



3138 10th Street North
Arlington, VA 22201-2149
703.842.2234 | 800.336.4644
gmesack@nafcu.org | nafcu.org

National Association of Federally-Insured Credit Unions

Greg Mesack
Senior Vice President, Government Affairs

May 1, 2023

The Honorable Patrick McHenry
Chairman
Committee on Financial Services
United States House of Representatives
Washington, DC 20515

The Honorable Maxine Waters
Ranking Member
Committee on Financial Services
United States House of Representatives
Washington, DC 20515

The Honorable Kay Granger
Chairwoman
Committee on Appropriations
United States House of Representatives
Washington, DC 20515

The Honorable Rosa DeLauro
Ranking Member
Committee on Appropriations
United States House of Representatives
Washington, DC 20515

Re: Oversight of the Community Development Financial Institutions (CDFI) Fund

Dear Chairman McHenry, Ranking Member Waters, Chairwoman Granger, and Ranking Member DeLauro:

I write to you today on behalf of the National Association of Federally-Insured Credit Unions (NAFCU) expressing our serious concerns with the Community Development Financial Institutions Fund (CDFI Fund). NAFCU advocates for all federally-insured not-for-profit credit unions that, in turn, serve over 135 million consumers with personal and small business financial service products. We urge Congress to take swift action to address the problems we highlight below.

The CDFI Fund was established by Congress in 1994 to provide funding and technical assistance to financial institutions that operate in underserved areas. The Fund long enjoyed bipartisan support and was an effective use of federal funds. During the pandemic, the Fund stepped up and certified more institutions in order to get funding where it was needed most. We are pleased that credit unions now make up the largest group of institutions in the Fund. However, in the last year, the Fund has seemed to lose sight of its mission and is no longer acting promptly to continue serving its partner institutions.

In late 2022, the Fund entered in a “blackout period” in which it announced that it would no longer accept applications, but instead would close out a backlog of applications and update its application process. NAFCU heard from CDFI certified members about concerns they had with long wait times for their applications, sometimes stretching over a year, a marked departure from the Fund’s prior policy of processing applications in 90 days. NAFCU also heard concerns about a lack of timely communication from institutions placed into a “cure period” for issues with their recertification. This was in direct contradiction to the Fund’s traditionally swift decisions on applications and forthcoming communication. Since the Fund entered into the “blackout period” on October 1, 2022, it has still not finished updating

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the application process, and has instead put the new application on indefinite pause, despite its original timeline of ending the blackout on April 1, 2023. Recently the Fund has said it “anticipates that it will resume accepting CDFI Certification Application submissions in the fall of 2023.” This amounts to one year of the Fund not accepting new applications, or even recertifying its existing members, which are required to recertify every year to remain eligible for Fund assistance.

Compounding these issues is the Emergency Capital Investment Program (ECIP). ECIP was made available for CDFIs and Minority Depository Institutions (MDIs) through the Consolidated Appropriations Act of 2022. ECIP was given \$10 billion in funds to provide to CDFIs and MDIs exclusively. When the program was first stood up there were issues with institutions not being given funds even though they qualified and had been awarded specific amounts from the program. As of writing this letter, there has still been no clear answer from Treasury as to why numerous institutions have not been given the funds they were awarded, despite the fact that ECIP claims to have sent out almost all of the \$10 billion. With the pandemic state of emergency having been ended, there are concerns from our members that they will not be able to receive the funds to help their communities that they were promised.

NAFCU has very serious concerns that the issues highlighted above will not be resolved anytime soon, and that this will directly impact low-income consumers and underserved areas, while potentially leading to an increase in banking deserts – a result that is entirely avoidable. The CDFI Fund has been failing in its duties, is not held accountable by Treasury leaders or others in the Administration, and should not be allowed to stop taking applications and recertifications for a year without giving any reason or viable alternative. We believe the money appropriated by Congress for the Fund is not being used to the intent of Congress, and as such, we encourage your committees to hold oversight hearings with the CDFI Fund and Treasury. This will give them an opportunity to explain the situation and answer the questions of stakeholders who are desperately trying to serve their communities. We are afraid that answers may not be forthcoming otherwise.

We thank you for the opportunity to share our thoughts and look forward to continuing to work with you on this important issue. Should you have any questions or require any additional information, please contact me or Lewis Plush, NAFCU’s Senior Associate Director of Legislative Affairs, at (703) 258-4981 or lplush@nafcu.org.

Sincerely,



Greg Mesack

cc: Members of the U.S. House Committee on Financial Services
Members of the U.S. House Committee on Appropriations