

# Wisconsin Community Development Financial Institutions (CDFIs)



**Virtual CDFI Day at the Capitol**  
**April 7, 2021**

# Housekeeping Notes

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- Lastly this presentation will be recorded, and all resources provided in this presentation will be made available following our time together.

**THANK YOU!!!!**



# Comments from Legislative Leaders and Q & A with CDFI Leaders

- Sec. Kathy Blumenfeld, Dept. of Financial Institutions
- Katie Domina, Governor's Office
- Rep. Katrina Shankland
- Ann DeGarmo, on behalf of Secretary Peter Barca
- Rep. Scott Allen
- Rep. Tod Ohmstad
- Rep. Cindi Duchow (Tentative)



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# **Legislative Briefing & CDFI Panel**

## **Today's Emcee**



**Maysee Y. Herr, Ph.D.**

**Executive Director of  
the Hmong  
Wisconsin Chamber  
of Commerce**



# What is a Community Development Financial Institution (CDFI)?

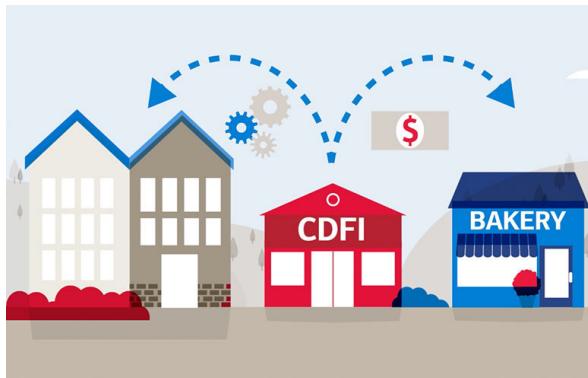
- Private, mission-driven financial institution benefitting low-income, low-wealth, and other disadvantaged people & communities
- Serves customers that cannot meet conventional collateral or underwriting requirements
- Provides innovative financing products and/or services as well as technical assistance
- Creates economic opportunity in the form of:
  - Jobs
  - Affordable housing units
  - Community services
  - Financial services for the underbanked and unbanked



# What is a CDFI?

## Community Development Financial Institutions

- Unsecured/secured lending
- Collections/payments associated with lending
- Bank lending practices and guidelines compliance



Graduating  
CDFI  
borrowers



20% of Wisconsin households remain unbanked or underbanked





# About CDFIs

- CDFIs lend to:
  - Community Businesses—including small businesses, microenterprises, nonprofit organizations, commercial real estate, and affordable housing
  - Individuals
- CDFIs are 100% dedicated to delivering responsible, affordable financial products and services that benefit individuals and communities
- CDFIs are profitable but not profit-maximizing. They put community first, not the shareholder



# How CDFIs Work

- Access to capital is part of the long-term solution to alleviate poverty and build healthy communities
- CDFIs strive to become a permanent capital resource in their communities
  - Not a “program” that comes and goes at the whims of the funders, government and others
- This means CDFIs expect to be repaid!
- CDFIs cannot avoid risk, but must learn to manage it



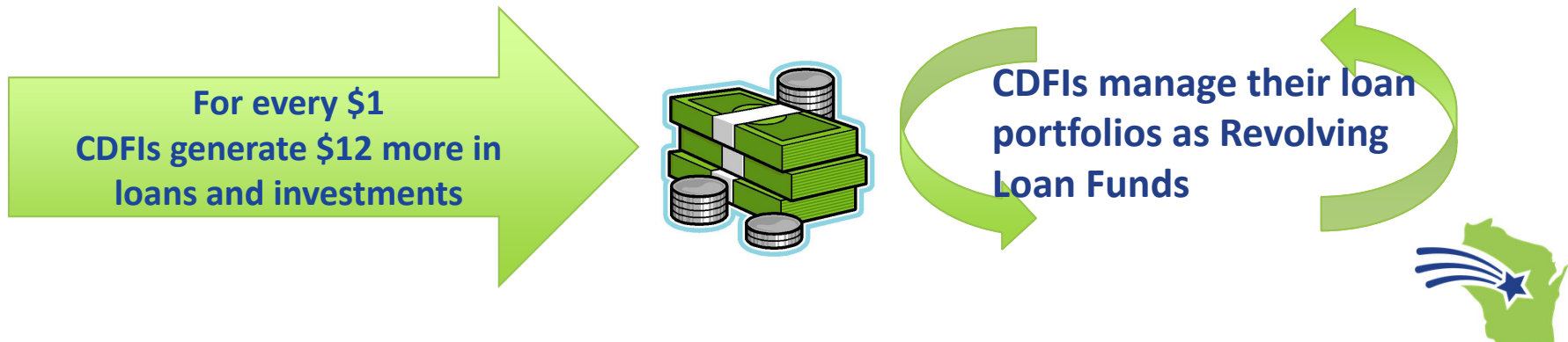
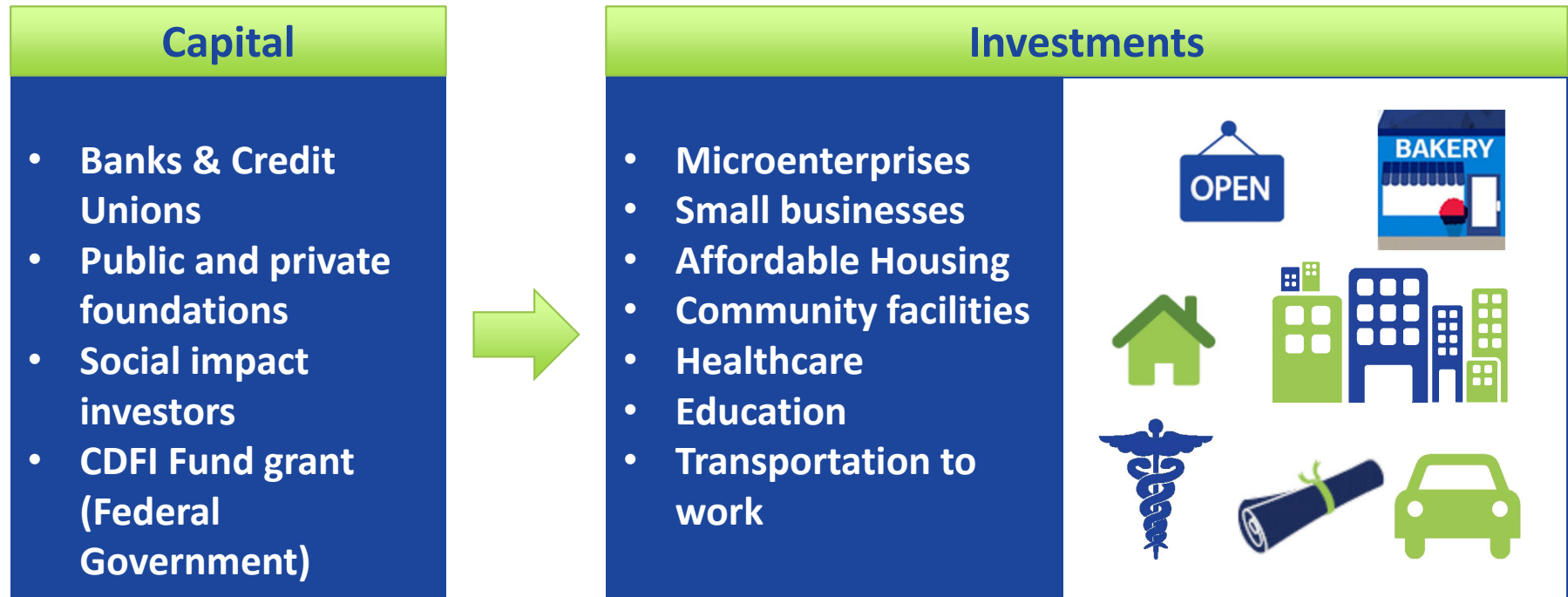
# The role of CDFIs in Wisconsin's investment landscape

CDFIs	Banks	Angel and Venture
<ul style="list-style-type: none"><li>• <b>Broad lending criteria</b></li><li>• <b>Lower interest rates</b></li><li>• <b>Smaller loans or investments</b></li><li>• <b>Higher risk investing</b></li><li>• <b>Actively mentor businesses and projects to mitigate risk</b></li><li>• <b>Low default rate</b></li></ul>	<ul style="list-style-type: none"><li>• Narrower lending criteria</li><li>• Market interest rates</li><li>• Larger loans and investments</li><li>• Risk adverse</li><li>• Limited technical support to borrowers</li></ul>	<ul style="list-style-type: none"><li>• Highly selective investment criteria</li><li>• ROI typically min 3x investment</li><li>• Highly risk adverse</li><li>• Failure to reach goals can severely impact founder</li></ul>

CDFIs serve communities and market sectors that traditional lenders do not



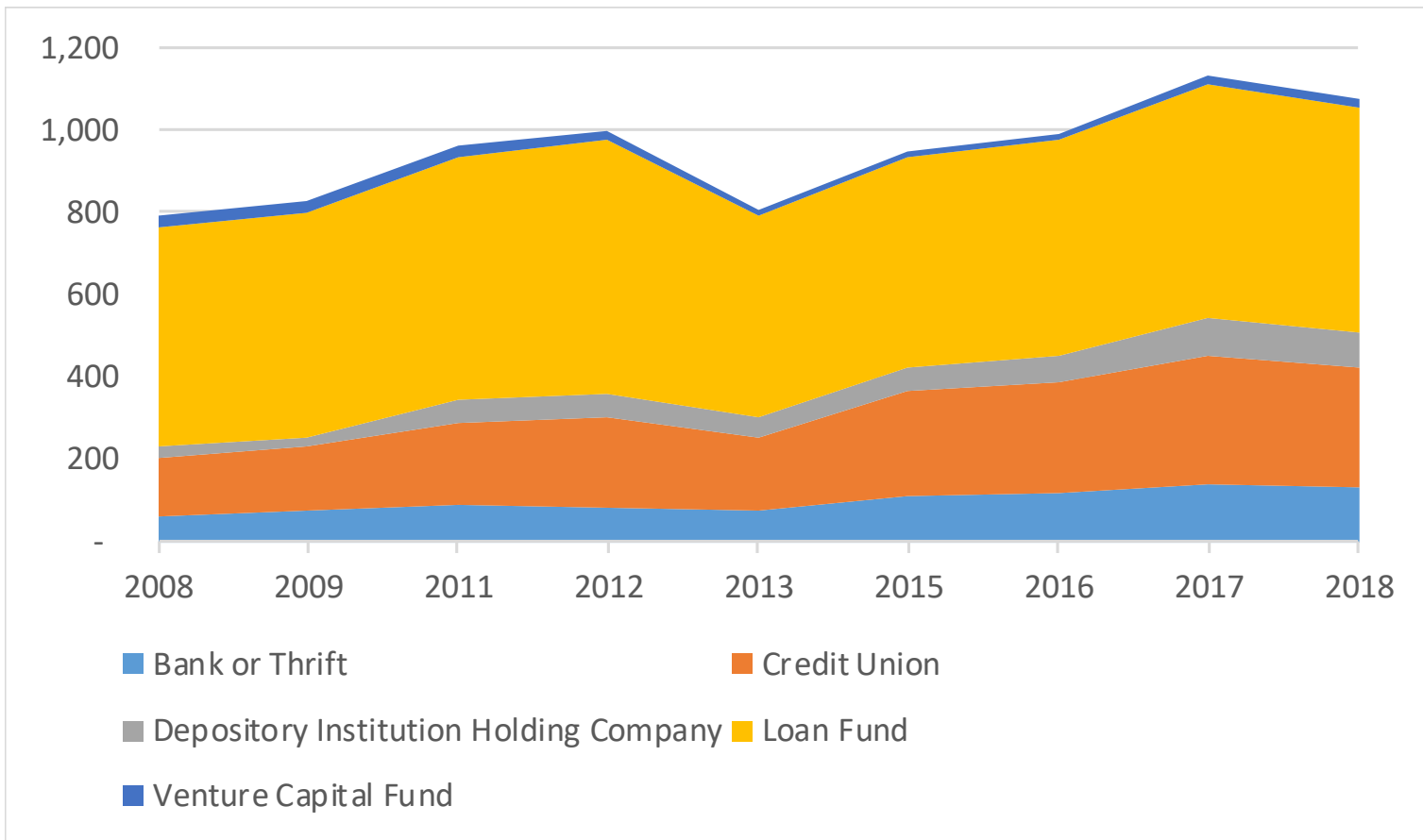
# CDFI capitalization and investment





# Number of Certified CDFIs

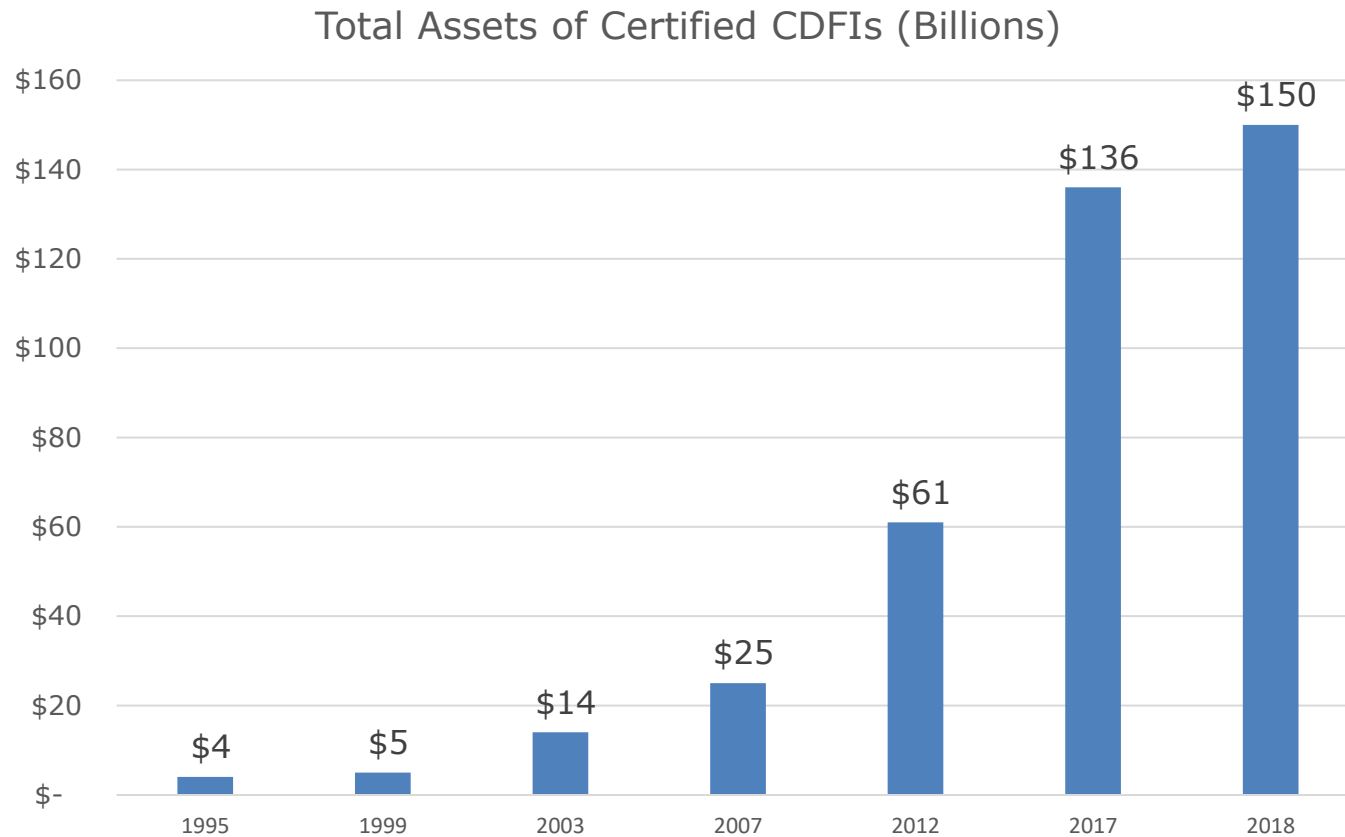
2008	2009	2011	2012	2013	2015	2016	2017	2018
793	829	962	999	808	950	991	1,131	1,074



Source: CDFI Fund Lists of Certified CDFIs 2008-2018



# CDFI Asset Growth

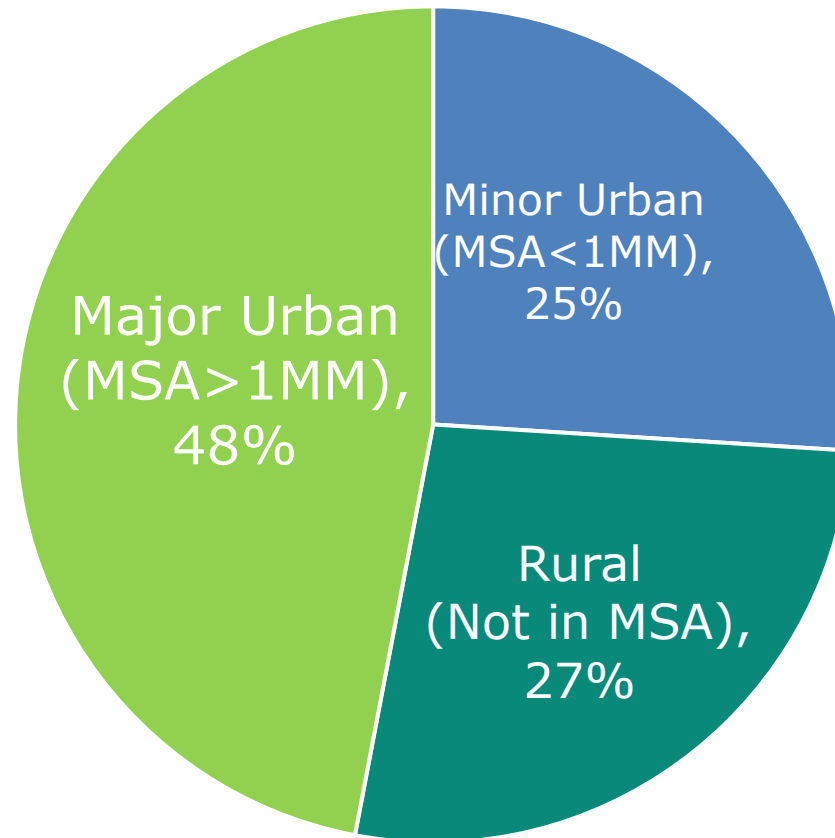


Sources: Social Investment Forum, 2012 Report on Socially Responsible Investing Trends in the United States, 2015 data from FDIC, NCUA and trade associations, CDFI Fund 2017, 2018.

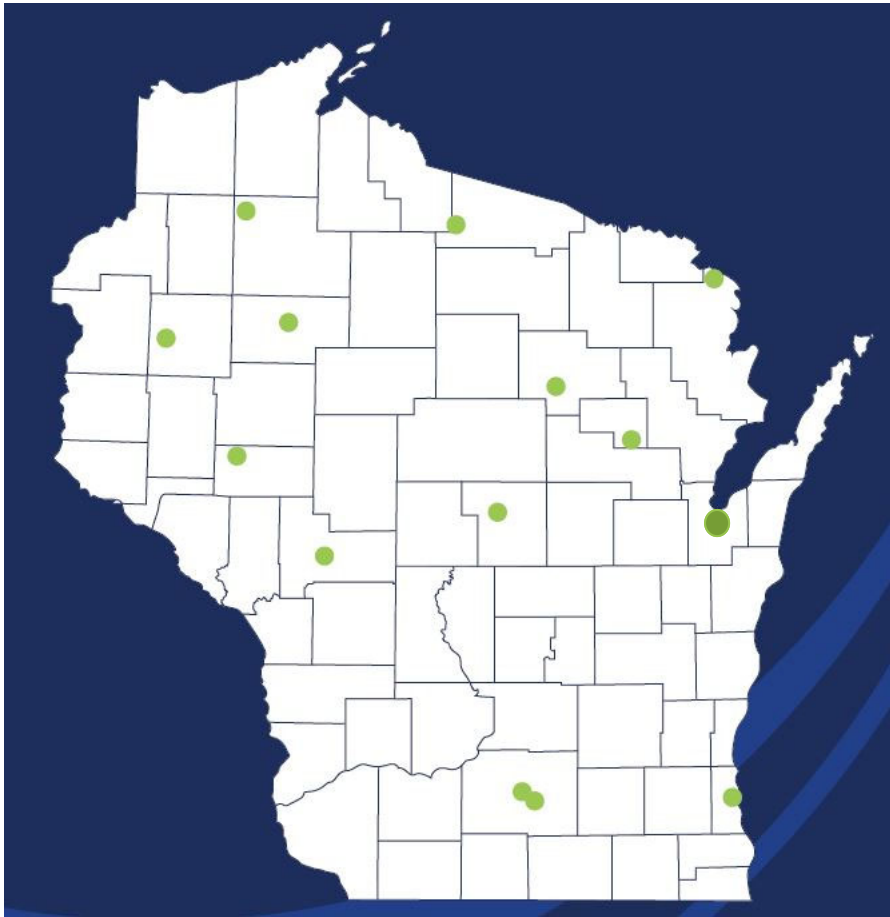


# Where CDFIs Work

## Rural Vs Urban



# 24 CDFIs in Wisconsin



## Who We Serve

Low-to-Moderate  
Income Households



Individuals Who Face Barriers  
to Financing or Resources



Racial / Ethnic Minorities





# Why CDFIs are so effective?

- **Greater access capital** where needed
- **Holistic approach** with communities and individuals underserved by traditional financing
- **Low default rates on lending** are due to *hands on* technical assistance and mentoring on all investments

# Transformational investing in Wisconsin by CDFIs

\$3,041,242,020  
LOANED BY WI CDFIs



7,897 units  
OF HOUSING DEVELOPED



10,532 businesses  
STARTED OR EXPANDED



17,210,713 sq ft  
DEVELOPED



34,656 jobs  
CREATED



19,806 consumers  
FINANCED



47,356 seats  
IN EDUCATION & CHILDCARE



# Legislative Briefing & CDFI Panel



**Jon Gaines**

**Vice President,  
Business Services &  
Finance**



*Entrepreneurship Education  
Training Programs • Lending  
Coaching • Financial Impact*





# Micro & Small Business Lending



*Entrepreneurship Education  
Training Programs • Lending  
Coaching • Financial Impact*





# CLIENT SNAPSHOT:



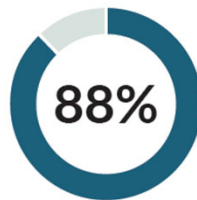
## Gender Identity

Woman

73%

27%

Man



Milwaukee

People of color



Statewide



60%  
Low-to-moderate  
income households

**Veterans Served:**  
#523

55%  
existing



45%  
start-up

Business status of loans closed (2020)

*\*WWBIC 2020 Client Data*



# LENDING SNAPSHOT



24% Food Related Services  
14% Manufacturing  
14% Other Services\*  
12% Retail & Wholesale Trade  
11% Health Care Related Services  
8% Arts, Entertainment & Recreation  
7% Construction & Waste Management  
6% Transportation & Warehousing  
3% Professional Services  
1% Agriculture

**1,005**  
current  
loans



**564**  
active  
borrowers

**\$23.5 MILLION**

Loan portfolio  
(owned & under management)

*\*WWBIC 12/31/20 Portfolio Data*



# Legislative Briefing & CDFI Panel



**Evan Reed**

**Regional Director of  
Southeast Wisconsin**



# Community Facilities Lending

2019



2020



# Legislative Briefing & CDFI Panel



**Laura West-Kralcik**

**Vice President of  
Lending**





# Affordable Rental Housing



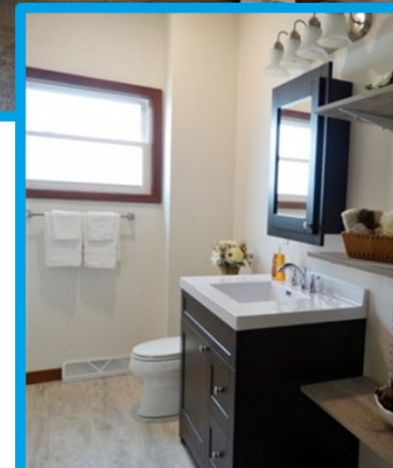
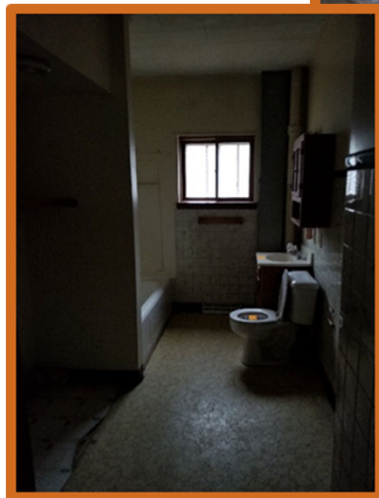
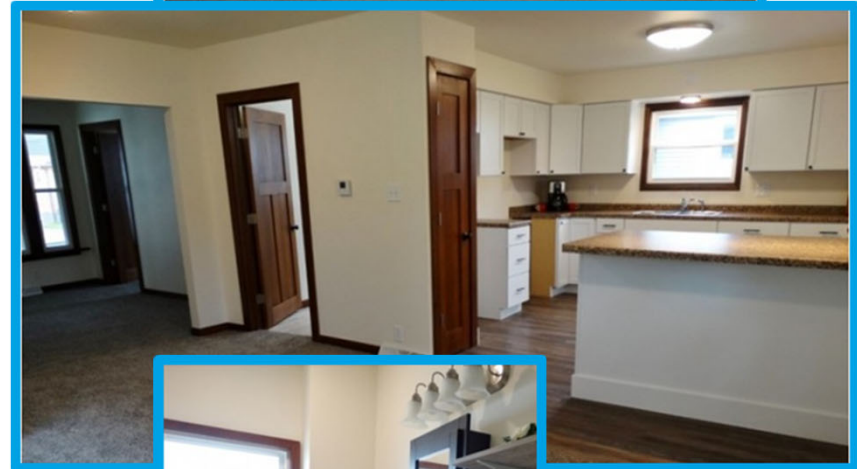
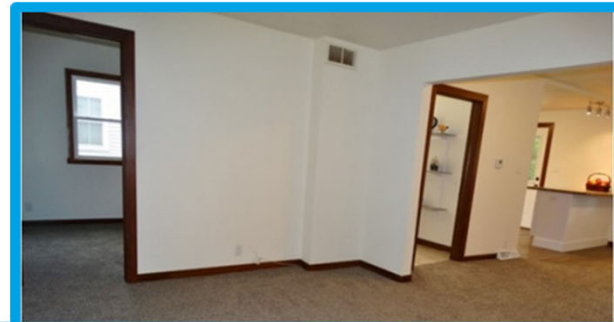


# Homeownership- Lending





# Homeownership - Lending



# Consumer Loans

## Credit Builder Loans

- Small Loans to help with emergencies, car repairs, medical/dental costs, moving expenses, and more
- Loans up to \$1,000  
12 month term  
10% interest rate
- Access to capital
- Build credit
- Affordable alternative to high interest loans



# Consumer Loans

## Debt Refinance Loans

- Pay off a high interest loan or consolidate multiple high interest debts
- Loans up to \$5,000  
terms up to 24 months  
12% interest rate
- Repair or improve credit
- Reduce monthly debts
- Redirect income to household needs



# Consumer Loans

## Auto Loans

- Auto loans provide transportation options to gain and maintain employment, and keep important appointments
- Rural and distance travel
- Loans up to \$10,000  
flexible terms  
low interest rates
- Credit building  
opportunity





# CDFIs are vital players in growing Wisconsin's economy

Providing access to capital where traditional lenders cannot, **CDFIs deliver:**

- **Jobs** in distressed urban and rural communities
- **Revitalization in the hearts of our underserved communities** via development of facilities and services
- **Grassroots economic transformations**, delivering thriving communities statewide



# CDFI Day Public Service Award Honoring WEDC Secretary, Melissa (Missy) Hughes



SPECIAL RECOGNITION  
DISTINGUISHED PARTNERSHIP

THANK YOU

*Missy Hughes*

Wisconsin Community Development Financial Institutions (CDFIs) are proud to honor Missy Hughes as a friend and partner in advancing economic development initiatives throughout the State of Wisconsin.

Throughout your tenure as Secretary/CEO of Wisconsin Economic Development Corporation (WEDC), you have truly made a difference in supporting our community holistically.

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# Thank you!



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