African American Alliance of CDFI CEOs

ANALYZING THE WEALTH GAP

Black-led vs. White-led CDFIs and the Role of Federal Programs

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Abstract

Understanding the racial economic disparities in the United States requires a critical examination of their deep historical roots. From slavery, which dehumanized African Americans by defining them as property, to the oppressive systems of Reconstruction, Jim Crow, and mid-20th century discriminatory policies, the foundations of systemic inequality were firmly laid. These injustices have perpetuated a persistent racial wealth gap, marked by barriers to homeownership, limited access to quality education, and systemic exclusion from financial opportunities.

Community Development Financial Institutions (CDFIs) emerged in the 1960s as a response to these inequities, with a mission to expand economic opportunity in historically underserved communities. This mission gained additional momentum through initiatives like the Community Reinvestment Act of 1977 and the establishment of the CDFI Fund in 1994. However, the promise of these programs has not been fully realized for Black-led CDFIs, which continue to face systemic barriers in accessing capital and federal support.

In programs such as the CDFI Fund's Financial Assistance (FA) Program, New Markets Tax Credit (NMTC) Program, and Small Dollar Loan (SDL) Program, Black-led institutions consistently receive fewer resources and less representation compared to their White-led counterparts. These disparities not only undermine the mission of CDFIs but also perpetuate economic inequities within African American communities, where these institutions are critical to fostering financial empowerment and sustainable development.

Addressing these funding gaps requires intentional policy interventions that prioritize equity. This research examines the structural challenges Black-led CDFIs and Community Development Entities (CDEs) face, quantifies the impact of federal funding disparities, and outlines actionable policy recommendations. By addressing these inequities, we can move closer to closing the racial wealth gap and achieving meaningful economic justice for African American communities.

Introduction

The racial wealth gap between Black and White communities in the United States remains a defining barrier to socioeconomic equity and community development. Rooted in centuries of systemic exclusion, this disparity continues to hinder access to financial resources and economic opportunities for Black individuals and organizations. Black-led CDFIs and CDEs serve as critical agents of change, leveraging their deep connections within their communities to drive economic empowerment, foster local growth, and build social cohesion. Yet, these institutions face significant challenges in accessing the capital necessary to implement transformative initiatives, limiting their capacity to uplift economically disadvantaged areas.

This research explores the historical trajectory of African Americans' asset wealth, beginning with slavery and extending through the 20th century. It examines how systemic exclusion from equitable economic participation—enforced through exploitative labor and discriminatory policies—has created enduring barriers to wealth accumulation. The analysis focuses on funding disparities within three key CDFI Fund programs: the Financial Assistance (FA) Program, the New Markets Tax Credit (NMTC) Program, and the Small Dollar Loan Program (SDLP), using data from 2019 to 2024 to identify patterns of racial and gender inequity in program administration.

Findings reveal substantial inequities in the allocation of federal funding. The CDFI FA Program, which is designed to enhance the financial strength of CDFIs, consistently awards greater funding to White-led organizations, sidelining Black-led counterparts. Similarly, the NMTC Program, intended to attract private investment to underserved communities, disproportionately benefits White-led CDEs, further widening the resource gap. The SDLP, aimed at providing affordable credit options, also demonstrates notable disparities, compounding the financial hurdles faced by Black-led organizations and their communities.

This research not only highlights these disparities but also underscores the urgent need for targeted policy interventions. By proposing actionable recommendations, this study aims to create more equitable funding structures that align with the missions of CDFIs and CDEs. Prioritizing inclusive funding criteria and equitable resource distribution will enhance the ability of Black-led institutions to address the racial wealth gap and promote lasting social and economic justice. Through this analysis, the research contributes to the broader discourse on economic equity, advocating for systemic change to support Black-led CDFIs and advance community empowerment.

Historical Roots of the Racial Wealth Gap in America

Slavery and the Pre-Emancipation Era (1500s–1865)

The roots of the racial wealth gap in the United States trace back to the 1500s, when enslaved Africans arrived in Spanish-controlled Florida, decades before the 1619 arrival of the *White Lion* in Jamestown (Heywood et al., 2007). By 1860, enslaved Africans, valued solely as property, underpinned a system that concentrated wealth in the hands of White slaveholders. Cotton exports, driven by the brutal labor of enslaved people, comprised half of U.S. exports, fueling industries like banking, shipping, and textiles (Lockhart, 2019; Timmons, 2018).

Economically, the disparities were staggering. Black Americans collectively held just $0.02 for every dollar of White wealth—a 60-to-1 gap (Massari, 2024). This wealth inequity was not incidental but structural, as generational advantages rooted in slavery—land ownership, education, and homeownership—created long-lasting disparities.

Reconstruction and the Post-Emancipation Era (1865–1877)

Emancipation brought freedom but not economic independence for millions of Black Americans. Reconstruction policies, while ambitious on paper, often faltered in practice. Initiatives like General Sherman's Special Field Orders No. 15, which promised land redistribution, were swiftly reversed under President Andrew Johnson, leaving many newly freed individuals economically dependent (Diffley & Hutchison, 2022).

The sharecropping system emerged as a substitute for slavery, locking Black families into exploitative labor arrangements and perpetual cycles of debt. Legal advancements, including the 13th, 14th, and 15th Amendments, were undermined by the rise of Black Codes, which restricted African Americans' economic mobility. Violent resistance from groups like the Ku Klux Klan further destabilized progress. Reconstruction's failure to deliver economic equity entrenched racial hierarchies that persist to this day.

Jim Crow and the Institutionalization of Inequity

The post-Reconstruction period saw the introduction of Jim Crow laws, which formalized racial segregation and further marginalized Black communities. Black Codes criminalized minor infractions, funneling African Americans into forced labor camps under the convict leasing system (National Constitution Center, n.d.). These laws curtailed access to education, housing, and fair employment opportunities, solidifying an economic chasm.

Racial violence compounded these inequities. Incidents like the destruction of Black communities in Tulsa (1921) and Rosewood (1923) erased generational wealth, displacing families and eliminating opportunities for economic stability (Tyson, 1998; Parrish, 1922). By 1870, the White-to-Black per capita wealth ratio remained an astonishing 30-to-1 (National Bureau of Economic Research, 2022).

World War II and the Exclusionary Impact of the G.I. Bill

While World War II showcased the valor of African American soldiers, systemic discrimination persisted during and after their service. The G.I. Bill, heralded as a transformative social policy, largely excluded Black veterans through state-level discrimination and segregation (Woods II, 2013). Colleges denied Black applicants, vocational training programs were inadequate, and only a fraction of VA loans benefited African American families (Katznelson et al., 2008).

By 1947, for example, only two of 3,000 VA-backed mortgages in Mississippi went to Black veterans. These inequities compounded existing disparities, depriving Black families of the opportunity to build wealth through homeownership and education (Katznelson et al., 2008).

Civil Rights Movement and the Persistence of Structural Barriers

The Civil Rights Movement secured landmark legislation like the Civil Rights Act of 1964 and the Fair Housing Act of 1968, aimed at dismantling segregation and discrimination. Yet, systemic practices like redlining continued to stifle Black economic mobility. Maps created by the Home Owners' Loan Corporation labeled African American neighborhoods as "high-risk," restricting access to credit and investment (Rothstein, 2018). By 1970, 61% of Black Americans lived in hyper-segregated areas, perpetuating cycles of poverty and limited opportunity (Massey et al., 2018). Formerly redlined areas still experience poverty, lower home values, and limited access to education and healthcare, perpetuating the racial wealth divide (Swope et al., 2022; Lukes et al., 2021; Lane et al., 2022).

The Reagan Era (1981–1989): Neoliberal Policies and the War on Drugs

The Reagan administration's economic and social policies exacerbated systemic barriers to wealth-building in Black communities. Neoliberal principles prioritized financial deregulation, reduced public spending, and tax cuts favoring the wealthy. While these policies spurred economic growth for some, they disproportionately benefited White Americans, deepening the racial wealth gap. The rise of complex financial instruments and speculative markets shifted economic power to large financial institutions, while community-focused financial resources, such as Black-led lending institutions, faced greater challenges in competing for capital and government support (Stiglitz, 2012).

Simultaneously, the War on Drugs—often described as a policy war on marginalized communities—devastated Black households and disrupted wealth accumulation. Harsh sentencing laws and over-policing targeted Black neighborhoods, leading to a dramatic rise in incarceration rates. By 1989, Black adults were incarcerated at a rate five times higher than White adults, a disparity that destabilized families and reduced access to economic resources (Human Rights Watch, 2009).

The ripple effects of these policies were profound. Families impacted by incarceration often lost access to stable housing, employment, and community resources. Black-led financial institutions, already undercapitalized, struggled to meet the needs of communities hollowed out by poverty and disenfranchisement. This era underscored how economic and criminal justice policies intertwined to limit opportunities for wealth-building among Black Americans, *The Great Recession (2008–2009): Financial Crisis and the Disproportionate Impact on Black Communities*

The Great Recession laid bare the structural vulnerabilities of the American financial system and its disproportionate effects on minority communities. Predatory lending practices, including subprime mortgages, specifically targeted Black and Hispanic borrowers. These loans, often issued under exploitative terms, led to higher foreclosure rates among Black homeowners. Between 2007 and 2010, Black families lost an estimated 53% of their wealth, compared to a 16% decline for White families (Pew Research Center, 2011).

The collapse of homeownership—the cornerstone of generational wealth—was particularly devastating. Black families, who entered the recession with fewer financial safety nets, were forced to liquidate savings or incur debt to survive, eroding wealth that could have been reinvested in education, entrepreneurship, or homeownership.

The History and Role of CDFIs

CDFIs emerged in the 1960s amidst the Civil Rights Movement, when financial exclusion greatly limited economic opportunities for marginalized populations, particularly African Americans. These early institutions, including credit unions and community development banks, sought to address systemic inequities by providing access to capital in underserved communities.

The passage of the Community Reinvestment Act (CRA) in 1977 marked a significant milestone in the growth of CDFIs. By mandating that mainstream financial institutions serve low- and moderate-income (LMI) neighborhoods, the CRA opened new pathways for economic inclusion. In 1994, the U.S. Department of the Treasury established the CDFI Fund, further empowering these institutions to deliver critical financial services, such as small business loans, affordable housing financing, and community development investments.

CDFIs have since played a transformative role in fostering economic growth, generating employment, and supporting grassroots initiatives in disadvantaged areas. However, significant disparities persist within the field. Black-led CDFIs, despite their pivotal role in channeling capital into Black communities, often face stark capitalization gaps compared to their White-led counterparts. This inequity limits their ability to scale operations and meet the pressing needs of the communities they serve, perpetuating the structural barriers they aim to dismantle.

Black-led CDFIs are uniquely positioned to drive meaningful change in Black communities. Rooted in trust and deep local connections, these institutions deliver financial products and services tailored to the specific needs of their clients. Their impact extends beyond lending: Black-led CDFIs provide financial education, business development support, and resources for community organizing, fostering resilience and empowerment in underserved areas. By prioritizing investments in Black-owned businesses, affordable housing, and community infrastructure, they create wealth-building opportunities critical to narrowing the racial wealth gap.

Despite their significant contributions, Black-led CDFIs remain underfunded relative to the scale of their mission. Addressing this disparity is essential to unlocking their full potential and achieving equitable economic development across the country.

Data Collection and Analysis

Despite their significance, Black-led CDFIs and CDEs often face steep challenges in securing sufficient capital to scale their operations and maximize their impact. These barriers limit their ability to effectively serve the economically disenfranchised communities that rely on their support. This analysis explores disparities in funding allocations within three critical CDFI Fund programs: the Financial Assistance (FA) Program, the New Markets Tax Credit (NMTC) Program, and the Small Dollar Loan Program (SDLP). These programs were designed to bridge gaps in traditional financial services by equipping CDFIs with the resources they need to provide affordable financial products and services, foster local economic growth, and drive meaningful community development (CDFI Fund, 2021; CDFI Coalition, 2022).

The CDFI FA Program provides grants, loans, and equity investments to CDFIs, requiring recipients to match federal funds with non-federal sources (CDFI Fund, 2023). This matching mechanism amplifies the impact of federal dollars, enabling CDFIs to expand their reach and address the demand for accessible financial products in distressed areas. However, the ability to secure matching funds often poses a challenge for Black-led organizations, further deepening inequities in access to capital and resources.

The NMTC Program incentivizes private sector investments in low-income communities through tax credits allocated to CDEs (CDFI Coalition, 2022). This program has proven vital in financing a wide range of community development projects, from small businesses and retail centers to essential community facilities like health clinics and schools. Yet, the program's funding patterns often favor White-led entities, creating additional hurdles for Black-led CDEs to compete for resources.

Similarly, the SDLP addresses a critical need by enabling CDFIs to offer affordable alternatives to high-cost, predatory loans (CDFI Fund, 2023). This program supports financial inclusion by helping individuals build credit histories and achieve greater financial stability. For many Black-led CDFIs, however, limited funding hampers their ability to meet the growing demand for these crucial services.

While these programs are designed to drive community revitalization and expand economic opportunity, disparities in funding allocation limit their full potential to address the asset wealth gap. By examining these inequities, this study aims to illuminate the systemic barriers faced by Black-led CDFIs and CDEs, highlighting the need for targeted policy changes to ensure equitable access to federal resources. Bridging these gaps is essential for empowering communities, fostering economic resilience, and advancing racial equity.

CDFI (Financial Assistance) Program

The FA Program is designed to bolster CDFIs by providing financial resources to expand their lending and investment activities. This program is critical for generating the capital necessary for CDFIs to support underserved communities that are often excluded from traditional finance. The data discussed here was acquired from the provided CSV files for 2020 to 2023, available on the CDFI Fund website.

Figure 1: 2020 FA Awardees – Race of CDFI Leader

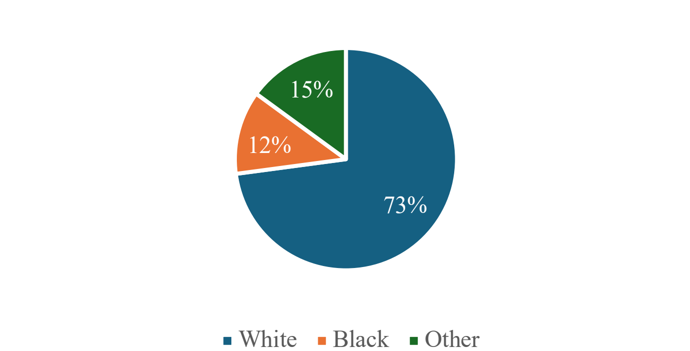
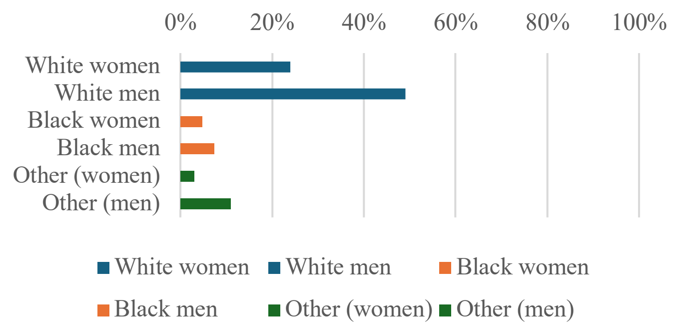


Figure 1.1: 2020 FA Awardees – Gender of CDFI Leader



In 2020, among 230 awardees, 73% were White-led, 12% Black-led, and 15% led by other racial minorities, making up 27% of total awardees (Figure 1). White-led CDFIs received a total allocation of $105 million, while Black-led CDFIs received significantly less at $16 million. The gender distribution indicated that 49% were led by White men, 24% by White women, 7% by Black men, 5% by Black women, and 14% by men and women of other races, totaling 32.4% from gender minorities (Figure 1.1). White men-led CDFIs received $85 million, White women-led CDFIs received $20 million, Black men-led CDFIs received $10 million, and Black women-led CDFIs received $6 million. Notably, 79% of awards were allocated to individuals of White ethnicity.

In 2021, the distribution among 248 awardees showed that 71% were White-led, 13% Black-led, and 16% led by other racial minorities, making up 29% of total awardees (Figure 2). White-led CDFIs received $95 million, while Black-led CDFIs received only $14 million. The gender distribution included 47% White men, 22% White women, 9% Black men, 3% Black women, and 18% from other gender minorities, totaling 31.4% (Figure 2.1). White men-led CDFIs received $67 million, White women-led CDFIs received $28 million, Black men-led CDFIs received $10 million, and Black women-led CDFIs received $4 million.

Figure 2: 2021 FA Awardees – Race of CDFI Leader

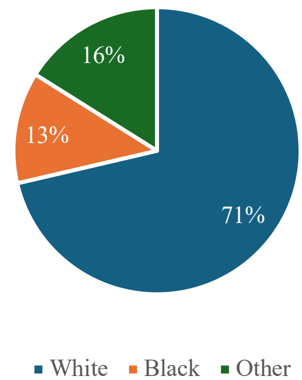
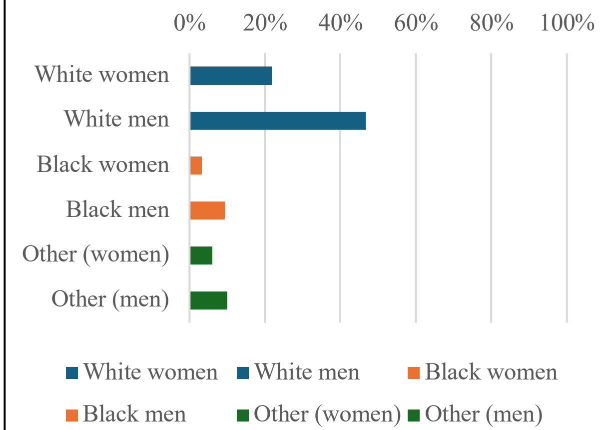


Figure 2.1: 2021 FA Awardees – Gender of CDFI Leader



In 2022, of 233 awardees, 70% were White-led, 14% Black-led, and 16% led by other racial minorities, making up 30% of total awardees (Figure 3). White-led CDFIs received $101 million, while Black-led CDFIs received $18 million. The gender distribution showed 49% White men, 21% White women, 8% Black men, 7% Black women, and 16% from other gender minorities, totaling 34% (Figure 3.1). White men-led CDFIs received $73 million, White women-led CDFIs received $28 million, Black men-led CDFIs received $10 million, and Black women-led CDFIs received $8 million.

Figure 3: 2022 FA Awardees – Race of CDFI Leader

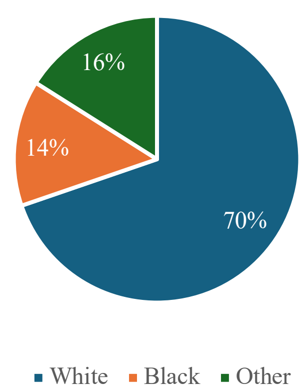
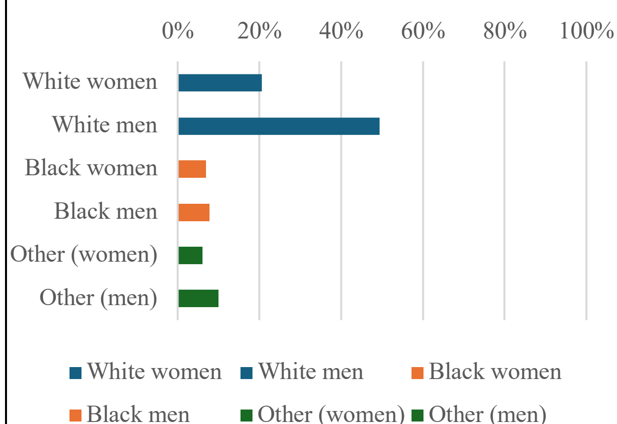


Figure 3.1: 2022 FA Awardees – Gender of CDFI Leader



New Market Tax Credit (NMTC) Program

The NMTC Program data, sourced from the NMTC Program Award Books for CY 2019 to 2022, available on the CDFI Fund website, reveals significant racial and gender disparities among recipients.

In 2019, out of 76 awardees, 75% were White-led, 18% Black-led, and 7% led by other racial minorities, making up 25% of the total (Figure 4). White-led CDEs received $2.563 billion, while Black-led CDEs received $573 million. The gender distribution showed 58% White men, 17% White women, 13% Black men, 5% Black women, and 6% from other gender minorities (Figure 4.1). Specifically, White men-led CDEs received $2.210 billion, White women-led CDEs received $535 million, Black men-led CDEs received $380 million, and Black women-led CDEs received $193 million.

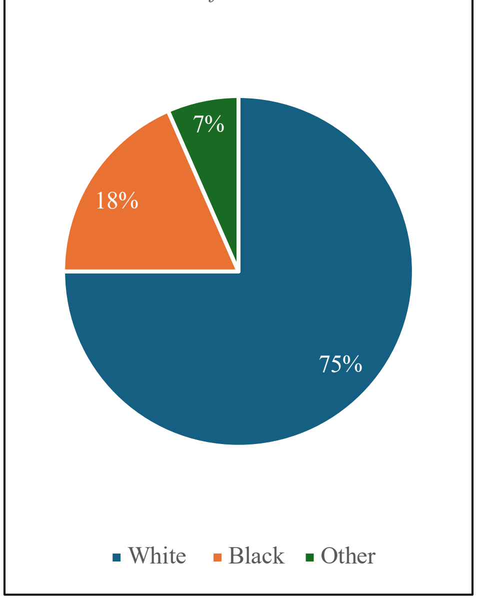


Figure 4: CY 2019 NMTC Awardees – Race of CDE Leader

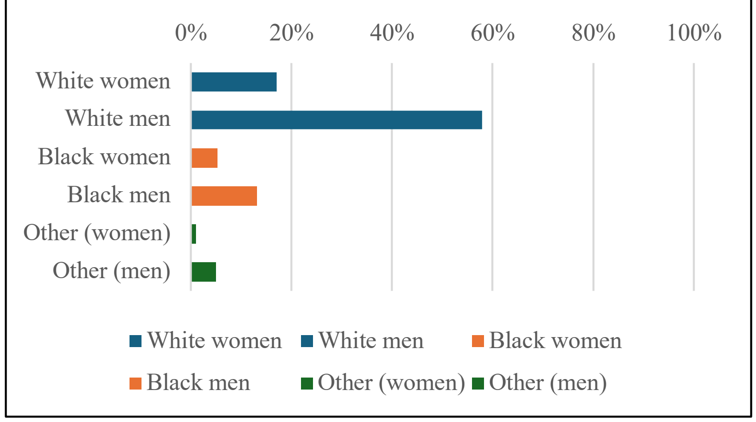


Figure 4.1: CY 2019 NMTC Awardees – Gender of CDE Leader

In 2020, among 98 awardees, 77% were White-led, 17% Black-led, and 6% led by other racial minorities, making up 23% of the total (Figure 5). White-led CDEs received $3.630 billion, while Black-led CDEs received $875 million. The gender distribution showed 59% White men, 18% White women, 13% Black men, 4% Black women, and 6% from other gender minorities (Figure 5.1). White men-led CDEs received $2.915 billion, White women-led CDEs received $715 million, Black men-led CDEs received $655 million, and Black women-led CDEs received $220 million.

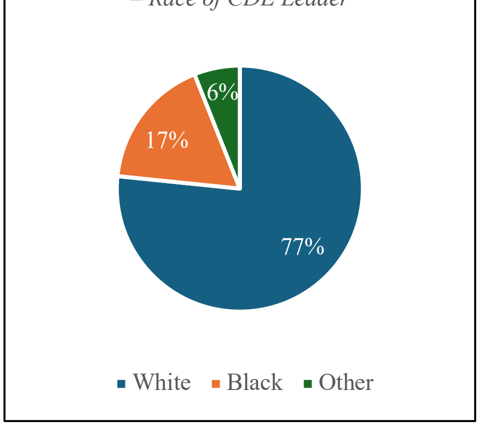


Figure 5: CY 2020 NMTC Awardees – Race of CDE Leader

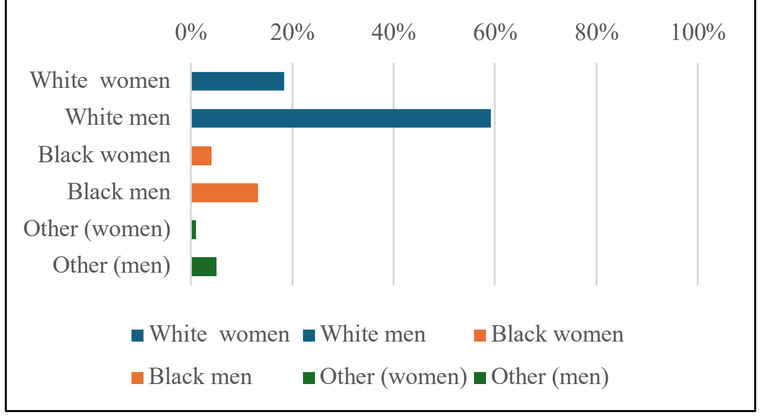


Figure 5.1: CY 2020 NMTC Awardees – Gender of CDE Leader

In 2021, of 107 awardees, 76% were White-led, 18% Black-led, and 7% led by other racial minorities, making up 25% of the total (Figure 6). White-led CDEs received $3.849 billion, while Black-led CDEs received $795 million. The gender distribution showed 59% White men, 17% White women, 15% Black men, 3% Black women, and 7% from other gender minorities (Figure 6.1). White men-led CDEs received $3.024 billion, White women-led CDEs received $825 million, Black men-led CDEs received $715 million, and Black women-led CDEs received $80 million.

Figure 6: CY 2021 NMTC Awardees – Race of CDE Leader

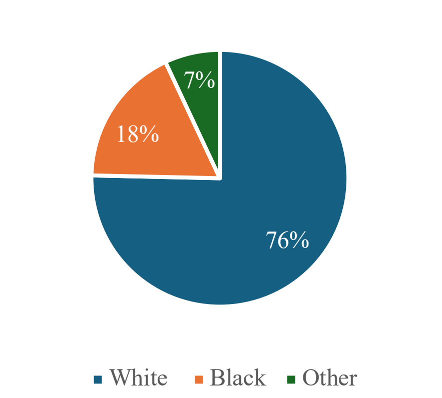
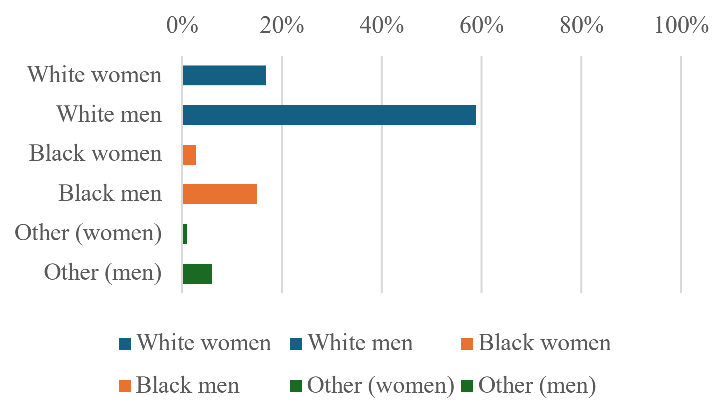


Figure 6.1: CY 2021 NMTC Awardees – Gender of CDE Leader



In 2022, out of 101 awardees, 79% were White-led, 11% Black-led, and 10% led by other racial minorities, making up 21% of the total (Figure 7). White-led CDEs received $4.170 billion, while Black-led CDEs received $540 million, a disparity of approximately 68%. The gender distribution showed 62% White men, 17% White women, 9% Black men, 2% Black women, and 10% from other gender minorities (Figure 7.1). White men-led CDEs received $3.425 billion, White women-led CDEs received $745 million, Black men-led CDEs received $435 million, and Black women-led CDEs received $105 million.

Figure 7: CY 2022 NMTC Awardees – Race of CDE Leader

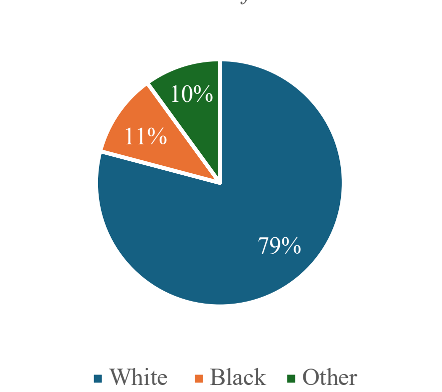
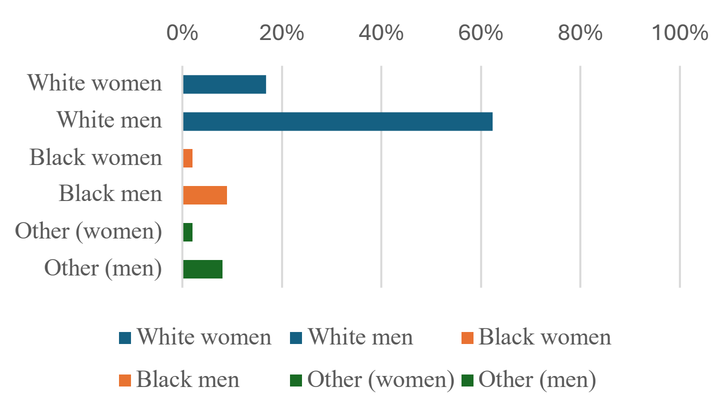


Figure 7.1: CY 2022 NMTC Awardees – Gender of CDE Leader



From 2019 to 2022, the data consistently indicated an underrepresentation of racial and gender minorities among NMTC Program awardees. White men-led CDEs were the most frequent recipients and received the highest average allocation. In contrast, Black-led CDEs had one of the lowest representations and received less funding on average compared to their White counterparts. Additionally, White-led CDEs were more likely to secure funding consistently over multiple years, highlighting potential systemic barriers that Black-led CDEs face in accessing these crucial funds.

Small Dollar Loan Program (SDLP)

Similar to the NMTC program analysis, data for the Small Dollar Loan Program (SDLP) was sourced from the SDLP Award List for FY 2021, 2022, and 2024, available on the CDFI Fund website. FY 2023 data was not available. This analysis highlights notable disparities in the racial and gender distribution of awardees over these years.

Figure 8: FY 2021 SDLP Awardees – Race of CDFI Leader

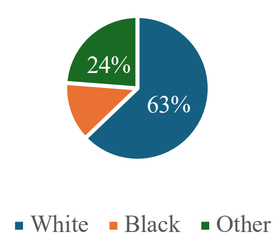
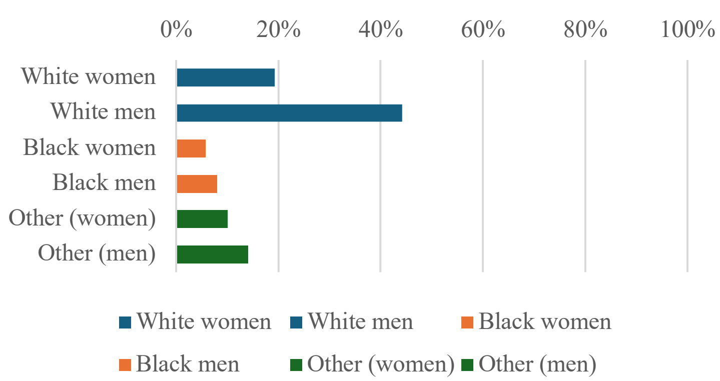


Figure 8.1: FY 2021 SDLP Awardees – Gender of CDFI Leader



In 2021, among 52 awardees, 63% were White-led, 13% Black-led, and 24% led by other racial minorities, making up 37% of the total (Figure 8). White-led CDFIs received a total allocation of $7.446 billion, while Black-led CDEs received $1.029 billion. The gender distribution for the same year indicated that 44% of the awardees were White men, 19% White women, 8% Black men, 6% Black women, and 24% from other gender minorities, totaling 35% (Figure 8.1). White men-led CDFIs received $5.390 billion, White women-led CDEs received $2.056 billion, Black men-led CDFIs were allocated $616 million, and Black women-led CDFIs received $413 million.

In 2022, the program awarded funds to 66 institutions. Of these, 59% were White-led, 12% Black-led, and 30% led by other racial minorities, making up 42% of the total (Figure 9). White-led CDFIs received $8.048 billion, while Black-led CDFIs received $790 million. The gender breakdown revealed 36% of the awardees were White men, 23% White women, 8% Black men, 5% Black women, and 31% from other gender minorities, totaling 43% (Figure 9.1). White men-led CDFIs received $4.357 billion, while White women-led CDFIs received $2.691 billion. In comparison, Black men-led CDFIs received $566 million, and Black women-led CDFIs received $224 million.

Figure 9: FY 2022 SDLP Awardees – Race of CDFI Leader

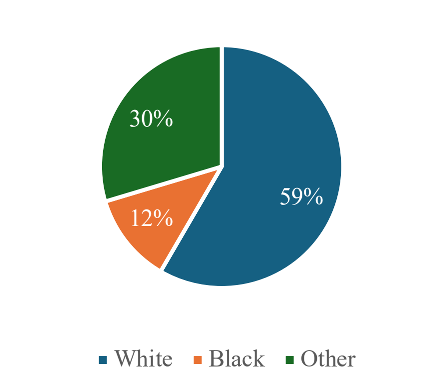
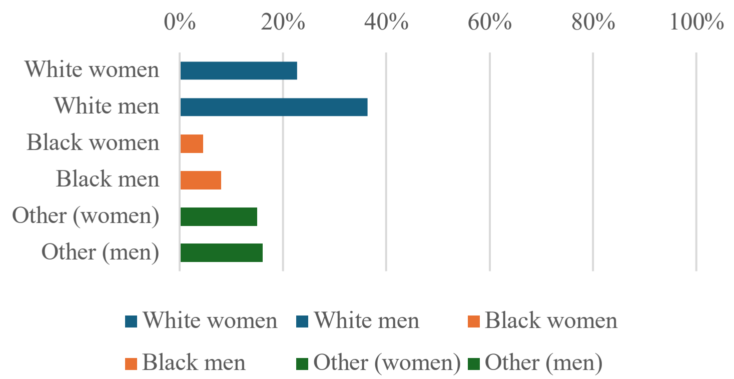


Figure 9.1: FY 2021 SDLP Awardees – Gender of CDFI Leader



In 2024, the number of awardees remained at 66. Of these, 59% were White-led, 11% Black-led, and 24% led by other racial minorities, making up 35% of the total (Figure 10). White-led CDFIs received $10.346 billion, while Black-led CDFIs received $2.147 billion. The gender distribution in 2024 showed 52% of the awardees were White men, 8% White women, 8% Black men, 3% Black women, and 24% from other gender minorities, totaling 19% (Figure 10.1). Specifically, White men-led CDFIs received $9.004 billion, White women-led CDFIs received $1.342 billion, Black men-led CDFIs received $1.381 billion, and Black women-led CDFIs received $766 million.

Figure 10: FY 2024 SDLP Awardees – Race of CDFI Leader

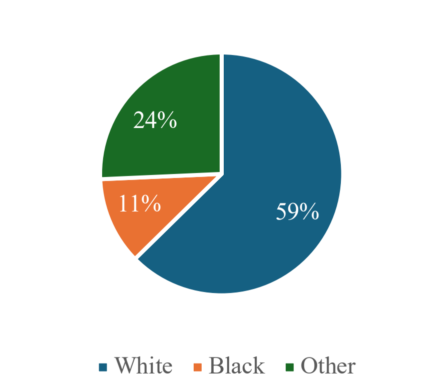
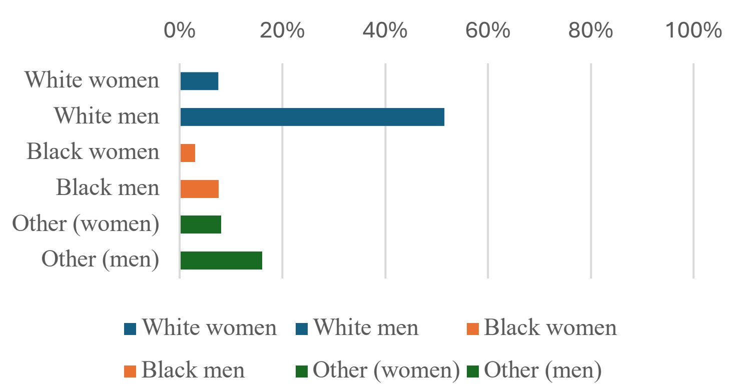


Figure 10.1: FY 2021 SDLP Awardees – Gender of CDFI Leader



From 2021 to 2024, the data consistently indicated disparities in the racial and gender distribution among SDLP awardees. White-led CDFIs were the most frequent recipients and received the highest average allocation. In contrast, Black-led CDFIs had lower representation and received less funding on average compared to their White counterparts. This highlights potential systemic barriers that Black-led CDFIs face in accessing these crucial funds.

Interpretation & Implications

Financial Assistance (FA) Program Data Analysis (2020-2022)

The FA program data from 2020 to 2022 revealed consistent patterns of racial and gender disparities among awardees and their corresponding funding allocations. In 2020, approximately 79% of awards were allocated to White-led CDFIs. This trend persisted in subsequent years, with White-led CDFIs comprising 70% to 73% of awardees. Despite the presence of racial minorities, including Black and other groups, their representation ranged from 12% to 16% annually, translating to 27% to 30% of total awardees across the period. However, their total funding allocation remained disproportionately lower than that of White-led counterparts. Black-led CDFIs received significantly less funding, ranging from $6 million to $16 million, compared to White-led CDFIs, which received between $67 million and $105 million.

The gender distribution further highlighted disparities. White men consistently comprised close to half of the awardees (47% to 49%) and received higher funding allocations compared to White women and all other gender categories. Gender minority recipients, encompassing women and men from other racial backgrounds, constituted between 31.40% to 34% of awardees annually. Despite these variations, White men-led CDFIs continuously received the highest funding allocations, significantly more than those received by White women-led CDFIs and all categories of Black-led CDFIs.

The disparities in funding allocations have significant implications for efforts to close the racial wealth gap. Black-led CDFIs, which play a crucial role in providing financial services and support to underserved communities, are receiving substantially less funding than their White counterparts. This limited access to capital restricts their ability to scale operations, invest in community projects, and support local businesses, all of which are essential for economic development in marginalized communities. The persistent funding gap means that Black-led CDFIs are less able to offer loans, grants, and other financial products that help build wealth in Black communities. As a result, the opportunity to accumulate assets through homeownership, business development, and other means is diminished, perpetuating the cycle of economic disenfranchisement.

Furthermore, the higher funding allocations to White men-led CDFIs suggest that the current distribution mechanisms may inadvertently reinforce existing inequities rather than ameliorate them. To effectively address the racial wealth gap, there must be a concerted effort to ensure equitable funding distribution that empowers Black-led and other minority-led CDFIs. This involves not only increasing the total funding available to these institutions but also addressing systemic barriers that hinder their access to financial resources.

New Market Tax Credit (NMTC) Program Data Analysis (2019-2022)

The NMTC program data from 2019 to 2022 revealed significant disparities in racial representation and funding allocations among awardees. During these years, White-led CDEs consistently held the majority share in the program, representing 75% to 79% of awardees annually. In contrast, Black-led CDEs comprised a smaller proportion, ranging from 11% to 18% of awardees. Although racial minority recipients, including Black and other groups, made up 21% to 25% of total awardees, their funding allocations remained substantially lower than those received by White-led CDEs. The funding disparities were stark: White-led CDEs received substantial allocations ranging from $2.563 billion to $4.170 billion annually, while Black-led CDEs received significantly less, ranging from $540 million to $875 million. This discrepancy highlights a persistent gap where Black-led organizations received between 23% to 61.2% less funding compared to their White-led counterparts across the years examined.

Gender disparities were also evident. White men comprised the majority of awardees (58% to 62%) and received higher funding allocations compared to White women and all other gender categories. Gender minority recipients, including women and men from other racial backgrounds, constituted between 21% to 23% of awardees annually, with allocations varying among different gender categories and racial backgrounds.

Small Dollar Loan Program (SDLP) Data Analysis (2021-2022, 2024)

The SDLP data from 2021 to 2022 and 2024 showed clear trends in racial representation and funding disparities among awardees. In these years, White-led CDFIs dominated the program, making up 59% to 63% of awardees annually, while Black-led CDFIs represented only 11% to 13%. Racial minorities, including Black and other groups, made up between 21% to 42% of total awardees, reflecting variations in access and representation over the years.

Funding disparities showed White-led CDFIs received allocations ranging from $7.446 billion to $10.346 billion annually. In contrast, Black-led CDFIs received much less, between $790 million and $2.147 billion. This disparity means that Black-led organizations received between 72% to 92% less funding than their White-led counterparts.

Gender diversity within the SDLP also showed fluctuations. White men consistently made up the majority of awardees, ranging from 36% to 52%, and received higher funding allocations compared to White women and other gender categories ($4.357 billion to $9.004 billion). Gender minority recipients, including women and men from other racial backgrounds, made up between 19% to 43% of awardees annually.

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The analysis of federal funding programs reveals persistent disparities in racial representation and funding allocations, which hinder efforts to close the racial wealth gap for Black-led CDFIs and CDEs. White-led CDFIs and CDEs consistently received larger funds and had higher representation among awardees compared to their Black-led counterparts. Additionally, gender disparities showed that men, particularly White men, received disproportionately larger funding allocations compared to women and minorities within each program.

These findings highlight the urgent need for targeted policies and practices to address systemic inequities within federal funding mechanisms. Black-led CDFIs and CDEs are crucial to their communities and understand not only the financial needs but also the cultural, social, and intersectional needs that impact the Black community. However, they are severely underfunded for the task at hand. The lack of sufficient funding reflects in the minimal revitalization efforts, disconnect between demographic needs and projected needs, limited input from affected communities, cultural erasure, and the reinforcement of systemic injustices.

Recommendations

To increase allocations to Black-led CDFIs and CDEs for the CDFI Fund FA Program, NMTC Program, and SDLP, the Alliance provides the following recommendations:

Recommendations for Narrowing the Gap Between Black-led and White-led CDFI Awardees in the CDFI Financial Assistance Program

FA1: Enhanced Capacity Building Programs

FA1.1: Tailored Training

FA1.1.1: Implement specialized training programs for Black-led CDFIs, focusing on financial management, strategic planning, and regulatory compliance to equip them with necessary skills.

FA1.1.2: Establish regular workshops and webinars for continuous learning and adaptation to new financial and regulatory environments.

FA1.2: Mentorship and Peer Learning

FA1.2.1: Create mentorship networks where seasoned CDFI leaders guide emerging Black-led CDFIs, offering knowledge transfer and practical insights for securing FA Program awards.

FA1.2.2: Form peer learning groups to foster collaboration, share experiences, strategies, and resources among Black-led CDFIs, enhancing overall sector capacity.

FA2: Increased Access to Capital

FA2.1: Pre-Development Funding

FA2.1.1: Develop funding mechanisms for Black-led CDFIs during the pre-application phase, such as grants or low-interest loans, to build capacity and infrastructure for competitive applications.

FA2.1.2: Partner with philanthropic organizations and impact investors to increase the availability of pre-development funds.

FA2.2: Flexible Financial Products

FA2.2.1: Create financial products tailored to Black-led CDFIs, including patient capital options with extended repayment terms and lower interest rates to alleviate financial pressures and enable sustainable growth.

FA2.2.2: Advocate for policy changes encouraging mainstream financial institutions to offer flexible financial products specifically for Black-led CDFIs.

FA3: Streamlined Application Processes

FA3.1: Simplified Applications

FA3.1.1: Simplify the FA Program application process to reduce administrative burdens on Black-led CDFIs, making it more accessible and increasing participation rates.

FA3.1.2: Introduce a phased application approach where preliminary applications provide feedback and guidance before full applications are submitted.

FA3.2: Application Assistance

FA3.2.1: Offer dedicated application assistance services to Black-led CDFIs, including one-on-one consultations, application workshops, and expert advisors for personalized support.

FA3.2.2: Develop an online portal with resources, templates, and guides specifically designed to aid Black-led CDFIs in the application process.

Recommendations for Narrowing the Gap Between Black-led and White-led CDE Awardees in the NMTC Program

NMTC1: Adjustment of Scoring Metrics

NMTC1.1: Introduce Bonus Points

NMTC1.1.1: Allocate 10 additional points in the Community Outcomes section for CDEs that are also certified as CDFIs. This acknowledges their significant impact and commitment to sustainable community improvements, aligning with the program's core objectives.

NMTC2: Advancements in Application Feedback and Transparency

NMTC2.1: Implement a Detailed Feedback System

NMTC2.1.1: Establish a comprehensive feedback mechanism that provides detailed sectional scores and evaluative comments on each part of the application. This system will give applicants clear insights into their strengths and areas for improvement, enhancing the quality and competitiveness of future submissions.

NMTC3: Comprehensive Strategies to Empower Minority-Led CDEs

NMTC3.1: Enhancing Transparency and Actionable Guidance

NMTC3.1.1: Develop and disseminate detailed guidance materials specifically tailored to the needs of minority-led CDEs. These should include step-by-step application instructions, best practices, and common pitfalls to avoid.

NMTC3.1.2: Implement structured feedback sessions and consultation opportunities for minority-led CDEs with unsuccessful applications, providing personalized feedback and improvement strategies.

NMTC3.2: Establishing Supportive Partnerships

NMTC3.2.1: Develop partnerships with organizations specializing in technical support, financial planning, and strategic development for minority-led CDEs. Establish mentorship programs linking successful, established CDEs with emerging minority-led entities to facilitate knowledge transfer and strategic guidance.

NMTC3.3: Softening Experience-Based Criteria

NMTC3.3.1: Revise the NMTC program's scoring criteria to recognize non-traditional forms of impact evidence such as community testimonials, pilot projects, or partnerships with local organizations. Adopt a comprehensive evaluation approach that considers the distinct missions, community ties, and potential impacts of minority-led CDEs.

NMTC3.4: Enhanced Scoring and Dedicated NMTC Allocations for Minority-Led CDEs

NMTC3.4.1: Allocate a specific portion of NMTC allocations exclusively for minority-led CDEs. Implement a scoring bonus system awarding additional points to minority-led CDEs that demonstrate innovative and impactful projects tailored to their communities' unique needs.

NMTC3.5: Ongoing Research and Data Collection

NMTC3.5.1: Commit to a long-term research agenda examining the participation rates, success factors, and impact of minority-led CDEs within the NMTC program. Regularly publish findings to identify barriers, track progress, and inform ongoing policy enhancements.

NMTC4: Use of Technology to Minimize Administrative Burden

NMTC4.1: Comprehensive Application Portal

NMTC4.1.1: Develop an application portal that enables data saving, section previews, real-time validation, and integrated guidance. Utilize autofill features for previous year data and the ability to import financial and project data from common file formats.

Recommendations for Narrowing the Gap Between Black-led and White-led CDFI Awardees in the Small Dollar Loan Program

SDL1: Increase Funding Allocations

SDL1.1 Designate a Specific Funding Percentage:

SDL1.1.1: Allocate a dedicated percentage of SDLP funds to Black-led CDFIs to ensure equitable distribution. This will address historical underfunding and ensure that Black-led institutions receive a fair share of the resources.

SDL1.2 Establish a Dedicated Grant Fund:

SDL1.2.1: Create a specific grant fund within the SDLP for Black-led CDFIs to support their unique operational needs and challenges. This will help level the playing field and enable these institutions to better serve their communities.

SDL2: Enhance Technical Assistance and Capacity Building

SDL2.1 Tailored Technical Assistance:

SDL2.1.1: Provide customized technical assistance to Black-led CDFIs to enhance their ability to apply for and manage SDLP funds. This support should include training on application processes, compliance requirements, and best practices in loan management.

SDL2.1.2: Offer capacity-building grants to Black-led CDFIs to invest in essential infrastructure such as technology upgrades, staff training, and community outreach initiatives.

SDL3: Simplify Application Processes

SDL3.1 Streamline Application Procedures:

SDL3.1.1: Simplify the application process for SDLP funds to reduce bureaucratic barriers that disproportionately affect smaller Black-led CDFIs. Simplified procedures will make it easier for these institutions to compete for funding.

SDL3.1.2: Implement transparent and equitable evaluation criteria that account for the specific challenges faced by Black-led CDFIs, ensuring a fair and unbiased assessment of their applications.

SDL4: Increase Representation in Decision-Making

SDL4.1 Ensure Diverse Representation in Oversight Structures:

SDL4.1.1: Ensure diverse representation within any relevant oversight or advisory committees related to the SDLP, including leaders from Black-led CDFIs. This will help address biases in funding decisions and ensure that the needs of Black-led institutions are considered.

SDL4.1.2: Establish advisory councils comprising leaders from Black-led CDFIs to provide input on SDLP policies and practices, ensuring their perspectives are incorporated into decision-making processes.

SDL5: Targeted Outreach and Engagement

SDL5.1 Focused Outreach Initiatives:

SDL5.1.1: Conduct targeted outreach to Black-led CDFIs to raise awareness about SDLP funding opportunities and provide detailed guidance on the application process. Outreach efforts should include informational webinars, workshops, and direct consultations.

SDL5.1.2: Host networking events that connect Black-led CDFIs with resources, potential partners, and funders to foster collaboration and support.

SDL6: Policy Advocacy and Legislative Support

SDL6.1 Advocate for Equitable Legislative Reforms:

SDL6.1.1: Promote legislative reforms that support equitable funding distribution within the SDLP and address disparities in the allocation of federal resources. Advocacy efforts should focus on long-term funding commitments for Black-led CDFIs.

SDL6.1.2: Support policies that ensure sustained financial support for Black-led CDFIs, enhancing their stability and capacity to serve their communities effectively.

SDL7: Data Collection and Reporting

SDL7.1 Transparency and Accountability:

SDL7.1.1: Collect and publish disaggregated data on SDLP funding allocations by race and ethnicity to increase transparency and accountability. This data will help identify and address ongoing disparities in the distribution of funds.

SDL7.1.2: Monitor and report on the progress of initiatives aimed at reducing the funding gap between Black-led and White-led CDFIs, providing empirical evidence of the impact of these measures.

SDL8: Foster Partnerships and Collaborations

SDL8.1 Encourage Strategic Partnerships:

SDL8.1.1: Facilitate partnerships between Black-led CDFIs and other financial institutions, nonprofits, and community organizations to leverage additional resources and expertise. Collaborative efforts can enhance the impact of Black-led CDFIs in delivering small-dollar loans.

SDL8.1.2: Promote initiatives that encourage collaboration among CDFIs, enabling them to share best practices, pool resources, and advocate collectively for policy changes that benefit underserved communities.

Conclusion

This paper has explored the persistent funding disparities faced by Black-led CDFIs and CDEs within key federal programs, including the Financial Assistance (FA) Program, the New Markets Tax Credit (NMTC) Program, and the Small Dollar Loan Program (SDLP). Through a comprehensive examination of funding data from 2020 to 2024 and a review of the historical and structural inequities underlying the racial wealth gap, this research underscores the systemic challenges that continue to limit the financial empowerment of Black communities.

Black-led CDFIs and CDEs play a critical role in addressing economic disparities, fostering local development, and advancing social equity. Yet, despite their importance, these institutions consistently receive less funding than their White-led counterparts. For instance, the FA Program awarded $60 million to $83 million annually to White-led entities, compared to just $8 million to $14 million for Black-led organizations. Similar disparities were observed in the NMTC and SDLP programs, where Black-led entities received significantly less funding—often 23% to 74% less—than their White-led peers. These inequities not only reflect broader structural barriers but also perpetuate economic and social inequalities, undermining the transformative potential of Black-led institutions to drive meaningful change.

Addressing these disparities requires intentional and targeted action. This paper proposes several recommendations, including revising funding criteria to prioritize equity, setting minimum funding thresholds for minority-led entities, providing tailored technical assistance and capacity-building resources, fostering partnerships with minority business development agencies, and easing experience-based criteria to level the playing field for newer, Black-led organizations. These measures, alongside broader policy reforms, are essential to creating a fairer and more inclusive funding ecosystem.

Achieving equity in community development finance is an economic necessity. By dismantling systemic barriers and prioritizing inclusivity in federal funding programs, we can empower Black-led CDFIs and CDEs to reach their full potential. This research emphasizes the urgency of transforming federal funding mechanisms to align with the principles of fairness and justice, paving the way for sustainable economic growth and social progress in historically marginalized communities. The recommendations offered here are a call to action for policymakers, funders, and stakeholders to champion a more equitable future where all institutions, regardless of leadership demographics, have the resources needed to drive impactful change.

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