

Remarks by Secretary of the Treasury Janet L. Yellen on \$1.25 Billion Award to CDFIs to Support Economic Relief in Underserved Communities Affected by COVID-19

June 15, 2021

Thank you, Madam Vice President. Thank you for hosting us and, more importantly, for elevating this issue.

As the Vice President mentioned, today Treasury is awarding \$1.25 billion to 863 Community Development Financial Institutions across the country. These CDFIs, which include banks, credit unions, and loan funds, play such an important part in our financial services ecosystem because they serve people and places the sector hasn't traditionally served well.

About 20 percent of CDFIs are headquartered in what are termed, "persistent poverty counties," and about 40 percent are headquartered in majority-minority areas – communities of color – where they make loans to help people start businesses or buy homes.

The Vice President is right. This is one of the first subjects she raised with me – the importance of CDFIs – and it's exactly the right place to focus our attention. Because these questions – "Who can access credit and capital? And who can't" – are at the root of many long-term structural problems in our economy.

For most of the 20th century, our economy was undergoing a convergence. There were richer areas of the country, and poorer areas, but the latter were catching up with the former. The country was rising together. Today, this is less true. There's a divergence among local economies, and one of the trends we see is that some places don't have access to much capital while others have an abundance. In fact, some forms of investment are heavily concentrated within just a handful of cities. Last year, for instance, 71 percent of all venture funding went to just four metropolitan areas.

This disparity in who can access capital also falls along racial lines. About 16 percent of America's population lives in areas that are majority minority areas, but that 16 percent of the population only receives about 9 percent of investment from mainstream financial institutions. Indeed, it's part of the reason the racial wealth gap persists. When I started

studying economics in 1963, the average Black family owned 15 percent of what the average white family owned, and that number hasn't changed in half a century. It's as close to a constant as we come in economic data.

This is a very unjust aspect of our economy. The Vice President made that very clear. But I would also add: It's a very unhealthy aspect of our economy. If you were designing a well-functioning American economy, you wouldn't have 70 percent of capital (in any form) flowing to just four cities. Because that's not where 70 percent of the opportunity is.

We – as a country – are missing out on so many avenues for growth because our capital is bottlenecked by race and region. Research has shown that decreasing barriers faced by African Americans would produce substantial GDP gains.

This is why, even if you never apply for a loan from a Community Development Financial Institution, you should care about them. Because in serving places that the financial sector historically hasn't served well, they lift our whole economy up. By one measure, every dollar injected into a CDFI catalyzes eight more dollars in private-sector investment, meaning that today's announcement might lead to an additional \$10 billion in investment.

I know the President and the Vice President ran on a very ambitious agenda – “Build Back Better,” unwinding systemic racism, creating an economy that works for everyone. I believe this is what that looks like in practice. By channeling more capital into CDFIs, we are translating those ideals into reality. And this is just the beginning. The \$12 billion Treasury is now allocating for community lenders is more funding than has flowed through the CDFI Fund since its creation in the '90s.

With that, I want to thank the entire CDFI team that has made today's announcement possible, and I want to echo the Vice President's thanks to all the members of Congress who helped get this done, especially Senator Warner and Chairwoman Waters – and also Leader Schumer, Chairman Brown, and Senator Booker.

Madam Chair, I'll turn it over to you now.

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