Testimony of William J. (Bill) Bynum
Hope Credit Union / Hope Enterprise Corporation/ Hope Policy Institute

Before the United States House Financial Services Committee
February 16, 2022

"An Unprecedented Investment for Historic Results: How Federal Support for MDIs and CDFIs Have Launched a New Era for Disadvantaged Communities"

HOPE (Hope Credit Union / Hope Enterprise Corporation/Hope Policy Institute) is a Black- and women-owned Community Development Financial Institution (CDFI) credit union, a CDFI loan fund, and a policy and advocacy organization. HOPE serves Alabama, Arkansas, Louisiana, Mississippi and Tennessee – a region that is home to over a third of the nation's persistent poverty counties, most of which are rural.

HOPE was established to ensure that all people regardless of where they live, their gender, race or place of birth have the opportunity to support their families and realize the American Dream. Since 1994, HOPE has generated over $3.6 billion in financing and related services for the unbanked and underbanked, homeowners, entrepreneurs and small business owners, nonprofit organizations, health care providers and other community and economic development purposes. Collectively, these projects have benefited more than 2 million individuals throughout the Deep South.

Of HOPE's 35,000 credit union members, 69% have household incomes below $45,000 and eight out of 10 are people of color. Our branches are located in areas with less public, private and philanthropic investment, with 86% in counties where the majority of the residents are Black. More than 85% of HOPE's branches are in high poverty census tracts, and in many places, HOPE is the only depository with a local branch. HOPE's staff, management and governance reflect the places we serve. People of color comprise roughly 68% of HOPE's workforce, 60% of management and the majority of HOPE's governing boards. Similarly, 72% of HOPE's employees and 60% of management are women.

Through multiple recessions, natural disasters, the Housing Crisis of 2008 and COVID-19, HOPE has worked closely with government and bank officials to forge policy and programmatic responses to the challenges facing historically underserved people and places.

In normal times, and more so during times of crisis, HOPE has been guided by a simple premise: when afforded opportunity and access to the right tools, people can climb the economic ladder. Mission-focused Community Development Financial Institutions (CDFIs) and Minority Depository Institutions (MDIs), like HOPE, are on the frontlines providing vital tools and opportunities to people and communities far too often neglected by traditional banks, credit unions and even some CDFIs.

In my testimony today, I will highlight the transformative potential of the recent investments in mission-focused CDFIs and MDIs, and why ongoing and increased investment must continue.

Responding to COVID-19: Preserving Ownership and Opportunity

As COVID-19 bore down on the economy, HOPE responded by supporting financially fragile and neglected small businesses, homeowners and local governments. Anchored by federal investment and recovery policies, as well as a mix of private and philanthropic support, the following examples demonstrate ways that HOPE and other MDIs and CDFIs with a strong history of reaching underserved communities, are well-positioned to not only fill financial service gaps during times of crisis, but to also make strides in closing longstanding disparities that limit opportunity for people of color and other historically underserved people and places. This section provides examples related to small business ownership, homeownership, and community investments.

Small Business Ownership

As COVID-19 upended lives and the economy, it quickly became clear that federal responses like the US Small Business Administration Paycheck Protection Program (PPP) were not adequately designed to meet the needs of Black, Indigenous, and other business owners of color. Not only did PPP rely on traditional banks as the primary delivery system, but sole proprietorships, which nationally account for more than 90 % of all Black businesses, were ineligible in the program's initial phase. These and other structural inequities devastated already undercapitalized entrepreneurs of color, and Black businesses suffered an initial closure rate of 40% and Latino businesses, 37%, compared to 17% for white-owned businesses as a result.[1]

HOPE was a leader in organizing CDFIs, MDIs and others to successfully advocate for modifying the PPP program in several aspects, including serving sole proprietors, reducing barriers for CDFI loan funds, and dedicating PPP funds to be deployed by CDFIs and MDIs. Consequently, HOPE made 5,216 PPP loans—89 % to borrowers of color and 50% to women. The average amount of these loans was a modest $26,814, over $40,000 less than the program average nationwide. Of HOPE's $140 million in PPP lending, 98% of the loans were for amounts of less than $150,000 (in contrast to half for the program overall). Over 3,500 loans were to sole proprietorships (this is notable given that 96% of Black owned businesses in the Deep South are sole proprietors). In a normal year, HOPE makes roughly 50 business loans totaling $40-50 million.

The experiences of many businesses served by HOPE and other mission-based lenders reflect the realities of large swaths of small businesses that are neglected or underserved by traditional financial institutions. Several Black-owned HOPE PPP borrowers expressed frustration with mainstream financial institutions offering PPP loans, including those with whom they already had a banking relationship. For example, a Black dentist reached out to a bank with whom she had an existing relationship, but the bank never called to check on the application and the PPP request was never originated, much less funded. The dentist subsequently applied with HOPE which approved her $12,000 PPP loan. HOPE also approved a $7,200 loan for a 27-year-old Black-owned barbershop in New Orleans after the owner received no help from his bank of 31 years. Notably, the bank is one of the largest in the country and has major obligations under the Community Reinvestment Act. A Black female entrepreneur in Memphis, Tennessee recounted, "I'm sitting in my own bank's drive-through and the employee working the window told me to go to Hope Credit Union because he'd heard HOPE would make it easy for me to apply." Of note, is that her bank was one of the five largest banks in the country and one of the most active PPP lenders over the life of the program. Such stories were constant throughout the PPP lending process — an unfortunate reflection of a banking system that has historically failed people of color and low-income communities.

The scale and impact of HOPE's PPP lending was made possible by the aforementioned advocacy efforts, by a reservoir of trust, expertise and alliances built over nearly three decades, and by a Goldman Sachs credit facility. Another key factor was the use of technology to enhance our ability to rapidly process a large volume of applications during the first round of PPP. It is important to note that while technology was helpful, capital, sound policies, and local credibility and relationships were all essential to achieve deep impact lending in historically underserved communities.[2]

HOPE has built on this success by attracting new support from dozens of corporations such as Netflix, PayPal and NIKE, and from hundreds of individuals who are looking to advance racial equity and close opportunity gaps – a moment that would not have been possible without the injection of federal resources designed to improve conditions in economically distressed places like the Deep South.

Homeownership

HOPE fills mortgage lending gaps through products and practices designed specifically to mitigate the challenges facing low-wealth borrowers and communities, and to close the racial wealth gap. This approach includes manually underwriting loans, considering nontraditional indicators of credit repayment history, and discounting medical debt and deferred student debt. In addition, we offer a 100% loan-to-value product, as many low-wage earners have the cash flow for a monthly mortgage payment, but lack the ability to save for a down payment. HOPE's current mortgage portfolio is majority people of color, primarily Black borrowers. In 2021, 90% of HOPEs mortgage loans went to minority borrowers and 87% were to first time homebuyers. Notably, the portfolio performs well over time, with a charge off rate of less than 10 basis points.

The racialized impacts of the pandemic have taken a toll on HOPE's homeowners. In June of 2020, over a quarter of HOPE's mortgage loan portfolio was in forbearance. For context, the national rate of mortgages in forbearance was 8.55% at the same point in time.[3] As of the end of 2021, 3.6% of HOPE's borrowers remained in forbearance or deferment – more than twice the national rate of 1.41%.[4] While HOPE's borrowers are in forbearance and deferment, HOPE continues to make escrow payments on borrowers' behalf.

Community Investments

CDFIs and MDIs located in and close to historically underserved communities build upon the leadership and vision of local residents. In so doing, these institutions adapt to and address community needs, both as they change over time and in times of crisis. HOPE has formalized these relationships through efforts like the Hope Community Partnership, where HOPE serves as an economic and community development intermediary for a network of small rural towns; and the Deep South Economic Mobility Collaborative, a consortium of Black-led cities and Historically Black Colleges and Universities (HBCUs). Through these partnerships, HOPE has gained deep insight into the pervasive impacts of underinvestment in these communities, and works to draw attention and organize resources that address needs identified by local leaders.

For instance, in 2020, many state CARES Act programs for local governments required expenditures for reimbursement, a model that is commonplace for disaster relief aid. Communities with small budgets, however, often do not have the "up-front" funding required to provide assistance and then later be reimbursed. This was true for the 2020 CARES Act Coronavirus Relief Fund as small, rural, low-income towns and communities of color, such as those in the Delta regions of Louisiana and Mississippi, and the

Alabama Black Belt, where already weak economies were now further ravaged by the pandemic, lacked the resources needed to pay for personal protective equipment (PPE) and other vital pandemic-related needs. In Louisiana, HOPE's research showed that, due to this reimbursement model, majority people of color parishes that are also rural and areas of persistent poverty received only a third of the funding allocated to them, where as their white counterparts received 74%.[5] In dollar amounts, rural, persistent poverty, majority people of color parishes only received 6.9% of similarly situated white counties.[6]

In response, HOPE provided a range of technical assistance and financing support that enabled local governments to access the state-administered CARES Act funds. In Alabama, HOPE partnered with the Black Belt Community Foundation to establish a loan program that advanced towns up to $50,000 in recoverable grants, which were repaid when the towns were reimbursed by the state. This partnership, supported by local philanthropic partners, channeled $1 million to 23 Black Belt communities. In one town, the $24,000 recoverable grant was roughly half its annual budget, an amount that would have been impossible to outlay for reimbursement. Even with this model in place, several eligible towns still did not receive all that was needed.

Rapid Response Grants and the Emergency Capital Investment Program: An Update on Recent Funding to CDFIs and MDIs to Expand Reach into Underserved Communities

In December of 2020, Congress appropriated an unprecedented level of resources for CDFIs and MDIs to respond to the economic crises existing prior to and exacerbated by the pandemic. The following section provides an update on HOPE's use of and plans for both programs.

Rapid Response Grant Program

The Rapid Response grant program served as a critical source of capital to stabilize homeowners and small business owners of color. To date, HOPE has deployed a majority of its award with plans for it to be fully lent out within 12 months of receipt. Examples of how we put this program to use included working capital for a Black-led nonprofit that provides mental health services in Memphis, TN and financing for a Black-owned video production company to revitalize a building in a distressed Jackson, MS neighborhood to fuel its expansion and provide space for other entrepreneurs.

Importantly, the Rapid Response program provided lessons to be considered for CDFI Fund program design. Smaller CDFI loan funds, community development credit unions, rural and minority lenders were all well-represented in the awards.[7] Unlike previous award programs, this approach deployed funds quickly to organizations on the front lines of the economic crisis. Commendably, within six months of being authorized by Congress, $1.25 billion had been moved into CDFIs to support communities. As such, administration of the Rapid Response Grant Program serves as a model for future crises.

Another promising practice was the announcement of Rapid Response award recipients along with amounts and MDI /Native CDFI designations.[8] While the MDI designation does not extend to CDFI loan funds led or controlled by people of color, the publication of award amounts by these designations is a practice the CDFI Fund should continue in future award announcements across all program lines.[9] Because Rapid Response awards were published with this information, it is possible to assess the distribution of the awards along racial equity lines.

Even with the successful deployment of the dollars, there are still opportunities to further advance the equitable distribution of funds to support historically underserved communities. Nationally, HOPE found that the distribution of Rapid Response dollars was proportional to the percentage of CDFIs that are also MDIs. CDFI MDIs represented 10% of CDFI awardees and likewise received 10% of the funds awarded. Even though the funding was proportional, more is needed to ensure that the resources address the greatest need, or in this case, where the health and economic impact of COVID-19 was the most severe.

Examining distribution of Rapid Response program funds in the Deep South provides clarity on why improved targeting is needed for future funding. Only six CDFI MDI depositories received an award, totaling $6.9 million of the $261 million awarded in the region. This means only 3% of the funds went to a Minority Depository Institution in a region of the country where over 32% of the population is a person of color. As discussed further herein this testimony, this means that the vast majority of Rapid Response award funds in the Deep South went to CDFIs with poor records of serving people of color.

Emergency Capital Investment Program

Without question, the Emergency Capital Investment Program (ECIP) was historic. However, more is needed to address the challenges faced by underserved communities. For HOPE, the groundbreaking investment will dramatically increase our impact in underserved Deep South communities. Over the next six years, HOPE estimates that the investment will allow the organization to double its annual consumer, mortgage, small business and commercial lending, serve over 33,000 homebuyers, entrepreneurs and households of color, and gain efficiencies that fuel continued growth and deeper impact.

The creation and deployment of ECIP incorporates lessons learned from the Great Recession, by taking into account to the track-record of CDFIs and MDIs in service to communities hardest hit by COVID-19. This type of mindful targeting was absent during the Community Development Capital Initiative (CDCI), created in 2010 to "to help viable certified CDFIs and the communities they serve cope with effects of the financial crisis."[10] CDCI's design resulted in scores of financial institutions in low-income areas becoming CDFI-certified. As a result, Mississippi now has the most CDFIs in the country. However CDCI was administered in a way that failed to ensure that federal investments would benefit the people and communities most harmed by the foreclosure crisis. Consequently, the 13% rate of mortgage lending to Black mortgage applicants by the state's CDFI banks is lower than the 17% overall HMDA reported lending by in the state. As such, HOPE applauds Congress and Treasury for including a participant's track-record in serving the most economically distressed people and communities as a meaningful factor in informing the allocation of ECIP resources.[11]

Reflecting on the design and rollout of the program, several points are of note. First, ECIP only reached depository institutions, meaning CDFI loan funds, a large number of which serve communities of color and persistent poverty communities, were unable to benefit from this major source of long-term capital. Congress and Treasury should examine ways to ensure that loan funds have access to the equity capital needed to support the hardest hit communities. Second, fair treatment across CDFI types should be addressed in program design, including coordination among federal regulators. In ECIP, it was critical that NCUA determined that credit unions could utilize the ECIP resources for the full-term allowed by Treasury, thus ensuring CDFI credit unions would have the same opportunities as their bank counterparts.[12] This determination was key to furthering racial equity in the program's implementation.[13] Notably, there are 518 MDI credit unions compared to 146 MDI banks. Similarly, in the initial implementation of the Paycheck Protection Program, the Small Business Administration erected higher barriers to entry for non-depository lenders, which disadvantaged CDFI loan funds,[14] a significant number which are led by and have high levels of service to people of color. Eventually, SBA opened the program to CDFI loan funds, thus enabling them to provide PPP loans to thousands of small businesses that were otherwise shut of out the $800 billion relief program.[15]

As ECIP continues, ensuring accountability for the deployment and repayment of the funds will be key to ensuring the program investments are used as Congress intended.[16] This accountability extends to ensuring that CDFIs and MDIs with strong records of reaching the hardest to serve communities do not face less advantageous repayment terms than CDFIs with historically lower-levels of impact.[17] For example, financial institutions that increase their lending to targeted communities from 10% to 30%, while important, benefit from a lower ECIP interest rate than institutions that have historically demonstrated higher rates of lending to distressed populations. ECIP guidelines have correctly moved to mitigate this outcome by incorporating a "deep impact lending" framework allowing "CDFIs and MDIs to do more challenging types of lending to more underserved target communities without experiencing a disincentive in the rate-reduction structure that could otherwise arise, in light of the fact that deep impact loans can be more time-consuming and burdensome for a lender to make than other types of loans."[18]

Additionally, we look forward to continued progress on implementation of the $1.75 billion under the Emergency Support and Minority Lending Program, to fulfill the promises of the Consolidation Appropriations Act of 2021. We applaud Congress for enacting this vitally important program to ensure that communities hit hardest by the health and economic impacts of COVID-19 have the opportunity to thrive in the post-pandemic recovery.

Fueling the Impact of MDIs and CDFIs with Track Records of Reaching Underserved Communities

Hopefully, these historic investments underscore the importance of and make the case for appropriate resourcing of CDFIs and MDIs, particularly those with strong track records in reaching historically underserved communities, such as communities of color and persistent poverty areas. Importantly, it is not just the amount of resources that matter, but also having accountability measures in place to ensure scarce federal investment dollars are flowing in a way that closes existing wealth gaps rather than widening them. Key to this strategy is the provision of resources that are both flexible and targeted for use by CDFIs and MDIs with a history of serving communities of color and other underserved communities such as persistent poverty areas. The outsized contributions of mission-focused CDFIs and MDIs to an inclusive recovery underscores the importance of increased and targeted investment by banks, private industry, philanthropy, and government to fortify this vital segment of the financial system.

Evidence of Impact of MDIs and CDFIs

In 2019, the FDIC released a report on the structure, performance and social impact of MDIs.[19] The report found that MDIs are a proven way to advance economic mobility in Black communities. An estimated six out of 10 people living in the service area of Black-owned banks are Black, in contrast to six out of 100 for banks that are not Black-led. Moreover, Black-owned financial institutions originate a substantially higher proportion of mortgages and small business loans to Black borrowers than nonminority financial institutions. While a comparable analysis has not been conducted for MDI credit unions, one could extrapolate from the FDIC analysis the same conclusion.

Further evidence of impact comes from coalitions of CDFIs with significant experiences in serving historically underserved communities. For example, the African Alliance of CDFI CEOs consists of "56 Black-led CDFIs committed to the support and growth of Black communities and the Black executives leading CDFIs that serve those communities."[20]Collectively, Alliance members have deployed more than $1.5 billion in loan capital in the communities they serve. The African American Credit Union Coalition and Inclusiv also found that "minority designated credit unions help build inclusive communities [that] serve nearly 2 million people and manage over $17 billion in community controlled assets across the country."[21]

As another example, the Expanding Black Business Credit Initiative (EBBC) is comprised of seven CDFIs that are Black-led, or focused on financing Black-owned business. Collectively, EBBC members are long-standing, highly respected organizations that manage $795 million in combined assets, and operate across the U.S. in markets home to 74% of the nation's Black businesses. As a group, EBBC organizations' loans have an average charge-off rate of 1.0%, lower than the 1.47% for their peer group average. In 2018, EBBC members originated $34 million in loans to Black-owned businesses. As EEBC notes, "CDFIs, particularly Black-led CDFIs, are well-positioned to serve as a critical link to close the credit gap for Black businesses. Black-led CDFIs, as Black small businesses themselves, are particularly adept at navigating these challenges, and have deep knowledge about what it takes to lend to Black businesses."[22]

As another example, the Partners for Rural Transformation (PRT) represent six CDFIs that serve three-quarters of the country's persistent poverty counties, communities that are overwhelmingly rural and people of color. With headquarters in the Mississippi Delta, Appalachia, Native American communities, the Deep South, the Rio Grande Valley and regions in the Rural West, PRT members have collectively deployed over $2 billion in capital, reaching millions of people in persistent poverty areas. In the rural, persistent poverty counties served by PRT members, 43% of residents are people of color.[23] As just one example of their impact, from 2016 to 2020, Partners for Rural Transformation generated $366.9 million in small business lending, with the majority of the 3,100 loans directed to businesses owned/led by people of color (65%) and a significant portion owned/led by women (41%). By geography, 56% of loans were to businesses located in counties with a majority of persons of color, over one third ($122.3 million) to persistent poverty communities, and 72% to low-income communities. Nearly 30% of PRT's small business capital flowed to businesses in rural communities.[24]

Why Race Matters in the Resource Allocation of Support for CDFIs

Along with increased resources and opportunities, come new levels of complexity. As CDFIs and MDIs position themselves to deploy exponentially more capital, they must be steadfast in prioritizing a commitment to community development, over the countervailing forces of maximizing efficiencies and profit that characterize traditional banks. Similarly, investors must be circumspect in making their decisions. Because, just as the billions of dollars in capital flowing into this sector has the potential to dramatically close opportunity gaps, the reverse is also true.

An examination of Home Mortgage Disclosure Data (HMDA) in the Deep South underscores concern about potential disparities in track records among CDFIs and MDIs. Stark examples are evident in Mississippi, where so much of the state qualifies geographically as low-income, and nearly 40% of Mississippi's population is Black.

- Among the 27 CDFI banks headquartered and engaged in mortgage lending in Mississippi from 2018-2020, 68% of mortgage loans went to white borrowers while only 13% went to Black borrowers. This is lower than the statewide rate of all HMDA reported mortgage originations from 2018-2020 to Black borrowers at 17%.
- Among the three CDFI credit unions headquartered and engaged in mortgage lending in Mississippi from 2018-2020, 59% of mortgage loans went to Black borrowers and 39% went to white borrowers. When HOPE's loans are removed from the analysis, it drops to 33% of loans to Black borrowers.
- By contrast, from 2018-2020, Hope Credit Union, an MDI and CDFI, made 81% of its mortgage loans to Black borrowers.

Similar patterns persist in Louisiana as well, where 32.8% of the population is Black. Using 2018-2020 HMDA mortgage lending data, statewide, among all lenders engaged in mortgage lending in the state, 14% of mortgage loans went to Black borrowers and 73% to white borrowers, with data missing for 13% of loans. Among 16 CDFI credit unions headquartered and engaged in mortgage lending in Louisiana, from 2018-2020, 19% of mortgage loans went to Black borrowers and 70% went to white borrowers. For CDFI banks in 2019 in Louisiana, of the 14 CDFI banks reporting HMDA information, 15% of mortgage loans went to Black borrowers. However, when Liberty Bank, an MDI CDFI bank that made 76% of its mortgage loans to Black borrowers, is excluded from the analysis, the percentage of mortgage loans to Black borrowers by CDFI Banks in Louisiana dropped to 9% in 2019.

Recommendations

In light of the response by mission-focused CDFIs and MDIs to COVID-19, the outsized role they have made in extending financial services to people of color and the unprecedented opportunity to scale those with long track records of serving communities most in need, HOPE makes the following recommendations to make significant progress in closing the racial wealth gap.

(1) Continued and increased funding for CDFIs through Treasury and other federal agencies.

Routinely, CDFI Fund applications for Financial Assistance awards exceed the available amount. In the wake of the pandemic, the applications for the historic Emergency Capital Investment Program was oversubscribed by $4 billion. These deficits in federal funding persist despite years of evidence of capital gaps in the nation's most economically distressed places. In the late 1990s, HOPE calculated an estimated $1 billion capital gap in available capital in the Mississippi Delta relative to the size of its economy.

Another, more recent, indicator of the capital deprivation, particularly in communities of color, is found in the persistent gaps in access to mortgage lending and small business capital. For example, across HOPE's five Deep South states, there is a 26.3% gap between Black and white homeownership, a number that has grown since the Great Recession.[25] This gap is not due to lack of people applying for it, but rather due to structural barriers and discrimination in the banking system. In Mississippi, for example, data from 2009 to 2018 show that Black mortgage loan applicants earning over $150,000 a year experienced higher denial rates than a white applicant earning between $30,000 and $50,000 a year.[26]

For small businesses, Black-owned firms—both employer and non-employer—apply for financing at equal or higher rates than white-owned firms but are denied at higher rates.[27] Only 13% of Black-owned and 20% of Latinx-owned businesses reported receiving the full share of financing requested from banks, compared to 40% for white-owned firms. Not surprisingly, Black firms cited lack of credit access as "the single most important challenge firms expect to face as a result of the pandemic" at a rate 2.5 times higher than for white firms.[28]

The scale of the wealth gap is an indicator of the scale of the resources still needed to close it. The benefits of doing so are also enormous. HOPE estimates that simply bringing the Black homeownership rate on par with white homeownership rates of 73.7%, would create an additional half a million Black homeowners in the Deep South. A recent McKinsey study found that closing the racial wealth gap could increase US gross domestic product (GDP) between $1 and $1.5 trillion by 2028.[29] While banks and other large financial institutions have a role in closing these gaps, sustained and targeted investment in CDFIs and MDIs with demonstrated a commitment to serving people of color is a proven solution for setting the nation on a path toward inclusive economic prosperity.

(2) <u>Provide long-term flexible capital that mission-driven CDFIs can tailor to meet the needs of historically marginalized communities.</u>

Among the strengths of CDFIs and MDIs is the ability to develop and deploy products tailored to the markets and communities in which they are located. This is particularly important for serving communities of color and persistent poverty regions, where a one-size-fits all approach does not work to address the fractured landscape caused by centuries of discrimination, divestment, and extraction. The structure of ECIP and support of multi-year grants from the CDFI Fund are good example of the type of long-term flexibility that is helpful to CDFIs and MDIs fulfilling the capital needs of their communities.

In addition to the terms of the capital itself, it must actually reach people of color in marginalized communities. Improvements could be made by looking beyond metrics simply related to the income-level of a community or target market. As shown by HOPE's HMDA analysis of mortgage lending by CDFI banks in Mississippi and Louisiana, where more than 30% of the population is Black, having a mission to serve low-income communities does not mean that a CDFI will serve borrowers of color. This concern expands beyond analysis of lending in HOPE's region. A recent report by the Urban Institute underscores this point that low-to-moderate income neighborhoods do not always overlap with communities or borrowers of color, and that capital access for Black mortgage loan borrowers in low-to moderate-income neighborhoods lags behind their proportional share. Urban's study concludes, that

> lending to LMI borrowers and LMI neighborhoods is not the same as lending to minority borrowers or minority neighborhoods. Moreover, LMI neighborhoods do not highly overlap with minority neighborhoods. We also find that even compared with the persistently low minority homeownership rate, minority neighborhoods do not receive their proportionate share of purchase loans from either institutions covered by the CRA…or institutions not covered by CRA…[30]

Rather than simply relying on the economic status of a target market, the CDFI Fund and Treasury can incorporate additional considerations in funding allocations to ensure a more equitable reach of these federal resources:

- Utilize the "other targeted population" framework already provided for in the Riegle Community Development and Regulatory Improvement Act of 1994. The Act's definition of "targeted populations," can either be individuals who are low-income or others who "lack adequate access to Financial Products or Financial Services in the entity's Target Market."[31] This latter category is codified as "Other Targeted Population" in the CDFI Fund Certification Guidance. It is defined as "African-American, Hispanic, Native American, Native Alaskan residing in Alaska, Native Hawaiian residing in Hawaii, Other Pacific Islander residing in Other Pacific Islands, People with Disabilities and Certified CDFIs."[32] The Fund allows other populations to be considered in this category only if "approved by the CDFI Fund before they can be included as part of an entity's Target Market for CDFI Certification purposes."
- Ensure reach into communities hardest hit by both the public and economic health impacts of COVID-19, such as mortality rates, as well as economic impact impacts (job losses, business closures, delinquency or defaults on outstanding debt and lack of access to CARES Act or other COVID-relief resources).

(3) <u>Ensure accountability and transparency in the uses of funds deployed by CDFIs, both individually and collectively.</u>

The CDFI Fund should examine and report on which populations and communities are being served by financial products and services supported by the Fund's investments, particularly by race and ethnicity. In addition to examining whether CDFIs are meeting the minimum thresholds for CDFI certification, which are often based on low-income geography or low-income borrower, the CDFI Fund should seek to understand how much CDFI lending is reaching communities of color, borrowers of color, and underserved areas such as rural areas of persistent poverty. This data should be reviewed and published in the aggregate on a regular basis to Congress and on the Treasury's website.

Track records of individual CDFIs should be examined to inform future funding decisions. The CDFI Fund should be required to consider institutions' track-record serving communities of color, persistent poverty communities or other targeted populations, and incorporating findings into funding decisions on the front end of awards and in the performance evaluation of funded CDFIs after-the-fact. Data from HMDA and soon-to-be reporting under Section 1071 should be incorporated in this review, along with data provided by CDFI's Transaction Level and Institutional Level Reports. For example, if a CDFI's mortgage lending patterns in a low-income market consistently fall below an amount that is at least proportional to the representation of borrowers of color in its target market, the CDFI Fund should structure funding to increase their performance of reaching these communities.

(4) <u>Address capital gaps historically faced by CDFIs and MDIs led by people of color, especially given their outsized impact in reaching borrowers and communities of color</u>.

Despite the deeper reach of CDFIs led by people of color, they are historically undercapitalized compared to their white counter parts. To understand the asset gap between white-led CDFIs and those led by people of color, HOPE analyzed data from CDFI Fund awardees between from 2003 to 2017. In that analysis, HOPE found, during that 15-year span, the median asset size of white-owned CDFI Fund awardees has persistently been at least twice the median asset size of CDFI Fund awardees led by a person of color.[33] In some years, it was three times as high. In looking at awards specifically from the CDFI Fund during that time (2003 to 2017), the number of CDFI Fund awardees led by people of color never exceeded more than 34% of the total number of awardees in any given year.[34]

While the asset size for all CDFI Fund awardees has grown over time, the growth has not been evenly distributed. For example, in FY 2017, white-owned awardees held $35.1 billion in assets, up from $4 billion in 2003, whereas awardees led by people of color held $5.7 billion in assets in 2017, up from $530 million in 2003. It took awardees led by people of color until 2013 --10 years--to exceed the median asset size of white awardees in 2003 ($5.5 million).[35]

Unfortunately, similar patterns of racial inequity arise in the CDFI Fund's New Markets Tax Credit (NMTC) Program as well. From 2012 to 2020, organizations led by people of color were awarded 11% ($3.7 billion) of the total NMTC allocations compared with the 89% ($29.5 billion) awarded to white-led organizations. NMTCs are allocated to Community Development Entities (CDEs), organizations that serve low-income communities, through a competitive application process. Those organizations then partner with private investors to deploy economic investments in their communities.

The outcomes of which communities benefit from NMTC investments are shaped in many ways by the Community Development Entities that receive the allocations and make decisions about which projects to fund. More than one-third (34%) of HOPE's NMTC projects have been in rural, persistent poverty communities. By contrast, just 5% of all NMTC projects during this time have been invested in rural persistent poverty counties.[36] Over half (55%) of HOPE NMTC projects have been in counties where the majority of residents are people of color, compared to 44% of all NMTC projects between 2003 and 2019.

The benefits of a NMTC allocation go beyond the critical community investments deployed by CDEs in distressed areas. A NMTC allocation also provides an infusion of capital for the CDEs (which can be CDFIs or MDIs), and earned revenue that can then be the basis for growth and attracting other types of investment for years to come. HOPE outlined several recommendations for expanding access in its recent report.[37]

(5) <u>Prioritize CDFIs and MDIs as strategic partners in deploying federal resources to financially fragile, harder to reach, and historically underserved communities.</u>

The Paycheck Protection Program demonstrated that CDFIs with long track-records of success serving communities of color are the most effective conduits for capital to places facing economic distress in times of crisis. At the same time, states, particularly in the Deep South, have shown a consistent inability to serve people of color and economically distressed communities with any sense of urgency or level of effectiveness. As noted earlier in the testimony, Deep South states' implementation of CARES Act funds to local governments made them largely out of reach for economically distressed communities and communities of color.

This problem extends beyond the deployed of local government funding. In our states' deployment of CARES Act small business funds, similar challenges persisted. For example, in Tennessee's CARES Act-fundedSmall Business Relief Program, which provided direct payments to designated businesses, 90% of the relief funds went to white-owned businesses in the state due to an underlying racially-biased funding formula.[38] In Mississippi, despite efforts by the state legislature to create a $40 million, 60-day priority set-aside for minority and women-owned businesses, the state only deployed $2 million in the designated time frame.[39]

Given these realities in our region, as programs are designed and funded by Congress to address the unique capital needs of communities of color, appropriations for HUD, Treasury, USDA, Commerce and other agencies should leverage the capacity of the CDFI and MDI Sector and fund these institutions directly to respond. There are several good examples of this approach. One good example is a proposal to make permanent a USDA pilot program to increase lending in Native Nations. During the pilot phase, two Native CDFIs (Four Bands Development Fund on the Cheyenne River Reservation and Mazaska on the Pine Ridge Reservation) made **nearly double the number of loans on their reservations than the USDA deployed on the same two reservations during the previous decade**. S. 2092 would make permanent the USDA 502 relending pilot program, harnessing the longstanding impact of Native CDFIs to increase financial inclusion in their communities.[40] As another good example, in the proposed Build Back Better Act of Nov. 21, 2021, $2.25 billion of the $10 billion downpayment assistance program for first-generation home buyers would be eligible to be administered by CDFIs and MDIs with a strong track record of serving low-income and minority communities. Another example is the proposed Rural Partnership Program, which will allow long-term, flexible capital to go from USDA directly to local partnerships, and not through the states.[41]

The State Small Business Credit Initiative (SSBCI) from 2010 to 2017 shows another key proof point of how CDFIs expand the success and reach of federal resources. Just over one-third (34%) of total SSBCI funds went to businesses located in low- to moderate- income areas. CDFIs, again, outperformed the program as whole, with 46% of lending directed to businesses in low- to moderate-income areas as compared to 32% for non-CDFI lenders.[42] The outcome of Mississippi's SSBCI 1.0 is informative as well: in Mississippi, despite nearly 50% of loans going to rural businesses, only 28% of loans were directed to businesses in low-income areas in the state. The majority of loans went to larger agriculture businesses.[43] In the first iteration of SSBCI, Treasury did not report on the extent to which these funds went to communities or borrowers of color. In this next round, Treasury and Deep South states have to opportunity to ensure a more equitable distribution of this critical capital resources.[44]

Finally, when Congress builds recapture provisions into programs to reallocate funds by underperforming states, it should ensure the flexibility to reallocate these funds to non-governmental entities such as CDFIs or MDIs. For example, a fail-safe recapture provision in programs such as the Homeownership Assistance Funds, State Small Business Credit Initiative, and Rental Assistance Funds would advance the equitable distribution of capital in states, particularly in the Deep South, that have historically struggled to deploy the money to people and communities of color.

(6) <u>CDFIs and MDIs cannot do this work alone, so require banks to do more, directly and in partnership with CDFIs and MDIs.</u>

Traditional banks, by far, have the greatest ability to invest in ways that close the financial services gap in America, both directly and through investment in CDFIs.[45] Through mechanisms such as the Community Reinvestment Act (CRA), banks should triple the amount of lending, services, and investment in underserved markets, even where they do not have branches. Long-term capital and equity investments in CDFIs and MDIs are critical to this strategy, and one that must be equitably deployed.

Consistent with historic undercapitalization for CDFIs led by people of color, bank investments motivated by the CRA have also underserved these same CDFIs. Examining the data from CDFI Fund awardees for FY 2017, HOPE analyzed trends of capital held by CDFIs that came from banks.[46] Based on an analysis of 315 CDFI Fund awardees, white-led CDFI Fund awardees held, on average, $32 million of bank-infused capital, compared to an average of $9.6 million for CDFIs led by people of color. Increasing investments to CDFI Fund awardees led by people of color at levels commensurate with the bank-infused capital investments in white CDFIs would yield an additional $2.7 billion in capital, a more than a three-fold increase in bank-infused capital.

The CRA is credited with fueling growth in the CDFI industry after 1995 changes to incentivize CRA investments in CDFIs.[47] Bank investments motivated by a race-neutral CRA created the foundation of disparities present today. Since federal government action played a role in the origins of these disparities, it can and should play a role in addressing them.

(7) Place increased priority on ensuring that MDI ownership by people of color is not lost through mergers or acquisitions.

Given the outsized impact of these institutions in providing economic opportunity in the Deep South, particularly to communities of color, future looking policy recommendations must address not only targeted infusions of federal resources, but also greater attention by regulators to prevent the loss of these institutions due to collapse or merger.

On matters of resourcing, more resources should be allocated with urgency to certify MDIs as CDFIs. Nationally, there are 518 MDI credit unions, among which only 97 are CDFI certified. Similar rates of CDFI certification among this sector exist in the Deep South (82 MDIs with 16 CDFI-certified). Whereas, larger, non-MDI banks and credit unions have access to the legal, accounting, and technology services often used to gain certification, many smaller MDIs do not have the resources or the networks to tap these resources to obtain CDFI status. As a result, the vast majority of MDIs are not certified – and therefore not eligible – for the financial resources managed by the CDFI Fund. The inability to access these resources limits the reach of these institutions and ability to tap CDFI Fund resources to grow.

The rates of certification are disturbing given the amount of contraction experienced by the MDI sector, particularly on the heels of the Great Recession where communities of color were disproportionately affected by unemployment, the foreclosure crisis, and resulting wealth drain.[48] From 2013 to 2021, the number of Deep South MDIs shrank from 121 institutions holding nearly $3 billion in assets to 82 institutions comprised of $2.7 billion.

To monitor and act on this trend, Congress should require credit union and bank regulators to report on the all merger activity inclusive of the number of mergers between MDIs and non-MDI institutions. Furthermore, when MDIs are required to merge due to regulatory action, every action should be taken by regulatory bodies and resources should be made available to support merger activity between two MDIs.

Conclusion

Given the experiences, data, and impact of CDFIs and MDIs in serving historically underserved communities, HOPE supports the "H.R. ___, Promoting and Advancing Communities of Color Through Inclusive Lending Act." Many of the specific provisions of the proposal are in alignment with HOPE's policy recommendations for continued support and improvement of the CDFI and MDI sector, and ultimately increasing the financial inclusion of borrowers and communities of color, and others who reside in historically excluded communities.

Consistent with the goal of sustaining sufficient levels of support to CDFIs to further the work of closing existing opportunity gaps, HOPE supports the proposal to allocate an additional $4 billion to the Emergency Capital Investment Fund and the ability of the CDFI Fund to utilize this allocation to deploy as grants to CDFIs, including CDFI loan funds. Because of these persistent disparities in access to CDFI Fund resources and the resulting limitations in deploying capital to communities of color, HOPE also supports the bill's proposal to allocate 40% of funding under Section 108 of the Reigle Community Development Act to minority lending institutions. HOPE supports funding available to support increasing access to technology, while at the same ensuring that the technology deployed by CDFIs and MDIs as well as other financial institutions, does not perpetuate discriminatory and predatory lending practices. Finally, the bill through its reporting requirements seeks to increase the transparency and accountability of resources flowing through Treasury and the CDFI Fund to ensure they reach communities most in need of capital access, particularly capital which opens and sustains opportunities for closing the racial wealth gap.

In a November2020 report tilted Analyzing the CDFI Asset Gap, Hope Policy Institute detailed wide disparities in the funding and asset size of Black CDFIs compared to their white counterparts, and the outsized impact CDFIs of color have in Black communities.[49] The efforts of Congress in the winter of 2020 represented an important first step at actually allocating the level of resources needed to close the racial wealth gap. Similar efforts are needed in a sustained way over time. Let's finish the job and continue to make progress through bold investments in the organizations that do it best – mission - driven CDFIs and MDIs – and bring banks into the fold along the way. Together we can right the wrongs of history and move all of us, every community towards the economic prosperity we know is possible when everyone is a part of the financial system.

---

[1] Fairlie, Robert W. "The Impact of COVID-19 on Small Business Owners: Evidence of Early-Stage Losses from the April 2020 Current Population Survey." National Bureau of Economic Research. https://www.ncbi.nlm.nih.gov/pmc/articles/PMC7461311/, June 2020.

[2] For a case study on HOPE's PPP lending and the role of technology, see Pearl Wicks and Diane Standaert, HOPE, "CDFIs' Mission-Driven Orientation Is Critical to Making Financial Technology Work for Deep South Communities," Community Development Review, Federal Reserve Board of San Francisco, Aug. 19, 2021, available at https://www.frbsf.org/community-development/publications/community-development-investment-review/2021/august/cdfis-mission-driven-orientation-is-critical-to-making-financial-technology-work-for-deep-south-communities/

[3] Mortgage Bankers Association, Press Release,"Share of Mortgage Loans in Forbearance Increases to 8.55%," June 8, 2020, https://www.mba.org/2020-press-releases/june/share-of-mortgage-loans-in-forbearance-increases-to-853

[4] Mortgage Bankers Association, Press Release, "Share of Mortgage Loans in Forbearance Decreases to 1.41 Percent in December 2021," Jan. 18, 2022, https://www.mba.org/2022-press-releases/january/share-of-mortgage-loans-in-forbearance-decreases-to-141-percent-in-december-2021

[5] Calandra Davis and Georgia Barlow, "Racial Inequities in the Distribution of Louisiana's Coronavirus Relief Funds: A Report for Community Leaders," Hope Policy Institute and Power Coalition for Equity and Justice, Apr. 16, 2021 http://hopepolicy.org/blog/deep-south-job-losses-due-to-covid-19-likely-to-far-eclipse-those-of-the-greatrecession/

[6] Id.

[7] See, U.S. Dep.'t of Treasury, Press Release, "U.S. Treasury Awards $1.25 Billion to Support Economic Relief in Communities Affected by COVID-19," https://www.cdfifund.gov/news/420 (showing that 244 credit unions and 463 loan funds received awards, as did 245 CDFIs serving rural areas).

[8] CDFI Fund, CDFI RRP Award Recipients List, June 2021, available at https://www.cdfifund.gov/news/420

[9] See, e.g., 2021 CDFI Fund Award Book, https://www.cdfifund.gov/sites/cdfi/files/2021-12/Final_2021_CDFI_Award_Book_v2.pdf (data points related to the awardees does not include data by whether the CDFI is an MDI or otherwise a CDFI led or controlled by people of color).

[10] U.S. Dep't. of Treasury, Community Development Capital Initiative (CDCI), https://home.treasury.gov/data/troubled-assets-relief-program/bank-investment-programs/cdci

[11] ECIP's enabling legislation provided that applicants must demonstrate, among other things, "that not less than 30 percent of the lending of the applicant over the past 2 fiscal years was made directly to low- and moderate income borrowers rowers, to borrowers that create direct benefits for low- and moderate-income populations, to other targeted populations as defined by the Fund, or any combination thereof, as measured by the total number and dollar amount of loans." 12 USC 4703a(b)(4)(a)

[12] NCUA, Press Release, "NCUA Issues Guidance, Announces Upcoming ECIP Action," Oct. 20, 2021, https://www.ncua.gov/newsroom/press-release/2021/ncua-issues-guidance-announces-upcoming-ecip-action

[13] Statement by Renee Sattiewhite (African American Credit Union Coalition), Maria Martinez (National Association of Latino American Credit Union Professionals) and Bill Bynum (HOPE), on NCUA guidance and upcoming action regarding the Emergency Capital Investment Program, Oct. 21, 2021, https://hopecu.org/manage/media/Statement-on-ECIP-Guidance.pdf

[14] SBA, Interim Final Rule, Apr. 21, 2020, (providing requirements for non-depository lenders which included among other requirements, "and has originated, maintained, and serviced more than $50 million in business loans or other commercial financial receivables during a consecutive 12 month period in the past 36 months…"). https://home.treasury.gov/system/files/136/PPP--IFRN%20FINAL.pdf

[15] SBA, Interim Final Rule, May 5, 2020 (providing that for non-bank lenders that are CDFIs or "a majority minority-, women-, or veteran/military-owned lender" then the threshold for previous lending would be $10 million, rather than $50 million) available at https://www.federalregister.gov/documents/2020/05/04/2020-09576/business-loan-program-temporary-changes-paycheck-protection-program-requirements-corporate-groups

[16] ECIP was established "to support the efforts of low- and moderate- income community financial institutions to, among other things, provide loans, grants, and forbearance for small businesses, minority-owned businesses, and consumers, especially in low-income and underserved communities, including persistent poverty counties, that may be disproportionately impacted by the economic effects of the COVID." 12 USC 4703a(b)(2)

[17] U.S. Dep't of Treasury, Rate Reduction Incentive Guidelines, Aug. 20, 2021, https://home.treasury.gov/system/files/136/Rate-Reduction-Incentive-Guidelines.pdf (noting "under the terms of the program, the dividend or interest rate will decrease if a participating institution increases its loan originations to target markets above certain thresholds.")

[18] U.S. Dep't of Treasury, Rate Reduction Incentive Guidelines, Aug. 20, 2021, https://home.treasury.gov/system/files/136/Rate-Reduction-Incentive-Guidelines.pdf

[19] FDIC, 2019 Minority Depository Institutions Structure, Performance, and Social Impact, https://www.fdic.gov/regulations/resources/minority/2019-mdi-study/index.html

[20] African American Alliance of CDFI CEOs, https://aaacdfi.org/

[21] African American Credit Union Coalition and Inclusiv, Advancing Racial Equity Credit Unions Fighting Economic, Social and Racial Injustice, https://www.inclusiv.org/wp-content/uploads/2021/03/Black-History-Month-2021-FINAL.pdf. Winter 2021.

[22] Expanding Black Business Credit Initiative, Letter to the OCC re: Community Reinvestment Act Regulations, Mar. 11, 2020

[23] Urban Institute, Capturing Shared Impacts of the Partners for Rural Transformation, Oct. 12, 2021, https://www.urban.org/research/publication/capturing-shared-impacts-partners-rural-transformation/view/full_report

[24] Partners for Rural Transformation, Ensuring State Small Business Credit Initiative Funds Reach Persistent Poverty Communities, June 23, 2021, https://www.ruraltransformation.org/wp-content/uploads/2021/06/SSBCI-Policy-Paper-final.pdf

[25] American Community Survey 5-Year Estimates (2009) and 1-Year Estimate (2019), Table S2502

[26] State of Mississippi, "2019 Analysis of Impediments to Fair Housing Choice," Dec. 31, 2019, Table V.8, at page 135, https://archivemhc.com/ai/MS_2019_Analysis_of_Impediments_Fair_Housing_Choice.pdf
[27] Claire Kramer Mills and Jessica Battisto, "Double Jeopardy: COVID-19's Concentrated Health And Wealth Effects In Black Communities," Federal Reserve Bank of New York, Aug. 2020, https://www.newyorkfed.org/medialibrary/media/smallbusiness/DoubleJeopardy_COVID19andBlackOwnedBusinesses (finding "Among Black-owned firms, 28% of nonemployers and 54% of employers applied for financing in the last 12 months, compared to 45% of white employer firms and 25% of white nonemployers)
[28] "Small Business Credit Survey. 2021 Report on Employer Firms," Federal Reserve Banks of Atlanta, Boston, Chicago, Cleveland, Dallas, Kansas City, Minneapolis, New York, Philadelphia, Richmond, St. Louis, San Francisco
[29] McKinsey and Company, "The Economic Impact of Closing the Racial Wealth Gap," Aug. 13, 2019, https://www.mckinsey.com/industries/public-and-social-sector/our-insights/the-economic-impact-of-closingtheracial-wealth-gap
[30] Urban Institute, Should the Community Reinvestment Act Consider Race?, Jan. 2022, https://www.urban.org/sites/default/files/publication/105283/should-the-community-reinvestment-act-consider-race_1.pdf
[31] 12 CFR § 1805.201(b)(3)(iii)(a).
[32] CDFI Fund, CDFI Certification Application (For Public Comment Only), May 2020, https://www.cdfifund.gov/sites/cdfi/files/documents/cdfi-certification-application-for-comment-may-2020.pdf. Page 56.
[33] Kiyadh Burt, "Analyzing the CDFI Asset Gap: Analyzing the CDFI Asset Gap: Examining Racial Disparities in CDFI Fund Awardees from 2003 to 2017," Hope Policy Institute, Nov. 5, 2020, http://hopepolicy.org/manage/wpcontent/uploads/CDFI-Fund-Time-Series-Analysis-brief-edited.pdf
[34] Id.
[35] Id.
[36] Id.
[37] Sara Miller, "HOPE's Strategic Use of New Markets Tax Credits Maximizes Development Impact in Distressed Communities in the Deep South," Hope Policy Institute, Sept. 8, 2021, http://hopepolicy.org/manage/wp-content/uploads/HOPE-Strategic-Use-of-NMTC-Maximizes-Development-Impact-in-Distressed-Communities-of-the-Deep-South-Brief.pdf
[38] For information on the racially-biased funding formula, see NAACP Legal Defense Fund, Letter to Governor Bill Lee Re: Tennessee Small Business Relief Program, July 6, 2020, available at https://www.naacpldf.org/wpcontent/uploads/Tennessee-Letter-2020-07-06-1.pdf
[39] Diane Standaert, "Mississippi's Small Business Relief: Gaps and Opportunities," Hope Policy Institute, Aug. 25, 2020, http://hopepolicy.org/manage/wp-content/uploads/Mississippis-Small-Business-Relief-Gaps-andOpportunities-Brief-Final-1.pdf.
[40] See, Testimony of Lakota Vogel, "Exploring How Community Development Financial Institutions Support Underserved Communities," U.S. Senate Committee on Banking, Housing, and Urban Affairs, Jan. 5, 2022, https://www.banking.senate.gov/hearings/exploring-how-community-development-financial-institutions-support-underserved-communities; See, also, Testimony of Lisa Mensah, U.S. Senate Committee on Banking, Housing, and Urban Affairs, "Examining Bipartisan Bills to Increase Access to Housing," June 24, 2021, https://www.banking.senate.gov/imo/media/doc/Mensah%20Testimony%206-24-21.pdf
[41] Aspen Institute, "Potential federal Rural Partnership Program," https://www.aspeninstitute.org/programs/community-strategies-group/the-potential-rural-partnership-program-information-page/
[42] Michael Eggleston and Lisa Locke, "The State Small Business Credit Initiative," Policy insight: Community Development at the St. Louis Federal Reserve, 2018, https://www.stlouisfed.org/~/media/Files/PDFs/Community-Development/Policy-Insights/SSBCI_Policy_Brief.pdf
[43] See, Kiyadh Burt, "The State Small Business Credit Initiative: A $3 Billion Opportunity for the Deep South," Hope Policy Institute, June 2, 2021, http://hopepolicy.org/blog/the-state-small-business-credit-initiative-a-3-billion-opportunity-for-the-deep-south/
[44] See, e.g., Partners for Rural Transformation, "Policy Brief: Ensuring State Small Business Credit Initiative Funds Reach Persistent Poverty Communities," June 21, 2021, https://www.ruraltransformation.org/wp-content/uploads/2021/06/SSBCI-Policy-Paper-final.pdf

[45] See generally, William J. Bynum, Diana Elliot, Ed Sivak, “Opening Mobility Pathways by Closing the Financial Services Gap,” 2018, https://www.mobilitypartnership.org/opening-mobility-pathways-closing-financial-services-gap

[46] Diane Standaert, Sara Miller, and Kiyadh Burt, Hope Policy Institute, “Closing Lending and Resource Gaps among CDFIs is Necessary to Ensure Financial Inclusion for Communities of Color,” June 30, 2021, http://hopepolicy.org/manage/wp-content/uploads/Closing-Lending-and-Resources-Gaps-among-CDFIs-is-Necessary-to-Ensure-Financial-Inclusion-for-Communities-of-Color-2.pdf

[47] Opportunity Finance Network, “CDFI Futures: An Industry at a Crossroads”, Mar.2016, https://ofn.org/sites/default/files/resources/PDFs/Publications/NowakPaper_FINAL.pdf (“The investor support from depositories is driven by CRA. While bank investments are private, they are shaped by a public mandate. For two decades, CRA-motivated capital has been a near perfect systems match between a rapidly consolidating banking industry and the emergence of a CDFI industry interested in markets that overlap with banks’ trade areas, but within which banks are less likely to make certain types of loans.”)

[48] Ed Sivak, “Minority Depository Institutions in the Deep South,” July 15, 2020, http://hopepolicy.org/blog/minority-depository-institutions-in-the-deep-south/

[49] Kiyadh Burt, Hope Policy Institute, “Analyzing the CDFI Asset Gap: Analyzing the CDFI Asset Gap: Examining Racial Disparities in CDFI Fund Awardees from 2003 to 2017,” Nov. 5, 2020, http://hopepolicy.org/manage/wpcontent/uploads/CDFI-Fund-Time-Series-Analysis-brief-edited.pdf