

Community Development Financial Institutions Fund

Program Summary by Budget Activity

Dollars in Thousands

Appropriated Resources	FY 2022		FY 2023		FY 2024		FY 2023 to FY 2024	
	Operating Plan		Operating Plan		Request		% Change	
New Appropriated Resources	FTE	AMOUNT	FTE	AMOUNT	FTE	AMOUNT	FTE	AMOUNT
Community Development Financial Institutions Fund Program	0	\$171,383	0	\$194,000	0	\$201,179	NA	3.7%
Economic Mobility Corps	0	\$2,000	0	\$2,000	0	\$0	NA	-100.0%
Bank Enterprise Award Program	0	\$35,000	0	\$35,000	0	\$35,000	NA	0.0%
Native American CDFI Assistance Program	0	\$21,500	0	\$25,000	0	\$25,000	NA	0.0%
Administrative	71	\$33,617	89	\$35,000	91	\$37,299	2.2%	6.6%
Healthy Food Financing Initiative	0	\$23,000	0	\$24,000	0	\$24,000	NA	0.0%
Small Dollar Loan Program	0	\$8,500	0	\$9,000	0	\$9,000	NA	0.0%
Bond Guarantee Program Credit Subsidy	0	\$0	0	\$0	0	\$10,000	NA	100.0%
Subtotal New Appropriated Resources	71	\$295,000	89	\$324,000	91	\$341,478	2.2%	5.4%
Other Resources								
User Fees	0	\$1,218	0	\$1,200	0	\$1,250	NA	4.2%
Recoveries from Prior Years	0	\$1,111	0	\$500	0	\$1,000	NA	100.0%
Unobligated Balances from Prior Years	0	\$218,045	0	\$237,621	0	\$259,100	NA	9.0%
Subtotal Other Resources	0	\$220,374	0	\$239,321	0	\$261,350	NA	9.2%
Total Budgetary Resources	71	\$515,374	89	\$563,321	91	\$602,828	2.2%	7.0%

FY 2022 Other Resources and Full-time Equivalents (FTE) reflect actuals.

This table excludes COVID-19 pandemic funds

Summary

The FY 2024 Budget requests an appropriation of \$341,478,343 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

In the Spring of FY 2023, the CDFI Fund will award 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 increasing investment activity in low- or moderate-income

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.

communities and 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.

The FY 2024 Budget proposes funding for the CDFI Program, the Native American CDFI Assistance (NACA) Program, the Bank Enterprise Award (BEA) Program, the Small Dollar Loan (SDL) Program, and the Healthy Food Financing Initiative (HFFI). Treasury’s request also includes funding for the administration, operational support, and management associated with these programs, the New Markets Tax Credit (NMTC) Program, and the CDFI Bond Guarantee (BG) Program.

Budget Highlights

Dollars in Thousands

Community Development Investment Fund	FTE	Amount
FY 2023 Operating Plan	89	\$324,000
Changes to Base:		
Maintaining Current Levels (MCLs):	0	\$1,204
Pay Annualization (2023 4.6% average pay raise)	0	\$187
Pay Raise (5.2% average pay raise)	0	\$642
Non-Pay	0	\$375
Subtotal Changes to Base	0	\$1,204
FY 2024 Current Services	89	\$325,204
Program Changes:		
Program Decreases	0	(\$2,000)
Economic Mobility Corps	0	(\$2,000)
Program Increases:	0	\$18,274
CDFI Program	0	\$7,179
BGP Credit Subsidy	0	\$10,000
Administration	2	\$1,095
Subtotal Program Changes	0	16,274
FY 2024 President’s Budget Request	91	\$341,478

Budget Adjustments

Pay Annualization (4.6% in FY 2023) +\$187,000 / +0 FTE

Funds are requested for annualization of the January 2023 4.6% average pay raise.

Pay Raise (5.2% in FY 2024) +\$642,000 / +0 FTE

Funds are requested for a 5.2% average pay raise in January 2024.

Non-Pay (2.0% in FY 2024) +\$375,000 / +0 FTE

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

Program Decreases-\$2,000,000 / -0 FTE

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

Due to decreased ongoing demand for the Economic Mobility Corps (EMC), no funding is included for this initiative as part of the CDFI Fund’s budget request. 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 place service members in Certified CDFIs, through funding directly appropriated to that program.

Program Increases+\$18,274,000 / +2 FTE

CDFI Program +\$7,179,000 / +0 FTE

Increasing the CDFI Program budget by \$7,179,000 would provide an increase to Base-Financial Assistance (FA) Awards to CDFIs, Technical Assistance (TA) Awards, and Persistent Poverty Counties-FA (PPC-FA) Awards.

BGP 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 +\$1,095,000 / +2 FTE

Request \$1,095,000 to support the hiring of two additional staff to support a range of work related to research and data collection, geospatial analysis, evaluation of activities that include compliance monitoring for the effectiveness of CDFI Fund programs.

Legislative Proposals

The Budget proposes to modify the Capital Magnet Fund Program, 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. Current market conditions and the CDFI Fund’s experience with this affordable housing program necessitate changes to the program to make it more accessible to applicants, 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 the 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. Eligible applicants for Capital Magnet Fund awards include CDFIs and nonprofit affordable housing developers.

Performance Highlights

Budget Activity	Performance Measure	FY 2020	FY 2021	FY 2022	FY 2023	FY 2024
		Actuals	Actuals	Actuals	Target	Target
Community Development Financial Institutions Program	CDFI - Percentage of Loans & Investments Originated in Eligible Distressed or Underserved Communities by Dollar Amount of Loans (Annual %)	75.0	71.4	67.1	60.0	60.0
Community Development Financial Institutions Program	CDFI - Percentage of Loans & Investments Originated in Eligible Distressed or Underserved Communities by Number of Loans	79.6	75.7	77.7	60.0	60.0
Administration	All Award Cycle Time (Months)	5.5	5.6	8.8	6.5	6.5
Administration	ALL- Number of Affordable Housing Units Developed or Produced	44,361	58,125	72,807	I	I
New Markets Tax Credit Program	NMTC - Percentage of Loans and Investments That Went Into Severely Distressed Communities	77.2	77.0	79.0	75.0	75.0

Key: I - Indicator

Description of Performance

For the FY 2022 CDFI Program round, the CDFI Fund awarded \$25.22 million in CDFI Program TA awards to 202 organizations headquartered in 41 states, the District of Columbia, and Puerto Rico. Additionally, on February 28, 2023 the CDFI Fund announced \$149.2 million in FA awards to 233 CDFIs for FY 2022 in calendar year (CY) 2023.

In addition to the FA awards, the CDFI Fund also provided the following supplemental FA awards for FY 2022 in CY 2023:

- \$23 million to 8 CDFIs through the HFFI-FA awards, a supplemental program designed to encourage investments in businesses that provide healthy food options for communities;
- \$6.5 million to 13 CDFIs through the Disability Fund-FA awards, a supplemental program designed to help CDFIs finance projects and services that will assist individuals with disabilities; and
- \$17.6 million to 137 CDFIs through the 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 CY 2021 NMTC Program allocation authority to 107 organizations out of a pool of 199 applicants that requested \$14.7 billion in NMTC allocations.

Highlights of Select Performance Measures

In the FY 2022, the CDFI Program surpassed the 60.0 percent threshold for the percentage of both the dollar amount (67.1 percent) and the number of CDFI loans (77.7 percent) made to eligible distressed communities and underserved populations.

In FY 2022, the NMTC Program recipients reported that over 79.0% 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 2022 was 8.8 months, exceeding the target of 6.5 months. FY 2022 reflects the inaugural round of the SDL Program as well as estimates for BEA and CMF programs, which are still in the midst of their FY 2021 round application reviews. For FY 2023 the target will remain at 6.5 months because the CDFI Fund will be standing up additional programs funded by the Consolidated Omnibus Act of 2021 such as the Minority Lending Program (MLP).

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, NMTC Program, and CMF awardees. 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. For the FY 2022 actual result, the CDFI Fund has included the units resulting from the FY 2021 CDFI-RRP awardees, too. The FY 2022 actual result is 72,807 affordable housing units.

The requested additional funding for the CDFI Program should allow the CDFI Fund to continue to meet and possibly exceed its benchmark of 60.0 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. The requested increase in administration dollars for staffing may mean additional staff to assist in the program rounds which may help the CDFI Fund meet or fall under its administrative performance measures such as the award cycle time.