

September 25, 2019

The Honorable Steven Mnuchin
U.S. Department of Treasury
1500 Pennsylvania Avenue, NW
Washington, D.C. 20220

The Honorable Mark Calabria
Federal Housing Finance Agency
400 7th Street, SW
Washington, D.C. 20219

To Secretary Mnuchin and Director Calabria:

We appreciate the Administration's efforts to ensure that there is a sustainable housing finance system in the United States. The U.S. Department of Treasury's Housing Reform Plan recommends a number of legislative and administrative changes to the current system. The undersigned groups write to urge that the Administration continue funding the national Housing Trust Fund (HTF) and the Capital Magnet Fund (CMF) as housing finance reform efforts move forward, including the implementation of any capital restoration plan.

In 2008, Congress established the HTF and CMF programs to meet critical, but different affordable housing and economic development needs in communities across the country. Under the Housing and Economic Recovery Act of 2008, the Government Sponsored Enterprises (GSEs) must: (A) set aside an amount equal to 4.2 basis points for each dollar of unpaid principal balance of its total new business purchases; and (B) allocate or otherwise transfer (i) 65 percent of such amounts to the Secretary of Housing and Urban Development to fund the Housing Trust Fund established under section 1338; and (ii) 35 percent of such amounts to fund the Capital Magnet Fund established pursuant to section 1339.

The national HTF is the first new federal housing resource in a generation exclusively targeted to address the underlying cause of our nation's housing crisis: the severe shortage of affordable rental housing for people with the lowest incomes. In doing so, the HTF serves a critical role that cannot be met by the GSEs' regular course of business or addressed by the private sector alone. While still new, the HTF program is allowing local communities to build much-needed rental housing for some of the country's most vulnerable families. NLIHC's recent [interim analysis](#) of how states have started using the \$174 million HTF available in 2016 finds that 43 states have awarded HTF funds to 138 projects with over 1,500 HTF-assisted homes.¹ Since that mid-September interim report, all states and the District of Columbia tell NLIHC that they have awarded HTF funds to 160 projects with more than 1,918 HTF-assisted homes. These rental homes house people previously experiencing homelessness, survivors of domestic violence, people with disabilities, seniors, veterans, people with traumatic brain injuries, and other extremely low-income people.

The CMF is a competitive program open to community development financial institutions and nonprofit housing organizations and leverages capital for affordable housing, both rental and homeownership, as well as related economic development activities such as day care centers, community health clinics, and workforce development centers. The program provides funding that non-profit developers and mission-based lenders cannot find elsewhere—funding to do pre-development work, create revolving loan funds, establish loan loss reserves, and provide loan guarantees—all critical pieces of affordable housing and community development. Over the initial funding rounds, CMF attracted over \$13.8 billion in capital into communities; Awardees are required to leverage at least \$10 of outside capital for each dollar awarded, although in

¹ National Low Income Housing Coalition. 2018. *Getting Started: First Homes Being Built with 2016 National Housing Trust Fund Awards*. Washington, DC: Author. See: <https://bit.ly/2pPj9YT>

practice they have attracted in excess of \$20 for every CMF dollar awarded. These dollars are being used in 48 states--in rural, urban and suburban areas--and meeting needs that would otherwise go unmet. To date, CMF has created over 77,000 affordable homes and has supported over 33,000 jobs.

Given the critical role these programs play in addressing housing needs across the nation, we urge you and the Federal Housing Finance Agency (FHFA) to continue funding the HTF and CMF during the course of any capital restoration plan for the GSEs. At this time, funding for the HTF and CMF is quite small compared to the capital needs of the GSEs; continuing funding for these important programs would, therefore, have no material impact on the financial stability and security of these institutions. Moreover, both programs were designed by Congress to reach low-income people and communities that cannot be met by the GSEs' regular course of business or addressed by the private sector alone. Continued funding for the HTF and CMF throughout a capital restoration plan, along with a broad and enforceable commitment to access and affordability, is necessary to ensure that no community or household is left out of the housing finance system.

Treasury's Housing Reform Plan also contemplates replacing the GSE's affordable housing goals, as well as the HTF and CMF programs, with an assessment on guarantors to fund a broad array of housing programs in a much less targeted way. In addition, the plan recommends that such funds would be appropriated by Congress. Both of these reforms would undermine Congressional intent; Congress established these programs precisely because they understood there were gaps in financing for affordable housing, both homeownership and rental, and for economic development in low-income communities. In addition, Congress intended these programs to provide additive federal funding and not to supplement federal housing appropriations, which are already under-funded.

Given the impressive results of these programs, we urge you to ensure their continuation in any legislative and administrative changes you make or recommend going forward. This includes ensuring that any plan to recapitalize the GSEs takes into account the continuance of the funding mechanism for HTF and CMF.

Thank you for your attention to this matter.

Sincerely,

Capital Magnet Fund Coalition
Coalition for Human Needs
Community Change
Consortium for Citizens with Disabilities Housing Task Force
NAACP
National Alliance to End Homelessness
National Coalition for the Homeless
National Community Reinvestment Coalition
National Housing Trust
National Health Care for the Homeless Council
National Low Income Housing Coalition
RESULTS
Union for Reform Judaism

Cc: HUD Secretary Ben Carson