

## **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, development services, and financial services to residents and businesses in minority and economically distressed communities.

CDFIs emerged to provide financial services in urban and suburban neighborhoods and rural areas underserved by traditional financial institutions, particularly those with high poverty and unemployment rates. By leveraging over \$12 in private capital for every \$1 in federal support, CDFIs are filling the deep credit gap encountered in many communities, and supporting their local borrowers to create jobs, start and grow businesses, build and improve housing and community facilities, and create economic opportunity.

Throughout the last economic downturn, CDFIs served as economic shock absorbers, providing flexible and patient capital, rigorous risk management, and commitment to the businesses and projects in their communities and the sustainability of their borrowers. While traditional lenders fled economically distressed communities, CDFIs filled the void. CDFIs are on the front lines in supporting economic mobility and providing financing and technical assistance to small and growing businesses.

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, homeowners, 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 nationwide. There are 1,426 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 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 healthy food businesses. 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.

→ **Technical Assistance (TA) Awards** – The CDFI Fund makes TA awards to certified CDFIs and 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 64 in 2024.

→ **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 poverty and unemployment rates. The size of a BEA award is based on how much the bank or thrift has increased its investment in low-income communities or CDFIs. All BEA funds awarded must be reinvested into a distressed

<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 entity (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. Number current as of 1/1/2025.

community or a CDFI. From the program's launch in 1994 through 2024, the CDFI Fund has awarded more than \$638 million in BEA grants. Between FY 2016 and FY 2023, \$253.3 million in BEA awards generated \$4.3 billion in additional loans and investments and \$314 million in other financial services in distressed areas.

→ The CDFI Fund also administers the **New Markets Tax Credit (NMTC) Program**, which was authorized in 2000<sup>3</sup> to stimulate private investment in low-income communities. The CDFI Fund has made 1,667 allocation awards totaling \$81 billion to date. NMTC investments have created more than 1.2 million jobs that cost the federal government under \$20,000 per job. Through the end of 2023, the NMTC leveraged more than \$135 billion in capital investment in communities with high poverty and unemployment rates. Additional information on the NMTC can be found on the NMTC Coalition's website ([www.nmtccoalition.org](http://www.nmtccoalition.org)).

→ The CDFI Fund administers the **CDFI Bond Guarantee Program**<sup>4</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 investment activity. Since 2010, the CDFI Fund has guaranteed nearly \$3 billion in bond authority through the program.

→ **The CDFI Fund administers the Capital Magnet Fund (CMF)** and provides grants on a competitive basis to CDFIs and other non-profit organizations to finance the acquisition, construction, preservation, and rehabilitation of affordable housing and related economic development efforts for low-income families and communities. CMF is authorized under the Housing and Economic Recovery Act of 2008 and is funded by allocations from two Government Sponsored Entities (Fannie Mae and Freddie Mac), which are regulated by the Federal Housing Finance Agency. The Capital Magnet Fund has generated \$20 in additional investment for every \$1 of award funding and created over 83,000 affordable homes, including more than 74,800 rental homes and more than 8,100 owner-occupied homes.

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

- 1,426 CDFIs, including 64 Native CDFIs, had been certified to work in low-wealth communities nationwide as of January 2025.
- Certified CDFIs include 561 loan funds, 495 credit unions, 160 depository institution holding companies, 196 banks or thrifts, and 14 venture capital funds in rural, urban and suburban areas in all 50 states and the District of Columbia, Puerto Rico, and Guam.
- In FY 24, CDFI Fund Program Award recipients financed more than 109,000 businesses, provided funding for more than 45,000 affordable homes and originated almost \$24.5 billion in loans and investments.
- CDFI impact through Paycheck Protection Program (PPP): through May 24, 2021, Community Financial Institutions (CFIs), which include CDFIs, made 1.3 million PPP loans totaling over \$30 billion or 21% of total loans. Their average loan size was \$21,653 compared to \$41,560 across all lender classes, and nearly 40% of their loans reached business in low- and moderate-income communities, compared to 28% across all lending sources. CFI loans reached more small businesses. For example, 78% of their PPP loans went to businesses requesting less than \$150,000. Moreover, 15.7% of CFI-made loans were made to businesses in rural communities, closely keeping with the 16.6% of all loans (some \$45.5 billion) that went to rural businesses.<sup>5</sup>

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<sup>3</sup> The NMTC was authorized as part of the *Community Renewal and Tax Relief Act of 2000* (PL 106-554)

<sup>4</sup> The CDFI bond Program was authorized as part of *The Small Business Jobs Act of 2010* (PL 111-240)

<sup>5</sup> Source: Small Business Administration "[COVID Relief Paycheck Protection Program Report, Data as of 05/24/2021](#)"