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April 23, 2009

Deputy Director of Policy and Programs
CDFI Fund
U.S. Department of the Treasury
601 13th Street, NW
Suite 200 South
Washington, DC 20005

RE: Request for Comment on Capital Magnet Fund Program

Dear Mr. Josephs,

On behalf of Lakota Funds, I appreciate the opportunity to comment on the CDFI Fund's Request for Comments published in the *Federal Register* on March 6, 2009 regarding the Capital Magnet Fund Program.

Lakota Funds is a community development finance institution actively promoting socio-economic sustainability of Oglala Lakota people on the Pine Ridge Indian Reservation. We use culturally appropriate strategies including family asset building, technical assistance, business loans, and targeted community and business development. We were the first CDFI on an Indian reservation and we developed the first tax credit housing development on a reservation. Currently we are taking the lead in developing a credit union to serve the banking needs of this reservation where no commercial bank or credit union now exists for the twenty eight thousand members.

Your request for comments is quite extensive. Opportunity Finance Network (OFN) addressed all questions posed by the CDFI Fund regarding the Capital Magnet Fund Program and I encourage you to follow the guidance provided by OFN.

In general, I strongly urge the CDFI Fund to use definitions and criteria from existing programs and regulations, such as its own CDFI Program (financial assistance and technical assistance), when possible. Where no program, regulation, or statute is referenced, OFN's comments draw on the understanding of organizations like mine that have decades of experience providing services to low-income communities.

OFN along with Members of Congress created the concept for this program based on the experience of the various subsidy programs at the U.S. Department of Housing and Urban Development (HUD) and the CDFI Program. Congress decided to house the Capital Magnet Fund Program at the CDFI Fund rather than HUD because of the CDFI Fund's approach to providing institutional-based rather than project-based funding. The core concept underlying the Capital Magnet Fund Program is to provide capital at the institutional level rather than directly into real estate projects. This successful approach allows federal grants to be deployed more effectively and flexibly to leverage private capital and to achieve larger-scale impact.

The Capital Magnet Fund Program is **not** a block grant or project-based program. The Capital Magnet Fund Program capitalizes on what CDFIs and nonprofit affordable housing developers do best, which is to leverage a small federal investment with other funding. This is essential to the success of the Capital



Magnet Fund Program. Again, I stress that the concept for the Capital Magnet Fund Program was based on the CDFI Program and regulations should closely follow the guidance of this program where ever possible. The New Markets Tax Credit Program is *not* an appropriate model for the Capital Magnet Fund Program. I would also like to emphasize the following points that Opportunity Finance Network made in its comment letter:

- For the purpose of leverage and leverage reporting, non-Capital Magnet Fund financing sources should include both federal and non-federal sources of capital.
- Capital Magnet Fund grants should not be limited to areas of economic distress since the priorities of the program are extremely low-, very low-, and low-income *families*.
- Achieving leverage is not a requirement of awarding a grant, but rather a reporting function.

Lakota Funds experience with tax credit projects leads us to conclude that Opportunity Finance Network's suggestions will work better for us. Opportunity Finance Network addressed all questions posed by the CDFI Fund regarding the Capital Magnet Fund Program, and again, I urge you to refer to OFN's comment letter to provide guidance.

The Capital Magnet Fund Program, which provides enough flexible funding to support a wide variety of housing and community revitalization options and encourages significant leveraging of federal dollars, is likely to be one of the best tools available to help our lowest-income people and neighborhoods survive our current economic crisis. I encourage you to finalize regulations for this program as soon as possible.

Thank you for the opportunity to comment. Please do not hesitate to contact me at 605.455.2500 or dsmith@lakotafunds.org if you have questions or need additional clarification.

Sincerely,

Dowell Caselli-Smith, PHD
Executive Director