



U.S. HOUSE COMMITTEE ON FINANCIAL SERVICES
– CHAIRWOMAN MAXINE WATERS –
COVID-19 STIMULUS PACKAGE
EMERGENCY SUPPORT FOR COMMUNITY DEVELOPMENT FINANCIAL
INSTITUTIONS AND MINORITY DEPOSITORY INSTITUTIONS

Background

Minority depository institutions (MDI) and community financial development institutions (CDFI) play a critical role as lenders in low- and moderate-income (LMI) and communities of color. Since the establishment of the Freedman's Savings and Trust Company in 1864, MDIs — depository institutions where 51 percent or more of the stock is owned by one or more socially and economically disadvantaged individuals — have a long history in the United States of lending to communities of color. While regulators have a mandate to [preserve and promote](#) MDIs, the number of [MDI banks](#) (143 as of September 30, 2021) and [MDI credit unions](#) (509 as of June 30, 2021) has [declined](#) by about one-third over the decade following the 2008 financial crisis. Additionally, there are 1,143 CDFIs with a similar mission of delivering affordable lending options to the economically disadvantaged, especially those in LMI and minority communities. These banks, credit unions, and loan funds are certified by the [CDFI Fund](#), which is operated out of the Department of the Treasury and provides grants and other financial and technical assistance to support CDFIs. When the COVID-19 pandemic further disadvantaged these communities, [CDFIs and MDIs maintained their focus](#) on helping businesses in their target areas minimize the economic impacts. As of August 2020, 432 CDFIs and MDIs provided more than [\\$16.4 billion in PPP loans](#) to over 221,000 small businesses. Additionally, CDFIs and MDIs reached the smallest of businesses as evidenced by a much smaller median PPP loan size of about \$74,000 compared to the overall program median loan size of \$101,000.

Congress has examined the importance of MDIs and CDFIs over the past year, including through four House Financial Services Committee hearings. Chairwoman Maxine Waters (D-CA) introduced H.R. 7933, the [Promoting and Advancing Communities of Color Through Inclusive Lending Act](#) to make long overdue improvements necessary to support CDFIs and MDIs through capital investments, grants, deposits, and partnerships. Because communities of color continue to be harmed by the COVID-19 pandemic, Chairwoman Waters worked with Senator Mark Warner (D-VA) to include significant portions of H.R. 7933 into the COVID-19 Stimulus Package.

Summary of Subtitle C

Subtitle C of the COVID-19 Stimulus Package provides a historic investment in our nation's CDFIs and MDIs, including:

- **\$9 billion Emergency Capital Investment Program.** The bill establishes a \$9 billion Emergency Capital Investment Program, administered by the Department of the Treasury, to provide low-cost, long-term capital investments to MDIs and CDFIs that are depository institutions.
 - [Expanding Support for Minority Communities:](#) Participants must develop and comply with a plan to maintain or expand significant lending or investment activity in LMI minority communities, especially those disproportionately impacted by COVID-19, and minorities with significant unmet capital or financial services needs.
 - [Small Lender Set-Aside:](#) To ensure that the smallest CDFIs and MDIs have access to the capital program, \$4 billion will be set aside for institutions with under \$2 billion in total assets, of

which \$2 billion will be set aside for institutions with under \$500 million in total assets.

- **\$3 billion Emergency Support through the CDFI Fund.** The bill provides an unprecedented \$3 billion to the CDFI Fund to provide grants and other financial and technical assistance to CDFIs, including CDFI loan funds, as they serve consumers, small businesses, and nonprofits in their communities responding to the coronavirus pandemic.
 - Immediate Support: \$1.25 billion of these funds will be available for the current fiscal year for the CDFI Fund to award grants and other financial assistance to help CDFIs serve their communities responding to the economic hardships created by the pandemic.
 - Supporting Minority Lending Institutions: \$1.75 billion of these funds will be available until they are expended to provide additional grants and financial assistance to CDFIs. Of these funds, \$1.2 billion are reserved for “minority lending institutions,” a new category of CDFIs that predominantly serve minority communities and are either MDIs or meet other standards for accountability to minority populations as determined by the CDFI Fund.