



3138 10th Street North
Arlington, VA 22201-2149
703.522.4770 | 800.336.4644
f: 703.524.1082
nafcu@nafcu.org | nafcu.org

National Association of Federally-Insured Credit Unions

October 16, 2023

The Honorable Tina Smith
Chair
Subcommittee on Housing, Transportation,
and Community Development
United States Senate
Washington, DC 20510

The Honorable Cynthia Lummis
Ranking Member
Subcommittee on Housing, Transportation,
and Community Development
United States Senate
Washington, DC 20510

Re: Tomorrow's Hearing: "How Community Development Financial Institutions Promote Housing and Economic Opportunity"

Dear Chair Smith and Ranking Member Lummis:

I write to you today on behalf of the National Association of Federally-Insured Credit Unions (NAFCU) in conjunction with tomorrow's Subcommittee hearing, "How Community Development Financial Institutions Promote Housing and Economic Opportunity." NAFCU advocates for all federally-insured not-for-profit credit unions that, in turn, serve over 138 million consumers with personal and small business financial service products. We would like to take this opportunity to highlight the importance of community development financial institutions (CDFIs) and the role they play in providing commonsense housing solutions for underserved communities while addressing America's housing affordability crisis. Credit unions now make up the largest group of institutions in the CDFI Fund as they continue to focus on serving rural, low-income, and underserved communities and increasing their presence in these areas. We thank you for your leadership on CDFI issues and for holding this hearing.

The housing market is a critical aspect of our nation's economy, and the future availability of affordable housing is of great importance to our nation's credit unions and their 138 million members. Roughly 40 percent of certified CDFIs are credit unions, serving a large portion of communities that have historically been underserved by mainstream financial institutions. CDFIs provide access to essential financial services, such as lending, investments, and other forms of funding. Credit unions continue to provide quality loans through solid underwriting practices, and we look forward to continuing being a part of affordable housing solutions that work for everyone.

Unfortunately, recent actions by the CDFI Fund have created challenges with CDFI recertification, and the Fund has been in a months-long blackout period in which it is not accepting new applications at all. This uncertainty with the Fund has made it more difficult for financial institutions to provide support for the communities the CDFI Fund is intended to help. In particular, we do not believe the CDFI Fund should be creating additional mortgage underwriting

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requirements than what have been established by banking regulators for regulated financial institutions as part of its certification process. Doing so could make mortgage lending more burdensome and costly for credit union CDFIs.

We believe Congress plays an important role in ensuring that the CDFI Fund is working for community financial institutions and the communities that they serve. Along those lines, Senators Steve Daines (R-MT), Mark Warner (D-VA), Mike Crapo (R-ID), and Raphael Warnock (D-GA) introduced S. 2674, the CDFI Fund Transparency Act. This bill will promote oversight and help enable Congress to ensure the Fund is carrying out its intended mission to help low-income and underserved communities by requiring annual testimony on the CDFI Fund. NAFCU strongly supports this legislation and urges the Committee to advance this measure.

NAFCU is also pleased to support S. 869, the CDFI Bond Guarantee Program Improvement Act. The Bond Guarantee Program has provided more than \$2 billion in guarantees to support lending and investment in underserved communities. The CDFI Bond Guarantee Program provides a valuable line of long-term capital to CDFIs through the Federal Financing Bank. This legislation reduces the minimum loan amount, creating an immediate and positive impact on CDFIs and the communities they serve.

We thank you for your leadership and appreciate the opportunity to share our thoughts on utilizing credit unions and CDFIs to improve housing affordability issues. We look forward to continuing to work with you on this and other issues of importance to credit unions. Should you have any questions or require any additional information, please do not hesitate to contact me or Amber Milenkevich, NAFCU's Senior Associate Director of Legislative Affairs, at amilenkevich@nafcu.org.

Sincerely,



Brad Thaler
Vice President of Legislative Affairs

cc: Members of the Subcommittee on Housing, Transportation, and Community Development