



Support Small Businesses in Hard Hit Communities Through the CDFI Fund

Proposal: Provide \$1 billion in emergency appropriations to the CDFI Fund

The average small business only has enough cash to survive 27 days. Federal relief is not making it to small firms without the relationships or resources to compete with larger businesses in communities with an abundance of conventional lenders. The CARES Act was a good start, but we need to do more. Community Development Financial Institutions (CDFIs) – mission-driven lenders working in the hardest hit communities across the country – have a strong track record serving difficult to reach communities, and they have the capacity to do much more.

Why CDFIs?

Over 1,100 CDFIs with assets over \$211 billion serve every corner of the country, providing patient capital to meet the needs of businesses and families in economically distressed communities. CDFIs also provide technical assistance and support to triage distressed businesses. That experience makes them uniquely suited to tackle the challenges facing businesses over the coming months. The quickest way to support CDFIs is through the CDFI Fund's grant programs.

Throughout the last economic downturn, CDFIs served as economic shock absorbers, providing flexible and patient capital, rigorous risk management, and commitment to the projects in their communities and the sustainability of their borrowers. While traditional borrowers fled economically distressed communities, CDFIs stepped in and filled the void.

In 2009, Congress made \$100 million for the CDFI Fund under the American Renewal and Recovery Act for this purpose. Of that amount, \$90 million went to CDFI Financial Assistance Awards that were used to provide patient flexible capital to small businesses to help them recover from the great recession.

It took more than a decade for many communities to recover from the Great Recession. Some never did. The dire and unprecedented economic circumstances in rural and urban communities across the country demand a more aggressive response from Congress.

If Congress moves swiftly, \$1 billion in supplemental stimulus appropriations can quickly get into communities. The House bill requires the CDFI Fund to could award grants through a formula based on CDFIs' track records. With authorization from Congress, the CDFI Fund could make grants to CDFIs to combat the impact of COVID 19. The grants, as opposed to financial and technical assistance awards, would not require matching and could be made available to CDFIs in a time period specified by Congress – such as 60 days.

CDFI Industry Capacity

The \$1 billion request is modest relative to the size and scope of the CDFI industry. Currently, there are 1,131 CDFIs that collectively total \$211 billion in total assets with total outstanding portfolios of \$158.7 billion. The \$1 billion request represents a modest 0.47 percent of total CDFI industry assets. CDFIs put CDFI Fund grant dollars to work, leveraging an additional \$12 for every dollar in federal resources.

Treasury closely tracks the loans and investments made by CDFI Program award recipients. In Fiscal Year (FY) 2019, award recipients made over 772,000 loans or investments totaling nearly \$21.5 billion, including loans to over 23,000 small businesses. The average size of each loan or investment was under \$28,000.



The Paycheck Protection Program and Health Care Enhancement Act passed in late April set aside \$30 billion for CDFIs and minority depository institutions. This set aside was in response to criticism that PPP were not going to smaller business in low-income and minority communities. In short, the very communities that CDFI work in every day.

The availability of PPP enhances the impact of CDFIs. Treasury and SBA have taken welcomed steps to increase the participation of CDFIs in PPP. PPP is a guarantee. With the set aside available, what is needed next is an infusion of capital into CDFIs so they take full advantage of PPP on behalf of the businesses and communities they serve.

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