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August 18, 2020

The Honorable Maxine Waters
Chairwoman
Committee on Financial Services
U.S. House of Representatives
Washington, D.C. 20515

The Honorable Gregory W. Meeks
Chairman
Subcommittee on Consumer Protection and Financial
Institutions
Committee on Financial Services
U.S. House of Representatives
Washington, D.C. 20515

Dear Chairwoman Waters and Chairman Meeks:

On behalf of community banks across the country, with more than 52,000 locations, I write today to thank you for your efforts to advance legislative proposals that will strengthen and promote Minority Depository Institutions (MDIs) and Community Development Financial Institutions (CDFIs). There are currently approximately 250 CDFI banks and 143 Minority Depository Institutions in the United States. Their numbers are small but their impact in their communities is enormous. The Financial Services Committee has done excellent work this Congress shining a spotlight on MDIs and CDFIs and the exceptional work they do helping minority businesses and minority and low-income individuals in their communities. ICBA was proud to have two of our Minority Bank Council members testify in hearings before the Committee to talk about their experiences as MDIs and CDFIs and the unique challenges these institutions face as they serve their communities.

Many of the MDI- and CDFI-focused legislative proposals you have advanced are much needed and long overdue. We are especially supportive of provisions that would spur the creation of de novo MDIs; streamline the CDFI application and recertification process; and provide financial and technical assistance to MDIs and CDFIs. In addition, we support legislative provisions that would:

- Fund the CDFI Fund’s Loan Loss Reserve Fund for small dollar loans
- Provide additional appropriations for the CDFI Fund to provide technical assistance to CDFIs
- Provide capital investments and low-interest loans to MDIs

The Nation’s Voice for Community Banks.®

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- Create an “Impact Bank” designation for institutions that are providing the majority of their loans to low-income borrowers, so that assistance can be directed to those institutions that are having the greatest impact in low-income communities
- Phase in capital requirements for de novo MDIs and Impact Banks to allow them 3 years to meet full capital requirements. Start-up capital is often the greatest impediment to forming a new bank and this provision would help spur the creation of new MDIs and Impact Banks
- Codify and strengthen Treasury’s mentor-protégé program by analyzing the efficacy and financial benefit of these programs to the participants
- Streamline the CDFI application and recertification process

As you move forward, we urge you to allow MDIs and CDFIs as much flexibility as possible to create loan products that meet the needs of their communities and to not include restrictions that will unnecessarily hamper their ability to meet those needs. In particular, we oppose any prohibition on banks that participate in a newly created capital investment or loan program from offering any loan products with an “all-in” APR over 36 percent, in accordance with the Military Lending Act. Unlike the current Truth-in-Lending Act APR (TILA APR), the Military APR includes other fees, such as annual, transaction, and cash advance fees in the rate calculation. As a result, even low-rate small dollar loans by CDFIs and MDIs can exceed the 36% threshold. Such a provision would reduce participation in these programs and many consumers who currently rely on small loans from CDFIs and MDIs to weather a financial shocks or smooth income fluctuations, could be forced to turn to other sources for short-term financing needs, including pawn shops, auto title loans, and payday loans.

Thank you again for your recognition of the essential role MDIs and CDFIs play in their communities. We look forward to continuing to work with you to enact many of these proposals into law and help MDIs and CDFIs carry out their missions of helping their communities weather the economic storms and thrive.

Sincerely,

/s/

Rebeca Romero Rainey
President & CEO

CC: Members of the House Committee on Financial Services