

April 27, 2022

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

The Honorable Rosa L. DeLauro  
Chairwoman  
Committee on Appropriations  
United States House of Representatives  
2365 Rayburn House Office Building  
Washington DC, 20515

The Honorable Richard Shelby  
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 Leahy, Chairwoman DeLauro, Ranking Member Shelby and Ranking Member Granger:

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 \$1 billion for the CDFI Fund in FY 2022, including 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 2021 appropriations act, and it is justified by the significant demand, over subscription of the programs<sup>1</sup>, 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 regulated depository CDFI industry. According to 2021 data, 593 CDFI banks, bank holding companies and credit unions collectively hold \$289 billion in total assets. The \$1 billion request represents a modest 0.37% of total regulated 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.

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<sup>1</sup> For example, in 2020, the BEA Program received \$143.2 million in requests – nearly six times the \$25.2 million of funds available.

In every economic down turn, low-income communities are disproportionately affected. CDFIs have historically played a key role in promoting opportunity and creating jobs in underserved communities in good and bad economic times. For the past two years operating during the COVID-19 pandemic, this was no different - from the outset of the COVID-19 health and economic crisis, CDFI banks have served as financial “first responders” supporting Federal efforts to reach low-and moderate-income and otherwise underserved communities, including rural, minority and women owned businesses.

Lack of economic opportunity has led to significant disenfranchisement among many inner city neighborhoods and remote rural communities. This circumstance has only been exacerbated by COVID-19. 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 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 more than \$5.2 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 \$58.6 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 4,000,000 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.<sup>2</sup> 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 will be slowest in LMI communities.<sup>3</sup>

### **Bank Enterprise Award Program**

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<sup>2</sup> CDFI Coalition, [www.cdfi.org/wp-content/uploads/2022/04/CDFI-Fund-FY-2023-Appropriations-Request-Final-April-2022.pdf](http://www.cdfi.org/wp-content/uploads/2022/04/CDFI-Fund-FY-2023-Appropriations-Request-Final-April-2022.pdf)

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

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. 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.

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 \$1 billion in FY 2022 for the CDFI Fund; and (2) support the BEA Program at \$100 million.**

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).

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

Amalgamated Bank (NY)  
Asian Bank (PA)  
Bank of Anguilla (MS)

Bank of Brookhaven (MS)  
Bank of Cherokee County (OK)  
Bank of Commerce (MS)

Bank of Franklin (MS)  
 Bank of Kilmichael (MS)  
 Bank of Lake Village (AR)  
 Bank of Moundville (AL)  
 Bank of St. Francisville (LA)  
 Bank of Zachary (LA)  
 Bank of Vernon (AL)  
 Bank of Winona (MS)  
 BankFirst Financial Services (MS)  
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 Bay Bank (WI)  
 Beneficial State Bank (CA)  
 BNA Bank (MS)  
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 Carver Federal Savings Bank (NY)  
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 Central Bank of Kansas City (MO)  
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 Citizens Bank & Trust (MS)  
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 City First Bank, N.A. (DC)  
 Climate First Bank (FL)  
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 First Independence Bank (MI)  
 First National Bank & Trust (AL)  
 First Natural State (AR)  
 First Security Bank (MS)  
 First SouthWest Bank (CO)  
 FNB Picayune Bank, MS  
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 Freedom Bank (AL)  
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 Magnolia State Bank (MS)  
 M&F Bank (NC)  
 Mechanics Bank (MS)  
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 OneUnited Bank (MA)  
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 Pike National Bank (MS)  
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 Ponce Bank (NY)  
 Priority Bank (AR)  
 PriorityOne Bank (MS)  
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 Southeast First National Bank  
 Southern Bancorp, Inc. (AR)  
 Spring Bank (NY)  
 Sunrise Banks (MN)  
 Sycamore Bank (MS)  
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 The Cleveland State Bank (MS)  
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 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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