

Congress of the United States

Washington, D.C. 20515

April 26, 2021

The Honorable Rosa DeLauro
Chairwoman
House Committee on Appropriations

The Honorable Kay Granger
Ranking Member
House Committee on Appropriations

The Honorable Mike Quigley
Chairman
House Appropriations Committee
Subcommittee on Financial Services

The Honorable Steve Womack
Ranking Member
House Appropriations Committee
Subcommittee on Financial Services

Dear Chairwoman DeLauro, Ranking Member Granger, Chairman Quigley, and Ranking Member Womack:

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 full funding of the Community Development Financial Institutions Fund (CDFI Fund) in the FY 2022 appropriations, with a 40 percent set aside of funds made available to support minority lending institutions (MLIs). We also urge you to provide \$10 million to the National Credit Union Administration's (NCUA) Community Development Revolving Loan Fund (CDRLF) with a 40 percent set aside for minority depository institutions (MDIs).

The House Financial Services Committee has done extensive work to examine the critical role minority depository institutions and community financial development institutions (CDFIs) play to provide access to credit in low- and moderate-income (LMI) and communities of color. While regulators have a mandate to preserve and promote MDIs, the number of MDI banks (142 as of December 31, 2020) and MDI credit unions (520 as of December 31, 2020) has declined by about one-third over the decade following the 2008 financial crisis. Additionally, there are 1,237 CDFIs with a similar mission of delivering affordable lending options to the economically disadvantaged, especially those in LMI and minority communities. These banks, credit unions, and loan funds are certified by the CDFI Fund, which is operated out of the U.S. Department of the Treasury and provides grants and other financial and technical assistance to support CDFIs.

When the COVID-19 pandemic further disadvantaged low-income and minority communities, 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. Congress worked to ensure CDFIs and MDIs had a greater opportunity to participate as PPP lenders and deliver a life line to small and minority-owned businesses that needed help. Subsequently, 432 CDFIs and MDIs provided more than \$16.4 billion in PPP loans to over 221,000 small businesses in 2020. These institutions reached the smallest of businesses

as evidenced by a much smaller median PPP loan size of about \$74,000 compared to the 2020 program median loan size of \$101,000.

Furthermore, significant portions of the Promoting and Advancing Communities of Color Through Inclusive Lending Act sponsored by Chairwoman 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, and importantly, 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 to make 40 percent of CDFI grants available to MLIs for FY 2022.

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 \$10 million to the CDRLF for FY 2022, 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 Sarah Bassett in Chairwoman Waters' office at Sarah.Bassett@mail.house.gov with any questions about this letter.

Sincerely,

A handwritten signature in blue ink that reads "Maxine Waters". The signature is written in a cursive, flowing style.

Maxine Waters

Diverse and Mission-Driven CFIs, FY 2022

List of Signatories

April 26, 2021

/s _____
Jake Auchincloss

/s _____
Jesús G. “Chuy” García

/s _____
A. Donald McEachin

/s _____
Cindy Axne

/s _____
Sylvia R. Garcia

/s _____
Gregory W. Meeks

/s _____
Joyce Beatty

/s _____
Vicente Gonzalez

/s _____
Eleanor Holmes Norton

/s _____
Earl Blumenauer

/s _____
Al Green

/s _____
Alexandria Ocasio-Cortez

/s _____
Jamaal Bowman, Ed.D

/s _____
Alcee L. Hastings

/s _____
Ilhan Omar

/s _____
Tony Cárdenas

/s _____
Jahana Hayes

/s _____
Jimmy Panetta

/s _____
Sean Casten

/s _____
Jim Himes

/s _____
Stacey E. Plaskett

/s _____
Jim Cooper

/s _____
Chrissy Houlahan

/s _____
Ayanna Pressley

/s _____
Joe Courtney

/s _____
Sheila Jackson Lee

/s _____
Bobby L. Rush

/s _____
Danny K. Davis

/s _____
Mondaire Jones

/s _____
Michael F.Q. San Nicolas

/s _____
Madeleine Dean

/s _____
Al Lawson

/s _____
David Scott

/s _____
Dwight Evans

/s _____
Barbara Lee

/s _____
Jan Schakowsky

/s _____
Lizzie Fletcher

/s _____
Stephen Lynch

/s _____
Albio Sires

/s _____
Bill Foster

/s _____
Lucy McBath

/s _____
Rashida Tlaib

/s _____
Ritchie Torres

/s _____
Nydia M. Velázquez

/s _____
Juan Vargas

/s _____
Nikema Williams