

May 5, 2021

The Honorable Chris Van Hollen  
Chairman  
Appropriations Subcommittee on  
Financial Services and General Government  
United States Senate  
110 Hart Senate Office Building  
Washington, DC 20510

The Honorable Mike Quigley  
Chairman  
Appropriations Subcommittee on  
Financial Services and General Government  
United States House of Representatives  
2078 Rayburn House Office Building  
Washington, DC 20515

The Honorable Cindy Hyde-Smith  
Ranking Member  
Appropriations Subcommittee on  
Financial Services and General Government  
United States Senate  
702 Hart Senate Office Building  
Washington, DC 20510

The Honorable Steve Womack  
Ranking Member  
Appropriations Subcommittee on  
Financial Services and General Government  
United States House of Representatives  
2412 Rayburn House Office Building  
Washington, DC 20515

Dear Chairman Van Hollen, Chairman Quigley, Ranking Member Hyde-Smith and Ranking Member Womack:

The members of the Community Development Bankers Association (CDBA), the national trade association for the CDFI bank sector, strongly urge you to continue bipartisan support of the US Department of the Treasury's Community Development Financial Institutions (CDFI) Fund. Specifically, we urge you appropriate at least \$1 billion for the CDFI Fund in FY 2022, including a \$100 million allocation for the Bank Enterprise Award (BEA) Program. The request for the CDFI Fund represents a necessary increase in funding over levels approved in the FY 2021 appropriations act, and it is justified by the significant demand, over subscription of the programs<sup>1</sup>, and dire need of the nation as we recover from the COVID-19 health and economic crisis. The Biden Administration's budget proposes only \$330 million for the CDFI Fund, a modest increase which does not begin to meet the needs of the underserved communities it supports.

The \$1 billion request is modest relative to the size and scope of the CDFI industry. Currently, there are 1,264 CDFIs that collectively manage \$211 billion in total assets with total outstanding portfolios of \$158.7 billion (2018). The \$1 billion request represents a modest 0.47% of total

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<sup>1</sup> For example, in 2020, the BEA Program received \$143.2 million in requests – nearly six times the \$25.2 million of funds available.

CDFI industry assets. This capital, however, is critically important at this time. The monies will leverage up to 12-times the \$1 billion in private capital (or \$12 billion) that will be channeled to local businesses, nonprofits, and others to help vulnerable communities recover from the devastating effects of the recession and begin rebuilding.

In every economic down turn, low-income communities are disproportionately affected. CDFIs have historically played a key role in promoting opportunity and creating jobs in underserved communities in good and bad economic times. In 2020, this was no different - from the outset of the COVID-19 health and economic crisis, CDFI banks have served as financial “first responders” supporting Federal efforts to reach low-and moderate-income and otherwise underserved communities, including rural, minority and women owned businesses.

Lack of economic opportunity has led to significant disenfranchisement among many inner city neighborhoods and remote rural communities. This circumstance has only been exacerbated by COVID-19. 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 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 1996, the CDFI Fund has awarded more than \$4.1 billion to CDFIs working in low-income communities.

CDFIs 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 who are willing to work hard and take responsibility for their own futures. Today CDFI banks collectively have a portfolio of nearly \$58 billion in loans outstanding. Most CDFI banks’ small business loans go to mom-and-pop businesses on Main Street. CDFI banks enable hardworking 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.

FY 2020 CDFI program awardees – a small subset of the CDFI industry -- made over 1,035,000 loans or investments totaling nearly \$25.5 billion, including loans to over 128,727 small businesses. The average size of each small business loan or investment was roughly \$30,000. In addition, this group of CDFIs made nearly 850,000 consumer loans totaling nearly \$10 billion, nearly 50,000 home improvement or home purchase loans totaling \$6.5 billion, and financed 41,091 affordable housing units.

We urge Congress to provide strong funding levels to enable CDFIs to continue to do this important work. This is especially important as prior recessions and natural disasters have taught us that economic recovery will be slowest in LMI communities.<sup>2</sup>

### **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 \$546 million in BEA grants since 1996. Over the past five years, 98% 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.

BEA is highly effective in channeling resources to the 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). A 2017 evaluation of the BEA program by a third party firm concluded that "The BEA Program drives investment into the neediest communities, areas that might otherwise remain marginalized, and complements CRA (the Community Reinvestment Act) by providing incentives to serve more highly distressed communities."
- Demand: BEA has the strongest demand among the CDFI Fund programs and is far oversubscribed. In 2020, the program received 144 applications; yet, the program had only \$25.2 million available to award. The dollar amount of BEA requests has increased 112% since 2011 – from \$57,520,000 to \$143,200,000. During that period, BEA Program funding has risen by only \$7.2 million. Only \$1 in FY 2020 funding was available for every \$5.68 in requests – the highest of all CDFI Fund's grant programs.
- Helps Small Banks: BEA principally benefits small CDFI and community banks, not big banks. Over the past five years, 98% of all award dollars have gone to certified CDFI banks. By size, 52.9% of all 2020 award dollars went to the smallest banks with total assets of less than \$326 million, and 92.6% of awards went to banks with less than \$1.305 billion in total assets.
- Impact: During the FY 2020 BEA round alone, the 138 awardees collectively increased: (1) loans and investments in distressed communities by \$365.2 million; (2) grants, loans, deposits, equity, equity-like loans, and technical assistance by \$31.7 million; and (3) provision of financial services in highly distressed communities by \$15.1 million.

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<sup>2</sup> Abigail Summerville, CNBC, "A decade after Great Recession, 1 in 3 Americans still haven't recovered," July 13, 2017

**In the interests of promoting job creation and economic vitality in neglected rural and urban communities, we urge you to: (1) appropriate \$1 billion in FY 2022 for the CDFI Fund; and (2) support the BEA Program at \$100 million.**

If you have questions or comments, please contact Jeannine Jacokes, Chief Executive Officer, at (202) 689-8935 ext. 222 or [jacokesj@pcgloanfund.org](mailto:jacokesj@pcgloanfund.org).

### **The Membership of the Community Development Bankers Association**

Amalgamated Bank (NY)	First Eagle Bank (IL)
Asian Bank (PA)	First Independence Bank (MI)
Bank of Anguilla (MS)	First National Bank & Trust (AL)
Bank of Brookhaven (MS)	First Natural State (AR)
Bank of Cherokee County (OK)	First Security Bank (MS)
Bank of Commerce (MS)	First SouthWest Bank (CO)
Bank of Franklin (MS)	FNBC Bank (AR)
Bank of Kilmichael (MS)	Friend Bank (AL)
Bank of Lake Village (AR)	Great Southern Bank (MS)
Bank of Moundville (AL)	Guaranty Bank and Trust Company (MS)
Bank of St. Francisville (LA)	Holmes County Bank and Trust Company (MS)
Bank of Vernon (AL)	Industrial Bank (DC)
Bank of Winona (MS)	International Bank of Chicago (IL)
BankFirst Financial Services (MS)	Legacy Bank and Trust (MO)
BankPlus (MS)	Lime Bank (MO)
Bay Bank (WI)	M&F Bank (NC)
Beneficial State Bank (CA)	Merchants and Planters Bank (MS)
BNA Bank (MS)	Mission Valley Bank (CA)
BOM Bank (LA)	National Cooperative Bank (VA)
Carver Federal Savings Bank (NY)	Native American Bank, N.A. (CO)
Carver State Bank (GA)	New Haven Bank (CT)
Central Bank of Kansas City (MO)	NOAH Bank (PA)
Century Bank of the Ozarks (MO)	OneUnited Bank (MA)
Citizens Bank & Trust (MS)	Optus Bank (SC)
Citizens National Bank of Meridian (MS)	Pan American Bank (IL)
City First Bank of D.C., N.A. (DC)	Partners Bank (AR)
Commercial Capital Bank (LA)	Peoples Bank (MS)
Community Bancshares of Mississippi (MS)	Pike National Bank (MS)
Community Bank of the Bay (CA)	Planters Bank (MS)
Copiah Bank (MS)	Ponce Bank (NY)
Delta Bank (LA)	PriorityOne Bank (MS)
Farmers & Merchants Bank (MS)	Providence Bank & Trust (IL)
FBT Bank & Mortgage Bank (AR)	

Quontic Bank (NY)  
Security Bank and Trust Company (TN)  
Security Federal Bank (SC)  
Security State Bank (OK)  
Southern Bancorp, Inc. (AR)  
Spring Bank (NY)  
Sunrise Banks (MN)  
Sycamore Bank  
Texas National Bank (TX)  
The Cleveland State Bank (MS)

The Commercial Bank (MS)  
The First, A National Banking Assoc. (MS)  
The Harbor Bank of Maryland (MD)  
The Jefferson Bank (MS)  
The Peoples Bank of Ripley (MS)  
Union Bank & Trust (AR)  
United Bank (AL)  
United Bank of Philadelphia (PA)  
United Mississippi Bank (MS)  
Virginia Community Capital (VA)