

Issue Update

Minority Depository Institutions (MDIs) and Community Development Financial Institutions (CDFIs) play a vital role in the banking ecosystem. Mission-driven banks partner with other institutions to deliver capital, credit, and financial services to underserved communities throughout the United States. The long-term health, preservation, and competitiveness of MDIs and CDFIs will strengthen local economies and bolster rural and urban communities alike.

To obtain CDFI certification, a financial institution must demonstrate a primary mission of community development, serve a defined target market, and provide both financial products and development services tailored to that market. The process also requires institutions to meet accountability standards and follow responsible financing practices. Certification enables access to federal funding and technical assistance, and institutions must submit annual reports to maintain their status and demonstrate continued alignment with the CDFI Fund's mission.

Eligible institutions may also be designated as MDIs. This designation, overseen by federal banking regulators, recognizes banks that are committed to expanding access to financial services.

Why It Matters

MDIs and CDFIs are uniquely positioned to reach historically underserved markets and to help facilitate access to bank products and services. However, funding challenges, regulatory pressures, and technological changes limit their ability to serve communities at scale.

Recent proposals to tie supervisory ratings to CDFI certification have raised concerns about unintended consequences that could restrict participation and reduce access to capital. Additionally, rising lending costs and staffing constraints continue to strain operational capacity.

Together, CDFIs and MDIs manage billions in assets and serve thousands of communities that might otherwise lack access to traditional banking services. By enhancing oversight and collaboration with policymakers, mission driven banks stand ready to increase economic opportunity for all Americans.

Recommended Action Items

- Continue engagement with Treasury, OCC, FDIC, and Congress to preserve and expand CDFI and MDI resources.
- Monitor implementation of CDFI Certification reforms and advocate for practical approaches that maintain MDI and CDFI participation.
- Support appropriations measures that provide stable funding for the CDFI Fund.