



April 20, 2018

The Honorable James Lankford
Chairman
Subcommittee on Financial Services &
General Government Appropriations
United States Senate
216 Hart 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 Lankford, Chairman Graves, Ranking Member Coons and Ranking Member Quigley:

On behalf of the undersigned banking trade associations, we urge you to support FY 2019 funding for the Community Development Financial Institutions (CDFI) Fund of the U.S. Department of the Treasury. Specifically, we ask you to support \$275 million for the CDFI Fund, which includes a \$35 million allocation for the Bank Enterprise Award (BEA) Program. We are gravely concerned that the Administration's FY 2019 budget proposes to eliminate funding for the CDFI Fund's programs. We strongly recommend you to maintain strong funding.

Collectively our organizations represent thousands of FDIC-insured depository institutions across the United States. Since 1996, hundreds of banks have participated in the programs of the CDFI Fund. The programs of the CDFI Fund have a documented record of creating impact and have become invaluable in helping banks find ways to serve credit markets and communities that otherwise might not be served. It is one of the Federal Government's best market-based strategies for leveraging and channeling needed resources to our most distressed communities.

The request for the CDFI Fund represents a modest 10% increase in funding over levels approved in the FY 2018 Omnibus appropriations act and is justified by the significant demand and over subscription of the program. In 2017, the main CDFI Program received \$679 million in requests – 3.25 times the amount of funds available.

The justification for increasing the BEA Program allocation from within the CDFI Fund's overall funding from \$25 million to \$35 million is based on its impact and leverage capacity.

BEA has the strongest demand among the CDFI Fund programs and is far oversubscribed. In the FY 2017 funding round, a total of 119 applications requested \$131.7 million. The award requests were 5.7 times more than the \$23 million available in 2017.

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 \$447.7 million in awards and helped facilitate billions in new investments that benefit the most difficult to serve markets. A 2017 evaluation of the BEA program by a third party firm concluded that *"The BEA Program drives investment into the neediest communities, area that might otherwise remain marginalized, and complements CRA (the Community Reinvestment Act) by providing incentives to serve more highly distressed communities."*

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. Data for the 2017 round will be available in Q2 2018.

BEA primarily benefits small banks and banks working in the most distressed communities. Over the past five years, 84% of all award dollars have gone to certified CDFI banks and 93% of awards went to community banks with less than \$1 billion in total assets.

In the interests of promoting job creation and economic vitality in neglected rural and urban communities, we urge you to appropriate fund \$275 million in FY 2019 to the CDFI Fund. We also urge you to support the BEA Program with \$35 million in FY 2019.

Sincerely,

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