CDFI Certification
A Pathway to Growth and Impact
CDFI Fund Basics

• Established by Congress 1994
  – Federation and CDCUs instrumental in founding
• CDFIs include regulated and unregulated institutions that meet criteria
CDFI Fund Basics

• Certified CDFIs eligible to apply for financial and technical assistance grants
  – Loan Funds historically more than 80% of certified CDFIs

• $1.8 billion in CDFI Funds FA/TA awards to date
  – Loan Funds have received 84% of CDFI awards since inception
  – Credit unions have received $187 million (11%)
Credit Unions & CDFI Fund

• CUs Initially slow to embrace CDFI certification
• Grants not a core strategy
• Perceived risks of focus on CDFI Target Markets
• New momentum since 2010
  – Number of NCUA LID CUs doubling
  – Increased visibility of CDFI success stories
  – 2014 NCUA CDFI Certification Challenge
  – Federation CDFI Certification Challenge
  – Positive research findings on performance & impact of CDFI CUs
## Trend: Increased Certification of Regulated CDFIs

<table>
<thead>
<tr>
<th>Type of CDFI</th>
<th>December 2013</th>
<th></th>
<th>June 2015</th>
<th></th>
<th>% Increase</th>
</tr>
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<tbody>
<tr>
<td></td>
<td>Number</td>
<td>Percent</td>
<td>Number</td>
<td>Percent</td>
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<tr>
<td>Unregulated CDFIs</td>
<td></td>
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<tr>
<td>Loan Funds</td>
<td>492</td>
<td>61%</td>
<td>512</td>
<td>53%</td>
<td>+4%</td>
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<tr>
<td>Venture Capital Funds</td>
<td>13</td>
<td>2%</td>
<td>14</td>
<td>1%</td>
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<tr>
<td>Regulated CDFIs</td>
<td></td>
<td></td>
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<tr>
<td>Credit Unions</td>
<td>173</td>
<td>22%</td>
<td>261</td>
<td>27%</td>
<td>+51%</td>
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<tr>
<td>Banks and Thrifts</td>
<td>76</td>
<td>9%</td>
<td>110</td>
<td>11%</td>
<td>+45%</td>
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<tr>
<td>Depository Holding Companies</td>
<td>50</td>
<td>6%</td>
<td>61</td>
<td>6%</td>
<td>+22%</td>
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<tr>
<td>Total</td>
<td>804</td>
<td>100%</td>
<td>964</td>
<td>100%</td>
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</table>
Increased Awareness of Certification Benefits

• CDFI Fund Programs
  – Financial & Technical Assistance
  – Bank Enterprise Award Deposits
  – CDFI Bond Guarantee Program
  – CDFI Capacity Building Initiative
Increased Awareness of Certification Benefits

• Eligible for Bureau of Indian Affairs Loan Guarantee
• Eligible to join Federal Home Loan Bank
• Exempt from CFPB Ability to Repay and Qualified Mortgage requirements
• Exempt from 12.5% portfolio cap on Member Business Loans
CDFI Fund Priority Markets

• 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)

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

% of County Classified as CDFI Investment Areas

0% 1-10% 11%-25% 26%-50% 76%-100%
27% of counties are <25% Investment Areas
26% are from a quarter to half CDFI IAs
17% are half to three-quarters CDFI IAs
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
- 30% are more than 75% CDFI Investment Areas

% of County Classified as CDFI Investment Areas

<table>
<thead>
<tr>
<th>Percentage</th>
<th>Color</th>
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</thead>
<tbody>
<tr>
<td>0%</td>
<td>White</td>
</tr>
<tr>
<td>1-10%</td>
<td>Light Red</td>
</tr>
<tr>
<td>11%-25%</td>
<td>Red</td>
</tr>
<tr>
<td>26%-50%</td>
<td>Dark Red</td>
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<tr>
<td>51%-75%</td>
<td>Very Dark Red</td>
</tr>
<tr>
<td>76%-100%</td>
<td>Red</td>
</tr>
</tbody>
</table>

Low-income Designated CUs* includes branches
Eligibility Estimates

- Of 21,938 total CU branches in US, 48% located in CDFI Investment Areas
- More than 3,000 CUs have at least 60% of their branches located in CDFI Investment Areas
  - More than 2,400 CUs without CDFI certification have 100% of their branches in CDFI Investment Areas, including 939 with LID
Eligibility Estimates

• **438** 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
CU Eligibility for CDFI Certification

Focus in CDFI Low-Income and Investment Area Target Markets

Provision of Community Development Products and Services

Highest Target Market Concentration
CU Eligibility for CDFI Certification
CU Eligibility for CDFI Certification

Focus in CDFI Low-Income and Investment Area Target Markets

Provision of Community Development Products and Services

CDFIs
CU CDFI Eligibility Estimates

Focus in CDFI Low-Income and Investment Area Target Markets

Provision of Community Development Products & Services
CU CDFI Eligibility Estimates

Focus in CDFI Low-Income and Investment Area Target Markets

Provision of Community Development Products & Services

CDFI Zone
649 Credit Unions
➤ 211 Certified CDFIs
➤ 438 High CDFI Potential
CU CDFI Eligibility Estimates

Focus in CDFI Low-Income and Investment Area Target Markets

Provision of Community Development Products & Services

CDFI Zone
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CDFI
Waiting Room
1,786 Credit Unions
28% of total

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28% of total
What the Research Says
CDFI Credit Union Impact

- CDFIs promote economic revitalization among underserved communities and populations.
- Financial services are a critical path to financial inclusion.
- CDFI CUs 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 CUs that received $102.7M in CDFI grants, increased:
  - Total Assets by $2.4 Billion
  - Total Loans by $1.5 Billion
  - Leverage rate of more than 23:1
CDFI Credit Union *Performance*

• Despite serving low-income, underserved markets, when compared with mainstream peers, CDFI CUs:
  – Deliver comparable financial results (ROI)
  – Show no greater institutional risks
  – Rate equal or better in operational efficiency
CDFI Credit Union *Performance*

- 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?

1. Is a *legal entity*
2. Has a *primary mission* of community development;
3. Is a *financing entity*;
4. Conducts more than 60% of their activities in an eligible *target market*;
5. Is *accountable* to the target market;
6. Provides *development services* to borrowers and prospective borrowers; and,
7. Is a *non-governmental* entity.
What *Really* Makes a CDFI?

- A matter of *intent* - What they do, not where they live
- 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
Why Greylock Loves the CDFI Program
About Greylock Federal

• Founded in 1935
  – Pittsfield GE Employees CU
• Community charter
  – Limited to Berkshire County, Western MA
• 71,000+ members
  – Possible 130,000
• $1+ billion in assets
Challenging Market

• Declining population
• Increasing poverty
  – 1-in-4 kids under age 5 living in poverty
• 10,000+ GE jobs replaced with hospitality
• Rural market with weak infrastructure
What We Do Well

- #1 in local mortgages and auto loans
- Business banking: $70M portfolio
- Branch convenience
  - 23% of all deposits in our FOM
- Comprehensive services
  - CUSOs for Insurance, Marketing and Technology
  - Investment division
We ♥ CDFI

• Low Income Designation granted Feb. 2014
  – Producing $15M in new auto loan potential
  – Cap lifted on commercial lending
  – Access to grants and network of ideas
    o Detroit Federation Conference Conference May 2014
We ♥ CDFI

• Process of **re-examination** within CU
• Emerging Market Report 2014
• Developed **new insights** into potential growth
Why We ❤️ CDFI

What we recognized in our evaluation

• Fast-growing Hispanic population
• LMI members are less likely to have credit relationship with Greylock than upscale or middle income

We have the ability and the responsibility to help improve financial inclusion in our market!
• CDFI Certification received Feb. 12, 2015

• New frame for strategic thinking:
  – “Much our market is low-to-moderate income. How can we better serve these members? If we don’t serve them, who will?”
I'm wondering if you have a financial person that I could speak with... my credit is horrible and I need to rebuild it, so I need help in doing so. I want to buy a house so I need to start by repairing the damage. I ran my credit report and it doesn't mean much to me, except bad. I've been a customer a long time, I have bank accounts with you, my car insurance and my renters insurance. Is this anything that you offer?

Shana S.
Why We ♥ CDFI

Being a CDFI credit union changes the conversation about business priorities

Refocus on the “why” of the organization

People Helping People
Actions Taken

- Created position of Member Financial Education Program Coordinator
- Expanded financial education series
- Hired Greenpath Financial
- Preparing Credit-Builder Loan Product

Maureen Phillips
Actions Taken

- Partnership with Federation consultant
- Developing application for $2M US Treasury grant
- Foreclosure Prevention & Member Financial Relief Program
- Could help 200 Berkshire County residents avoid foreclosure, repair credit

Scott Butterfield
Why We ♥ CDFI

• Less concern about what the banks are doing and more about what we are doing to help members who really need help!
Best of Continued Success

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413-236-4000