

September 5, 2024

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

Dear Director Pravina Raghavan,

We, NCST¹ and the undersigned members and national partners of the Homeownership Alliance,² write to express our collective support for initiatives aimed at increasing the use of New Markets Tax Credits (NMTC) to support the development of affordable homeownership. The NMTC Working Group within the Homeownership Alliance is made up of Homeownership Alliance members, national housing advocates, and other NMTC stakeholders. The purpose of the working group is to expand the use of NMTCs for homeownership purposes by promoting its use with Community Development Entities (CDEs) and investors in the NMTC industry. Our mission is to encourage the use of these tax credits for affordable homeownership development by advocating for policy changes and advancements at both the legislative and regulatory levels, with the Community Development Financial Institutions (CDFI) Fund.

As stakeholders deeply invested in the promotion and creation of affordable homeownership, we are committed to expanding the use of NMTCs among nonprofit developers for homeownership and demonstrating the transformative economic development impacts developed projects have on communities. Thanks to the NMTC program, our members are able to significantly contribute to the growth of homeownership access and opportunities within underinvested communities and for low-income families, particularly families of color. These NMTC-funded projects have provided communities with direct and indirect benefits including: increased tax bases, crucial workforce housing incentivizing businesses to move into communities, fees from construction and permitting, construction jobs, and community revitalization. These projects also support families through housing stability, reduced monthly costs, and immediate asset and wealth creation through homeownership - which benefits the homeowners, their families, and future generations.

Set-backs within NMTCs

Since 2000, NMTCs have supported lasting positive economic development in communities across the nation. Unfortunately, only a mere fraction - less than 2% - of the \$76+ billion in NMTCs allocated through

¹ The National Community Stabilization Trust ([NCST](#)) is a national nonprofit that supports families and communities by restoring distressed single-family homes, strengthening neighborhoods, and increasing sustainable and affordable homeownership opportunities.

² Established by NCST in 2021, the [Homeownership Alliance](#) is a practitioner-led coalition of 20 CDFIs and nonprofit housing developers serving 16 states. The Homeownership Alliance represents a coalition of nonprofit organizations, dedicated to fostering housing stability and wealth creation through homeownership.

2023 have been deployed to affordable homeownership projects.³ Homeownership serves as a cornerstone in economic advancement, wielding the power to ameliorate both racial wealth disparity and the pressing issue of a critical lack of affordable housing stock, affordable homeownership investments come below necessary thresholds. With programs such as the Low Income Housing Tax Credit (LIHTC) aimed solely for rental housing, there is no other federal tax credit that supports the development of for-sale housing.⁴

The vast majority of affordable homeownership developers are mission-driven nonprofit organizations. Accessing the necessary funding to adequately finance the development of quality, affordable, for-sale homes for low-income buyers is difficult for these housing providers. Conventional lenders are leery of lending for projects in distressed communities or that focus on low-income homebuyers. NMTCs, due to the infusion of the tax credit equity subsidy, can allay some of these concerns. This lack of funding further hinders economically disadvantaged communities and stunts access for low- to moderate-income (LMI) homebuyers who are often shut out of the homebuying market due to a lack of affordable housing stock, high interest rates, and high home prices.

Issues with waning supply of affordable homes

We are witnessing a critical shortage of affordable homeownership opportunities, with 4.3 million more homes needed as of last year.⁵ With this in mind, we call on the Biden-Harris Administration to take on a serious commitment to increase access to opportunities for homeownership. We appreciate the Administration's commitment to addressing challenges in homeownership through the proposals that have been put forth thus far including the effort to increase the nation's housing supply and ultimately lower costs for families.⁶ Furthermore, among these proposals is the goal to build and preserve over 2 million homes nationwide. In working to accomplish that goal, we are happy to see the Department announce \$100 million dedicated over the course of 3 years to increasing affordable housing supply.⁷ We appreciate the work the CDFI Fund hopes to accomplish in supporting the production of homes and partnership in that goal as use of NMTCs for homeownership can help accelerate that effort.

³ [Public data released by the CDFI Fund](#) demonstrated 1.4% of the Fund allocation going to real estate of both single and multi-family housing on pg. 9.

⁴ Passage of the [Neighborhood Homes Investment Act](#) would expand affordable housing opportunities by addressing the "value gap" currently existing with the cost of rehabilitating a home being greater than the post-construction value of the property. Advocacy of this passage is accomplished through partners within the [Neighborhood Homes Coalition](#). The passage of the Neighborhood Homes Investment Act would further bring investment into the creation of affordable housing alongside NMTCs. Use of NMTCs for affordable homeownership development addresses different barriers to such development than Neighborhood Homes, and the legislation would not serve as a replacement to using NMTCs to make affordable homeownership accessible to low-income and nonwhite families.

⁵ [The United States is in need of 4.3 million more homes](#) in order to be able to meet supply demands for prospective homeowners. The lack of affordable homes creates "missing households" for families.

⁶ [FACT SHEET: President Biden Announces Plan to Lower Housing Costs for Working Families](#), (Mar 2024). The White House.

⁷ [Treasury Announcing New Housing Efforts](#) (June 2024). U.S. Department of Treasury.

Innovative use of NMTCs have the power to increase homeownership

Affordable housing leaders nationwide are currently leveraging NMTCs to tackle this crisis and develop affordable units. In the face of the nation's acute housing supply crisis – as well as chronic and well-documented racial disparities in the rates of homeownership and household wealth building – CDFIs, in partnership with experienced nonprofit developers, seek to scale the production of affordably-priced homes and increase access to homeownership for LMI families. With an allocation of NMTCs, nonprofits build new homes or acquire and rehabilitate homes to sell to low-income families and residents of distressed neighborhoods. The NMTC financing can be used to fill homeownership affordability gaps when homes cost more to produce than families can afford. These credits also are utilized when valuation gaps are present with market values of homes being less than the project cost, and also to scale up development and increase the number of homes that can be built. Some nonprofit developers also use the NMTC funding to hire smaller Minority Business Enterprise (MBE) contractors who can otherwise be more costly. This partnership helps to build those businesses as well, overall strengthening and supporting communities.

The success of the NMTC model as a means to increase affordable housing supply and homeownership opportunities is demonstrated by cumulative investments and outputs by the Fund's awardees. Our partners at Smith NMTC Associates, LLC pioneered the NMTC model to fund and support development of affordable for-sale housing in 2007-2008.⁸ Since then, Smith has used the model in partnership with 23 CDEs to support 139 projects with over \$620 million of NMTC allocation producing over 5,500 homes in 32 states and the District of Columbia, including \$103 million through its CDE with Habitat for Humanity International (HFHI). To date, HFHI has deployed nearly an additional \$120 million in NMTC funding to its local Habitat for Humanity affiliates. The Smith model ensures that nonprofit developers of affordable, for-sale housing have the flexibility they need to use the NMTC net benefit for affordability gaps, market gaps, and to scale up their development work, increasing their capacity and output.

The innovative use of NMTCs for homeownership, exemplified by the Smith model, not only addresses housing needs but also serves as a potent economic development tool. This tool underscores the transformative impact of NMTCs in expanding affordable housing options. For example, HFHI received a NMTC allocation award of \$35M in 2023 which is being used as leverage in executing housing projects to further accomplish the mission of affordable homeownership for many families. Along with HFHI, the Housing Partnership Network deployed \$45M in 2023, and Homeownership Alliance member Community Housing Capital was able to deploy all of its \$25M award in March of 2024. Continuous deployment of these awards into communities of need is the exact goal set out by NMTCs. These strategic investments, that stimulate economic development, are made possible through this partnership with nonprofits and CDEs.

⁸ [Smith NMTC Associates](#) originally brought the model to Habitat for Humanity International in 2007, formed a joint CDE with HFHI and collaborated with them for several years. Since then, with its own CDE, Habitat for Humanity International (HFHI) has deployed over \$150 million in total NMTC allocation, and Smith NMTC has worked with over 20 other CDEs to deploy over \$450 million throughout the US.

It is important to highlight the significance of utilizing NMTCs to bolster affordable homeownership initiatives. NMTCs have been the best avenue nonprofits can access in obtaining a subsidy that is both flexible and upfront⁹, characteristics that are not found in any other federal incentive for affordable homeownership. Sustained and broadened backing for the utilization of NMTCs in the development of affordable homeownership bridges the ongoing funding disparity and fosters economic advancement throughout communities nationally. Nonprofit developers, such as HFHI and many Homeownership Alliance members, are equipped to disburse funds into the creation of increased affordable home options in communities and have a demand for credits that is over \$300 million. Meeting resource needs for nonprofits through expanded NMTCs will help in alleviating critical affordable homeownership needs.

Partnership with investors

Investors are critical to the use of NMTCs. Through collaboration and engagement with interested banks and other investors, leveraging NMTCs empowers CDEs and CDFIs to undertake crucial homeownership projects spanning diverse communities. It is through such collaborative endeavors that we champion and support impactful community development efforts. However, with funding needed for projects, investors are often unwilling to invest in innovative uses that are not clearly encouraged by the CDFI Fund and this is inclusive of affordable homeownership. Adapting the current application for NMTC, has the power to enhance this partnership and further investment into much needed affordable homeownership.

Improvements to NMTC Allocation Application

Enhancing the use of NMTCs for affordable homeownership is paramount, and we suggest several avenues for improvement. In a comment letter to the Department,¹⁰ we urged for the consideration of further changes to the 2024 NMTC Allocation Application to support this eligible use of the credit, including: (1) providing additional space to describe outcomes of homeownership uses; (2) including the development of for-sale housing in areas of High Affordable Housing Need as an innovative use; (3) adding development of for-sale affordable housing in areas of High Affordable Housing Need as a Severe Distress criteria; (4) training application reviewers on the use of NMTCs for homeownership; and (5) featuring examples of NMTCs for homeownership in the program's FAQs. The inclusion of these changes would send a clear message to applicants that the CDFI Fund is supportive of the use of NMTCs for affordable homeownership projects.

Incorporation of these suggestions can allow applicants to display the outcome these credits have on neighborhood stabilization, economic development, and generational wealth building. These proposed

⁹ Nonprofit developers benefit from the flexible financing that NMTCs provide, Other funding sources and proposed programs do not have the same flexibility of upfront funding that NMTCs have in supporting the development of affordable homes and is a critical source for developers looking to meet homeownership demand in communities.

¹⁰ The NMTC Working Group, a part of The Homeownership Alliance, submitted a [Comment Letter regarding the Draft 2024 NMTC Allocation Application](#) which details applicant feedback and suggested improvements for the application and its use for development of affordable homeownership.

changes would also create a more welcoming application for homeownership initiatives and facilitate their successful implementation.

In closing, our goal is to increase the use of NMTCs, a highly effective and innovative tool, to address the critical need for affordable homeownership opportunities and access in low-income communities and for LMI families, particularly homebuyers of color. We see the incredible impact that NMTCs have on furthering community stabilization and the goals of the Biden-Harris Administration, and welcome partnership in accomplishing the mission of increasing homeownership. Moreover, we express our sincere appreciation for your consideration of these proposals that may improve the effectiveness of the administration of these tax credits in revitalizing communities and would appreciate discussion with staff at the CDFI Fund in how these credits continue to benefit homeownership. By enhancing the NMTC program to better accommodate affordable homeownership initiatives, we can collectively address the housing affordability crisis and promote economic stability and prosperity in underserved communities.

Thank you for your attention to this matter.

Sincerely,

The Homeownership Alliance

Atlanta Neighborhood Development Partnership

Community Housing Capital

Habitat for Humanity International

Housing Partnership Network

National Community Stabilization Trust

Neighborhood Housing Services of Chicago, Inc.

NeighborWorks Columbus

Reinvestment Fund

Smith NMTC Associates, LLC