

# A **PATHWAY** TO BUILDING A DC CDFI COALITION

A Synthesis of Perspectives, Best Practices  
& Lessons for the District of Columbia



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(formerly CNHED)

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# TABLE OF CONTENTS

|                                                            |    |
|------------------------------------------------------------|----|
| Acknowledgements                                           | 3  |
| Executive Summary                                          | 4  |
| Introduction CDFIs for<br>Equitable Development            | 6  |
| CDFI Industry Insight                                      | 9  |
| Towards a District<br>CDFI Coalition                       | 22 |
| Recommendations<br>towards Coalition Building<br>and Focus | 26 |
| Coalition Building                                         | 27 |
| Sources                                                    | 28 |

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*To my supervisor, Evette Banfield thank you for your continual support, wisdom, and guidance throughout the entirety of this project. She is a trusted role model and leader, challenging me to continue to grow and refine myself professionally.*

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- Sarah Hadad 2024

# EXECUTIVE SUMMARY

Community Development Financial Institutions (CDFIs) experienced significant growth following federal and state COVID-19 relief programs, with small businesses particularly benefiting from their support during the pandemic. The pandemic amplified the crucial role CDFIs play in addressing socioeconomic disparities by providing access to capital for marginalized communities, a vital component of local economic development. As demand for financial services in low-income and minority communities rises, the CDFI industry is well-positioned for growth. However, many CDFIs face challenges such as limited access to capital, visibility, and capacity. CDFI Coalitions have emerged as effective solutions to addressing these issues, allowing organizations to leverage resources to elevate visibility, advocate for policies, and collaborate towards collective goals.

This report provides perspectives on the work of CDFI Coalitions to inform the creation of a DC CDFI Coalition. The scope of the research included an industry landscape, engagement with local CDFIs, and discussions with CDFI Coalitions across the nation. CDFI Coalitions provided insight into their organizational structure, accomplishments, and challenges, showing key findings on:

**Branding | Policy and Advocacy | Collaborative Partnerships**  
**Coalition Funding | Coalition Stewardship**

*From these conversations, three themes emerged:*

## INTENTIONALITY

Defining purpose, setting targets, and goals towards collective outcomes.

## SYNERGY

Leveraging each others strengths and finding commonalities towards reducing duplication and increasing capacity.

## COLLABORATION

Committing to work together on projects and initiatives when doing so results in more equitable outcomes for the community.

There are six CDFIs operating in the District. Their engagement in this research was aimed at understanding their needs, aspirations for growth, and potential for collective action. Through structured interviews with each CDFI, perspectives emerged around the importance of a coalition in driving external and internal growth and amplifying the overall impact of CDFIs.

The purposes of the coalition are described as leveraging policy work, shared events, and regular meetings to address common challenges and opportunities. These reemphasize themes of intentionality, synergy, and collaboration. Several priorities were identified while discussing what local CDFIs hope to achieve through a coalition:

**Reduction of Labor Duplication | Peer Learning**  
**Raise Branding and Awareness | Advocacy and Policy Work**

This report concludes with recommendations around structure, funding, operations, and consensus-building for the DC CDFI Coalition based on the insight gained during our research.

| THEMES             | RECOMMENDATIONS                                                                                                                                                                                                                                                |
|--------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| STRUCTURE          | <ul style="list-style-type: none"> <li>• The Coalition host as a neutral third- party</li> <li>• Govern by all the local CDFIs</li> <li>• Establish small business lending committee and policy committee</li> <li>• Set up subcommittees as needed</li> </ul> |
| FUNDING            | <ul style="list-style-type: none"> <li>• Begin with pay-what-you-want model, then annual member dues in the future</li> <li>• Local philanthropy</li> <li>• Fundraising via CRA banks</li> <li>• Grants related to capacity building</li> </ul>                |
| OPERATIONS         | <ul style="list-style-type: none"> <li>• Convene regular bi-monthly meetings, and others as needed</li> <li>• Identify opportunities for policy work and event collaboration</li> <li>• Set regular virtual meetings, quarterly in-person meetings</li> </ul>  |
| CONSENSUS BUILDING | <ul style="list-style-type: none"> <li>• Coalition launch meetings with structured sessions to establish goals, targets, and regular convenings</li> </ul>                                                                                                     |

The DC CDFI Coalition has the potential to drive equitable economic development and policy advocacy in the region, enhancing the impact of CDFIs.



# INTRODUCTION

## CDFIs For Equitable Development

Following various federal and state COVID-19 relief programs, the CDFI industry experienced a boom, elevating the importance of CDFIs in local economic development. Meanwhile, small businesses were experiencing disproportionate strain from the pandemic, highlighting important disparities in community resiliency. Pre-pandemic CDFIs were an integral part of the financial ecosystem; CDFIs address socioeconomic inequality by providing access to capital to communities that need it most, capturing a “riskier” market that traditional financial institutions are unwilling to serve. Acting swiftly and purposefully during the economic crisis, CDFIs were vital to small business survival and recovery. Their actions fostered a heightened appreciation and understanding of their role in uplifting marginalized communities.

Integral to sustainable and equitable growth, CDFIs aim to serve communities and address socio-economic disparities in development. As the demand for financial services for low-income and minority communities continues to rise, the CDFI industry is well-positioned for growth. Considering limited resources, meeting this demand depends on CDFIs' ability to leverage capital strategically and advocate for local policies that impact their work. As mission-driven organizations, CDFIs have substantial shared, overlapping interests in place-based investment and initiatives. In past years, communities have seen an emergence of CDFIs coming together to form a coalition. Increasingly, CDFI Coalitions recognize that to serve their constituent groups better, they must work together towards common goals.

### Coalitions Strengthen the CDFI Industry

CDFI Coalitions have emerged across various contexts to address issues in common. The Federal Reserve's 2023 CDFI Survey highlighted some critical issues across the industry. The survey found that inhibiting CDFI growth is attributed to limited staffing and lending capital (Carpenter, 2023). A CDFI Coalition is an attractive solution for the best use of resources: with common missions, limited resources, and growing demand for their products, coalitions offer CDFIs the opportunity to leverage the power of a shared voice and cooperation. Coalitions are well-positioned to provide internal and external system benefits that enhance CDFIs' ability to grow and advance equitable development.

The study also found that CDFIs typically fall short of branding as a whole. Visibility is an issue at both the community and legislative levels. This lack of recognition impedes access to capital and their capacity to meet growing demand. A coalition is an opportunity to create branding for CDFIs, making it easier for community members to navigate the local CDFI network and become involved in the industry.

Improving CDFIs' operational and lending capacities requires reducing system inefficiencies: one of the most apparent causes is labor duplication – this happens both within individual CDFIs and on a systems scale serving the same clients and offering similar products and services. Increasing networking and partnership activities among CDFIs can also strengthen their ability to leverage financial resources for lending and capacity building. With the capacity to coordinate initiatives and services through greater awareness of each others' focus areas, CDFIs can reduce duplication and better position them to allocate resources to underserved communities.

A coalition also provides CDFIs a platform to advocate for local economic development policies that advance equitable development and programs committed to increasing access to capital. Not all CDFIs have expertise in public policy, but speaking as one unified voice makes a strong impression in political advocacy work. Aggregated data can convey a story about CDFIs in DC, which also helps with branding and visibility. Some CDFI coalitions have successfully received State budget allocations by demonstrating collective impact.

Another advantage of a coalition is peer learning. This kind of networking can reduce the workload when navigating new regulations, encourage client referrals, and create a support network for new CDFIs just getting started. As CDFIs undergo recertification, relying on a peer network can help reduce time spent digesting information.

## CDFIs in the District of Columbia

The District, like many other major cities, carries a history of discrimination and disinvestment towards racialized and ethnic communities. This legacy of exclusion appears within traditional financial infrastructure: socioeconomic status remains a primary determinant in access to credit and financial products (Fairlie & Robb, 2010). In DC, there are six CDFIs with a strong presence lending to historically underserved Black and immigrant communities. All over the country, CDFIs are realizing the need to work together to meet collective needs through coalitions, and in DC, this is no different.

This project aims to collaborate on and propose an organizational structure and design, key recommendations, and focus for a DC CDFI Coalition. In the past at The Coalition, there existed a CDFI Working Group that served as a platform to convene CDFIs in DC. This effort lost momentum, but formalizing collaboration via coalition can encourage participation and interest in systems thinking and strategy. Planning for longevity is vital to the success of any newly formed local coalition. Ensuring consistent involvement and engagement in a DC coalition is crucial to maximizing the benefits a coalition can offer. For this reason, this process of coalition building emphasizes co-creation.

For this project, we engaged with the six players in the DC CDFI lending community: Washington Area Community Investment Fund (WACIF), Latino Economic Development Center (LEDC), National Community Reinvestment Coalition (NCRC), Momentum Capital, City First, and Life Asset. While all of these CDFIs lend in the District, their work expands to neighboring jurisdictions in Virginia and Maryland. NCRC and Momentum Capital also have a national focus. Many of these CDFIs focus on small business lending and some work in affordable housing.

# METHODOLOGY



First, we conducted best practice research. The first step of this process was an industry scan, which helped us better understand the role of different coalitions in the wider CDFI industry. Then, as we planned to interview CDFI Coalitions nationwide, we gathered insight from the local CDFIs to orient the interviews toward their interests. Lastly, we met with nine CDFI Coalitions to learn best practices to bring back and present to the local CDFIs.

Before presenting this insight, we conducted thorough interviews with the local CDFIs to better profile the local network, understand their needs and the value they seek in a coalition, and gather input on forming a DC CDFI Coalition. This report is a resource for orienting the next iteration of coalition building.



# CDFI INDUSTRY INSIGHTS

In the initial phase of this project, we conducted background research on the CDFI industry to identify and understand the main actors in the field and salient issues and gather information on other CDFI Coalitions that have formed in the country.

Before meeting with other CDFI Coalitions, the next phase of this work was to orient our research questions towards the needs of the local CDFIs. We conducted interviews with five local CDFIs (we were unsuccessful in meeting with City First for this round) to get input on the focus of our best practices research.

Finally, we connected with nine geographically focused CDFI Coalitions nationwide to gain insight into CDFI Coalition's purpose, creation, and structure and discuss accomplishments and challenges. The CDFI Coalitions we met ranged from regional to statewide, offering a breadth of size, location, and experience. Neighboring DC, we connected with the Virginia CDFI Coalition. We gathered insight on smaller regionally focused CDFI Coalition from Detroit and Kansas City. We also met with Pennsylvania and New York State Coalitions, which have a history dating back to the late 1990s. We also talked with Ohio, Michigan, Minnesota, and California statewide coalitions.

## CDFI Industry

The CDFI industry is diverse, with actors at different scales: local, state, and national. Individual CDFIs operate at all these levels, but most CDFIs are geographically focused. Most CDFI Coalitions form around the local or state level. Essential actors in overseeing industry-wide issues, Opportunity Finance Network (OFN) and the CDFI Coalition, operate nationally. Below are descriptions of these different entities:

## CDFIs

Financial institutions such as banks, credit unions, loan funds, or venture capital funds that specialize in lending to underserved and marginalized communities and are certified by the U.S. Treasury. In addition to financial services, CDFIs often offer essential services such as coaching and training programs that help clients “graduate” to traditional financial institutions. Some CDFIs are also trusted intermediaries for administering government funding. Many CDFIs are geographically focused, some are national, and some focus on certain marginalized groups.

## Regional Coalitions

Local and statewide CDFI Coalitions form to address CDFIs' needs for greater access to capital to advance their mission. Ideally, coalitions help exchange information, encourage peer learning, reduce duplication in products and services, raise capital, increase visibility, and create a unified voice for critical advocacy work.

## The CDFI Coalition

Established in 1992, the CDFI Coalition is a national coalition of CDFIs. With the mission "to encourage fair access to financial resources for America's underserved people and communities," they act as a unified voice to advocate for CDFIs federally and protect the CDFI Fund (CDFI Coalition).

## National Organizations

These organizations address particular industry-wide concerns.

## Opportunity Finance Network (OFN)

OFN, established in 1986, is "the leading national network of CDFIs" and acts as an "intermediary between CDFIs and public and private sector partners" to "increase capital flow, strengthen CDFIs, and amplify the voice of the CDFI Industry" (OFN). They manage capital for CDFIs to lend, raise awareness of CDFIs through policy and advocacy, and provide data, research, training, and convenings for the industry.

## Major Themes for DC CDFIs

To prepare for our best practice research, we first sought to understand what local CDFIs needed to learn from our findings. Locals shared their insights to inform our interviews with CDFI Coalitions. The conversations with the CDFIs covered a range of topics, such as:

| THEMES             | TOPICS                                                                                                                                                                                                                                              |
|--------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| CAPACITY BUILDING  | <ul style="list-style-type: none"><li>Reducing duplicative work through technology</li><li>Increase collaboration and sharing resources</li><li>Facilitating staff development and building the next generation of talent in the industry</li></ul> |
| AWARENESS BUILDING | <ul style="list-style-type: none"><li>Engage in policy and advocacy</li><li>Host events for a variety of stakeholders, including educational events</li></ul>                                                                                       |

# INSIGHT FROM CDFI COALITION'S

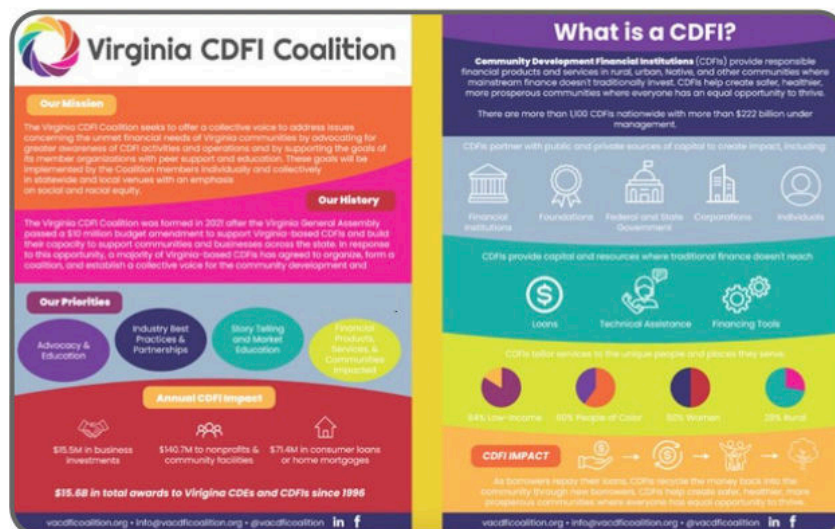
For the best practices research, we met with nine CDFI Coalitions. This report section overviews each coalition's focus and discusses successes and challenges.

## VIRGINIA CDFI COALITION

Est. 2021. Over 30 members.

Protecting the VA CDFI Fund as its main priority led to the forming of the Virginia CDFI Coalition. Overseen by the VA Department of Housing and Community Development, the VA CDFI Fund was initially established as an amendment in 2021. As of 2023, this fund is in statute, attributed to the advocacy efforts led by the coalition. The codification of this fund also established the VA CDFI Program to carry out the purpose of the fund. To raise visibility, the VA CDFI Coalition partnered with other CDFI Coalitions to help organize the CDFI Caucus (CDFC), a platform for policymakers to coordinate efforts supporting CDFIs. In addition to advocacy work, this coalition centers on peer support and education—the partnership demonstrated by members making deals and participating in panel discussions at conferences. One of the challenges this coalition faces is funding, as a lot of volunteer work is involved. The coalition's Executive Director emphasized the importance of shared stewardship among all members and that no one should dominate conversations.

### *Virginia CDFI Coalition one-pager highlighting their impact*



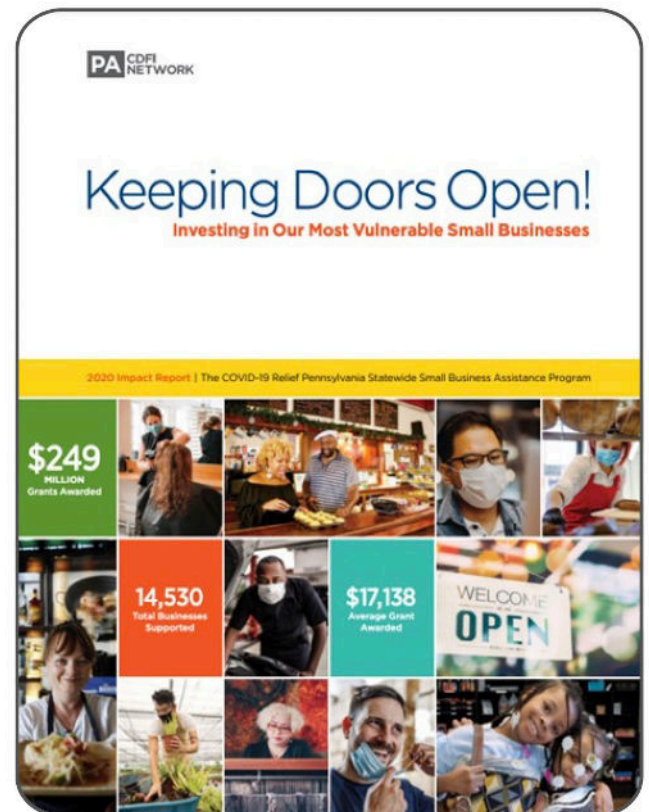
# PENNSYLVANIA CDFI

Est. 1997. Over 15 members.

The Pennsylvania CDFI Coalition is one of the oldest standing CDFI Coalitions. This coalition's primary role is building capacity and expanding through technical assistance for small business-focused CDFIs. It hires program and business development consultants and offers training and assessments on smaller CDFIs. The coalition also has a strong advocacy program, does impact reporting, and maintains strong relationships with the State. Contracted by the PA Department of Community and Economic Development, the PA CDFI Coalition manages State Small Business Credit Initiative (PA-SSBCI) Funds.

“CDFIs have helped our state's entrepreneurs continue the momentum they had before the pandemic”

- (PA CDFI Network)





# OHIO CDFI NETWORK

Est. 2018. Over 10 members.

Stewarded by the Greater Ohio Policy Center (GOPC), the Ohio CDFI Network is a statewide nonpartisan organization championing issues concerning urban revitalization and sustainable growth. The network emphasizes peer learning and information sharing. They aim to raise the profile of CDFIs and continue to document their impact. They have successfully pushed for awareness of CDFIs at the legislature and created impact reports and educational brochures. For example, a unified voice is more effective if a letter is necessary. They meet with state offices and agencies as part of their organizational policy platform. In 2022, the GOPC wrote a proposal to create a Community Transformation Fund on behalf of the Ohio CDFI Network. This fund issues grants to Ohio's CDFIs, better serving vulnerable organizations and markets, giving them the capacity to develop loan products and flexible terms for COVID recovery. This coalition noted a "good problem" they encounter: members are less engaged when an influx of money is available. While it is a success to have a lot of capital available for distribution, the coalition is prioritized.

*"It is incumbent on CDFIs to define a space for themselves in the marketplace and educate stakeholders how partnering with a CDFI can benefit them"*

- (Patras, 2018)





# CALIFORNIA COALITION FOR COMMUNITY INVESTMENT

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Est. 2019. Over 25 members.

The California Coalition for Community Investment (CCI), established in 2019, offers technical assistance to small businesses and affordable housing CDFIs. They have effective policy and advocacy work and contract a lobbyist. Their most significant success is the creation of the California Innovation and Investment Program (Cal IIP), a \$15 million statewide CDFI Fund. Cal IIP provides capacity-building grants for CDFIs, which CDFIs can use to fund their services and operations and increase their capacity to attract additional funding. This coalition noted challenges with data collection from membership and depends on a lot of volunteer work.



# NEW YORK STATE CDFI COALITION

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Est. 1997. Over 15 members.

The New York State CDFI Coalition (NYS CDFI) is the oldest statewide CDFI Coalition. This Coalition focuses on advocacy, policy, and program development. The board meets with socially concerned investors to point them to opportunities. The Coalition also promotes collaboration with funding through grant applications and services related to programming and construction. They host yearly conferences for networking, peer learning, and encouraging collaboration. In 2007, New York established the NYS CDFI Fund, modeled after the federal CDFI Fund, to award financial and technical assistance to CDFIs working in targeted populations and investment areas. This program first received funding in 2020 and was later disbursed in 2022. The NYS CDFI also gave testimony to create the Small Business Revolving Loan Fund, a program intended to address short-term financing needs and gaps in financing in under-banked and minority communities. The NYS CDFI Coalition also has a presence in federal advocacy concerning the CDFI recertification process. One challenge this Coalition faces is advocating for the inclusion of CDFI Credit Unions in grant opportunities.



# MICHIGAN CDFI COALITION

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Est. 2022. Over 20 members.

This new coalition aspires to get annual funding through State revolving fund. They strongly focus on public policy, valuing boldness and change-making at the legislature for equitable growth. Members share best practices and use storytelling to build awareness of their collective impact. They hired a consultant to collect transaction and loan data from membership and impact data via survey. This coalition worked closely on the legislation for creating the Michigan CDFI Fund and secured \$75 million, half of their original ask, through joint advocacy. They were very prescriptive in drafting legislation, including descriptions of capacity and a formula for the program.



# MINNESOTA CDFI COALITION

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Est. 2022. Over 20 members.

The COVID pandemic prompted the Minnesota CDFI Coalition's formation and intends to incorporate this year. With over 30 CDFIs spread across urban and rural areas and different sectors, this coalition embodies cooperative and competitive histories. This coalition focuses on story-telling and building political visibility through its website and databases. They also work on staff development and peer learning activities. They hope to become more involved in advocacy and achieve a dedicated CDFI Fund via the 2025 state budget process. President and CEO of Propel Nonprofits, a leader in stewarding this CDFI Coalition, noted the advantage of having a neutral party between small businesses, affordable housing, and other focus groups.

# DETROIT CDFI COALITION

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Est. 2014. Over 25 members.

The Detroit CDFI Coalition was established as the City of Detroit climbed out of bankruptcy. This coalition attributes their enthusiasm for collaboration and peer learning as embedded in their shared values and cultural context. As national CDFIs came to invest in Detroit, the coalition was there to ensure that incoming CDFIs cooperated with the existing CDFI network in Detroit and aligned the goals. They have a neighborhood committee that takes people into key neighborhoods with targeted investment strategies. They build awareness about CDFIs to grow lending capacity; they survey members for data, but the data still needs to be completed.

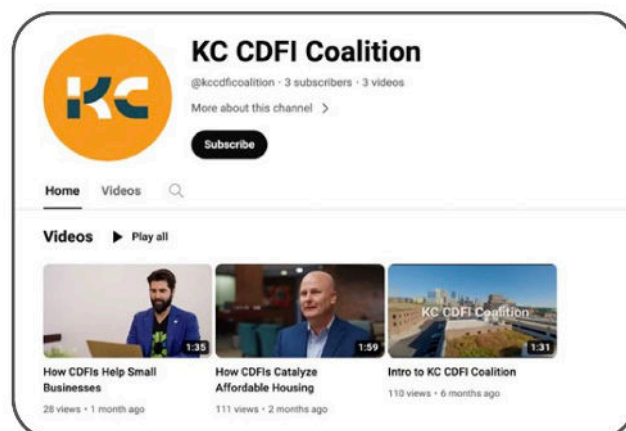
# KANSAS CITY CDFI COALITION

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Est. 2017. Under 10 members.

The Kansas City CDFI Coalition is stewarded by AltCap, a CDFI that highly values strategic partnerships with organizations that serve their community. This coalition focuses on increasing awareness of CDFIs at the state legislature as well as at the community level. They are working on an educational video series on the topic of affordable housing, spotlighting members, working dually on publicity through exposure and awareness raising.

***KC CDFI Coalition takes a unique approach to raising awareness through educational video series that unpack the impact of CDFIs.***





# CONVERSATION HIGHLIGHTS, THEMES AND EXEMPLARY WORK

This section presents findings from our interviews with CDFI Coalitions, whose perspectives and experiences can help inform the creation of a DC CDFI Coalition. Three themes emerged throughout our conversations: intentionality, synergy, and collaboration. Intentionality describes defining purpose, setting targets, and setting goals for collective outcomes. Synergy describes playing strengths and finding commonalities to reduced duplication and raise capacity. Collaboration represents a commitment to work together on projects, which, when done, results in more equitable outcomes for the community.

CDFI Coalitions demonstrated a variety of approaches to improving branding and visibility, policy and advocacy, coalition stewardship, collaboration, and funding. In this section, we describe key highlights and takeaways and offer examples of the work done by different CDFI Coalitions.

# Branding and Visibility

As an industry, CDFI entities need help with recognition, both at the community and municipal levels. Most of the coalitions we spoke with focused on visibility, and there is an explicit agreement to elevate the brand of CDFIs. Greater visibility could increase public support of CDFIs and attract more investment. Achieving better visibility requires collaboration on branding projects and educational campaigns such as events, reports, and other material. Efforts to raise visibility are directed towards varying stakeholder groups: communities, legislative authorities, investors, etc.... A coalition creates added value by becoming a one-stop shop for investors interested in creating a broader impact. CDFI Coalitions can work on branding by hosting events and collaborating on conference panels.

“Turning [CDFIs] from the best-kept secret to a driving force for positive change in Kansas City and beyond.”

- (KC CDFI Coalition)



For instance, the KC CDFI Coalition hosted a session during Global Entrepreneurship Week in Kansas City, during which they discussed the role of CDFIs in supporting local entrepreneurs and small businesses.

Impact reporting is an essential tool for producing educational material that narrates the work of CDFIs to legislators, investors, and potential clients.

- The Greater Ohio Policy Center's 2018 "Building Assets" report analyzes the CDFI industry in Ohio, showing aggregated impact on lending, housing development, job creation, and investment.
- The PA CDFI Network's "Keeping Doors Open!" highlights its work in small business aid and relief during the pandemic.

# Policy and Advocacy

Policy and advocacy work is one of the most significant values extracted from CDFI Coalitions. There is consensus that speaking as a single unified voice, with intentionality, is the most powerful way to influence public policy, including the potential to enact legislation for funding CDFIs. Several of the coalitions we met with have succeeded in this way, and it remains a goal for most coalitions to achieve some form of statewide CDFI Fund to help advance their missions. Strong relationships with the government combined with good storytelling are instrumental in impacting policy.

- The Michigan CDFI Coalition worked with the state on the CDFI Fund program, which was achieved through the state's budgeting process. This program provides capital to CDFIs for lending, service, technical assistance, and general operations. It is administered through Michigan's Economic Development Corporation, and CDFIs can receive awards based on their net assets and the program's funding availability.
- The California Investment and Innovation Program (Cal IIP), administered through the State treasury, provides grants to enhance CDFIs' capacity, service, and operations.
- The New York State CDFI Coalition gets involved in advocacy, including at the federal level. When the treasury announced guidelines for the CDFI recertification process, this coalition wrote letters about the process. It was successful in delaying it to give time for CDFIs to digest and unpack the implications of the guidelines.

## Collaborations

In general, the coalitions we met tend towards collaboration, but some coalitions and many individual CDFIs are competitively oriented. This dynamic is especially complicated between different CDFI types, where CDFI credit unions tend to have diverging interests. Cultural context is the most critical factor in determining the extent of collaboration. Some coalitions are more hesitant to push for collaborative work, concerned that industry growth requires competition among players. Conversely, Michigan and Detroit CDFI Coalitions described collaboration as rooted in their cultural history and as the base of their networks. CDFI Coalitions create value for CDFIs by encouraging collaborative opportunities that save time and resources, promote information-sharing, or raise their profile. Some collaborations produce synergy by reducing duplicated efforts, while others can focus on raising CDFIs' profiles to create value and enhance their capacity to meet their missions.

Collaborations take different forms in CDFI Coalitions. Opportunities for collaboration include joint grant applications, joint fundraising, and shared events.

For example:

- The NYS CDFI Coalition meets every other month to give everyone a chance to celebrate milestones, give updates, and provide opportunities for asking questions. They also have a statewide conference that brings CDFIs and advocates together to network, learn, and forge collaborative opportunities.
- The PA CDFI Network hosts networking conferences yearly.
- The Ohio CDFI Network highlights several collaborative partnerships between CDFIs that work strategically and holistically to resolve “complex challenges and opportunities in Ohio’s under-invested neighborhoods.”

## Coalition Stewardship

This learning from our conversations hit on all three themes: synergy, intentionality, and collaboration. Stewardship describes the maintenance of the coalition and members’ responsibility to engage, plan, and manage time and resources in a way that is generative to the system. To increase CDFIs’ organizational capacities, the last thing a CDFI Coalition wants to do is become a waste of time and resources.

The coalitions we met varied in initial purpose and leadership. While some coalitions extended on existing networks, others were championed by key organizations and leaders. More formalized coalitions have board structures and voting based on membership. We recurrently heard advice on keeping the coalition’s work relevant. Importantly, meetings need purpose and direction to garner significant engagement, especially if convening virtually; members need incentives to participate.

The executive director of the VA CDFI Coalition advised us to appoint discussion leaders for each meeting to ensure that all CDFIs have a voice and opportunity to contribute to one another.



# Funding the Coalition

CDFI Coalitions use a variety of funding mechanisms to support their work, including government funding through legislation and budget items, philanthropic support, investment, and membership dues. Still, many coalitions rely on a lot of volunteer work. While, in theory, a coalition reduces workload, it is essential that it feels more valuable than it is extractive. Intentionality is an important focus for funding, as the coalition manages interests across several different CDFIs. Coalitions suggested pursuing any funding avenue, as funding allows the coalition to operate more efficiently and create better synergy in the network.

Notably, we observed a gap in communication between CDFI Coalitions across different levels of the industry. More formal connections and engagements between different organizational entities, such as OFN and the various coalitions, may lend themselves to funding opportunities for coalition operations.



# TOWARDS A DISTRICT CDFI COALITION

During this research phase, we met with five of the six CDFIs in DC. These meetings were in-depth structured interviews with the local network to understand the breadth of each CDFI in the network, their specific needs and values, and gather input on coalition formation and structure. Most of DC's CDFIs focus on small business lending, and some have a footing in affordable housing work. All of the CDFIs operate in DC and the surrounding metropolitan region, and some work nationally as well. There have been some past collaborations between CDFIs in the District: LEDC and WACIF participate in NOURISH DC, and there were also partnerships on lending for the Entrepreneurs of Color Fund (EOCF). Finding common ground is essential to building the goals and defining the purpose of this coalition. During these interviews, we discussed past and future organizational goals and visions for growth to get a collective sense of the CDFIs' priorities.

## External Growth

The CDFIs all aim to build their lending portfolio through increased lending volume. Some aspire to expand geographically, and others look forward to launching new products and initiatives. There is a lot of excitement surrounding opportunities in green lending with incoming funding from the EPA's Greenhouse Gas Reduction Fund, a fund intended to mobilize financing and capital to address climate change. During one of our discussions, we discussed the opportunity for diagnostic research to see how CDFIs can reach market saturation. Also, marketing has to be intentionally selective to maximize the team's bandwidth and maintain the quality of service.

## Internal Growth

The CDFIs also discussed opportunities for internal growth. Some aspire to build collaboration internally by leveraging their different departments, others have goals to attain better internal representation and embodiment of the communities they serve. We had several discussions surrounding "building the bench" of talent through entry-level positions.

Many CDFIs want to invest more heavily in their teams and build better operational infrastructure. The local CDFIs all emphasized insufficient investment in operations and technology. AI and automation can remove risks from manual review and simplify work for borrowers. An easier process that is tailored to CDFIs and not sales-based would also make room for more entry-level positions in the field.

## Value of a DC CDFI Coalition

Before diving into potential networking and partnership opportunities, we wanted to better understand the value the local CDFIs hope to achieve through a CDFI Coalition. From there, they can build energy by collaborating on initiatives addressing the values they discussed: reducing labor duplication, peer learning, branding and awareness, and policy and advocacy at the local and federal levels.

## Reducing Labor Duplication

Labor duplication affects CDFIs internally and as a system. Within CDFIs, this issue is prominent in data collection and reporting requirements, which sometimes require the organization to fill out the same forms several times. Too much bandwidth is spent on duplication and revision. Some groups also expressed interest in formalized networking, training, and professional development opportunities. On a grander scale, because CDFIs share a similar mission, they can run into overlapping efforts in programming and applications that could be better coordinated to leverage strengths as a system. To mitigate this, the CDFIs are interested in identifying overlapping focus areas and strategically targeting their resources.

## Peer Learning

Peer learning includes activities for sharing knowledge, best practices, and lessons learned among the coalition. CDFIs can leverage their collective expertise through regular convenings and topic-specific workgroups as a platform for communication and knowledge-sharing. Some examples that the CDFIs mentioned include client referrals and mutual support in digesting the implications of new regulations. A coalition could also be a valuable resource for newer CDFIs needing mentorship.

## Branding and Awareness

Raising branding and awareness is essential to increasing the visibility of the CDFIs and gaining support from community members, investors from DC, and other stakeholders. An important tool for this is impact reporting, which is done by aggregating data from the CDFIs and storytelling the collective achievements of the network. The CDFIs also expressed interest in a myriad of events directed towards raising the profile of the local network: events related to small businesses, events that bring in community members, events with capital providers, and educational events accessible and digestible to people with little knowledge of CDFIs.

## Policy and Advocacy at the Local Level

During our interviews with the CDFIs, we discussed their experiences working with the District and got a sense of their interest in policy and advocacy work to find breadth and focus for the coalition. Some CDFIs have policy and advocacy staff, but others still need to. CDFI Coalitions nationwide set examples of local policy and advocacy work that the DC CDFI Coalition can learn from; the prospect of achieving a flexible fund for CDFIs from DC is exciting for the local CDFIs.

Many local CDFIs maintain good relationships with the District, administering various programs on their behalf. These relationships are key to further collaboration; one of the CDFI representatives highlighted the importance of social capital in maintaining a voice in policy. The challenges CDFIs face doing business in the District revolve around delays in grant administration: one CDFI voiced that the District wants heavy involvement and oversight. Another CDFI mentioned a history of unclear expectations around program timing (sometimes extending beyond what they agreed).

The CDFIs express interest in being included in DC's conversations around "saving downtown," founded on the belief that small businesses have the ultimate potential to revamp downtown equitably and vibrantly. Some want more involvement in administering funding programs for the District – for instance, other states have outsourced SSBCI funding to CDFIs.



## Policy and Advocacy at the Federal Level

As other groups like OFN and the CDFI Coalition focused on federal policy, the local CDFIs cautioned against duplicative efforts but maintained that the DC Coalition should monitor the federal policy. NCRC, a local CDFI that works on the national and federal level, stated the value of having a locally-based group like the DC CDFI Coalition voiced in federal policy advocacy. Other local CDFIs shared this sentiment: attention to CDFI Certification, the user-friendliness of the CDFI Fund, and other federal programs that directly impact the region are highly relevant to the local work. A few of the CDFIs mentioned the possibility of collaborating with the Environmental Protection Agency or Department of Energy for green lending, which could become a great opportunity.

## Input on Coalition Formation

We gained initial input on how the local CDFIs thought the coalition should be structured. Several of the CDFIs agreed that the coalition should be embedded within The Coalition. Some advocated for a leadership structure where governance is shared by the CDFIs and decisions are made collaboratively. The CDFIs want this coalition to include a focus on all lending areas: small business lending and affordable housing finance. Some CDFIs discussed structuring the coalition into committees around these lending areas and a team focused on policy and advocacy work.

# RECOMMENDATIONS TOWARDS COALITION BUILDING

This report section proposes a path to guide further discussion and decision-making by the local CDFIs to help define their purpose and focus. The recommendations center the insight from the conversations with local CDFIs and CDFI Coalitions, building on the three themes of intentionality, synergy, and collaboration.

## Defining Purpose and Focus

### **INTENTIONALITY**

CDFIs' purposeful actions to strengthen the coalition, achieve common goals, and address shared concerns. CDFI Coalitions demonstrate intentionality by leveraging their collective strengths and resources to drive progress in their missions. To set intentionality, the Coalition should focus on shared visions and goals, define objectives and outcomes, and engage in strategic planning processes and deliberate decision-making as a group.

### **SYNERGY**

CDFIs' ability to achieve greater scale, efficiency, and impact in service provision. CDFI Coalitions create synergy by pooling resources and expertise, political advocacy, and raising capacity by reducing duplicative work. The DC CDFI Coalition can build synergy by identifying strengths and working to address weaknesses in the network.

### **COLLABORATION**

Manifests in many activities within a CDFI Coalition: knowledge sharing and learning, resource pooling and leveraging, strategic partnerships and alliances with external stakeholders, joint political advocacy, cross-referrals, co-lending opportunities, data sharing and impact measurement, and professional development. The DC CDFI Coalition can create a culture of collaboration by encouraging these activities to take place.

# COALITION BUILDING

This section engages with the aforementioned themes through recommendations towards structure, funding, operations, and consensus-seeking. Based on the input provided by the local CDFIs and the takeaways from the research, we offer the following recommendations:

## Structure

The structure of the DC CDFI Coalition will help facilitate operations and communication within the coalition. An option to consider is embedding the DC CDFI Coalition within The Coalition as a neutral party that oversees the work of the Coalition, which all of the local CDFIs should govern. The Coalition should meet every other month or more frequently as needed, accounting for the CDFIs' busy schedules. As all of the CDFIs focus on small business lending, and all are interested in policy work, we suggest that the coalition has a small business lending committee and a policy committee that meets regularly. A few of the CDFIs also work in affordable housing finance, which a group may meet for on an as-needed basis. As green lending opportunities come up in broader conversation, a committee dedicated to this may become a helpful platform for the coalition.

## Funding

Funding allows the coalition to implement programs and organize efficiently. At the beginning stages of this coalition, the coalition may consider a pay-what-you-want model for members supporting the foundation of the coalition before implementing annual member dues. The coalition can also look into local philanthropy and institutions that express interest in reducing duplicative work, and fundraise via neighborhood CRA banks. As a coalition, the CDFIs can apply for grants related to capacity building. Sometimes, federal grants and other funders look for partnerships and collaborative proposals, so it is important that these opportunities stay on the radar.

## Operations

The coalition's operations will have to do with the goals set forth by its membership. Based on the collective values that the membership communicated, this coalition can first focus on establishing regular meetings to unpack opportunities, policy work, and collaborating on events. Recurring all-member meetings, flexible between monthly or every other month, can allow the members to develop priorities and focus. Committees that are formed can meet on an as-needed basis. While many organizations operate virtually, this group can try and convene in person quarterly to build better engagement and relationship-building.

## Consensus

A consensus-building process is needed to set up the coalition. The first coalition meeting will be scheduled, to consist of a structured session with a presentation on key findings and team-building activities to ignite momentum for Small Business Month.

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