Webinar Transcript for Introduction to CDFIs: Why Credit Unions Are (and Always Have Been) Community Development Financial Institutions

December 18, 2025

Please note: This transcript is automatically generated and has been condensed; it will contain mistakes.

Mark Volz: Thank you for joining us. This is *Why Credit Unions Are and Always Have Been Community Development Financial Institutions*.

I am Mark Volz, Director of Business Development, and my co-presenter today is Stacy Augustine.

Stacy Augustine: Thanks for having me here to join you today. Mark, are you not going to tell people where the bathrooms are? Isn't that normally the job of the person doing the introductions?

Mark Volz: It is. It's the room with the toilet and the sink in there, so hopefully, if you do need to go, by all means, stop and do so. As we know, you are busy professionals in the credit union world. Okay, we're going to jump right into this.

As we think about connecting the dots between credit unions and what a CDFI is, we do need to go back to some history, and I apologize for the history lesson. But hopefully, as credit union professionals, you're just as enthusiastic about the history and philosophy of our movement.

Hopefully these faces are familiar. The top left is Roy Bergengren. The top right is Louise McCarren Herring. Edward Filene is on the bottom left, and one of my favorites that sometimes gets forgotten is Dora Maxwell on the bottom right.

These credit union pioneers really sought, in the early 1900s, to give opportunities to their communities through financial products and services they did not have before credit unions existed. Hopefully that gives you a little bit of history.

It really came to fruition in June of 1934, when all of their hard work was put together in the Federal Credit Union Act, signed by Franklin Roosevelt, establishing credit union charters among federal and state jurisdictions.

For those of you who don't know, Edward Filene, the business mogul, donated $1 million to help create the credit union movement. That $1 million will be relevant again when we connect the dots with CDFIs in just a bit—not by choice, but through how things ended up unfolding.

Everything was formally created through the Federal Credit Union Act, and in August 1934, credit union leaders and pioneers met in Estes Park to create the Credit Union National Association, now known as America's Credit Unions, to become the advocacy arm of the movement. At the same time, the investment arm, now known as TruStage, was also created.

I'll now hand it over to Stacy to give you an introduction to CDFIs.

Stacy Augustine: Mark talked about the 1920s and the 1930s, so let's skip way forward into the 1990s.

In the 1990s, then-candidate Bill Clinton was set to begin his first term of office, and during his campaign he talked about the promise of creating a network of Community Development Financial Institutions and microenterprise organizations designed to respond to communities around America that were really starved for affordable credit.

I've included a quote from a working paper that led to the development of the legislation he eventually signed. If you look at this quote, the interesting thing is that it could have come from 1993, but I think it could just as easily have been written in 1933, when Edward Filene and the other credit union pioneers Mark talked about were forming America's credit union system.

CDFIs come from legislation signed by President Bill Clinton as part of the Riegle Community Development and Regulatory Improvement Act of 1994. That act created the CDFI Fund, an agency housed within the U.S. Treasury Department.

Unlike many campaign promises, this agency has stood the test of time. It has maintained support from both Democrats and Republicans—not every Democrat and Republican, but most—and has had relatively consistent support across administrations and Congresses.

So what does the CDFI Fund do?

Essentially, it uses monetary awards, training, and other investments to build the capacity of CDFIs and other community development organizations. That helps them grow, serve, build organizational capacity, and drive community revitalization.

The program works well because it doesn't take funds appropriated by Congress and give them directly to borrowers. Instead, it gives them to community lenders. Those lenders understand the needs of their communities and can leverage the funds to take greater risk in lending or provide development services.

For example, a lender might take greater risk on a loan, paired with credit counseling, to help an underserved member qualify for a loan and ensure they can repay it.

Since the CDFI Fund was launched, organizations around the country have received more than $1 billion in monetary awards. Last year alone, CDFIs helped finance over 109 businesses, funded more than 45,000 affordable housing units, and helped originate more than $24 billion in loans and investments.

Who are CDFIs?

As of November, there were 1,374 certified CDFIs in the United States: 444 credit unions, 193 banks, 158 bank holding companies, 12 venture capital funds, and 567 loan funds. Credit unions represent about one-third of all U.S. CDFIs.

That shouldn't be surprising, because being a CDFI is philosophically aligned with being a credit union.

Loan funds still make up a large share of CDFIs. They are typically nonprofit organizations doing more narrowly focused lending—such as lending to Black entrepreneurs in a specific city or financing solar projects. What credit unions bring that loan funds can't is a complete package of services, including deposit services. Loan funds must raise capital to lend. Credit unions already have funds through deposits.

The purpose of the CDFI Fund, using statutory language, is to expand economic opportunity for underserved people and communities by supporting the growth and capacity of CDFIs.

One important distinction is that CDFI certification is not the same as a low-income designation. A low-income designation is granted by the NCUA. CDFI certification is administered by the CDFI Fund within the Treasury Department.

Another distinction is that the CDFI Fund is not a regulatory agency. They do not send examiners to your credit union. They do have a compliance team responsible for ensuring that certified CDFIs continue to meet requirements and comply with grant commitments.

There are seven certification requirements. Some are easier to meet than others.

You must be a legal entity. Credit unions meet that requirement.

You must have a mission of promoting community development—serving as an anchor of economic opportunity for your members.

You must be a financing entity. Credit unions make loans.

The two most significant requirements are that you primarily serve one or more target markets and that you maintain accountability to those target markets.

You must also provide development services alongside financing—helping people become better borrowers—and you cannot be a government entity.
A target market can be an investment area or a low-income targeted population. Low income does not mean homeless; it means underserved. Teachers, police officers, and enlisted military members often qualify.

To primarily serve a target market, 60% of both the number and dollar amount of loans must go to one or more target markets.

Accountability means that at least one-third of your board must represent or be connected to the target market. Credit unions already have elected boards, which makes this achievable. Advisory boards can also be used and often provide valuable insight.

Mark Volz: This is where we connect back to the $1 million Edward Filene donated. Once certified, a credit union can apply for a Financial Assistance grant of up to $1 million.

Additional funding may be available, including up to $300,000 for persistent poverty counties and up to $300,000 for serving people with disabilities, bringing the potential total to $1.6 million.

There are also housing production grants, small-dollar lending grants, and a $150,000 technical assistance grant for emerging or uncertified CDFIs.

CDFI certification also exempts credit unions from the member business lending cap.

If you're wondering whether this is right for your credit union, we usually ask a few questions: Are your members low income for your area? Have loans been turned down due to income constraints? Do you want to build capacity or prepare for future grants?

Many credit unions use these resources to turn borderline "no" decisions into "yes" decisions in the future.

For those who aren't yet certified, the technical assistance grant is designed to build capacity—staffing, technology upgrades, training, consulting, and strategic planning.

If you'd like to talk more about your target market or potential challenges, we'd love to connect. My contact information will be included in the follow-up email.

The bottom line is this: credit unions have always done the work of CDFIs. Certification is not automatic, but the alignment is strong.

Q&A Discussion:
Mark Volz: I do see a question here from Emily. "Can you provide more information on persistent poverty counties grant eligibility?"
Stacy Augustine: I can help with that. The persistent poverty component is an add-on to the Financial Assistance grant. If you're already applying for an FA grant through the CDFI Fund, you can also apply for an additional allocation related to persistent poverty.

To do that, you typically need to show that you serve a persistent poverty area and have the capacity to increase service to that area. A persistent poverty county meets certain statistical requirements around long-term poverty. When we work with a credit union on this, we look at where they're currently providing service—branches, staff presence, and their ability to maintain or expand services in that area.

Mark Volz: Emily also asked about the housing production grant.

Stacy Augustine: The housing production grant is a separate grant. It's a newer and shorter-term offering from the CDFI Fund, developed to help increase the production of affordable housing—not just help first-time homebuyers.

The goal is to fund lenders that are helping to create more affordable housing units, often through multifamily housing, but it can also include single-family or other affordable housing developments working with local developers.

Mark Volz: Thank you, Emily. We'll pause briefly to see if there are any other questions.
We have a question from Sean: "Do you have a checklist or methodology a credit union can use to determine whether they should become a CDFI?"

Stacy Augustine: I wish it were that easy. Some requirements are straightforward, but determining whether you primarily serve a target market and meet accountability requirements takes more work.

Typically, we need to geocode your loans to determine whether you're meeting the 60% requirements. While there are indicators—like knowing your members are underserved—it really requires a loan portfolio analysis rather than a checklist.

One thing to note is that serving subprime borrowers does not always equate to serving low-income borrowers. Not all low-income borrowers are subprime, and that distinction can be surprising when first learning about CDFI requirements.

Mark Volz: We'll be sending the slide deck and recording after the webinar. My contact information will be included, so please feel free to reach out if you'd like to go deeper or set up a meeting.

Stacy Augustine: Take care, and happy holidays.