Democratizing Finance: Origins of the Community Development Financial Institutions Movement

200 Years History in 7 minutes
Democratizing Finance
Origins of the Community Development Financial Institutions Movement

CLIFFORD N. ROSENTHAL
Franklin’s legacy: 1790

1,000 pounds sterling each to Boston and Philadelphia to start Revolving loan funds to help impoverished artisans start businesses
As the Civil War was ending...

Congress establishes a bank for formerly enslaved African American veterans.
Frederick Douglass appointed CEO, 1873

“The fact is, and all investigation shows it, that I was married to a corpse. The fine building, with its marble counters and black walnut finishings, was there, as were the affable and agile clerks and the discreet and colored cashiers but the life, which was the money, was gone...”
Democratic Populism: The birth of credit unions in the U.S.

A movement of, by, and for working-class Americans
Edward Filene: Philanthropy fueling Populism

“There was a spiritual fervor in the attitude of these folks from parishes and farms, from factories and stores, from railroads and shops, towards a man who, for the most part, had been almost a legendary figure in the background of a movement that promises to become a great economic force in this country.”
South Shore Bank
Chicago, 1973

The first
“Community Development Bank”
The Federation
1970s-1980s:

* The Quest for Community Controlled Capital

*1983: Capitalization Program for CDCUs (now CDIP)
*1984: New York Corporation for Community Banking
*1986: National Neighborhood Banking Corporation – first concept paper for CDFI Fund
Turning Point: Protests on Avenue B

Lower East Side People’s Federal Credit Union uses Community Reinvestment Act (CRA) to win bank building
Proof of Concept

The bank is gone—the credit union is here.
1990-92: Organizing the CDFI Coalition

Principles of Community Development Lending & Proposals for Key Federal Support

20th Anniversary Edition
September 23, 1994

Victory! Clinton signs CDFI Bill into law
Twenty Years of the CDFI Fund
Analyzing the CDFI FUND (1996-2016): Where the $ Went

<table>
<thead>
<tr>
<th>Year</th>
<th>Loan Fund</th>
<th>Venture Capital</th>
<th>Credit Union</th>
<th>Bank</th>
<th>Grand Total</th>
<th>CU+Bank</th>
<th>CU only</th>
<th>Bank Only</th>
</tr>
</thead>
<tbody>
<tr>
<td>1996</td>
<td>20,802,500</td>
<td>1,700,000</td>
<td>2,727,500</td>
<td>9,989,500</td>
<td>35,219,500</td>
<td>36.11%</td>
<td>7.74%</td>
<td>28.36%</td>
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<tr>
<td>1997</td>
<td>35,661,300</td>
<td>3,893,000</td>
<td>4,265,000</td>
<td>43,819,300</td>
<td>18.62%</td>
<td>8.88%</td>
<td>9.73%</td>
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<tr>
<td>1998</td>
<td>49,432,221</td>
<td>1,415,000</td>
<td>2,855,550</td>
<td>3,650,500</td>
<td>57,353,271</td>
<td>11.34%</td>
<td>4.98%</td>
<td>6.36%</td>
</tr>
<tr>
<td>1999</td>
<td>65,350,930</td>
<td>4,615,000</td>
<td>4,811,440</td>
<td>5,551,435</td>
<td>80,328,805</td>
<td>12.90%</td>
<td>5.99%</td>
<td>6.91%</td>
</tr>
<tr>
<td>2000</td>
<td>65,195,135</td>
<td>6,828,000</td>
<td>5,760,850</td>
<td>1,050,000</td>
<td>78,833,985</td>
<td>8.64%</td>
<td>7.31%</td>
<td>1.33%</td>
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<tr>
<td>2001</td>
<td>48,692,100</td>
<td>3,080,000</td>
<td>3,932,050</td>
<td>2,085,000</td>
<td>57,789,150</td>
<td>10.41%</td>
<td>6.80%</td>
<td>3.61%</td>
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<tr>
<td>2002</td>
<td>44,504,730</td>
<td>46,000</td>
<td>3,734,940</td>
<td>2,720,000</td>
<td>51,005,670</td>
<td>12.66%</td>
<td>7.32%</td>
<td>5.33%</td>
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<tr>
<td>2003</td>
<td>20,120,320</td>
<td>2,565,000</td>
<td>1,131,191</td>
<td>23,816,511</td>
<td>4.75%</td>
<td>4.75%</td>
<td>0.00%</td>
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<tr>
<td>2004</td>
<td>50,461,342</td>
<td>71,425</td>
<td>4,295,340</td>
<td>5,120,449</td>
<td>59,948,556</td>
<td>15.71%</td>
<td>7.17%</td>
<td>8.54%</td>
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<tr>
<td>2005</td>
<td>28,309,888</td>
<td>1,156,663</td>
<td>4,440,273</td>
<td>4,446,550</td>
<td>38,353,374</td>
<td>23.17%</td>
<td>11.58%</td>
<td>11.59%</td>
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<tr>
<td>2006</td>
<td>26,050,171</td>
<td>3,788,389</td>
<td>835,000</td>
<td>30,673,560</td>
<td>15.07%</td>
<td>12.35%</td>
<td>2.72%</td>
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<tr>
<td>2007</td>
<td>24,022,899</td>
<td>4,690,905</td>
<td>2,255,061</td>
<td>30,968,865</td>
<td>22.49%</td>
<td>15.15%</td>
<td>7.28%</td>
<td></td>
</tr>
<tr>
<td>2008</td>
<td>56,070,659</td>
<td>543,664</td>
<td>4,598,827</td>
<td>62,406,420</td>
<td>9.28%</td>
<td>7.37%</td>
<td>1.91%</td>
<td></td>
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<tr>
<td>2009</td>
<td>125,803,250</td>
<td>3,527,500</td>
<td>18,994,963</td>
<td>12,551,588</td>
<td>160,877,301</td>
<td>19.61%</td>
<td>11.81%</td>
<td>7.80%</td>
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<tr>
<td>2010</td>
<td>98,133,039</td>
<td>1,500,000</td>
<td>12,588,984</td>
<td>2,870,173</td>
<td>115,092,196</td>
<td>13.43%</td>
<td>10.94%</td>
<td>2.49%</td>
</tr>
<tr>
<td>2011</td>
<td>152,152,124</td>
<td>1,500,000</td>
<td>27,800,127</td>
<td>2,100,000</td>
<td>183,552,251</td>
<td>16.29%</td>
<td>15.15%</td>
<td>1.14%</td>
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<tr>
<td>2012</td>
<td>158,125,994</td>
<td>2,907,612</td>
<td>17,437,011</td>
<td>8,072,836</td>
<td>186,543,453</td>
<td>13.68%</td>
<td>9.35%</td>
<td>4.33%</td>
</tr>
<tr>
<td>2013</td>
<td>142,857,421</td>
<td>2,194,000</td>
<td>27,669,093</td>
<td>12,320,000</td>
<td>185,040,514</td>
<td>21.61%</td>
<td>14.95%</td>
<td>6.66%</td>
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<tr>
<td>2014</td>
<td>153,717,290</td>
<td>2,000,000</td>
<td>28,291,024</td>
<td>11,444,666</td>
<td>195,452,980</td>
<td>20.33%</td>
<td>14.47%</td>
<td>5.86%</td>
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<tr>
<td>2015</td>
<td>149,510,020</td>
<td>1,384,402</td>
<td>35,243,008</td>
<td>14,900,001</td>
<td>201,037,431</td>
<td>24.94%</td>
<td>17.93%</td>
<td>7.41%</td>
</tr>
<tr>
<td>2016</td>
<td>141,280,695</td>
<td>1,000,000</td>
<td>33,352,151</td>
<td>9,375,000</td>
<td>185,007,846</td>
<td>23.09%</td>
<td>18.03%</td>
<td>5.07%</td>
</tr>
<tr>
<td><strong>Grand Total</strong></td>
<td><strong>1,656,254,028</strong></td>
<td><strong>38,034,266</strong></td>
<td><strong>252,036,616</strong></td>
<td><strong>116,796,029</strong></td>
<td><strong>2,063,120,939</strong></td>
<td><strong>17.88%</strong></td>
<td><strong>12.22%</strong></td>
<td><strong>5.66%</strong></td>
</tr>
<tr>
<td><strong>Sector %</strong></td>
<td><strong>80.28%</strong></td>
<td><strong>1.84%</strong></td>
<td><strong>12.22%</strong></td>
<td><strong>5.66%</strong></td>
<td><strong>100.00%</strong></td>
<td><strong>17.88%</strong></td>
<td><strong>12.22%</strong></td>
<td><strong>5.66%</strong></td>
</tr>
</tbody>
</table>

Banks include Bank Holding Companies

Source: CDFI Fund via Community Development Bankers Association