



Analyzing the CDFI Asset Gap: Examining Racial Disparities in CDFI Fund Awardees from 2003 to 2017

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Overview

Hope Policy Institute is interested in understanding trends in assets and capital held by minority ownership for CDFI Program awardees. Using institutional level reports (ILR) provided by the CDFI Fund, we completed an initial [analysis](#) of fiscal years 2014 and 2017. We found that average assets held by white-owned CDFI Program awardees significantly increased from FY2014 and FY2017 while minority-owned CDFI Program awardees experienced a slight decrease in average assets held. We also found that in FY2017, the average assets held by white-owned CDFIs were more than double that of minority-owned CDFIs. For our next analysis, we wanted to see if racial disparities existed across the full tenure of the CDFI Fund award program.

Key Takeaways

- **The number of white-owned CDFI Fund awardees has significantly outpaced minority-owned awardees every year.** The number of minority-owned awardees has never exceeded more than 34% of the total number of awardees in any given year, and collectively represent just 291 (31%) of all 922 unique awardees during this timeframe.
- **While the asset size for all CDFI Fund awardees has grown over time, the growth has not been evenly distributed.** For example, in FY2017, white-owned awardees held \$35.1 billion in assets, up from \$4 billion in 2003, whereas minority-owned awardees held \$5.7 billion in assets in 2017, up from \$530 million in 2003. It took minority awardees until 2013 –10 years – to exceed the median asset size of white-owned awardees in 2003 (\$5.5 million).
- **There has been no progress in closing the asset gap between white and minority-owned CDFIs.** Every year, the median asset size of white-owned awardees has been at least twice the median asset size of minority-owned awardees. In some years, it was 3 times as high.
- **Additional analysis is limited by the lack of data collected by the CDFI Fund.** Currently, the CDFI Fund does not collect minority-ownership for certified CDFIs. Without this data, it is not possible to know if the number of minority-owned CDFI Fund awardees is proportional to the CDFI field as a whole, and likewise we are unable to assess any broad trends within the CDFI industry by race.

Data and Methodology

The Community Development Financial Institutions Fund (CDFI Fund) serves as a primary driver of economic investment for over 1,100 certified Community Development Financial Institutions (CDFIs) in the nation. The CDFI Fund offers resources, technical assistance, and innovative programs such as the CDFI Program to bolster the impact of CDFIs in economically distressed communities. The CDFI Program grants monetary awards and training opportunities to build and increase the capacity of CDFIs to amplify community revitalization and organizational stability. As of FY2019, CDFI Program awardees have financed more than 19,000 businesses, provided funding for more than 51,300 housing units, and have originated more than \$21.5 million in loans and investments¹. Awardees, which can be credit unions, loan funds, and banks, submit various data on lending impact, capitalization, demographics served, and institutional characteristics.

The CDFI Fund collects this data in two databases, institutional level reports and transactional level reports. Institutional level reports collect data on the organization, financial position, financing, and minority-ownership dating back to 2003. The transactional level reports collect data on the lending activities of each organization for the most recent fiscal year. This analysis uses the institutional level report to explore the number of CDFI Program awardees, minority-ownership, assets held, and capital held from the CDFI Fund from 2003 to 2017, the most recent year for which data has been published. This dataset includes awardees that received a financial award, technical assistance, or received assistance through the Native American CDFI Assistance Program (NACA). Data is available on the CDFI Fund website.²

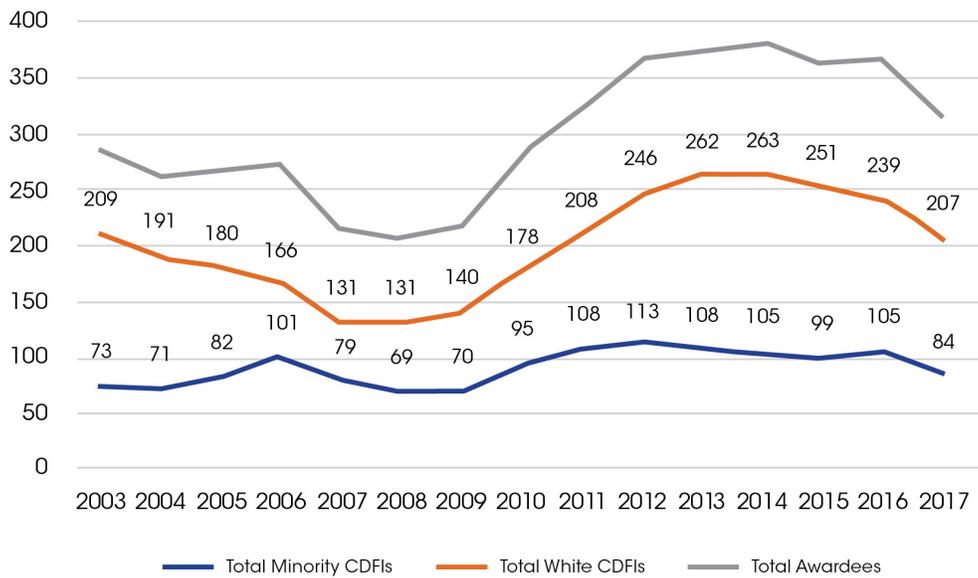
There are three variables of interest for this analysis: total assets held, minority status of ownership, and capital held from the CDFI Fund. Awardees self-reported all values.

- *Total assets held* - Total assets held is measured as the total dollar amount of unrestricted, temporarily restricted, and permanently restricted assets for an organization at the reporting period end.³
- *Minority-ownership* - Minority-ownership is determined by a CDFI's self-reporting to the CDFI Fund on its ILR. The ILR instructs reporting CDFIs to, "select whether the Organization was minority owned or controlled at the reporting period end OR select Don't Know. A non-profit is considered to be minority owned or controlled if more than 50 percent of its Board members are minorities, or the Chief Executive Officer, Executive Director, General Partner, or Managing Member is a minority."⁴ For-profit institutions define minority-ownership and control according to their own definition.
- *Capital held from CDFI Fund* - Capital held from the CDFI Fund represents the amount of investment capital received from the CDFI Fund at reporting end. Investment capital includes idle capital that is available to lend and invest, deployed capital, and capital only reflected on the organization's balance sheet.⁵

Analysis

To understand the relationship between minority ownership, assets and capital held, we begin with an overview of CDFI Fund awardees. Overall, there have been 922 unique CDFI Fund awardees⁶. Of these, about 31% (291) were minority owned⁷. CDFI Fund awardees frequently receive awards for multiple years. Table 1 shows the total number of CDFI Fund awardees by year and minority-ownership.

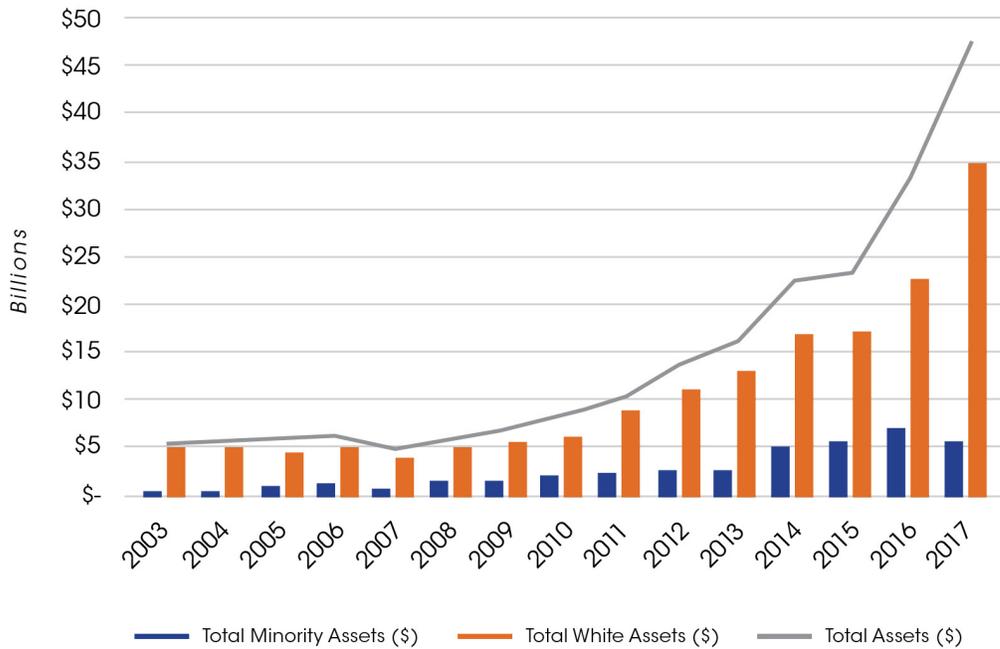
Table 1: Number of CDFI Fund Program Awardees by Minority-Ownership, FY2003 – FY2017



Despite the similar trend in growth to minority-owned awardees, white-owned awardees have outpaced minority-owned awardees in number and peak growth. There are approximately twice as many white-owned awardees than minority-owned awardees every year of the program. Now consider the peaks of awardees. The number of minority-owned awardees reached the highest peak in 2012 with 113 awardees. The number of white-owned awardees peaked in 2014 with 263 awardees. In looking across all years, the highest number of minority-owned awardees (113) has never exceeded the lowest number of white-owned awardees (128). When comparing minority-owned and white-owned awardees for two points in time a decade apart, a difference persists. In looking at 2006 versus 2016, the number of minority-owned awardees had only increased by four while the number of white-owned awardees increased by 73.

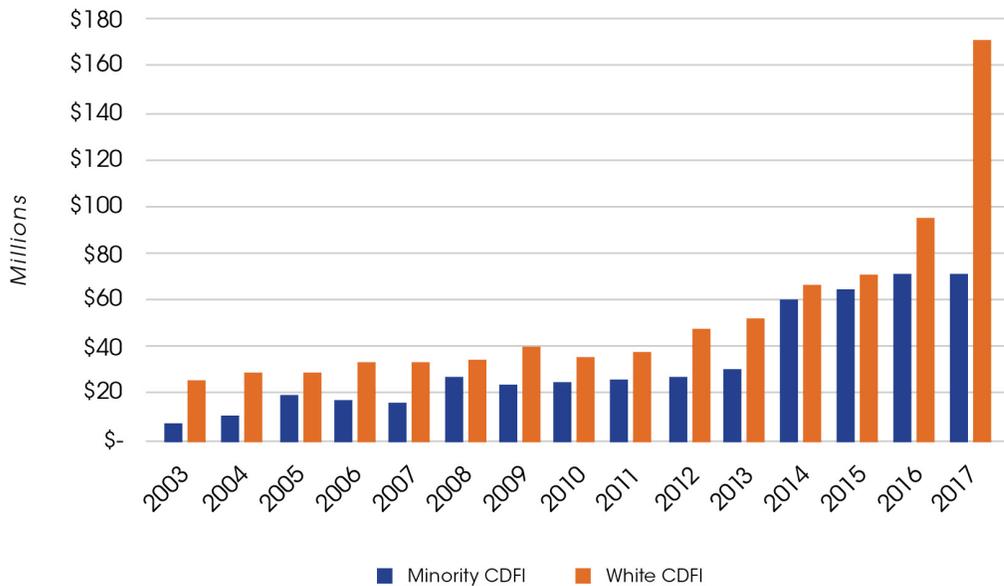
The disparity between minority-owned and white-owned awardees is not in number only, but in amount of assets held also. White-owned awardees outpace minority-owned awardees in assets held every year. While the asset size for all CDFI Fund awardees has grown over time, the growth has not been evenly distributed. For example, in FY2017, white-owned awardees held \$35.1 billion in assets, up from \$4 billion in 2003, whereas minority-owned awardees held \$5.7 billion in assets in 2017, up from \$530 million in 2003. See Table 2.

Table 2: Total Assets Held by Minority-Ownership, FY2003-FY2017



Examining the average assets held by minority ownership further reveals the persistence of these disparities. Every year, white-owned awardees have held larger assets on average than minority-owned awardees. For the first two years of the program, white-owned CDFIs held three times more assets on average than minority-led CDFIs. For the remaining years of the program, white-owned awardees have held twice as many assets on average than their counterparts. See Table 3.

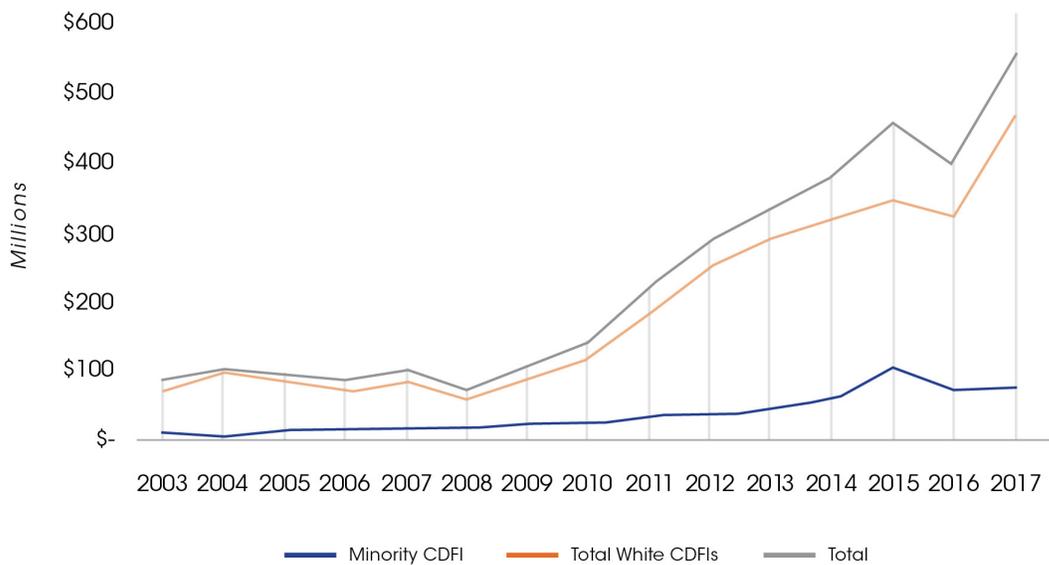
Table 3: Average Assets Held by Minority-Ownership, FY2003-FY2017



CDFI Fund awardees that are exceptionally large or small may explain the stark gap in assets held. However, the asset gap persists when comparing median assets held. Every year of the program, white-owned awardees had a median asset size at least twice as large as the median asset size of minority-owned awardees. In some years, it reached three times as large.

The gap between minority-owned and white-owned awardees continues with capital held from the CDFI Fund. White-owned awardees reported holding capital amounts from the CDFI Fund at least three times greater than minority-owned awardees every year of the program. See Table 4. White-owned awardees held six times the amount of capital from the CDFI Fund than minority-owned awardees in 2017. In total, minority-owned awardees have reported low amounts of capital held with the peak amount being \$108,526,695 in 2015. To be clear, this data is the best proxy for amount of CDFI Funds awarded by minority-ownership since the CDFI Fund does not publicly report that data.

Table 4: CDFI Fund Capital Held by Minority-Ownership, FY2003-FY2017



Data Limitations

There are two categories of data limitations: issues with measurement and limitation of the type of data collected. As is the case with any analysis of public data, there were issues with variable measurement and data collection. The primary issue with variables used in our analysis was non-responsiveness. Several awardees failed to respond to questions on minority-ownership, assets held, or capital received from the CDFI Fund. When measuring minority-ownership, we simply categorized the institution as “owner missing” and excluded them from the analysis. Institutions that reported “0” for assets held or capital received from the CDFI Fund were also excluded from analysis⁸.

Concerning limitations in the type of data collected, we were hindered in our ability to draw relationships between minority-ownership and CDFI Fund award amount. First, the current CDFI Program award process does not collect or report minority ownership at time of allocation of award. The closest proxy, capital received from CDFI Fund, reflects the amount of capital remaining in the institution at the time of reporting. There are several different reasons to explain how and why some institutions report more or less capital

held from the CDFI Fund at the end of the reporting period. It could be, for example, that by the time of reporting they have fully expended the CDFI Funds awarded that year. Furthermore, the current definition of minority-ownership may vary across institutions. As it stands, CDFI awardees of all types are required to answer the question as part of their ILR, yet there is only clear guidance for non-profits. For-profits, like CDFI banks, are able to define minority-ownership as they see fit. The definition, then, may vary by type of institution and any analysis using the ILR will not reflect the reality of board composition or leadership. Lastly, the current CDFI certification process does not collect minority- ownership status of all CDFIs. Without this data, we are unable to know if the number of minority-owned CDFI Fund awardees is proportional to the CDFI field as a whole, and likewise unable to assess any broad trends of the CDFI industry by race. At best, we can use institutional level reports of CDFI Fund awardees, which represent just a fraction of all CDFIs.⁹

Conclusion

Disparities exist between minority-owned and white-owned awardees for the number of awardees, assets held, and capital held. Unfortunately, over the course of the 14 years examined in this analysis, there has been little progress in closing the asset gap between minority-owned and white-owned CDFIs. This analysis also suggests that the minority-owned CDFIs face challenges in gaining access to not just CDFI program funding, but philanthropic and bank funding as well. At the same time, we are unable to draw stronger conclusions about the relationship between race, assets held, and CDFI Program award because of several data limitations in the CDFI certification process and the CDFI Program allocation. To this end, race should be collected and reported for certified CDFIs and CDFI Program awardees at time of allocation. The upcoming comment period on the CDFI Certification process is an opportunity for the CDFI Fund to consider these changes.

¹ Community Development Financial Institutions Fund. "CDFI Program". <https://www.cdffund.gov/programs-training/Programs/cdfi-program/Pages/default.aspx>. Accessed October 21, 2020.

² Community Development Financial Institutions Fund. "Data Releases". https://www.cdffund.gov/Documents/CDFI%20Performance%202017%20Approval%2006-14-2019_508%20Compliance.pdf

³ Community Development Financial Institutions Fund. "CDFI Institution Level Report Instructions CIIS 15.0". Pg.14. <https://www.cdffund.gov/Documents/FY%202017%20Data,%20Documentation,%20Instructions.zip>

⁴ Community Development Financial Institutions Fund. "CDFI Institution Level Report Instructions CIIS 15.0". Pg.6. <https://www.cdffund.gov/Documents/FY%202017%20Data,%20Documentation,%20Instructions.zip>

⁵ Community Development Financial Institutions Fund. "CDFI Institution Level Report Instructions CIIS 15.0". Pgs.9-11. <https://www.cdffund.gov/Documents/FY%202017%20Data,%20Documentation,%20Instructions.zip>

⁶ There are 4,489 CDFI awardees in total, which accounts for CDFIs that received awards for multiple years.

⁷ Forty-four unique CDFI Fund awardees did not report minority-ownership status.

⁸ Overall, there are 4,489 CDFI awardees. There were 125 CDFI awardees that did not supply minority-status of ownership, 277 awardees did not provide total assets held, and 2,644 (59%) awardees reported "0" capital held from the CDFI Fund or did not report a value.

⁹ For FY2017, there were 315 CDFI Program awardees, which is less than one-third of all certified CDFIs.