



March 14, 2024

Open Letter to Friends and Allies of Equity in Climate Finance

It seems like every day, the headlines include another example of a climate-related disaster causing immense suffering and costing billions of dollars. But beyond the acute risks of sudden disasters, we also know that the simmering long-term chronic risks from elevated heat, worsened air quality, diminished water supply all represent profound harm to households and communities nationwide.

As representatives of community lenders, our mission is to help households and communities build intergenerational wealth. We are well aware that climate change poses financial risks that threaten to make the racial wealth gap worse. For example, [a 2023 Treasury report](#) outlines several risks to households beyond just property damage including greater energy and transportation costs, harder ability to get or maintain home insurance, and less access to capital and credit more broadly. And [one 2018 study from Rice University](#) finds that natural disasters widen the racial wealth gap with Black households living in counties with extensive hazard damages losing an average of \$27,000 in wealth.

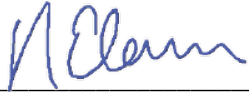
Given these risks, it is vital that climate financing reaches at-risk communities now, to ensure they have the resources needed to adapt, mitigate, and prepare. We know that our institutions are well positioned to serve as conduits of capital because we are already located in and serving these communities, as evidenced by [our own research](#) as well as that of the [Federal Reserve Bank of Dallas](#) that finds our institutions are located in communities with elevated risk.

Nevertheless, too often minority-led community-based institutions are passed over when federal dollars are being deployed for transformational projects, [a point recently underscored in a letter to the EPA from the African American Alliance of CDFI CEOs](#). As a result, many of those dollars never actually circulate in majority-minority communities, despite the outsized need. And like with procurement policies or government contracts, whenever federal funding is only allocated to usual large entities with long track records, community-led organizations miss out on important opportunities to scale up through participation in a way that could otherwise expand their overall capacity to serve their communities.

The Inflation Reduction Act serves as a generational opportunity to deploy dollars where they are needed most, and the federal agencies have been proactive about spotlighting the important role of community lenders in financing green investment. As [one official recently noted](#), “EPA is trying to get money to the balance sheets of all these smaller community lenders across the country that then will be used to finance clean energy projects, whether it’s heat pumps, solar or renovating an affordable apartment building to make it really energy-efficient.” Similarly, through [innovations like Direct Pay](#), policymakers are also helping to ensure that the immediate costs of climate adaptation and mitigation do not remain a barrier to LMI communities that are often most in need of those adaptation and mitigation interventions.

But it will take creativity, commitment, and cooperation to ensure that community lenders can rise to meet the moment. The good news is that community lenders and a supporting ecosystem of stakeholders are already hard at work. For example, [Opportunity Finance Network](#) has held climate-lending workshops, the University of New Hampshire's Center for Impact Finance has published [an in-depth practitioner guide](#), and Inclusiv's [Smart-E Loan Program](#) are helping to create a pipeline of projects that pull together lenders and contractors.

Of course, there is still much work to be done. We are delighted to share this resource, developed in partnership with RMI and the Hip Hop Caucus. By digging into the why, what, and how of climate finance for community lenders, we hope to further build upon the strong foundation as we together participate in the important work of strengthening our communities.



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