 17,000 affordable homes, leverage over \$3 billion in public and private sector capital, and create or retain over 17,000 jobs—figures which, like the FY 2010 round, will only increase as awardees recycle CMF loans that have been repaid.

³ Harvard University Joint Center for Housing Studies (JCHS), “The State of the Nation’s Housing, 2017” http://jchs.harvard.edu/research/state_nations_housing