

Boost Wealth Creation in Underserved Communities

Support Funding for CDFI Fund - Budget Amendments from Sen. Favola and Del. Willett

The Commonwealth of Virginia became one of the first states to create a fund for Community Development Financial Institutions (CDFIs) and, in so doing, this public/private partnership became a model for other state legislatures. The Virginia CDFI Fund's mission is to expand economic opportunity for underserved people, rural areas, and communities by supporting the growth and capacity of Virginia community development lenders, investors, and financial service providers. **Building on this progress, the program needs to be fully funded at \$10 million in FY2026 from the General Fund. The Virginia CDFI Fund will reinforce CDFI lending in Virginia with lending capital and "Impact Grants".**

VA CDFI Fund's Two-year Economic Impact

\$9.7 million of public investment created **\$26.2 million** in private sector lending activity

1200+ jobs created/retained

- **10-year, [1%] Loans:** CDFIs need long-term, low-cost funding to generate long-term, low-cost loans to borrowers. CDFIs use longer-term loans to lower monthly debt service requirements for borrowers and projects. When the initial loan is repaid, CDFIs recirculate the lending to the local community for another borrower.
- **Impact Grants:** As demonstrated from the 2022 allocation of funding, for every \$1 in government-funded grant awards, Virginia's CDFIs leveraged, on average, an additional \$2.80 in private financing into projects and communities.

What are CDFIs? – Community Development Financial Institutions (CDFIs) finance community businesses, including small businesses, microenterprises, nonprofit organizations, commercial real estate, and affordable housing. As mission-driven lenders, grantors, and technical assistance providers, CDFIs in Virginia play a valuable role in deploying and leveraging public and private investments quickly and efficiently.

Benefits to Virginians: The VA CDFI Fund ultimately drives capital, through CDFIs, to Virginia's communities, supporting our state's economic activity. CDFIs will use the Fund's resources to expand their services and provide flexible and affordable loan products to our underserved. Loan products will be required to have low interest rates and longer terms. Why?

- **Low interest rates (capped at [6%])** result in less expensive monthly debt service payments for the small business owner. *Imagine a 4% mortgage rate versus a 15% mortgage rate.*
- **Long-term (10 year) loans** allow small business owners the ability to repay debt over a longer time period than the typical 3-5-year small business loan term, which means lower cash payments month over month. Lower cash payments mean that a small business owner breaks even more easily and may stretch their limited resources further. *Imagine stretching your paycheck further with a 30-year mortgage rather than a 5-year mortgage.*

What is the Virginia CDFI Fund? During the 2021 Special Session (I) of the General Assembly, Chapter 552, Item 114 Q.1-4 was adopted April 7, 2021, providing \$10,000,000 in general funds to the Department of Housing and Community Development (DHCD) to establish a Fund to provide grants to CDFIs, and other such similar entities, whose primary purpose is to provide financing in the form of loans, grants or forgivable loans to small businesses or community revitalization real estate projects in Virginia. In October 2021, DHCD successfully allocated \$9.7 million to twelve financial institutions in January 2022. The results have been impressive. **In just twenty-four months its grantees have successfully closed 456 loans deploying a total of \$9 million in public funds and leveraging over \$26.2 million of private funds. Additionally, the CDFIs assisted over 1800 businesses, resulting in the creation and/or retention of over 1200 jobs.**

Virginia Small Business Resiliency Fund (VSBRF) Statistics through Q1 2024

VSBRF Results through Q1: March 2024	
Total Borrowers	456
LMI	210
BIPOC	209
SWAM	46
Women Borrowers	173
Veteran Borrowers	14
Business Borrowers <2 years	133
Borrowers Previously Declined	76
# TA Participants	1806
TA Hours	5225
Businesses Created	117
Businesses Expanded	201
Businesses Retained	345
Jobs Created	286
Jobs Retained	926
# Rural Business Loans	108
Total # of loans	613
Total value of loans	\$9,046,344
Ave. loan amount	\$81,074
Total leveraged by other funders	\$26,202,345

*In 2023 the fund’s eligibility requirements expanded to include commercial real estate, housing development, and homeownership financing as eligible uses of the funds.

This fund is poised to play an essential role in generating economic growth and opportunity in the Commonwealth. **By offering tailored resources and investment programs that leverage private sector capital and bring new, entrepreneurial, and under-invested communities to the table, the VA CDFI Fund is already catalyzing economic opportunities across the state.** Each business financed, each job created, and each home built represents a critical step in transforming a life, a family, and a community. This is a real change. This is the way the VA CDFI Fund can build economic prosperity and wealth-building opportunities.

SUPPORT BUDGET ITEM 103P FROM SEN. FAVOLA AND DEL. WILLETT TO RECAPITALIZE THE CDFI FUND