

March 10, 2015

The Honorable John Boozman
Chairman
Subcommittee on Financial Services &
General Government Appropriations
United States Senate
Room S128, The Capitol
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 Christopher Coons
Ranking Member
Subcommittee on Financial Services &
General Government Appropriations
United States Senate
127A 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 Boozman, Chairman Crenshaw, Ranking Member Coons and Ranking Member Serrano:

The members of the Community Development Bankers Association (CDBA) urge you to support FY 2016 funding for the Community Development Financial Institutions (CDFI) Fund of the U.S. Department of the Treasury at \$233.5 million, including a \$35 million allocation for the Bank Enterprise Award (BEA) Program. While the overall request is consistent with funding provided by Congress in FY 2015 and the President's FY 2016 budget, we are disappointed that the President's budget provides no set aside within the CDFI Fund's overall budget for the BEA 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 108 banks and thrifts and 60 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 18% of the total universe of 900+ CDFIs, they account for nearly 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. 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 to restore economic vitality.

Since 1994, the CDFI Fund has awarded more \$2 billion to CDFIs working in low income communities. In FY 2014 alone, CDFIs made over 28,000 loans and investments totaling nearly \$3 billion, financing 12,000+ small businesses, over 25,000+ affordable housing units, and more than 35,000+ jobs. As you know, low income families and communities are among the hardest hit during periods of economic downturn and slowest to recover. Without the support of all of the program of the CDFI Fund, results would have been impossible.

Preserve and Grow 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. Since 1996, the BEA Program has made \$393 million in awards and helped facilitate billions in new investments that benefits the most difficult to serve markets.

The CDFI Fund's 1994 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 less than 8% in 2014 – despite the fact that the CDFI Funds overall funding has increased significantly. If the BEA Program had been funded as Congress originally intended, the program would have received \$66 million – rather than the \$18 million -- in 2014.

The justification for increasing the BEA allocation within the CDFI Fund to \$35 million is based on its strong impact, leverage and demand:

- Impact: BEA is highly impactful. A 2012 analysis by the CDFI Fund reported that the BEA Program is the most targeted of all of the agency's programs. The report states that 90% of all monies going to the lowest low income census tracts (30% poverty plus 1.5 national unemployment). By comparison, only 61% of CDFI Program and 83% of New Markets Tax Credit Program resources were targeted to the most distressed places. In addition, since 2009, BEA awardees that receive \$50,000 or more report on the use of their award post-receipt. An analysis of 2012 BEA awardees found that an additional \$15.27 million in new BEA qualified activities were performed over and above qualified activities performed to earn the BEA award.

- Leverage: BEA is highly effective in leveraging private dollars. Over 2010-2014, \$57 million in BEA awards have leveraged \$203 million in support to CDFIs, \$1.6 billion in loans and investments in Distressed Communities, and provided \$73 million in financial services to distressed communities.
- Demand: BEA has the strongest demand among the CDFI Fund programs and is far oversubscribed compared to other programs. In 2014, only \$1 in funding was available for every \$12 in requests -- with the CDFI Fund receiving \$211 million in requests for \$17.9 million available. By comparison \$1 in funding was available for every \$2.38 in requests for the Financial Assistance Program, \$3.98 for Healthy Foods Financing Initiative, and \$7.39 for New Markets Tax Credits. The dollar amount of BEA requests increased by 230% from \$91 million in 2013 to \$211 million in 2014; yet, the program had only sufficient resources to fund \$17.9 million in awards in 2014.

Importance to CDFI Bank Sector

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.

- Since 1996, the BEA Program has provided nearly \$215 million in support to CDFI banks whereas the CDFI Program (including FA, CORE, SECA, TA) has made only \$92 million in awards to CDFI banks and their holding companies.
- During the same time period, the BEA Program has made awards to 104 CDFI banks; whereas the CDFI Program has reached 49 banks & bank holding companies.
- Despite their importance to the CDFI industry, CDFI banks and their holding companies have only received 6.7% of the CDFI Program funds whereas they have received 52% of the BEA monies since the inception of the CDFI Fund.

Finally, BEA benefits small community banks – not big banks. Over the past five years (2010-2014), 48% 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% of award dollars have gone to the largest “money center” banks (\$100 billion or greater).

In the interests of promoting new jobs and continued economic recovery in the hardest hit rural and urban communities of our nation, we urge you to fund the CDFI Fund at \$233.5 million and allocate \$35 million to the BEA 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. 222 or jacokesj@pcgloanfund.org.

Sincerely,

The Membership of the Community Development Bankers Association

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