Congress of the United States
Washington, DC 20510

April 26, 2024

The Honorable Tom Cole
Chairman
Committee on Appropriations
U.S. House of Representatives
Washington, D.C. 20515

The Honorable Rosa DeLauro
Ranking Member
Committee on Appropriations
U.S. House of Representatives
Washington, D.C. 20515

The Honorable David Joyce
Chairman
Subcommittee on Financial Services
and General Government
Committee on Appropriations
U.S. House of Representatives
Washington, D.C. 20515

The Honorable Steny Hoyer
Ranking Member
Subcommittee on Financial Services
and General Government
Committee on Appropriations
U.S. House of Representatives
Washington, D.C. 20515

Dear Chairman Cole, Ranking Member DeLauro, Chairman Joyce, and Ranking Member Hoyer:

We write to express our strong support for full funding of programs to support diverse and mission-driven community financial institutions. Specifically, we urge you to provide $324.9 million for the Community Development Financial Institutions Fund (CDFI Fund) in the FY 2025 appropriations, as requested by President Biden, with a 40 percent set aside of funds made available to support minority lending institutions (MLIs). As part of this funding, and based on legislative reforms that the House has previously passed,[1] we request: awards be provided to address technology needs of community development financial institutions (CDFIs) and minority depository institutions (MDIs);[2] incentives to encourage CDFIs to provide start-up capital for young entrepreneurs; a study of securitization options to further support the work of CDFIs to serve underserved communities; and the establishment of a searchable map for all CDFIs and MDIs so the public may locate nearby institutions. Moreover, we also request $4 million to the National Credit Union Administration's (NCUA) Community Development Revolving Loan Fund (CDRLF), as requested by President Biden, with a 40 percent set aside for MDI credit unions.

[1] *See* H.R. 7978 (117th Cong.), Promoting and Advancing Communities of Color Through Inclusive Lending Act, sponsored by Rep. Waters. This legislation was passed by the House twice in 2022. Specifically, it was included as an amendment offered by Rep. Waters that was part of a bipartisan *en bloc* amendment to H.R.7900, National Defense Authorization Act for Fiscal Year 2023. The legislation was also included in H.R. 2543 (117th Cong.), Financial Services Racial Equity, Inclusion, and Economic Justice Act, sponsored by Rep. Waters. Also see FSC hearing, *An Unprecedented Investment for Historic Results: How Federal Support for MDIs and CDFIs Have Launched a New Era for Disadvantaged Communities* (Feb. 16, 2022).

[2] *Id.* Also *see* GAO, *Economic Development: Additional Training Could Help Small Lenders Implement Technology* (Mar. 28, 2024), which was requested by Rep. Maxine Waters and Sen. Mark Warner (Press Release, *Waters & Warner Request for GAO Study on Technology Challenges Faced by CDFIs and MDIs*, Jun. 15, 2022).

The House Financial Services Committee has done extensive work to examine the critical role MDIs and CDFIs play to provide access to credit in low- and moderate-income (LMI) communities and communities of color.[3] While regulators have a mandate to preserve and promote MDIs, the number of MDI banks (148 as of December 2023) and MDI credit unions (493 as of December 2023) declined by roughly one-third following the 2008 financial crisis. Additionally, there are 1,457 CDFIs as of April 2024 with a similar mission of delivering affordable lending options to the economically disadvantaged, especially those in LMI communities and communities of color. These banks, credit unions, and loan funds are certified by the CDFI Fund, which is administered by the U.S. Department of the Treasury and provides grants and other financial and technical assistance to support CDFIs.

President Biden requested $324.9 million for the CDFI Fund, to ensure strong support for CDFIs and the communities they serve. While the mission of CDFIs has not changed, the service of CDFIs during the pandemic highlighted just how critical the role of those community financial institutions' were to communities across our nation, especially historically underserved communities, and why it is necessary that Congress provide them with greater support as our economy recovers. When the COVID-19 pandemic further disadvantaged LMI communities and communities of color, CDFIs and MDIs maintained their focus on helping businesses in their target areas minimize the economic impacts. After Congress established the Paycheck Protection Program (PPP), we were dismayed to learn big banks were prioritizing their wealthy, existing clients instead of helping hard hit small and minority-owned businesses. A Brookings analysis of the April 2020 PPP loan data found that "Black business owners were more likely to be denied PPP loans compared to White business owners with similar application profiles due to outright lending discrimination." The same analysis found that businesses in majority Black neighborhoods experienced significant delays in receiving PPP loans and were more likely to be pushed toward online lending, citing factors such as a lack of relationships between larger banks and minority-owned businesses, as well an especially steep decline in community banks within communities of color. In the second round of PPP funding, Congress worked to ensure CDFIs and MDIs had a greater opportunity to participate as PPP lenders, which helped deliver a lifeline to small and minority-owned businesses that needed help. In testimony from the CDFI Coalition, "According to the SBA, through May of 2021, CDFIs made 1.3 million PPP loans totaling over $30 billion or 21% of total loans. Their average loan size was $21,653 compared to $41,560 across all lender classes, and nearly 40% of their loans reached business in low- and moderate-income communities, compared to 28% across all lending sources. Additionally, [community financial institution (CFI)] loans reached more small businesses. For example, 78% of their PPP loans went to businesses requesting less than $250,000. Moreover, 15.7% of CFI-made loans were made to businesses in rural communities, closely keeping with the 16.6% of all loans (some $45.5 billion) that went to rural businesses."

Furthermore, significant portions of the Promoting and Advancing Communities of Color Through Inclusive Lending Act, sponsored by Ranking Member Waters, were included in the Consolidated Appropriations Act of 2021. Specifically, the law provided $12 billion in capital investments and grants to support CDFIs and MDIs. These funds have largely been distributed, however one of the programs, the Emergency Capital Investment Program, was oversubscribed

[3] For example, see FSC hearing, *An Unprecedented Investment for Historic Results: How Federal Support for MDIs and CDFIs Have Launched a New Era for Disadvantaged Communities* (Feb. 16, 2022).

by more than $4 billion, demonstrating CDFIs and MDIs have the capacity to leverage further support to serve their communities. Additionally, the law set aside 40 percent of grants made available to CDFIs to minority lending institutions, a new category of CDFIs that predominantly serve minority communities and are either MDIs or meet other standards for accountability to minority populations as determined by the CDFI Fund. This set aside is critically important, as minority-owned CDFIs have been significantly outpaced by white-owned CDFIs going back to at least 2003, and there remains a persistent asset gap between white and minority-owned CDFIs. Therefore, we urge you to build on the Consolidated Appropriations Act of 2021 to make 40 percent of CDFI grants available to MLIs for FY 2025.

Moreover, we have learned of challenges CDFIs and MDIs face with respect to their technological capabilities, and the importance of improving the use of technology to help these institutions better reach underserved communities. We have also learned efforts to promote securitization could bolster efforts by CDFIs to reach underserved communities. Additionally, young entrepreneurs face unique challenges in accessing capital to start a small business, while many constituents have expressed an interest in seeking products and services from CDFIs and MDIs, but face challenges in locating or otherwise connecting with these community financial institutions. Therefore, we urge you to incorporate targeted award and other programs to address each of these issues.

Furthermore, the NCUA operates the Community Development Revolving Loan Fund, which provides grants and loans to low-income credit unions, including many MDI credit unions. NCUA has reported high demand for these grants during the pandemic, so we would urge you to appropriate at least $4 million to the CDRLF for FY 2025, as NCUA Chairman Todd Harper has requested, and set aside at least 40 percent of those funds to support MDI credit unions. Doing so will help support these credit unions as they continue to serve their communities during and after the pandemic.

Thank you in advance for your consideration of these requests. Please contact Glen Sears or Dr. Chelsea Crittle with Ranking Member Waters' office at glen.sears@mail.house.gov or chelsea.crittle@mail.house.gov for any questions about this letter.

Sincerely,

Maxine Waters

Maxine Waters
Ranking Member, Committee
on Financial Services

Ilhan Omar
Member of Congress

Steven Horsford
Member of Congress

Danny K. Davis
Member of Congress

Madeleine Dean
Member of Congress

Lizzie Fletcher
Member of Congress

Jesús G. "Chuy" García
Member of Congress

Sylvia R. Garcia
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Vicente Gonzalez
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Al Green
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Eleanor Holmes Norton
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Ayanna Pressley
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David Scott
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