

August 26, 2024

Ms. Pravina Raghavan  
Director  
U.S. Department of the Treasury  
Community Development Financial Institutions Fund  
1500 Pennsylvania Avenue, NW  
Washington, DC 20220

Re: Capital Magnet Fund Program Interim Final Rule

Dear Director Raghavan:

Thank you for the opportunity to submit comments in response to the June 25, 2024 Interim Rule submitted by the Community Development Financial Institutions (CDFI) Fund on the Capital Magnet Fund (CMF) program. We appreciate the CDFI Fund's efforts to serve as stewards of this important resource and constructive efforts to work with stakeholders to improve the program so that we can achieve our shared mission of creating and preserving desperately needed affordable housing.

Cinnaire is a mission-driven nonprofit financial partner with a long history of investing and lending to foster the development of affordable housing and community facilities in the markets we serve. This year, we are celebrating thirty-one years of raising investment and lending capital to create and preserve impactful affordable housing developments throughout our footprint in the Midwest and Mid-Atlantic regions. Serving nine states, Cinnaire has raised more than \$5.7 billion in total investments, supporting the creation or preservation of more than 63,000 affordable housing units. We focus on underserved communities, including urban and rural areas that struggle to find the capital they need for worthwhile and urgently needed projects. Along with our partners, Cinnaire works to transform struggling neighborhoods into thriving communities through financial investments and loans, innovative partnerships, and development services.

Cinnaire's nonprofit lending subsidiary, Cinnaire Lending, was formed in 2004 with a goal of helping to address the lending needs of the markets we serve, especially for affordable housing developments. Cinnaire Lending has been a certified CDFI since 2007. Cinnaire Lending provides a mix of impactful lending products that facilitate the development of affordable housing, including predevelopment loans, bridge loans, and permanent financing. Critically, Cinnaire Lending also serves as a patient partner, often working to get impactful projects off the ground, keep rents low for residents, and ensure the success of projects when they face unforeseen challenges. Cinnaire Lending is an active participant in the CDFI industry, a member of the Federal Home Loan Bank of Chicago and active in various CDFI trade groups.

The CMF program has been instrumental in our success as a CDFI and to the viability of hundreds of affordable housing developments in our markets while helping reduce borrowing costs for developers and keep rents low for the populations we serve, especially for lower income households. To date, Cinnaire has received six CMF awards for a total of \$35.4 million. This funding enabled us to support 137 affordable housing developments, creating more than 5,519 units of affordable housing in both rural and

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urban communities. CMF funds have been especially valuable in recent years as affordable housing developments have experienced large financing gaps driven by rising construction and labor costs, supply chain delays, and interest rate increases.

We deeply appreciate the CDFI Fund's work implementing the CMF program. The enterprise-level nature of the funds for mission-driven affordable housing organizations is a unique and powerful tool that positions Cinnaire and other CMF recipients across the country to drive affordable housing. This structure allows deep flexibility to respond to local housing market needs while leveraging significant public and private funds.

At the same time, some requirements imposed by the CDFI Fund have resulted in deployment challenges. The Interim Final Rule includes several improvements that will enable us to enhance the reach of the program while making it easier to use. We want to thank the CDFI Fund again for those improvements. We have provided comments below on changes in the Interim Final Rule that we believe will be helpful while calling attention to ways the Fund can further improve the program.

Cinnaire is a member of the Capital Magnet Fund Coalition. We strongly endorse the Coalition's comments and provide the following additional comments based on our direct experience with the program.

### **Comments on Reforms in the Interim Rule**

#### ***Facilitate CMF Alignment with Other Federal Affordable Housing Programs***

We appreciate the Fund's interest in aligning CMF with other federal affordable housing programs to the extent possible. We believe it is particularly important to align CMF with the Low-Income Housing Tax Credit (LIHTC) program, which is the driver of nearly all affordable housing development in the United States. Since its establishment in 1986, LIHTC has helped finance more than 3.6 million affordable homes, providing more than 8 million low-income households with homes they can afford. The CMF program is a natural complement to LIHTC, enabling mission-driven lenders, including CDFIs, to fill financing gaps and provide the support needed to advance more challenging and impactful projects.

The Interim Final Rule's alignment of CMF income limits with the LIHTC program – specifically, utilizing the 60% Area Median Income (AMI) threshold for Very Low-Income – will greatly improve the efficiency and reach of the program. The CMF Program's focus on units serving households under 50% of AMI creates a significant barrier to deployment of the resource. We have seen that the prevalence of 30-50% AMI units in LIHTC developments has decreased due to increases in construction and borrowing costs, making deployment to 50% AMI units very difficult in the communities we serve. We strongly encourage the Fund to issue guidance as soon as possible to ensure that this change can be utilized.

We also support the initiative in the Interim Rule to align federal affordable housing programs under a new "Presumptively Compliant" metric that would deem eligibility for projects that fully comply with other sources of funding. This new standard for eliminating duplicative reporting enhances and encourages the blending of funding within the capital stack to broadly support affordable housing development. We encourage the CDFI Fund to establish a process whereby federal affordable housing program compliance can be determined at the request of awardees. Further, all federal affordable housing programs that have been determined to be "Presumptively Compliant" should be displayed publicly

so that the streamlined reporting requirements can be utilized by all CMF program awardees immediately.

In our experience, we routinely deploy CMF capital in conjunction with a host of federal programs, including LIHTC (Treasury), the HOME Investment Partnership Program (HUD), Section 8 Project-Based Vouchers (HUD), Project-Based Rental Assistance (HUD), and rural housing and rental assistance programs (USDA).

### ***CMF Commitment Deadline***

We endorse comments from the CMF Coalition regarding commitment deadlines and encouraging additional clarity around those deadlines. We would call your attention to the importance of providing flexibility on the project completion date, especially as projects have experienced delays. Rigid project completion deadlines can also be particularly challenging for deployment of CMF funding in early stages of development (e.g., predevelopment loans) that are highly impactful. As an awardee for multiple CDFI Fund programs, we take our compliance obligations very seriously and appreciate any clarity that the Fund can offer.

### ***Extension of Affordability Period***

The Interim Rule seeks to expand the application of Affordability Periods across numerous existing eligible use categories. The financial relationships that CMF awardees maintain with lenders are predicated on the consistency of the 10-year Affordability Period following the project completion date.

We agree with the CMF Coalition's concern at potential future requirements for longer Affordability Periods in future NOFAs. Doing so could reduce the number of CMF program applicants, constrict the number of lenders willing to work with awardees and remove standardization of timelines that have been long-established by the CDFI Fund. Further justification for such a change should be included in future guidance from the CDFI Fund.

### ***Preservation***

We agree with the CMF Coalition's views on the expansion of affordability periods pertaining to Preservation projects, as outlined by the Interim Rule. To gain further clarity, we request that the CDFI Fund provide additional guidance on the use of awards for Preservation, including further definition of the expansion of the affordability period beyond the standard ten-year period for projects where there are no rent restrictions, or the rent restrictions are set to expire during the Investment period.

### ***CMF Program Income (PI) Rules***

We underscore the CMF Coalition's comments on the CDFI Fund's treatment of Program Income (PI), which is one of the most substantial burdens imposed by the CMF program. PI earned in the form of principal and equity payments must be used by the Recipient for the approved, eligible CMF award uses as set forth in the Assistance Agreement (AA) during the Investment Period. The requirements are triggered when the cumulative balance of PI earned equals \$100,000 or greater. The CDFI Fund increased the compliance burden in Fiscal Year 2018 by increasing the reinvestment window from four years to five years. We agree with the CMF Coalition's comments on reforming reinvestment requirements to reduce burdens on awardees.

## Conclusion

We greatly appreciate both the CDFI Fund's work administering the CMF program and the opportunity to provide feedback based on our experience with the program. As a mission-driven organization working to bring critically needed financing for affordable housing in both rural and urban communities, CMF has been an invaluable resource, helping us provide flexible financing that has made impactful projects feasible and created affordable housing opportunities for thousands of households in our footprint. If you have questions or would like to discuss with our team, please contact me at [cneary@cinnaire.com](mailto:cneary@cinnaire.com).

Sincerely,



Chris Neary  
Senior Vice President – Policy, Research and Advocacy

CC: Mr. Andrew Schlack, Program Manager, Capital Magnet Fund