CDFI COALITION
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May 18, 2018

The Honorable Richard Shelby
Chairman, Committee on Appropriations
U.S. Senate
Washington, DC 20510

The Honorable Patrick J. Leahy
Vice Chairman, Committee on Appropriations
U.S. Senate
Washington, DC 20510

The Honorable James Lankford
Chairman,
Financial Services & General Government
Subcommittee
Committee on Appropriations
U.S. Senate
Washington, DC 20510

The Honorable Christopher A. Coons
Ranking Member,
Financial Services & General Government
Subcommittee
Committee on Appropriations
U.S. Senate Washington, DC 20510

Dear Chairmen Shelby and Lankford, and Ranking Members Leahy and Coons:

We, the undersigned organizations, write to express our opposition to the provision included in H.R. 3 that rescind $22.78 million from Bank Enterprise Awards (BEA) and $141.76 million in funding for the Capital Magnet Fund (CMF). Both programs are administered by the Community Development Financial Institutions Fund of the Treasury Department. Both rescissions were also proposed by the Administration.

Despite widespread support for CDFI Fund Programs, including the passage of the FY 2017 and FY 2018 appropriations bills, H.R. 3 rescinds funding for community development programs that have a long history of bipartisan support. The rescission proposal would claw back $22,787,358 from Fiscal Year 2017 for Bank Enterprise Awards (BEA), and $141,716,839 from Capital Magnet Fund (CMF) authorized by the Housing and Economic Recovery Act (HERA) of 2008 (Public Law 110-289) for FY 2018. The funds on hand at CMF and proposed for rescission are not federal funds. HERA authorized transfers from Government Sponsored Entities (GSEs) to CMF.

The BEA program has awarded grants totaling more than $447 million to many small banks, especially those operating in underserved rural and urban markets. BEA has provided the resources to enable many of these financial institutions to increase and sustain their activities in some of the most economically distressed communities and markets that have been increasingly abandoned by large banks.

According to analysis done by the Community Development Bankers Association, in 2016: 20 percent of awardees were Minority Depository Institutions (MDIs); 92 percent of BEA award dollars went to banks with a total asset size of less than $1 billion; 35 percent of BEA award dollars went to banks with a total asset size of less than $250 million; and 92 percent of BEA award dollars went to certified CDFI banks.

Moreover, this is a highly competitive and in-demand resource, with only $1 in BEA funding available for every $7.82 in requests.[1]

CDFI Fund data[2] shows that the BEA Program awardees have:

- Increased their loans, deposits, and technical assistance to CDFIs by $41 million
- Increased their equity and equity-like loans and grants to CDFIs by $8.8 million
- Increased their loans and investments in distressed communities by $308.2 million; and
- Increased their provision of financial services in distressed communities by $3.5 million.

The CMF program has also made a significant impact in low-income communities. CDFI Fund data released this year on the FY 2010 funding round of CMF shows that the 23 awardees have used the $80 million in grants to attract $1.8 billion in other investment by the public and private sector (a 22:1 ratio); have produced 13,325 affordable homes for families, seniors, veterans, the homeless, and the disabled; and have created or retained 16,000 jobs across America.[3]

The 2017 funding round of $120 million will enable 40 grantees to serve 41 states and the District of Columbia. Those 40 organizations are projected to create approximately 17,000 additional jobs, produce 21,000 affordable homes and attract more than $3.2 billion in additional investment in both rural and urban areas. Of that investment, 78% ($2.5 billion) is expected to come from the private sector.[4]

The CMF is an essential resource in efforts to combat the lack of affordable housing in the United States. In fact, the number of renter households considered severely cost burdened—that pay more than half of their income in rent—is near an all-time high of 11.4 million families, 3.7 million more than in 2001 and one in four of all renters in the United States.[5]

These programs have been successfully serving the financial needs of economically distressed rural communities and urban neighborhoods nationwide. CDFIs generate $12 in capital for every dollar in CDFI grants, which are deployed in communities and with people left out of the economic mainstream.

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[1] *2016 Data from* the CDFI Fund's BEA Award Book and the FDIC website analyzed by *Community Development Bankers Association; BEA 2016 Award Book: https://www.cdfifund.gov/Documents/REVISED%20FINAL%202016%20BEA%20Award%20Book%20%20updated%20091817.pdf and FDIC: https://research.fdic.gov/bankfind/*

[2] *Bank Enterprise Award Program,* CDFI Fund Fact Sheet available at: https://www.cdfifund.gov/Documents/CDFI7205_FS_BEA_updatedFeb2018.pdf

[3] *Capital Magnet Fund*, CDFI Fund Fact Sheet available at https://www.cdfifund.gov/Documents/CMF%20Fact%20Sheet%20Apr2017_vfinal2.pdf

[4] The 2017 funding round was the third set of CMF awards: The CDFI Fund estimates that the 32 awardees of $91.5 million in funding are on track to provide 17,000 affordable homes, leverage over $3 billion in public and private sector capital, and create or retain over 17,000 jobs—figures which, like the FY 2010 round, will only increase as awardees recycle CMF loans that have been repaid.

[5] Harvard University Joint Center for Housing Studies (JCHS), "The State of the Nation's Housing, 2017" http://jchs.harvard.edu/research/state_nations_housing

While it is true that CDFIs have succeeded in building up businesses, creating jobs and expanding housing opportunity in communities dealing with downturned economies and a lack of investment, there is still more work to be done and CMF and BEA are a part of the solution.

Sincerely,

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| Chicanos Por La Causa | Arizona |
| FBT Bank & Mortgage | Arkansas |
| Clearinghouse CDFI | California |
| Self-Help Enterprises | California |
| TELACU | California |
| Colorado Enterprise Fund | Colorado |
| Mercy Loan Fund | Colorado |
| Carver State Bank | Georgia |
| SunTrust | Georgia |
| Idaho-Nevada CDFI | Idaho |
| FUND Consulting | Illinois |
| National Community Investment Fund | Illinois |
| Fahe | Kentucky |
| Metro Bank | Kentucky |
| Northern Maine Development Commission | Maine |
| The Genesis Fund | Maine |
| Coastal Enterprises, Inc. | Maine |
| New Hope Community Capital, Inc. | Massachusetts |
| Midwest Minnesota Community Development Corporation | Minnesota |
| Community Reinvestment Fund, USA, | Minnesota |
| Cleveland State Bank | Mississippi |
| Renaissance Community Loan Fund | Mississippi |
| Leviticus Fund | New York |
| Local Initiatives Support Corporation (LISC) | New York |
| Washington Heights and Inwood Development Corporation | New York |
| Community Development Venture Capital Alliance | New York |
| National Federation of Community Development Credit Unions | New York |
| Self-Help Ventures Fund | North Carolina |
| Anchor Financial Services | Ohio |
| Citizen Potawatomi | Oklahoma |
| MetaFund | Oklahoma |
| Reinvestment Fund | Pennsylvania |
| West Philadelphia Financial Services Institution | Pennsylvania |
| Opportunity Finance Network | Pennsylvania |

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| Security Federal Bank | South Carolina |
| Wilson Consulting Associates | South Carolina |
| South Carolina Community Bank | South Carolina |
| Homes Are Possible, Inc. | South Dakota |
| Pathway Lending | Tennessee |
| Home Sweet Home Community Redevelopment | Texas |
| Rio Grande Valley Multibank | Texas |
| GECU | Texas |
| Housing Vermont | Vermont |
| Capital Impact Partners | Virginia |
| Impact Capital | Washington |
| Northwest Native Development Fund | Washington |
| CDFI Coalition | Washington, DC |
| Enterprise Community Partners | Washington, DC |
| Low Income Investment Fund | Washington, DC |
| The Binnick Group | Washington, DC |
| Association for Enterprise Opportunity | Washington, DC |
| Community Development Bankers Association | Washington, DC |
| National Cooperative Bank, Washington, DC | Washington, DC |
| New Markets Tax Credit Coalition | Washington, DC |
| Partners for the Common Good | Washington, DC |
| Natural Capital Investment Fund | West Virginia |
| Urban Economic Development Association of Wisconsin, Inc. (UEDA) | Wisconsin |