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August 18, 2020

The Honorable Mike Crapo
Chairman
Committee on Banking, Housing,
and Urban Affairs
Washington, D.C. 20510

The Honorable Sherrod Brown
Ranking Member
Committee on Banking, Housing,
and Urban Affairs
Washington, D.C. 20510

Dear Chairman Crapo and Ranking Member Brown:

On behalf of community banks across the country, with more than 52,000 locations, I write today regarding S. 4255, the Jobs and Neighborhood Investment Act, sponsored by Senators Warner, Booker, Harris, and Schumer. We appreciate Congressional efforts to advance legislative proposals that will strengthen and promote Minority Depository Institutions (MDIs) and Community Development Financial Institutions (CDFIs). There are currently approximately 250 CDFI banks and 143 Minority Depository Institutions in the United States. Their numbers are small but their impact in their communities is enormous. MDIs and CDFIs play a critical role serving minority businesses and minority and low-income individuals. As the COVID-19 pandemic continues to devastate this nation, these communities have been some of the hardest hit and could take the longest time to recover.

We are supportive of many of the MDI- and CDFI-focused proposals contained in S. 4255, including:

- Providing additional appropriations for the CDFI Fund to, among other things, provide technical assistance to CDFIs
- Establishing a Financial Agent Partnership Program
- Extending the 8% CBLR and TDR relief in the CARES Act for low- and moderate-income financial institutions through 2022

Additionally, we would support, and encourage you to consider legislation to:

- Spur the creation of de novo MDIs by phasing in capital requirements for de novo MDIs to allow them 3 years to meet full capital requirements. Start-up capital is often the greatest impediment to forming a new bank.
- Streamline the CDFI application and recertification process
- Provide financial and technical assistance to MDIs and CDFIs
- Codify and strengthen Treasury's mentor-protégé program by analyzing the efficacy and financial benefit of these programs to the participants
- Fund the Loan Loss Reserve Fund for small dollar loans

The Nation's Voice for Community Banks.®

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While we are generally supportive of the goals of a Neighborhood Investment Program, we urge you to allow MDIs and CDFIs as much flexibility as possible to create loan products that meet the needs of their communities and to not include restrictions that will unnecessarily hamper their ability to meet those needs. In particular, we oppose any prohibition on banks that participate in a newly created capital investment or loan program from offering any loan products with an “all-in” APR over 36 percent, in accordance with the Military Lending Act. Unlike the current Truth-in-Lending Act APR (TILA APR), the Military APR includes other fees, such as annual, transaction, and cash advance fees in the rate calculation. As a result, even low-rate small dollar loans by CDFIs and MDIs can exceed the 36% threshold. Such a restriction would reduce participation in these programs and reduce the availability of small dollar loans, forcing many consumers who currently rely on small loans from CDFIs and MDIs to weather a financial shocks or smooth income fluctuations, to turn to other sources for short-term financing needs, including pawn shops, auto title loans, and payday loans.

Thank you for considering our perspective on MDIs and CDFIs and the essential role these entities play in their communities. The proposals described above will help MDIs and CDFIs carry out their missions of helping their communities weather the economic storms and thrive.

Sincerely,

/s/

Rebeca Romero Rainey
President & CEO

CC: Members of the Senate Banking Committee