

# CDFIs EMPOWER COMMUNITIES THROUGH RESPONSIBLE, AFFORDABLE FINANCE

## OFN Member Cumulative Impact Through 2020

**\$91.21 billion** in financing

**2.19 million** jobs created or maintained

**535,547** businesses and microenterprises financed

**2.23 million** housing units developed

**13,266** community service organizations financed

Net charge-off rate of **0.48%**

Source: Opportunity Finance Network Annual Member Survey, 2020

## WHAT ARE CDFIs?

Community development financial institutions (CDFIs) provide responsible financing to rural, urban, and Native communities that mainstream financial institutions consider too risky or unprofitable.

CDFIs are loan funds, banks, bank holding companies, credit unions, or venture capital firms. CDFIs specialize in lending to individuals, organizations, and businesses in under-resourced communities. In addition to financial products, CDFIs also offer services like financial education and business coaching.

CDFI lending leads to more small businesses and homeownership, creates living wage jobs, supports the development of schools, grocery stores, and health care centers, finances climate change solutions, and so much more.

Today, there are more than 1,300 CDFIs certified by the U.S. Department of the Treasury's CDFI Fund. CDFI clients are 84 percent low-income, 60 percent people of color, 49 percent women, and 27 percent rural.

## DEEP COMMUNITY ROOTS

CDFIs operate in every state, the District of Columbia, Guam, and Puerto Rico and work with communities to create localized solutions to pressing economic problems. CDFIs use their on-the-ground expertise to boost local economies and help individuals successfully and safely build financial health and well-being.

## FINANCIAL FIRST RESPONDERS AND PARTNERS IN RECOVERY

CDFIs are financial first responders in crisis, offering relief measures to individuals and communities impacted by external shocks, such as the concurrent health, economic, and racial justice crises facing our nation.

Most recently, as Paycheck Protection Program lenders, CDFIs outperformed larger banks, proving they are specialized lenders that can reach very small and minority owned businesses. The SBA reports that 77.9 percent of community financial institution (CFI)<sup>1</sup> loans were under \$150,000 (49.8 percent program average); 39.7 percent of CFI loans were in low- and moderate-income areas (28 percent program average); and 15.7 percent were in rural areas (16.6 percent program average) – all areas that are chronically underserved by mainstream finance.<sup>2</sup> To continue and expand this work, CDFIs need grant capital. It is essential for Congress to appropriate at least \$1 billion to the CDFI Fund in Fiscal Year 2023.

<sup>1</sup>Community Financial Institutions is a category of mission lender that includes Community Development Financial Institutions (CDFIs), Minority Depository Institutions (MDIs), Certified Development Companies (CDCs), and Microloan Intermediaries.

<sup>2</sup>Small Business Administration, Paycheck Protection Program Data, 5/24/2021, [https://www.sba.gov/sites/default/files/2021-05/2021.05.24%20-%20SBA%20COVID%20Relief%20Program%20Report\\_0.pdf](https://www.sba.gov/sites/default/files/2021-05/2021.05.24%20-%20SBA%20COVID%20Relief%20Program%20Report_0.pdf)

## Strengthen CDFIs

Congress must support at least **\$1 billion** in CDFI Fund grants in the FY 2023 Appropriations bill.

## CDFI Fund in FY 2022

In FY 2022, Congress appropriated **\$295 million**.

## THE CDFI FUND IS VITAL TO THE ECONOMY

The CDFI Fund plays an important role in generating economic growth and opportunity in some of our nation's most distressed communities. Its innovative model invests small amounts of public sector capital in CDFIs, which they match with private capital, to catalyze economic development.

## CDFI FUND CAPITAL

The CDFI Program, the CDFI Fund's flagship program and primary federal source of grant funding for CDFIs, provides Financial Assistance and Technical Assistance awards. Grants are vital to help CDFIs build capacity, grow net assets, and leverage debt. CDFIs leverage every dollar in CDFI Fund grant funding eight times with private and philanthropic investment.<sup>3</sup> CDFIs take private, public, and philanthropic dollars and lend responsibly in rural, urban, and Native communities. As the loans are repaid, CDFIs recycle the capital back into communities, amplifying impact.

The CDFI Fund provides additional federal resources to CDFIs through other valuable programs: the Bank Enterprise Award, Capital Magnet Fund, CDFI Bond Guarantee, Native American CDFI Assistance, and New Markets Tax Credit.

## CDFI FUND CERTIFICATION

While certification is first and foremost the CDFI Fund's determination of eligibility for its programs, public and private investors have also come to recognize certification as a mark of confidence in an organization's commitment to a community development mission. State and federal agencies — among them the Small Business Administration, U.S. Department of Agriculture, and U.S. Department of Housing and Urban Development<sup>4</sup> — require certification to participate in numerous programs. To be considered for membership in the Federal Home Loan Bank System, a CDFI loan fund must be CDFI Fund certified. And "Certified CDFI" status opens the door to additional private sector investment, increasing opportunity for CDFIs to reach deeper into the communities they serve.

## ABOUT OFN

Opportunity Finance Network (OFN) is a leading national network of more than 360 community development financial institutions (CDFIs), specialized lenders that provide affordable, responsible financial products and services in low-income rural, urban, and Native communities nationwide. As a trusted intermediary between CDFIs and the public and private sectors, OFN works with its partners — banks, philanthropies, corporations, government agencies and others — to create economic opportunity for all by strengthening and investing in CDFIs.

Since its founding in 1986 and through 2020, the network has originated \$91.21 billion in financing in rural, urban, and Native communities, helping to create or maintain more than 2.19 million jobs, start or expand 535,550 businesses and microenterprises, and support the development or rehabilitation of more than 2.23 million housing units and more than 13,270 community facility projects.

<sup>3</sup><https://home.treasury.gov/news/press-releases/jy0229>

<sup>4</sup>SBA: Community Advantage program, USDA: Rural Development Community Facilities Relending Program, HUD/FHA: Section 542(b) risk share program for multi-family housing