

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 non-profit 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 1,000 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 one-time technical assistance or capacity building needs.
 - **The Capital Magnet Fund (CMF)** provides grants to CDFIs and non-profit 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 \$3.2 billion to CDFIs and allocated over **\$51 billion** in New Market Tax Credit investment authority to CDEs.
- In 2017 alone, CDFI Program awardees originated \$11 billion in loans and investments, financed 15,971 businesses, financed 33,613 affordable housing units, and served 325,708 individuals through financial access and literacy training.
- Through 2017, NMTCs financed **6,619 businesses and real estate projects** – including small businesses, manufacturing facilities, charter schools, health care centers,

What are the outcomes?

(CONTINUED)

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 **205 million square feet** of real estate and creating or retaining over **800,200 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 **\$33 million** in CDFI Program awards, which have supported activities ranging from foreclosure mitigation to charter school facilities funding to healthy food financing.
- LISC has received three CMF awards totaling **\$17.3 million** focused on supporting affordable rental housing development. Since 2010, LISC’s CMF awards have: supported **26** projects; created/preserved **1,952 units** of affordable housing; created **657** construction jobs; produced **221,817 square feet** of commercial retail and educational space; leveraged **\$618.8 million** of total project costs for a total leverage ratio of **36:1**; of which **70 percent** was financed through private dollars.
- LISC has been among the most successful NMTC awardees. LISC has placed **\$987 million** in NMTC equity in **130 different projects** in low-income communities, supporting over **\$2.7 billion** in total development costs.
 - These investments supported more than 20,000 construction and permanent jobs; 10.5 million square feet of commercial and community space; healthcare facilities serving almost 400,000 patients; and educational facilities serving 45,000 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 \$300 million.** 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 2020.** 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. 1680) and the Senate (S. 750) that would make the NMTC permanent. The NMTC Program will expire in 2019. 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 non-profit housing and community development intermediary with offices in 35 different cities and a national rural network of 89 organizations.

For more information on the CDFI Fund, please contact Matt Josephs at mjosephs@lisc.org.