

A large graphic on the right side of the page consisting of overlapping diagonal shapes in teal, dark blue, and yellow-green. A photograph of a young girl with curly hair smiling is partially visible behind these shapes.

An introduction to CDFIs

Community Development Financial Institutions (CDFIs) are community lenders that support, grow, and revitalize underserved communities. They work to provide affordable loans and financial services to individuals, businesses, and communities that have been overlooked by traditional sources of financing. At the same time, CDFIs empower communities to address the structural barriers that exclude them from shared prosperity.

Specifically, CDFIs lend and successfully service their loans in geographies otherwise overlooked by mainstream banks. CDFIs are successful because they know their communities and tailor their loans to fit the particular nuances of the populations they serve. For instance, while a mainstream bank often requires a credit score above a certain threshold to determine a person's credit eligibility, CDFIs may consider alternative, though no less predictive, comfort measures, such as history of making rent or utility payments or savings accumulation rates. CDFIs understand that living outside of the economic mainstream does not make a person uncreditworthy, but instead requires a specialized skillset of alternative assessments and dedicated, customer-friendly servicing.



CDFIs create impact¹

\$222 billion

Total CDFI deployed assets

448,000+

Businesses & microenterprises funded

1.8 million

Jobs created or maintained

2.1 million

Housing units developed

¹Source: CDFI Fund, 2019; OFN, 2020; www.ofn.org



Populations served by CDFIs²

84% Low income

60% People of color

50% Women

28% Rural

² Source: OFN Annual Member Survey 2019;
www.ofn.org



Deep roots

The CDFI movement took shape in the 1960s and gained momentum in the 1970s with the passage of the Community Reinvestment Act, encouraging financial institutions to meet the needs of all sectors of their communities. Modern CDFIs emerged as a solution to the lack of access to affordable credit and capital in minority and economically distressed areas. A CDFI may be a bank, a credit union, a loan fund, or a venture capital fund.

In 1994, the industry got an additional boost when the CDFI Fund was established as a part of the U.S. Department of the Treasury to generate economic growth for financially underserved people and places. The CDFI Fund promotes revitalization and development in low-income communities through investment in and assistance directly to CDFIs as intermediaries. Almost 1,200 CDFIs across the country are certified by the CDFI Fund. Mandated to develop communities, certified CDFIs are eligible to apply for federal funds and training to grow their capacity.

Opportunity for everyone

Over their history dating back 30+ years, CDFIs have invested more than \$222 billion in social impact work. Typical projects include healthcare, transportation, healthy food, education, job skills training, affordable rental housing, daycare centers, and senior living facilities.



CDFIs in action

CDFIs underwrite locally driven revitalization in places where economic opportunity is needed most, advancing progress toward many of the United Nations 17 Sustainable Development Goals.

CDFIs deliver economic opportunity to everyone, specifically prioritizing low-income people in both urban and rural areas, women, people of color, Native Americans, and people with disabilities. Beyond financing, CDFIs provide diverse expertise in project guidance and capacity-building support. Starting at the local level, they have had a tremendous impact on national economic growth. This translates into new businesses launched, jobs created, homes built, and other opportunities that help residents build wealth and fundamentally transform communities.

Investments for individuals

CDFIs leverage public sector resources with private sector investment. In the past, most CDFI investors were large banks, institutions, and foundations. As CDFIs seek to diversify sources of funding to grow their initiatives, some have started to tap individual investors and to seek credit ratings that help attract those investors.

Like any investment, an investment in a CDFI is not without risk. However, you don't have to sacrifice the potential for financial returns while supporting your social impact goals. CDFI investments provide choices to align your personal values with your financial goals.

As investment partners, CDFIs are well-versed in achieving, measuring, and reporting on their impact. Mission-driven investors supporting CDFIs have an opportunity to foster positive social change while achieving financial returns.

CDFIs operate in every state across America

Targeted impact

Successful community development requires community-based decision making. CDFIs use local knowledge and financing insight to help people and their neighborhoods thrive. CDFIs are place-based and operate in every state across America to create healthy partnerships between communities, supporters, and developers. If you decide to invest, you can select a CDFI that works on the types of social impact that are important to you, in the places that matter to you. CDFIs make it easy for investors to have a local impact.





Ask your Financial Advisor about CDFI investments for your portfolio.



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