

Catholic Campaign for Human Development

Economic Development Grants

Community-Development Financial Institutions

What is a Community Development Financial Institution?

Community Development Financial Institutions (CDFIs) are mission-driven financial institutions that provide financial products and services to people and communities underserved by traditional financial institutions. All are market-driven and locally controlled.

Self-help credit solutions date back to the earliest immigrant groups in the U.S. The first community development credit unions were formed in African-American communities in the 1930s, and in the late 1960s governmental efforts to address poverty helped launch the first community development corporations (CDCs). In the 1990s the CDFI industry expanded dramatically through both public and non-profit efforts. There are more than 1,000 CDFIs operating in low-wealth communities in all 50 states plus the District of Columbia.

Source: CDFI Coalition

“The profit motive, even when legitimate, cannot be the principal or even the exclusive motive of business or commercial activity.”

—Pope John Paul II, speaking to 800 executives of the Bilbao Vizcaya Argentaria Bank in April 2003.

Why does CCHD support CDFIs?

- Since its inception CCHD has placed a priority on investing in low-income communities. As early as 1971, CCHD deposited funds in minority banking institutions. In 1979 CCHD recorded ten deposits totaling over a half million dollars, and by 1988 three-quarters of a million dollars were on deposit at 15 minority bank and credit unions across the country.
- In 1993 CCHD offered additional support to CDFIs as part of a strategy to focus economic development funding on job creation and business development. To complement the depositing of funds, CCHD began making planning grants and annual operating grants that could be used to start and build capacity in CDFIs. Over the first ten years, 34 awards totaling \$1.3 million were made to 18 CDFIs across the country. In 2006, four CDFIs received \$120,000 in grant support.

Recently, CCHD funded CDFIs that:

- **Started up 20 businesses and created 31 jobs in Lancaster, Pennsylvania.**
- **Made 14 loans to small businesses totaling just under \$900,000 helping to create 79 new jobs for members of the Citizen Potawatomi Nation in Oklahoma.**

The Bridgeway Capital Story

Working to increase employment and expand economic opportunity in Southwest Pennsylvania

CL Fund provides capital and business education opportunities to increase business and job growth, expand entrepreneurial capacity, and sustain vital communities that strengthen our region. These efforts help us ignite economic growth and reach our mission of a thriving region for all.

Bridgeway Capital, formerly known as the Community Loan Fund of Southwest Pennsylvania (CL Fund), began as a housing and social service lender in 1990, growing from the Religious Leadership Forum, an interfaith organization composed of the bishops and top executives of the Roman Catholic Dioceses of Pittsburgh and Greensburg, the major Protestant faiths, and the Jewish community. In the mid-1990s CCHD funding supported Bridgeway Capital/CL Fund to broaden its economic impact on the region through planning and operational grants and an initial deposit to capitalize its small business lending pool.

Throughout its history, Bridgeway Capital/CL Fund has applied a blend of vision, community knowledge, and operational expertise to

help reinvent the employment base of local communities. Since its creation in 1990, CL Fund has made nearly 600 loans in Western Pennsylvania, injecting more than \$63 million in capital directly into the region leveraging more than \$236 million.

In a recent fiscal year, Bridgeway Capital/CL Fund loaned \$7.4 million to 83 businesses in western Pennsylvania, 73% of which are located in low-income communities or are women or minority-owned.

CL Fund invested \$500,000 in Three Rivers Bottling, located in New Kensington, a low-income community. The funds helped purchase the assets of a bankrupt company. With the help of the investment, Three Rivers created 33 jobs, including rehiring people employed with the original company with plans to create an additional 20 to 30 new jobs. Starting wages were well above minimum with full health benefits after six months employment.

Source: Social Funds.com

For more information, go to www.bridgewaycapital.org.

Interested in learning more about starting a community development financial institution? Check out these organizations:

Opportunity Finance Network www.opportunityfinance.net

Community Development Financial Institutions Fund, U.S. Department of Treasury www.cdfifund.gov

National Community Capital Association www.communitycapital.org

National Federation of Community Development Credit Unions
www.natfed.org

CDFI Coalition www.cdfi.org

To learn more about the CCHD Economic Development Program goals, criteria, and funding guidelines, visit:

<http://www.usccb.org/cchd/edgengrant.shtml>