

GOP lawmakers draw a red line on Trump's Main Street lending cuts

By Katherine Hapgood

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President Donald Trump is reviving efforts to cut a popular community development fund — a move that's earning rare rebuke from GOP lawmakers who see it as a critical small-business program.

Trump's recent [budget request](#) proposed eliminating the Community Development Financial Institutions Fund, which is historically bipartisan and provides capital to businesses and communities underserved by traditional lending institutions.

Despite Trump's long-standing opposition to the fund, it's an area where red-state lawmakers see a significant benefit to their constituents and a potential political cost in eliminating it.

"I think there's a lot of us that would disagree with taking it out," said Sen. [Mike Rounds](#) (R-S.D.) whose home state of less than a million people and relatively large Native American reservation population benefit disproportionately from the program. South Dakota received \$13.3 million from the fund last year.

The Republican pushback to Trump's proposal to eliminate the congressionally authorized fund illustrates one of the few areas where GOP lawmakers appear to have firm limits when it comes to the administration's proposed government cuts. Republican support for the program continues even after the [White House described the fund as "woke"](#) and accused it of being used "to advance a partisan agenda."

"I've generally been supportive of that entity and that program," said House Financial Services Chair [French Hill](#) (R-Ark.).

Some lawmakers this week took the message directly to Trump's Cabinet members.

"I'd like to urge you to continue your support for CDFI. CDFI Fund programs are statutory, as you know, and this has been critical in promoting the local economy in Orange County," Rep. [Young Kim](#) (R-Calif.) told Treasury Secretary Scott Bessent at a House Financial Services hearing on Wednesday.

Between Trump's ongoing trade war, economic uncertainty and a recession possibly looming, some advocates say CDFIs, which often take the form of small banks or credit unions, are critical to keeping small businesses afloat. Last year, the fund awarded more than \$755 million to CDFIs across the country.

"With the economy entering a potential recession and banks tightening their balance sheets, CDFIs have an essential role to play as financial first responders that provide capital to businesses that can't get funding elsewhere," said Carolina Martinez, CEO of CAMEO Network, which is made up of 400 entities dedicated to furthering business development.

Both Sen. [Thom Tillis](#) (R-N.C.) and Rep. [Troy Downing](#) (R-Mont.) said the CDFI Fund was important to their constituents and that it was up to supportive lawmakers to defend the fund's success.

North Carolina was awarded \$9.3 million from the fund last year and Montana received \$5.8 million.

Tillis said North Carolina has "some great success stories, so we have to support them" and "it's on us to just show that they're working."

Advocates and those in the industry warn that cutting federal dollars to the CDFI Fund could ultimately cause small businesses to close or never get off the ground.

The CDFI Fund “is a program that has truly proven itself, particularly during one of the worst times in our history as we were shutting down parts of the economy” during Covid-19, said Anna Alvarez Boyd, a former senior associate director at the Federal Reserve Board, where she directed community development research and programs.

Trump's previous executive order in March looked to minimize the fund as much as possible under existing laws. In his response to the order, Bessent said all 11 programs of the CDFI Fund were statutorily required.

“We believe that if CDFIs follow their statutory obligations and do not digress into more ideological boundaries, that they can be important institutions,” Bessent said this week.

The Treasury Department did not respond to requests for comment.

The president's budget proposal, however, would eliminate the CDFI Fund and take a portion of the remaining appropriated federal dollars to create a rural financial award program to essentially replace the fund.

Joshua Miller, vice president for research and policy at Accion Opportunity Fund, a nonprofit small business lending CDFI, said the fund isn't about “woke” spending.

“It's about critical access to capital for rural towns, small business and communities long overlooked by traditional banks because the loans they need are often too small to be profitable,” Miller said. “The reality is, CDFIs are most active in red states facing severe banking shortages.”