# CDFI Fact Sheet

**Community Development Financial Institutions**

*mission-driven*

## What are CDFIs?

**CDFIs are mission-driven financial institutions that provide financial products and services to people and communities underserved by traditional financial institutions.**

More than 800 CDFIs have been certified by the CDFI Fund in the Department of Treasury. They operate in low-wealth communities in all 50 states and the District of Columbia. CDFIs can be banks, credit unions, loan funds, venture capital funds, community development corporations or microenterprise loan funds. All are united in their primary mission of community development.

## Why are CDFIs needed?

CDFIs fill a vital niche in the nation's financial services delivery system, offering loan products and financial services to families or in communities that are difficult for traditional financial institutions to serve. They provide loans and investments to support the development of quality affordable housing, finance businesses, and finance community facilities, including health centers, daycare and education facilities, all with the level of technical assistance needed by their borrowers. CDFIs often serve "micro" borrowers and offer a range of business assistance services to help them succeed. Through their lending and investing CDFIs create jobs and build wealth for low income individuals. Many CDFIs also provide basic financial services to the unbanked and products to combat predatory lending in addition to mortgage products for lower income borrowers. Those services frequently incorporate technical assistance and training such as financial literacy and education, housing or foreclosure counseling and other types of training.

## A Unique Federal Partner: The CDFI Fund

The US Treasury Department's CDFI Fund is an innovative federal agency created to support the growth of CDFIs and to build their capacity to greater expand the availability of credit, investment capital and financial services in distressed urban and rural communities. The CDFI Fund administers a range of programs accessible to CDFIs. Foremost is the Financial and Technical Assistance program, a competitive grant program that provides capital to CDFIs to carry out their business plans. Since its first round of funding in 1996, the CDFI Fund has made almost $770 million in awards for the FA and TA Program. In total, since its creation in 1994, the CDFI Fund has awarded $1.13 billion to CDFIs, community development organizations, and financial institutions through the CDFI Program, the Bank Enterprise Award (BEA) Program, and the Native Initiatives. In addition, the CDFI Fund has allocated $26 billion in tax credit authority to Community Development Entities (CDEs) through the NMTC Program.

Visit www.cdfifund.gov for more information.

## Demand for CDFI Funds is Strong

The demand for CDFI Fund resources is strong and growing. In November 2009, the CDFI Fund received more than 460 CDFI program applications requesting over $484 million and yet the CDFI Fund has less than $120 million in FY 2010 funds available to award. This means the CDFI Fund will be able to fund less than 25% of the demand. Similarly, in FY 2009 the CDFI Fund received 452 applications requesting $529 million but could only fund 27 percent of the demand and many highly qualified CDFI applicants were awarded less than the full funding amount requested.

The American Recovery and Reinvestment Act (ARRA) provided $100 million in stimulus fund to the CDFI Fund. Six months after ARRA was signed into law, the CDFI Fund had deployed 100 percent of its stimulus dollars to qualified CDFIs.

## Where do CDFIs get their money?

**CDFIs are capitalized by a diverse group of investors, all attracted by CDFIs' double bottom line.** CDFIs combine financial return with a social return. Investors include individuals, religious institutions, foundations, corporations, federal and state government, banks and thrifts, non-depository financial institutions (such as insurance companies or mutual funds), national intermediaries, credit unions and others. The top four investors in CDFIs are:

- **Individuals**, primarily in the form of savings and checking accounts in community development banks and credit unions. Some wealthy "angel investors" make equity investments in venture capital funds.
- **Banks and Thrifts**, mostly mainstream institutions making loans to loan funds for relending. They often receive CRA credit for these activities.
- **Non-depository financial institutions**, primarily finance companies, but also insurance companies and socially responsible mutual funds. Most make loans to loan funds for re-lending.
- **Corporations**, mostly as deposits in community development banks.

Investment by the Federal Government accounts for only 7% of all CDFI capital. However, it is important to note that oftentimes federal money serves to attract private resources.

*bridge the gap*