2023 Federal Reserve CDFI Survey Key Findings Brief

The Federal Reserve CDFI Survey captures information on community development financial institutions (CDFIs). CDFIs are mission-driven banks, credit unions, loan funds, and venture capital funds that expand financial access to historically underserved individuals, small businesses and communities. The CDFI Survey is conducted every two years and provides insight into how these institutions are faring and evolving. Key findings from the 2023 survey include:

FEDERAL RESERVE
CDFI SURVEY

Demand for CDFI products remains strong.

Three-quarters of respondents reported an increase in demand for financial products during the preceding 12 months. Around three-quarters of respondents in most business lines saw an increase in demand. Demand grew more slowly for CDFIs that primarily offer home purchase and improvement lending.

Loan funds, many of which provide small business loans and residential real estate finance, were most likely to report an increase in demand (83 percent) or no change in demand (12 percent). Seventy-one percent of credit unions, which focus predominantly on consumer loans, reported an increase in overall demand, and 18 percent reported stable demand. A smaller share of respondent banks, most of which offer real estate finance, reported an increase in overall demand (58 percent), while about 30 percent reported unchanged demand.

Room for growth in the industry: CDFIs largely met demand, but for some, their ability has been limited by challenges with lending capital and staffing.

Over the past year, 40 percent of CDFIs reported fully meeting increased or steady demand, 42 percent mostly met demand, and 18 percent partially met demand. Many CDFIs were optimistic about meeting increased demand in the coming year. Furthermore, about three-quarters of respondents wanted to expand their offerings, but could not at the time of the survey. This illustrates interest and opportunity for growth in the industry.

The biggest challenges to fully meeting demand varied across CDFIs. Loan funds frequently cited the increasing cost of lending capital as a challenge, as well as restrictive and insufficient operational funding. Credit unions were more likely to cite hiring and retention challenges, along with challenges related to borrower qualifications and technology.

CDFIs are clear on the biggest difference-makers for expanding their services.

CDFIs have continued to innovate to address challenges. Examples are wide-ranging and include tapping into recent federal funding programs to expand loan products, hiring specialized staff to meet operational needs, integrating online platforms with back-office technology, and taking nontraditional approaches to underwriting.

When asked what one or two things would best enable respondent CDFIs to serve their clients more fully, clear themes emerged. Many CDFIs identified additional need for:

- Patient, flexible lending funds.
- Operations-specific funding.
- Resources for hiring and training current staff.
- Additional human resources.
- Upgraded technological resources (both client-facing and back-end).

Learn more about the Federal Reserve CDFI Survey at www.richmondfed.org/cdfis.

The 2023 CDFI Survey was fielded from April 24 to June 2, 2023, and gathered information from 453 respondents, which represents nearly a third of the industry. Most survey respondents were loan funds (48 percent), credit unions (35 percent), and banks or thrifts (10 percent). Remaining respondents identified as venture capital funds, depository institution holding companies or other.