

## **Virginia Community Development Financial Institutions (CDFI) Fund Annual Report**

### **Background: Creation of the Virginia Community Development Financial Institutions (CDFI) Fund**

During the 2021 Special Session (I) of the General Assembly, Chapter 552, Item 114 Q was adopted April 7, 2021, providing \$10,000,000 in general funds to the Department of Housing and Community Development (DHCD) to establish a special, non-reverting Fund to provide grants to community development financial institutions (CDFIs), community development enterprises (CDE), or other such similar entities as permitted by law, whose primary purpose is to provide financing in the form of loans, grants or forgivable loans to small businesses or community revitalization real estate projects in Virginia. DHCD has already created the program with input from stakeholders and received \$16.96 million in applications demonstrating the strong need for the initiative. The initial applications are under review. This report meets the requirements Subsection 4 of Chapter 552, Item 114, requiring an annual report about the fund.

### **Input from Stakeholders**

The CDFI Fund will operate through the Virginia Small Business Resiliency Fund (VSBRF) The purpose of the VSBRF is to support Virginia-based CDFIs and build their capacity to support communities and businesses across the state. In response to this opportunity, a majority of Virginia-based CDFIs have organized, forming a coalition representing the CDFI community in Virginia. CDFIs are private financial institutions that deliver responsible, affordable financing to help people and communities underserved by mainstream finance join the economic mainstream. CDFIs can be revolving loan funds, banks, bank holding companies, credit unions, or venture capital firms. Virginia is home to approximately two dozen CDFIs as certified by the US Department of Treasury. The [Virginia CDFI Coalition](#) (Appendix A) began meeting in March of 2021 to build awareness about the Fund, to build relationships to address the financial needs of the underserved in the Commonwealth, and to discuss the program design. During the initial meetings, DHCD, the Virginia CDFI Coalition, and Virginia First Cities (VFC) enlisted the help of the State and Local Clinic at the University of Virginia's School of Law to identify a list of shared priorities for the design and deployment of the VSBRF. This study was used to assist in informing the Program Design for the VSBRF. Staff support for the VSBRF is provided through the Community Revitalization Office at the Department of Housing and Community Development (DHCD).

## **VSBRF Program Design and Timeframe**

Due to this being the initial year, the VSBRF focused on organizational issues and processes; program design; opening the grant application up to emerging and existing CDFIs that have a lending history in Virginia, grant review, and recommending funding for eligible projects that reflect the priorities listed below.

The VSBRF was created to provide a funding stream that is both highly targeted and highly flexible so that dollars reach those that need assistance the most and enable the broadest impacts. The VSBRF seeks to increase capital access for underserved COVID-19-impacted businesses, with those owned and operated by women, people of color, and immigrants experiencing the highest rates of closures by building new capacity in the eligible institutions and supporting the creation and/or expansion of programs and products. The pandemic also highlighted the fact that many of the most impacted sectors do not have access to the financial and banking resources that will allow them to build a resilient business, whether by staying open, reopening, or expanding. Through grants made to both existing and emerging CDFIs, the VSBRF goals include: serving small businesses adversely impacted by the COVID-19 pandemic, with an emphasis on those sectors which have been disproportionately impacted or historically economically disadvantaged; increasing economic activity in distressed communities around the Commonwealth, and increasing the capacity of the CDFI sector to serve these target markets in Virginia.

The VSBRF has \$9.7 million available to make awards in the following categories: Planning Grants for emerging CDFIs capped at \$50,000 per organization; Capacity Building Grants for existing CDFIs capped at \$100,000 per organization, and Financial Products and Services Grants for existing CDFIs capped at \$2,000,000 per organization. To be eligible for the VSBRF, entities must be a CDFI or an emerging CDFI as defined and certified by the U. S. Treasury. Applicants must be able to document each of the following: the organization is certified by the United States Department of the Treasury as a CDFI as of the date of application to the VSBRF, or that it is an emerging CDFI working towards this certification; has an established history of commercial lending; and has an established history of lending in Virginia. To further the stated goals of the VSBRF, successful applications must address the following program priorities, how each priority will be furthered by the proposed [program design](#), and how VSBRF funds will be deployed or leveraged for maximum impact.

- 1. Expansion of services into un- or underserved geographies, demographics, and business sectors with a focus on those disproportionately impacted by the COVID-19 pandemic.**

Funded applications must show that proposed activities and lending products represent an expansion of services to a population that is not currently being served by the applicant

organization. Specifically, expanding programs, products, and services should address populations that are underbanked and not served by traditional banks and financial institutions, such as small, women, minority, or immigrant-owned businesses.

**2. Timely deployment of dollars or resources.**

Funds are intended, in part, to build capacity and provide security and leverage for the recipient financial institution. Competitive applications will be able to clearly describe how the grant is directly responsible for increasing the capacity for them to get more capital into their community. However, the goal for grant funds is to provide timely support to historically underserved businesses and entrepreneurs and those sectors that have been disproportionately impacted by the COVID-19 pandemic. Programs, products, and services must ultimately provide direct support to the target population and target markets, leading to positive outcomes in the sector.

**3. Expansion of technical assistance, services, and lending products.**

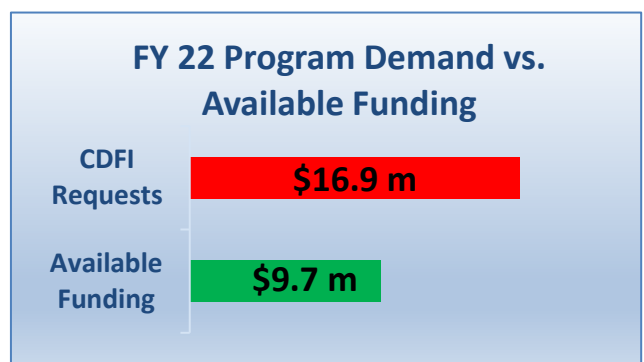
Funded applications must show that proposed activities and microfinance/small business products represent an expansion of services to the target populations and target markets. Specifically, how it would allow the financial institution to provide a wider range of products and services to better serve the unique needs of small businesses.

**4. Capacity building within the Virginia CDFI ecosystem.**

CDFIs play an important role in generating economic growth and opportunity in the most distressed communities. It benefits the overall health of Virginia’s economy to have a healthy and thriving mission-driven, microfinance/small business sector.

**VSBRF Demonstrates Strong Program Demand and Unmet Need in Initial Year**

During Fall 2021 DHCD created a website for the [Virginia Small Business Resiliency Fund](#), published the Program Design and Guidelines, held a virtual “How to Apply” workshop, and developed the portal for CDFIs to submit grant applications, which opened on October 1. The portal closed on November 8 and DHCD received grants request from 15 organizations. As depicted in the



chart, DHCD received \$16,960,139.30 in requests, well over the program’s initial appropriation.

The amount of funding requested demonstrates the unmet need in capital for small, minority, women and immigrant businesses and CDFI institutions in the Commonwealth. DHCD is currently reviewing the grant applications and is projecting award announcements in early 2022 with

implementation as early as spring of 2022. Grantees will have between 12 and 24 months to complete their projects.

The applications received have served to highlight those geographies around the state that are chronically underserved by flexible financing coupled with technical assistance provided by CDFIs. Products and services that are proposed for the VSBRF funds would build loan loss reserves that allows for deployment of capital to “hard to do” deals, provide technical assistance to entrepreneurs and small businesses in multiple languages, and provide micro lending with loan products of less than \$25,000 that are often needed by small businesses but not always attractive to lenders. The activities that will be funded by the VSBRF will reach hundreds of small businesses, creating impacts and leveraging dollars beyond the initial investments.

Even though the Virginia Small Business Resiliency Fund is a new program in Virginia, CDFIs are not new to the Commonwealth. Virginia's CDFIs have supported communities' revitalization efforts for over 20 years through partnerships, innovation, and expertise in capital, banking, and finance. CDFIs are built to drive capital, provide banking resources, and put other community wealth-creating and business support services into the hands of at-risk populations, rural communities, and other under-resourced areas (from the private sector) like affordable housing and clean energy. The industry's value has been widely recognized across the Commonwealth and the initial oversubscription of the program with high impact projects demonstrates the strong demand for the program.

Appendix A: CDFI Coalition

<b>Name</b>	<b>Organization</b>	<b>Website</b>
Leah Fremouw	Virginia Community Capital	<a href="http://www.vacommunitycapital.org/">www.vacommunitycapital.org/</a>
Amanda Habansky	People's Advantage Federal Credit Union	<a href="http://www.peoplesadvfcu.org">www.peoplesadvfcu.org</a>
Andrea Longton	Opportunity Finance Network	<a href="http://www.ofn.org">www.ofn.org</a>
Amelie Rives	Virginia Community Capital	<a href="http://www.vccva.org">www.vccva.org</a>
Laura Bateman	Virginia First Cities, Consultant	<a href="http://www.vafirstcities.com">www.vafirstcities.com</a>
Bryan Phipps	People's Incorporated	<a href="http://www.peopleinc.net">www.peopleinc.net</a>
Beth Pusha	Southeast Rural Community Assistance Project, Inc.	<a href="http://www.sercap.org">www.sercap.org</a>
Christina Cain	Virginia Department of Housing and Community Development	<a href="http://www.dhcd.virginia.gov">www.dhcd.virginia.gov</a>
Christine Morris	Virginia LISC	<a href="http://www.lisc.org/virginia/">www.lisc.org/virginia/</a>
Caroline Nowery	Virginia Community Capital	<a href="http://www.vccva.org">www.vccva.org</a>
Curtis Thompson	TAP Into Hope	<a href="http://www.tapintohope.org">www.tapintohope.org</a>
David Rupp	Movement Bank	<a href="http://www.movementbank.com">www.movementbank.com</a>
Debbie Irwin	Shenandoah Community Capital Fund	<a href="http://www.sccfva.org">www.sccfva.org</a>
Donna Gambrell	Appalachian Community Capital	<a href="http://www.appalachiancommunitycapitalcdfi.org/">www.appalachiancommunitycapitalcdfi.org/</a>
Devin Journirtte	Southeast Rural Community Assistance Project, Inc.	<a href="http://www.sercap.org">www.sercap.org</a>
Dave Prosser	Freedom First Credit Union	<a href="http://www.freedomfirst.com">www.freedomfirst.com</a>
Erika Viccellio	Fountain Fund	<a href="http://www.fountainfund.org">www.fountainfund.org</a>
Gina Falcone	VCDC	<a href="http://www.vibrantcommunities.us">www.vibrantcommunities.us</a>
Ghufran Ahmad	Community Business Partnership	<a href="http://www.cbponline.org">www.cbponline.org</a>
Harrison Roday	Bridging Virginia	<a href="http://www.bridgingvirginia.org">www.bridgingvirginia.org</a>
Hope Cupit	Southeast Rural Community Assistance Project, Inc.	<a href="http://www.sercap.org">www.sercap.org</a>

Harold Pettigrew, Jr.	Washington Area Community Investment Fund	<a href="http://www.wacif.org">www.wacif.org</a>
Jane Ferrara	Virginia LISC	<a href="http://www.lisc.org/virginia/">www.lisc.org/virginia/</a>
John Holdsclaw IV	National Cooperative Bank	<a href="http://www.ncb.coop">www.ncb.coop</a>
James Regimbal	Virginia First Cities, Consultant	<a href="http://www.vafirstcities.com">www.vafirstcities.com</a>
Karlene Sinclair-Robinson	Community Business Partnership	<a href="http://www.cbponline.org">www.cbponline.org</a>
Kenyahda L. Cahoon	Democracy Federal Credit Union	<a href="http://www.democracyfcu.org">www.democracyfcu.org</a>
Kelly Harris-Braxton	Virginia First Cities	<a href="http://www.vafirstcities.com">www.vafirstcities.com</a>
Lauren Counts	Capital Impact Partners	<a href="http://www.capitalimpact.org">www.capitalimpact.org</a>
Laura Dupuy	VCDC	<a href="http://www.vibrantcommunities.us">www.vibrantcommunities.us</a>
Lucian Smith	Washington Area Community Investment Fund	<a href="http://www.wacif.org">www.wacif.org</a>
Mark Scarano	Community Business Partnership	<a href="http://www.cbponline.org">www.cbponline.org</a>
Margaret Hersh	Dupont Community Credit Union	<a href="http://www.mydccu.com">www.mydccu.com</a>
Michael Reilly	Foodshed Capital	<a href="http://www.foodcap.org">www.foodcap.org</a>
Mario Mejia	Democracy Federal Credit Union	<a href="http://www.democracyfcu.org">www.democracyfcu.org</a>
Mary Romanello	Virginia Community Capital	<a href="http://www.vccva.org">www.vccva.org</a>
Orlando Artze	Virginia LISC	<a href="http://www.lisc.org/virginia/">www.lisc.org/virginia/</a>
Rick Preble	RVA Financial Credit Union	<a href="http://www.rvafinancial.com">www.rvafinancial.com</a>
Becca Richardson	Virginia LISC	<a href="http://www.lisc.org/virginia">www.lisc.org/virginia</a>
Stephen Davis	Community Investment Collaborative	<a href="http://www.cicville.org">www.cicville.org</a>
Seth Whetzel	Capital Impact Partners	<a href="http://www.capitalimpact.org">www.capitalimpact.org</a>
Shauna Yeldell	Washington Area Community Investment Fund	<a href="http://www.wacif.org">www.wacif.org</a>
Tiffany Hollin-Wright	Federal Reserve Bank of Richmond	<a href="http://www.rich.frb.org">www.rich.frb.org</a>
William Bush	Piedmont Housing Alliance	<a href="http://www.piedmonthousing.org">www.piedmonthousing.org</a>
Zach Golden	Senator Mark Warner's Office	<a href="http://www.warner.senate.gov/public/">www.warner.senate.gov/public/</a>