

# EXTENSIONS OF REMARKS

## INTRODUCTION OF THE COMMUNITY DEVELOPMENT FINANCIAL INSTITUTIONS FUND AMENDMENTS ACT OF 1999

**HON. BRUCE F. VENTO**

OF MINNESOTA

IN THE HOUSE OF REPRESENTATIVES

*Monday, February 8, 1999*

Mr. VENTO. Mr. Speaker, today I am introducing legislation to reauthorize the programs at the Community Development Financial Institutions Fund. A section-by-section analysis of the bill follows this statement.

The activities at the CDFI Fund—the CDFI and the Bank Enterprise Act (BEA) programs—have received high praise over the years as well as intense scrutiny. This legislation, basically a product of our Subcommittee's work from last year, with input from the Oversight Subcommittee of the Banking Committee, draws upon both praise and scrutiny to further the program for the future. The Fund has made numerous Administrative improvements already. With the measures included in this proposed legislation, many of those would be solidified so that problems do not occur in the future and so that everyone can focus on the positive impacts the CDFI programs have had in our communities.

As a strong supporter of local efforts of community development financial groups and financial institutions that focus on undeserved communities, I know that the CDFI programs and related programs that promote microenterprise activities and housing activities are critical to rebuilding and strengthening neighborhoods and their residents. The CDFI intermediaries and institutions that received BEA funds can be the foundation and the building blocks of economic opportunity and employment. They can serve as instigators of change and partners in business, housing and community initiatives.

Mr. Speaker, I am pleased to introduce this reauthorization legislation with the Gentlewoman from New Jersey, Mrs. ROUKEMA, with whom I worked to draft this bill over the course of last year. I hope that we will be able to move this bill early in this session so that we can ultimately enact these improvements into law this year.

### COMMUNITY DEVELOPMENT FINANCIAL INSTITUTIONS FUND AMENDMENTS ACT OF 1999 SECTION 1. SHORT TITLE; TABLE OF CONTENTS

#### SECTION 2. CHANGE OF STATUS OF THE FUND; MISCELLANEOUS TECHNICAL CORRECTIONS

This section changes the purpose section of the Community Development Banking and Financial Institutions Act of 1994 (the Act) to add language that clarifies that the purpose of the Act is to promote economic revitalization and community development not only through investment in and assistance to community development financial institutions (CDFIs) but also through enhancing the liquidity of community development financial institutions, and through incentives to insured depository institutions that increase lending and other assistance and in-

vestment in both economically distressed communities and CDFIs.

This section also changes the Act to reflect the intent of appropriations provisions that made the CDFI Fund a wholly-owned government corporation within the Treasury Department. Technical amendments to the Act eliminate the concept of a Presidentially appointed Administrator of the Fund, and, as with other Treasury programs, vest all the duties and responsibilities of the CDFI Fund in the Secretary of the Treasury (subject to existing statutory delegation authority). The Secretary may appoint all officers and employees of the CDFI Fund, including a Director.

This section makes technical changes to clarify that the Inspector General of the Treasury Department is the Inspector General of the CDFI Fund.

This section also gives the Secretary the authority to prescribe the necessary regulations and procedures.

#### SECTION 3. AMENDMENTS TO PROGRAMS ADMINISTERED BY THE FUND AND THE BANK ENTERPRISE ACT OF 1991

This section makes minor changes to the CDFI Awards Program administered by the CDFI Fund. The amendments provide that, for the training and technical assistance programs already authorized by the Act, the Fund may enter into cooperative agreements in addition to the other methods described.

This section amends the Bank Enterprise Act (BEA) Awards Program for insured depository institutions. The subsection provides technical amendments and clarifies that the Fund may provide assessment credits to insured depository institutions for increases in loans and other assistance provided to CDFIs. The provisions clarify the manner in which the Fund may take account of forms of assistance provided by insured depository institutions. In addition, the provisions permit the Fund to use alternative eligibility requirements to determine the definition of a "qualified distressed community." Current criteria are difficult to interpret and may exclude some insured depository institutions, particularly those serving rural areas, from participation in the BEA Program.

#### SECTION 4. EXTENSION OF AUTHORIZATION

This section authorizes appropriations for fiscal years 2000, 2001, 2002, and 2003 for \$95 million, \$100 million, \$105 million and \$110 million, respectively.

#### SECTION 5. AMENDMENTS TO SMALL BUSINESS CAPITAL ENHANCEMENT PROGRAM

This section removes statutory barriers that currently block the CDFI Fund from administering the SBCE Program. The SBCE program would encourage states to implement small business "capital access programs" with the participation of certain depository institutions. These "capital access programs" expand access to small business loans by creating a loan loss reserve, funded by the depository institution, the borrower, and the state. This reserve fund allows banks to make more difficult small business loans. The Fund, under the SBCE Program, could reimburse participating states for a portion of funds contributed to these loan loss reserve accounts.

This section allows CDFIs to participate in the SBCE Program. It removes the requirement that the SBCE Program receive a

threshold appropriation before beginning operations. And, this section will allow the CDIF fund (if the SBCE Program is operating) to reimburse participating states according to criteria established by the CDFI Fund in an amount up to 50% of the amount of contributions by the states, until funds made available for this purpose are expended. This permits the Fund to target reimbursements to states that have not yet established these programs or that have insufficient funds for effective programs.

#### SECTION 6. ADDITIONAL SAFEGUARDS

This section adds the requirement that the Fund use a scoring system as one of the tools to evaluate the merits of applications. It also requires the use of a multi-person review panel consisting of at least three persons, to apply the scoring system in order to reduce discretion and provide a mix of perspectives in the application review process. At least 1/3 of the members of the panel shall not be officers or employees of any government.

This section adds reporting requirements by the Fund to the Congress in their annual report. The CDFI Fund must include in their annual report its use of outside consultants, including the services provided by the consultants and the fees paid for those services. The report must detail the Fund's compliance with the Federal Manager's Financial Integrity Act (FMFIA). The FMFIA requires Federal programs to have controls in place to ensure that assets are safeguarded from waste, fraud, and abuse. The CDFI fund must also report any material internal control weaknesses identified in its most recent external audit along with corrective actions that will be taken to address such weaknesses. This section requires that the Fund report on the implementation of the objective scoring system in its first annual report following enactment of this legislation.

This section requires the GAO to submit to Congress, within 18-months of enactment, a study evaluating the structure, governance and performance of the CDFI Fund.

This section also requires the CDFI Fund to notify Congress in advance of hiring a contractor under the SBA's Section 8(a) contracting program.

## BANKRUPTCY AMENDMENTS OF 1999

**HON. JOE KNOLLENBERG**

OF MICHIGAN

IN THE HOUSE OF REPRESENTATIVES

*Monday, February 8, 1999*

Mr. KNOLLENBERG. Mr. Speaker, I rise today to introduce a bill to address an injustice that exists within Title 11 of the United States Code regarding single asset bankruptcies.

The injustice within Title 11 stems from an 11th hour decision made during the 103rd Congress, which placed an arbitrary \$4 million ceiling on the single asset provisions of the bankruptcy reform bill. The effect has been to render investors helpless in foreclosures on single assets valued over \$4 million.

To rectify this problem, my bill eliminates the \$4 million ceiling, thereby allowing creditors the ability to recover their losses. Under

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