



Federal Deposit Insurance Corporation
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Financial Institution Letter
FIL-26-2014
May 8, 2014

FDIC Releases Resource Guide to Help Financial Institutions Evaluate Opportunities to Collaborate with Community Development Financial Institutions

Summary: The FDIC has produced a resource guide, *Strategies for Community Banks to Develop Partnerships with Community Development Financial Institutions*, to inform FDIC-supervised institutions of strategies to meet community credit and development needs and receive consideration under the Community Reinvestment Act (CRA) through collaboration with community development financial institutions (CDFIs). The guide contains information to help community banks identify and evaluate opportunities to collaborate with CDFIs providing financial products and services to underserved markets. The guide describes the key characteristics of CDFIs and the types of investments that can support them. It also discusses steps to consider when assessing bank/CDFI partnerships and how these activities may enhance CRA performance.

Statement of Applicability to Institutions with Less Than \$1 Billion in Total Assets: This Financial Institution Letter applies to all FDIC-supervised institutions.

Distribution:

FDIC-Supervised Institutions

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Note:

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Highlights:

- The resource guide provides information to help community banks identify and evaluate opportunities to partner with CDFIs.
- CDFIs are specialized financial institutions that provide products and services to underserved markets and include community development banks and bank holding companies, as well as credit unions, loan funds, and venture capital funds.
- CDFIs fill a niche in the financial services industry by providing credit to markets that may be difficult for traditional banks to serve. CDFIs offer flexible underwriting standards; combine a range of below-market financing with their own resources; and provide technical assistance, such as credit counseling, business training, and consumer education, with their lending activities to help ensure that borrowers use credit and capital effectively.
- Loans to and investments in qualifying CDFIs may help banks meet their CRA obligations. Under the CRA, community development activities can be delivered directly through, or in cooperation with, a CDFI partner that serves an area that includes the bank's assessment area. Any investment in or loan to a CDFI should be based on appropriate due diligence and in accordance with prudent banking principles.
- The guide can be downloaded from the FDIC's Web site at <http://www.fdic.gov/consumers/community/cdfi/index.html>. Hard copies can be obtained through the FDIC's online product catalog at <https://vcart.velocitypayment.com/fdic/>.