

Statement of Congressman André Carson

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

March 9, 2010

Thank Mr. Chairman for holding this important hearing.

Community development financial institutions (CDFIs) work in markets that have not been adequately served by traditional financial institutions and also develop new markets in underdeveloped areas. While many of our nation’s lending institutions have been destabilized during the financial crisis, CDFIs have weathered the storm. Although they serve a traditionally riskier client base, their conservative lending approach has helped them retain a relatively healthy portfolio and cause fewer losses to investors. Demand is up and their biggest concern is maintaining liquidity so they can meet demand.

CDFIs differ from mainstream financial institutions in a number of ways. They have specialized knowledge about the communities in which they conduct business. This allows them to build meaningful relationships with their customers and community leaders which translates into a willingness and commitment to individualized and specialized programs. These types of programs are often too time-consuming or costly for mainstream financial institutions to implement.

A number of structural and systemic barriers threaten to limit CDFIs future growth, creating a strategic challenge for the industry. Going forward, we must ensure these institutions have our support and remain a priority for the Administration.

Thank you, Mr. Chairman.