

February 7, 2017

The Honorable Shelly Moore Capito
Chairman
Subcommittee on Financial Services &
General Government Appropriations
United States Senate
172 Russell Senate Office Building
Washington, DC 20510

The Honorable Tom Graves
Chairman
Subcommittee on Financial Services &
General Government Appropriations
United States House of Representatives
2000 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 Mike Quigley
Ranking Member
Subcommittee on Financial Services &
General Government Appropriations
United States House of Representatives
2459 Rayburn House Office Building
Washington, DC 20515

Dear Chairman Moore Capito, Chairman Graves, Ranking Member Coons and Ranking Member Quigley:

The members of the Community Development Bankers Association (CDBA) urge you to support \$250 million¹ in FY 2017 funding for the U.S. Department of the Treasury's Community Development Financial Institutions, including a \$23 million allocation for the Bank Enterprise Award (BEA) Program².

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. The Treasury Department has certified 135 banks and thrifts and 86 bank holding companies as Community Development Financial Institutions (CDFIs). To be a certified CDFI, a bank must demonstrate that at least 60% of its lending and other activities serve low-income communities.

The need to create jobs and promote economic vitality in disenfranchised rural communities, as well as revitalize neglected inner cities, was a key theme of the 2016 campaign season. The communities served by CDFI banks are exactly the communities that were the focus of this discussion. CDFI banks are often the only financial institution in these local communities focused on making a difference.

¹ \$250 million is amount passed in HR 5485 (House FY 2017 Financial Services appropriation bill).

² \$23 million is amount passed in S 3067 (Senate FY 2017 Financial Services appropriations bills)

CDFI Fund and 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 1994, the CDFI Fund has awarded more than \$2 billion to CDFIs working in low-income communities. CDFI 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 that are willing work hard and take responsibility for their own futures. Today CDFI banks collectively have a portfolio of nearly 38,000 small business loans with an average outstanding size of \$52,000. Of those small business loans, 80% were below \$100,000 with an average outstanding loan size of \$20,000. In short, CDFI banks support "mom and pop" businesses on Main Street.

CDFIs enable hard working 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. A CDFI Fund analysis of Fiscal Year 2015 CDFI Program awardees found that this subset of CDFIs made over 41,000 loans or investments totaling over \$3 billion. The awardees financed over 12,000 small businesses with average loan size was \$73,000. The CDFIs also financed over 25,000 affordable housing units, 14,000 microloans, 11,807 consumer loans, and 12,500 home improvement loans.

Bank Enterprise Award Program

CDBA strongly supports the Senate bill (S 3067) provision that allocates \$23 million in funding for the BEA Program. 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.

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). 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: In 2015, 37% of BEA awards went to banks predominantly or exclusively serving rural communities.
- Demand: BEA has the strongest demand among the CDFI Fund programs and is far oversubscribed. 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. In 2015, only \$1 in funding was available for every \$10.40 in requests – the highest of all CDFI Fund program. 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. Further, over the past five years, 82% of all awards have gone to CDFI banks where they are continuously reinvested in distressed communities.

In the interests of promoting job creation and economic vitality in neglected rural and urban communities, we urge you to fund the CDFI Fund at \$250 million and allocate \$23 million to the BEA Program.

We look forward to working with you to restore jobs and economic vitality to 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)	First American International Bank (NY)
Albina Community Bank (OR)	First Eagle Bank (IL)
BankFirst Financial Services (MS)	First Independence Bank (MI)
Bank of Anguilla (MS)	First Security Bank (MS)
Bank of Commerce (MS)	First SouthWest Bank (CO)
Bank of Kilmichael (MS)	FNBC Bank (AR)
Bank of Lake Village (AR)	Guaranty Bank and Trust Company (MS)
Bank of Montgomery (LA)	Illinois Service Federal (IL)
Bank of Rio Vista (CA)	Industrial Bank (DC)
Bank of Vernon (AL)	International Bank of Chicago (IL)
Bank of Winona	Legacy Bank and Trust (MO)
BankPlus (MS)	Mechanics and Farmers Bank (NC)
Beneficial State Bank (CA)	Merchants and Planters Bank (MS)
Broadway Federal Bank (CA)	Metro Bank (KY)
Carver Federal Savings Bank (NY)	Mission National Bank (CA)
Carver State Bank (GA)	Mission Valley Bank (CA)
Central Bank of Kansas City (MO)	Native American Bank, N.A. (CO)
Century Bank of the Ozarks (MO)	Neighborhood National Bank (CA)
Citizens National Bank (MS)	NOAH Bank (PA)
City First Bank of D.C., N.A. (DC)	Northern Hancock Bank & Trust (WV)
City National Bank of New Jersey (NJ)	OneUnited Bank (MA)
Commercial Bank (MS)	Oxford University Bank (MS)
Community Bancshares of Mississippi (MS)	Pan American Bank (IL)
Community Bank of the Bay (CA)	Peoples Bank (MS)
Cross Keys Bank (LA)	Planters Bank (MS)
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Richland State Bank (LA)
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Savoy Bank (NY)
Security Federal Bank (SC)
Southern Bancorp, Inc. (AR)
Spring Bank (NY)
Start Community Bank (CT)
State Bank & Trust Company (MS)

Sunrise Banks (MN)
Sycamore Bank
The First, A National Banking Assoc. (MS)
The Jefferson Bank (MS)
United Bank (AL)
United Bank of Philadelphia (PA)
Urban Partnership Bank (IL)
Virginia Community Capital (VA)