URBAN INSTITUTE

EXPANDING COMMUNITY DEVELOPMENT FINANCIAL INSTITUTIONS

Growing Capacity across the US

Brett Theodos and Eric Hangen

Community development financial institutions lent more than $34.3 billion between 2011 and 2015, roughly $6.8 billion a year.

Sixty-four percent of CDFI lending went to census tracts with one or more indicators of being underserved or distressed.

CDFI activity was not distributed equally across the country, even among economically comparable places. Twenty-seven percent of counties saw no CDFI lending activity, while other counties saw significant CDFI activity.

The CDFI industry needs further supports to expand its reach into underserved communities where it has yet to establish a strong presence and to increase activity in areas the industry is currently serving.

Community development financial institutions (CDFIs) provide capital to strengthen communities that are experiencing economic distress or are underserved by mainstream lenders. We have assembled the most comprehensive dataset to date on CDFI lending activities to understand their reach. Data cover 2011 through 2015, tracking 214,490 loans worth $34.3 billion.

Community development financial institution lending mostly went to census tracts that show signs of need or distress or to tracts that have been underserved by financial institutions. Sixty-four percent of CDFI lending went to census tracts that had at least one of the following characteristics: an unemployment rate of 10 percent or higher, a poverty rate of 20 percent or higher, 50 percent or more residents earning less than 200 percent of the federal poverty level, or a population with at least half nonwhite residents.

But many communities are less well served by CDFIs, including many economically distressed counties.

Breakdown of CDFI Lending for Counties

Percentile of counties	Annual average per person lending under 200 percent of FPL ($)
10th percentile	0
25th percentile	0
50th percentile	7
75th percentile	37
90th percentile	114

Half of all US counties saw annual CDFI lending activity that amounted to less than $7 for every person under 200 percent of the federal poverty level between 2011 and 2015. At the same time, about 10 percent of counties received $114 or more in loans annually for every person under 200 percent of the federal poverty level.

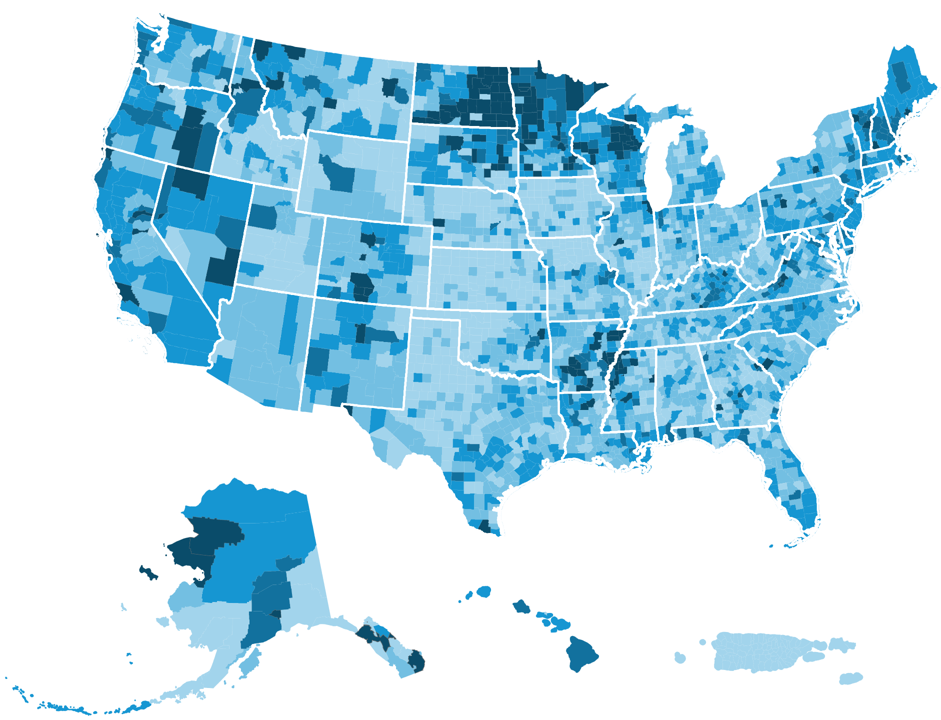
Many highly populated urban centers, such as Boston, Chicago, and Washington, DC, have a larger CDFI presence per person in or near poverty. Rural areas see more variability—many have little to no CDFI activity—but some have more CDFI lending.

Community development financial institutions have demonstrated that they can serve distressed communities, but they must expand their work to cover all areas in need across the nation. Differences in local community development capacity may affect counties' CDFI activity levels. Solutions include adding state, local, and philanthropic support for community development capacity building, partnership building, and investment capital, in addition to continued federal leadership and support.

CDFI Loan Volume per Person under 200 Percent of FPL, Annual Average 2011–15

Average annual loans

0 | 1–20 | 21–100 | 101–200 | 201 or more



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Jay Dev, Graham MacDonald, Irvin Mull, Noah Strayer, and Maia Woluchem provided research support for this fact sheet.

Breakdown of CDFI Lending for Counties
Sources: CoreLogic©, CDFI Fund, and Opportunity Finance Network.
Notes: CDFI = community development financial institution; FPL = federal poverty level.

CDFI Loan Volume per Person under 200 Percent of FPL, Annual Average 2011–15
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This fact sheet was funded by a grant from JPMorgan Chase. We are grateful to them and to all our funders, who make it possible for Urban to advance its mission. The views expressed are those of the authors and should not be attributed to the Urban Institute, its trustees, or its funders. Funders do not determine research findings or the insights and recommendations of Urban experts. Further information on the Urban Institute's funding principles is available at www.urban.org/support. This fact sheet was updated on November 29, 2017, to correct the map legend. The second category shows the 1–20 range, rather than 0–20.