

March 22, 2019

The Honorable Richard Shelby  
Chairman  
Committee on Appropriations  
United States Senate  
304 Russell Senate Office Building  
Washington, DC 20510

The Honorable Nita Lowey  
Chairwoman  
Committee on Appropriations  
United States House of Representatives  
2365 Rayburn House Office Building  
Washington, DC 20515

The Honorable Patrick Leahy  
Ranking Member  
Committee on Appropriations  
United States Senate  
437 Russell Senate Office Building  
Washington, DC 20510

The Honorable Kay Granger  
Ranking Member  
Committee on Appropriations  
United States House of Representatives  
1026 Longworth House Office Building  
Washington, DC 20515

Dear Chairman Shelby, Chairwoman Lowey, Ranking Member Leahy and Ranking Member Granger:

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 \$300 million for the CDFI Fund in FY 2020, including a \$35 million allocation for the Bank Enterprise Award (BEA) Program. The recommended levels of funding are consistent with historic levels with a modest increase, which is appropriate given the demonstrated impact of the CDFI Fund programs and strong demand.

We are gravely concerned that the Administration's FY 2020 budget proposes to eliminate funding for the CDFI Program and BEA Program. Moreover, we are alarmed that the Administration is proposing to rescind \$25 million in already appropriated funds for the FY 2019 BEA funding round. We strongly recommend you to maintain robust funding.

Eliminating the CDFI Fund's programs will harm underserved low-income urban, rural and Native American communities. In many communities, the local CDFI bank is only source of responsible financial services and credit. CDFIs also play a key role in promoting opportunity and economic development.

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 131 banks and thrifts and 90 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 and 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 1994, the CDFI Fund has awarded more than \$3.2 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 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 more than \$44.9 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.

In FY 2018, CDFI Financial Assistance awardees had a total of \$39.9 billion invested in the 50 states and the District of Columbia and \$28.4 million invested in the territories. Award recipients financed over 27,900 affordable housing units and provided financial literacy counseling and other training opportunities to 452,000 individuals. CDFIs are also making a difference in distressed rural communities with 28% of FY 2018 awardees primarily or exclusively serving rural markets.

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 \$447.7 million in BEA grants. Over the past five years, 84% 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.

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).
- Demand: BEA has the strongest demand among the CDFI Fund programs and is far oversubscribed. The dollar amount of BEA requests has increased 146% since 2012 – from \$88.5 million in 2012 to \$218.1 million in 2018 – a net increase in demand of \$129 million. During that period, BEA Program funding has risen by only \$7 million. In 2018, the program received 124 applications; yet, the program had only \$25 million available to award. Only \$1 in FY 2018 funding was available for every \$8.72 in requests – the highest of all CDFI Fund programs.
- Helps Small Banks: 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 89% of awards went to community banks with less than \$1 billion in total assets. Only 2% of award dollars have gone to the largest “money center” banks over \$100 billion in total assets.
- Impact: During the FY 2018 BEA round, the 119 applicants collectively increased: (1) loans and investments in distressed communities by \$578 million; (2) loans, deposits, and technical assistance to CDFIs by \$38.6 million; (3) equity and equity-like loans and grants to CDFIs by \$16.7 million; and (4) increased the provision of financial services in highly distressed communities by \$6.8 million.

**In the interests of promoting job creation and economic vitality in neglected rural and urban communities, we urge you to: (1) appropriate \$300 million in FY 2020 for the CDFI Fund; (2) support the BEA Program at \$35 million; and (3) fight any efforts to rescind FY 2019 funding.**

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

Sincerely,

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## **The Membership of the Community Development Bankers Association**

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Bank of Kilmichael  
Bank of Montgomery  
Bank of St. Francisville  
Bank of Vernon  
Bank of Winona  
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