

HPN Issue Summary

The CDFI Fund

What are Community Development Financial Institutions?

Community Development Financial Institutions (CDFIs) are mission-driven private financial institutions that emerged in response to a lack of access to responsible and affordable credit and capital in minority and economically distressed communities. CDFIs fill the market gap left by larger traditional financial institutions. In 1994 Congress created the CDFI Fund, part of the U.S. Department of Treasury which now administers a variety of financial and community development programs including the flagship CDFI Program, which provides both Financial Assistance and Technical Assistance Awards, the Native American CDFI Assistance Program, New Markets Tax Credits, the Bank Enterprise Award, Capital Magnet Fund and CDFI Bond Guarantee Program.

How does the CDFI Program work?

The CDFI Program is a competitively awarded grant program that provides loan capital to CDFIs that serve borrowers and communities the traditional banking sector does not reach. These awards go to CDFIs that work on a local level and know their communities best. 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 are competitive and provide CDFIs with the flexibility to determine the best use of limited federal resources in their community. This program 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 \$2 billion to CDFIs and allocated \$43.5 billion in New Market 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 2016 alone, CDFI Program awardees reported that they provided \$3.6 billion in financing to homeowners, businesses, and commercial and residential real estate developments. These developments include the construction of community facilities in

communities that might not otherwise have these amenities. In addition, CDFI Program awardees financed over 12,300 businesses and provided more than 35,000 individuals with financial literacy training.

What can Congress do?

To support the CDFI Fund, Congress should ensure the CDFI Fund receives \$250 million in fiscal year 2018, to fund the CDFI Program, the Native Initiatives and Bank Enterprise Award Program and administer the other programs. This amount is equal to the amount the House passed in fiscal year 2017.

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