



## Housing Assistance Council

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May 14, 2010

Capital Magnet Fund Manager  
Community Development Financial Institutions Fund  
Department of the Treasury  
601 13<sup>th</sup> St., N.W.  
Suite 200 South  
Washington, DC 20005

Re: Capital Magnet Fund

Dear Sir or Madam:

Thank you for the opportunity to comment on the proposed rule governing the Capital Magnet Fund published on March 15, 2010.

The comments of the Housing Assistance Council (HAC) focus largely on geographical issues. HAC is a Community Development Financial Institution (CDFI) and intermediary, established in 1971 to provide financing, information, and technical services to nonprofit, for-profit, public, and other providers of rural housing. Created to meet the housing needs of the poorest of the poor in the most rural places, HAC fulfills its mission by working in close partnership with local organizations in rural communities throughout the nation. These relationships provide HAC with first-hand knowledge of issues impacting rural areas.

### Definition of Rural Areas

In its May 5, 2009 comments responding to the CDFI Fund's March 6, 2009 Request for Public Comment, HAC stated that the CDFI Fund should adopt the definition of "rural" used for the U.S. Department of Agriculture's rural housing programs. HAC maintains the same recommendation now. There is no perfect definition of rural; all the major definitions of rural have both pros and cons associated with their methodologies and practical applications. Yet, on balance, USDA's housing programs' definition is the most inclusive and precise measure of rural character among the major definitions that are commonly utilized.

USDA's definition sounds complex:

As used in this subchapter, the terms "rural" and "rural area" mean any open country, or any place, town, village, or city which is not (except in the cases of Pajaro, in the State of California, and Guadalupe, in the State of Arizona) part of or associated with an urban area and which

(1) has a population not in excess of 2,500 inhabitants, or

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- (2) has a population in excess of 2,500 but not in excess of 10,000 if it is rural in character, or
- (3) has a population in excess of 10,000 but not in excess of 20,000, and
  - (A) is not contained within a standard metropolitan statistical area, and
  - (B) has a serious lack of mortgage credit for lower and moderate-income families, as determined by the Secretary and the Secretary of Housing and Urban Development. For purposes of this subchapter, any area classified as “rural” or a “rural area” prior to October 1, 1990, and determined not to be “rural” or a “rural area” as a result of data received from or after the 1990 or 2000 decennial census shall continue to be so classified until the receipt of data from the decennial census in the year 2010, if such area has a population in excess of 10,000 but not in excess of 25,000, is rural in character, and has a serious lack of mortgage credit for lower and moderate-income families. . . .<sup>1</sup>

This complicated-seeming definition is actually easy to apply, using USDA Rural Development’s web site at <http://eligibility.sc.egov.usda.gov/eligibility/>. The site provides maps by state and county, as well as a look-up function for specific addresses, and a text description of any ineligible areas in each county in the country.

For CMF grantees seeking to serve rural areas, this definition is also practical. Most rural housing projects will use USDA funding, so developers will need to determine whether a property fits USDA’s definition.

Most importantly, this definition identifies places that are actually rural in character far better than does the definition of Non-Metropolitan Areas, used in the proposed rule. The Office of Management and Budget, which defines Metropolitan and Non-Metropolitan Areas, cautions that these “standards do not equate to an urban-rural classification; many counties included in Metropolitan and Micropolitan Statistical Areas, and many other counties, contain both urban and rural territory and population.”<sup>2</sup> Large numbers of rural residents live within Metropolitan Areas: in fact, fewer than half the people who live in towns with populations under 2,500 live in Non-Metropolitan Areas.<sup>3</sup> In other words, slightly more than half the residents of very small towns live in Metropolitan Areas. Those rural Americans should not be left out of the CMF simply because their counties happen to be close enough to large cities to have economic connections with them.

### **Definition of High Housing Need**

For its first funding round, the CMF defined high housing need areas as those with high scores in HUD’s Neighborhood Stabilization Program (NSP) data. Because NSP was created to address foreclosures, the data are intended to identify places with high foreclosure rates and high likelihoods of future foreclosures.<sup>4</sup> Foreclosures on single-family mortgages are not the only kind of housing need, however. Renters in multi-family buildings can have serious problems

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<sup>1</sup> 42 U.S.C. §1490.

<sup>2</sup> Office of Management and Budget, OMB Bulletin No. 1002 (December 1, 2001), < <http://www.whitehouse.gov/omb/assets/bulletins/b10-02.pdf>>.

<sup>3</sup> Housing Assistance Council, *What is “Rural”? Working Towards a Better Programmatic Definition* (Washington, DC, 2008), 15, < <http://www.ruralhome.org/storage/documents/ruraldefinition.pdf>>.

<sup>4</sup> [http://www.huduser.org/nspgis/nsp\\_map\\_by\\_state.html](http://www.huduser.org/nspgis/nsp_map_by_state.html)

with housing affordability and quality. Homeowners can have similarly serious problems even in areas that do not have high foreclosure rates. Therefore HAC strongly recommends that the CDFI Fund select a different way of measuring high housing need.

HAC's 2009 comments noted that one such measurement is the Housing Stress Counties typology developed by USDA's Economic Research Service. The typology applies to all counties in the country, both urban and rural. A county is considered a Housing Stress County if

30 percent or more of households had one or more of these housing conditions in 2000: lacked complete plumbing, lacked complete kitchen, paid 30 percent or more of income for owner costs or rent, or had more than 1 person per room.<sup>5</sup>

This measurement is similar to the Underserved Rural Area definition in the proposed rule. It considers both rental and owner-occupied housing, includes those who are paying too much for their housing even if they are not at risk of foreclosure, and measures housing quality as well as affordability. Thus it is far more inclusive than the NSP data.

### **Inclusive Language**

HAC appreciates that in some places the proposed rule refers to both USDA and HUD programs. Similar language should be used in 1807.401(b), which refers to Section 8 and HOME rental assistance. It should also include USDA Section 521 Rental Assistance, Section 542 vouchers, and state rental assistance programs.

The proposed rule defines "In Conjunction With" in Non-Metropolitan Areas as "located within the same county, township, or village." Since a property located near a county line may rely on services that are just a few miles away but in a different county, HAC suggests adding "or located within 20 miles."

Thank you for providing this opportunity to comment, and for considering the Housing Assistance Council's comments. If you have any questions please do not hesitate to contact me.

Sincerely,



Moises Loza  
Executive Director

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<sup>5</sup> <http://www.ers.usda.gov/Briefing/Rurality/Typology/>