Wisconsin’s Community Development Financial Institutions (CDFIs):

A study commissioned by WHEDA to examine Wisconsin's CDFI landscape, its capacity-building needs and opportunities for growth
ACKNOWLEDGMENTS

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DISCLAIMER

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Executive Summary

In response to the crisis, CDFIs have been proactive about easing the economic disruption for America’s smallest, most vulnerable businesses, nonprofits, and homeowners.

The last ten months have seen new partnerships with philanthropy, impact investors, corporations, and government. Never again should the CDFI field think of itself as insignificant. We must see ourselves as essential partners to the big work of having an economy that works for all.”

— LISA MENSAH, PRESIDENT, OPPORTUNITY FINANCE NETWORK

The Wisconsin CDFI Study commissioned by the Wisconsin Housing and Economic Development Authority (WHEDA) was conducted in 2020 – a year in which Wisconsin and the nation struggled through an unprecedented public health crisis that overwhelmed the health care system, closed businesses and schools, crippled the economy, and shined a painful light on long-standing inequities facing low-income residents and Black, indigenous, and people of color (BIPOC) across the state. The long-term economic fallout from this crisis has yet to be measured, but even before the pandemic, income inequality across the nation was already reported at a 50-year high. The unprecedented economic decline experienced in the past year will undoubtedly be felt for generations of Wisconsin families who have faced the loss of jobs, homes, and businesses.

As Wisconsin works to develop recovery strategies, we must look to rebuild more equitable and inclusive economic opportunities – ones that give every Wisconsinite a chance to recover and succeed. Across the country, leaders are turning to Community Development Financial Institutions (CDFIs) as one tool for quickly deploying financial resources to those most in need. In fact, an unprecedented $12B of funding was earmarked for CDFIs in the FY2021 Omnibus Appropriations and COVID-19 Relief Bill. As mission-driven lenders, CDFIs are uniquely positioned to respond to economic devastation and economic inequities. They are foremost “private financial institutions that are 100% dedicated to delivering responsible, affordable lending to help low-income, low-wealth, and other disadvantaged people and communities join the economic mainstream.” CDFIs help communities marginalized by or excluded from financing by traditional banking. They inject capital into these communities by financing small businesses, nonprofits, microenterprises, commercial real estate, community facilities, and affordable housing with low-interest loans. They also provide borrowers with technical assistance and financial counseling to help improve their odds of success.

The $900 billion FY2021 Omnibus Appropriations and COVID-19 Relief Bill included an unprecedented $12B for CDFIs:

• $3B in emergency assistance to CDFIs through the CDFI Fund, $1.25B for immediate response to the economic impact of the pandemic and $1.75B to expand lending, grantmaking, or investment activity in low- or moderate-income minority communities.
• $9B for a new Emergency Capital Investment Program to provide low-cost, long-term capital investments to CDFI banks and credit unions as well Minority Depository Institutions (MDIs).
• $270 million in FY2021 appropriations to the CDFI Fund, representing an $8 million increase from FY2020.
• A five-year extension of the New Markets Tax Credit (NMTC) Program, the largest extension in the history of credit.

SOURCE: OPPORTUNITY FINANCE NETWORK
Executive Summary

The Wisconsin CDFI Study examines CDFIs headquartered in Wisconsin to identify gaps in the landscape and opportunities to strengthen CDFIs across the state. In commissioning this study, WHEDA’s leadership recognized the under-tapped potential of CDFIs to drive resources into Wisconsin communities where economic opportunity is needed most. They also recognized that to leverage the full potential of CDFIs, an ecosystem approach is needed – one where stakeholders across the sector recognize and invest in CDFIs as tools for increasing equitable economic development. Never has this need been more paramount.

At the same time, WHEDA recognizes that the size of individual CDFIs may place some restrictions on their ability to reach their full potential. By working together, there is greater capacity for CDFIs to reach more people, businesses and non-profits. The current crisis provides a galvanizing opportunity for CDFIs to collaborate in new ways. There is an opportunity to provide a more effective model for small business support in a cohesive manner; an opportunity to build collaborative funding models that best leverage dollars and maximize resources; and, together, there is an opportunity to address the economic and racial inequities that have been laid bare by this COVID crisis.

This study’s findings focus largely on the capacity-building needs of the state’s 18 CDFIs. Yet, it is critical that we first recognize the tremendous impact they make. In Wisconsin, CDFIs serve as “boots on the ground” lenders who know the communities they serve across the state. Collectively, they provide almost $500 million in loans to Wisconsin small businesses, low-income families, and community development projects each year. This includes financial support for over 10,000 small business owners and almost 20,000 consumers every year. And they focus on lending to communities that bear the brunt of our economic inequities – from Native families in Lac du Flambeau and Hmong businesses in Eau Claire to African-American developers in Milwaukee and family-owned businesses in Waupaca.

CDFIs bring in millions of dollars in federal awards to the state each year while running on shoestring budgets largely realized from earned revenue. Nationally, CDFIs receive investments from financial institutions and philanthropic foundations. In Wisconsin, however, philanthropic investing has been slow to gain traction. At the same time, because mega banks do not have a significant presence in Wisconsin, it adversely limits their investments in the state’s CDFI sector which, in turn, means that the state’s CDFIs have to spend more time securing smaller investments from local banks, putting a strain on both the CDFIs and the local banking community.

The study findings point to many ways in which WHEDA and its partners in the ecosystem — including financial institutions, foundations, and government agencies — can leverage resources to strengthen Wisconsin’s CDFIs and in turn, drive more resources into the hands of small businesses, low-income families, and community-based organizations to improve social outcomes in underserved communities.

Study Methodology

P3 Development Group (P3), an independent professional services consulting firm, facilitated the quantitative and qualitative research study.

Of the 18 active Wisconsin-based CDFIs, 16 participated in at least one phase of study, reflecting the true diversity of CDFIs across geography, organizational size and target markets. Data was collected through three primary activities:

1. **An online survey** to gather information about each CDFI’s mission, organizational structure, financial and organizational capacity, challenges, and priorities;

2. **Interviews with CDFI leaders** to discuss opportunities and challenges across the ecosystem and share insights on how WHEDA and partners can best support CDFIs;

3. **Focus groups with funders**, including philanthropy and financial institutions, to better understand how funders perceive CDFIs and their capacity to advance community development priorities.
Executive Summary

Study findings pointed to three long-standing gaps in the ecosystem, three opportunities for growth, and several capacity-building areas where investments would help strengthen CDFIs.

The following provides a snapshot of key findings:

Gaps Across the CDFI Landscape
The study identified three sector gaps that limit the collective impact of CDFIs on Wisconsin’s wellbeing:

1. **Funding Inequities in BIPOC-led CDFIs**
   Across the nation, CDFIs that are historically BIPOC-led have received fewer and smaller funding awards from the CDFI Fund, leading to a significant disparity in total asset size compared to white-led CDFIs. These same stark funding disparities hold true for Wisconsin CDFIs. In fact, the largest BIPOC-led CDFI has a net worth that is 2.5 times smaller than the smallest white-led CDFI. In essence, BIPOC-led CDFIs face the same funding inequities and resource gaps as the communities they serve. It will take an intentional effort to close this disparity so that BIPOC-led CDFIs are offered the same resources to serve their communities as their white-led counterparts.

2. **A Lack of CDFIs Focused on Housing**
   While there are some CDFIs with a limited focus on housing, not one CDFI is solely dedicated to providing loans and supportive technical resources towards the development of quality, affordable housing across the full spectrum of housing from multifamily to single family to cooperatives to housing developed by emerging developers. At a time when the state is facing an affordable housing crisis, having a CDFI partner to fill funding gaps in all corners of the state could complement WHEDA's lending capacity. WHEDA is in the process of conducting a housing study and should use the results of both studies to craft a strategy that engages CDFIs as partners in bringing housing lending services to scale.

3. **Shortfalls in Rural Access to Capital**
   Wisconsin has a significant number of rural counties that lack easy access to CDFIs. These communities face unique challenges, including underdeveloped infrastructure, such as broadband; higher levels of unemployment; and insufficient access to capital. Support is needed to help the existing CDFIs doing business in rural Wisconsin access additional capital for their lending activities.
Executive Summary

Opportunities
The study also identified three opportunities where funding and support could spur growth. These opportunities include:

1. **Investing in New Leadership**
   Across the Wisconsin CDFI ecosystem, there have been significant transitions to new leadership. Leadership transitions often create opportunities to adopt new approaches and test innovative strategies across the sector. Several CDFI leaders spoke with urgency about the importance of adopting bolder ideas to move the needle on long-standing community issues. There is an opportunity to support new leaders by creating opportunities for networking, peer learning and professional development.

2. **Advancing Collective Action**
   There is an incredibly strong desire across CDFIs to partner and collaborate. CDFI leaders identified numerous benefits to potential collaborations, including raising the visibility of CDFIs, attracting new funders, sharing best practices, offering joint training opportunities, sharing back office systems, and developing a strategic collective action plan toward shared goals. Collective efforts require dedicated time for relationship-building and a commitment from leaders to build a culture of collaboration. To ensure success, financial investment is needed to support a dedicated convener who can navigate barriers and develop a meaningful and strategic approach to collaboration.

3. **Building Equity in Equity**
   As national and local corporate and philanthropic leaders focus in on racial equity and inclusion (REI), the CDFI sector has the potential to be well positioned to ride this wave of energy and investment. Wisconsin CDFIs, as a whole, however, have work to do both internally and externally before leading others. While many CDFIs surveyed have implemented REI trainings, few have formalized policies that ensures racial equity is a guiding imperative. There is an opportunity to galvanize collective action focused on racial and economic justice in Wisconsin.

Capacity-Building Needs
To advance strongly, Wisconsin CDFIs require additional investment and capacity building support in the following areas:

1. **Financial Capacity-Building**
   CDFIs in Wisconsin are in desperate need of loan capital and more capital means having to grow more loan loss reserves. Because the sources for traditional loan capital are limited in Wisconsin, CDFIs need to learn how to use the capital markets to raise non-traditional investments. The CDFI sector has to learn how to talk with philanthropy regarding their investment needs. At the same time, they have to become better versed in talking “finance” to their institutional investors.

2. **Organizational Capacity-Building**
   Operational support is critical to expanding the power and capacity of CDFIs. The greatest organizational needs identified by CDFI leaders is to increase the number of skilled staff and provide training and development opportunities for existing staff, particularly in financing and underwriting. CDFIs also seek support in marketing and outreach, as well as outside support for loan underwriting and loan processing.

Sustainability
While there is excitement about new partnership opportunities, leaders are also concerned about the sustainability of these efforts. CDFI leaders felt that a strong level of relationship-building is required to ensure that these efforts are sustainable. This requires dedicated resources, capacity and engagement of partners across the ecosystem who are willing to approach this work collaboratively and invest in shared goals.
Executive Summary

Recommendations

The study’s recommendations are tailored to each stakeholder group – (1) CDFI ecosystem, (2) WHEDA and (3) CDFIs – within four capacity-building areas – relational, organizational, financial and collaboration. A brief summary of the recommendations are highlighted below by stakeholder. More complete recommendations are provided at the conclusion of the report.

The ecosystem may:

- **Relational capacity:** Build relationships with CDFI leader with a focus on opportunities for partnership and capacity-building.
- **Organizational capacity:** Provide funding for operational support, professional development and scholarships for training opportunities.
- **Financial capacity:**
  1. Provide additional resources that help CDFIs expand financial capacity.
  2. Invest in CDFI banks and credit unions via their CD products.
  3. Foundations may partner with CDFIs in new ways, including co-lending, offering grant-funded credit enhancements for CDFI loans and guaranteeing loans made by CDFIs.
- **Collaboration capacity:** Partner with WHEDA to fund efforts that drive strategic and sustainable collective action efforts towards shared goals that address gaps identified in this report.

WHEDA may:*  

- **Relational capacity:** Convene CDFIs to help them understand WHEDA’s work and priorities, leverage its networks to help CDFIs build strong relationships with funders and partners, and identify strategic opportunities to partner on priority areas.
- **Organizational capacity:** Leverage its communications platform to raise the visibility of CDFIs and sponsor learning opportunities for all CDFIs across the state. For smaller CDFIs, it may seed a cohort-based leadership development program intentionally designed to help executive leaders grow their organizations.
- **Financial capacity:** Leverage its existing resources and reserves to improve access to its guarantee loan program and buy loans and loan participations from CDFIs as a means of creating capital capacity.
- **Collaboration capacity:** Continue to convene CDFIs as relationships are built and draw upon and support the Wisconsin Indian Business Alliance as a model for a cohort of smaller CDFI loan funds that are led by people of color.

CDFIs may:

- **Relational capacity:** Identify a lead organization with relational capacity to help build relationships across the sector.
- **Organizational capacity:** Prioritize staff development in their budgets and work with funders to identify resources for professional development. They may partner across the sector to develop an integrated communications strategy with professional assistance.
- **Financial capacity:** Work to develop a comprehensive financial plan to grow their organizations. They may work with WHEDA, philanthropy, and investors to help them better understand the impact of CDFIs and develop new strategies to grow capacity across the sector.
- **Collaboration capacity:** Identify a CDFI or third party willing to serve as a committed convener, establish a shared agenda and work to identify resources to be leveraged. There is an opportunity to re-imagine Invest in Wisconsin and re-launch it as a vehicle for a statewide network of CDFIs.

As a state housing authority with significant relationships, reach and an understanding of diverse financial institutions, WHEDA has an opportunity to leverage its influence to support CDFIs.

The long-term sustainability of any such efforts will rely on engaging other funders and key supporters of these efforts.

An investment in supporting a more cohesive and robust CDFI ecosystem could yield long-term economic benefits and provide new tools for responding to economic crises and rebuilding a more inclusive, equitable and resilient economy.

*As a public body corporate and politic governed by Chapter 234 of the Wisconsin Statutes, WHEDA may be limited in performing some of the recommendations made in this report, especially those that recommend performance of certain types of investing, lending and granting.
Study Scope & Methodology

Scope
In August 2020, the Wisconsin Housing and Economic Development Authority (WHEDA) commissioned the Wisconsin CDFI Study to:

• Understand and map Wisconsin's CDFI ecosystem and the communities they serve;
• Listen and learn from CDFIs about their impact, challenges, capacity-building needs, and opportunities for growth;
• Identify opportunities for the ecosystem to help strengthen the CDFIs.

P3 Development Group (P3), an independent professional services consulting firm headquartered in Milwaukee, WI, facilitated the quantitative and qualitative research study from September 2020 through February 2021. The study team was led by P3 Partner, Genyne Edwards and Salli Martyniak of Community Matters, LLC, along with P3 Project Manager, Jessie Tobin.

Methodology
The WHEDA CDFI Study launched with an informational webinar in October 2020 led by WHEDA's leadership and staff. The WHEDA CDFI Study launched with an informational webinar in October 2020 led by WHEDA's leadership and staff.

Data collection involved three phases:

Survey of Wisconsin CDFIs:
An online survey was conducted to gather information about each CDFI’s mission, organizational structure, financial and organizational capacity, challenges, and priorities for capacity-building support. All CDFIs were contacted by email and phone and invited to participate.

Interviews with CDFI Leaders:
Each Wisconsin CDFI executive leader was invited to participate in an interview to further discuss opportunities and challenges across the ecosystem and share insights on how WHEDA and partners can best support CDFIs. Interviews were conducted virtually through Zoom by a P3 interviewer and recorded. Interview quotes throughout the study are anonymous to protect participant’s confidentiality.

Focus groups with Funders:
Two focus groups were conducted virtually with funding stakeholders to better understand how funders perceive CDFIs and view CDFIs capacity to advance community development priorities. One focus group included philanthropic leaders, and the second included individuals from financial institutions.

Participation
The study resulted in strong engagement of CDFI leaders and stakeholders. Of the 18 active Wisconsin-based CDFIs, 16 participated in at least one phase of study. This level of engagement helped to ensure that the data gathered reflects the true diversity of CDFIs across geography, organizational size and target markets.

18 Total Wisconsin CDFIs
16 Study participants
15 Leaders interviewed
14 Surveys completed
16 Financial stakeholders participated
CDFI Environmental Scan

The following study findings integrate insights from the CDFI survey, CDFI leader interviews, and stakeholder focus groups.

These findings focus on key gaps in the CDFI ecosystem, opportunities for growth, and financial and organizational capacity-building needs.
Introduction to CDFIs

Community development financial institutions (CDFIs) are private lenders that are 100% committed to delivering affordable credit and financial services to people and communities underserved by mainstream commercial banks and lenders.

CDFIs encompass a range of nonprofit and for-profit entities including community development banks, credit unions, loan funds, and venture capital funds.

They provide financing for small businesses, microenterprises, nonprofit organizations, commercial real estate, affordable housing, and other projects.

CDFI History

The role played by CDFIs is similar to the role mutual aid societies played in the early 1900s, pulling together capital in marginalized communities where families and neighbors relied on each other because traditional institutions abandoned them.

Today’s CDFI movement traces its roots to the 1970s, with the rise of redlining practices and the formation of community-controlled banks to counteract those practices. The industry expanded in the 1990s following the creation of the CDFI Fund and revised Community Reinvestment Act (CRA) regulations.

There are gaps across America — gaps in employment, housing, education, health care, access to banking services — where mainstream finance doesn’t reach or cannot lend. CDFIs fill these gaps and address long-standing issues of disinvestment, the racial wealth gap, and persistent poverty nationwide. CDFI borrowers are 85 percent low-income, 58 percent people of color, 48 percent women, and 26 percent rural.

SOURCE: OPPORTUNITY FINANCE NETWORK
CDFS operate in all 50 states, Puerto Rico, the District of Columbia, and the territories. As of Dec 2020, 1,163 CDFIs across the nation were certified by the CDFI Fund. Of these, 554 were loan funds, 341 were credit unions, 147 were banks or thrifts, 105 were depository institution and bank holding companies, and 16 were venture capital funds. Of these, 69 were Native CDFIs. *Nationally, this represents an increase of almost 3% from 2017.*

In Wisconsin, there are currently 18 certified CDFIs: 13 loan funds; 4 credit unions; 2 banks or thrifts.

**CDFI Loan Funds**
- Community Assets for People
- First American Capital Corp.
- First Nations Community Financial
- Forward Community Investments
- Habitat for Humanity of Dane County
- Hmong WI Chamber of Commerce
- Impact Seven
- Legacy Redevelopment Corp.
- Milwaukee Economic Development Corp.
- NiiJii Capital Partners
- Northwest Side

**CDFI Credit Unions**
- Community Development Corp.
- Wisconsin Native Loan Fund
- Wisconsin Women’s Business Initiative Corp.

**CDFI Banks**
- Bay Bank
- Columbia Savings & Loan Association

### Midwest CDFIs

<table>
<thead>
<tr>
<th>State</th>
<th># of Certified CDFIs</th>
<th>Population</th>
<th># of People per CDFI</th>
</tr>
</thead>
<tbody>
<tr>
<td>North Dakota</td>
<td>1</td>
<td>770,026</td>
<td>770,026</td>
</tr>
<tr>
<td>Kansas</td>
<td>4</td>
<td>2,917,220</td>
<td>729,305</td>
</tr>
<tr>
<td>Iowa</td>
<td>7</td>
<td>3,167,970</td>
<td>452,567</td>
</tr>
<tr>
<td>Nebraska</td>
<td>8</td>
<td>1,952,000</td>
<td>244,000</td>
</tr>
<tr>
<td>South Dakota</td>
<td>15</td>
<td>896,581</td>
<td>59,772</td>
</tr>
<tr>
<td>Indiana</td>
<td>16</td>
<td>6,805,660</td>
<td>425,354</td>
</tr>
<tr>
<td>Wisconsin</td>
<td>18</td>
<td>5,852,490</td>
<td>325,138</td>
</tr>
<tr>
<td>Missouri</td>
<td>25</td>
<td>6,169,040</td>
<td>246,762</td>
</tr>
<tr>
<td>Ohio</td>
<td>30</td>
<td>11,714,600</td>
<td>390,487</td>
</tr>
<tr>
<td>Illinois</td>
<td>31</td>
<td>11,714,600</td>
<td>405,461</td>
</tr>
<tr>
<td>Minnesota</td>
<td>33</td>
<td>12,569,300</td>
<td>376,212</td>
</tr>
<tr>
<td>Michigan</td>
<td>38</td>
<td>9,992,430</td>
<td>262,959</td>
</tr>
</tbody>
</table>

*Throughout this report, we reference 18 CDFIs; however, we recently discovered a new CDFI credit union that received certification in late 2019. Prime Financial Credit Union, located in Milwaukee, is Wisconsin’s oldest credit union and operates five branches. They are a consumer lender and do not offer business loans. Prime will be included on the final list of CDFIs, but for the purposes of this report, they are not included in any survey or interview results.*
Geography

There are 8 CDFIs that operate statewide, serving a specific target market across the state. Target markets range from small micro businesses to nonprofit organizations to consumers. Some target markets focus on specific cultural communities, such as Native tribal members or Hmong and Asian communities.

The remaining CDFIs serve specific geographic regions: 5 serve multi-county area and 5 serve one particular county, city or zip code.

The Wisconsin CDFI map (on page 14) highlights the location of each CDFI’s headquarters, along with satellite offices. It demonstrates the heavier presence that CDFIs have in higher populated areas than in rural areas. However, as seen in (Fig. 2), many of the CDFIs have target markets that serve both urban and rural communities, as well as smaller urban and suburban areas.

Fig. 2: Geography Type Served (Major Urban, Minor Urban, & Rural)

<table>
<thead>
<tr>
<th>Percentage</th>
<th>Major Urban (pop &gt; 1 million)</th>
<th>Rural (pop. &lt;50,000)</th>
<th>Minor Urban (pop. 50,000-1M)</th>
</tr>
</thead>
<tbody>
<tr>
<td>100%</td>
<td>75%</td>
<td>50%</td>
<td>25%</td>
</tr>
<tr>
<td>0%</td>
<td>25%</td>
<td>25%</td>
<td>25%</td>
</tr>
<tr>
<td>0%</td>
<td>0%</td>
<td>0%</td>
<td>0%</td>
</tr>
</tbody>
</table>

Lines of Business

As seen in Fig. 3, Wisconsin’s CDFI sector is primarily focused on business lending, followed by consumer finance (personal and home loans). While there are six CDFIs whose top line is small business lending and an additional two serving mid-sized businesses, there are only two CDFIs whose top line is residential mortgage finance and only one lending primarily to nonprofits.

Fig. 3: Wisconsin CDFIs Top Line and Secondary Lines

<table>
<thead>
<tr>
<th>Lines of Business</th>
<th>Number of CDFIs</th>
</tr>
</thead>
<tbody>
<tr>
<td>Small business finance</td>
<td>8</td>
</tr>
<tr>
<td>Consumer personal finance</td>
<td>6</td>
</tr>
<tr>
<td>Mid-sized business finance</td>
<td>4</td>
</tr>
<tr>
<td>Residential mortgage finance</td>
<td>4</td>
</tr>
<tr>
<td>Community facilities</td>
<td>2</td>
</tr>
<tr>
<td>Residential real estate finance</td>
<td>2</td>
</tr>
<tr>
<td>Commercial real estate finance</td>
<td>1</td>
</tr>
<tr>
<td>Other</td>
<td>1</td>
</tr>
</tbody>
</table>
Wisconsin CDFI Headquarters and Satellite Offices

Map A shows the locations of Wisconsin’s 18 CDFIs. Half of the CDFIs serve a statewide target market. The other CDFIs serve either a multi-county target market or serve a local market representing a single county or specific zip codes.

Map B shows the comparative asset sizes of the 13 CDFI Loan Funds. CDFI financial institutions aren’t included on this map, as their asset sizes represent their full financial assets, not their specific CDFI activities.
Due to the socioeconomic crisis caused by the COVID-19 pandemic, CDFIs are more important today than ever. Both private and public sectors are turning to CDFIs to triage and help repair and restore communities. CDFIs can play a particularly critical role in addressing the racial and place-based disparities that have been laid bare during the economic crisis. While some Wisconsin CDFIs are able to respond to these issues, the overall size of Wisconsin's loan funds limits their ability to adequately respond to lending demands brought by deeply-rooted systemic inequities.

The following analysis looks closely at the capacity of the 13 CDFI Loan Funds whose core missions are primarily dedicated to CDFI lending activities.

### CDFI Loan Funds: Financial Capacity

Looking at the 13 Wisconsin CDFI loan funds, the 2018 audits show that they range in size from $260K to $110M with an average portfolio size of $14.5M. Meanwhile, total assets vary from $305K to $157M with total assets averaging $32M, and total liabilities ranging from $28K to $59M with the average total liabilities coming in at $11.8M. Net assets range from $276K to $133M and average at $33M.

<table>
<thead>
<tr>
<th>CDFI</th>
<th>Loans Receivable</th>
<th>Total Assets</th>
<th>Liabilities</th>
<th>Net Assets</th>
<th>Liabilities + Net Assets</th>
</tr>
</thead>
<tbody>
<tr>
<td>1.</td>
<td>20,831,000</td>
<td>28,565,000</td>
<td>21,281,000</td>
<td>7,283,000</td>
<td>28,564,000</td>
</tr>
<tr>
<td>2.</td>
<td>21,924,000</td>
<td>30,838,000</td>
<td>20,782,100</td>
<td>10,056,900</td>
<td>30,838,100</td>
</tr>
<tr>
<td>3.</td>
<td>2,783,800</td>
<td>4,179,200</td>
<td>1,631,300</td>
<td>2,548,000</td>
<td>4,179,300</td>
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<tr>
<td>4.</td>
<td>110,726,000</td>
<td>156,590,000</td>
<td>23,131,800</td>
<td>133,458,000</td>
<td>156,589,800</td>
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<tr>
<td>5.</td>
<td>NA</td>
<td>7,283,300</td>
<td>830,200</td>
<td>6,453,100</td>
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<td>6.</td>
<td>260,208</td>
<td>983,600</td>
<td>310,900</td>
<td>672,700</td>
<td>983,600</td>
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<tr>
<td>7.</td>
<td>9,696,100</td>
<td>9,520,200</td>
<td>8,621,200</td>
<td>899,100</td>
<td>9,520,300</td>
</tr>
<tr>
<td>8.</td>
<td>2,510,150</td>
<td>3,530,700</td>
<td>1,191,500</td>
<td>2,339,200</td>
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<tr>
<td>9.</td>
<td>1,447,200</td>
<td>3,000,700</td>
<td>1,046,400</td>
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<tr>
<td>10.</td>
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<td>13,652,400</td>
<td>3,862,700</td>
<td>9,789,700</td>
<td>13,652,400</td>
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<tr>
<td>11.</td>
<td>NA</td>
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<td>58,898,500</td>
<td>71,850,500</td>
<td>138,748,500</td>
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<tr>
<td>12.</td>
<td>NA</td>
<td>305,200</td>
<td>28,700</td>
<td>276,500</td>
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</tr>
<tr>
<td>13.</td>
<td>12,927,831</td>
<td>20,754,483</td>
<td>2,193,305</td>
<td>18,561,178</td>
<td>20,754,483</td>
</tr>
</tbody>
</table>

**AVE** | **18,744,19** | **31,534,753** | **11,062,277** | **21,087,752** | **32,150,029** |

### CDFI Loan Funds: Lending Capital Capacity

The financials also show that, in large part, Wisconsin CDFI loan funds have been funded by equity and grants more so than debt and that they are relatively healthy. At the same time, they have room to grow their lending capacity assuming they gain access to more investment dollars. From discussions with CDFI leaders, we know one of the biggest challenges is the lack of capital.

Of the CDFIs surveyed, 43% had deployment ratios greater than 75%; at those rates, there is stress on existing capital and more would ease the pressure brought on by high deployment and give CDFIs more lending capacity.
CDFI Loan Funds: Employee Capacity

While Wisconsin's CDFIs pack a powerful punch in the work they do across this state, they perform with very limited staff. Focusing on the 13 CDFI loan funds, the largest staff size is 63 FTEs and the smallest is two FTEs. The remaining CDFI staff size is between 4 and 10 FTEs. For the smaller loan funds whose loan sizes are proportionately smaller, a good portion of their time – sometimes upwards of 40% – is spent on operations. Several of these smaller CDFIs – those with a staff size fewer than 10 FTEs — also serve a statewide target market. Given their small staff numbers, it is unclear to the extent to which they are able to serve all 72 counties.

CDFIs need continued support and investments to increase their capacity and reach. But as CDFIs are called upon to do some of the heaviest lifting in community development, they often face the same challenges as the communities they serve — a dearth of resources, need for capacity building and, most of all, lack of adequate capital to respond to long-term systemic problems.

CDFI Financial Institutions: Banks and Credit Unions

While much of this report focuses on the 13 CDFI Loan Funds in Wisconsin, CDFI banks and credit unions play an important role. In the last 10 years, the state's CDFI landscape has lost several of these financial institutions — starting with Legacy Bank, followed by Seaway Bank & Trust (the successor to Legacy), North Milwaukee State Bank and most recently, Mitchell Bank (which merged with First Federal of Wisconsin). Several small rural credit unions also chose not to renew their certification either due to the complexities of renewal or being unable to meet the target market requirements.

The remaining CDFI banks are Bay Bank, a Native-led financial institution, and Columbia Savings and Loan, a Black-led institution. While Bay Bank was started by the Oneida Nation with a focus on serving tribal communities, at $100M in assets, it has grown into a full-service bank for northeast Wisconsin. Columbia Savings and Loan is also a full-service bank with a commitment to serving Milwaukee's Black businesses and residents. Given the recent closing of CDFI banks, two of which were Black-led, support for Wisconsin's two remaining CDFI banks should be a priority.

Wisconsin's CDFI credit unions vary in size from small and local (Brewery Credit Union) to larger and regional (CoVantage Credit Union and Royal Credit Union). These CDFI financial institutions play an important role providing low-income members of their communities with access to affordable depository services, home mortgages and personal and business loans.

Outside CDFIs and Other Alternative Lenders

Due to greater loan demand than can be met by the Wisconsin CDFIs, a number of outside CDFIs also serve Wisconsin. These national and regional CDFIs are significantly larger in both financial and staffing capacity. They are doing business in WI because they are either offering loan products that existing loan funds cannot offer (i.e. longer term loans, lower interest rates) or they were invited by a third party to serve an under-served market (i.e. northern WI). They include:

- **IFF**, headquartered in IL, multi-state (IL, WI, MN, IA, KS, MO, IN, OH, MI), target focus on nonprofits, almost $1B in total managed assets
- **Cinnaire**, headquartered in MI, multi-state (MI, WI, IN, IL, MN, PA, NJ, MD, DE), target focus on housing and nonprofits, close to $5B in investments
- **CRF USA**, headquartered in MN, national, target focus on small businesses, close to $1B in assets under management
- **Propel Nonprofits**, headquartered in MN, statewide with outreach to nonprofits located in western WI, close to $40M in current assets
- **Entrepreneur Fund**, headquartered in MN, statewide with outreach to small to mid-sized businesses located in NW WI, $25M in current assets
- **LISC Milwaukee**: headquartered in Milwaukee; local outreach to small- to mid-sized businesses and emerging developers located in Milwaukee, $1B in assets (LISC National)
- **Oweesta Corporation**: headquartered in CO; technical assistance and financial assistance to Native CDFIs across the US; $25M in assets
Environmental Scan

KEY INSIGHTS:

Today, CDFIs headquartered in Wisconsin are at a crossroads.

As an industry, they have grown over the past 30 years into a collective economic force.

Yet, individually, many lack access to capital and capacity building resources, which constrains their ability to achieve greater impact.

However, many of these smaller CDFIs are institutions with strong community relationships and on-the-ground knowledge of needs and opportunities in underestimated communities.

Efforts aimed to strengthen Wisconsin’s CDFI ecosystem must take into account the importance of building capacity for these smaller CDFIs in order to leverage their full potential to address long-standing issues of disinvestment, inequities and persistent poverty.

Wisconsin CDFI Landscape By the Numbers*

18 Certified CDFIs
- 13 Loan Funds
- 3 Credit Unions
- 2 Banks

$66,338,000 CDFI Funds Awarded to Wisconsin*

$361,000,000 New Market Tax Credits Awarded to Wisconsin*

Who do they service?

- Low-to-Moderate Income Households
- Individuals Who Face Barriers to Financing or Resources
- Racial and Ethnic Communities

*Totals are comprised of the awards received by Wisconsin’s 18 CDFIs over their lifetime. They do not include grants awarded to CDFIs that are no longer certified.
Study Findings

The following study findings integrate insights from the CDFI survey, CDFI leader interviews, and stakeholder focus groups.

These findings focus on key gaps in the CDFI ecosystem, opportunities for growth, and financial and organizational capacity-building needs.
Study Findings

**Sector Gaps**

*During the course of our survey, interviews and focus groups, we identified three sector gaps that limit the collective impact of CDFIs on Wisconsin’s wellbeing:*

1. **Funding inequities in BIPOC-led CDFIs**
2. **Shortfalls in rural access to capital**
3. **A lack of CDFIs focused on housing**

**Funding Inequities in CDFIs**

Across the nation, CDFIs that are historically BIPOC-led have received fewer and smaller funding awards from the CDFI Fund, leading to a significant disparity in total asset size compared to white-led CDFIs.

In 2020, Hope Policy Institute conducted a comparative study of white-led and BIPOC-led CDFIs to determine whether race played a role in the size of CDFI awards and CDFI asset growth. Their research analyzed Institutional Level Reports from 2003-2017 provided by the CDFI Fund.

*The key takeaways of the study were:*

1. **The number of white-led CDFI Fund awardees has significantly outpaced minority-led awardees every year. The number of minority-led awardees has never exceeded more than 34% of the total number of awardees in any given year, and collectively represent just 291 (31%) of all 922 unique awardees during this timeframe.**

2. **While the asset size for all CDFI Fund awardees has grown over time, the growth has not been evenly distributed. For example, in FY2017, white-led awardees held $35.1 billion in assets, up from $4 billion in 2003, whereas minority-led awardees held $5.7 billion in assets in 2017, up from $530 million in 2003. It took minority awardees 10 years, until 2013, to exceed the median asset size of white-led CDFI awardees in 2003 ($5.5 million).**

3. **There has been no progress in closing the asset gap between white and BIPOC led CDFIs. Every year, the median asset size of white-led CDFI awardees has been at least twice the median asset size of minority-led awardees. In some years, it was three times as high.**

*— SOURCE: HOPE POLICY INSTITUTE, 2020*
Study Findings/Sector Gaps/Funding Inequities

The CDFI Fund’s data showed that on average, CDFIs led by people of color had $13.6 million in capital support for lending, compared to an average of nearly $27 million for white-led CDFIs. In terms of operational support, CDFIs led by people of color also received less on average—$761,000 in contributed operating support, versus $2 million.

Wisconsin BIPOC Led CDFIs

These same stark funding disparities hold true for Wisconsin CDFIs as well. Of the 13 loan funds in Wisconsin, two have been historically led by people of color* and four are Native led. These include: First American Capital Corporation; First Nations Community Financial; Hmong Chamber of Commerce; Legacy Redevelopment Corp; WI Native Loan Fund and Niijii Capital Partners.

When compared to the other CDFI loan funds that have been historically white led, Wisconsin BIPOC led CDFOS have assets and net worth that are significantly less. In fact, as shown in Fig. 4, the largest BIPOC-led CDFI has a net worth that is 2.5 times smaller than the smallest white-led CDFI. For all historically BIPOC-led CDFIs in Wisconsin, total assets range from $305K to $9.5M while net worth ranges from $276K to $2.5M. Meanwhile, the total assets for white led CDFIs range from $7.2M all the way up to $156M and net worth ranges from $6.4M to $133M.

Fig. 4: Disparities in Assets and Net Worth Between BIPOC Led and White Led Wisconsin CDFIs

This disparity is in large part due to disparities in CDFI Fund Awards. Fig 4. shows the total CDFI Fund awards, highlighting those that are historically BIPOC-led CDFIs. The five CDFIs with the largest awards are all white-led organizations, and four out of five CDFIs with the smallest CDFI Fund awards are BIPOC-led.
Study Findings/Sector Gaps/Funding Inequities

### Sector Gaps

**KEY INSIGHTS:**

Small CDFIs that are BIPOC-led often face the same funding inequities and resource gaps as the communities they serve.

In essence, they are asked to lift more with fewer resources than white-led CDFIs.

It will take an intentional effort to close this funding disparity, so that BIPOC-led CDFIs are offered the same resources to serve their communities and advance economic justice.

### CDFIs and Average Awards

<table>
<thead>
<tr>
<th>CDFI</th>
<th>Average Award (excluding NMTC)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Niijii Capital Partners</td>
<td>$123,513</td>
</tr>
<tr>
<td>Hmong WI Chamber of Commerce</td>
<td>$153,875</td>
</tr>
<tr>
<td>First Nations Community Financial</td>
<td>$174,157</td>
</tr>
<tr>
<td>Bay Bank</td>
<td>$224,223</td>
</tr>
<tr>
<td>First American Capital Corp</td>
<td>$317,168</td>
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<tr>
<td>WI Native Loan Fund</td>
<td>$325,189</td>
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<tr>
<td>NW Side Community Development Corp*</td>
<td>$371,303</td>
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<tr>
<td>Legacy Redevelopment Corp</td>
<td>$588,551</td>
</tr>
<tr>
<td>Community Assets for People</td>
<td>$698,452</td>
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<tr>
<td>Habitat for Humanity of Dane County</td>
<td>$713,250</td>
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<tr>
<td>Brewery Credit Union</td>
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<td>WWBIC</td>
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<td>Impact Seven</td>
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<td>$1,133,993</td>
</tr>
<tr>
<td>Royal Credit Union</td>
<td>$1,533,333</td>
</tr>
</tbody>
</table>

* Since 2019, Northwest Side Community Development Corporation has been Black led; for 30 years prior, the CDFI was white led. Therefore, for historical purposes, NWSCDC will not be included in the following statistics.

Additionally, as identified by the Hope Policy Institute, smaller asset sizes affect a CDFI’s ability to raise investment capital. In Wisconsin, the four Native loan funds have not been successful in raising investments from traditional financial institutions.
“You have to stop looking to CDFIs for something they don’t have. Wisconsin does not have a housing CDFI ... a housing rehab and mortgage holder, a CDFI able to hold those products.

It doesn’t exist. And opportunities to build it in the past have been passed on.

I challenge WHEDA to use the CDFI structure better to really handle the biggest problem facing Wisconsin and that is housing.”

- WISCONSIN FINANCIAL STAKEHOLDER

Across Wisconsin, the pandemic is escalating the longstanding crisis for affordable quality housing. The survey found that CDFI leaders identified a lack of affordable housing as the greatest challenge facing their communities. However, the majority of CDFIs self-identified that they did not have strong capacity to address affordable housing within the communities they serve.

**Wisconsin CDFI Housing Capacity**

In fact, not one of Wisconsin’s CDFIs is laser-focused on housing lending as its mission. While a handful of CDFIs provide housing loans – predevelopment funds, acquisition loans and interim financing – only one of these CDFIs has the internal housing expertise necessary to understand and support the complexity of the full range of housing projects.
At this time, the following CDFIs provide some form of housing lending in Wisconsin:

- **Forward Community Investments**: short-term loans (up to five years) for predevelopment, acquisition, interim financing and construction loans; projects include single family and multifamily, as well as land trusts, cooperatives, homeless shelters and transitional housing; preferred borrowers include nonprofits and emerging developers; statewide footprint.

- **Habitat for Humanity of Dane County**: 0% first and second mortgages for its resident families; Dane County footprint.

- **Impact Seven**: a developer, co-developer and consultant for affordable housing projects with a special emphasis on LIHTC, housing for families, the elderly, and physically or mentally disabled; currently owns or manages more than 1,200 affordable housing units statewide; when the need presents itself, I7 acts as a lender for tax credit projects; statewide footprint.

Other CDFIs lending money to individuals and families for home purchases (first and second mortgages) include: Community Assets for People, Wisconsin Native Loan Fund and the CDFI banks and credit unions.

**Key Insights**:

- **Having a CDFI partner to fill funding gaps in housing efforts across the state could complement WHEDA’s lending capacity.**

  While there is some lending capacity in a handful of CDFIs, none has a targeted mission focus on supporting the development of quality, affordable housing in Wisconsin and offers broad housing lending services at significant scale.

- **At the time of this study, WHEDA is in the process of working with a third-party consultant to conduct an inventory of housing needs and opportunities across Wisconsin, with an expected report in Q3 2021.**

  WHEDA should use the results of both the CDFI and housing studies to craft a strategy that engages CDFIs – existing or new – as partners in bringing significant housing lending services to scale.
Rural Access to Financing

Wisconsin has a significant number of rural counties without easy access to CDFIs.

As shown in the Wisconsin CDFI map, only 15 of Wisconsin’s 72 counties have a CDFI with a headquarter or satellite office. The strong majority of CDFI offices are located within urban areas, leaving a significant gap in coverage across rural Wisconsin.

The CDFIs headquartered in primarily rural counties include:
- Community Assets for People
- Impact Seven
- Niijii Capital Partners, and
- Wisconsin Native Loan Fund.

Additionally, three statewide organizations provide some coverage to rural communities, including First American Capital Corporation, Forward Community Investments, and WWBIC.

Of these CDFIs, only three stand out as having significant financial capacity to provide a depth of loans and services needed across rural communities and staff capacity remains stretched. The state is also missing the benefit of having a rural CDFI that is dedicated to working in rural communities on issues that are rural-based, including agricultural lending.

Funding Challenges for Rural CDFIs

One critical barrier faced by CDFIs aiming to serve rural Wisconsin is the lack of rural-focused funding sources. CDFIs with financial investors can face restrictions on their capital. Regulated financial institutions that invest in CDFIs, for example, do so largely to meet their CRA obligations. These institutions direct their funds to CRA “hotspots,” located largely in urban areas, and may restrict their capital dollars to these urban communities.

Additionally, rural areas have access to fewer philanthropic partners, and those foundations that do exist tend to have smaller portfolios. In Wisconsin, rural projects are more likely to rely on government sources for funding. The terms offered by these sources are oftentimes more advantageous – longer terms and lower interest rates – than CDFIs can offer.

“...
Study Findings

Opportunities for Growth

In addition to critical gaps in Wisconsin’s CDFI ecosystem, the study team identified three opportunities where funding and support would be timely in spurring growth across CDFIs. These opportunities include:

1. Investing in New Leadership
2. Advancing Collective Action
3. Building Equity in Equity

Investing in New Leadership

Across the Wisconsin CDFI ecosystem, there have been significant transitions to new leadership. As fig. 7 highlights, over half of the CDFI executive leaders surveyed have been in their position for five or few years. Four of these new leaders stepped into their leadership role within the last 12 months, and two CDFIs currently have interim executive leaders.

"I don’t think that the CDFIs have truly leveraged their resources and opportunities either. I feel like we’ve looked at things from too small a perspective. We haven’t looked at the situation, we haven’t developed a large enough vision, in my opinion, to have a significant impact."

— CDFI LEADER

No. of years CEO or ED has been in current position

Developing A Bold Vision

Leadership transitions often create opportunities to adopt new approaches and test innovative strategies across the sector. Many of the new leaders recognize the opportunity to build upon strong legacies built by their predecessors and focus on innovation.

As one interviewee noted, "I have the great privilege of just taking the foundation that [has been] built and trying to innovate further. They’ve done some amazing work, and again, my job now is really to grow it yet further, to deepen our partnerships and relationships across the state and to keep [the organization] sustained."

Several CDFI leaders spoke with urgency about the importance of adopting bolder ideas to move the needle on long-standing community issues. As one leader asked, “The city is so much worse than it was when we met. It’s ridiculous, yet everyone’s still kind of doing the same thing that they were doing at that point. It’s like, how do you expect to make a change if you’re not willing to do something other than what you’ve done?”
Study Findings/Opportunities for Growth

 Investing in New Leadership

Most of the smaller CDFIs, however, also acknowledged that their organization’s limited operating capacity impacts their ability to explore, plan, and pilot new strategies. The constant need to raise funds and the pressure to keep operational budgets to a minimum means that staff have little time for professional development or learning opportunities on new or innovative practices.

A focus on vision setting, however, is extremely timely given the number of CDFIs entering or currently in the process of strategic planning. Survey findings showed that 70% of CDFIs with active plans are set to adopt a new organizational strategic plan by 2022.

Desire for skill building and networking

There is definitely an opportunity for CDFIs to come together – it could be for workshops or meetings where professionals come in and talk about best practices.”
— CDFI LEADER

As a new leader, I think that’s so important, that those introductions are made. I love even this, me having this ability to get to know all of you a little bit better and vice versa. I think to hear about one another is valuable. Those relationship building opportunities are very important, especially to us new folks.”
— CDFI LEADER

While the emergence of new leadership across the ecosystem opens opportunities, it can also create gaps in industry-specific skills. Several “new generation” leaders spoke of the need and desire to increase their training and skill-building. Those who have come into this new leadership role from other sectors recognize that CDFIs require a very specific skill set, which limits their transferable leadership skills. Subsequently, interviewees expressed a genuine openness to peer learning opportunities.

New leaders also emphasized the importance of relationship-building and identified this as a key role that WHEDA can play as a partner. New CDFIs leaders would highly value support connecting to funders and policy makers within WHEDA’s networks.

Opportunities for Growth

KEY INSIGHTS:

• Leadership transitions have brought a timely opportunity to support a new generation of leaders and pilot new approaches.

• WHEDA can support new leaders across the sector by leveraging their relationships with funders and policymakers and creating opportunities for peer learning and professional development.
Study Findings/Opportunities for Growth

Advance Collective Action

The call for strengthening collaboration and working towards collective action across CDFIs was one of the strongest and most consistent themes in the study findings. In fact, 12 out of 14 CDFIs surveyed indicated that supporting “collaborative efforts across CDFIs locally and nationally” was one of the most effective ways that WHEDA can help build capacity within the ecosystem.

Many CDFIs are currently part of national CDFI networks or other professional associations. 9 out of 14 of the CDFIs surveyed are currently members of the Opportunity Finance Network (OFN), the national association of CDFIs. These leaders spoke of the value of being an OFN member, including opportunities for professional development, technical assistance, and collaborative funding.

Many, however, felt there are limited opportunities for networking and collaboration at the statewide level. These CDFI leaders indicated that the sector’s siloed approach limits the potential for community impact, growth and innovation. The vast majority of Wisconsin CDFIs have a strong desire to partner more and set a vision for future collaborations and collective action statewide. Interviewees highlighted many types of potential collaborations, including opportunities to:

- Increase the visibility and public understanding of CDFIs;
- Develop shared funding requests to increase operational support across the sector;
- Share best practices, lessons learned, and innovations;
- Offer shared staff trainings and professional development opportunities;
- Create cost savings and efficiencies by partnering on back office systems; and
- Mobilize a strategic collective action plan to address larger community goals that require the full capacity of the statewide sector.

Fig. 8: Ways WHEDA can Build Capacity Within CDFI Ecosystem

Many CDFIs are currently part of national CDFI networks or other professional associations. 9 out of 14 of the CDFIs surveyed are currently members of the Opportunity Finance Network (OFN), the national association of CDFIs. These leaders spoke of the value of being an OFN member, including opportunities for professional development, technical assistance, and collaborative funding.

More recently, we are new members of OFN, which is the largest CDFI network. Just being part of that on a national level has been very empowering. To have something like that...on a more statewide level, to really support and be the support that we need in this state, I think could be quite powerful for all of us.”

- CDFI LEADER

[Too often], we only learn about each other’s needs when we need something ourselves.”

- CDFI LEADER
Building Relationships Across Wisconsin CDFIs

Respondents recognized that to build stronger collaborations they must first better understand the unique perspectives, strengths and challenges facing each CDFI. Doing this will require a high level of commitment by CDFI leaders to meet consistently and share lessons learned.

Sharing A Collective Story with Funders and Policymakers

Some CDFIs also spoke of the importance of developing a shared narrative that showcases the true power of the CDFI sector and helps funders and elected officials better understand CDFIs. This need was echoed by philanthropic partners who acknowledged they don’t understand how CDFIs work, the impact they make, nor how funders can partner with CDFIs to achieve shared goals. Telling a larger story about the CDFI sector as a whole may help bring more funders to the table and increase resources statewide.

As one CDFI leader shared, “When I think about the foundations and other lenders, we don’t do a good enough job, in my opinion, of telling a large enough story. Our visions are typically solitary. So when it comes to raising capital, when it comes to bringing partners to the table, if your vision is small, so is your ask. I mean, imagine if the CDFIs came together to request dollars.”

Similarly, three CDFIs also spoke about the opportunity to collaborate more closely on advocacy with elected officials. They acknowledged that the annual policy day that currently exists is a good start, but noted how much more could be accomplished if the CDFIs work more closely together to advocate, not only for their own needs, but for those of their client communities as well.

Working Towards Shared Goals

Several leaders spoke of opportunities for CDFIs to work strategically toward larger shared goals. CDFI leaders underscored the important contributions they could bring to drive collective action including knowledge of what interventions have been tried, what worked, and what didn’t not. Tapping into these experiences could help nurture relationships and bring about unexpected partnerships.
Overcoming Barriers to Collaboration

Although most CDFI leaders felt that the sector was too siloed, Wisconsin CDFIs do have experience collaborating. Over 75% of CDFIs surveyed indicated that they had partnered or worked with another CDFI locally or nationally in the past 18 months to reach a shared goal. Some leaders cited Invest Wisconsin, a partnership of four CDFIs to raise investment capital. Most importantly, Wisconsin’s four Native CDFIs have developed a proven and successful model of collaboration. These experienced collaborators can serve as consultants and mentors for a statewide collaborative effort. See CALL OUT BOX for additional details.

However, too many collaborations excel at vision and fail in execution. They suffer when barriers are not addressed at the outset. Challenges cited include competition, a scarcity mindset, diversity in the size and scope of CDFIs, and strong organizational politics and personalities. Some leaders spoke to real or perceived differences between rural and urban, Native-led and non-native-led, and small and large CDFI organizations.

To address these barriers, CDFI leaders expressed interest in identifying a “convener” to hold center on a collective strategy. WHEDA was identified as a partner who could serve as or help fund a convener to build an impactful Wisconsin CDFI network. CDFI leaders must commit to building a culture of collaboration, particularly within larger CDFIs. A phased approach that starts with relationship-building and moves toward collective action may help Wisconsin CDFIs build stronger trust before moving to larger strategic goals.

Wisconsin Indian Business Alliance (WIBA): Native-led CDFIs Offer Successful Collective Action Model

https://wibanative.org/

WIBA is a coalition of four Native CDFIs – First American Capital Corporation, First Nations Community Financial, NiiJii Capital Partners and Wisconsin Native Loan Fund – with a mission to expand Native economic development by building the financial sovereignty of Native individuals, families, Native-owned businesses and communities in Wisconsin. WIBA members collectively work to bring millions of dollars to Wisconsin Indian Country to best serve Enrolled Members of the 11 federally recognized Tribes in Wisconsin – both on and off reservation communities.

Native CDFIs were convened by OFN, who believed that collaboration was essential to the future of these small CDFIs. OFN hired Oweesta, the only NATIVE CDFI intermediary, to help facilitate learning opportunities and relationship building. The national cohort broke off into statewide groups, and the four Wisconsin CDFIs met regularly to exchange information, learn from each other and, most important, build trust.

Today, the four CDFIs are supported with annual funding from the Wisconsin Economic Development Corporation (WEDC). They share common goals and a strategic plan and are developing plans for shared backroom support. When you ask the WIBA members what keeps them together, the answer is unanimous: trust. It took time and effort, but the payoff was worth it!
Statewide CDFI Collaboratives: National Models of Powerful Networks

Across the U.S., CDFIs have developed state coalitions because they understand there is power in numbers. Together, so much more can be accomplished – whether it’s advocacy or funding or creating a common focus. The oldest, a coalition from New York, has hosted annual conferences, educated legislators and set joint goals for the past 30 years. The Pennsylvania CDFI Network has been successful at garnering Covid funds from the state to make loans to CDFI borrowers. While all different, each works together to build a more effective CDFI community.

New York State CDFI Coalition
www.nyscdfi.org

Kansas City CDFI Coalition
http://cdficoalitionkc.com

Detroit CDFI Coalition
www.detroitcdficoalition.org

St. Louis CDFI Coalition
www.communitybuildersstl.org/cdfi-coalition

PA CDFI Network
https://pabusinessgrants.com/about/

South Florida Community Development Coalition
https://southfloridacdc.org/tag/cdfis/
Study Findings/Opportunities for Growth

Building Equity for Equity

National Opportunity to Drive Racial Equity

2020 brought a wave of national attention to issues of racial justice led by the Black Lives Matter movement and underscored by the stark economic and health disparities experienced by communities of color during the Coronavirus pandemic. As corporate and philanthropic leaders focus in on racial equity and inclusion (REI), the CDFI sector has the potential to be well positioned to ride this wave of energy and investment.

Some CDFI leaders interviewed spoke specifically to the importance of holding banks and corporate partners accountable for statements of solidarity and commitments to invest in racial equity. One CDFI leader shared, “...now that things have changed with all this racial injustice...a lot of banks have started to say they’re going to pledge X number of dollars for organizations that do just what we are doing. And I want to be able to hold those people to that. I’ve seen a lot of articles come out, but I haven’t seen any follow up on what that looks like. So, if there was somebody that I could talk to for those dollars, I would want to do that as well.”

CDFIs Lack Transformational REI Practices

Wisconsin CDFIs, as a whole, however, have work to do both internally and externally before leading the way. While many CDFIs surveyed have implemented REI trainings, few have formalized policies that ensures that racial equity is a guiding imperative. A common insight from CDFI leaders is that the support and implementation of REI initiatives is perfunctory and does not necessarily move the pendulum closer to equity.

During the interviews both white and BIPOC leaders expressed that although there are more conversations about REI in the workplace, the process of integrating a racial equity lens is still profoundly challenging when it comes to creating real mechanisms of accountability that address economic justice and barriers to economic development, wealth creation and financial inclusion.

Experiences of BIPOC Leaders

The study also found that BIPOC CDFI leaders face unique challenges, including barriers to being developed, supported and meaningfully engaged at key decision-making tables. Oftentimes there is little, if any, validation of the lived experiences of women and BIPOC (Black, Indigenous and people of color) individuals leading and being served within the CDFI ecosystem.

During interviews, BIPOC leaders referenced instances of racial bias where leaders are expected to repeatedly prove their capabilities, value or readiness in order to earn a seat at the table and invitation to networking opportunities.

In addition to their organizational responsibilities, many BIPOC leaders feel they have no choice but to be the driving force behind REI initiatives. They believe they must champion this important and challenging work in the community, because they represent the populations they are serving.
As one leader shared, “It’s a huge issue. Being a [leader] of color in itself is a challenge and it is not for anybody who’s weak. I just have to say it because you’re challenged on a regular basis and people act like they’re not challenging or questioning your ability, your intellect, but they do, every time you open your mouth...Once you get over the first hurdle of you just being a Black [leader], you are trying to shed a light on the continued issues that you see every day to get people’s attention. I have been so passionate about changing the narrative that has crippled my people.”

Racial Equity and Inclusion as An Imperative

“But this is not a time for CDFIs to take cover behind our mission statements. This moment calls us all to deeper reckoning.”

- Annie Donovan - COO, LISC

... we haven’t been accustomed to talking about economic justice and using those terms. I’ve noticed that I’ve been observing, trying to take the temperature of what can I and can I not say, and yet still be true to why we’re here and why I’m here. I think having that table, WHEDA providing that table for us, and giving us that green light to say, “Hey, you can have these discussions here, because we believe in these things too,” can go a long ways.”

-CDFI LEADER

There will not be real change the full sector works towards racial and economic justice. CDFI leaders spoke of the importance of explicitly and boldly elevating racial equity and advancing economic justice but noted that the larger financial systems are not equipped to change the ingrained culture at large, which requires much broader collaborative and systemic change. There was a call for WHEDA to leverage its influence and voice to increase more equitable lending and funneling financial resources to smaller CDFIs supporting low income and minority populations.

KEY INSIGHTS:

Collective Action for Racial Equity & Economic Justice

Based on the strong interest expressed by CDFI leaders to collaborate, Wisconsin’s entire CDFI sector could work collectively to advance a change racial and economic justice in Wisconsin. This would require honest conversations about power imbalances, systemic racism an assessment of equity current practices. If successful, this collaborative could rely on broader support from—and active engagement by—large institutions and individuals beyond those directly affected.

In partnership with WHEDA, the CDFI industry in Wisconsin can bring together public, private, and social sector stakeholders to create broad, permanent change on these complex issues. Such an approach could draw on the experiences and expertise of CDFI leaders and communities of color and could amplify strengths and capabilities.
Study Findings

Capacity Building

Financial Capacity Building

We’re building borrowers, we’re building home ownership, we’re building communities. And my part of this too, that I worry the most about is, well, we can say we’re doing this, but where’s the money? Where’s the capital? Where’s the right mix that we need as a CDFI to make it sustainable for us even, as an organization, that makes sense? And I think that is one piece, and this can be translated into any type of lending.”

-CDFI LEADER

We need long-term capital so we can make longer-term loans to our borrowers.”

-CDFI LEADER

Funding is a huge gap in the state’s CDFI sector (or rather the lack of adequate funding). It’s the biggest opportunity/challenge, it’s one and the same. . . funding.”

-CDFI LEADER

Access to Capital

What was heard most frequently and consistently during study interviews was the need for investments. This came from all types of lenders. Capital was and is the primary concern.

Financials

The financial statements of the CDFI loan funds are rather healthy; the study’s limitations prevented analysis of the number of loans represented in the portfolios and the average loan size per CDFI. However, for the CDFIs whose portfolios are less than $5M and include microloans, it is clear that the work associated with lending smaller dollar amounts to many borrowers creates incredible workloads for their limited staff.
Sources

One striking aspect of the financials is the degree to which Wisconsin CDFI loan funds have been funded by equity and grants more so than debt. As far as sources of investment capital,

CDFIs have a lot of room to grow their lending capacity — assuming they can gain greater access to investment dollars. The constraints to greater investment are unclear: Is it a question of not knowing how to leverage financials, or does Wisconsin not attract national attention from major financial institutions and foundations?

Alternative Sources of Capital

As noted earlier, Wisconsin CDFIs primarily rely on earned income, the CDFI Fund and government funding for their investments. According to a report released in 2017, CDFIs must be prepared to look outside of the traditional investment model to grow their organizations to the scale needed to address the issues perplexing the communities in which they work.

CDFIs in Wisconsin need to think beyond traditional investments and learn how to use the capital markets to raise investments. That includes learning how to pool and sell loans; raising loan pools; finding other mission-based investors; learning about impact investing; and using bonding as a tool to raise capital. It’s all possible, but it requires outside-the-box thinking and financial experience.

Capital Transformation Phases for CDFIs

1. **Growth**: CDFIs have grown through a capital access model based largely on bank debt and public equity. That model has underwritten the industry’s credibility and social impact and helped the field weather a significant period of national economic decline.

2. **Limits**: The standard CDFI growth model is limited due to a lack of diversification of capital sources, assumptions regarding high levels of public and private subsidy, and the limited ability of most CDFIs to generate enough retained earnings from operations to grow.

3. **Change**: Selected CDFIs are poised to exceed prior practices and assumptions through accessing more conventional capital markets and new forms of social impact capital, generating higher levels of profitability, and making better use of data and technology.

4. **Enabling Environment**: The next phase of CDFI growth requires increased innovation infrastructure, a more networked approach to CDFI growth, and greater clarity around a CDFI social reform identity.
CDFIs Working for CDFIs

It’s a good question and one that bears mention. CDFIs have a responsibility to support other CDFIs. For those CDFIs that do have resting money, they could and should consider investing it in a fellow CDFI.

The low interest rates (0%) are a challenge to the long-term health of the CDFI.

Economy

Low interest rates are hurting CDFIs. Banks have access to money at rates that are nearing 0%; at the same time, they are lending money to CDFIs at 3% (average). At those rates, it makes it difficult to lend money at rates required by CDFI borrowers.

Study Findings/Capacity Building/Financial Capacity

What’s important is that even large CDFIs are lacking access to reasonably priced loan capital. Without it, deals are being turned away; those lost opportunities translate into funding fewer economic development projects/small- to mid-sized businesses.”

Deployment Ratios
At the same time that access to capital is a problem, so are higher deployment rates. Of the CDFIs surveyed, 43% had deployment ratios greater than 75%; at those rates, there is stress on existing capital and more would definitely ease the pressure brought on by high deployment and give CDFIs more lending capacity. High deployment rates can be just as frustrating as low deployment rates. With high deployment rates, a CDFI is always chasing after capital. With low deployment rates, they are chasing after borrowers.

CDFIs Working for CDFIs
It’s a good question and one that bears mention. CDFIs have a responsibility to support other CDFIs. For those CDFIs that do have resting money, they could and should consider investing it in a fellow CDFI.

Why don’t the larger CDFIs use some of their investment dollars to invest in the smaller CDFIs.”

Opportunities for Growth

KEY INSIGHTS:

• CDFIs in Wisconsin are in desperate need of loan capital.

• As they raise more capital, they will need support for growing loan loss reserves.

• CDFIs in Wisconsin need to think beyond traditional investments and learn how to use the capital markets to raise investments.

• The CDFI sector has to learn how to talk with philanthropy regarding their investment needs.

• CDFIs have to learn “finance” as a second language.
Organizational Capacity Building

Many of Wisconsin’s CDFIs have significant capacity-building needs in order to grow and fully reach their potential impact.

Tight operating budgets create stress as organizations try to meet consumer demand with limited resources. As highlighted in Fig. 11 and 13, CDFI leaders indicated that limited staffing, skills training and outreach to target markets are among the greatest challenges facing CDFIs. Investments in these areas would allow CDFIs to reach more clients, test innovative practices, and achieve greater community impact.

Fig. 11: Most Pressing Challenges Prior to COVID-19

Outreach to target market
Limited staffing
Stress on operational capital
Difficulty raising investment capital
Inability to meet financing demands
Staffing retention
Other

Fig. 12: Challenges Resulting from COVID-19

Current economic conditions created client stress
Stress on operational capital
Difficulty raising investment capital
Challenges working remotely
Staffing retention
Inability to meet financing demands
Other

Limited Staff Capacity

When interviewed, the greatest need noted was additional skilled staff. Of the 13 CDFI Loan Funds in the state, only three have more than 10 full-time employees, and five of those have five or fewer full-time employees. Five of the small CDFIs have target markets intended to cover a statewide footprint.

Having limited staff strains all aspects of the organization from loan processing to outreach to fund development and overwhelms staff.

Fig. 13: Barriers to Expanding into Aspirational Activities

Limited staffing
Limited investment capital
Lack of necessary skills
Discretionary equity
CDFI charter
Board reluctance
Other

“Right now, I’m hostage in here, but that’s not my ultimate goal. That’s not what I want to do, and if I can get the staff in here, then I’ll be able to be more on the street.”

-CDFI LEADER
“We need the right size team in the right positions to be efficient and not overworked or burnt out.”

- CDFI LEADER

“Most definitely underwriting...even just to gain a better understanding of how underwriting works, what do underwriters look at, what do lenders look at, traditionally.”

- CDFI LEADER

“Part of the challenge is having underwriters...who understand the populations that we serve and how to think outside of the ways in which we’ve been doing things. On the other end, our staff needs to also understand the perspective that the loan review committee comes from. In all directions, there needs to be effort to come to a mutual understanding of what needs to be done to help these applicants.”

- CDFI LEADER

Study Findings/Capacity Building

Organizational Capacity Building

Hiring Skilled Staff

Interviewees spoke strongly about the need to find employees with the right skill sets or to identify skill gaps and provide training. One leader noted, “I would like to have some type of support to be able to identify characteristics in the people that you already have on staff, to be able to say whether or not those are the people you need to have on staff. And if not, can you get them where you need them to be before you start considering bringing other people in?”

Because the CDFI industry requires unique skills and mindset — both financial and community development skills, as well as an “out of the box” mindset — some find it difficult to recruit, hire and retain qualified staff. As another leader noted, “Half the battle is, you might have the money to hire somebody, but you can’t find the right person or you get a person and they’re gone.”

Training and Professional Development

Staff development and training resources are highly valued. Leaders would like to provide more professional development for their staff, particularly in areas of financing, loan processing, underwriting, and human resources. To be successful, organizational staff must have skill sets to both be able to engage communities and understand and navigate the financial sector. “That’s frustrating to the young professionals in my office, who themselves have limited experience, quite frankly, in underwriting and lending. They understand economic development, but they don’t understand the details of what underwriters look for, what lenders traditionally have done, and so it’s frustrating to them. Long-term, some CDFI leaders noted the need to grow a pipeline of skilled staff, with one interviewee suggesting the need to partner with universities to grow interest in CDFIs as a career opportunity.”

Cross-Cultural Competency Skills

Some CDFIs, especially those serving communities of color, spoke of the need for greater training in cultural competency. This was particularly true of loan reviewers and financial partners, but extended to organizational staff as well. One leader described this dynamic as, “a lot of push and pull” between the loan review committee and staff, further explaining, “Our staff [have to be] able to say, ‘Hey look, but you have to see the whole story here. Yes, this person may not show up as having the best credit — maybe they have no credit — but see, here’s the story behind that. No credit, in this case, doesn’t mean it’s bad credit.’”
Outreach to Target Markets

Almost half of CDFIs surveyed indicated that outreach to target markets was a challenge. Limited staff capacity means outreach is stretched thin. One noted, “We’re doing equally fantastic work. But who’s got the time to tell that story? Even something as simple as having a profile with OFN, we don’t have that in place. Who’s got time to even have a LinkedIn page, let alone have Facebook posts for the organization?”

When interviewed, CDFI leaders noted that WHEDA may be able to help raise the visibility of CDFIs. WHEDA is viewed as having “a much larger voice” than the CDFIs and can leverage their networks to increase the sector’s visibility. In addition, having WHEDA as a partner gives credibility to CDFIs. One noted, “something seemingly as simple as adding CDFIs onto the website gives us credibility from an organization that’s much larger than ours.”

Increased visibility, though, is a two-edged sword. While more visibility from WHEDA would help raise awareness of CDFIs, it would also increase loan demand. Until CDFIs can raise investments expand their loan volume, marketing alone will not solve capacity-building needs. Financial investment coupled with marketing support would provide the most powerful lift.

Technical Support

CDFIs discussed additional areas of technical support based on their individual organizational needs. Some of the smaller CDFIs are interested in outside support for loan underwriting and loan processing. Other areas of capacity building mentioned included legal support, technology support, data management, grant writing, and board development.
Study Findings

Sustainability

During interviews, CDFI leaders were asked about their hopes and concerns for future partnership efforts with WHEDA.

While there is excitement at this new level of interest in CDFis, there is also concern about the sustainability of these efforts. CDFI leaders felt that a strong level of relationship-building was required to ensure any efforts were sustainable. Other considerations for sustainability include:

- **Long-Term Commitment:** CDFI leaders are highly aware of the importance of building a long-term relationship with WHEDA that will sustain leadership transitions. They want to ensure that WHEDA’s senior staff and board are engaged and committed.

You can’t go through this process and then see it set aside when Joaquin leaves. You are asking people to make an investment (time, talent and/or money) and it would be a waste of those investments if they weren’t grounded in more than one person at WHEDA.”

  - CDFI LEADER

- **Mutual Understanding and Trust:** CDFI leaders acknowledged that in order for there to be a long-standing relationship, there has to be mutual understanding of each other’s priorities, capacities, and day-to-day operations. Some CDFIs spoke about the need to rebuild trust based on past experiences. These leaders pointed to WHEDA’s organizational culture and felt that consistent communication and long-term engagement would help improve trust.

- **Human Capacity:** Relationship-building and collaboration take time and focused effort. For any initiative to advance and be sustained, there will need to be dedicated staff or an outside liaison to ensure consistent communication and strategic action steps.

- **Ecosystem Support:** WHEDA’s initiative to conduct the CDFI Study demonstrates their leadership in recognizing that CDFIs are an undertapped economic and community development resource in the State of Wisconsin. To advance sustainability, key stakeholders across the ecosystem – including financial partners, philanthropy, and government leaders – must be brought together to support these efforts. This broad level of support will not only increase sustainability, but will build the cross-sector partnerships needed to impact community outcomes.

Capacity Building

**KEY INSIGHTS:**

- To move forward, WHEDA and CDFI leaders should be equally committed to investing time in building trust and mutual understanding of each organization.

- This requires dedicated human capacity. If this level of commitment isn’t realistic given organizational constraints, then more realistic expectations should be set and communicated.

- Sustainability for all of these efforts will depend on the engagement of partners across the ecosystem who are willing to support CDFI capacity-building to achieve shared goals.
Recommendations

The recommendations in this report are made with a focus on the broader CDFI ecosystem – that includes WHEDA, the CDFIs, institutional investors, philanthropic funders and government.

We propose four capacity building areas with recommendations targeted to the 1) CDFI ecosystem, 2) WHEDA, and 3) the CDFIs themselves. While the recommendations in this study apply to both large and small CDFIs, a greater emphasis is placed on rural, smaller and emerging CDFIs and those that are BIPOC-led.

There is an opportunity for WHEDA to align these recommendations with areas where it has made notable commitments to racial and economic equity, including: the Emerging Developers Program, initiatives focused on African American and Latino homeownership and WHEDA’s internal procurement efforts meant to grow the capacity of DBE businesses.
Recommendations

Relational Capacity

CDFIs expressed a strong desire to strengthen and grow mutually beneficial, trusting relationships across the sectors that comprise their ecosystem.

We do not have a clear understanding of what WHEDA does. There is an opportunity for some two-way knowledge sharing.”
-CDFI LEADER

Over the past 35 years, the CDFI industry has become a leading partner for banks, foundations and other social investors, and governments engaged in community economic development.

The success of the industry stems largely from CDFIs’ ability to use business discipline to earn a financial return for their investors while delivering social benefits to low-income and disadvantaged communities.”
-URBAN INSTITUTE, SCALING IMPACT FOR COMMUNITY DEVELOPMENT FINANCIAL INSTITUTIONS

The ecosystem may:
- Work more intentionally to build one-on-one relationships with CDFI leadership, with a focus on those smaller CDFIs that are limited by their capacity to seek out relationships on their own.

WHEDA may:
- Convene CDFIs for a series of learning opportunities intended to deepen relationships and share information about what WHEDA does, how they do it and to see where CDFI interests might align and intersect with WHEDA’s goals. Include members of the WHEDA Senior Leadership Team who may talk about their respective departments/responsibilities and how their work relates to the “whole” of WHEDA.
- Map its extensive networks within the CDFI ecosystem and co-develop strategies that will give CDFIs the tools to build stronger relationships with financial institutions, philanthropic organizations, and government.
- Create bi-directional mentorship opportunities that pair financial and community development professionals.
- Engage with CDFI banks to explore the potential for building long-term, mutually beneficial partnerships that identify ways to better meet the diverse needs of CDFIs and the clients they serve.
- Engage CDFI credit unions to explore the opportunities for developing partnerships that may result in the expansion of first-time home buyer loans and home rehab lending.

CDFIs may:
- Identify a CDFI leader or backbone organization that has the relational capacity, confidence, accountability and passion to represent the CDFI sector in driving ongoing relationship building. Once leadership has stepped forward, CDFIs may collaborate to seek capacity-building funds that will compensate the investment of time.
Recommendations

Organizational Capacity

CDFIs expressed a need for support in key areas, including staff training and professional development, marketing, technology and back office support. The focus of this organizational capacity could align with the CDFIs’ desire to raise and deploy additional investments.

It is a lot to ask of CDFIs to be the bridge to government; the bridge to capital; the bridge to workforce training and to be visionaries of how to rebuild communities in an inclusive and equitable way. In addition to helping them raise the capital and access funds for the businesses they can lift up, now is the time to be bold in how we invest in the capacity of community leadership, particularly in CDFIs.”

DR. RAJIV SHAH, PRESIDENT, ROCKEFELLER FOUNDATION

The ecosystem may:

- Identify and provide funding for operational support, capacity building and training and development opportunities.
- Identify models of the ecosystem supporting the capacity building of CDFIs for the purpose of improving social outcomes.
- Partner to create a scholarship fund for new CDFI BIPOC leaders to jointly attend training and development opportunities for the purpose of learning and coalescing as a cohort (e.g. the Carsey Institute in March 2022).

Building the Capacity of CDFIs in Georgia

HealthCare Georgia Foundation and OFN recently launched a program to build the capacity of CDFIs in Georgia. The initiative, Building the Capacity of CDFIs in Georgia, includes technical assistance with capital and operating grants for CDFIs working to strengthen community development and health in Georgia’s rural communities. The program includes opportunities to share challenges, lessons learned and building connections with partners in the health and community development ecosystem.

For more information, visit: https://ofn.org/building-capacity-cdfis-georgia
Recommendations/Organizational Capacity

**WHEDA may:**
- Leverage its existing communications platforms to create an empowering and compelling CDFI narrative that will lead to greater visibility of and support for CDFIs in Wisconsin.
- Seed a cohort-based CDFI Leadership Development program intentionally designed to help executive leaders grow their organizations. The program would not focus on skills-based training, but on growing the leadership capacity of new leaders or CDFI organizations with smaller assets seeking growth. Program elements could include:
  - Executive leadership coaching
  - Financial skill building (including finance coaching and mentorship)
  - Assessments of organizational systems, such as HR, accounting, fund development and marketing and communications
  - Networking opportunities with financial investors, philanthropic partners, and influential stakeholders
  - Peer learning opportunities with fellow participants and with national and regional CDFI leaders
  - Grant funds available to program participants to implement growth strategies
- Sponsor programs and learning opportunities for all members of the CDFI ecosystem in conjunction with WHEDA’s annually scheduled conference. Examples of attendee-paid, add-on learning opportunities could include NeighborWorks, National Development Council (i.e. Economic Development Finance), and International Economic Development Council.

**CDFIs may:**
- Lead capacity building efforts by identifying a CDFI industry mentor who may share lessons from the field.
- Work with funders to explore the possibility of creating a matching scholarship fund for learning opportunities.
- Allocate a portion of their annual budget for staff professional development.
- Become members of OFN and other professional networking associations.
- Partner across the CDFI sector to engage a communications firm that has experience working with small to mid-sized enterprises to develop an integrated communications strategy (including earned media, storytelling, social media, etc.) and technology training that will help broaden CDFI sector visibility.

“To have that opportunity in Wisconsin where let’s talk about what every organization needs... Let’s get experts in here and put on some classes in Wisconsin. Let’s put on some mentorship programs for your staff. Let’s build maybe a back office services group that can do all this, so we’re not all overextended and managing portfolios and clients. The opportunities are endless.”

-CDFI LEADER
Recommendations

Financial Capacity

Small and emerging CDFIs want to gain additional financial acumen to better manage their day-to-day financials, learn how to use the capital markets to access non-traditional means of raising investments, identify new investment resources and partner with philanthropic collaboratives with the purpose of creating a stronger mission alignment.

The ecosystem may:
- Provide additional resources that help CDFIs expand financial capacity. For example, philanthropic funders may consider making Impact Investments (i.e. PRIs or MRIs) in local CDFI loan funds.
- Foundations may move beyond traditional grantmaking to address critical community issues, make loans to CDFIs, co-lend alongside CDFIs, offer grant-funded credit enhancements for CDFI loans and guarantee loans made by CDFIs.
- Identify CDFI banks and credit unions and invest in them via their CD products.

WHEDA may:
- Leverage its existing resources and reserves to:
  - Explore how to improve and streamline access to its guarantee loan program as a means of helping CDFIs with their loan loss reserves.
  - Buy loans and loan participations from CDFIs as a means of creating capital capacity, an income stream for WHEDA and capital for CDFIs to relend.

CDFIs may:
- Work to develop a comprehensive financial plan with strategies for stabilizing their organization and raising investments.
- Work with WHEDA, other government agencies and institutional investors to research, identify and develop strategies for growing financial capacity in Wisconsin’s CDFI loan fund sector. Some ideas include:
  - Creating a loan loss reserve fund (i.e. New Jersey ED Authority’s CDFI Emergency Loan Loss Reserve Fund)
  - Creating a secondary market for CDFI loans (i.e. LISC’s Securitization for Social Innovation)
  - Creating a statewide loan pool for CDFIs (i.e. Pennsylvania’s Community Development Bank Program)

As a public body corporate and politic governed by Chapter 234 of the Wisconsin Statutes, WHEDA may be limited in performing some of the recommendations made in this report, especially those that recommend performance of certain types of investing, lending and granting. In addition, any actions taken by WHEDA may require an internal approval process and are subject to available resources.

Where’s the money?
Where’s the capital?
Where’s the right mix that we need as a CDFI to make it sustainable for us even, as an organization, that makes sense?

And I think that is one piece, and this can be translated into any type of lending.

There’s consumer needs now more than ever.

There’s small business needs now more than ever.

Where’s WHEDA, I know they have certain programming, for example, their guaranty program.

I feel like there can be way more and I’m sure that they realize that and why I’m so excited because the leadership now sees that and wants to rise to that challenge and really cultivate and tailor programs to the environments at hand and what we’re dealing with across Wisconsin.”

-CDFI LEADER
Recommendations

Collaboration and Collective Action Capacity

There is incredible interest in working collaboratively across CDFIs to allow for trust-building, cross-pollination and collective action opportunities. Collective action efforts are necessary to build capacity across the sector to address the critical gaps identified in this study, including the lack of CDFI capacity in the affordable housing sector, the lack of equity in financial resources for BIPOC-led CDFIs, and the limited access to CDFI services in rural communities.

CDFI capacity is a vital part of a mature community finance ecosystem that also requires cooperative and collaborative infrastructure from government, philanthropy, business, nonprofits, and the civic community. Within that ecosystem, CDFIs can facilitate successful community projects in multiple ways.

Put another way: While many stakeholders are responsible for the success of the entire ecosystem, CDFIs can and must lead the way.

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The ecosystem may:
- Partner with WHEDA to fund efforts that drive strategic and sustainable collective action efforts towards shared goals that address gaps identified in this report.

WHEDA may:
- Continue convening CDFIs as relationships grow and as learning opportunities present themselves. Give CDFIs the space to determine how they want to work together on an ongoing basis.
- Draw upon the Wisconsin Indian Business Alliance (WIBA) as a model for focused collection action to create and support a cohort of smaller CDFI loan funds that are led by people of color.

CDFIs may:
- Work together and take charge of their destiny as a sector and advocate more effectively on their behalf. Per Lisa Mensa, president of OFN, “Never again should the CDFI field think of itself as insignificant. We must see ourselves as essential partners to the big work of having an economy that works for all.”
- Identify a CDFI or an independent third party willing to serve as a committed, long-term convener that will work to identify resources to be leveraged and establish a shared agenda.
- Reimagine and relaunch Invest in Wisconsin as a vehicle for a statewide network of CDFIs.
Recommendations

Conclusion

As a state housing authority with significant relationships, reach and an understanding of diverse financial institutions, WHEDA has an opportunity to leverage its influence to support CDFIs. Its unique position makes it an anchor in the CDFI ecosystem. This advantageous position translates into an opportunity for statewide impact and long-term sustainability. Based on the response from the CDFIs, WHEDA may consider playing a convening role to further engage the CDFIs in longer-term discussions that lead to increased capacity.

The long-term sustainability of any such efforts will be in jeopardy without engaging other funders and key supporters of these efforts.

WHEDA is well-positioned to engage other state housing authorities, economic and community development partners, including Wisconsin Economic Development Corporation (WEDC), Wisconsin Economic Development Association (WEDA) and the Wisconsin Philanthropy Network (WPN), to coordinate and deploy more human and financial resources across the state.

After the recommendations from this report have been reviewed and discussed, with internal stakeholders, WHEDA might develop a list of priorities that reflect the findings of the study. This work will not be easy, but is achievable through intentional collaboration, investment in CDFI capacity building and dedicated CDFI sustained leadership.

An investment by WHEDA and other partners in supporting a more cohesive and robust CDFI ecosystem could yield long-term economic benefits to the state in the form of more investment capital for lending to small- and mid-sized businesses; more out-of-state grant dollars to support the capacity of Wisconsin’s CDFIs; the development of more housing units; the creation of jobs and, finally, more equity (dollars) to support equity (racial).

"... as you know, we have a small high output working team, but there's only so many hours in the day and there's so much work to be done. So the key to that is engaging the right partnerships and opportunities.

So, I’m really glad to see that WHEDA is excited to do a scan of the CDFIs in the state, and really look to opportunities and ideas around how to synergize with CDFIs. Because I think that they want a level of the work WHEDA is doing and the reach and the programming. And I think that CDFIs are definitely a part of the answer to that. So, I’m excited about that opportunity.”

-CDFI LEADER
Appendix
<table>
<thead>
<tr>
<th>CDFI</th>
<th>Exec. Leader</th>
<th>Year Certified</th>
<th>Headquarters</th>
<th>Region Served</th>
<th>Target Market</th>
<th>Urban / Rural</th>
<th>Asset Size</th>
<th>Top line of business*</th>
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<td>Green Bay</td>
<td>Statewide</td>
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<td>Urban/Rural</td>
<td>&gt; $50M</td>
<td>Small business</td>
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<td>Urban</td>
<td>&gt;$50M</td>
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<td>Milwaukee</td>
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<td>Urban</td>
<td>$5M-$25M</td>
<td>Personal finance</td>
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<td>Nicole Harrison</td>
<td>2001</td>
<td>Stevens Point</td>
<td>Marquette, Outagamie, Portage, Waupaca, Waushara, Wood</td>
<td>LMI persons up to 80% CMI in a six county region in central WI.</td>
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<td>WI Native Americans</td>
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<td>Small business</td>
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<td>Statewide</td>
<td>OTP, WI Native Americans</td>
<td>Rural</td>
<td>&lt; $5M</td>
<td>Consumer personal finance</td>
</tr>
<tr>
<td>Forward Community Investments, Inc.</td>
<td>Michelle Mackey</td>
<td>2002</td>
<td>Madison</td>
<td>Statewide</td>
<td>WI - LITP Low Income - State - IA - all qualified WI census tracts</td>
<td>Urban/Rural</td>
<td>$25M-$50M</td>
<td>Community facilities</td>
</tr>
<tr>
<td>Habitat for Humanity of Dane County, Inc.</td>
<td>Valerie Johnson Renk</td>
<td>2016</td>
<td>Madison</td>
<td>Dane Co.</td>
<td>Dane Co. residents AMI 30-60 percent</td>
<td>Minor Urban</td>
<td>$5M-$25M</td>
<td>Residential mortgage</td>
</tr>
<tr>
<td>Hmong Wisconsin Chamber of Commerce, Inc.</td>
<td>Maysee Herr</td>
<td>2014</td>
<td>Milwaukee</td>
<td>Statewide</td>
<td>Asian American/ Pacific Islander</td>
<td>Urban/Rural</td>
<td>&lt; $5M</td>
<td>Small business</td>
</tr>
<tr>
<td>CDFI</td>
<td>Exec. Leader</td>
<td>Year Certified</td>
<td>Headquarters</td>
<td>Region Served</td>
<td>Target Market</td>
<td>Urban / Rural</td>
<td>Asset Size</td>
<td>Top line of business*</td>
</tr>
<tr>
<td>-------------------------------------------</td>
<td>-------------------------</td>
<td>----------------</td>
<td>--------------</td>
<td>---------------------------------------------------</td>
<td>-------------------------------------------------------------------------------</td>
<td>---------------</td>
<td>---------------</td>
<td>-----------------------------</td>
</tr>
<tr>
<td>Impact Seven</td>
<td>Brett Gerber</td>
<td>2013</td>
<td>Almena</td>
<td>Statewide</td>
<td>LMI persons up to 80% CMI in all qualified WI census tracts</td>
<td>Urban/Rural</td>
<td>$&gt;50M</td>
<td>Mid-sized business, multifamily housing</td>
</tr>
<tr>
<td>Legacy Redevelopment Corporation</td>
<td>Terese Caro</td>
<td>2003</td>
<td>Milwaukee</td>
<td>Milwaukee</td>
<td>Milwaukee</td>
<td>Urban</td>
<td>$5M-$25M</td>
<td>Small business</td>
</tr>
<tr>
<td>Milwaukee Economic Development Corporation</td>
<td>David Latona</td>
<td>2008</td>
<td>Milwaukee</td>
<td>Kenosha, Milwaukee, Ozaukee, Racine, Walworth, Washington, Waukesha</td>
<td>200 census tracts in and contiguous to Milwaukee County</td>
<td>Urban</td>
<td>&gt; $50M</td>
<td>Mid-sized business</td>
</tr>
<tr>
<td>Niijii Capital</td>
<td>Pamela Boivin</td>
<td>2013</td>
<td>Keshena</td>
<td>Local</td>
<td>Menominee, Mole Lake and Lac du Flambeau Reservations</td>
<td>Rural</td>
<td>&lt; $5M</td>
<td>Small business</td>
</tr>
<tr>
<td>Northwest Side Community Development Corp</td>
<td>Willie Smith</td>
<td>2010</td>
<td>Milwaukee</td>
<td>Milwaukee</td>
<td>LMI persons up to 80% in qualified census in the City of Milwaukee</td>
<td>Urban</td>
<td>$5M-$25M</td>
<td>Mid-sized business</td>
</tr>
<tr>
<td>Royal Credit Union</td>
<td>Brandon Reichers</td>
<td>2015</td>
<td>Eau Claire</td>
<td>WI: Barron, Buffalo, Burnett, Chippewa, Clark, Dunn, Eau Claire, Jackson, Marathon, Pierce, Pepin, Polk, Rusk, St. Croix, Taylor, Trempealeau, Washburn and Wood Co; and Minnesota Co.</td>
<td>Low Income Targeted Population in target counties</td>
<td>Minor Urban</td>
<td>&gt; $50M</td>
<td>Personal finance</td>
</tr>
<tr>
<td>Wisconsin Native Loan Fund</td>
<td>Fern Orie</td>
<td>2013</td>
<td>Lac du Flambeau</td>
<td>Statewide</td>
<td>Wisconsin Native Americans</td>
<td>Urban/Rural</td>
<td>&lt; $5M</td>
<td>Residential mortgage</td>
</tr>
<tr>
<td>Wisconsin Women's Business Initiative Corp</td>
<td>Wendy Baumann</td>
<td>1998</td>
<td>Milwaukee</td>
<td>Statewide</td>
<td>LMI Hispanic, African American and 76 approved Census Tracts in Milwaukee</td>
<td>Urban/Rural</td>
<td>$25M-$50M</td>
<td>Small business</td>
</tr>
</tbody>
</table>