This report is a product of the CDFI Data Project (CDP)—an industry collaborative that produces data about community development financial institutions (CDFIs).

The goal of the CDP is to ensure access to and use of data to improve practice and attract resources to the CDFI field. This edition of *Community Development Financial Institutions: Providing Capital, Building Communities, Creating Impact* analyzes fiscal year 2006 data collected through the CDP from 505 CDFIs.

Written by the CDP Publication Committee

Aspen Institute  
Community Development Venture Capital Alliance  
National Community Investment Fund  
National Federation of Community Development Credit Unions  
Opportunity Finance Network

The writers would like to thank the CDP Advisory Committee for its assistance and editorial guidance in this publication.

CDFI Data Project Advisory Committee

Mark Pinsky (Chair)  
Opportunity Finance Network  
Kerwin Tesdell (Vice Chair)  
Community Development Venture Capital Alliance  
Elaine Edgcomb  
Aspen Institute  
Amy McKenna Luz  
Association for Enterprise Opportunity  
Fred Zeytoonjian  
Coalition of Community Development Financial Institutions  
Saurabh Narain  
National Community Investment Fund  
Clifford Rosenthal  
National Federation of Community Development Credit Unions

This publication and the research that was done were funded by the Annie E. Casey Foundation, the John D. and Catherine T. MacArthur Foundation, HSBC Bank USA, and the W. K. Kellogg Foundation. We thank them for their support and acknowledge that the findings and conclusions presented in this report are those of the author(s) alone, and do not necessarily reflect the opinions of these organizations.
Providing Capital  
Building Communities  
Creating Impact  

Complementing this publication are individual brochures that provide more in-depth analysis of the following institution types: community development banks, community development credit unions, community development loan funds, community development venture capital funds, and microenterprise funds.
CDFIs invested $4.75 billion in FY 2006 to create economic opportunity in the form of new high-quality jobs, affordable housing units, community facilities, and financial services for low-income people.

In FY 2006, CDFIs:
- financed and assisted 8,185 businesses, which created or maintained 35,609 jobs;
- facilitated the construction or renovation of 69,893 units of affordable housing;
- built or renovated 750 community facilities in economically disadvantaged communities; and
- provided an estimated 32,738 alternatives to payday loans and helped an estimated 91,180 low-income individuals open their first bank account.

CDFIs serve niche domestic markets throughout the United States that are not adequately served by conventional financial markets. CDFI customers are 51% female, 58% minority, and 70% low income—all much higher proportions than in mainstream financial institutions. Such customers typically have been turned down by conventional financial institutions because they cannot meet the strict collateral or other underwriting requirements.

CDFIs help their customers build credit and join the economic mainstream. CDFIs have an impressive track record of prudently financing what conventional financial institutions consider to be risky low-income communities. CDFIs are adept at managing risk through a combination of solid capital structures and loan loss reserves, close monitoring of portfolios, and provision of technical assistance. In 2006, CDFIs in this study had a net charge-off rate of 0.46%, which compares favorably with the 0.39% 1 net charge-off rate for all FDIC insured financial institutions. Delinquency rates are also relatively low. Banks and loan funds had delinquency rates greater than 90 days of 0.3% and 2.9%, respectively, and credit unions which measure delinquency at 60 days rather than 90 days, had a delinquency of 1.7%.

CDFIs continue to grow and innovate individually and as an industry in response to changes in the market. The 505 CDFIs in this study held $23.1 billion in assets and $15.3 billion in financing outstanding as of fiscal year-end 2006. For the 295 CDFIs for which we have five years of data, financing outstanding grew at a compound annual growth rate (CAGR) of 11% per year. CDFIs are growing at a time of decreasing subsidy available from government sources and financial institutions. CDFIs are finding new ways of using market-rate or near-market-rate capital; using off-balance-sheet financing, and partnerships to fuel this growth.

Financial Leaders, such as Federal Reserve Governor Randall S. Kroszner, have stressed the importance of data collection and standardization to the success of the CDFI industry. At the Community Reinvestment Fund First Annual Forum, April 21, 2008, Kroszner said, “Given the cautious state of financial markets, how can the CDFI industry enhance the attractiveness of CDFI investments to private capital? … For the CDFI industry, the challenges that need to be addressed are improving information about [their] products, developing models of risk and pricing, and standardizing these contracts. Addressing these issues will be critical to jump-start sustainable private CDFI investments as well as to revive the subprime mortgage market.”

---

1 Federal Deposit Insurance Corporation, December 2006.
### Figure 1: Summary of FY 2006 CDP Data

<table>
<thead>
<tr>
<th></th>
<th>All</th>
<th>Bank</th>
<th>Credit Union</th>
<th>Loan Fund</th>
<th>Venture Fund</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Number of CDFIs</strong></td>
<td>505</td>
<td>55</td>
<td>287</td>
<td>146</td>
<td>17</td>
</tr>
<tr>
<td><strong>Total assets</strong></td>
<td>$23,052,188,039</td>
<td>$12,573,908,000</td>
<td>$6,277,590,530</td>
<td>$4,009,216,321</td>
<td>$191,473,188</td>
</tr>
<tr>
<td><strong>Average assets</strong></td>
<td>$45,647,897</td>
<td>$228,616,509</td>
<td>$21,873,138</td>
<td>$27,460,386</td>
<td>$11,263,129</td>
</tr>
<tr>
<td><strong>Total FTEs</strong></td>
<td>8,210</td>
<td>3,709</td>
<td>2,027</td>
<td>2,387</td>
<td>87</td>
</tr>
<tr>
<td><strong>Average FTEs</strong></td>
<td>24.4</td>
<td>67.4</td>
<td>15.7</td>
<td>17.5</td>
<td>5.1</td>
</tr>
<tr>
<td><strong>n</strong></td>
<td>n = 336</td>
<td>n = 55</td>
<td>n = 129</td>
<td>n = 136</td>
<td>n = 17</td>
</tr>
<tr>
<td><strong>Total direct financing outstanding</strong></td>
<td>$15,169,941,339</td>
<td>$7,682,130,088</td>
<td>$4,784,138,049</td>
<td>$2,576,009,237</td>
<td>$127,663,965</td>
</tr>
<tr>
<td><strong>Average direct financing outstanding</strong></td>
<td>$30,099,090</td>
<td>$139,675,093</td>
<td>$16,669,471</td>
<td>$17,765,581</td>
<td>$7,509,645</td>
</tr>
<tr>
<td><strong>% of direct financing outstanding ($)(a)</strong></td>
<td>n = 330</td>
<td>n = 55</td>
<td>n = 129</td>
<td>n = 132</td>
<td>n = 16</td>
</tr>
<tr>
<td>Business</td>
<td>32%</td>
<td>48%</td>
<td>4%</td>
<td>11%</td>
<td>94%</td>
</tr>
<tr>
<td>Community service</td>
<td>3%</td>
<td>1%</td>
<td>1%</td>
<td>15%</td>
<td>2%</td>
</tr>
<tr>
<td>Consumer</td>
<td>14%</td>
<td>3%</td>
<td>60%</td>
<td>0%</td>
<td>0%</td>
</tr>
<tr>
<td>Housing</td>
<td>40%</td>
<td>33%</td>
<td>32%</td>
<td>70%</td>
<td>1%</td>
</tr>
<tr>
<td>Micro</td>
<td>1%</td>
<td>0.03%</td>
<td>1%</td>
<td>3%</td>
<td>1%</td>
</tr>
<tr>
<td>Other</td>
<td>10%</td>
<td>16%</td>
<td>2%</td>
<td>1%</td>
<td>1%</td>
</tr>
<tr>
<td><strong>% of direct financing outstanding (#) (a)</strong></td>
<td>n = 282</td>
<td>n = 16</td>
<td>n = 129</td>
<td>n = 123</td>
<td>n = 15</td>
</tr>
<tr>
<td>Business</td>
<td>3%</td>
<td>33%</td>
<td>0.5%</td>
<td>9%</td>
<td>70%</td>
</tr>
<tr>
<td>Community service</td>
<td>1%</td>
<td>1%</td>
<td>0.4%</td>
<td>5%</td>
<td>4%</td>
</tr>
<tr>
<td>Consumer</td>
<td>77%</td>
<td>38%</td>
<td>88%</td>
<td>3%</td>
<td>0%</td>
</tr>
<tr>
<td>Housing</td>
<td>12%</td>
<td>21%</td>
<td>6%</td>
<td>57%</td>
<td>0%</td>
</tr>
<tr>
<td>Micro</td>
<td>3%</td>
<td>1%</td>
<td>1%</td>
<td>27%</td>
<td>25%</td>
</tr>
<tr>
<td>Other</td>
<td>4%</td>
<td>6%</td>
<td>4%</td>
<td>0.3%</td>
<td>1%</td>
</tr>
<tr>
<td><strong>Net charge-off ratio</strong></td>
<td>0.5%</td>
<td>0.2%</td>
<td>0.7%</td>
<td>0.7%</td>
<td>NA</td>
</tr>
<tr>
<td><strong>Delinquency rate &gt; 90 days</strong></td>
<td>NA</td>
<td>0.3%</td>
<td>NA</td>
<td>2.9%</td>
<td>NA</td>
</tr>
<tr>
<td><strong>Delinquency rate &gt; 2 months</strong></td>
<td>NA</td>
<td>NA</td>
<td>1.7%</td>
<td>NA</td>
<td>NA</td>
</tr>
<tr>
<td><strong>Total capital (b)</strong></td>
<td>$21,262,551,599</td>
<td>$11,417,364,000</td>
<td>$6,208,786,823</td>
<td>$3,379,159,437</td>
<td>$236,994,339</td>
</tr>
<tr>
<td><strong>Average capital</strong></td>
<td>$42,271,474</td>
<td>$207,588,436</td>
<td>$21,633,404</td>
<td>$23,466,385</td>
<td>$16,928,167</td>
</tr>
</tbody>
</table>

Notes: (a) The number of institutions (n) and breakout data are for the CDFIs that provided the breakout data for each category. (b) Total capital for venture funds includes capital committed (and not drawn down).
CDFI Industry Overview

CDFIs are specialized, mission-driven financial institutions that create economic opportunity for individuals and small businesses, quality affordable housing, and essential community services throughout the United States.

An estimated 1,200 CDFIs operate in low-wealth communities in all 50 states, the District of Columbia, and Puerto Rico. These organizations provide affordable banking services to individuals and finance small businesses, affordable housing, and community services that, in turn, help stabilize neighborhoods and alleviate poverty. In addition, CDFIs provide credit counseling to consumers and technical assistance to small business owners and housing developers to help them use their financing effectively.

CDFI customers include a range of individuals and organizations:

- **Small business owners** who bring quality employment opportunities and needed services to economically disadvantaged communities
- **Affordable housing developers** who construct and rehabilitate homes that are affordable to low-income families
- **Community service providers** which provide child care, health care, education, training, arts, and social services in underserved communities
- **Individuals** who require affordable banking services, including basic checking and savings accounts, responsible alternatives to predatory financial companies, mortgages, and other kinds of loans

**Why Are CDFIs Needed?**

A growing gap exists between the financial services available to the economic mainstream and those offered to low-income people and communities. As mainstream lenders have increasingly consolidated and streamlined their operations, their connections to local communities have diminished. Millions of families today have no relationship with mainstream lenders. This exacerbates long-standing difficulties that low-income families, and the nonprofit institutions that serve them, have had in accessing credit and financial services. In the absence of conventional financial service providers, high-cost check-cashing services and payday lenders have moved into low-income communities. These institutions prey on unsophisticated borrowers, draining wealth from distressed neighborhoods and contributing to the growing economic inequality in the United States. Payday lenders offer quick cash but charge exorbitant interest rates. Check-cashing companies are increasingly becoming the financial service institutions of choice for low-income people, creating a dual system for delivery of financial services. CDFIs offer responsible alternatives to these predatory lenders, providing necessary products and services at a fraction of the cost to consumers.

In addition, mainstream financial institutions do not sufficiently meet the capital needs of nonprofit organizations that provide critical community services and of small businesses that employ people and provide services in emerging domestic markets. Such organizations often have neither enough collateral to meet conventional banking standards nor the capacity and resources to borrow from banks.

CDFIs use flexible capital products, coupled with critical technical assistance, to serve these markets while also managing their risks. CDFI activities fit into two broad categories. First, all CDFIs provide financial services, including such activities as loans, equity investments, deposits, and consumer financial products. Second, virtually all CDFIs provide nonfinancial services. For some organizations, these services represent a substantial portion of fairly modest complements to their larger financial service activities; for others, they represent a substantial portion of the organization’s work. Such activities include entrepreneurial education, organizational development, homeownership counseling, savings programs, and financial literacy training.

**The Four Types of CDFIs**

As with mainstream lenders, a variety of institutions has evolved to serve the broad range of needs in emerging domestic markets. Although these institutions share a common vision of expanding economic opportunity and improving the quality of life for low-income people and communities, the four types of CDFIs—banks, credit unions, loan funds, and venture capital (VC) funds—are characterized by different business models and legal structures.

- **Community development banks** provide capital to rebuild economically distressed communities through targeted lending and investing. They are for-profit corporations with community representation on their boards of directors. Depending on their individual charters, such banks are regulated by some combination of the Federal Deposit Insurance Corporation (FDIC), the Federal Reserve, the Office of the Comptroller of the Currency, the Office of Thrift Supervision, and state banking agencies. Their deposits are insured by the FDIC.
Community development credit unions (CDCUs) promote ownership of assets and savings and provide affordable credit and retail financial services to low-income people, often with special outreach to minority communities. They are nonprofit financial cooperatives owned by their members. Credit unions are regulated by the National Credit Union Administration (NCUA), an independent federal agency, by state agencies, or by both. In most institutions, deposits are also insured by NCUA.

Community development loan funds (CDLFs) provide financing and development services to businesses, organizations, and individuals in low-income communities. There are four main types of loan funds, defined by the clients they serve: microenterprise, small business, housing, and community service organizations. Increasingly, loan funds serve more than one type of client in a single institution. CDLFs tend to be nonprofit and governed by boards of directors with community representation.

Community development venture capital (CDVC) funds provide equity and debt with equity features for small and medium-sized businesses in distressed communities. They can be either for profit or nonprofit and include community representation. Within certain constraints, CDFIs choose the corporate structure that maximizes value and resources to the people and communities they serve. The different corporate structures allow for different capitalization products, financing products, and regulations.

Community development banks are all for-profit entities, whereas CDCUs are nonprofit cooperatives with members (and customers) as shareholders. Nearly all of the depositories—credit unions and banks—are regulated by state or federal agencies (or both) and use insured deposits and shares to capitalize their organizations.

The vast majority of CDLFs (96%) are nonprofit. The CDVC field is the most varied, with 67% structured as for profit, 27% as nonprofit, and the remaining as quasi-government. The for-profit category includes limited liability companies (LLCs), limited partnerships (LPs), and C corporations among its corporate structures. The loan funds and venture funds are unregulated institutions.

Timeline of CDFIs
The roots of the CDFI industry go back to the early 1900s. Some of the first CDFIs were depository institutions that collected savings from the communities they served to make capital for loans available to those communities. Credit unions and banks dominated the field until the 1960s and 1970s, when community development corporations and CDLFs emerged to make capital available for small businesses and affordable housing developers.

In the past few years, the industry has continued to slow in terms of the growth of new CDFIs, while consolidating and growing existing CDFIs. From 2003 to 2006, 20 new CDFIs were established (in our sample), compared with 36 established in the prior three years (2000, 2001, and 2002). In addition, the industry has in the past few years experienced its first mergers, including some high-profile ones in loan funds, banks, and credit unions. We expect that trend to continue in the next few years. While industry growth in the number of CDFIs has slowed, the areas covered by individual CDFIs has grown.

The four institution types have distinct histories and growth trajectories (see Figure 2). Community development banks and credit unions are the most mature sectors, with institutions dating back to the turn of the 20th century. They have had slow and steady growth for the past several decades. Loan funds are much newer, with 78% of this sector established in the 1980s and 1990s and 12% established after 2000. Venture capital funds are newer still: only one VC fund in this study began financing before 1995. In the 1990s, the CDFI industry grew significantly: 33% of the CDFIs in our sample were established after 1990.

The CDFI Fund
The main factor that contributed significantly to the CDFI growth of the 1990s was the creation and subsequent growth of the CDFI Fund. In 1994, the federal government established the CDFI Fund as a new program within the U.S. Department of Treasury. The CDFI Fund is now one of the largest single sources of funding for CDFIs and the largest source of hard-to-get equity capital. It plays an important role in attracting and securing private dollars for CDFIs by requiring them to match their award with nonfederal funds. The CDFI Fund certifies CDFIs and operates four funding programs: the CDFI Program, the Bank Enterprise Award (BEA) Program, the New Markets Tax Credit Program (NMTC), and the Native American CDFI Assistance (NACA) Program.

The CDFI Fund reports that, in FY 2005 alone, CDFIs leveraged each appropriated financial assistance (FA) dollar from the CDFI Fund with $27 in private and other non-CDFI Fund dollars, in effect using $51 million in FA disbursements to leverage $1.4 billion private and non-CDFI Fund dollars. Since 1995, its first year of funding, the Fund has made more than $820 million in awards to CDFIs.

Figure 2: Number of CDFIs Established by Decade

Note: Year is year of charter for credit unions and year the institution started financing for other sectors.
and financial institutions through the CDFI and BEA programs. It has also awarded allocations of New Markets Tax Credits, which will attract private-sector investments totaling $12.1 billion, including $600 million for the Gulf Opportunity Zone. Although the CDFI Fund’s funding has decreased under the Bush administration, the CDFI industry has garnered bipartisan support in Congress, where the importance of CDFIs in emerging domestic markets throughout the United States is understood. As a result of this bipartisan support, for FY 2008, the CDFI Fund was appropriated $94 million, as compared to $54 million in FY 2007.

Community Reinvestment Act

In addition to the CDFI Fund, the federal government strengthened provisions and enforcement of the Community Reinvestment Act (CRA) during the 1990s. In particular, the 1995 CRA regulations which classified loans and investments in CDFIs as qualifying CRA activity, have led to the growth of banks as a critical source of capital for CDFIs.

Native CDFIs

A range of CDFIs has also emerged to serve the needs of Native populations in the past couple of years. Serving these communities entails unique challenges because of the concentration of poverty, reservation-based economies, and tribal governance. Despite the challenges, the Native CDFI industry continues to grow. There are currently 42 certified Native CDFIs, up from nine in 2001. Of those CDFIs, 29 are loan funds, six are banks, six are credit unions, and one is an intermediary. There are also many emerging Native CDFIs that are not yet certified. Unlike the growth of the CDFI industry, in which the first CDFIs were depositories, the Native CDFI sector began with mostly loan funds, followed by the growth of Native credit unions.

The CDFI Fund has helped this field grow by providing targeted funding for Native communities. Since 2002 the CDFI Fund has made 148 awards totaling $23.1 million through its various funding programs aimed at benefiting Native communities. In addition, the CDFI Fund has awarded over $7.5 million in contracts to organizations that provide capacity-building and financial services training programs that are focused on Native communities.

My IDA savings allowed my business to grow into a two-truck, two-member crew business with regular staff on payroll,” explains Stacey Hart, founder and owner of Hart Landscaping.

After graduating from Cabrillo College with a master gardener degree and a certificate in permaculture design, Hart started Hart Landscaping, operating it with a mission to manage projects with minimal waste and negative environmental impact to the land. Hart and her staff use each opportunity to educate clients to think about their landscape as a place of peace and refuge for humans and wildlife at the same time.

“I learned the business of starting a landscaping company through Cabrillo College coursework, but I learned the value of saving money, careful bookkeeping, and planning and sticking to a budget from the IDA program. I also learned the wise use of credit. I refinanced my truck through the Credit Union, establishing a relationship with SCCCU.

“The IDA program coordinator suggested that I get a line of credit to consolidate debt and increase business cash flow at a lower rate than other loans I had. I’ve used my IDA savings to buy a computer and software, for extensive marketing and general business supplies—all with the goal of increasing business.”

The Santa Cruz Community Credit Union (SCCCU) is a nonprofit financial cooperative that promotes economic justice. SCCCU is democratically owned and controlled by its members. SCCCU’s highest priority is to meet the needs of low-income people through the development of microenterprises, small businesses, worker-controlled businesses, nonprofits, and organizations improving the quality of life in the community.

Footnotes:
1 The Community Reinvestment Act of 1977 places responsibilities on depository institutions to lend to, invest in, and serve all of the communities in which they receive deposits from customers.
2 Data provided by First Nations Oweesta Corporation, which provides training, technical assistance, investments research, and advocacy for the development of Native CDFIs and other support to organizations in Native communities; www.oweesta.org.
The FY 2006 CDP data set represents 505 of the approximately 1,200 CDFIs operating in the United States.

The CDP estimates that there are approximately 360 community development banks, 290 CDCUs, 500 CDLFs, and 80 CDVC funds.

**Asset Size of CDFIs**
The CDFIs in this study managed $23.1 billion in assets at the end of FY 2006 (see Figure 4 for a breakout by institution type). Although that number represents a significant amount of capital for emerging domestic communities, it is still quite modest compared with the mainstream financial sector. As of December 31, 2006, FDIC insured financial institutions alone controlled nearly $11.9 trillion in assets. Thus, although the growth of the CDFI industry over the past decade is significant in relative terms, it remains a specialized, niche player in the wider financial services industry.

Institution size varies substantially across and within the four types of CDFIs. CDCUs include a large number of small organizations—the inverse of the community development banks. For example, 55 community development banks together hold almost double the assets ($12.6 billion) of the 287 credit unions ($6.3 billion). The median bank holds more than $135 million in assets, while the median credit union holds only $2.6 million. Loan funds represent 17% of the assets in sample (or $4.0 billion), with a median size of $9.1 million. Venture funds also tend to be small institutions relative to banks. Specializing in the niche products of equity and near equity, they managed less than 1% of total assets reported, with a median asset size of $6.7 million.

**Distribution of Assets**
A small number of CDFIs holds a substantial portion of the field’s total assets. The largest five CDFIs control 28% of the sample’s assets, and the largest 10 control 38% (see Figure 5). The largest five CDFIs include institutions in three of the four sectors: three banks, one loan fund, and one credit union.

Although most organizations (61%) in the field have less than $10 million in assets and 46% have less than $5 million in assets, overall industry results are skewed by a handful of very large institutions. Of the 51 CDFIs with more than $100 million in assets, six are loan funds, 12 are credit unions, and 33 are banks.
Capitalization

CDFIs managed more than $21.3 billion of capital at the end of FY 2006. The different types of CDFIs have very different capital structures. Loan funds receive the greatest percentage of capital in the form of borrowed funds (63%), venture funds in the form of equity capital (84%), credit unions in the form of shares (85%), and banks in the form of member deposits (88%). (See Figure 6.)

Markets Served

CDFIs tend to concentrate in certain areas of the country. The Northeast, the Upper Midwest, Texas, and California each has a high concentration of CDFIs, with New York, California, Texas, Pennsylvania, and Illinois having the greatest number of CDFIs. CDFI financing activity likewise concentrates in these areas. Five states—Texas, California, New York, North Carolina, and Minnesota—are home to the CDFIs that did 57% of total financing activity in FY 2006.6 CDFIs in our study are located in 49 states, the District of Columbia, and Puerto Rico.

CDFIs serve a mix of rural and urban markets across the country, with 39% of CDFI clients being in major urban areas,7 32% in rural areas, and 29% in minor urban areas (see Figure 7).8 All of the CDFI types have fairly similar patterns of geographical coverage, with rural having the least variation ranging from banks serving 26% to loan funds serving 35% and major urban having the most variation ranging from venture capital funds at 34% to banks at 54%.

In the FY 2006 data set 286 CDFIs reported the breakout of the geographic area they serve. Ninety-six (34%) reported serving primarily a rural market,9 and 190 (66%) reported serving primarily an urban area (See Figure 8). A total of 36 CDFIs serve a 100% rural market and 48 CDFIs serve a 95% rural market. The CDFIs that serve a 100% rural market include 19 credit unions, 15 loan funds, and two banks. Twenty-five CDFIs report serving a 100% minor urban area. Over time, more CDFIs have begun serving minor urban areas as CDFIs in rural and urban areas expand to neighboring counties and cities.

The scope of the geographical markets served by CDFI types varies significantly, ranging from a city or town to a national service area (see Figure 9). In general, credit unions tend to serve smaller geographical markets, including cities, towns, and metropolitan areas, because their customers are typically in close proximity to the credit union, often going to the actual credit union branch for services. Venture funds, on the other hand, cover larger geographical areas. Eighty-two percent serve a state, multistate, or national service area because their specialized equity products require a larger market area to operate efficiently. Loan funds vary in their markets served, with 59% serving either a single state or multiple counties. Many loan funds began by serving a smaller area but have since developed niche products and have expanded to a larger service area. Twelve percent of venture capital funds and 9% of loan funds serve national service areas. Most of these originally had smaller markets and expanded to national markets as they grew.

---

6 Although 116 CDFIs in our study serve a multicounty, multistate, or national population, all of their financing is captured in the state where the CDFI is located.
7 Major urban area is defined as a metropolitan statistical area of greater than 1 million residents.
8 Minor urban area is defined as a metropolitan statistical area of less than 1 million residents.
9 CDFIs that cover 50% rural and 50% urban areas are considered to serve a primarily rural area.
CDFIs reach many individuals and communities that other institutions overlook. CDFIs strive for—and achieve—social and economic benefits that align with their institutional missions.

The benefits CDFIs bring to communities range from job creation and increased home-ownership rates to helping individuals open their first bank account, to improved financial literacy and entrepreneurial skills, and to ready access to fairly priced financial services in markets not typically served by regulated financial institutions.

CDFI Client Characteristics
CDFIs are successful in reaching customer groups that others overlook—low-income families, minorities, and women, in particular. Seventy percent of CDFI clients are low income, 58% are minorities, and 51% are women (see Figure 10). Credit unions and loan funds served the highest percentage of low-income clients (74%). Credit unions also had the highest percentage of minority and female clients, showing their reach and accessibility to a broad spectrum of typically underserved populations.

CDFI Outcomes
CDFI financing can be broken into six sectors; microenterprise, small and medium-sized business, community services, housing, consumer and other (see Figure 11 for a breakout by sector). Each sector has its own set of outcomes.

Microenterprise
- $105 million outstanding at fiscal year-end (FYE) 2006
- 11,777 transactions outstanding at FYE 2006

Microenterprise development includes financing to businesses that have five or fewer employees and a maximum loan or investment of $35,000. This financing is typically for working capital, or equipment purchase. Clients are typically low- or moderate-income individuals in the very early stages of small business development. They have a skill or idea that they want to turn into a business, but lack the required capital and/or technical and management expertise. Most CDFIs that assist microenterprises provide substantial technical assistance, such as entrepreneurial training, business coaching, and networking opportunities. Microenterprise loans help provide self-employment opportunities for entrepreneurs, many of whom would not have the opportunity without this financing.

One hundred and twenty-two institutions in our sample reported outstanding microenterprise financing in FY 2006. Of these institutions, 77 were loan funds, 42 were credit unions, two were banks, and one was a venture capital fund. Microenterprise financing is characterized by a high number of transactions and relatively small dollar amounts of loans. For the loan fund sector in FY 2006, microenterprise financing accounted for only 3% of financing in dollars outstanding but 27% in terms of the number of loans.

Figure 10: Customer Profile by Institution Type

<table>
<thead>
<tr>
<th>Institution Type</th>
<th>Low Income</th>
<th>Female</th>
<th>Minority</th>
</tr>
</thead>
<tbody>
<tr>
<td>All</td>
<td>58%</td>
<td>70%</td>
<td>65%</td>
</tr>
<tr>
<td>Bank</td>
<td>37%</td>
<td>37%</td>
<td>37%</td>
</tr>
<tr>
<td>Credit union</td>
<td>58%</td>
<td>74%</td>
<td>74%</td>
</tr>
<tr>
<td>Loan fund</td>
<td>48%</td>
<td>47%</td>
<td>47%</td>
</tr>
<tr>
<td>Venture capital</td>
<td>33%</td>
<td>25%</td>
<td>41%</td>
</tr>
</tbody>
</table>

Figure 11: Financing Outstanding by Sector

<table>
<thead>
<tr>
<th>Sector</th>
<th>% Low Income</th>
<th>% Female</th>
<th>% Minority</th>
</tr>
</thead>
<tbody>
<tr>
<td>Business</td>
<td>3%</td>
<td>32%</td>
<td>77%</td>
</tr>
<tr>
<td>Community service</td>
<td>1%</td>
<td>3%</td>
<td>14%</td>
</tr>
<tr>
<td>Consumer</td>
<td>12%</td>
<td>14%</td>
<td>40%</td>
</tr>
<tr>
<td>Housing</td>
<td>3%</td>
<td>11%</td>
<td>4%</td>
</tr>
<tr>
<td>Micro</td>
<td>4%</td>
<td>10%</td>
<td>10%</td>
</tr>
<tr>
<td>Other</td>
<td>10%</td>
<td>10%</td>
<td>10%</td>
</tr>
</tbody>
</table>

10 Several CDFIs cannot break out their financing outstanding into these sectors; therefore, the total figures in each sector underrepresent the total financing activity among sectors.
Small and Medium-Sized Businesses

- $4.2 billion outstanding at FYE 2006
- 9,992 transactions outstanding at FYE 2006
- 8,185 businesses and microenterprises financed in FY 2006\(^i\)
- 35,609 jobs created and maintained in FY 2006\(^j\)

Small and medium-sized business development includes loans and equity investments to businesses that have more than five employees or that have financing needs greater than $35,000. CDFIs consider the benefits of financing, such as how many jobs will be created, what kind of salaries and benefits are offered, whether the business is located in and provides services to a disinvested location, and what the environmental impact of the business will be.

In our sample, 183 CDFIs provided business financing, including all 17 VC funds and all 55 banks. The amount of business financing outstanding increased substantially from previous years as more community development banks provided their financing breakout. Business financing represents virtually all (94%) of the dollar amount of venture fund financing outstanding and the largest amount of bank financing (48%).

The CDFIs in our study that financed both microenterprise and small and medium-sized businesses created and maintained more than 35,609 jobs.\(^k\)

Housing

- $5.1 billion outstanding at FYE 2006
- 41,193 transactions outstanding at FYE 2006
- 69,893 housing units assisted in FY 2006

Housing financing among CDFIs includes two primary subcategories: financing to housing developers and direct mortgage lending to low-income individuals.

CDFIs make loans to housing developers for predevelopment, acquisition, construction, renovation, working capital, and mortgages. These loans support the development of rental housing, service-enriched housing, transitional housing, and residential housing. With a rapidly shrinking supply of affordable housing to low-income families in both the rental and ownership markets, this effort addresses a critical need in many communities. CDFIs facilitated the construction or renovation of 69,893 units\(^l\) of affordable housing in 2006, with 89% of the activity reported from CDLFs. These affordable housing units typically provide for monthly payments that run less than 30% of a household’s monthly income and enable low-income individuals to own or rent quality housing while preserving sufficient income to pay for other critical products and services.

CDFIs also provide loans to low-income families who cannot qualify for a mortgage from the mainstream financial sector. Many CDFIs providing direct mortgage financing also offer homeownership counseling or other services. CDFIs provide this mortgage financing as an affordable product to home buyers and act as an alternative to predatory lenders in the community.

Housing financing is the largest sector, accounting for $2.6 billion, or 40% of the sample’s total dollar amount of financing outstanding broken out by sector. Banks, credit unions, and loan funds all provide substantial amounts of housing financing. Of the top 10 CDFIs to report financing outstanding for housing, five were banks, three were loan funds, and two were credit unions. Credit unions primarily provide mortgage loans to individuals, and loan funds primarily provide loans to housing developers, although there are a growing number of loan funds providing mortgage products as well.

Community Services

- $442 million outstanding at FYE 2006
- 3,098 transactions outstanding at FYE 2006
- 750 community service organizations financed in FY 2006

CDFIs supply financing to community services—human and social service agencies, advocacy organizations, cultural facilities, religious organizations, health care providers, child care centers, and education providers—that offer critical and much-needed services to low-income people and communities. Many community service providers have one or more niche markets in which they operate. This expertise enables them to provide critical advice on issues affecting the particular industry. The borrowers, which are primarily nonprofits, often require some form of technical assistance, such as cash flow forecasting or securing other funds.

Seventy-one CDFIs in our sample provided community service financing, with a majority (49) being loan funds. Community service financing accounted for 3% of all CDFI financing outstanding in FY 2006.

In 2006, CDFIs financed 750 community facilities. CDFIs have an impact on a greater number of education slots each year because of the increased lending to charter schools across the country. Many CDFIs are using the CDFI Fund’s New Markets Tax Credit Program to finance charter schools and other community facilities.

Personal Development

- $1.8 billion outstanding at FYE 2006
- 270,011 transactions outstanding at FY 2006
- 24,188 payday loan alternatives in FY 2006

Consumer financial services are for individuals; they include all personal loans for health, education, emergency, debt-consolidation, transportation, and other consumer purposes. In many low-income communities, such services are provided not by mainstream lenders but by institutions that specialize in check cashing, payday lending, and wire transfers at predatory rates. CDFIs also provide nonfinancial services, such as financial literacy training or programs that encourage savings.

Almost all of the credit unions (98%) and banks (96%) as well as five other CDFIs provided personal development, or consumer, financing. Similar to microenterprise financing, consumer financing is characterized by a high number of transactions and relatively small dollar amounts of loans. The consumer financing sector accounts for 77% of all CDFI transactions in our sample but only 14% of the dollar amount of transactions. The median loan size of $4,875 is substantially lower than that in any of the other financing sectors and is less than half of the median microenterprise loan. Many of these loans are to people who have not previously had a relationship with a financial institution and who do not have a credit history.

---

\(^i\) FY 2006 survey data asked for the number of businesses or microenterprises financed, not breaking out this number.

\(^j\) This number includes jobs created and maintained by microenterprises in FY 2006.

\(^k\) This figure is significantly underreported. Many reporting CDFIs do not track job figures, some that do track jobs do not include self-employed microentrepreneurs in their job counts and job data is not available from the 159 credit unions for which we have only call report data (see Appendix A).

\(^l\) Because CDCUs generally do not track housing units (and these data were not reported from those that did not complete the CDCU survey), housing units are substantially underreported for credit unions.
CDFIs deliver a range of products to meet the needs of their communities, including financing products, retail and depository services (such as checking, savings and individual retirement accounts), training and technical assistance, and advocacy and research.

Most CDFIs have strong market knowledge and long-term relationships with clients, which help them develop the right mix of products for their markets.

**FY 2006 Financing Totals**

At the end of 2006, the CDFIs in our study had 569,078 financial investments outstanding, totaling $15.3 billion. These financial investments include direct financing (loans, equity investments, and debt with equity features) and indirect financing (financing made by other financial institutions in which CDFI intervention [i.e., loan purchase or guarantee] allows the financial institutions to finance additional community development loans and investments).

The amount of financing outstanding among individual CDFIs ranged widely, with an average of $30.3 million. Again, the larger institutions account for a disproportionate share of financing. Ten CDFIs account for 39% of total financing outstanding, and 20 CDFIs account for 52% of total financing.

CDFIs generated $4.7 billion of new financing activity in 2006: $4.3 billion of direct financing and $452 million in indirect financing. Not only have more CDFIs begun purchasing loans, more are also selling them. Fifty CDFIs, including banks, credit unions, and loan funds, report selling loans totaling $677 million, with one CDFI selling over 60% of these loans. CDFIs are selling loans to CDFI intermediaries, government-sponsored entities like Fannie Mae and Freddie Mac, and conventional financial institutions.

In addition, many more CDFIs are leveraging their core expertise to provide underwriting and loan servicing to third-parties such as banks, foundations, government entities, and even other CDFIs. These services help the third-parties invest more in community development projects while providing an income stream for CDFIs. In FY 2006, 30 community development loan funds and one community development bank provided loan servicing on portfolios totaling $503 million. Twenty-eight loan funds and one bank underwrote $178 million in loans for third parties. The number of CDFIs underwriting and servicing loans for third parties has been growing and is expected to continue to do so.

**Financing Products Offered**

CDFIs use four primary types of financing products to serve their communities: loans, equity investments, debt with equity features, and guarantee.

<table>
<thead>
<tr>
<th>Figure 12: FY 2006 Financing Totals</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong># Respondents</strong></td>
</tr>
<tr>
<td>Total financing outstanding in FY 2006 ($)</td>
</tr>
<tr>
<td>Total financing outstanding in FY 2006 (#)</td>
</tr>
<tr>
<td>Total financing closed in FY 2006 ($)</td>
</tr>
</tbody>
</table>

Note: Total financing outstanding includes loans, investments, and guarantees outstanding. Total financing closed includes direct investments (loans and investments) and indirect investments (guarantees and loans purchased).
**Loans**

Loans are far and away the most used tool by CDFIs, representing $15.1 billion, nearly 99% of all financing outstanding (see Figure 13). Loans represent virtually all financing from loan funds, credit unions, and banks. The only exception is CDVCs, which are designed primarily for equity and near-equity investments.

CDFI loans include short-term (fewer than six months) and long-term (up to 30 years) amortizing and balloon, and small (less than $500) and large (more than $1 million) loans. Loan size varies greatly by the type of CDFI, mainly according to the sectors and clients the CDFI serves (see Figure 14). For example, CDCUs primarily provide small loans to members; as such, the average loan size at credit unions is significantly smaller than at other CDFI types. CDVCs have a larger average loan size, as they typically provide larger loans, coupled with equity investments, to high-growth-potential businesses that have substantial needs for working capital, equipment, or acquisition financing.

As indicated in Figures 14 and 15, the median loan and investment sizes for CDFIs have been increasing over time. As CDFIs have increased their capital, resources, and capacity, they have been able to provide larger loans, in addition to the usual smaller loans, to businesses and individuals. The largest increase has been in the community services sector, increasing from $75,000 in 2002 to $126,951 in 2006. This increase results, in part, from several CDFIs that are involved in financing large charter school deals.

**Equity and Debt-with-Equity Investments**

Equity investments are an important tool for CDFIs that finance high-growth-potential businesses that offer financial and social returns for low-income people and communities. Equity investments are made in for-profit companies that give the CDFI an ownership interest in the company in exchange for the capital. With an equity investment, the CDFI shares both the risk and the potential financial gain that the business experiences. The relatively recent emergence of equity as a community development finance tool is reflected in the comparatively modest numbers shown for this type of investing. Credit unions and banks do not use equity financing.

Debt-with-equity features are loans that allow the CDFI to receive additional payments based on the performance of the borrower’s company. Equity features include convertible debt, as well as warrants, participation agreements, royalties, or any other features that links the investment’s rate of return to the performance of the company that received the investment. Debt with equity is used primarily by VC funds, but a small number of loan funds use it as well. Seven loan funds reported having $7.9 million of debt-with-equity outstanding at FYE 2006.

Most equity investment is concentrated in the VC sector: the $110 million in 322 equity and debt-with-equity investments outstanding represents less than 1% of the overall CDFI financing but 70% of VC financing for the 17 venture funds in the CDP sample. In FY 2006, 14 CDFIs closed on $7.4 million in new equity and debt-with-equity transactions. Seventy-nine percent of the equity and debt-with-equity investments originated in FY 2006 by the CDFIs in the CDP sample were originated by VC funds. Ten loan funds made the remaining 21% of equity investments and debt-with-equity investments that were closed in FY 2006. Some of these loan funds have VC programs within the same corporate structure as the lending entity. Venture Capital funds make much larger equity and debt-with-equity investments. The median equity and debt-with-equity investment size outstanding at venture funds was more than $464,000, and the median at loan funds was less than $121,000.

---

**Figure 13: Financing Outstanding by Financial Product Type**

<table>
<thead>
<tr>
<th>Product Type</th>
<th>Millions of Dollars</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Loans</td>
<td>$15,060</td>
<td>98.5%</td>
</tr>
<tr>
<td>Other</td>
<td>$222</td>
<td>1.5%</td>
</tr>
</tbody>
</table>

**Figure 14: Median Direct Loan and Investment Size by Institution Type, 2002 and 2006**

**Figure 15: Median Direct Loan and Investment Size by Sector, 2002 and 2006**

Note: The CDP collects data on average loan size per CDFI. The median loan size represents the middle (or typical) loan size of the CDFIs in that sector.

---

15 Community development venture capital funds did not break out debt-with-equity investments from equity investments for FY 2006.
16 The venture funds that responded to the CDP survey represent less than a quarter of the overall CDVC industry, as estimated by the Community Development Venture Capital Alliance, the industry’s trade association.
17 Some CDFIs are classified as loan funds and have programs within their organizations that do VC investing. Some CDVCs are listed as VC funds and do a substantial amount of lending. Therefore, the VC fund and loan fund categories may underrepresent the lending and equity investments of CDFIs.
Eight years ago, Colorado Enterprise Fund (CEF) gave Gene and Brenda Kloke a $15,000 microloan for what was then a mom-and-pop auto repair business.

As the company grew, CEF loaned more than $230,000 to fund the business and to purchase land and construct a building to house its operations. Today, the company has 16 employees and annual revenues top $2.5 million—in $600,000 when the Klokies first came to CEF. In 2006, the business qualified for bank financing and a New Markets Tax Credit loan and paid off CEF.

“Having this business has changed our life. Colorado Enterprise Fund has been right there to help us along the way, all the way.”

Gene Kloke
Owner, Autoworks International

Since its founding in 1976, the Colorado Enterprise Fund has been helping people build successful small businesses. Originally created to stimulate economic development in low-income, inner-city neighborhoods in Denver, CEF now serves the entire state, making loans and providing management assistance to businesses that do not qualify for traditional financing. The organization also finances and supports the development of child care businesses. In 2006, 81% of CEF’s loans were to low-income business owners, and 64% to women-owned businesses.

Guarantees

Guarantees include letters of credit or guaranties provided to enhance the creditworthiness of a borrower receiving a loan from a third-party lender. CDFIs in our sample had $112 million in guarantees at the end of 2006. Guarantees and letters of credit come in different structures, but all enable other financial institutions to participate in more community development lending activity, because a loan or a portion of the loan that the financial institution makes is guaranteed to be repaid by the CDFI in the event of default. Some are tied to a specific program (e.g., the Small Business Administration or the State of California Trust Fund), and some are part of a CDFI’s general product mix. Guarantees also help keep interest rates reasonable, as the financial institution is not taking as great a risk because of the guarantee. Three CDFIs, two loan funds and one bank, represent a large majority—79%—of the guarantees outstanding. In total, 19 CDFIs reported issuing guarantees, including 17 loan funds and two banks.

Portfolio Performance

For the industry as a whole, portfolio performance has been strong and consistent during the past several years. Figure 16 demonstrates delinquencies and loan losses at banks, credit unions, and loan funds. CDCUs measure delinquency rates by different metrics than do loan funds and banks. Delinquency and loan losses are not reported for VC funds, as they measure portfolio performance by the overall return on the fund. Overall, the net loan loss rate¹⁸ for these groups of CDFIs was 0.46%, ranging from a total of 0.2% in the bank sector to 0.7% for the credit union and loan fund sectors; this matches the net loan loss ratio of 0.46% at conventional financial institutions in 2006.

While there is substantial variation among CDFIs, only 16 CDFIs, or 3% of the 480 banks, credit unions, and loan funds that reported such data, had a net loan loss rate greater than 10%. Figure 17 demonstrates how the loss rate for the overall industry has slowly declined during the past few years.

---

¹⁸ Net loan loss rate is the net charge-offs during FY 2005/total loans outstanding at FYE 2005.
CDFI delinquency rates are somewhat higher than their net charge-off rates. CDFIs are able to manage delinquencies through technical assistance and frequent contact and monitoring of their borrowers. CDFIs also keep adequate loan loss to further protect their investors.

Financial Services
Banks and credit unions mobilize savings and provide access to credit. The CDP collected data on deposit and transaction products from credit unions and eight banks for FY 2006. Those institutions offered a broad range of products, such as savings accounts, checking accounts, certificates of deposit, and IRAs, as well as client services, such as automated teller machine (ATM) access, check cashing, bill payment, and direct deposit. They have also crafted products unique to the field, such as individual development accounts (IDAs), which use a mix of financial education, peer support, and matching funds to promote savings among low-income customers that can be used to invest in homeownership, small business development, or education.

Alternatives to payday loans—exorbitantly high-interest, short-term loans secured by the borrower’s next paycheck—are important products offered by depository institutions and are reported by 38% of the banks and credit unions. Although many customers view these depositories as being just like any other financial institution, the difference lies in the customer base and the communities that the organizations seek to serve. This can be seen in the 77% of banks and credit unions that reported making loans to individuals without credit histories.

Training and Technical Assistance Services
In addition to providing access to capital and retail financial services, CDFIs are distinct from mainstream lenders because they provide training, technical assistance, and other assistance to help increase their customers’ capacity and access to financing. The type and amount of training and technical assistance a CDFI offers depend on the needs in its market, whether those needs include packaging funding for an affordable housing developer, business plan training for an entrepreneur, or credit counseling for an individual. CDFIs provided more than 5,800 organizations and 136,000 individuals with group-based training and one-on-one technical assistance.19

---

19 These numbers and the numbers in Figure 18 are only for CDFIs that completed the survey. Technical assistance numbers in the credit union brochure include estimates for CDCUs that did not complete the survey.

---

**Figure 18: Financial Products and Services at Depositories**

<table>
<thead>
<tr>
<th>% of institutions reporting</th>
<th>Alternative to payday loan</th>
<th>Loans to people with no credit history</th>
</tr>
</thead>
<tbody>
<tr>
<td>20%</td>
<td>38%</td>
<td>77%</td>
</tr>
</tbody>
</table>

**Figure 19: Training and Technical Assistance**

<table>
<thead>
<tr>
<th>People or Organizations</th>
<th>CDFIs Reporting</th>
</tr>
</thead>
<tbody>
<tr>
<td>People receiving group-based training</td>
<td>73,149 161</td>
</tr>
<tr>
<td>People receiving one-on-one technical assistance</td>
<td>63,454 172</td>
</tr>
<tr>
<td>Organizations receiving training</td>
<td>5,821 122</td>
</tr>
</tbody>
</table>
CDFI Growth from 2002 to 2006

CDFIs experienced growth in the past five years. For the 300 CDFIs for which we have five years of data, assets grew at a compound annual growth rate (CAGR)\(^{20}\) of 9% between 2002 and 2006; for the 295 CDFIs for which we have five years of financing outstanding data, financing outstanding grew by 11% (see Figure 20).

CAGRs at individual CDFIs varied significantly. Twenty-four percent of the sample experienced CAGRs in financing outstanding from 2002 to 2006 of greater than 25% (see Figure 21). Twenty-one percent of the sample experienced declines in financing outstanding. This results from having repayments or charge-offs in their portfolio during the five-year period greater than the amount of new financing closed.

Note: Includes 300 CDFIs for which we have five years of asset data and 295 CDFIs for which we have five years of CDFIs financing outstanding data.

---

Natural Capital Investment Fund (NCIF) raised grant funds to help the company develop an internal accounting system and provided $50,000 in working capital that enabled Laurel Creek to get under way.

“It was a great experience. It would have been much more difficult without the Natural Capital Investment Fund.”

Bill Glasscock
Owner,
Laurel Creek Hardwood Corporation

---

Small Business Financing
Shepherdstown, WV

Featuring Natural Capital Investment Fund

When the sawmill where they had worked for more than 10 years shut down, Bill and Sharon Glasscock raised enough money to buy the mill but still needed capital for Laurel Creek Hardwood’s day-to-day operations.

Natural Capital Investment Fund provides debt and equity financing to small businesses in central Appalachia and the Southeast. Launched in 2000 by The Conservation Fund, one of the nation’s foremost environmental nonprofits, NCIF is dedicated to investing in companies and projects that promote sustainable development and have a positive impact on human health and the natural environment. Its clients range from small craft enterprises and specialty food manufacturers to multi-million-dollar forest product enterprises.

---

\(^{20}\) CAGR is the rate of increase over a period of time that would exist if the rate of increase were exactly the same each and every year.
Appendix A: Methodology

As partners in the CDP, five national trade associations and intermediaries—Aspen Institute, Community Development Venture Capital Alliance (CDVCA), National Federation of Community Development Credit Unions (NFCDCU), Opportunity Finance Network, and National Community Investment Fund (NCIF)—worked together as the Data Collection and Cleaning Committee to collect data across the four types of CDFIs.

Each data collector was responsible for collecting CDP data from its member or constituent CDFIs. Opportunity Finance Network acted as project manager, consolidating all of the data collected.

The Data Collection and Cleaning Committee defined common data points and definitions across the various institution types and developed data-cleaning protocols that all data collectors were required to follow. Opportunity Finance Network, as data consolidator, also applied financial formulas during data consolidation to perform further quality assurance. Each trade association was responsible for designing its own survey instrument for distribution to its constituent CDFIs. The instruments were based on consensus language that defined cross-sector CDP data points, as well as on language appropriate for individual CDFI sectors.

Overall, the CDP sent out 638 surveys for FY 2006 and compiled data for 505 CDFIs, a response rate of 79%—maintaining the response rate from FY 2005. This data set represents one of the largest and most comprehensive samples of CDFI data to date in the field. Nonetheless, it represents only a subset of the CDFI industry.

Each CDFI reported information based on its own fiscal year, which may be different from the calendar year and may vary from institution to institution.

Not all questions were relevant to all CDFIs and thus were not answered by every institution. In addition, some CDFIs were unable to answer some of the survey questions. As a result, the number of responses to individual questions may frequently be less than the total study size and is noted accordingly.

Use of Public Data for Depositories

Community Development Credit Unions
The CDP sent surveys to 287 CDCUs for FY 2006. The survey requested data on organizational characteristics, financial position, products and services, and community development outputs as of the end of FY 2006.

A total of 129 credit unions (45%) sent back completed questionnaires. For the 158 credit unions that did not respond, data were obtained from publicly available “call reports” prepared by all federally insured U.S. credit unions. Data not included on the “call reports” were unavailable for nonrespondents. Consequently, the total sample size is 158 for data that could be obtained from “call reports” and 129 for complete data.

Community Development Banks
The CDP sent surveys to 55 community development banks for FY 2006. A total of 18 sent back completed surveys. For the 37 nonresponding community development banks, publicly available data were obtained from the FDIC Web site for a limited number of data points. Consequently, the sample size is 18 for most data and 37 for a small number of data points.
Appendix B: Glossary of Terms

Staffing and Governance
full-time equivalents (FTEs): Includes full- and part-time employees of the organization and volunteers who fill regular staff positions. Excludes temporary staff and professional services conducted outside of the office by third parties, such as accounting, bookkeeping, and legal counsel. One FTE is at least a 35-hour workweek.

Capital Available for Financing
capital under management (venture capital, VC): Traditional VC funds, organized as limited-lifespan funds, are described in terms of their capital under management, not their total assets, as with banks, credit unions, and loan funds. Capital under management is the total amount of capital that investors have committed to the fund and includes drawn and undrawn capital. The brochure on CDVC funds reports CDVC capital under management by summing the capital commitments for each of the limited-lifespan CDVC funds and the total assets for each of the evergreen funds.

total lending/investing pool or capital available for financing: Includes all capital for lending and investing held by a CDFI as of FYE 2006. This lending/investing pool includes only capital shown on the statement of financial position as received—it does not include capital commitments, grants receivable for capital, or undrawn funds, with the exception of the venture fund sector (which includes committed capital).

total lending/investing pool: borrowed funds + deposits + shares + nonmember deposits + secondary capital + equity equivalent investments + equity capital

> borrowed funds: Loans payable related to financing. Also referred to as debt capital or investor capital. Funds lent to a CDI from a third party that the CDI will re-lend or reinvest in the communities it serves.

> deposits: Funds placed in a depository institution by individuals or organizations, typically earning interest and insured by government agencies.

> shares: A deposit made in a credit union that confers ownership rights in the credit union on the depositor.

> nonmember deposits: Funds placed in a credit union by individuals or organizations that are not members of the credit union. Nonmember deposits do not confer ownership rights in the credit union to the depositor and are typically limited to a small percentage of a credit union's total deposits.

> secondary capital: A specific type of capital used only by low-income-designated credit unions. It is defined by NCUA as having several key characteristics: uninsured, subordinate to all other claims, minimum maturity of five years, and not redeemable prior to maturity.

> equity equivalent investments (EQ2s): Unsecured debt that has some of the same advantages as equity because it is subordinate to all other debt and carries a rolling term, the investor has a limited right to accelerate payment, and interest is not tied to income. The investing bank also receives advantageous CRA credit.

> equity capital: Also referred to as net assets dedicated to lending by nonprofit loan funds and as equity by credit unions, banks, and venture funds. It is the amount of equity at the CDFI that is available for lending or investing.

Capital Sources
nondepository financial institutions: Includes all financial institutions that are not banks, thrifts, or credit unions, including mutual funds, insurance companies, and finance companies.

Sectors Served
business: Financing to for-profit and nonprofit businesses with more than five employees or in an amount greater than $35,000 for the purpose of start-up, expansion, working capital, equipment purchase/rental, or commercial real estate development or improvement.

community services: Financing to community service organizations such as human and social service agencies, advocacy organizations, cultural and religious organizations, health care providers, and child care and education providers. Uses include acquisition, construction, renovation, leasehold improvement, and expansion loans, as well as working capital loans and lines of credit.

consumer financial services: All personal loans (secured and unsecured) to individuals for health, education, emergency, debt consolidation, and consumer purposes. In general, personal loans for business are classified as microenterprise or business; personal loans for home improvement or repair are classified as housing.

housing: Financing to housing developers for predevelopment, acquisition, construction, renovation, lines of credit, working capital, and mortgage loans to support the development of rental housing, service-enriched housing, transitional housing, or residential housing. Includes loans to individuals to support homeownership and home improvement.

microenterprise: Financing to for-profit and nonprofit businesses with five or fewer employees (including proprietor) and with a maximum loan/investment of $35,000. This financing may be for the purpose of start-up, expansion, working capital, equipment purchase/rental, or commercial real estate development or improvement.

other: Any activities not covered in the sectors defined here (includes financing to other CDFIs).

Financing Outstanding
debt with equity features: Includes convertible debt, as well as debt with warrants, participation agreements, royalties, or any other feature that links the investment's rate of return to the performance of the company that received the investment.

equity investments: Investments made in for-profit companies in which the CDI receives an ownership interest in the equity (stock) of the company.

loan loss reserves: Funds set aside in the form of cash reserves or through accounting-based accrual reserves that serve as a cushion to protect an organization against potential future losses. Loan loss reserves typically show up as a contra-asset on the balance sheet.

guarantees: Includes guarantees or letters of credit provided to enhance the creditworthiness of a borrower receiving a loan from a third-party lender.

total loan losses: The net amount charged off. Losses are reported after default, foreclosure, and liquidation and are the net of any recovered assets. If any amount is reclaimed in the current fiscal year on loans/investments that were written off in previous years, that amount is subtracted from the amount written off in the current fiscal year.

total loans outstanding: The number of loans for which principal was outstanding as of the last day of the fiscal year. These loans may have originated during the fiscal year or in a previous year. This number includes any loans that have been restructured, but not those loans that have been written off.

Deposit Products and Services
individual development accounts (IDAs): Matched savings accounts, similar to 401(k)s, that can be used by low-income households to purchase homes, seek postsecondary education, capitalize small businesses, or engage in other types of economic development activities.

Geographic Area Served
major urban area: A metropolitan statistical area of equal to or greater than 1 million. Includes both central city and surrounding suburbs.

minor urban area: A metropolitan statistical area of less than 1 million. Includes both central city and surrounding suburbs.

rural: All areas outside major urban and minor urban areas.

Clients Served and Outcomes
housing units created: Includes new construction, units projected to be constructed, or complete rehabilitation of existing housing units that were previously unoccupied.

housing units renovated or preserved: Renovated includes units that have been renovated or are projected to be renovated. Preserved includes mark-to-market and similarly preserved units.

jobs assisted: jobs created + jobs maintained

jobs created: The change in the number of jobs at a microenterprise or business financed between two fiscal years (i.e., the net job change). When calculating the number of jobs at the microenterprise or business, only permanent FTE jobs are counted.

jobs maintained: Total number of employees at a microenterprise or business financed at the time a given loan or investment closed.

low-income: A customer who has an annual income, adjusted for family size, of not more than 80% of the area median family income for metropolitan areas, or the greater of (1) 80% of the area median family income or (2) 80% of the statewide nonmetropolitan area median family income for nonmetropolitan areas.
The CDFI Data Project (CDP) is an industry collaborative that produces data about CDFIs. The goal of the CDP is to ensure access to and use of data to improve practice and attract resources to the CDFI field. The CDP collected FY 2006 data on 505 CDFIs. The data set includes approximately 100 data points on operations, financing, capitalization, and impact. Supported by the Annie E. Casey Foundation, the John D. and Catherine T. MacArthur Foundation, HSBC Bank USA, and the W. K. Kellogg Foundation, this initiative convenes leading organizations in the CDFI industry.

Partner Organizations

> Aspen Institute
  www.fieldus.org
  National nonprofit that disseminates best practices and educates policymakers, funders, and others about microenterprise

> Association for Enterprise Opportunity
  www.microenterprise.org
  National member-based trade association of more than 500 microenterprise development programs

> Coalition of Community Development Financial Institutions
  www.cdfi.org
  Lead organization in the United States that promotes the work of CDFIs

> Community Development Venture Capital Alliance
  www.cdvca.org
  Certified CDFI intermediary that serves community development venture capital funds through training, financing, consulting, research, and advocacy

> National Community Investment Fund
  www.ncif.org
  Certified CDFI that channels equity, debt, and information to locally owned banks, thrifts, and selected credit unions with a primary purpose of community development

> National Federation of Community Development Credit Unions
  www.cdcu.coop
  Certified CDFI intermediary that serves more than 200 low-income credit unions across the United States

> Opportunity Finance Network
  www.opportunityfinance.net
  Leading national network of CDFIs that lends prudently and productively in unconventional markets

For more information on the CDFI Data Project, contact any of the partner organizations or Jon Schwartz of Opportunity Finance Network at jschwartz@opportunityfinance.net (215.320.4308).