

Community Development Financial Institutions (CDFI)

What is a CDFI?

A community development financial institution (CDFI) is a private nonprofit mission-driven financial institution that delivers responsible, affordable financial services to help people and communities underserved by mainstream finance toward financial literacy and to access critical capital that ensures economic resilience. CDFIs can be loan funds, banks, bank holding companies, credit unions, or venture capital firms. Early founders were advocates, motivated by injustice due to economic racism and financial inequality, who sought to find a way to serve low-income and communities of color. Several decades later, CDFIs now provide financial services in communities, both urban and rural, which are underserved by traditional financial institutions, particularly communities with high rates of poverty and unemployment. CDFIs leverage many forms of capital, such as private and federal funding, to ensure flexible financial products and services to close the racial wealth gap and fill the credit gap encountered in many communities.

There are 1,110 Treasury certified CDFIs in the nation. The CDFI Fund, administered by the U.S. Treasury, offers a wide range of innovative programs designed to strengthen the ability of CDFIs to develop and administer financial products and services in underserved communities. The CDFI Fund financing has been extremely effective: for every \$1 in CDFI Fund awards, CDFIs generate an additional \$12 in financing to low-income, low-wealth communities.

What is the impact?

The broad spectrum of CDFIs work together to provide:

- New and sustainable jobs.
- Microfinancing and other catalytic financing to small businesses.
- Affordable housing and essential community facilities, like childcare education centers and healthcare clinics.
- Economic resilience through financial literacy, technical assistance for capital readiness and strategic guidance.
- Crisis relief to vulnerable and hard to reach communities and individuals hard hit by the concurrent health, economic, and racial justice crises facing our nation.
- In 2020, CDFIs were an important contributor to the Payroll Protection Act for small businesses.
- Reparative and democratized capital structures.



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