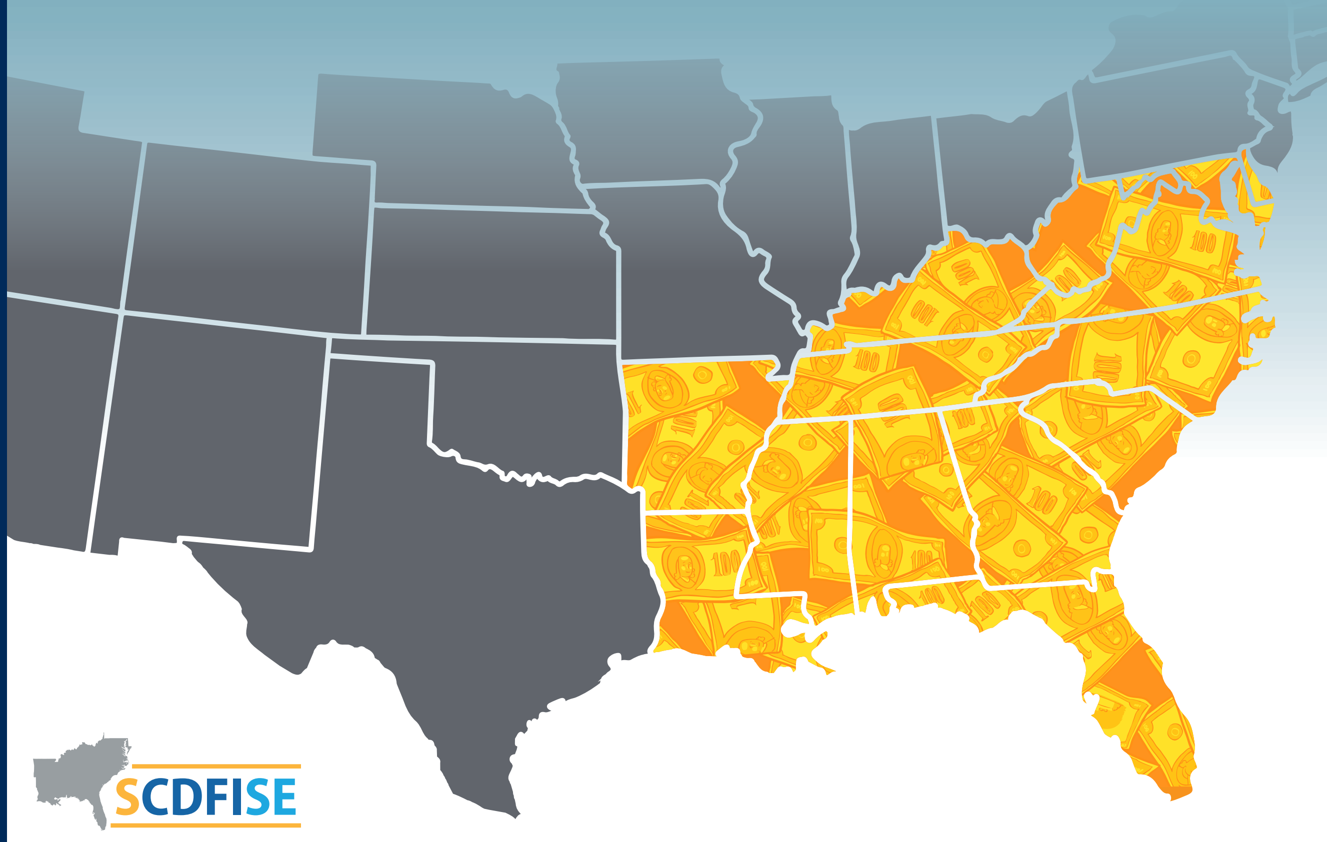
2016

Community Scope

Vol. 4 Issue 2

The Geographic Scope of CDFI Activity in the Southeast



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Community
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The mission of *Community Scope* is to provide information and analysis on current and emerging issues in community development. The content of *Community Scope* is collected and developed by the Community Development department of the Federal Reserve Bank of Richmond.

Community Development Department Staff

Matthew Martin
Senior Vice President and Charlotte Regional Executive

Sandra Tormoen
Assistant Vice President and Community Affairs Officer

Shannon McKay
Community Development Research Manager, Editor

Emily Wavering
Research Analyst

Jeanne Milliken Bonds
Community Development Regional Team Leader
North Carolina and South Carolina

Jennifer Giovannitti
Regional Community Development Manager
Virginia and West Virginia

Peter Dolkart
Regional Community Development Manager
Maryland and the Washington, D.C. Metro Area

Design: Rodney West

A special thanks to Doug Sampson for editing assistance.

Community Scope is published by the Federal Reserve Bank of Richmond. Free subscriptions and additional copies are available upon request.

To inquire about our publications, contact:
The Federal Reserve Bank of Richmond
Community Development Department
P.O. Box 27622, Richmond, Va. 23261-7622
email: caorichmondfed@rich.frb.org
www.richmondfed.org/community_development/

The Geographic Scope of CDFI Activity in the Southeast

AUTHOR
Emily Wavering

The Federal Reserve Bank of Richmond's 2015 Survey of Community Development Financial Institutions (CDFIs) in the Southeast gathered data from 147 CDFIs, including information on the geographic area in which each respondent CDFI provides financial products and services.[1] This issue of *Community Scope* examines the patterns in geographic service provision by respondent CDFIs in urban, rural, low- and moderate-income (LMI), underserved and distressed markets and areas. Our study finds that a county's level of urbanization does not necessarily impact the number of CDFIs that report operating in the county, but does appear to influence decisions about physical presence, with CDFIs more often headquartering in urban counties. We also find that while large percentages (over 60 percent) of individual CDFI lending portfolios are directed to LMI, distressed and underserved counties, a county's LMI, distressed or underserved status does not necessarily correspond to increased CDFI activity. Overall capitalization capacity is challenged when the need for investment extends across a large and potentially diverse geographic area, and CDFIs must be geographically strategic to effectively realize their respective social investment missions.

Overview

An Overview of CDFI Geographic Scope

Community development financial institutions (CDFIs) serve individuals and businesses in markets that lack access to traditional financing.[2] As part of this general mission, many CDFIs also strive to produce a specific social impact, such as providing credit to women- and minority-owned businesses, increasing access to affordable housing, or financing community development initiatives in low- and moderate-income (LMI) communities.[3]

CDFIs can be either depository or non-depository institutions that function much like their traditional financial institution counterparts. Community development (CD) banks and CD credit unions, two types of depository CDFIs, are regulated by the same organizations that regulate traditional banks and credit unions. CD loan funds, microenterprise development loan funds and community development corporations (CDCs) are examples of unregulated, non-depository CDFIs. CDFIs can be certified by the U.S. Department of Treasury's CDFI Fund and this certification allows for participation in CDFI Fund-administered programs that provide financial support and assist with capacity building.

The Richmond Fed has run a biennial survey of CDFIs in the Southeast since 2009. The 2015 survey was distributed to 257 CDFIs and received responses from 147 of these institutions. In their responses, CDFIs were asked to indicate the geographic scope of their institution by selecting one of the following categories: national, multi-state, single state, multi-county, single county, multi-city, single city, multi-census tract or single census tract. Once the respondent indicated a general category, they were then asked to list the specific geographic area(s) in which their CDFI operates. Table 1 summarizes the number of respondent CDFIs operating at each geographic level.

The distribution of CDFIs by geographic scope indicates that some amount of scalability plays into CDFI service coverage. Respondent CDFIs reported operating with capacity constraints and relatively limited resources; however, they do not

Table 1: Overview of Geographic Coverage Areas of Respondent CDFIs

Geographic Area	Number of Respondent CDFIs	Percentage of Respondent CDFIs
National	10	6.9%
Multi-state	25	17.4%
Single state	41	28.5%
Multi-county	37	25.7%
Single county	9	6.3%
Multi-city	4	2.8%
Single city	3	2.1%
Multi-census tract	7	4.5%
Single census tract	2	1.4%

N=144 CDFIs
Note: Three respondents (2.1 percent) selected "Don't know," and three respondents (2.1 percent) selected "Other."
Source: Survey results from the Federal Reserve Bank of Richmond's 2015 Survey of CDFIs in the Southeast.

generally limit their operations to a single city or census tract. Only 11.1 percent of respondent CDFIs operate on a city or census tract-level. Meanwhile, over half of respondent CDFIs (55.3 percent) scale their operations to serve a single state or multiple counties, suggesting that the diversity of markets, clients and partnerships at the state and multi-county level supports CDFI lending activity without over-extending their resources.

National Respondent CDFIs

The 10 national respondent CDFIs represent both organizations whose sole function is standard CDFI lending activity, as well as organizations that fund subsections of large, national nonprofits that act as CDFIs. To illustrate this point, the number of full-time employees working for each national respondent CDFI ranges from two to 566. Those CDFIs that reported relatively low numbers of full-time employees are often housed within a larger nonprofit organization that provides the resources necessary to perform lending functions at a national level. The national CDFIs in the survey sample are headquartered in Arkansas, the District of Columbia, Georgia, Maryland, North Carolina and Virginia.

The median total asset range for national CDFIs is \$10 million to \$20 million. This range is less than the median asset range for subnational CDFIs (\$20 million to \$30 million), suggesting that the national respondent CDFIs are not necessarily the largest or most active CDFIs in the survey sample. They may instead be acting at the national level because of the scope of activity performed by their parent organization, or because they are operating in a relatively niche market that requires them to extend beyond state or local demand.

State and Local Respondent CDFIs

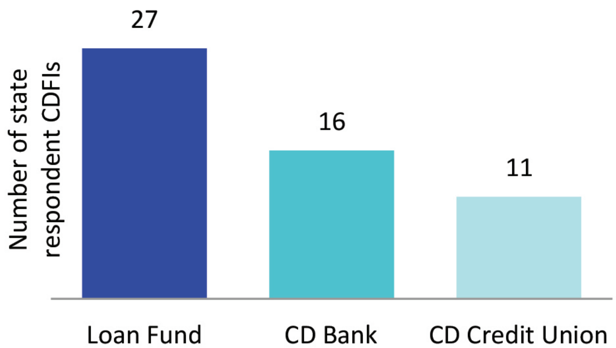
Nearly 90 percent of the 144 respondent CDFIs that answered the survey question on geographic service area indicated that they operate at a state or local (multi-county, single county, multi-city, single city, multi-census tract or single census tract) level. State and local CDFIs typically operate with smaller total assets and loan funds than their traditional financial institution counterparts, and primarily obtain their lending capital from regulated financial institutions and deposits. A larger percentage of state respondent CDFIs reported obtaining lending funds from the CDFI Fund (34.8 percent of state CDFIs compared to 14.5 percent of local CDFIs). Both subsets maintain similar percentages of high risk loans and leases in their portfolios, with a median of 3.4 percent for state respondent CDFIs and 3.0 percent for local respondent CDFIs.[4] Figure 1 provides additional points of comparison between state and local CDFIs.

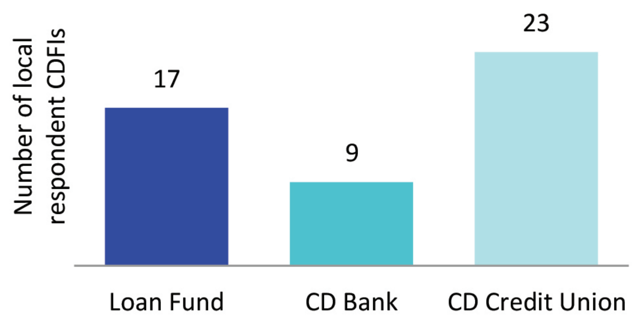
A geographic analysis of key target markets indicates that every county in the Southeast has at least one CDFI serving all of the five target markets represented in the 2015 survey: business, consumer, housing, nonprofit and community facilities. Unsurprisingly, the number of CDFIs that reported serving unique target markets varies by the total number of state and local CDFIs in the county. With some county-level exceptions, one or two state and local respondent CDFIs serve target markets in Arkansas, while sixteen state and local CDFIs serve target markets in Virginia. Similarly, every county in the Southeast has at least one CDFI providing each of the 16 products and services represented in the 2015 survey.[5] Based on the survey responses, there do not appear to be areas in the Southeast completely devoid of CDFI provision of financial products to target markets, although market demand in parts of the Southeast is high, and may be capable of supporting additional CDFI activity. Beyond the markets, products and services explicitly given in the 2015 survey, several survey respondents noted additional financing areas — including financing for charter schools, commercial energy loans and auto loans — that may deserve further analysis to identify potential unmet need in the Southeast.

Figure 1: Comparison of State and Local Respondent CDFIs

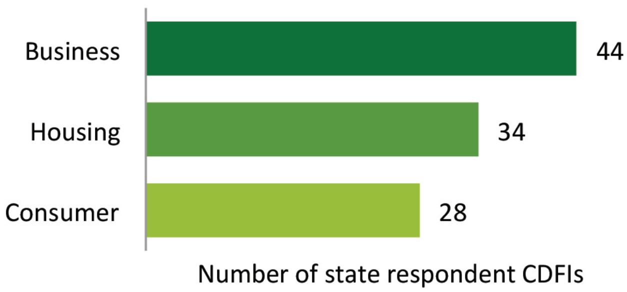
State Respondent CDFIs N=66 CDFIs	Local Respondent CDFIs N=62 CDFIs

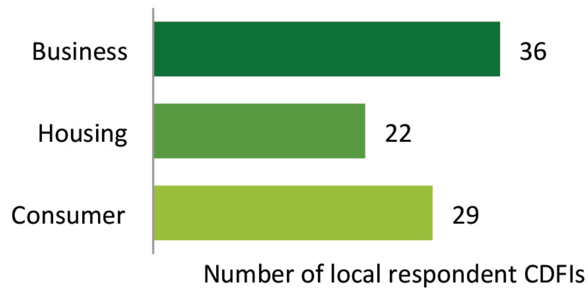
Types of CDFIs



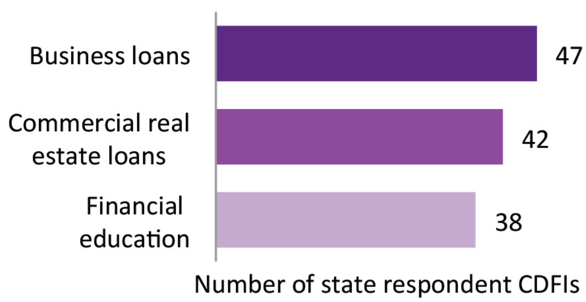


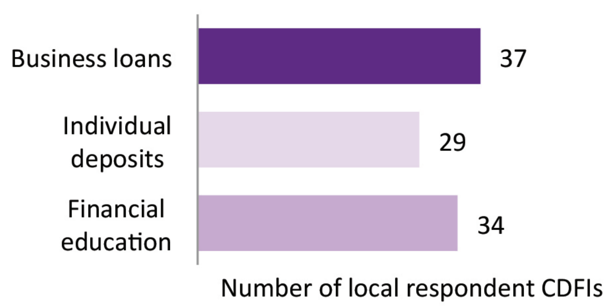
Top Three Target Markets





Top Three Products and Services





Total Asset and Loan Fund Ranges

State	Local
Median Total Asset Fund Range **$40 million – $50 million**	Median Total Asset Fund Range **$5 million – $10 million**
Median Total Loan Fund Range **$20 million – $30 million**	Median Total Loan Fund Range **$5 million – $10 million**

Median Number of Full Time Employees

State	Local
13	**9**

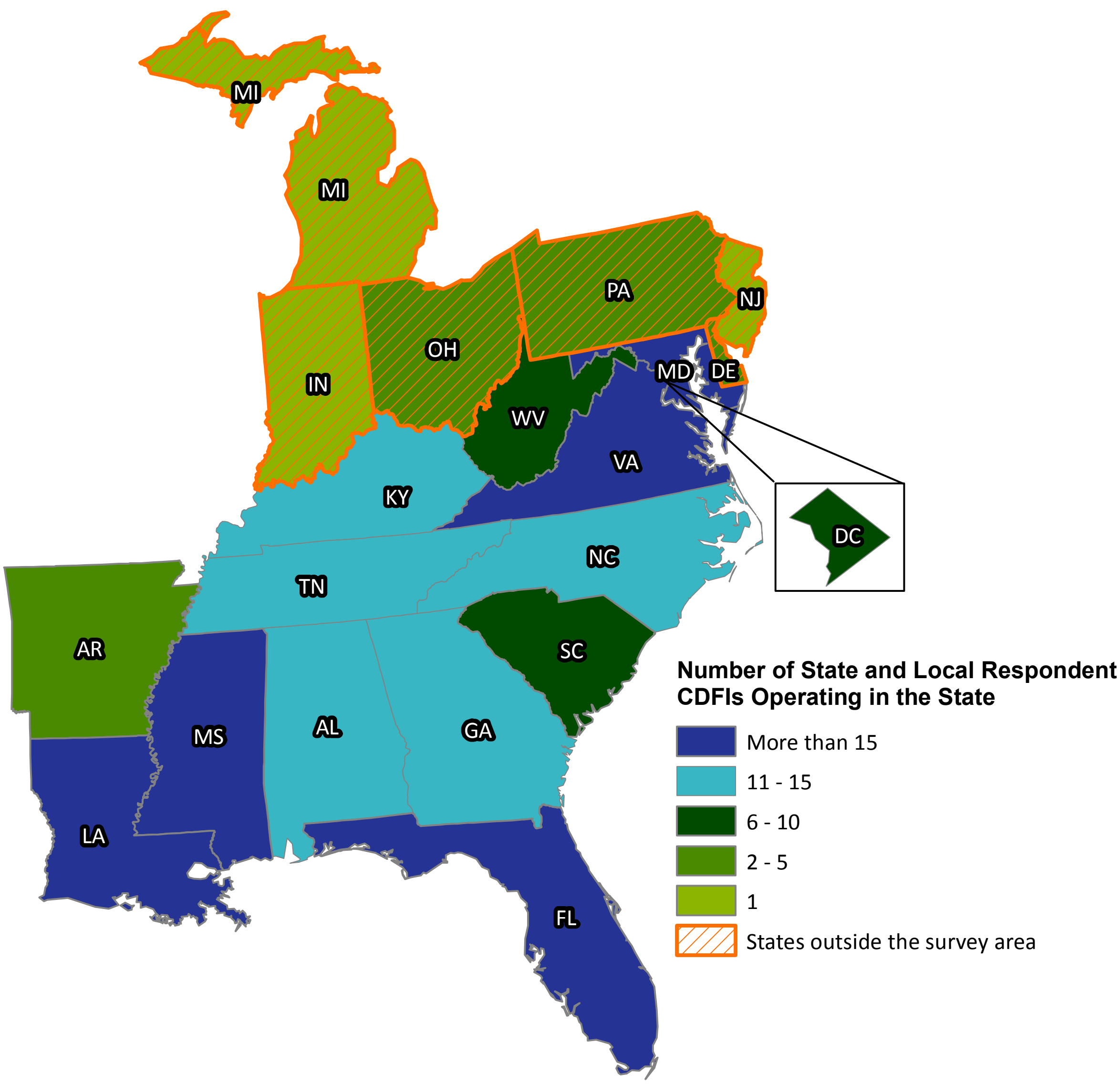
N=128 CDFIs

Source: Survey results from the Federal Reserve Bank of Richmond's 2015 Survey of CDFIs in the Southeast.

Geographic Reach of State and Local Respondent CDFIs

To better understand the impact of state and local CDFIs, the remainder of our analysis will focus on this subset of CDFIs and exclude national CDFIs unless otherwise noted. State and local CDFIs in the Southeast largely operate solely within the region, although a number of respondent CDFIs indicated that they serve states outside of the Southeast. Map 1 gives a breakdown of the number of state and local respondent CDFIs by state, and indicates those states outside the Southeast that are served by respondent institutions headquartered in the Southeast. While respondent CDFIs indicated extending service to Northeast and Midwest states, including Delaware, Indiana, Michigan, New Jersey, Pennsylvania and Ohio, none indicated that they also serve markets in states west of the survey area. While the root causes of this pattern – if any – are unclear, it may indicate an opportunity for future research into the factors that influence geographic service provision, including barriers to cross-state service provision and the impact of existing community relationships.

Map 1: Geographic Reach of State and Local Respondent CDFIs

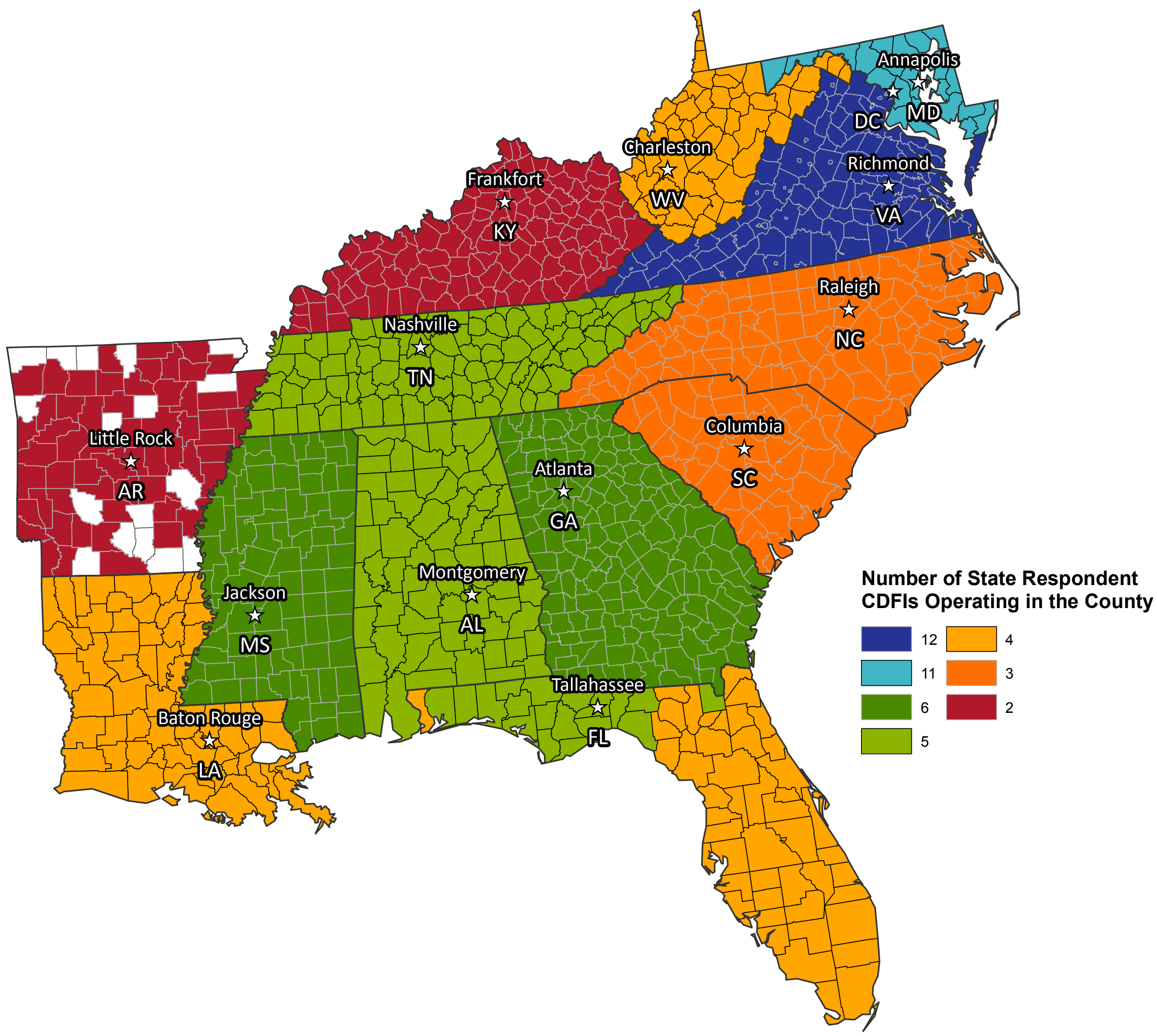


N=128 CDFIs
Source: Survey results from the Federal Reserve Bank of Richmond's 2015 Survey of CDFIs in the Southeast.

Geographic Reach

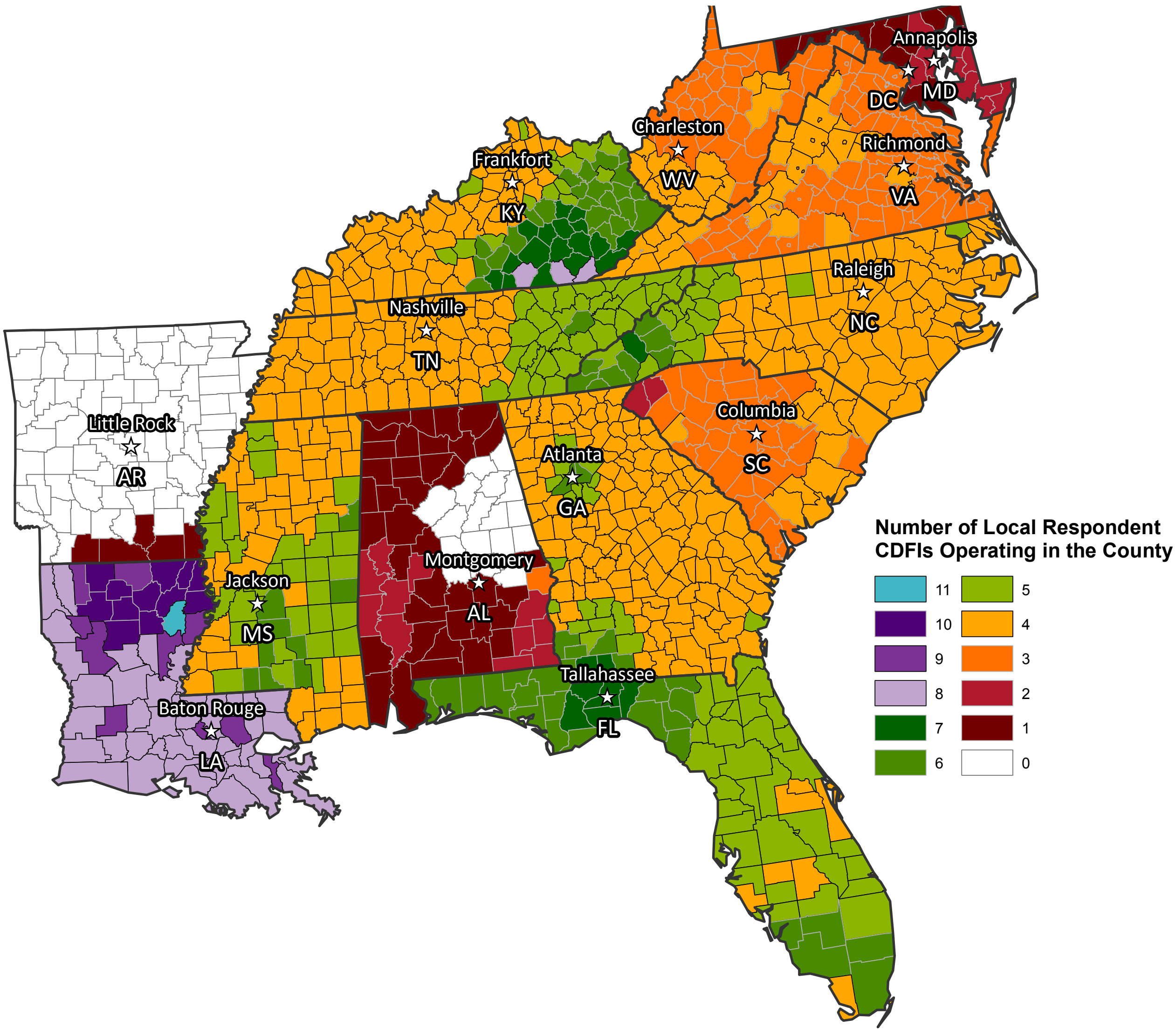
To provide further insight into the breakdown of state and local CDFIs in the Southeast, Map 2 displays the number of respondent CDFIs that have multi-state or single state service areas and Map 3 displays the number of respondent CDFIs that have multi-county, single county, multi-city, single city, multi-census tract or single census tract service areas. The number of state CDFIs ranges from two in Arkansas and Kentucky to 12 in Virginia. There is a relatively high concentration of state respondent CDFIs that jointly serve the District of Columbia, Maryland and Virginia, with eight CDFIs (12.3 percent of the respondent CDFIs that operate at the state level) indicating activity in this geographic area.

Map 2: State Respondent CDFIs Operating in Southeast Counties



N=66 CDFIs
Source: Survey results from the Federal Reserve Bank of Richmond's 2015 Survey of CDFIs in the Southeast.

Map 3: Local Respondent CDFIs Operating in Southeast Counties



N=62 CDFIs
Source: Survey results from the Federal Reserve Bank of Richmond's 2015 Survey of CDFIs in the Southeast.

The number of local CDFIs operating in counties throughout the Southeast ranges from zero to 11. Most counties in Arkansas, Alabama and Maryland have either no local respondent CDFIs operating in the county or just one local CDFI in operation. Louisiana has a relatively large number of local CDFIs, with each county in Louisiana having eight to 11 local CDFIs that operate in the area. On average, there are four local CDFIs operating in Southeast counties.

While the gross number of CDFIs operating at the county level in the Southeast does lend some insight into CDFI activity, this analysis is limited by a lack of detailed information on the lending activity in each county and the degree to which respondent CDFIs provide non-lending services — such as financial education and housing counseling — to the geographies they serve.

Service Provision

Urban and Rural Service Provision

The underserved markets that CDFIs serve exist in both urban and rural areas, and the unique characteristics of these areas present distinct challenges. In cities, the concentration of people, goods, services and information can make it relatively less costly for financial institutions to reach their customers, although cost of living and the ability to operate at an appropriate scale may challenge the already limited capacity of urban CDFIs. Meanwhile, a well-documented body of research speaks to the persistent challenges in financial service provision to rural communities.[6] In rural areas, low population densities and large geographic areas generally increase the cost of service provision and decrease accessibility.

The U.S. Department of Agriculture (USDA) has an urban-rural classification scheme for counties that allows for a detailed understanding of each county's population density and level of urbanization. This Rural-Urban Continuum assigns one of nine codes to a county that classifies metropolitan counties by the size of their metropolitan area, and classifies nonmetropolitan areas by their degree of urbanization and proximity to a metropolitan area. Table 2 provides a description of the Rural-Urban Continuum Codes. Throughout this discussion, "metropolitan" and "urban" are used interchangeably, as are "nonmetropolitan" and "rural."

Of the 1,091 counties and independent cities in the Southeast, 44.9 percent are urban and 54.9 percent are rural.[7] Respondent state and local CDFIs indicated comparatively consistent service to both urban and rural areas, and there is not a high level of variation between urban and rural counties in terms of the average number of active CDFIs. The median number of state and local respondent CDFIs operating in urban counties in the Southeast is 10, while the median for rural counties is nine. In this respect, the challenges of serving rural markets do not appear to act as strong deterrents to CDFI lending and operational activity.

Perhaps more striking is the variation between the number of CDFIs headquartered in urban and rural counties. As shown in Map 4, just 13.7 percent of all respondent CDFIs are headquartered in nonmetropolitan counties. Among the states in the Southeast, Mississippi has the largest number of respondent CDFIs headquartered in rural counties with six respondent CDFIs. No respondent CDFIs are headquartered in a county that the USDA classifies as completely rural and nonadjacent to a metropolitan area.

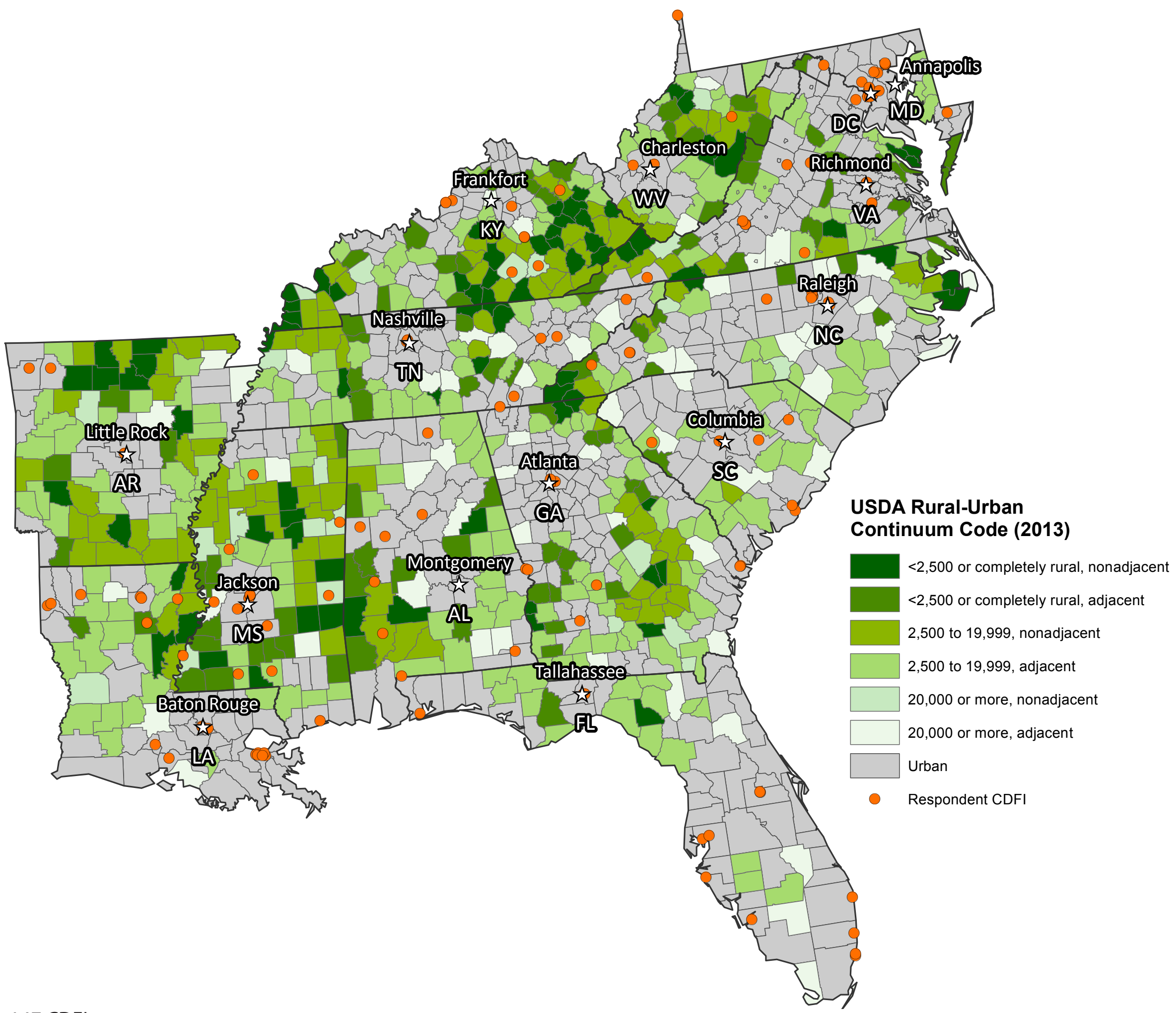
A number of factors may drive this pattern, including proximity to other financial institutions and sources of capital, the need to attract and retain staff, and a desire to maximize impact. While the survey responses do not allow for a nuanced analysis of ways in which this pattern might impact investment and the provision of non-lending programs, it does suggest that the majority of respondent CDFIs are somewhat geographically removed from the rural communities that they serve. Future research efforts may explore in detail how geographic separation affects the provision and impact of CDFI activity, and how CDFIs leverage branch locations to serve the needs of dispersed markets.

Table 2: USDA Rural-Urban Continuum Codes

Code	Description
Metropolitan Areas	
1	Counties in metro areas of 1 million population or more
2	Counties in metro areas of 250,000 to 1 million population
3	Counties in metro areas of fewer than 250,000 population
Nonmetropolitan Areas	
4	Urban population of 20,000 or more, adjacent to a metro area
5	Urban population of 20,000 or more, not adjacent to a metro area
6	Urban population of 2,500 to 19,999, adjacent to a metro area
7	Urban population of 2,500 to 19,999, not adjacent to a metro area
8	Completely rural or less than 2,500 urban population, adjacent to a metro area
9	Completely rural or less than 2,500 urban population, not adjacent to a metro area

Source: U.S. Department of Agriculture Rural-Urban Continuum Codes Documentation (2013).

Map 4: Respondent CDFI Headquarters and Rural Counties



N=147 CDFIs
Note: National, state and local respondent CDFI headquarters are all represented.
Source: Survey results from the Federal Reserve Bank of Richmond's 2015 Survey of CDFIs in the Southeast; U.S. Department of Agriculture Rural-Urban Continuum Codes (2013).

Voices from the Field: CDFIs Serving Rural Areas

The 2015 survey gave respondents several opportunities to comment on the challenges that they currently face, and many respondents discussed the particular challenges involved with serving rural communities. The quotes below are direct excerpts from survey respondents:

"A large pool of CDFIs [is] competing for limited and/or shrinking resources to deliver services and deploy capital to low-income families in rural communities."

– Community Development Loan Fund in Washington, D.C.

"Our greatest challenge has been finding new sources of funding. Because we work in rural areas, our interest rates tend to be below average."

– Community Development Loan Fund in Virginia

"We have the desire to offer 'big banking options' to the rural, underserved markets we serve. We are constantly assessing bank liability, cost to implement new services and how to make it happen in an organization of our size."

– Community Development Bank in Louisiana

"Our service area includes many rural and remote areas that are impoverished. The cost to bring capacity building to these communities is high, making delivery challenging."

– Community Development Loan Fund in Kentucky

CDFI Activity in LMI, Distressed and Underserved Areas

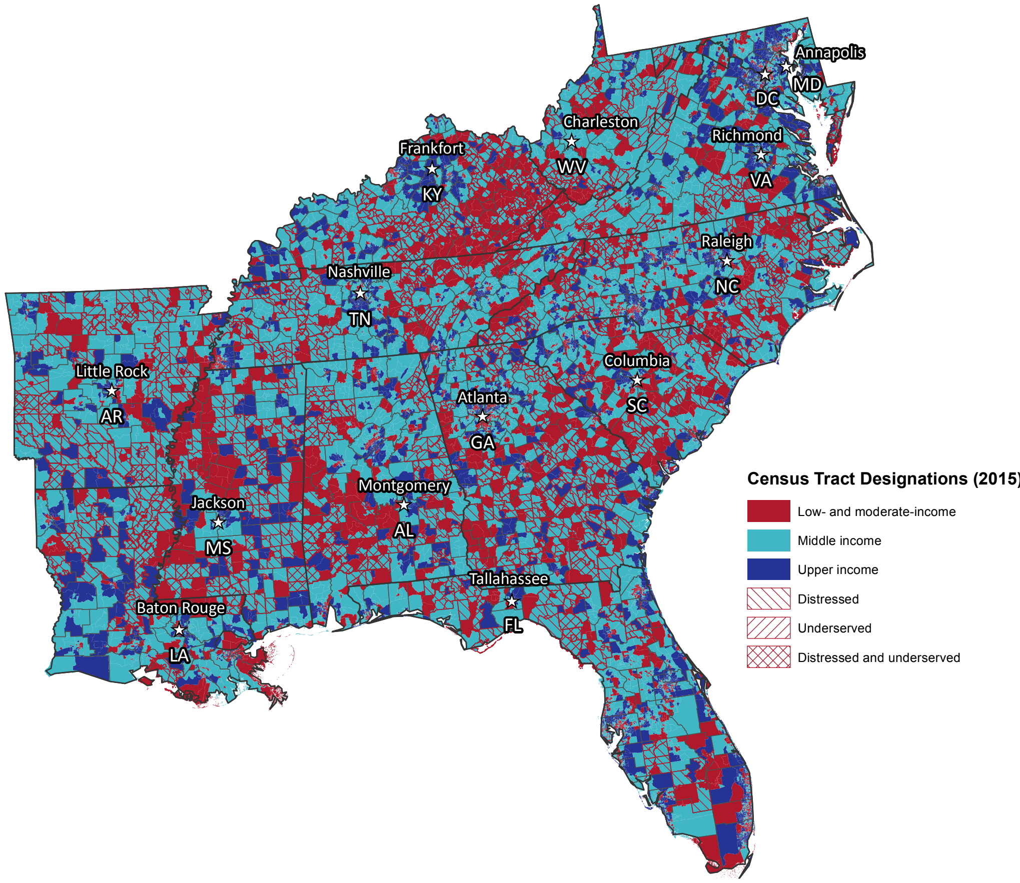
The CDFI Fund requires all certified CDFIs to invest at least 60 percent of their total portfolio in approved markets. These may be any geographic area that meets one or more of the following criteria:

- has a population poverty rate of at least 20 percent;
- has an unemployment rate 1.5 times the national average;
- is located in a metropolitan area and has a median family income (MFI) at or below 80 percent of the greater of either the metropolitan or national metropolitan MFI;
- is located in a nonmetropolitan area and has an MFI at or below 80 percent of the greater of either the statewide or national non-metropolitan MFI; or
- is wholly located within an Empowerment Zone or Enterprise Community.

The Federal Financial Institutions Examination Council (FFIEC) releases annual data on census tract MFI as a percentage of the metropolitan or nonmetropolitan MFI, and subsequently categorizes census tracts as low-, moderate-, middle- or upper-income. LMI census tracts meet the CDFI Fund income eligibility requirements, as low-income census tracts have an MFI that is less than 50 percent of the area MFI, and moderate-income census tracts have an MFI that is 50–80 percent of the area MFI. The FFIEC also identifies high needs, nonmetropolitan, middle-income census tracts by using data from the U.S. Census Bureau and the U.S. Bureau of Labor Statistics to classify select census tracts as economically distressed (based on poverty rate, unemployment rate and rate of population loss) and/or underserved (based on population size, density and dispersion). The middle-income qualification level for FFIEC distressed and underserved census tracts means that these tracts have an MFI that is 80–120 percent of the nonmetropolitan MFI, and so do not meet the LMI criteria of the CDFI Fund. The FFIEC provides these classifications to inform traditional financial institutions of census tracts in which they can invest to receive credit under the Community Reinvestment Act (CRA). CDFIs tend to sustain relatively high levels of lending in these high needs census tracts, in addition to their investment in LMI census tracts. All LMI, distressed and underserved census tracts are shown in Map 5.

By definition, all distressed and underserved census tracts are nonmetropolitan, and so the discussion about CDFI service provision to rural counties largely applies to these tracts as well. As shown in Table 3, LMI, distressed or underserved status does not necessarily indicate a higher level of CDFI activity, measured by the number of CDFIs operating in the county. According to the most recent transaction level data available from the CDFI Fund, CDFIs nationwide invested approximately 72 percent of their total funding in LMI, distressed and/or underserved markets in 2014. CDFI lending activity generally matches a common CDFI mission to serve LMI, distressed and underserved areas, but the 2015 survey results point to the limitations of that lending activity. While CDFIs appear to be pursuing their mission to target traditionally underserved markets, their limited collective capacity means that LMI, distressed and underserved areas are not necessarily more likely to show increased levels of CDFI activity than neighboring counties. This trend aligns with past research that indicates the distress level of a census tract is not predictive of CDFI lending activity.[8] While CDFI lending activity is concentrated in high needs areas, per the CDFI Fund requirement, a census tract's LMI, distressed and/or underserved status does not necessarily mean that it will experience a higher level of CDFI investment than tracts without high needs designations.

Map 5: LMI, Distressed and Underserved Census Tracts in the Southeast



Source: U.S. Department of Agriculture Rural-Urban Continuum Codes (2013), Federal Financial Institutions Examination Council Distressed and Underserved Census Tracts (2015).

Table 3: Average Number of State and Local Respondent CDFIs Operating in Designated Census Tracts

Census Tract Designation	Average Number of State Respondent CDFIs	Average Number of Local Respondent CDFIs
Low- or moderate-income	5.5	4.1
Middle-income, rural, distressed	4.3	4.1
Middle-income, rural, underserved	4.5	4.2
Middle-income, not distressed or underserved	5.4	4.0
Upper-income	5.5	4.1

Note: Averages calculated as the mean number of CDFIs operating in each designated group. The median number of state respondent CDFIs and local respondent CDFIs is four for all of the census tract designation groups above.
Source: Survey results from the Federal Reserve Bank of Richmond 2015 Survey of CDFIs in the Southeast.

Spotlight On: Best Practices for CDFI Expansion

Once a CDFI has determined that expansion into a new geographic market is strategically viable and beneficial, there are a number of resources available to help ease the expansion process. For certified and emerging CDFIs looking to expand their geography or break into a new market, the CDFI Fund's Capacity Building Initiative has an ongoing training and technical assistance program called *Expanding CDFI Coverage in Underserved Areas* that is provided by the Opportunity Finance Network, the nation's largest network of CDFIs. This series of webinars and technical training workshops is designed to help CDFI senior leadership understand the product needs of underserved markets and plan for an expansion into these markets.

There are also numerous case studies and reports that detail best practices for CDFI expansion. Among these is a 2013 report from Living Cities — an organization that partners with foundations and financial institutions to develop best practices in urban policy that address the needs of low-income individuals — entitled "Expanding the Geographic Reach of Community Investment: The IFF Case Study." Several best practices from that report are summarized below:

Identify and address local market gaps: Expansion is easiest when the expanding CDFI seeks to fill an existing gap in the market that has been identified by local stakeholders.

Maintain a physical presence: Having a local presence demonstrates commitment to the community, fosters trust with key partners and helps increase community awareness.

Engage with community leaders across business sectors: Building cross-sector relationships in a new market helps integrate the incoming CDFI into the community and may increase awareness among potential clients and partners.

Balance a strategic plan with the ability to adapt: Markets and communities evolve, and it is important to have both a clear strategic vision and the ability to adapt to unanticipated circumstances.

Focus on markets that are geographically close or where there is a preexisting relationship: Being able to easily access a new market and having ties to the community often eases the expansion process.

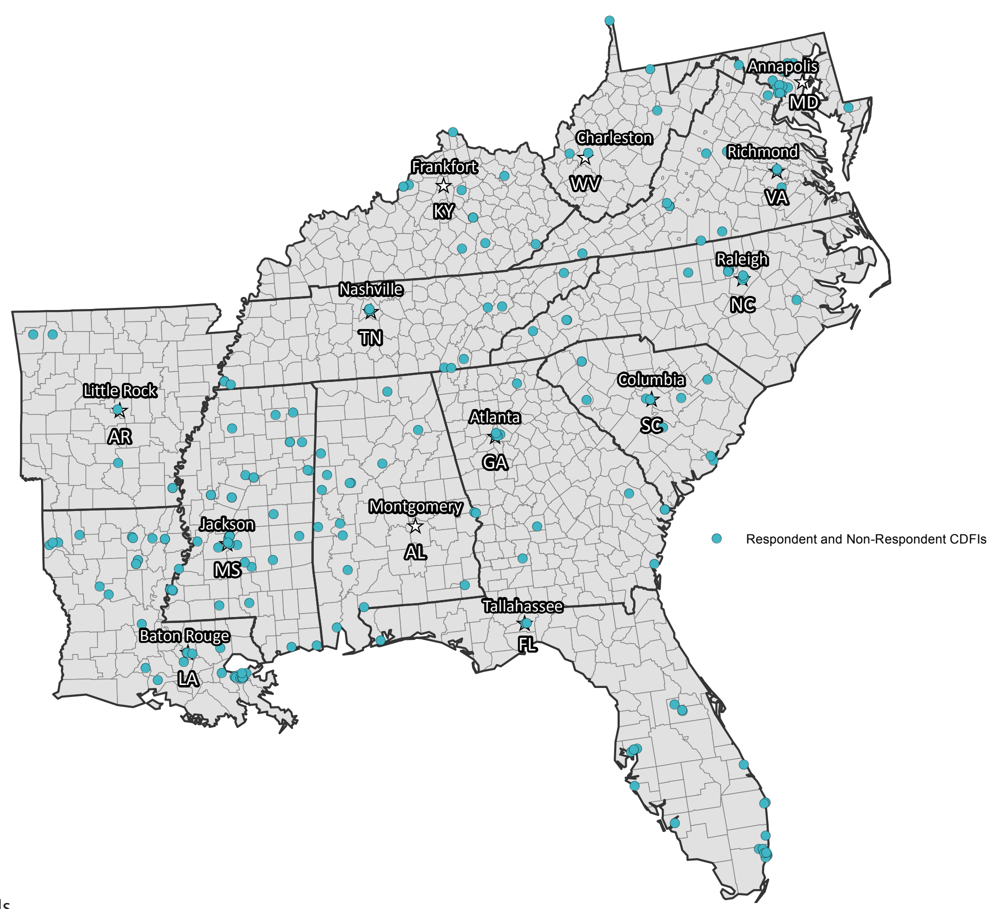
Filling in the Gaps: Using CDFI Fund Data to Learn More about CDFI Activity

The 2015 survey captured information on a sample of CDFIs in the Southeast. With a response rate of 57.2 percent for a contact list of 257 CDFIs (all of which are represented in Map 6), the survey results do not provide any information on at least 110 CDFIs headquartered in the Southeast. Additionally, while Richmond Fed staff took care to compile a comprehensive contact list of CDFIs for survey distribution, some CDFIs may have inadvertently been excluded from the list.

In this section, we use data from the CDFI Fund to help fill in the picture of CDFI activity in the Southeast. The CDFI Fund collects annual institution and transaction level data from certified CDFIs, which it makes periodically available to the public. These data lend insight into the geographic scope of CDFI lending activity and the geographic spread of CDFI investments. To give a fuller representation of CDFI activity in the Southeast, the maps and analysis that follow use six years of CDFI Fund transaction-level data, from 2009 to 2014. This period of time was selected based on CDFI Fund data availability and on the timing of the Richmond Fed survey, which began in 2009 and has continued biennially.

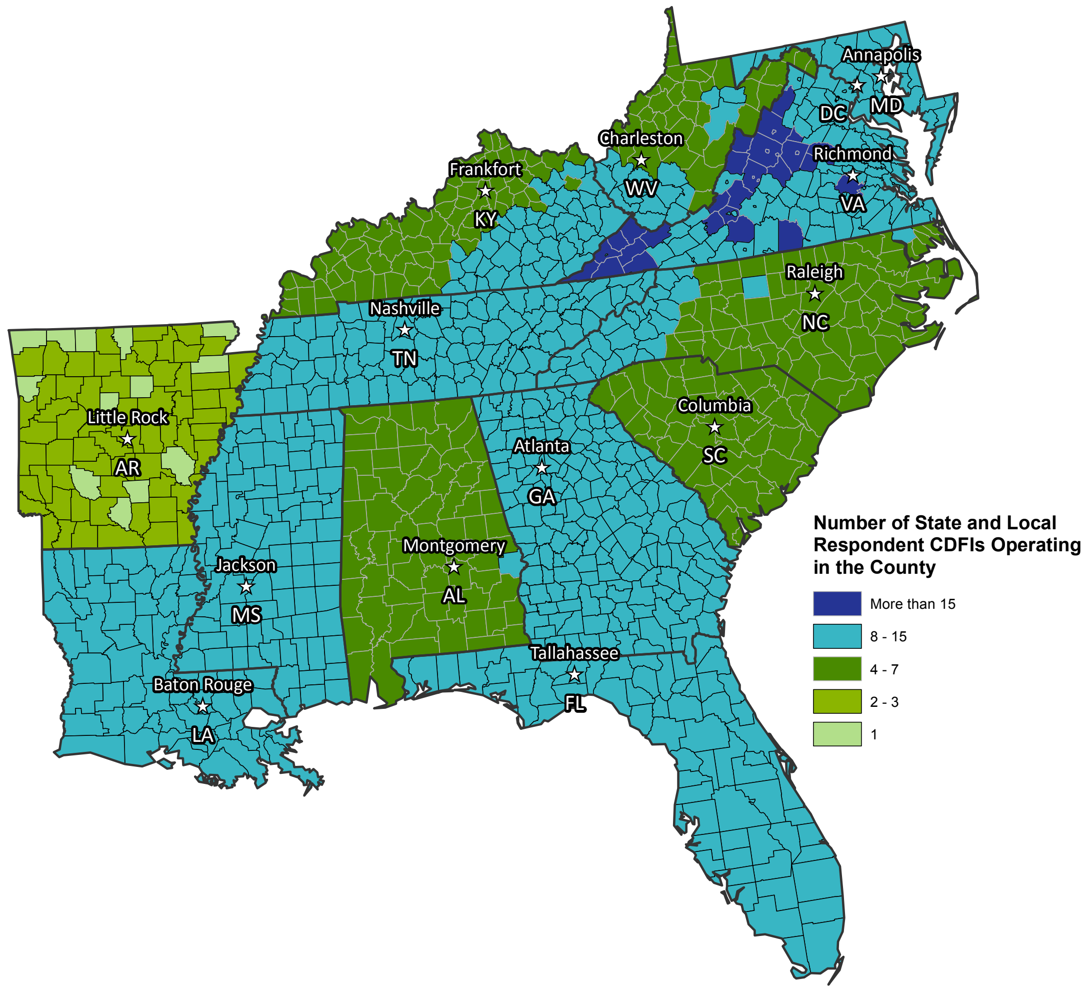
However, even with the additional information gleaned from CDFI Fund data, this analysis is not representative of the full population of CDFIs headquartered and/or operating in the Southeast. Noncertified CDFIs are not required to report to the CDFI Fund, and consequently may not be represented in the CDFI Fund data. While only a small percentage of CDFIs are noncertified — just 1.4 percent of survey respondents (two CDFIs) reported being noncertified — those institutions are contributors to the full landscape of CDFI activity. Furthermore, certified CDFIs are only required to report their financial activity

Map 6: Respondent and Non-Respondent CDFIs in the Southeast



N=257 CDFIs
Source: Survey results from the Federal Reserve Bank of Richmond 2015 Survey of CDFIs in the Southeast.

Map 7: Number of State and Local Respondent CDFIs Operating in Southeast Counties



N=128 CDFIs
Source: Survey results from the Federal Reserve Bank of Richmond 2015 Survey of CDFIs in the Southeast.

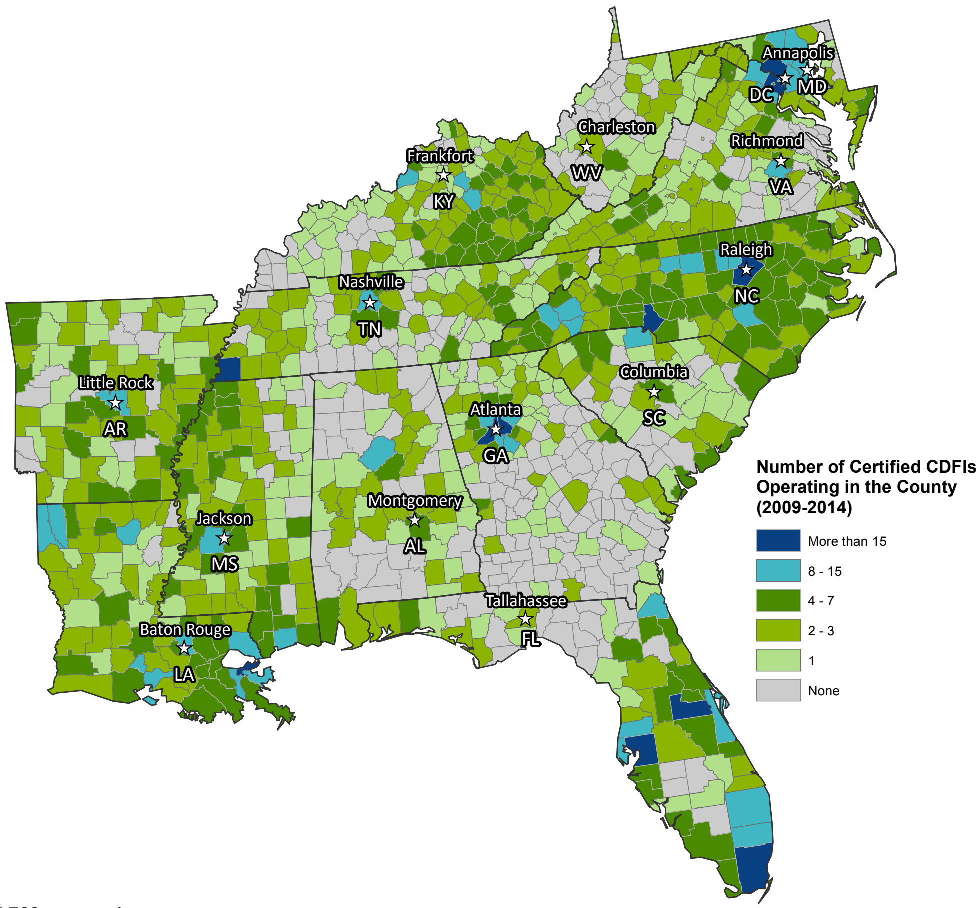
to the CDFI Fund. Thus, CDFI Fund data do not capture non-lending activities performed by certified CDFIs, including financial education and advocacy. Both the survey data and the CDFI Fund data should be viewed with an awareness of these limitations.

The CDFI Fund data give a rather different picture of CDFI activity in the Southeast than the 2015 survey results, as shown in Maps 7 and 8. While the survey results show CDFI activity in all counties, with at least two CDFIs operating in each county, the CDFI Fund data indicate a lack of CDFI lending activity in 25.5 percent of counties in the Southeast (278 counties) from 2009 to 2014.

There are several possible explanations for this discrepancy. First, the two sets of data represent different years. While the survey data was collected in 2015, the most recent available CDFI Fund data is from 2014. In the year between the two sources of data, there may have been an increase in the total number of CDFIs, which is then reflected in the 2015 survey data. Alternatively, the CDFI Fund only collects data on financial transactions, so the map that uses CDFI Fund data may underrepresent the full range of

Filling in the Gaps

Map 8: Number of Certified CDFIs Operating in Southeast Counties from 2009 to 2014



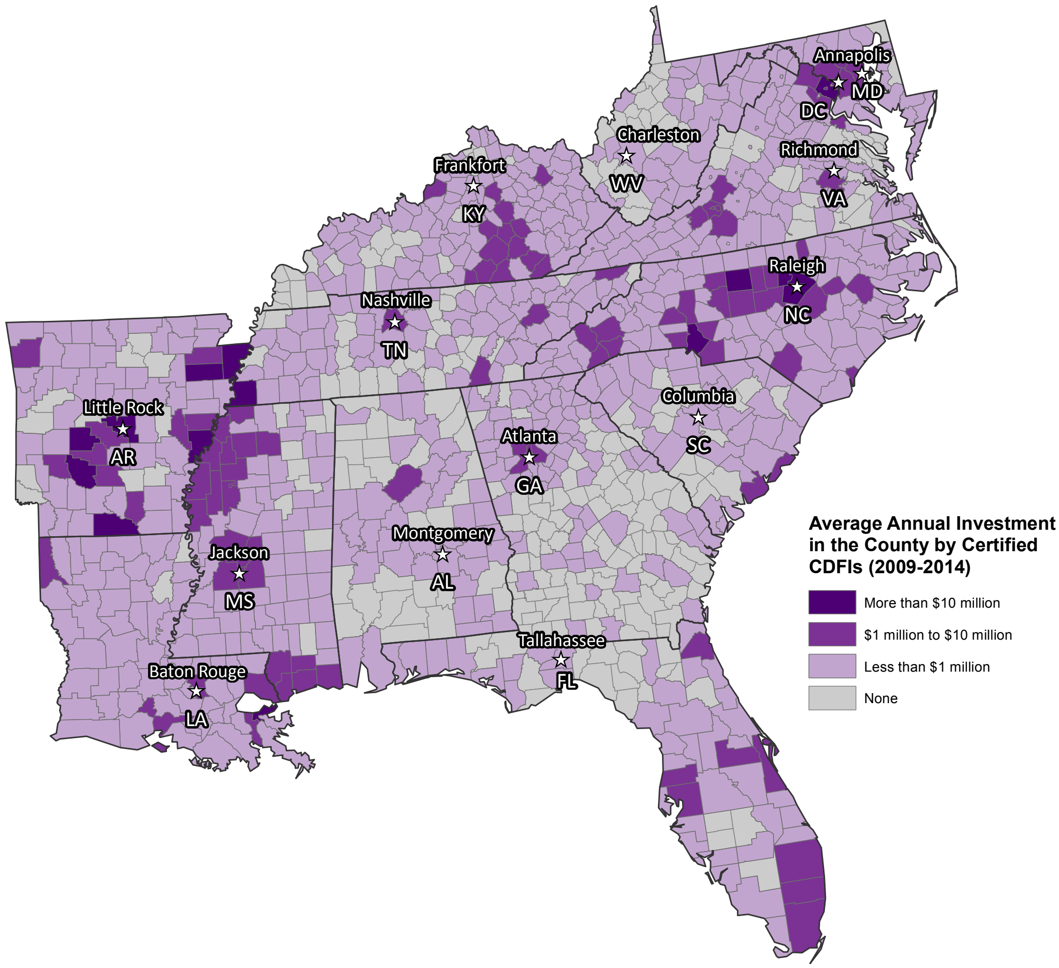
N= 45,783 transactions
Note: To qualify as operating in a county based on the CDFI Fund Transaction Level Report Data, a CDFI must have completed at least one transaction in the county from 2009 to 2014. Map reflects total reported activity of all certified CDFIs, not just those headquartered in the Southeast.
Source: U.S. Department of the Treasury CDFI Fund Transaction Level Report Data, 2009–2014.

CDFI activity in the Southeast. As the survey also requested information on non-lending programs and services, respondents may have included in their geographic scope any area in which they operate in any capacity, be it lending or non-lending. Finally, the difference could be indicative of one disadvantage of self-administered survey instruments: if respondents had limited or generalized information about their geographic scope, responses may indicate a broader geographic area than the transaction data indicates.

CDFI Fund Transaction Level Data and CDFI Lending in the Southeast

CDFI Fund transaction level data lend further insight into CDFI activity in the Southeast by quantifying the dollar levels of investment made at the county level through the Southeast. The data include all qualified loans and investments that were outstanding as of the end of the reporting period, excluding New Markets Tax Credit (NMTC) activity funded by qualified equity investments (QEI) and loans made to affiliate organizations.

Map 9: Average Annual CDFI Investment in Southeast Counties from 2009 to 2014



N=45,783 transactions
Note: Map reflects activity of all certified CDFIs, not just those headquartered in the Southeast. Average investment was calculated using the mean transaction amount for each county from 2009 to 2014.
Source: U.S. Department of the Treasury CDFI Fund Transaction Level Report, 2009–2014.

In total, the states in the Southeast received $4.36 billion in CDFI investment from 2009 to 2014. Investment by state ranged from $14.2 million in West Virginia to $1.04 billion in Arkansas. Map 9 displays the average annual amount of CDFI investment in Southeast counties from 2009 to 2014, which was calculated by summing the dollar amounts of all CDFI transactions originated in each county from January 1, 2009, to December 31, 2014, and dividing the results by six. As Map 9 shows, CDFI investment is concentrated in certain Southeast counties, and many Southeast counties received little or no CDFI investment.

Of the 74.5 percent of Southeast counties that received some level of investment from 2009 to 2014, 62.3 percent received less than $1 million total, and 85.1 percent received less than $1 million on average annually. As previously discussed, this pattern can be jointly attributed to the geographic positioning of distressed, underserved, low- and moderate-income markets, and to limited CDFI capacity.

The CDFI Fund data suggest an association between the number of CDFIs operating in a county and the level of CDFI investment in that county. As shown in Table 4, the median dollar

Table 4: Median CDFI Investment Amount by Number of CDFIs Operating in Southeastern Counties (2009–2014)

Number of Certified CDFIs Operating in the County	Number of Southeastern Counties in Category	Median CDFI Investment Amount Received by Southeastern Counties
1	264	$88,680
2 – 3	303	$414,000
4 – 7	184	$2,588,233
8 – 15	45	$14,711,643
More than 15	15	$48,135,395

Note: Median CDFI investment amounts are calculated as the median total investment amount received by the counties in each category from 2009 to 2014.
Source: U.S. Department of the Treasury CDFI Fund Transaction Level Report, 2009–2014.

amount of CDFI investment from 2009 to 2014 received among counties based on the number of CDFIs investing in the county generally increases with the number of associated CDFIs. CDFI Fund transaction level report data does not allow for an analysis of the impact of physical location on level of investment, as transactions cannot be traced to CDFIs headquartered in particular areas, but the data does support a relationship between high numbers of operational CDFIs and high levels of investment in general over a six year span.

The counties surrounding Washington, D.C., Raleigh, North Carolina and Little Rock, Arkansas, were areas of concentrated CDFI investment from 2009 to 2014. The relatively high levels of investment experienced in these areas may be attributed to the joint effect of the presence of high needs markets, coupled with a level of resources and connectedness that makes the area attractive for CDFI operations. For instance, Wake County, North Carolina, home to the city of Raleigh, had a total of $110 million in investment from 940 transactions completed by 16 CDFIs from 2009 to 2014. No census tracts in the county were classified as distressed or underserved by the FFIEC at the time of this investment, but approximately 21 percent of the census tracts in the county were LMI in any given year from 2009 to 2014. There are at least three CDFIs headquartered in Raleigh and at least five headquartered in nearby Durham County, according to the CDFI contact list assembled by Richmond Fed staff. This clustering of CDFIs in an urban area with LMI census tracts may result in localized provision of funding.

As a group, these areas may not be the most distressed or underserved areas based on the FFIEC classification process, or necessarily have the highest concentrations of LMI census tracts, but the CDFI Fund transaction data seem to indicate that the highest levels of CDFI investment occur in counties with relatively high levels of both resources and need. The CDFI transaction-level investment data provide some nuance to the patterns previously discussed regarding CDFI presence and activity in LMI, distressed and underserved counties. While the presence of CDFI headquarters are not necessarily tied to increased investment in a county, there are examples of areas in the Southeast in which an urban environment supports multiple CDFI headquarters, attracts investment from CDFIs located outside the county and receives a relatively high level of CDFI investment. This association requires further analysis beyond the scope of this publication, but it is anecdotally supported by select localities in the Southeast that if a county is an attractive place for CDFIs to headquarter, CDFIs will in turn support key markets within that county.

CDFI Fund Institution Level Data and CDFI Asset Size in the Southeast

In addition to the insights yielded by CDFI Fund transaction level data, institution level data give key information about CDFI total asset size that can be used to assess the full portfolio of CDFI assets available in a state. Furthermore, these data can be combined with U.S. Census Bureau data on state total population and population below the poverty line to create a rough proxy for unmet need at the state level. A similar estimation of estimated CDFI total assets per capita was conducted using 2010 census data in *Community Scope* Volume 1 Issue 1 from the Richmond Fed entitled "CDFIs in the Southeast."

The calculations of estimated CDFI assets per capita and estimated CDFI assets per person in poverty contained in Table 5 use data from 2011, 2012, 2013 and 2014 to mitigate one-year anomalies in the data and to give a more representative picture of CDFI assets within Southeast states.

The median estimated CDFI assets per capita and per person in poverty were lowest in South Carolina (at $2 and $11, respectively) and highest in Washington, D.C., (at $370 and $2,084, respectively). While no benchmark level of adequate CDFI assets per capita or per person in poverty exists in the academic literature on CDFIs, 12 of the 14 Southeast states and Washington, D.C., have estimated CDFI assets per person in poverty below $1,000. This suggests extremely limited capacity in general with which to serve financially high needs populations. Future research efforts may work to determine the levels of CDFI assets per capita and per person in poverty that correspond with key indicators of local economic stability.

Table 5: Total Assets of CDFIs in the Southeast (2011–2014)

State	Median Annual Total Assets (2011–2014)	Median Number of CDFIs Reporting (2011–2014)	Average CDFI Asset Size (2011–2014)	Median Estimated CDFI Assets Per Capita (2011–2014)	Median Estimated CDFI Assets Per Person in Poverty (2011–2014)
AL	$60,576,000	1	$60,576,000	$13	$68
AR	$734,230,874	4	$183,557,719	$248	$1,298
DC	$232,142,142	6	$38,690,357	$370	$2,084
FL	$62,902,009	5	$13,978,224	$3	$19
GA	$54,169,757	5	$10,833,951	$5	$30
KY	$227,643,777	8	$28,455,472	$52	$280
LA	$653,094,752	5	$130,618,950	$142	$727
MD	$530,030,342	5	$106,006,068	$90	$908
MS	$285,150,654	3	$95,050,218	$95	$427
NC	$1,398,733,744	10	$147,235,131	$143	$835
SC	$9,371,238	2	$6,247,492	$2	$11
TN	$87,038,620	3	$34,815,448	$13	$73
VA	$540,905,034	7	$83,216,159	$66	$578
WV	$15,616,086	2	$10,410,724	$8	$48
Total for Southeast Region	$4,852,478,624	62	$76,403,020	$54	$324

Note: CDFI assets per capita are calculated as the 2011 to 2014 median value of CDFI total assets divided by state population. CDFI assets per person in poverty are calculated as the 2011 to 2014 median value of CDFI total assets divided by state population in poverty.
Source: U.S. Department of the Treasury CDFI Fund Institution Level Report, 2002–2014, and U.S. Census Bureau, American Community Survey 1-Year Estimates, 2011–2014.

Conclusion

A majority of the CDFIs represented in the 2015 survey sample do not provide products and services in markets nationwide, but instead focus their efforts on states and localities. Of those operating at the state and local level, most provide services across one state or multiple counties. CDFIs that serve multiple states or a single state have larger total assets and loan funds, on average, than those that operate at a local level. High risk loans and leases compose approximately 3 percent of state and local CDFI portfolios, on average. Within the Southeast, we observe patterns of geographic scope among CDFIs at the county level, including a high number of state CDFIs in Virginia and a high number of local CDFIs in Louisiana. Future research efforts may explore these variations to determine if there are state- or locality-specific factors that help determine geographic scale for CDFI operations, and may also look into the factors that influence CDFI activity across state borders.

Very broadly, our analysis of the survey responses indicates that a full range of financial products and services are provided to all target markets in the Southeast, even if this provision is limited to the work of one or two CDFIs. This conclusion is tempered by data from the CDFI Fund, which suggest that from 2009 to 2014, approximately one quarter of Southeast counties did not receive CDFI investment. While some of this discrepancy can be explained by differences in the two data sources, it also suggests that productive future research efforts may explore the geographic reach of non-lending activities, analyze CDFI branch location activity and examine the availability of specific credit products in more detail. Such efforts could also incorporate a broader range of specialized products and services demanded by more diverse markets to identify potential emerging needs.

The results of the 2015 survey do not suggest that LMI, distressed and/or underserved counties necessarily attract higher levels of CDFI activity. While CDFIs are directing higher percentages of their loan funds to distressed and underserved markets, this is not tied to an increased likelihood that counties with these characteristics will have higher levels of CDFI investment because CDFIs also invest in high needs urban markets. Respondent CDFIs were more likely to headquarter in urban counties than rural counties, but still included distressed and underserved counties in their service areas. Additional research may delve into the ways in which having a physical presence outside a distressed and/or underserved county impacts service provision to that county.

Acknowledgements

Thank you to Surekha Carpenter for assistance with data visualization in this publication, and to Jack Cooper, Renee Haltom and Shannon McKay for their careful review and insightful comments.

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ENDNOTES

1 The Southeast is defined to include Alabama, Arkansas, the District of Columbia, Florida, Georgia, Kentucky, Louisiana, Maryland, Mississippi, North Carolina, South Carolina, Tennessee, Virginia and West Virginia. Respondent CDFIs to the 2015 survey represent a wide variety of financial institutions investing in diverse markets. The Richmond Fed *Community Scope* publication entitled "Community Development Financial Institutions in the Southeast: Surveying the Social Investment Landscape" (2016) presents key survey results summarizing their capitalization, demand, capacity, non-lending programs and services and interactions with impact investors.

2 "What Does the CDFI Fund Do?" U.S. Department of the Treasury CDFI Fund.

3 The Community Reinvestment Act (CRA) defines low-income as an income less than 50 percent of the area median income (AMI) and moderate-income as an income between 50 and 80 percent of the AMI.

4 The CDFI Fund identifies loans and leases with the following characteristics as high-risk: "Payments 30 days past due, weak financial condition, uncooperative borrowers, non-existent financial reports, external events with serious negative impacts, possible workout."

5 The 16 products and services included in the 2015 survey are: business loans, financial education, commercial real estate, technical assistance to borrowers, consumer loans, depository services to individuals, depository services to businesses, housing financing loans (mortgages), microfinance loans, single-family housing development loans, multifamily housing development loans, housing counseling, downpayment assistance, new market tax credits, healthy foods financing and individual development accounts.

6 E.g., "CRA in Rural America: The Community Reinvestment Act and Mortgage Lending in Rural Communities," (2015); Duncan, "Community Development in Rural America: Collaborative, Regional, and Comprehensive," (2015); "Long-Term Trends in Rural Depopulation and Their Implications for Community Banks," (2014).

7 Two incorporated cities in the Southeast (0.2 percent) do not have associated USDA Rural-Urban Continuum Codes.

8 E.g., Swack et al., "CDFIs Stepping Into the Breach."

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CDFI WEB RESOURCES

To view the 2015 Directory of CDFIs in the Southeast, as well as additional research on CDFIs, including *Community Scope*, Volume 4, Issue 1, "Community Development Financial Institutions in the Southeast: Surveying the Social Investment Landscape," visit: https://www.richmondfed.org/community_development/resource_centers/cdfi/ and https://www.richmondfed.org/publications/community_development/community_scope/2016/community_scope_2016_no1_p1.

COMMUNITY PULSE

Community Pulse is an annual survey conducted by the Richmond Fed that assesses current and compelling economic issues in the Fifth District. To view past results, and to register to participate in the future, visit: https://www.richmondfed.org/publications/community_development/community_pulse.

SMALL BUSINESS CREDIT SURVEY

The 2015 Small Business Credit Survey (SBCS) from the Federal Reserve Banks of Atlanta, Boston, Cleveland, New York, Philadelphia, Richmond and St. Louis, in partnership with local business and civic groups, gathered information from small businesses on general business conditions and firm financial and credit experiences. To view the 2015 SBCS final report on employer firms, visit: https://www.richmondfed.org/community_development/resource_centers/small_business/credit_survey.

If you are a small business owner and would like to participate in the 2016 Small Business Credit Survey (SBCS), visit: http://frb.co1.qualtrics.com/SE/?SID=SV_8iVpQVF8PPIqCPz&reserve_bank=RIC.

Survey closes on December 31st.

30% post consumer waste