COMMUNITY DEVELOPMENT BANKERS ASSOCIATION

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Rescission Package Freezes CDFI Fund Program Awards, Threatening Economic Development Efforts That Bring Jobs, Housing, and Other Benefits to Low-Income Communities

Today's proposed federal rescission package halts the release of the 2017 Bank Enterprise Awards and 2018 Capital Magnet Fund Awards to CDFI-certified community development banks

Washington, DC, May 8, 2018 – Today, the Trump Administration released a rescission package that would claw back federal funds previously approved by Congress that promote private investment in low-income communities.

The package freezes the release of over $15 billion in funding already appropriated. This amount includes $22.8 million in funding for the U.S. Treasury's Bank Enterprise Award (BEA) Program in FY2017 and $151.3 million for the Capital Magnet Fund (CMF) in FY2018. These programs provide incentives for banks to lend and invest in high-poverty and high-unemployment communities. They have played a crucial role in increasing the flow of capital to distressed areas and stimulating exponential private investment in CDFIs, thereby accelerating business growth, generating jobs, revitalizing neighborhoods, increasing the availability and affordability of housing, and improving access to financial services in communities that have been left behind.

"The elimination of the BEA and CMF awards would have a detrimental effect on the economic stability of the regions the CDFI banks serve," said Jeannine Jacokes, CEO of the Community Development Bankers Association (CDBA).

119 CDFI banks across the country have already submitted applications for the 2017 BEA Awards, and were expecting an imminent announcement of award recipients. In 2016, the 119 applicants reported lending, investment, and service activities totaling more than $1.4 billion, and an increase in loans and investments in distressed communities of over $491 million from the prior year.

The Capital Magnet Fund, also slated for elimination, has been a new addition to the CDFI Fund, with awards being issued in 2010, 2016, and 2017. It has proven to be a powerful and successful tool in helping CDFI institutions serve low-income communities. CDFI banks performed particularly well in 2017, with 55% of bank and bank holding companies that applied receiving a cumulative $14.1 million in CMF awards to attract investment in the distressed areas that they serve. CDFI banks had excellent prospects for the upcoming 2018 round of CMF, but the program’s elimination would dash these expectations and hinder the investment activity made possible by the 2017 awards.

Congress has a total of 45 days to act on the rescission package. The Community Development Bankers Association, as well as its 75 CDFI-certified member banks, is urging Congress not to approve the proposed rescissions for the CDFI Fund and to permit the release of the 2017 BEA Awards to the recipient banks.

“This rescission package is akin to calling off a baseball game in the ninth inning,” said Bob Jones, CEO of United Bank in Atmore, Alabama and Chairman of CDBA. “Congress appropriated the money. Banks applied for the BEA Program, and carried out all the required activities. The department evaluated all the applications and was ready to award recipients. Suddenly, this Administration proposes to pull the rug out from under these communities and the banks that serve them.”

About CDBA

The Community Development Bankers Association is the voice and champion of the community development banking movement. CDBA and its 75 member banks work to make the banking industry a force for good. CDBA and its member banks collectively promote financial inclusion and create economic opportunity in the nation’s most economically distressed rural and urban communities. We convene community banking peers who strengthen a different kind of banking through collaboration, partnership, and learning. Of the 102 banks receiving awards from the 2016 BEA Program, 50 are CDBA members. Forty-one of those 50 received the maximum award of $227,282.

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PROPOSED RESCISSION OF BUDGET AUTHORITY

Report Pursuant to Section 1012 of Public Law 93-344

Agency: DEPARTMENT OF THE TREASURY

Bureau: Departmental Offices

Account: Community Development Financial Institution Fund Program Account (020-1881 2017/2018)

Amount proposed for rescission: $22,787,358

Proposed rescission appropriations language:

Of the unobligated balances available under this heading for the Bank Enterprise Award Program from the Consolidated Appropriations Act, 2017 (Public Law 115-31) $22,787,358 are rescinded.

Justification:

This proposal would rescind $23 million in funds appropriated in FY 2017 for the Department of the Treasury's Community Development Financial Institutions Fund (CDFI Fund) Bank Enterprise Award (BEA) Program of which $23 million were available on October 1, 2017. These funds, which have yet to be disbursed, would be used for awards to FDIC-insured depository institutions that support Community Development Financial Institutions. This proposed rescission would reduce budget authority that is inconsistent with the President's policies.

PROPOSED RESCISSION OF BUDGET AUTHORITY
Report Pursuant to Section 1012 of Public Law 93-344

Agency: DEPARTMENT OF THE TREASURY
Bureau: Departmental Offices
Account: Capital Magnet Fund, Community Development Financial Institutions (020-8524 /X)

Amount proposed for rescission: $151,281,335

Proposed rescission appropriations language:

From amounts made available to the Capital Magnet Fund for fiscal year 2018 pursuant to sections 1337 and 1339 of the Housing and Economic Recovery Act of 2008 (12 U.S.C. 4567 and 4569) $151,281,335 are permanently rescinded.

Justification:

This proposal would rescind $151 million in amounts made available under the Housing and Economic Recovery Act of 2008 (Public Law 110–289) for FY 2018, of which $151 million was available on May 1, 2018. The Capital Magnet Fund (CMF) is a competitive grant program that funds housing nonprofits and Community Development Financial Institutions to finance affordable housing activities, as well as related economic development activities and community service facilities. This proposed rescission of CMF balances, which were derived from assessments on Fannie Mae and Freddie Mac under permanent law, would reduce budget authority that is inconsistent with the President's policies, recognizing that State and local governments and the private sector have a greater role to play in addressing affordable housing needs. Enacting the rescission would reduce the funds available for grants under this program.