BY CHARLES GERENA

Studying Community Development Financial Institutions

They say that money makes the world go round — the ability to borrow it can shape a person's life, livelihood, and neighborhood. But just because trillions of dollars are loaned to households and businesses every quarter doesn't mean lending is equally available to those who need it the most.

Community development financial institutions, or CDFIs, emerged in the 1970s to improve credit access for underserved individuals and communities, offering a range of financial services and educational programs. But little was known about the impact of these organizations. The Richmond Fed launched the CDFI Survey in 2009 to fill that data gap for the Southeast region.

"We recognized the public policy importance of CDFIs, as well as existing data gaps that made it challenging to answer research questions about them," says Emily Wavering Corcoran, senior manager of the Federal Reserve Small Business Credit Survey at the Cleveland Fed. In her prior role as a senior research analyst at the Richmond Fed, Corcoran oversaw the administration of the CDFI Survey.

"Early iterations of the survey captured the varied levels of CDFI reach and representation across Southeastern states, providing far more detailed information than was previously available on the geographic scope of CDFI activity," Corcoran describes. "This work helped us understand where CDFIs were and were not actively filling market gaps — and where community development finance dollars were and were not flowing." In addition, the Richmond Fed used the survey results to create a regional directory of CDFIs.

After the 2017 survey, Corcoran says, it was clear their research could benefit from "adopting a national lens." The CDFI Survey was expanded in 2019 to gather information from community development financial institutions across the country, requiring the resources of all 12 Reserve Banks.

The Richmond Fed also turned to partner organizations outside of the Federal Reserve System to expand the survey's geographic reach. "We intentionally approached our partners, including the CDFI Fund and Opportunity Finance Network, to ensure that the survey reached as many CDFIs as possible and to ensure that the resulting data could directly inform the CDFI industry," Corcoran explains. "Partnerships have always been a key feature of the CDFI Survey, and those relationships were built through collaborative and mutually beneficial work."

Surekha Carpenter, a research analyst on the Richmond Fed's Regional and Community Analysis team, has worked with partner organizations to conduct the survey. "We rely in part on the CDFI Fund's records to know who to distribute the survey to," Carpenter notes. "Partners also help us understand more about the industry, which informs what questions we ask."

NeighborWorks America, a congressionally chartered nonprofit that supports affordable housing and community development in the United States and Puerto Rico, became a partner organization in 2018 for several reasons. "We were sold on the positiveness of a national CDFI directory, especially one that would communicate the importance and impact of our network of CDFIs to funders, policymakers, and communities," says Paula Zayas Planthaber, director of lending — national initiatives at NeighborWorks. "Individual organizations always want to know where they 'sit' in their industry."

Planthaber says the survey also provides CDFIs with benchmarking information to understand industry trends within the broader context of the financial market and potential industry challenges. For example, the 2023 survey identified lending capital as the most significant barrier for CDFIs to meet growing demand. As a result, NeighborWorks launched a survey to better understand the funding needs of its network, analyzed the results, and presented them during a conference in Chicago this past August.

Over the years, the CDFI Survey has provided a valuable perspective on the issues that lenders face in filling market gaps. Carpenter notes that the challenges identified by survey respondents in 2019 — namely staffing and insufficient capital to lend — are fairly similar to what they reported in 2023. "We did hear more that lending capital challenges were more severe than other issues this year," Carpenter says. "As you can imagine, this has likely been exacerbated by the recent economic environment."

The survey has also highlighted the strength and resilience of CDFIs, Planthaber adds. "Survey findings show that the CDFI industry has demonstrated its ability to grow, innovate, and meet rising demand amid economic challenges." **EF**