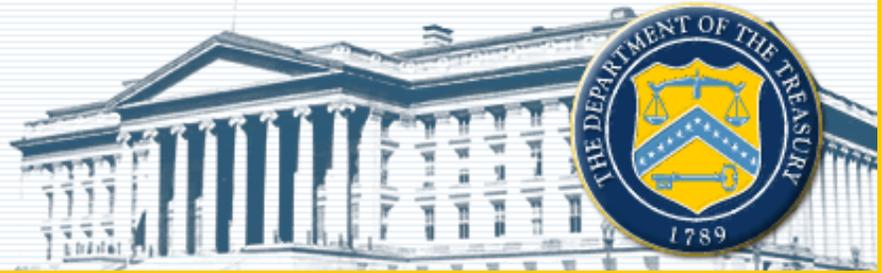


UNITED STATES
DEPARTMENT OF
THE TREASURY



Community Development Financial Institutions (CDFI) Fund

Overview

April 1, 2008

National Interagency Community Reinvestment Conference

**“How to Make Community Development
Venture Capital Work”**

Community Development Financial Institutions Fund



- § **The CDFI Fund (the “Fund”) is housed within the Department of the Treasury and was established by the Riegle Community Development and Regulatory Improvement Act of 1994 as a bipartisan initiative.**
- § **Its mission is to expand the capacity of financial institutions to provide credit, capital, and financial services to underserved populations and economically distressed communities in the United States.**

Community Development Financial Institutions Fund



- § **One of the purposes of creating the CDFI Fund was to further economic revitalization and community development through expanding the capacity of community development financial institutions (CDFIs) to provide financial services to underserved populations and economically distressed communities in the United States.**

- § **Financing Entities supported by the CDFI Fund's awards complement the products and services offered by larger, more mainstream financial institutions, and often serve to conduct research and development of new products, or to offer a level of counseling or support to customers that traditional financial institutions are unable to do.**

CDFI Fund awardees promote Economic Growth



- § The CDFI Fund accomplishes its mission through administering the following programs:
 1. Community Development Financial Institutions (CDFI) Program
 2. Native Initiatives
 3. Bank Enterprise Award (BEA) Program
 4. New Markets Tax Credit (NMTC) Program

- § The CDFI Fund selects awardees annually through a competitive application process.

- § \$864 million in cash awards, since CDFI Fund's inception.

- § 16 Billion in tax credits, since the inception of the NMTC Program in 2002.

CDFI Program



CDFI Program

Financial Assistance:

- Provides funds to certified CDFIs in the form of loans, equity investments, deposits and grants.
- Awards must be matched \$1: \$1 by the applicant with funds of the same type from non-federal sources.
- Financial Assistance awards enable CDFIs to leverage private capital up to \$19: \$1 (as of FY07).
- 1,319 awards totaling \$544 million.

Technical Assistance:

- Provides grants to CDFIs and entities proposing to become CDFIs.
- Used to build organization's capacity by acquiring products or services including technology, staff training, or consulting services to acquire needed skills or services.
- 540 awards totaling \$27 million.

NMTC Program



New Markets Tax Credit Program

- The NMTC Program spurs the investment of new private sector capital into low-income communities by permitting taxpayers to receive a credit against Federal income taxes for making qualified equity investments (QEI) in designated Community Development Entities (CDEs).
- By making an QEI over seven years in a CDE, individual and corporate investors can receive a tax credit against their Federal income taxes equal to 39% of the value of the original investment in the CDE.
- The CDFI Fund will conduct its 6th round of the NMTC Program this year, making \$3.5 billion of tax credit allocations in this round. To date, the Fund has been given \$19.5 billion in allocation authority, including \$1 billion for specific use in the recovery and redevelopment of the Hurricane Katrina Gulf Opportunity Zone (GO Zone).
- The Fund has made 294 NMTC awards in the first 5 rounds, with an average allocation of \$54.5 million.

Venture Capital Firms as CDFIs and CDEs



Community Development Financial Institutions (CDFIs): are mission-driven community-oriented financial institutions, whether for-profit or non-profit. The over 800 certified CDFIs operate in a variety of organizational forms to meet the needs in their markets, including, as of March 1, 2008:

- 63 FDIC-insured Banks, including 5 Thrifts (7 %)
- 26 Bank Holding Companies (3 %)
- 142 Credit Unions (18 %)
- 545 Housing, Business & Micro Loan Funds (68%)
- 28 Community Development Venture Capital Funds (3.5%)

Average asset size of depository institution CDFIs is \$32 million.

Average asset size of non-depository institution CDFIs is \$22.4 million.

Average asset size of CDVCAs is: \$12.6 million.

- **NMTC Community Development Entities:** CDEs must both conduct their business activities in low-income communities and be accountable to the residents of those communities.
- 1426 of the 3124 certified CDEs are distinct entities as opposed to subsidiaries.
- 18 of the certified CDFIs that are CDVCAs are also CDEs.

What the Fund knows about CDVC firms comes from its Community Investment Impact System (CIIS)



- **CIIS is the CDFI Fund's web-based data collection system used by awardees and allocatees to report their annual performance and compliance data.**
- **It is the only system inside and outside the Federal government that is collecting detailed information on each loan and investment that CDFIs and CDEs make.**
- **CIIS has been recognized by both the current and former Federal Reserve Board Chairmen as an important tool for measuring the impact of CDFIs.**
- **CDFI CIIS data collected includes the organization's profile, financial position, portfolio, community impacts, development services, other products and services, and compliance measures.**
- **CDE CIIS data collected includes the organization's profile, QEI distribution, portfolio, loan purchases, and financial counseling and other services.**

CDVC CDFIs: CDFI Program



Between 2005 and 2007 the CDFI Fund received:

- **16 applications from CDVC CDFIs**
- **Applicants over this period constituted 10 distinct applicants.**
- **3% of all applications came from CDVC CDFIs**
- **3 out of 184 distinct awardees over this period were CDVC CDFIs, or 2% of awardees.**

CDVC CDFIs: Three-Year Trends



19 CDVC CDFIs reported data to the CDFI Fund between 2003 and 2005:

	CDVC CDFIs	Other CDFIs (Non Depository)
Years in Operation	CDVC CDFIs	Other CDFIs (Non Depository)
Emerging (Under 10 Yrs.)	15 (80%)	263 (52%)
Young (10 to 18 Yrs.)	2 (10%)	130 (25%)
Older (19 Yrs. or More)	2 (10%)	18 (23%)
Portfolio Under Management	CDVC CDFIs	Other CDFIs (Non Depository)
Total # of Loans/Investments	88	16,111
Total Portfolio Amount	31,354,557	1,163,832,371
Avg. Transaction Size	356,302	72,238
Avg. Per Institution	10,500,000	18,100,000
Delinquency	CDVC CDFIs	Other CDFIs (Non Depository)
# of Loans Delinquent	-	311
# of Times 60+ Days	-	2,200

CDVC Entities: NMTC Transactions



- Since 2005, the Fund has made just over \$1.27 Billion in allocations to CDVC CDEs. This constitutes 12.71% of the allocations awarded in those 3 years.
- Cumulatively through FY 2006, CDVCs report making \$978.1 million in investments, constituting about 51% of the allocation amounts (Total Allocation for CDVC CDEs thru Round 4 is \$1.92 billion).
- What do NMTC VC groups look like compared to CDFI CDVCs?
 - Years in Operation: 88% 10 years or under (CDFI); 100% 10 years or under (CDE)
 - 88 investments; average of \$356K per transaction (CDFIs)
 - 250 investments; average of \$3.9 million per transaction (CDEs)

CDVCs: Investment Types

Comparing CDFIs and CDEs



CDVCs deploy CDFI Fund awards in different ways, depending on the program.

Transaction	CDVC – CDFI	CDVC – CDE
Business	100%	42.8%
Real Estate Construction – Commercial	-	15.2%
Real Estate Rehabilitation – Commercial	-	35.2%
Other	-	6.8%

Community Impact (CDVC CDE)



The 16 CDEs reporting provided the following impact data (cumulative thru 2006):

Jobs Created:	Construction	Businesses Financed	Tenant Businesses		
# of Projects Reporting	80	30	28		
Median # of Jobs Created	110	18	100		
Capacity of Facilities:	Arts Center	Childcare	Educational	Healthcare	Other
# of Projects Reporting	6	0	9	0	8
Median # of spaces	485	0	360	0	310
Square Footage:	Manufacturing	Office	Retail		
# of Projects Reporting	4	57	45		
Median Square Footage Created	210,050	30,000	17,000		

Community Impact (CDVC CDFI)



CDVC CDFI Community Impact

The 19 CDFIs reporting provided the following impact data over a three-year period:

	Avg. Per Year
Jobs Created:	7,180
Commercial Real Estate:	Avg. Per Year
Square Footage Created	137,000
Development Clients Served	Avg. Clients Served Per Year
Affordable Housing, Economic Development, Consumer and Other Clients	489 clients

Contact Information



Website: www.cdfifund.gov

Link to CDFI Fund Research, Findings & Reports:

[http://www.cdfifund.gov/impact we make/data reports.asp](http://www.cdfifund.gov/impact_we_make/data_reports.asp)

Call: CDFI Fund, Department of the Treasury
 (202) 622-8662