

Dear Acting Director Otting:

The undersigned organizations, representing a broad cross-section of national organizations focused on affordable housing, as well as Capital Magnet Fund (CMF) awardees, are writing to urge you to continue making allocations to the CMF and the national Housing Trust Fund (HTF) in fiscal year 2019 and going forward. These programs are effective tools in creating affordable housing supply and are funded by a de minimis fee (currently 4.2 basis points) on new business generated by Fannie Mae and Freddie Mac, and not through federal appropriations. The programs have broad bipartisan support and failure to continue to fund them will result in an even greater need for government spending to address the shortage of affordable housing in the future.

The HTF is exclusively targeted to help build and preserve housing that is affordable to people with the lowest incomes. Since 2016, \$661 million has been allocated to the HTF. Because the HTF is administered as a block grant, each state has the flexibility to decide how to best use HTF resources to address its most pressing housing needs. Most states are [using most of their HTF resources](#) to build and preserve homes for people experiencing homelessness, people with disabilities, elderly people, and other underserved populations. Recent analysis by the National Low Income Housing Coalition shows that with the first round of \$174 million in HTF dollars, 43 states have helped build or preserve over 1,500 assisted homes. While these initial rounds of funding are an important first step, far more resources are necessary to meet the need.

The CMF is a competitive program administered by the Treasury Department and is open to community development financial institutions and non-profit housing organizations to develop, preserve, rehabilitate, or purchase affordable housing, as well as for related economic development activities such as day care centers, community health clinics and workforce development centers. CMF recipients are required to attract at least \$10 of outside capital for each dollar awarded, although in practice they have attracted in excess of \$22 for every dollar awarded. The CMF provides funding that non-profit developers and lenders often cannot find elsewhere—funding to do pre-development work, create revolving loan funds, establish loan loss reserves, and provide loan guarantees. In all, four rounds of funding have gone out for a total of \$434 million, which has or will help to attract \$13.5 billion in other capital into these projects. CMF awards are supporting the creation of over 64,000 rental units and over 8,700 single-family homes in 47 states, the District of Columbia, and Puerto Rico.

Fannie Mae and Freddie Mac have been accruing CMF and HTF dollars on a quarterly basis during 2018 and any suspension of the distribution will result in the dollars being “swept” by the U.S. Department of the Treasury where it will never be spent for housing – or anything other than making a miniscule interest payment on the US debt. The GSEs were profitable in fiscal year 2018 and gave back billions to the Treasury. Leaving the CMF and HTF dollars to be allocated as intended by Congress will have no impact on their financial condition. Furthermore, the fees imposed on the GSEs are designed to ensure that they make a contribution to segments of the market that are underserved since they often struggle to reach these communities through their normal business. We strongly urge you to continue funding these critically important funds.

Thank you for your consideration of our views.

Sincerely,