



CUNA Issue Summary

COMMUNITY DEVELOPMENT FINANCIAL INSTITUTIONS (CDFI) FUND

ISSUE: The CDFI Fund was established in 1994 by the *Riegle Community Development and Regulatory Improvement Act* and is administered by the Treasury Department. It makes capital grants, equity investments and awards for technical assistance to community development financial institutions (CDFIs). Examples of CDFIs include community development banks, community development credit unions, community development loan and venture capital funds, and microenterprise loan funds. CDFIs are required to provide a 1:1 match for most of the awarded funds, which are offered on a competitive basis. CDFIs finance community development initiatives such as small businesses, community facilities, and low-income housing. The CDFI Fund also administers the New Markets Tax Credit program, which provides tax credits to Community Development Entities (CDEs) which in turn provide the tax credits to entities which invest in the CDEs. Among CDFI banks and credit unions, one-half offer alternatives to payday loans, and nearly 40 percent provide check-cashing services to people who do not have accounts with these institutions. On average, each Federal dollar invested in the CDFI Fund leverages an additional 27 dollars in non-Federal funds.

CUNA POSITION: CUNA has worked with the National Federation of Community Development Credit Unions and the Coalition of Community Development Financial Institutions to oppose previous attempts to move administration of the Fund and cut its annual appropriation. CUNA supports keeping the Fund under the administration of the Treasury Department. On average, each dollar invested in the CDFIF leverages \$19 for housing and microbusiness loans, community development banks, and other economic development efforts.

CDFIs are financial intermediaries such as certain credit unions, banks, loan funds, venture capital funds, corporation-based lenders and microenterprise development loan funds. They provide a wide-range of services to meet needs of individuals and businesses in underserved communities.

CDFIs such as Community Development Credit Unions (CDCUs) are charged with supplying low-income, distressed communities with traditional banking services such as savings accounts and personal loans, and offering individuals the tools needed to become self-sufficient stakeholders in their own future.

The CDFI Fund uses small amounts of federal dollars to leverage significant amounts of private and non-federal dollars, and has added a tremendous boost to the CDFI industry (which relies heavily upon private sector funds from corporations, individuals, religious institutions, and private foundations).

Can credit unions use the New Markets Tax Credit (NMTC) program? Yes. Only for-profit community development entities (CDEs) may directly receive the tax credit. However, credit unions and other non-profits may apply for the credit but must first get certified as a CDE.

STATUS/OUTLOOK: On July 16, 2009, the House of Representatives passed the Financial Services and General Government Appropriations Act for fiscal year 2010. It increases funding for the CDFIF to \$244 million, up from its current level of \$107 million. On July 9, 2009, the Senate Appropriations Committee passed S. 1432, its version of the bill, with funding at \$168 million. The Senate is expected to vote on S. 1432 in mid-September. CUNA will continue to lobby the Senate to increase funding for the CDFIF to the House-passed level.

On July 30, 2008, President Bush signed into law the *Housing and Economic Recovery Act of 2008* (H.R. 3221). Included in this omnibus housing bill is a new, separate fund within the CDFIF called the Capital Magnet Fund, creating a permanent trust fund for CDFIs. The Capital Magnet Fund will receive annual allocations from Fannie Mae and Freddie Mac, estimated between \$175 and \$350 million when fully funded in 2012. During the first 3 years, portions of the Capital Magnet fund will be set aside to help the mortgage crisis (100% in 2009, 50% in 2010, and 25% in 2011). The fund will also require that CDFIs show they can leverage \$10 of private funding for every \$1 received from the Capital Magnet Fund.

On February 17, 2009, President Obama signed into law the *American Recovery and Reinvestment Act of 2009*. Included in this legislation was an additional \$100 million in funding for the CDFIF. The law waives the CDFIF match and cap requirements for FY 2009 funding. In addition, it included an additional \$3 billion of New Markets Tax Credit allocation authority that will be evenly divided between the 2008 and 2009 rounds of the program.

CUNA continues to work with the National Federation of Community Development Credit Unions and the Coalition of Community Development Financial Institutions to increase funding for the CDFIF and to make the New Markets Tax Credit permanent and with an annual allocation authority of \$10 billion.

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