

June 6, 2014

The Honorable Tom Udall
Chairman
Subcommittee on Financial Services &
General Government Appropriations
United States Senate
110 Hart Senate Office Building
Washington, DC 20510

The Honorable Anders Crenshaw
Chairman
Subcommittee on Financial Services &
General Government Appropriations
United States House of Representatives
B-300 Rayburn House Office Building
Washington, DC 20515

The Honorable Mike Johanns
Ranking Member
Subcommittee on Financial Services &
General Government Appropriations
United States Senate
404 Russell Senate Office Building
Washington, DC 20510

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

Dear Chairman Udall, Chairman Crenshaw, Ranking Member Johanns and Ranking Member Serrano:

The members of the Community Development Bankers Association strongly urge you to support FY 2015 funding for the Community Development Financial Institutions (CDFI) Fund of the U.S. Department of the Treasury at \$226 million, including an \$18 million allocation for the Bank Enterprise Award (BEA) Program. The requested funding is consistent with funding provided by Congress in FY 2014. The President's proposed FY 2015 budget requests \$224.9 million for the CDFI Fund – but alarmingly no allocation for the 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 96 banks and thrifts and 57 bank holding companies 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 are targeted to low income communities. While the CDFI banks, thrifts and holding companies represent only 17% of the total universe of 860+ CDFIs, they account for well more than 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

oversubscribed 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 nearly \$2 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 and slowest to recover. The last 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 provides incentives for FDIC insured institutions to: (1) support CDFIs through grants, loans, investments and other assistance; and (2) promote investment in the most distressed communities in the nation. The CDFI Fund's authorizing statute established that 33.3% of all program funds be allocated for the BEA Program. Since the CDFI Fund's authorizing statute expired in 1998, the amount that has been allocated by appropriators has gradually declined to 8% in 2012 – despite the fact that the CDFI Funds overall funding has increased significantly.

Without question, the BEA Program has been the most important and effective of all of the CDFI Fund's Programs in supporting and promoting the work of the CDFI Bank sector since the Fund's inception in 1994. Among all of the CDFI Fund's Programs, it is the most consistent in providing financial support.

- Over 18 years, the BEA Program has provided nearly \$189 million (48% of \$393 million total) in support to CDFI banks whereas the CDFI Program (including FA, CORE, SECA, TA) has made only \$77.7 million in awards to CDFI banks and their holding companies (5.98% of \$1.3 billion).
- During the same time period, the BEA Program has made awards to 104 CDFI banks; whereas the CDFI Program has reached 48 banks & bank holding companies.
- Over the past five years, 73.4% of all BEA awards have gone to CDFI banks that have a primary mission of promoting community development.
- In 2013, 65.8% of BEA awards went to CDFI banks and 41.9% to Minority Depository Institutions.

BEA uses a small amount of grant money to leverage significant investment in the entire CDFI field. Over 2011-2013, \$57.1 million in BEA awards have leveraged \$202.7 million in support to CDFIs, \$1.55 billion in loans and investments in Distressed Communities, and provided \$73.4 million in financial services to distressed communities. According to the CDFI Fund's 2012 annual report, the BEA Program is the most targeted of all of the agency's programs. The report states that 89.5% of all monies going to the lowest low income census tracts (30% poverty plus 1.5 national unemployment). By comparison, only 61.1% of CDFI Program and 82.9% of New Markets Tax Credit Program resources were targeted to the most distressed places.

In 2013, the CDFI Fund received \$91 million in requests – but only sufficient resources for \$17.1 million in awards. The number of applicants increased by 38% between 2012 and 2013. Over the past five years (2009-2013), 49% of all award dollars have been awarded to banks with total assets of less than \$250 million (the Federal bank regulatory agency definition of a “small bank”) with 85% of awards going to community banks with less than \$1 billion in total assets. Only 3.5% of award dollars have gone to the largest “money center” banks (\$100 billion or greater).

Finally, the BEA Program continues to have impact after the award performance period. Since 2009, BEA awardees that receive \$50,000 or more report on the use of their award post-receipt. Among 2011 awardees, of the \$18.38 million in grants made:

- \$16.6 million was used to make new loans in distressed communities for affordable housing, community revitalization projects, and small businesses.
- \$1.7 million was used for additional support to CDFIs in the form of grants, loans and deposits.
- \$88,247 was used to provide community services and target financial service projects.

Help Launch the CDFI Bond Guarantee Program

We also urge you to include Technical language requested in the President’s budget for the CDFI Fund 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) in late 2010. This promising new program is still in its infancy, but holds great opportunity for expanding the capacity of the CDFI industry. The Act 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. 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 request that the technical language be included in the bill to allow the Treasury Department to fully execute the program:

We sincerely thank you for your past support of the CDFI Fund. We strongly urge you to: (1) support full funding of \$226 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 Executive and Policy Advisor, at (202) 689-8935 ext. 22 or jacokesj@pcgloanfund.org.

Sincerely,

The Membership of the Community Development Bankers Association

ABC Bank
Albina Community Bank
Bank of Anguilla
Bank of Kilmichael
Bank of Vernon
Bank2
BankPlus
Broadway Federal Bank
Carver Federal Savings Bank
Carver State Bank
Central Bank of Kansas City
City First Bank of DC
City National Bank of New Jersey
Community Bancshares of MS
Community Bank of the Bay
Community Capital Bank of Virginia
Finance and Thrift
First American International Bank
First Eagle Bank
First Security Bank
Gateway Bank FSB
Guaranty Bank & Trust
Illinois Service Federal Savings and Loan Association
International Bank of Chicago
Merchants and Planters Bank
Metro Bank
Mission Valley Bank
Native American Bank NA
Neighborhood National Bank
Noah Bank
One PacificCoast Bank
OneUnited Bank
Pan American Bank
Southern Bancorp
Spring Bank
START Community Bank
State Bank and Trust
Sunrise Banks
The First, a National Banking Association
United Bank
Urban Partnership Bank