



May 5, 2009

Deputy Director of Policy and Programs
CDFI Fund
U.S. Department of the Treasury
cdfihelp@cdfi.treas.gov

RE: Request for Comment on Capital Magnet Fund Program

CFED is pleased to submit comments on the CDFI Fund's Capital Magnet Fund. We collaborated with members of Congress and the Opportunity Finance Network on the creation of this Fund. We look forward to implementation of an institutional-based approach to providing affordable housing and community revitalization through the CDFI Fund leadership.

CFED is a national nonprofit organization dedicated to expanding economic opportunities for all Americans. Innovations in Manufactured Homes (I'M HOME) is a CFED initiative that works to make sure that families who choose manufactured homes receive the same financial and tax treatment as owners of any other type of home. I'M HOME works to address lingering problems in the manufactured housing industry, as well as to expand the supply of good quality, affordable housing. Our network of 35 local and regional nonprofit organizations represents urban and rural areas in every region of the country.

CFED's comments on the Capital Magnet Fund focus on the largest source of unsubsidized affordable housing in the country: manufactured housing. According to the American Housing Survey, 17 million Americans live in manufactured housing and manufactured housing represents nearly 11% of housing for families living at 150% or less of the poverty level. Our comments below are based on CFED's experience with this segment of affordable housing opportunities.

- **Definition of affordable housing:** Regardless of the income cap for qualifying projects, the Fund should explicitly state that manufactured housing be included in any affordable housing. While the Opportunity Finance Network (OFN) notes that existing affordable housing definitions from HOME and the LIHTC should be used, we note that there are disparities in the inclusion of manufactured housing in these and other federal programs. Thus, we would encourage any definition of affordable housing eligible for use by the Capital Magnet Fund

investments clearly include manufactured homes and manufactured home communities in which the homes may be sited. In federal programs that do not explicitly authorize manufactured housing and manufactured home communities in which the homes may be sited, this lack of clarity results in discouraging applicants from applying for funding for manufactured housing projects because of the uncertainty of eligibility. Moreover, lack of clarity puts eligibility of manufactured housing projects at the discretion and political will of program reviewers and managers who might change over time. Given the stigma sometimes associated with this affordable housing stock this may result in inconsistent use of the program with regard to manufactured housing.

- **Affordability thresholds.** Since these funds are not permanent sources of capital but instead serving as seed capital, restrictions and thresholds are not applicable and should not be mandated.
- **Definition of preservation:** Affordable housing preservation should include a plan for the restoration of deteriorated properties; creation of more responsive property management, including cooperatives; and prevention of troubled properties going into default as well as refinancing of both single-family and multi-family mortgages. Across the nation, CFED is working to help residents purchase their manufactured home communities (parks) from retiring or selling owners. Financing of resident-owned manufactured home communities should count as preservation. Preserving this source of affordable housing through resident ownership should be an element of the Capital Magnet Fund. In addition, shared equity housing, including revolving lines of downpayment assistance, shared appreciation or resale restrictions, should also be eligible.
- **Definition of rehabilitation:** Any definition of rehabilitation should promote the habitability, energy efficiency and building code compliance of the home. In the case of manufactured housing, there should be an explicit exemption for manufactured homes built prior to the 1976 introduction of the HUD code that allows for replacement of these pre-code homes in lieu of rehabilitation. Experience with the Weatherization program shows that a better and more efficient use of public funds, with regard to pre-1976 manufactured homes, is to use these funds for downpayment assistance toward new, Energy Star-rated units, rather than temporary-fixes on substandard units.
- **Definition of community service facilities:** Any definition of community service facilities should include infrastructure improvements, such as water and sewage upgrades, as an allowable use. In many older manufactured home communities, such community infrastructure upgrades are difficult to finance by largely low-income and fixed-income homeowners. CDBG and other federal programs have been successfully used in many markets for these types of community infrastructure improvements. The Capital Magnet Fund should include infrastructure improvements as an allowable use. Facilities can extend beyond the units themselves and include capital improvements to common facilities, such as roads, parking facilities and common elements such as a recreation area that serves a manufactured home community. Eligible activities should be proximate and reasonably available (but not restricted) to the residents in the affordable housing. For example, a child care facility located in a park

could enroll children from outside the community. Also a health facility near a park, but not in it, could be eligible by providing services to manufactured home community residents.

- **Restrictions of award percentage:** Nothing in the statute supports restricting funds provided for housing or community service facilities. We would not support an arbitrary percentage of the total award. The law clearly requires that affordable housing be linked to any economic development or community development investment. To ensure this linkage, the Fund should require that a grantee has previously supported or is simultaneously supporting affordable housing activities in a given community under such concerted strategy. However, we urge flexibility in any requirement due to our national efforts to enable manufactured home community owners to purchase the land beneath their homes. We would not want to see a requirement that the investee must have financed affordable housing prior to receiving funds for community services as we tend to make these financial arrangements in tandem.
- **Concerted area definition:** A concerted strategy to stabilize or revitalize a low-income area or underserved rural area should:
 - Be a written plan adopted by either a state or local governmental agency, tribe or a nonprofit community based organization with significant input from community residents and stakeholders.
 - Describe community conditions, strengths, weaknesses, and needs including the needs of low-income residents.
 - Establish focused and coherent strategies to address priority needs, including at minimum, affordable housing and either economic development or community services, or both.
 - Identify at least some specific project/program opportunities to implement such strategies.
- **Commitment for Use Deadline:** The term “committed for use” in the context of the Capital Magnet Fund Program is the same as the term is used in the HUD’s HOME Investment Partnerships Program, meaning that the grantee has executed a legally binding agreement with a recipient, a subrecipient, or a contractor to use a specific amount of grant funds to produce affordable housing.
- **Prohibited Uses:** We would urge the rules to promote mortgages rather than personal property (chattel) loans for manufactured home buyers.
- **Operating Costs:** Resident owned cooperative conversion is labor intensive requiring operating and program costs. Since the statute does not prohibit the use of funds for operating costs, the CDFI Fund should look to its own guidance for deployment goals that it has used in recent CDFI Program rounds, most recently stated in the 2009 CDFI Program application:

“Note: Applicants should be aware that successful awardees will be required to demonstrate that an amount equal to at least 85 percent of the total Financial Assistance award amount has been deployed to its Target Market in Financial Products, Financial Services, and/or Development Services over the three year reporting period.”

- **Post-award Activities of the Fund:** We urge the Fund to post awards and share information with grantees on similar investments to encourage innovation and collaboration.

CFED's comments are intended to ensure that manufactured housing – an oft-overlooked but critical component of the affordable housing continuum – is explicitly included in the Capital Magnet Fund. We also support shared equity homeownership opportunities and urge that they be considered as well. Finally, we believe the Fund should provide institutional-based rather than project-based funding.

We welcome an opportunity to answer any questions or be of further assistance in the development and implementation of the Capital Magnet Fund. Please contact Carol Wayman, Federal Policy Director at cwayman@cfed.org or Laura Arce at larce@cfed.org for additional clarification. Please finalize the regulations as soon as possible.

Sincerely,

A handwritten signature in cursive script that reads "Andrea Levere".

Andrea Levere
President, CFED