

# Congress of the United States

Washington, DC 20515

May 25, 2017

Honorable Steven Mnuchin  
Secretary, United States Department of the Treasury  
1500 Pennsylvania Avenue, N.W.  
Washington, D.C. 20220

Honorable Mick Mulvaney  
Director, United States Office of Management of Budget  
725 17<sup>th</sup> Street, N.W.  
Washington, D.C. 20503

Dear Secretary Mnuchin and Director Mulvaney:

We write to you on a matter of pressing concern for America's small businesses, underserved communities, and the working men and women of this country. Earlier this week, President Donald Trump released his Federal Budget for FY 2018, which eliminates new program funding for the Treasury Department's Community Development Financial Institutions ("CDFI") Fund. We believe this decision is misguided and encourage you and President Trump to reconsider the call to eliminate funding for this vital program.

As you know, access to capital is the lifeblood of America's small businesses. When small businesses are presented with sufficient credit opportunities, they are able to expand, create jobs, make positive impacts in their community, and add to the overall health of the economy. Unfortunately, many small businesses still face trouble accessing affordable credit opportunities which limits their ability to grow and succeed. As a recent article in the *American Banker* points out: "more than 70% of small businesses seek loans under \$250,000, but these relatively small-dollar loans are often least cost-effective for banks to lend. Traditional lenders are often wary of loans due to high default risk and the significant cost of underwriting."<sup>1</sup>

The Treasury Department's CDFI Fund helps small businesses overcome the gap in the market left by insufficient lending opportunities from traditional financial institutions, like commercial banks. Through the CDFI Fund, the federal government provides competitive grant awards to local private-sector community development financial institutions ("CDFIs")—such as banks, credit unions, loan funds, and microloan funds, or venture capital providers—on a competitive basis. These local mission-driven financial institutions are then able to attract and leverage billions of dollars in additional private sector capital.

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<sup>1</sup> Dryer, Trevor. "Killing CDFIs would make a bad situation worse for businesses." *American Banker*. April 21, 2017.

Through this type of arrangement, CDFIs are able to create credit opportunities for small businesses at accessible rates, with transparent terms, and even provide education and other support services to increase the likelihood of a small business' success. Without CDFIs filling-in this market gap, many small businesses, particularly in our underserved communities, will be forced to move to more high-risk, high-cost lenders to meet their credit needs.

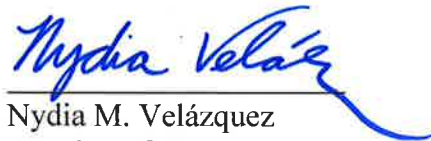
Since its creation more than twenty years ago, the CDFI Fund has been one of the federal government's best market-based strategies for leveraging private-sector dollars. Since its inception, the CDFI Fund has awarded more than \$2 billion to CDFIs, and, historically, every dollar of federal funding has been leveraged ten times through a CDFI.

Moreover, commercial banks can earn Community Reinvestment Act ("CRA") credit for providing capital to CDFIs, presenting a win-win situation for commercial banks and small businesses. Through this investment, the small business owner is able to acquire a loan from a CDFI, often at an advantageous rate, and a commercial bank is able to satisfy a portion of its CRA requirement, which is often difficult and costly for banks to fulfill.

Access to affordable credit remains an important issue for many of America's small businesses and underserved communities, and with more than 1,000 CDFIs operating nationwide, CDFIs have become an integral part of nation's financial services industry. At a time when we should be doing all we can to invest in our small businesses and underserved communities we should be expanding our federal investment in the CDFI Fund, not eliminating it.

Thank you in advance for your attention to this matter.

Sincerely Yours,



Nydia M. Velázquez  
Member of Congress



Jeanne Shaheen  
United States Senator