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## **Bush Reversal Would Give More to Development Fund**

By: Katie Kuehner-Hebert

In a reversal of its previously stinting ways, the Bush administration is increasing its proposed 2008 budget for the Community Development Financial Institutions Fund by 376% from the amount requested for this fiscal year. Financial institutions and their trade groups are viewing the budget request as an encouraging sign. The funding recommendation in past years has been so low, they said, that it would have, in effect, shut down the program. The fund's new director, Kimberly A. Reed, was mum on the reasons for the about-face, but she said in an interview Wednesday that the administration now supports the CDFI program "because we believe that it stimulates economic growth and job creation and it increases private-sector investments in underserved communities."

The Treasury Department each year awards grants from the fund to certified community development financial institutions, which include banks, thrifts, credit unions, and loan funds. To be certified by the Treasury, a financial institution must have a primary mission of serving distressed communities in a specific market and promise to match the government money. The administration is proposing a \$28.6 million appropriation for the fund in fiscal 2008.

It requested \$7.6 million for this fiscal year, but Congress approved \$54.5 million, the same amount the program got the preceding year. The \$7.6 million would have been just enough to pay for managing existing portfolios -- with nothing for new grants.

James Ballentine, the director of housing and economic development at the American Bankers Association, speculated that the administration's about-face has to do with being practical. He said that he suspects the administration was tired of having its proposals rejected every year by a Congress generally supportive of the program on both sides of the aisle.

The CDFI Fund was created in 1994 and, in its initial years, got annual increases in appropriations. Funding peaked at \$118 million in fiscal 2001. Since 2002 the Bush administration

has proposed zero-out or significantly reduced funding each year and has suggested moving the program to the Department of Housing and Urban Development.

Bankers and trade group officials representing CDFI-qualified institutions said they were encouraged by the apparent change of heart. "It's not as much as we would like, but at least it's an acknowledgement that the fund has value," said Joe Black, a vice president at Southern Development Bancorp in Arkadelphia, Ark., a holding company for CDFI institutions. "We're starting to see a reverse in the recent trends, and we think this is a sign of good things to come."

Mark Pinsky, the president of the trade group Opportunities Finance Network in Philadelphia (formerly the National Community Capital Association), said he believes that the administration's budget increase comes largely from the fact that Ms. Reed and her boss, Treasury Secretary Henry Paulson, "personally 'get it.' " Ms. Reed and Mr. Paulson understand that government can work with private enterprises to spur wealth creation in distressed communities, Mr. Pinsky said.

"Every dollar that the Bush administration funds leverages \$27 in private investment," he said. "They know that the money will be put to good use." The CDFI Fund's "Fiscal 2006 Performance and Accountability Report" said that 186 CDFIs had leveraged their awards with \$1.4 billion in other money, far exceeding the required dollar-for-dollar match. This enabled them to open 13,992 checking accounts for unbanked people, make 2,000 mortgages, finance the construction or rehabilitation of 26,832 affordable-housing units, and give financial literacy and other training to 147,787 people.

Mr. Pinsky said that his trade group is lobbying Congress to appropriate \$100 million for next fiscal year, nearly double this year's appropriation. It is likely Congress will oblige, he said, or at least significantly raise the program's funding above the current amount.

"There is a change in the way the winds are blowing out of the White House," he said. The administration's apparent new direction jibes "with the winds we already know are in Congress," he said.

The ABA's Mr. Ballentine, however, was less bullish on the prospects for a substantial increase. When Democrats took control of Congress, he said, they indicated a preference for a "pay as you go" appropriations process as a budget-balancing tactic.

If Congress increases funding for this Treasury program, under pay as you go, it would need to trim an offsetting amount from another Treasury program, he said. Since everyone is lobbying for increases, some programs may not get as much as supporters would like, he said.

"But we think the CDFI program warrants an increase in funding because it's stood the test of time to prove that it's worthy," Mr. Ballentine said.