

Statement of Nicole Elam

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For the House Financial Services Committee Hearing:

“Making Community Banks Great Again”

February 5, 2025

Chairman Hill, Ranking Member Waters and members of the Committee, thank you for the opportunity to submit a statement in support of this hearing's focus on the importance of the nation's community banks. It gives me great hope that one of this Committee's first hearings of the new year is aimed at shining a light on this critical issue.

My name is Nicole Elam, and I am President and CEO of the National Bankers Association (NBA). The NBA is the leading trade association for the country's Minority Depository Institutions ("MDIs"). A critical part of our mission is to serve as an advocate for the nation's MDIs on all legislative and regulatory matters concerning and affecting our member institutions as well as the communities they serve.

Many of our member institutions are also Community Development Financial Institutions ("CDFIs") and have become banks of last resort for consumers and businesses who are underserved by traditional banks and financial service providers. Members of our association are on the front lines, trying to reduce the economic hardship faced by the communities we serve, which are historically the most vulnerable during good and bad times. We believe our banks are best positioned to help our communities recover and overcome many of the economic and systemic issues that have placed them at a disadvantage.

MDIs and CDFIs have traditionally served as a source of strength and engines of economic development due to their relative concentration in low-income communities as well as their established relationships created over decades of mission driven service. Our banks provide basic banking services to communities that are more likely to be unbanked or underbanked according to a Federal Reserve Report on the Economic Well-Being of U.S. Households in 2020.

Unfortunately, CDFIs' smaller size has not allowed them to respond as quickly or with as much scale as the current economic situation in LMI communities demands. Given the important role these institutions play in the communities they serve; we need to do more to preserve and promote them. Our obligation in this regard is not just morally justified but required by federal statute. Passed into law in 1989, Section 308 of the Financial Institutions Reform, Recovery, and Enforcement Act, or FIRREA, requires the Treasury, Federal Reserve, OCC, and FDIC to preserve and promote MDIs in a variety of ways, including preserving the number of MDIs. This statutory obligation should be considered a part of Treasury and the regulators' overall mission to maintain stability and public confidence in the nation's financial

system. The Treasury and bank supervisory agencies across Administration's have, unfortunately, failed to preserve and promote these institutions.

Tier 1 Capital, or the equity invested in a bank, is the most critical component of the resilience of any bank, and it is what allows banks to grow and scale. CDFIs have historically lacked access to capital markets that would allow them to scale. Without sufficient Tier 1 Capital, not only are banks limited in the number of deposits they can take in, but they are also hampered in their ability to withstand loan losses. Without access to capital markets or large pools of high-net-worth investors, many CDFIs are forced to exhaust their capital reserves, failing as a result.

The House Financial Services Committee has been very supportive of several provisions over the past few years that ensure that CDFIs and the small businesses and individuals we serve are not forgotten. The creation and implementation of the Emergency Capital Investment Program and the \$3 billion increase in funding the CDFI Fund can help banks like those within the NBA scale up and provide more access to credit for individuals and small businesses in low- and moderate-income communities. The legislation included as a part of today's hearing aligns with the Committee's goal of preserving and protecting our institutions. The measures, taken together will provide opportunities for these institutions to not only survive but thrive.

The NBA applauds the Committee for its consideration of these important measures and looks forward to continuing to work with you on additional legislation to ensure that our communities, hardest hit by economic and systemic inequity, experience lasting, material changes that will support broad and deep economic growth that will benefit all Americans. We believe additional legislation that will allow CDFIs to continue to augment their capital bases, include our banks and communities in opportunities and addresses a regulatory process that can hamper our banks' ability to bring the underserved into the financial mainstream continues to be needed.

The NBA again applauds the Committee for holding this important hearing and for its ongoing efforts to launch a new era for traditionally underserved communities and ensuring equity for all businesses in the country. We very much look forward to working with the Committee, Congress and the Administration on policies that support the CDFI sector as we respond to the credit needs of the communities and small businesses that our member institutions serve that disproportionately shoulder the burden in most instances. Thank you again for the opportunity to submit this statement.