

Community Development Financial Institutions Fund

Program Summary by Budget Activity

Dollars in Thousands

Budget Activity	FY 2021	FY 2022	FY 2023	FY 2022 to FY 2023	
	Operating Plan	Annualized CR	Request	\$ Change	% Change
Community Development Financial Institutions Fund Program	\$165,000	\$165,000	\$215,383	\$50,383	30.54%
Economic Mobility Corps	\$2,000	\$2,000	\$2,000	\$0	0.00%
Bank Enterprise Award Program	\$26,000	\$26,000	\$26,000	\$0	0.00%
Native American CDFI Assistance Program	\$16,500	\$16,500	\$21,500	\$5,000	30.30%
Administrative	\$29,000	\$29,000	\$35,037	\$6,037	20.82%
Healthy Food Financing Initiative	\$23,000	\$23,000	\$23,000	\$0	0.00%
Small Dollar Loan Program	\$8,500	\$8,500	\$8,500	\$0	0.00%
Subtotal, Organization Title	\$270,000	\$270,000	\$331,420	\$61,420	22.7%
Offsetting Collections - Reimbursable	\$1,186	\$1,250	\$1,350	\$100	8.00%
Recovery from Prior Years	\$405	\$500	\$500	\$0	0.00%
Unobligated Balances Brought Forward	\$13,569	\$218,045	\$28,000	(\$190,045)	-87.16%
Total Program Operating Level	\$15,160	\$219,795	\$29,850	(\$189,945)	100.00%
Direct FTE	82	82	89	7	8.54%
Total Full-time Equivalents (FTE)	67	82	89	7	8.54%

Summary

The FY 2023 Budget requests an appropriation of \$331,420,000 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. In the spring of FY 2021, \$1.25 billion of these funds were awarded through its 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 FY 2023, the CDFI Fund will award the remaining \$1.75 billion under the Minority Lending Program to CDFIs to expand their lending, grant making and investments activity in low- or moderate-income minority communities and to minorities that have significant unmet capital or financial service needs.

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 2023 Budget proposes funding for the CDFI Program and the Native American CDFI Assistance (NACA) Program, the Bank Enterprise Award Program, the Small Dollar Loan Program, the Economic Mobility Corps, 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

	FTE	Amount
FY 2022 Annualized CR	82	\$270,000
Program Changes:		
Program Increases	7	\$61,420
CDFI Program	0	\$50,383
Native American CDFI Assistance (NACA) Program	0	\$5,000
Administration	7	\$6,037
FY 2023 President's Budget Request	89	331,420

Budget Adjustments

Program Increases

CDFI Program +\$50,383,000 / +0 FTE

This increase will result in larger Financial Assistance (FA) awards and will support Small and/or Emerging Community Development Financial Institutions Assistance applicants, providing more funding for capacity building grants through the Technical Assistance (TA) awards component.

NACA Program +\$5,000,000 / +0 FTE

This increase will result in larger FA awards, as well as be used to increase participation by Native communities by improving technical assistance and capacity building for Native CDFIs.

Administration +\$6,037,000 / +7 FTE

This increase will allow the CDFI Fund to focus on hiring, data collection and infrastructure needs that have been deferred in past years due to budget constraints.

Legislative Proposals

The FY 2023 Budget proposes to include \$5 billion in long-term mandatory funding to support lending by eligible CDFIs to finance new construction and substantial rehabilitation that creates net new units of affordable rental and for sale housing known as the CDFI Affordable Housing Supply Fund.

The purpose of the program is to increase and preserve the supply of affordable housing in single family and small properties (1-4 units) and small multifamily properties not to exceed 100 units.

The Community Development Financial Institutions Fund will provide \$5 billion in grants to Community Development Financial Institutions (CDFIs) to support financing for the construction, acquisition, rehabilitation and preservation of both rental and homeownership housing, including accessory dwelling units.

This program will encourage the participation of small-scale developers and contractors.

The program will support activities that:

- ensure the sustainability, climate resiliency, and energy efficiency of affordable housing through rehabilitation;
- focus on increasing the supply of affordable housing in underserved markets, including single family, small properties (1-4 units) and small multifamily properties with fewer than 100 units;
- create affordable homeownership opportunities through financing the construction and rehabilitation of single-family properties for individuals and families with incomes up to 120% of AMI and up to 150% of the Area Median Income (AMI) in high cost areas (including acquisition and rehabilitation);
- preserve and rehabilitate rental opportunities in Naturally Occurring Affordable Housing (NOAH);
- finance/ support the development of Accessory Dwelling Units (ADUs);
- preserve affordable housing that is at risk of conversion to market rate; and
- expand the supply of affordable housing through innovative approaches consistent with the goals of the program including the conversion of commercial properties to residential and utilization of modular housing.

Units financed under this program will have 10 years affordability compliance requirements.

Performance Highlights

Budget Activity	Performance Measure	FY 2019	FY 2020	FY 2021	FY 2022	FY 2023
		Actual	Actual	Actual	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 %)	75.6	75.0	71.4	60.0	60.0
Administration	All Award Cycle Time (Months)	6.4	5.5	5.6	6.5	6.5
Administration	ALL- Number of Affordable Housing Units Developed or Produced	61,839	44,361	58,125	I	I
New Markets Tax Credit Program	NMTC - Percentage of Loans and Investments That Went Into Severely Distressed Communities	80.3	77.2	77.0	75.0	75.0

Key: I – Indicator

Description of Performance

For the FY 2021 CDFI Program round, the CDFI Fund awarded \$140.8 million in Base FA and TA awards to 422 organizations. The CDFI Fund also awarded \$18.6 million in PPC-FA to 125

CDFIs specifically to serve Persistent Poverty Counties nationwide. In addition, the CDFI Fund awarded \$23 million in HFFI-Financial Assistance to 10 CDFIs, as well as \$6 million in Disability Funds-Financial Assistance awards to 14 CDFIs to help finance projects and services to assist individuals with disabilities.

In the FY 2021 round of the NACA Program, the CDFI Fund awarded \$14.3 million in Base-FA and TA awards to 34 organizations in 16 states. In addition, the CDFI Fund awarded \$1.65 million in NACA Program PPC-FA awards to eight Native CDFIs.

In the FY 2021, the CDFI Fund awarded \$5 billion in CY 2020 NMTC Program allocation authority to 100 organizations out of a pool of 208 applicants that requested \$15.1 billion in NMTC allocations. On December 27, 2020, legislation was enacted extending allocation authority of the NMTC Program for five years through calendar year (CY) 2025 at \$5 billion annually. The FY 2023 revenue proposal volume (also referred to as the “greenbook”) seeks a permanent reauthorization of the New Markets Tax Credit. Please see <https://home.treasury.gov/policy-issues/tax-policy/revenue-proposals> for more information.

Highlights of Select Performance Measures

In the FY 2021, the CDFI Program surpassed the 60.0% threshold for the percentage of both the dollar amount (71.4%) and the number of CDFI loans (75.7%) made to eligible distressed communities and underserved populations.

In FY 2021, the NMTC Program recipients reported that over 77.0% 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 2021 was 5.6 months, surpassing the target of 6.5 months. FY 2021 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 FY2021 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, 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. The FY 2021 actual result was 58,125 affordable housing units developed or produced as a result of CDFI Fund program awards. This performance measure has been converted to an indicator beginning with FY 2021 because of the variability in projecting annually the number of affordable housing units funded for three programs made it difficult to project a reliable target.