

How CDFIs are faring – Insights from the Fed's 2023 CDFI Survey

September 7, 2023
3:00 to 4:00 PM ET



Views expressed during this session
are those of the speakers and
are intended for informational purposes.

They do not necessarily represent the views of
Fed Communities or the Federal Reserve System.



Polling question





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**Connecting
Communities**

Sizing the CDFI Industry

Jacob Scott, Community Development Analyst

Carmi Recto, Community Development Specialist

Jonathan Kivell, Director of Community Investments

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What are Community Development Financial Institutions?

Community-focused non-profit and for-profit entities that primarily provide financial services to low- and moderate-income households

Provide technical assistance and development services in addition to financial support

Certified by CDFI Fund, a subagency of the US Department of Treasury

“Specialized organizations that provide financial services in low-income communities and to people who lack access to financing”
CDFI Fund¹

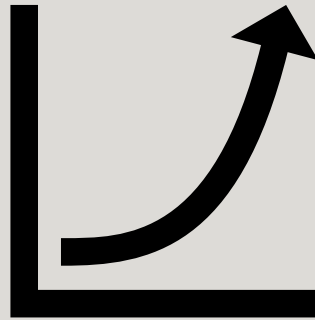
1. <https://www.cdfifund.gov/programs-training/certification/cdfi>

Industry snapshot



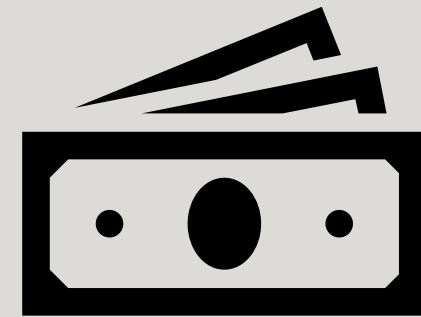
1,487 CDFIs

as of May 2023



40% increase

by count since 2019



Over \$450B in assets¹

as of 2023Q1

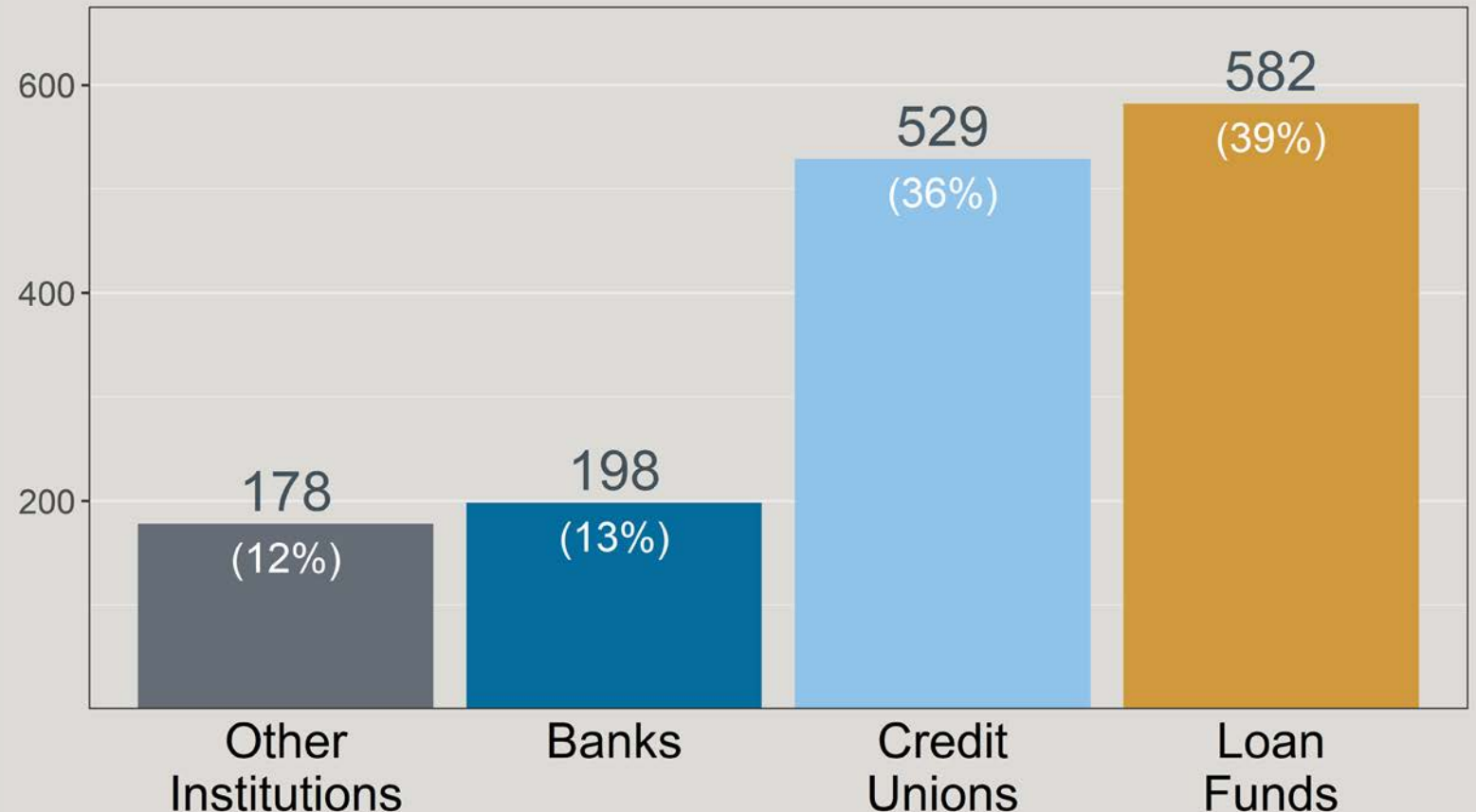
¹This total does not include assets held by holding companies or venture capital CDFIs

Loan funds comprise the biggest share of the industry by count

Almost two-fifths of
CDFIs are loan funds

Loan funds make up 39% of CDFIs

Number of certified CDFIs



Source: Authors' calculations. Data from CDFI Fund.

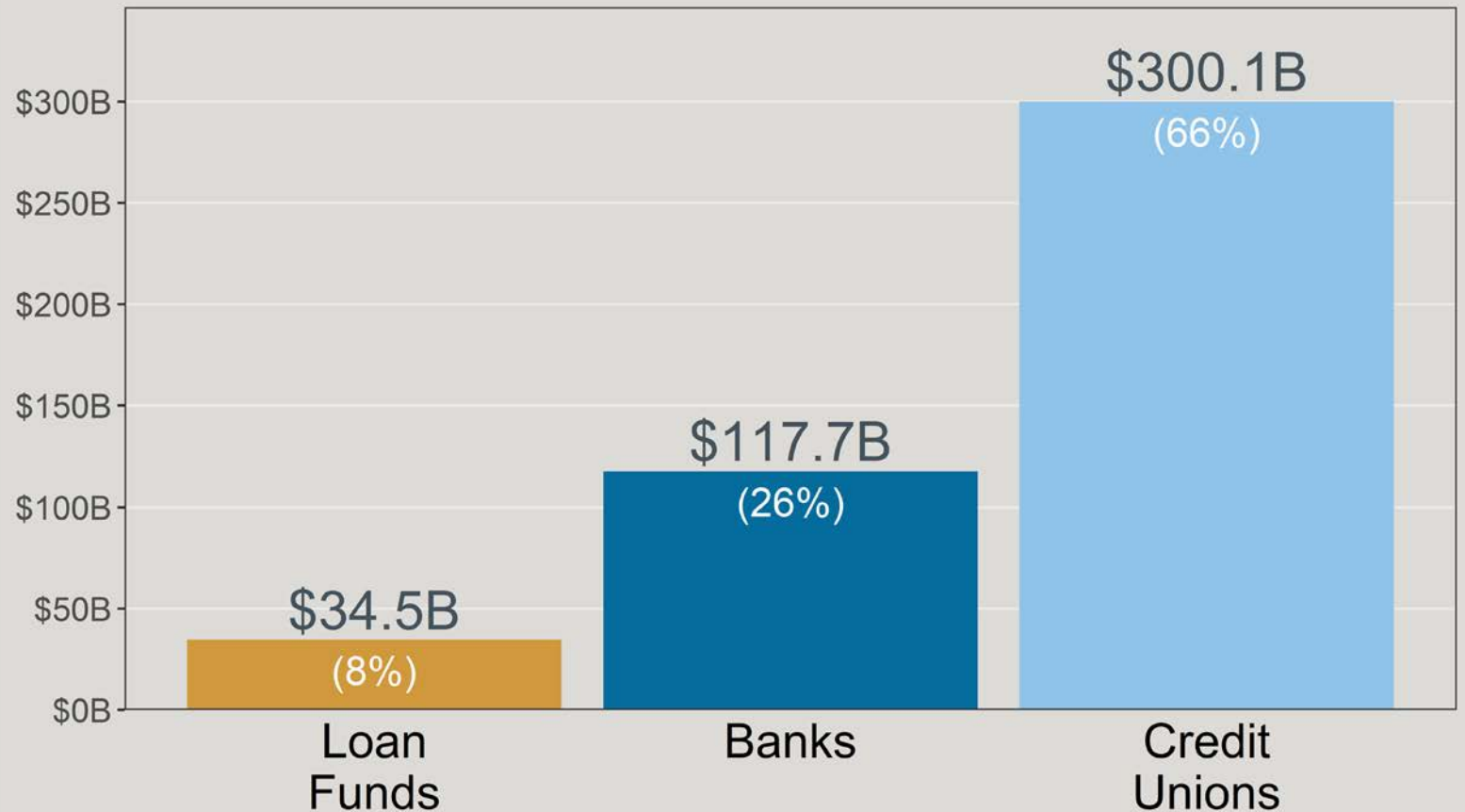
Credit unions hold the most assets

Two thirds of industry assets held by credit unions

Not including assets held by holding companies or venture capital CDFIs

Credit unions hold 66% of all CDFI assets

Number of certified CDFIs



Source: Authors' calculations. Data from CDFI Fund, 2023Q1 call reports, 2020 Form 990s

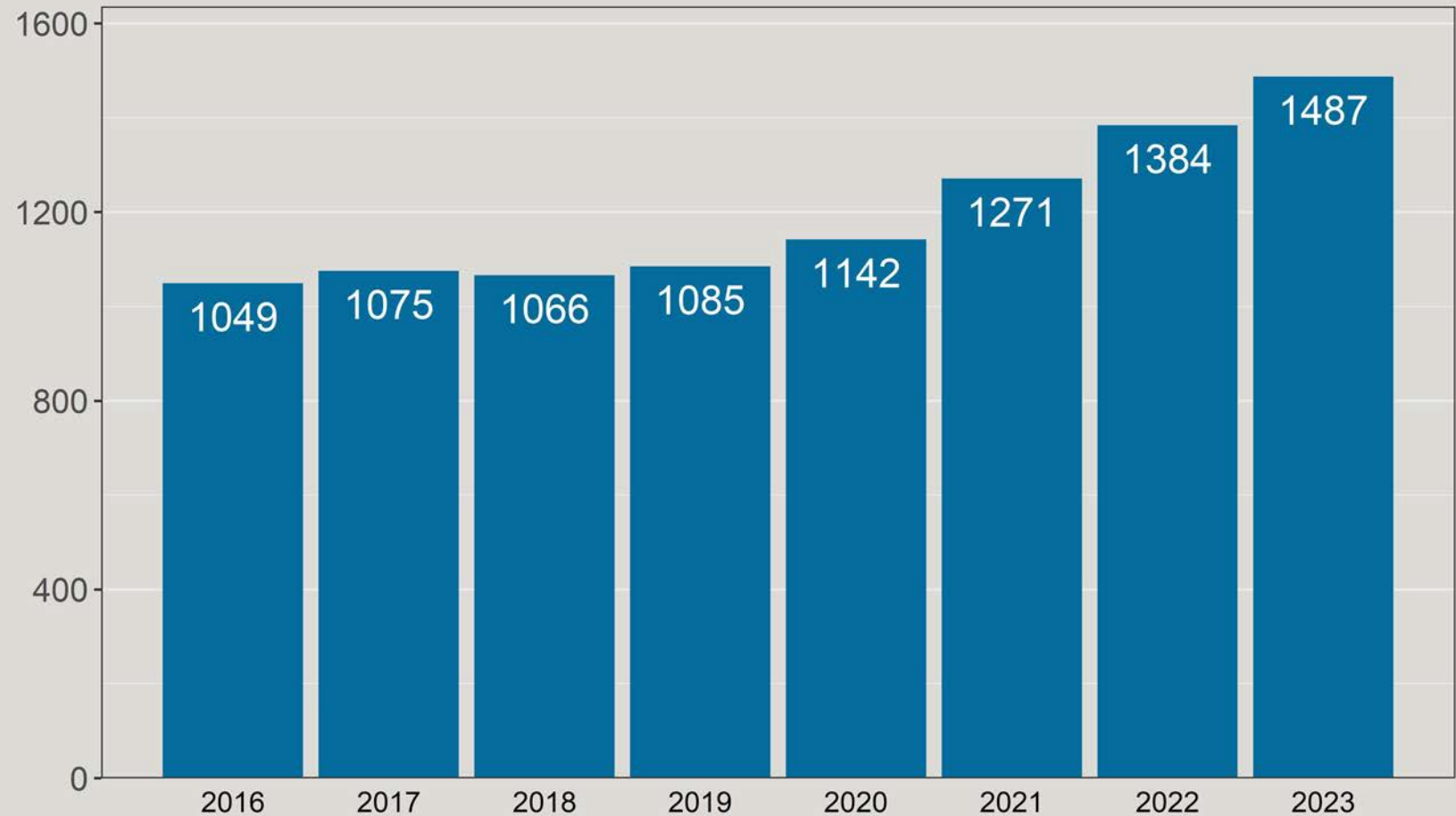
The industry has grown in recent years

430 certified institutions in 2000, almost 1,500 today

40% growth in number since 2019 alone

The number of CDFIs has grown by nearly 40% since 2019

Number of certified CDFIs



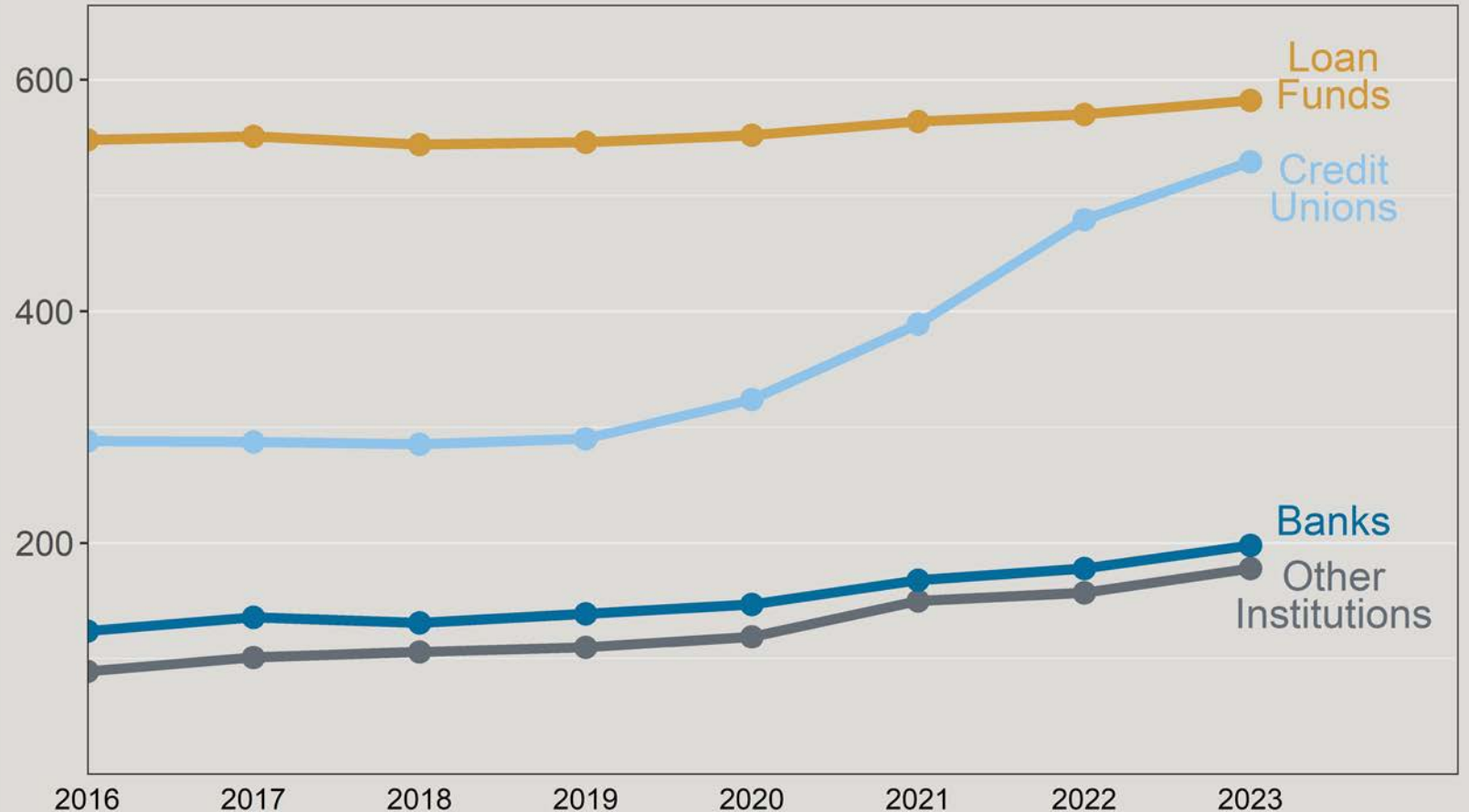
Source: Authors' calculations. Data from CDFI Fund

CDFI Credit Unions are leading growth in the industry

290 CDFI credit unions in 2019, 529 by May 2023

Count of CDFI credit unions has nearly doubled since 2019

Number of certified CDFIs by institution type



Source: Authors' calculations. Data from CDFI Fund

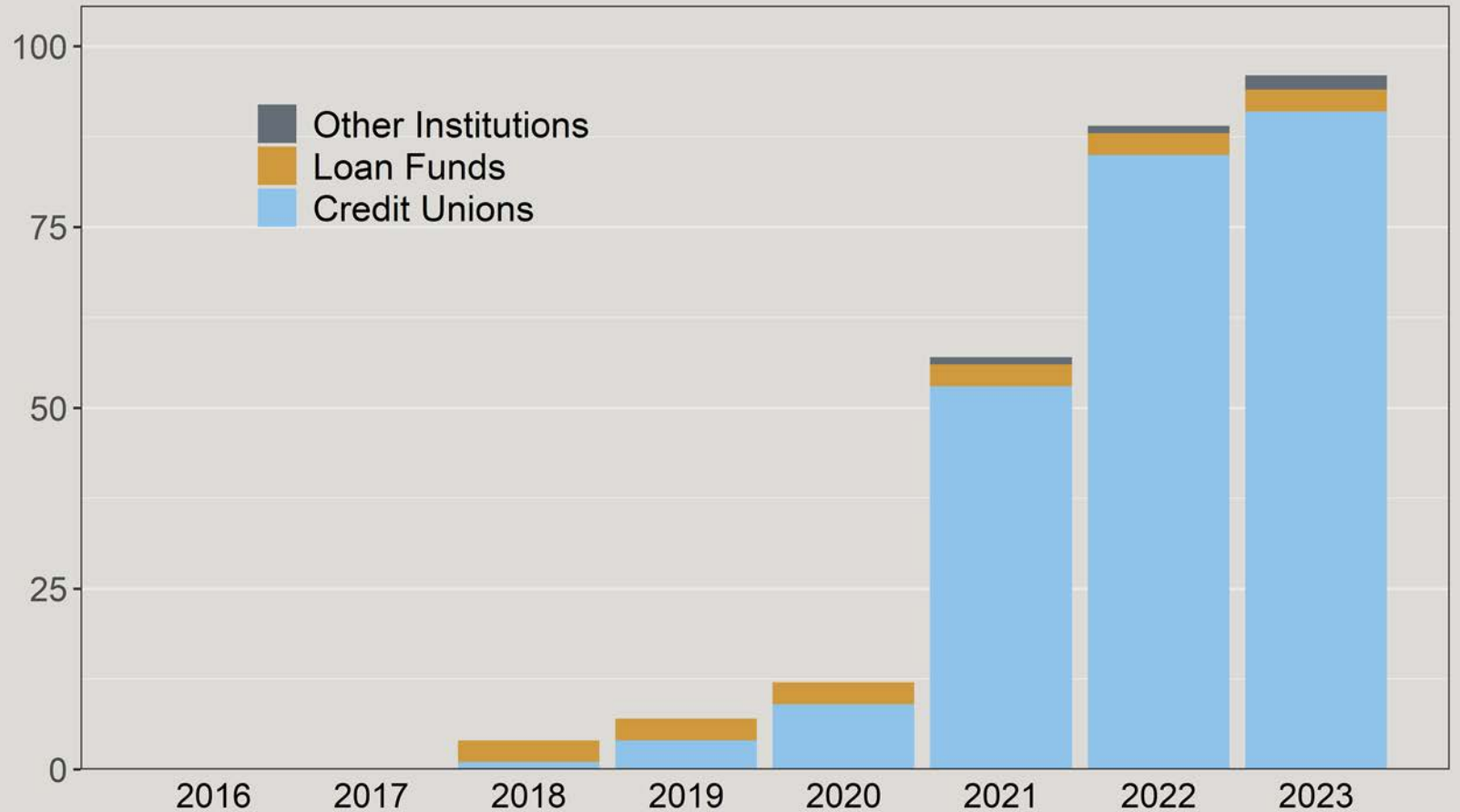
Cooperativas in Puerto Rico have fueled growth

Over 90 institutions in PR have been certified as CDFIs since 2019

They now hold around \$11B in total assets

The number of CDFIs in Puerto Rico has grown rapidly

Number of certified CDFIs by institution type



Source: Authors' calculations. Data from CDFI Fund.

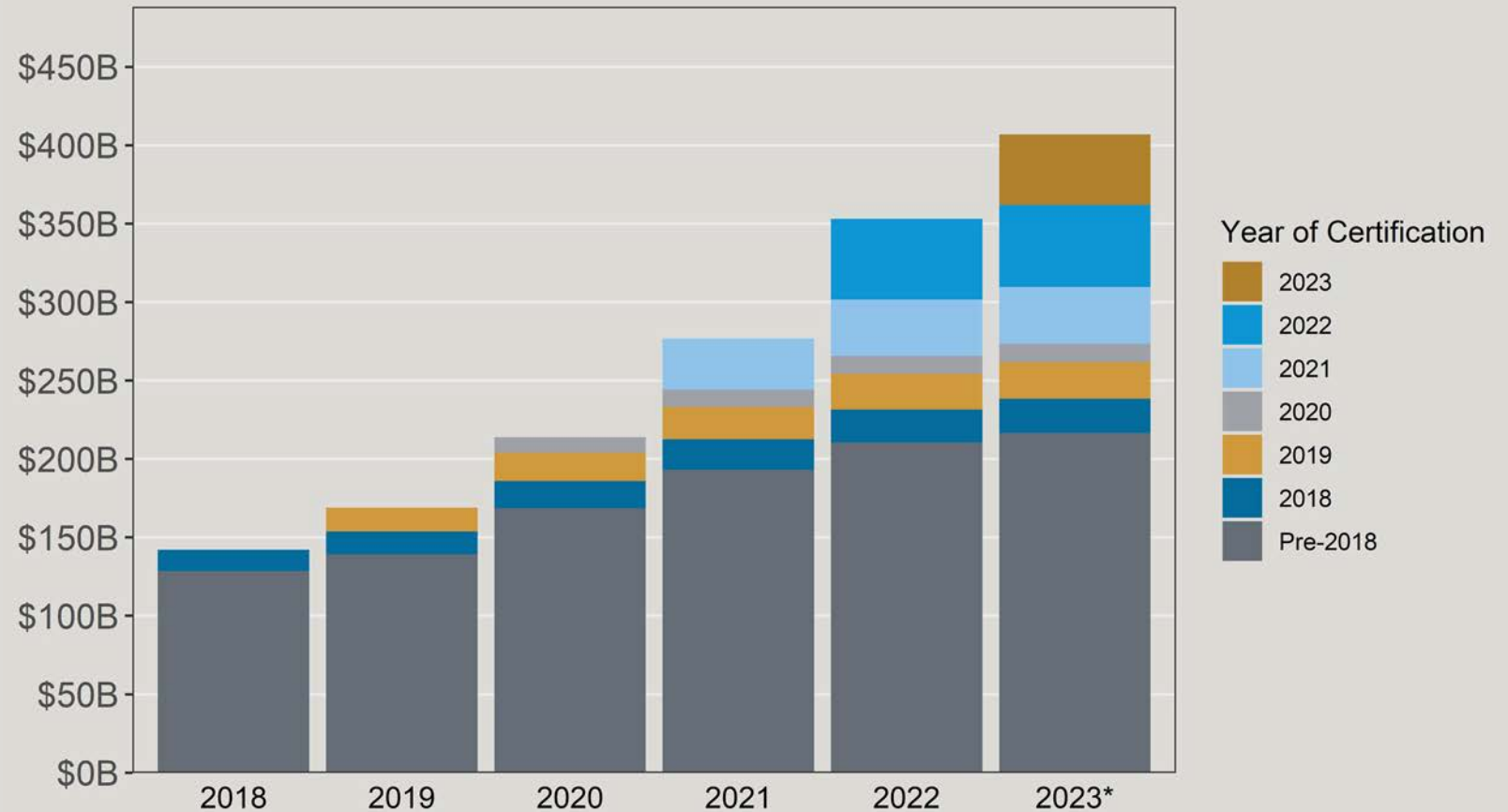
Assets have also grown considerably

CDFI bank and credit union assets grew by \$265B in 5 years

67% of asset growth was due to new institutions becoming CDFIs.

Nearly half of all assets held by CDFI banks and credit unions are held by institutions that were certified since 2018

Assets held by CDFI banks and credit unions, by year of certification



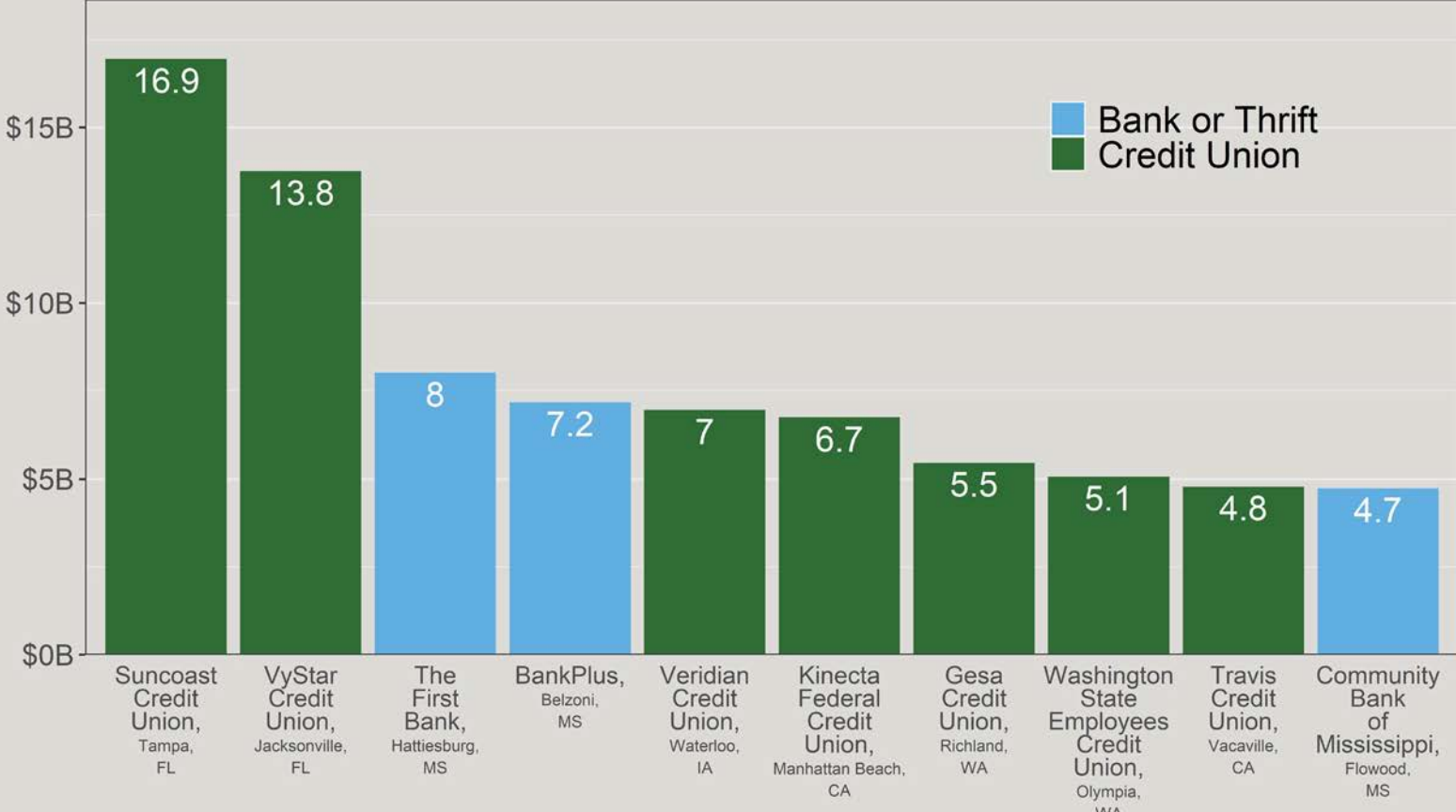
Source: Authors' calculations. Data from CDFI Fund and 2018-2023 call reports.
*2023 value is as of Q1, not year end

The top CDFIs are primarily credit unions and banks

Almost a fifth of industry assets are held by the 10 largest institutions

The top 10 CDFIs held \$79.6B in assets as of 2023Q1

Top 10 CDFIs by assets



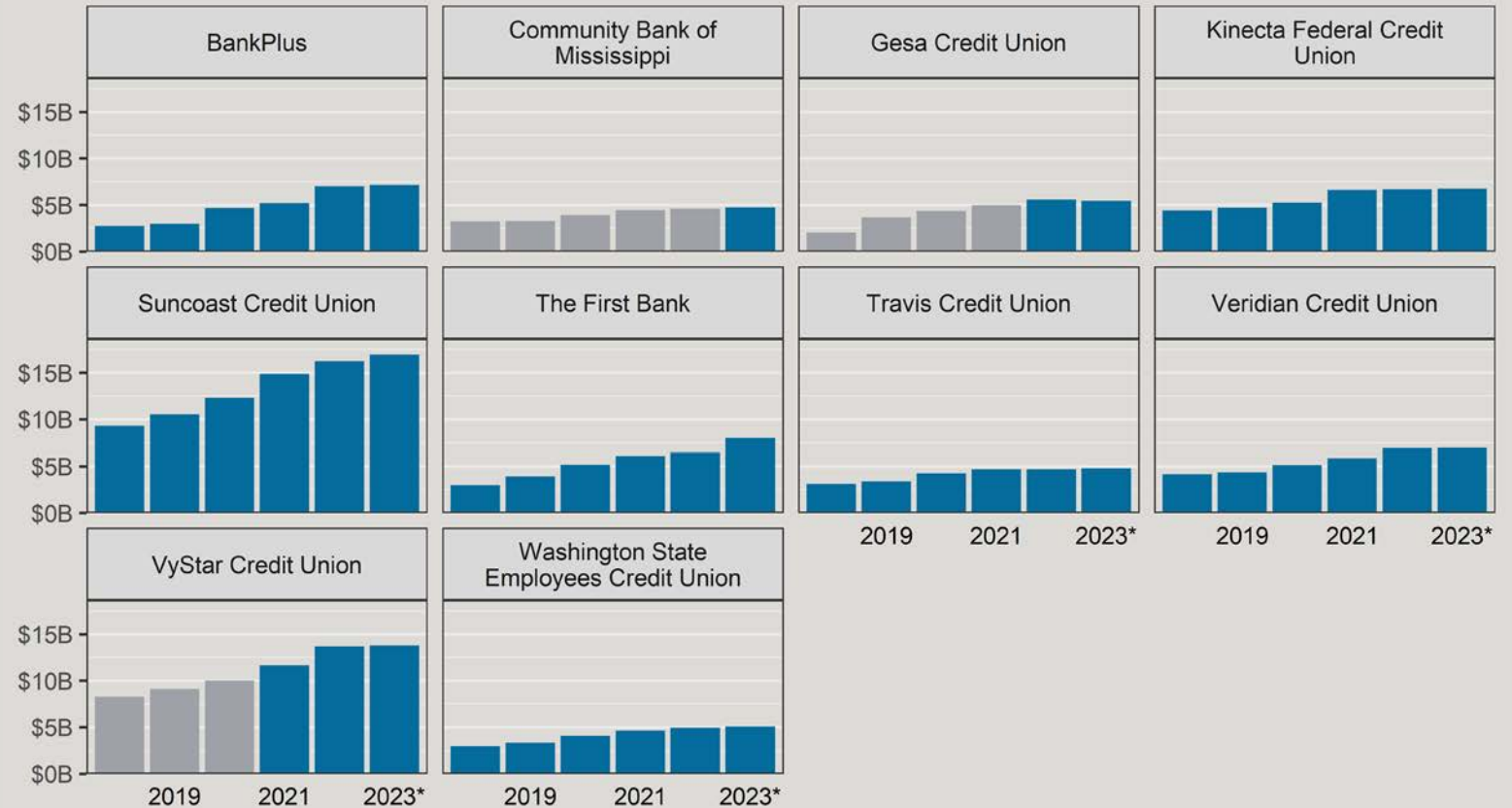
Source: Authors' calculations. Data from 2023Q1 call reports. CDFIs identified via public certification list

The largest CDFIs have grown considerably

Suncoast saw most absolute growth: \$7.6B

The First Bank saw most percentage growth: 172%

On average, the largest CDFIs grew by \$3.6B or 93% since 2019
Growth of top 10 CDFIs by assets



Source: Authors' calculations. Data from 2018-2023 call reports. CDFIs identified via public certification list
*2023 value is as of Q1, not year end



Thank you and how to reach us

Thank you to Fed Communities for hosting this webinar and inviting us to speak

We can be reached at

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2023 CDFI Survey Key Findings



Surekha Carpenter

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Federal Reserve Bank of Richmond



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The Federal Reserve's CDFI Survey

The national CDFI Survey helps us better understand the reach and impact of CDFI activity and industry conditions.



Overview

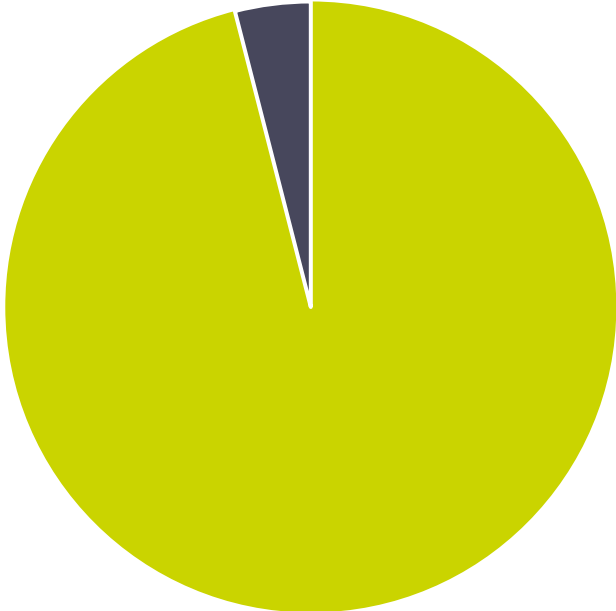
- Support and input from the 12 regional Federal Reserve Banks, CDFI Fund, and other industry groups/leaders
- Biennial survey, fielded in 2019, 2021, 2023
 - Special COVID-19 Survey in 2020

2023 Survey

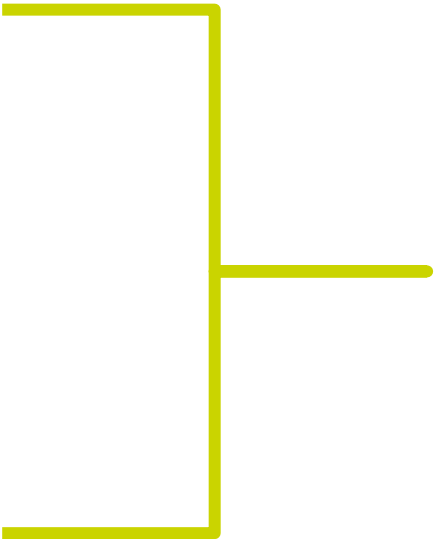
- Fielded April 24 – June 2
- This year's survey asked about:
 - Demand for CDFIs' products/services
 - Challenges meeting demand
 - Innovations and impact measurement

This year, we heard from 453 CDFIs

Certification Status of Respondent CDFIs (N = 453)



Certified
CDFI
96%

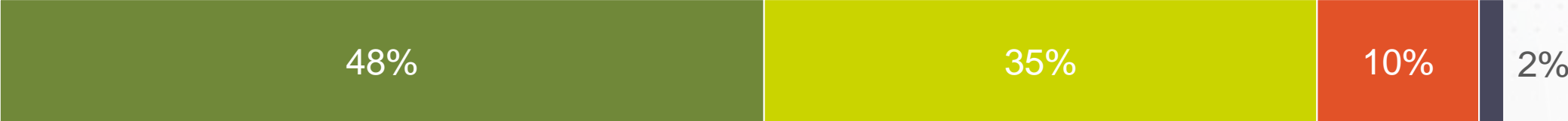


29%
of all CDFIs
certified by the
CDFI Fund.

Source: Federal Reserve 2023 CDFI Survey.

Our respondent sample is similar to the industry composition

2023 CDFI Survey respondents (451)



All certified CDFIs (1,492)



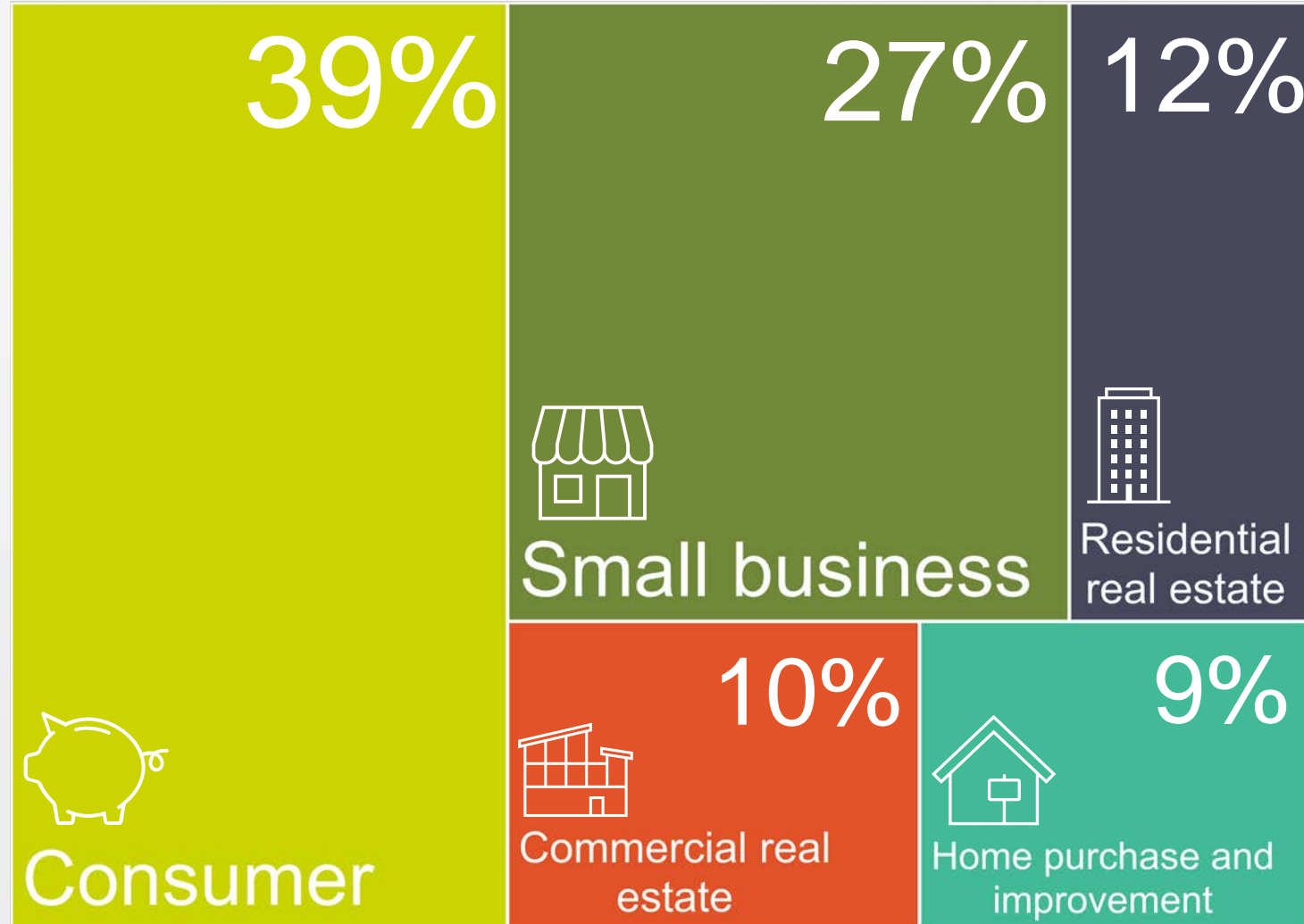
■ Loan Fund ■ Credit Union ■ Bank or Thrift ■ Holding Company ■ Venture Capital Fund

Note: One venture capital fund responded to the 2023 survey (0% of the sample).

Source: Federal Reserve 2023 CDFI Survey.

What do respondent CDFIs primarily finance?

Top business lines include consumer finance and small business finance.

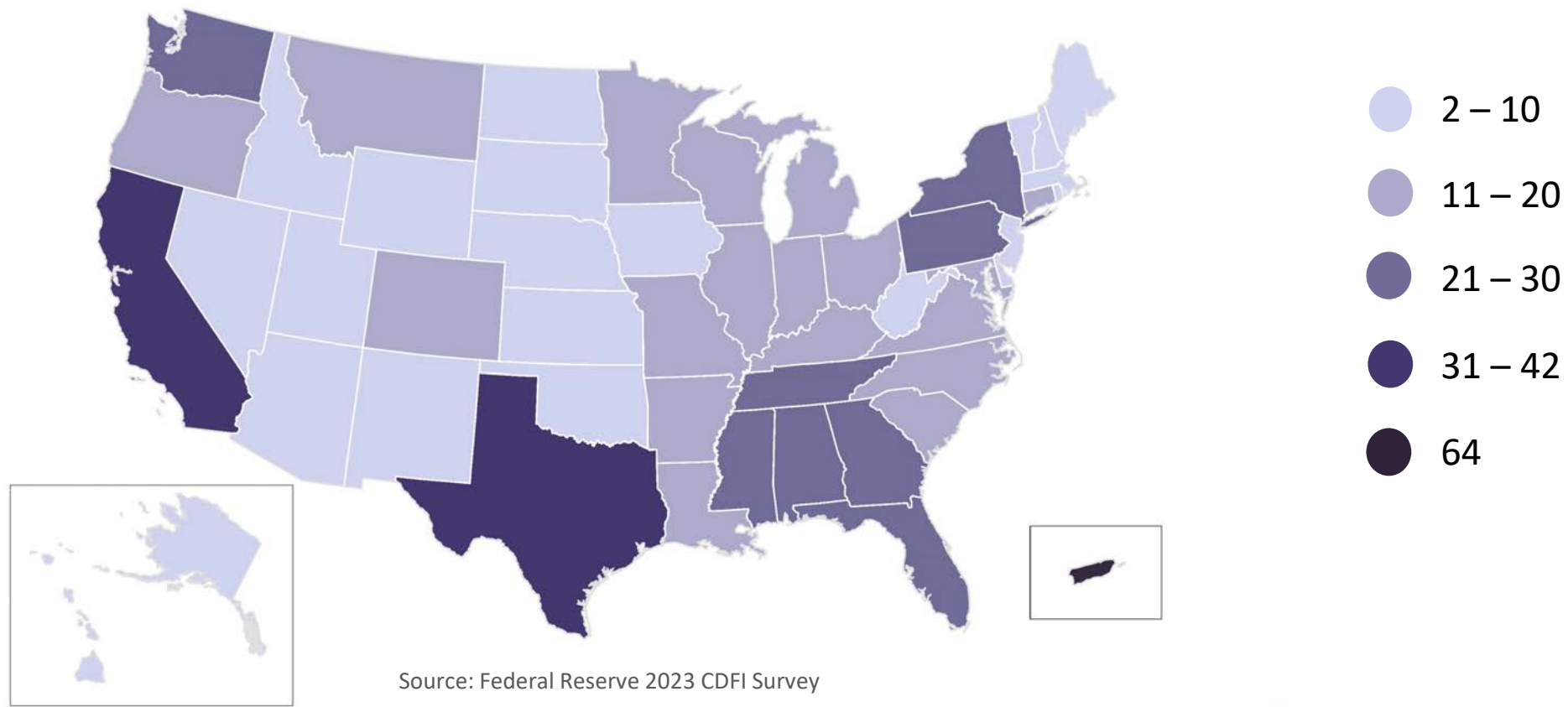


5% of respondents reported a primary business line not shown above.

Source: Federal Reserve 2023 CDFI Survey.

Where do respondent CDFIs work?

This map shows the number of respondent CDFIs that serve each state.



What did we learn?

Demand for CDFI products remains strong.

CDFIs have mostly met demand.

The biggest challenges to meeting demand varied across CDFIs.

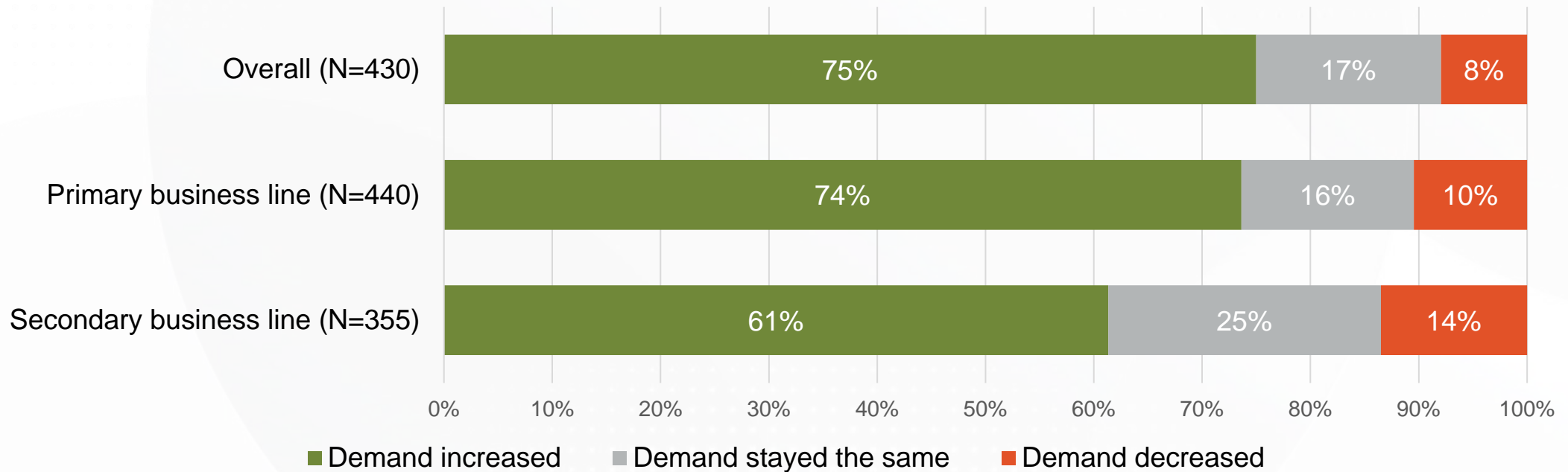
CDFIs have continued to innovate to address challenges.

CDFIs also expressed a desire to expand impact measurement beyond their outputs.

Source: Federal Reserve 2023 CDFI Survey

For most CDFIs, demand for financial products has increased

In the past 12 months, did demand for your CDFI's products increase, stay the same, or decrease compared to the prior year?
Percent of Respondents



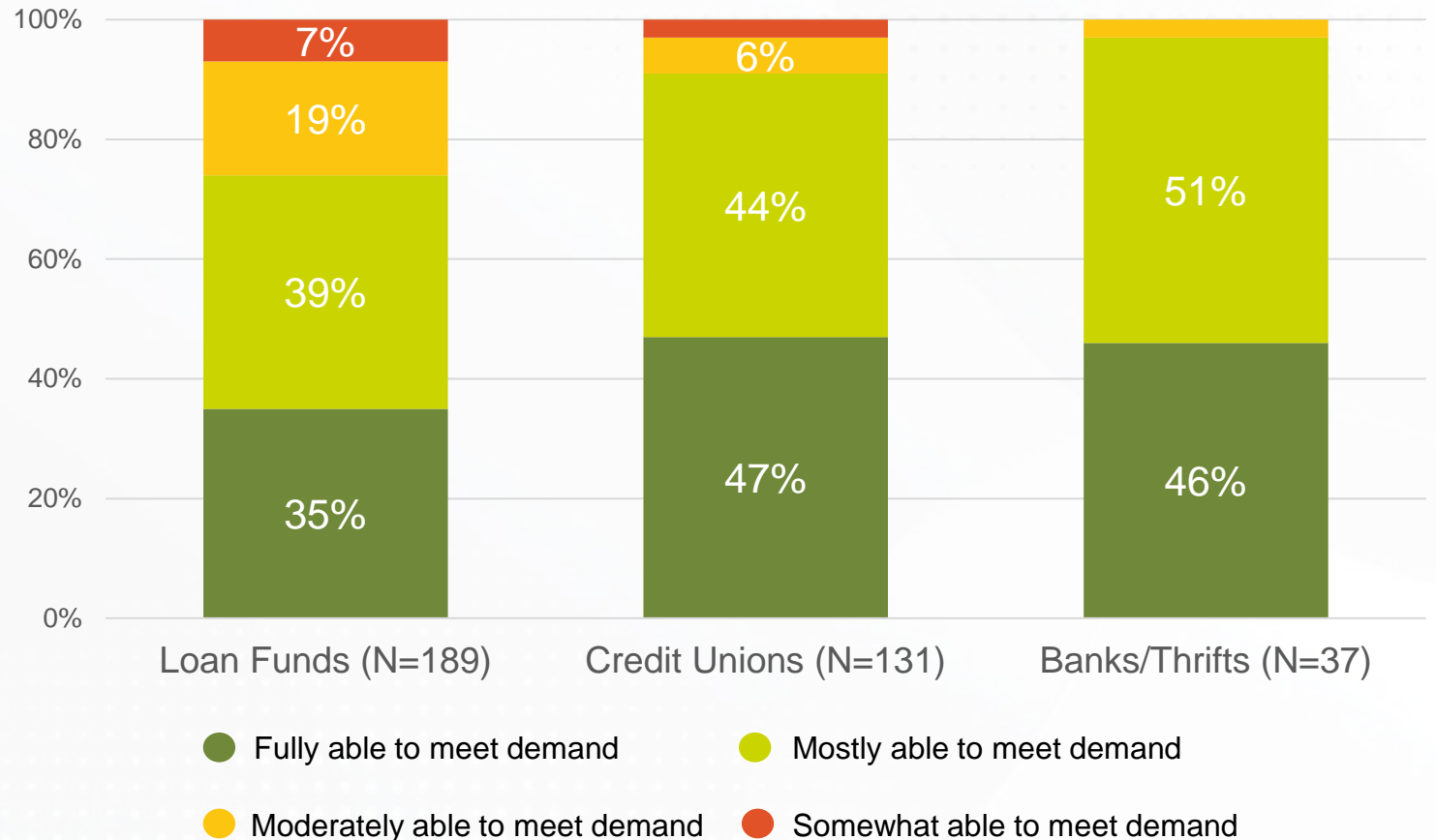
Source: Federal Reserve 2023 CDFI Survey

CDFIs have mostly met demand

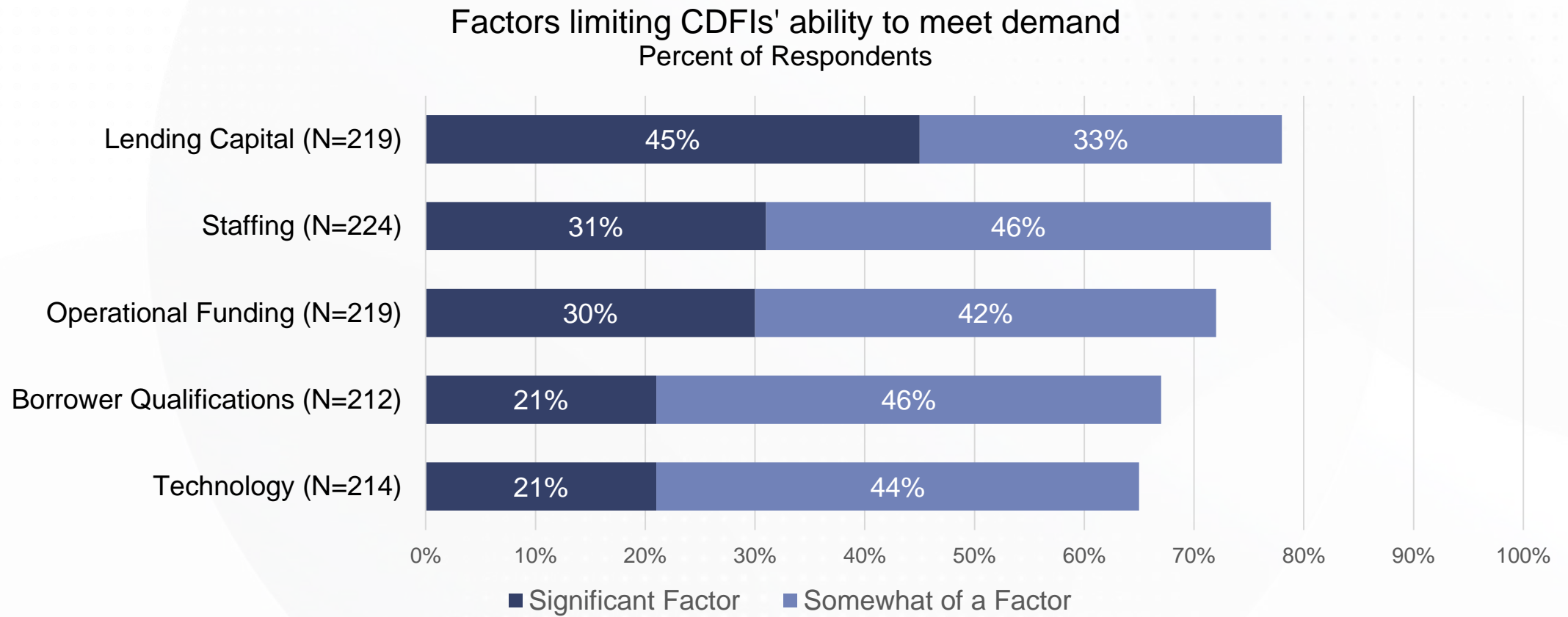
Overall, 40% fully met demand in the last year

Another 42% mostly met demand

To what extent was your CDFI able to meet demand for products in the past 12 months?
Percent of respondents by CDFI type



Factors limiting CDFIs' ability to meet demand

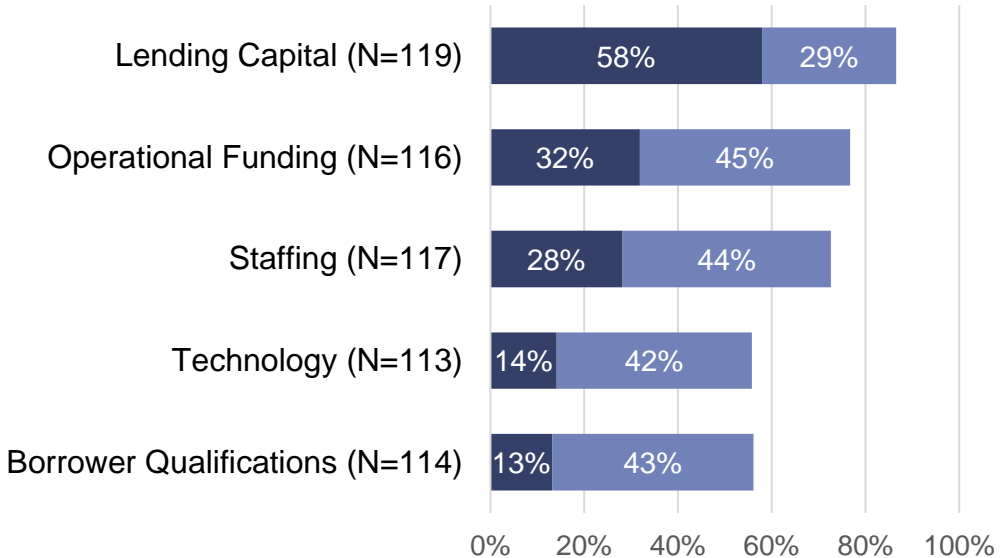


Source: Federal Reserve 2023 CDFI Survey

Top challenges varied by CDFI type

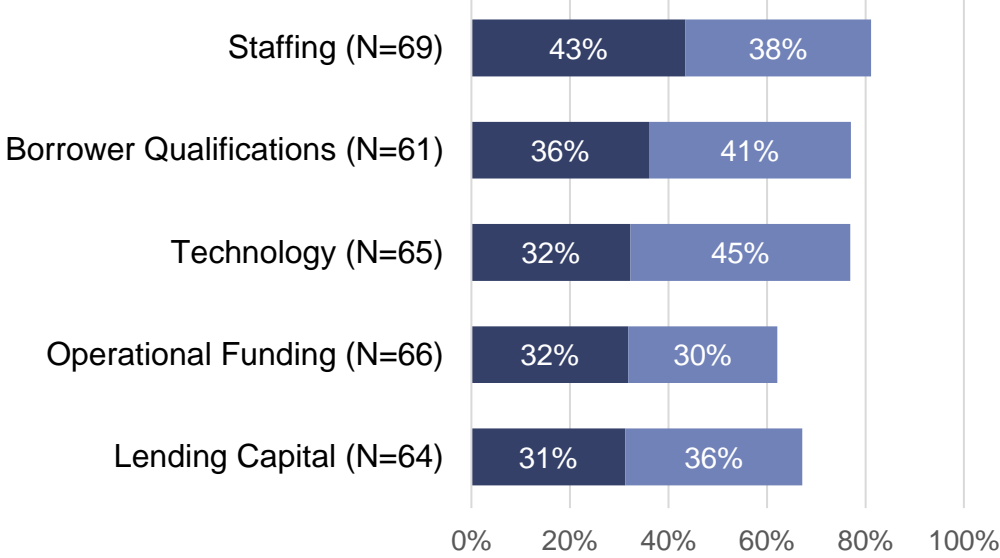
LOAN FUNDS

Percent of Loan Fund Respondents



CREDIT UNIONS

Percent of Credit Union Respondents

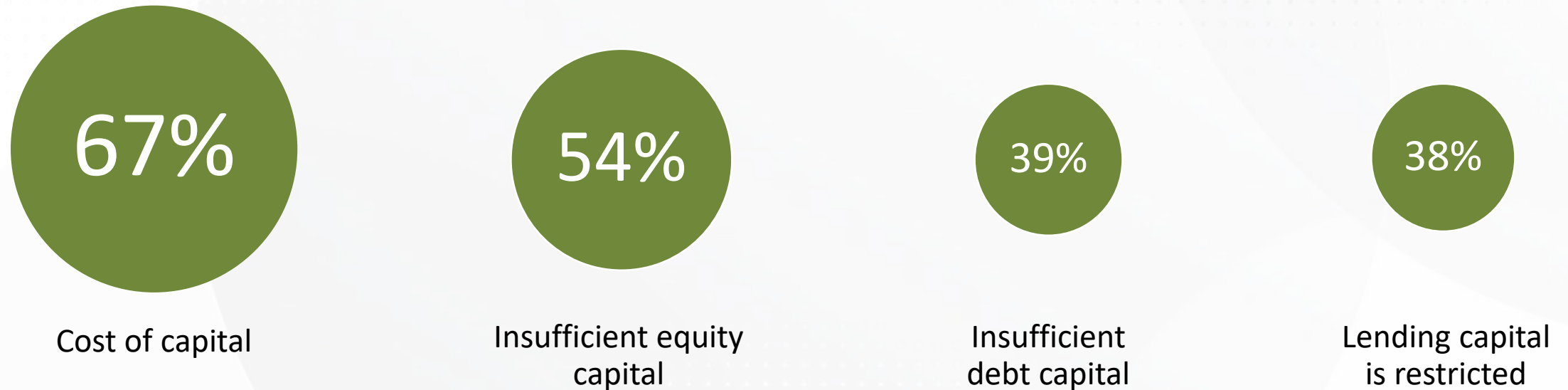


■ Significant factor ■ Somewhat of a factor

Source: Federal Reserve 2023 CDFI Survey

Most frequently reported lending capital challenges

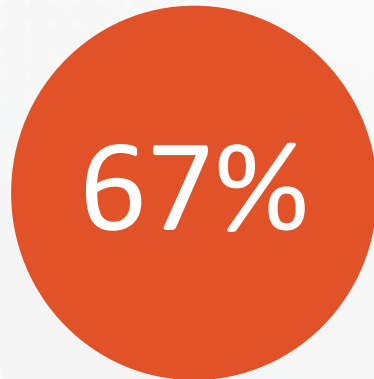
Percent of respondents that said lending capital challenges limit their ability to meet demand (N=171)



Source: Federal Reserve 2023 CDFI Survey.

Most frequently reported staffing challenges

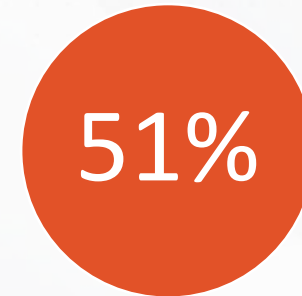
Percent of respondents that said staffing challenges limit their ability to meet demand (N=172)



Lack of qualified candidates



Inability to offer competitive compensation



Staff leaving voluntarily for higher-paid positions

In the face of challenges, CDFIs are innovating

Respondents detailed their innovative products, practices, and partnerships.

Rapid deployment of COVID-19 relief funding

Building and leveraging relationships

Specialized or shared staff

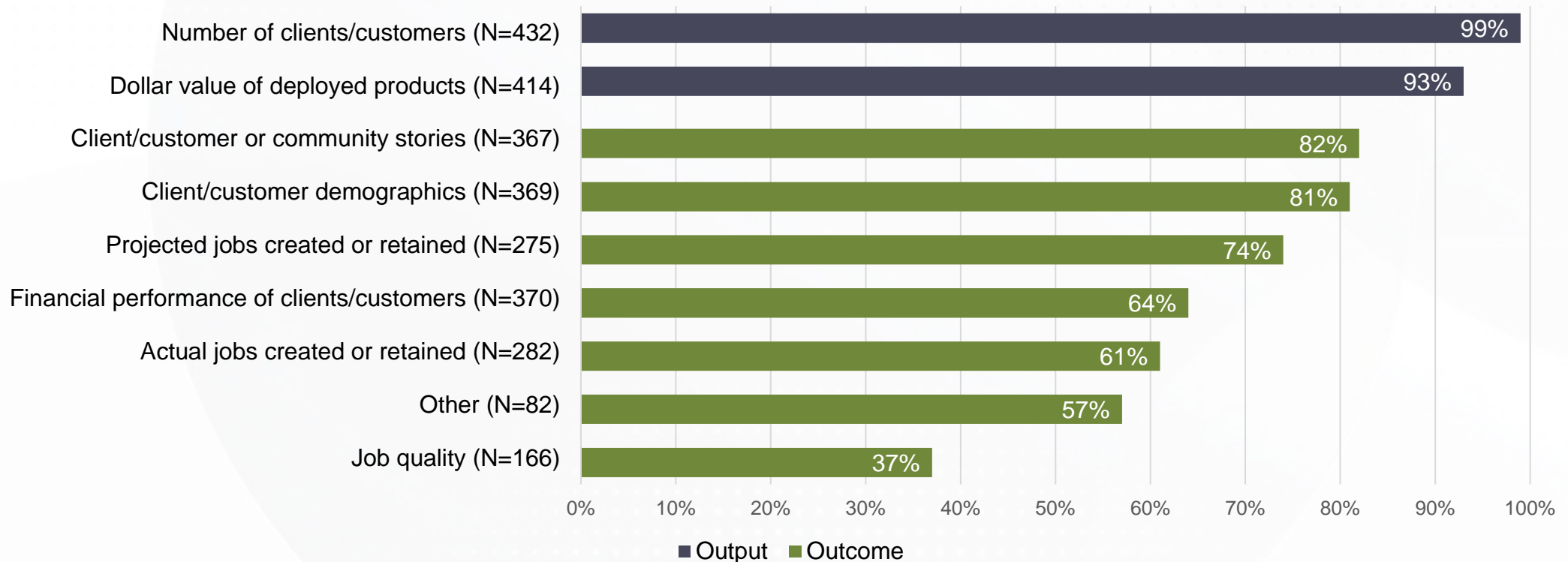
Online access and integration

New products for immigrant, low-credit, and other underserved customers

Scaling development services

Respondents want to expand the metrics they collect

What output or outcome metrics does your CDFI track for its products and services?
Percent of respondents interested in tracking metric



Source: Federal Reserve 2023 CDFI Survey

Looking ahead

- CDFIs expect further increases in demand
- Many CDFIs are optimistic about being able to meet future demand
- Respondents were clear on the biggest difference makers:

Additional funding for
lending

Need for operation-
specific capital

Additional resources for
hiring and training staff

Thank you!

Surekha Carpenter

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Read the full 2023 Key Findings Report:

[2023 CDFI Survey Key Findings | Federal Reserve
\(fedcommunities.org\)](https://www.federalreserve.gov/communities/2023-cdfi-survey-key-findings)

Also available for download:

Survey questionnaire

Data appendix

National CDFI directory





Charly van Dijk

**Senior Advisor, Community and Economic Development Engagement
Federal Reserve Bank of Atlanta**



**Connecting
Communities**

Future Research: CDFI Loan Funds, Capital Absorption, and Financial Leverage

Community and Economic Development
Research Department

Views expressed are my own, and not necessarily those of the
Federal Reserve Bank of Atlanta, or the Federal Reserve System.



Charlene “Charly” van Dijk

Senior Advisor, CED
Engagement
Miami Branch

Why CDFIs Are Important

“[The] pandemic and economic disruption have laid bare and exacerbated deep-seated disparities along racial, geographic, occupational, and gender lines. Throughout this crisis, I have seen what CDFIs do best, put their clients first and meet communities where they are, providing advisory services and products when they are sorely needed.”

Source: Opportunity Finance Network 2020 Conference



Federal Reserve
Bank of Atlanta

Raphael Bostic
President & CEO



Community and Economic Development at the Atlanta Fed



Mission

Support the Central Bank's mandate of stable prices and maximum employment by working to improve the economic mobility and resilience of people and places for a healthy economy.

frbatlanta.org/community-development



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Relationship between CDFIs and Capital Absorption

The Continuum

Strategies for facilitating a pipeline of successful community projects that enable organizations to borrow.



Source: Federal Reserve Bank of St. Louis

Net Assets for CDFI loan funds can be a lever

$$\text{Net Asset Ratio} = \frac{\text{Net Assets (Total Assets - Total Liabilities)}}{\text{Total Assets}}$$

“CDFI loan funds face a common capitalization challenge as they **seek to grow**—they must raise net assets to **enable the additional debt financing needed** to support an expanding portfolio.”

Source: [Federal Reserve Bank of San Francisco, Community Development Innovation Review](#)

When Leverage is Done Right

**SOME PROGRAMS LEVERAGE
AS MUCH AS**



\$10 for every **\$1**

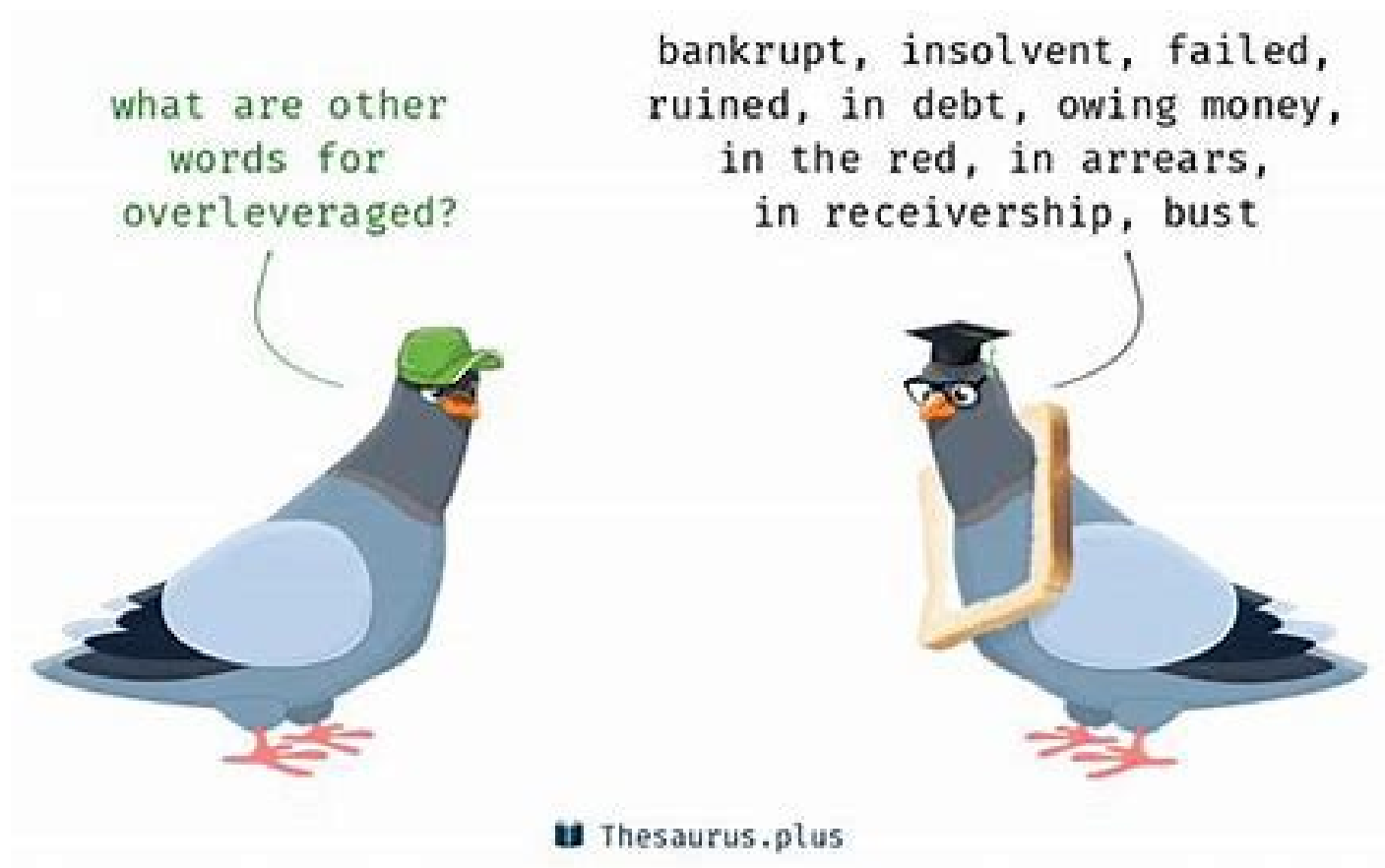
INVESTED BY THE CDFI FUND.

WITH 10X THE INVESTMENT,
we have an opportunity to make

10X THE IMPACT
in communities nationwide.

[Source: CDFI Fund](#)

When Leverage is Done Wrong



What is an “appropriate” level of leverage for CDFIs? It depends!

CDFI Banks

- Leverage ratios determined by Basel Accords and financial banking regulators.
- Apply to ALL banks, CDFI or not.
- Thresholds depend on size of institution.
- Helps create safety and soundness in the financial system.

CDFI Credit Unions

- Determined by NCUA, the federal regulator of credit unions.
- Helps create safety and soundness in the financial system.

“Non-regulated” CDFIs (VC & Loan Funds)

- Individual funders determine ceiling via financial covenants.
- Measured via ratios.
- CDFI Fund MPS ratio and typical industry standard is a ***Minimum* 20% Net Asset Ratio** for highest performing nonprofit CDFIs.*

(Source: [CDFI Fund](#))

- *Individual funders determine their own ratios via covenants

Net Asset Ratios, a proxy for understanding CDFI industry leverage

MAPS Ratio	Bank/Thrift		Credit Union		Loan Fund		Venture Capital Fund		Total	
	N	Mean	N	Mean	N	Mean	N	Mean	N	Mean
Self-Sufficiency Ratio	121	1.0	242	1.7	470	0.7	14	1.7	847	1.0
Net Assets Ratio	122	0.1	242	0.2	473	0.5	14	0.6	851	0.4
Portfolio at Risk Ratio	122	0.01	242	0.03	464	197.3	10	0.01	838	109.2
Deployment Ratio	115	7.6	216	8.5	419	3,324.4	12	4.5	762	1,831.6

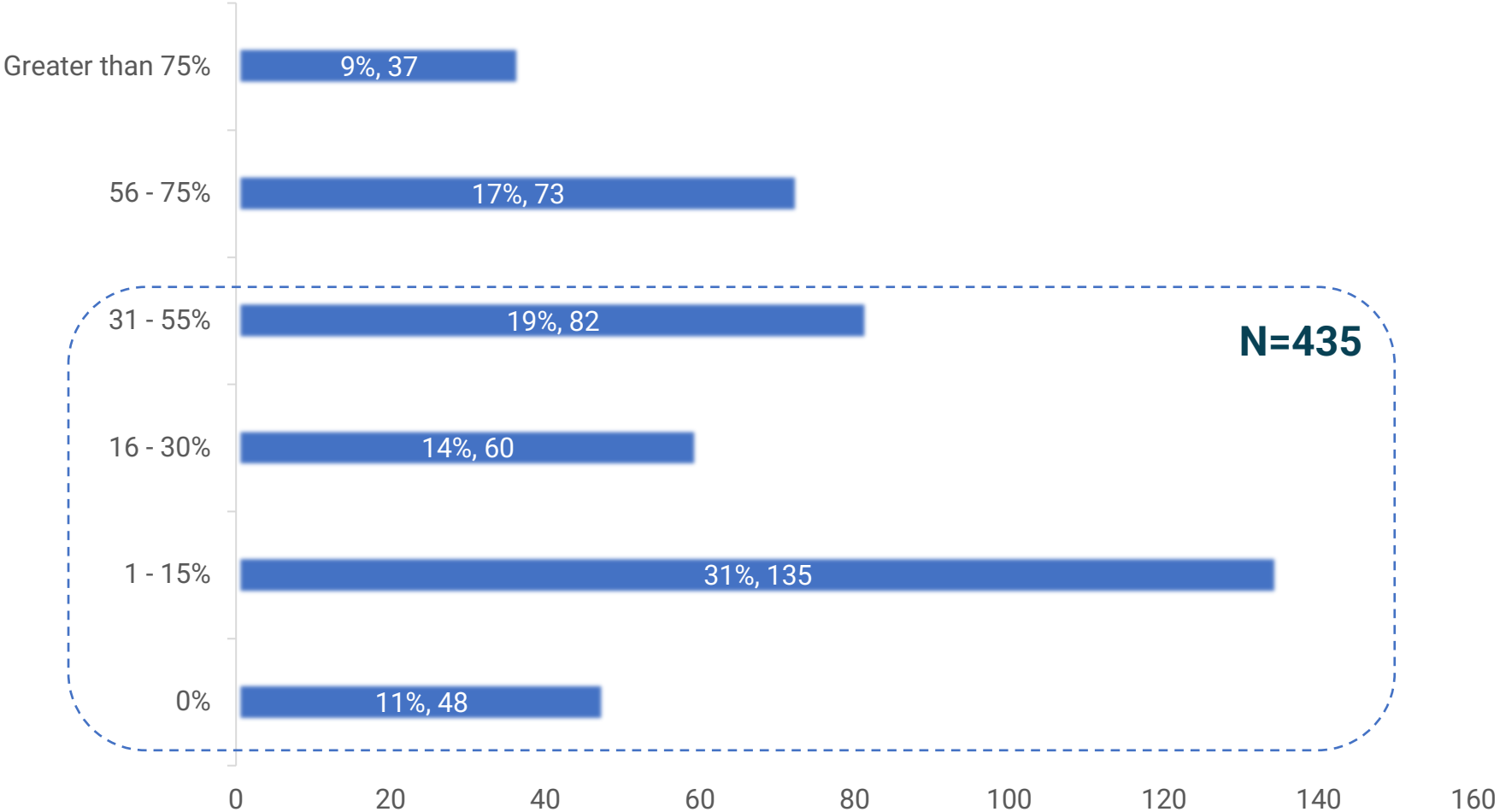
Source: 2019 Annual Certification Report (ACR)

Note: Self-Sufficiency ratio is earned revenue/operating expenses. Net Assets ratio is (Total Assets – Total Liabilities)/Total Assets. Portfolio at Risk (PAR) ratio is Nonperforming Assets/Total Loan Portfolio. Deployment ratio is (Total Loan Portfolio + Total Equity Investment Portfolio)/Total Financing Capital.

Source: [CDFI Fund 2020 Annual Certification Report Analysis](#)

Future FRB Atlanta CED research using the CDFI Survey & CDFI Fund Data

Approximately,
what percent
of your
balance sheet
is debt?



Source: 2023 Federal Reserve CDFI Survey

Want to learn more about how to manage Net Assets and CDFI growth?

VIEW THE RESOURCE BANKS



Access for All: Expanding CDFI Im...



Building Native CDFIs' Sustainabi...



CDFI Capitalization



Expanding CDFI Coverage in Unders...



Financing Community Health Center...



Financing Healthy Food Options...



Foreclosure Solutions



Innovations in Small Business Len...

Nonconfidential//External

Source: [CDFI Fund Capacity Building Initiative Resource Banks](#)

Connect with us @Atlanta Fed



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Read the reports from today's presentation

[Sizing the CDFI Market: Understanding Industry Growth | Federal Reserve Bank of New York:](https://www.newyorkfed.org/outreach-and-education/household-financial-stability/sizing-the-cdfi-market-understanding-industry-growth)

<https://www.newyorkfed.org/outreach-and-education/household-financial-stability/sizing-the-cdfi-market-understanding-industry-growth>

[2023 CDFI Survey Key Findings | Federal Reserve:](https://fedcommunities.org/data/2023-cdfi-survey-findings/)

<https://fedcommunities.org/data/2023-cdfi-survey-findings/>



Closing remarks and requests

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- Subscribe to the Fed Communities newsletter at fedcommunities.org/About Us/Subscribe
- Mark your calendars for October 12, 2023, and plan to join us for the next Connecting Communities webinar on the Benefits Cliff. Registration will be open soon!



Thank you for joining us!

