Good afternoon. My name is Calvin Holmes, and I am the Executive Director of the Chicago Community Loan Fund, a certified CDFI serving the 6-county Chicagoland region. I am honored to speak here today, and CCLF stands with the testimony of our partners OFN, NCRC, and the Illinois Community Investment Coalition. I would like to specifically address how CRA modernization can help CDFIs in their mission.

CRA has worked well for over thirty years. The CRA managers at the banks that we work with have been fine supporters in facilitating this work, CDFIs have proven over the years to be sound and profitable partners for banks. However, market conditions and competing corporate objectives have recently resulted in a less-than-ideal situation for CDFIs working with banks. Today, CRA should be strengthened in order to adapt to modern conditions in the financial industry.

There are a number of ways that CRA can boost the effectiveness of CDFI lending. Under the current guidelines, banks typically take a very narrow definition of "assessment areas", often only using the areas in which their headquarters are located. In addition to allowing discriminatory lending practices, this narrow definition restricts banks from using CRA to respond to communities' needs, and restricts the amount and number of investments that CDFIs are able to attract from the banking sector.

A CDFI like CCLF survives on their ability to attract investors with low pricing. In the current economic climate, CDFIs throughout the country are seeing the cost of our available capital rise to an unsustainable level. We need CRA laws to encourage banks to offer low-interest, long-term investments for CDFIs, so we can continue to offer flexible, technical-assistance-supported community development loans. Regulators should allow an investment to a CDFI to satisfy a financial institution's CRA obligations, regardless of whether the CDFI operates in the institution's assessment area.

In addition, CCLF and other CDFIs have in the past been able to grow our capacity through Equity Equivalent Investments, commonly referred to as EQ2s. Unlike for-profit corporations that can raise equity by issuing stock, nonprofits need to build their capital base through contributions, philanthropic sources, or retained earnings. An EQ2 is a long-term, deeply subordinated loan with features that make it function like equity. EQ2s can benefit CDFIs by strengthening capital structures, leveraging additional debt capital, and protecting senior lenders from losses, making CDFIs even more attractive for investment.

Finally, we should encourage banks to offer credit enhancements to CDFIs, including guarantees and letters of credit, by counting these enhancements in their CRA assessments.

By encouraging banks to offer low-cost investments and credit enhancements to CDFIs like CCLF, we can greatly increase our ability to increase lending and investing in economically disadvantaged communities. CDFIs help to fill in lending gaps in the community development marketplace as they arise, often making the critical difference in moving a community development project forward.

I thank you for you time today, and look forward to strengthening the good work that CRA has done in the communities that we care about the most.