

CDFIs Help Small Businesses Thrive

Small businesses are the backbone of the American economy. From corner shops to childcare centers, bookstores to auto mechanics, nail salons to construction firms and more, they build communities and lift local economies. At some point, every one of these businesses needs capital, often in the form of financing.



CDFI IMPACT

CDFIs were instrumental in delivering Paycheck Protection Program relief to very small, minority-owned, and women-owned businesses, outperforming larger lenders.

America's 2023 Small Business Conundrum

Entrepreneurship surged during the pandemic, increasing demand for small business financing that continues today.¹ At the same time, financing constrictions² nationwide are putting small businesses — and the American economy — at risk. And for Black-owned³ businesses, financing gaps make it even harder to access critical startup or growth capital.

CDFIs: Small Business's Best Friends

Community development financial institutions (CDFIs) are mission-driven lenders that fill small business financing gaps. CDFIs offer safe, responsible financing products and technical expertise to help low-income, low-wealth small businesses launch, expand, and succeed.

Specialized Small Business Lenders

In 2021, certified CDFIs had more than \$25 billion small business and microloans in their portfolios.⁴ With a cumulative net charge-off rate of less than 1%, CDFIs lend productively in low-income, low-wealth markets.

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DETROIT, MICHIGAN

When Wayfair invited CommodiTees's owner Katrina Anderson to be a supplier, Katrina didn't have the necessary inventory. After other financial institutions wouldn't finance her, CDFI Michigan Women Forward provided Katrina with a microloan to purchase inventory. She later received a second microloan to scale again for opportunities with QVC and Zullily.com.

¹ U.S. Census Bureau, Business Applications: Total for All NAICS in the United States [BABATOTALSAUS], retrieved from FRED, Federal Reserve Bank of St. Louis; fred.stlouisfed.org/series/BABATOTALSAUS, January 17, 2023

² [KC Fed 2022 Small Business Lending Survey](#)

³ Fed Small Business, Small Business Credit Survey, [2022 Report on Firms Owned by People of Color](#)

⁴ [OFN Member Survey 2021](#)

Policy Recommendations

Congress

- Expand the Small Business Administration (SBA) microloan program by doubling annual appropriations to reach more businesses.
- Improve the SBA's 7(a) loan guarantee program by making the Community Advantage pilot program permanent and adding women and people of color as underserved markets.
- Ensure transparency and fairness in small business lending by passing the Small Business Lending Disclosure Act.

Executive Branch

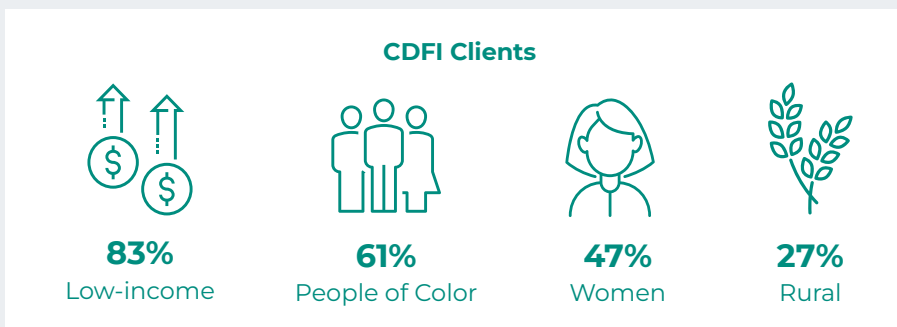
- Swiftly implement the small business data collection requirements mandated under Dodd-Frank Section 1071.
- Expand the role of CDFIs in delivering SBA programs to underserved communities by changing eligibility criteria and adjusting terms so CDFI customers benefit.

Capital Plus

In 2021, certified CDFIs had more than \$25 billion small business and micro loans in their portfolios. CDFIs also offer more than safe, responsible loans that fit people not a credit box. They provide services to help small businesses get off the ground and grow.

CDFI Clients

CDFIs tailor safe, responsible loans to fit people not a credit box and offer training, coaching, and support to help small businesses get off the ground and grow.



SITKA, ALASKA

Caitlin Way (Tlingit) owns Fisheye Coffee, a coffee shop providing wholesome food. The business's growth was initially stifled by a restrictive family loan and an inability to obtain traditional financing. With a small business loan from Native CDFI Spruce Root, Caitlin had the opportunity to invest in her business.



ELK GROVE, CALIFORNIA

Although he'd been in business for 11 years and had more than \$500,000 saved, Eco Delight Coffee owner Guillermo Moran was turned down for traditional financing for expansion. TMC Community Capital helped him secure a responsible, affordable loan.

To learn more, email OFN's Public Policy team at public.policy@ofn.org or call 202.618.6100.

ABOUT OPPORTUNITY FINANCE NETWORK (OFN)

Based in Washington, D.C., OFN is a leading national network of more than 390 CDFIs. An intermediary between CDFIs and government agencies, corporations, banks, foundations, and other investors, OFN helps our public and private sector partners invest in CDFIs to catalyze change and create economic opportunity in low-income, low-wealth rural, urban, and Native communities. Visit OFN.org for more.

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FOR ALL.

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