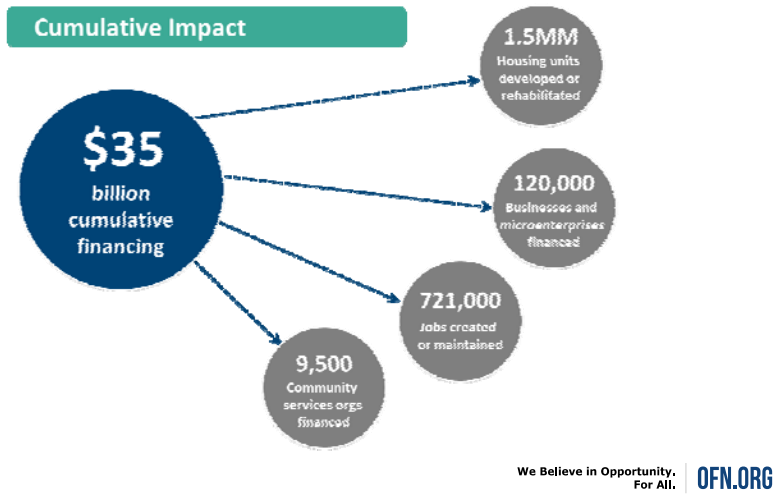




20 Years of Opportunity Finance
1994-2013: An Analysis of Trends and
Growth

CDFIs foster **social and economic progress** – all while offering investors one of the **safest investments in the financial community.**

Figure III-2: Cumulative Community Impacts



Data Sources

OFN Annual Member Survey Data

- Fiscal Years 1994 (N=42) to 2013 (N=209)
- Longitudinal Analysis of Long-Time Members includes 26 CDFI Loan Funds that consistently reported data between 1994 and 2013

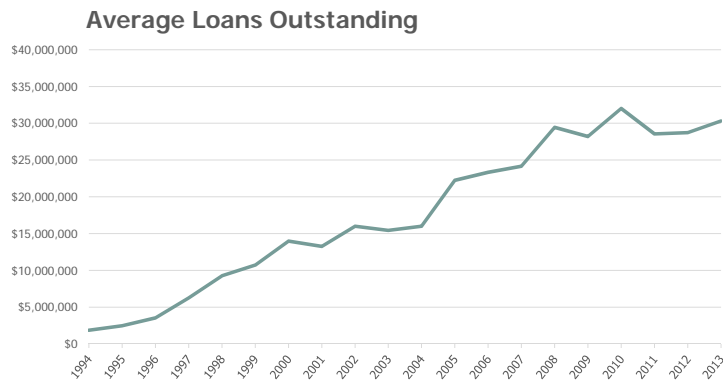
Key Findings

Over 20 years, OFN Member CDFIs had

- 15% average annual growth in loans outstanding
- Increases in lending during the Great Recession when bank lending contracted 16%
- Losses on par with FDIC-insured institutions
- Net Operating Margins above or close to FDIC-insured institutions

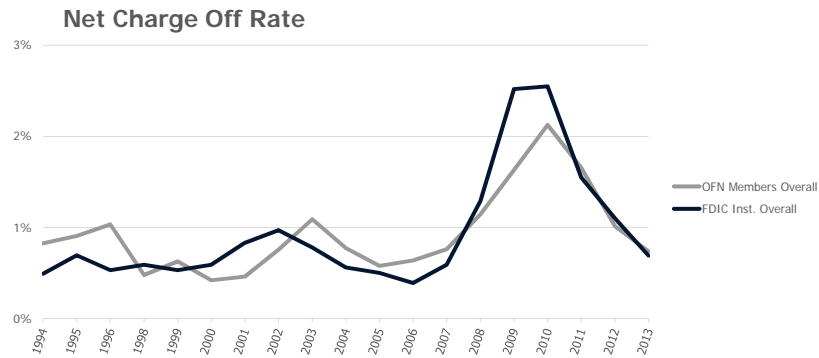
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15% Avg. Annual Growth. Growth through Great Recession.



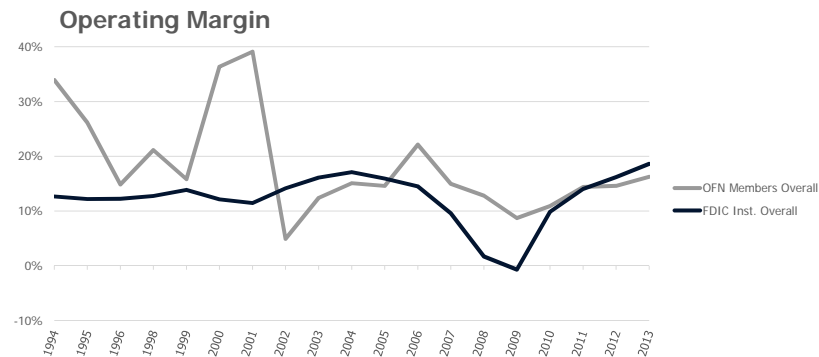
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Losses on Par with FDIC-Insured Institutions



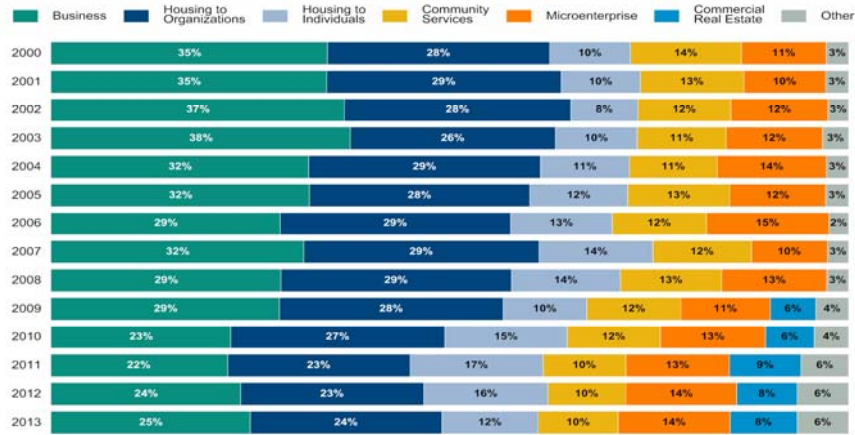
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Net Operating Margin Above or Close to FDIC-Insured Institutions



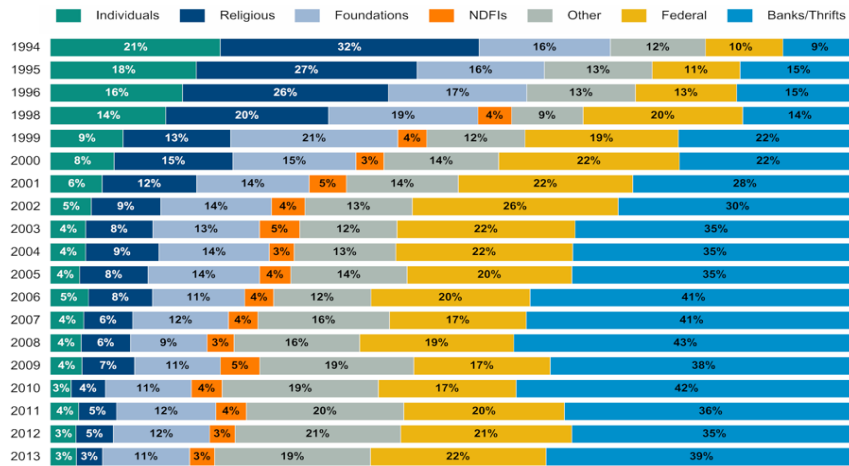
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Avg. Loan Portfolio by Sector



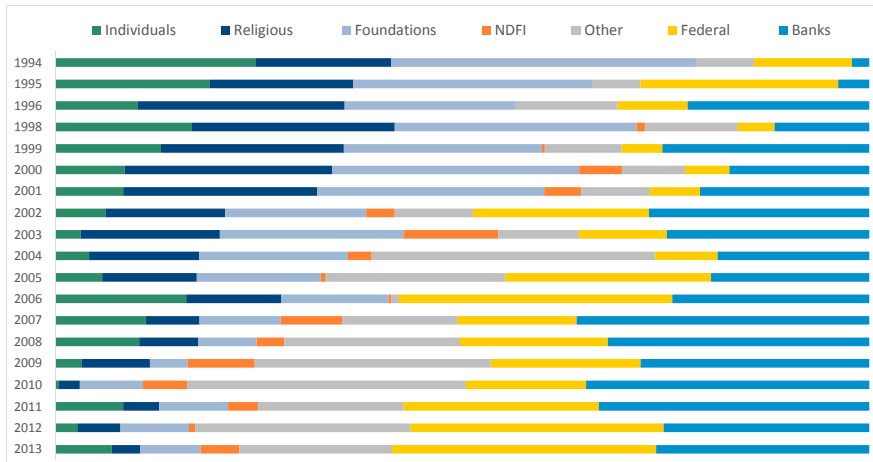
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Avg. Sources of Borrowed Funds



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Avg. Sources of Borrowed Funds: CDFIs Led by People of Color



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Trend Sample Analysis

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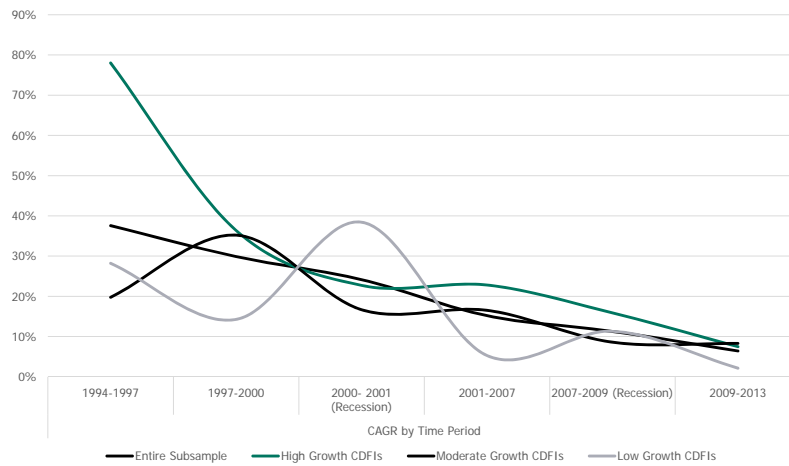
Growth Cohort Characteristics

	Average Market	Market Size	1994-1997 Loans Outstanding (3 yr ave)	2010-2013 Loans Outstanding (3 yr ave)
High Growth (n=7)	85% Urban	Mixed	\$4 million	\$140 million
Low Growth (n=7)	42% Rural	Mixed	\$5.8 million	\$22 million

High Growth > 18% CAGR; Low Growth <13% CAGR

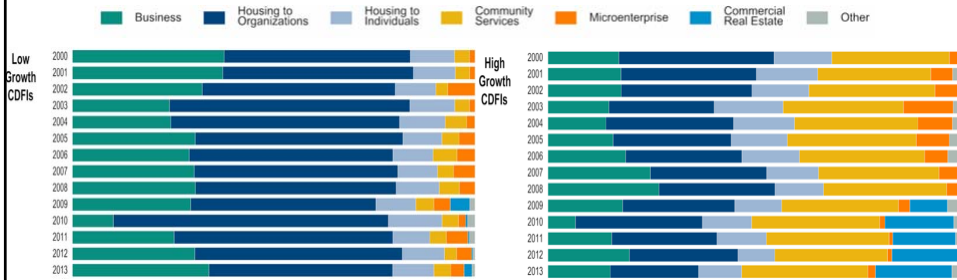
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Compound Annual Growth Rate



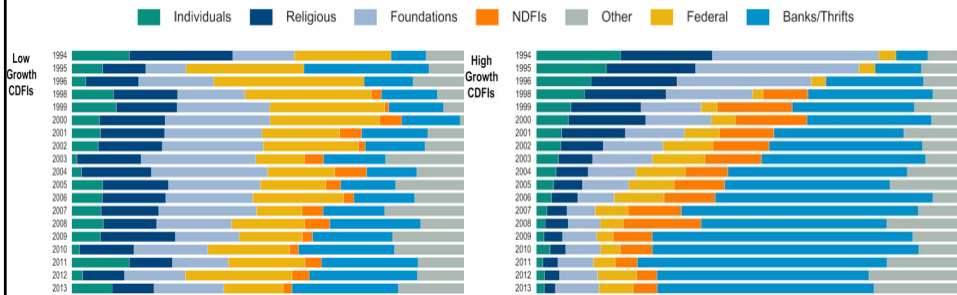
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Avg. Loan Portfolio by Sector Low vs. High Growth CDFIs



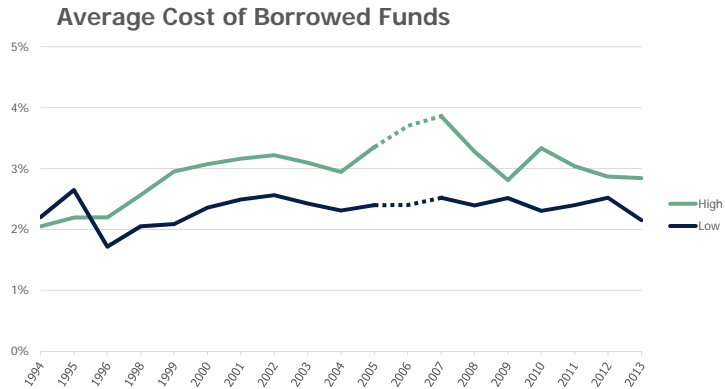
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Avg. Sources of Borrowed Funds Low vs. High Growth CDFIs



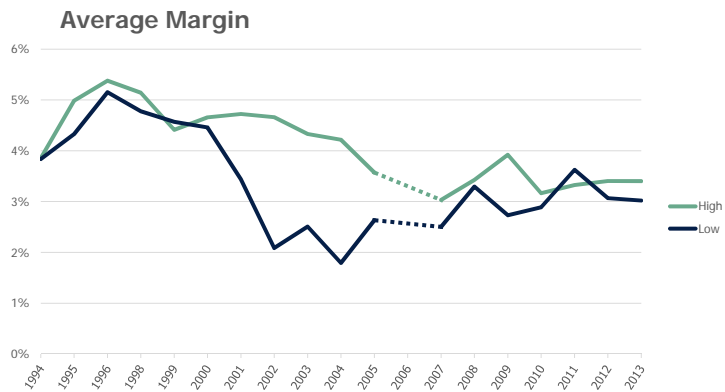
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Avg. Cost of Borrowed Funds



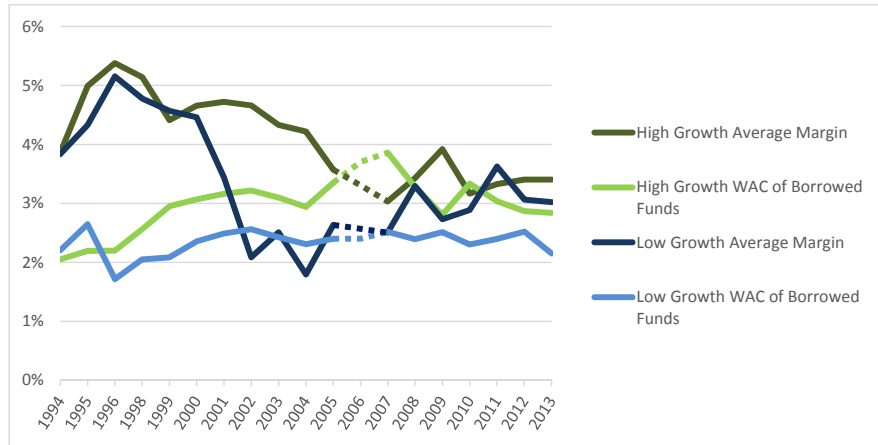
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Avg. Interest Margin



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Avg. Cost of Borrowed Funds and Avg. Interest Margin



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Future Research Questions

- How do the 1994–2013 growth and performance of CDFI loan funds compare to CDFI banks and CDFI credit unions?
- What accounted for the very high average growth rates for some CDFIs in 1994–1997 (68% average compound annual growth rate) and why are growth rates slowing overall?
- How do growth rates and performance differ among CDFI segments (e.g., rural vs urban; big vs small; primary financing sector; CDFIs led by people of color vs White-led CDFIs)?

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Future Research Questions

- **What explains the differences in growth and performance among CDFI segments?** Do sources of capital with their particular terms and conditions impact growth and performance? What are the impacts of other factors including but not limited to capital constraints, financing sectors served, markets served (rural vs. urban), the CDFI's risk tolerance, and management decisions?
- **What is the composition and volume OFN Members' non-balance sheet activity** and how has it changed over time? How has non-balance sheet activity allowed some CDFIs to grow in ways that would not have been possible with only on-balance sheet lending? What are the trend sample's growth rates in annual financing activity, including balance sheet and non-balance sheet activity?

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Future Research Questions

- **What explains the variations in financial performance across years** (e.g., why did operating margins jump up in 1998, 2000, and 2001 historical performance; why did the cost of borrowed funds jump up in 2007)?
- **What was the impact of the Riegle Act of 1994** on CDFIs' financial performance (operating margin, self-sufficiency ratio, net asset ratio), portfolio performance (delinquency and loan losses), and growth rates? For example, is there a difference between CDFIs that were established prior to the Riegle Act of 1994 and those that were established after it? What is the impact of CDFI Program awards and/or New Markets Tax Credit allocations?

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