May 14, 2021

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

The Honorable Mike Quigley
Chairman
Appropriations Subcommittee on
Financial Services and General

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
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

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:

On behalf of the undersigned banking trade associations, we urge you to support FY 2022 funding for the Community Development Financial Institutions (CDFI) Fund of the U.S. Department of the Treasury. Specifically, we ask you to support $1 billion for the CDFI Fund, which includes 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, 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 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.

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 they 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.

Since 1996, the BEA Program has made $546 million in awards and helped facilitate billions in new investments that benefit the most difficult to serve markets. 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."*

BEA is highly effective in channeling resources to the most distressed communities. Compared to the Baseline Period, the138 FY 2020 BEA round 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. During the BEA Program's annual assessment period (2017), the applicants collectively reported qualified activities totaling more than $2.1 billion, compared to the nearly $1.2 billion in qualified activities made during the 2016 baseline period. This represents an overall increase of nearly $941 million in lending, investment and financial services.

Additionally, BEA principally benefits small CDFI and community banks, not big banks. 95.4% of 2020 BEA dollars went to certified CDFIs. By size, 52.9% of all 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.

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.

Sincerely,

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