

**Testimony of Robert Jones  
Chief Executive Officer and President  
United Bank of Atmore Alabama**

**Before the  
Financial Services and General Government Appropriations  
Subcommittee  
Committee on Appropriations  
United States House of Representatives  
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Chairman Quigley, Ranking Member Graves, and members of the Subcommittee, good morning. Thank you for inviting me to discuss the important work of Community Development Financial Institutions (CDFIs).

My name is Robert Jones. I am the CEO and President of United Bank based in Atmore, Alabama and Chairman of UB Community Development – the bank’s affiliate. I am also the Chairman of the Board of the Community Development Bankers Association (CDBA). CDBA is the national trade association and the voice for banks that are certified as CDFIs.

First, I thank the members of this Subcommittee for their long-standing support of the Community Development Financial Institutions (CDFI) Fund. We thank you for maintaining \$250 million for FY 2019 in recognition of the important role CDFIs play in promoting economic opportunity in rural and financially underserved communities.

Founded in 1904, United Bank is a \$631 million FDIC insured bank certified as a CDFI in 2010. Our 18 branches primarily serve four counties in Southwest Alabama and Northwest Florida. Our footprint stretches from the rural counties of Alabama’s Black Belt to the tourist communities of the Gulf Coast. Our nonprofit

affiliate, UB Community Development, delivers credit and services across Alabama and the Florida Panhandle to CDFI eligible census tracts. Atmore is also home to the Poarch Band of Creek Indians and United has a long relationship with the tribe predating their federal recognition.

The region we serve looks like much of the rural south. The key drivers of our local economy are manufacturing, agriculture, and small business. While the cost of living is lower than other areas of the country, poverty rates are higher. Alabama is ranked with the sixth highest poverty rate (18.8%) among the fifty states. The city of Atmore has a poverty rate of 23.7%, which is significantly above the statewide poverty rate and the national poverty rate of 15.1%. Moreover, opportunities are fewer with an unemployment rate that is higher than the state and nation.

Among the clients we serve, some are among the least fortunate in our area. Fully 48% of our customers report an annual household income below \$53,000. In addition, 24% of our customers qualify as low, very low, or extremely low income, reporting annual incomes of less than \$22,000. Despite having modest incomes, 63.5% of our customers have a credit score above 700.

United is a profitable regulated commercial bank. Yet, we are different from an ordinary community bank because we have a mission of promoting community development. We do well by doing good. Nationwide there are 134 banks certified as CDFIs serving distressed urban, rural and Native American communities. Collectively, CDFI banks represent \$54.9 billion in total assets. Together we are only 2.4% of the total assets of Bank of America. Yet, CDFI banks' impact is much greater than its asset size would indicate.

Like all CDFIs, at least 60% of our lending and activities target low- and moderate-income communities. In many rural

communities like Atmore, the big money center banks are nonexistent. This lack of basic access to credit creates the perfect market for alternative lenders such as payday and title pawn offices.

With solid underwriting practices and diligent operational structures in place, CDFI banks bridge the gap for financially vulnerable customers that larger banks do not have the appetite to serve. By protecting vulnerable customers from the vicious cycle of payday and 300%-plus APR lending, we protect the local and regional economy from the instability that would exist if one third of the population were one incident away from defaulting on their debts. Recently, this condition was highlighted during the government shutdown.

Our bank provides responsible credit and financial services to our customers. Our lending has a ripple effect throughout the community far beyond our direct customers. When we make loans to a small business, a farmer, or to build a commercial project, it sparks investment by others, creating a growth multiplier effect.

### **Role of the CDFI Fund**

The CDFI Fund has played a critical role in the growth of United Bank and our ability to serve our communities over the past decade. Since 2010, United Bank has received eight BEA awards totaling \$2.26 million, two New Market Tax Credit allocations totaling \$120 million, and a Capital Magnet Fund award totaling \$4 million.

The Bank Enterprise Award (BEA) is of particular interest to CDFI banks like ours. I believe the BEA Program and its leverage capacity makes it one of the smartest and most impactful investments of Federal resources.

An analysis by the CDFI Fund found that the BEA Program is the CDFI Fund's most economically targeted program. The report states that 90% of all BEA monies go to the lowest income census tracts in the nation. Data also indicates that awardees typically originate a significantly larger share of their loans in persistent poverty areas than other CRA reporting banks. This underscores the unique role CDFI banks play in serving highly distressed communities. <sup>1</sup>

### **Bank Enterprise Award Program**

The BEA Program provides incentives for CDFI banks to increase their lending and services in the most impoverished census tracts in the nation. Targeted toward areas with at least 30% poverty and 1.5 times the national unemployment rate, the program helps banks work in the most challenging markets that are otherwise unattractive to the private sector.

To illustrate the power and effectiveness of the BEA program, I will focus on our 2018 award. To “earn” or qualify for our award, United Bank had to demonstrate that it increased its total lending in distressed census tracts by \$21.1 million between 2016 and 2017. After the CDFI Fund competitively evaluated all the applications, United received a \$233,387 award. We plan to use that award for other BEA eligible activities in calendar year 2019.

Several years ago, we used our BEA award to create our Credit Advantage Program, a small dollar program that serves customers who would otherwise be forced to use payday lenders. Credit Advantage serves consumers with no credit or credit scores below 650. The product helps build and repair credit. Modeled after the FDIC's Small Dollar Loan pilot program, our maximum loan amount is \$2,000. Borrowers receive half of the loan amount, and

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<sup>1</sup> <https://www.cdfifund.gov/Documents/BEA%20Eval%20Fact%20Sheet%20June%202017.pdf>

the other half goes to a savings account earning a market rate of interest – to encourage savings habits. These loans come with financial literacy training. In 2018, our staff counseled over 3,000 individuals for an average of 2.75 hours on personal financial management skills, such as budgeting, credit repair, and fraud.

The BEA Program is critical for offsetting the costs of running a small-dollar loan program, which would not be feasible otherwise. In the past two years, we have helped 343 borrowers, lending out approximately \$500,000, with an average loan size of \$1,457.

Without Credit Advantage, we would not have been able to help Kassie. Kassie is a single mother of five working two jobs, but who struggled to make ends meet. When Kassie came to United Bank, she had four payday loans - one of which had an interest rate of 425%. We helped her consolidate her payday loans into one low interest small-dollar loan. Credit Advantage enable her to escape the vicious cycle of payday loans. Today Kassie is a homeowner, who proudly teaches her children about financial literacy. Largely thanks to the BEA Program and Credit Advantage, Kassie was able to get back up on her feet and model financial responsibility to her children – a lesson she intends to reinforce throughout their lives.

## **BEA Impact on Small Businesses**

BEA has enabled United Bank to do more to support small businesses. Our small business lending supports the mom-and-pop businesses that are the bedrock of our country's economy. For example, a couple of years ago, one of our loan officers visited a local auto shop to get work done on his car. He noticed that the proprietor, Mr. Holland, was upset. When asked, Mr. Holland explained that he wanted to expand his shop, but his loan request had been denied by three banks. Our lender asked to take a look. Within a few days, the underwriting was complete. Our lender

called Mr. Holland to say his loan was approved. Holland's Garage was able to move from a leased facility to its own building, and the number of employees grew from five to 11. Today, Holland's Garage is looking at a second expansion and was named 2018 Small Business of the Year by the Robertsdale Alabama Chamber of Commerce.

In 2018 alone, we financed 372 small businesses totaling \$70.2 million in loans, of which 123 were minority- and/or women-owned.<sup>2</sup> We also counseled 94 small businesses on business planning, budgeting, and cash management. As we all know, small businesses' success reverberates throughout the community, generating jobs, financial independence, and the entrepreneurial spirit.

In 2017, United used BEA monies to fund loan loss reserves for very small, risky loans that most banks are unwilling to touch. In total, United made 238 microenterprise loans, which are loans under \$50,000, for an average loan size of \$22,400.

We used proceeds from another BEA award to launch the Church Street Incubator, an open-format shared workspace that offers technical assistance to small business startups. The success of our Incubator caught the attention of Discover Financial. Today, Discover is partnering with our bank to host the Homegrown Startup Pitch Contest. The competition is offering \$40,000 in prize money to startups in Alabama and Florida. So far, 52 entrepreneurs have entered the contest.

## **BEA Leverage**

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<sup>2</sup> United Bank defines BEA small business loans as loans consisting of \$1 million or less.

In FY 2018, banks participating in BEA reported increasing their investment into high poverty census tracts by nearly \$578 million. They also increased their provision of financial services by \$6.8 million. In addition, of the 119 banks that were awarded BEA funds, 86 committed to deploy \$3.4 million – or 13.6% of award dollars – into Persistent Poverty Counties, exceeding the 10 percent Congressional mandate.

The BEA program also provides incentives for all banks to increase their support for all CDFIs in the form of grants, loans and deposits. In 2018, the BEA program catalyzed \$57 million in grant, loans, deposits and other support to 53 CDFIs.

BEA primarily benefits small banks working in the most distressed communities. Over the past five years, 93% of all award dollars have gone to CDFI banks and 89% of awards went to small banks with less than \$1 billion in total assets. The remainder of BEA goes to help larger banks that financially support CDFIs.

BEA has the strongest demand among the CDFI Fund programs and is far oversubscribed compared to other programs. In 2018, only \$1 in BEA funding was available for every \$11.47 in requests. Given the benefit generated by the BEA Program it is critical to increase funding. The return on investment – both in social and financial impacts of increased entrepreneurship and financial independence – is too great to ignore.

### **Capital Magnet Fund**

United Bank received its first Capital Magnet Fund (CMF) award in 2018. I am pleased to announce that United Bank is about to break ground on three multifamily affordable housing projects totaling 168 units for working families and seniors in the rural communities of Clanton, Moody and Smiths Station. The anticipated pipeline for the award includes 14 affordable housing

projects with a total of 737 units representing \$136.8 million in private capital. Approximately 33% are in economically distressed areas.

In rural places it is hard to find affordable housing because the cost to build is greater than rents can support. CMF provides subsidy to fill the gaps to make it feasible to build new units. As the only recipient in our state, CMF also enabled United to partner with the Alabama Housing Finance Authority which gave developers bonus points in competing for Low Income Housing Tax Credits that included CMF dollars.

### **New Markets Tax Credits**

United Bank is the first Alabama based organization to receive New Market Tax Credits. NMTC aims to break the cycle of disinvestment in struggling local economies by stimulating private investment. Rural Alabama is full of small towns that are losing population because there are few jobs and limited opportunity.

There are two examples that I would like to share that demonstrate how NMTC makes a difference:

United Bank provided \$7 million in NMTC to enable Brown Precision, headquartered in Huntsville, AL, to locate a new 30,000 square foot facility in Southwest Alabama. Brown does precision machining for the aerospace and medical industries. During construction the project created 128 construction jobs and is expected to create 100 new permanent as they complete hiring. What is important to note, the jobs created are good jobs that pay well and have benefits. Because of this industrial expansion, the City of Atmore was able to qualify for grants from the State of Alabama to build a road and infrastructure to the new site. These improvements have opened areas such as Rivercane Commerce



Park to other expansion opportunities. This is much needed in a community with an 11.7% unemployment.

United Bank also provided \$7 million in NMTC to help Talladega College, a historically black college, to build a dorm to house 171 students and a 47,000 square foot student activities center with a health center for the entire community. Founded in 1867 by the decedents of slaves, Talladega provides high quality educational opportunities for many students of modest means. Located in an area with 36% poverty, the projects created 42 permanent full time jobs.

Due to the Bank's CDFI status, we have also participated with the USDA in its Community Facilities program to assist public entities with much needed infrastructure and facilities.

## **Opportunity Zones**

While outside of the jurisdiction of this subcommittee, I would like to highlight a key policy priority, Economic Opportunity Zones. This policy has great potential to complement and amplify the impact of the CDFI Fund programs.

The Tax Cuts and Jobs Act of 2017 created Opportunity Zones to drive private capital into distressed urban, rural and Native American communities. I worked with our Governor's office to advise on the places in Alabama that could benefit from this new initiative.

I am concerned, however, that many small businesses and projects located in designated Opportunity Zones may not be able to directly utilize the type of investment incentive offered by Opportunity Funds due to business size, capital structure, or inability to pay sufficient returns to meet investor expectations.

These businesses, however, are important to the economic vitality of low-income communities. I think this is a problem for all Opportunity Zones, but rural areas will be particularly affected.

CDFIs are already working in Opportunity Zones. CDFIs know the markets, have strong records of accomplishment in creating positive impact, and are well positioned to address the needs of small businesses and projects. Unfortunately, however, CDFIs were not included as direct Qualified Opportunity Zone investments.

I believe the statute must to be changed to allow CDFIs to be direct recipients of Opportunity Zone investments, provided they commit to provide a comparable amount of lending or investment in designated zones. This change will enable small businesses and projects to also benefit from Opportunity Zones. I urge all of the Subcommittee to endorse this change when it can be considered by the Ways and Means Committee.

## **Conclusion**

Demand for all of the CDFI Fund Programs far exceeds funding. I urge the members of the subcommittee to recognize the significant economic benefits of funding the CDFI Fund programs. Not only do these programs provide access to credit in historically disadvantaged regions of the country, but they do so by leveraging private investment. The CDFI Fund Program are a market-based strategy for address chronic public challenges.

I urge this subcommittee to support CDFI Fund Programs by:

1. Supporting at least \$300 million in FY 2020 for the CDFI Fund, including at least \$35 million for the Bank Enterprise Award Program.
2. Acknowledging the important role CDFI play in restoring the economic health of low wealth communities; and

3. Recognizing that a relatively small amount of federal funds can generate outsized impact in local communities.

I thank Chairman Quigley, Ranking Member Graves, and the members of the Committee for the opportunity to tell you the story of United Bank, the work we do, and the communities that we serve.