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The Honorable Tina Smith
Chairwoman
Housing, Transportation, and Community
Development Subcommittee
Committee on Banking, Housing, and Urban Affairs
United States Senate
Washington, DC 20510

The Honorable Mike Rounds
Ranking Member
Housing, Transportation, and Community
Development Subcommittee
Committee on Banking, Housing, and Urban Affairs
United States Senate
Washington, DC 20510

Dear Chairwoman Smith and Ranking Member Rounds,

On behalf of the Credit Union National Association (CUNA), thank you for holding today's hearing, "Exploring How Community Development Financial Institutions Support Underserved Communities." CUNA supports the Community Development Financial Institutions (CDFI) Fund and represents the interests of the 417 CDFI-certified credit unions in the United States. CUNA represents America's credit unions and their more than 120 million members.

Nearly one in three CDFI-certified institutions and loan funds are credit unions. The mission of CDFI financial institutions is vital to reaching and meeting the financial services needs in traditionally underserved areas and populations in both rural and urban America. CDFI certification provides federal resources and creates a favorable regulatory environment to facilitate meeting the needs of these communities and providing accessible and affordable access to mainstream financial services such as credit products and checking accounts. Deposits at CDFI-certified credit unions are insured by the National Credit Union Share Insurance Fund, which administered by the National Credit Union Administration (NCUA).

The CDFI Fund was established in 1994 by the Riegle Community Development and Regulatory Improvement Act and is administered by the U.S. Treasury Department. It makes capital grants, equity investments and awards for technical assistance to community development financial institutions (CDFIs). Examples of CDFIs include community development banks, community development credit unions, community development loan and venture capital funds, and microenterprise loan funds. CDFIs are required to provide a 1:1 match for most of the awarded funds, which are offered on a competitive basis. CDFIs finance community development initiatives such as small businesses, community facilities, and low-income housing. The CDFI Fund also administers the New Markets Tax Credit program, which provides tax credits to Community Development Entities (CDEs) which in turn provide the tax credits to entities which invest in the CDEs.

CDFIs such as Community Development Credit Unions (CDCUs) are charged with supplying low-income, distressed communities with traditional banking services such as savings accounts and personal loans, and offering individuals the tools needed to become self-sufficient stakeholders in their own future. The CDFI Fund uses small amounts of federal dollars to leverage significant amounts of private and non-federal dollars, and has added a tremendous boost to the CDFI industry (which relies heavily upon private sector funds from corporations, individuals, religious institutions, and private foundations).

Community Development Credit Unions (CDCUs) grow local economies and serve the most economically distressed communities in the nation. Support for these institutions, as well as providing full funding for the CDFI Fund, are good investments by the federal government. Good paying jobs lead to more tax revenue and less dependence on the federal social safety net.

More broadly, we believe it is critical that all underserved communities have access to a trusted, local financial partner as they save for retirement, respond to unexpected financial needs, and obtain loans for homes, cars, and businesses. Credit unions are proud to be that partner—but archaic field of membership restrictions prevent most from expanding to help those who are most in need.

The Expanding Financial Access for Underserved Communities Act would significantly address the epidemic of the unbanked and underbanked in the United States by making it easier for consumers in areas without sufficient financial services providers to access credit unions. We strongly support this legislation, which would make three changes to the Federal Credit Union Act to enable and encourage credit unions to serve underserved and abandoned communities and promote financial inclusion to all at no cost to the taxpayer.

First, the legislation would allow all federal credit unions to add underserved areas to their field of membership. Under current law, only multiple common bond credit unions can add underserved communities. Multiple common bond credit unions serve groups that have a definable common bond of association or occupation. Second, the legislation exempts business loans made by credit unions to businesses in underserved areas from the credit union member business lending cap. Finally, the legislation expands the definition of an underserved area to include any area that is more than 10 miles from the nearest branch of a financial institution. Currently, there are two other ways that an area can qualify as underserved: (1) Community Development Financial Institution (CDFI) Area or (2) New Markets Tax Credit Area. Adding this third path for an area to be designated underserved is designed to address the epidemic of rural banking deserts and ensure the availability of cooperative financial services for all.

The Expanding Financial Access for Underserved Communities Act represents a significant step forward toward financial inclusion. CUNA urges strong support for this legislation. On behalf of America's credit unions and their 120 million members, thank you for holding this hearing and for your consideration of our views.

Sincerely,



Jim Nussle
President & CEO