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RE: FR Doc. 2023-14407 (Request for Program and Policy Input on the Capital Magnet Fund)

The African American Alliance of CDFI CEOs (the Alliance) is pleased to submit comments regarding how the CDFI Fund may enhance and improve the Capital Magnet Fund (CMF). The Alliance is a national membership-based organization with a mission to empower Black communities by promoting economic stability, wellbeing, and wealth. Leveraging a network of 77 Black-led Community Development Financial Institutions (CDFIs), the Alliance is working towards establishing power and promoting equal economic opportunity for Black individuals, families, and communities across all 50 states.

A. Facilitate CMF Alignment with Other Federal Affordable Housing Programs

1. *Using CMF with other federal programs in the same project(s):*

The CDFI Fund is considering an approach where certain CMF Affordable Housing projects (funded under designated federal housing programs and subject to certain rules and restrictions similar to those under the CMF Program) could be categorically presumed as eligible Affordable Housing Activities and be deemed as meeting CMF rules and requirements for Affordable Housing. For example, under this approach, projects funded with both CMF and the Low-Income Housing Tax Credit (LIHTC), and meeting all LIHTC requirements, could be assumed to meet all CMF requirements such as affordability or rent requirements.

One of the most compelling arguments in favor of alignment is the potential for streamlined processes. By aligning the CMF with other programs, we can significantly simplify the application process for developers and other stakeholders. This alignment could lead to a reduction in redundant paperwork, thereby accelerating both the approval and funding stages. Such efficiency not only benefits the administrative side but also has the potential to expedite the realization of housing projects.

Furthermore, with reduced administrative burdens, developers can manage their projects with greater ease. A clearer, more unified process will likely result in less time spent navigating bureaucratic barriers and more time dedicated to the actual development of affordable housing. Additionally, the prospect of effortlessly leveraging multiple federal programs might act as an incentive, encouraging more developers to undertake affordable housing projects.

However, the path to alignment is not without its challenges. One significant concern is the potential for certain CMF-specific requirements to be overshadowed. If there is an excessive reliance on the compliance mechanisms of other programs, then CMF-specific mandates risk being inadvertently overlooked. This could lead to projects that, while compliant with other programs, fall short of the CMF's standards. Furthermore, the CMF and other programs might have regulatory discrepancies, which, if not addressed, could lead to conflicts in project outcomes. For instance, a project might meet the requirements of another program but not sufficiently align with the CMF's objectives. Such discrepancies need to be identified and addressed accordingly to ensure the integrity of all involved programs.

Several federal programs could align well with the CMF. First, the Low-Income Housing Tax Credit (LIHTC) and the CMF share a foundational objective: enhancing the availability of affordable housing. While the CMF provides competitive grants to finance housing endeavors, the LIHTC extends tax incentives to private investors for the same purpose. By integrating the tax credit equity from private LIHTC investors with the supplementary financing from the CMF, the feasibility of projects increases. This collaboration has the potential to either create or preserve a more significant number of affordable housing units. Second, the HOME Investment Partnerships Program (HOME) grants states and localities the flexibility to use block grants for a wide range of housing activities, from construction to the rehabilitation of affordable homes. This versatility complements the CMF's funding approach seamlessly. Moreover, the stipulation by HOME for a 25 percent match from non-federal sources can be supplemented by CMF funds, enhancing the impact of both programs. It is essential to emphasize that both these initiatives prioritize aiding low-income and very low-income households, ensuring that resources are directed where they are most needed. Third, while the CMF emphasizes housing development, the Section 8 Housing Choice Voucher Program provides rental assistance to eligible families. This collaboration ensures that housing remains both available and affordable over the long term. For developers, the appeal of investing in affordable housing increases when there is an assurance of a steady influx of tenants supported by rental assistance, such as that from Section 8. This partnership ensures that CMF-funded projects are sustainable and cater to a broad range of low-income households. Finally, the Rural Housing Service (RHS) Programs, especially Section 515 and Section 502, bring a rural focus to the forefront. By aligning the CMF with the RHS, there is an opportunity to distribute affordable housing efforts equitably across urban and rural settings. The diverse financing mechanisms of the RHS, from Section 515's direct loans for rental housing development to Section 502's aids for home purchases, can be integrated with CMF grants. This synergy creates a comprehensive financial framework designed for various housing needs in rural areas.

As the CDFI Fund considers these alignments, it must not lose sight of the differences in affordability mandates, definitions of income categories, and property standards between the

CMF and other programs and the challenges that such differences could pose. These unique CMF attributes, to the extent they offer tangible benefits to communities, must be preserved.

2. *CMF income limit definitions:*

The definitions of Low-Income, Very Low-Income, or Extremely Low-Income in the CMF Interim Rule differ from some other federal housing programs. Navigating the complexities of income definitions across various federal housing programs presents challenges, especially when dealing with CMF projects. Discrepancies between the CMF's definitions and those of other federal initiatives can create multiple barriers for developers and housing administrators.

One significant issue that arises centers around project eligibility and the targeted beneficiary demographic. Developers often design projects to cater to specific income groups, and they base these designs on their main funding source's requirements. When a CMF project considers pooling funds from another federal housing program, differing income definitions can blur eligibility criteria for potential tenants or homeowners. Such disparities can complicate the integration of various funding sources, putting the feasibility of some projects at risk.

Moreover, ensuring compliance with diverse regulations becomes increasingly complex when dealing with multiple income definitions. Developers and administrators face an expanded set of responsibilities, as they work to align with each funding source's unique requirements. This not only adds to their operational burden but also increases the likelihood of inadvertent mistakes, potentially leading to project delays and financial constraints.

For projects that strive to accommodate a diverse range of income levels, commonly referred to as mixed-income projects, these differing definitions can obstruct both planning and funding stages. Developers may find it difficult to achieve the right balance given the constraints of varying classifications.

Given these challenges, it becomes critically important to consider aligning the CDFI Fund's income guidelines with those of other mainstream federal housing programs. Such alignment offers multiple benefits. It can simplify the processes of project design, financial structuring, and managerial oversight. A unified set of guidelines gives developers and administrators a clear directive, making the process of consolidating funds from different sources more seamless. Moreover, it can foster the integration of a wider range of funding sources, paving the way for richer community development initiatives.

To refine these income guidelines, it might be strategic to draw upon the model established by the Department of Housing and Urban Development (HUD). Given the foundational role that HUD plays in federal housing, it would be logical to adopt their thresholds: 80 percent of Area Median Income (AMI) for the low-income category, 50 percent for the very-low category, and 30 percent for the extremely-low segment. Additionally, for CMF projects with a focus on rural communities, aligning with the USDA Rural Development's guidelines could be beneficial. Finally, due to the significant influence of the Low-Income Housing Tax Credits (LIHTC) in the realm of affordable housing finance, its guidelines merit consideration in this alignment process.

However, such alignment must be analyzed carefully. For example, CMF projects could be compliant with LIHTC at a 60 percent AMI (averaged across units), but not necessarily comply with CMF requirements (e.g., the CMF requirement that at least 20 percent of a project be below 50 percent AMI). To that end, the CDFI Fund may consider preserving the CMF policy objectives despite not perfectly aligning with other federal programs if the unintended consequences borne of alignment cannot be reconciled.

In sum, reshaping the CMF's income classifications to mirror those of other leading federal housing programs can lead to a more cohesive and effective approach to housing and community projects. However, it is important to approach this transition with extensive stakeholder engagement to ensure the revised guidelines truly align with broader housing goals and community needs.

3. ***CMF income certification for LIHTC projects:***

The Housing and Economic Recovery Act of 2008 (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 percent low-income rent-restricted are no longer required to undertake ongoing recertification. See HERA, 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.

Aligning CMF's income certification requirements with those of the LIHTC program could be beneficial for a number of reasons. One of the most evident advantages of such alignment would be the reduction in the administrative burden on property managers and developers. The annual recertification process, as it stands, demands significant time and resources. By either eliminating or reducing the frequency of these recertifications for properties that are 100 percent low-income rent-restricted, the CMF can offer a more streamlined operational approach, leading to cost savings for participants. Furthermore, achieving consistency across the CMF and LIHTC programs can simplify the landscape of affordable housing administration. Developers and property managers often navigate the intricacies of multiple programs, and bringing uniformity to the income certification requirements can make this task more straightforward and efficient.

However, while there are clear advantages to this alignment, it is crucial to consider the potential risks and challenges. The primary concern is ensuring that properties remain compliant and do not lease to over-income tenants. One way to address this is by introducing periodic checks, even if the annual recertification is eliminated. For instance, conducting thorough income verifications at move-in and then every few years thereafter can strike a balance between reducing administrative tasks and ensuring compliance.

Another strategy to consider is the introduction of a self-certification system for tenants. While tenants can self-certify their income on an annual basis, property managers can conduct random audits to ensure accuracy and honesty in the declarations. This approach not only reduces the burden on property managers but also places a degree of responsibility on tenants. To further

deter non-compliance, the CDFI Fund could impose stringent penalties on properties found to be in violation. By setting clear consequences for leasing to unqualified families, property managers will have a strong incentive to ensure adherence to the rules.

While the alignment of the CMF's income certification requirements with the LIHTC program presents potential benefits, it is essential to consider a combination of strategies, from periodic checks and self-certification to the use of technology, to help strike the right balance between efficiency and compliance.

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B. CMF Commitment Deadline:

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 applies a two-year commitment of any Award to specific projects and further specifies that the commitment must be made in a written, legally binding agreement. The CMF Interim Rule's commitment deadlines has posed distinct challenges for stakeholders. The existing two-year deadline often does not provide the time to adequately manage the complex details associated with extensive projects that demand significant coordination and strategic planning.

Moreover, stakeholders must conduct rigorous due diligence, which includes comprehensive studies and thorough environmental assessments. These checks play a crucial role in ensuring the viability and long-term impact of projects. Also, securing multiple financial sources within a constrained timeframe becomes a difficult task, especially in light of unpredictable market shifts or economic downturns. Furthermore, the bureaucratic nature of regulatory approvals and permits can introduce further delays. Given the diverse regulations that vary by region, a two-year frame can appear constraining.

However, the newly proposed two-stage approach might offer a solution. By splitting the commitment process into two distinct stages, this method introduces adaptability. First, stakeholders allocate the award to one of the six permissible activities within two years. Then, they finalize a specific project within an additional year. This method has the potential to broaden the range of activities undertaken. By reducing the urgency to commit funds, stakeholders can engage in more thoughtful planning, which can lead to more beneficial outcomes.

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C. CMF Leverage Requirements and Calculation Rules:

Given the detailed nature of the CMF's leverage requirements and calculation rules, the CDFI Fund should consider streamlining the process. The Alliance proposes the elimination of the Reinvestment-Level leverage from the CMF's Leveraged Costs calculations. This adjustment would alleviate the undue strain on smaller and mid-sized CDFIs, who currently feel compelled

to incorporate reinvestment-level leverage to bolster their applications. Once incorporated, it imposes additional compliance burdens on these institutions. By focusing solely on Enterprise-Level and Project-Level leverage, the CDFI Fund can pave the way for a more streamlined and intuitive application process, enabling recipients to more effectively comprehend and fulfill their obligations.

Should the Reinvestment-Level leverage remain in the CMF, its calculation methodology should be reevaluated. One potential solution could be the introduction of a Reinvestment-Level leverage waiver, contingent upon a CDFI's asset size or its affordable housing portfolio dimensions.

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D. CMF Program Income (PI) Rules:

The nature of CMF as a financing program often results in Recipients earning Program Income (PI) from the repayment of loans and returns on equity investments. PI generated during the first five years of the CMF Award (the Investment Period) from the repayment of CMF funds from loans or equity must be reinvested under certain requirements specified in the Recipient's Assistance Agreement. Note that the questions below refer to the PI earned during the Investment Period and not PI earned thereafter, which is treated differently per the Assistance Agreement.

Any discussions surrounding modifications to CMF operational guidelines should prioritize the preservation of its foundational objectives while enhancing its flexibility and resource distribution efficiency. Analyzing the Program Income (PI) vis-à-vis CMF, the CDFI Fund should consider expanding the use of PI to encompass all activities that qualify under CMF eligibility, as specified in 12 CFR 1807.301. By incorporating a broader spectrum of CMF eligible activities into the PI rules, recipient organizations are afforded the flexibility they require to navigate evolving housing and community development challenges, ensure the optimal allocation of resources based on evolving community needs.

Moreover, there is potential to introduce specific activities exclusive to PI in an effort to accommodate activities with transformative potential that might not traditionally fall under the program's purview. Innovative pilot projects or tailored programs, such as specialized training in homeownership or financial literacy modules for low-income families, could be beneficial additions to the extent they align with the overarching goals of the CMF.

From an operational perspective, the existing 36-month completion rule for PI-funded projects is sometimes untenable for recipient organizations. Given that housing and community development projects in marginalized areas can face unexpected delays due to various challenges, it can be argued that extending the completion deadline to either 48 or 60 months would yield additional program benefits. Such an adjustment offers a realistic timeline, allowing projects to reach their fullest potential without facing undue constraints.

The current guideline, which mandates committing any PI exceeding $100,000 to a project the subsequent year, might benefit from a revision. While the intention behind this rule is intuitive and commendable, it could potentially cause recipient organizations to rush the planning process and limit program efficacy. By introducing a more adaptive approach, perhaps committing the PI over a span of two to three years, the CDFI Fund could ensure a more careful and strategic allocation.

Lastly, the 10-year affordability criterion for PI-funded projects remains critical. This duration underscores the program's commitment to ensuring long-term housing affordability for target groups.

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E. CMF Clarification of Rules on Loan Loss Reserves and Loan Guarantees:

Under CMF, Recipients may use their Award to establish Loan Loss Reserves or Loan Guarantees. Currently, CMF requirements related to Loan Loss Reserves and Loan Guarantees are limited. With respect to additional guidance and rules, the first point of emphasis is the definition and purpose. It is essential to articulate what exactly constitutes Loan Loss Reserves and Loan Guarantees within the CMF's context. This clarity ensures that all stakeholders have a shared understanding. Furthermore, it is crucial to specify the eligibility criteria, detailing which types of loans or projects can benefit from these reserves or guarantees. Another vital aspect is the duration for which these reserves or guarantees should remain in place. Regular reporting requirements are also necessary to maintain transparency and ensure the proper utilization of funds. Lastly, the introduction of periodic reviews or audits will ensure that these financial instruments serve their intended purpose, thereby safeguarding the program's integrity.

The topic of escrows or restricted accounts is also of significant importance. By establishing such accounts, the CMF can ensure that funds earmarked for Loan Loss Reserves or Loan Guarantees are neither misused nor diverted for other unintended purposes. These accounts not only provide a clear audit trail but also ensure that funds are available when needed. Moreover, they instill confidence in private investors, assuring them that a robust safety mechanism is in place.

Coverage limits play a pivotal role in balancing risk and security. A coverage limit that ranges between 70 percent to 85 percent strikes this balance effectively. Such a range offers substantial protection for lenders, ensuring they feel secure in their investments. At the same time, it ensures that lenders maintain a vested interest in the loan's performance, promoting responsible lending practices. If this limit was set exceedingly high, it might inadvertently encourage imprudent lending, given the excessive safety net. On the other hand, a very low limit might deter private financing due to inadequate security.

Lastly, the proper and effective use of Loan Loss Reserves or Loan Guarantees hinges on several factors. Regular risk assessments of the loans or projects being guaranteed are essential to ensure alignment with the program's objectives. It is also beneficial to consider the historical performance and reliability of recipient institutions. Institutions with a commendable track

record might be afforded more flexibility in their operations. Moreover, it is imperative to ensure that the loans being covered resonate with the CMF's overarching goals, especially in terms of serving the needs of low-income families and revitalizing underserved areas. Implementing monitoring and feedback mechanisms will further enhance the program's effectiveness, allowing for timely adjustments based on stakeholder input. Finally, offering training sessions or workshops for recipients can bolster their understanding and effective utilization of the reserves and guarantees.

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F. CMF Manufactured Housing Affordability Rules:

Under CMF, manufactured housing that meets the federal Manufactured Home Construction and Safety Standards may be financed. Under the CMF Interim Rule at 12 CFR 1807.104, manufactured housing is defined as Single-family housing consisting of a combination of the manufactured housing and the lot, or a manufactured housing lot. Given the hybrid nature of manufactured housing Homeownership—where the unit is typically owned by an individual or Family, but the lot it sits on may be rented—the CDFI Fund is requesting input as to how best to measure the affordability of both the cost of the unit and the rental of the manufactured housing lot.

When considering the affordability of manufactured housing, the CDFI Fund should look beyond just the cost of the housing unit itself. The cost of renting the lot on which the manufactured home sits is an integral component of the overall housing expense. For many residents, this lot rent can constitute a significant monthly outlay, sometimes even surpassing the cost of financing the manufactured home. By excluding the lot rent from affordability calculations, one risks overlooking a substantial portion of the financial burden faced by residents. Therefore, it becomes imperative to incorporate both the cost of the unit and the lot rent to gain a holistic understanding of affordability.

To effectively measure the affordability of both the unit and the lot rent, one approach is to calculate the combined monthly cost. This combined cost, when expressed as a percentage of the resident's monthly income, provides a clear picture of the financial strain or ease experienced by the resident. Historically, housing experts have often used a threshold, suggesting that housing should not consume more than 30 percent of a household's gross income. By applying this benchmark to the combined costs of manufactured housing and lot rent, stakeholders can ascertain the true affordability of such housing options. Another method involves creating a tiered affordability scale. This scale can categorize levels of affordability based on the combined costs. For instance, if the combined cost amounts to less than 25 percent of a resident's income, it might be categorized as "highly affordable." Costs ranging from 25-30 percent of income could fall under the "moderately affordable" category. Such a scale offers a nuanced understanding of affordability, allowing for more targeted interventions and support. Furthermore, comparing the combined cost of the manufactured home and lot rent with average rental prices for similar-sized properties in the local area can offer valuable context. This comparison can shed light on how manufactured housing fares against other housing options in the same locality.

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G. CMF Funding for Assisted Living Facilities:

CMF is a flexible program that affords Recipients the opportunity to finance a range of affordable housing types. As it relates to rental housing, projects are subject to a variety of regulatory requirements, including tenant income determinations and rent limitations. While affordable assisted living projects are eligible uses of the Award under the CMF Interim Rule, the hybrid nature of assisted living—where rent generally includes both the cost of housing and services—often conflicts with the existing CMF limitations and restrictions. Assisted living facilities often bundle housing and services into one comprehensive cost. When combined, these costs can surpass the affordability thresholds established by the CMF, making the financing of these projects particularly challenging.

Furthermore, the regulatory landscape for assisted living facilities is complex. These facilities must adhere to a complicated and dense set of regulations that span both the housing and healthcare sectors. Navigating this regulatory landscape while trying to align with CMF requirements can be a difficult task. Additionally, the cost of services in assisted living can differ significantly based on the individual needs of residents. This variability makes it difficult to standardize costs and fit them within the CMF's affordability parameters.

To address these challenges, several modifications to the CMF program requirements could be considered. One potential solution is to distinctly separate the costs of housing from the services. By doing so, the housing component could fit more neatly within the CMF's affordability guidelines, while the service component could seek financing or subsidies from other sources. Another approach could involve the implementation of a tiered subsidy system, whereby residents with the lowest incomes would receive the most substantial assistance, ensuring that those most in need benefit the most.

The CDFI Fund should also look to other established programs for addressing assisting living facilities within the CMF. For instance, the HUD Section 202 Supportive Housing for the Elderly Program stands out as a potential model. This program has successfully provided capital advances and subsidies to develop and operate housing that includes supportive services for very low-income seniors. It is crucial to have clear guidelines in place when separating costs. There should be clear definitions distinguishing housing costs from service costs. To ensure transparency and consistency, a standardized reporting mechanism should be developed. This mechanism would guide facilities in how they separate and report their costs. To further ensure compliance with these guidelines, periodic audits or reviews could be instituted, ensuring that funds are allocated and used appropriately. Considering the demographic trends, particularly the aging of the baby boomer generation, there is a clear indication of a growing demand for assisted living facilities. This trend underscores the importance of finding ways to make CMF funding work for these types of projects. Lastly, there are additional points that require clarification to ensure the successful application of CMF funds to assisted living facilities. It is essential to address how to manage the variability in service costs, especially as the needs of residents evolve over time. Guidelines should also be established to determine the duration a facility must maintain its affordability status under CMF regulations after receiving funding. Moreover,

guidance on how CMF funding can be combined with other funding sources, especially those with their own set of restrictions, would be invaluable.

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H. CMF Affordable Homeownership Purchase Price Limitation Rules:

The CMF Interim Rule sets the purchase price limitation for a Single-family home at 95 percent of the median purchase price for the area, as used in the HOME program (12 CFR 1807.402(a)(2)). However, alternative indices might offer a more comprehensive perspective on housing affordability.

Area Median Income (AMI) provides an alternative that focuses on median income within specific regions. Using AMI-based limits incorporates local earnings data, potentially presenting a clearer picture than median purchase price alone. Additionally, the Cost of Construction Index could highlight the correlation between local construction costs and housing prices. The Rent vs. Buy Index, by comparing the costs of renting versus home ownership, could also explain the financial dynamics within a specific region.

With respect to underwriting criteria, these standards assess financial profiles rather than relying on set price limits. Evaluating financial health, including credit history, income, and existing debts, offers a dimension of tailored affordability. While this approach aims to match housing options to financial stability, it also brings challenges. Sole reliance on such criteria might inadvertently exclude potential beneficiaries who do not fit conventional financial benchmarks.

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I. CMF Economic Development Activities Compliance Requirements:

CMF allows Recipients to use up to 30 percent 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. To ensure accountability, the CDFI Fund is considering requiring that EDA financed under a CMF Award maintain its eligible use for a minimum period of time.

Establishing a minimum period of time for the EDA to maintain its eligible use is crucial for several reasons. First, setting a defined period ensures accountability and transparency. When stakeholders, including the communities that benefit from these projects, see that there is a commitment to maintaining the project's objectives over a sustained period, it builds trust in the program. This trust is essential for the program's credibility and long-term success.

Moreover, economic development projects often have a lifecycle that requires time to mature. By ensuring that these projects maintain their eligible use over a set period, the CMF provides them with the stability they need to achieve their intended impact. This stability is especially important when considering the nature of economic development, which can encompass everything from infrastructure projects to community facilities. These projects not only require significant investments but also time to realize their full potential.

Also, a significant requirement for EDA uses is that the use must be part of a detailed economic development plan approved by the local jurisdiction. This requirement has the effect of excluding several clearly beneficial developments that would be easily understood to be ancillary to affordable housing development but are not eligible because they are not part of a regional plan. For their part, the CDFI Fund could develop a defined list of activities that are eligible with or without a regional planning document, as this could potentially spur additional development in support of local residents.

Another vital aspect to consider is the alignment with other CMF requirements. The Affordable Housing component of the CMF already has a defined period of 10 years. By aligning the EDA requirements with this period, the CDFI Fund can simplify compliance and monitoring processes. This alignment not only streamlines administrative processes but also provides consistency for stakeholders involved in both affordable housing and economic development activities.

Furthermore, private investment plays a significant role in the success of many CMF projects. Investors are more likely to commit funds to projects when they have confidence that the project's objectives will be maintained over a defined period. By setting a clear timeframe for the EDA's eligible use, the CMF can attract more private sector investment, amplifying the impact of its funds. Considering the above factors, a period of 10 years emerges as a reasonable timeframe for the EDA to maintain its eligible use. A 10-year period aligns perfectly with the Affordable Housing requirements, offering a consistent approach.

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J. Participation or Regulated CDFIs in the CMF Program

Regulated CDFIs including banks, credit unions, and cooperatives are eligible to apply under CMF. However, the potential of the CMF remains untapped in certain areas, particularly concerning the participation of regulated CDFIs, such as banks, loan funds, credit unions, and cooperatives. Several factors might inadvertently discourage regulated CDFIs from participating in the CMF program. Among these is the regulatory framework under which these institutions operate. Such regulations can sometimes limit their ability to engage in certain types of investments or activities, potentially making it challenging to utilize CMF funds in both a compliant and impactful manner. Additionally, the operational complexities associated with applying for, receiving, and reporting on CMF funds can be daunting. The perception of a burdensome process, especially when juxtaposed against other funding sources, might deter participation. Furthermore, while the CMF's primary objective revolves around affordable housing and economic development, regulated CDFIs often operate with a broader set of

objectives. This divergence in priorities can lead to potential mismatches. Lastly, a simple lack of awareness about the CMF program and its alignment with institutional goals can also be a barrier.

To foster greater participation from regulated CDFIs, several changes to the CMF program can be considered. Streamlining the application process to reduce bureaucratic hurdles can make the program more appealing. Conducting targeted outreach initiatives, such as workshops and informational sessions, can enhance awareness and understanding among regulated CDFIs. Allowing a more flexible use of CMF funds, while still focusing on the core objectives of promoting affordable housing and economic development, can cater to a wider range of CDFI objectives. Encouraging collaborations between CDFIs and other stakeholders, like local governments or private developers, can also amplify the impact of CMF funds. Finally, establishing a comprehensive feedback mechanism where participants share their experiences can refine the program over time.

In considering the role of CDFIs within the CMF, it is imperative that we broaden our perspective beyond just regulated CDFIs. There is a strong rationale for the CDFI Fund to enhance the accessibility of the program to non-regulated CDFIs, including non-profit loan funds, as well as smaller developers, based on asset size. Historically, these entities have not been adequately represented within the program. By making the CMF more accommodating to projects like multi-family rehabilitations with fewer units, scattered site housing, and for-sale endeavors, we can empower smaller developers in underserved areas to both stabilize and rejuvenate these communities. A dedicated provision for developers focusing on blighted areas or those with low homeownership rates could level the playing field, ensuring they stand a competitive chance at securing CMF awards. This is especially crucial given the current preference towards larger multifamily rental properties due to their higher unit output. Furthermore, supporting smaller developments not only aids in neighborhood stabilization but also equips smaller developers with the experience and capacity to undertake more ambitious projects in the future. This symbiotic relationship extends to smaller CDFIs as well. These institutions have a deep-rooted understanding of the unique challenges and opportunities in communities starved of affordable housing. Their leadership, with its nuanced grasp of economic development and housing requirements in these regions, is an indispensable ally in our pursuit of equitable development.

By instituting a dedicated provision, the CDFI Fund can channel resources more effectively, addressing the distinct needs of these communities. This strategic shift not only addresses past oversights but also fortifies the CMF program's inclusivity and efficacy. In sum, by placing a renewed emphasis on smaller CDFIs, the CDFI Fund can catalyze transformative change, ensuring the CMF program's benefits permeate every segment of our society.

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On behalf of the African American Alliance of CDFI CEOs, we thank you for the opportunity to provide recommendations regarding the Capital Magnet Fund. Please do not hesitate to contact us for clarifying questions or comments.

Sincerely,

Lenwood V. Long, Sr., President and CEO
African American Alliance of CDFI CEOs