



Catholic Campaign for Human Development

Economic Development

Community Development Financial Institutions

What is a Community Development Financial Institution?

Community Development Financial Institutions (CDFIs) are mission-driven financial institutions that provide financial products and services to people and communities underserved by traditional financial institutions. All are market-driven and locally controlled.

Self-help credit solutions date back to the earliest immigrant groups in the U.S. The first community development credit unions were formed in African-American communities in the 1930s, and in the late 1960s governmental efforts to address poverty helped launch the first community development corporations (CDCs). In the 1990s the CDFI industry expanded dramatically through both public and non-profit efforts. In 2006 there are more than 1,000 CDFIs operating in low-wealth communities in all 50 states plus the District of Columbia.

Source: CDFI Coalition

"The profit motive, even when legitimate, cannot be the principal or even the exclusive motive of business or commercial activity; ."

~ Pope John Paul II speaking to 800 executives of the Bilbao Vizcaya Argentaria Bank in April 2003.

In 2005 CCHD funded CDFIs:

- Started up 20 businesses and created 31 jobs in Lancaster, Pennsylvania.
- Made 14 loans to small business totaling just under \$900,000 helping to create 79 new jobs for members of the Citizen Potawatomi Nation in Oklahoma.

Why does CCHD support CDFIs?

- Since its inception CCHD has placed a priority on **investing in low-income communities**. As early as 1971, CCHD deposited funds in minority banking institutions. In 1979 CCHD recorded ten deposits totaling over a half million dollars, and by 1988 three-quarters of a million dollars were on deposit at 15 minority bank and credit unions across the country.
- In 1993 CCHD offered additional support to CDFIs as part of a strategy to focus economic development funding on **job creation and business development**. To complement the depositing of funds, CCHD began making planning grants and annual operating grants that could be used to start and build capacity in CDFIs. Over the first ten-years, 34 awards totaling \$1.3 million were made to 18 CDFIs across the country. In the last year of funding (2006), four CDFIs received \$120 thousand in grant support.

A Community Loan Fund Story

Working to increase employment and expand economic opportunity in Southwest Pennsylvania

CL Fund realizes the importance of advancing promising entrepreneurs and job creation to build wealth and expand growth in low-income communities in our region. The Fund provides capital to businesses in southwestern Pennsylvania to have an impact in the region and to encourage entrepreneurship.

The Community Loan Fund of Southwest Pennsylvania (CL Fund) began as a housing and social service lender in 1990, growing from the Religious Leadership Forum, an interfaith organization composed of the bishops and top executives of the Roman Catholic Dioceses of Pittsburgh and Greensburg, the major Protestant faiths and the Jewish community. In the mid-1990s CCHD funding supported CL Fund to broaden its economic impact on the Region through planning and operational grants and an initial deposit to capitalize its small business lending pool.

Throughout its history, CL Fund has applied a blend of entrepreneurial vision, community knowledge, and operational expertise to strengthen and help reinvent the employment base of local communities. Since 1990 CL Fund has provided more than \$22 million in financing to 220 businesses, creating hundreds of new jobs.

In fiscal year 2005 alone, CL Fund loaned \$3.6 million to 39 businesses in western Pennsylvania, 67% of which are located in low-income communities or are women- or minority-owned. (Source: CL Fund)

For more information go to www.clfund.com

CL Fund invested \$500,000 in Three Rivers Bottling, located in New Kensington, a low-income community. The funds helped purchase the assets of a bankrupt company. With the help of the investment, Three Rivers created 33 jobs, including rehiring people employed with the original company with plans to create an additional 20 to 30 new jobs. Starting wages were well above minimum with full health benefits after six months employment.

Source: SocialFunds.com

Interested in learning more about starting a community development financial institution? Check out these organizations.

Opportunity Finance Network www.opportunityfinance.net

Community Development Financial Institutions Fund, U.S. Dept of Treasury www.cdfifund.gov

National Community Capital Association
www.communitycapital.org

National Federation of Community Development Credit Unions
www.natfed.org

CDFI Coalition www.cdfi.org

To learn more about the CCHD Economic Development Program goals, criteria and funding guidelines, visit:

<http://www.usccb.org/cchd/edgengrant.shtml>