Support Community Development Financial Institutions (CDFIs) Fund in FY 2022
Deadline: Tuesday, June 15, 2021

Dear Colleague,

As the Appropriations committee begins to work on the FY 2022 Financial Services and General Government Appropriations bill, I ask you to join me in requesting robust funding for the Community Development Financial Institutions (CDFI) Fund for Fiscal Year 2022.

The CDFI Fund’s mission is to expand the capacity of CDFIs to provide credit, capital, and financial services to underserved populations and communities across the country. Housed within the Department of the Treasury, the CDFI Fund spurs investments in local and often underserved communities in rural, urban and Native areas by fostering the creation and expansion of CDFIs, private sector financial institutions that specialize in providing affordable credit, creating jobs, and revitalizing neighborhoods.

Funding appropriated to the CDFI Fund supports three CDFI Grant Programs: Financial Assistance (FA) and Technical Assistance (TA) Grants, the Native American CDFI Assistance (NACA) Program, and the Bank Enterprise Award (BEA) Program. The CDFI Fund is also responsible for administering community development programs like the New Markets Tax Credit (NMTC), the Capital Magnet Fund, and the CDFI Bond Guarantee Program. In addition, the department also provides funding for the Small Dollar Loan Program and Economic Mobility Corps, established in FY 2020.

If you would like to sign the letter or have any questions, please have your staff contact Keith Roachford at 4-4744 (Keith_Roachford@menendez.senate.gov). The deadline to sign is COB June 15, 2021.

Sincerely,

Robert Menendez
United States Senator
June XX, 2021

The Honorable Chris Van Hollen
Chairman
Subcommittee on Financial Services & General Government
Senate Appropriations Committee
The Capitol, S-131
Washington, D.C. 20510

The Honorable Cindy Hyde-Smith
Ranking Member
Subcommittee on Financial Services & General Government
Senate Appropriations Committee
The Capitol, S-131
Washington, D.C. 20510

Dear Chairman Van Hollen and Ranking Member Hyde-Smith:

We write in support of robust funding for the Community Development Financial Institutions Fund (CDFI Fund), which administers a range of innovative and effective programs that enable Community Development Financial Institutions (CDFIs) to address the needs of underserved urban, rural, and Native communities markets that traditional financial institutions cannot.

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. CDFIs use these awards to provide a range of financial products and services aimed at revitalizing communities and increasing economic opportunity. CDFI programs also include the Small Dollar Loan Program and Economic Mobility Corps.

For Fiscal Year (FY) 2022, we urge the Committee to continue its support for the CDFI Fund with robust funding. This will allow the CDFI Fund to meet the exceptionally high demand for these resources as our nation’s small businesses recover from COVID-19. Demand for access to capital and bolstering small business liquidity far outpaces the availability of funding.

Even before the COVID-19 pandemic hit in 2020, businesses were struggling to have ready access to capital. Researchers at the Federal Reserve found that since the end of the last recession, low-income neighborhoods have experienced larger declines in the number of banks and larger increases in the number of alternative financial services companies compared to higher-income areas. Businesses in low- and moderate-income census tracts (with <80% AMI) have faced challenges, as bank consolidation and the growth of costly alternative financial services have reduced the number of affordable credit providers by 65% since 1990.[1]

The pandemic greatly exacerbated the situation: African American business owners were hit especially hard, with their numbers declining by 41% at the start of the pandemic. Other

[1] “Between 1990 and March 2019, the number of institutions insured by the Federal Deposit Insurance Corporation fell precipitously, with a loss of nearly 10,000 institutions, or 65 percent. This pace increased after the most recent recession and shows little sign of abating.” https://www.federalreserve.gov/publications/2019-november-consumer-community-context.htm#xarticle3-subsection-17-8b7fbbf14
minority-owned and women-owned businesses also were disproportionately affected, with the numbers of active Latino business owners declining by 32%, and Asian and female-owned business owners by around 25%.²

Now as the economy begins to recover, small business and entrepreneurs in disadvantaged communities will need the patient, flexible capital available through CDFIs. With CDFIs’ demonstrated success, leveraging $12 in private capital for every dollar in federal support, a robust appropriation would provide much-needed capital and services to consumers and small businesses, especially in rural and urban low-income communities. Communities will put those dollars to work, improving access to healthy food, financing affordable housing, building and repairing community facilities, expanding businesses, and improving opportunity for persons with disabilities.

Nationwide, CDFIs are increasingly making a difference in rural and urban communities that have been left outside the economic mainstream and areas of persistent poverty. In FY 2020, CDFI Program award recipients reported originating more than 1 million loans and investments in excess of $25.4 billion; financing more than 41,000 units of affordable housing, and funding more than 87,000 businesses—all in distressed and underserved communities lacking access to traditional lending or banking institutions.

The CDFI Fund also administers the New Market Tax Credit Program, the Capital Magnet Fund, and the CDFI Bond Guarantee Program, which are designed to generate lending and investing to promote community revitalization, business development, affordable housing, and job creation in economically distressed communities.

We appreciate the important work that CDFIs do in our home states financing new and growing businesses, delivering financial services to distressed urban neighborhoods and remote rural areas, and facilitating the development of strong economically vibrant communities.

For these reasons, we strongly urge you to continue supporting the work of CDFIs with robust funding for the CDFI Fund in the FY 2022 appropriations bill that more closely aligns with the true community financing needs that this agency annually supports.

Sincerely,