Testimony of Lisa Mensah
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Provided to the Senate Committee on Banking, Housing, and Urban Affairs
June 24, 2021

Thank you for holding this hearing entitled: "Examining Bipartisan Bills to Increase Access to Housing." My name is Lisa Mensah, President and CEO of the Opportunity Finance Network (OFN). I am pleased to be here today to testify about how community development financial institutions (CDFIs) can **drive major new investments** in rural and tribal housing, and how **CDFIs can contribute to the rebuilding of our nation's infrastructure.**

OFN is a national network of CDFIs: mission-driven community development banks, credit unions, loan funds, and venture capital funds investing in opportunities that benefit low-wealth communities across America. For nearly 40 years, CDFIs have provided responsible, affordable capital where it is needed most: CDFI customers are 84 percent low-income, 60 percent people of color, 50 percent women and 26 percent rural. In FY 2019, CDFIs in our network financed $7.9 billion in loans, including roughly $2.2 billion in loans that supported rural communities.[1]

Nationwide, the more than 1,200 CDFIs certified by the US Treasury Department's CDFI Fund manage more than $222 billion. CDFIs are experienced housing lenders with deep expertise reaching low wealth markets. In fiscal year (FY) 2019, certified CDFIs made more than 600,000 housing loans totaling more than $56 billion.[2] CDFIs have cumulatively developed or rehabilitated more than 2.1 million housing units. With cumulative net charge-off rates of less than 1 percent, CDFIs lend prudently and productively in markets underestimated by mainstream banks.[3] CDFIs are specialized lenders who can reach deep into communities and provide services that are tailored to each market across the country.

This is a unique moment with the opportunity to commit to addressing the nation's housing issues and to tend to the problems that we have left unaddressed for too long. The COVID-19 pandemic has exacerbated existing problems in affordable housing and now is the time to invest and go deeper into the communities across the country that have faced decades of underinvestment.

The United States has an insufficient stock of affordable housing and the stock that does exist is aging and in need of repair. We must also be good stewards of the investments that have already been made. In 2016, the US Department of Agriculture (USDA) estimated the 20-year capital needs of the USDA multifamily portfolio were $5.6 billion[4]. A 2010 HUD-

[1] Opportunity Finance Network, "Impact Performance", https://ofn.org/impactperformance
[2] Opportunity Finance Network, 2019 CDFI Fund Annual Certification Reporting Database", Accessed November 19, 2020.
[3] Opportunity Finance Network, "Impact Performance", https://ofn.org/impact-performance
[4] USDA, USDA Rural Development Multi-Family Housing Comprehensive Assessment, March 1, 2016, https://www.rd.usda.gov/sites/default/files/USDA-RD-CPAMFH.pdf

sponsored assessment of the nation's public housing capital needs determined that approximately $21 billion was needed for unmet maintenance and repairs, and that the overall public housing stock is aging, with 51 percent of public housing units having completed their last construction before 1975.[5] Completing these repairs not only preserves the investment already made into affordable housing and improves the quality of life for residents of these properties but will also make the buildings more energy efficient and reduce future utility costs.

CDFIs are the adaptable partners the federal government needs to address the wide range of housing issues unique to each community. The rural, urban, and Native communities where CDFIs work need a local approach to meet their needs. CDFIs have decades of on-the-ground experience working on the full spectrum of housing issues, from constructing affordable rental housing, to renovating outdated housing stock and making properties more energy efficient, to construction of senior housing, to providing mortgages, technical assistance, and facilitating down payment assistance on the path to homeownership. CDFIs already work with a variety of public and private resources. Existing programs at Treasury, the Department of Agriculture, the Department of Housing and Urban Development and throughout the federal government need new investment to address the scale of the problem. CDFIs need a strong partnership with the federal government to continue to meet the moment and serve their communities.

Housing Challenges Facing Rural and Tribal Communities

Rural America - home to about 20 percent of the U.S. population and covering more than 90 percent of the U.S. landmass – is diverse economically and demographically.[6] Rural America is not a monolith, and its housing needs vary in different communities. In some rural communities, outmigration and population loss are key drivers of the housing challenges, while other rural communities have experienced rapid growth and changes to the labor markets that have increased demand for affordable housing. Many rural communities are also located in "areas of persistent poverty" – defined as communities with a poverty rate of greater than 20 percent for three decades in a row. According to Partners for Rural Transformation, of the 395 persistent poverty counties in the US, eight out of ten are nonmetro and the majority (60%) of people living in persistent poverty counties are people of color.[7]

Aging housing stock puts pressure on the supply of both single and multifamily affordable housing. According to the National Low Income Housing Coalition, nearly 30% of rural households experience at least one major housing problem, such as high cost, physical

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[5] Urban Institute, The Future of Public Housing, Benny Doctor and Martha Galvez, October 21, 2019, https://www.urban.org/sites/default/files/publication/101482/the20future20of20public20housing20public20housing20fact20sheet_0.pdf
[6] US Census Bureau, Measuring America: Our Changing Landscape, December 16, 2016 https://www.census.gov/newsroom/press-releases/2016/cb16-210.html
[7] Partners for Rural Transformation, "Transforming Persistent Poverty in America: How Community Development Financial Institutions Drive Economic Opportunity," March 2020. https://www.ruraltransformation.org/wp-content/uploads/2020/03/Transforming_Persistent_Poverty_in_America_-_Policy-Paper-PRT-_FINAL.pdf.

deficiencies, or overcrowding. These problems are found throughout rural America but are particularly pervasive among several geographic areas and populations, such as the Lower Mississippi Delta, the southern Black Belt, the colonias along the U.S.- Mexico border, Central Appalachia, and among Native Americans and farm workers.[8]

Below are some key issues impacting access to affordable housing in rural markets:

- **Housing cost increases outstrip income growth.** While housing costs are still relatively low in some rural markets, there are some communities where increased housing costs coupled with stagnant income growth is creating an affordability crisis. For example, in the Rio Grande Valley where OFN member Come dream, Come build (Cdcb) works, housing prices increased as they have throughout Texas. During the ten-year period from 2011 to 2020, the median sales price in the Brownsville-Harlingen MSA increased 70.8%, from $101,300 to $173,000. However, rising home prices in Brownsville-Harlingen have far outpaced the modest growth in incomes. Median income in 2019 was $37,900, less than three-fifths of the statewide median income of $64,800, making this community one of the least affordable in the state.[9]

- **Housing quality and aging housing stock.** Nowhere are the challenges to the nation's aging housing stock more prevalent than in rural communities. In too many rural communities, housing lacks adequate plumbing and kitchen facilities as well as facing conditions of overcrowding. The adequate housing that does exist is often unaffordable because rural incomes are below the national median income.[10]

- **Limited homeownership opportunities for rural communities of color**. For the millions of people of color living in rural America, access to homeownership is also an issue of racial equity. There are more than 2,000 rural and small-town census tracts where racial and ethnic minorities make up the majority of the population – many who experience limited access to homeownership opportunities due to lending practices and housing policies that historically excluded rural people of color.[11]

- **Increased housing cost burdens.** Nearly one-fourth of the nation's most rural counties have seen a sizeable increase this decade in the number of severely cost-burdened households – defined as spending at least half their income on housing.[12] The National Low Income Housing Coalition found that 47% of rural renters are cost burdened – spending more than 30% of their income for their housing – with nearly half

[8] Housing Assistance Council, Leslie R. Strauss, USDA Rural Rental Housing Programs https://nlihc.org/sites/default/files/AG-2021/04-15_USDA-Rural-Rental-Housing-Programs.pdf
[9] Come dream, Come build, "The Myth of Affordability in the RGV: Homeownership fact sheet", March 3, 2021. https://img1.wsimg.com/blobby/go/28825c06-7c1e-41eb-8bf1-b2e39c412309/Myth%20of%20Affordability%20Homeownership%20fact%20sheet.pdf
[10] Come dream, Come build, "The Myth of Affordability in the RGV: Homeownership fact sheet", March 3, 2021. https://img1.wsimg.com/blobby/go/28825c06-7c1e-41eb-8bf1-b2e39c412309/Myth%20of%20Affordability%20Homeownership%20fact%20sheet.pdf
[11] Housing Assistance Council, Rural America is More Diverse Than You Think, https://ruralhome.org/rural-america-is-more-diverse-than-you-think/
[12] Housing Assistance Council, Rental Affordability Crisis Continues, February 6, 2020, https://ruralhome.org/rental-affordability-crisis-continues/

of that group being severely cost burdened.[13] These housing cost burdens highlight the shortage in affordable rental and homeownership units for low-income populations and the pandemic has exacerbated this issue.

- **Expiring affordability provisions.** Many loans for rural multifamily properties financed through USDA programs are reaching maturity. USDA estimates that the pace of mortgage maturities will increase starting in 2028. USDA projects that more than 16,000 rental homes will be lost each year between 2028 and 2032, and 22,000 homes will be lost annually in the following years.[14] When USDA loans reach maturity, property owners are no longer required to meet affordability standards; many may convert their properties to market-rate housing or stop operating the property altogether. This will result in a significant reduction in the available affordable housing stock in rural communities. Compounding the issue, low-income tenants are no longer eligible for USDA rural rental assistance once the loan matures. A lack of available rental units and limited access to homeownership opportunities will intensify existing housing cost burdens for rural families.

- **Limited access to smaller dollar mortgages –** While there are rural markets where housing costs have increased significantly, there are still markets where home prices are relatively low and borrowers, especially first-time homebuyers, need access to smaller balance loans that are not typically financed by traditional lenders. Accessing small dollar mortgage lending continues to be challenging because of the limited availability of mortgages under $100,000. The Urban Institute found that "only one in four low-cost homes sold was likely to be financed with a mortgage. In 2019, 26.7 percent of home sales nationwide were for homes priced below $100,000. Of those, only 23.2 percent were purchased with a mortgage, compared with 73.5 percent of homes priced at or above $100,000."[15]

Housing Challenges in Tribal Communities

Tribal communities experience many of the same housing issues facing other rural communities but also have unique obstacles. In rural America, racial and ethnic minority groups are more likely to live in substandard housing than white residents. For instance, the rate of housing without basic plumbing on rural tribal lands is up to 10 times the average national rate.[16] According to Prosperity Now, the homeownership rate for Native American households is around 54 percent, while the rate for white households is 72.1 percent.[17] A

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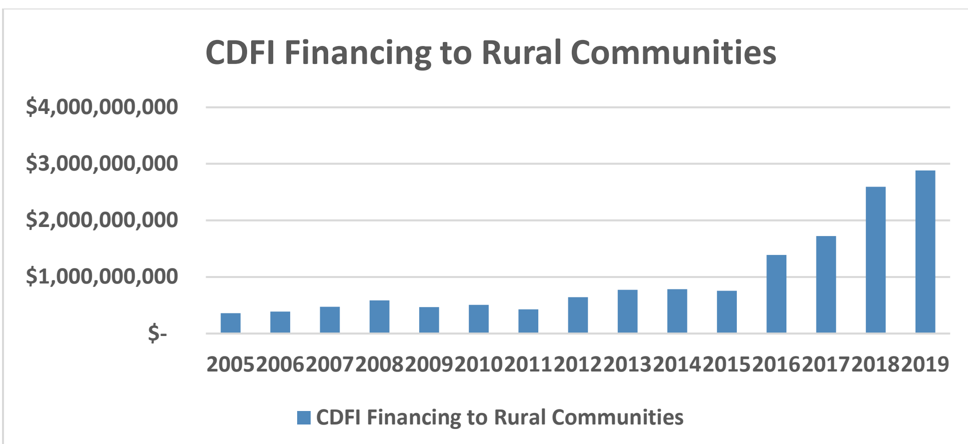
[13] Housing Assistance Council, Leslie R. Strauss, USDA Rural Rental Housing Programs https://nlihc.org/sites/default/files/AG-2021/04-15_USDA-Rural-Rental-Housing-Programs.pdf
[14] National Low Income Housing Coalition, Housing Needs in Rural America, https://nlihc.org/sites/default/files/Housing-Needs-in-Rural-America.pdf
[15] Linna Zhu, "Making FHA Small-Dollar Mortgages More Accessible Could Make Homeownership More Equitable", Urban Institute Blog, April 22, 2021. https://www.urban.org/urban-wire/making-fha-small-dollar-mortgages-more-accessible-could-make-homeownership-more-equitable
[16] Housing Assistance Council, "TAKING STOCK: Rural People, Poverty, and Housing in the 21st Century", December 2012. http://www.ruraldataportal.org/docs/HAC_Taking-Stock-Full.pdf#page=55
[17] Prosperity Now, Scorecard Homeownership & Housing, https://scorecard.prosperitynow.org/data-by-issue#housing/outcome/homeownership-rate

study from the Federal Reserve Bank of Minneapolis' Center for Indian Country Development found that Native households often face higher mortgage costs when seeking to buy a home, especially when those loans are made on reservation lands.[18] One of the major challenges to increasing Native homeownership is access to affordable mortgages.

According to a 2017 study commissioned by the Department of Housing and Urban Development, lenders report that prepurchase counseling, particularly counseling provided by organizations familiar with the unique challenges of lending on tribal trust land, is critical to getting borrowers mortgage ready. CDFIs exemplify this unique approach by combining technical assistance with access to capital. In the same study, lenders reported that lending on tribal trust land can be complicated and time-consuming and specifically recommended working with CDFIs, Tribes, and lenders that already have a presence in the community.[19]

CDFIs Provide Access to Capital in Rural Communities

Addressing the access to capital issues in rural communities requires on-the-ground partners like CDFIs that understand the local markets and can develop targeted solutions. Data from the CDFI Fund shows that CDFI lending in rural markets has grown from $358 million in FY 2005 to more than $2.8 billion in financing closed in FY 2019.[20]



CDFIs play a vital role in America's housing finance system. Below are examples of CDFIs providing innovative and tailored solutions to address their communities housing challenges and meet the needs of local borrowers:

[18] Federal Reserve Bank of Minneapolis, The Higher Price of Mortgage Financing for Native Americans, Donna Feir and Laura Cattaneo, September 27, 2019, https://www.minneapolisfed.org/news-releases/2019/~/link.aspx?_id=3A72BEC46859433BAA0CACAB5084ABD3&_z=z
[19] Mortgage Lending on Tribal Land A Report from the Assessment of American Indian, Alaska Native, and Native Hawaiian Housing Needs, January 2017, https://www.huduser.gov/portal/sites/default/files/pdf/NAHSG-Lending.pdf
[20] Transaction Level Reporting (TLR) data from the CDFI Fund. This data reflects the data reported only by CDFIs that are Financial Assistance awardees within their three-year reporting cycle.

- **FAHE,** a network of affordable housing lenders based in Berea, Kentucky and working throughout Appalachia, launched the MicroMortgage Marketplace pilot project in 2020. The pilot, in partnership with the Homeownership Council of America (HCA) and the Urban Institute provides small-dollar mortgages under $100,000 in Louisville and parts of Southern Indiana. The program also offers underwriting flexibility, simplifies the loan process, and reduces many of the fees and costs in the process. Fahe is underwriting, funding, and servicing the loans through the MicroMortgage Marketplace while HCA will manage product development, market testing and capital partnerships, and create distribution channels that can scale across the country.

- **Come Dream, Come Build(cdcb),** based in Brownsville, Texas provided relief to their borrowers impacted by the COVID-19 pandemic and also administered the City of Brownsville's pandemic housing assistance programs. In 2020, cdcb continued to increase access to affordable homeownership, providing 73 households with smaller dollar mortgages with a median home sales price of $104,000.[21]

- **HOPE Credit Union** based in Jackson, Mississippi and working throughout the Delta region has financed the development of affordable housing throughout the region. Mortgage lending is a key component of HOPE's strategy to close the racial wealth gap in the Deep South. Over the last ten years, HOPE's mortgage portfolio almost quadrupled from nearly $34 million in 2010 to $127 million at the end of 2020. In 2020, 86% of HOPE's mortgages were made to people of color, primarily Black borrowers, and 83% were made to first time homebuyers. HOPE employs tailored solutions to meet the credit needs of borrowers including manually underwriting loans, considering nontraditional indicators of credit repayment history, and discounting deferred student debt.[22]

- **Oweesta,** based in Longmont, Colorado is a Native intermediary lender. One Oweesta member, Four Directions Development Corporation is a Maine-based CDFI serving the Passamaquoddy Tribe, Penobscot Nation, Houlton Band of Maliseets, Aroostook Band of Micmac and any enrolled Native American from a federally recognized tribe in Maine. This CDFI helps tribal members purchase, improve, and access equity from on reservation residential properties. Four Directions works to provide credit counseling and is uniquely suited to working on tribal lands and navigating the process of working with the Bureau of Indian Affairs.

- **Southern Mutual Financial Services** Over the past 50 years, Southern Mutual Help Association (SMHA) and the subsidiary CDFI, Southern Mutual Financial Services have developed 1,421 new or renovated affordable homes in rural Louisiana. SMHA's work in affordable housing has generated over $454.1 million in local income and an additional $67.5 million in state and local tax revenue. SMHA has invested nearly $19.4 million in affordable mortgage and business loans directly to Louisiana families, $16.5 million of

[21] Come Dream, Come Build, Myths of Affordability in the RGV, March 3 2021, https://img1.wsimg.com/blobby/go/28825c06-7c1e-41eb-8bf1-b2e39c412309/Myth%20of%20Affordability%20Homeownership%20fact%20sheet.pdf
[22] HOPE, Comment Letter to the Bureau of Consumer Financial Protection, May 10,2021 http://hopepolicy.org/manage/wp-content/uploads/2021.5.10-HOPE-CFPB-Regulation-X-Comment.pdf

which was made possible through working with private partners like IBERIABANK, reaching an additional 214 families.

Building Strong, Vibrant Communities - Housing as Infrastructure

Housing is an essential element of infrastructure and is the starting point for the built environment. Affordable housing is a long-term investment that is needed to help support American families and revitalize communities. Investing in housing helps families achieve self-sufficiency and generates economic growth. The National Association of Home Builders estimates that, for every single-family home constructed, 2.90 jobs are created and $129,647 in taxes are generated. Building an average rental apartment is estimated to generate 1.25 jobs and $55,909 in tax revenue. [23]

Housing is the key link between all other infrastructure investments. The availability and condition of housing stock has just as significant of an impact on a community as the condition of its roads and bridges. The availability of affordable housing near jobs reduces the strain on transportation infrastructure. The need for additional investment is clear, America is facing a significant housing shortage.

Leveraging Federal Resources to Finance Rural Housing

The federal government is a critical partner in ensuring access to safe quality housing options in rural communities. Access to capital is a challenge for many of the lenders working to address affordability and supply issues in rural housing markets. Rural CDFIs receive less capital from Community Reinvestment Act-motivated banks. In 2019, only 34 cents of every dollar borrowed by rural CDFIs was from a bank. In contrast, over sixty percent of borrowed funds from urban CDFIs were supplied by banks.[24] Adding to the challenge, philanthropic resources are often less available in rural markets. From 2010-2014, grant making in Appalachia, the Mississippi Delta and the Rio Grande Valley was around $50 per person – well behind the national average of $451 and $4,096 in San Francisco. [25]

Federal investment to support housing in rural areas lags investment in urban communities. Programs that provide grants, loans, credit enhancements like those at USDA are a critical lifeline to finance affordable housing in rural communities but are inadequately funded. These programs are oversubscribed and highly competitive and must be expanded to meet the growing demand. Additionally, investing in programs and proven solutions that build the capacity of CDFIs will increase the development and preservation of affordable housing in rural communities and across the country.

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[23] National Association of Home Builders, National Impact of Home Building and Remodeling: Updated Estimates, 2020, https://www.nahbclassic.org/generic.aspx?sectionID=734&genericContentID=272642
[24] OFN data
[25] Partners for Rural Transformation, Transforming Persistent Poverty in America: How Community Development Financial Institutions Drive Economic Opportunity, November, 2019, https://fahe.org/wp-content/uploads/Policy-Paper-PRT-FINAL-11-14-19.pdf

Policy Recommendations

The following are OFN recommendations to increase access to affordable housing in rural and tribal communities:

- **Provide $1 billion in annual appropriations for the CDFI Fund.** The federal government put a down payment on the CDFI industry in HR133. More investments at this scale are needed. An annual appropriation of $1 billion for the CDFI Fund is critical to strengthening CDFIs to continue assisting in the long-term recovery of low-wealth communities. To truly achieve an inclusive recovery, the federal government must increase the supply of capital to CDFIs, mission based responsible lenders that are adept at channeling those resources into distressed communities. This investment will also broaden the reach and impact of the federal government's investments and help expand access to credit and safe, affordable lending in underserved rural communities.

- **Pass The *Native American Rural Homeownership Improvement Act.*** *USDA's* Section 502 Direct Loan Program is an important source of mortgage financing for low- and very low-income families living in rural communities, and the program could help address the relatively low homeownership rates in rural Native communities. USDA currently operates a pilot program in South and North Dakota, where the Department has partnered with two Native CDFIs to leverage their deep ties in local communities and deploy Section 502 loans to eligible Native borrowers.

  This bill would expand this pilot program and create a national relending program within the Section 502 Direct Loan Program to help deploy these mortgage loans in Native communities. Specifically, the relending program would create a $50 million annual set-aside within the Section 502 program, allowing Native CDFIs to re-lend this money to eligible Native homebuyers. Because of CDFIs' vast experience operating on Tribal land and their ability to provide financial and homebuyer education, their participation will improve utilization of the USDA loans and help more Native families achieve the dream of homeownership.

- **Pass the *Improving FHA Support for Small Dollar Mortgages Act of 2021.*** Limited access to small dollar mortgages is putting affordable homeownership opportunities out of reach for many borrowers, especially first-time homebuyers, borrowers in rural communities and borrowers of color. OFN supports the creation of a study of Federal Housing Administration lending to understand how HUD could better reduce barriers to homeownership.

- **Pass the American Jobs Plan.** The American Jobs Plan includes several housing provisions, including the bipartisan Neighborhood Homes Investment Act (NHIA). Offering $20 billion worth of NHIA tax credits over a five-year period is expected to result in over 500,000 homes built or rehabilitated[26], creating a pathway for more families to buy a home and start building wealth. No other federal tax incentive

[26] American Jobs Plan Fact Sheet https://www.whitehouse.gov/briefing-room/statements-releases/2021/03/31/fact-sheet-the-american-jobs-plan/

addresses the problem of development costs that exceed market values for owner-occupied homes in distressed neighborhoods, a common problem in smaller cities and rural areas.

OFN also supports expanding the Capital Magnet Fund (CMF) to provide $12 billion over the next five years. CMF is incredibly efficient. CMF awardees have leveraged $18.6 billion over the past five rounds of funding, over three times the requirement. Completed projects funded through CMF awards have created 28,100 affordable units, including 4,500 homeownership units. [27] The CMF has supported a wide variety of housing, including senior housing. OFN member New West Community Capital, formerly Idaho-Nevada CDFI, leveraged their CMF award to help build the 55-unit River Place Senior Apartments in Sparks, Nevada.[28]

The infrastructure bill must also include significant funding to address the capital backlog for maintenance of existing housing. The $300 million included in the AJP is a good starting place but is insufficient to meet the current need. OFN supports increasing the funding levels across various rural housing programs, including $700 million in Section 515 Rental Housing Loans, $1.4 billion in Multifamily Housing Revitalization and $2.1 billion in Rental Assistance.

Finally, the AJP includes the creation of a Community Revitalization Fund at the Department of Housing and Urban Development to support the financing of assets that complement affordable housing, such as health care clinics, parks, workforce development or other essential human services. The program should leverage the expertise of CDFIs and partner with them to administer the funding.

- **Increase technical assistance and capacity building for rural mission lenders.** The federal government should invest in building the capacity of local affordable housing and community development organizations deeply rooted in rural places. With existing federal programs oversubscribed and fewer philanthropic and bank resources flowing to rural communities, the federal government should provide funding for technical assistance to build the capacity of rural mission lenders.

- **Increase funding for USDA Rural Housing Programs.** Low-cost, long-term financing to support both homeownership and rental housing is not readily available from other sources. Congress should increase funding for federal affordable housing programs serving rural populations. According to the National Low Income Housing Coalition, funding for USDA's Section 515 Rural Rental Housing Loan Program has been cut by more than 95% over the past few decades, limiting the ability of rural communities to attract private-sector capital and other federal resources. Despite the growing need in rural America, there has been no new construction of rural rental homes under the Section 515 program since 2012.[29]

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[27] CDFI Fund FY 2020 CMF Award Book https://www.cdfifund.gov/sites/cdfi/files/2021-04/FY_2020_CMF_Award_Book_022221.pdf
[28] CDFI Fund Impact Story, https://www.cdfifund.gov/sites/cdfi/files/documents/revised-nevada-idaho-cdfi-cmf-impact-story-042717.pdf
[29] https://nlihc.org/sites/default/files/AG-2021/04-15_USDA-Rural-Rental-Housing-Programs.pdf

- **Preserve affordability on properties with expiring mortgages.** There is a brewing crisis of affordability for thousands of rural multifamily properties with expiring federal subsidies. USDA rental assistance subsidies should be decoupled from Rural Development loan programs to continue to subsidize the housing after the loans are repaid. There is a precedent for this: the Government Accountability Office noted that when the Department of Housing and Urban Development (HUD) faced a similar loss of affordable housing subsidies, Congress authorized the department in 2011 to continue providing rental assistance at properties after contracts expired.[30]

- **Allow government sponsored enterprises (GSE) equity investments in CDFIs.** Many CDFIs still lack access to the capital markets supported by the housing finance system. In part because of this lack of access, CDFI housing lenders experience liquidity challenges that inclusion in more mainstream sources of housing finance could help solve. Allowing Fannie Mae and Freddie Mac to make direct equity or equity-like investments in CDFIs will enable CDFIs to manage risk and their balance sheets more effectively. These flexible investments would provide much needed liquidity to support the specialized lending done by CDFIs and support training and technical assistance needed to build the capacity of lenders working in difficult-to-serve markets.

- **Support and expand affordable housing tax credits** The low-income housing tax credit (LIHTC) has proved to be a valuable tool to help finance affordable housing construction The bipartisan Affordable Housing Credit Improvement Act (AHCIA) of 2021, would expand and strengthen LIHTC, our nation's primary tool for developing and preserving affordable housing. Passing the AHCIA could result in the financing of over an additional 2 million affordable homes in the next decade, support the creation of nearly 3 million jobs, and generate more than $346 billion in wages and business income and nearly $120 billion in additional tax revenue.

  The AHCIA would increase LIHTC allocations by 50 percent over current levels for the nine percent credit. This allocation increase will be phased in over two years, provide a basis boost to help LIHTC better serve hard-to-reach communities including rural, Native American, and high-poverty areas. It would simplify and align rules, and enable states to maximize affordable housing production and preservation by lowering the threshold of Private Activity Bond financing required to trigger the maximum amount of 4 percent Housing Credits.

- **Allow CDFIs to pledge non-housing collateral for Federal Home Loan Bank advances.** Allowing CDFIs to make better use of FHLB membership would enable non-depository CDFIs to leverage their existing portfolio to make more loans. A 2015 GAO report, *Federal Home Loan Banks: Collateral Requirements Discourage Some Community Development Financial Institutions from Seeking Membership*, noted that

[30] Government Accountability Office "Rural Housing Service Better Data Controls, Planning, and Additional Options Could Help Preserve Affordable Rental Units", Report to the Subcommittee on Agriculture, Rural Development, Food and Drug Administration, and Related Agencies, Committee on Appropriations, U.S. Senate, May 2018. https://www.gao.gov/assets/gao-18-285.pdf

collateral restrictions discouraged some non-depository CDFIs from seeking membership. Under current law, CDFIs can only pledge long-term home mortgage loans of at least five years.

Thank you for the opportunity to speak with you today. I look forward to your questions and to continuing to work with you to address our significant affordable housing challenges.