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November 25, 2024

Via Electronic Submission

Mr. Andrew Schlack
Program Manager for the Capital Magnet Fund
Community Development Financial Institutions Fund
United States Department of the Treasury
1500 Pennsylvania Avenue NW
Washington, DC 20220

RE: Capital Magnet Fund, Federal Register Vol. 89, No. 185, Tuesday, September 24, 2024 OMB Number: 1559–NEW

Dear Mr. Schlack:

On behalf of the members of the Community Development Bankers Association (CDBA), we respectfully submit the enclosed comments on the Notice for Public Comment published on September 24, 2024 by the Community Development Financial Institutions (CDFI) Fund seeking comments on the Application for the 2025-2027 funding rounds of the Capital Magnet Fund (CMF).

CDBA is the national trade association of Federal and State chartered banks, thrifts, and their holding companies that are certified by the CDFI Fund. Today there are 196 CDFI certified banks and thrifts and 160 certified bank holding companies. Many of our members are also minority depository institutions (MDIs). These mission-focused financial institutions are a specialized niche within the banking industry, and are active contributors to efforts to ensure sustained housing affordability within low- and moderate income (LMI) communities.

General Comments

As we expressed in our August 26, 2024 comments addressing the CMF Interim Rule, we commend the CDFI Fund for proposing meaningful reforms to the program. We understand that many of the revisions noted in this application implement those changes.

Generally, the proposed revisions to the application are appropriate and reflect the changes made in the Interim Rule. Some exceptions are identified below.

A. Compliance Reporting System

Outside of questions addressing those posed in the September 24 request for comment, participants report that the CMF requires an enormous amount of time to apply to, implement and manage. That burden is compounded by the challenges of reporting via the CDFI Fund's AMIS system. Among many challenges, AMIS is easily overwhelmed, and one CDFI Fund provided template is incompatible with certain reporting years and fails to pull data correctly from source material. One concrete step the CDFI Fund could take to mitigate the burden is to review the materials provided to assist applicants and ensure they are fully compatible with the reporting software.

Specific Comments

B. Is the collection of information necessary for the proper performance of the functions of the agency, including whether the information shall have practical utility?

The proposed application includes multiple new and modified fields. While these generally align with the program, some modifications will improve the application's utility.

For example, while some questions naturally require more time than others, even simple questions require time to consider, gather information, and answer. We urge the CDFI to reconsider whether certain new questions are necessary. For example, what is the utility of new questions addressing an applicant's use of an external consultant ("1 h.i – h.iii") on page 8? If the information has no impact on how an application is evaluated, the question is better not included.

Question "3.a" on page 10 would benefit from clarification on what the financing requirements will be. What would National Area requirements be? Also, would there be a benefit to selecting a National Area versus, for example, a three state regional market? The introduction of National Areas is a positive addition that would benefit from direct CDFI Fund engagement and industry education.

The CDFI Fund should reconsider questions that address pipeline projects that appear in more than one application. Consideration of applicant responses to a question about Rental Housing, "13 e," especially should acknowledge that financing multifamily rental housing often has a long duration that requires multiple complex phases, in the form of pre-development, construction and permanent financing. Additional characters may be required to answer this narrative question. The CDFI Fund should also consider increasing the character limit on narrative question "13 f" which allows space to explain why a homeownership project would be identified in a current application if it was included in a past application.

Applicants would benefit from examples of what the CDFI Fund expects for the three questions (strategy, impact and outcome narratives) "19 b.ii – b.iv" on p. 36. How will the information provided be used for tracking? Without data uniformity, this reporting, if required, will be difficult especially within the proposed character limit.

Applicants also question whether the benefits of Economic Development questions "19 d. ii – d.iv" on p. 39 outweigh the burden. Many applicants may not actively or formally track these impacts and will not have a report available to pull data to respond. As these metrics are not required in the CMF performance reports, it appears that the CDFI Fund is indicating awardees should now track these types of impacts to score favorably, which would significantly increase the burden.

More significant burden is introduced in "Appendix 2, Table A1" on page 61. Eight fields ask applicants to identify costs and units related to "projects financed but not yet completed" in lines alternating between currency and numeric denominations. The formatting of these tables is awkward for applicants and in practice forces applicants to switch between terms, adding to the burden. We recommend that the charts be merged to include only "like" terms. For example, one table collecting data on "Total Costs Financed" would ensure that all tables have "like" data.

Also in Appendix 2, we urge the CDFI to make conforming changes that reflect the policy change to a new definition of "Very Low Income." As the CMF has been revised to align the threshold for "Very Low Income" at with other nation programs, the table should change with it. Continuing to collect

information on units at the former threshold is confusing to applicants and does not contribute to the program's success.

Also, "Appendix 3b" on pages 75-76 can be usefully revised to reflect that state funding and local funding are sometimes difficult to separate. For example, sometimes state funding is directed to counties to distribute on the state's behalf. The fields would be better revised to reflect this in the form of "State/Local" funding rather than have the fields for "State" and "Local" be distinct.

C. How accurate is the agency in its estimate of the burden of the collection of information?

While the number of hours required varies, applicants report an *average* of 298 hours to prepare a CMF application, approximately three times that estimated by the CDFI Fund. This suggests that the CDFI Fund should thoroughly reexamine its estimated burden.

D. What are ways to minimize the burden of the collection of information on respondents, including through the use of technology?

We urge the CDFI Fund to consider modifications that allow applications to leverage data submitted in prior years, such as compliance reports, to automatically populate new applications. Similarly, can data/information be pulled from other program applications submitted within the same FY? If this is possible, it would be important to allow applicants the option of retaining the ability to update/edit auto populated data to ensure accuracy.

Conclusion

Thank you for the opportunity to provide comments on this important issue. More importantly, thank you for your careful consideration of the needs of the low-income communities served by banks participating in the CMF program. If you have questions, please contact Brian Blake, Chief Public Policy Officer at (202) 689-8935 ext. 225, or blakeb@pcgloanfund.org.

Sincerely,

A handwritten signature in dark ink, appearing to read "Brian A. Blake". The signature is fluid and cursive, with the first name "Brian" and last name "Blake" clearly distinguishable.

Brian Blake
Chief Public Policy Officer