



# So, What is a CDFI?

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# Community Development Financial Institutions

## Mission-driven financial service providers

- Benefit low-income & low-wealth people and places
- Provide capital + development services

## U.S. Treasury certifies CDFIs and provides capital

- >1,000 certified CDFIs
- >\$180 billion in assets

## Institution types

### Non-regulated

- Loan funds
- Venture funds

### Regulated

- Banks
- Credit unions

## Financing sectors

- Consumer (mortgages, credit builder, payday alternative)
- Microenterprise and Small Business
- Real Estate (affordable housing, community facilities, commercial)

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

- Private, mission-driven financial institution benefitting low-income, low-wealth, and other disadvantaged people & communities
- Serves customers that cannot meet conventional collateral or underwriting requirements
- Provides innovative financing products and/or services as well as technical assistance
- Creates economic opportunity in the form of:
  - Jobs
  - Affordable housing units
  - Community services
  - Financial services for the under-banked and unbanked

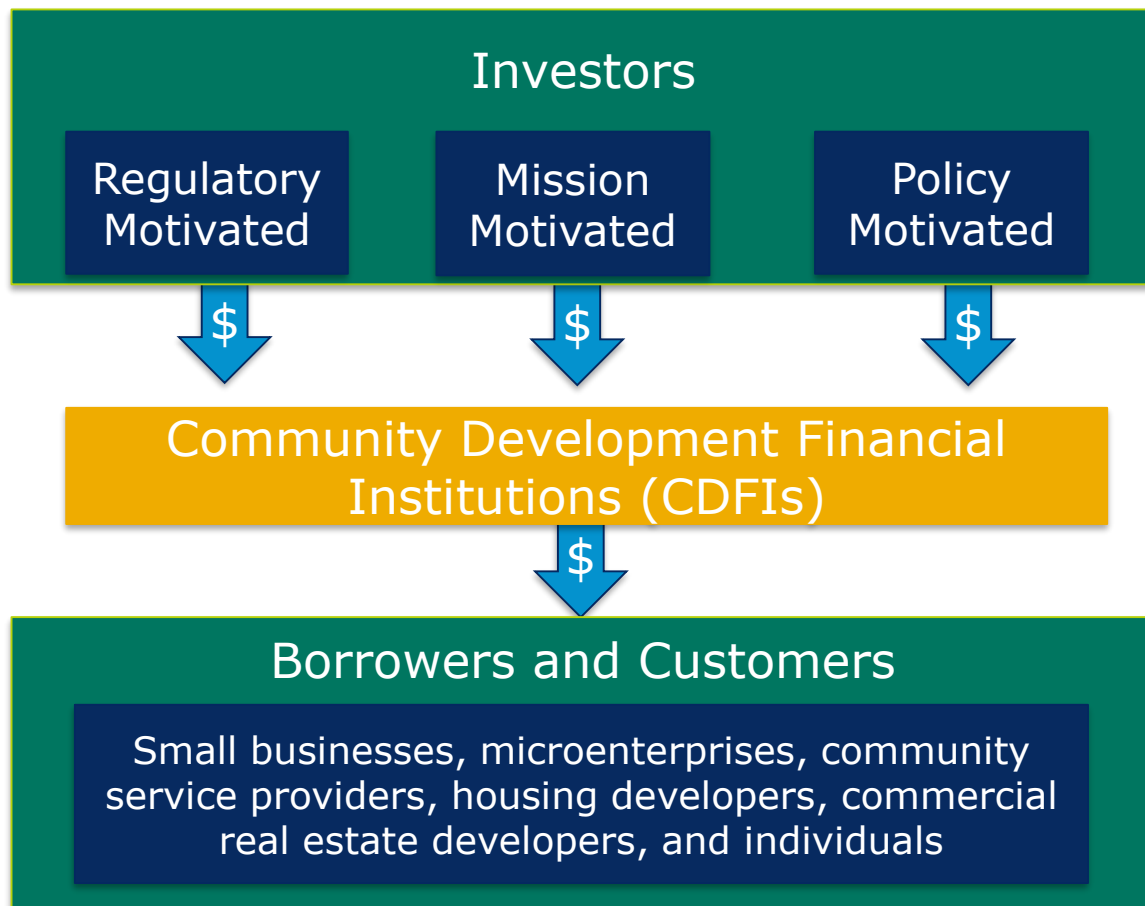
# About CDFIs

- CDFIs lend to:
  - Community Businesses—including small businesses, microenterprises, nonprofit organizations, commercial real estate, and affordable housing
  - Individuals
- CDFIs deliver responsible, affordable financial products and services that benefit individuals and communities
- CDFIs are profitable but not profit-maximizing. They put community first, not the shareholder

# How CDFIs Work

- Access to capital is part of the long-term solution to alleviate poverty and build healthy communities
- CDFIs strive to become a permanent capital resource in their communities
  - Not a “program” that comes and goes at the whims of funders, government, and others
- This means CDFIs expect to be repaid!
- CDFIs cannot avoid risk, but must learn to manage it

# How CDFIs Finance Opportunity



# Types of Financing

- Small Business and Micro-enterprise
- Commercial Real Estate
- Affordable Housing
- Nonprofit Organizations
- Education: Charter School Financing
- Healthcare: Community Health Centers
- Health Food Financing: Food Deserts
- Residential Mortgages & Home Repairs
- Consumer Finance: Alternative to Pay-Day Loans
- Venture Capital

# Technical Assistance & Training

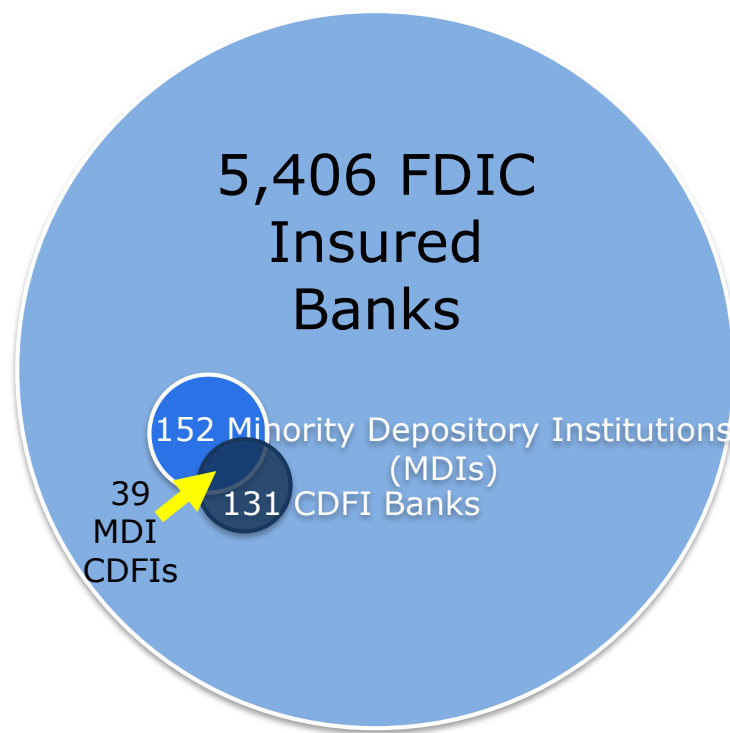
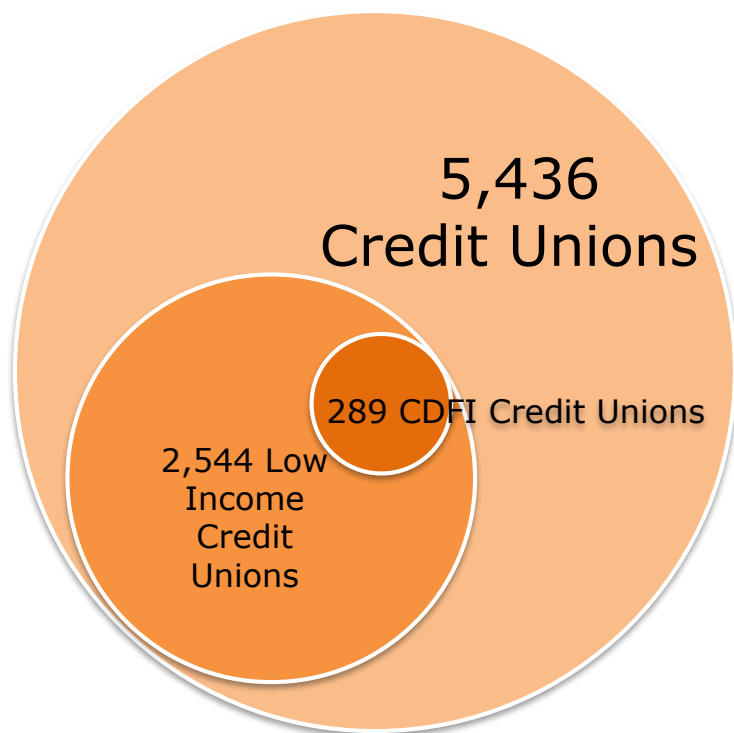
- Depends on needs of target market
- CDFI borrowers generally need some form of TA
- TA both before and after making a loan
- Examples:
  - **Housing & Facilities** – developing project budgets and plan; identifying and packaging other funding
  - **Micro & Business** – business plan; marketing; bookkeeping
  - **Individual** – financial literacy; credit counseling; homebuyer education



# Niche Players

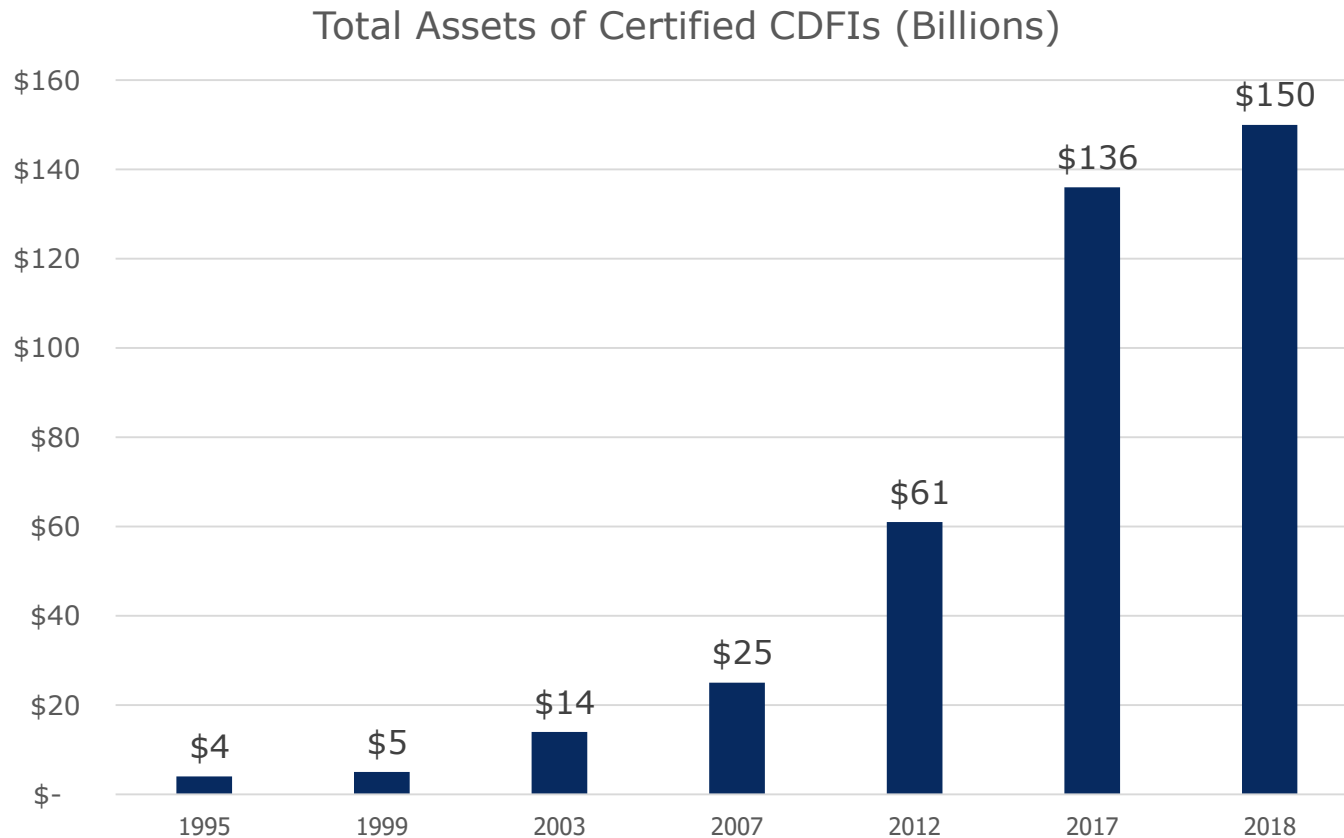
- Strong market knowledge
- Market driven
  - New products and models
- Long-term relationships with customers
- More patient than conventional financial institutions
- Technical assistance is a critical component of the relationship

# Regulated Bank and Credit Union Industry Size



Sources: CDFI Fund list of certified CDFIs February 25, 2019; FDIC, NCUA, 2018.

# CDFI Asset Growth

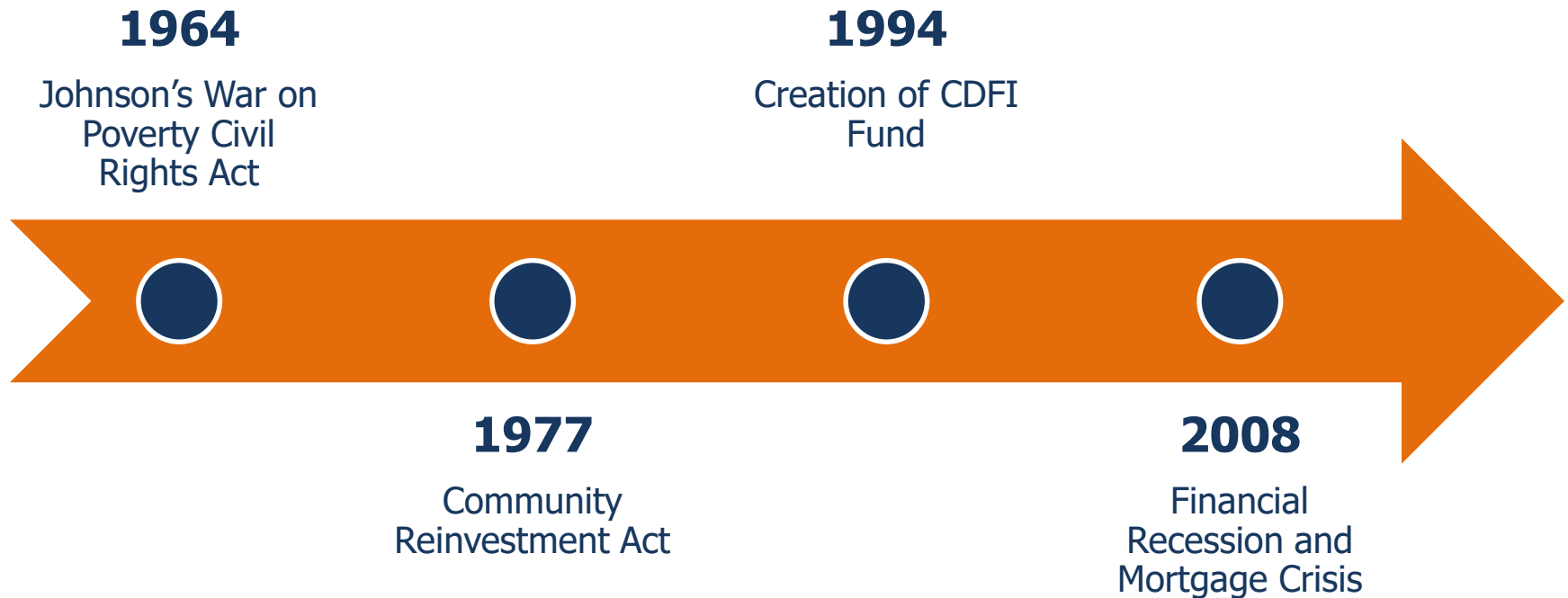


Sources: Social Investment Forum, 2012 Report on Socially Responsible Investing Trends in the United States, 2015 data from FDIC, NCUA and trade associations, CDFI Fund 2017, 2018.

# CDFI Institution Types

Community Development Institution	CD Banks	CD Credit Unions	CD Loan Funds	CD Venture Capital Funds
Structure	For-profit	Non-profit, Cooperative	Primarily nonprofit; some for-profit	Typically for-profit
Regulation	FDIC, Federal Reserve, OCC, OTS, and state banking agencies	National Credit Union Administration	Unregulated	Unregulated
Capitalization Structure	Insured deposits and equity	Insured deposits, secondary capital, and equity	Unsecured and secured debt, EQ2, and equity (grants)	Equity (and potentially debt)
Sectors Served	Loans and depository services for housing, business, commercial real estate, and consumer	Promote ownership of assets and savings for individuals; affordable credit and retail financial services	Loans for housing, microenterprise, small business, community facilities, and commercial real estate	Equity and debt with equity features to mid-sized businesses with high growth potential and social impact

# Key Moments for the CDFI Industry



# The Community Reinvestment Act

- An act of Congress enacted in 1977 with the intention of encouraging depository institutions to help meet the credit needs of surrounding communities (particularly LMI neighborhoods)
- CRA requires federal regulators to assess the record of each bank or thrift in helping to fulfill its obligations to the community
- This record is used in evaluating applications for future approval of bank mergers, charters, acquisitions, branch openings and deposit facilities
- 1995: New CRA regulations
  - Key motivator of bank investment in CDFIs
- 2018-19: CRA Reform in process

# 40 Years of CDFI Practice

## Social, Economic, and Political Justice *Late 70s and Early 80s*

- A response to racial and economic inequities
- Formation of community development loan funds
- Change structures for how capital flows
- Tension between making mainstream work better and developing alternative forms of capital
- CDFIs as civic institutions

# 40 Years of CDFI Practice

## Transformational Change *2005 – Current*

- CARS/Aeris™
- Advocacy & Policy
  - CDFIs eligible for Federal Home Loan Bank membership
  - CDFI Bond Guarantee Program
- Brand evolution for mass market
  - Opportunity Finance



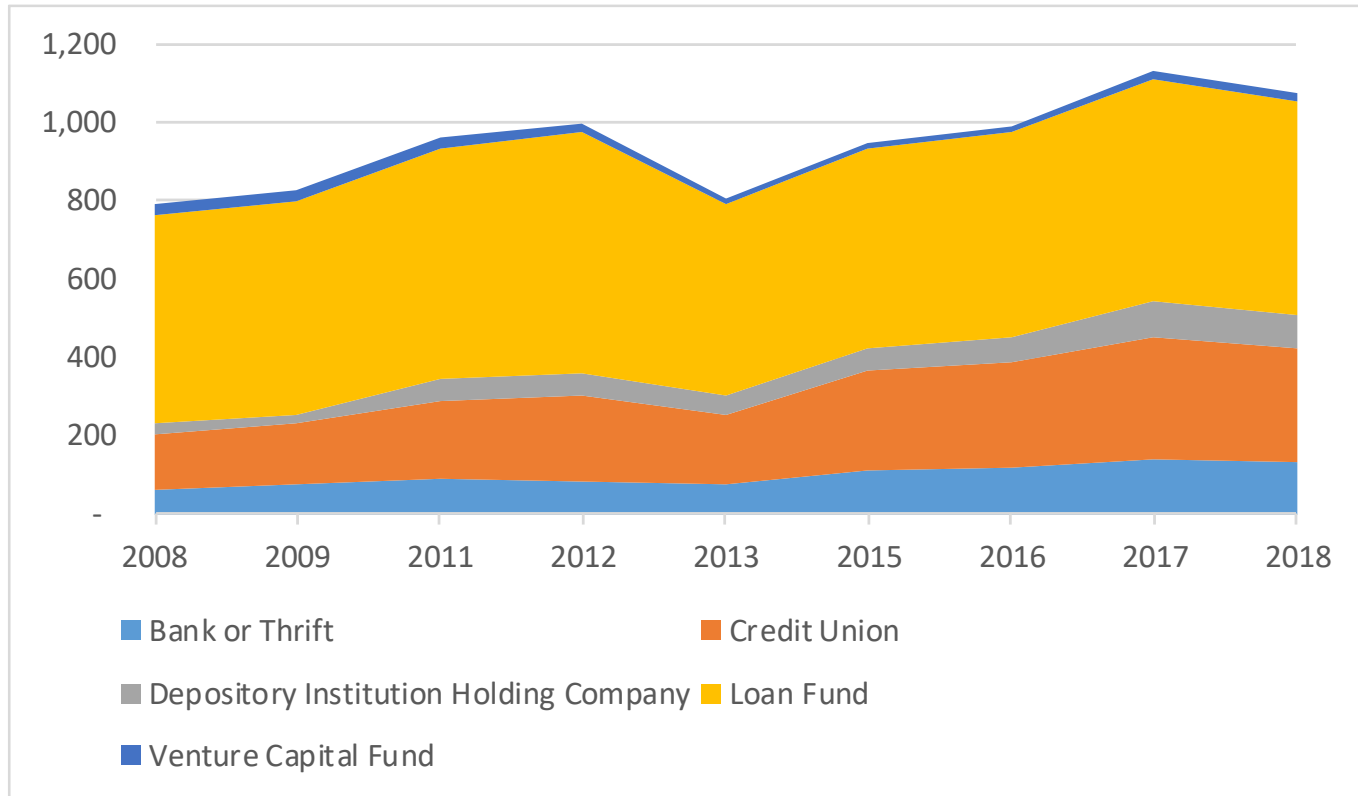
# Measuring Success

- Financial *and* Social Returns
- Financial
  - Preserving investor capital
  - Returns
- CDFI financing has produced more than:
  - 321,000 businesses
  - 2,000,000 housing units
  - 11,000 community facility projects
  - 1,300,000 new or continuing jobs

Source: OFN's annual member data FY 2017

# Number of Certified CDFIs

2008	2009	2011	2012	2013	2015	2016	2017	2018
793	829	962	999	808	950	991	1,131	1,074



Source: CDFI Fund Lists of Certified CDFIs 2008-2018

# CDFI Industry Characteristics

## Selected Figures for all Certified CDFIs: FY 2018

Total Assets (\$)	185,865,835,000
Number of Certified CDFIs	991
Net Asset Ratio	9.5%
Total Outstanding Loans (\$)	162,400,731,000
% Loans Outstanding in Housing	34%
% Loans Outstanding in Consumer	29%
% Loans Outstanding in CRE/ Facilities	19%
% Loans Outstanding in Business/ Micro	14%
Net Charge Off Rate	1.03%

*Source: CDFI Fund, 2019; OFN, 2019.*

# Industry Trade Associations and Membership Organizations

Play an important role in industry building

- Financing
- Capacity building and consulting
- Advocacy
- Data & research
- Strategic leadership
- Industry initiatives

# Industry Trade Associations and Membership Organizations

Organization	Focus	Website
Association for Enterprise Opportunity (AEO)	Microbusiness	<a href="http://aeoworks.org">aeoworks.org</a>
Community Development Bankers Association (CDBA)	CD Banks	<a href="http://cdbanks.org">cdbanks.org</a>
CDFI Coalition	Advocacy - CDFIs	<a href="http://cdfi.org">cdfi.org</a>
Community Development Venture Capital Alliance (CDVCA)	CD Venture Capital Funds	<a href="http://cdvca.org">cdvca.org</a>
Inclusiv (formerly National Federation of Community Development Credit Unions)	CD Credit Unions	<a href="http://inclusive.org">inclusive.org</a>
Native CDFI Network (NCN)	Advocacy - Native CDFIs	<a href="http://nativecdfi.net">nativecdfi.net</a>
Opportunity Finance Network (OFN)	CDFIs	<a href="http://ofn.org">ofn.org</a>

# About Opportunity Finance Network

**Our national CDFI network helps money flow across all 50 states to people and places where traditional finance doesn't reach.**

## **Expand Access to Capital**

- Manages more than \$660 million in financing capital
- On-balance sheet financing fund, CDFI Bond Guarantee, Off-balance sheet funds, NMTC

## **Build Strength**

- Signature convenings – Annual Conference, Small Business Finance Forum, Regional Meetings
- Trainings, capacity building, research

## **Amplify Voice**

- Advocates for opportunity finance industry
- Drives message that CDFI investments transform communities

# About Opportunity Finance Network

## Leading network of Community Development Financial Institutions (CDFIs)

- More than 270 member CDFIs

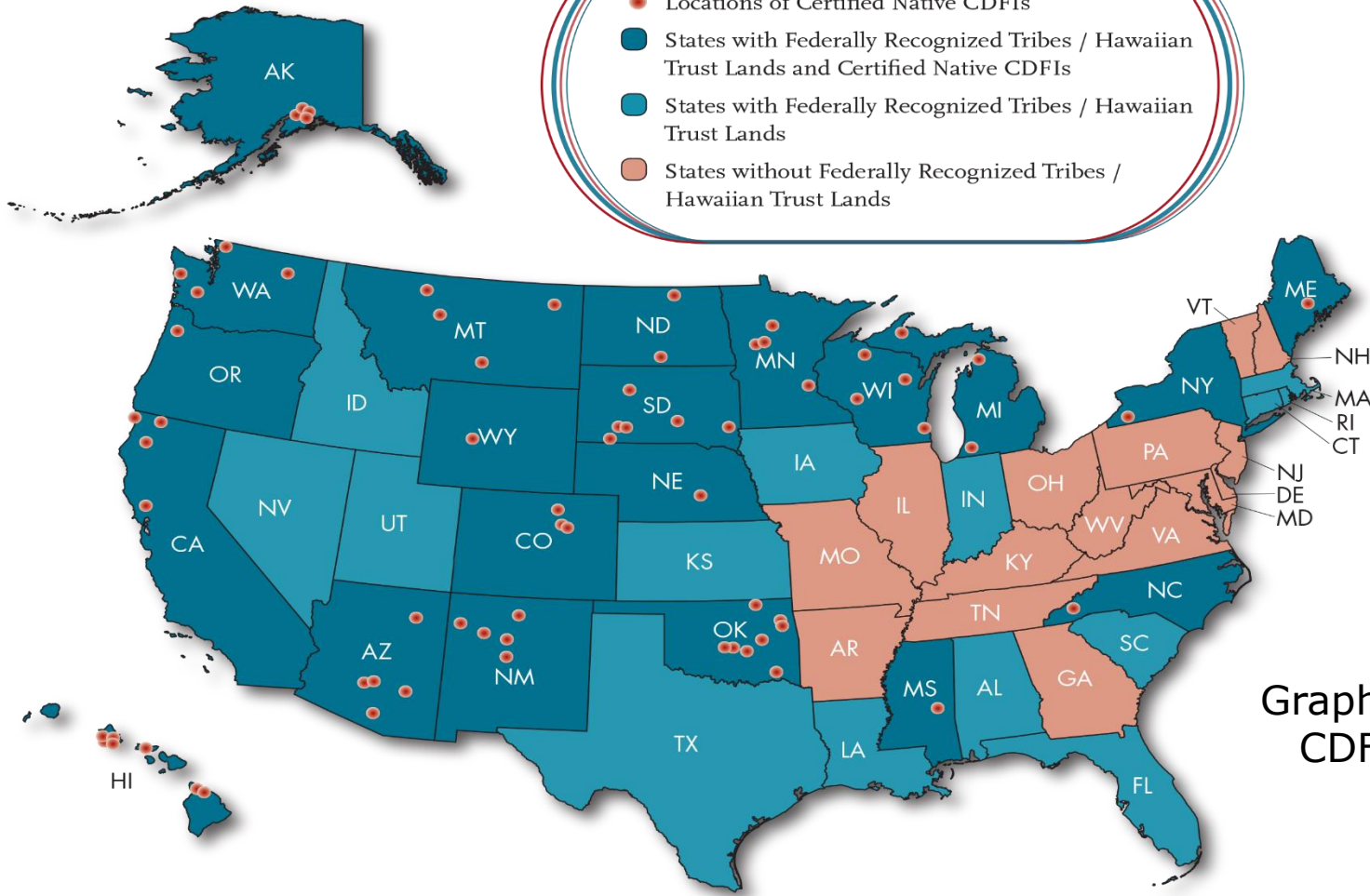
Opportunity Finance Network Member CDFI HQ Locations as of 5/20/2019



# Map of Native CDFIs

## LEGEND

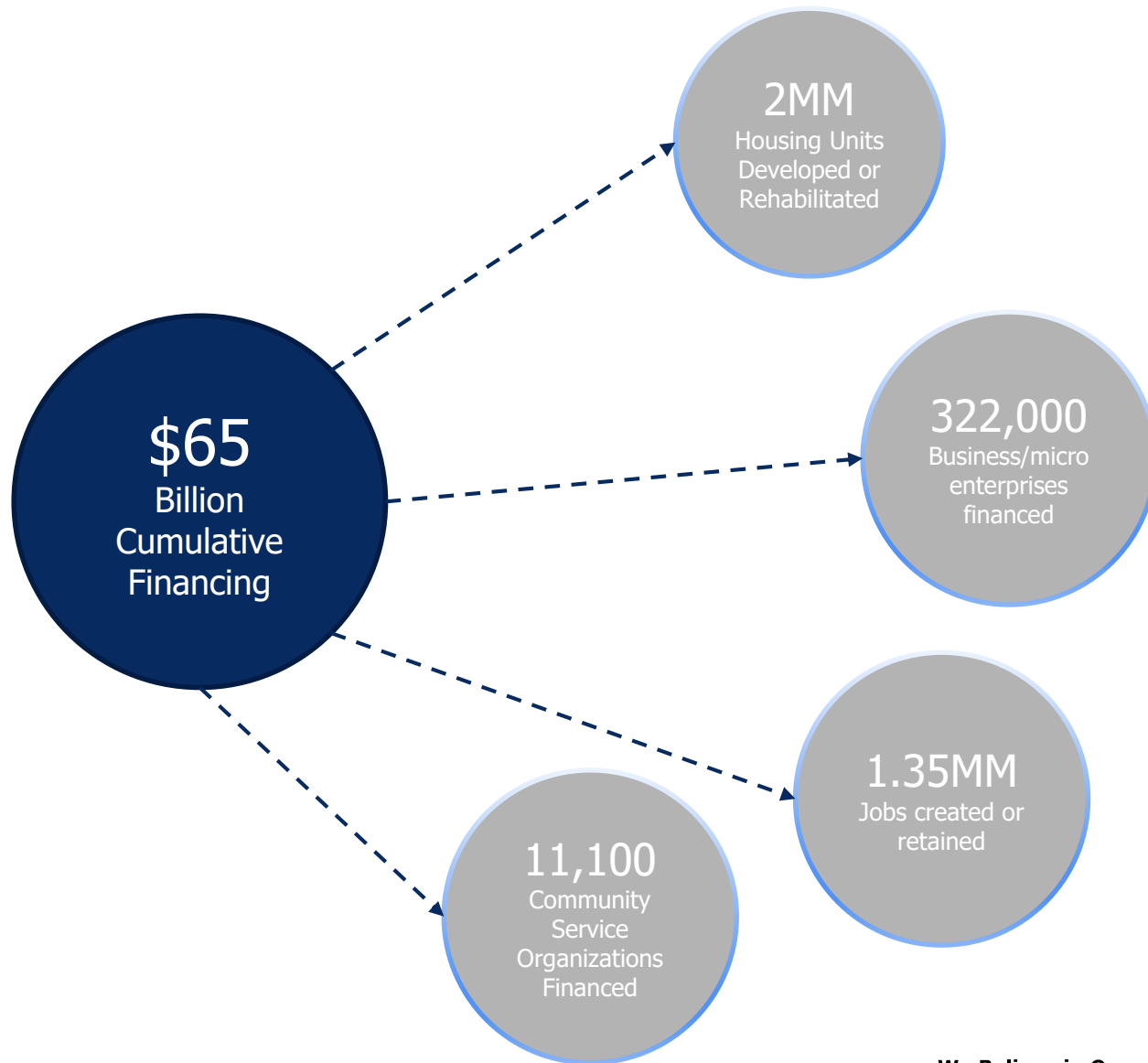
- Locations of Certified Native CDFIs
- States with Federally Recognized Tribes / Hawaiian Trust Lands and Certified Native CDFIs
- States with Federally Recognized Tribes / Hawaiian Trust Lands
- States without Federally Recognized Tribes / Hawaiian Trust Lands



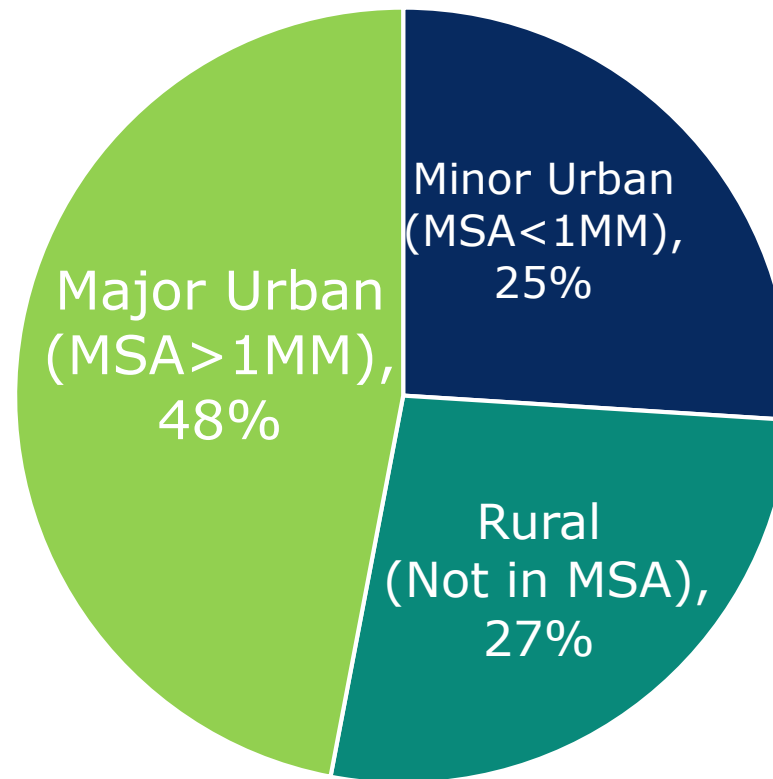
Graphic by Native  
CDFI Network



# Impact (All OFN Members, through FY 2017)



# Where CDFIs Work Rural Vs Urban

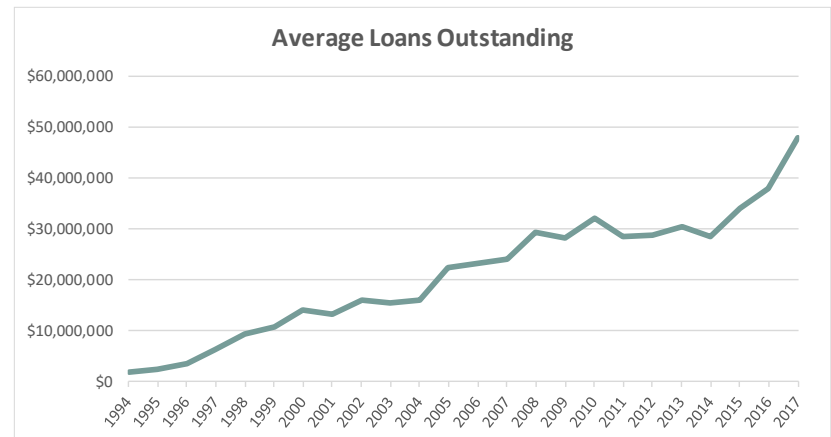
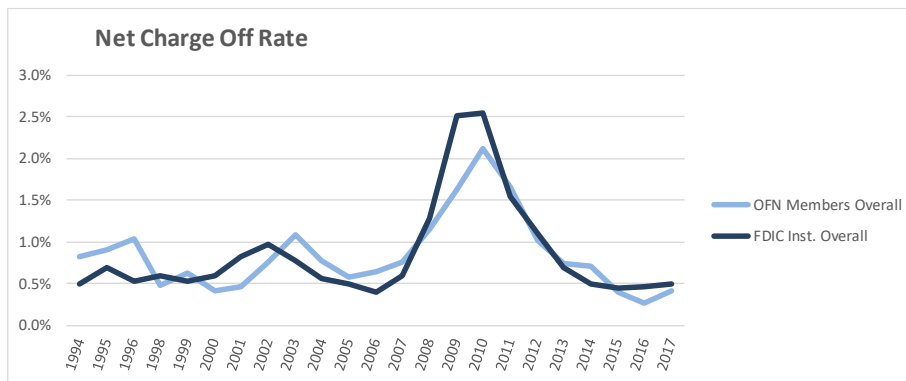
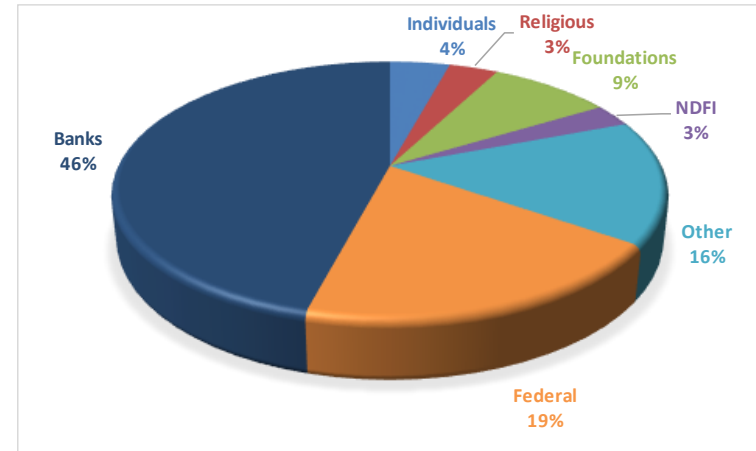
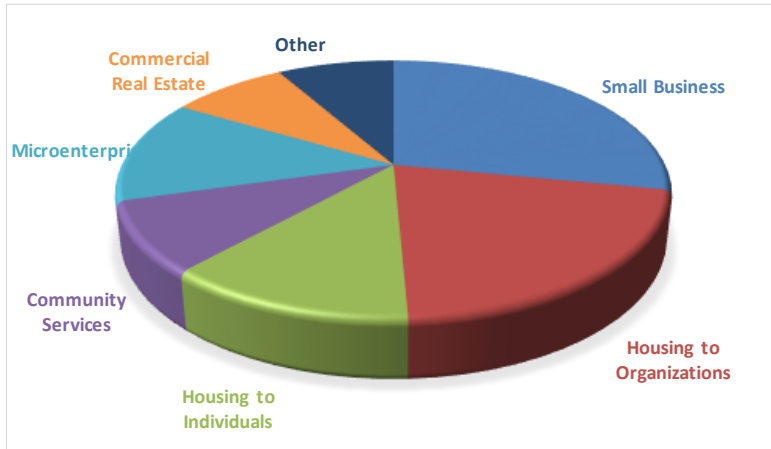


# Key Findings of OFN Research on Historical Trends: 1994-2017

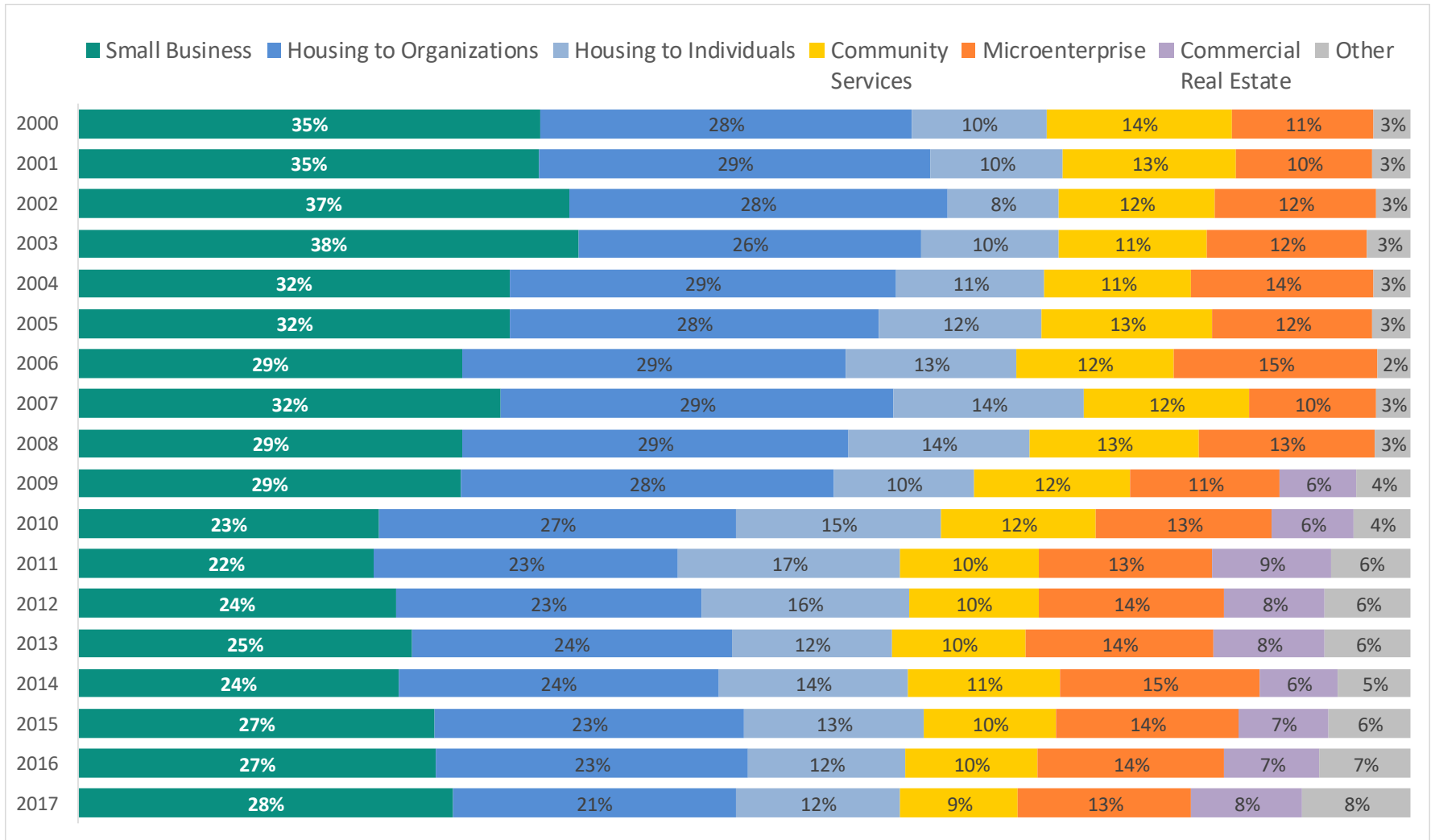
Over 24 years OFN Member CDFIs had:

- 17% average annual growth in loans outstanding
- Increased lending during the Great Recession when bank lending contracted 16%
- Losses on par with FDIC-insured institutions
- Net Operating Margins above or close to FDIC-insured institutions

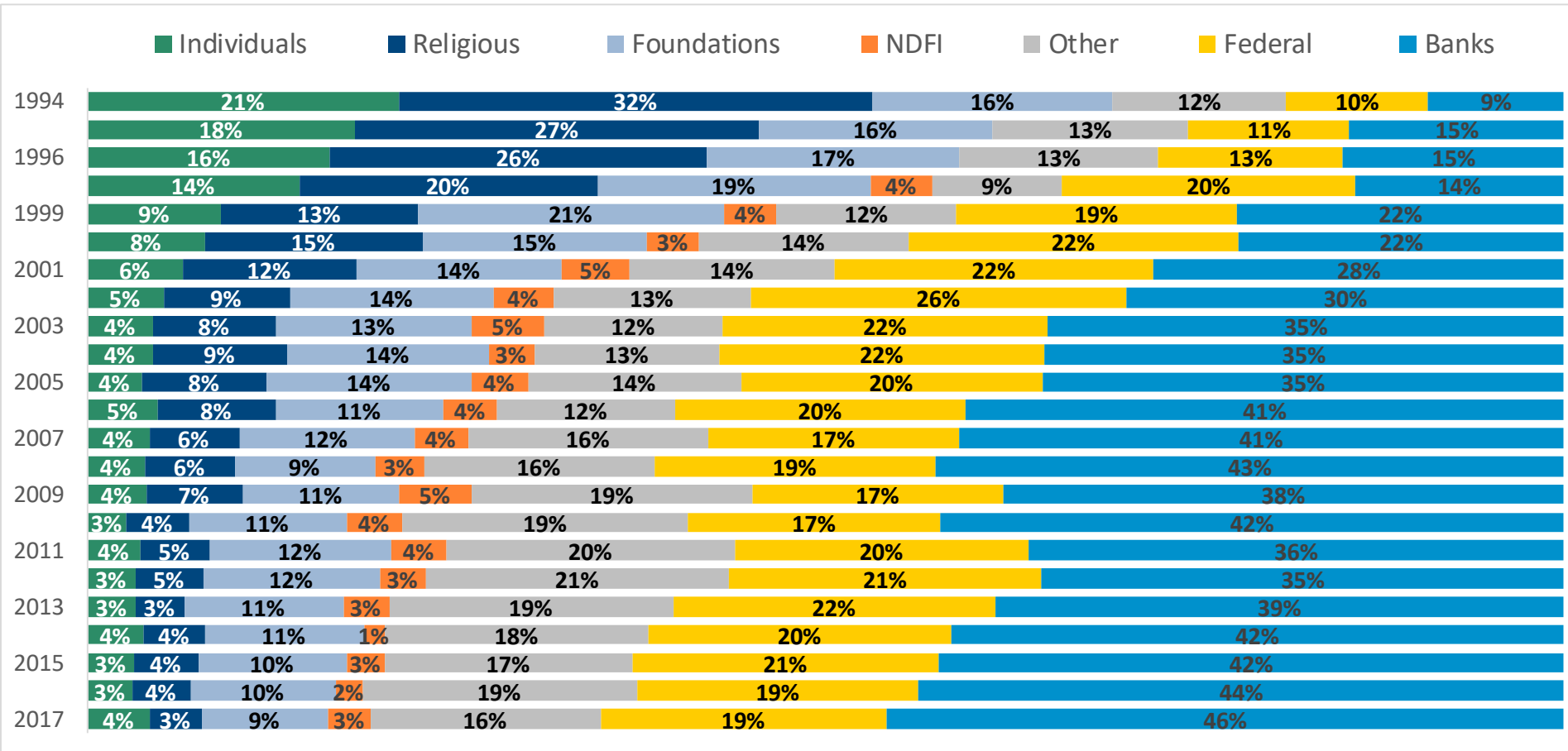
# CDFI Industry Characteristics (OFN Members)



# Average Loan Portfolio by Sector

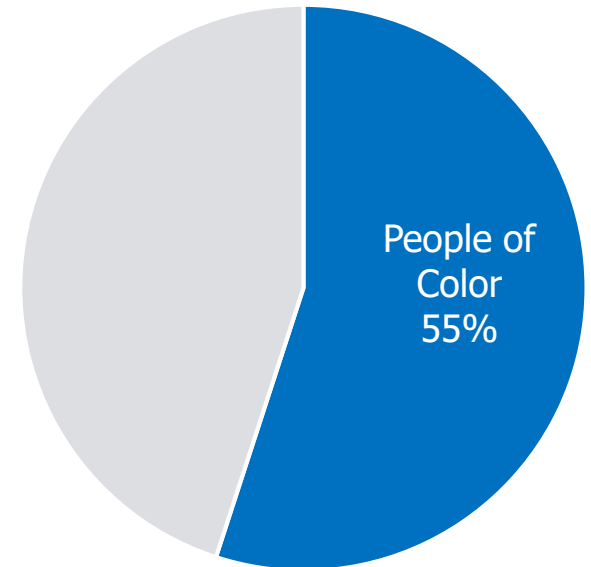
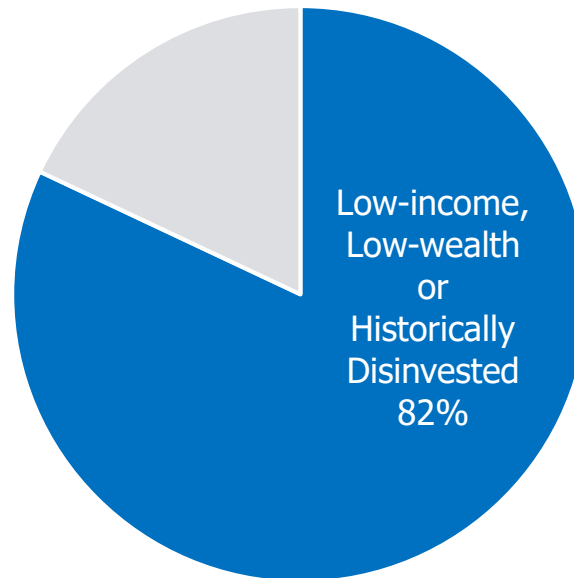
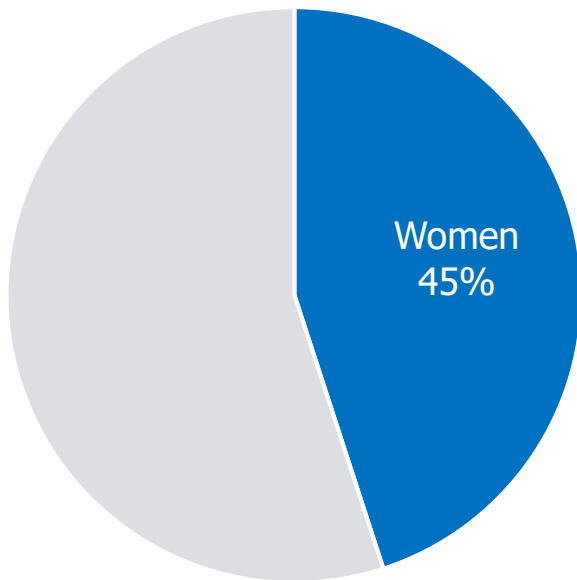


# Average Sources of Borrowed Funds



# CDFI Customers

Higher percentages than conventional financial institutions to clients that are:



# Example CDFI (Rural)

**National Capital Investment Fund**  
*Shepherdstown, WV*



**Mission:** Business and agricultural loan fund for entrepreneurs in Appalachia and the Southeast

**Assets Under Management:** \$42MM

**Primary Investor Mix:** Funds (39%), Foundations 23%, Banks 20%, Government 12%

**OFN Financing:** \$1MM senior unsecured term loan (5 Years; 4%)



# Example CDFI (Native)

## Citizen Potawatomi CDC

*Shawnee, OK*



**Mission:** Finance economic opportunities for Citizen Potawatomi Nation Tribal Community and other underserved Native populations

**Assets Under Management:** \$36MM

**Primary Investor Mix:** Government (USDA) and UST Bond Guarantee Program.

**OFN Financing:** \$16MM term financing through US Treasury Bond Guarantee Program (29.5 Years); \$1MM term loan from OFN and \$100M Next Award grant

# Example CDFI (National)

## Disability Opportunity Fund

*Long Island, NY*



**Mission:** Real estate financing to support projects for people with disabilities

**Assets Under Management:** \$33MM

**Primary Investor Mix:** banks over 50%, foundations approximately 25%

**OFN Financing:** \$2MM co-investment with HSBC Bank through Good to Grow Fund, LLC

# Thank You!

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