

**Testimony of the Community Development Bankers Association
on
FY 2012 Budget Request for the
Community Development Financial Institutions Fund
of the U.S. Department of Treasury**

**United States Appropriations Subcommittee on Financial Services
and General Government**

The members of the Community Development Bankers Association (CDBA) thanks Chairman Durbin and Ranking Member Moran for the opportunity to submit testimony on the Obama Administration 2012 Budget Request for the Community Development Financial Institutions (CDFI) Fund of the U.S. Department of Treasury. We thank you for your past support of the CDFI Fund, the community development finance sector, and the Low and Moderate Income (LMI) people and communities we serve.

We strongly urge you to support the President's budget request of \$227 million for the CDFI Fund. CDBA is the national trade association of the community development bank sector. We are the voice and champion of banks and thrifts with a mission of serving LMI people and communities.

Currently there are 91 certified CDFI Banks with approximately \$28.3 billion in aggregate total assets and a median asset size of approximately \$200 million.¹ While we account for less than 10% of the total number of CDFIs we comprise approximately 50% of the total assets of the CDFI industry.

CDFI banks are regulated FDIC insured financial institutions subject to the same standards and regulatory scrutiny as other traditional banks. Yet, we are distinctively different as demonstrated by our track record of commitment to our communities. All of CDBA's members have been certified by the U.S. Department of Treasury as CDFIs, meaning at least 60% of their total activities are targeted to LMI communities – with most targeting significantly more of their resources to these areas. As documented by analysis of the National Community Investment Fund (NCIF)², significantly more of our lending and service activity is concentrated in low to-moderate-income communities than traditional financial institutions.

CDFI Banks provide financing that is catalytic in sparking economic activity within their communities. For example:

- Central Bank of Kansas City is financing an exciting economic revitalization project in the long neglected Rainbow Corridor of Kansas City, Kansas. 39Rainbow is a 26,000+ square foot mixed use retail,

¹ Source: FDIC call report data at 3/31/2011

² National Community Investment Fund 's annual Social Performance Metrics analysis (see <http://www.ncif.org/>)

residential and hotel development that will create hundreds of jobs and serve as an anchor to spark the revitalization of the surrounding neighborhood. The project has strong civic support with the City of Kansas City (KS) and State of Kansas providing tax and development incentives to promote investment in the urban core.

- Pan American Bank helped the Velez family grow their small wholesale seafood business -- which serves food product retailers in Chicagoland. Pan American financed El Ray Seafood's expansion to larger facility and it has now grown to employ 8 people.
- International Bank of Chicago enabled the Trinh family to expand their tofu and bean sprout production business through a loan to buy a warehouse in a low income Chicago neighborhood. The business couldn't fully respond to customer demand due to the limited size of their facility. Now settled into their new facility, they have just hired 2 additional employees.
- Southern Bancorp helped stabilize and expand Strohm Manufacturing located in Clarksdale, Mississippi, one of the poorest counties in the South. Following the death of the founder and increasing global competition, Strohm struggled to stay in business. Southern Bancorp helped restructure this family business' debt and provided them with a line of credit. Strohm now employs 10 people.

Illinois is home to 43 certified CDFIs -- of which 16 are CDFI banks. Illinois CDFIs have received over \$115.5 million in support from the CDFI Fund since 1996. This Federal money has been absolutely critical to combating long term poverty, unemployment, and social ills of too many Illinois communities and citizens. Loss of -- or reductions in -- funding for the CDFI Fund will have a direct and immediate impact on our ability to serve our communities and facilitate economic recovery and job creation.

Since 1996, hundreds of CDFIs and banks have participated in the programs of the CDFI Fund. The programs of the CDFI Fund have a proven, documented track record of creating impact and have become invaluable in helping banks find ways to serve credit markets and communities that otherwise might not be served. The programs of the CDFI Fund use very modest public resources to leverage large amounts of private dollars. Analysis by the Treasury Department estimates that the leverage factor is as high as 20 to 1. This finding makes the CDFI Fund one of the smartest investments of Federal resources to solve some of the nation's most critical economic problems. The CDFI Fund is truly one of the Federal government's best market-based strategies for leveraging and channeling needed resources to our most challenged communities.

CDBA wholeheartedly supports all of the CDFI Fund's programs. The CDFI Fund's Bank Enterprise Awards (BEA) Program is particularly important to CDFI banks and the communities they serve; it supports new investment in CDFIs of all types and

provides resources to reach the most underserved communities. BEA resources are well targeted to the neediest communities by requiring that direct lending and services be targeted to places with at least 30% poverty and 1.5 times the national unemployment rate. BEA is also focused on the smallest and most mission-focused banks. In fact, since 2007, CDFI banks have received 78% of all BEA awards and the smallest banks (with less than \$250 million in total assets) have received more than 57% of all funding. Of the \$227 million requested in the President's budget, we ask that at least \$22 million be reserved for the Bank Enterprise Award (BEA) Program.

We fully recognize that Federal appropriators face great challenges this year. But, as you know, low income families and communities are among the hardest hit during periods of economic distress. This recession has been no exception. The CDFI Fund has already endured a \$20 million cut in funding between FY 2010 and FY 2011. In the interests of promoting new jobs and economic recovery in the hardest hit rural and urban communities of our nation, we urge you to maintain FY 2011 funding levels of \$227 million for the CDFI Fund in FY 2011. Any further reductions in the CDFI Fund's appropriations will directly result in the loss of jobs, affordable housing, and small business credit that will be felt across the nation in the places that need it most.

We strongly urge you to support continued funding at the FY 2011 level and as requested in the President's budget.

We thank Chairman Durbin, Ranking Member Moran and the members of the Subcommittee for the opportunity to express our views.