



**Massachusetts
Housing
Partnership**

May 14, 2010

Capital Magnet Fund Manager
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. Dworkin:

On behalf of the Massachusetts Housing Partnership (MHP), I appreciate the opportunity to comment on the CDFI Fund's Request for Comments published in the Federal Register on March 15, 2010 regarding the Capital Magnet Fund (CMF) Program.

MHP is a non-profit lender that provides permanent financing for affordable rental housing, with loans ranging from \$250,000 to \$15 million. To date, MHP has provided over \$640 million in loans and commitments for the financing of over 15,000 rental units.

We have comments on two sections of the proposed regulations, both of which are critical to the effective implementation of the CMF program. First, we urge that the Rent Limitation proposed in 12 CFR 1807.401(a) be reconsidered because it is inconsistent with rent limit methodology for other housing programs and the variability of rents, which could occur as a result of this limitation, would make underwriting of CMF loan requests difficult, if not impossible.

The proposed rent limit calculation is inconsistent with other housing programs administered by HUD and the Treasury Department and will complicate affordable housing restriction compliance monitoring. The Rent Limitation in the proposed rules is defined as a rent that does not exceed 30 percent of the family's annual income. Other housing programs, including HOME and LIHTC, define rent limits as a rent that does not exceed 30% of an imputed income limitation, adjusted for bedroom size (the applicable area median income limitation, assuming that a studio apartment houses one person and that apartments with separate bedrooms house 1.5 persons per bedroom). Moreover, consistent with other federal programs, the CMF regulations should allow rents to increase but not decrease below a floor based on the initial rents and provision should be made to allow maximum rents to be those paid under a federal or state rental subsidy program.

It would be challenging to underwrite a loan where rents could be adjusted to 30% of a family's income. The variability of incomes, and therefore rents, would require lenders to impose larger rent cushions or higher vacancy assumptions to account for a potential decrease in income at the property based on a given family's income. This more conservative underwriting would result in less supportable first mortgage debt and would require additional, scarce subsidy resources to make projects feasible.

In addition, since most affordable housing developments require multiple funding sources, it makes sense to use a rent limit methodology that is consistent with the other housing programs so that the CMF Program can be easily integrated. It would be difficult for CMF lenders to enforce affordable housing restrictions if the affordability requirements differed from already established housing programs.

160 Federal Street
Boston, Massachusetts 02110
Tel: 617-330-9955
Fax: 617-330-1919

462 Main Street
Amherst, Massachusetts 01002
Tel: 413-253-7379
Fax: 413-253-3002

www.mhp.net

Capital Magnet Fund Comments

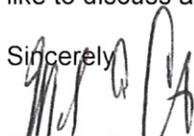
May 14, 2010

Page 2

The second issue is the determination of tenant income in proposed 24 CFR 1807.401(f). The proposed regulations utilize definitions under the Census or Internal Revenue Service forms, however, the income determination rules pursuant to the Section 8 program at 24 CFR 5.609 should be explicitly permitted to be used (even if the tenant is not a Section 8 recipient). The Section 8 income determination rules are used for other federal programs including the LIHTC program.

We appreciate your consideration of these comments on the Capital Magnet Fund. If you would like to discuss any of our comments, please feel free to contact me at 617-330-9944 x223.

Sincerely,



Mark A. Curtiss
Managing Director