March 18, 2025

Via Electronic Submission

The Honorable Mark Warner
United States Senate
703 Hart Bldg.
Washington, DC 20510

The Honorable Mike Crapo
United States Senate
239 Dirksen Bldg.
Washington, DC 20510

Dear Senator Crapo and Senator Warner:

The members of the undersigned organizations, collectively representing the full range of Community Development Financial Institutions (CDFIs) and aspiring CDFIs, write to express our concern about the future staffing and capacity of the US Treasury Department's Community Development Financial Institutions (CDFI) Fund in light of the White House's March 14, 2025 Executive Order (EO) "Continuing the Reduction of the Federal Bureaucracy." The action calls for a Reduction in Force at the CDFI Fund. The Executive Order states:

> In order to continue "the reduction in the elements of the Federal bureaucracy that the President has determined are unnecessary . . . the *non-statutory components and functions* of the following governmental entities shall be eliminated to the maximum extent consistent with applicable law, and *such entities shall reduce the performance of their statutory functions and associated personnel to the minimum presence and function* required by law." (Emphasis added).

We sincerely appreciate the statement that the Caucus released on Sunday March 16th, 2025. Due to the urgency of this matter, we are requesting that you reach out directly to the White House and the Office of Management and Budget to highlight how the CDFI Fund helps CDFIs leverage private dollars to promote market-based activities in low- and moderate-income (LMI) communities, and emphasize that the CDFI Fund and its appropriated funds are fully authorized by statute.

CDFIs ensure hard working low- and moderate-income Americans, or those living and working in distressed urban, rural and Native American communities have access to credit and financial services to buy a home, expand a small business, or establish greater household financial security. In many communities, CDFIs are the only alternative to high-cost predatory financial services. CDFIs are strengthened by the resources and programs of the CDFI Fund, and leverage its funds to reach deep into LMI communities and serve their customers.

CDFIs have earned bipartisan support because of their proven performance over the past 30 years. They are one of the federal government's best market-based strategies for leveraging private dollars to create economic opportunity.

- As of February 2025, there are 1,432 certified CDFIs including: 359 banks and bank holding companies, 491 credit unions, 569 loan funds, and 13 venture capital funds.[1]

[1] Source: CDFI Fund

- CDFIs have a physical location via 5,872 headquarters and/or have branch locations in every state and territory in the nation.[2]
- CDFIs work in every state. They are nonpartisan and provide fair access to credit and financial services. Of the 435 Congressional Districts with voting members, 92% have at least one CDFI physical location serving their local communities. Exactly half of those Congressional Districts are Republican and half are Democratic. Further, 61% of CDFI locations sit in Congressional Districts held by Republicans.[3]

Secretary of the Treasury Scott Bessent has publicly expressed his support for CDFIs as "very important" within the broader U.S. financial services industry, and we fully appreciate the Secretary's March 17 statement acknowledging "the important role that the CDFI Fund and CDFIs play in expanding access to capital and providing technical assistance to communities across the United States." However, the EO has raised concerns regarding the future capacity of the CDFI Fund to effectively administer its programs that were not fully addressed by the statement

The CDFI Fund is fully authorized by law and plays a critical role in supporting financial institutions that invest in local communities, as outlined in the attached analysis. However, inclusion of the CDFI Fund in the EO suggests that the Administration is quickly moving to make significant cuts as its states that entities listed in the EO "shall reduce the performance of their statutory functions and associated personnel to the minimum presence and function required by law."

As you are aware, CDFIs were among the strongest performers in the Paycheck Protection Program and other pandemic era stimulus initiatives.[4] They were able to get credit directly to the Main Street businesses who are their core customers. In any future economic downturns, policy makers will again look to CDFIs because they have the unique ability to go deep into local markets to promote recovery.

Per the EO, time is short to preserve the personnel and operations of the CDFI Fund. Preserving the CDFI Fund is essential to ensure the spread of economic opportunity into hard-to-reach communities.

As Co-Chairs of the Senate Community Development Finance Caucus, we strongly urge you to continue to work with Caucus members to reach out directly to the White House and the Office of Management and Budget about the critical economic impact CDFIs have on our nation and how important they are to the promise of a 'golden age'.

Thank you for the opportunity to provide comments on this important issue.

Sincerely,

CDFI Coalition
Community Development Bankers Association
Community Development Venture Capital Association
Inclusiv
National Alliance of Latino Community Asset Builders
National Alliance of Latino CDFI Executives
National Association of Affordable Housing Lenders
National NeighborWorks Association
Native CDFI Network
Opportunity Finance Network
Oweesta Corporation

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[2] Source: CDFI Fund and public bank and credit union regulatory agency reports
[3] Ibid
[4] "A View of PPP from the Inside: Financing, Financial Performance, and Operations of CDFI Paycheck Protection Program Lenders," Opportunity Finance Network, December 2023

CC:

The bipartisan Members of the Senate
Community Development Finance Caucus:

The Honorable Steve Daines (R-MT)
The Honorable Amy Klobuchar (D-MN)
The Honorable Cindy Hyde-Smith (R-MS)
The Honorable Jon Ossoff (D-GA)
The Honorable Cynthia Lummis (R-WY)
The Honorable Jack Reed (D-RI)
The Honorable Jerry Moran (R-KS)
The Honorable Tina Smith (D-MN)
The Honorable Mike Rounds (R-SD)
The Honorable Chris Van Hollen (D-MD)
The Honorable Roger Wicker (R-MS)
The Honorable Raphael Warnock (D-GA)
The Honorable Bill Cassidy (R-LA)
The Honorable Gary Peters (D-MI)
The Honorable John Boozman (R-AR)
The Honorable John Hickenlooper (D-CO)
The Honorable Tom Cotton (R-AR)
The Honorable Brian Schatz (D-HI)
The Honorable John Kennedy (R-LA)
The Honorable Ron Wyden (D-OR)
The Honorable Lisa Murkowski (R-AK)
The Honorable Cory Booker (D-NJ)
The Honorable Tim Sheehy (R-MT)
The Honorable Dick Durbin (D-IL)
The Honorable Jim Justice (R-WV)
The Honorable Lisa Blunt Rochester (D-DE)

CDFI Fund Statutory Authority

Background: On March 14, 2025, the White House issued an Executive Order on "Continuing the Reduction of the Federal Bureaucracy." Within that order, the EO listed several agencies – including the Community Development Financial Institution (CDFI) Fund. The EO directed agencies to eliminate "components and functions" that are non-statutory. Specifically, it states:

> *"(a) Except as provided in subsection (b) of this section, the **non-statutory components and functions of the following governmental entities shall be eliminated to the maximum extent consistent with applicable law**, and such entities shall reduce the performance of their statutory functions and associated personnel to the minimum presence and function required by law"*

It further directs the Secretary of the Treasury to submit an analysis to the OMB within 7 days confirming *"full compliance with this order and explain which components or functions of the government entity, if any, are statutorily required and to what extent."* It further states that OMB will reject any funding requests for programs that are not statutorily required.

Implications for the CDFI Fund:

The CDFI Fund and its programs are FULLY authorized in statute. There are no non-statutory activities or functions that the CDFI Fund is currently implementing.

CDFI Fund & Programs and Statutory Authorization

Annual Appropriations

On March 14, 2025, the CDFI Fund and all of its appropriated programs were reauthorized with passage of the Full-Year Continuing Appropriations and Extensions Act, 2025. The CDFI Fund and its original programs were authorized and have consistently received (growing) appropriations by Congress over 30+ years. The Appropriations acts carry the full authority of Congress. Per a 2023 legal analysis by the Congressional Research Service (CRS) (https://www.congress.gov/crs-product/R46497):

> *"Ultimately, appropriation acts are, like any other statute, passed by both houses of Congress and either signed by the President or enacted over a presidential veto. As such, they have the same legal force and effect as ordinary bills relating to a particular subject."*

CRS further notes *"the distinction between authorizations and appropriations is a construct of congressional rules, as there is no constitutional requirement that an appropriation must be preceded by a specific act that authorizes the appropriation."* As such, every annual appropriations act is a de facto reauthorization for all appropriated programs of the CDFI Fund or other Federal agencies.

CDFI Fund Authorization: Creation of the CDFI Fund was authorized in the Riegle Community Development and Regulatory Improvement Act of 1994 (Riegle Act). It was signed into law on September 23, 1994.
Citations: 12 USC § 4701; 108 Stat. 2160; Public Law 103–325
https://www.govinfo.gov/content/pkg/STATUTE-108/pdf/STATUTE-108-Pg2160.pdf

This statute established the Fund's operations, the **Community Development Financial Institutions (CDFI) Program**, and amended and incorporated the **Bank Enterprise Award (BEA) Program** into the

CDFI Fund. The BEA program was first authorized under Section 233 of the Bank Enterprise Act of 1991.
Citation: 12 USC § 1834a
Text: https://www.govinfo.gov/content/pkg/USCODE-2019-title12/html/USCODE-2019-title12-chap47-subchapI-sec4713.htm

The statute authorized the CDFI certification process by establishing that entities must meet specific definition (12 USC § 4702) to access the programs of the CDFI Fund. The statute further authorized the CDFI Fund to promulgate regulations to implement all of the provisions codified in law.

New Markets Tax Credit Program (NMTC Program) was authorized by title I, subtitle C, section 121 of the Community Renewal Tax Relief Act of 2000 (the Act) as enacted by section 1(a)(7) of the Consolidated Appropriations Act, 2001. Section 121 of the Act amends the Internal Revenue Code of 1986 by creating a new section, Section 45D, New Markets Tax Credit, and makes other statutory changes. NMTC is authorized in the US Tax Code for specific tax years.
Citations: Public L. 106-554; 114 Stat. 2763; 26 USC 1
Text: www.govinfo.gov/content/pkg/USCODE-2023-title26/pdf/USCODE-2023-title26-subtitleA-chap1-subchapA-partIV-subpartD-sec45D.pdf

Capital Magnet Fund (CMF) was authorized in the Housing and Economic Recovery Act of 2008 (HERA), which added section 1339 to the Federal Housing Enterprises Financial Safety and Soundness Act of 1992.
Citation: 122 Stat. 2653; Pub. L. 110-289;
Text: www.govinfo.gov/content/pkg/PLAW-110publ289/html/PLAW-110publ289.htm

CDFI Bond Guarantee Program was authorized under the Small Business Jobs Act of 2010. Specifically, sections 1134 and 1703 amended the Riegle Act to create the program and designate the CDFI Fund to implement the program.
Citations: 12 U.S.C. 4713a; Pub. L. 111-240
Text: www.govinfo.gov/content/pkg/PLAW-111publ240/html/PLAW-111publ240.htm

Small Dollar Loan Program (SDLP) was authorized by Title XII— Improving Access to Mainstream Financial Institutions Act of the Dodd Frank Wall Street Reform and Consumer Protection Act of 2010. The Act created SDLP and designated the CDFI Fund to implement the program.
Citations: 124 Stat. 1376; 12 U.S.C. §§ 5301, 5481-5603; Pub. L. 111– 203)
Text: https://www.govinfo.gov/content/pkg/PLAW-111publ203/pdf/PLAW-111publ203.pdf

Housing Production Financial Assistance (HP-FA) was created to meet a statutory obligation created by the Consolidated Appropriations Act, 2021. The Act authorized creation of the Emergency Capital Investment Program (ECIP). Under ECIP, the Treasury Secretary was authorized to make investments and loans to banks and credit unions that qualified as CDFI or Minority Depository Institutions (MDIs) for the purpose of making loans and other financial assistance to distressed communities. The statute also mandated that dividends, interest or other proceeds paid to Treasury by program participants must be directed to the CDFI Program for distribution to eligible CDFIs. On January 16, 2025, the Treasury announced the launch of HP-FA to support financing of production of new affordable housing units by CDFIs. The first awards are to be made in conjunction with the FY 2025 CDFI Program funding round.
Citation: Pub L. 116-260
Text: https://www.congress.gov/116/plaws/publ260/PLAW-116publ260.pdf;
https://www.congress.gov/116/bills/hr133/BILLS-116hr133enr.pdf#page=899

CDFI Program Initiatives

Specific programmatic direct funding initiatives within the CDFI Program (authorized per 12 USC § 4701) are established within each annual appropriations statute. The specific initiatives and funding amounts are established on an annual basis. These initiatives and funding were last authorized and funded by the Full-Year Continuing Appropriations and Extensions Act, 2025 passed by Congress and signed into law by the President on March 14, 2025.

Native America CDFI Assistance (NACA) Program: First established in 2002, NACA directs CDFI Program dollars for applicants meeting the definition of a Native CDFI. FY 2025: $28 million.

Healthy Foods Financing Initiative (HFFI): First awarded in 2015, the HFFI Program provides directed funding any CDFI that will use the funds to engage in financing retail food outlets in distressed communities where access to healthy food options in insufficient. FY 2025: $24 million

Disabilities Fund (DF): First awarded in 2018, the DF Program provides directed funding initiatives is open for any CDFI that will use the funds to finance activities that support disabled populations. FY 2025: $10 million

Economic Mobility Corps (EMC): Launched in 2021, the Economic Mobility Corps (EMC) is a joint initiative of the CDFI Fund and AmeriCorps that places full-time national service members in certified CDFIs to enhance their capacity to provide financial literacy, financial planning, and other financial counseling activities. FY 2025: $2 million