

Congress of the United States
Washington, DC 20515

April 24, 2020

The Honorable Steven Mnuchin
Secretary
U.S. Department of the Treasury
1500 Pennsylvania Ave. NW
Washington, D.C. 20220

The Honorable Jerome H. Powell
Chairman
Board of Governors of the Federal Reserve System
20th Street & Constitution Avenue, NW
Washington, DC 20551

Secretary Mnuchin and Chairman Powell:

We write to you concerning the country's Minority Depository Institutions (MDIs) and Community Development Financial Institutions (CDFIs). These institutions bank communities that are the most vulnerable in ordinary economic circumstance but are even more exposed to the impacts of the coronavirus pandemic – both physically and economically. While the Federal Reserve and Treasury Department have demonstrated important leadership to-date in responding to the COVID-19 pandemic, much work remains to be done in supporting MDIs and CDFIs as we respond to the credit needs of the communities and small businesses that will disproportionately shoulder the burden of the economic downturn. With these concerns in mind, we offer the following recommendations that we believe are within your existing authority to fulfill.

First, MDIs and mission-oriented lenders like CDFI banks in good financial standing should be afforded primary credit status to the discount window so long as the national emergency declaration remains in place. Access to lower cost funding will allow these institutions to provide more loans and credit products to the low- and moderate-income (LMI) communities they serve, as well as to communities of color which have been disproportionately impacted by the COVID-19 pandemic.

We also believe the Treasury Department's CDFI Fund Program should be leveraged, where appropriate, to provide federal resources dedicated to enhancing the Tier 1 Capital of MDIs and CDFIs that support underserved communities. A critical component of the resilience of the banking sector is the amount of Tier 1 Capital it has. Insufficient Tier 1 Capital not only limits banks in the amount of deposits they can take in, but also hampers their ability to weather loan losses. Amidst this unprecedented economic shock, many financial institutions, especially those in hard-hit underserved and minority communities, will have increased delinquent loans. Leveraging Treasury's CDFI Fund Program to provide direct Tier 1 capital support to MDIs and CDFI banks that support LMI communities would have a major impact on these financial institutions without triggering Bank Holding Companies Act limitations.

Minority and LMI communities face financial devastation as a result of the COVID-19 pandemic. We have an obligation to act with urgency to avert an economic collapse in these communities, which we can accomplish in part by offering greater direct support to the financial institutions most focused on serving these under-banked communities, and ensuring that diverse small businesses, nonprofits, LMI communities, and communities of color receive the financial support and emergency relief they so desperately need. Providing direct support to the nation's MDIs and CDFIs is vital if our efforts are to ensure that every community in the country can take part in our nation's post COVID-19 economic recovery. What's more, doing so has positive multiplier effects in part by crowding-in other private capital. We look forward to working with you on these specific and impactful policy priorities, and request that you respond to this letter by April 30, 2020.

Sincerely,

Gregory W. Meeks
Member of Congress

Kamala D. Harris
US Senator

Emanuel Cleaver
Member of Congress

Cory A. Booker
US Senator

Al Green
Member of Congress

Doug Jones
US Senator

Joyce Beatty
Member of Congress

Chris Van Hollen
US Senator

Ayanna Pressley
Member of Congress

David Scott
Member of Congress