

# Mark R. Warner

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## The Jobs and Neighborhood Investment Act

### Overview:

The toll of the novel coronavirus is falling disproportionately on the most vulnerable and financially constrained households in the economy, putting many low-income and minority neighborhoods at risk of sustained economic damage that will last far beyond the current crisis. Jobs that sustained these neighborhoods are disappearing overnight, with many entrepreneurs having to shutter their businesses, and low-income borrowers unable to get access to affordable consumer credit. Indeed, nearly 450,000 African-American owned businesses were lost in the early stages of the pandemic and 40% of workers who make under \$40,000 per year have lost their jobs since the onset of the crisis. Meanwhile, workers, businesses, and families located in historically disadvantaged neighborhoods are being particularly hard hit by the effects of the virus. The approval of the CARES Act, with its one-time stimulus checks for most Americans, Paycheck Protection Program for small businesses, and \$600-a-week boost to unemployment benefits, has helped to soften the blow, but much more targeted relief is still needed to help support a strong economy and quick recovery in low-income and minority neighborhoods.

This legislation directs billions in new investments to help low-income and minority communities withstand this unprecedented economic downturn and emerge stronger with increased access to capital and new economic opportunities. The legislation would provide eligible community development financial institutions (CDFIs) and Minority Depository Institutions (MDIs) with capital, liquidity, and operational capacity, to expand the flow of credit into underserved, minority, and historically disadvantaged communities, helping small businesses stay afloat and expand operations, while providing affordable access to credit for lower income borrowers.

### Bill Highlights:

#### **\$7 Billion for a Neighborhood Capital Investment Program**

- This bill provides at least \$7 billion in funding for a new program aimed at building long-term equity capital in eligible CDFIs and MDIs – referred to as “low and moderate income community financial institutions.” The new capital, which will be treated as Tier 1, Secondary, or equity equivalent capital, allowing these institutions to sustain lending in underserved communities and provide additional flexibility for borrowers struggling to get through the current crisis. The program will also allow these institutions to

expand their financing activities over time, helping increase wealth in low income and minority communities and sustain community development financial activities for decades.

- The Neighborhood Capital Investment Program is modeled after previously successful programs run through the Treasury Department, with key features and enhancements to ensure the program maximizes its impact in low and moderate income and minority neighborhoods. Eligible institutions will be required to provide Treasury with a detailed neighborhood investment plan, outlining how the institution plans to maintain or expand affordable credit in the communities that need it the most.

### **\$8 Billion for a Neighborhood Loan Program**

- This bill provides at least \$8 billion in Treasury funding for a new program, in consultation with the Federal Reserve Bank, which will support small business lending to very small businesses serving low and moderate income and minority communities. The program will allow eligible institutions to originate and sell up to 90% of a qualified small business loan under \$250,000 to an investment facility run by the Treasury and Federal Reserve, allowing lenders additional liquidity to better serve borrowers and help build wealth in targeted communities.

- Treasury and the Federal Reserve will also be able to purchase up to 90% percent of equity equivalent investments made by financial institutions into CDFI loan funds, helping these institutions expand lending and liquidity in the communities they serve.

### **\$2.9 Billion Allocation to the CDFI Fund**

- The bill provides \$2.9 billion in funding to the CDFI Fund, to further promote economic revitalization and community development through the distribution of grants and technical assistance for CDFIs.

- \$1 billion dollars is provided until September 30, 2021, to support, prepare for, and respond to the economic recovery from the coronavirus pandemic; \$1 billion is to provide grants to CDFIs to expand lending or investment activity in low- or moderate-income minority communities and to minorities that have significant unmet capital or financial services needs; \$500 million is made available for grants to minority-owned and minority-led lenders; and \$400 million is provided for technical assistance, technology and training grants, with a preference for minority-owned and minority-led lenders.

### **Programs to Strengthen Minority-Owned Banks and CDFIs**

- The bill provides several additional programs aimed at strengthening MDIs, providing regulatory clarity, and increasing the capacity of these institutions to expand their relationships with the Federal government and Treasury. These provisions would:

- codify the Minority Bank Deposit Program
- simplify the requirements for MDIs to raise capital
- establish new programs for Treasury to provide custodial deposits to MDIs
- strengthen partnerships between MDIs and Treasury
- clarify regulatory treatment of troubled loans and capital requirements for CDFIs and MDIs