

## SENATE BANKING PANEL CONVENES HEARING TO EXAMINE CDFIS

### EXECUTIVE SUMMARY

On October 17, the Senate Banking Subcommittee on Housing, Transportation, and Community Development conducted a [hearing](#) entitled, “How Community Development Financial Institutions Promote Housing and Economic Opportunity.” Senators and witnesses expressed bipartisan support for Community Development Financial Institutions (CDFIs) generally, as well as both Democrats and Republicans emphasizing the importance of federal funding to bolster these organizations. Several senators expressed interest in bipartisan legislation to shore up support for CDFIs, and the panel’s Chair specifically emphasized support for the bipartisan CDFI Bond Guarantee Program Improvement Act ([S.869](#)) to reauthorize the existing federal [CDFI Bond Guarantee Program](#).

Witnesses discussed the potential impacts of proposed cuts to the CDFI Fund, the benefits of the CDFI Bond Guarantee Program, the importance of the New Markets Tax Credit (NMTC), and the Department of Agriculture’s (USDA) Native CDFI Relending Demonstration [Program](#). The role of CDFIs in affordable housing — including in addressing financing gaps and providing capital to Community Land Trusts (CLTs) — was also explored. Additionally, the CDFI Fund’s [proposed revisions](#) to the CDFI Certification Application were discussed, with one witness raising concerns about the potential negative impacts of the changes. Finally, the proposed Community Reinvestment Act (CRA) [changes](#) were also raised by one witness, who argued that they would benefit Native CDFIs.

### OPENING STATEMENTS

**Chair Tina Smith (D-MN)** spoke on the importance of CDFIs in facilitating access to capital in local communities, especially historically marginalized communities. The Chair argued that federal investments in CDFIs generate “strong results” because they encourage further private sector investment. Chair Smith expressed interest in collecting feedback on bipartisan proposals to support CDFIs, namely the CDFI Bond Guarantee Program Improvement Act, which she introduced with **Ranking Member Cynthia Lummis (R-WY)** and **Mike Rounds (R-SD)**. Chair Smith also indicated that she is working with Sen. Rounds and the Ranking Member on a bill to make permanent a pilot program that supports mortgage lending on Tribal lands.

**Ranking Member Cynthia Lummis (R-WY)** echoed the Chair’s comments about CDFIs role in supporting underserved borrowers. However, she criticized the Treasury Department for failing to give CDFIs “certainty and flexibility” when managing federal funding for the lenders. Specifically, the Ranking Member noted stakeholders’ concerns about efforts to revise the CDFI Certification process. Ranking Member Lummis expressed interest in examining proposals to encourage the participation of Native CDFIs.

## WITNESS TESTIMONY

**Ms. Julia Nelmark** ([testimony](#)), President and CEO of the Midwest Minnesota Community Development Corporation, described the role that CDFIs play in facilitating access to federal programs, such as her organization’s participation in the Environmental Protection Agency’s (EPA) Greenhouse Gas Reduction Fund ([GGRF](#)). Ms. Nelmark also advocated for increased appropriations for CDFIs, the permanency of the NMTC, the bipartisan Scaling Community Lenders Act ([S.1442](#)), improvements to the Low-Income Housing Tax Credit (LIHTC), and continued support for NeighborWorks America. Ms. Nelmark also spoke on the importance of increasing access to town and county-level census data in order to improve access to loans and tax credits.

**Ms. Renay Dossman** ([testimony](#)), President and CEO of the Neighborhood Development Center (NDC), emphasized the importance of CDFIs in supporting micro and small businesses in historically marginalized communities. Ms. Dossman highlighted her organization’s efforts in providing training, financing, technical assistance, and real estate incubators to entrepreneurs. She expressed support for the proposed federal appropriation of \$341 million to the CDFI Fund in Fiscal Year (FY) 2024 and commended the CDFI Bond Guarantee Program Improvement Act. Ms. Dossman recommended base funding for all CDFIs as well as competitive grants for additional performance impacts and new innovative models.

**Ms. Chrystel Cornelius** ([testimony](#)), President and CEO of the Oweesta Corporation, stressed the “severe” housing crisis in Native communities, noting what she characterized as limited access to capital for Native Americans. Ms. Cornelius praised initiatives like the NMTC Native initiative and intergovernmental partnerships — including one with the South Dakota Homeownership Coalition — which aim to address housing needs in Native communities. However, she expressed concerns about the “stagnant” appropriations for the Native American CDFI Assistance (NACA) Program and pushed for increased funding for Native CDFIs.

## DISCUSSION AND QUESTIONS

### *Federal Support for CDFIs*

- **Sen. Jon Tester (D-MT)** asked Ms. Nelmark how Congress can better support CDFIs. In response, Ms. Nelmark recommended that Congress provide more base funding to increase certainty for CDFIs and improve access to the Low-Income Housing Tax Credit (LIHTC) in rural areas.
- Ranking Member Lummis questioned the witnesses on how Congress can ensure that CDFIs have better access to stable forms of capital, particularly as it relates to Federal Home Loan Bank membership. Ms. Nelmark stated that Federal Home Loan Bank membership is inaccessible to many CDFIs that do not offer mortgage lending. Ms. Dossman reiterated her support for the CDFI Bond Guarantee Program Improvement Act to increase stable forms of capital and financing.
- **Sen. Bob Menendez (D-NJ)** prompted the witnesses to describe the potential impacts of the \$45 million in cuts to the CDFI Fund proposed in the House FY 2024 appropriations bills. Ms. Nelmark explained that the impact would be roughly a \$500 million contraction in credit, which she believed would be “devastating” to borrowers. Ms. Dossman and Ms. Cornelius agreed.

- In response to Sen. Menendez’s inquiry about the benefits of the CDFI Bond Guarantee Program, Ms. Nelmark explained that the program provides long-term, lower-cost capital that is unavailable in the traditional banking system. She voiced support for the CDFI Bond Guarantee Program Improvement Act, which she believed would increase access to capital for shorter-term community projects and investments.
- Chair Smith asked the witnesses to offer their views on the USDA Native CDFI Relending Demonstration Program. Ms. Cornelius stated that the complexity of lending on Tribal lands creates barriers to housing access. Ms. Cornelius applauded the USDA program for understanding those complexities and facilitating mortgages. Ms. Nelmark advocated for additional flexibility in the program, explaining that some Tribes do not have regulatory codes that allow for federal guaranteed and direct loans.
- In response to **Sen. Katie Britt’s (R-AL)** question about how Congress can support CDFIs so that they continue to attract private capital, Ms. Cornelius stressed the importance the proposed CRA changes, which she predicted would facilitate CRA investments in Native CDFIs. Ms. Dossman continued her push for base funding for CDFIs. Ms. Nelmark recommended an “on-ramp” for new and emerging CDFIs to access funding before joining the broader pool in order to address the industry’s “barrier to entry.”
- When Sen. Britt asked the witnesses to outline existing gaps or shortfalls for CDFIs, both Ms. Dossman and Ms. Cornelius stressed the importance of the NMTC for CDFIs in Native and historically marginalized communities. Ms. Nelmark spoke to the importance of NeighborWorks America, which she characterized as a flexible source of capital.

#### Affordable Housing

- When prompted by Sen. Tester, Ms. Nelmark described how CDFIs can enhance access to homes in “high growth” areas where housing prices have seen increases over recent years. Ms. Nelmark identified transitioning individuals from renting to home ownership as the primary challenge.
- When discussing the prevalence of homelessness with the witnesses, **Sen. John Fetterman (D-PA)** pointed to manufacturing housing as an affordable solution. Sen. Fetterman asked whether the witnesses would support increased capital for manufacturing housing. Ms. Nelmark stated that her organization is training staff to understand the differences between traditional mobile homes and Department of Housing and Urban Development (HUD)-compliant manufactured housing, which she viewed as an affordable path to home ownership.
- Sen. Fetterman described the benefits of CLTs — which allow communities to collectively own and control land — in creating affordable housing, but he noted the challenges for CLTs seeking funding in order to compete with private equity firms and market-rate buyers. Ms. Nelmark agreed CLTs face difficulties in quickly securing liquidity.
- Ranking Member Lummis observed the gap between the financing need of a project and its appraised value, which she viewed as being a barrier to affordable housing projects. Ms. Nelmark explained how her CDFI is working to draw on state and federal funding sources — including the NMTC — in order to finance affordable housing projects.

### Certification Process and CDFI Benefits

- Ranking Member Lummis asked Ms. Cornelius to provide her thoughts on the Treasury Department's efforts to revise the CDFI Certification process. Ms. Cornelius asserted that some of the proposed changes to the Certification process could be "detrimental" to Native CDFIs, such as by prohibiting interest only mortgage loans, interest loans with balloon payments, and loans with terms longer than 30 years. Ms. Cornelius was also concerned about the proposed restrictions on CDFI staff time dedicated to developmental services.
- Chair Smith prompted Ms. Dossman to elaborate on how her organization helps to facilitate small business access to capital. Ms. Dossman highlighted lack of technical knowledge and support as the primary barriers to small businesses seeking to acquire capital and federal funding. In response, Ms. Dossman stated that her organization has established a formal group for small business owners and entrepreneurs in historically marginalized communities to network and support each other.
- Ranking Member Lummis asked how CDFIs help small businesses. Ms. Dossman commented that CDFIs help entrepreneurs provide technical assistance as it relates to financial planning, accounting, and other related practices.