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United States Senate

COMMITTEE ON BANKING, HOUSING, AND
URBAN AFFAIRS

WASHINGTON, DC 20510-6075

LAURA SWANSON, STAFF DIRECTOR
BRAD GRANTZ, REPUBLICAN STAFF DIRECTOR

February 8, 2022

The Honorable Gene L. Dodaro
Comptroller General of the United States
U.S. Government Accountability Office
441 G Street, NW
Washington, D.C. 20548

Dear Comptroller General Dodaro:

Congress appropriated unprecedented levels of additional funding to benefit Community Development Financial Institutions (CDFIs) and Minority Depository Institutions (MDIs) in 2021. In fact, Congress provided \$12 billion in new taxpayer money to benefit CDFIs and MDIs—more than 40 times the size of any prior annual appropriation to the CDFI Fund.

Specifically, in the Consolidated Appropriations Act, 2021 Congress appropriated \$3 billion to Treasury's CDFI Fund Rapid Response Program (RRP) and \$9 billion for the new Emergency Capital Investment Program (ECIP) to purchase preferred stock and subordinated debt interests in CDFIs and MDIs. Congress also gave a further \$270 million in annual appropriations to Treasury's CDFI Fund, which is more than a quintupling in annual appropriations since Treasury began administering the program in 1995. Further, CDFIs and MDIs served as a conduit for Paycheck Protection Program (PPP) loans. According to the Small Business Administration, CDFIs and MDIs provided over \$16.4 billion of the \$790 billion in total PPP loans disbursed.

Given the unprecedented amounts of taxpayer resources Congress directed to Treasury, CDFIs, and MDIs for pandemic response, it is vital policymakers know how effective these programs have been in helping to revitalize distressed areas and fill any gaps in access to credit for small businesses, as the program was originally intended to do. As Ranking Member of the Senate Committee on Banking, Housing, and Urban Affairs, I request that GAO examine and report on the following questions:

1. How did Treasury allocate funding and investments from the CDFI Fund (including the RRP) and ECIP to qualifying institutions?
2. How did Treasury design and implement programs under the CDFI Fund (including the RRP) and ECIP to ensure the prompt distribution of funds and program and payment integrity, and what was the effect of Treasury's decision to remove various evaluation steps from the CDFI RRP application process?
3. What were the quantifiable economic impacts of taxpayer funding and investments from the CDFI Fund (including the RRP) and ECIP, and what mechanisms are in place to measure the effectiveness of that funding and those investments in recipient communities?

4. What mechanisms are in place to understand whether taxpayer funding and investments crowd out private credit or duplicate what would otherwise be available to borrowers?
5. How did the recipients and investees use the funds received from the CDFI Fund programs (including the RRP) and the ECIP investments?
6. What are the characteristics of institutions that received funding and investments from the CDFI Fund (including the RRP) and ECIP, including location and size?
7. What are the characteristics of the businesses and communities that received funding and investments from the CDFI Fund (including the RRP) and ECIP, including location, demographics, and socio-economic indicators (such as average income and poverty rate)?

I appreciate your attention to this issue. Please direct communication on this work to my staff, John Crews, at (202) 224-7391.

Sincerely,

A handwritten signature in blue ink that reads "Pat Toomey". The signature is written in a cursive style with a large, looping initial "P".

Pat Toomey
Ranking Member