



Capital at the point of impact.

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TO:
Deputy Director of Policy and Programs

FROM:
Richard D'Amico

COMPANY:
CDFI Fund, U.S. Department

COMPANY:
The Reinvestment Fund

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May 5, 2009

NOTES/COMMENTS:

Attached are comments on the Capital Magnet Fund.

Thanks

Richard D'Amico

Associate

Capitalization and Investor Development



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May 5, 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 my organization, The Reinvestment Fund (TRF), 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.

The Reinvestment Fund (TRF) is one of the largest and most effective CDFIs in the nation. Last year we closed more than \$160 million in new loans and investments in our mid-Atlantic trade area: New Jersey, Pennsylvania, Delaware, Maryland, and Washington, DC. CARS, the comprehensive third-party analysis of CDFIs, gave TRF its highest rating. We currently manage \$570 million in assets. In addition to our financing programs we provide high-quality information, policy analyses, and development services. Demand for our capital, data, and development services is strong and growing.

Your request for comments is quite extensive. Though the Opportunity Finance Network (OFN) addressed all questions posed by the CDFI Fund regarding the Capital Magnet Fund Program and I encourage you to follow its guidance, I want to stress a few points.

In general, TRF strongly urges 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 ought to capitalize 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

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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.

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. TRF encourages 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 202-223-3361 or Lori.Glass@trfund.com if you have questions or need additional clarification.

Sincerely,

A handwritten signature in black ink that reads "Lori Glass". The signature is written in a cursive, flowing style.

Lori Glass
Manager, District of Columbia Office