

COMMUNITY DEVELOPMENT FINANCIAL INSTITUTIONS: INVESTING IN COMMUNITIES AND BUILDING STRONG FOUNDATIONS FOR THE FUTURE

Community Development Financial Institutions, or CDFIs, are mission-driven financial institutions that deliver affordable credit, capital, development services, and financial services to residents and businesses in economically-distressed communities. CDFIs emerged to provide financial services in rural areas and urban and suburban neighborhoods underserved by traditional financial institutions. By leveraging over \$8 in private capital for every \$1 in federal support, CDFIs are filling the deep credit gap encountered in many communities, and supporting their local borrowers to create jobs, start and grow businesses, build and improve housing and community facilities, and create economic opportunity.

Supporting Entrepreneurship: CDFIs support small businesses by providing flexible, affordable financing that helps entrepreneurs start, sustain, and expand their operations. Many small business owners face challenges accessing traditional loans due to limited credit history, collateral requirements, or perceived risk. CDFIs address these gaps, providing working capital, equipment financing, and other forms of growth capital paired with technical assistance and hands-on support. In addition to capital, many CDFIs support business incubators and shared workspaces that provide entrepreneurs with affordable facilities, mentorship, and resources to help early-stage businesses develop and scale.

Addressing Housing Affordability: In addition to supporting businesses and consumers, CDFIs are one of the federal government's most effective tools for addressing housing needs for a broad range of incomes. This includes financing affordable rental housing, supporting wealth building through affordable mortgage lending, preserving existing housing stock, and even shepherding larger mixed-use projects. In underinvested urban neighborhoods, rural communities, and Tribal lands, CDFIs routinely provide the resources needed to bring down the cost of housing and homeownership.

CDFIs fill a vital niche in the nation's financial services delivery system by serving communities and market sectors that conventional lenders cannot - with the ultimate goal of bringing CDFI customers into the mainstream economy as bank customers, homeowners, and/or entrepreneurs.

The Community Development Financial Institutions Fund (CDFI Fund) was established within the U.S. Department of Treasury in 1994¹ to promote community development in economically distressed urban and rural communities by investing in and growing CDFIs nationwide. There are 1,383 Treasury-certified CDFIs.² In addition to overseeing CDFI certification, the CDFI Fund administers a range of innovative programs designed to strengthen the ability of CDFIs to provide financial products and services.

Unlocking FY 2025 Appropriations

Despite bipartisan support, \$289 million in FY 2025 CDFI Fund program awards **remain unspent**.

Unlocking FY 2025 funding would help CDFIs generate:

- Over 45,000 affordable homes
- Financing for over 100,000 businesses
- Over \$5 billion in affordable mortgage lending.

¹ The CDFI Fund was authorized as part of the Riegle Community Development and Regulatory Improvement Act (PL 103-325).

² To be eligible for CDFI certification, an organization must be a non-governmental entity (with the exception of Tribal governmental entities); with a primary mission of promoting community development; that provides both financial and educational services to one or more defined low-income target markets; and be accountable to the target market it serves. Number from CDFI Cert List: 1/16/2026.

The CDFI Fund administers the following core programs, and each program awards funds through an independent and competitive application process:

- **Financial Assistance (FA)** awards support both large and small certified CDFIs, including those financing healthy food businesses. FA awards can be used for lending capital, loan loss or capital reserves, operations, or development services. A CDFI is required to match its FA award dollar-for-dollar with non-federal funds.
- **Technical Assistance (TA) Awards** for certified CDFIs and emerging CDFIs support efforts to expand their success and sustainability. There is no match requirement for TA awards, and funds can be used to support a variety of capacity-building activities.
- **The Native American CDFI Assistance (NACA) Program** was launched in 2001 to encourage investing in Native Communities by supporting the creation and expansion of Native CDFIs, which in turn help to create jobs, establish, or improve affordable housing, and provide appropriate financial services and counseling to community residents. The number of Native CDFIs has increased from 14 in 2001 to 66 in 2024.
- **The Bank Enterprise Award (BEA) Program** supports FDIC-insured banks and thrifts that have increased their investment activity in underinvested communities. All BEA funds awarded must be reinvested into a distressed community or CDFI. Between FY 2016 and FY 2024, \$253.3 million in BEA awards generated \$4.3 billion in additional loans and investments and \$314 million in other financial services in distressed areas.
- The CDFI Fund also administers the **New Markets Tax Credit (NMTC) Program**, which was authorized in 2000³ to stimulate private investment in low-income communities. The CDFI Fund has made 1,709 allocation awards totaling \$91 billion to date. NMTC investments have created more than 1.2 million jobs that cost the federal government under \$20,000 per job. Through the end of 2025, the NMTC leveraged more than \$140 billion in capital investment in communities with high poverty and unemployment rates.
- The CDFI Fund administers the **CDFI Bond Guarantee Program**⁴, which was authorized in 2010 to empower the Treasury Department to guarantee notes or bonds (issued at no cost to the federal government) to support CDFI lending and investment activity. Since 2010, the CDFI Fund has guaranteed nearly \$3 billion in bond authority.
- **The Capital Magnet Fund (CMF)**, administered by the CDFI Fund, provides competitive grants to CDFIs and non-profit organizations to finance the acquisition, construction, preservation, and rehabilitation of affordable housing. CMF is funded by allocations from two GSEs (Fannie Mae & Freddie Mac). Through 2025, \$556.6 million of CMF funding generated 83,000 affordable homes and \$17.6 billion in total project capital, a leverage ratio of nearly \$34 for every \$1 of award funding.⁵

CDFIs - By the Numbers

- 1,383 CDFIs, including 66 Native CDFIs, have been certified to work in low-wealth communities nationwide.
- Certified CDFIs include 573 loan funds, 446 credit unions, 159 depository institution holding companies, 193 banks or thrifts, and 12 venture capital funds in rural, urban and suburban areas in all 50 states and the District of Columbia, Puerto Rico, and Guam.
- In FY 24, CDFI Fund Program Award recipients financed more than 109,000 businesses, provided funding for more than 45,000 affordable homes and originated almost \$24.5 billion in loans and investments.

³ The NMTC was authorized as part of the *Community Renewal and Tax Relief Act of 2000* (PL 106-554)

⁴ The CDFI Bond Program was authorized as part of The Small Business Jobs Act of 2010 (PL 111-240)

⁵ CDFI Fund FY 2024 Annual Report Final 508 Compliant