

March 21, 2023

The Honorable Patty Murray
Chair
Committee on Appropriations
United States Senate
154 Russell Senate Office Building
Washington, DC 20510

The Honorable Kay Granger
Chair
Committee on Appropriations
United States House of Representatives
2303 Rayburn House Office Building
Washington DC, 20515

The Honorable Susan Collins
Vice Chair
Committee on Appropriations
United States Senate
413 Dirksen Senate Office Building
Washington, DC 20510

The Honorable Rosa DeLauro
Ranking Member
Committee on Appropriations
United States House of Representatives
2413 Rayburn House Office Building
Washington, DC 20515

Dear Chair Murray, Chairwoman Granger, Vice Chair Collins and Ranking Member DeLauro:

The members of the Community Development Bankers Association (CDBA), the national trade association for the CDFI bank sector, strongly urge you to continue bipartisan support of the US Department of the Treasury's Community Development Financial Institutions (CDFI) Fund. Specifically, we urge you appropriate at least \$500 million for the CDFI Fund in FY 2024, including a \$50 million allocation for the Bank Enterprise Award (BEA) Program. The request for the CDFI Fund represents a necessary increase in funding over levels approved in the FY 2023 appropriations act, and it is justified by the significant demand and over subscription of the programs. The Biden Administration's budget proposes only \$341 million for the CDFI Fund, a modest increase which does not begin to meet the needs of the underserved communities it supports.

The \$500 million request in CDFI funding is modest relative to the size and scope of the regulated depository CDFI industry. According to 2021 data, regulated CDFIs alone hold approximately \$307 billion in total assets, and we estimate total industry assets (including loan funds and venture capital funds) to be close to \$340 billion.¹ The \$500 million request therefore represents an extremely modest percentage of total CDFI industry assets. This capital, however, is critically important to the communities CDFIs serve. The monies will leverage up to 12-times the \$1 billion in private capital (or \$12 billion) that will be channeled to local businesses, nonprofits, and others to help vulnerable communities.

¹ Industry-wide assets are an estimate, based on internal calculations derived from publicly available data.

Lack of economic opportunity has led to significant disenfranchisement among 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.

Community Development Financial Institutions (CDFI) Program

The CDFI Fund is one of the Federal government’s best market-based strategies for leveraging private dollars to restore economic vitality. Since 1996, the CDFI Fund has awarded approximately \$6 billion to CDFIs, community development organizations, and financial institutions 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 to money to entrepreneurs who are willing to work hard and take responsibility for their own futures. Today, CDFI banks collectively have a portfolio of approximately \$70 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. 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 2021 CDFI program awardees made 4 million loans or investments totaling more than \$38.7 billion. This financing included \$12 billion for consumer loans, \$10.7 billion for home improvement and purchase loans, \$8.1 billion for business and microenterprise loans, and \$3.2 billion for residential real estate transactions. CDFIs also financed nearly 50,000 affordable housing units.² We urge Congress to provide strong funding levels to enable CDFIs to continue to do this important work. This is especially important as prior recessions and natural disasters have taught us that economic recovery is slowest in LMI communities.³

Bank Enterprise Award Program

CDBA strongly supports increasing the allocation for the Bank Enterprise Award (BEA) program within the CDFI Fund’s overall appropriation. Through FY 2021, the BEA Program has awarded \$571.9 million in BEA grants since 1996.⁴ Over the past five years, an average of 96.4% 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.

² CDFI Coalition, www.cdfi.org/wp-content/uploads/2022/04/CDFI-Fund-FY-2023-Appropriations-Request-Final-April-2022.pdf

³ Abigail Summerville, CNBC, “A decade after Great Recession, 1 in 3 Americans still haven’t recovered,” July 13, 2017

⁴ Please note: FY 2021 BEA is the most recent data available, as the FY ’22 and ’23 will be combined in one round, to be opened in calendar year 2023.

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:

- **Serving Low-Income Communities:** 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). A 2017 evaluation of the BEA program by a third party firm concluded that “The BEA Program drives investment into the neediest communities, areas that might otherwise remain marginalized, and complements CRA (the Community Reinvestment Act) by providing incentives to serve more highly distressed communities.”
- **Demand:** BEA has the strongest demand among the CDFI Fund programs and is far oversubscribed. In 2021, the program received 161 applications; yet, the program had only \$26 million available to award. The dollar amount of BEA requests has increased over 400% since 2011 – from \$57.5 million to \$288.4 million. During that period, BEA Program funding has risen by only 18.4% (\$4.04 million). Only \$1 in FY 2021 funding was available for every \$11 in requests.
- **Helps Small Banks:** BEA principally benefits small CDFI and community banks, not big banks. Over the past five years, 96% of all award dollars have gone to certified CDFI banks. By size, 52.5% of all 2021 award dollars went to the smallest banks with total assets of less than \$330 million, and 94.1% of awards went to banks with less than \$1.322 billion in total assets.
- **Impact:** During the FY 2021 BEA round alone, the 158 awardees collectively increased: (1) Commercial loans and investments in distressed communities by \$839.4 million; (2) Consumer lending in distressed communities by \$55.7 million; and (3) provision of financial products and services in highly distressed communities by \$183.4 million.

In the interests of promoting job creation and economic vitality in neglected rural and urban communities, we urge you to: (1) appropriate \$500 million in FY 2024 for the CDFI Fund; and (2) support the BEA Program at \$50 million.

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

The Membership of the Community Development Bankers Association

Amalgamated Bank (NY)	Bank of Moundville (AL)
Asian Bank (PA)	Bank of St. Francisville (LA)
Bank of Anguilla (MS)	Bank of Zachary (LA)
Bank of Brookhaven (MS)	Bank of Vernon (AL)
Bank of Cherokee County (OK)	Bank of Winona (MS)
Bank of Commerce (MS)	BankFirst Financial Services (MS)
Bank of Franklin (MS)	BankPlus (MS)
Bank of Holly Springs (MS)	Bay Bank (WI)
Bank of Kilmichael (MS)	Beneficial State Bank (CA)
Bank of Lake Village (AR)	BNA Bank (MS)

BOM Bank (LA)
 Carver Federal Savings Bank (NY)
 Carver State Bank (GA)
 Central Bank of Kansas City (MO)
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 City First Bank, N.A. (DC)
 Climate First Bank (FL)
 Commercial Capital Bank (LA)
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 Farmers & Merchants Bank (MS)
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 First Bank (MS)
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 First Eagle Bank (IL)
 First Independence Bank (MI)
 First National Bank & Trust (AL)
 First Natural State (AR)
 First Security Bank (MS)
 First SouthWest Bank (CO)
 FNB Oxford (MS)
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 Security Bank and Trust Company (TN)
 Security Federal Bank (SC)
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 Southern Independent Bank (NY)
 Spring Bank (NY)
 Sunrise Banks (MN)
 Texas National Bank (TX)
 The Cleveland State Bank (MS)
 The Commercial Bank (MS)
 The First State Bank (TX)
 The First, A National Banking Assoc. (MS)
 The Harbor Bank of Maryland (MD)
 The Jefferson Bank (MS)
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