



# Revitalizing Main Street: The Community Development Financial Institutions Fund

Center Forward Basics  
June 2017

## Overview

As communities across America continue to rebuild following the Great Recession, local leaders in both the public and private sectors have turned to all available avenues to reboot their economies, attract job creators, and spark innovation. One federal program that offers millions in economic relief is the Community Development Financial Institutions Fund (CDFI Fund). The CDFI Fund provides grant money to local financial institutions to foster locally driven economic development, but the program may be in jeopardy as new administration budget proposals are considered in Congress. This Basic reviews the history of the CDFI Fund, how it impacts communities, and where the debate over the initiative stands in Congress today.

## History

In the latter half of the twentieth century, minority and economically distressed communities faced a large gap in their ability to access responsible and affordable credit and capital. As a response, Community Development Financial Institutions emerged to fill the void. Examples of CDFIs include community development banks, community development credit unions, community development loan and venture capital funds, and microenterprise loan funds.

With the passage of the Community Reinvestment Act in the 1970s, financial institutions were nudged by federal regulators to meet the needs of all sectors of the communities they serve. Due to a concern that America's existing financial services industry might be unable to serve the nation's low-income communities, early CDFIs began providing capital and credit in areas that were typically avoided by traditional financial institutions.

Though the concept of the CDFI Fund started as a grassroots effort more than four decades ago, it has since grown into a major sector of the financial services industry that is meeting the needs of communities across the country.

## Summary of CDFI Fund

The CDFI Fund was established with bipartisan support as a component of the Riegle Community Development and Regulatory Improvement Act of 1994. The CDFI Fund plays an important role in generating economic growth and opportunity in typically distressed and underserved communities that lack large resource networks. By partnering federal investment dollars with private sector capital, these communities can access the capital they need to inject cash into their local economies where they need it – whether it be housing, healthcare, transportation, etc.

## Key CDFI Fund Stats, 2003-2012

- Through CDFI-funded projects:
  - 63,249 permanent jobs
  - 47,866 construction jobs
- Developed or preserved 159,739 units of affordable rental housing and 23,302 units of affordable for-sale housing
- Educational facility capacity increased by 515,384 units
- Child-care facility capacity increased by 31,895 units
- Health-care facility capacity increased by 2,068,932 patient visits
- Community-arts facility capacity increased by 66,402 units
- Supported the creation of 13.4 million square feet of office space, 4.7 million

## Other Resources

- Congressional Research Service — [Community Development Financial Institutions \(CDFI\) Fund: Programs and Policy Issues](#)
- The Brookings Institution — [Taking Stock: CDFIs Look Ahead After 25 Years of Community Development Finance](#)
- The Urban Institute — [Scaling Impact for Community Development Financial Institutions](#)
- Department of Treasury — [Community Development Financial](#)

Some examples of the program's success and how it makes a significant impact in underdeveloped communities include grant initiatives that are leveraged with existing capital that make it possible for more people to participate in their local economy rather than relying on government programs for nutritional, transportation, housing, or other assistance. Instead of simply lending the \$250 million that CDFI Fund is appropriated, the \$250 million is leveraged with already existing capital to increase assets, which is then available for lending. To put this in a clearer context, in FY 2015 CDFI awardees [reported](#) providing \$3.39 billion in financing, which is far more than the original congressional allocation.

The CDFI Fund programs have seen success in the past where local CDFIs have secured a CDFI Fund grant to assist families who sought to become first time home buyers. This grant provided down payment assistance loans, and with a relatively small amount of money, community leaders were able to increase homeownership, thus broadening the tax base as well as stimulating local businesses.

In another example, a CDFI received a grant from the CDFI Fund to help launch a program that increased the transportation mobility of low-income city residents. Many of these residents were without a vehicle to travel to and from work, so the grant was leveraged to provide affordable car loans to resolve the issue. Workers with reliable transportation are able to become better employees because they are able to arrive at work on time and are not bound to the schedules and destinations of public transportation or government assistance. Further, these individuals are now part of the tax base and able to create a more stable economic future for themselves and their families.

The CDFI Fund achieves its purpose through the following programs:

- [Capital Management Fund Program](#)
- [Community Development Financial Institutions Program](#)
- [New Markets Tax Credit Program](#)
- [Bank Enterprise Award Program](#)
- [Native Initiatives](#)
- [CDFI Bond Guarantee Program](#)
- [Financial Education and Counseling Pilot Program](#)

## The Future of the CDFI Fund

The omnibus bill passed by Congress in May 2017 to avert a government shutdown included a record high funding level for the CDFI Fund of \$248 million. That was an increase of approximately \$15 million or 6.2% from FY 2016, but is still relatively small in comparison to overall government spending. For example, the Social Security Administration spends more than \$248 million in less than three hours. In its own FY 2017 and FY 2018 budget proposals submitted to Congress earlier this year, the Trump Administration requested the elimination of all grant funding for the CDFI Fund. The CDFI Fund enjoys bipartisan support in Congress because it has adapted and evolved over years to fit the needs of the communities served by CDFI funds, grants, tax credits, and other programs.

## Links to Other Resources

- Congressional Research Service — Community Development Financial Institutions (CDFI) Fund: Programs and Policy Issues  
<https://fas.org/sgp/crs/misc/R42770.pdf>
- Mary Reynolds Babcock Foundation — Community Development Financial Institutions: A Study on Growth and Sustainability  
<https://www.missioninvestors.org/system/files/tools/community-development-financial-institutions-a-study-on-growth-and-sustainability-bethany-e-chaney-for-the-mary-reynolds-babcock-foundation.pdf>
- The Brookings Institution — Taking Stock: CDFIs Look Ahead After 25 Years of Community Development Finance  
<https://www.brookings.edu/articles/taking-stock-cdfis-look-ahead-after-25-years-of-community-development-finance/>
- The Carsey School of Public Policy, University of New Hampshire — CDFIs Stepping into the Breach: An Impact Evaluation - Summary Report  
<https://www.cdfifund.gov/Documents/CDFIs%20Stepping%20into%20the%20Breach%20Impact%20Evaluation%20Report.pdf>
- The Urban Institute — Scaling Impact for Community Development Financial Institutions  
<http://www.urban.org/research/publication/scaling-impact-community-development-financial-institutions>
- U.S. Department of Treasury — Community Development Financial Institutions Fund  
<https://www.cdfifund.gov/Pages/default.aspx>