

Wisconsin Community Development Financial Institutions (CDFIs)



**CDFI Day at the Wisconsin State Capitol
March 5, 2020**

What is a Community Development Financial Institution (CDFI)?

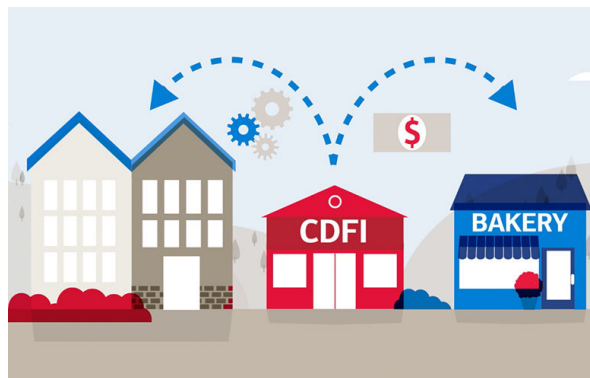
- Private, mission-driven financial institution benefitting low-income, low-wealth, and other disadvantaged people & communities
- Serves customers that cannot meet conventional collateral or underwriting requirements
- Provides innovative financing products and/or services as well as technical assistance
- 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

Banks/Credit Unions

- Accepting deposits
- Collections/payments
- Unsecured/secured lending
- Trade and stocks transactions



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



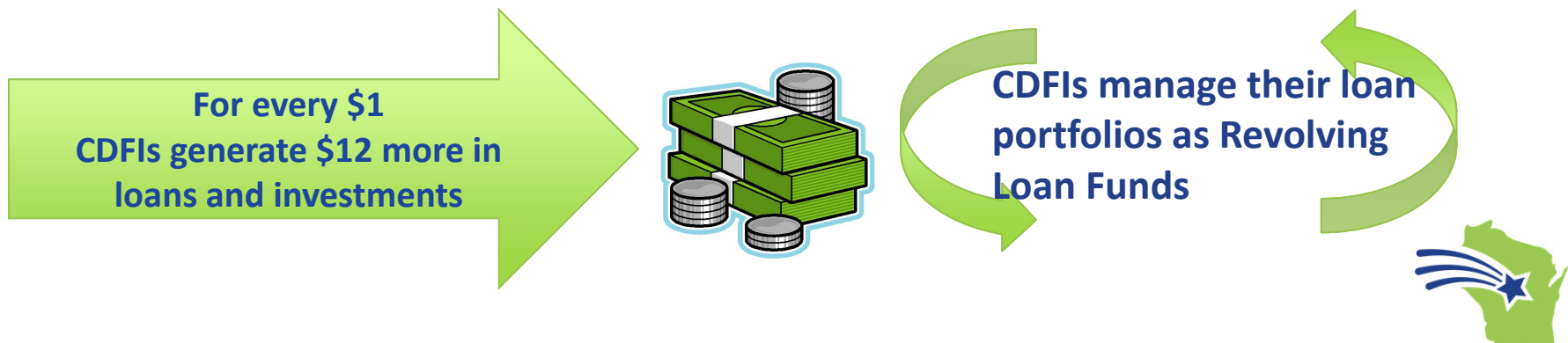
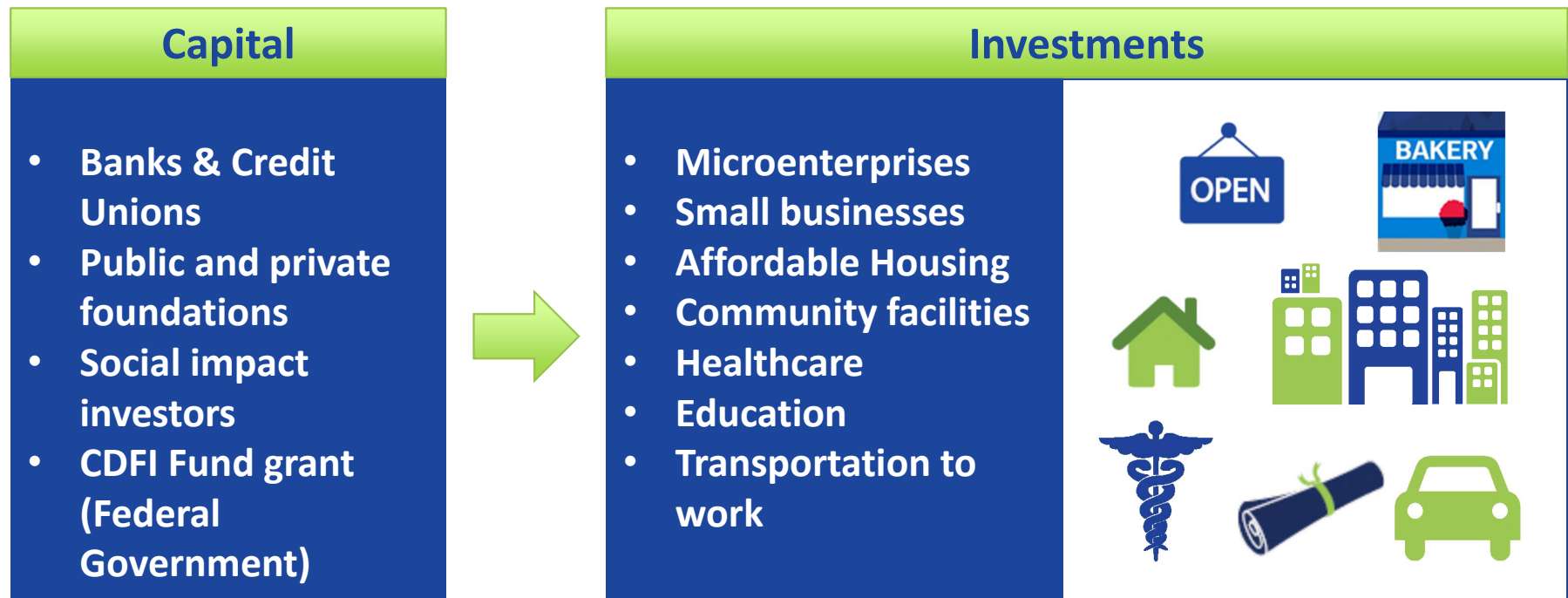
The role of CDFIs in Wisconsin's investment landscape

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

CDFIs serve communities and market sectors that traditional lenders do not

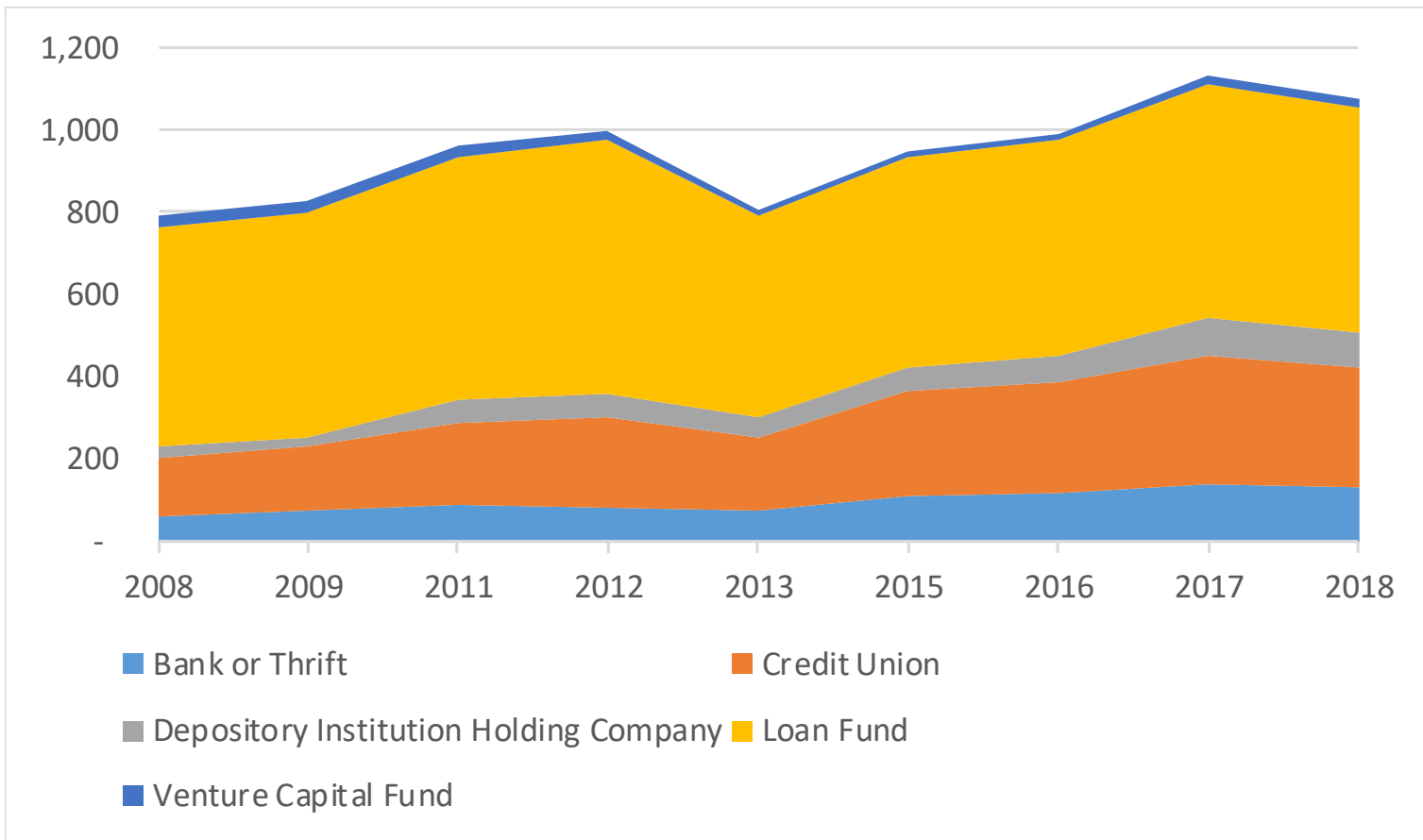


CDFI capitalization and investment



Number of Certified CDFIs

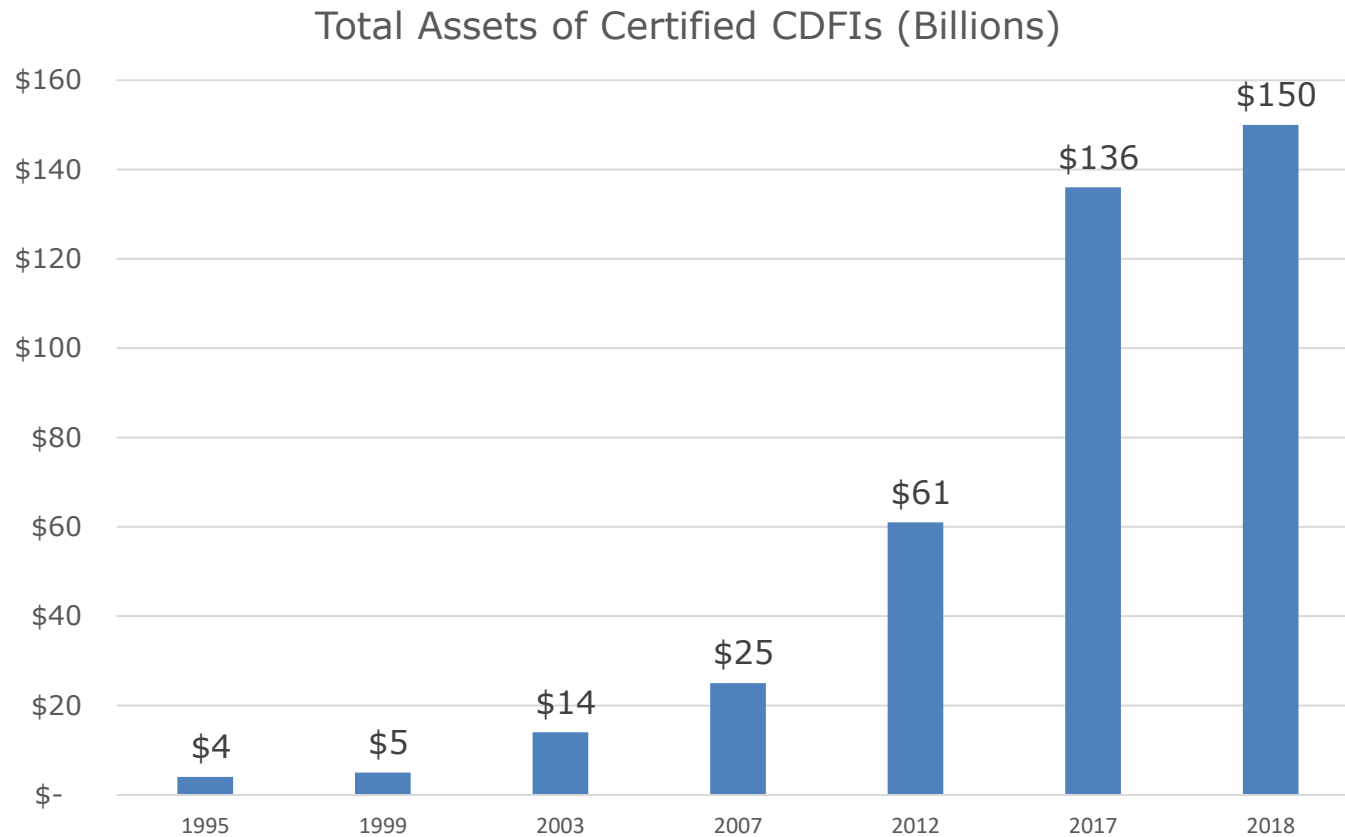
2008	2009	2011	2012	2013	2015	2016	2017	2018
793	829	962	999	808	950	991	1,131	1,074



Source: CDFI Fund Lists of Certified CDFIs 2008-2018



CDFI Asset Growth

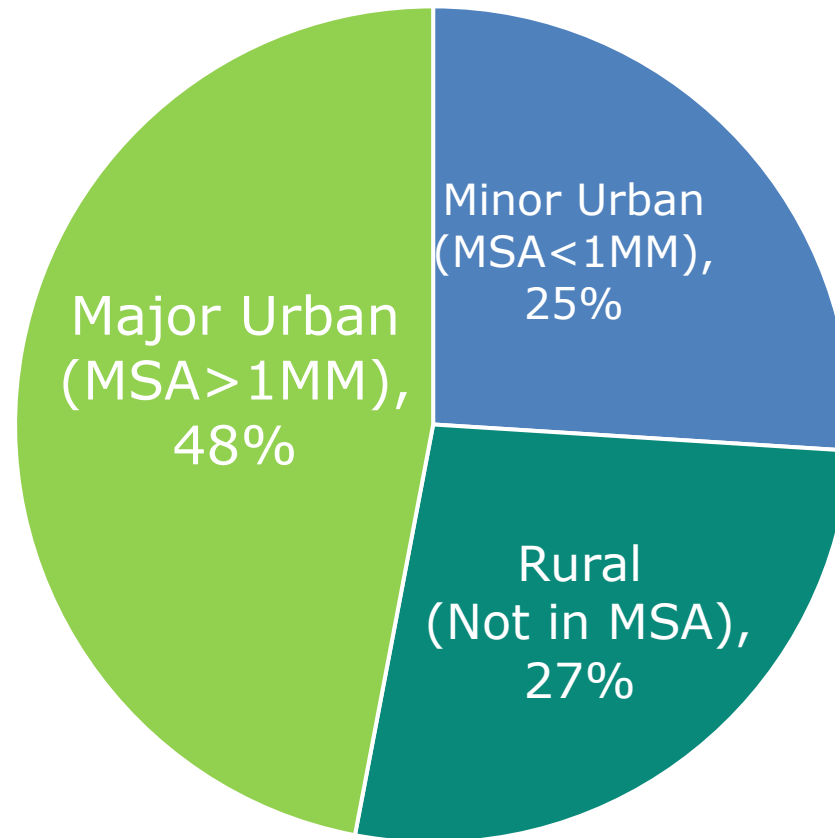


Sources: Social Investment Forum, 2012 Report on Socially Responsible Investing Trends in the United States, 2015 data from FDIC, NCUA and trade associations, CDFI Fund 2017, 2018.

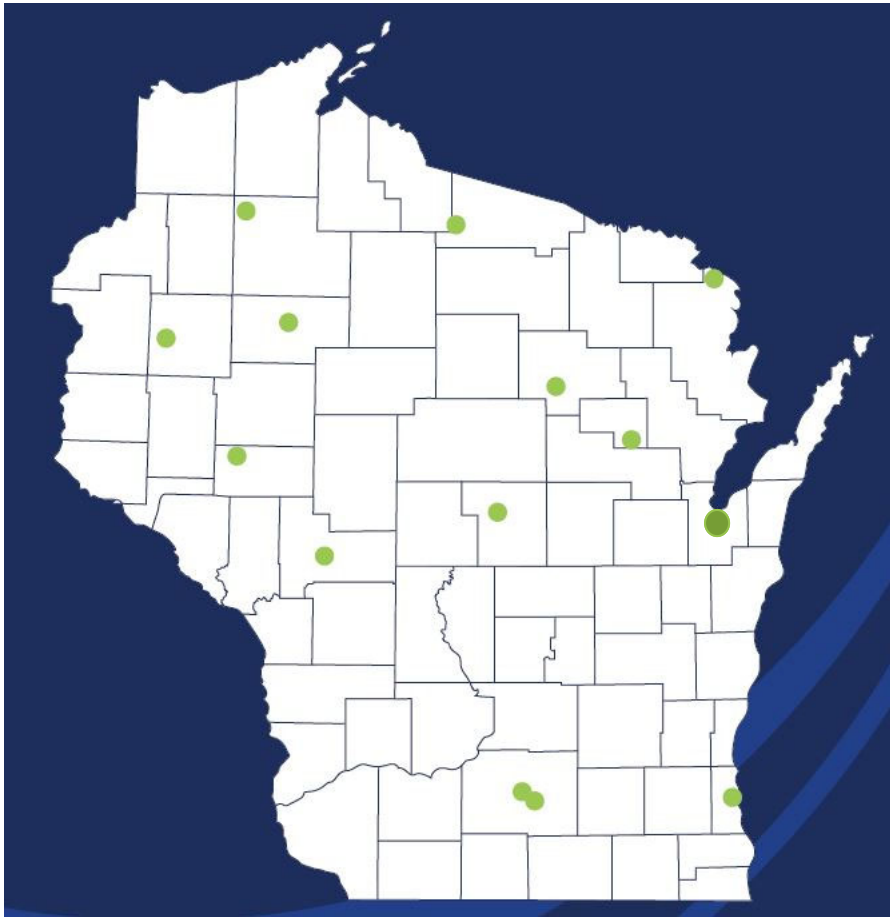


Where CDFIs Work

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



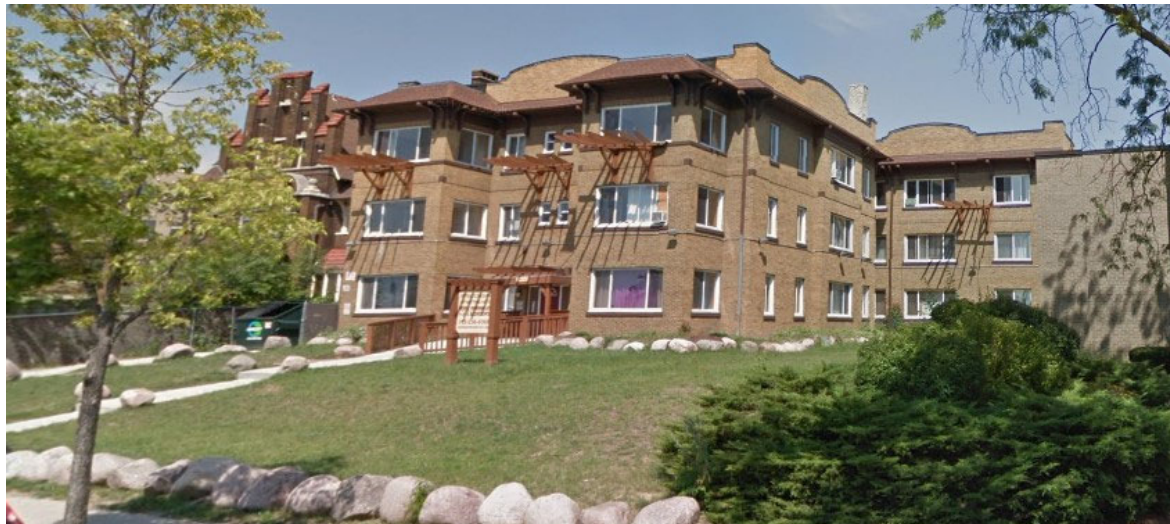
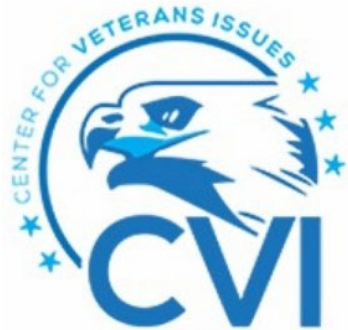
19,806 consumers
FINANCED



47,356 seats
IN EDUCATION & CHILDCARE



Community Facilities Lending



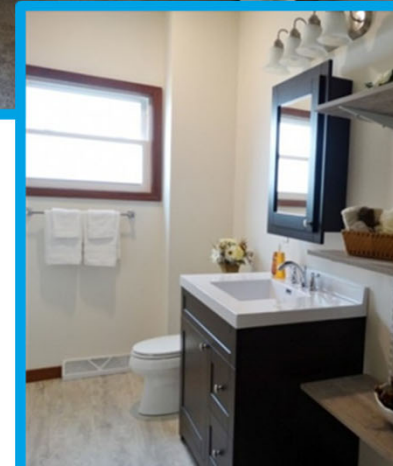
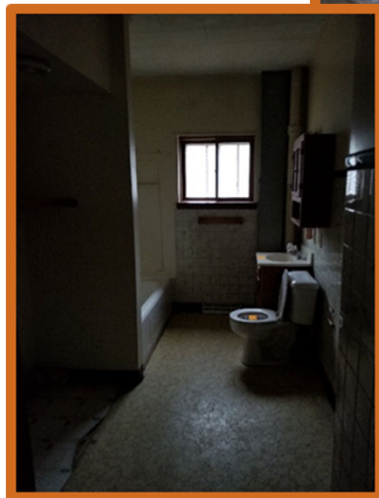
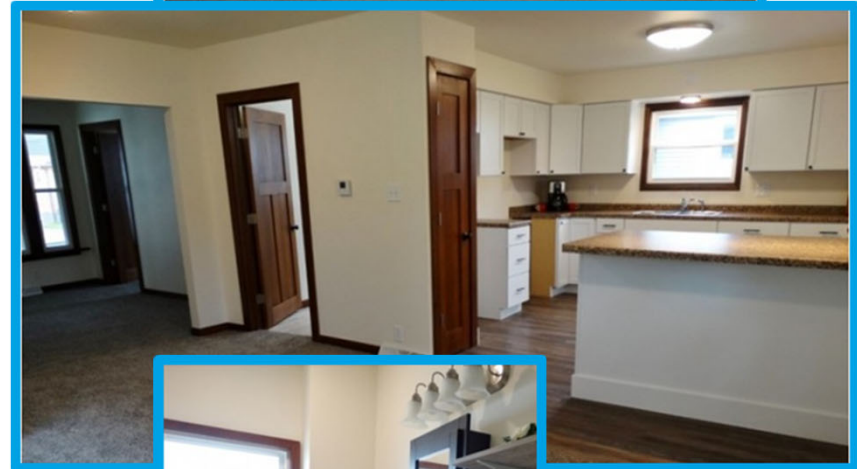
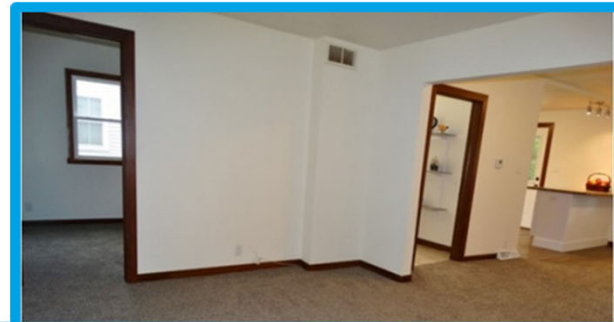
Affordable Rental Housing



Homeownership- Lending



Homeownership - Lending



Consumer Loans

Credit Builder Loans

- Small Loans to help with emergencies, medical/dental costs and family goals including citizenship fees.
- Loans up to \$1,000; interest rate of 10%; up to 12 month term

Debt Refinance Loans

- Pay off a high interest loan or consolidate multiple loans
- Loans up to \$5,000, interest rate of 12%, up to 24 months



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



Thank you!



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