March, 24 2023

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, Chairwoman Granger, Vice Chair Collins and Ranking Member DeLauro:

On behalf of the undersigned banking trade associations, we urge you to support FY 2024 funding for the Community Development Financial Institutions (CDFI) Fund of the U.S. Department of the Treasury. Specifically, we ask you to support $500 million for the CDFI Fund, which includes a $50 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 2023 appropriations act, and it is justified by the significant demand and over subscription of the programs. The Biden Administration's budget proposes only $341 million for the CDFI Fund, a modest increase which does not begin to meet the needs of the underserved communities it supports.

The $500 million request in CDFI funding is modest relative to the size and scope of the regulated depository CDFI industry. According to 2021 data, regulated CDFIs alone hold approximately $307 billion in total assets, and we estimate total industry assets (including loan funds and venture capital funds) to be close to $340 billion.[1] The $500 million request therefore represents an extremely modest percentage of total CDFI industry assets. This capital, however, is critically important to the communities CDFIs serve. 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.

[1] Industry-wide assets are an estimate, based on internal calculations derived from publicly available data.

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.

The principal channel for bank participation in CDFI Fund programs is the BEA. Since 1996, the BEA Program has awarded $557.1 million in grants 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."*

FY 2021 BEA results bear out the program's effectiveness in channeling resources to the most distressed communities. During the FY 2021 round alone, the 158 awardees collectively increased: (1) Commercial loans and investments in distressed communities by $839.4 million; (2) Consumer lending in distressed communities by $55.7 million; and (3) provision of financial products and services in highly distressed communities by $183.4 million.

Additionally, BEA principally benefits small CDFI and community banks. Over the past five years, 96% of all award dollars have gone to certified CDFI banks. By size, 52.5% of all 2021 award dollars went to the smallest banks with total assets of less than $330 million, and 94.1% of awards went to banks with less than $1.322 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 $500 million in FY 2024 for the CDFI Fund; and (2) support the BEA Program at $50 million.

Sincerely,

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