**FY 2024 Programmatic Appropriations Request**

***$341 million for Community Development Financial Institutions Fund***

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| **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), 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 nationwide. The 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 awards to CDFIs and Technical Assistance awards to small and emerging CDFIs; the Native American CDFI Assistance Program aimed at increasing the number and capacity of CDFIs serving Native communities; the Economic Mobility Corps Awards to build CDFI capacity in partnership with AmeriCorps; the Small Dollar Loan program supporting lower-cost consumer lending; and the Bank Enterprise Awards program providing monetary awards to FDIC-insured banks that invest in low-income communities and CDFIs.

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.

For FY 2024, the CDFI Coalition urges Congress to continue its bipartisan support for CDFIs by providing $351 million in appropriations for the CDFI Fund. This includes $341 million, an increase of $17 million for CDFI Fund programs and administrative costs, and $10 million in credit subsidies for the Bond Guarantee program. CDFIs will put these resources to work by providing financial services to underserved markets, including low-income rural and urban communities and communities of color.

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| The $341 million should include not less than:   * $201.179 million for grants for Financial Assistance (FA) and Technical Assistance (TA), which builds the capacity of CDFIs to leverage other private and public resources that finance a variety of small businesses, affordable housing and community facilities, CDFI assistance to persons with disabilities, areas of persistent poverty, and the Economic Mobility Corps; * $25 million for Native Initiatives program; * $24 million for Healthy Food Financing; * $35 million for the Bank Enterprise Award program; * $9 million for the Small Dollar Loan Fund program; * $37.299 million for Administration and Research.   We also urge Congress to strengthen the CDFI Bond Guarantee program with improvements, extend the program permanently at the authorized level of $500 million, and provide an appropriation for a credit subsidy of $10 million. |

# Program Descriptions, Outcomes, and Justifications

**Overall Request: $341 million** for the CDFI Fund Financial and Techincal Assistance and other programs

Congress established **the CDFI Fund** within the U.S. Department of Treasury in 1994[[1]](#footnote-1) to promote community development in economically distressed urban and rural communities by investing in and growing CDFIs across the country. In addition to overseeing CDFI certification, the CDFI Fund administers a range of innovative programs designed to strengthen the ability of CDFIs to provide financial products and services in underserved communities.

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. They 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 and credit union customers, homeowners, and entrepreneurs.

More than 1,380 Treasury-certified CDFIs work in low-wealth communities in all 50 states, the District of Columbia, and the U.S. territories. The CDFI industry has ample capacity to put $341 million in federal appropriations to immediate use in providing financial products and services to disadvantaged communities and populations.

In FY 2022, CDFI Fund award recipients delivered $53 billion in private capital to communities disproportionally affected by the health and economic consequences of the pandemic.

The CDFI Coalition projects the following results from $341 million in annual appropriations for the CDFI Fund:

* $4 billion in new investment in low-income communities, over 34,000 affordable housing units created or preserved, thousands of loans and investments in childcare centers, health clinics, and community facilities, nearly 700,000 consumer and homeownership loans, and more than 100,000 loans and investments in businesses in target markets.

**Request:** Not less than $201.179 million in Financial Assistance (FA) and Technical Assistance (TA), including CDFI assistance to persons with disabilities, areas of persistent poverty, and Economic Mobility Corps

**CDFI Program *Financial Assistance (FA) Awards*** – The CDFI Fund makes FA awards to both large and small certified CDFIs. CDFIs use FA awards for lending capital, loan loss or capital reserves, operations, or development services. Award recipients must match their FA award dollar-for-dollar with non-federal funds.

In FY 2022, CDFI program awardees made more than 1.4 million loans or investments totaling more than $53 billion. CDFIs also financed more than 65,000 affordable housing units. Additional details of this activity include:

* $17.7 billion for consumer loans, $12.7 billion for home improvement and purchase loans, $8.1 billion for business and microenterprise loans, and $5 billion for residential real estate transactions.

The CDFI Program includes several set-asides and sub-accounts, including:

* **Disability Funds-Financial Assistance (DF-FA)** awards provide technical and financial assistance to CDFIs that fund projects to help individuals with disabilities.
* **Persistent Poverty County Financial Assistance (PPC-FA) awards:** Starting in FY 2019, appropriators required that 10% of the funds awarded by the CDFI Fund under the appropriation should support investments that serve populations living in persistent poverty counties, where 20% or more of the population has lived in poverty over the past 30 years.

**CDFI Program Technical Assistance (TA) Awards** - The CDFI Fund makes TA awards of up to $150,000 to certified CDFIs and emerging CDFIs, to support efforts to expand the organizations’ success and sustainability. There is no match requirement for TA awards, and funds can be used to support a variety of capacity-building activities, including hiring consultants or contract services and training staff or board members.

**Economic Mobility Corps (EMC):** The EMC is a joint initiative of the CDFI Fund and AmeriCorps that places full-time national service members in Certified CDFIs to enhance their capacity to provide financial literacy, financial planning, budgeting, saving, and other financial counseling activities. In the inaugural round (August 2021), three CDFIs received $2.5 million (over two years) to support 78 AmeriCorps members each year.

**Request:** $25 million for Native American CDFI Assistance (NACA) program;

The NACA Program was launched in 2001 to encourage investing in Native Communities by supporting the creation and expansion of Native CDFIs, which in turn help create jobs, create or improve affordable housing, and provide appropriate financial services and counseling to community residents. The number of Native CDFIs has increased from 14 in 2001 to 65 in 2023.

In FY 2022, NACA award recipients originated $211.6 million in loans and investments, providing more than 7,000 loans and investments in support of Native communities, including $61.3 million in business and microenterprise loans, $68.3 million in home improvement and purchase loans, and $50 million in consumer loans.

**Request:** $24 million for Healthy Food Financing

In FY 2011, the CDFI Fund launched the Health Food Financing Initiative (HFFI) which supports a wide range of activities that expand access to healthy foods in low-income communities. HFHI awards can be used to make loans and investments and to provide development services that promote and increase access to healthy food options in low-income communities. The awards enable Certified CDFIs to invest in businesses that provide healthy food options, such as grocery stores, farmers markets, bodegas, food co-ops, and urban farms.

In FY 2022, HFFI recipients financed 654 grocery stores, markets, and fresh food projects totaling over 4 million square feet. Since inception, the program has resulted in healthy food investments totaling more than $353.8 million, with almost $275.7 million that developed more than 3.8 million square feet of new retail space – ranging from small green grocers to large supermarkets serving low-income, low-access census tracts.

**Request:** $35 million for the Bank Enterprise Award (BEA) program

The BEA Program provides monetary awards to FDIC-insured banks and thrifts that have increased investment activity in communities with high poverty and unemployment rates. The size of a BEA award is based on how much the bank or thrift has increased its investment in low-income communities or CDFIs. All BEA funds awarded must be reinvested into a distressed community or a CDFI. From program launch in 1994 through 2022, the CDFI Fund has awarded nearly $572 million in BEA grants. During the past six rounds of the BEA program from FY 2016- FY 2021, BEA award recipients increased their lending and direct investments in distressed communities by more than $3.2 billion and increased the provision of financial services in distressed communiteis by $257 million.

**Request:** $9 million for the Small Dollar Loan Fund program

The Small Dollar Loan Program was created to help Certified CDFIs address the issue of expanding consumer access to mainstream financial institutions and provide alternatives to high-cost, small-dollar loans. With FY 22 appropriations of $11.4 million, the CDFI made awards to 34 credit unions, 22 loan funds, and 10 banks. This funding allowed CDFIs to increase their capacity to provide fair and affordable loans in their communities and to help unbanked and underbanked borrowers build their credit.

**Request:** Build the capacity of the CDFI Fund with not less than $37.299 million for Administration and Research.

To sustain the recent momentum and growth in the CDFI industry, Congress should support efforts to build the administrative capacity of the CDFI Fund. The previous administration proposed four consecutive budgets aimed at dismantling the Fund. The agency needs more resources to administer its financial assistance awards, bonds, and tax credit portfolio. The CDFI Fund needs more people and an investment in systems to administer its programs and authorities, to say nothing of compliance monitoring and providing technical assistance. In addition to its portfolio of grant programs, the CDFI Fund administers the Bond Guarantee program and the New Markets Tax Credit program, authorized at $5 billion in annual allocation authority through 2025.

**Request:** Strengthen the CDFI Bond Guarantee program with several changes (outlined below), extend the program at the authorized level of $500 million, and provide a $10 million appropriation for credit subsidies.

The CDFI Bond Guarantee Program (BGP) has provided long-term, fixed-rate capital for a wide range of projects in low-income urban, rural, and Native communities nationwide.  Since the inception of the CDFI Bond Guarantee Program in 2010, the CDFI Fund has completed ten rounds of the program and has guaranteed more than $2.1 billion in bonds. CDFIs have up to five years to deploy committed funds. Through September 30, 2022, participating CDFIs have deployed approximately $1.41 billion in loans. The most popular use of funds is for schools, healthcare, and other community facilities ($581.7 million or 41.2%), followed by housing ($524.5 million or 37%), commercial real estate ($263.3 million or 18.7%) and small business financing ($42.5 million or 3.1%).

Despite the unique benefits of the BGP, the program has not realized its full potential. Only 26 CDFIs have participated in the bond program, and as Qualified Issuers, many CDFIs, particularly smaller organizations, are not able to access this valuable source of long-term, fixed-rate financing. The CDFI Coalition recommends strengthening the program by (1) reducing the minimum bond issuance from $100 million to $25 million and (2) increasing program efficiency and consistency by granting the BGP permanent authority.

# Additional Background: CDFIs and Pandemic Relief

CDFIs provide a wide variety of financial services to support the recovery of underserved markets under siege from COVID-19. In addition to stabilizing businesses, CDFIs finance initiatives to expand access to healthy food; health centers and hospitals; affordable housing; shelters; treatment centers; and other businesses and community facilities on the front lines of the pandemic.

The 116th Congress made a substantial investment in CDFIs through both new appropriations and the Paycheck Protection Program (PPP). Recognizing the critical role played by CDFIs in rural and urban communities across the country, The Consolidated Appropriations Act, 2021 (PL 116-260) provided $1.25 billion for CDFIs to provide technical and financial services to communities and businesses hard hit by the COVID-19 pandemic. In February 2021, the CDFI Fund released the application for the Rapid Response Program (RRP), and in June 2021, it awarded grants to 850 certified CDFIs. In 2022, RRP recipients reported making 413,0000 loans and investments, totaling $14.8 billion, including $5.5 billion in consumer loans, $3.1 billion in home improvement and purchase loans, $2.1 billion in small business and microenterprise loans, and $1.3 billion in residential real estate financing. RRP recipients also financed approximately 11,500 units of affordable housing.

Congress also provided $1.75 billion for the Equitable Recovery Program (ERP) for CDFIs and Minority Depository Institutions (MDIs) to increase lending and investment activity targeted to low-income and minority communities and populations. On February 1, the CDFI Fund reported that 696 CDFIs submitted applications for ERP totaling $7.69 billion.

The Treasury Department received an appropriation of $9 billion for the Emergency Capital Investment Program (ECIP). ECIP was designed to provide capital to depository institutions that are certified CDFI or MDIs. The Department of the Treasury received more than 200 applications totaling more than $12 billion in requests. On December 14, 2021, Treasury announced the deployment of $8.7 billion of direct investments in banks, credit unions, and holding companies certified as CDFIs or MDIs. January 2023 was a second round competition deadline for ECIP awards for a residual amount (estimated at roughly $150 to $200 million) of the $8.7 billion in ECIP investments. Treasury is expected to announce these awards in April, with closings in summer 2023.

CDFIs also played an important role in assisting distressed communities and small businesses as they coped with the economic consequences of the COVID-19 pandemic. According to Small Business Administration (SBA) data, CDFIs, and other mission lenders, Community Financial Institutions (CFIs) made 1.38 million PPP loans totaling approximately $30 billion, twice the statutory set aside. The average size of CFI loans was $21,650, compared to $41560 for all lenders. SBA reported that over 77 percent of CFI loans were less than $150,000; almost 40 percent were provided to low-moderate income communities, and 15.7 percent to rural areas.

Previous Appropriations

**Fiscal 2023/ HR 2617/ Division E/ Title 1 /Dept of the Treasury /CDFI Fund: $324 million**

**Fiscal 2022/ HR 2471/Division E/Title 1/Dept of the Treasury/ CDFI Fund: $295 million**

**Fiscal 2021/ HR 133/Division E/Title 1/Dept of the Treasury/ CDFI Fund: $270 million**

1. The CDFI Fund was authorized as part of the *Riegle Community Development and Regulatory Improvement Act (PL 103-325)*. [↑](#footnote-ref-1)