January 22, 2024

Via Electronic Submission

The Honorable [First] [Last]
Member
Committee on Finance
United States Senate
Washington, DC

RE: Support for the "Community Development Investment Tax Credit Act" (S. 2963)

Dear Senator [First] [Last]:

On behalf of the members of the undersigned associations[1] representing the full range of United States domestic banks and thrifts, we write to express our enthusiastic support for the bipartisan "Community Development Investment Tax Credit Act of 2023" (S. 2963) introduced by Senators Mark Warner (D-VA) and Roger Wicker (R-MS).

The Community Development Investment Tax Credit is a smart and strategic tool that will use a very small amount of public resources to leverage private investment and generate enormous community impact - CDFIs can leverage capital up 12 times for every dollar invested to serve credit markets and

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[1] The American Bankers Association is "The voice of the nation's $23.4 trillion banking industry, which is composed of small, regional and large banks that together employ approximately 2.1 million people, safeguard $18.6 trillion in deposits and extend $12.3 trillion in loans."

The Community Development Bankers Association is "The national trade association of the community development bank sector, representing the 358 CDFI-certified banks, thrifts and bank holding companies with a mission of serving low- and moderate-income communities. Together, these institutions hold over $120 billion in assets, and represent approximately a quarter of the CDFI industry by number and by assets. CDBA leads the growth and development of our sector, building healthy institutions with the capacity to promote access to capital and financial services in distressed and underserved communities."

The Independent Community Bankers of America® (ICBA) "Creates and promotes an environment where community banks flourish. ICBA is dedicated exclusively to representing the interests of the community banking industry and its membership through effective advocacy, best-in-class education, and high-quality products and services. With nearly 50,000 locations nationwide, community banks employ nearly 700,000 Americans and are the only physical banking presence in one in three U.S. counties. Holding $5.8 trillion in assets, $4.8 trillion in deposits, and $3.8 trillion in loans to consumers, small businesses and the agricultural community, community banks channel local deposits into the Main Streets and neighborhoods they serve, spurring job creation, fostering innovation and fueling their customers' dreams in communities throughout America."

communities that otherwise might not be served. *We respectfully request that you consider supporting this bill as a co-sponsor in the 118th Congress.*

The Bill will unlock much-needed long-term, private-sector financial capital to support high-impact lending by CDFIs dedicated to meeting the financial service and credit needs of low- and moderate-income (LMI), minority, native, and rural communities served by CDFIs. CDFIs are financial institutions that target at least 60% of their total lending and activities to LMI communities underserved by traditional financial service providers. CDFIs can be banks, loan funds, credit unions, or venture capital funds. The programs of the CDFI Fund are one of the Federal government's best market-based strategies for leveraging private dollars to restore economic vitality – this investment tax credit will help CDFIs do even more. *We expect a significant portion of this private investment will come from banks, who will be incentivized to invest in their communities to an even greater degree by this tax credit.*

How Will the Bill Support Underserved Communities?

CDFIs require debt capital to lend and invest, and equity to support their organization and lending activities. However, the debt capital CDFIs receive tends to be short-term, which limits CDFIs' abilities to serve their communities. Equity is the hardest form of capital to raise, but is necessary to support lending and expansion.

The CDFI Fund is a key source of equity for the industry. However, the CDFI Fund's programs and recent historic emergency funding reveal an enduring problem - programs supporting CDFIs are constantly and significantly oversubscribed. For example, the CDFI Fund's FY 2021 Financial Assistance and Technical Assistance awards had $391 million in demand for the $140 million available. By encouraging heightened investment from our member institutions and other private investors, this tax credit will dramatically increase the pool of private capital available beyond the limitations of federal programs and existing sources of private capital.

How Does the Community Development Investment Tax Credit Work?

The Bill provides a tax credit for long-term private-sector investments in CDFIs, including equity investments, loans with a minimum term of 10 years, and equity equivalent investments for CDFI loan funds. The credit is a 3% credit for the first 10 years of a qualified investment in a CDFI, and 4% for the following years, up to a maximum of 10 years. There is a 1% increase in the credit for investments without a fixed term or duration. The total credit available is capped, starting at $1 billion in year one, $1.5 billion for year two, and $2 billion for each year thereafter adjusted for inflation. *While there is no limit to the type of entity that may benefit from the tax credit as an investor, we expect a significant portion of capital to come from banks.*

To receive an allocation, eligible CDFIs are required to apply through the CDFI Fund. The bill directs the fund to allocate the credit based on an entity's past performance and ability to attract private capital. It also ensures small and emerging CDFIs and institutions and rural areas will benefit from increased private sector investment. The ultimate effect will be the building up of credit and the creation of enduring wealth in low-income communities.

We strongly support the Community Development Investment Tax Credit as a tool to provide our member banks with the financial support needed to further help CDFIs meet their need for capital. *If you have questions or comments on how to join this bill, please contact Connor DiRusso (Connor_DiRusso@warner.senate.gov) in the office of Senator Mark Warner or Sebastian Paez (Sebastian_Paez@wicker.senate.gov) in the office of Senator Roger Wicker*.

We look forward to collaborating with you to ensure that banks of all sizes can effectively contribute to the growth and prosperity of underserved communities through this transformative legislation.

Sincerely,

American Bankers Association
Community Development Bankers Association
Independent Community Bankers of America