



**Congressional
Research Service**

Informing the legislative debate since 1914

Community Development Financial Institutions (CDFI) Fund: Overview and Programs

July 1, 2022

Congressional Research Service

<https://crsreports.congress.gov>

R47169



Community Development Financial Institutions (CDFI) Fund: Overview and Programs

R47169

July 1, 2022

Donald J. Marples

Specialist in Public Finance

Darryl E. Getter

Specialist in Financial
Economics

As communities face a variety of economic challenges, some may look to local banks and financial institutions for solutions that address the specific development needs of low-income and distressed communities. Community development financial institutions (CDFIs) provide financial products and services, such as mortgage financing for homebuyers and not-for-profit developers; underwriting and risk capital for community facilities; technical assistance; and commercial loans and investments to small, start-up, or expanding businesses. CDFIs include regulated institutions, such as community development banks and credit unions, and nonregulated institutions, such as loan and venture capital funds.

The Community Development Financial Institutions Fund (Fund), an agency within the Department of the Treasury, administers several programs that encourage the role of CDFIs and similar organizations in community development. Nearly 1,000 financial institutions located throughout all 50 states and the District of Columbia are eligible for the Fund's programs to provide financial and technical assistance to meet the needs of businesses, homebuyers, community developers, and investors in distressed communities. In addition, the Fund certifies entities and designates areas that are eligible for the New Markets Tax Credit.

This report begins by describing the Fund's history, its current appropriations, and each of its programs. A description of the Fund's process of certifying certain financial institutions to be eligible for the Fund's program awards follows. The next section provides an overview of each program's purpose, use of award proceeds, eligibility criteria, and relevant issues for Congress. The final section analyzes congressional concerns about duplicative programs and program effectiveness.

Contents

| | |
|--------------------------------------------------------------|----|
| Introduction | 1 |
| Legislative Origins and Current Structure | 2 |
| Budget | 3 |
| Entity Certification | 4 |
| Certified Community Development Financial Institutions | 4 |
| Certified Community Development Entities (CDEs)..... | 6 |
| CDFI Fund Programs: General Purpose..... | 6 |
| CDFI Monetary Awards | 6 |
| Native American CDFI Assistance | 8 |
| Small and Emerging CDFI Assistance..... | 9 |
| New Markets Tax Credit | 9 |
| Bank Enterprise Award..... | 10 |
| Bond Guarantee Program..... | 11 |
| Small Dollar Loan Program | 11 |
| Capital Magnet Fund..... | 12 |
| CDFI COVID-19 Responses..... | 12 |
| CDFI Rapid Response Program..... | 12 |
| CDFI Equitable Recovery Program..... | 12 |
| CDFI Fund Programs: Specific Purposes..... | 13 |
| The Healthy Food Financing Initiative | 13 |
| Persistent Poverty Counties..... | 13 |
| Disability Fund..... | 14 |
| Economic Mobility Corps | 14 |
| Policy Considerations..... | 14 |

Figures

| | |
|---------------------------------------------|---|
| Figure 1. Certified CDFIs, by Location..... | 5 |
|---------------------------------------------|---|

Tables

| | |
|---------------------------------------------------------------------------------------------------------------------------|---|
| Table 1. Community Development Financial Institutions (CDFI) Fund Programs Funding, FY2016 to FY2023 (Requested) | 3 |
|---------------------------------------------------------------------------------------------------------------------------|---|

Contacts

| | |
|-------------------------|----|
| Author Information..... | 16 |
|-------------------------|----|

Introduction

The Community Development Financial Institutions Fund (CDFI Fund or Fund) was created by the Riegle Community Development Regulatory Improvement Act of 1994 (P.L. 103-325)¹ to promote economic development in distressed urban and rural communities, particularly through certifying and supporting community development financial institutions (CDFIs).² The CDFI Fund, now an agency within the Department of the Treasury, is authorized to certify banks, credit unions, nonprofit loan funds, microloan funds, and (for-profit and nonprofit) venture capital funds as designated CDFIs. Financial institutions that wish to become CDFIs must meet specified eligibility criteria, such as demonstrating that their primary mission is to promote community development by serving economically distressed people and places.³ CDFIs work in market niches in both rural and urban communities that are difficult for traditional financial institutions to serve.⁴ CDFIs can be regulated institutions, such as community development banks and credit unions, as well as nonregulated institutions, such as loan and venture capital funds.

After receiving certification, CDFIs are eligible to receive financial awards and other assistance from the Fund.⁵ CDFIs subsequently provide a range of financial products and services in economically distressed markets, such as mortgage financing for low-income and first-time homebuyers and not-for-profit developers, flexible underwriting and capital for needed community facilities, technical assistance, and commercial loans and investments to small start-up or expanding businesses in low-income areas.⁶

Some stakeholders are concerned that a shortage of capital from CDFIs will reduce opportunities for new entrepreneurs to establish a business, existing businesses to expand and hire new workers, and consumers to acquire the credit they need to buy or make improvements to a property. Others believe that these goals can be better served through other public policy or private means given that many of the Fund's programs and other federal programs (e.g., Small Business Administration capital access programs) have similar missions.⁷ However, the costs paid by targeted beneficiaries for greater capital access may vary by delivery channel. Other federal programs may face more pricing restrictions compared to CDFIs, which may be able to charge their customers somewhat more for the elevated financial risk they tend to pose. In other words,

¹ See U.S. Department of the Treasury, "Community Development Financial Institutions Fund," at <https://www.cdfifund.gov/about>.

² See Federal Reserve Bank of Richmond, *Community Development Financial Institutions: A Unique Partnership for Banks*, Special Issue 2011, pp. 1-7, at https://www.richmondfed.org/~media/richmondfedorg/community_development/resource_centers/cdfi/pdf/cdfi-special-2011.pdf.

³ For more information, see U.S. Department of the Treasury, CDFI Fund, "CDFI Certification," at <https://www.cdfifund.gov/programs-training/certification/cdfi>.

⁴ Janet L. Yellen, Chair of the Federal Reserve Board of Governors, "Welcoming Remarks," Speech at Community Banking in the 21st Century Fifth Annual Community Banking Research and Policy Conference cosponsored by the Federal Reserve System and Conference of State Bank Supervisors, Federal Reserve Bank of St. Louis, St. Louis, MO, October 4, 2017, at <https://www.federalreserve.gov/newsevents/speech/yellen20171004a.htm>.

⁵ Office of the Comptroller of the Currency (OCC), *Bank Partnerships With Community Development Financial Institutions and Benefits of CDFI Certification*, September 2019, <https://www.occ.gov/publications-and-resources/publications/community-affairs/community-developments-fact-sheets/pub-fact-sheet-bank-partnerships-with-cdfis.pdf>.

⁶ In this report, *capital* will be used interchangeably with *funds* or *funding* primarily in the form of loans rather than in the form of an equity investment.

⁷ For more information on Small Business Administration capital access programs, see CRS Report RL33243, *Small Business Administration: A Primer on Programs and Funding*, by Robert Jay Dilger, R. Corinne Blackford, and Anthony A. Cilluffo.

while various programs may have overlapping objectives, differences in the delivery of benefits may allow for some or very little of the costs or risks to be shared with taxpayers. For this reason, determining the extent of substitutability and complementarity among the Fund and other federal programs may be challenging.

This report begins by describing the Fund’s history and its current appropriations. Next, the report presents an overview of the various programs the Fund administers to achieve its mission. The final section of the report analyzes selected policy considerations of congressional interest regarding the Fund and the effective use of federal resources to promote economic development.

Legislative Origins and Current Structure

The CDFI Fund was established by the Riegle Community Development and Regulatory Improvement Act of 1994 (P.L. 103-325) with a mission to expand economic opportunity for underserved people and communities by supporting the growth and capacity of a national network of community development lenders, investors, and financial service providers. The legislation intended to improve the supply of capital, credit, private investment, and development services in economically distressed areas. In proposing the Fund, President Clinton stated that “by ensuring greater access to capital and credit, we will tap the entrepreneurial energy of America’s poorest communities and enable individuals and communities to become self-sufficient.”⁸

Although the Riegle Act created the Fund as a wholly owned, independent government corporation, a supplemental appropriations bill moved the Fund into the Department of the Treasury (Treasury) in 1995.⁹ The Fund was moved within Treasury due to its focus on financial institutions and because other financial regulatory agencies (e.g., Office of the Comptroller of the Currency) were already located within the agency.¹⁰ The Fund is a component of the programs of the Under Secretary’s Office of Domestic Finance, and it is directly under the Assistant Secretary for Financial Institutions.¹¹

The Fund is headed by a director who is appointed by the Secretary of the Treasury and not subject to Senate confirmation. Initially, the director served a maximum three-year term. However, the Fund was led by approximately 10 directors in its first 15 years. To bring greater stability to the Fund’s leadership, the Secretary of the Treasury made the director’s position into a career appointment in 2010, meaning there are no limits on the length of the director’s term. Jodie Harris has been director of the Fund since January 2019.¹²

⁸ U.S. Congress, House Committee on Banking, Finance, and Urban Affairs, *Proposed Legislation: The Community Development Banking and Financial Institutions Act of 1993, Message from the President*, 103rd Cong., 1st sess., July 15, 1993, H.Doc. 103-118.

⁹ The Emergency Supplemental Appropriations for Additional Disaster Assistance, for Anti-terrorism Initiatives, for Assistance in the Recovery from the Tragedy that Occurred at Oklahoma City, and Rescissions Act, 1995 (P.L. 104-19).

¹⁰ See Lehn Benjamin, Julia Sass Rubin, and Sean Zielenbach, “Community Development Financial Institutions: Current Issues and Future Prospects,” paper presented at Board of Governors of the Federal Reserve System’s Community Affairs Research Conference, *Sustainable Community Development: What Works, What Doesn’t, and Why*, March 28, 2003, p. 7, at http://www.federalreserve.gov/communityaffairs/national/CA_Conf_SusCommDev/pdf/zeilenbachsean.pdf.

¹¹ U.S. Department of the Treasury, “Organizational Structure,” at <https://home.treasury.gov/about/general-information/organizational-chart>.

¹² Community Development Financial Institutions Fund, “Message from CDFI Fund Director Jodie Harris,” press release, January 31, 2019, <https://www.cdfifund.gov/news/335>.

By statute, the Fund also has a 15-member Community Development Advisory Board. The board members include the Secretaries of Agriculture, Commerce, Housing and Urban Development (HUD), Interior, and the Treasury; the Administrator of the Small Business Administration (SBA); and nine private citizens appointed by the President. The advisory board’s function is to advise the director of the Fund on policies regarding the Fund’s activities. The advisory board is not allowed, by law, to advise the Fund on the granting or denial of any particular applications for monetary or nonmonetary awards.

Although the Fund is organized within Treasury’s Office of Domestic Finance, in recent years Congress has provided the Fund with its own budget authority line in annual financial services appropriations bills.¹³ These appropriations go toward the Fund’s administration, programs, and program awards. The Fund’s appropriations cover administration of approvals for allocations of the New Markets Tax Credit (NMTC); however, the actual tax credit is awarded through the Internal Revenue Code, not through the Fund’s appropriations.

Budget

As shown in **Table 1**, the Fund’s total expected budget authority for FY2021 was \$270.0 million. Of this total, 61% (\$165.0 million) was appropriated for the Fund’s core CDFI financial and technical assistance programs; 11% (\$29.0 million) was appropriated for administration of the Fund’s programs, including the NMTC; 10% (\$26.0 million) was appropriated for the Bank Enterprise Award (BEA) program; and the remaining 19% (\$50.0 million) was appropriated for set-asides for other specific programs.

Table 1. Community Development Financial Institutions (CDFI) Fund Programs Funding, FY2016 to FY2023 (Requested)
(in millions of dollars)

| Budget Activity | FY16 | FY17 | FY18 | FY19 | FY20 | FY21 (Operating Plan) | FY22 (Annualized CR) | FY23 (Request) |
|------------------------------------------|-------|-------|-------|-------|-------|-----------------------|----------------------|----------------|
| CDFI Program | 153.4 | 161.5 | 160.0 | 160.0 | 165.5 | 165.0 | 165.0 | 215.4 |
| Administration | 23.6 | 26.0 | 27.0 | 27.0 | 28.5 | 29.0 | 29.0 | 35.0 |
| Healthy Food Financing Initiative (HFFI) | 22.0 | 22.0 | 22.0 | 22.0 | 22.0 | 23.0 | 23.0 | 23.0 |
| Bank Enterprise Award (BEA) Program | 19.0 | 23.0 | 25.0 | 25.0 | 25.0 | 26.0 | 26.0 | 26.0 |
| Native American CDFI Assistance (NACA) | 15.5 | 15.5 | 16.0 | 16.0 | 16.0 | 16.5 | 16.5 | 21.5 |
| Total Budget Authority | 233.5 | 233.1 | 250.0 | 250.0 | 262.0 | 270.0 | 270.0 | 331.4 |

Sources: U.S Department of the Treasury, Community Development Financial Institutions Fund FY2023 Congressional Justification for Appropriations and Annual Performance Plan, at <https://home.treasury.gov/system/files/266/12.-CDFI-FY-2023-CJ.pdf>; U.S Department of the Treasury, Community Development Financial Institutions Fund FY2020 Congressional Justification for Appropriations and Annual Performance Plan, at

¹³ During the Clinton Administration, funding was provided through the annual Veterans Affairs-HUD-Independent agencies appropriations act.

<https://home.treasury.gov/system/files/266/11.-CDFI-FY-2020-CJ.pdf>; and U.S. Department of the Treasury, Community Development Financial Institutions Fund FY2018 Congressional Justification for Appropriations and Annual Performance Plan, at <https://home.treasury.gov/system/files/266/11.-CDFI-FY-2018-CJ.pdf>.

Note: Total budget authority numbers do not add up to program totals because programs that were not reported during the entire time period were omitted from the table.

In the FY2023 budget request, the Administration requested an additional \$50.4 million to increase the amount of financial assistance (FA) and technical assistance (TA) awards¹⁴ and \$5.0 million to be directed toward Native American communities. An additional \$6.0 million in administration funding was requested to increase compliance, data collection, and IT systems development.

Entity Certification

To be eligible for certain CDFI Fund-related programs, an organization must be certified as a CDFI or Community Development Entity (CDE). CDFIs are eligible for CDFI Program FA and TA. CDEs are eligible for the NMTC.

Certified Community Development Financial Institutions

Community Development Financial Institution certification is a designation overseen by the CDFI Fund. CDFIs include regulated institutions such as community development banks and credit unions, and nonregulated institutions like loan and venture capital funds. By building the capacity of a nationwide network of CDFIs, the CDFI Fund works to empower low-income and underserved people and communities to expand economic opportunity.

Types of CDFIs

Community development intermediaries facilitate various revitalization activities between large investors and a defined population of community development corporations, CDFIs, or nonprofit organizations.

- Depository institutions consist of for-profit community development banks and nonprofit community development credit unions. Depositories offer a range of consumer and institutional savings, checking, and lending services. These CDFIs have primary prudential regulators because their deposits are federally insured.
- Loan funds are nonregulated, nonprofit institutions that focus on one or more aspects of capital access and community development, such as small business lending, home mortgage financing, and community facilities development financing.
- Community development venture capital funds are for-profit or nonprofit institutions that deliver equity capital to businesses in distressed communities.

Source: Federal Reserve Bank of Richmond, “Community Development Financial Institutions: A Unique Partnership for Banks,” Community Development Special Issue, 2011, https://www.richmondfed.org/~media/richmondfedorg/community_development/resource_centers/cdfi/pdf/cdfi-special-2011.pdf.

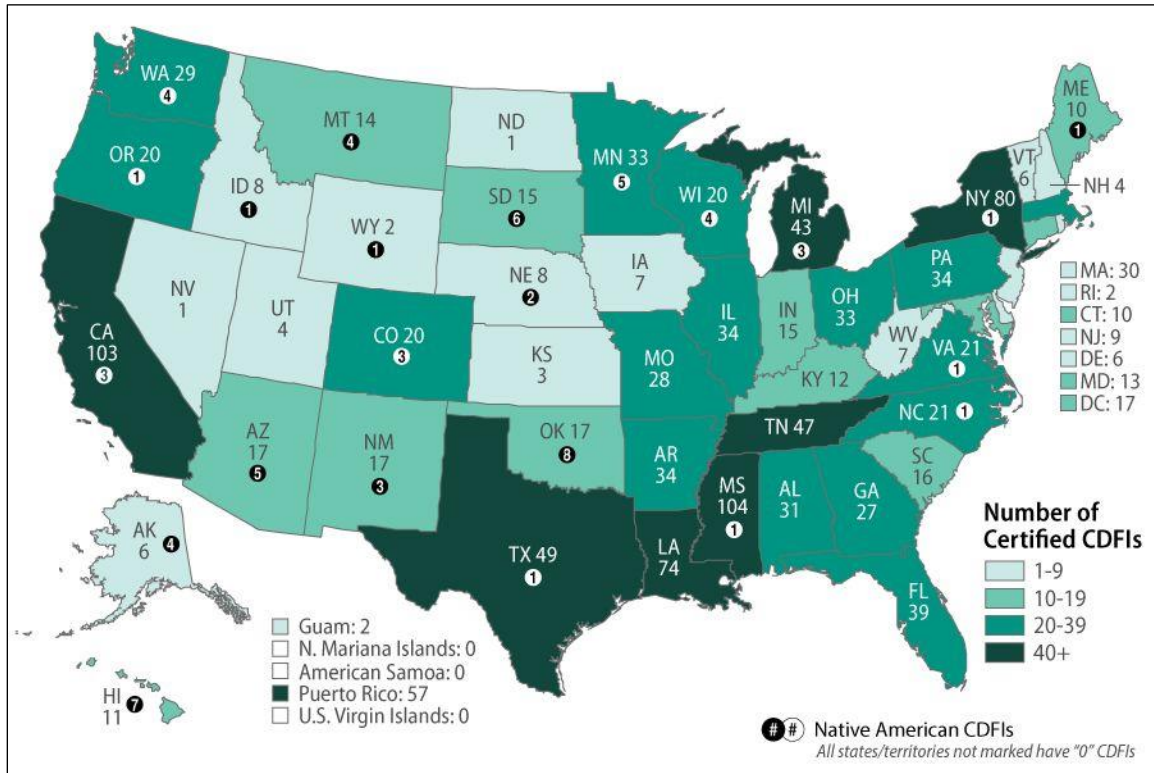
An applicant eligible for CDFI certification must be a legal entity; have a primary mission of promoting community development; maintain accountability to and provide financial and educational products or services to targeted communities or other targeted populations that have historically lacked adequate access to capital; and be a nongovernment entity and not under the control of any government entity (except tribal governments).¹⁵

¹⁴ For more information on these award types, see the “CDFI Monetary Awards” section.

¹⁵ U.S. Government Accountability Office (GAO), *Community Development Financial Institutions and New Markets*

Certified CDFIs are eligible to apply for awards through a variety of programs offered by the CDFI Fund.¹⁶ These awards enable CDFIs to finance a wide range of activities—including mortgage lending for first-time homebuyers, flexible underwriting for community facilities, and commercial loans for businesses in low-income areas. Through varying strategies, each CDFI contributes to the cultivation of a healthy and stable local economy.

Figure 1. Certified CDFIs, by Location



Source: Community Development Financial Institutions Fund, at <https://www.cdfifund.gov/programs-training/certification/cdfi/Pages/default.aspx>.

As of November 17, 2021, there were 1,271 certified CDFIs.¹⁷ As shown in **Figure 1**, at least one CDFI is located in each of the 50 states, the District of Columbia, Guam, and Puerto Rico. Mississippi, California, and New York each contain more certified CDFIs than any remaining U.S. state or territory. Of the 1,271 certified CDFIs, 564 (44%) are loan funds, 389 (31%) are credit unions, 168 (13%) are banks or thrifts, 134 (11%) are depository institution holding

Tax Credit Programs in Metropolitan and Nonmetropolitan Areas, GAO-12-547R, April 26, 2012, p. 4, at <http://www.gao.gov/products/GAO-12-547R>.

¹⁶ An organization that does not meet each of the certification eligibility requirements at the time of application for technical assistance is still eligible to apply for and receive technical assistance. This may occur if the Fund determines that the organization’s application materials provide a realistic course of action to ensure that it will meet each of the certification requirements within two years of entering into an assistance agreement with the Fund.

¹⁷ For a list of these certified CDFIs with their contact information, see CDFI Fund, “CDFI Certification,” at <https://www.cdfifund.gov/programs-training/certification/cdfi>.

companies, and 16 (1%) are venture capital funds. Of the 1,271 certified CDFIs, 70 (6%) are certified Native American CDFIs.

Certified Community Development Entities (CDEs)

Community Development Entity (CDE) certification is another designation administered by the CDFI Fund. A CDE can be either a for-profit or a not-for-profit entity that acts as an intermediary vehicle for the provision of loans, investments, or financial counseling in a low-income community (LIC). The primary benefit of CDE certification is eligibility to apply for a New Markets Tax Credit (NMTC) allocation.¹⁸

An applicant eligible for CDE certification must be a legal entity and a domestic corporation or partnership for federal tax purposes; have a primary mission of serving or providing investment capital to low-income communities or low-income individuals and target at least 60% of activities to these groups; and maintain accountability to low-income communities through representation on a governing or advisory board. As of July 31, 2012, there were 5,780 certified CDEs (including their subsidiaries) located throughout the 50 states, the District of Columbia, Puerto Rico, and the U.S. Virgin Islands.¹⁹

CDFI Fund Programs: General Purpose

Throughout the 1980s and early 1990s, geographically targeted community development policies were a feature of federal policy debates.²⁰ The CDFI Fund's statutory mission, therefore, was designed to increase economic opportunity and promote community development investments in low-income and distressed communities in the United States. All of the Fund's numerous programs use geographically targeted incentives to increase community development in underserved and distressed communities where certain types of economic activity might not otherwise occur. For example, the Fund's programs encourage qualified entities to provide financial and technical assistance to meet the needs of local businesses, potential homebuyers, community developers, and potential investors in low-income and distressed communities. The Fund's range of incentives includes equity investment in program awardees, tax credits, grants, loans, and deposits and credit union shares in insured CDFIs and state-insured credit unions.²¹ This section presents summaries of the Fund's primary programs.

CDFI Monetary Awards

The Community Development Banking and Financial Institutions Act of 1994, included in the Riegle Community Development and Regulatory Improvement Act of 1994 (P.L. 103-325), authorized the Fund's core CDFI program. The CDFI program provides two types of monetary awards, financial assistance (FA) and technical assistance (TA). These awards are given to CDFIs

¹⁸ NMTC allocations can only be used by a for-profit CDE. If NMTCs are awarded to a not-for-profit CDE, the CDE must transfer the NMTCs to a for-profit CDE prior to signing an allocation agreement.

¹⁹ The Fund has not updated its public counts of certified community development entities (CDEs) since this date and has removed the spreadsheet of certified CDEs from its website.

²⁰ For a historical analysis of these debates, see the discussion section of CRS Report R41268, *Small Business Administration HUBZone Program*, by Robert Jay Dilger and R. Corinne Blackford

²¹ 12 C.F.R. §1805.401.

to build their capacity to serve low-income people and populations that lack access to affordable financial products and services and are located in a distressed community.²²

A CDFI must be certified or be in the process of being certified by the Fund before it is eligible for an FA award. Both certified and noncertified CDFIs are eligible to apply for TA awards. Applicants that are not yet certified must submit a separate certification application to be considered for an FA award during a funding round.²³ If a noncertified organization receives a TA award, then the organization must obtain certification within two years.

The Fund awards grants for several types of FA purposes. Maximum amounts for FY2022 range from \$300,000 to \$5 million, depending on the FA component.²⁴ A CDFI may use an FA award for lending, investing, enhancing liquidity, or other means of financing.²⁵

The Fund also awards grants for TA awards, with a maximum amount of \$125,000 for FY2022. TA awards are intended to build a CDFI's technical capacity to provide affordable financial products and services to low-income communities and families. TA grants may be used for a variety of purposes, including purchasing equipment, materials, or supplies; procuring for consulting or contracting services; paying the salaries and benefits of certain personnel; training staff or board members; and conducting other activities deemed appropriate by the Fund.²⁶

FA and TA awards are both generally subject to two restrictions. First, the Fund typically requires an applicant to demonstrate that it can match award funds with those from other sources. With regard to FA awards, the Fund is authorized to make awards to applicants in a *like form* to the

The CDFI Program's Definition of a Distressed Community

- A contiguous area located within a unit of general local government that has a population, as determined by the most recent census data available, of at least 4,000, if any portion of the area is located within a metropolitan area with a population of at least 50,000; has a population of at least 1,000 in any other case; or is located entirely within an Indian reservation.
- At least 30% of the eligible residents have incomes that are less than the national poverty level, as published by the U.S. Bureau of the Census in the most recent decennial census for which data are available; the unemployment rate is at least 1.5 times greater than the national average, as determined by the U.S. Bureau of Labor Statistics' (BLS's) most recent data, including estimates of unemployment developed using the BLS's Census Share calculation method.
- Such additional requirements as may be specified by the Fund in the applicable notice of funds availability.

Source: 12 C.F.R. §1806.401(b).

²² Regulations pertaining to the CDFI Fund's financial assistance (FA) and technical assistance (TA) are located in 12 C.F.R. §§1805.300-1805.303.

²³ In evaluating and selecting applicants for awards, the Fund evaluates the applicant's likelihood of meeting its goals as described in a required comprehensive business plan. The Fund also considers the applicant's prior history of servicing distressed communities, operational capacity, financial track record, and other attributes. 12 C.F.R. §1805.701.

²⁴ U.S. Department of the Treasury, "Notice of Funds Availability (NOFA) Inviting Applications for Financial Assistance (FA) Awards or Technical Assistance (TA) Grants Under the Community Development Financial Institutions Program (CDFI Program) Fiscal Year (FY) 2022 Funding Round," 87 *Federal Register* 8085-8107, February 11, 2022.

²⁵ A listing of permissible uses includes commercial facilities that promote revitalization, community stability, or job creation or retention; businesses that provide jobs to, are owned by, or enhance the availability of products and services to low-income individuals; housing that is principally affordable to low-income persons, with some exceptions; the provision of consumer loans; and other businesses or activities as requested by the applicant and deemed appropriate by the Fund. 12 C.F.R. §1805.301.

²⁶ 12 C.F.R. §1805.303.

matching funds secured by the awardee.²⁷ For example, the Fund can only match a nonfederal grant with an FA grant—not a loan. Second, the Fund generally limits any one entity or its affiliates from receiving more than \$5 million in awards from the Fund within a three-year period.²⁸

The Fund awarded 248 organizations FA awards and 174 organizations TA awards totaling \$188.5 million in FY2021.²⁹ The recipient organizations were headquartered in 43 states, Puerto Rico, and the District of Columbia.

Native American CDFI Assistance

The Native American CDFI Assistance (NACA) component of the CDFI program originated in the Riegle Act of 1994. The Riegle Act mandated that the CDFI Fund conduct a study of lending and investment practices on Indian reservations. The study was directed to identify and determine the impact of private-financing barriers on Native American populations.³⁰ Since the November 2001 release of the Native American Lending Study, the Fund certifies Native CDFIs and provides assistance through the CDFI program’s authority. These programs are designed to reduce barriers that prevent access to credit, capital, and financial services in Native American, Alaska Native, and Native Hawaiian communities (collectively referred to as Native Communities).³¹

Under the NACA component of the CDFI program, the Fund receives a separate appropriation and issues FA and TA awards to organizations with the primary mission of increasing access to capital in Native Communities.³² In addition, the NACA component provides TA grants to certified Native CDFIs, emerging Native CDFIs, and sponsoring entities (see below). TA awards may be used by the recipient to become certified as a Native CDFI or to create a new Native CDFI.

A CDFI must be certified by the Fund as one of three types of entities to become eligible for NACA’s FA and TA awards:³³

- *certified Native CDFIs*, which are organizations that direct at least 50% of their activities toward serving Native Communities;
- *emerging Native CDFIs*, which are organizations that demonstrate to the satisfaction of the Fund that they have a plan to achieve Native CDFI certification within a reasonable timeframe; or

²⁷ 12 C.F.R. §1805.501.

²⁸ 12 C.F.R. §1805.402(a). However, an entity and its affiliates may receive up to \$8.75 million in awards from the Fund within a three-year period if the entity serves an area in which there are no other applicants for awards. These exceptions to the \$5 million cap are detailed in 12 C.F.R. §§1805.402(b)-(c).

²⁹ CDFI Fund, *CDFI Program Award Book FY2021*, at https://www.cdfifund.gov/sites/cdfi/files/2021-12/Final_2021_CDFI_Award_Book_v2.pdf.

³⁰ P.L. 103-325, §117(c).

³¹ For the results of this study, see CDFI Fund, *The Report of the Native American Lending Study*, November 2001, at https://www.cdfifund.gov/sites/cdfi/files/documents/2001_nacta_lending_study.pdf.

³² In the CDFI application materials, the CDFI Fund defines native communities as “Native American, Alaska Native and Native Hawaiian peoples or communities.” For more information, see https://www.cdfifund.gov/sites/cdfi/files/documents/cdfi-cert-app-supplemental-guidance-and-tips-12_2018_508c-final.pdf.

³³ CDFI Fund, “Native American Initiatives Program,” at <https://www.cdfifund.gov/programs-training/Programs/native-initiatives/Pages/default.aspx>.

- *sponsoring entities*, which are organizations (typically tribes or tribal entities) that pledge to create separate legal entities that will eventually become certified as Native CDFIs.

Figure 1 identifies the locations of Certified Native CDFIs by state. Hawaii, Oklahoma, and South Dakota each contain more certified Native CDFIs than any of the remaining 47 U.S. states.

Small and Emerging CDFI Assistance

The Small and Emerging CDFI Assistance (SECA) component of the CDFI program is designed to assist small or emerging CDFIs. SECA provides the same type of FA and TA awards as the general CDFI program. It distinguishes small or emerging CDFIs from other CDFIs using two eligibility criteria, as announced in the annual notice of funds availability.³⁴ Since FY2009, the Fund’s appropriations have waived the matching funds requirement under the general CDFI program for SECA FA applicants.³⁵ Awards provided through the SECA application are subject to caps. For FY2022, these caps included \$700,000 for general FA funds and \$125,000 for TA funds for capacity-building activities.³⁶ In FY2021, the SECA component made 68 awards totaling \$19.9 million.³⁷

New Markets Tax Credit

The New Markets Tax Credit (NMTC) program was authorized by the Community Renewal Tax Relief Act of 2000 (P.L. 106-554) to provide a tax incentive to stimulate stable private-sector investment in low-income communities (LICs).³⁸ Although the NMTC is a part of the Internal Revenue Code, the competitively awarded NMTCs are administered by the CDFI Fund. All CDEs are eligible to submit applications for NMTCs to the CDFI Fund, where they are evaluated across four areas: the CDE’s (1) business strategy to invest in low-income communities, (2) capitalization strategy to raise equity from investors, (3) management capacity, and (4) expected impact on jobs and economic growth in low-income communities where investments are made. After the Fund ranks the qualified applicants, the available NMTCs are allocated until exhausted. As of January 2022, 17 rounds of NMTC Allocations have been completed with \$66 billion awarded, of which \$60.8 billion has been invested.³⁹

The CDFI Fund contracted with an independent third party to evaluate the NMTC. Although activities consistent with achieving the CDFI’s goals were identified, the study was unable to directly attribute those achievements to the NMTC program.⁴⁰ The CDFI Fund has not contracted for similar evaluations of its other programs.

³⁴ Eligibility for SECA is limited to CDFIs that have been in operation no more than three years and have assets *below* thresholds based on the type of institution.

³⁵ Department of the Treasury, “Notice of Funds Availability (NOFA) inviting Applications for the fiscal year (FY) 2022 Funding Round of the Small Dollar Loan Program (SDL Program),” 87 *Federal Register* 30001-30017, May 17, 2022.

³⁶ *Ibid.*

³⁷ Community Development Financial Institutions Fund, *CDFI Fund Award Book - FY 2021*, https://www.cdfifund.gov/sites/cdfi/files/2021-12/Final_2021_CDFI_Award_Book_v2.pdf.

³⁸ For additional information on the NMTC, see CRS Report RL34402, *New Markets Tax Credit: An Introduction*, by Donald J. Marples and Sean Lowry.

³⁹ Community Development Financial Institutions Fund, *NMTC Qualified Equity Investment Report*, January 3, 2022, https://www.cdfifund.gov/sites/cdfi/files/2022-01/NMTC_QEI_Issuance_Report_January_2022_1.pdf.

⁴⁰ Martin D. Abravanel et al., *New Markets Tax Credit (NMTC) Program Evaluation: Final Report*, prepared for U.S.

Bank Enterprise Award

The Bank Enterprise Award (BEA) was originally authorized by the Bank Enterprise Act of 1991 in the Agriculture, Rural Development, Food and Drug Administration, and Related Agencies Appropriations Act, 1992 (P.L. 102-142). Prior to the CDFI Fund's creation, the BEA was administered by the Comptroller of the Currency and the Federal Deposit Insurance Corporation (FDIC). Section 114 of the Riegle Community Development and Regulatory Improvement Act of 1994 (P.L. 103-325) moved the BEA under the Fund's operations.

The Fund's BEA program provides formula-based grants to FDIC-insured banks and thrifts to expand investments in CDFIs and to increase lending, investment, and service activities within economically distressed communities. The Fund evaluates how an applicant's lending, investment, and service activities may have increased relative to a baseline of similar, qualified activities conducted by the applicant in the previous application cycle. BEA rewards are *retrospective*, awarding applicants for activities they have already completed, in contrast to the Fund's primary CDFI program, which typically awards applicants based on their future plans.⁴¹

The BEA formula-based grants are based on the following three categories:

- *CDFI-related activities*, such as equity investments (e.g., grants, stock purchases, purchases of partnership interests, or limited liability company membership interests), equity-like loans, and support activities (e.g., loans, deposits, or technical assistance), to certified CDFIs.
- *Distressed community financing activities*, such as loans or investments for home mortgages, housing development, home improvement, commercial real estate development, small businesses, and education financing in distressed communities.
- *Service activities*, such as financial transaction services (e.g., check-cashing or money order services, electronic transfer accounts, and individual development accounts).⁴²

FDIC-insured financial institutions that are dedicated to financing and supporting economic development in qualified communities are eligible for the BEA. No applicant may receive a BEA if it has (1) an application pending for assistance under the current round of the awards under the CDFI program; (2) been awarded assistance from the Fund under the CDFI program within the 12-month period prior to the date the Fund selects the applicant to receive a BEA; or (3) ever received assistance under the CDFI program for the same activities for which it is seeking a BEA.⁴³ Applicants may apply for both a CDFI program award and a BEA program award in a

Department of the Treasury Community Development Financial Institutions (CDFI) Fund, Urban Institute, April 2013, <https://www.cdfifund.gov/sites/cdfi/files/documents/nmtc-program-evaluation-final-report.pdf> pdf.

⁴¹ The CDFI Fund publishes a more in-depth account of its Bank Enterprise Award (BEA) application evaluation process regularly in the program's notice of funds availability. For example, see U.S. Department of the Treasury, "Community Development Financial Institutions Fund - Funding Opportunity Title: Notice of Funds Availability (NOFA) Inviting Applications for the Fiscal Year (FY) 2017 Funding Round of the Bank Enterprise Award Program (BEA Program)," 82 *Federal Register* 45663-45674, September 29, 2017.

⁴² 12 C.F.R. §1806.101(3)(c).

⁴³ 12 C.F.R. §1805.102, and see U.S. Department of the Treasury, "Community Development Financial Institutions Fund - Funding Opportunity Title: Notice of Funds Availability (NOFA) Inviting Applications for the Fiscal Year (FY) 2017 Funding Round of the Bank Enterprise Award Program (BEA Program)," 82 *Federal Register* 45663-45674, September 29, 2017.

given year; however, receiving a CDFI program award removes an applicant from eligibility for a BEA in the same year.⁴⁴ In FY2021, 158 depository institutions received \$26.0 million in BEA program awards in 23 states and the District of Columbia.⁴⁵

Bond Guarantee Program

The CDFI Fund’s Bond Guarantee Program was authorized by The Small Business Jobs Act of 2010 (P.L. 111-240).⁴⁶ The program is designed to provide long-term, “patient” capital to CDFIs at below-market rates.⁴⁷ Through the program, CDFIs (or their designees) issue bonds that are guaranteed by the Treasury and use the proceeds to make investments for eligible community or economic development purposes. Treasury guarantees up to 10 bonds per year, each at a minimum of \$100 million.⁴⁸ The total of all bonds guaranteed cannot exceed \$1 billion per year. Each bond is fully guaranteed by the United States and offered at a cost equivalent to the current Treasury rates for comparable maturities. The bonds cannot exceed a maturity of 30 years, are taxable, and do not qualify for Community Reinvestment Act (CRA) credit.⁴⁹

Authorized uses of the loans financed may include a variety of financial activities that constitute community or economic development in low-income or underserved areas (e.g., the provision of basic financial services, housing that is principally affordable to low-income individuals, and businesses that provide jobs for low-income people or are owned by low-income individuals).⁵⁰

By legislative design, the Bond Guarantee Program is a zero-subsidy credit program and does not require annual appropriations funding. Because the bonds will be guaranteed by the United States, in accordance with federal credit policy, the Federal Financing Bank (FFB), a U.S. government corporation under Treasury’s general supervision and direction, will purchase the bonds issued by qualified issuers.⁵¹ Qualified issuers will lend the bond proceeds to eligible CDFIs. The FFB finances obligations that are fully guaranteed by the United States, such as the bonds or notes issued by CDFIs under the CDFI Bond Guarantee program.

Small Dollar Loan Program

The Small Dollar Loan Program (SDL) was authorized by the Dodd-Frank Wall Street Reform and Consumer Protection Act (P.L. 111-203). The SDL Program was created to help certified

⁴⁴ U.S. Department of the Treasury, “Community Development Financial Institutions Fund - Funding Opportunity Title: Notice of Funds Availability (NOFA) Inviting Applications for the Fiscal Year (FY) 2017 Funding Round of the Bank Enterprise Award Program (BEA Program),” 82 *Federal Register* 45663-45674, September 29, 2017.

⁴⁵ CDFI Fund, *Bank Enterprise Award Program Award Book FY2021*, at https://www.cdfifund.gov/sites/cdfi/files/2022-04/2021_BEAWard_Book_03252022_FINAL.pdf.

⁴⁶ Laws pertaining to the CDFI Fund’s Bond Guarantee program are located in 12 U.S.C. §4713a.

⁴⁷ *Patient capital* refers to an investment in which the investor has little expectation of earning a short-term return in anticipation of earning more substantial returns in the longer run.

⁴⁸ CDFI Fund, “CDFI Bond Guarantee Program,” at <https://www.cdfifund.gov/programs-training/Programs/cdfi-bond/Pages/default.aspx>.

⁴⁹ CDFI Fund, “CDFI Bond Guarantee Program,” at <https://www.cdfifund.gov/programs-training/Programs/cdfi-bond/Pages/default.aspx>. For more information about the Community Reinvestment Act, see CRS Report R43661, *The Effectiveness of the Community Reinvestment Act*, by Darryl E. Getter.

⁵⁰ CDFI Fund, “CDFI Bond Guarantee Program,” at <https://www.cdfifund.gov/programs-training/Programs/cdfi-bond/Pages/default.aspx>.

⁵¹ Catalog of Federal Domestic Assistance, “Community Development Financial Institutions Bond Guarantee Program,” at <https://sam.gov/fal/8e094fbd47443f9227df6bec0b8c6/view>.

CDFIs expand consumer access to mainstream financial institutions and provide alternatives to high-cost small-dollar loans. The program was also created to help unbanked and underbanked populations build credit and access affordable capital. The first round of SDL awards to 52 CDFIs totaling \$10.8 million were announced on September 23, 2021.⁵² The recipient CDFIs are headquartered in 30 states, the District of Columbia, and Puerto Rico.

Capital Magnet Fund

The Capital Magnet Fund (CMF) was established by the Housing and Economic Recovery Act (HERA) of 2008 (P.L. 110-289). The CMF is intended to encourage CDFIs and other nonprofits to expand financing for the development, rehabilitation, and purchase of affordable housing and other related economic development projects in distressed communities. Through the CMF, the CDFI Fund provides competitively awarded grants to CDFIs and qualified nonprofit housing organizations. The awardees can use the award funds to create financing tools, such as loan loss reserves, loan funds, risk-sharing loans, and loan guarantees that result in housing and community development investment of at least 10 times the size of the award.

Two types of organizations are eligible to apply for a CMF award. An organization applying for a CMF award must either (1) be certified as a CDFI by the Fund; or (2) be a nonprofit organization having as one of its principal purposes the development or management of affordable housing. In FY2020, 48 organizations received CMF awards totaling \$175.4 million in awards.⁵³

CDFI COVID-19 Responses

The Consolidated Appropriations Act, 2021 (P.L. 116-260) included \$3 billion for the CDFI Fund to provide emergency support, through two direct grant programs, to communities negatively affected by the COVID-19 pandemic.

CDFI Rapid Response Program

The CDFI Rapid Response Program was authorized to provide \$1.25 billion in grants to deliver immediate assistance in communities impacted by the COVID-19 pandemic through an expedited application and review process. On June 15, 2021, Treasury announced awards to 863 CDFIs for the entire \$1.25 billion authorization.⁵⁴ The recipient CDFIs are headquartered in 48 states, the District of Columbia, Guam, and Puerto Rico, and 58 are organizations that committed to direct their awards to investments in Native American, Native Alaskan, and Native Hawaiian communities.

CDFI Equitable Recovery Program

The CDFI Equitable Recovery Program (ERP) was authorized to provide \$1.73 billion in grants for CDFIs to enhance their response to the economic impacts of the COVID-19 pandemic. The CDFI grants were intended to expand lending, grant making (by CDFIs), and investment activity

⁵² U.S. Department of the Treasury, “U.S. Treasury Announces Inaugural Round of Small Dollar Loan Program Awards,” press release, September 23, 2021, <https://www.cdfifund.gov/node/1004946>.

⁵³ CDFI Fund, *Capital Magnet Fund Award Book FY 2020*, at https://www.cdfifund.gov/sites/cdfi/files/2021-04/FY_2020_CMF_Award_Book_022221.pdf.

⁵⁴ U.S. Department of the Treasury, “U.S. Treasury Awards \$1.25 Billion to Support Economic Relief in Communities Affected by COVID-19,” press release, June 15, 2021, <https://www.cdfifund.gov/news/420>.

in low- or moderate-income communities and to borrowers (including minorities) who had significant unmet capital or financial service needs and were disproportionately impacted by the COVID-19 pandemic. The CDFI ERP FY2022 funding round opened on June 23, 2022.⁵⁵

CDFI Fund Programs: Specific Purposes

Rather than providing financial support to a CDFI to use at its discretion for mission goals, the CDFI Fund also provides awards for specific initiatives.

The Healthy Food Financing Initiative

The Healthy Food Financing Initiative (HFFI) has roots in 2010 with an announcement of federal efforts to improve access to healthy food in underserved urban and rural areas.⁵⁶ The HFFI is part of a multiagency effort to combat food deserts.⁵⁷ It aims to expand the supply and demand for nutritious foods, including increasing the distribution of agricultural products, developing and equipping grocery stores, and strengthening producer-to-consumer relationships. Through its role in the HFFI, the CDFI Fund provides grants for organizations serving low-income neighborhoods with limited access to affordable and nutritious food, by way of CDFIs. Since 2015, the HFFI has made 84 awards totaling \$155.1 million to CDFIs in 18 states.⁵⁸ In FY2021, 10 CDFIs received \$23 million in HFFI awards.⁵⁹

Persistent Poverty Counties

The CDFI Fund has adopted administrative procedures to ensure that at least 10% of funds designated for its BEA are used to support persistent poverty counties (PPCs).⁶⁰ PPCs are defined as any county, including county equivalent areas in Puerto Rico, that has had 20% or more of its population living in poverty over the past 30 years, or any other territory or possession of the United States that has had 20% or more of its population living in poverty over the past 30 years, as measured by the U.S. Census Bureau.⁶¹ PPCs do not need to be located in a CDFI's approved target market, but only qualified activities that occur in areas determined by the CDFI Fund to be

⁵⁵ CDFI Fund, "Notice of Funds Availability (NOFA) inviting Applications for grants under the CDFI Equitable Recovery Program (CDFI ERP)," 87 *Federal Register* 37912-37927, June 24, 2022.

⁵⁶ See U.S. Department of Treasury, "Obama Administration Details Healthy Food Financing Initiative," press release, February 19, 2010, <https://home.treasury.gov/news/press-releases/tg555>.

⁵⁷ Other agencies involved in the HFFI include the U.S. Department of Treasury, U.S. Department of Agriculture, and U.S. Department of Health and Human Services.

⁵⁸ Community Development Financial Institutions Fund, *Searchable Awards Database*, <https://www.cdfifund.gov/awards/state-awards>.

⁵⁹ Community Development Financial Institutions Fund, *CDFI Fund Award Book - FY 2021*, https://www.cdfifund.gov/sites/cdfi/files/2021-12/Final_2021_CDFI_Award_Book_v2.pdf.

⁶⁰ See CDFI Fund, *Expanding Opportunity: The CDFI Fund's FY 2019 Year In Review*, at https://www.cdfifund.gov/sites/cdfi/files/documents/cdfi_annual-report-2019_final-3.30.20_508_final.pdf.

⁶¹ Specifically, the data from U.S. Census Bureau include the decennial census, the American Community Survey, and the Island Areas Decennial Census. For more information, see CDFI Fund, "Persistent Poverty Counties—CDFI Fund," at https://view.officeapps.live.com/op/view.aspx?src=https%3A%2F%2Fwww.cdfifund.gov%2Fsites%2Fcdfi%2Ffiles%2F2021-05%2F12_FY21_CDFI_NACA_Persistent_Poverty_Counties_2011_2015_ACS_and_Island_Areas_Decennial_Census.xlsx.

distressed communities will count toward eligibility for a BEA award.⁶² In FY2021, 125 CDFIs received \$18.6 million in FA awards and 57 CDFIs received \$7.1 million in TA awards targeted toward PPCs.⁶³

Disability Fund

The CDFI Fund initiated a capacity-building program to expand credit and other financial services to people with disabilities, including people with autism, veterans, elderly people, and people who may generally be impaired from working.⁶⁴ Disabilities may increase the difficulty of maintaining gainful employment, thus increasing the difficulty of qualifying for financial loan products provided by traditional financial institutions. In FY2021, 14 CDFIs received \$6 million in Disability Fund awards.⁶⁵

Economic Mobility Corps

The Economic Mobility Corps (EMC) is a joint initiative of the CDFI Fund and AmeriCorps, an independent federal agency that encourages citizens to serve as volunteers in communities, particularly to help those who are elderly, are poor, or face challenging disadvantages.⁶⁶ The EMC program is designed to enhance the capacity of CDFIs to provide financial literacy, financial planning, budgeting, saving, and other financial counseling activities.⁶⁷ EMC volunteers will receive training in financial counseling and financial literacy and then be placed in various CDFIs to assist residents in specific markets. Any organization—not limited to CDFIs—can apply for EMC awards to facilitate placement of AmeriCorps service volunteers in a CDFI.

Policy Considerations

Members of Congress concerned about the size or efficient management of federal budgetary resources have long-standing interest in identifying duplicative federal programs. CDFI Fund programs, similar to many federal programs and initiatives, are generally aimed at expanding access to capital in distressed communities that have historically lacked access to the capital needed to spur economic development and provide alternatives to predatory lending.⁶⁸ In 2011,

⁶² See CDFI Fund, *Bank Enterprise Award Program 2020 CIMS User Instructions*, at <https://www.cdfifund.gov/sites/cdfi/files/documents/7.-fy-2020-bea-program-application-cims-instructions.pdf>.

⁶³ Community Development Financial Institutions Fund, *CDFI Fund Award Book - FY 2021*, https://www.cdfifund.gov/sites/cdfi/files/2021-12/Final_2021_CDFI_Award_Book_v2.pdf.

⁶⁴ See CDFI Fund, “Access for All: Expanding CDFI Market Impact in the Disability Community,” at <https://www.cdfifund.gov/programs-training/training-ta/access-for-all>; and CDFI Fund, “Expanding the Capacity of CDFIs to Serve People with Disabilities,” presented at *The CDFI Fund’s Capacity Building Initiative, Access for All: Expanding CDFI Capacity in the Disability Community*, December 4-5, 2019, at <https://www.cdfifund.gov/sites/cdfi/files/documents/in-person-workshop-training-presentation.pdf>.

⁶⁵ Community Development Financial Institutions Fund, *CDFI Fund Award Book - FY 2021*, https://www.cdfifund.gov/sites/cdfi/files/2021-12/Final_2021_CDFI_Award_Book_v2.pdf.

⁶⁶ See CDFI Fund, “Apply Now for \$1.9 Million in FY 2022 Economic Mobility Corps Funding,” press release, September 24, 2021, at <https://www.cdfifund.gov/node/1004951>; and AmeriCorps, “AmeriCorps and CDFI Fund Launch Economic Mobility Corps,” press release, August 11, 2021, at <https://americorps.gov/newsroom/press-release/ameri-corps-cdfi-fund-launch-economic-mobility-corps>. See CRS Report RL33931, *The Corporation for National and Community Service: Overview of Programs and Funding*, by Joselynn H. Fountain and Abigail R. Overbay.

⁶⁷ For more information, see CRS Report R46941, *Financial Literacy and Financial Education Policy Issues*, by Cheryl R. Cooper.

⁶⁸ U.S. Congress, House Committee on Financial Services, Community Development Financial Institutions (CDFIs):

GAO identified economic development programs where effectiveness may be compromised due to overlap and arguably insufficient coordination.⁶⁹ The potential for duplication may be seen by the existence of at least 130 economic development programs overseen by over 20 offices and agencies, including the Fund, with some examples listed below.⁷⁰

- The Community Development Block Grant program, administered by the Department of Housing and Urban Development (HUD), allocates federal assistance to state and local governments, as well as to eligible CDFIs, to support neighborhood revitalization and community and economic development efforts.⁷¹ The Federal Home Loan Bank System provides grants on a competitive basis to membership institutions, which may include CDFIs, to support the acquisition, construction, or rehabilitation of affordable rental housing as well as to support single-family housing needs for veterans and those with disabilities.⁷²
- Certain SBA programs for small business (e.g., HUBZone program, technical assistance grant programs) overlap with Fund programs.⁷³
- The Fund's retrospective BEA program arguably has similarities to government guarantee programs, which typically reimburse lenders for some or all of the losses associated with higher-risk mission lending, administered by numerous federal agencies (e.g., HUD, USDA, SBA, Bureau of Indian Affairs) and certain federally related government sponsored enterprises. After receiving awards from the Fund, CDFIs may also originate loans that meet the eligibility requirements for various federal guarantees and be reimbursed for losses.
- Some of the direct lending programs that USDA, SBA, the Bureau of Indian Affairs, and the Farm Credit System administer may overlap with certain Fund programs.⁷⁴ Furthermore, the SBA's 504 Loan program provides long-term, fixed-rate financing, which is also provided by the Fund's Bond Guarantee Program.⁷⁵

Although various Fund programs are duplicative with other federal programs in terms of their stated purpose, pricing differences could differentiate them. For example, rather than price for the

Their Unique Role and Challenges Serving Lower-Income, Underserved, and Minority Communities, 111th Cong., 2nd sess., March 9, 2010, H.Rept. 111-106; and U.S. Congress, Senate Committee on Indian Affairs, *Predatory Lending in Indian Country*, 110th Cong., 2nd sess., June 5, 2008, S.Rept. 110-484.

⁶⁹ U.S. Government Accountability Office, *Opportunities to Reduce Potential Duplication in Government Programs, Save Tax Dollars, and Enhance Revenue*, GAO-11-318SP, May 1, 2011, <https://www.gao.gov/assets/gao-11-318sp.pdf>.

⁷⁰ See CRS In Focus IF11794, *Federal Resources for State and Local Economic Development*, by Julie M. Lawhorn.

⁷¹ For more information, see CRS Report R43520, *Community Development Block Grants and Related Programs: A Primer*, by Joseph V. Jaroscak; and CRS In Focus IF11749, *The Indian Community Development Block Grant (ICDBG) Program: An Overview*, by Joseph V. Jaroscak.

⁷² See CRS Report R46499, *The Federal Home Loan Bank (FHLB) System and Selected Policy Issues*, by Darryl E. Getter.

⁷³ See CRS Report R41268, *Small Business Administration HUBZone Program*, by Robert Jay Dilger and R. Corinne Blackford; and CRS Report R41057, *Small Business Administration Microloan Program*, by Robert Jay Dilger and Anthony A. Cilluffo.

⁷⁴ See CRS Report R46914, *An Overview of Rural Credit Markets*, coordinated by Andrew P. Scott; and Farm Credit Administration, Regulator of the Farm Credit System, *2020 Annual Report*, at <https://www.fca.gov/template-fca/about/2020AnnualReport.pdf>

⁷⁵ See CRS Report R41184, *Small Business Administration 504/CDC Loan Guaranty Program*, by Robert Jay Dilger and Anthony A. Cilluffo.

above-normal risks, some federal agencies that directly offer financial loans and guarantees must follow statutory price-setting rules, which arguably may not fully cover the higher default risk posed by higher-risk borrowers.⁷⁶ By contrast, CDFIs may have greater flexibility to charge higher interest rates and fees, thus generating additional revenue that can be used to offset losses associated with higher loan delinquencies and charge-off rates. For this reason, if Congress were to consider the extent of duplication among development programs provided by the Fund and other federal agencies, Members may also wish to consider how risk-based pricing is implemented by CDFIs compared to other federal programs to see if this practice results in significant benefit and cost differences for both underserved individuals and taxpayers.

In addition to concerns about duplication of federal programs, Members of Congress have a long-standing interest in understanding the effectiveness of federal programs. A common challenge in conducting formal evaluations is that the enacting legislation may not state a specific program goal, define what would constitute success, or require data collection that may be necessary to aid in future evaluations.⁷⁷ If Congress were to consider the effectiveness of programs provided by the Fund, Members may want to clearly articulate the purpose of the program and specific measures for success.

Author Information

Donald J. Marples
Specialist in Public Finance

Darryl E. Getter
Specialist in Financial Economics

Disclaimer

This document was prepared by the Congressional Research Service (CRS). CRS serves as nonpartisan shared staff to congressional committees and Members of Congress. It operates solely at the behest of and under the direction of Congress. Information in a CRS Report should not be relied upon for purposes other than public understanding of information that has been provided by CRS to Members of Congress in connection with CRS's institutional role. CRS Reports, as a work of the United States Government, are not subject to copyright protection in the United States. Any CRS Report may be reproduced and distributed in its entirety without permission from CRS. However, as a CRS Report may include copyrighted images or material from a third party, you may need to obtain the permission of the copyright holder if you wish to copy or otherwise use copyrighted material.

⁷⁶ For examples, see CRS Report R46963, *SBA Disaster Loan Interest Rates: Overview and Policy Options*, by Bruce R. Lindsay et al.; and CRS Report RS20530, *FHA-Insured Home Loans: An Overview*, by Katie Jones.

⁷⁷ Martin D. Abravanel et al., *New Markets Tax Credit (NMT) Program Evaluation: Final Report*, prepared for U.S. Department of the Treasury Community Development Financial Institutions (CDFI) Fund, Urban Institute, April 2013, <https://www.cdfifund.gov/sites/cdfi/files/documents/nmtc-program-evaluation-final-report.pdf>.