

U.S. Department of the Treasury Community Development Financial Institutions Fund

We have included the most recent information available at the date of publication. At the end of each section, we include a list of resources with web links where you can find updates, as well as information about additional programs and other helpful information related to the subject.

OVERVIEW

The U.S. Department of the Treasury's Community Development Financial Institutions Fund (CDFI Fund) helps promote access to capital and local economic growth in urban and rural low-income communities across the nation through monetary awards and the allocation of tax credits. Financial institutions certified by the CDFI Fund are eligible to apply for monetary support and training to build organization capacity. The CDFI Fund's model is competitive and each of its programs provides CDFIs with the flexibility to determine the best use of limited federal resources in their community.

To take advantage of many CDFI Fund programs – but not the Bank Enterprise Awards or the Capital Magnet Fund – an entity must be certified as a Community Development Financial Institution (CDFI). CDFIs are specialized financial institutions that provide financial products and services to populations and businesses located in underserved markets. These institutions have community development missions and a reputation for lending responsibly in low-income communities. CDFIs include banks and bank holding companies, as well as credit unions, loan funds, and venture capital funds. As of June 2016, there were 122 CDFI certified banks across the United States, which is 8 percent of all certified CDFIs. The CDFI Fund through its monetary awards provides funding and technical assistance to CDFIs.

This Guide covers the following CDFI Fund programs:

Bank Enterprise Award Program: Provides monetary awards to FDIC-insured banks for increasing their investments in CDFIs and for expanding their lending, investment, and service activities in economically distressed communities.

CDFI Program: Financial Assistance (FA) and Technical Assistance (TA) awards for certified and emerging CDFIs to support affordable financial services and products, including single-family mortgage lending, in distressed communities. Technical Assistance awards are for start-up or existing CDFIs and are used to build capacity to underwrite loans and provide other services to its target market through the acquisition of goods and services such as consulting services, technology purchases, and staff or board training.

Capital Magnet Fund: Competitive grant program to CDFIs and nonprofit housing developers to support financing tools such as loan loss reserves or loan guarantees, to attract private capital for affordable housing, and community and economic development associated with affordable housing.

BECOMING A CERTIFIED CDFI

CDFI banks are federally insured and regulated depository institutions with a primary mission of community development. What distinguishes CDFI banks from other financial institutions is their community development mission and the requirement that at least 60 percent of their financing activities be targeted to one or more low- and moderate-income (LMI) populations or underserved communities. The requirement of being accountable to their target market(s) is usually fulfilled by community representation on boards of directors or advisory boards.

Approximately 50 percent of CDFI banks are Minority Depository Institutions (MDIs). The FDIC publishes quarterly a list of MDI banks at www.fdic.gov/mdi. The list includes FDIC-supervised banks that meet either of the following two definitions: (1) federally insured depository institutions in which 51 percent or more of the voting stock is owned by minority individuals; or (2) federally insured depository institutions in which the majority of the board of directors is minority and the community the institution serves is predominantly minority. The FDIC's list of MDI banks also includes FDIC-insured minority depository institutions that are supervised by the Office of the Comptroller of the Currency (OCC) and the Federal Reserve Board. Each of those agencies has its own definition of MDIs. FDIC publishes the names of MDIs supervised by the OCC and Federal Reserve that are consistent with the MDI categories defined by Section 308 of the Financial Institutions Reform, Recovery, and Enforcement Act of 1989. Participating in the MDI program is voluntary, and some institutions meeting the above definitions choose not to be included on the list.

CDFI certification is formal acknowledgement from the CDFI Fund that a financial institution meets certain community development finance measures. To become certified, a financial institution must apply to the CDFI Fund and meet the following criteria:

- be a legal entity at the time of certification application;
- have a primary mission of promoting community development;
- be a financing entity;
- primarily serve one or more target markets by designating at least 60 percent of financing activities to one or more low- and moderate-income or underserved communities;
- provide development services in conjunction with its financing activities;
- maintain accountability to its defined target market; and
- be a nongovernment entity and not be under control of any government entity (Tribal governments excluded).

PROGRAMS IN THIS SECTION:

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CDFI PARTNERSHIPS

The Community Reinvestment Act (CRA) encourages commercial banks and savings associations to help meet the credit needs of their communities, including LMI neighborhoods, in a manner consistent with safe and sound banking practices. Three federal regulatory agencies—the FDIC, the OCC, and the Federal Reserve Board—conduct regular CRA examinations and develop performance evaluations based on performance tests that vary by institution size and type. However, regardless of the size or type of the depository institution, loans to and investments in qualifying CDFIs may be useful in helping community banks meet their CRA obligations.

Because CDFIs certified by the CDFI Fund are required primarily to serve a community development purpose, the interagency questions and answers regarding community reinvestment explicitly recognize loans to and investments in CDFIs as examples of community development loans and qualified investments.⁵

- CDFI financing support from banks can be classified in three forms: equity investments, which represent capital invested in CDFIs; debt, which represents funds loaned to CDFIs; and deposits, which are funds placed in CDFI depository institutions, typically earning interest and insured by a federal governmental agency.
- For consideration under the CRA, a bank's investment activities must serve community development purposes and be consistent with safe and sound banking requirements. Also, for most community banks and large retail institutions, the CDFI's purpose and activities should be in their assessment area or the statewide or regional area that includes the assessment area.

TRAINING RESOURCES

The CDFI Fund launched the Capacity Building Initiative (CBI) in 2014 to expand technical assistance and training opportunities for CDFIs. Industry-wide training targets key issues affecting CDFIs and the communities they serve, including affordable housing and business lending, portfolio management, risk assessment, foreclosure prevention, training in CDFI business processes, and assistance with liquidity and capitalization challenges. CBI also offers direct technical assistance and individualized capacity-building plans and focuses on extending CDFI coverage to underserved communities, especially in rural areas.

As part of the CBI, the CDFI Fund provides Resource Banks that contain the resources developed for all past training series, including training materials, expert documents, archived webinars, and links to relevant outside information.

⁵ Office of the Comptroller of the Currency, Treasury; Federal Reserve System; and Federal Deposit Insurance Corporation, "Community Reinvestment Act; Interagency Questions and Answers Regarding Community Reinvestment," 75 Federal Register 11648, 11652 (March 11, 2010). Available at <http://www.ffiec.gov/cra/pdf/2010-4903.pdf>.

RESOURCES

CDFI Fund general information

<http://www.cdfifund.gov>

FDIC's Strategies for Community Banks to Develop Partnerships with Community Development Financial Institutions

https://www.fdic.gov/consumers/community/CDFI/CDFIs_EntireReport.pdf

Bank Enterprise Award Program information

https://www.cdfifund.gov/programs-training/Programs/bank_enterprise_award/Pages/default.aspx

CDFI Program information

<https://www.cdfifund.gov/programs-training/Programs/cdfi-program/Pages/default.aspx>

CDFI certification

<https://www.cdfifund.gov/programs-training/certification/cdfi/Pages/default.aspx>

Capital Magnet Fund

<https://www.cdfifund.gov/programs-training/Programs/cmf/Pages/default.aspx>

Capacity Building Initiative

<https://www.cdfifund.gov/programs-training/training-ta/Pages/default.aspx>

Minority Depository Institutions

<https://www.fdic.gov/regulations/resources/minority/index.html>