

March 14, 2016

The Honorable John Boozman
Chairman
Subcommittee on Financial Services &
General Government Appropriations
United States Senate
141 Hart Senate Office Building
Washington, DC 20510

The Honorable Ander Crenshaw
Chairman
Subcommittee on Financial Services &
General Government Appropriations
United States House of Representatives
2161 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 José 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 2017 funding for the Community Development Financial Institutions (CDFI) Fund of the U.S. Department of the Treasury at \$245.9 million¹, including a \$35 million allocation for the Bank Enterprise Award (BEA) Program.

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. Across the United States, 119 banks and thrifts and 67 bank holding companies 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 at least 60% of its lending and activities are targeted to low income communities. While CDFI banks, thrifts and holding companies represent only 19% of all CDFIs, they account for 40% of the total assets of the CDFI sector.

Support the CDFI Fund at Levels Proposed by the Administration

The CDFI Fund is one of the Federal government’s best market-based strategies for leveraging needed resources to our most challenged communities to restore economic vitality. Since 1994, the CDFI Fund has awarded more than \$2 billion to CDFIs working in low income communities. In FY 2015 alone, CDFIs lent nearly \$3.4 billion, financing 12,000+ small businesses, over 25,000 affordable housing units, and more than 35,000 jobs. Without the support of CDFI Fund programs, this financing in distressed communities would have been impossible.

¹ \$245.9 million is consistent with the President’s budget request.

Grow the Bank Enterprise Award Program

The BEA program is of particular importance to the CDFI bank sector. The program provides incentives for FDIC insured institutions to: (1) support CDFIs through grants, loans, investments and other assistance; and (2) promote investment in the nation's most distressed communities.

The CDFI Fund's authorizing statute established that 33.3% of all program funds be allocated for the BEA Program. However, since the authorizing statute expired in 1998, the proportion allocated to the program has declined to less than 8% in 2015. If the BEA Program were funded as Congress originally intended, it would have received \$68 million – rather than \$19 million – in 2015.

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

- **Serving Low Income Communities:** An analysis by the CDFI Fund found that the BEA Program is the CDFI Fund's most targeted program. The report states that 90% of all BEA monies go to the lowest income census tracts. Since 1996, the BEA Program has made \$429 million in awards and helped facilitate billions in new investments that benefit the most difficult to serve markets.
- **Rural Impact:** The BEA Program reaches more rural communities than other CDFI Programs. In 2015, 37% of BEA awards were made to banks predominantly or exclusively serving rural communities whereas 26% of CDFI Program awards were made to CDFIs serving rural communities.
- **Leverage:** BEA is highly effective in leveraging private dollars. The dollar amount of BEA requests has increased 200% since 2012 – from \$88.5 million in 2012 to \$179 million in 2015. In that time, the BEA Program allocation has risen by just \$1 million – a 5% increase.
- **Demand:** BEA has the strongest demand among the CDFI Fund programs and is far oversubscribed compared to other programs. In 2015, only \$1 in funding was available for every \$10.40 in requests. By comparison, \$1 in funding was available for every \$3.60 in requests under the CDFI Program initiatives. In 2015, the program received 106 applications – the most in its history; yet, the program had only \$18.7 million available to award.
- **Helps Small Banks:** BEA principally benefits small community banks – not big banks. Over the past five years, 44% of all award dollars have gone to small banks with total assets of less than \$250 million and 87% of awards went to community banks with less than \$1 billion in total assets. Only 4% of award dollars have gone to the largest “money center” banks over \$100 billion in total assets.

In the interest 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 \$245.9 million and allocate \$35 million to the BEA Program.

Thank you for considering these recommendations and we and look forward to working with you to preserve credit 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

ABC Bank (IL)	Illinois Service Federal (IL)
Albina Community Bank (OR)	Industrial Bank (DC)
Bank 2 (OK)	International Bank of Chicago (IL)
BankFirst Financial Services (MS)	Mechanics and Farmers Bank (NC)
Bank of Anguilla (MS)	Merchants and Planters Bank (MS)
Bank of Commerce (MS)	Metro Bank (KY)
Bank of Kilmichael (MS)	Mission National Bank (CA)
Bank of Lake Village (AR)	Mission Valley Bank (CA)
Bank of Montgomery (LA)	Native American Bank, N.A. (CO)
Bank of Vernon (AL)	Neighborhood National Bank (CA)
BankPlus (MS)	NOAH Bank (PA)
Beneficial State Bank (CA)	Northern Hancock Bank & Trust (WV)
Broadway Federal Bank (CA)	OneUnited Bank (MA)
Carver Federal Savings Bank (NY)	Oxford University Bank (MS)
Carver State Bank (GA)	Pan American Bank (IL)
Central Bank of Kansas City (MO)	Pan American Bank (CA)
Citizens National Bank (MS)	Peoples Bank (MS)
City First Bank of D.C., N.A. (DC)	Richland State Bank (LA)
City National Bank of New Jersey (NJ)	RiverHills Bank (MS)
Commercial Bank (MS)	Security Federal Bank (SC)
Community Bancshares of Mississippi (MS)	Southern Bancorp, Inc. (AR)
Community Bank of the Bay (CA)	Spring Bank (NY)
Concordia Bank and Trust Co. (LA)	Start Community Bank (CT)
Cross Keys Bank (LA)	State Bank & Trust Company (MS)
Farmers & Merchants Bank (MS) (MS)	Sunrise Banks (MN)
First American International Bank (NY)	The First, A National Banking Assoc. (MS)
First Eagle Bank (IL)	The Jefferson Bank (MS)
First Independence Bank (MI)	United Bank (AL)
First Security Bank (MS)	United Bank of Philadelphia (PA)
First SouthWest Bank (CO)	Urban Partnership Bank (IL)
Guaranty Bank and Trust Company (MS)	Virginia Community Capital (VA)