Trump admin lets bank CDFI program wither on the vine

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WASHINGTON — Funding for a key program that helps banks do community-focused lending is idling, and shows little sign of being deployed, as the Trump administration continues to eye the community development lending sector for funding cuts.

The Treasury Department has not set the wheels in motion to send out money in a fund called the Bank Enterprise Award program, which gives out monetary awards to banks across the country. The BEA is part of the Community Development Financial Institution Fund and allows banks to either use the funds to invest in CDFIs or engage in community lending projects on their own.

The BEA program held about $40 million for the FY24 round — a modest pot of money by government funding standards. But some banks — particularly those in some of the most heavily Republican and rural areas of the country — routinely take hundreds of thousands of dollars a year from this program. The program is the only one that is directly geared toward banks.

This year, there's an unusual delay. The Treasury Department has yet to publish what's called a notice of funding availability, which is the first step in the process for banks to apply and receive the funds. Without it, the program can't move forward.

It's a first test for the Trump administration's Treasury Department, which is meant to disburse funds for not just the BEA program, but a host of others housed under the CDFI Fund umbrella.

"We are very concerned about the lack of action and the prospect that congressionally approved funding will not be deployed," said Jeannine Jacokes, CEO of the Community Development Bankers Association, which advocates for CDFIs. "The money makes a big difference in low income communities. For example, these resources help small banks retain branches in remote rural areas, offer small dollar loans that keep people from going to payday lenders, and make homeownership a reality to a family that otherwise would remain renters."

Timing is everything

After Treasury publishes a notice of funding availability, banks have 45-60 days to apply to receive the money. At that point, Treasury has to review the applications and obligate the funds. It typically takes around five-and-a-half months from the time Treasury publishes its notice of funding availability to when it announces which banks will receive the awards.

The funds lapse on September 30, 2026 — the end of the next fiscal year. So while Treasury still technically has time to publish that notice of funding availability, there's no immediate plans to do so, according to two people familiar with the matter.

In order for the Treasury Department to publish the notice of funding availability, the Office of Management and Budget — currently headed by Russell Vought, who also leads the Consumer Financial Protection Bureau on an acting basis — has to release the funds.

That hasn't happened, the people said. And there's reason to believe that it won't; OMB's full year 2026 budget doesn't project that any of the funds in the BEA program for fiscal 2025 will be obligated.

Vought has in the past advocated for the use of "pocket recissions," where a president proposes expiring funding cuts too late in the fiscal year for Congress to have 45 days of session to consider them.

"The very Impoundment Control Act itself allows for a procedure called pocket rescissions, later in the year, to be able to bank some of these savings, without the bill actually being passed," Vought said on CNN. "It's a provision that has been rarely used. But it is there. And we intend to use all of these tools."

Treasury and OMB did not respond to a request for comment.

The CDFI political landscape

The CDFI Fund as a whole has found itself in the middle of a characteristically Trumpian political battle.

The fund has robust and bipartisan support in Congress. Sens. Mike Crapo, R-Idaho, and Mark Warner, D-Va., cohead the CDFI caucus in the Senate and have successfully increased the amount disbursed to these community lenders over the years.

The reason for that support is largely attributable to the lending portfolio of CDFIs, which spur economic growth in underserved communities across the country, from rural areas to urban ones, and in states of all different political stripes. The BEA program might be concentrated in the deep South, but the CDFI Fund as a whole has a nationwide footprint.

"It's going everywhere, which really speaks to the bipartisan embrace of this program, because really it can be a solution in rural areas and urbanized ones," said Brett Theodos, a senior fellow and director of the Community Economic Development Hub at the Urban Institute. "Every mayor, most governors and lawmakers in Congress are interested in seeing this sector do even more."

But some in the Trump administration have taken a different posture.

Earlier this year, President Donald Trump signed an executive order eliminating the "nonstatuatory" parts of a number of federal programs, including the Treasury Department's CDFI Fund.

The Treasury Department, led by Secretary Scott Bessent, sent OMB a notice that said all 11 programs in the CDFI are, in fact, statutorily mandated by Congress, according to a document seen by American Banker.

The White House, however, did not signal that it would back down on cutting down the CDFI Fund.

"The Treasury Department is considering a number of measures to increase efficiency, including a roll back of wasteful Biden-era hiring surges, and consolidation of critical support functions to improve both efficiency and quality of service," a spokesman said in an emailed statement at the time. "No final decisions have yet been made, and any current reporting to the contrary is false."

If the CDFI Fund goes away, or if it's significantly pared down, that doesn't get rid of the community lending sector entirely, but it does diminish its growth, Theodos said.

"CDFIs typically work by taking a dollar of public subsidy and mixing it together with several dollars of bank debt, and then lending that," he said. "But they need that public subsidy to mix with in order to access the bank debt. They need to have that equity on their balance sheets."

In a traditional, for-profit bank, that might come from deposits, Theodos said. But for CDFIs, the fund is the biggest source of that equity.

"So if that goes away, it doesn't mean these groups turn off the lights and stop all of their work, but it does mean that the rug is pulled out from them in the sense that they're not able to move forward with the same level of growth that everyone's hoping for in the industry," Theodos said.

Warner had an exchange a month ago at a Senate Finance hearing in which he questioned Bessent on unobligated dollars from the CDFI Fund.

"Can you go ahead and commit, yes or no, that the administration will follow the law and go ahead and obligate the unspent ... fiscal year '25 CDFI funds?" Warner asked.

"Senator, this is the first I've heard of it," Bessent said. "I will commit to having an answer to you via—"

"It's against the law to withhold appropriated funds," Warner said.

"We will have an answer to you by the beginning of next week," Bessent said.

Warner submitted a question for the record. His office says it never received a written response.