

FY 2020 Programmatic Appropriations Request

\$300 Million for Community Development Financial Institutions Fund

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) 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 (FA) and Technical Assistance (TA) awards to small and emerging CDFIs as well as established CDFIs, the Native American CDFI Assistance (NACA) Program aimed at increasing the number and capacity of CDFIs serving Native communities; and the Bank Enterprise Awards (BEA) program providing monetary awards to FDIC-insured banks that invest in low-income communities and/or CDFIs.

For Fiscal Year (FY) 2020, the CDFI Coalition urges Congress to continue its bipartisan support for CDFIs by providing at least \$300 million, an increase of \$50 million over the enacted level in the FY 2019 Consolidated Appropriations Act. This will allow the CDFI Fund to meet the exceptionally high demand for these resources, which far outpaces the availability of funding. In fact, in the FY 2018 Round, application demand was at least three times the available funding. With CDFIs demonstrated success, leveraging \$12 in private capital for dollar in federal support, a small increase of \$50 million would leverage some \$600 million, providing much-needed capital and services to consumers and small businesses in rural and urban low-income communities.

The \$300 million in funds should include not less than:

- \$218.4 million for Financial Assistance (FA) and Technical Assistance (TA), which may be used to finance a variety of projects, including Healthy Foods businesses, CDFI assistance to persons with disabilities;
- \$19.2 million for Native Initiatives program;
- \$30 million for the Bank Enterprise Award program; and
- \$32.4 million for Admin and Research.

We also urge Congress to extend the CDFI Bond Guarantee program at the authorized level of \$500 million and continue to include provisions to waive matching requirements for small and emerging CDFIs and Native Americans programs, which the Coalition supports.

Treasury Programs	FY 17 Final	FY 18 Final	FY 19 Final
CDFI Fund (Agency Total)	248	250	250
CDFI FA/TA Grant Programs	161.5	160	160
Native Initiative	15.5	16	16
Healthy Food Financing Initiative	22	22	22
Bank Enterprise Award	23	25	25
Admin and Research	26	27	27
Disabilities Fund*	(3)	(3)	(3)
Bond Guarantee Program	500	500	500

* Set-aside from the FA/TA appropriations

Program Description

The 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 across the country. **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.**

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. CDFIs 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 customers, homeowners, and entrepreneurs.

CDFIs work in low-wealth communities in all 50 states and the District of Columbia, and the U.S. territories. CDFI Fund programs include: Financial Assistance (FA) awards to certified CDFIs and Technical Assistance (TA) grants to certified or emerging CDFIs; the Native American CDFI Assistance (NACA) Program aimed at increasing the number and capacity of CDFIs serving Native communities; and the Bank Enterprise Award (BEA) Program providing monetary awards to FDIC-insured banks that invest in low-income communities and/or in CDFIs.

Program Outcomes and Justification

Since 1994, the CDFI Fund has awarded more than \$3.2 billion on a competitive basis to CDFIs, including Native American CDFIs, small and emerging CDFIs and financial institutions through the BEA Program. The great need for this financing for low-income communities continues, as evidenced by the applicant demand in the FY 2018 CDFI Program round. The CDFI Fund received 700 total applications requesting a combined \$505 million for Financial Assistance and Technical Assistance awards, Healthy Food Financing Initiative awards, Persistent Poverty County awards, and Disability Funds Financial Assistance awards. In addition, 124 CDFI's applied for \$218 million for the BEA program.

- In FY 2018, CDFIs program awardees made over 280,000 loans or investments totaling over \$11 billion, including loans to nearly 15,000 small businesses. The average size of each loan or investment was \$39,821. Additional details of this activity include:
- 17,963 microloans totaling \$2.1 billion;
 - 207,657 consumer loans totaling \$3.5 billion;
 - 19,050 home improvement or home purchase loans equaling \$2.1 billion;
 - 33,613 affordable housing units financed; and
 - 343,471 individuals received financial literacy training.¹

CDFIs Create Opportunity in America's Hardest Hit Rural Communities and Urban Neighborhoods

CDFIs are increasingly investing in some of the poorest communities in America with extremely low incomes and high poverty rates. These economically distressed communities lack access to affordable financial services. CDFIs are making a difference, serving disinvested urban areas, small farming towns, and areas of persistent poverty left outside the economic mainstream for decades. In the FY 2018 round of CDFI Program awards, 28 percent of the award recipients primarily serve rural target markets, a proportion well above the 14 percent of Americans live in rural areas.

¹ Source: Audit of the CDFI Fund's 2018 and 2017 financial statements by the Treasury Dept. Office of Inspector General