

February 27, 2018

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) strongly urge you to continue bipartisan support of the US Department of the Treasury's Community Development Financial Institutions (CDFI) Fund. Specifically, we ask that you appropriate at least \$248 million for the CDFI Fund in FY 2018, including a \$25 million allocation for the Bank Enterprise Award (BEA) Program, as was provided in the FY 2017 Omnibus bill and the Senate version of the FY 2018 bill.

For FY 2019, CDBA strongly urges you to provide not less than \$248 million for the CDFI Fund, including a \$35 million allocation for the Bank Enterprise Award (BEA) Program. We are gravely concerned that the Administration's recently released FY 2019 budget proposes drastic cuts to the CDFI Fund. We strongly urge you to maintain robust funding levels.

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 141 banks and thrifts and 90 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.

Lack of economic opportunity has led to significant disenfranchisement of many inner city neighborhoods and remote rural communities. CDFI banks work to narrow the wealth gap and create real economic opportunity, including jobs, business expansion, affordable housing, revitalization, and access to fair and responsible financial services. CDFI banks are often the only financial institution in these local communities focused on making a difference.

### **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 \$2.8 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 to work hard and take responsibility for their own futures. Today CDFI banks collectively have a portfolio of more than 20,000 small business loans totaling \$2.1 billion in loans outstanding. Most CDFI banks' small business loans go to "mom and pop" businesses on Main Street. CDFI banks 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 2017 CDFI Program awardees found that this subset of CDFIs made more than 120,000 loans or investments totaling more than \$5 billion to 12,000+ small businesses. The average size of a loan was \$41,744. Furthermore, program awardees financed over 27,962 affordable housing units, 14,736 microloans totaling \$1 billion, 86,985 consumer loans totaling \$842 million, and 14,648 home improvement loans or home purchase loans totaling \$1.2 billion. CDFIs are also making a difference in distressed rural communities with 29% of FY 2017 awardees primarily or exclusively serving rural markets.

We applaud the efforts of the CDFI Fund to ensure the Financial Assistance program serves a full range of regulated and nonregulated CDFIs in the FY 2017 funding round. The industry includes strong, impactful CDFIs across all sectors. We urge Congress to provide strong funding levels and oversight to ensure the program continues to serve the diverse CDFI industry and their low-income communities as intended by Congress.

### **Bank Enterprise Award Program**

CDBA strongly supports increasing the allocation for the Bank Enterprise Award (BEA) program within the CDFI Fund's overall appropriation. Cumulatively, the BEA Program has awarded \$241 million in BEA grants to CDFI banks. Over the past five years, 84% of all award dollars have gone to certified CDFI banks. 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.
- **Demand:** BEA has the strongest demand among the CDFI Fund programs and is far oversubscribed. The dollar amount of BEA requests has increased 65% since 2012 – from \$88.5 million in 2012 to \$145.6 million in 2016. In that time, the BEA Program allocation has risen by less than \$1 million – a 4% increase. In 2016, only \$1 in funding was available for every \$7.82 in requests – the highest of all CDFI Fund programs. In 2016, the program received 116 applications; yet, the program had only \$18.6 million available to award.
- **Helps Small Banks:** BEA principally benefits small community banks – not big banks. Over the past five years, 38% of all award dollars have gone to the smallest banks with total assets of less than \$250 million and 93% of awards went to community banks with less than \$1 billion in total assets. Only 3% of award dollars have gone to the largest “money center” banks over \$100 billion in total assets.
- **Impact:** During the FY 2016 BEA round, the 102 applicants collectively increased: (1) loans and investments in distressed communities by \$285.5 million; (2) loans, deposits, and technical assistance to CDFIs by \$41 million; (3) equity and equity-like loans and grants to CDFIs by \$8.8 million; and (4) increased the provision of financial services in highly distressed communities by \$3.5 million.

**In the interests of promoting job creation and economic vitality in neglected rural and urban communities, we urge you to appropriate fund \$248 million in FY 2018 and FY 2019 to the CDFI Fund. We also urge you to support the BEA Program with \$25 million in FY 2018 and \$35 million in 2019.**

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](mailto:jacokesj@pcgloanfund.org).

Sincerely,

The Membership of the Community Development Bankers Association

ABC Bank (IL)

BankFirst (MS)

Bank of Anguilla (MS)

Bank of Commerce (MS)

Bank of Kilmichael (MS)

Bank of Lake Village (AR)

Bank of Montgomery (LA)

Bank of Rio Vista (CA)

Bank of Vernon (AL)

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Beneficial State Bank (CA)

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First National Bank & Trust (AL)  
First Security Bank (MS)  
First SouthWest Bank (CO)  
FNBC Bank (AR)  
Guaranty Bank and Trust Company (MS)  
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Security Federal Bank (SC)  
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Southern Bancorp, Inc. (AR)  
Spring Bank (NY)  
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State Bank & Trust Company (MS)  
Sunrise Banks (MN)  
Sycamore Bank  
The Commercial Bank (MS)  
The First, A National Banking Assoc. (MS)  
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United Bank (AL)  
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