



# An Introduction to the CDFI Fund

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**COMMUNITY DEVELOPMENT FINANCIAL INSTITUTIONS FUND**

[www.cdfifund.gov](http://www.cdfifund.gov)

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## OUR MISSION

The CDFI Fund's mission is to expand economic opportunity for underserved people and communities by supporting the growth and capacity of a national network of community development lenders, investors, and financial service providers.

# About the CDFI Fund



## OUR VISION

The vision of the CDFI Fund is an America in which all people and communities have access to the investment capital and financial services they need to prosper.

# About the CDFI Fund



The CDFI Fund manages 10 separate programs authorized through six different statutes:

- Riegle Community Development and Regulatory Improvement Act of 1994
  - Bank Enterprise Award Program (BEA Program)
  - Community Development Financial Institutions Program (CDFI Program)
  - Native American CDFI Assistance Program (NACA Program)
- Community Renewal Tax Relief Act of 2000
  - New Markets Tax Credit Program (NMTC Program)
- Housing and Economic Recovery Act of 2008
  - Capital Magnet Fund (CMF)
- Small Business Jobs Act of 2010
  - CDFI Bond Guarantee Program (BG Program)
- Dodd-Frank Wall Street Reform and Consumer Protection Act
  - Small Dollar Loan Program (SDL Program)
- Consolidated Appropriations Act of 2021
  - CDFI Equitable Recovery Program (CDFI ERP)
  - CDFI Rapid Response Program (CDFI RRP)
  - Economic Mobility Corps (EMC)

# About the CDFI Fund



- Since its establishment, the CDFI Fund has awarded more than \$7.4 billion to CDFIs, community development organizations, and financial institutions through its funding programs, allocated \$71 billion in tax credits through the New Markets Tax Credit Program, and more than \$2.1 billion in bonds has been guaranteed through the CDFI Bond Guarantee Program.
- The CDFI Fund's investments are leveraged many times over. From program to program, the leverage ratio varies, but most attract at least \$8 of private capital for every \$1 of federal spending.

# What is a Community Development Financial Institution (CDFI)?



- CDFIs are community-based organizations that expand economic opportunity in low-income communities and provide financial products and services to individuals and businesses often underserved by traditional financial institutions.
- CDFI help families finance their first homes, support small and start-up businesses, establish and rebuild credit histories, and invest in local health, education and community facilities, as well as provide financial services and training.
- CDFIs include banks, credit unions, loan funds, and venture capital funds.

# CDFI Certification



- To become Certified, an organization must submit a CDFI Certification Application to the CDFI Fund for review and approval. The organization must demonstrate that it meets each of the following requirements:
  - Be a legal entity at the time of Certification application;
  - Have a primary mission of promoting community development;
  - Be a financing entity;
  - Primarily serve one or more Target Markets;
  - Provide Development Services in conjunction with its financing activities;
  - Maintain accountability to its defined Target Market(s); and
  - Be a non-government entity and not be under control of any government entity (Tribal governments excluded).



# Types of CDFIs



There are four main types of CDFIs, each providing a different mix of products geared to reach specific customers.

- ***Community development banks, thrifts and bank holding companies*** are regulated for – profit corporations that provide capital to rebuild economically distressed communities through targeted lending and investment.
- ***Community development credit unions*** are regulated non-profit cooperatives owned by members that promote ownership of assets and savings and provide affordable credit and retail financial services to low-income people.

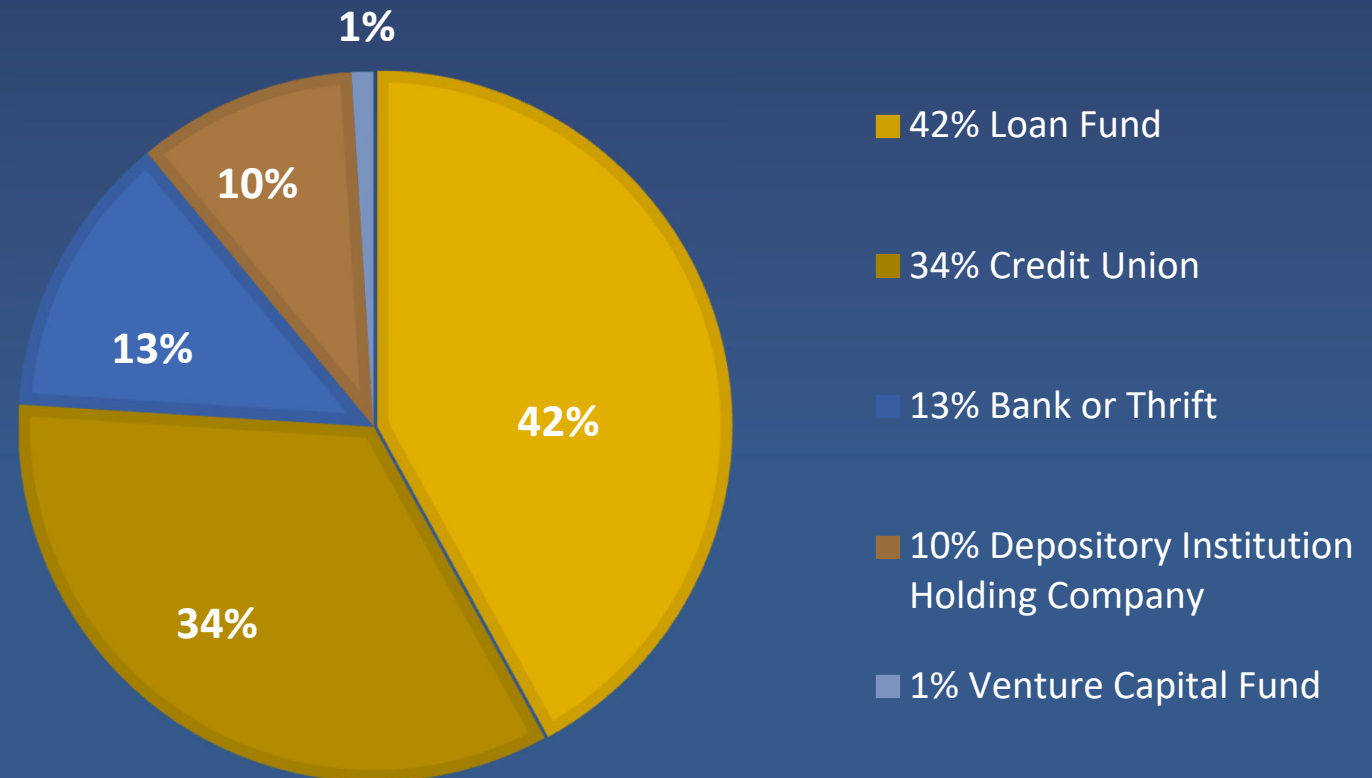
# Types of CDFIs



- ***Community development loan funds*** (usually non-profits) provide financing and development services to businesses, organizations and individuals in low-income urban and rural areas and can be further categorized based on the type of client served: micro-enterprise, small business, housing, and community service organizations.
- ***Community development venture capital funds*** include both for-profit and non-profit organizations that provide equity and debt-with-equity features for businesses in distressed communities.

# CDFI Certification

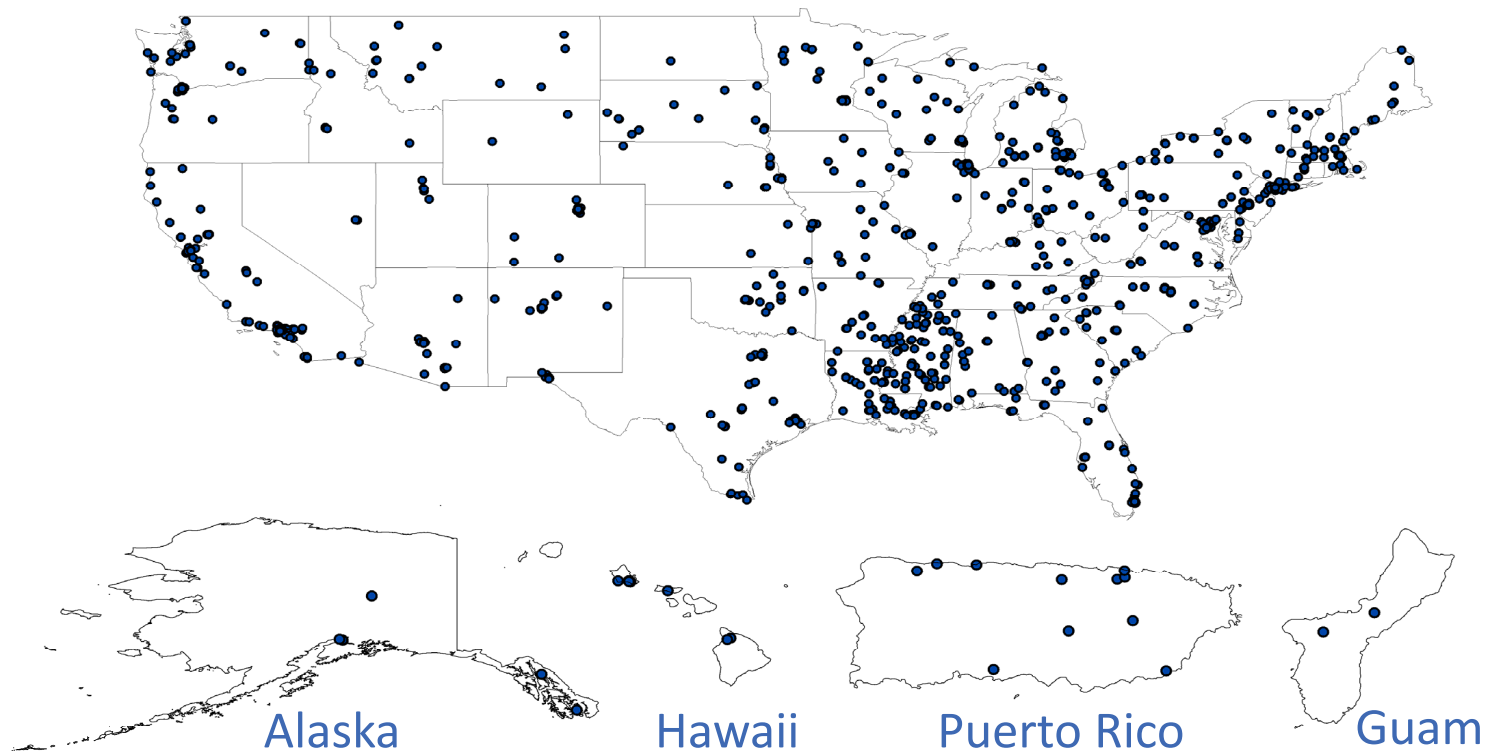
## Types of Certified CDFIs



*(Percentage by type of 1,378 Certified CDFIs as of September 2022)*

# Overview of the CDFI Fund:

*There are more than 1,300 Certified CDFIs in the United States*



*Certified CDFI HQs as of September 2022*

# CDFI Certification



- The CDFI Fund undertook a review process in 2016 to ensure Certification policies are responsive to the evolving nature of CDFIs and sufficiently protect government resources.
- To assist the CDFI Fund in its review and garner public input, a Request for Information (RFI) was published in January 2017 seeking comments on current CDFI Certification policies and procedures.
- Based on input provided through the RFI, the CDFI Fund developed a revised Certification Application that was released for public review and comment in May 2020.
- From this comment and review process, that were significant changes made to the Application that was released for a final public comment in November 2022. The CDFI Fund is reviewing comments to make further modifications.
- The CDFI Fund will release a final version of the new Application, once it reopens the Application submission portal later this fall.

# The CDFI Fund's Programs



The CDFI Fund supports investments in low-income communities through our assistance programs

- Bank Enterprise Award Program (BEA Program)
- Capital Magnet Fund (CMF)
- CDFI Bond Guarantee Program (BG Program)
- Community Development Financial Institutions Program (CDFI Program)
- Native Initiatives and Native American CDFI Assistance Program (NACA Program)
- New Markets Tax Credit Program (NMTC Program)
- Small Dollar Loan Program (SDL Program)
- Economic Mobility Corps (EMC)
- CDFI Rapid Response Program (CDFI RRP)
- CDFI Equitable Recovery Program (CDFI ERP)

# BEA Program



- Provides monetary awards to banks and thrifts that demonstrate an increase in their investments in some of the most distressed communities in the nation.
- Since inception, the BEA Program has awarded grants totaling nearly \$572 million. During the past six rounds of the program, from FYs 2015-2021, award recipients:
  - Increased their loans and investments in distressed communities by more than \$3.2 billion;
  - Increase their lending, investments and technical assistance to CDFIs by \$280.8 million; and
  - Increased the provision of financial services in distressed communities by \$257 million.

# Capital Magnet Fund



- Attracts investments in affordable housing and related economic development activities in economically distressed areas, including metropolitan and underserved rural areas.
- Provides grants to finance affordable housing, community service facilities, and economic development and can be used for loan loss reserves, revolving loan funds, risk-sharing loans, and loan guarantees.
- Must produce housing and community development investments at least 10 times the amount of the award.
- To date, CMF awardees have reported the development of more than 43,000 affordable housing units.



# CDFI Bond Guarantee Program



- Bonds issued through the program support CDFI lending and investment activity in underserved communities by providing a source of long-term capital. Bond proceeds used to finance loans to eligible CDFIs for community and economic development purposes.
- To date, Treasury has guaranteed over \$2.1 billion in bonds to help CDFIs increase investment in low-income and underserved communities. Through the end of FY 2022, CDFIs have lent approximately \$1.4 billion of this amount for:
  - charter schools: \$426.9m
  - rental housing: \$414.3m
  - commercial real estate: \$261.8m
  - financing entities: \$111.7m
  - health care facilities: \$65.1m
  - non-for-profit organizations: \$61.3m
  - senior living/long-term care centers: \$16.4m
  - small businesses: \$42.5m
  - day care centers: \$12m

# CDFI Program



The CDFI Program provides monetary awards to invest in and build the capacity of CDFIs, empowering them to grow, achieve organizational sustainability, and contribute to the revitalization of their communities.

- Financial Assistance awards can be used for financial products, loan loss reserves, capital reserves, financial services and development services.
- Technical Assistance awards are used for capacity development that is integral to CDFIs' organizational sustainability and success, or support the organization's ability to become certified.

Since its inception, the CDFI Program has provided nearly \$3.1 billion in Financial Assistance and Technical Assistance awards. In fiscal year 2022 alone, CDFI Program Recipients reported they:

- Originated more than \$38 billion in loans and investments
- Financed more than 100,000 businesses
- Financed over 53,000 affordable housing units

# Native Initiatives



- The Native Initiatives program was created to increase opportunities for Native American, Alaska Native, and Native Hawaiian communities (Native Communities) to access credit, capital, and financial services by creating or expanding CDFIs primarily serving those communities (Native CDFIs).
- Native CDFIs have focused their investments on affordable housing (housing development and homeownership) and economic development (job creation, business development, and commercial real estate development). Some Native CDFIs serve as national or regional intermediaries, providing financial products and services to local Native CDFIs and other community development organizations.
- The Native CDFI Assistance Program (NACA Program) provides Financial Assistance and Technical Assistance awards to increase the number and capacity of Native CDFIs. In 2022, NACA awardees reported loans and investments totaling more than \$211.6 million.

# New Markets Tax Credit Program



- Stimulates capital investment in low-income communities by providing tax credits for making equity investments in Community Development Entities (CDEs).
- Investors receive a 39% credit of total investment made in a CDE and is claimed over 7 years. CDEs deploy these investments into low-income communities.
- Cumulatively, NMTC Program awardees have generated \$62.9 billion in investments in low-income communities and generated \$8 of private investment for every \$1 invested by federal government, which has created nearly 1 million permanent and construction jobs.

# Small Dollar Loan Program



- The program provides grants for Loan Loss Reserves and Technical Assistance to enable Certified CDFIs to establish and maintain small dollar (\$2,500 or less) loan programs. Eligible applicants include Certified CDFIs and partnerships between Certified CDFIs and federally insured depository institutions.
- Resources will help unbanked and underbanked populations build credit, access affordable capital, and allow greater access into the mainstream financial system. The program is intended to expand consumer access to financial institutions by providing alternatives to high cost small dollar lending.
- Since its inception in 2021, the Small Dollar Loan Program has provided more than \$22 million in Technical Assistance and Loan Loss Reserve Awards.

# Economic Mobility Corps



- A joint initiative of the CDFI Fund and AmeriCorps to place full-time AmeriCorps national service members in Certified CDFIs to enhance their Financial Services capabilities.
- Organizations that meet AmeriCorps eligibility criteria may apply for an award, including CDFIs and other financial institutions, Indian Tribes, institutions of higher learning, state and local governments, and nonprofit organizations.
- Awards must be used to place AmeriCorps service members in Certified CDFIs to strengthen their capacity to provide financial literacy, financial counseling, and financial planning services to distressed and underserved individuals.
- A total of \$4.5 million in Economic Mobility Corps awards have been made to place more than 230 service members in CDFIs.

# CDFI Rapid Response Program



- The program provides one-time awards to Certified CDFIs to deliver immediate assistance in communities impacted by the COVID-19 pandemic.
- The program was designed to quickly and broadly deploy capital to Certified CDFIs through a streamlined application and evaluation methodology.
- In June 2021, the CDFI Fund awarded \$1.25 billion in CDFI RRP awards to 863 Certified CDFIs.
- So far, as of September 30, 2022, CDFI RRP recipients have reported providing loans and investments totaling \$14.8 billion.
- These awards provided CDFIs with resources necessary to respond to the economic impacts of the COVID-19 pandemic in distressed and underserved communities and people.

# CDFI Equitable Recovery Program

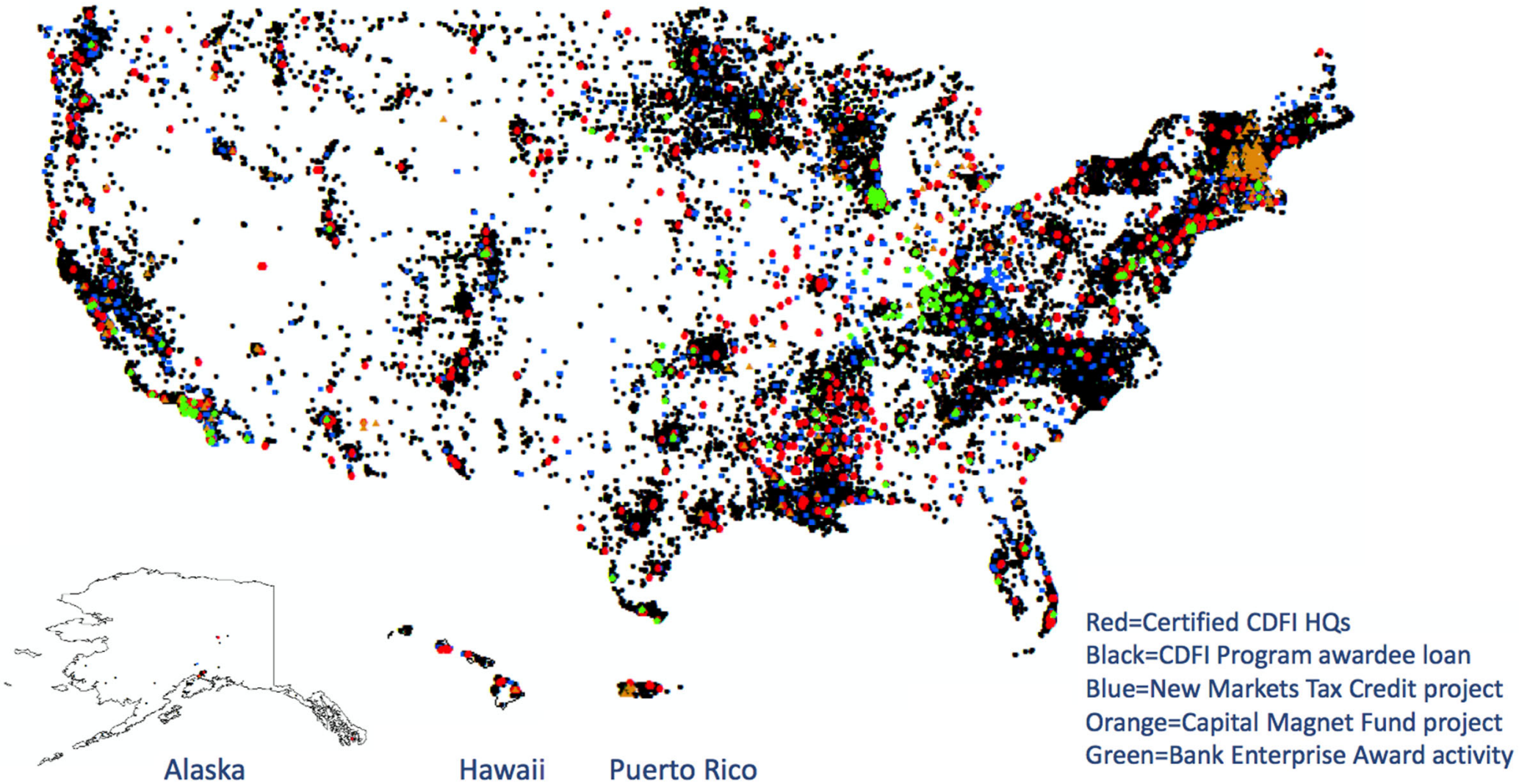


The Consolidated Appropriations Act, 2021 provided \$1.75 billion in supplemental appropriations to remain available until expended for the CDFI Fund to provide grants to CDFIs to respond to the economic impacts of the COVID–19 pandemic. The CDFI ERP Awards will be made to CDFIs to:

- expand lending, grant making, and investment activity in low- or moderate-income communities and to borrowers that have historically experienced significant unmet capital or financial services needs and were disproportionately impacted by the COVID-19 pandemic; and
  - catalyze growth in the financial and organizational capacity of CDFIs for the purpose of carrying out CDFI ERP activities.
- In April 2023, the CDFI Fund awarded more than \$1.73 billion in CDFI ERP awards to 604 CDFIs



# Impact: CDFI Fund Awardee Investments – All Programs



# Learn More About Our Programs

Program	Who is Eligible?	Awards Available	Learn More
<b>Bank Enterprise Award Program</b>	FDIC-insured depository institutions	Awards for a demonstrated increase in lending and investments in distressed communities and CDFIs	<a href="http://www.cdfifund.gov/bea">www.cdfifund.gov/bea</a>
<b>Capital Magnet Fund</b>	Certified CDFIs and non-profit affordable housing organizations	Awards to finance affordable housing solutions and related economic development activities	<a href="http://www.cdfifund.gov/cmfi">www.cdfifund.gov/cmfi</a>
<b>CDFI Bond Guarantee Program</b>	Certified CDFIs	Bond loans with a maximum maturity of 29.5 years	<a href="http://www.cdfifund.gov/bond">www.cdfifund.gov/bond</a>
<b>CDFI Program</b>	Certified CDFIs and Certifiable CDFIs	Financial Assistance and Technical Assistance awards	<a href="http://www.cdfifund.gov/cdfi">www.cdfifund.gov/cdfi</a>
<b>Native American CDFI Assistance Program</b>	Certified CDFIs, Certifiable CDFIs, and Sponsoring Entities	Financial Assistance and Technical Assistance awards to increase lending and to create or build the capacity of a Native CDFI	<a href="http://www.cdfifund.gov/native">www.cdfifund.gov/native</a>
<b>New Markets Tax Credit Program</b>	Certified Community Development Entities	Tax credit allocation authority	<a href="http://www.cdfifund.gov/nmtc">www.cdfifund.gov/nmtc</a>
<b>Small Dollar Loan Program</b>	Certified CDFIs and partnerships between CDFIs and federally insured depository institutions	Awards to establish Loan Loss Reserves and for Technical Assistance	<a href="http://www.cdfifund.gov/sdlp">www.cdfifund.gov/sdlp</a>
<b>CDFI Equitable Recovery Program</b>	Certified CDFIs	To expand activity in communities with unmet financial service needs and were impacted by the COVID-19 pandemic.	<a href="http://www.cdfifund.gov/erp">www.cdfifund.gov/erp</a>
<b>CDFI Rapid Response Program</b>	Certified CDFIs	One-time grants to deliver immediate assistance in communities impacted by the COVID-19 pandemic	<a href="http://www.cdfifund.gov/rrp">www.cdfifund.gov/rrp</a>