



NEW YORK STATE CDFI COALITION

Innovative Financing for NY Communities

c/o Community Loan Fund of the Capital Region
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Written Testimony Submitted to Joint Legislative Public Hearing 2022 Executive Budget Proposal: Economic Development

February 16, 2022

The NYS CDFI Coalition represents 83 Community Development Financial Institutions (CDFIs) serving every county in New York State. CDFIs are community-based specialized lenders that serve low-income people or businesses in economically distressed communities, often working in market niches that may be underserved by traditional financial institutions.

CDFIs provide a wide range of financial products such as mortgage financing for low income or first-time homebuyers, lending for small business and community facilities that help customers build wealth and maintain an ownership stake in society, and personal loans to help people avoid predatory lending and meet emergency needs. CDFIs include regulated institutions such as community development banks and credit unions, and non-regulated institutions such as loan funds and venture capital funds.

NYS CDFIs create market-based solutions that provide capital to chronically underserved New York communities; leverage federal and private dollars for economic development; are locally controlled and accountable to their target market; provide financial services and education for low income New Yorkers; and promote responsible alternatives to predatory loans.

We are facing tremendous need for our limited resources. Communities and businesses, already on the edge, are struggling to recover from the pandemic and ensuing economic downturn. We are requesting your support for our work as we determine where to focus our outreach efforts.

Key areas include:

- **CDFI Technical Assistance (TA) Grants:** Empire State Development (ESD) has operated the CDFI Assistance Program since 1997, supporting federally-certified CDFIs that offer alternative small business lending and technical assistance programs in New York State.
 - These grants allow CDFIs statewide to improve the quality and quantity of the services they provide to their communities.
 - In recent years, funding for this program has hovered between \$1.7 and 1.8 million while the number of CDFIs securing funds has increased, resulting in a funding cut for many institutions.
 - ***We are pleased that more CDFIs are being funded, but respectfully request an increased allocation for this***

vital program.

- **Support NYS Small Business Development Centers (SBDC):** Throughout the pandemic and beyond, NYS CDFIS work hand in hand with regional SBDCs to provide small business owners and entrepreneurs in New York with high-quality business counseling, training, and research at no cost.
 - The additional funding the program is seeking from the legislature will enable the NYSBDC to extend its efforts to provide comprehensive assistance and services through its 22 campus-based centers and dozens of outreach offices within New York State.
 - The funding will help the SBDC maintain and potentially increase staffing levels to be able to support the needs of our small business community.
 - The NYSBDC program will expand and enhance its hands-on support and outreach to underrepresented communities, linking its partners such as multi-cultural Chambers, merchant associations, economic development agencies, CDFIs and others with the higher education sector.
 - The additional funding will be another component of New York’s expanded efforts to build and grow a supportive ecosystem for companies and to create a culture and the infrastructure for small business success.
 - ***We respectfully request full funding for the NYSBDC, which will have an immediate and lasting positive impact on entrepreneurs and small business owners in New York State.***
- **NYS CDFI \$25MM Fund:** ESD and the New York State Department of Financial Services (DFS) announced the first \$4.9 million in awards from the New York State (CDFI) Fund in October, 2021.
 - With a multi-year \$25 million state-commitment, this new funding stream brings to fruition the NYS CDFI Fund established by statute in 2007.
 - We deeply appreciate this first tranche of funds, and hope that the first year will be considered a pilot for the program, and that there will be opportunities to further refine its implementation.
 - For more than a decade, the Coalition called for the program to be modeled after the Federal CDFI Fund – flexible, but focused enough to create a distinct identity.
 - Awards from the Federal CDFI fund empower our institutions to grow, achieve organizational sustainability, and contribute to the revitalization of the communities we serve.
 - The needs of New York’s communities vary widely from region to region and are not well served by a rigid model or formula-driven approach.
 - We applaud the New Economy Project for calling for an increase in the NYS CDFI Fund to \$100 million, but regardless of the final amount,
 - ***We respectfully request that the application process be revised to ensure that these benefits flow to those New Yorkers most in need, and that the process of applying, reviewing and releasing funds be simplified and expedited.***
- **Additional Resources for Empire State Development (ESD):** This agency’s portfolio contains many programs that support NYS CDFIs. Unfortunately, CDFIS routinely run into delays and inconsistencies.
 - Of the 31 NYS CDFIs that received funding under the first tranche of the NYS CDFI \$25MM Fund, 20 responded to a recent survey from the CDFI Coalition. Just 7 of those 20

CDFIs (35%) had received the grants they were notified of in August and that were announced in October. 13 CDFIs (65%) were still waiting.

- Contract slippage remains troubling. If a contract runs for the calendar year, but funding doesn't flow until April, CDFIs continue to provide services and pay staff in good faith, hoping that their resources will be fully allocated, eventually.
- Even worse, from time to time the contract period will be revised to reflect the new funding year – but the “missing” months did not disappear. This makes it very difficult for CDFIs – which operate on very slim margins – to align with their revenue forecasts and business plans (which are, ironically, required to apply for the NYS CDFI Fund.)
- Different CDFIs often get widely varying answers to similar questions, which makes it hard for the Coalition to provide guidance to its members.
- ***We respectfully request full funding for the staffing and programmatic needs of Empire State Development, which supports our NYS CDFIs, the behind-the-scenes heroes and front-line advocates for New York's underserved neighborhoods, businesses, and populations.***

CDFIs across New York State acknowledge the important roles our institutions play at the intersection of racial and economic equity. We are committed to using our collective power to support racial and economic justice as part of the movement to create a more vibrant, healthy, and fair society for all. Thank you for the opportunity to share our testimony.