

COMMUNITY DEVELOPMENT FINANCIAL INSTITUTIONS (CDFIs)



Neighborhood Service Organization; Detroit, MI

Community Development Financial Institutions provide capital, credit and financial services in distressed communities and to underserved individuals throughout the country. They range from credit unions to small nonprofit loan funds to large national organizations. CDFIs serve borrowers and geographic areas that are not readily served by mainstream financial institutions; providing loans to first time homebuyers, financing for affordable housing and community facilities, and small business financing. In many cases, CDFIs provide the gap financing that allows projects to secure traditional financing. The CDFI industry has grown significantly over the last 20 years, and this growth would not have been possible without the support of the CDFI Fund.

What is the CDFI Fund?

- The CDFI Fund, established in 1994, is part of the U.S. Department of the Treasury.
- The CDFI Fund certifies institutions as CDFIs (there are over 1,400 certified CDFIs serving urban, rural and tribal communities throughout the country) and administers several different programs to support their capacity and growth:
 - **The CDFI Financial Assistance (FA) Program** provides “institutional investments” (loans, grants and equity investments) that enable CDFIs to grow their net assets, increase operating reserves and/or support other activities that enable CDFIs to significantly increase their lending capacity.
 - **The CDFI Technical Assistance (TA) Program** provides smaller grants to CDFIs and emerging CDFIs to support technical assistance or capacity building needs.
 - **The Capital Magnet Fund (CMF)** provides grants to CDFIs and nonprofit housing developers for the purpose of investing in affordable housing and related community development activities. CMF award dollars must be leveraged by at least a 10:1 basis.
 - **The CDFI Bond Guarantee Program** enables CDFIs to receive bonds of up to 30 years that are 100 percent guaranteed by the Federal government, providing a source of cheap, long-term debt for CDFIs that is not available in the marketplace.
- The CDFI Fund also administers the **New Markets Tax Credit Program**, through which investors can receive tax credits for investing in Treasury certified Community Development Entities (CDEs); which in turn must invest the proceeds into businesses and real estate projects located in low income communities.

What are the outcomes?

- To date, the CDFI Fund has awarded over **\$5.5 billion** to CDFIs and allocated over **\$71 billion** in New Market Tax Credit investment authority to CDEs.
- In FY 2022, CDFI Program awardees originated over **\$53 billion** in loans and investments, financed **\$12.7 billion** for home improvement loans, **\$8.1 billion** for business and microenterprise loans, **\$5 billion** for residential real estate transactions, and **\$17.7 billion** for consumer loans.

What are the outcomes?

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- Through 2021, NMTCs financed more than **7,500 businesses and real estate projects**, including small businesses, manufacturing facilities, charter schools, health care centers, child care facilities, shopping centers and grocery stores in some of the nation's most distressed rural and urban communities. It has

helped to develop or rehabilitate more than **368 million square feet** of real estate, and creating or retaining **more than 1 million jobs** in these communities.

What has been LISC's involvement?

- LISC has been a certified CDFI since 1995, and received its first CDFI Program award in 1996.
- To date, LISC has received over **\$60.6 million** in CDFI Program awards, which have supported activities ranging from foreclosure mitigation to climate resiliency development to healthy food financing.
- LISC has received four CMF awards totaling **\$24.8 million** focused on supporting affordable rental housing development. Since 2010, LISC's CMF awards have: supported **40 projects**; created/preserved **2,798 units** of affordable housing; created **1,159 construction jobs**; produced **234,758 square feet** of commercial, retail, and educational space; leveraged **\$909.1 million** of total project costs for a total leverage ratio of **27.3:1**; of which **74 percent** was financed through private dollars.

- LISC has been among the most successful NMTC awardees. LISC has placed **\$1.14 billion** in NMTC equity in **172 different projects** in low-income communities, supporting over **\$3.6 billion** in total development costs.
 - These investments supported more than 23,000 construction and permanent jobs; 13.9 million square feet of commercial and community space; healthcare facilities serving more than 242,000 patients; and educational facilities serving 49,000 students.
- LISC also received a **\$50 million** award in 2013 under the inaugural round of the CDFI Bond Guarantee Program; the long-term debt is supporting affordable housing development, charter school financing, and healthcare facilities financing. Since 2013, LISC's BGP award has supported **20 projects**, totaling \$70 million in LISC lending investments.

What can Congress do?

- **Support funding of the CDFI Fund's budget of at least \$1 billion.** This is the only federal program that directly supports the capacity and growth of CDFIs.
- **Support extension of the CDFI Bond Guarantee Program at \$500 million annually through FY 2024.** This program provides CDFIs with long term capital (up to 30 years) that isn't otherwise available in the marketplace.
- **Support the Capital Magnet Fund.** The funding stream for this program is provided through a very small, annual assessment on new business revenues generated by Fannie Mae and Freddie Mac. This funding source must be protected, and any subsequent reforms of the housing finance system should ensure a continued source of funding for this program.

- **Permanently authorize the NMTC Program.** Congress should support legislation in the House ([H.R. 2539](#)) and the Senate ([S. 234](#)) that would make the NMTC permanent. The NMTC Program will expire in 2025. This program should be made a permanent part of the tax code with total allocation authority of no less than \$5 billion per year.

LISC is a national nonprofit housing and community development intermediary with offices in 38 different cities and a national rural network of 146 organizations.

For more information on the CDFI Fund, please contact Mark Kudlowitz at mkudlowitz@lisc.org.