Community Development Bankers Association
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March 30, 2020

The Honorable John Kennedy
Chairman
Committee on Appropriations
United States Senate
416 Russell Senate Office Building
Washington, DC 20510

The Honorable Mike Quigley
Chairman
Committee on Appropriations
United States House of Representatives
2458 Rayburn House Office Building
Washington, DC 20515

The Honorable Christopher Coons
Ranking Member
Committee on Appropriations
United States Senate
127A Russell Senate Office Building
Washington, DC 20510

The Honorable Tom Graves
Ranking Member
Committee on Appropriations
United States House of Representatives
2078 Longworth House Office Building
Washington, DC 20515

Dear Chairman Kennedy, Chairman Quigley, Ranking Member Coons and Ranking Member Graves:

The members of the Community Development Bankers Association (CDBA) strongly urge you to continue bipartisan support of the US Department of the Treasury's Community Development Financial Institutions (CDFI) Fund. Specifically, we ask that you appropriate at least $304 million for the CDFI Fund in FY 2021, including a $35 million allocation for the Bank Enterprise Award (BEA) Program. The request for the CDFI Fund represents a modest increase in funding over levels approved in the FY 2020 appropriations act, and it is justified by significant demand, over-subscription of the programs, and the nation's dire need as we head into recession.

In every economic downturn, low-income communities are disproportionately affected. CDFIs have historically played a key role in promoting opportunity and creating jobs in underserved communities in good and bad economic times. Eliminating the CDFI Fund's programs – as proposed in the Administration's FY 2021 budget -- will harm underserved low-income urban, rural and Native American communities at a time when investment should increase.

CDBA is the national trade association of the CDFI bank sector. We are the voice and champion of banks with a mission of serving low-income communities. The Treasury Department has certified 139 banks and thrifts and 98 bank holding companies as Community Development Financial Institutions (CDFIs). To be a certified CDFI, a bank must demonstrate that at least 60% of its lending and other activities serve low-income communities.

Lack of economic opportunity has led to significant disenfranchisement of many inner city neighborhoods and remote rural communities. CDFI banks work to narrow the wealth gap and create real economic opportunity, including jobs, business expansion, affordable housing, revitalization, and access to fair and responsible financial services. CDFI banks are often the only financial institution in these local communities focused on making a difference.

CDFI Fund

The CDFI Fund is one of the Federal government's best market-based strategies for leveraging private dollars to restore economic vitality. Since 1994, the CDFI Fund has awarded more than $2 billion to CDFIs working in low-income communities.

CDFIs provide a "hand up"—not a "hand out"—to customers. CDFI banks create jobs and economic vitality by serving the smallest businesses that big banks do not find profitable enough to serve. They loan money to entrepreneurs who are willing to work hard and take responsibility for their own futures. Today, CDFI banks collectively have a portfolio of more than $49 billion in loans outstanding. Most CDFI banks' small business loans go to mom-and-pop businesses on Main Street. CDFI banks enable hardworking families to become homeowners, and they finance affordable rental housing. CDFIs also enable growing charter schools to build facilities, support expansion of community health centers, and finance other economy boosting projects.

FY 2019 CDFI program awardees alone made over 772,000 loans or investments totaling nearly $21.5 billion, including loans to over 23,000 small businesses. The average size of each small business loan or investment was under $28,000. In addition, this group of CDFIs made 23,030 microloans, nearly 700,000 consumer loans totaling $9 billion, 42,000 home improvement or home purchase loans totaling $4.4 billion, and financed 51,359 affordable housing units. CDFIs are also making a difference in distressed rural communities with 28% of FY 2018 awardees primarily or exclusively serving rural markets – well above the 14% of the population that lives in rural places.

We urge Congress to provide strong funding levels to enable CDFIs to continue to do this important work.

Bank Enterprise Award Program

CDBA strongly supports increasing the allocation for the Bank Enterprise Award (BEA) program within the CDFI Fund's overall appropriation. Cumulatively, the BEA Program has awarded $520 million in BEA grants since 1995. Over the past five years, 95% of all award dollars have gone to certified CDFI banks. BEA provides incentives for banks to: (1) provide grants, loans, investments and other support to CDFIs; and (2) promote investment in the nation's most distressed communities.

BEA is highly effective in channeling resources to the most distressed communities. The justification for increasing the BEA allocation within the CDFI Fund is based on its strong impact, leverage and demand:

- <u>Serving Low-Income Communities</u>: An analysis by the CDFI Fund found that 90% of all BEA monies go to the lowest income census tracts (30% poverty, 1.5 times the national unemployment rate).
- <u>Demand</u>: BEA has the strongest demand among the CDFI Fund programs and is far oversubscribed. In 2019, the program received 113 applications; yet, the program had only $25 million available to award. Since 2012, the dollar amount of BEA requests has increased by $61.5 million—from $88.5 million to $150 million in 2019 – a 70% increase. During that period, BEA Program funding has risen by only $7 million. Only $1 in FY 2018 funding was available for every $5 in requests – the largest relative gap in available funding of all the CDFI Fund's grant programs.
- <u>Helps Small Banks</u>: BEA principally benefits small community banks – not big banks. Over the past five years, 41% of all award dollars have gone to the smallest banks with total assets of less than $250 million, and 67% of awards went to community banks with less than $1 billion in total assets. Only 0.7% of award dollars have gone to the largest "money center" banks that have over $100 billion in total assets.
- <u>Impact</u>: During the FY 2019 BEA round alone, the 113 awardees collectively increased: (1) loans and investments in distressed communities by $362.2 million; (2) grants, loans, deposits, equity, equity-like loans and technical assistance by $26.5 million; and (3) provision of financial services in highly distressed communities by $36.1 million.
- <u>Growth:</u> During the BEA Program's 2017 post-award annual assessment period, the applicants collectively reported qualified activities totaling more than $2.1 billion, compared to the nearly $1.2 billion in qualified activities made during the 2016 baseline period. This represents an overall increase of nearly $941 million in lending, investment and financial services.

In the interests of promoting job creation and economic vitality in neglected rural and urban communities, we urge you to: (1) appropriate $304 million in FY 2021 for the CDFI Fund; and (2) support the BEA Program at $35 million.

If you have questions or comments, please contact Jeannine Jacokes, Chief Executive Officer, at (202) 689-8935 ext. 222 or jacokesj@pcgloanfund.org.

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