

**Statement for the Record**

*On Behalf of the*

**American Bankers Association**

*Before the*

**Housing, Transportation, and Community Development Subcommittee**

Of the

**U.S. Senate Committee on Banking, Housing, and Urban Affairs**

**10/17/2023**



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The American Bankers Association (ABA)<sup>1</sup> appreciates the opportunity to provide a Statement for the Record for this hearing entitled How Community Development Financial Institutions Promote Housing and Economic Opportunity. ABA represents banks of all sizes and business models across all 50 States, including Community Development Financial Institution (CDFI) banks, which are a critical piece of the overall banking ecosystem. CDFI banks are mission-driven organizations focused on supporting economic development in their communities, including by providing affordable lending and financial services in low-to-moderate income and disadvantaged communities.

### **Support for the Community Development Investment Tax Credit Act of 2023**

The ABA wishes to express our strong support for the "Community Development Investment Tax Credit Act of 2023." This legislation seeks to amend the Internal Revenue Code of 1986 to provide a credit for investment in Community Development Financial Institutions (CDFIs) and Minority Depository Institutions (MDIs).

This legislation presents a comprehensive framework for incentivizing investments in CDFIs and MDIs, which are instrumental in providing access to capital and financial services to individuals and businesses in distressed communities. It introduces tax credits for individuals and businesses who invest in qualified CDFIs, thereby encouraging the flow of private capital into these institutions.

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<sup>1</sup> The American Bankers Association is the voice of the nation's \$23.7 trillion banking industry, which is composed of small, regional and large banks that together employ more than 2.1 million people, safeguard \$18.7 trillion in deposits and extend \$12.2 trillion in loans.

The Act also contains provisions to support emerging community development financial institutions, nurturing their growth and impact in expanding the reach of financial services to underserved areas.

We strongly believe that the "Community Development Investment Tax Credit Act of 2023" can address critical issues of economic inequality, access to financial resources, and economic revitalization in underserved communities. By providing tax incentives for investments in CDFIs and MDIs, it encourages the flow of capital into these vital institutions, stimulating local economies, creating jobs, and empowering disadvantaged individuals and businesses.

### **Concerns Regarding Potential Impact of Changes to the CDFI Certification Application**

On November 4, 2022, the CDFI Fund, a department of the U.S. Treasury created to support economic revitalization and community development through investment in and assistance to CDFIs, published a proposed revision to the CDFI Certification Application. This proposed revision aims to ensure that CDFI certification policies and applications align with statutory and regulatory requirements, remain responsive to the evolving CDFI industry landscape, and protect government resources.

ABA supports the objectives of the proposal and agrees that CDFI Certification should not extend to entities whose products, services, or policies do not align with the CDFI Fund's mission to promote economic opportunity in underserved communities. However, a balanced calibration of CDFI certification standards is essential to set a meaningful standard that allows mission-driven financial institutions the flexibility to meet the unique needs of their communities.

While ABA appreciates the significant revisions made by the CDFI Fund to the Application proposal in response to feedback provided by the ABA and others, we continue to have serious concerns about the impact of this proposal, particularly on rural CDFI banks. Given that local banks play a pivotal role in community development by offering a comprehensive range of financial products and services while also contributing non-banking benefits tied to community involvement, it is incredibly important that revisions to the CDFI Certification standard take into account the different business models of depository CDFIs and CDFI loan funds, and endeavor to maintain the diversity of the current CDFI marketplace. We encourage members of the committee to engage with the CDFI Fund to ensure the final Certification standard continues to support efficient allocation of federal funds to the communities that need it most.

### **Conclusion:**

ABA is proud to represent hundreds of CDFI banks, which are providing critical financial services and serving as the backbone of economic development in distressed communities across the country. Congress can help support these mission-driven financial institutions by incentivizing investment of patient private capital to support their work, and by providing oversight to ensure changes to the CDFI Certification standards do not inadvertently undermine the ability of CDFI banks to meet the needs of the communities they serve. We strongly encourage members of the committee to support the "Community Development Investment Tax

Credit Act of 2023,” which will help CDFIs continue to build stronger, more inclusive, and economically vibrant neighborhoods across the nation.