

FY 2021 Programmatic Appropriations Request

\$304 Million for Community Development Financial Institutions Fund

Appropriations Subcommittee	Agency	Account(s)
Financial Services & General Government	Department of Treasury	Community Development Financial Institutions Program Account

Programmatic Funding Request for CDFI Fund

The Community Development Financial Institutions Fund (CDFI Fund) administers a range of innovative and effective programs that enable Community Development Financial Institutions (CDFIs) to address the needs of underserved markets. CDFI Fund programs include: Financial Assistance (FA) and Technical Assistance (TA) awards to small and emerging CDFIs as well as established CDFIs, the Native American CDFI Assistance (NACA) Program aimed at increasing the number and capacity of CDFIs serving Native communities; and the Bank Enterprise Awards (BEA) program providing monetary awards to FDIC-insured banks that invest in low-income communities and/or CDFIs.

The final Fiscal Year FY 2020 appropriations for the CDFI Fund totaled \$262 million. The Fiscal Year 2021 Treasury Department budget proposes \$14 million for the CDFI Fund, eliminates all CDFI Fund financial assistance programs and reduces the Bond Guarantee program from \$500 million to \$300 million.

For FY 2021, the CDFI Coalition urges Congress to continue its bipartisan support for CDFIs by providing at least \$304 million, along the lines of H.R. 3351 the House-passed Financial Services-General Government Act Fiscal Year 2020 Appropriations bill. This amount is an increase of \$42 million above the enacted level. This will allow the CDFI Fund to meet the exceptionally high demand for these resources, which far outpaces the availability of funding. In fact, in the FY 2019 Round, application demand was nearly three times the available funding.

The \$304 million should include not less than:

- \$217 million for Financial Assistance (FA) and Technical Assistance (TA), which may be used to finance a variety of projects, including Healthy Foods businesses, CDFI assistance to persons with disabilities, areas of persistent poverty, and Economic Mobility Corps;
- \$20 million for Native Initiatives program;
- \$28 million for the Bank Enterprise Award program;
- \$10 million for the Small dollar loan fund; and
- \$29 million for Administration and Research.

We also urge Congress to extend the CDFI Bond Guarantee program at the authorized level of \$500 million and continue to include provisions to waive matching requirements for small and emerging CDFIs and Native Americans programs, which the Coalition supports.

Program Description

The CDFI Fund, established within the U.S. Department of Treasury in 1994, promotes community and economic development in distressed urban and rural communities by investing in and growing CDFIs across the country. **CDFIs significantly leverage CDFI Fund resources in communities and with people left out of the economic mainstream, generating \$12 in private capital for every dollar in CDFI grants.**



CDFIs are mission-driven financial institutions specialized in delivering affordable credit, development services, capital, and financial services to residents and businesses in capital-starved communities. CDFIs fill a vital niche in the nation's financial services delivery system by serving communities and market sectors conventional lenders cannot - with the ultimate goal of bringing CDFI customers into the mainstream economy as bank customers, homeowners, and entrepreneurs.

There are 1,122 Treasury certified CDFIs¹ working in low-wealth communities in all 50 states and the District of Columbia, and the U.S. territories. CDFI Fund programs include: Financial Assistance (FA) awards to certified CDFIs and Technical Assistance (TA) grants to certified or emerging CDFIs; the Native American CDFI Assistance (NACA) Program aimed at increasing the number and capacity of CDFIs serving Native communities; and the Bank Enterprise Award (BEA) Program providing monetary awards to FDIC-insured banks that invest in low-income communities and/or in CDFIs.

Program Outcomes and Justification

Since 1994, the CDFI Fund has awarded more than \$3.4 billion on a competitive basis to CDFIs, including Native American CDFIs, small and emerging CDFIs, and financial institutions through the BEA Program.

The great need for this financing for low-income communities continues, as evidenced by the applicant demand in the FY 2019 CDFI Program round. The CDFI Fund received 663 total applications requesting a combined \$729 million for CDFI Fund Programs, BEA Program and NACA.

In FY 2019, CDFIs program awardees made over 772,000 loans or investments totaling nearly \$21.5 billion, including loans to over 23,000 small businesses. The average size of each loan or investment was under \$28,000. Additional details of this activity include:

- 23,030 microloans;
- 697,854 consumer loans totaling \$9 billion;
- 42,006 home improvement or home purchase loans equaling \$4.4 billion; and
- 51,359 affordable housing units financed.²

CDFIs Create Opportunity in America's Hardest Hit Rural Communities and Urban Neighborhoods

CDFIs are increasingly investing in some of the poorest communities in America with extremely low incomes and high poverty rates. These economically distressed communities lack access to affordable financial services. CDFIs are making a difference, serving disinvested urban areas, small farming towns, and areas of persistent poverty left outside the economic mainstream for decades. In the FY 2018 round of CDFI Program awards, 28 percent of the award recipients primarily serve rural target markets, a proportion well above the 14 percent of Americans live in rural areas.

¹ To be eligible for CDFI certification an organization must be a non-governmental entities (with the exception of Tribal governmental entities); with a primary mission of promoting community development; that provides both financial and educational services to one or more defined low income target markets; and is accountable to the target market it serves. Number current as of 2/10/2020.

² Audit of the CDFI Fund's 2018 and 2019 financial statements by the Treasury Dept. Office of Inspector General