April 26, 2022

The Honorable Chris Van Hollen
Chairman
Appropriations Subcommittee on
Financial Services and General Government
United States Senate
110 Hart Senate Office Building
Washington, DC 20510

The Honorable Mike Quigley
Chairman
Appropriations Subcommittee on
Financial Services and General Government
United States House of Representatives
2078 Rayburn House Office Building
Washington, DC 20515

The Honorable Cindy Hyde-Smith
Ranking Member
Appropriations Subcommittee on
Financial Services and General Government
United States Senate
702 Hart Senate Office Building
Washington, DC 20510

The Honorable Steve Womack
Ranking Member
Appropriations Subcommittee on
Financial Services and General Government
United States House of Representatives
2412 Rayburn House Office Building
Washington, DC 20515

Dear Chairman Van Hollen, Chairman Quigley, Ranking Member Hyde-Smith and Ranking Member Womack:

On behalf of the undersigned banking trade associations, we urge you to support FY 2023 funding for the Community Development Financial Institutions (CDFI) Fund of the U.S. Department of the Treasury. Specifically, we ask you to support $1 billion for the CDFI Fund, which includes a $100 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 2022 appropriations act, and it is justified by the significant demand, over subscription of the programs, and dire need of the nation as we recover from the COVID-19 health and economic crisis. The Biden Administration's budget proposes only $331 million for the CDFI Fund, a modest increase which does not begin to meet the needs of the underserved communities it supports.

The $1 billion request in CDFI funding is modest relative to the size and scope of the CDFI industry. According to 2020 data, 947 CDFIs collectively hold $289 billion in total assets. The $1 billion request represents a modest 0.34% of total CDFI industry assets. This capital, however, is critically important at this time. 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.

Collectively our organizations represent thousands of FDIC-insured depository institutions across the United States. Since 1996, hundreds of banks have participated in the programs of the CDFI Fund. The programs of the CDFI Fund have a documented record of creating impact, and they have become invaluable in helping banks find ways to serve credit markets and communities that otherwise might not be served. It is one of the Federal Government's best market-based strategies for leveraging and channeling needed resources to our most distressed communities.

The principal channel for bank participation in CDFI Fund programs is the BEA. Since 1996, the BEA Program has awarded $557.1 million in grants and helped facilitate billions in new investments that benefit the most difficult to serve markets. 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."*

FY 2021 BEA results bear the program's effectiveness in channeling resources to the most distressed communities. 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.

Additionally, 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.

**In the interests of promoting job creation and economic vitality in neglected rural and urban communities, we urge you to: (1) appropriate $1 billion in FY 2023 for the CDFI Fund; and (2) support the BEA Program at $100 million.**

Sincerely,

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