

CDFI Fund Appropriation Could Increase to \$100M

By Katie Kuehner-Hebert

A federal program that awards grants to banks and other lenders that invest in neighborhood redevelopment could soon get its biggest funding boost in years.

The House Appropriations Committee voted Monday to raise the appropriation for the Community Development Financial Institutions Fund to \$100 million for fiscal 2008, nearly double what was appropriated for the current fiscal year and more than three times the \$28.6 million that the Bush administration had requested for fiscal 2008.

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Bush Reversal Would Give More to Development Fund. The measure, part of \$42.8 billion spending package that the committee unanimously approved, is expected to be taken up by the full House next week. If the provision sticks — and banking and community development groups expect it will — lenders would have even more incentive to seek out development deals in distressed neighborhoods.

"This will certainly allow banks to get more engaged in community development," said Robert J. Rowe 3rd, the regulatory counsel for the Independent Community Bankers of America. "What this really provides is seed money for experimental projects in affordable housing, community redevelopment, and economic development ... examples that other banks can follow" and help to fund.

The Treasury Department each year awards grants from the fund to certified community development financial institutions, which include banks, thrifts, credit unions, and loan funds. To be certified by the Treasury, a financial institution must have a primary mission of serving distressed communities in a specific market and promise to match the government money.

The CDFI Fund was created in 1994, and in its initial years it got annual increases in appropriations. Funding peaked at \$118 million in fiscal 2001 but had dipped to \$54.5 million in this fiscal year, which ends Sept. 30.

Since 2002 the Bush administration has proposed sharply reduced funding each year.

For this fiscal year the administration had requested \$7.6 million, which would have been just enough to pay for managing existing portfolios, but Congress increased that more than sevenfold, to the current \$54.5 million.

The Bush administration proposed a \$28.6 million appropriation for the CDFI Fund for fiscal 2008 in March.

Mark Pinsky, the president of the Opportunities Finance Network in Philadelphia, said that after years of calling for a reduction in the program, the administration changed course because Democrats — staunch supporters of the CDFI program — took control of Congress last year. Mr.

Pinsky's group then successfully lobbied Rep. Jose E. Serrano, D-N.Y., the chairman of the House Appropriations Subcommittee, to recommend the budget increase to \$100 million, to take advantage of the "changing winds."

"The CDFI Fund is unsurpassed among government programs that benefit low-income and low-wealth people," Mr. Pinsky said. Rep. Serrano, the subcommittee, and now the full Appropriations Committee, he said, "have made a strong statement that the fund merits as much support as Congress can prudently manage."

If Congress does not approve the budget request, Mr. Pinsky said he believes it will at least significantly raise the program's funding above the current amount, because there is "strong bipartisan support."

Each dollar in the CDFI Fund leverages at least \$27 in private investment, Mr. Pinsky said. The CDFI Fund's "Fiscal 2006 Performance and Accountability Report" said that 186 CDFIs had leveraged their awards with \$1.4 billion in other money, far exceeding the required dollar-for-dollar match. This enabled them to open 13,992 checking accounts for unbanked people, make 2,000 mortgages, finance the construction or rehabilitation of 26,832 affordable housing units, and give financial literacy and other training to 147,787 people.

The spending bill approved Monday also includes \$502 million for the Small Business Administration.