

Community Development Financial Institutions

What are Community Development Financial Institutions?

Community Development Financial Institutions (CDFIs) are private financial institutions that are 100% dedicated to delivering responsible, affordable lending to help low-income, low-wealth, and other disadvantaged people and communities join the economic mainstream. In 1994, Congress created the CDFI Fund as a part of the U.S. Department of Treasury to administer financial and community development programs including – CDFI Financial Assistance (FA) Program, CDFI Technical Assistance (TA) Program, the Bank Enterprise Award (BEA) Program, and the Native American CDFI Assistance (NACA) Program. The CDFI Fund also administers the New Markets Tax Credits (NMTC) Program, the CDFI Bond Guarantee Program, and the Capital Magnet Fund (CMF). CDFI Rapid Response Program (RRP) is the CDFI Fund’s newest program that awards CDFIs with grants to deliver immediate assistance in communities impacted by the COVID-19 pandemic. To date, there are over 1,100 certified CDFIs serving urban, suburban, rural and tribal communities nationwide.

How does the CDFI Fund Program work?

The CDFI Program a competitive grant program that provides flexible loan capital to CDFIs that serve borrowers and communities in underserved areas. Financial institutions that become certified by the CDFI Fund are eligible to apply for these funds, which include monetary support and training to build organization capacity. The CDFI Fund awards provide CDFIs with the flexibility to determine the best use of limited federal resources in their community. For example, the Financial Assistance (FA) awards provide institutional investments that enable CDFIs to grow their net assets and/or increase their lending capacity. A CDFI is required to match its FA award dollar-for-dollar. The CDFI Fund expands the capacity of community-based financial institutions that specialize in providing affordable credit, capital, and financial services, which in turn build businesses, create jobs, and revitalize neighborhoods.

What is the impact of the CDFI Fund?

Since its inception, the CDFI Fund has awarded more than \$3.9 billion to CDFIs and allocated \$60.1 billion in New Markets Tax Credits. The CDFI Fund’s programs incentivize private sector investments in distressed rural, urban, and Native communities that lack access to capital. In fact, for every \$1 in CDFI Fund Financial Assistance awards, CDFIs generate \$12 in financing.

In fiscal year 2020 alone, CDFI Program awardees reported originating more than **1 million loans** and making investments in excess of **\$25.4 million**, which was used to finance nearly **87,000 businesses**, over **41,000 affordable housing units**, and provide financial literacy training to individuals in low-income neighborhoods, areas of persistent poverty, and communities lacking access to traditional financial services providers. These developments include the construction of community facilities in communities that might not otherwise have these amenities.



What can Congress do?

Congress should support at least \$1 billion in FY 2022 for the CDFI Fund.

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