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PRESS RELEASE

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CDFA Receives Grant from Robert Wood Johnson Foundation to Unlock Lending for Communities of Color

—New Study Will Evaluate National Loan Guarantee Program Framework—

Columbus, OH — The Council of Development Finance Agencies (CDFA) is excited to announce a new initiative exploring the market demand and feasibility of a national loan guarantee program with a focus on serving communities of color affected by COVID-19. The study is made possible by a \$145,000 grant from the Robert Wood Johnson Foundation.

The comprehensive study and program analysis will posit that a program of this nature would decrease lending bias and expand the impact of loan funds operated by Development Finance Agencies (DFAs) by opening up capital to businesses and communities less likely to be served by federal stimulus efforts and other traditional funding streams.

Many DFAs are already working to support vulnerable populations, and flexible solutions like this are needed to help them efficiently deliver capital to a wider range of borrowers. With support from the Robert Wood Johnson Foundation, CDFA will analyze existing loan funds and loan guarantee programs, interview state and local DFAs, and develop key characteristics of an enterprise-level loan guarantee program that would increase access to capital for communities of color.

“Development finance agencies have a long tradition of supporting social, racial, and economic justice in communities,” states Toby Rittner, President & CEO of CDFA. “In the coming months, we will develop the framework for a national, enterprise-level, loan guarantee program that would address some of the barriers to more equitable lending. I would like to thank the Robert Wood Johnson Foundation for their trust and faith in CDFA and for taking the courageous step to fund this much needed study.”

The COVID-19 pandemic and subsequent shutdown of the nation’s economy has exposed communities to considerable stress and severely hurt small businesses. While the federal government has taken extraordinary measures to support small businesses, data is now showing that vulnerable businesses – namely those owned by people of color or those in low-income communities – have not received their fair share of the resources being allocated by federal programs. In addition, the national unrest concerning racial and social injustices has further heightened the need to better understand barriers to capital for minority borrowers. CDFA believes it can play a part in removing these barriers to help capital flow in a more equitable manner.

This requires a unique response capable of targeting current and historic inequality for borrowers. At the state and local level, DFAs are rapidly creating new lending programs or enhancing existing programs to support small businesses through the economic crisis. By instituting a new loan guarantee program, DFAs will be able to respond to this current economic crisis by helping to eliminate lending bias and mitigate perceived shortcomings among borrowers of color. Such programs enable DFAs to loosen their credit standards, provide more flexible terms, and leverage additional action through private lenders.

DFAs are key partners for building racial and economic justice because these entities are essential conduits for channeling private capital for a public purpose. DFAs often support mixed-use, mixed-income projects that create healthy and sustainable neighborhoods, develop affordable housing, increase access to living wage jobs, promote educational opportunities and health care, and build community fabric. They issue bonds and provide financing in

other ways to leverage private sector investments in essential economic development activities and infrastructure. DFAs target specific social and environmental benefits, and they are typically able to work at a larger scale than traditional community or impact investment sectors.

CDFA believes this work will bring philanthropy into coordination with development finance in ways that target high social impact investments in underserved communities. The initiative will include in-depth research that identifies how DFAs can leverage their lending programs for impact and be the financial driver of a healthier ecosystem for the communities they serve.

For those interested in getting engaged in CDFA's efforts to unlock capital for communities of color and to support racial, social and economic justice in the development finance industry, contact CDFA at info@cdfa.net.

The **Council of Development Finance Agencies** is a national association dedicated to the advancement of development finance concerns and interests. CDFA is comprised of the nation's leading and most knowledgeable members of the development finance community representing public, private and non-profit entities alike. For more information about CDFA, visit cdfa.net.

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