

Community Development Financial Institutions Fund

Program Summary by Budget Activity

Dollars in Thousands

Budget Activity	FY 2023	FY 2024	FY 2025	FY 2024 to FY 2025	
	Operating Plan	Annualized CR	Request	\$ Change	% Change
Community Development Financial Institutions Fund Program	\$194,000	\$194,000	\$210,000	\$16,000	8.25%
Economic Mobility Corps	\$2,000	\$2,000	\$0	(\$2,000)	-100.00%
Bank Enterprise Award Program	\$35,000	\$35,000	\$35,000	\$0	0.00%
Native American CDFI Assistance Program	\$25,000	\$25,000	\$25,000	\$0	0.00%
Administrative	\$35,000	\$35,000	\$35,908	\$908	2.59%
Healthy Food Financing Initiative	\$24,000	\$24,000	\$0	(\$24,000)	-100.00%
Small Dollar Loan Program	\$9,000	\$9,000	\$9,000	\$0	0.00%
Bond Guarantee Program Credit Subsidy	\$0	\$0	\$10,000	\$10,000	NA
Subtotal, Organization Title	\$324,000	\$324,000	\$324,908	\$908	0.28%
Other Resources					
Offsetting Collections from Emergency Capital Investment Program	\$0	\$44,883	\$167,000	\$122,117	272.00%
User Fees	\$1,200	\$1,250	\$1,300	\$50	4.00%
Recoveries from Prior Years	\$0	\$1,000	\$1,000	\$0	0.00%
Unobligated Balances from Prior Years	\$237,621	\$260,134	\$50,000	(\$210,134)	-80.78%
Subtotal Other Resources	\$238,821	\$307,267	\$219,300	(\$87,967)	28.63%
Total Program Operating Level	\$562,821	\$631,267	\$544,208	(\$87,059)	-13.79%
Direct FTE	80	102	102	0	0.00%
Total Full-time Equivalents (FTE)	80	102	102	0	0.00%

Summary

The FY 2025 Budget requests an appropriation of \$324,908,000 for the Community Development Financial Institutions Fund (CDFI Fund) to administer the CDFI Fund's programs and oversee the existing portfolio of awards. The CDFI Fund supports Treasury's strategic goal of Boosting U.S. Economic Growth and Transforming Government-wide Financial Stewardship.

The CDFI Fund expands the availability of credit, investment capital, and financial services in distressed urban and rural communities and for underserved populations. The CDFI Fund carries out the Community Development Banking and Financial Institutions Act of 1994, as well as certain programmatic provisions of the Community Renewal Tax Relief Act of 2000, the Housing and Economic Recovery Act of 2008 (HERA), the Small Business Jobs Act of 2010, and the Coronavirus Response and Relief Supplemental Appropriations Act, 2021 (P. L. 116-260) that provided \$3 billion for emergency support for Community Development Financial Institutions (CDFIs) and communities responding to the COVID-19 pandemic.¹

¹ In FY 2021, \$1.25 billion of these funds were awarded through the newly established CDFI Rapid Response Program (CDFI RRP), which was designed to quickly deploy capital to CDFIs through a streamlined application and review process.

In the Spring of FY 2023, the CDFI Fund awarded an additional \$1.73 billion in grant funds to CDFIs to address the economic impact of the COVID-19 pandemic through the CDFI Equitable Recovery Program (CDFI ERP). These grants will further assist distressed communities by expanding lending, grant making, and investment activity to low- or moderate-income communities; to borrowers that have significant unmet capital or financial service needs; and to enable CDFIs to build organizational capacity and acquire technology, staff, and other tools necessary to accomplish the activities under a CDFI ERP Award.

The CDFI Fund supports the creation and expansion of diverse CDFIs, which provide loans, investments, business counseling, basic banking services, and financial literacy training to underserved communities. Working primarily through CDFIs, the CDFI Fund facilitates business development, commercial real estate, housing development and home ownership. The CDFI Fund's activities leverage billions of private sector investment dollars from banks, foundations and other funding sources on a cumulative basis.

Authorized by P.L. 116-260, the CDFI Fund anticipates receiving additional funding resources from the Emergency Capital Investment Program (ECIP) through the transfer of proceeds from the sale of investments and related earned interest and dividends beginning in FY 2024. Approximately 80 percent of the funds available in FY 2024 and FY 2025 will be used for the FY 2025 CDFI and NACA Programs for financial assistance grants to Certified CDFIs, including Certified Native CDFIs, as well as for grants for technical assistance to organizations seeking Certification and for Certified CDFIs seeking to increase their organizational capacity. The remaining funds are expected to be used for a new pilot grant program that will provide funding for CDFIs seeking to improve their technological and cybersecurity systems.

The FY 2025 Budget proposes funding for the CDFI Program, the Native American CDFI Assistance (NACA) Program, the Bank Enterprise Award Program, the Small Dollar Loan Program, and the CDFI Bond Guarantee (BG) Program Subsidy. The Budget also proposes to eliminate dedicated funding for the Healthy Food Financing Initiative (HFFI) and eliminate funding for the Economic Mobility Corps (EMC) due to lack of ongoing demand.

Treasury's request also includes funding for the administration, operational support, and management associated with these programs, and the New Markets Tax Credit (NMTC) Program.

Budget Highlights

Dollars in Thousands

	FTE	Amount
FY 2024 Annualized CR	102	\$324,000
Changes to Base:		
Maintaining Current Levels (MCLs):	0	\$870
Pay Annualization (2024 5.2% average pay raise)		\$210
Pay Raise (2025 2.0% average pay raise)		\$245
Non-Pay (2025 2.2% non-pay inflation)		\$415
Subtotal Changes to Base	0	\$870
FY 2025 Current Services	102	\$324,870
Program Changes:		
Program Decreases:	0	(\$26,000)
Economic Mobility Corps	0	(\$2,000)
Healthy Food Financing Initiative	0	(\$24,000)
Program Increases:	0	\$26,038
CDFI Program	0	\$16,000
BG Program Credit Subsidy	0	\$10,000
Administration	0	\$38
Subtotal Program Changes	0	\$38
FY 2025 President's Budget Request	102	\$324,908

Budget Adjustments

Pay Annualization (5.2% in 2024) +\$210,000 / +0 FTE

Funds are requested for annualization of the January 2024 5.2% average pay raise.

Pay Raise (2.0% in FY 2025) +\$245,000 / +0 FTE

Funds are requested for a 2.0% average pay raise in January 2025.

Non-Pay (2.2% in FY 2025) +\$415,000 / +0 FTE

Funds are requested for non-labor expenses such as travel, contracts, rent, supplies, and equipment.

Program Decreases-\$26,000,000 / -0 FTE

Economic Mobility Corps -\$2,000,000 / -0 FTE

Due to the lack of ongoing demand for the EMC, no funding is included for this initiative as part of the CDFI Fund's budget request. In Fiscal Years 2022 and 2023, the CDFI Fund received no applications for EMC funding. However, eligible organizations can still apply for awards under the Corporation for National and Community Service's AmeriCorps State and National Direct program to support EMC-related activities, which places service members in Certified CDFIs, through funding directly appropriated to that program.

Healthy Food Financing Initiative -\$24,000,000 / -0 FTE

Due to diminishing demand and lack of a robust pool of applicants to the program, the Budget request eliminates dedicated funding the HFFI. Over the past three years, the total annual number of applicants for HFFI has decreased more than 46 percent while the number of applicants for CDFI program Financial Assistance (FA) has increased by 14 percent. In the most recent round in FY 2022, only 15 organizations applied for HFFI. This represents about 1 percent of all

Certified CDFIs. This funding reallocation will support a broader pool of CDFIs participating in other CDFI Fund programs, as outlined in program increases below.

Program Increases+\$26,038,000 / +0 FTE
CDFI Program +\$16,000,000 / +0 FTE

Funds will be reallocated in the request to eliminate dedicated funding for HFFI and eliminate EMC to provide an increase to the CDFI Program budget by \$16,000,000 providing an additional 27 Base-FA awards to CDFIs.

BG Program Credit Subsidy +\$10,000,000 / +0 FTE

Request for \$10,000,000 to modify existing over-collateralization and/or recourse requirements for individual applications thereby expanding the potential pool of CDFIs that could successfully participate in the BG Program.

Administration +\$38,000 / +0 FTE

Request \$38,000 to support on-going programming, research and data collection activities, certification of CDFIs and Community Development Entities (CDEs), compliance monitoring, evaluating the effectiveness of CDFI Fund programs, and activities related to the CDFI Fund's designation as a High Impact Service Provider (HISP).

Legislative Proposals

The Budget proposes to modify section 1339 of the Housing and Economic Recovery Act (HERA) to allow for certain existing statutory requirements to be determined by the Secretary, either via promulgation of regulations or in the annual Notice of Fund Availability, and to expand the eligible applicant types to include consortium of two or more eligible applicants. Current market conditions and the CDFI Fund's experience with this affordable housing program necessitate updates to the program to make it more accessible to applicants, which include CDFIs and non-profit affordable housing organizations, and more effective in spurring the production and preservation of affordable housing.

Specific requirements and standards in the statute create significant obstacles to potential applicants wishing to apply for these funds, such as a required 10:1 ratio of leverage of private and other public funding, a two-year commitment deadline, and restrictions related to targeting funds. Modifications proposed to the statute would allow for the Secretary to establish or modify standards for these requirements to address market conditions over time and ensure effective utilization of funds across diverse geographies.

Funding for this program is not typically appropriated. Per HERA requirements, Fannie Mae and Freddie Mac provide allocations annually based on their annual unpaid principal mortgage balances. The first awards based on these allocations were made in 2016.

Additionally, the Budget proposes to reauthorize and reform the CDFI BG Program consistent with the bipartisan CDFI Bond Guarantee Program Improvement Act of 2023 ([S.869](#)), which would reauthorize the program for four years, reduce the minimum issuance amount to \$25 million, make a technical correction to the relending account, and eliminate the limitation on the number of guarantees that may be issued annually.

The Budget also proposes technical corrections and updates to Section 122 of Riegle Community Development and Regulatory Improvement Act (P.L. 117-286) that would allow increased participation in the Small Dollar Loan Program (SDL Program). Proposed revisions to the legislation would authorize the Secretary of the Treasury to administratively amend the definition of a small dollar loan or other requirements to address industry trends and adjust the maximum loan amount for inflation. Technical corrections would clarify the definition of Federally Insured Depository Institutions eligible to apply for an SDL Program Award and allow all applicants to apply for all eligible uses of the program.

Performance Highlights

Budget Activity	Performance Measure	FY 2021	FY 2022	FY 2023	FY 2024	FY 2025
		Actuals	Actuals	Actuals	Target	Target
Community Development Financial Institutions Fund	CDFI - Percentage of Loans & Investments Originated in Eligible Distressed or Underserved Communities by Dollar Amount of Loans (Annual %)	71.4	67.1	66.0	60.0	60.0
Community Development Financial Institutions Fund	CDFI - Percentage of Loans & Investments Originated in Eligible Distressed or Underserved Communities by Number of Loans (Annual %)	75.7	77.7	71.6	60.0	60.0
Administration	All Award Cycle Time (Months)	5.6	8.8	8	6.5	6.5
Administration	ALL- Number of Affordable Housing Units Developed or Produced	58,215	71,615	109,599	I	I
New Markets Tax Credit Program	NMTC - Percentage of Loans and Investments That Went Into Severely Distressed Communities (Annual %)	77.0	79.0	75.4	75.0	75.0

Key: I - Indicator

Note: The “All Award Cycle Time” performance measures are based on the award or allocation rounds for the BEA Program, CDFI Program, CMF Program, NACA Program, NMTC Program and SDL Program. The “ALL-Number of Affordable Housing Units Developed or Produced” performance measure is based on the number of affordable housing units reported by CDFI Program, CMF Program, NACA Program, NMTC Program, and CDFI RRP subject to the start of a program’s recipient reporting timeframe.

Description of Performance

In February 2023, the CDFI Fund awarded \$144.2 million in base-FA awards for FY 2022 under both the CDFI and NACA programs. In addition to the FA awards, the CDFI Fund also provided the following supplemental FA awards:

- \$23 million to CDFIs through the Healthy Foods Financing Initiative-Financial Assistance (HFFI-FA) awards, a supplemental program designed to encourage investments in businesses that provide healthy food options for communities;
- \$6.5 million to CDFIs through the Disability Funds-Financial Assistance (DF-FA) awards, a supplemental program designed to help CDFIs finance projects and services that will assist individuals with disabilities; and
- \$20.4 million to CDFIs through the Persistent Poverty County-Financial Assistance (PPC-FA) awards, a supplemental program designed to encourage investments in Persistent Poverty Counties nationwide.

On October 28, 2022, the CDFI Fund announced \$5 billion NMTC awards for the calendar year (CY) 2021 NMTC Program allocation authority to 107 organizations out of a pool of 199 applicants that requested \$14.7 billion in NMTC allocations. Additionally, on September 22, 2023, the CDFI Fund awarded \$5 billion in CY 2022 NMTC Program allocation authority to 102 organizations out of a pool of 197 applicants that requested \$14.8 billion in NMTC allocations.

Highlights of Select Performance Measures

In the FY 2023, the CDFI Program surpassed the 60.0 percent threshold for the percentage of both the dollar amount (66.0 percent) and the number of CDFI loans (71.6 percent) made to eligible distressed communities and underserved populations.

In FY 2023, the NMTC Program recipients reported that over 75.4% of NMTC investments made were in severely distressed areas. These are communities with low median incomes and high rates of poverty and unemployment.

The All-Award Cycle Time metric is an efficiency measure of the average time from the date when applications are received to the date of award announcement (calculated in months as an average across all programs). The Award Cycle Time in FY 2023 was 8.0 months, exceeding the target of 6.5 months. The efficiency measure was higher than the target due to the need to divert staff to manage COVID-19 response programs authorized in Consolidated Appropriations Bill, 2021. Further, FY 2023 did not have a funding round for every program, so the programs that did conduct a round including NMTC and Capital Magnet Fund (CMF) veers toward programs with a longer award cycle time, so the resulting average is higher than the target. Going forward, the CDFI Fund plans to normalize award program timing while welcoming the increased demand for CDFI Fund programs.

The Number of Affordable Housing Units Developed or Produced metric measures the number of affordable housing units developed or produced as a result of CDFI Fund awards as reported by CDFI Program, NACA Program, NMTC Program, and CMF Program awardees or allocatees. In FY 2021, this performance measure was converted to an indicator because the variability in projecting annually the number of affordable housing units funded for three programs made it difficult to project a reliable target. Beginning with FY 2022, the CDFI Fund included the units resulting from the FY 2021 CDFI RRP awardees. The FY 2023 actual result is 109,599 affordable housing units. This measure saw a large increase compared to FY 2022 because CDFI RRP awardees having completed their first full fiscal year of reporting in FY 2023 on their FY 2022 activities.

The requested additional funding for the CDFI Program should allow the CDFI Fund to continue to meet and possibly exceed its benchmark of 60 percent of both the dollar amount and the number of CDFI loans made to eligible distressed communities and underserved populations. This additional investment may impact the number of affordable housing units developed or produced.