

Testimony of William Bynum
Enterprise Corporation of the Delta and Hope Community Credit Union

House Financial Services Committee

“Community Development Financial Institutions: Their Unique Role and Challenges Serving Lower-Income, Underserved and Minority Communities”

March 9, 2010

Mister Chairman, Ranking Member Bachus and members of the Committee, good afternoon. Representative Childers, it is good to see you again. Thank you for holding this hearing on the role of Community Development Finance Institutions in serving the nation’s low-income communities and for inviting me to testify.

My name is Bill Bynum and I serve as CEO of the Enterprise Corporation of the Delta (www.ecd.org) and its affiliate Hope Community Credit Union (www.hopecu.org), which are collectively referred to as ECD/HOPE. ECD/HOPE is a financial institution, community development intermediary and policy center that provides affordable financial services; leverages private, public and philanthropic resources; and engages in policy analysis in order to fulfill its mission of strengthening communities, building assets, and improving lives in economically distressed parts of the Mid South.

Since 1994 ECD/HOPE’s efforts have generated over \$1.4 billion in financing and benefited more than 71,000 individuals in the Delta Region, Katrina-affected areas and other distressed communities throughout Arkansas, Louisiana, Mississippi and Tennessee.

In my testimony today, I will focus my comments in the following areas.

- I. The critical roles that Community Development Finance Institutions (CDFIs) and the CDFI Fund play with regard to highly distressed people and places;
- II. ECD/HOPE’s recent experience in one of the nation’s most distressed regions; and
- III. Recommendations for increasing the ability of CDFIs to assist in the nations’ economic recovery.

I. Community Development Finance Institutions and the CDFI Fund

While I make my comments as CEO of ECD/HOPE, I also serve as chairman of the Community Development Advisory Board (CDAB). The authorizing statute of the CDFI Fund charges the Advisory Board with providing input on the policies, programs and practices of the CDFI Fund. Last October, in the midst of the worst financial crisis in over 50 years, we took several steps to formulate recommendations on matters related to the impact of the financial crisis on the CDFI industry and the communities we serve. We gathered extensive input from CDFIs, Community Development Entities, trade association, foundations, and other key stakeholders.

This process resulted in a series of recommendations that were presented to the Director Gambrell in March 2009. I am pleased to say that several of the recommendations have been implemented and have resulted in a financial lifeline for many thousands of people struggling to survive in distressed communities across the nation.

Director Gambrell and the CDFI Fund are to be commended for their exemplary performance over the past several months, specifically with regard to the expedited processing of awards which enabled financial assistance from the CDFI Fund to reach those in need faster than ever before.

At the end of 2009 there were 835 certified CDFI's in the United States.¹ The outputs generated by CDFI Fund awardees in 2009 include:

- Over 70,000 Jobs Created or Retained;
- Nearly 11,000 Businesses Financed;
- \$1.3 Billion Leveraged from private sources; and
- Roughly 160,000 Individuals Received Financial Literacy Training

Assistant Secretary Barr and Director Gambrell can more fully speak to these and other successes in their respective testimonies. The CDFI industry appreciates the leadership and support demonstrated by Congress and President Obama's Administration that made this possible.

It is particularly noteworthy that CDFIs exemplify many characteristics that demonstrate value and good stewardship of taxpayer dollars. Among these are:

- *CDFIs have a strong track record of reaching the underserved*
The CDFI data project reports that 52% of CDFI customers are women, 60% are minority and 70% are low-income.²
- *CDFIs deploy funds quickly*
Data from the CDFI Fund show that over 85% of awarded funds are spent in the first year, despite regulations permitting up to three years to spend the award.
- *CDFIs represent a prudent investment of taxpayer dollars*
CDFI's experienced a net charge off rate of 1.78% percent in 2009; compared to 2.49% for all FDIC-insured lenders during the same time period.³

However as recent as the fourth quarter, 56% of CDFIs surveyed by the Opportunity Finance Network – the trade association for CDFIs – reported increases in the demand for financing due to a general tightening of credit in the economy, including decreased bank lending, the deterioration of secondary markets for housing and business loans, a proliferation of predatory lending, and the decline in subsidies for affordable housing and community development arising from state budget shortfalls.

With additional liquidity CDFI's can meet unmet demand

Over 200 high scoring applications for CDFI Fund Financial Assistance awards totaling \$328 million could not be funded in FY09. Additionally, CDFIs nationwide report financing trends not keeping pace with demand for capital. According to the Opportunity Finance Network, 53% of respondents to the 2009 4th quarter market conditions survey stated that demand was higher than actual originations.

CDFIs around the country report capital constraints that prevent them from responding to the increased demand. Unfortunately, the impact of this is greatest in areas that have historically suffered from high levels of poverty and a lack of access to capital, and in areas that have a high percentage of minority residents.

To underscore this point, I would like to take a few minutes to share with you a perspective from a CDFI working in one of the nation's most distressed regions.

II. Challenges Facing CDFIs in the Mid South

Arkansas, Louisiana and Mississippi have the three highest poverty rates in the country. At \$37,790 and \$38,815, Mississippi and Arkansas, respectively, have the lowest and 3rd lowest Median Family Incomes in the country. The Mid South is also home to a large minority population. For example, thirty-seven percent (37%) of Mississippi's population is African American – the highest percentage in the nation.

The 2009-2010 Assets and Opportunity Scorecard published by the Corporation for Enterprise Development cites the Mid South States among those with the highest rates of unbanked residents, and Mississippi and Louisiana with the highest rates of high cost mortgage lending in the nation. Additionally, despite a high concentration of minorities, Mississippi and Arkansas are among the five states with the lowest rates of minority business ownership in the United States.

Despite the region's economic challenges, ECD/HOPE has provided a significant level of financial services to underserved individuals and communities in the Mid South. Eighty-four percent (84%) of HOPE's members are minority and 82% are considered low- or moderate-income. More than one out of three HOPE members were unbanked when they joined the credit union. ECD/HOPE's commercial lending primarily occurs in distressed communities as 62% of its commercial loans are to businesses located in census tracts with poverty rates above 20%. Over 40% of ECD/HOPE assisted businesses are also owned by women or minorities. Finally, 85% ECD/HOPE's mortgage lending is conducted with first time homebuyers and with the majority of borrowers being low-income and minority.

The following examples help illustrate the impact of ECD/HOPE's work.

Primary Health Services Center

Primary Health Services Center (PHSC) is the main health clinic serving low-income residents the northern Louisiana Delta area. Over the years ECD/HOPE has made several loans to help PHSC expand their services. The first loan financed the purchase of the building that houses PHSC's main clinic. A second loan was used to acquire a facility for behavioral health services, a dental clinic and administrative offices. The most recent loan supported a satellite clinic in a low-income area that enables PHSC to provide more services to the area residents. The new facility added 20 full-time jobs at the center. Since 2005, the number of patients seen has increased from fewer than 23,000 to nearly 40,000.

This increased capacity also enabled PHSC to qualify as a Federally Qualified Health Center and secure grant funding for additional services. As a result PHSC was able to expand its services beyond primary health care, to include dental services, health care for the homeless, and behavioral health services, such as therapy for alcohol, drug addiction and domestic violence. In addition, two mobile medical units go out into the community to provide primary care services to the homeless and to public housing residents. PHSC and ECD/HOPE are now working to structure financing for a new, expanded dental clinic.

Carpenter Estates

When Stephanie Williams moved to Cleveland, Mississippi to take care of her ailing mother, she found that apartment rents were beyond her budget. Like many Delta towns, Cleveland suffers from a shortage of quality, affordable housing. Many residents live in poorly maintained, overcrowded properties. Despite the obvious need for affordable housing, many investors and lenders consider small, rural developments too risky. With relatively low rents and a limited number of units, even a few vacancies can threaten profitability. To overcome this obstacle, ECD/HOPE provided a permanent mortgage that enabled the developer to utilize the Low Income Housing Tax Credit program. As a result, Stephanie, her children and other Cleveland residents now have Carpenter Estates, a 72-unit multi-family complex as an option for quality, affordable housing.

Similar to CDFI industry trends, this increased loan production has been accomplished in a responsible manner. The annualized net charge off rate for ECD/HOPE's mortgage lending in 2009 was 0.05%. HOPE's commercial charge off rate was 1.09% during the same period. These charge off rates were below those of FDIC insured institutions, despite ECD/HOPE's focus on low-income customers and economically distressed areas.

Prior to the recession, ECD/HOPE had never loaned more than \$13.8 million to small businesses on an annual basis. In both 2008 and 2009 ECD/HOPE's commercial loan production exceeded \$18 million. In 2009, HOPE closed the highest volume of consumer loans in its 15 year history.

However despite a successful track record and a high level of demand for our services, ECD/HOPE is limited by a severe lack of capital and liquidity. This challenge is aggravated by the absence of large banks and local foundations and large corporations, which have historically provided financial support for CDFIs in larger urban markets. Unfortunately, CDFIs in Mississippi have received limited benefit from the recent increase in CDFI resources.

Since the start of the recession, CDFIs based in Mississippi have received \$480,000 out of a total of \$170 million in Financial Assistance Awards made by the CDFI Fund. Likewise, of \$14 billion allocated in New Markets Tax Credits, Mississippi based institutions only received \$40 million.

III. Policy Recommendations

The following recommendations are respectfully submitted with the intent of increasing the ability of CDFIs to contribute to the national recovery, particularly with regard to people and communities facing the highest level of distress, and to further position CDFIs as an acknowledged component of the nation's financial sector.

- **Give greater priority for CDFI funding to areas of high economic distress** – Congress and the CDFI Fund should give higher priority for NMTC and CDFI awards to communities with extraordinary levels of distress such as certain rural communities, communities with high poverty, job loss, etc. Consideration should be given to allocating additional funds for this purpose, in a manner similar to the supplemental NMTC allocation made following Hurricane Katrina.
- **Make TARP funds available to non-depository CDFIs.** The CDAB recommended that \$2 billion in TARP funds be allocated to support CDFIs. CDFI trade groups estimated that their members could collectively deploy up to \$3 billion in debt or equity capital over a two-year period. We are grateful for the recent allotment of \$1 billion for CDFI depositories, and for the first time inclusion of credit unions in this program. However this initiative did not include CDFI loan funds.

A primary intent of EESA was to unfreeze the credit markets and restore the flow of credit to small businesses, homeowners and consumers. Section 2 (2)(B) defines a primary purpose of EESA to preserve homeownership and promote jobs and economic growth. Section 103 lays out the issues the Treasury Secretary should consider in operating under EESA. These include the following:

- (3) the need to help families keep their homes and to stabilize communities;
- (5) ensuring that all financial institutions¹ are eligible to participate in the program, without discrimination based on size, geography, form of organization...

¹ SEC. 3. DEFINITIONS. (5) defines a financial institution concentrating the definition on banks, savings associations, credit unions, etc. but not limiting the definition to these types of financial institutions.

CDFIs are a perfect vehicle for the Administration to fulfill the purpose of EESA to promote and maintain homeownership and promote jobs and economic growth, to provide consumer credit when banking and credit-card companies have sharply abridged availability, and to clearly demonstrate that the benefits of this act extend not only to large financial conglomerates, but to individuals and families in struggling communities across the country.

Loan funds and venture capital funds and other non-depository organizations account for the majority of certified CDFIs and cover a large number of rural and minority communities. A timely and important example of the potential impact of providing increased liquidity to loan funds can be found in the New Markets Tax Credits program, where 30 CDFI loan funds with current allocations reported immediate unmet demand for more than \$982 million, based on \$1.3 billion of unfunded NMTC allocations that represents hundreds of shovel-ready projects that could have an immediate impact in areas of high economic distress.

CDFI banks, CDFI credit unions and CDFI loan funds each deploy substantial, unique and critical services in distressed communities. Several viable proposals have been put forth by the CDFI industry that would responsibly make TARP funds available to non-depository CDFIs. The CDFI industry stands ready to work with Congress and Treasury to address this pressing need as soon as possible.

- **Expand Access for CDFIs to Federal Resources** - Given the vital and unique role that CDFIs play in providing financial services to communities with the highest need, it stands to reason that CDFIs should have access to federal resources and programs on par with traditional financial institutions. In addition to the Federal Home Loan Bank, CDFIs should be eligible for capital and credit enhancement programs offered by USDA, SBA, HUD, Commerce and other agencies, and should be fully utilized by these agencies in their efforts to provide services to distressed people and places. These efforts should include depository and non-depository CDFIs. Because several agencies are represented on the CDAB, this body could help facilitate this collaboration.

Conclusion

Chairman Frank, Ranking Member Bachus and members of the Committee, thank you for your support of the CDFI industry and for allowing me to share my perspectives with you today. In this new financial landscape a strong CDFI industry is vital, not only to the distressed communities that we serve, but to the integrity of our entire nation. We look forward to working with you to build on the success that has been achieved over the fifteen years of the CDFI Fund, and to insuring that all citizens, regardless of where they live, or what they look like, have access to the tools needed to realize the American dream.

¹ Certified Community Development Financial Institutions - Alphabetical By State and City U.S. Treasury CDFI Fund, <http://www.cdfifund.gov/docs/certification/cdfi/CDFIbyState.pdf> accessed on March 4, 2010.

² The CDFI Data Project Fiscal Year 2007 Seventh Edition. Opportunity Finance Network, http://opportunityfinance.net/store/downloads/cdp_fy2007.pdf accessed on March, 4 2010.

³ CDFI Market Conditions Report Fourth Quarter 2009. Opportunity Finance Network, www.opportunityfinance.net/store/downloads/cdfi%20market%20conditions%20report%204thq09.pdf accessed on March 4, 2010.



FACT SHEET

ECD/HOPE Overview

ECD/HOPE (Enterprise Corporation of the Delta/Hope Community Credit Union) is a financial institution, community development intermediary and policy center that provides affordable financial services; leverages private, public and philanthropic resources; and engages in policy analysis in order to fulfill its mission of strengthening communities, building assets, and improving lives in economically distressed parts of the Mid South.

ECD/HOPE's efforts have generated over \$1.4 billion in financing and benefited more than 71,000 individuals in the Delta, Katrina-affected areas and other distressed communities throughout Arkansas, Louisiana, Mississippi and Tennessee.

Primary Services and Capabilities

ECD/HOPE has a demonstrated track record of success in the following areas:

- **Business Lending:** Loans for small- & medium-sized businesses ♦ New Markets Tax Credit financing ♦ Public agency guarantees and credit enhancements ♦ Financing for nonprofits, community facilities, health care, child care and other community infrastructure ♦ Loan participations
- **Housing Finance:** Single family mortgages ♦ Rental mortgages ♦ Low-Income Housing Tax Credit debt and equity ♦ Development of rental and owner-occupied housing
- **Retail Financial Services:** Transaction products such as checking accounts, online banking, credit cards, debit cards, ATM cards ♦ Savings products including Individual Development Accounts, IRAs ♦ Secured and unsecured consumer loans including payday alternative loans, automobile loans, home equity loans, affordable refund anticipation loans
- **Intermediary Services:** Financial counseling such as foreclosure mitigation, homebuyer education, credit building, VITA ♦ Affordable housing development ♦ Loan fund administration ♦ Project design and management
- **Policy Analysis and Advocacy:** Family Economic Self Sufficiency ♦ Responsible Financial Services ♦ Budget and Tax Equity

In each area ECD/HOPE seeks to increase the impact of its work by collaborating with community development organizations, private industry, public agencies, philanthropy and others at the national, state and local levels.

Awards & Recognition

Annie E. Casey Foundation ♦ Aspen Institute ♦ Co-op America ♦ Credit Union Times ♦ Episcopal Network for Economic Justice ♦ Ernst & Young ♦ Kauffman Foundation ♦ NAACP ♦ National Federation of Community Development Credit Unions ♦ National Rural Assembly ♦ Opportunity Finance Network ♦ Wachovia.

Office Locations

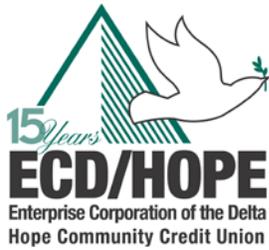
- **Arkansas:** College Station ♦ Forrest City ♦ Little Rock ♦ West Memphis
- **Louisiana:** Baton Rouge ♦ New Orleans
- **Mississippi:** Biloxi ♦ Camden ♦ Greenville ♦ Gulfport ♦ Itta Bena ♦ Jackson (3) ♦ Robinsonville
- **Tennessee:** Jackson ♦ Memphis (3)

Contact Information

Phone: 1-866-843-3358 ♦ 1-866-321-HOPE

Websites: www.ecd.org ♦ www.hopecu.org ♦ www.mepconline.org

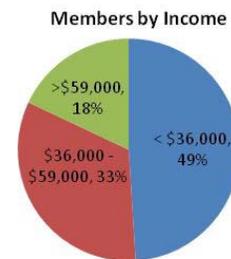
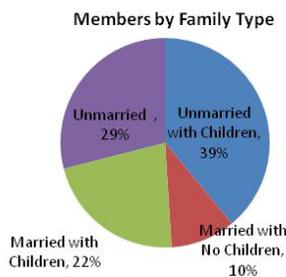
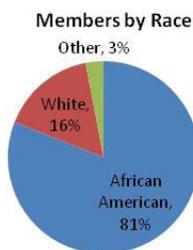
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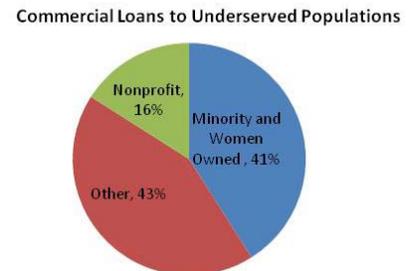
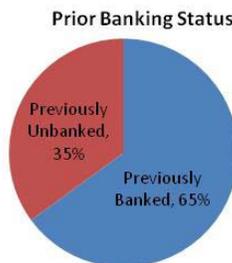
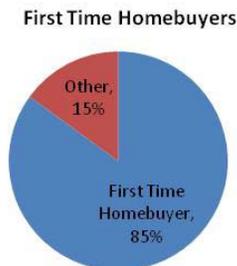
2009 IMPACT PROFILE

HOPE Members	27,000
Small Business Loans (1994-2009)	699
Mortgage Loans (1994-2009)	1,382

Strengthening Communities

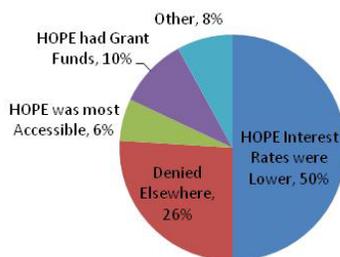


Building Assets

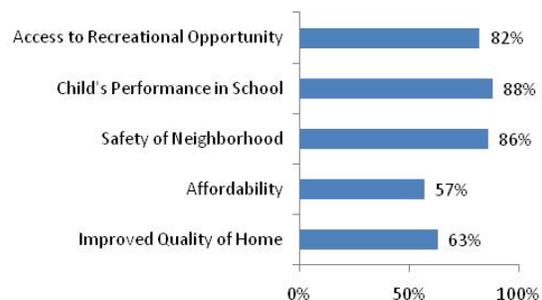


Improving Lives

Mortgage Borrowers: Reasons for Choosing HOPE



Percent of HOPE Mortgage Borrowers who Report Improved Outcomes Post Home Purchase





Customer Profile

Daisel Brown - Saucier, MS

HOPE Affordable Housing Program
First-Time Homebuyer
Sales Price: \$166,750 Loan amount: \$57,700

Prior housing arrangement – Two bedroom apartment
Household Income – \$39,156
Family type – Single head of household
Number of Children in home – Four

In the fall of 2009, Ms. Brown and her four children were in dire need of a new home. The four children shared a single bedroom and the apartment was not handicapped accessible to accommodate her disabled child. The Browns were living in an unsafe apartment complex, where home burglaries were a constant problem. The sound of gunshots was common, and a bullet had recently lodged in the floor of their apartment.

ECD/HOPE was able to provide Ms. Brown with a \$57,700 mortgage to help with the purchase of her first home.

But ECD/HOPE did not stop there.

ECD/HOPE provided her with comprehensive credit analysis, pre-purchase housing and financial counseling and connected her with a local program that enabled her to secure \$22,500 in downpayment assistance, a \$3,500 closing cost grant and a second loan for \$86,550 at zero percent interest.

“I have a beautiful home and my boys are extremely happy. It shows in their day to day progress.” Daisel Brown

Today each of the Brown children has a room of their own and a safe backyard to play in. The 1,700 square foot home is also handicapped accessible for her son. One of her children has gone from being considered a trouble-maker at school to becoming student of the month.



Customer Profile

Primary Health Services Center – Monroe, Louisiana

Amount of Financing - \$950,000

Primary Health Services Center (PHSC) is the main health clinic serving low-income residents the northern Louisiana Delta area.

Over the years ECD/HOPE has made several loans to help PHSC expand their services. The first loan financed the purchase of the building that houses PHSC's main clinic. A second loan was used to acquire a facility for behavioral health services, a dental clinic and administrative offices.

The most recent loan supported a satellite clinic in a low-income area that enables PHSC to provide more services to the area residents. The new facility added 20 full-time jobs at the center. Since 2005, the number of patients and visits has steadily increased.

	2005	2006	2007
Patients	8,119	9,512	9,679
Visits	22,762	33,712	39,874

This increased capacity also enabled PHSC to qualify as a Federally Qualified Health Center and secure grant funding for additional services. As a result PHSC was able to expand its services beyond primary health care, to include dental services, health care for the homeless, and behavioral health services, such as therapy for alcohol, drug addiction and domestic violence. In addition, two mobile medical units go out into the community to provide primary care services to the homeless and to public housing residents.

PHSC and ECD/HOPE are now working to structure financing for a new, expanded dental clinic.



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William J. Bynum

William J. (Bill) Bynum is CEO of ECD/HOPE (Enterprise Corporation of the Delta/Hope Community Credit Union), a community development financial institution, intermediary and policy center that addresses development needs confronting low-wealth people and communities in Arkansas, Louisiana, Mississippi and Tennessee. Since 1994 ECD/HOPE has generated over \$1.4 billion in financing and related assistance for entrepreneurs, homebuyers and community development projects in the Delta, areas affected by Hurricane Katrina and other distressed Mid South communities, benefiting more than 71,000 individuals.

Bynum is a Henry Crown Fellow of the Aspen Institute and is recipient of the University of North Carolina Distinguished Alumnus Award, Ernst & Young/ Kauffman Foundation National Entrepreneur of the Year Award, National Rural Assembly Rural Hero Award, and National Federation of Community Development Credit Unions Annie Vamper Award. His board/trustee service includes Millsaps College, Jackson State University Foundation, Winthrop Rockefeller Foundation, Foundation for the Mid South, Mississippi Children's Museum, Regions Bank Community Development Corporation, and the William Winter Institute for Racial Reconciliation. He is also a Presidential appointee to the Community Development Advisory Board, which he currently chairs. Prior to joining ECD/HOPE, Bill helped establish Self-Help, a pioneer in the development banking industry, and directed programs at the North Carolina Rural Economic Development Center.