

Remarks by
Tony T. Brown, Director

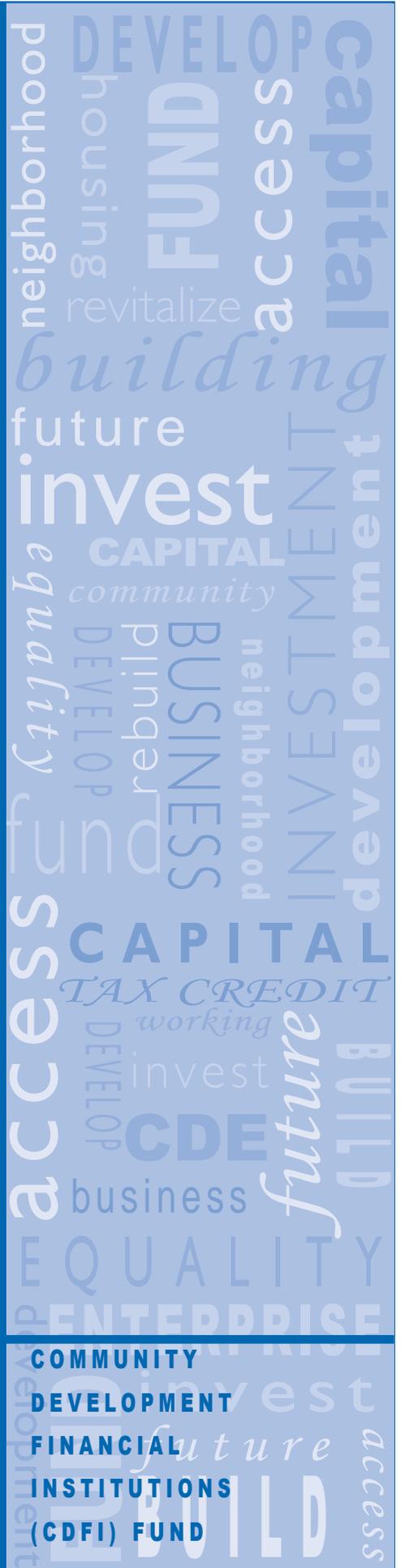
Community Development Financial
Institutions Fund (CDFI)

at the

15th Anniversary Celebration
for the
Washington Area Community
Investment Fund

Washington, DC
Tuesday, October 15, 2002

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COMMUNITY
DEVELOPMENT
FINANCIAL
INSTITUTIONS
(CDFI) FUND

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Good evening and thank you Sam for the kind introduction. I want to thank you for inviting me to speak at this celebration that marks 15 years of service to the low-income communities of the Washington metropolitan area. You, and all the members of the WACIF family, are to be commended for the tireless efforts you make to improve the lives of so many in the Capitol area.

President Bush often reminds people that the great strength in America is not in our governments. The great strength in America is in the hearts and souls of citizens all around our country. The great strength in America is embodied in those who work, such as you, in community-based institutions across the country.

You should give yourself a hand.

It gives me great pleasure to be here today to represent the CDFI Fund, as well as to bring you warm greetings from the Secretary of the Treasury, Paul O'Neill.

I value the important work of organizations around the country like the Washington Area Community Investment Fund (WACIF). We have a bond that joins us – a commitment to serve low-income communities and to better the lives of those who live there.

I understand the valuable role that you play, and it's in this spirit of partnership that I am here today. Let me share some more of my history:

This morning, President Bush hosted the White House Conference on Increasing Minority Homeownership to discuss public and private sector efforts to address the disparities in homeownership and to increase the number of minority homeowners.

The facts are disturbing. Even though the overall homeownership rate in the U.S. has reached an all-time high of nearly 68 percent, recent census data shows that non-Hispanic whites have a 74.3% homeownership rate compared to African-Americans

who have a 48% rate, Hispanics a 47.6% rate, and Asian-Americans and other races a 53.7% homeownership rate.

To address this situation, the Administration is working to increase the minority homeownership rate through new initiatives as well as through existing federal programs, including:

Providing downpayment assistance through a proposed \$200 million a year American Dream Downpayment Fund in addition to current federal programs such as the CDFI Fund;

Increasing the supply of affordable homes through a proposed \$2.4 billion Single-Family Affordable Housing Tax Credit;

Increasing support for self-help homeownership programs by including in his budget an increase in funding for organizations such as Habitat for Humanity;

Simplifying the home buying process and increasing education through a proposed "Homeowner Bill of Rights" and by expanding federal financial literacy programs.

The homeownership rate is not the only disturbing news. Three weeks ago, the Census Bureau released some troubling news. The Median Household Income declined by 2.2% to \$42,200, or \$900 from the year before.

After falling for four consecutive years, the nation's Poverty Rate rose from 11.3% in 2000 to 11.7% in 2001! In addition, the number of poor living in the U.S. also increased by 1.3 million to 32.9 million poor in 2001.

This factor is particularly troublesome for Black and Hispanic households whose population living below poverty is almost three times higher than the non-Hispanic White population.

Here in DC the news is even worse, the Poverty Rate rose from the average for 1999-2000 of 15% to 16.7% for 2000-2001. This means that one in every five D.C. resident lives in poverty.

Why am I sharing this news. Simply, if income declines and the cost of housing rises, as is the case here in the District, then the purse strings are only tighter; making it seem even more impossible for many in our area, and across the nation, to own their own home.

Yet, you know and understand this problem because you are on the front lines. You understand that to address these growing problems we must encourage a diversity of financing and community economic development programs in order to foster innovative partnerships that will help build healthy and sustainable communities and turn back these recent trends.

I applaud you, and many of the other CDFIs located in Washington, for joining forces to address the need for quality affordable housing and needed community facilities in Columbia Heights, Mount Pleasant, Adams Morgan among other neighborhoods and in Northern Virginia and Prince George's County in Maryland.



Donna, I also encourage you to pursue your desire to expand into business lending in order to help DC entrepreneurs with the financing needed to expand or create new businesses that will help provide our neighbors with jobs.

Now, for those of you who may not know, let me spend a little time explaining whom we are and what we can do to help.

The mission of the CDFI Fund is to expand the capacity of financial institutions to provide credit, capital and financial services in economically distressed rural and urban communities. Put simply, the CDFI Fund invests in institutions that in turn provide capital and financial services to underserved people and communities.

Since 1996, investments in certified CDFIs have been the cornerstone of the CDFI Fund. To date, the Fund has made almost 1,500 awards totaling over \$600 million to financial institutions dedicated to community development lending and investment activities.

These investments and awards to financial institutions have been leveraged 8:1, meaning that awardees raised an additional \$4.8 billion. Fund awards and the resulting leverage have helped finance more than \$6 billion in loans, investments, technical assistance, and services in distressed communities across the nation. In the District alone, we have awarded over \$10.7 million to CDFIs and banks since the Fund was created in 1996.

The objectives of the CDFI Fund's investments are simple and clear:

1. Our goal is to increase financing to businesses and individuals desiring to start or expand businesses with low wealth, limited capital and are located in underserved communities;
2. We are committed to helping President Bush achieve his affordable housing agenda by funding CDFIs whose financing activities expand the supply and quality of housing units for underserved communities and populations; as well as increase homeownership rates among minority groups;
3. We desire to lead the Administration's efforts in financial literacy by expanding access to affordable financial services to the unbanked, low-income persons and others in underserved communities.
4. Our tool to help the nation achieve these goals is simply – capital. You know, capital is that green or gold stuff that keeps this nation's economy churning.

It's the access to capital, or the lack thereof, that can be an impediment to building healthy communities.

The CDFI Fund promotes access to capital and local economic growth in three ways:

- through our CDFI Program by directly investing in and supporting community development financial institutions (CDFIs);
- through our Bank Enterprise Award (BEA) Program by providing an incentive to banks and thrifts (FDIC-insured depositories) to invest in CDFIs and in their communities, and
- through our newest program - the New Markets Tax Credit (NMTC) Program by providing an allocation of tax credits to Community Development Entities

(CDEs) which enable them to attract investment from the private sector and then reinvest these dollars in low-income communities.

CDFIs are specialized financial institutions that work in market niches that have not been adequately served by traditional lenders.

The organizations we support are able to lend in ways that are more flexible or innovative than traditionally regulated financial institutions. To date, we have certified 603 financial institutions as CDFIs across the country. The organizations we certify at the Department of the Treasury are engaged in a variety of activities.

We continue to certify and re-certify about 200 new CDFIs each year. Yet, it's not the number of CDFIs certified that you should be impressed with. It's the fact that these CDFIs service 98% of the nation's most distressed urban and rural communities.

These CDFIs, through compassion and community activism, have built a financial network that is dedicated to improving the lives of our most economically deprived communities and citizenry. The reach of this financial network is unprecedented and impressive.

The new paradigm at the CDFI Fund is to view our partnership with CDFIs as a catalyst for vigorous community and economic development financing activity.

The CDFI Fund is not a Federal regulator like the Office of the Comptroller of Currency, or OCC, which regulates national banks. No, we do not regulate CDFIs. I like to refer to us as "determinators." The Fund is determined to see low income communities thrive.

We are determined to foster the growth of more CDFIs with sufficient equity capital to provide the needed financial services that can make a difference in the lives of their customers.

We are determined to see partnerships between CDFIs and with other community-based organizations strengthen and grow to achieve President Bush's vision of a prosperous America for all Americans.

The CDFI Fund is a lifeline and we are committed to our mission of expanded access to capital. We are committed to building the financial strength and capacity of this CDFI financial network so that they can do more to improve the lives of Americans.

We are determined to see this happen!

Now, let me bring it back home, back to DC.

You have probably been wondering what is the meaning of this map next to the podium. Can you see the areas in blue? These are the areas of the DC metropolitan statistical area, a census bureau term, that qualify for investments from the CDFI Fund.

The DC MSA (which includes parts of Maryland, Virginia and West Virginia) has 1041 census tracts. Based on 1990 Census data, 49% of these tracts meet Treasury's definition of an underserved area, or what we call an Investment Area. These blue areas represent geographies where 37.4% of the area's population lives.



Do you see the red areas? These areas also qualify for the Fund's investments but these are areas that we have deemed to be highly distressed. These are what we call "Hot Zones" and they represent 3% of the DC MSA's total census tracts.

Commencing with the upcoming round of our funding programs, the CDFI Fund will introduce "Hot Zones" to help prioritize and direct its investments.

We want to do more for distressed areas in DC and around the country and I am convinced that the introduction of Hot Zones in our competitive funding process will allow us to do just that.

Let me now spend a few moments to tell you about our newest program. A program that I believe can have a great impact on the District.

In December 2000, the Community Renewal Tax Relief Act was signed into law. This law created the New Markets Tax Credit Program.

The New Markets Tax Credit Program is designed to help stimulate up to \$15 billion, yes billion, of needed private sector investments in low-income communities across the country. The NMTC Program offers us a tremendous chance to focus on these communities in an unprecedented manner.

The NMTC program is designed so that community economic development organizations, such as WACIF, can be empowered with the cash to make a difference in low-income areas.

We expect to allocate up to \$2.5 billion in such equity for the most recent allocation application round. The deadline for the first competitive round for allocations was August 29, 2002 and these applications are currently undergoing a very competitive review process.

The need for equity capital in low-income communities is significant as witnessed by the inaugural round of the New Markets Tax Credit Program. In August, we received 345 applications requesting almost \$26 billion in allocated equity.

We cannot overstate the importance of the NMTC Program and our hope that this program will generate sustainable financial returns and investments that enrich our low-income communities.

By offering a tax credit, the New Markets Program encourages private investment in underserved communities in an unprecedented manner. If investors embrace the program, it will be a significant source of new capital that will help to stimulate new industries and entrepreneurs, and to generate new jobs in low-income communities.

In the months ahead, we will continue to ask the investment community to step up in a bold way. Our low-income communities are in need of investment and venture capital.

In less than seven years time, when we look back, we hope to say that the NMTC Program put significant amounts of private sector capital to work in the areas where it was needed most. We know that you too share this vision.

In conclusion, I believe that the CDFI Fund has been a valuable program of matching the capital raised by local communities to serve the credit needs of underserved populations. We will continue to work with our partners, like WACIF, across the country to develop the best tools to meet the needs of our nation's low-income communities and to help make the CDFI Fund even more important to your capital fund raising needs.

President Bush expressed that his vision for the country is to provide economic prosperity and security for America's citizens.

At the CDFI Fund, we play an active role in the President's vision for a more prosperous America.

We believe that ALL Americans should have access to capital, credit and financial services.

We believe that communities in need, can be improved.

We believe in you and the potential that you can make in the lives of your customers and the communities you serve, or plan to serve.

It has been an honor to join you today and I look forward to working with you in the months to come.

Thank you very much.

