

# CDFI Credit Union Roundtable 2015 GAC



**Federation**

Credit Unions United to Serve the Underserved

# Who we are

Our Mission is *“To help low- and moderate-income people and communities achieve financial independence through credit unions”*

- **Capital:** Access to external resources, such as below market rate deposits; capital (CDFI Fund; CDCI program; CDFI Bond Guarantee; Federation’s CDIP)
- **Knowledge:** Fostering innovation in product development and implementation focused on LMI consumers; best practices; National and Regional Conferences; Specialized consulting services.
- **Impact:** regulatory (NCUA’s LID); external resources (CDFI Fund); National Partners (Public and Private)

# CDFI Fund Basics

- Established by Congress 1994
  - Federation and CDCUs instrumental in founding
- CDFIs include both regulated and unregulated institutions that meet criteria
- Certified CDFIs eligible to apply for CDFI Fund financial and technical assistance grants
  - Loan Funds historically more than 80% of certified CDFIs
- \$1.5 billion in CDFI Funds awards to date
  - Loan Funds have received 84% of CDFI awards since inception
  - Credit unions have received \$157 million (11%)

# The Federation's Role

- Represents the interest of the credit union industry with the CDFI Fund (most CDFI certified CUs are members of our network)
- Credit union industry recognized authority for CDFI training, research, services and programs
- Operates CU Breakthrough, the largest network of CDFI grant writers and practitioners in the industry
- Bring resources and expertise through partnerships and relationships (socially responsible investors, national organizations, etc)

# The Federation's Role

- Educating the Fund about the importance of depository institutions
  - ✓ Leveling the playing field for CUs applying for Financial and Technical Assistance dollars
- Expanding the CDFI Pie:
  - ✓ Working with our allies in the community development field to ensure allocation of resources to the CDFI Fund
- Helping CUs get their fair share of the pie:
  - ✓ Working with our allies in the community development field to ensure allocation of resources to the CDFI Fund

# U.S. Treasury CDFI Fund

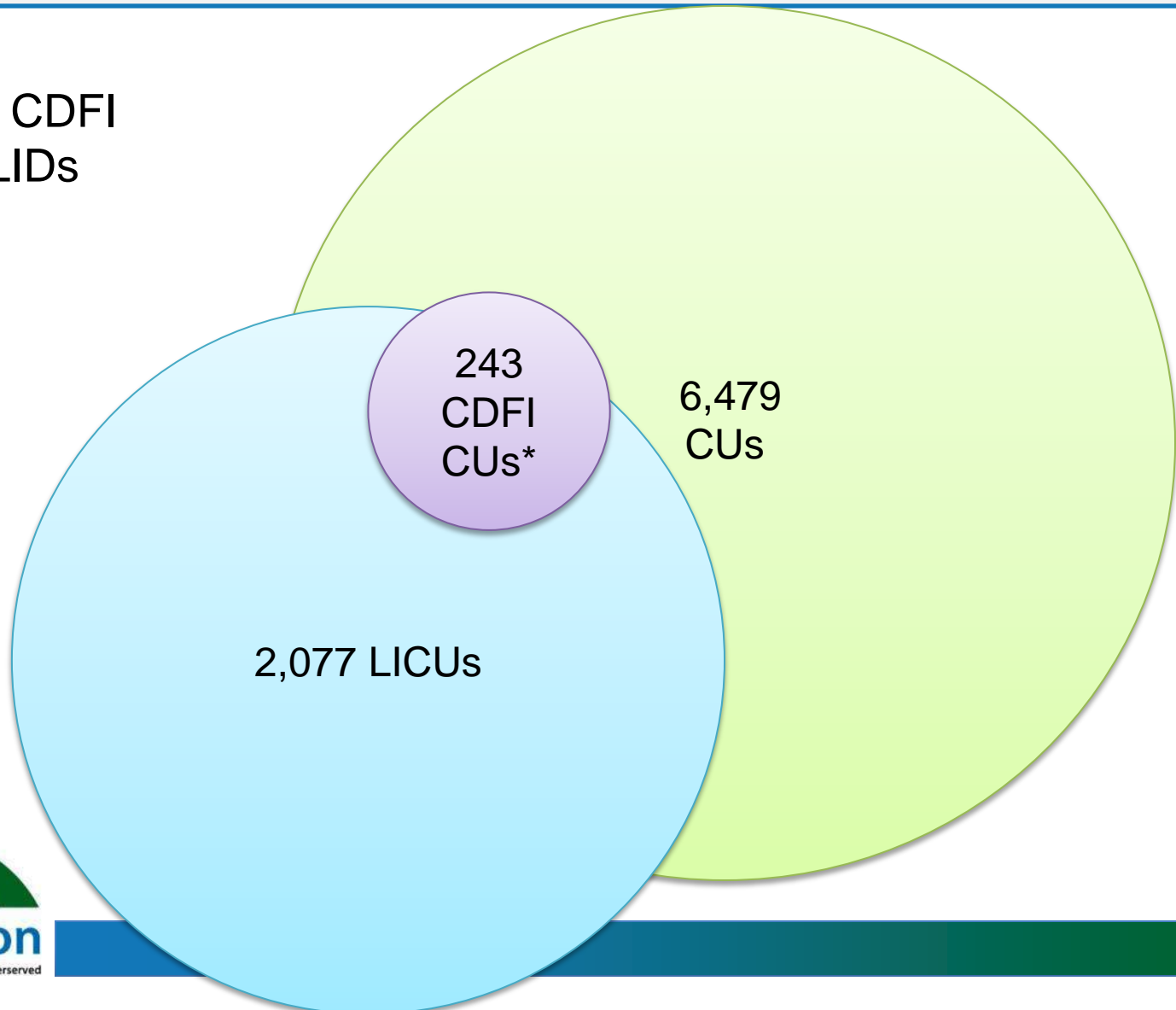
## Recent Funding at Record Levels:

- Fiscal Year 2010: \$246.75 million
- Fiscal Year 2011: \$227 million
- Fiscal Year 2012: \$221 million
- Fiscal Year 2013: \$222.3 million
- Fiscal Year 2014: \$224.9 million
- Fiscal Year 2015: \$230 million
- Fiscal Year 2016 CR: \$233.5 million

Click [here](#) for more info about CDFI Fund appropriations

# LICUs and CDFIs in the Industry

\* A handful of CDFI CUs are not LICUs



# 2014 Federation Certification Campaign

- Offset loss of CUs that were not interested in the mandatory 2013 recertification process (ended 2013 with 173 CUs)
- Increase CU market share in CDFI field
- NCUA TAG rounds instrumental
  - 1<sup>st</sup> Round: 40 CUs awarded; 2<sup>nd</sup> Round: 21 CUs awarded
- 84 CUs received certification in 2014 (67 assisted directed by Federation)
- 17 additional applications submitted
- In one year more than 100 CUs received or applied for their certification. **A historic record!**



# CDFI CUs: Growing Segment

Type of CDFI	Number	% Total
Unregulated CDFIs	525	56%
Loan Funds	511	55%
Venture Capital Funds	14	1%
Regulated CDFIs	411	44%
<b>Credit Unions</b>	<b>243</b>	<b>26%</b>
Banks and Thrifts	108	12%
Depository Holding Companies	60	6%
<b>Total</b>	<b>936</b>	<b>100%</b>

# The CDFI Field Pre Re-Certification

Type of CDFI	Number	% Total
Unregulated CDFIs	638	64%
Loan Funds	613	61%
Venture Capital Funds	25	3%
Regulated CDFIs	351	36%
<b>Credit Unions</b>	<b>225</b>	<b>23%</b>
Banks and Thrifts	82	8%
Depository Holding Companies	54	5%
<b>Total</b>	<b>999</b>	<b>100%</b>

# CDFI Certified CUs

- CUs most rapidly growing CDFI segment.
- Although CUs are  $\frac{1}{4}$  of the market, they are a much larger part of the CDFI industry
  - \$45 billion in assets
  - \$39 billion in O/S loans
  - Serving 5.5 million predominantly low income consumers
- Evolving industry, engaging increasingly higher capacity CUs (half of the field is now comprised by mid-size or large CUs)

# CDFI CUs: Gaining Traction

Credit Union	Location	Members	Assets
Suncoast CU	Tampa, FL	611,784	\$ 5,990,779,562
Virginia CU	Richmon, VA	237,086	\$ 2,681,181,830
GECU	El Paso, TX	324,318	\$ 2,115,069,970
GTE Financial	Tampa, FL	225,093	\$ 1,664,460,846
Local Governments FCU	Raleigh, NC	253,028	\$ 1,458,058,853
HawaiiUSA	Honolulu, HI	124,678	\$ 1,383,945,194
MECU	Baltimore, MD	111,633	\$ 1,214,980,049
SELCO CU	Eugene, OR	113,235	\$ 1,198,745,642
CoVantage CU	Antigo, WI	82,195	\$ 1,121,314,353
Greylock FCU	Pittsfield, MA	70,961	\$ 1,074,826,925
<b>Total</b>		<b>2,154,011</b>	<b>\$ 19,903,363,224</b>

# Top 10 CDFI States

Rank	State	# CDFIs	# CDFI CUs	Loan Funds	Banks	DIHC	VCF	CU %	# LICUs
1	California	82	13	49	12	3	1	21%	68
2	New York	68	15	12	52	2	1	18%	133
3	Mississippi	55	7	3	28	17	0	13%	61
4	Louisiana	48	21	8	12	7	1	42%	123
5	Minnesota	32	3	26	1	1	1	9%	51
6	Missouri	32	27	3	1	1	0	84%	24
7	Texas	32	14	18	0	0	0	44%	170
8	Illinois	31	6	8	10	6	1	19%	55
9	Pennsylvania	30	3	23	2	0	2	10%	193
10	Florida	29	10	19	0	0	0	34%	64

# Top 5 States CDFI CUs

Rank	State	# CDFIs	# CDFI CUs	# LICUs
1	Missouri	32	<b>27</b>	24
2	Louisiana	48	<b>21</b>	123
3	New York	68	<b>15</b>	133
4	Texas	32	<b>14</b>	170
5	California	82	<b>13</b>	68

# The Will to Grow

## CDFI Certification and Credit Union Growth



**Federation**

Credit Unions United to Serve the Underserved

# The CDFI View

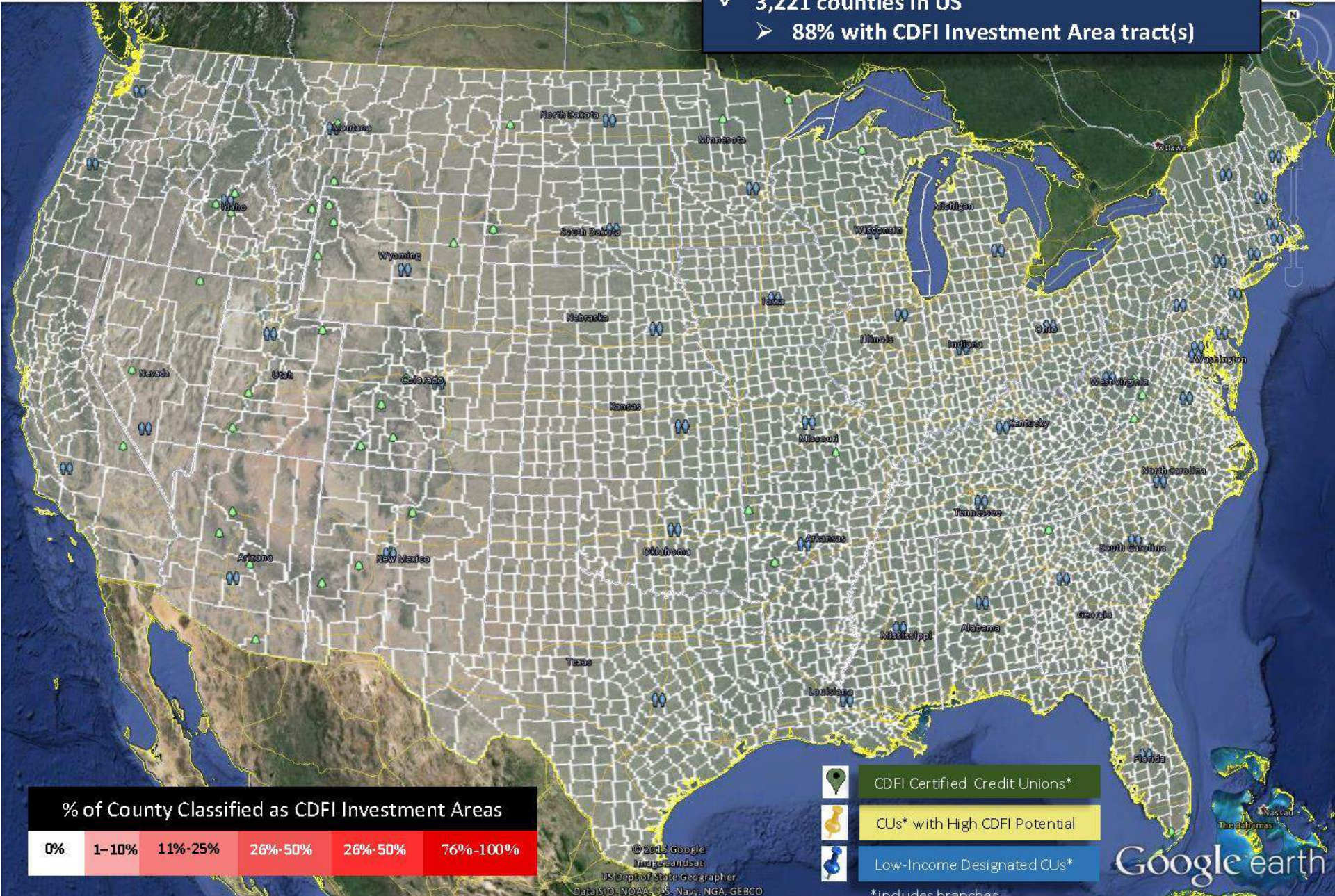
- Focus on underserved “Target Markets”
  - People
    - Low Income Targeted Populations
    - Other Targeted” Populations
  - Places
    - CDFI Investment Area (Census Tracts)
      - Low Income
      - High Poverty
      - High Unemployment
    - 384 Persistent Poverty Counties
      - Poverty rates above 20% as of 1990, 2000 and 2010
  - *46% of all census tracts qualify as CDFI Investment Areas*



# CDFI Investment Areas & Credit Unions by County

(as of February 2015)

- ✓ 74,000 census tracts in US
  - 46% classified as CDFI Investment Areas
- ✓ 3,221 counties in US
  - 88% with CDFI Investment Area tract(s)



**% of County Classified as CDFI Investment Areas**

0%	1-10%	11%-25%	26%-50%	26%-50%	76%-100%
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-  CDFI Certified Credit Unions\*
-  CUs\* with High CDFI Potential
-  Low-Income Designated CUs\*

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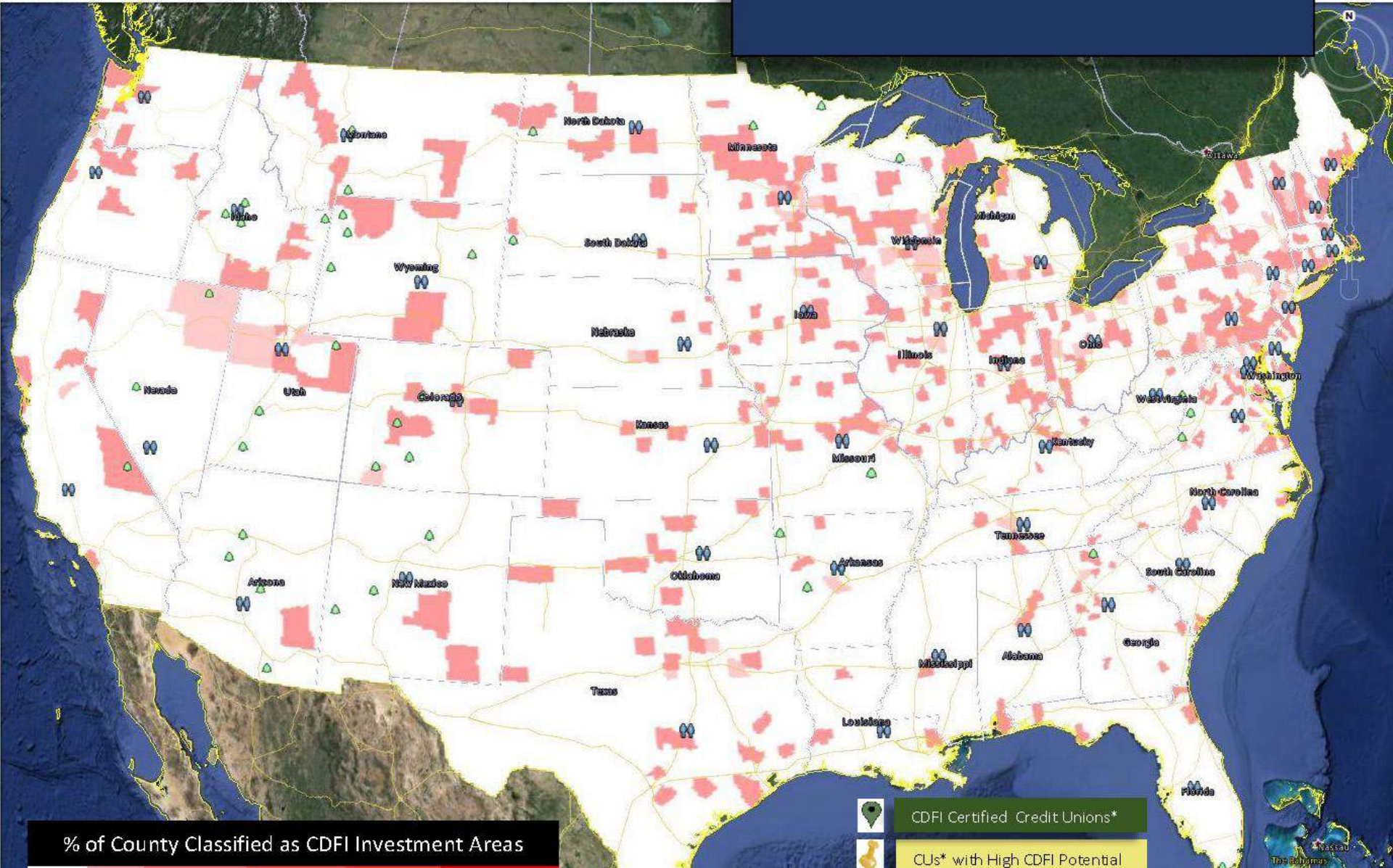
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# CDFI Investment Areas & Credit Unions by County

(as of February 2015)

✓ 27% of counties are <25% Investment Areas



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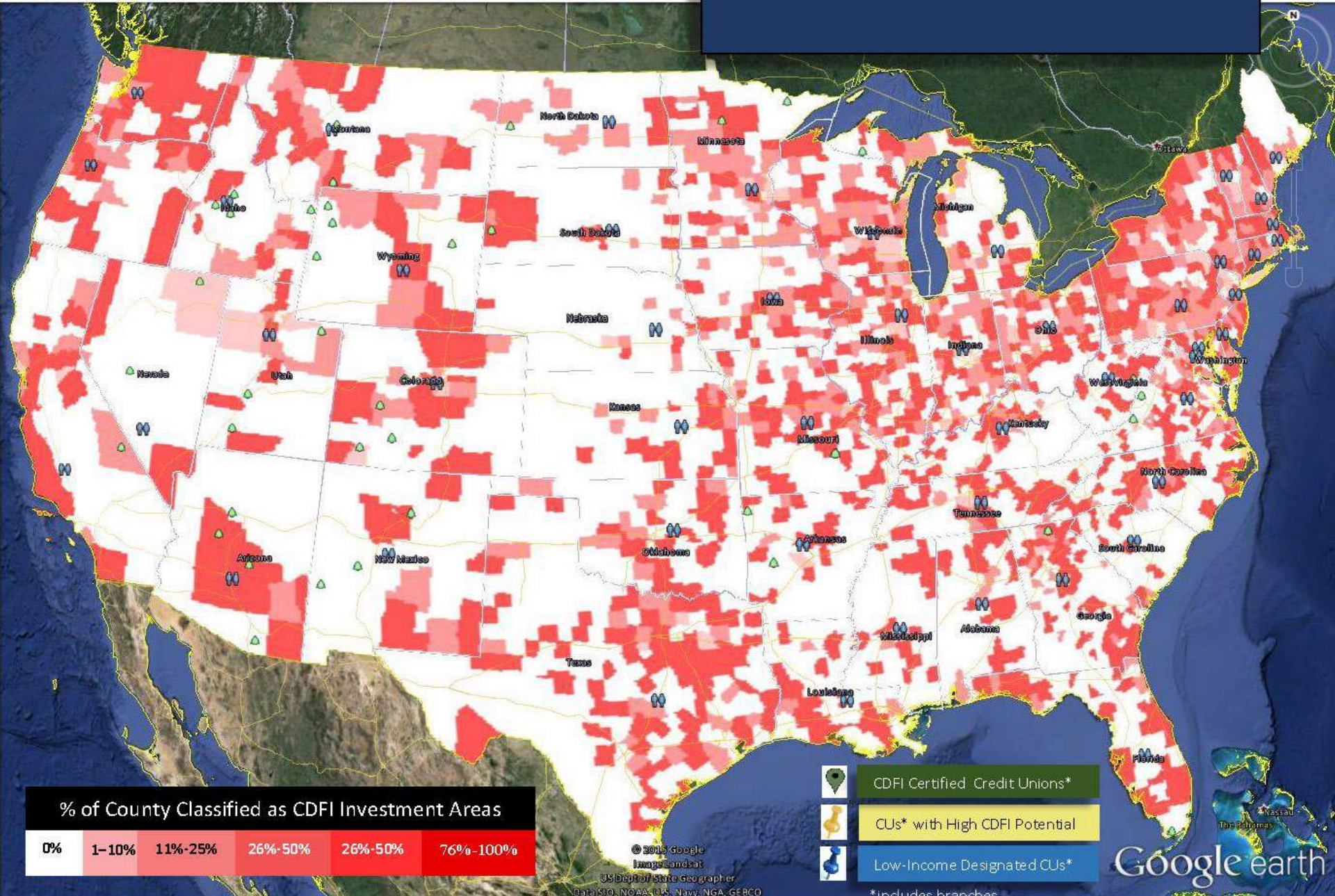
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# CDFI Investment Areas & Credit Unions by County

(as of February 2015)

✓ 27% of counties are <25% Investment Areas  
 ✓ 26% are from a quarter to half CDFI IAs



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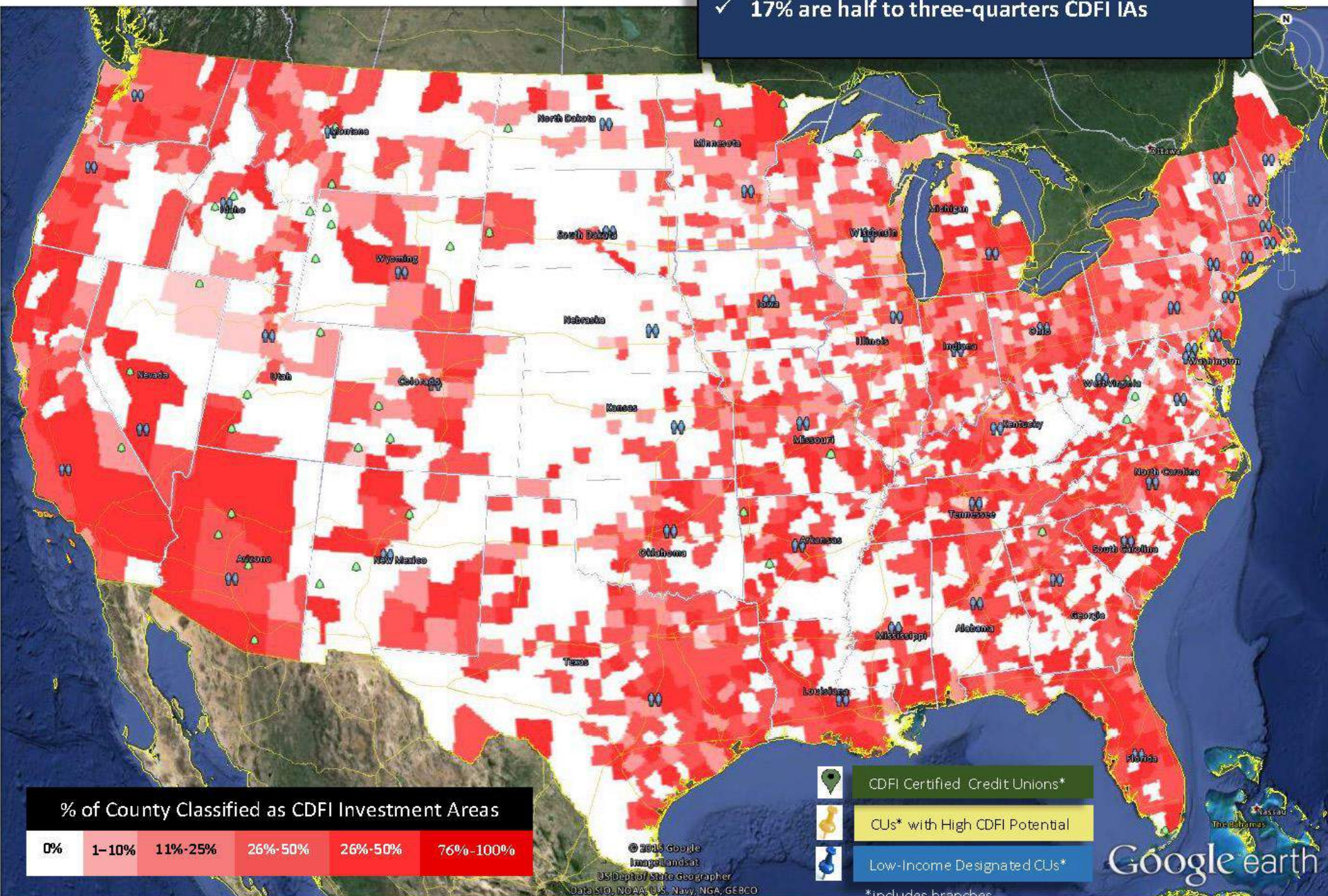
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# CDFI Investment Areas & Credit Unions by County

(as of February 2015)

- ✓ 27% of counties are <25% Investment Areas
- ✓ 26% are from a quarter to half CDFI IAs
- ✓ 17% are half to three-quarters CDFI IAs



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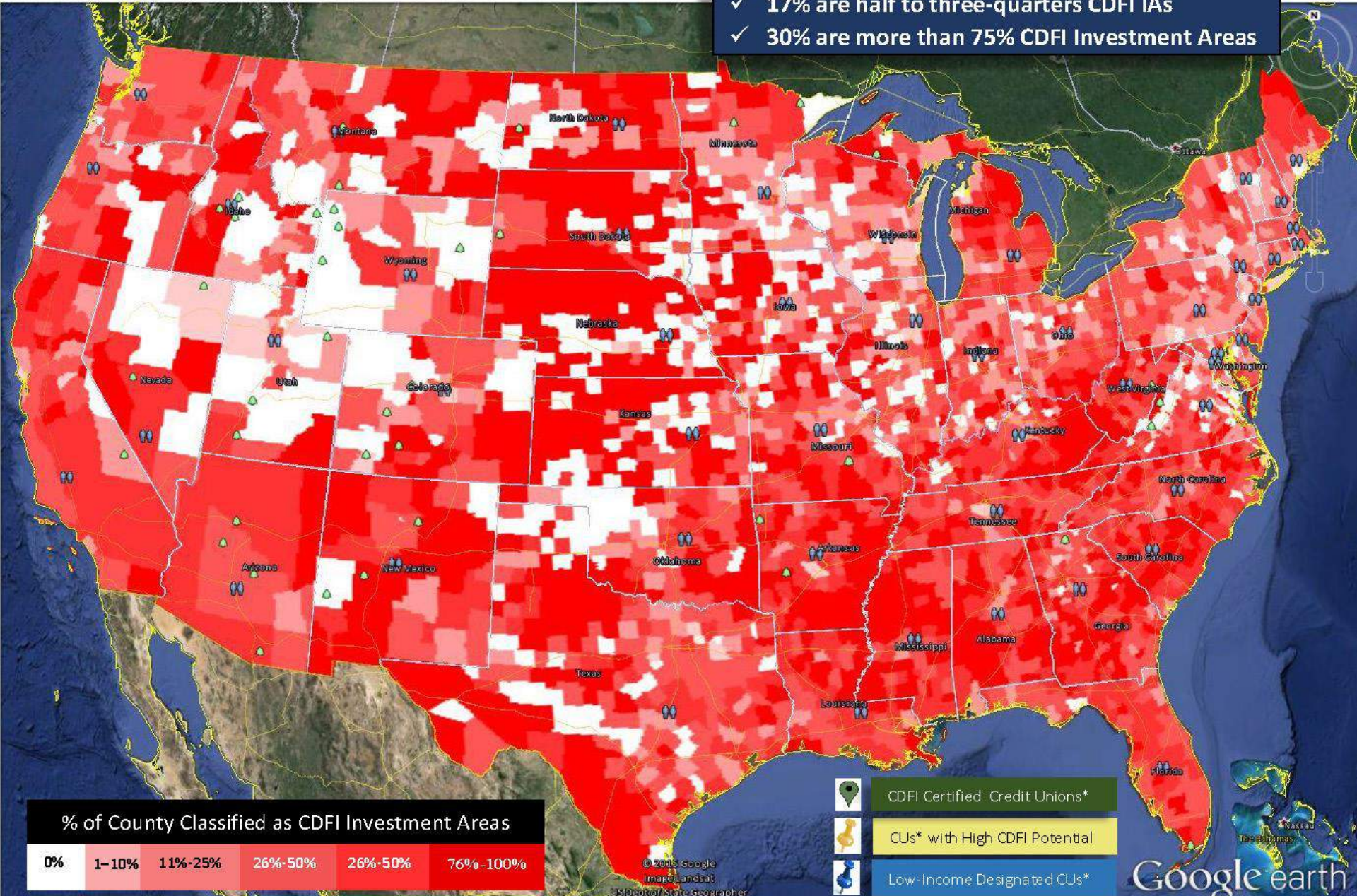
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# CDFI Investment Areas & Credit Unions by County

(as of February 2015)

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- ✓ 30% are more than 75% CDFI Investment Areas



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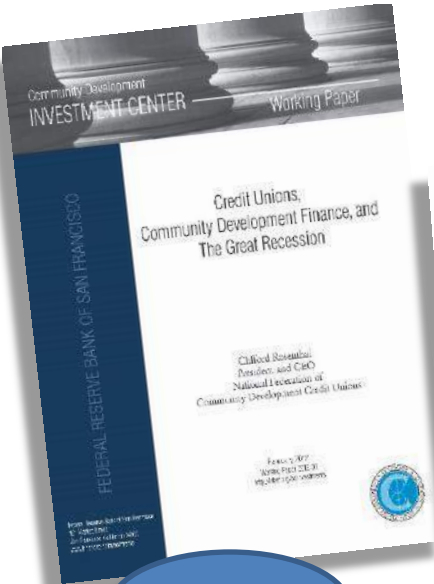
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# Credit Unions & CDFI Fund

- CUs Initially slow to embrace CDFI certification
- New momentum since 2010
  - Doubling in number of NCUA Low Income Designated CUs
  - Increased visibility of CDFI success stories
  - 2014 NCUA CDFI Certification Challenge
  - Federation CDFI Certification Challenge
  - Positive research findings on performance & impact of CDFI CUs

# What the Research Says



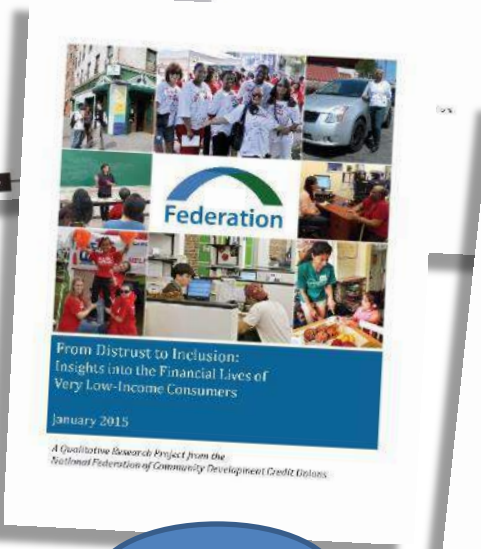
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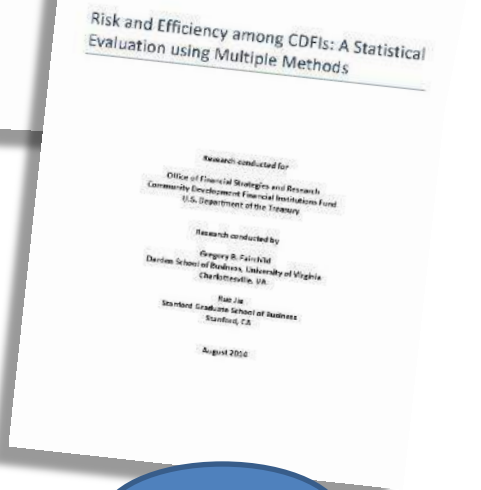
2012



2014



2015



# Positive *Impact* of CDFI Credit Unions

- CDFIs *promote economic revitalization* among underserved communities and populations
- Financial services are a *critical path to financial inclusion*
- CDFI credit unions *leverage more private capital* than any other type of CDFI
  - Median Loan Fund leverage: \$1.10
  - Median CDFI Credit Union leverage: \$9.91
- From 2009-2013, 61 credit unions that received \$102.7 million in CDFI grants increased
  - Total Assets by \$2.4 billion
  - Total Loans by \$1.5 Billion
  - Leverage rate of more than 23:1



# Positive *Performance* of CDFI CUs

- Despite serving low-income, underserved markets, when compared with mainstream peers, CDFI credit unions –
  - Deliver comparable financial results (ROI)
  - Show no greater institutional risks
  - Rate equal or better in operational efficiency
- CDFI CUs outperform their mainstream peers in –
  - Member service technologies
  - Complex loan products
  - Community development loan products
  - Community development services
  - Capacity building services

# What Makes a CDFI?

- CDFI Fund has 7 requirements for certification –
  1. ***Legal entity***
  2. ***Primary mission*** of community development
  3. ***Financing entity***
  4. ***Target market*** (more than 60% of activities)
  5. ***Accountability*** to target market
  6. ***Development services*** to build capacity of members
  7. ***Non-governmental*** entity.

# What *Really* Makes a CDFI?

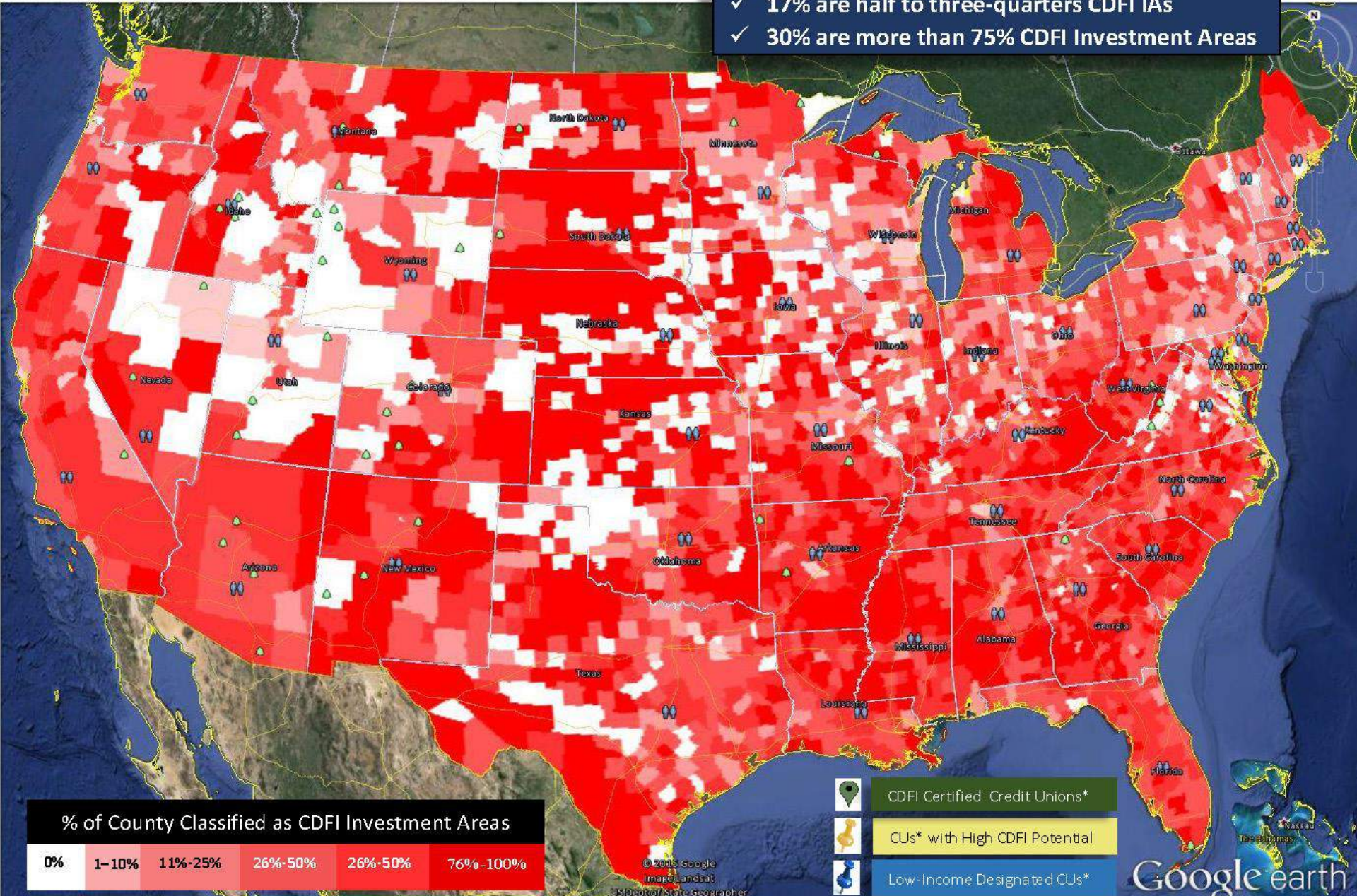
- A matter of *intent* –
  - What they do, not where they live
- CDFI credit unions far more likely than peers to offer
  - Community Development ***Loan Products***
    - credit builder, shared secured credit cards, micro business & consumer, pay da, refund anticipation anti-predatory STS loans
  - Community Development ***Savings & Account Services***
    - check-cashing, international remittances, money orders, business share accounts
  - ***Capacity-Building Services***
    - financial counseling, financial education, first-time home-buyers programs, bilingual services, free tax preparation services.



# CDFI Investment Areas & Credit Unions by County

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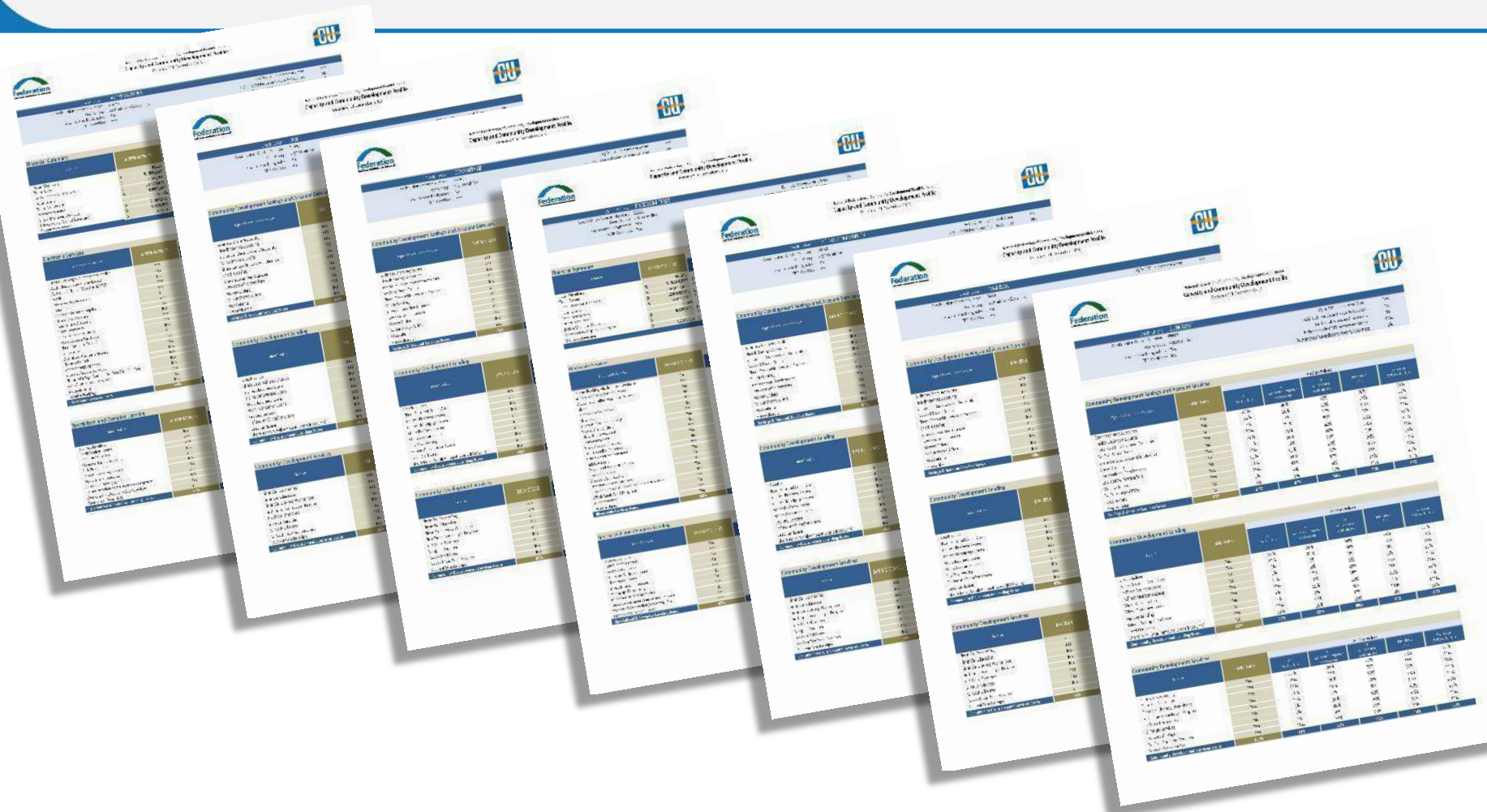
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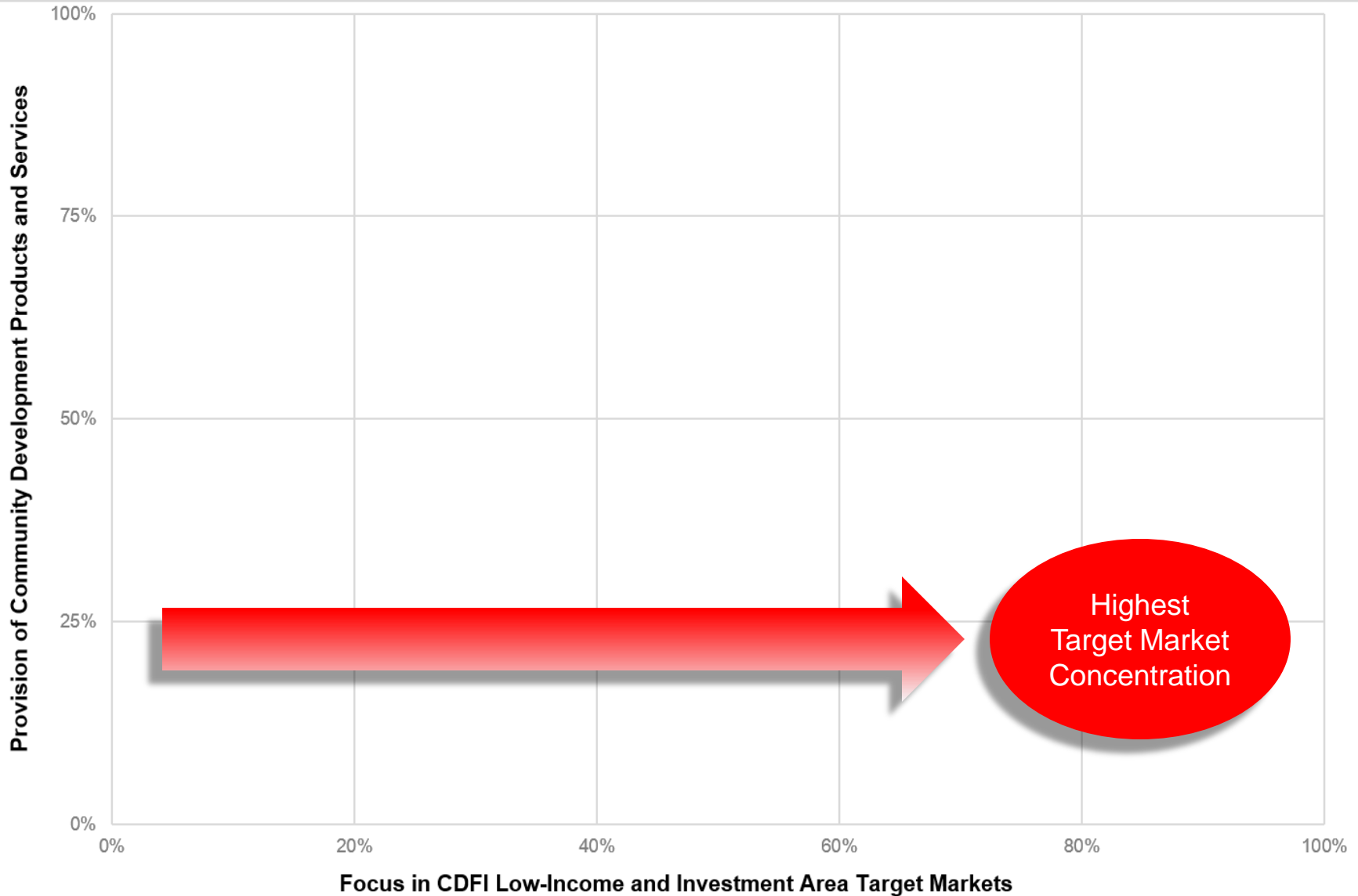
# Eligibility Estimates

- Of 21,928 total credit union branches in US, 48% located in CDFI Investment Areas
- More than 3,000 credit unions have at least 60% of their branches located in CDFI Investment Areas
- More than 2,400 credit unions without CDFI certification have 100% of their branches in CDFI Investment Areas, including 939 with Low Income Designation
- *394 credit unions could be immediately eligible for certification based on community development profiles*
- Many hundreds more could become eligible by focusing efforts and activities on CDFI target markets in their areas

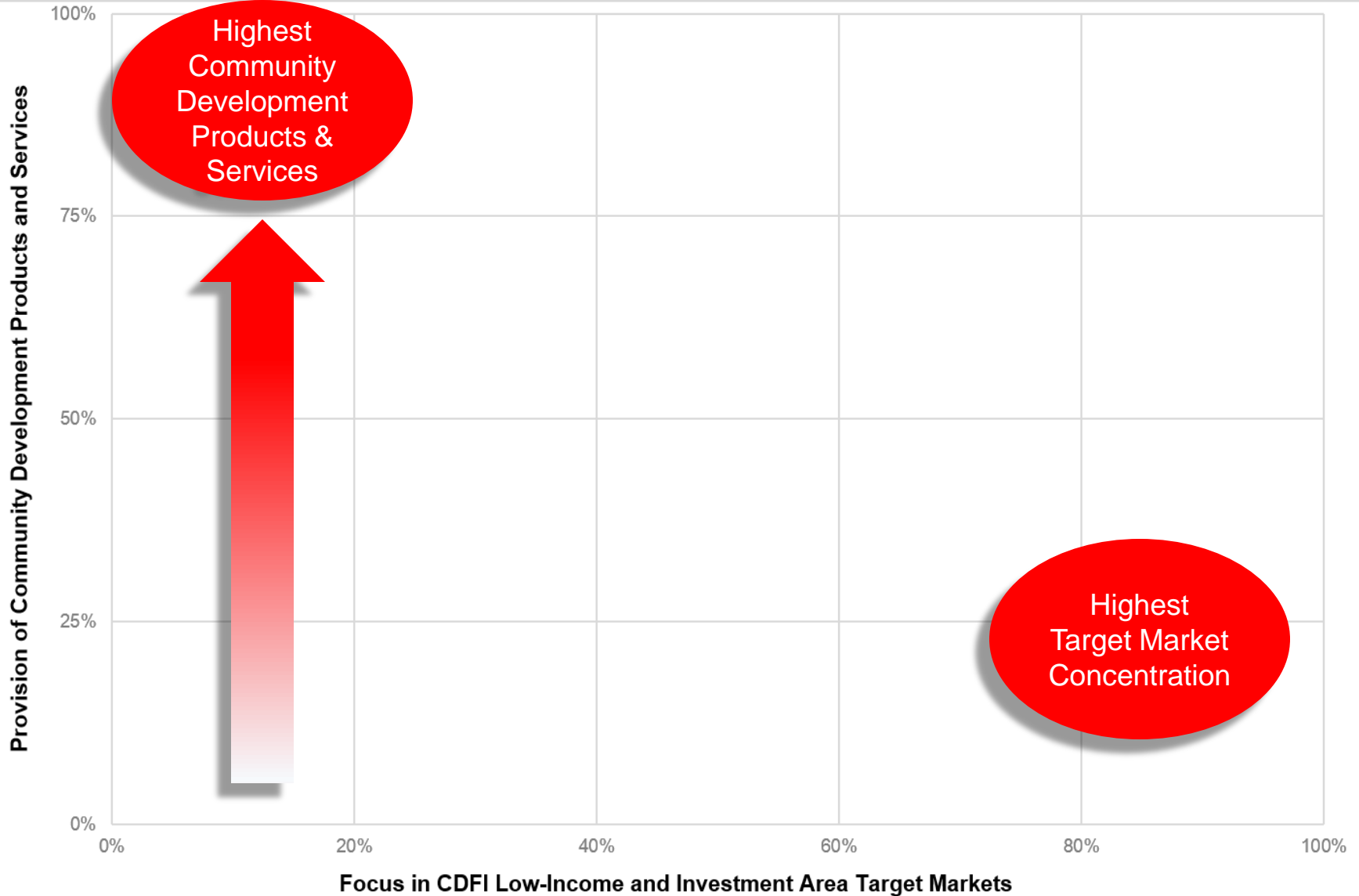
# Community Development Profiles



# CDFI Profiles of All Credit Unions

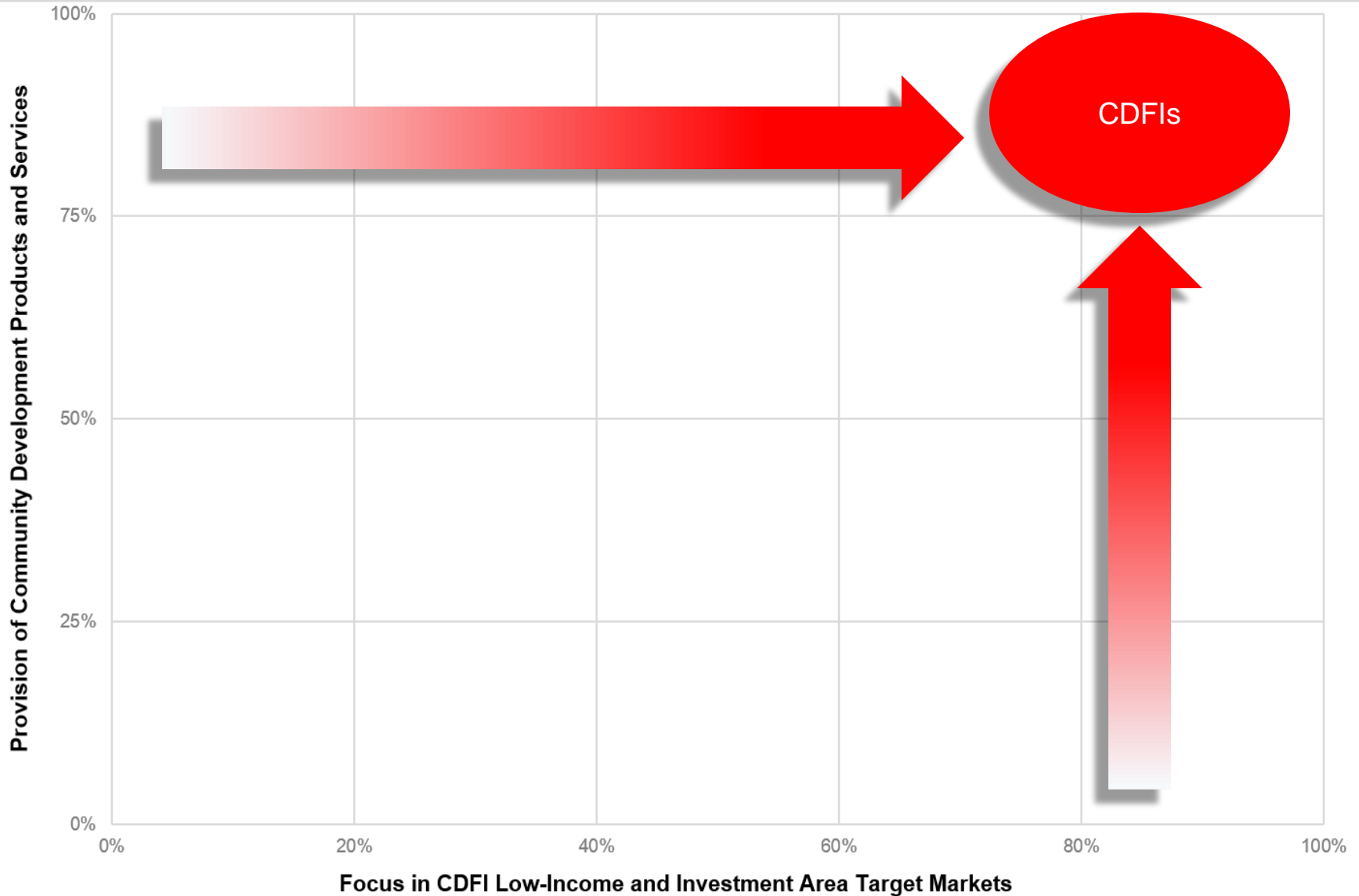


# CDFI Profiles of All Credit Unions





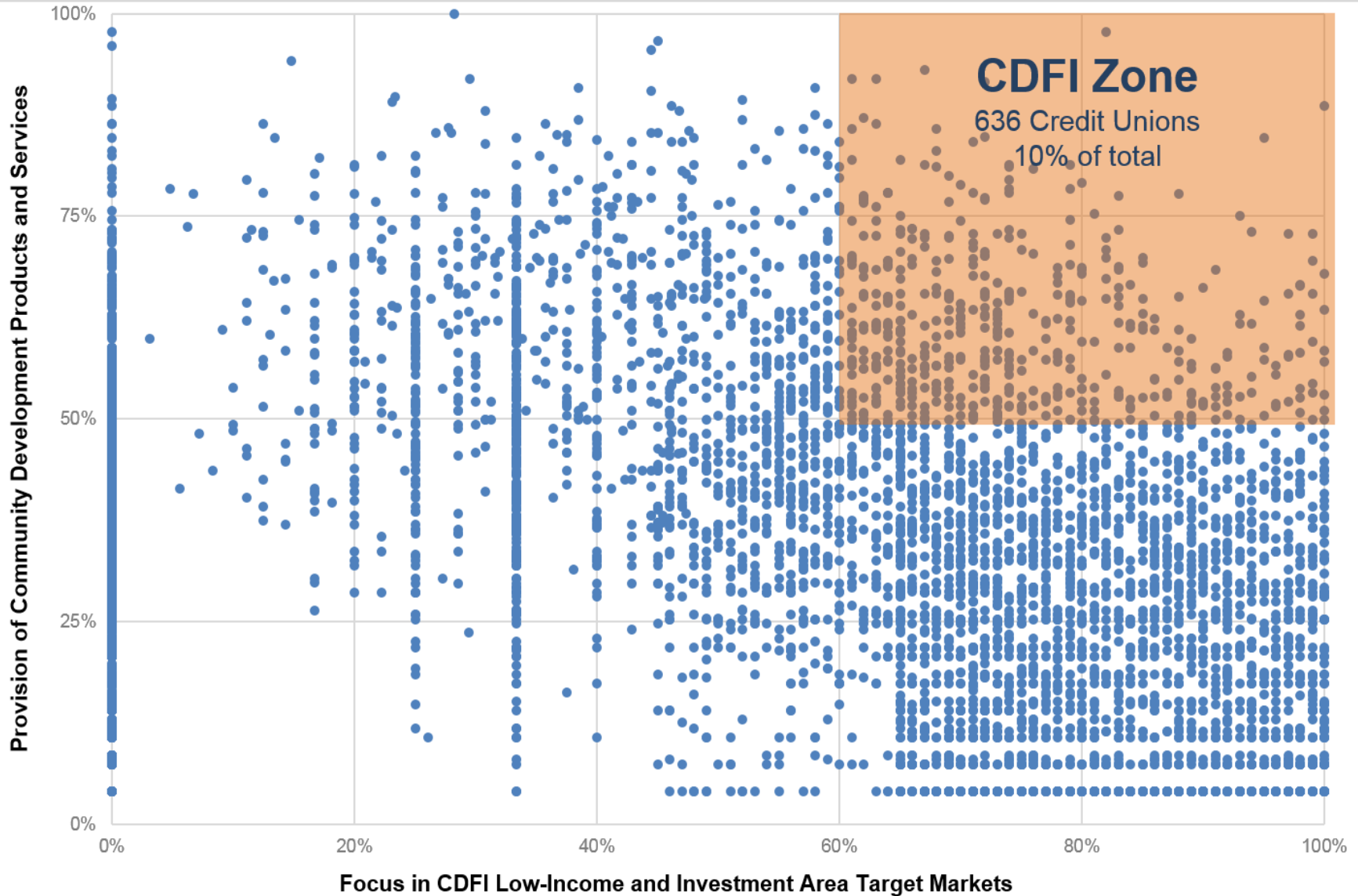
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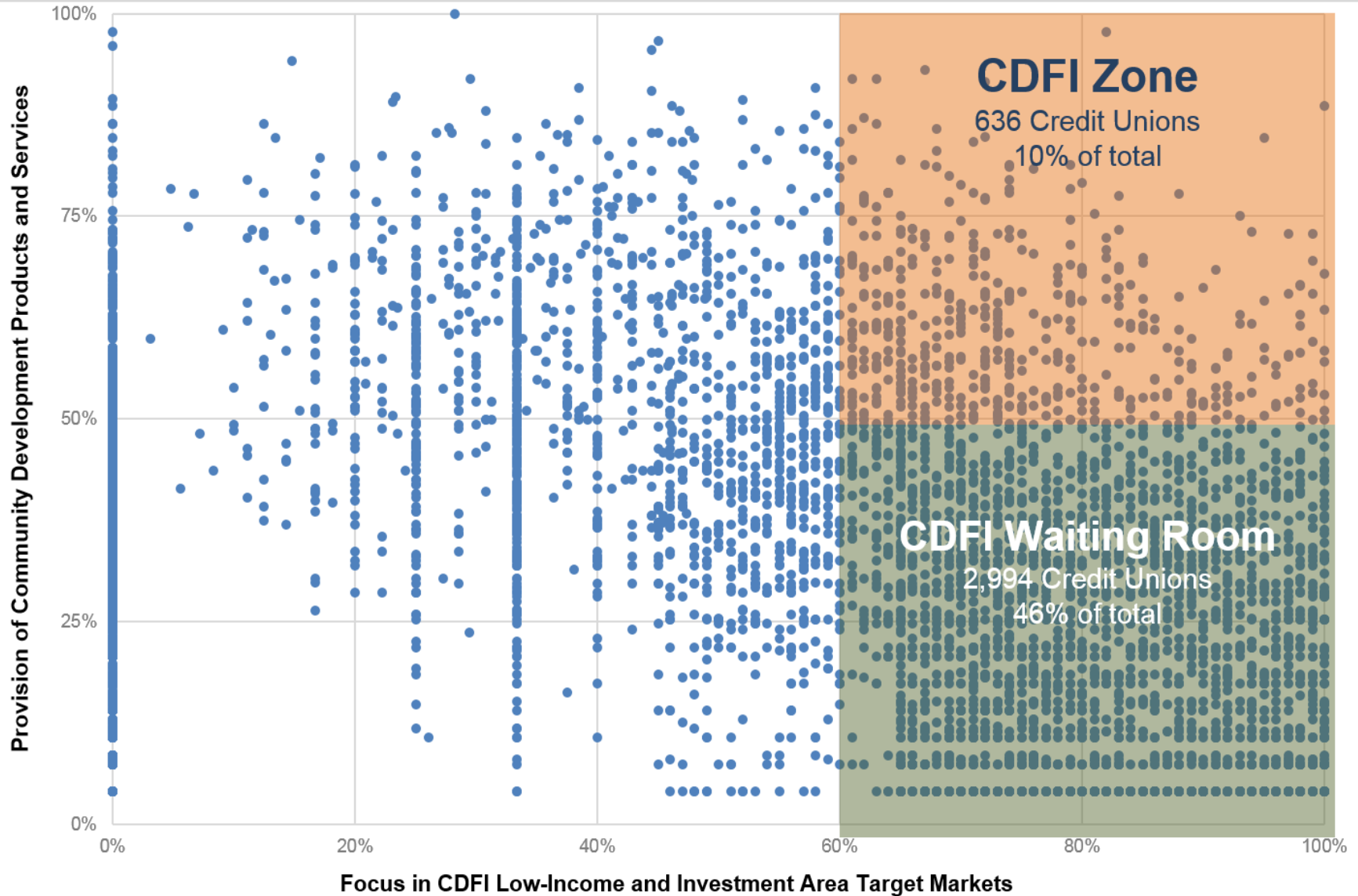
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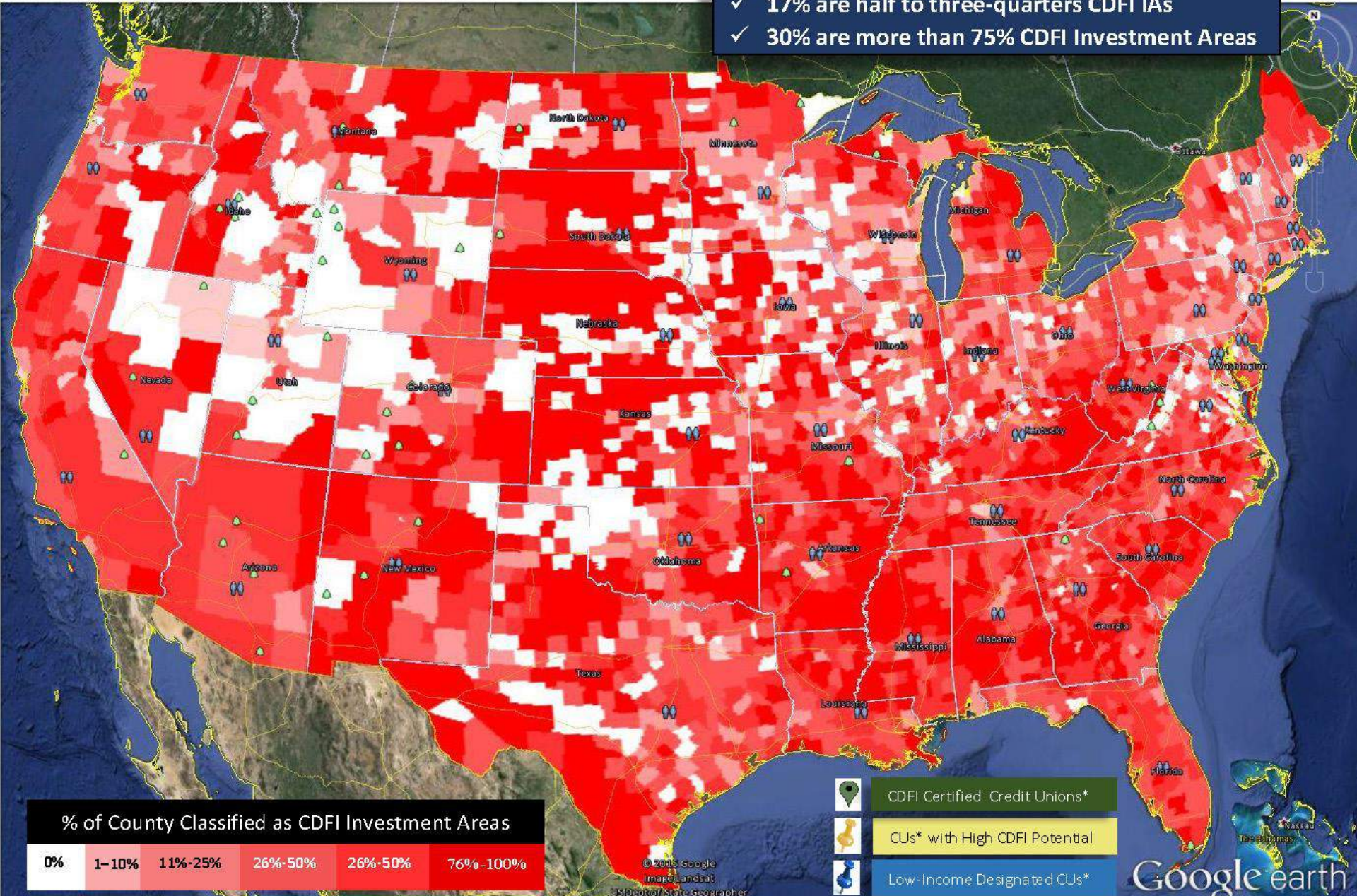




# CDFI Investment Areas & Credit Unions by County

(as of February 2015)

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**% of County Classified as CDFI Investment Areas**

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-  CUs\* with High CDFI Potential
-  Low-Income Designated CUs\*

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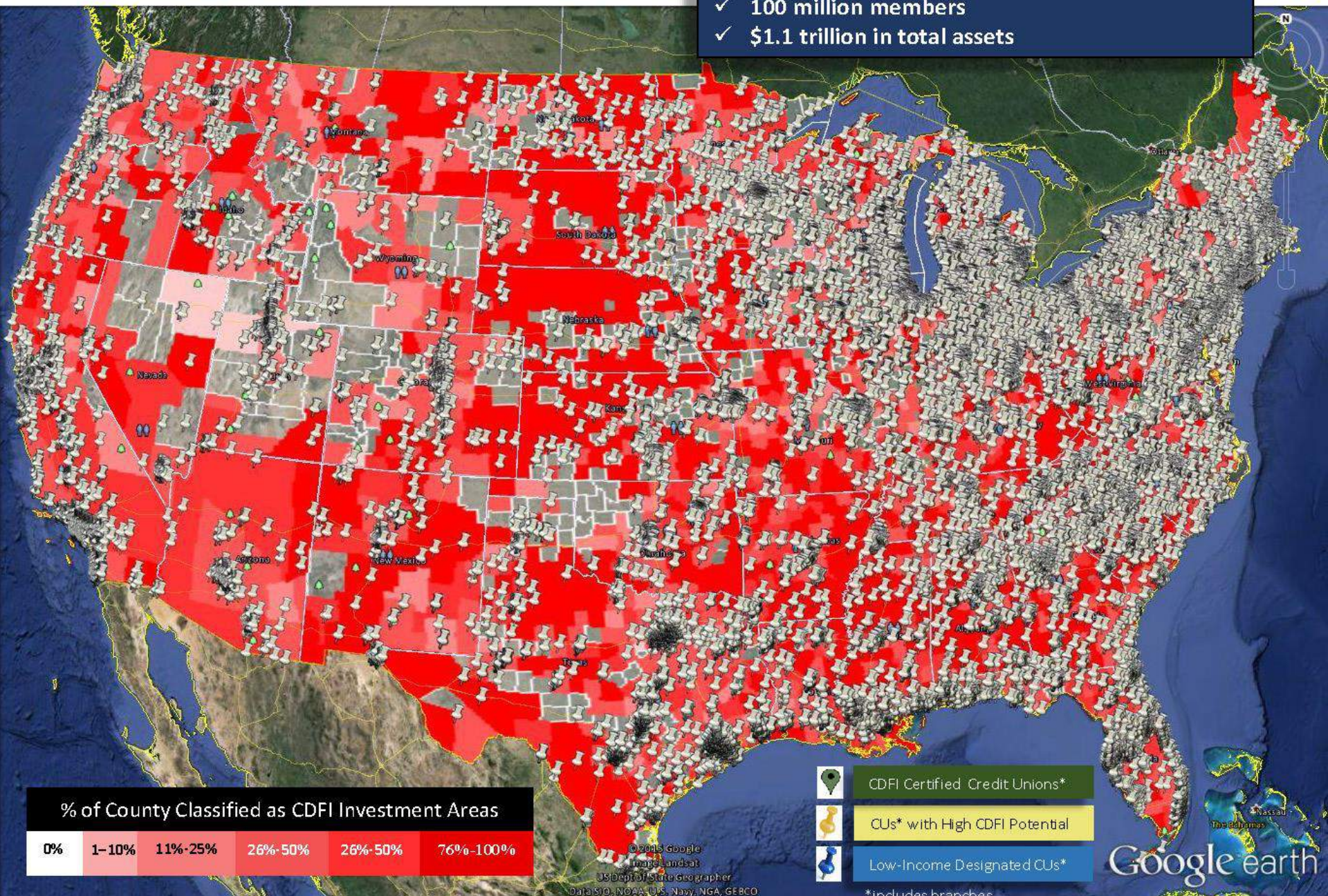
\*includes branches



# CDFI Investment Areas & Credit Unions by County

(as of February 2015)

- ✓ 6,400 credit unions in US
- ✓ 22,000 branches
- ✓ 100 million members
- ✓ \$1.1 trillion in total assets



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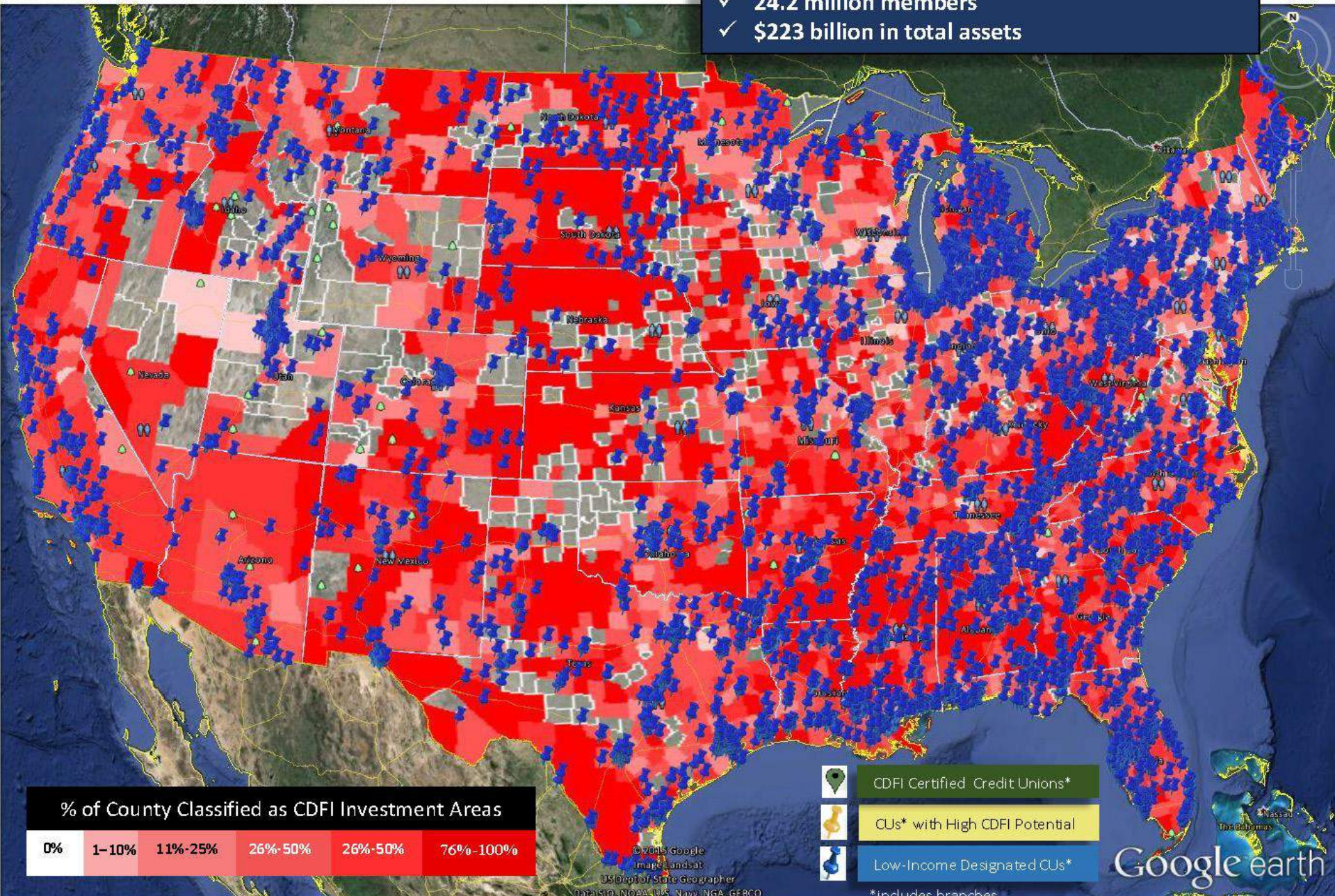
\*includes branches



# CDFI Investment Areas & Credit Unions by County

(as of February 2015)

- ✓ 2,100 Low Income Credit Unions
- ✓ 6,200 branches
- ✓ 24.2 million members
- ✓ \$223 billion in total assets



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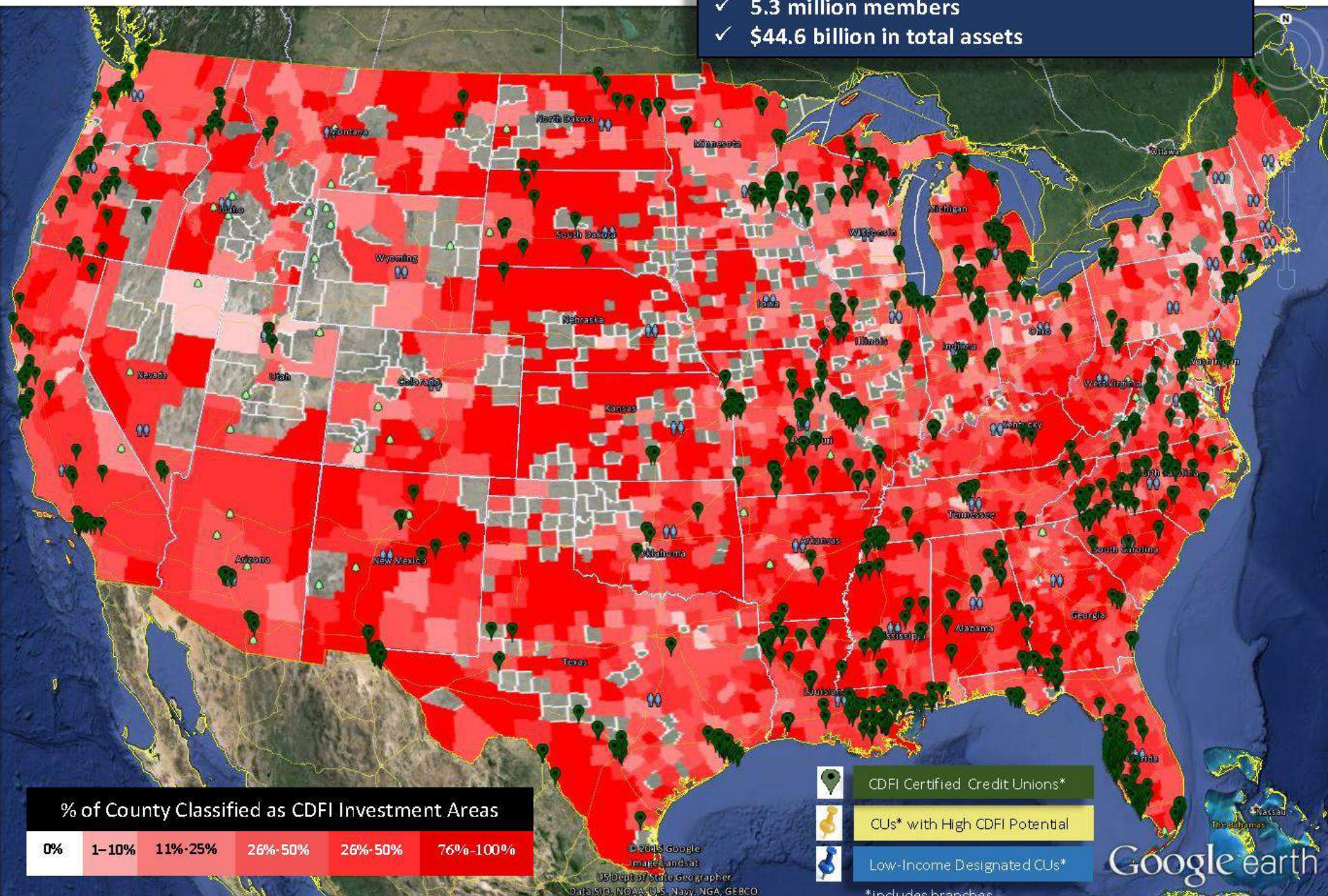
\*includes branches



# CDFI Investment Areas & Credit Unions by County

(as of February 2015)

- ✓ 242 CDFI Certified Credit Unions
- ✓ 1,135 branches
- ✓ 5.3 million members
- ✓ \$44.6 billion in total assets



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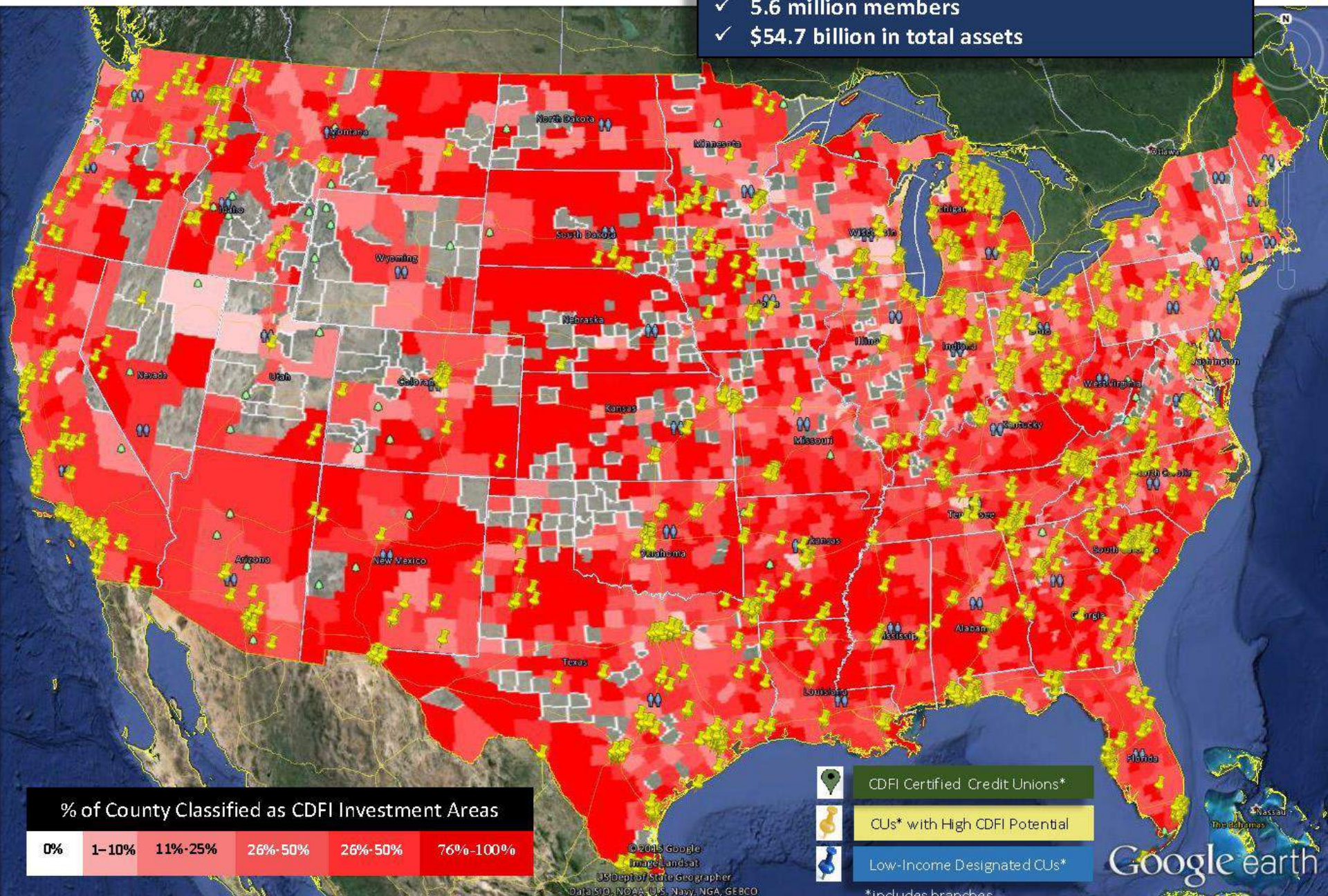
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# CDFI Investment Areas & Credit Unions by County

(as of February 2015)

- ✓ 394 CUs with highest level of CDFI Potential
- ✓ 1,360 branches
- ✓ 5.6 million members
- ✓ \$54.7 billion in total assets



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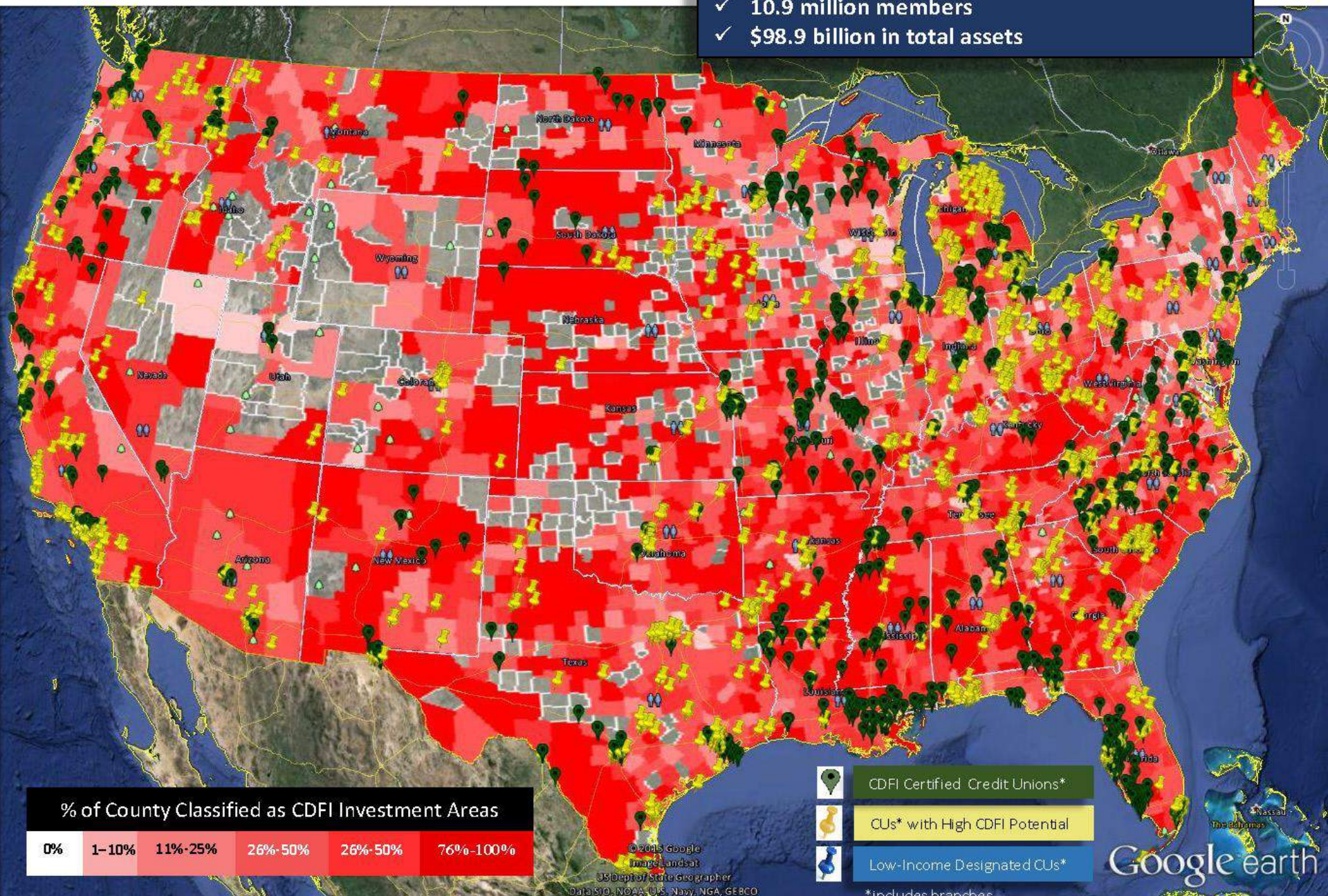
\*includes branches



# CDFI Investment Areas & Credit Unions by County

(as of February 2015)

- ✓ 636 current or highest potential CDFI CUs
- ✓ 2,485 total branches
- ✓ 10.9 million members
- ✓ \$98.9 billion in total assets



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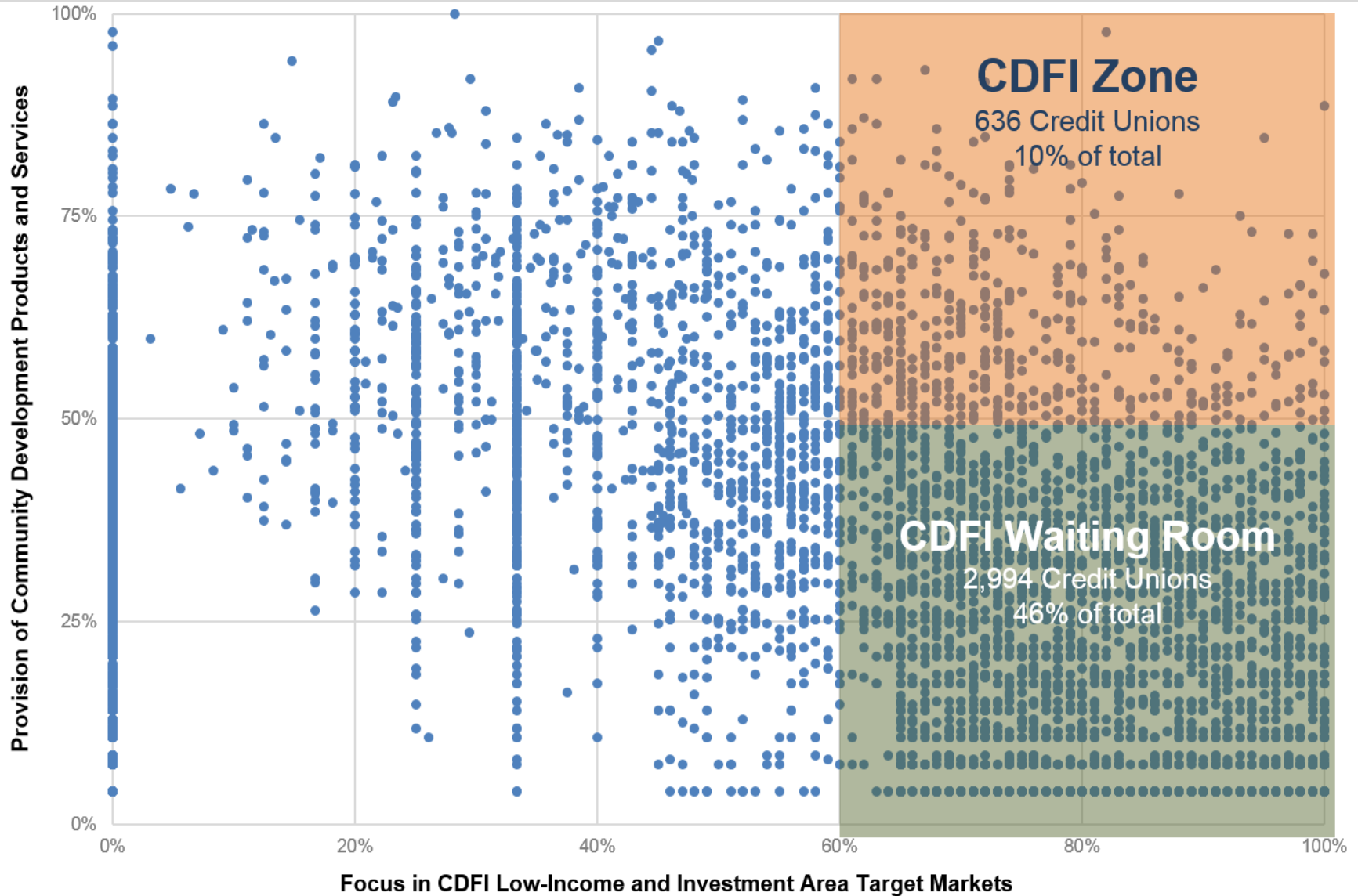
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Google earth

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# CDFI Profiles of All Credit Unions



# Federation Assistance

- Federation developed a methodology (accepted by the CDFI) based on statistically valid random sampling of borrowers to demonstrate target market eligibility based on IA & LITP eligibility
- Similar approach can also be used to demonstrate LID eligibility
- Sampling can be used for *Certification, Recertification, Monitoring and Compliance*



# Leveraging Building Blocks

- Low Income Designation
  - Regulatory flexibility to serve LMI markets
  - Secondary Capital Grants
  - FOM expansion opportunities
  - TAG grants
- CDFI Certification
  - Access to external resources
  - Partnerships
  - Impact tracking and reporting
- CDCU
  - Capital: Access secondary capital, risk sharing deposits and low cost non-member deposits
  - Knowledge: Innovative LMI approaches and products; best practices; knowledge sharing; specialized consulting services (resource development).
  - Impact: regulatory (NCUA's LID); external resources (CDFI Fund; US Treasury Department; SBA); national partnerships.



# For more information

National Federation of Community Development CUs  
39 Broadway Suite 2140  
New York, NY 10006-3003  
[www.cdcu.coop](http://www.cdcu.coop)



Pablo DeFilippi  
VP of Membership and  
Business Development  
[pablo@cdc.u.coop](mailto:pablo@cdc.u.coop)  
212.809.1850 ext 304



# CU Breakthrough Services



A Service of the Federation

## Innovation

Affiliate  
Structures

## Capital

CDFI  
Grant Writing  
Compliance

## Growth

Charter  
& FOM  
Expansion

## Innovation

Check  
Cashing &  
Remittance  
S

## Impact

Organizing  
New Credit  
Unions

## Capital

Secondary  
Capital Plans  
& Sources

## Knowledge

CDFI  
Certification

## Leadership

Speakers  
Bureau

## Impact

Asset Building  
VITA/EITC

## Innovation

Payday Loan  
Alternatives

## Leadership

Strategic  
Planning

## Knowledge

NCUA  
Low Income  
Designation

## Growth

Secure Home  
Ownership

## Impact

Micro & Small  
Business  
Lending

## Knowledge

Target Market  
Research