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# COMMUNITY DEVELOPMENT FINANCIAL INSTITUTIONS FUND

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**Administering Agency:** U.S. Department of the Treasury

**Year Started:** 1994

**Funding:** \$324 million in fiscal year (FY) 2025

**See Also:** For related information, refer to the *Capital Magnet Fund* section of this guide.

The Community Development Financial Institutions (CDFI) Fund comprises seven programs designed to expand the capacity of financial institutions to provide credit, capital, and financial services to underserved populations and communities.

## History

The CDFI Fund was created by the “Riegle Community Development Banking and Financial Institutions Act of 1994.”

## Overview

CDFIs are specialized private sector financial institutions that serve economically disadvantaged communities and consumers. As of May 2024, there are about 1,426 CDFIs according to the CDFI Fund. CDFIs assume different forms, including bank holding companies (160), banks or thrifts (197), credit unions (496), loan funds (561), and venture capital funds (14). CDFI customers include small business owners, nonprofits, affordable housing developers, and low-income individuals. Nationwide, the CDFI industry manages more than \$222 billion, creating jobs, affordable housing, financial health, and opportunity for all. CDFIs operate in all 50 states, the District of Columbia, Guam, and Puerto Rico.

United by a primary mission of community development, CDFIs work where conventional financial institutions do not by providing financial services coupled with financial education and technical assistance to help alleviate poverty for economically disadvantaged people and communities. CDFIs offer innovative financing that banks would not typically offer. CDFIs also provide basic financial services to people who are unbanked, offering alternatives to predatory lenders. CDFIs implement capital-led strategies to fight poverty and to tackle economic infrastructure issues such as quality affordable housing, job creation, wealth building, financial literacy and education, community facility financing, and small business development and training.

## Program Summaries

The CDFI Fund operates eight primary programs designed to both build the capacity of CDFIs and increase private investment in distressed communities nationwide. These programs are the CDFI program, the Native Initiatives program, the Bank Enterprise Award program, the New Markets Tax Credit program, the Capital Magnet Fund (CMF) program, the Healthy Food Financing Initiative, the CDFI Bond Guarantee program, and the Small Dollar Loan Program. The CDFI Fund is the largest single source of funding for CDFIs and plays an important role in attracting and securing non-federal funds for CDFIs.

The CDFI Fund is unique among federal programs because it aims to strengthen institutions rather than fund specific projects. CDFIs leverage federal CDFI Fund investments to attract private capital—generating roughly \$8 in private investment for every \$1 in public funding—to support affordable housing, small businesses, community facilities, and financial services in low-income communities.

## **CDFI PROGRAM**

The CDFI Program has two components: Financial Assistance (FA) and Technical Assistance (TA). Through these two components, the CDFI Program provides loans and grants to CDFIs to support their capitalization and capacity building, enhancing the creation of community development opportunities in underserved markets. CDFIs compete for federal support based on their business plans, market analyses, and performance goals.

FA awards are for established, certified CDFIs and may be used for economic development, affordable housing, and community development financial services. FA awards must be matched at least one-to-one with non-federal funds. TA awards are for startup or existing CDFIs and are used to build capacity to serve a target market through the acquisition of goods and services such as consulting services, technology purchases, and staff or board training. The fiscal year (FY) 2025 funding for this program was \$188 million.

## **NATIVE INITIATIVES PROGRAM**

The CDFI Fund's Native Initiatives are designed to overcome identified barriers to financial services in Native communities (including Native American, Native Alaskan, and Native Hawaiian populations). Through TA and FA, the CDFI Fund seeks to foster the development of new Native CDFIs and strengthen the capacity of existing Native CDFIs. Financial education and asset building programs, such as matched savings accounts, are particularly important to Native communities.

Though founded in 1994, the first TA grants were not made until 2002 after a comprehensive study of the capital and credit needs of Native communities had been performed. FA followed in 2004. The CDFI Fund continues to collaborate with Tribal governments and tribal community organizations through ongoing research and analysis that informs the recommendations for Native CDFIs. The FY25 funding level for the Native Initiatives program was \$28 million.

## **BANK ENTERPRISE AWARD PROGRAM**

The Bank Enterprise Award (BEA) program was created in 1994 to support Federal Deposit Insurance Corporation (FDIC)-insured financial institutions around the country dedicated to financing and supporting community and economic development activities. The BEA program complements the community development activities of insured depository institutions (i.e., banks and thrifts) by providing financial incentives to expand investments in CDFIs and to increase lending, investment, and service activities within economically distressed communities. Providing monetary awards for increasing community development activities leverages the fund's dollars and puts more capital to work in distressed communities. The FY25 funding level for the BEA program was \$40 million.

## **NEW MARKETS TAX CREDIT PROGRAM**

Congress established the New Markets Tax Credit (NMTC) program as part of the "Community Renewal Tax Relief Act of 2001" to encourage investments in low-income communities that lack access to capital for developing small businesses and revitalizing neighborhoods. The NMTC provides financial institutions, corporations, and other investors with a tax credit for investing in a Community Development Entity (CDE). The investor takes a tax credit over a seven-year period equal to 39% of the original amount invested. CDEs are domestic partnerships or corporations that are intermediaries that use capital derived from the tax credits to make loans to or investments in businesses and projects in low-income communities. A low-income community is one with census tracts that have a poverty rate of at least 20% or that have a median family income less than 80% of the area median income (AMI).

The NMTC program is administered by the CDFI Fund which allocates tax credit authority, the amount of investment for which investors can claim a tax credit, to CDEs that apply for and obtain allocations. To date, the CDFI Fund has made 1,461 allocation awards totaling \$71 billion in NMTC allocations, which has leveraged nearly \$500 billion in private investment. Since its inception, the NMTC program has created or retained

938,000 jobs, financed more than 10,800 businesses, supported the construction of 76.9 million square feet of manufacturing space, 118.3 million square feet of office space, and 77.1 million square feet of retail space.

In July 2025, NMTC received a permanent extension in H.R.1, or “the Act,” and what has been referred to as the “One Big Beautiful Bill Act” (OBBBA). The passage of the act is a historic milestone for a program that has been subject to continued reauthorization since its initial passage in 2000 under the Community Renewal Tax Relief Act (P.L. 106-554). The program was most recently extended under the “2021 Consolidated Appropriations Act” and was set to expire at the end of 2025. Now, the program is permanently authorized for \$5 billion in annual allocation authority.

## CAPITAL MAGNET FUND PROGRAM

(See also the *Capital Magnet Fund Program* section of this guide).

The Capital Magnet Fund (CMF) was created through the “Housing and Economic Recovery Act of 2008.” Through the CMF, the CDFI Fund provides competitively awarded grants to CDFIs and qualified nonprofit housing organizations. CMF awards can be used to finance housing for low- and moderate-income households as well as related economic development activities and community service facilities. Awardees utilize financing tools such as loan loss reserves, loan funds, risk-sharing loans, and loan guarantees to produce eligible activities with aggregate costs at least 10 times the size of the award amount.

A minimum of 70% of an awardee’s CMF money must be used for housing. One hundred percent of housing-eligible project costs must be for units for households with income below 120% of the AMI); at least 51% of housing eligible project costs must be for units for households with income below 80% of AMI. If CMF finances rental housing, then at least 20% of the units must be occupied by households with income below 80% of AMI. Maximum rent is fixed at 30% of either 120% AMI, 80% AMI, 50% AMI, or 30% AMI, depending on the household’s income. For example, if an assisted

household has income at 120% AMI, their maximum rent is 30% of 120% AMI. Assisted housing must meet the above affordability requirements for at least 10 years.

As with the national Housing Trust Fund (HTF), funding for the CMF is intended to be provided in part by Fannie Mae and Freddie Mac. Because Fannie Mae and Freddie Mac went into conservatorship soon after the authorizing statute creating those programs became law and the collection of the contributions was suspended, in FY10 the administration requested, and Congress approved, an initial appropriation of \$80 million to capitalize the CMF. Two hundred and thirty CDFIs and nonprofit housing organizations applied, requesting more than \$1 billion. Twenty-three awards were made, which leveraged at least \$1.6 billion for the financing of housing within underserved communities and helped put underserved neighborhoods on the path to recovery and revitalization. There have been no further appropriated funds for the CMF.

The suspension of contributions of assessments on new business of Fannie Mae and Freddie Mac was lifted at the end of 2014 and contributions began January 1, 2015. The FY24 CMF round awarded \$246.3 million to 48 organizations. Additionally, the CDFI Fund made substantial changes to the program last year by updating its regulations. These updates will enhance CMF’s flexibility and reduce Recipient burden, which will improve access to these important resources for affordable housing. Award Recipients are required to leverage their awards with other private and public investment by at least ten to one, guaranteeing that a minimum of \$2.46 billion will be invested in eligible projects across the United States. For the FY24 round, the awardees anticipate that these awards will leverage more than \$6.8 billion in private investment.

The 48 awardees will collectively serve 50 states, the District of Columbia, Guam, and Puerto Rico. In all, 25 awardees (52% of the total awardees) plan to invest a portion of their award dollars in rural areas, with 12 of those organizations planning to invest at least one-fourth of their award dollars in rural areas. Of the total awardees, 25 are Community Development Financial Institutions (CDFIs) and 23 are nonprofit housing organizations.

## CDFI HEALTHY FOODS FINANCING INITIATIVE

The CDFI Healthy Food Financing Initiative, launched in 2011 as part of the multi-agency Healthy Food Financing Initiative (HFFI), provides grants to CDFIs focused on developing solutions for increasing access to affordable healthy foods in low-income communities. The HFFI is an interagency initiative involving the Treasury, the U.S. Department of Agriculture, and the U.S. Department of Health and Human Services. HFFI represents the federal government's first coordinated step to eliminate "food deserts" by promoting a wide range of interventions that expand the supply of and demand for nutritious foods, including increasing the distribution of agricultural products, developing and equipping grocery stores, and strengthening producer-to-consumer relationships. The FY25 funding level for the Healthy Food Financing Initiative was \$24 million.

## CDFI BOND GUARANTEE PROGRAM

Enacted through the "Small Business Jobs Act of 2010," Treasury may issue up to \$1 billion each year in fully guaranteed bonds to support CDFI lending and investment. Long-term, patient capital such as this is difficult for CDFIs to obtain. The program experienced regulatory delays related to making it cost-neutral to the federal government. To date, the CDFI fund has guaranteed more than \$2 billion in bond loans. The Bond Guarantee Program was funded at \$500 million in FY25.

Authorized uses of the loans financed may include a variety of financial activities, such as: supporting commercial facilities that promote revitalization, community stability, and job creation/retention; community facilities; the provision of basic financial services; housing that is principally affordable to low-income people; businesses that provide jobs for low-income people or are owned by low-income people; and community or economic development in low-income or underserved rural areas. Since the bonds have a minimum size of \$100 million that is larger than most CDFIs can readily invest, groups of CDFIs can put in joint applications.

## Small Dollar Loan Program

Enacted through the "Small Business Jobs Act of 2010," the Small Dollar Loan Program is intended to expand consumer access to financial institutions by providing alternatives to high-cost, small dollar lending. The program provides unbanked and underbanked populations a safe alternative to payday lenders and helps build credit, access affordable capital, and allow greater access into the financial system.

The Small Dollar Loan Program provides grants to CDFIs to support two types of eligible activities: Grants for Loan Loss Reserves to cover the losses associated with starting a new small dollar loan program or expanding an existing small dollar loan program, and Grants for Technical Assistance to support technology, staff support, and other activities to establish and maintain a small dollar loan program. Awards cannot exceed \$2,500 per loan; must be repaid in installments; cannot have prepayment penalties; must have payments that are reported to at least one of the consumer credit reporting agencies; and must be underwritten to consider the consumer's ability to repay.

The first round of funding under the Small Dollar Loan Program was awarded in 2021. The CDFI Fund awarded \$18 million in grants to CDFIs through the combined fiscal year FY23 and FY24 round of the Small Dollar Loan Program. For the FY24 SDL Program funding round, a total of 66 Certified CDFIs received awards. The Small Dollar Loan Program was funded at \$9 million in FY25.

## Funding

The appropriation for the CDFI Fund in FY25 was \$324 million. The administration's FY26 budget requested \$133 million, a \$191 million decrease from the FY25 enacted level. As of this writing, appropriations subcommittees in both the House (\$276 million) and Senate (\$324 million) have soundly rejected the administration's proposed cuts. This reflects the strong bipartisan support for the Fund in Congress. Applications for CDFI Fund awards consistently exceed the supply of funds. Since 1996, applicants to the CDFI Program have requested more than four times the amount awarded.

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## Forecast for 2026

Given the fiscally constrained environment, it is good news that the FY25 CDFI Fund appropriation was at a maintained level. But advocates fully expect the Trump administration FY27 budget request once again to propose to cut funding dramatically.

## What to Say to Legislators

Advocates should contact members of Congress, especially members of the Senate and House Financial Services and General Government Appropriations Subcommittees, to encourage continued support for at least \$234 million in FY26 and FY27 for the CDFI Fund and an extension of the CDFI Bond Guarantee Program to help meet the demand for financial services and capital in low-income communities.

Finally, CDFIs design innovative products that banks would not offer to close caps in the financial sector, providing homeownership and financial opportunities to underserved individuals and communities. Advocates can play an active role in helping to communicate the proven, positive role of CDFIs in undercapitalized markets.

## For More Information

The CDFI Fund, 202-653-0300, <https://www.cdfifund.gov/Pages/default.aspx>

CDFI Coalition, 202-393-5225, [www.cdfi.org](http://www.cdfi.org)

Opportunity Finance Network, 215-923-4754, [www.ofn.org](http://www.ofn.org)

Housing Partnership Network, 617-720-1999, <http://www.housingpartnership.net>

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*Many links and resources may have been changed or removed from federal websites before this guide was finalized. As a response, this guide provides full URLs to support your web-based research. Please utilize a web archival tool like <https://archive.org> to view links that may not currently be working and research any recent changes and funding cuts to ensure that you have the most current information.*

*Please contact [outreach@nlihc.org](mailto:outreach@nlihc.org) with any questions.*