

April 26, 2013

The Honorable Ander Crenshaw  
Chairman  
Subcommittee on Financial Services and  
General Government Appropriations  
United States House of Representatives  
440 Cannon House Office Building  
Washington, DC 20515

The Honorable José Serrano  
Ranking Member  
Subcommittee on Financial Services and  
General Government Appropriations  
United States House of Representatives  
2227 Rayburn House Office Building  
Washington, DC 20515

Dear Chairman Crenshaw and Ranking Member Serrano:

The members of the Community Development Bankers Association strongly urge you to support FY 2014 funding for the Community Development Financial Institutions (CDFI) Fund of the U.S. Department of the Treasury at the \$225 million requested in the President's budget. We were disappointed, however, to see that the President's budget significantly cut from \$18 million to \$10 million the allocation within the CDFI Fund's overall budget to the Bank Enterprise Award (BEA) Program. We strongly urge you to restore funding to this critically important program.

CDBA is national trade association of the CDFI bank sector. We are the voice and champion of banks with a mission of serving low income communities. Across the United States, there are approximately 80 banks and thrifts that are certified by the U.S. Department of Treasury as Community Development Financial Institutions (CDFIs). To be a certified CDFI, a bank must demonstrate that not less than 60% of all of lending and activities is targeted to low income communities. While the CDFI banks represent only 8% of the total universe of 1,000 CDFIs, they account for half of the total assets of the CDFI sector.

**Support the CDFI Fund at Fund Levels Proposed by the Administration**

Hundreds of CDFIs across the United States have participated in the programs of the CDFI Fund. Demand for all of the programs of the CDFI Fund is consistently over scribed many times over annual appropriated levels. The CDFI Fund has a proven, documented track record of creating impact and is invaluable in delivering credit to communities that otherwise might not be

served. Since 1994, the CDFI Fund has awarded \$1.7 billion to CDFIs working in low income communities. In FY 2012, CDFIs made over 17,500 loans and investments totaling over \$1.29 billion, financing thousands of small businesses, over 14,000 housing units, and more than 25,000 jobs. As you know, low-income families and communities are among the hardest hit during periods of economic downturn. This recession has been no exception. The CDFI Fund is one of the Federal government's best market-based strategies for leveraging and channeling needed resources to our most challenged communities.

### **Preserve the Bank Enterprise Award Program**

The BEA Program is the only one of the CDFI Fund's programs that the CDFI bank sector has been able to access on a significant and regular basis. The BEA Program is very important to CDFI banks and the communities they serve in channeling resources to the most underserved people and places.

- On average, over the past five years, 75% of all BEA awards have gone to CDFI banks that have a primary mission of promoting community development.
- Among all of the CDFI Fund's programs, the BEA Program is the most deeply targeted to distressed communities with 89.5% of all monies going to the lowest low income census tracts; whereas only 61.1% of CDFI Program and 82.9% of New Markets Tax Credit Program resources were targeted to the most distressed places.
- In 2012 alone, the BEA Program enabled 59 awardees to:
  - Generate \$409.9 million in net new community benefits, including increasing by \$5.5 million provision of financial service and 383.3 million in loans and investments in communities with at least 30% poverty and 1.5 times the national unemployment rate.
  - Awardees also increased by \$21.1 million the amount of loans, deposits, and technical assistance provided to CDFI loan funds and credit unions.

BEA is a resource to help small community banks reach low income communities. Over the past five years, 86% of all BEA awards have gone to banks with less than \$1 billion in assets (considered a small bank by industry standards) with the majority (53%) going to the smallest banks with less than \$250 million in total assets. Only a modest 3% has gone to the largest money center banks. Awards to the largest banks were used primarily to support CDFIs.

### **Help Launch the CDFI Bond Guarantee Program**

Technical language is requested to grant Treasury authority in FY 2014 to issue guarantees under the CDFI Bond Guarantee Program. The CDFI Bond Guarantee Program was enacted through the Small Business Jobs Act of 2010 (Public Law 111-240) on September 27, 2010. The legislation directs the

Treasury Department to guarantee the full amount of notes or bonds issued to support Community Development Financial Institutions (CDFIs) that make investments for eligible community or economic development purposes. The bonds or notes will support CDFI lending and investment by providing a source of long-term, patient capital to CDFIs. Treasury may guarantee up to 10 bonds per year, each at a minimum of \$100 million. The total of all bonds cannot exceed \$1 billion per year. The CDFI Bond Guarantee Program is authorized through FY 2014. While the program is authorized at a "zero subsidy" rate to the Federal Government, annually the appropriations committees must approve technical language to comply with the Congressional Budget Act granting the Treasury Department guarantee authority.

We are requesting the following technical language to allow the Treasury Department to fully execute the program:

"Notwithstanding section 1101, the Community Development Financial Institutions Fund is authorized during Fiscal Year 2014 to guarantee bonds and notes pursuant section 114A of the Riegle Community Development and Regulatory Improvement Act of 1994 (12 U.S.C. 4701 et seq.): Provided, That no funds appropriated by this Act for "Department of the Treasury Community Development Financial Institutions Fund Program Account" shall be available for the cost, if any, of guaranteed loans (as defined in section 502 of the Congressional Budget Act of 1974) pursuant to section 114A of the Riegle Community Development and Regulatory Improvement Act of 1994 (12 U.S.C. 4701 et seq.) to subsidize total loan principal not to exceed \$1,000,000,000."

We sincerely thank you for your past support of the CDFI Fund. We strongly urge you to: (1) support full funding of \$225 million for the CDFI Fund; (2) restore the Bank Enterprise Award (BEA) Program to at least \$18 million; and (3) support technical language that will enable the CDFI Fund to launch the CDFI Bond Guarantee Program. We thank you for consideration of these recommendations and look forward to working with you to preserve credit availability in distressed communities. If you have questions or comments, please contact Jeannine Jacokes, Chief Policy Advisor, at (202) 689-8935 ext. 22 or [jacokesj@pcgloanfund.org](mailto:jacokesj@pcgloanfund.org).

Sincerely,

The Membership of the Community Development Bankers Association

ABC Bank  
Albina Community Bank  
Broadway Federal Bank  
Bank2  
Bank of Kilmichael  
BankPlus  
Carver Federal Savings Bank  
Central Bank of Kansas City  
CityFirst Bank of DC

City National Bank of New Jersey  
Community Bank of the Bay  
Community Capital Bank of Virginia  
First American International Bank  
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Illinois Service Federal Savings and Loan Association  
International Bank of Chicago  
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Mission Valley Bank  
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Pan American Bank  
Southern Bancorp Bank  
START Community Bank  
Sunrise Community Banks  
United Bank  
Urban Partnership Bank