

February 9, 2018

Honorable John J. Flanagan
Majority Leader, New York State Senate
Room 330 State Capitol Building
Albany, New York 12247

Re: Request to include \$25 million for the NYS CDFI Fund in the final budget.

Dear Majority Leader Flanagan:

The undersigned organizations respectfully request that the final budget include a \$25 million appropriation to fund the New York State Community Development Financial Institution Fund (NYS CDFI Fund).

In 2007, New York State established a CDFI Fund—based on the successful federal CDFI Fund—to provide grants and investments to New York CDFIs, which serve New Yorkers and small businesses in economically-distressed communities throughout the state. New York’s was the first state-based CDFI Fund in the country. Unfortunately, the NYS CDFI Fund has yet to receive any funding from the state. Support for CDFIs is a sure-fire strategy for building strong local and regional economies and ensuring access to sound and affordable financial services throughout New York State.

As has been well documented, mainstream banks are not adequately meeting the financial services needs of New York’s low-income and immigrant communities and communities of color. When asked how interested banks are in serving households, approximately one-quarter of black and Latino New Yorkers respond, ‘Not at all,’ compared to just 13% of white New Yorkers with this response.¹ Over the years, payday lenders and other high-cost financial services companies have sought to exploit this gap, including by pressing New York to legalize usurious lending.

New York is one of 15 states, plus Washington, D.C., that effectively prohibits payday lending. In states where predatory payday lending is permitted, lower-income people of color make up a disproportionately large segment of borrowers. And older adults, including Social Security recipients who are prime targets for payday lenders, are an especially fast-growing segment of payday loan borrowers. Seniors in California, for example, are now reportedly the largest age group of payday loan borrowers. Notwithstanding extensive litigation and enforcement actions by the New York State Attorney General and Department of Financial Services to crack down on illegal payday lending – and despite vehement, ongoing pushback by labor, civil rights, community, faith-based, and consumer groups – the industry has persisted in its flagrant effort.

Meanwhile, New York’s CDFIs, including Community Development Credit Unions (CDCUs), are providing affordable financial services and making equitable investments in low-income and immigrant communities and communities of color throughout the state.

¹ 2015 FDIC National Survey of Unbanked and Underbanked Households.

With 81 CDFIs serving every county in the state, New York has the second highest concentration of CDFIs in the country. New York's CDFIs provide equitable financial services in neighborhoods not served by mainstream banks, helping low-income New Yorkers establish savings and credit, and build wealth. They also support New York's small businesses – the economic lifeblood of many low-income and immigrant neighborhoods and neighborhoods of color – providing vital loans, investments, financial services, and financial counseling.

Community Development Credit Unions (CDCUs), in particular, help low-income families build assets by providing savings vehicles, consumer credit, and home mortgages. Because CDCUs are community-based financial cooperatives, they contribute to neighborhood economic security and preserve money and resources in the communities they serve, especially low-income communities of color and immigrant communities.

In 2015 alone, New York CDFIs provided \$2.6 billion in financing to more than 60,000 New Yorkers, including to individuals, small business owners, affordable housing developers, and others. CDFIs offer tremendous bang-for-buck: Because CDFIs leverage every public dollar with 12 additional dollars from other sources, the proposed \$25 million budget allocation would leverage more than \$300 million in direct lending and services to New York's underserved communities.

Funding the NYS CDFI Fund is now more important than ever, especially because of proposed cuts to the federal CDFI Fund—currently, the main source of public funding for CDFIs. Strengthening New York's CDFIs is a central plank of the NYS Equity Agenda, an affirmative platform for advancing financial justice throughout NYS—and represents a critical counterweight to recent efforts to legalize predatory payday and other high-cost lending in New York. Amid these looming threats, New York must act boldly to expand and strengthen institutions that support low-income communities and communities of color.

For all the reasons stated above, we strongly urge you to allocate \$25 million in the FY 2018-2019 budget to the NYS CDFI Fund. Thank you for your consideration.

Sincerely,

AARP

Align

ANHD

The Black Institute

Brooklyn Legal Services Corporation A

Brooklyn Movement Center

BWICA Education Fund, Inc.

Center for NYC Neighborhoods

Chhaya CDC

The Church of the Epiphany

Communication Workers of America, District One

Community Development Project at Urban Justice Center

Cooperation Buffalo

Cooperative Federal
Cypress Hills Local Development Corporation
Erasmus Neighborhood Federation, Inc.
Faith in New York
The Financial Clinic
Fiscal Policy Institute
Fordham Law School Feerick Center for Social Justice
Genesee Co-op FCU
Good Old Lower East Side (GOLES)
Habitat for Humanity New York City
Habitat for Humanity New York City Community Fund
Housing and Family Services of Greater New York, Inc.
Interfaith Center on Corporate Responsibility
JASA/Legal Services for the Elderly in Queens
Latino Justice PRLDEF
The Legal Aid Society
LISC NYC
Long Island Housing Services, Inc.
Lower East Side People's FCU
Mobilization for Justice, Inc.
National Federation of Community Development Credit Unions
Neighborhood Trust Financial Partners
New Economy Project
New York City Anti-Violence Project
New York StateWide Senior Action Council
New Yorkers for Responsible Lending
NY Working Families
NYC Employment and Training Coalition
NYC NoWC
NYPIRG
Pan-African Community Development Initiative
Partnership for the Public Good
PUSH Buffalo
Restaurant Opportunities Center of New York
South Bronx Unite
Teamsters Local 237
Tompkins County Workers' Center
Ujima Co., Inc.
Unemployment Action Center
Urban Homesteading Assistance Board
The WASH Project
Westchester Residential Opportunities, Inc.

Western New York Law Center
The Working World

cc: The Honorable Jesse Hamilton, Chair, NYS Senate Banks Committee
The Honorable Catharine Young, Chair, NYS Senate Finance Committee