



May 10, 2018

The Honorable Paul D. Ryan
Speaker of the House
H-232 The Capitol
Washington, DC 20515

The Honorable Mitch McConnell
Senate Majority Leader
S-230 The Capitol
Washington, DC 20515

The Honorable Nancy Pelosi
House Minority Leader
H-204 The Capitol
Washington, DC 20515

The Honorable Charles E. Schumer
Senate Minority Leader
S-221 The Capitol
Washington, DC 20515

Dear Speaker Ryan and Leaders McConnell, Schumer, and Pelosi:

On behalf of the undersigned banking trade associations, we strongly urge you to reject the Administration's \$15.4 billion Rescission Package that would claw back \$23 million in FY 2017 funding previously appropriated for the U.S. Department of the Treasury's Bank Enterprise Award (BEA) Program and \$151 million in 2018 funding for Capital Magnet Fund.

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 CDFI Fund programs have earned widespread bipartisan support over many years as they have been successful in spurring economic activity in disinvested inner cities and distressed remote rural communities. The Administration has characterized the items in the rescission package as unspent money that was unused and not needed; and thus no harm would be done by clawing back the money. This is not accurate.

Bank Enterprise Award Program

The Rescission package has halted the current BEA Program funding round that was imminently expected to announce \$23 million in awards. The banks fulfilled all the BEA Program requirements, prepared and submitted applications, the CDFI Fund competitively evaluated the applications, and was ready to make awards. The BEA Program enables small

banks in distressed communities to finance small business, affordable housing, neighborhood revitalization, and responsible consumer financial services. Without these resources, banks will not be able to reach as deep to serve high poverty communities.

Demand for BEA is strong and the program 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. These awards are at grave threat of not happening despite great need.

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.

Capital Magnet Fund

The Capital Magnet Fund (CMF) is also a powerful new tool that bankers are using to finance affordable housing in low-income communities. The Rescission package will halt the 2018 funding round, \$151 million in investment in new affordable housing, and the powerful potential to leverage more than \$1.51 billion in private investment.

Data released on the first CMF funding round found that 23 awardees used the \$80 million in grants to attract \$1.8 billion in other investment by the public and private sector (a 22:1 ratio). This money has produced 13,325 affordable homes for families, seniors, veterans, the homeless, and the disabled and created or retained 16,000 jobs across America.

Likewise, the 2017 funding round awardees are projected to create approximately 17,000 additional jobs, produce 21,000 affordable homes and attract more than \$3.2 billion in additional investment in both rural and urban areas with the \$120 million in

funding. Of that investment, 78% (\$2.5 billion) expected to come from the private sector.

In the interests of promoting job creation and economic vitality in neglected rural and urban communities and financing affordable housing for low-income families, we urge you to reject the Administration's \$15.4 billion Rescission Package and preserve funding for the BEA and CMF Programs.

Sincerely,

American Bankers Association
1120 Connecticut Avenue, NW
Washington, DC 20036
www.aba.com

Independent Community Bankers of America
1615 L Street NW, Suite 900
Washington, DC 20036
www.icba.org

Community Development Bankers
Association
1444 I Street, NW, Suite 201
Washington, DC 20005
www.cdbanks.org

National Bankers Association
1513 P Street, NW
Washington, DC 20005
www.nationalbankers.org