

## **CDFIS: INVESTING IN COMMUNITIES AND BUILDING STRONG FOUNDATIONS FOR THE FUTURE**

**Community Development Financial Institutions**, or CDFIs, are mission-driven financial institutions that deliver affordable credit, capital, and financial services to residents and businesses in minority and economically distressed communities.

CDFIs emerged in response to the fact that many urban neighborhoods and rural areas, particularly those with high rates of poverty and unemployment, are underserved by traditional financial institutions.

CDFIs understand and can respond effectively to the needs of their target market. CDFIs provide the flexible, market-driven products and services that consumers and small business owners need to grow and thrive. 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.

**The Community Development Financial Institutions Fund** (CDFI Fund) was established within the U.S. Department of Treasury in 1994<sup>1</sup> to promote community development in economically distressed urban and rural communities by investing in and growing CDFIs across the country. There are currently 926 Treasury certified CDFIs.<sup>2</sup>

In addition to overseeing CDFI certification, the CDFI Fund administers a range of innovative programs designed to strengthen the ability of CDFIs to provide financial products and services in underserved communities. The CDFI Fund administers the following core programs and each program awards funds annually through an independent and competitive application process:

→ **Financial Assistance (FA)** – The CDFI Fund makes FA awards to both large and small certified CDFIs, including those financing businesses that provide healthy food options. FA awards can be used for lending capital, loan loss or capital reserves, operations or development services. A CDFI is required to match its FA award dollar-for-dollar with non-federal funds<sup>3</sup>.

→ **Technical Assistance (TA) Awards** - The CDFI Fund makes TA awards of up to \$150,000 to certified CDFIs as well as emerging CDFIs, to support efforts to expand the organization's success and sustainability. There is no match requirement for TA awards and funds can be used to support a variety of capacity building activities including hiring consultants or contract services, training staff or board members.

→ **The Native American CDFI Assistance (NACA) Program** – The NACA Program was launched in 2001 to encourage investing in Native Communities by supporting the creation and expansion of Native CDFIs, which in turn help to create jobs, establish or improve affordable housing, and provide appropriate financial services and counseling to community residents. The number of Native CDFIs has increased from 14 in 2001 to 65 in 2014.

→ **The Bank Enterprise Award (BEA) Program** – The BEA Program provides monetary awards to FDIC insured banks and thrifts that have increased their investment activity in communities with high rates of poverty and unemployment. The size of a BEA award is based on how much the bank or thrift has increased its investing in low income communities or in CDFIs. All BEA funds awarded must be reinvested either into a distressed community or in a CDFI. The CDFI Fund has awarded \$353 million in BEA grants since the program was launched in 1994.

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<sup>1</sup>The CDFI Fund was authorized as part of the *Riegle Community Development and Regulatory Improvement Act (PL 103-325)*.

<sup>2</sup> To be eligible for CDFI certification an organization must be a non-governmental entities (with the exception of Tribal governmental entities); with a primary mission of promoting community development; that provides both financial and educational services to one or more defined low income target markets; and is accountable to the target market it serves.

<sup>3</sup> In FY 2012 the match requirement was waived for small and emerging CDFIs receiving FA awards.

→ The CDFI Fund also administers the ***New Markets Tax Credit (NMTC) Program*** which was authorized in 2000<sup>4</sup> to stimulate private investment in low income communities. To date, the CDFI Fund has awarded \$40 billion in NMTC allocations. Between 2003 and 2012, NMTC investments created over 750,000 jobs at a cost to the federal government of under \$20,000 per job and leveraged \$63 billion in capital investment in communities with high rates of poverty and unemployment. Additional information on the NMTC can be found on the NMTC Coalition's website (www.nmtccoalition.org).

→ In addition, the CDFI Fund administers the ***CDFI Bond Guarantee Program***<sup>5</sup> which was authorized in 2010 to empower the Treasury Department to guarantee notes or bonds issued at no cost to the federal government to support CDFI lending and investments activity. In September 2013 Treasury selected the first three organizations to issue up to \$325 million in CDFI bonds and in October 2014, Treasury selected an additional four organizations to issue up to \$200 million in CDFI bonds.

### **CDFIs - BY THE NUMBERS**

- 926 CDFIs, including 73 Native CDFIs, have been certified to work in low-wealth communities across the country;
- The list of institutions certified as CDFIs includes 504 loan funds, 242 credit unions, 162 bank holding companies, banks or thrifts, and 14 venture capital funds, located in rural and urban areas in all 50 states as well as the District of Columbia, Puerto Rico, and Guam.
- Since 1994, the CDFI Fund has awarded more than \$2 billion on a competitive basis to CDFIs including Native CDFIs, small and emerging CDFIs and financial institutions through the TA, FA, BEA, and NACA Programs;

In FY 2014, CDFIs made over 28,000 loans or investments totaling nearly \$3 billion, financed nearly 10,000 small businesses and over 25,000 housing units.

- **Amount of Total Loans/Investments Originated: \$2,759,152,949**  
Number of Total Loans/Investments Originated: 28,117
- **Business and Microenterprise Originations: \$643,338,268**  
Number of Originations: 12,035
- **Consumer Originations: \$19,531,162**  
Number of Originations: 3,941
- **Home Improvement and Home Purchase Originations: \$565,338,116**  
Number of Originations 8,428
- **Residential Real Estate Originations: \$668,079,808**  
Number of Originations: 1,231
- **Commercial Real Estate Originations: \$497,509,086**  
Number of Originations: 830
- **All Other Originations: \$365,356,509**  
Number of Originations: 1,652
- **Affordable Housing Units Financed: 28,617**  
Rental Units 25,662 and Owner Units: 2,955
- **Businesses Financed: 9,388**
- **Financial Access and Literacy**  
Individuals Served by Financial Literacy or Other Training: 252,552

<sup>4</sup> The NMTC was authorized as part of the *Community Renewal and Tax Relief Act of 2000* (PL 106-554)

<sup>5</sup> The CDFI bond Program was authorized as part of *The Small Business Jobs Act of 2010* (PL 111-240)