

# CDFIs Help Small Businesses Drive Prosperity

Small businesses are the backbone of the American economy. From corner shops to childcare centers, bookstores to auto mechanics, nail salons to construction firms and more, they build communities and lift local economies. At some point, every one of these businesses needs capital, often in the form of financing.



## CDFI IMPACT

CDFIs have financed more than 1,039,000 small businesses or microenterprises nationwide through 2023.

## America's Small Business Conundrum

Entrepreneurship has surged in recent years, increasing demand for small business financing that continues today.<sup>1</sup> At the same time, financing constrictions<sup>2</sup> and unpredictable market conditions are putting small businesses — and the American economy — at risk. Financing gaps make it even harder to access critical start up or growth capital.

## CDFIs: Small Business's Best Friends

Community development financial institutions (CDFIs) are locally-rooted lenders that fill small business financing gaps. When a bank cannot make a loan to a small business owner, they refer them to a CDFI.

CDFIs offer safe, responsible financing products and technical expertise to help low-income, low-wealth small businesses launch, expand, and succeed.

## Specialized Small Business Lenders

In 2023, certified CDFIs had more than \$30 billion small business and micro loans in their portfolios.<sup>3</sup> With a cumulative net charge off rate of less than 1%, CDFIs lend productively in low-income, low-wealth markets.



### SITKA, ALASKA

Caitlin Way (Tlingit) owns Fisheye Coffee, a coffee shop providing wholesome food. The business's growth was initially stifled by a restrictive family loan and an inability to obtain traditional financing. With a small business loan from Native CDFI Spruce Root, Caitlin had the opportunity to invest in her business.

<sup>1</sup> U.S. Census Bureau, Business Applications: Total for All NAICS in the United States [BABATOTALSAUS], retrieved from FRED, Federal Reserve Bank of St. Louis; [fred.stlouisfed.org/series/BABATOTALSAUS](https://fred.stlouisfed.org/series/BABATOTALSAUS), January 17, 2023

<sup>2</sup> [KC Fed 2022 Small Business Lending Survey](#)

<sup>3</sup> [CDFI Annual Certification and Data Collection Report \(ACR\): A Snapshot for Fiscal Year 2023](#)

## Policy Recommendations

### Congress

- Expand the Small Business Administration (SBA) microloan program by increasing annual appropriations to reach more businesses.
- Equip and empower entrepreneurs to make sound financial choices with fair and transparent small business financial products by passing the Small Business Lending Disclosure Act.

### Executive Branch

- To build a more competitive and transparent small business financing market, ensure implementation of the small business data collection requirements mandated under Dodd-Frank Section 1071.
- Increase the role of CDFIs in delivering SBA loan programs 504, 7(a), and Community Advantage to Main Street America - creating jobs, building economic opportunity, and advancing the America First agenda through American communities.

## Capital Plus

In 2023, certified CDFIs had more than \$30 billion small business and micro loans in their portfolios. CDFIs also offer more than safe, responsible loans that fit people, not a credit box. They provide services to help small businesses get off the ground and grow.

### CDFI Clients

CDFIs tailor safe, responsible loans to fit people, not a credit box, and offer training, coaching, and support to help small businesses get off the ground and grow.



**27%**  
Rural

#### CDFI Clients



**47%**  
Women



**83%**  
Low-income



### CHARLESTON, WEST VIRGINIA

When a family-led, worker-owned business in West Virginia was denied business grants with the city of Charleston, New Economy Works (NEW) West Virginia provided financing and helped them to develop a sustainable business plan and break-even model to guide the business forward.



### KALAMAZOO, MICHIGAN

Ronald Flowers, founder of Flowers Automotive Recycling, transformed his family-owned auto recycling business with help from Northern Initiatives. The Michigan CDFI provided loans and business coaching, enabling him to expand operations and improve financial management. His son Anthony now helps to lead the business.

To learn more, email OFN's Public Policy team at [public.policy@ofn.org](mailto:public.policy@ofn.org) or call 202.618.6100.

## ABOUT OPPORTUNITY FINANCE NETWORK (OFN)

OFN is the nation's leading network and intermediary focused on community development investment, managing over \$1 billion in total assets and a membership of over 470 community development financial institutions (CDFIs). Our network of CDFIs works to ensure communities underserved by mainstream finance have access to affordable, responsible, financial products and services, with a deep focus on serving rural, urban, and Native communities across the United States. OFN is a trusted investment partner to the public, private, and philanthropic sectors, and, for more than 40 years, has helped partners invest in communities to catalyze change and create economic opportunity for all.

WE BELIEVE IN OPPORTUNITY.  
FOR ALL.

**OFN.ORG**

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