

NDAAMendment 3640 & CDFI Banks

BACKGROUND:

Community Development Financial Institutions (CDFIs) are private-sector, financial intermediaries who measure success by focusing on the “double bottom line” of financial performance and social impact. CDFIs provide access to capital and financial services to low-income people and communities overlooked by traditional financial service providers. A CDFI can be a bank, credit union, loan fund or venture capital fund.

Americans in every state and DC now have a CDFI thanks to the US Treasury’s CDFI Fund, which is one of the Federal Government’s best market-based strategies for leveraging private dollars to restore economic vitality. For over 30 years, the CDFI Fund has awarded over \$7.4 billion to financial institutions committed to working in low-income communities. CDFIs provide a “hand up” not a “hand out” to customers through access to capital and financial services that are used to grow a business, buy a house, create jobs, or facilitate local revitalization.

CDFIs promote job creation and economic opportunity across the nation - from disinvested urban neighborhoods to struggling rural communities to underserved Native Americans. CDFIs have leveraged at least \$8 in private sector investment for every \$1 in public funding received.

Why NDAAMendment 3640 is Good for CDFI Banks

Amendment 3640 is REVENUE NEUTRAL. It incorporates several existing CDFI-focused bills: The Scaling Community Lenders Act (Warner/Crapo), CDFI Fund Transparency Act (Daines/Warner), CDFI Bond Guarantee Improvement Act of 2025 (Rounds/Smith), and the Native CDFI Relending Program (Smith/Rounds).

CDBA strongly recommends passage of this amendment on behalf of the sector. Key provisions that CDFI Banks benefit from specifically include:

- **Scaling Community Lenders Act:** Access to liquidity is an important tool for all community development lenders to manage their portfolios and balance sheets, which in turn gives them more capacity to serve their communities. This bill introduces language to build stronger CDFI industry infrastructure that expands access to capital in low income communities. The bill was first introduced by Sens Mike Crapo (R-ID) and Mark Warner (D-VA) in 118th Congress as S. 1442 and has a bipartisan group of cosponsors.

CDFIs can participate in the program as a buyer of loans from other small CDFIs and use grant proceeds to manage the risk. Alternatively, a CDFI with liquidity challenges could sell loans to a liquidity program participant. This will allow existing payments to the CDFI Fund from the Emergency Capital Investment Program (ECIP) to be used to provide grants to organizations that purchase loans, loan participations, interests in loans originated by CDFIs, or otherwise enhance CDFI liquidity.

- CDFI Bond Guarantee Improvement Act: The CDFI Bond Guarantee Program directs the US Treasury 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. These bonds are structured to function at no cost to taxpayers, the program does not require an annual appropriation from Congress, and the program is not a grant. To date, 23 CDFI Bonds have been issued and proceeds from these bonds provided \$3 billion in long-term, fixed-rate Bond Loans to 32 CDFIs that put the funds to work in their communities. Portfolio performance is strong, with no late payments or defaults on Bonds or Bond Loans since the program's launch.

The amendment will extend authorization for the CDFI Bond Guarantee Program for four years and reduce the maximum bond issuance from \$100 million to \$25 million. The current minimum bond size has prevented most CDFI banks from using this resource, and lowering the limit will increase accessibility to CDFI banks. Additionally, the amendment eliminates the cap on the number of CDFI Bonds that can be issued annually, but retains a cap on the amount of CDFI Bonds Treasury can guarantee in any single calendar year.

- Native CDFI Relending Program: The Native CDFI Relending Program was designed as a demonstration project to bring homeownership opportunities to native communities, especially those in underserved, rural areas. The proposed language permanently authorizes the Native CDFI Relending program within Section 502 of the Housing Act of 1949. This program allocates \$50 million towards Native CDFIs that expand homeownership opportunities within tribal communities across the country.

The demonstration project showed that Native CDFIs are uniquely equipped to deploy mortgage capital efficiently and effectively in tribal communities, in part because of the supportive services they provide their clients, including homebuyer education, post-purchase and foreclosure prevention counseling, and other technical assistance. By permanently authorizing the Native CDFI Relending Program, the program can expand to more Native CDFIs, including Native CDFI banks, and pursue its goal of increased mortgage capital in tribal communities that need it most.

- CDFI Fund Transparency Act: Titled "Requirement to Testify" in Amendment 3640, the CDFI Fund Transparency Act requires that the Secretary of the Treasury or appropriate designee shall testify annually to the committees with oversight of CDFI Fund operations. This bill prompts Congress to exercise oversight powers to ensure that the CDFI Fund is held to its statutory obligations, awards are being deployed in a timely and responsible manner, and the CDFI Fund overall is working efficiently for the financial institutions that rely on it.
- **CDBA strongly recommends that Senate Banking and Senate Armed Services leadership grant clearance for this amendment to be moved to the floor and passed by the Senate as a permanent amendment to the NDAA.** CDBA supports the shared purpose of this amendment in providing community lenders with expanded access to tools, resources, and liquidity that further drive serving their communities and achieving their missions.

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