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March 25, 2024

The Honorable Patty Murray
Chair
Committee on Appropriations
United States Senate
154 Russell Senate Office Building
Washington, DC 20510

The Honorable Kay Granger
Chair
Committee on Appropriations
United States House of Representatives
2303 Rayburn House Office Building
Washington DC, 20515

The Honorable Susan Collins
Vice Chair
Committee on Appropriations
United States Senate
413 Dirksen Senate Office Building
Washington, DC 20510

The Honorable Rosa DeLauro
Ranking Member
Committee on Appropriations
United States House of Representatives
2413 Rayburn House Office Building
Washington, DC 20515

Dear Chair Murray, Chair Granger, Vice Chair Collins and Ranking Member DeLauro:

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 ask you to support at least \$341 million for the CDFI Fund in FY 2025, including a \$40 million allocation for the Bank Enterprise Award (BEA) Program. The topline request for the CDFI Fund represents a necessary increase in funding over levels approved in the FY 2024 appropriations act, and it is justified by the significant demand and over subscription of the programs. The Biden Administration's budget proposes only \$325 million for the CDFI Fund, a modest increase which does not begin to meet the needs of the underserved communities it supports.

The \$341 million request in CDFI funding is modest relative to the size and scope of the CDFI industry. According to the Federal Reserve Board of New York, as of Q1 2023, 1,487 CDFIs collectively held approximately \$452 billion in total assets. These monies are critically important: The \$341 million will leverage up to 12-times its initial value in private capital and be channeled to local businesses, nonprofits, and others to help vulnerable communities.

Lack of economic opportunity has led to significant disenfranchisement among 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 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 approximately \$8.3 billion to CDFIs, community development organizations, and financial institutions 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 money to entrepreneurs who are willing to work hard and take responsibility for their own futures. Today, CDFI banks collectively have a portfolio of approximately \$81 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 2022 CDFI Program awardees made more than 1.4 million loans or investments totaling more than \$53 billion. This financing included \$17.7 billion for consumer loans, \$12.7 billion for home improvement and purchase loans, \$8.1 billion for business and microenterprise loans, and \$5 billion for residential real estate transactions. CDFIs also financed more than 65,000 affordable housing units.¹

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 is slowest in LMI communities.²

Bank Enterprise Award Program

CDBA strongly supports increasing the allocation for the Bank Enterprise Award (BEA) program within the CDFI Fund's overall appropriation. The BEA Program has awarded \$642 million in BEA grants since 1996. Over the past five years, an average of 97% 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

¹ CDFI Coalition, <https://cdfi.org/current-policy-and-advocacy/>

² Federal Reserve Bank of St. Louis, February 22, 2022, <https://www.stlouisfed.org/on-the-economy/2022/feb/gauging-covid19-ongoing-impact-lmi-communities>

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 2023, the program received 189 applications requesting \$297 million; yet, the program had only \$70 million available to award. The dollar amount of BEA requests has increased over 400% since 2011 – from \$57.5 million to \$297 million. Only \$1 in FY 2023 funding was available for every \$4.25 in requests.
- **Helps Small Banks:** BEA principally benefits small CDFI and community banks, not big banks. Over the past five years, 97% of all award dollars have gone to certified CDFI banks. By size, 52% of all 2023 award dollars went to the smallest banks with total assets of less than \$376 million, and 94% of awards went to banks with less than \$1.5 billion in total assets.
- **Impact:** During the FY 2023 BEA round alone, the 184 awardees collectively increased: (1) Commercial loans and investments in distressed communities by \$825 million; (2) Consumer lending in distressed communities by \$84.8 million; and (3) loans and deposits to certified CDFIs by \$59.1 million.

In the interests of promoting job creation and economic vitality in neglected rural and urban communities, we urge you to: (1) appropriate \$341 million in FY 2025 for the CDFI Fund; and (2) support the BEA Program at \$40 million.

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

The Membership of the Community Development Bankers Association

Adelphi Bank (OH)	Bay Bank (WI)
Amalgamated Bank (NY)	Beneficial State Bank (CA)
American Metro Bank (IL)	BNA Bank (MS)
Asian Bank (PA)	BOM Bank (LA)
Bank of Anguilla (MS)	California International Bank (CA)
Bank of Brookhaven (MS)	Carver Federal Savings Bank (NY)
Bank of Commerce (MS)	Carver State Bank (GA)
Bank of Franklin (MS)	Central Bank of Kansas City (MO)
Bank of Holly Springs (MS)	Century Bank of the Ozarks (MO)
Bank of Kilmichael (MS)	Citizens Bank & Trust (AL)
Bank of Lake Village (AR)	Citizens Savings Bank & Trust Company (TN)
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Bank of Oak Ridge (LA)	City First Bank, N.A. (DC)
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Bank of Winona (MS)	Commercial Capital Bank (LA)
Bank of Zachary (LA)	Commonwealth National Bank (AL)
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Cross Keys Bank (LA)
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First Natural State Bank (AR)
First Security Bank (MS)
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First State Bank and Trust Company (MO)
FNB Oxford (MS)
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Lime Bank (MO)
Local Bank (OK)
Locus Bank (VA)
Lone Star National Bank (TX)
Magnolia State Bank (MS)
McGehee Bank (AR)
M&F Bank (NC)
Merchants and Planters Bank (MS)
Millennium Bank (IL)
Mission National Bank (CA)
Mission Valley Bank (CA)
Mountain Valley Bank (TN)
National Cooperative Bank (VA)
Native American Bank, N.A. (CO)

Neighborhood National Bank (CA)
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Pan American Bank and Trust (IL)
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