An Overview of the Central and South Texas CDFI Landscape

SEPTEMBER 2024

Methodist Healthcare Ministries
OF SOUTH TEXAS, INC.
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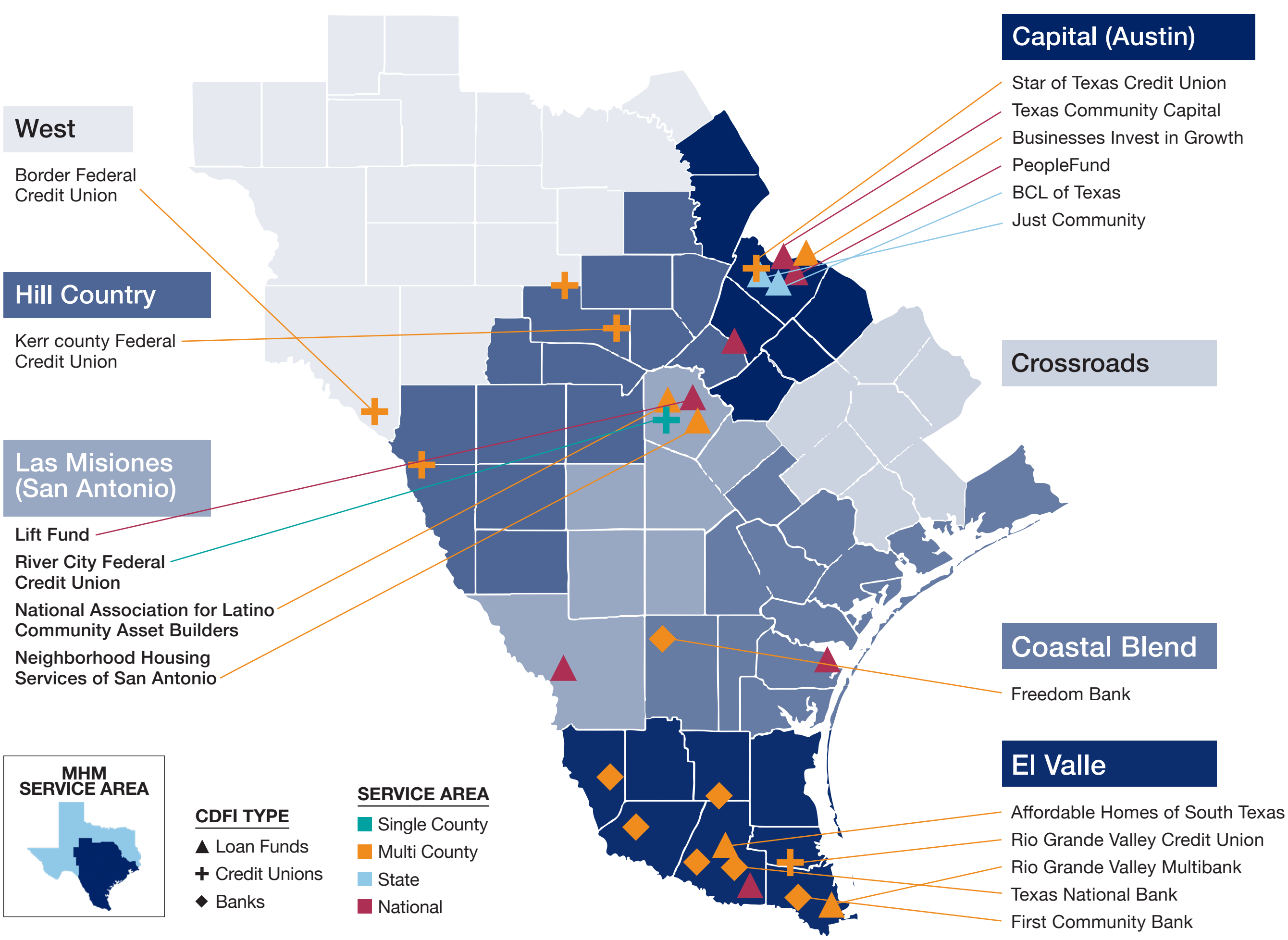
EXECUTIVE SUMMARY

Community Development Financial Institutions (CDFIs) have become a cornerstone in promoting economic development, financial inclusion, and social equity, especially within underserved communities across the United States. CDFIs are especially relevant to healthcare institutions and funders as they can play a critical role in addressing the social determinants of health by investing in affordable housing, small businesses, and community facilities—factors that directly influence health outcomes. This report delves into the CDFI landscape in Central and South Texas, providing a comprehensive analysis of existing challenges, emerging opportunities, and strategic recommendations for local healthcare institutions and funders to enhance their impact in this region.

Figure 1: Central and South Texas CDFI Landscape: Types and Service Area



Note: Icons on the map represent CDFI locations in Central and South Texas. Lines indicate the main offices or HQ of these organizations; additional icons without lines represent branches or additional locations.

Source: U.S. Treasury, CDFI Fund

Key Findings and Insights

CDFI Growth and Impact

Since their inception, CDFIs have expanded significantly, with over 1,400 certified institutions managing more than $450 billion in assets[1]. These institutions are pivotal in providing access to capital for low-income and underserved communities, who are often excluded from traditional financial services. In South Texas, CDFIs are primarily concentrated in urban centers such as San Antonio, Austin, and the Rio Grande Valley. However, there is a noticeable gap in the availability of CDFIs in rural regions like the West, Hill Country, and Coastal Bend, which presents an opportunity for targeted interventions and investments.

Opportunities for Central and South Texas

The Central and South Texas region, encompassing the 74-county area surrounding San Antonio, faces a range of unique challenges. These include the need for operational funding, access to low-cost debt capital and equity, limited collaboration among CDFIs, and insufficient access to healthcare, social services, and community resources. Healthcare institutions can play a pivotal role in addressing these issues by supporting CDFIs with operational funding to cover internal expenses, offering low-cost capital to enable CDFIs in South Texas to provide affordable financing to underserved communities, and fostering partnerships among CDFIs through collaborative convenings. Additionally, investing in community facilities that deliver essential services, such as healthcare, can significantly contribute to the well-being of underserved populations, further enhancing the impact of CDFIs in the region.

[1] Federal Reserve Bank (2024)

Strategic Partnerships

CDFIs are well-positioned to collaborate with healthcare institutions and funders to address their region's pressing needs, including affordable housing, small business growth, and health equity. By fostering collaborations between CDFIs and traditional financial institutions and by raising awareness of CDFI services among small businesses and underserved communities, healthcare institutions and funders can address the distrust in traditional banking institutions, which constrains financing opportunities. CDFIs operating in the South Texas region and across the nation have ongoing initiatives that can be scaled, replicated, and built upon, offering valuable lessons for further expansion and innovation.

This report features insights from several CDFIs we interviewed, highlighting their current efforts and identifying opportunities for improvements to advance economic development, improve access to essential services, and foster social equity in underserved communities in the region. **Its call to action is to demonstrate how partnerships between healthcare institutions and CDFIs can catalyze positive change** and significantly advance the region's economic and social development.

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INTRODUCTION TO CDFIS

What is a CDFI?

Community Development Financial Institutions (CDFIs) are mission-driven financial institutions dedicated to providing financial services to communities and populations that are underserved by traditional financial markets. CDFIs encompass a variety of organizations, including loan funds, credit unions, banks, and venture capital funds, all of which are certified by the U.S. Department of the Treasury. To maintain their certification, CDFIs are required to direct at least 60%[2] of their financing activities to their target markets, which typically include low-income, low-wealth, and other disadvantaged communities.

A History of CDFIs

The origins of CDFIs can be traced back to the late 19th century, beginning with the establishment of the first minority-owned banks in the 1880s. These early institutions were created to provide African American communities with access to savings accounts, loans, and other financial services that were otherwise denied by mainstream banks.

In the 1930s and 1940s, the establishment of credit unions further expanded access to affordable financial services, particularly for working-class families. Credit unions were organized as nonprofit cooperatives, providing their members with loans, savings opportunities, and financial education. This movement gained significant traction, with federal legislation helping to formalize and regulate these institutions.

The 1960s and 1970s saw the emergence of community development corporations (CDCs), which combined economic development initiatives with social services to address the needs of underserved urban and rural areas. These organizations played a crucial role in revitalizing communities by focusing on affordable housing, small development, and job creation.

By the 1980s and early 1990s, there was a growing recognition of the need for a more coordinated effort to address the financial needs of disadvantaged communities. Advocacy groups and community activists pushed for the establishment of a national network of community development financial institutions that could systematically address the gaps left by traditional banks. These efforts led to the creation of the CDFI Fund in 1994 under the Riegle Community Development and Regulatory Improvement Act, which institutionalized federal support for CDFIs and set the stage for their growth in the decades that followed.

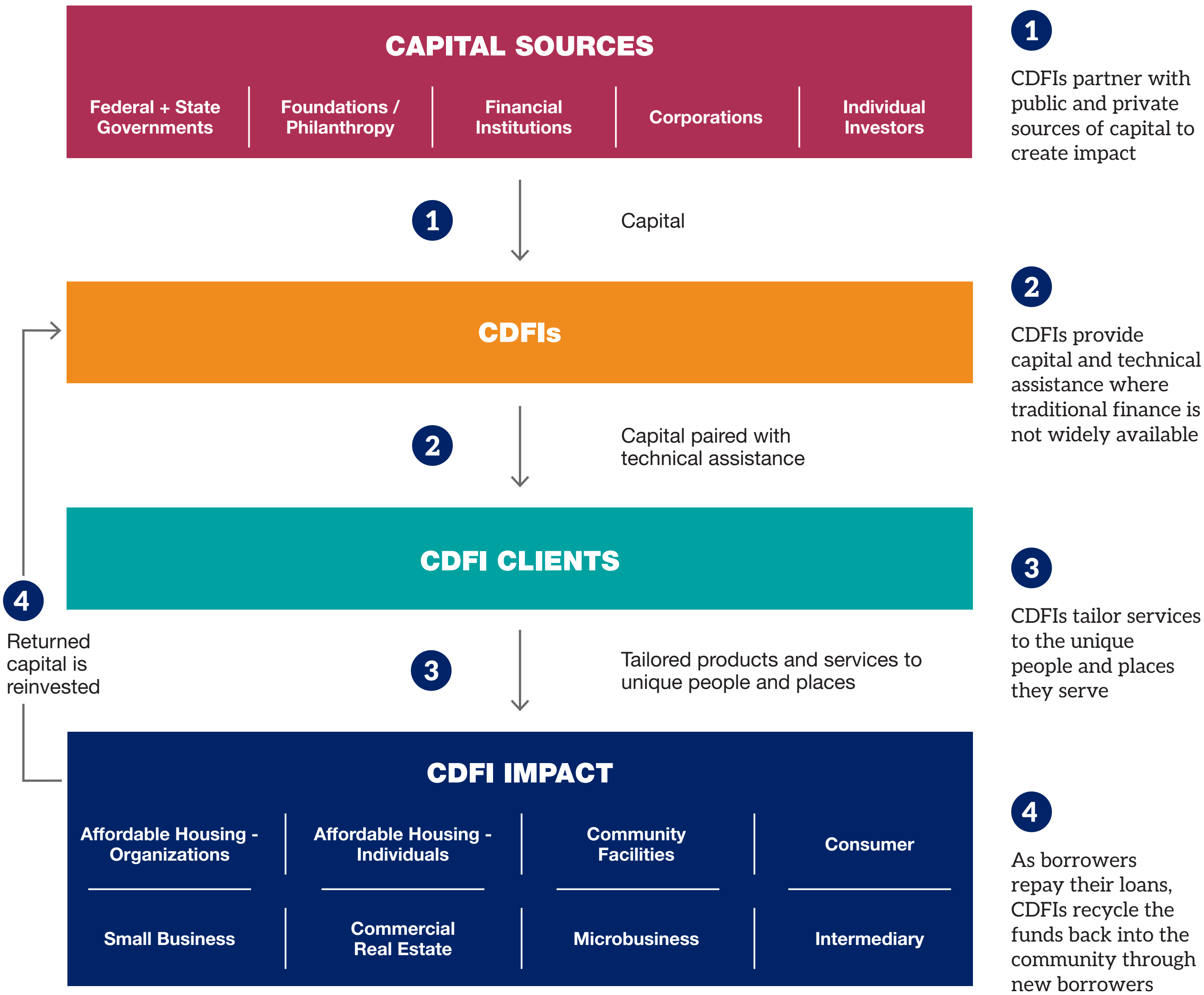
[2] CDFI Fund (2022)

CDFI Business Model

The CDFI business model is built on a foundation of partnerships with both public and private capital sources. CDFIs leverage these partnerships to offer a range of financial products and services tailored to the unique needs of the communities they serve. These products include loans for housing, small businesses, consumer needs, and community facilities. Unlike traditional financial institutions, CDFIs often provide technical assistance and financial education alongside their lending services, helping borrowers build the capacity to manage their finances and achieve long-term stability.

A key aspect of the CDFI model is the reinvestment of repaid capital back into the community. As borrowers repay their loans, CDFIs recycle these funds to support new borrowers, creating a sustainable cycle of community investment. This approach not only fosters economic growth but also strengthens community ties and builds trust between CDFIs and the populations they serve.

Figure 2: CDFI Business Model



Source: U.S. Treasury, CDFI Fund; Opportunity Finance Network

Types of CDFIs

There are four main types of CDFIs, each with a unique structure and focus area:

Figure 3: CDFI Fund Types

	Loan Funds	Credit Unions	Banks or Thrifts	Other[1]
Definition	Entities that aggregate capital at below-market rates and lend primarily to LMI* communities	Nonprofit financial cooperatives with a mission of serving LMI people and communities	For-profit depository institutions primarily serving LMI communities in which it is chartered	Entities providing equity and equity-like capital to businesses in LMI communities
Structure	Primarily nonprofit; some for-profit	Nonprofit, cooperative	Primarily for-profit; some mutually-owned	Typically for-profit
Regulation	Unregulated	National Credit Union Administration (NCUA); state banking agencies, including COSSEC (for Puerto Rico)	FDIC, Federal Reserve, OCC, and state banking agencies	Unregulated
Capitalization Structure	Unsecured and secured debt, Equity Equivalent, and equity (grants)	Insured deposits, subordinated debt, and equity	Insured deposits, subordinated debt, and equity	Equity (and potentially debt)
Financial Services Offered	Loans for housing, microenterprise, small business, consumer, community facilities, and commercial real estate	Promote asset building and savings; affordable credit and retail financial services for individuals and small businesses	Loans and depository services for housing, business, commercial real estate, and consumer	Equity and debt with equity features to high growth potential and social impact
Share of CDFIs by Type	582 (39%)	529 (36%)	198 (13%)	178 (12%)
Share of CDFIs by Assets	$34.5B (8%)	$300.1B (66%)	$117.7B (26%)	N/A

1 Holding companies or venture capital CDFIs; * Low-to-Moderate Income
Source: U.S. Treasury, CDFI Fund; Opportunity Finance Network; Federal Reserve

Loan Funds

These entities aggregate capital at below-market rates and lend primarily to low-to-moderate-income (LMI) communities. They provide loans ranging from a few hundred to several hundred thousand dollars for various purposes, including housing, small businesses, consumer finance, and community facilities. Loan funds are primarily nonprofit organizations.

Credit Unions

Nonprofit financial cooperatives that are member-owned and democratically controlled, operating for the benefit of their members. They serve low- and moderate-income (LMI) individuals and communities by offering affordable credit, retail financial services, and promoting asset building and savings.

Banks or Thrifts

For-profit depository institutions that primarily serve LMI communities. These CDFIs offer loans and depository services for housing, businesses, and consumer needs.

Other / Venture Capital Funds

These entities provide equity and equity-like capital to businesses in LMI communities. They are typically for-profit and focus on high-growth potential sectors.

Each type of CDFI plays a critical role in filling gaps left by traditional financial institutions, offering **tailored products and services that meet the specific needs of underserved communities**.

CDFI Financing Sectors

CDFIs channel their resources into several key financing sectors, with a strong emphasis on affordable housing, consumer finance, and small business.

Figure 4: CDFI Financing Sectors

Financing Sector	Definition	Capital Outstanding (N = 283)[1]	Primary Business Line (N = 453)[2]
Affordable Housing – Organizations	Financing for housing groups covering predevelopment to mortgages for various housing projects	29%	12%
Affordable Housing – Individuals	Financing for individuals to support homeownership and home improvement	27%	9%
Community Facilities	Financing for various community service organizations for purposes ranging from acquisition to expansion	12%	2%
Consumer	Credit for personal loans covering health, education, emergencies, debt, transportation, and other needs	10%	39%
Small Business	Loans above $50,000 for business growth, working capital, or equipment needs for businesses (>5 employees)	10%	27%
Commercial Real Estate	Financing for nonresidential property projects, including construction, rehabilitation, and expansion	7%	10%
Microbusinesses	Up to $50,000 loans for smaller businesses (<5 employees) for start-up, growth, capital, or equipment needs	3%	N/A
Intermediary	Financing provided to other CDFIs	<1%	2%

Concentration of Capital / Primary Business Line: High Medium Low

Note: 1 Share of dollar amount of loans and investments outstanding by sector (Fiscal Year 2021). Includes Opportunity Finance Network members – loan funds, credit unions, venture funds
2 Share of CDFIs reporting primary line of business by sector. Microbusiness was not included as a separate category in the survey

Source: U.S. Treasury, CDFI Fund; Opportunity Finance Network; Federal Reserve

Affordable Housing

Both organizational and individual financing for housing projects make up a significant portion of CDFI capital. CDFIs support everything from predevelopment to mortgages, helping to address housing shortages in underserved communities.

Consumer Finance

Personal loans for health, education, emergencies, and other needs are another focal point for CDFIs, with many credit unions playing a key role in this sector.

Small Business Financing

CDFIs provide critical funding for small businesses, particularly those that struggle to secure loans from traditional banks. These loans are essential for business growth, working capital, and equipment purchases.

CDFIs ability to target these sectors ensures that **they can meet the diverse needs of their communities**, supporting economic resilience and growth.

CDFI Spotlight 1: LiftFund

LiftFund
DREAM IT. FUND IT.

Overview

LiftFund is a nonprofit loan fund serving 15 states across the country that aims to provide credit and services to small businesses and entrepreneurs who do not have access to loans from commercial sources and to provide leadership and innovation in the microlending industry.

Key Achievements

- In 2022, $117.3 million funds were facilitated (including both loans and grants), 12,459 jobs were created or retained, an estimated economic impact of $1.6B, and 8,346 business support hours provided

Spotlight Initiatives	Partners
Grow Now! Financial Equity Fund This $1.5 million grant fund supports black-owned micro and small businesses in Bexar County. The grant awards include financial and business planning consultations, values-based leadership programs, and connections to personal mentors	• Corporate Partners for Racial Equity • San Antonio Area Foundation
City of San Antonio's Zero Percent Interest Rate Loan Program This place-based partnership supports small business owners and aspiring entrepreneurs with funding to reach business goals	• City of San Antonio
Heroes Program This sector-based program is designed to create opportunities for former members of any branch of the U.S. Armed Forces to start or grow a small business	• USAA

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NATIONAL CDFI LANDSCAPE

Overview of the National CDFI Landscape

As of 2023, the national landscape of Community Development Financial Institutions (CDFIs) is robust, with over 1,400 certified institutions managing assets that exceed $450 billion. These institutions play an indispensable role in promoting economic development in low-income and minority communities across the United States. The most common types of CDFIs are loan funds and credit unions, which together hold the majority of CDFI assets. Loan funds are particularly prominent, comprising the largest share of CDFIs by count, although credit unions manage a larger share of the assets.

Key Trends and Developments

Increasing Demand for CDFI Services

Recent surveys, including the Federal Reserve's 2023 CDFI Survey, indicate a strong and growing demand for CDFI services. Approximately, three out of four CDFIs reported an increase in demand over the past year, a trend that is expected to continue. This growing demand is largely driven by ongoing economic challenges, such as the rising cost of living and persistent gaps in access to traditional financial services. The survey also revealed that loan funds, in particular, have seen a significant uptick in demand for their products.

Challenges in Meeting Demand

Despite the increasing demand, many CDFIs face operational challenges that hinder their ability to fully meet this demand. These challenges include the limited access to low-cost capital, difficulties in hiring and retaining skilled staff, and the need for more innovative solutions to address complex community needs. The Federal Reserve's survey highlighted that while a majority of CDFIs are able to meet most of the demand, smaller institutions, particularly loan funds, often struggle with the financial and operational capacity to scale their services.

Innovations and Impact Measurement

In response to these challenges, CDFIs have been innovating to enhance their impact. Innovations include leveraging recent federal funding programs, such as the Paycheck Protection Program (PPP), the Emergency Capital Investment Program (ECIP), and the Greenhouse Gas Reduction Fund (GGRF), to expand their product offerings. Additionally, CDFIs are increasingly integrating technology into their operations to improve efficiency and reach. However, measuring the full impact of their services remains a challenge for many CDFIs. While most institutions track basic financial metrics, there is a growing interest in capturing more nuanced outcomes, such as the quality of jobs created and the long-term financial health of their clients.

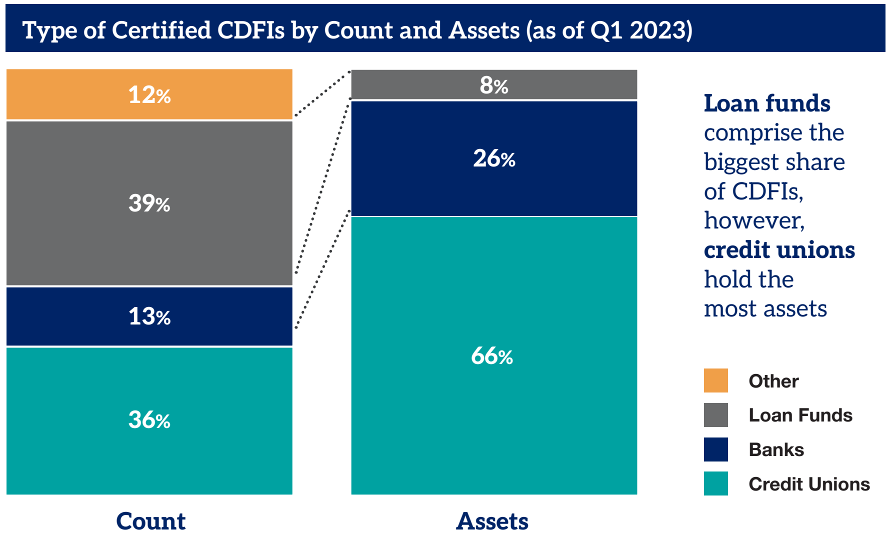
Figure 5: Current State of CDFIs – National

1,400+
Certified CDFIs
(as of Q1 2023)

+40%
Increase in CDFIs
(since 2019)

$450B+
Total Assets
(as of Q1 2023)[1]

+67%
Asset Growth
(since 2019)



Source: U.S. Treasury, CDFI Fund; Opportunity Finance Network; Federal Reserve

CDFI Spotlight 2: JUST & Texas Community Capital

Overview

JUST

JUST has re-imagined traditional microcredit models from the developing world, making them more human-centered to foster greater transformation. Loan amounts range from $750 to $10,000, with eligibility determined by tenure in the program.

Key Achievements

- Distributed $21M in loans to over 6,200 female entrepreneurs with a 99% repayment rate

Texas Community Capital

Texas Community Capital is a non-profit loan fund serving Texas that invests in activities and supports organizations dedicated to preserving & improving their community's resilience and vitality through service to low-to-moderate income (LMI) families and individuals.

Key Achievements

- Funds 19 Community Loan Centers (CLC) with 402 participating employers, which have issued 130,000 loans totaling $127M

Offering Model

JUST

JUST employs a client-centric approach through its Entrepreneur Trust Agent (JETA) program, where graduates of JUST's leadership program have gone on to establish their own business support groups. JETAs recommend entrepreneurs that they trust to receive one of JUST's small dollar loans (up to $10K). 512 JETAs work across a client network in four markets and hold over 300 small business support groups weekly.

Texas Community Capital

Texas Community Capital delivers capital through three key avenues:

1. Offering loans to community-based nonprofits and mission-driven developers, utilizing mission-aligned funds to acquire land or property, rehabilitate, and preserve affordable housing for low- to moderate-income families and individuals.
2. Providing loan and investment products, development services, and other resources to CDFIs, community-based nonprofits, and similar organizations, as well as the low-to-moderate income (LMI) households they support.
3. Funding Community Loan Center (CLC) franchises seeking to expand their operations.

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CENTRAL AND SOUTH TEXAS CDFI LANDSCAPE

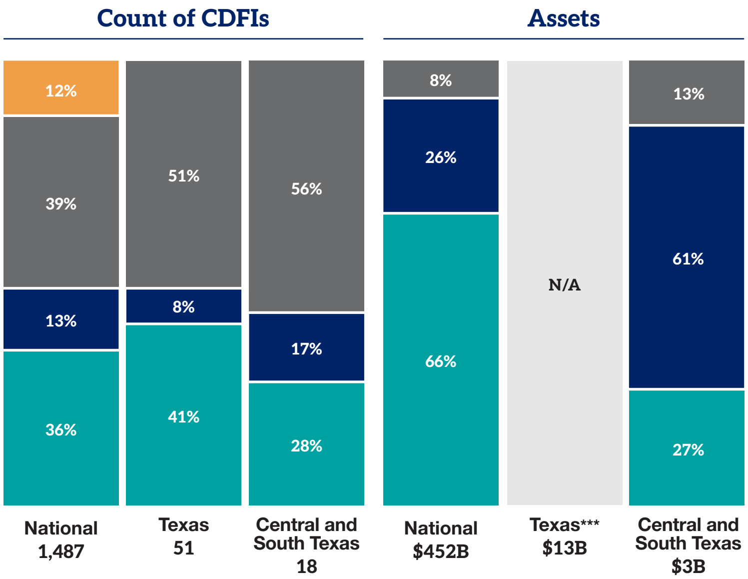
Community Development Financial Institutions (CDFIs) are pivotal in promoting economic revitalization and community development, particularly in underserved areas. Despite Texas' vast size, it has a relatively low number of CDFIs compared to its population. With only 51 certified CDFIs—representing just 3.4% of the national total—Texas accounts for 9% of the U.S. population, highlighting a significant disparity. This gap is more pronounced compared to similarly sized states like California, which has 8% of U.S. CDFIs for 12% of the U.S. population, and Florida, with 3% of U.S. CDFIs for 7% of the U.S. population. This disparity is particularly pronounced in Central and South Texas, where only 18 certified CDFIs are based in the 74-county region surrounding San Antonio.

Figure 6: Current State of CDFIs – Central and South Texas

Current State

Certified CDFIs (as of Q1 2023)			Total assets (as of Q1 2023)			Total CDFI Investment (2017)		
National	Texas	Central and South Texas*	National	Texas	Central and South Texas*	National	Texas	Central and South Texas*
1,400+	51 (3.4% of National)	18 (35% of TX)	$450B+	$13B (2.9% of National)	$3B (35% of TX)	$7B	$198M (2.9% of National)	N/A**

Type of Certified CDFIs by Count and Assets (as of Q1 2023)



Loan Funds (10)
- Affordable Homes of South Texas, Inc.
- Businesses Invest in Growth, Inc
- BCL of Texas
- Just Community, LLC
- LiftFund, Inc.
- National Association for Latino Community Asset Builders
- Neighborhood Housing Services of San Antonio, Inc.
- PeopleFund
- Rio Grande Valley Multibank Corporation
- Texas Community Capital

Credit Unions (5)
- Border Federal Credit Union
- Kerr County Federal Credit Union
- RGV Credit Union
- River City Federal Credit Union
- Star of Texas Credit Union

Banks or Thrifts (3)
- First Community Bank
- Freedom Bank
- Texas National Bank

Other | Loan Funds | Banks | Credit Unions

Note: * MHM Service Area - To prevent double counting, this list excludes three bank holding companies for whom subsidiary banks are already included. The excluded bank holding companies are AOB Ventures, Inc. (Freedom Bank), First San Benito Bancshares Corporation (First Community Bank), and MNB Ventures, Inc. (Texas National Bank), ** Central and South Texas CDFI 2017 investment unknown *** Texas CDFI asset breakdown unknown

Source: U.S. Treasury, CDFI Fund; Opportunity Finance Network; Federal Reserve

Several CDFIs, while not based in the South and Central Texas region, actively contribute to its development. These CDFIs are not included in the chart above to avoid misrepresenting the region's data. These include:

- Accion Opportunity Fund
- AltCap
- BlueHub
- Business Consortium Fund
- Community Health Center Capital Fund
- Communities Unlimited
- DreamSpring
- Grow America Community Impact Loan Fund
- Local Initiatives Support Corporation (LISC)
- Momentus Capital
- Raza Development Fund

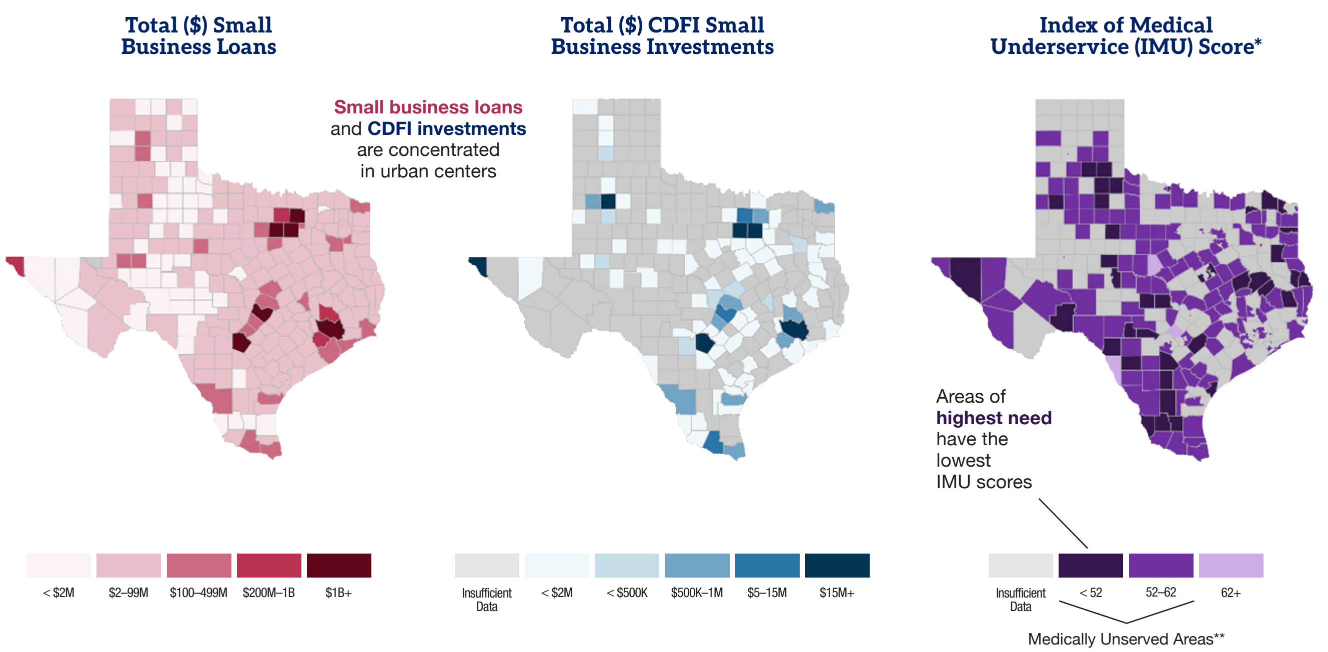
Target Populations and Geographic Reach

CDFIs in Central and South Texas include loan funds, credit unions, and banks or thrifts, with loan funds being the most common. These institutions provide a range of financial products and services, including loans for housing, small businesses, community facilities, consumer credit, and commercial real estate.

Most small business loans and investments are concentrated in urban centers such as Austin, San Antonio, and the Rio Grande Valley. In contrast, rural areas, particularly in the West, Hill Country, Crossroads, and Coastal Bend regions, remain underserved.

The Index of Medical Underservice (IMU) Score serves as a useful proxy for identifying areas where health services are limited. The IMU score is calculated based on several key factors: the number of medical providers relative to the population, the percentage of the population living at or below 100% of the Federal Poverty Level, the percentage of residents aged 65 and older, and the infant mortality rate. Lower IMU scores indicate areas with the highest need for medical services. In Texas, these high-need areas are predominantly located in rural regions, underscoring the critical need for targeted support and investment to enhance healthcare access and improve overall health outcomes in these underserved communities.

Figure 7: Small Business Loans and CDFI Investments in Relation to IMU Scores



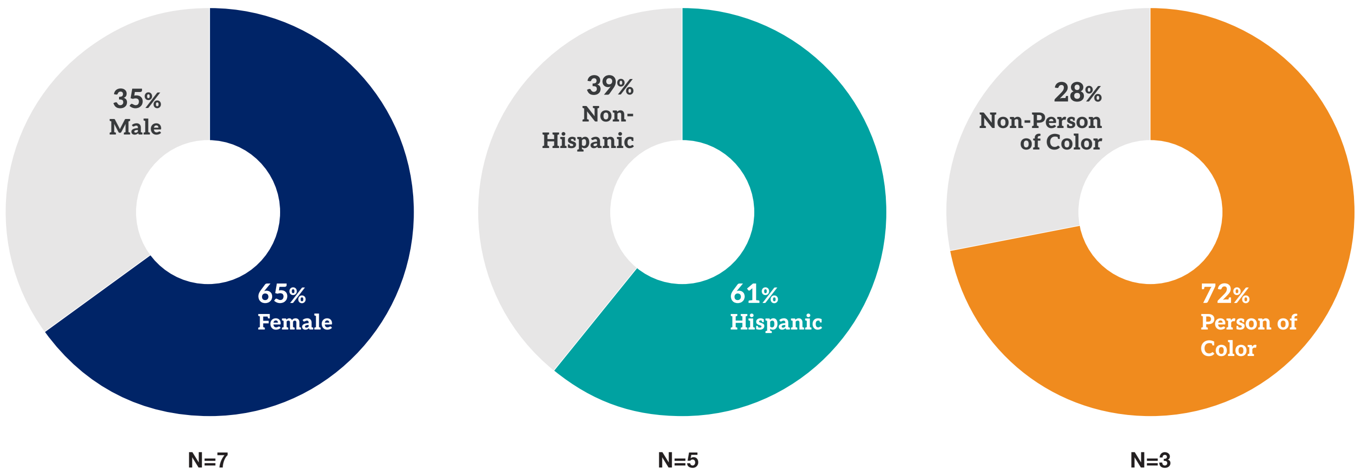
Note: * IMU is calculated using 4 factors: Ratio of primary care physicians per 1,000 population, infant mortality rate, percentage of the population with incomes below the federal poverty level, and percentage of the population over age 65. These factors are combined into a formula that produces a score ranging from 0 to 100

** An area with an IMU of 62.0 or less qualifies as a Medically Underserved Area.

Source: PolicyMap, by County; CRA (2019); CDFI Fund (2017); Health Resources and Services Administration (2023)

CDFIs based in Central and South Texas serve diverse populations, including minority groups such as females, Hispanics, and people of color. Their services are essential in areas with high economic and healthcare needs, offering support to both individuals and businesses.

Figure 8: Demographic Distribution of CDFI Beneficiaries – Central and South Texas



Note: Based on demographic data made publicly available by organization
Source: Next Street Research

CDFI Spotlight 3: BCL of Texas

Overview

BCL of Texas is a nonprofit loan fund dedicated to fostering economic growth and financial empowerment across the state. By supporting homeownership, entrepreneurship, and community development, BCL of Texas has made a significant impact on the lives of thousands of Texans.

Key Achievements

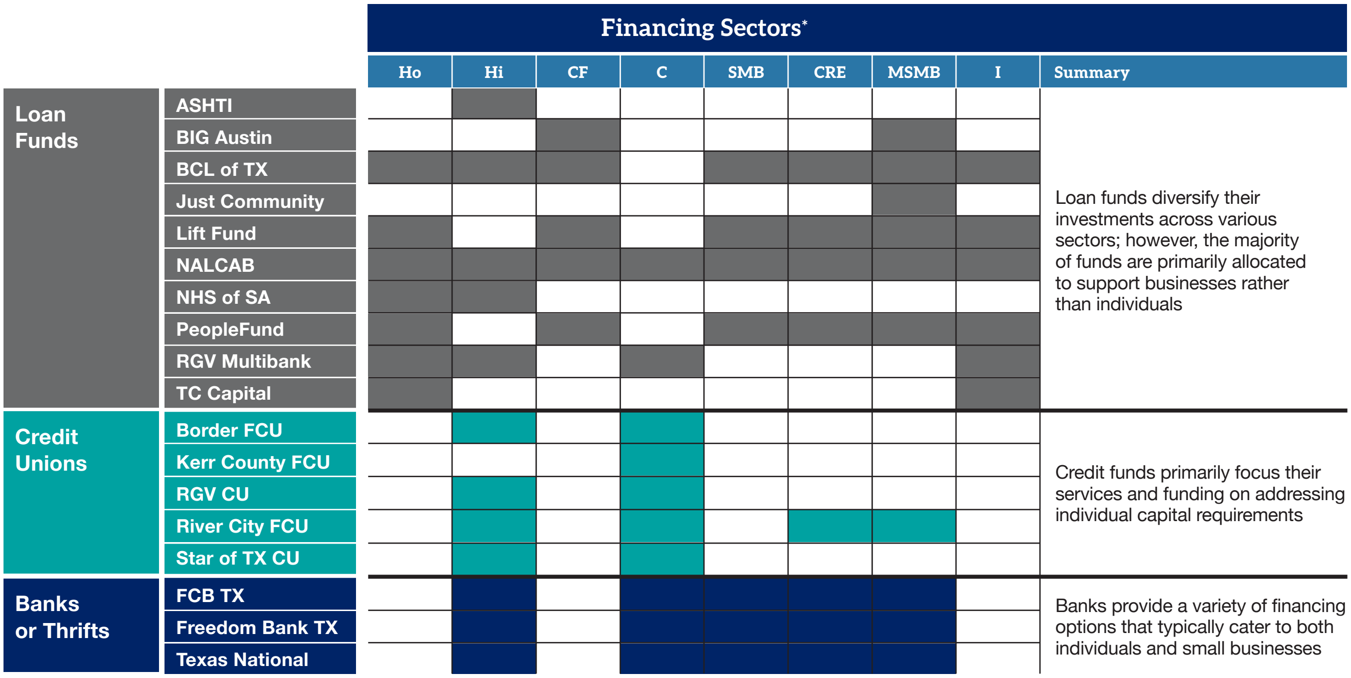
- In 2021, BCL of Texas Facilitated $6.46 million in small business lending, creating or retaining 161 jobs
- The organization supported 202 new homeowners with $46.1 million in new mortgages
- BCL of Texas also provided $4.9 million in consumer lending, reaching 4,592 borrowers and generating an overall economic impact of $57.46 million

Spotlight Initiatives	Partners
Dallas Accelerator Program This grant-funded initiative leverages educational resources to support small business growth, with a particular focus on Minority and Women Business Enterprises in Dallas	• Dallas Black Chamber of Commerce • Greater Dallas Hispanic Chamber of Commerce
Austin Community Land Trust Accelerator A place-based program designed to scale the capacity of community-led developers, providing long-term affordable homeownership opportunities	• Austin Revitalization Authority • Blackland Community Development Corporation • Guadalupe Neighborhood Development Corporation
IBC Bank Homeownership Counseling & Education Program A capacity-building initiative that prepares individuals for homeownership through comprehensive counseling and education services	• International Bancshares Corporation (IBC) Bank

CDFI Financing Sectors and Impact Metrics

CDFIs in Central and South Texas offer financing options encompassing consumers, small businesses, community facilities, and affordable housing; their support extends to both organizations and individuals, spanning a diverse range of sectors.

Figure 9: CDFI Financing Sectors – Central and South Texas



Note: * Sectors: Ho = Affordable Housing – Organizations; Hi = Affordable Housing – Individuals; CF = Community Facilities; C = Consumer; SMB = Small businesses; CRE = Commercial Real Estate; MSMB = Microbusinesses; I = Intermediary

Source: U.S. Treasury, CDFI Fund; Opportunity Finance Network

CDFIs significantly influence the regions they serve through a variety of services, contributing to economic growth, job creation, and improved financial outcomes for individuals and communities. Although each CDFI tailors its activities and financing sectors to meet the needs of its target population, there are similarities in their offerings and focus areas. These similarities include providing affordable loans to small businesses, offering financial education and counseling, supporting affordable housing projects, and investing in community facilities. These activities often align with the specific type of CDFI.

Each type of CDFI has distinct reporting requirements and methods for impact reporting, reflecting their unique operational structures and goals. This diversity in focus and reporting can create challenges in aggregating data across the sector but also highlights the broad and multifaceted impact of CDFIs in fostering inclusive economic development. However, the variation in CDFI types—banks, credit unions, and loan funds—leads to differences in service delivery and impact measurement.

Loan Funds

Diversify their investments across various sectors, primarily supporting businesses and projects rather than individuals rather than individuals. Loan funds are the only CDFI type to provide financing in all eight CDFI sectors. They proactively disclose a range of impact data to support fundraising and provide potential partners and stakeholders with clear insights into their performance.

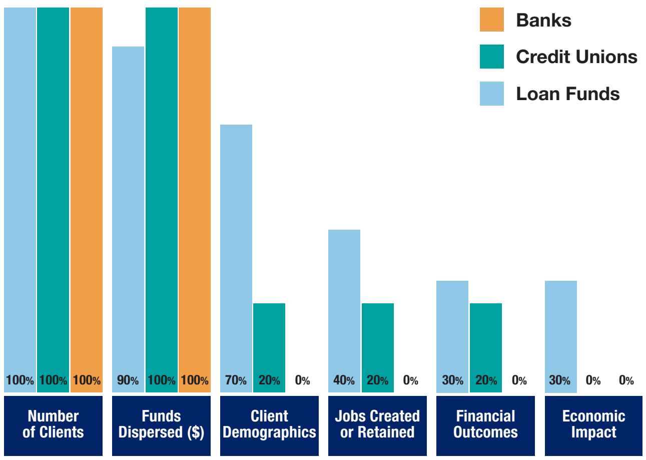
Credit Unions

Focus on addressing individual capital requirements. They tend to gather limited impact data, emphasizing the number of clients served and the value of products deployed.

Banks

Provide various financing options catering to both individuals and small businesses. Annual reports typically detail assets and liabilities, offering limited information on client demographics or outcomes.

Figure 10: Metrics Collected and Reported by Central and South Texas CDFIs for Impact Measurement



Source: Next Street Interviews and Research

Future CDFI Potential in Central and South Texas

While the Central and South Texas region currently has areas without CDFI services, many community-based organizations are dedicated to serving low-income families and neighborhoods. Recent revisions to the CDFI Fund's certification process are expected to increase the number of certified CDFIs, presenting opportunities for expanded services in underserved areas. Below is a list of active community-based organizations in the Central and South Texas region that are not currently certified as CDFIs.

Figure 11: Community Development Corporations (CDCs) in Central and South Texas

Community Development Corporations (CDCs)		
Accessible Housing Austin!	Harlingen CDC	Spectrum Housing Corporation
Accessible Housing Resources	J DePenning Consulting	Texas Appleseed
Austin Habitat for Humanity	Keene Development Consulting	Texas Capital Bank
Avenida Guadalupe Association	Los Robles Development Company	Texas PAC Authority
Blackland CDC	Merced Housing Texas	The NRP Group
Capital Area HFC	Mexican American Unity Council	United Economic Development Corporation
Come Dream. Come Build	NeighborWorks Laredo	
Community Housing Resource Partners	Prospera Housing & Community Services	
Five Points Community Capital	Proyecto Azteca CDC	
Foundation Communities	Rebuilding Together Austin	
Frameworks CDC	South Texas Development Council	
Green Doors	Southeast Texas HFC	
Guadalupe Neighborhood Development Corp	Southside First Economic Development Council	

Source: Texas Association of Community Development Corporations, Opportunity Finance Network

Addressing the challenges and leveraging opportunities for collaboration can enhance CDFI's economic development impact, particularly in underserved rural areas. Continued efforts to expand services will be essential for the growth and success of CDFIs in the region.

CDFI Spotlight 4: PeopleFund

PeopleFund

Overview	Spotlight Initiatives	Partners

PeopleFund is a nonprofit loan fund committed to fostering economic opportunity, job creation, and financial stability for underserved populations across Texas. By offering a range of financial products and services, PeopleFund empowers small businesses and supports community development initiatives in some of the state's most underserved areas.

Key Achievements

- Over $250 million in loans dispersed and more than 7,000 jobs created or retained through various initiatives
- $250 million in New Markets Tax Credit (NMTC) program allocations targeted at neighbourhoods in need of jobs and revitalization

Spotlight Initiatives	Partners
Veteran Loan Fund A nationwide initiative launched in 2022 in collaboration with 10 CDFIs, providing coordinated low-interest loans and technical assistance to veterans and veteran spouses. The fund has supported 231 businesses nationally, with PeopleFund facilitating 20% of the lending activity in Texas	• Bank of America • Wells Fargo
BIPOC Accelerator Program A capacity-building program initiated in response to the COVID-19 pandemic, providing loans, grants, and business coaching to small businesses in underserved communities. The program has helped 220 businesses grow and increase their chances of scaling	• Truist • Austin Community Foundation
New Markets Tax Credit (NMTC) Projects A place-based initiative that allows PeopleFund to sell tax credits to investors for NMTC-eligible projects. One notable project is the Multi-Assistance Center at Morgan's Wonderland in San Antonio, which serves low-income special needs individuals and their families	• Goldman Sachs • CDFI Fund

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CHALLENGES AND OPPORTUNITIES

Community Development Financial Institutions (CDFIs) in Central and South Texas face several unique challenges that hinder their ability to serve effectively. Understanding these obstacles is essential for developing strategies to enhance the impact and sustainability of CDFIs in this region.

Challenges

Funding Competition and Urban Bias

Nonprofit CDFIs are increasingly competing with for-profit entities for limited funding. Funders often prefer urban areas due to the higher resource requirements for managing rural programs and the more attractive potential for impact. This urban bias further disadvantages CDFIs serving rural areas.

Operational Funding and Cost of Capital

Insufficient operational funding and increased capital costs strain CDFIs' ability to provide affordable financing. Elevated interest rates exacerbate this issue, making it difficult for CDFIs to maintain their services and support their clients effectively.

Client Distrust and Cultural Competency

Many target populations in Central and South Texas lack trust in traditional banks and CDFIs. Building trust and reaching these communities requires partnerships and cultural competence that many institutions currently lack. This cultural trust gap makes it challenging to effectively serve diverse communities.

Limited Collaboration

Formal partnerships among CDFIs and stakeholders are uncommon within the Central and South Texas CDFI ecosystem, and a lack of comprehensive understanding of the CDFI landscape inhibits effective client referrals and shared resource utilization. Minimal engagement between the State government and CDFIs hinders opportunities for enhanced funding and programming.

Despite these challenges, there are significant opportunities to support CDFIs in expanding their impact and fostering economic development in South Texas.

Opportunities

Supporting Collaboration

CDFIs across the region emphasized a strong interest in cultivating new partnerships to address pervasive issues such as healthcare access, affordable housing, and income disparity.

With Healthcare Institutions and Funders: CDFIs can play a crucial role in improving health equity by providing startup capital, equipment loans, and tax credits for community healthcare centers. Partnerships with healthcare institutions and funders can amplify this impact by addressing health-related wealth disparities and fostering inclusive local economies. These collaborations ensure that healthcare services are accessible to all community members, regardless of their economic status, thereby promoting a healthier, more equitable society.

With Community Stakeholders: Fostering collaboration among stakeholders, including CDFIs, healthcare providers, local governments, businesses, and philanthropic organizations, is essential for enhancing the capacity of Central and South Texas-based CDFIs. By working together, these stakeholders can pool resources, share knowledge, and leverage each other's strengths to create more sustainable and impactful community development strategies. For example, healthcare providers could collaborate with CDFIs to develop health-focused financing programs that support community health centers, affordable housing with integrated healthcare services, or social enterprises addressing social determinants of health.

Additionally, improving the overall understanding of the CDFI landscape within this ecosystem is crucial. Workshops, cross-sector meetings, and educational programs can help stakeholders better understand CDFIs' role, funding structures, and potential for driving economic and social change. This knowledge can foster greater alignment of goals, making it easier for organizations to partner with CDFIs in ways that enhance both financial inclusion and access to essential services specific to the needs in the region.

With Government: Enhancing collaboration between the state government and CDFIs through publications that highlight the significance of CDFI initiatives and the potential benefits of working together can serve as a bridge, fostering mutual understanding and cooperation between governmental bodies and financial institutions dedicated to community development. Across the country CDFIs are forming statewide, regional, and city coalitions to share knowledge, exchange information, and bolster advocacy at the state level. Notable examples include the California Coalition for Community Investment, which spearheaded the creation of California's CDFI Fund, securing $50 million for CDFIs to invest in diverse community needs and the Virginia CDFI Coalition, which successfully advocated for the codification and recapitalization of the VA CDFI Fund in 2023. These examples illustrate how coordinated advocacy and collaboration can yield tangible financial support and policy changes, enabling CDFIs to better serve their regions and expand their impact.

With Banks: Promoting collaborations between CDFIs and traditional lenders is essential for broadening the reach and impact of CDFI services. These partnerships facilitate a seamless transition for customers moving from CDFI-supported financing to traditional banking services. Furthermore, CDFIs play a key role in bridging gaps of trust between communities and traditional lenders. By leveraging their deep connections within underserved areas, CDFIs can help traditional institutions better understand and engage with these communities, benefiting both the financial institutions and the populations they serve. Such collaborations enhance the overall effectiveness of financial services, ensuring a more inclusive and supportive financial ecosystem.

Investment in Rural Communities

Stakeholders have noted the need to establish a stronger presence in rural communities. Fostering relationships between communities and CDFIs, as well as funding rural initiatives, can enable reinvestment in rural-focused endeavors. This ensures that rural communities receive the support and resources necessary to thrive, addressing unique challenges and promoting sustainable development.

Advancement of Community Facility Projects

Several CDFIs in Central and South Texas are engaged in building and supporting community facility centers. Leveraging New Markets Tax Credits and Greenhouse Gas Reduction Fund program funds to invest in such projects can ensure that underserved communities have access to essential services and support offerings. These centers can serve as hubs for various services, including financial education, business development, and healthcare. By providing a comprehensive range of services, these community facility centers can significantly enhance the quality of life for residents and promote community well-being.

Provision of Low-Cost Capital

Given the current high cost of capital, providing no- and low-interest capital to CDFIs is essential for sustaining affordable financing options for underserved communities. This financial support enables these communities to access necessary resources without the burden of high interest rates, promoting economic stability and growth.

Through building strong collaborations, enhancing community capacity, and providing essential financial support, CDFIs can foster sustainable economic development and improve the overall well-being of Central and South Texas communities. By addressing critical issues such as healthcare access, affordable housing, and income disparity, CDFIs are instrumental in creating a more equitable and prosperous future for all residents.

CDFI Spotlight 5: RiverCity Federal Credit Union

RIVER CITY FEDERAL CREDIT UNION

Overview	Spotlight Initiatives	Partners
RiverCity FCU is a credit union serving Bexar County (San Antonio), Texas that aims to provide affordable, sensible financial products and services to everyone regardless of citizenship status to bolster economic growth, job creation, and equitable access to resources for Texas' underserved populations through sector / affinity focused, capacity building, and place-based initiatives.	**Community Investments** A place-based commitment to empower diverse communities through targeted investments and partnerships including financing to support the operations of YWCA, a multicultural women's organization with a mission to eliminate racism, empower women, and promote peace, justice, freedom, and dignity for everyone and sponsorship and funding of two women's events to promote financial stability through education	• YWCA San Antonio
	Financial Counseling A capacity-building partnership with Greenpath, a financial counseling nonprofit organization, to provide certified financial counselors to River City FCU's members that provide financial advice, debt management services, housing services, credit report review, and student loan counseling	• GreenPath
	Hispanic and Immigrant Client Empowerment River City FCU is a designated Juntos Avanzamos credit union. This designation is achieved by committing to providing bilingual services, collaborating with organizations that support the Hispanic community, and offering affordable products and services to Hispanic and immigrant communities	• Juntos Avanzamos

Key Achievements

- Dispersed nearly $10M in annual loans including small business loans, affordable auto loans, and personal loans
- Over 14,000 members with $145M in assets

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CDFI AND HEALTHCARE INSTITUTION PARTNERSHIPS

Community Development Financial Institutions (CDFIs) are pivotal in enhancing health equity through partnerships and funding tools. However, greater corporate collaboration could amplify their impact and help narrow health-related wealth disparities. In Central and South Texas, CDFIs collaborate with banks and the public sector to fund existing programs and introduce new initiatives. However, partnerships with healthcare institutions have been limited and stakeholders emphasized that CDFIs play a crucial role in bridging the wealth gap, a key factor in health outcomes.

Roles of CDFIs in Enhancing Health Equity

CDFIs enhance health equity both directly and indirectly. They foster health equity by providing funding and training for small business owners in the healthcare industry, many of whom reach clients in areas with limited existing healthcare options. Through community facility lending, CDFIs support the expansion and creation of community centers that offer essential services, including healthcare, contributing to community development and well-being.

Direct Opportunities Include

Startup Capital

CDFI loan funds provide startup capital to family offices and clinics, increasing access to healthcare for those unable to access larger health systems.

Equipment Loans

CDFI credit unions provide federal SBA 7a and 504 loans that healthcare businesses can use to fund medical equipment purchases.

Tax Credits and Facility Loans

CDFIs provide tax credits (e.g., New Market Tax Credits) and loans to fund the building of community healthcare centers.

Partnership Types

CDFIs and healthcare institutions are aligned in their missions to enhance community health and equitable economic growth, paving the way for collaborative partnerships across three types:

1. **Capacity Building Initiatives**
   Enhance CDFIs' capabilities to better serve their communities. Collaboration offers CDFIs access to technical assistance and training, and an exchange of expertise.
2. **Place-Based Initiatives**
   Address health equity and economic development challenges with geographically targeted revitalization strategies. Collaboration offers efficiencies for serving local communities by avoiding duplicated efforts, co-investing, and jointly raising capital.
3. **Sector-Focused Initiatives**
   Focus on specific sectors like healthcare, small businesses, housing, education, and the environment. Collaboration offers funding for investments adhering to triple bottom line (social, economic, and environmental) principles and guidelines.

Community Facilities: Essential Hubs for Service Gaps

Community facilities serve as essential hubs that address service gaps with solutions unique to the needs of specific communities. A community facility is a physical space or infrastructure that serves the needs of a community, providing essential services, supporting community well-being, and fostering social interactions. There is a vital link between individual health and community health by fostering collaborative partnerships with community stakeholders to enhance well-being outcomes. Community facilities enable these partnerships to directly provide services to underserved populations.

Examples of Community Facility Projects from Local CDFIs Include:

BiGAUSTIN: Aspire Project
In partnership with Banc of America CDC, this project involves creating a multi-use, mixed-income development for low-income and minority individuals through entrepreneurship and job-skills training, loans, affordable housing, and community- building initiatives.

PeopleFund: Mission Plaza – Foundation Communities
Utilizing $17 million in NMTC financing, this project supports the creation of a community financial center providing a wide range of services to low-income residents, including tax preparation and financial counseling.

PeopleFund: Multi-Assistance Center at Morgan's Wonderland
This one-stop service center for health, social, and community services caters to low-income, special needs individuals and their families. The center offers medical services tailored to special needs individuals, along with support from over 30 nonprofit service partners.

Case Study: Kaiser Permanente and LISC Partnership

LISC KAISER PERMANENTE®

Since 2020, Kaiser Permanente, in partnership with LISC, has allocated millions in grant funding to promote inclusive economic development and generate positive health outcomes in communities of color throughout the U.S. This CDFI-healthcare institution partnership deployed $23.5 million in grants to foster economic development nationally, focusing on communities of color. Initiatives aim to improve community health through economic empowerment, emphasizing long-term support and local engagement.

Examples Include:

- **Financial Stability in Atlanta, GA:** Enhancing socioeconomic factors through employment services, financial coaching, and access to financial products
- **Community Ownership in Oakland, CA:** Supporting Black artists and entrepreneurs with property ownership, fostering business growth
- **Small Business Preservation in Washington, D.C.:** Preserving small businesses and preventing displacement amid new developments
- **Advocacy in Everett, WA:** Mobilizing community benefits from light rail development to prevent displacement and promote local economic growth

Capital Investment

Partners can utilize a diverse array of investment tools to bolster CDFI initiatives, ranging from grants and non-repayable funding to loans offering market-rate returns. Foundations, banks, and governments have harnessed various investment tools to support CDFIs in alignment with their missions and risk thresholds.

Figure 12: Capital Investment Tools

	Grants	Program-Related Investments (PRIs)	Cash Deposits	Guarantees	Loans	Equity
Description	Non-repayable funds directly to CDFI	Low-interest loans or other investments made by foundations to support charitable activities Focus on program impact rather than financial return	Cash deposit into a financial institution in exchange for a return on investment typically in the form of interest payments	Commitments to cover some or all losses incurred by lending risks, such as debt default or the failure to complete a project/achieve an outcome	Secured debt products with term repayment requirements Loans may be structured as senior debt or subordinated debt	Long-term financing conditional on an ownership stake in the CDFI This type of investment tool is only applicable to for-profit CDFIs
Expected Return on Investment	No return on investment	0%-3%	0%-3%	Limited	Market interest rate – subsidized rate	No limit
Exit of Investment	N/A	Flexible repayment over a longer period	Repayment	Repayment	Repayment	Sales or ownership buyout

Lower Risk & Lower Return ⟷ **Higher Risk & Higher Return**

Source: Bridges Community Ventures

Guarantee Programs:

Guarantee programs offer several advantages: they can broaden access to financing for non-traditional borrowers, reduce interest rates, and stimulate further investment. One example of this is a Community Investment Guarantee Pool (CIGP), a collaborative initiative involving various funders that aggregates financial guarantees to provide support to intermediary lenders operating in climate, affordable housing, and small business development. It mitigates losses by spreading them across a diverse group of investors.

Low-Cost Capital Programs:

Low-cost capital programs, including grant programs and Program Related Investments (PRIs), encompass a broad range of activities. Operational grants specifically assist CDFIs by funding investments in staff, technology, and capacity-building initiatives. Grants and PRIs maintain CDFIs' financial health by bolstering their equity base, ensuring they meet financial covenants required by various capital sources, such as banks, which may include maintaining a minimum net asset ratio. One example of this is the Capacity Building and Growth Grant (CBGG). The $3 million pilot program through the Federal Home Loan Bank of Dallas aims to increase the capacity of non-depository CDFIs to foster affordable housing, small businesses, and community economic development. Eligible activities for funding include operating expenses facilitating strategic shifts or expansions, technology upgrades, leadership training, and the cultivation of new revenue streams.

Partnership Examples

Foundations, banks, and governments have harnessed various investment tools to support CDFIs in alignment with their missions and risk thresholds.

Figure 13: Partnership Initiatives

Initiative	Description	Example	Impact
CDFI Infrastructure	Invest in process efficiencies	LiftFund and JPMorgan Chase	JPMC funded the creation of a shared loan underwriting platform to increase lending efficiency
Research Sharing	Create resources and knowledge-sharing hubs	Nonprofit Finance Fund and Center for Health Care Strategies	Convening of community-based partners and healthcare institutions
Affordable Housing	Address housing stability for people in the health system's service community	NewWest Community Capital and Intermountain Health	$10M investment for developing affordable housing
Facilities Funding	Funding for community projects like health clinics, schools, and food banks	Opportunity Finance Network and USDA Rural Development	26 lenders awarded Community Facilities Relending Program loans
Small Business Loans	Loans to healthcare businesses	Primary Care Development Corporation and Mt Vernon Neighborhood Health Ctr	$4M bridge loan to renovate a 50-year old facility in a Medically Underserved Area
Supplier Financing	Funding for potential suppliers to the healthcare industry	LISC and Abbott	$12.5M in loan capital for supplier financing
Interest Rate Subsidies	Reduce borrowers' interest rates for specific types of borrowers	LiftFund and USAA	<$1M grant funding to lower Veteran loan interest rates

Source: Next Street Research and Analysis

Initiative Type: Capacity Building | Place-Based Initiatives | Sector-Focused Inititatives

By addressing gaps in capital access, fostering collaboration, and developing community facilities, CDFIs can significantly contribute to economic mobility and health equity in Central and South Texas. Continued support and partnership with CDFIs will enable the development of resilient communities and thriving individuals and families. Implementing these strategic recommendations can enhance the capacity of CDFIs to serve underserved communities effectively, fostering a more inclusive and equitable economic landscape.

CDFI Spotlight 6: BiGAustin

BiGAUSTIN Business Investment Growth

Overview

BiGAustin is a nonprofit loan fund serving Central Texas that provides fair access to capital, resources to build small businesses, tools to attain livable wages, and quality affordable housing with a goal of empowering underserved Texans to excel and prosper through education, counseling, and capital. Focused on a combination of small business and workforce development efforts, BiGAustin provides solutions and creates financial strength for women, minorities, and clients facing systemic inequalities.

Key Achievements

- Supports over 1,300 small business entrepreneurs annually through training programs and loan services
- Has distributed $6.5 million in loan funds

Spotlight Initiatives	Partners
ASPIRE A place-based partnership with Banc of America CDC to create a multi-use, mixed-income development for low-income and minority individuals. The property will include entrepreneurship and job-skills training, loans, affordable housing, and community-building initiatives	• Bank of America
Rise and Thrive Initiative A capacity-building program that provides the tools and resources needed to break free from the constraints of poverty and achieve a better tomorrow. The program includes workforce training and resume workshops, healthy living workshops, financial literacy courses, youth leadership and after-school tutoring, and a scholarship fund for higher education programs	• Housing Authority of Travis County
Survive & Thrive A program that assists the most economically distressed counties of central Texas – Blanco, McCulloch, Mason, Milam, and San Saba – to increase the loan approval rates of program participants through industry-specific business and technical training to individuals in addition to one-on-one counseling and micro-loan assistance	• CDFI Fund

APPENDIX

Methodology

Methodist Healthcare Ministries (MHM) commissioned a study to evaluate the CDFI landscape within its service area. This assessment covers the organization's 74-county service area, focusing on financing sectors, geographies served, the range of financial products and services offered, key partnerships, focus areas, utilization of regional and national opportunities, and impact metrics.

The study incorporates a combination of stakeholder interviews, CDFI case studies, and desk research to provide a comprehensive overview of the CDFI landscape.

Desk Research: This research involved an in-depth analysis and synthesis of findings from existing scholarly articles and research papers related to CDFIs at the national, state, and local levels. Next Street supplemented this with an analysis of data from CDFI websites within the region.

Interviews: To enhance the insights from public data sources and gain a deeper understanding of the current CDFI landscape—covering offerings, customer segments, geographies served, partnerships, and opportunities — Next Street conducted interviews with stakeholders from CDFIs in the Central and South Texas region.

We would like to extend our heartfelt gratitude to all who participated in the process. There are individuals who shared important contributions, and for that, we are truly grateful. While we have maintained confidentiality as promised, please know that your insights have played a crucial role in shaping this work and are deeply appreciated.

About the Next Street Research Team

We would like to acknowledge the contributions from Next Street who produced this report and underlying research.

Next Street designs and develops solutions to connect entrepreneurs and small business owners with the right resources at the right time, with a focus on small businesses facing disproportionate barriers. With a proven 20-year track record, an ongoing commitment to becoming an anti-racist organization, and an extensive network of small business advocates, operators and investors, Next Street is accelerating the impact of institutions and advisors on small businesses and providing millions of business owners with the experts, tools, and capital they need to thrive.

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About Methodist Healthcare Ministries

Methodist Healthcare Ministries broadens the definition of health care by providing low-cost clinical care for the uninsured and by supporting community-led efforts that improve living conditions that cause people to be sick in the first place. We use our earnings as co-owners of Methodist Healthcare to ensure that people who are economically disadvantaged and uninsured can live their healthiest lives. We do this by advocating for, investing in and providing access to quality clinical care and addressing factors that affect health—including economic mobility, supportive relationships, food security, broadband access, and safe neighborhoods. Ultimately, we fulfill our mission of “Serving Humanity to Honor God” by advancing health equity so that more resilient individuals & families living in the 74 counties we serve can thrive.

MHM Team: Strategy and Impact Department and Communications Department