

CDFI Fund Programs: Big Returns for Communities that Need Revitalization

The Community Development Financial Institutions Fund (CDFI Fund) has made huge strides in low-income rural and urban communities across the country that have been left behind. The Administration's Fiscal Year 2018 proposal to reduce the CDFI Fund to just \$14 million for Administration—a \$228 million cut—would eliminate support for CDFIs and leave our country's most distressed communities without the tools needed to grow businesses, create jobs and sustain a thriving local economy. The fact is that while the CDFI Fund was established within the U.S. Department of Treasury in 1994 to promote community and economic development in distressed urban and rural communities by investing in and growing Community Development Financial Institutions (CDFIs) across the country—it is plainly obvious that CDFIs need access to capital now more than ever. This is evidenced by the application demand, nearly 4 times the availability of resources.¹

CDFIs generate about
\$12 IN LOANS AND INVESTMENTS
for **every dollar** in CDFI grants.

In FY 2016, \$176M in awards resulted in \$3.6B investments and loans made by CDFIs in low-income communities

- **11,300** small businesses financed
- **33,000** affordable housing units
- **427,345** individuals received financial literacy or other training

CDFIs are mission-driven financial institutions specialized in delivering affordable credit, development services, capital, and financial services to residents and businesses in capital-starved communities. CDFIs fill a vital niche in the nation's financial services delivery system by serving communities and market sectors that conventional lenders cannot - with the ultimate goal of bringing CDFI customers into the mainstream economy as bank customers, home owners and/or entrepreneurs.

CDFI Fund programs include: Financial Assistance (FA) awards to certified CDFIs and Technical Assistance (TA) grants to certified or emerging CDFIs; the Native American CDFI Assistance (NACA) Program aimed at increasing the number and capacity of CDFIs serving native communities; and the Bank Enterprise Award (BEA) Program providing monetary awards to FDIC-insured banks that invest in low-income communities and/or in CDFIs.

In addition to financing housing and businesses, CDFIs are providing essential financial services to low-income individuals in underserved markets. According to data from the National Federation of Community Development Credit Unions, CDFI Credit Unions made \$17.1 billion in consumer loans in 2015, or 65 percent of their activity. CDFI Credit Unions made 2.84 million loans totaling \$25 billion in 2015.

Through the BEA Program, the CDFI Fund provides awards to FDIC-insured depository institutions for investing in CDFIs and in economically distressed communities. To date, BEA program awards have spurred \$124.3 million additional

¹ Fiscal Year 2016 CDFI Program Award Book. Retrieved from <https://www.cdfifund.gov/Documents/2016%20CDFI%20Book%20102516.pdf>



investments in certified CDFIs loans, \$1.2 billion new investments in distressed communities and \$66.7 million in financial services.

Without the CDFI Fund Programs, thousands of hard-hit rural communities and hollowed out urban neighborhoods will not have the investment and capital available to get back on track and thrive.

A snapshot of the work being done by CDFIs

Access to Capital for Entrepreneurs (ACE), Georgia

Since ACE's inception, we have lent more than \$37 million to 725 small businesses who saved or created more than 6200 jobs in Georgia. ACE uses these federal programs and leverages significant private funds to assist underserved borrowers who are frequently overlooked by the traditional institutions. ACE uses these federal program resources and leverages significant private funds to assist underserved borrowers who are frequently overlooked by the traditional institutions.

A great example of this work with community businesses is our loan to River Dog Paddle. Connie, the owner of the business, came to ACE because she had some credit issues and poor banking history. ACE provided the technical assistance and business coaching needed to work through her issues, understand the importance of credit scores along with the need for banking services. We were able to walk her through the criteria we look for, help her formulate a plan to correct her issues, and give her the loan to start her business. Connie has a business degree and originally went to work for corporate America, but always had the dream to combine her love of paddle boarding with a retail shop. The loan from ACE helped her make this dream a reality.

The CDFI funds have allowed ACE to lend over \$4 million to more than 60 small businesses and allowed us to leverage an additional \$18.2 million. Given the increasing level of demand, our public and private funding partners are crucial to our ability to meet the capital needs of our communities' underserved entrepreneurs and businesses.

Natural Capital Investment Fund (NCIF), West Virginia

NCIF finances and advises small to mid-sized enterprises, primarily in rural and underserved communities across a nine-state region, including West Virginia, Virginia, Maryland, Ohio, Kentucky, Tennessee, North Carolina, South Carolina and Georgia. We help innovative entrepreneurs build locally-owned enterprises that create lasting jobs and community wealth, while using natural resources responsibly. NCIF's 183 portfolio companies have created or retained 3,000 jobs since 2001, using their CDFI Fund awards.

The SJ Morse Company in Capon Bridge, WV is a prime example of the impact NCIF is making in in low-income, rural communities. Steve Morse, owner of the company, became one of the first veneer-panel manufacturing companies in the nation to be certified by the Forest Stewardship Council (FSC). The company was looking to purchase energy efficient HVAC and air compressor systems and add cutting and handling equipment to increase overall plant efficiency. NCIF provided two loans in 2008 to facilitate that purchase and, over the past five years, has also provided a range of technical assistance, including: an energy assessment; helping the company transition to a new accounting system; and, as Steve contemplates retirement, help to structure a succession plan to sell the company to his employees through an Employee Stock Ownership Plan. Transferring ownership to his employees means the company will continue to build local wealth, provide well-paying jobs and generate needed economic development activity in this small community of 355 people.

CDFI Program Awardees
FY 2016 Loans and Investments
by Category (millions \$)

