

Congress of the United States
Washington, DC 20515

March 9, 2020

The Honorable Mike Quigley
Chair
Subcommittee on Financial Services
and General Government
U.S. House of Representatives
Washington Dc 20515

The Honorable Tom Graves
Ranking Member
Subcommittee on Financial Services
and General Government
U.S. House of Representatives
Washington Dc 20515

Dear Chairman Quigley and Ranking Member Graves,

As you develop the Fiscal Year 2021 Appropriations Bill, we respectfully request that you provide no less than \$10 million to fund the small dollar loan program under Section 1206 of the Dodd-Frank Wall Street Reform and Consumer Protection Act.

This Dodd-Frank provision encourages Community Development Financial Institutions (CDFI), including CDFI banks and credit unions, to establish safe and affordable small dollar loan programs. The goal of these programs is to bring consumers into the regulated banking sector and incentivize alternatives to payday lending.

Access to banking services remains a crucial issue in the United States. More than a quarter of Americans are unbanked or underbanked and the Federal Reserve Bank of Saint Louis estimates that up to 12 million Americans take out payday loans each year. Given these figures, it is crucial that regulated financial institutions enter the small dollar loan space. Increased competition in small dollar loans would augment underwriting standards, broaden availability of credit, and ultimately drive down the price of credit.

This program is an investment in the financial health of America's most underserved borrowers and consumers. Particularly given recent financial turmoil and heightened recession fears, it is crucial that Congress work to ensure all Americans have access to loans if they fall on tough times. The Treasury Department has explained that this program is not about providing an ongoing subsidy to CDFIs, but rather about covering initial startup costs and fraying regulatory risk concerns related to the small dollar space.

As a part of its FY 2021 Budget Views, the House Financial Services Committee endorsed the CDFI small dollar loan program. The Financial Services Committee Report stated that Section 2016 was enacted because it would "increase consumer access to mainstream financial institutions and provide more affordable and safe alternatives to high-cost payday loans."

Last year, Congress appropriated \$5 million to the CDFI small dollar loan program for which all the undersigned members are grateful. Nonetheless, a full \$10 million appropriation would be ideal and really help booster CDFI small dollar lending products.

Considering the billions in fees Americans pay annually for high cost financial products, a mere \$10 million is a small investment Congress can make that would broaden access and

affordability of credit in America for low-and-moderate income families. As such, we ask to appropriate \$10 million to the Section 1206 small dollar loan program for CDFIs.
Sincerely,

Gregory Meeks
Member of Congress

Anna G. Eshoo
Member of Congress

Tulsi Gabbard

List of signers:

Donald S. Beyer Jr.
Tony Cárdenas
André Carson
David N. Cicilline
Rosa L. DeLauro
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