State and Local Policy

A Critical Concern for CDFIs

Brett Theodos, Ellen Seidman, Leiha Edmonds
URBAN INSTITUTE
Eric Hangen
I SQUARED COMMUNITY DEVELOPMENT CONSULTING

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Community Development Financial Institutions (CDFIs) are financial institutions with a mission of serving low- and moderate-income people and communities. For much of their early history, CDFIs were intimately involved in state and local policy and programs. But starting in the 1990s, several factors, including the creation of the CDFI Fund in the US Department of the Treasury, bank consolidation, stricter enforcement of the Community Reinvestment Act, expansion of low-income housing tax credits, and creation of new markets tax credits, shifted much of CDFI involvement in policymaking to the federal government.

More recently, however, a slowdown in bank consolidation, lighter enforcement of the Community Reinvestment Act, and reductions—actual and proposed—in the federal budget for the CDFI Fund and other federal programs CDFIs use, have refocused CDFI policy attention back to the state and local level (Theodos, Fazili, and Seidman 2016). To some extent, this activity has always been there, especially in states like California, Massachusetts, Minnesota, Vermont, and Wisconsin, where CDFIs have been particularly active in state and local policy formation. And since most CDFIs work at the local level and need to interact with their local governments, CDFIs have always paid attention to local policy. Further, as CDFIs have expanded their activities (such as into consumer lending), they have been required to interact with state and local regulatory bodies. In short, though CDFIs have always worked to some extent on state and local policy, those levels of government are now getting more attention, as CDFIs continue to work to scale up their impact.

This brief, based on interviews, a roundtable, and a workshop with CDFIs and policymakers who work with them, discusses the types of state and local policy issues CDFIs are interacting with and how they are doing it. The brief introduces the types of state and local policy that are important for CDFIs, provides some concrete examples of state and local policies CDFIs are working on, and concludes with a discussion of strategies and techniques for successful engagement.

BOX 1

The Urban Institute's Collaboration with JPMorgan Chase

The Urban Institute is collaborating with JPMorgan Chase over five years to inform and assess JPMorgan Chase's philanthropic investments in key initiatives. One of these is Partnerships for Raising Opportunity in Neighborhoods (PRO Neighborhoods), a $125 million, five-year initiative to identify and support custom solutions for the unique challenges facing disadvantaged neighborhoods in US cities, with community development financial institutions (CDFIs) as critical partners in that effort. The goals of the collaboration include using data and evidence to inform JPMorgan Chase's philanthropic investments and informing the larger fields of policy, philanthropy, and practice. Urban Institute research is exploring the complexity of how to build CDFI capacity and impact, recognizing the diverse ways CDFIs serve their target communities.

Types of State and Local Policy That Are Important for CDFIs

Much like federal policy, state and local policy can influence CDFIs in three major ways: providing resources for the CDFI or for CDFI borrowers, setting the terms of business for CDFIs or their borrowers, and impacting the people and communities CDFIs work with. Although most of this brief is focused on resources, the other two categories are important in that they provide critical context for CDFI activities. For example, if licensing or regulatory policies make it hard for CDFIs to make appropriately priced loans to borrowers or limit the ability of borrowers to access CDFI financing, CDFIs will face greater challenges in accomplishing their mission. On the other hand, a state policy environment that recognizes the value of mission-oriented alternative financing vehicles can improve outcomes for both CDFIs and borrowers.

Equally important are state and local policies that affect the people and communities CDFIs work with. CDFIs, a part of the community development field, arose out of the civil rights movement and have missions that embody principles of social justice and shared prosperity. In addition, many CDFIs have made explicit commitments to environmental sustainability. When communities are challenged through natural disaster or economic change, when entrepreneurs cannot access credit, or when individuals do not have access to quality jobs or appropriate financial services, CDFIs are called upon to fill these gaps. Whether and how effectively they can respond depends on state and local policy.

State and Local Policy Opportunities for CDFIs

Since their creation, CDFIs have used a variety of policy levers to influence their work. Here we summarize those opportunities.

- **Equity (grant) support.** As we discuss in an earlier brief (Seidman, Fazili, and Theodos 2017), equity capital is critical to CDFIs' ability to survive and work effectively. Equity is not only a financial cushion in times of stress, but it is also the base for leveraging debt capital and is a funding source for items, including policy work, for which programmatic funding is limited. Several states have broadly targeted equity grant programs for which CDFIs are eligible. CDFIs in a few states are working on establishing and funding programs modeled on the federal government's CDFI Fund, which provides equity grants.

- **Long-term or low-cost debt.** As financial institutions, CDFIs need money to lend. Low-cost debt enables them to lend more flexibly and better meet the needs of their borrowers, as well as to layer lower-cost funds into large-scale capital projects. Long-term debt is especially valuable for CDFIs that fund real estate projects, including community facilities, which often need long-term debt to make the projects economically feasible. A number of states, and some governmental entities (e.g., transit authorities), make long-term or low-cost debt available to CDFIs, either directly on CDFI balance sheets or through special-purpose funds that finance CDFI projects. In some states, this debt is raised through bond issuance, in others through general appropriations.

- **Credit enhancements.** CDFIs specialize in lending to people, projects, and small businesses that may be too risky to get standard bank financing. For small businesses, bank financing may be unavailable because of the age of the firm, the valuation of collateral, the experience or personal financial strength of owners or the parameters of the firm's business plan. CDFIs are businesses themselves, and their long-term viability depends on the repayment of loans. Thus, CDFIs are better able to serve their target customers if another entity shares the credit risk. Several states, some using money from the federal State Small Business Credit Initiative, have established capital access programs, sometimes in close coordination with CDFIs, under which the state and lenders create a pooled loan loss reserve.[1] Other forms of credit enhancement that states have made available to CDFIs include loan guarantees and funding for loan loss reserves.

- **Tax credits for investments in or with CDFIs.** Many states provide tax credits similar to the federal low-income housing tax credit, new markets tax credit, or historic preservation tax credit, that support projects CDFIs develop or lend to. In addition to making such projects feasible, sale of the tax credits can provide income to CDFIs. Other states encourage direct debt or equity investments in CDFIs by providing investors with income or franchise tax credits for their investments. The beneficiaries may be individuals or types of corporations, such as insurance companies.[2] In addition, statutes such as state versions of the Community Reinvestment Act can bring funds to CDFIs.

- **Fees to run government programs.** As financial institutions embedded in low- and moderate-income communities, CDFIs are well positioned to administer financial programs targeted to those communities. CDFIs have been chosen to run programs ranging from support for working waterfronts to technical assistance for minority- or women-owned businesses. In some cases, CDFIs were major players in the establishment of these programs. In addition to helping CDFI borrowers and communities, this type of activity can provide fee income to CDFIs to supplement income from lending.

- **Licensing and regulatory policies.** Though nondepository CDFIs are not subject to the set of federal regulations that govern banks and credit unions, including capital regulation, as lenders, they are subject to substantive regulation of their activities and, often, to state licensing laws. This is especially true for nondepository CDFIs that are small business, residential mortgage, and consumer lenders. Laws and regulations that create exceptions for CDFIs, recognizing that they provide responsible alternative credit and are bound by a mission to serve their communities, combined with cordial relationships with state regulators, can enhance CDFIs' activities.

- **Policies that affect communities and consumers.** The job of CDFIs is to work with low- and moderate-income people and communities to enhance their well-being. CDFIs therefore have an interest in policies that can help or harm those communities. These include policies relating to consumer protection, foreclosure prevention, availability of health care and education, and urban redevelopment strategies.

Examples of State and Local Policy Engagement

Equity and Grant Supports

A few states have pursued legislation to create a state version of the CDFI Fund Financial Assistance program. The New York State CDFI Fund was approved by the legislature and had just been authorized when the financial crisis occurred in 2008, putting the program on ice. The New York State CDFI Coalition is advocating for a $15 million appropriation for the coming year, which, if approved, would be the first funding the program has received. Wisconsin CDFIs have also pursued legislation to create a state CDFI Fund, although they are currently more focused on gaining passage of a tax credit for investment in CDFIs (see section on tax credits).

A number of relatively small state equity grant programs already exist, such as New York's Empire State Development CDFI Assistance Program, which has provided more than $25 million in equity capital since 1997 to CDFIs to make loans to minority- and women-owned businesses.[3] Minnesota's

Urban Initiative Program made grants to CDFIs that are lending to minority businesses in and around the Twin Cities area. In 2012, total state investment was $460,000 (Bevins 2013). The program has since been replaced with the Emerging Entrepreneurs Loan Program, which began in 2017 and awarded a total of $2 million in funding to community lenders. The Massachusetts Association of Community Development Corporations reports it has successfully advocated for a $1 million capital program that will benefit CDFIs in that state. Pennsylvania and Washington both used State Small Business Credit Initiative money—a federal pass-through—to provide capital grants directly to CDFIs (Opportunity Finance Network, n.d.).

Long-Term or Low-Cost Debt

There have been several instances in which states have made debt investments directly to CDFIs. One notable effort is the Vermont Treasurer's Office Local Investment Advisory Committee, established in 2014, to advise the State Treasurer's office on local investment opportunities for funds it manages. The Treasurer's Office has made investments of over $3 million in two CDFIs. For at least one of those CDFIs, the terms of borrowing were 10 years at approximately 2 percent interest. The Rhode Island State Treasurer also has made a $500,000 debt investment in a CDFI in that state, the Capital Good Fund.

In California, the Bay Area Metropolitan Transportation Commission invested $10 million to seed the Transit-Oriented Affordable Housing Fund, a $50 million fund managed by the Low Income Investment Fund, a CDFI. In New York, CDFIs engaged in business financing have borrowed money at 1 percent interest on a seven-year term from the Empire State Regional Revolving Loan Trust Fund. And CDFIs focused on affordable housing can access bridge loans for the purchase of vacant or occupied buildings, predevelopment, and moderate rehabilitation through the New York City Acquisition Fund. Minnesota is putting into place a Healthy Food Financing Initiative that will eventually allow CDFIs to draw zero percent interest debt to relend into communities with food deserts. The fund has not yet been capitalized, however. The Maine Regional Economic Development Revolving Loan Program has provided subordinate debt financing to CDFIs, including $1 million to Coastal Enterprises, Inc. (CEI), to relend to businesses. Currently, CDFIs must ask to access these funds on a deal-by-deal basis.

The term and pricing of capital has affected some states' efforts to deploy money through CDFIs. For example, the Wisconsin Housing and Economic Development Authority was authorized to provide debt financing to CDFIs, but at least one CDFI we interviewed declined to draw funds because of the 4 percent interest rate. In Massachusetts, Mass Growth Capital Corporation has made debt capital available at 3 percent interest to CDFIs, although one observer reports that few CDFIs have actually drawn that money.

Credit Enhancements

Credit enhancement programs, such as loan loss reserves and loan guarantees, support lending to people, projects, and small businesses that may be too risky to get standard bank financing. In California, the state-run California Capital Access Program (CalCAP), provides credit enhancement through collateral support and a loan loss reserve for eligible financial institutions including CDFIs. CalCAP's collateral support program pledges cash to cover the collateral shortfall of loans made by participating lending institutions of $50,000 or more. The CalCAP small business loan loss reserve program can provide up to 100 percent coverage on losses as a result of certain loan defaults. In addition, the loan loss reserve is also used to support lending to specialty programs; these include creating more charging stations for electric vehicles, helping at-risk small businesses comply with requirement of the federal Americans with Disabilities Act, assisting small businesses and property owners to finance the costs to seismically retrofit existing buildings and homes, and retrofitting polluting diesel trucks.

In 2015, 10 local financial institutions in Lawrence, Massachusetts, established the Venture Loan Fund, making $2.5 million available for local lending. The City of Lawrence provides a 10 percent loan loss reserve to the fund and the program is administered by a CDFI, Mill Cities Community Investments.

Tax Credits for Investments in or with CDFIs

State tax credit programs benefitting CDFIs include both credits for investments or donations directly to CDFIs and credits supporting the development of projects that CDFIs may finance. Until it was recently discontinued for new investments, COIN (the California Organized Investment Network) was a voluntary community reinvestment program focused on the insurance industry. COIN is administered by the California Department of Insurance, and state law required insurance companies to report their community development investment activity to the department.[4] To further encourage community development investments, COIN provided investors with a tax credit of up to 20 percent of their investment in COIN-certified CDFIs (to qualify, the investment must have been either interest-free debt, equity, or an equity-like debt instrument) (Jones and Olivares-Castain 2016). Forty-seven CDFIs have been certified. The state made $10 million in tax credits available each year, which leveraged up to $50 million or more of private investment into COIN-certified CDFIs. A report by Pacific Community Ventures indicates that between 2011 and 2015, 34 CDFIs received investments totaling $237.5 million and deployed $505.7 million of pooled funds into projects and businesses benefiting underserved communities (Brett and Woelfel 2016). The COIN program failed to be re-authorized in 2016. Efforts are currently under way to reinstate the program.

The Massachusetts Community Investment Tax Credit provides tax credits to individuals and corporations who make donations to qualified Community Development Corporations that have had "community investment plans" approved by the state. In 2017, over 40 organizations, including several CDFIs, received tax credit allocations ranging from $60,000 to $150,000. The Vermont Charitable Housing Investment Tax Credit provides a tax credit for investors in eligible affordable housing projects. The Vermont Community Loan Fund has been raised around $1.5 million of below-market loans for lending capital through this program (often at zero percent interest), which it then relends to affordable housing developers. In 2013, Wisconsin Senate Bill 43 sought to create a tax credit for investors in CDFIs, in the amount of 10 to 12 percent of the investment over two years. The bill failed to pass, but advocates are again focused on gaining passage this year.

Many states have instituted state-level tax credit programs that seek to mirror or complement the major federal tax credit programs for community development. Fourteen states have state versions of the federal New Markets Tax Credit program.[5] Generally, these programs encourage investments in certified Community Development Entities that in turn invest in businesses in low-income communities. For example, the Oregon New Markets Tax Program reports providing $202.8 million in state tax credits to 37 businesses in 2016, creating or retaining 2,132 jobs.[6] All CDFIs qualify to be Community Development Entities, but other organizations can also qualify.

Many states also have tax credit programs supporting the development of specific types of projects that CDFIs might finance, such as state historic housing tax credits (most states)[7] and state low-income housing tax credits (15 states and Washington, DC).[8]

Many local governments provide property tax abatements, and structure tax increment financing to support affordable housing and commercial real estate development, sometimes with a focus on underserved areas.

State Programs that CDFIs Help to Administer

As financial institutions embedded in low- and moderate-income communities, CDFIs are uniquely positioned to administer financial programs targeted to those communities. Examples of partnerships between state housing finance agencies and CDFIs exist across the country. CDFIs administer several loan programs for the Minnesota Housing Finance Agency, including a Fix-Up Fund, Energy Fix-Up Fund, Impact Fund, and Rental Rehabilitation Deferred Loan Fund. Loans sit on the agency's balance sheet, but CDFIs earn fees for helping to deploy the loans to borrowers. The Washington State Housing Finance Commission has a mortgage brokering relationship with HomeSight, a CDFI. And other housing finance agency and CDFI brokering and correspondent lending relationships exist across the country. Additionally, according to an Opportunity Finance Network (n.d.) report, 59 percent of housing finance agencies across the country were providing financial or technical support to CDFIs and other nonprofits who provide homebuyer counseling and education. Many housing finance agencies also subgranted funds to CDFIs from the National Foreclosure Mitigation Counseling program for foreclosure prevention and mitigation.

In addition to state housing finance agency partnerships, Massachusetts and Wisconsin provide operating grants to CDFIs to provide technical assistance to small business owners. The CDFI Wisconsin Women's Business Initiative Corporation receives operating grants from the state to support programing including technical assistance; these funds also provide leverage for other federal support focused on training and technical assistance.

In New York, the Affordable Housing Corporation provides grant funds that CDFIs, as well as other approved nonprofits, regrant to low-income homeowners to assist with home repairs. CDFIs earn administrative fees for this activity. Funding for fiscal year 2015–16 was $59 million, although this amount also includes funding to developers for the development and rehabilitation of for-sale housing stock.

In Maine, until 2016, Coastal Enterprises, Inc. (CEI) administered Maine's Working Waterfront program, which provides financing to property owners to maintain working waterfronts. During its management, CEI made 240 loans totaling $17.74 million that leveraged an additional $55.8 million of investments from partners and preserved waterfront access for the fishing and related industries.[9]

Licensing and Regulatory Policy

For CDFIs working with consumers, homebuyers and homeowners, or small businesses, state regulations and licensing laws can loom large. Though, for mortgage lenders in particular, the standards are set in part at the federal level and in some larger cities local licensing laws may be relevant, most lender licensing is a state function. State understanding of and attitudes toward both CDFIs and their missions can make an enormous difference in whether and how the CDFIs can serve their clientele. When CDFIs and other lenders compete under relatively strict state standards, CDFIs' special borrower relationships and ancillary services can be an effective competitive advantage. In a more free-flowing environment, CDFIs may be severely disadvantaged by lax underwriting standards of their competitors.

One of the first laws federal statutes passed in response to the housing crisis was the **Secure and Fair Enforcement for Mortgage Licensing Act, or SAFE Act**. States administer this law, but they do so according to minimum standards set by the federal Consumer Financial Protection Bureau. The statute, enacted in 2008, was a response to the shoddy practices and virtually nonexistent competency and ethics standards for mortgage originators in many states. It requires states to set standards and originators to pass exams. Because originators who work for banks or credit unions get special treatment, the law's main impact is on nonbank originators and their employees. CDFIs have had a range of experiences under this system. Organizations in Florida and Texas reported that they found a lack of understanding of CDFIs' mission and practices, and interactions were difficult. In other states, CDFIs were treated "just like banks," which can raise concerns about underwriting, pricing, and risk management practices either not in scale with the CDFI's lending volume or not consistent with serving a riskier population. On the other hand, CDFIs in Minnesota and Massachusetts reported that state authorities had successfully modified or were working to modify their requirements to account for the CDFIs' mission and nonprofit status; those in New York reported less successful attempts at accommodation.

CDFIs serving small businesses and doing nonmortgage consumer finance also face state licensing requirements, although generally these are less burdensome than those relating to mortgages. In our conversations with CDFIs subject to these regimes, we found a range of approaches, including exemption (Vermont) and effective working relationships (Washington and Colorado). CDFIs can also be impacted by laws and regulations designed to curb predatory lending. For example, in California, state law prohibits CDFIs from paying referral fees for small business loans except to licensed brokers. In contrast, nonmission merchant cash advance companies, can pay fees to all kinds of brokers. Opportunity Fund and other CDFIs worked together to change this rule to allow CDFIs to pay referral fees to all types of brokers. However, as a result of regulatory concerns about expanding the scope of business of unlicensed lenders (including CDFIs) and pushback from cash advance for-profit companies, the updated California bill allows CDFIs to pay referral fees only to other nonprofits. CDFIs working on this issue noted that, in the future, CDFIs will focus on better educating the state legislature on the difference between CDFIs and other lenders.

Strategies for Success in State and Local Policy

CDFIs that are successful in influencing state and local policy employ multiple strategies. The most important is to build relationships in both the executive and legislative branches. CDFIs also find that working through partnerships and coalitions is effective (box 2), although coalition building and maintenance can be difficult and time-consuming. CDFIs also report success when they become known conveners, especially across silos of either subject matter or institution type and when they help policymakers better connect with their constituents.

Relationships are important to successfully influencing policy at all levels of government. CDFIs have advantages in building relationships compared with some other policy advocates because much CDFI activity is visible in legislators' districts, which affords CDFIs a powerful opportunity to communicate the value of what they do. This means visiting policymakers regularly and keeping them up to date on what the CDFI is doing that the policymakers are interested in. Targeted fact sheets with statistics and pictures showing the CDFI's activities, as well as site visits can be effective strategies to start a relationship, especially with legislators and their staffs (Theodos and Hangen 2017). And some CDFIs, such as Craft3, have found that hiring a lobbyist who knows his or her way around the legislature is a useful complement to the CDFI's own activities (box 3). Finally, though building a relationship before making an ask is important, having defined requests and working with the legislator or executive branch officials to solve specific problems is an important part of sustaining the relationship.

CDFIs have also developed policy influence through less-direct strategies. For example, Virginia Community Capital has become known and relied upon to bring together people and organizations of different types or that focus on issues of state-wide importance. CDFIs are especially helpful in this context where the topic at hand is economic development—a topic that means many things to many people and about which there are many perspectives, but where the CDFI may have the trust of all parties and resources that others lack. Once a CDFI becomes effective in this role, it is more likely to be called upon to give advice or participate in key initiatives, both important opportunities to influence policy. As David Reiling of Sunrise Banks in the Twin Cities noted, when the city wanted to submit a bid for Amazon's headquarters, "all of a sudden everyone called on us to do New Markets [Tax Credits]."

BOX 2

CDFI Coalitions

Coalition-based advocacy can increase the likelihood that legislation and rulemaking will recognize and respond to the needs of CDFIs and those they serve. Coalitions frequently form around shared issues and may consist of a broad group of CDFIs, a group of organizations that share a broader social justice mission, or organizations (including, for example, CDFIs, nonprofits and private developers) working in the same space, such as affordable housing.

In some states, broad CDFI coalitions operate at the state level. Recently, CDFIs in Wisconsin began joining together to participate in a Hill Day in Madison. The coalition of CDFIs organizes a yearly event to meet with state representatives and senators and discuss CDFIs' positive outcomes in the state.

Some CDFIs participate in coalitions that focus on policy issues affecting their clients. More social justice–oriented coalitions may provide indirect benefit to CDFIs' daily work. In Kentucky, CDFIs joined with a broad coalition to support Medicaid expansion in the state. As organizations serving low-income families and seniors, the state adoption of the Affordable Care Act's Medicaid expansion benefited CDFIs' client base but was outside CDFI's traditional scope of work. In North Carolina, CDFIs that provide financial services in immigrant communities joined with immigrant rights groups and community-based organizations.

Some of the CDFIs interviewed noted the challenges of participating in this form of coalition advocacy because of differing ideas around political partisanship or inconsistencies between the interests of CDFI clients and CDFI funding partners. Though some CDFIs explicitly avoid this type of policy work, others feel it is essential to their mission. Developing a clear strategy that is vetted with the CDFI's board (which often includes members aligned with funders) can help the organization successfully thread this needle and help funders better understand the needs of the people and the communities the CDFI serves.

Finally, sectoral groups are another common form of coalition. For example, affordable housing–focused CDFIs in Washington can join the Washington Low Income Housing Alliance, a housing advocacy membership organization. CDFIs' engagement with these coalitions is an important part of their strategy for accessing funding from the state Housing Trust Fund. CDFIs interviewed noted that their participation in the broader community of affordable housing advocates, private housing developers and nonprofits supported their work to address homeownership rates in Washington after the recession.

Elyse Cherry of Boston Community Capital has found that another effective strategy builds on the CDFI's relationship with the people and businesses it serves. Policymakers may know there is a critical issue that needs to be addressed, but they may not be hearing from all sides, especially the people and communities CDFIs serve. Connecting CDFI clients with policymakers is not only beneficial for communities, it also increases policymakers' respect for and trust in the CDFI. Cherry noted that partnership building, convening, and connecting are all enhanced when CDFI staff are also participants in organizations and with constituents who the CDFI is bringing together.

BOX 3

How Do CDFIs Pay for Policy Work?

Raising dedicated funds for policy work can be difficult, in part because of funder concerns about lobbying (even though all CDFIs, including nonprofits, are allowed to engage in lobbying.[a] Thus, this work is generally funded from the balance sheet and through money raised as general overhead. But the return, especially for work raising resources, can be significant and often more than pay for the cost of the policy work. One CDFI reported that staff had asked the board for $200,000 to pay an outside firm to do legislative work for the CDFI. The board's response was that $200,000 was not an outsized figure, but that it would be better spent by the CDFI learning how to do the legislative work itself. The organization reported that they successfully learned how to do legislative work, and that the investment had "paid for itself many times over."

[a] For a primer on rules governing political activity for nonprofits, see Jeremy Koulish, "Rules Governing Nonprofits and Political Activity: Brief Overview," *Urban Wire* (blog), Urban Institute, May 15, 2013, https://www.urban.org/urban-wire/rules-governing-nonprofits-and-political-activity-brief-overview.

Techniques for Success

CDFIs use multiple techniques to implement their strategies for influencing state and local policy (box 4). One important underlying technique or tactic for success that we heard from multiple CDFIs is simply "knowing your stuff." Successful policy advocates know at least as much substantively as those they are working with, and they know the pitfalls, counterarguments, and responses. Being able to draft the legislation or regulation a CDFI wants enacted not only provides credibility, but it also can frame the discussion in a manner most consistent with the CDFI's interest. And, as in most activities, sharing—or even giving away—the credit for success is likely to generate more interest in working with a CDFI in the future. Appendix A, a resource for CDFIs, is an assessment tool to help CDFIs get started in assessing their state and local policy environment, including the context, available resources, key decisionmakers, and action steps.

Framing is a critical technique and one CDFIs sometimes have difficulty with. The key is to put the CDFI and the policymaker "on the same page." This can be especially important in the context of social justice advocacy where, especially in more conservative communities, framing the issue as economic development or revitalization can expand the audience that hears the CDFI's and the advocacy campaign's message. Several CDFIs in conservative locations said they consciously keep their advocacy bipartisan, which enables them to make common cause with legislators of multiple political persuasions.

But framing is vital in other contexts also. A lawmaker interested in jobs is more likely to be receptive to a message about how building or rehabilitating housing will generate jobs than a message solely about the need for affordable housing. Deborah De Santis of the Corporation for Supportive Housing emphasized the importance of making the business case for policies such as Medicaid expansion and moving people out of institutional care. A corollary of framing is to work with intermediaries (including lobbyists) who speak the policymakers' language, which may mean working with different partners and interacting with different policymakers for different issues. As Noel Poyo of the National Association for Latino Community Asset Builders explained that a CDFI can be more successful by framing a request around an issue of interest to a policymaker, such as affordable housing or energy, rather than the needs of the CDFI.

BOX 4

Ten Tips for CDFIs Engaged in Policy Work

1. Build relationships before making asks; focus attention on what you have done in a legislator's district or for the legislator's constituents.
2. Frame your interests to mesh with those of the policymakers you wish to influence and with what their constituents need.
3. Use need, output, and impact statistics, as well as business metrics, such as money saved, to make your case.
4. Build and work through partnerships and coalitions.
5. Be a convener across silos and become known as an influencer.
6. Connect the community with policymakers.
7. Pick advocacy battles carefully and keep your board involved.
8. Make sure the world, and especially policymakers with power and control, know what CDFIs are and do.
9. Share and give the credit for accomplishment, especially to locally elected officials.
10. Don't bite off more than you can chew.

Media is important to CDFIs' policy success. Even today, relatively few policymakers know what a CDFI is. Wendy Baumann of Wisconsin Women's Business Initiative Corporation said that developing the ability to effectively use media and to "earn" free media by building relationships with reporters and others who will cover the CDFI's activities, spreads the word in a manner that resonates with policymakers and is not self-serving. Doing this well requires a conscious strategy and well-executed and consistent branding and messaging. But the payoff, especially for print media that can easily be repurposed, can be immense.

Statistics and stories are important to getting the message across. They work best when targeted to a policymaker's constituency or interests; the classic "one pager" with stories and statistics can open a host of doors and, as a "leave behind," be a constant reminder of what the CDFI can do. As with media, stories are best told by clients, not by the CDFI itself. And statistics, which should focus on, for example, what the CDFI has done in a legislator's district, can be especially compelling. Such an effort can benefit from a CDFI's investment in a broader measurement and learning agenda for the organization (Theodos and Seidman 2017). For newer CDFIs or those moving into a new area, data about need can also be useful if they are connected to how the CDFI will be responding to those needs. Output data, such as units built or jobs created, resonate; the "but for" impact information that funders and researchers are interested in can be valuable but is by no means required.

Events can be important to enhance the profile of a CDFI or the CDFI industry in general and are especially helpful when they are regular events on policymakers' turf. Baumann provided the example of "Capitol Hill Days" that not only provide opportunities for structured one-on-one discussions but also demonstrate the breadth and competency of the entire industry.

Conclusion

With ongoing changes at the federal level, as well as interest and innovation at the state and local level, CDFIs that have exclusively focused on federal level policy over the last 20 years are increasingly interested in increasing impact at the state and local level. Many CDFIs have been working with state and local policy makers since their inception and balance policy work between important federal programs like the New Markets Tax Credit and low-income housing tax credit with state and municipal legislation. CDFIs engage with state and local policy for many reasons including accessing additional resources for the CDFI or for CDFI borrowers, setting the terms of business for CDFIs or their borrowers, and positively impacting the people and communities CDFIs work with. CDFIs interested in state and municipal legislation can benefit by learning about existing state- and local-level policies and programs on equity (grant) support, long-term or low-cost debt, credit enhancements, tax credits for investments in or with CDFIS, fees to run government programs, and licensing and regulatory policies. Examples of engagement in state and local policy can range from developing model legislation to increasing legislators' awareness of a CDFI's impact on a local economic development initiative. Whether a new member of a state CDFI coalition or a long-time convener on local policy issues, CDFIs should learn from colleagues who have been successful in the states and cities and expand, if not refocus, policy attention to include the states and localities in which they operate.

Appendix A. State and Local Policy Assessment

1. Issue or opportunity (e.g., rule or regulation change, new or modified program or policy):

2. State or locality of focus:

3. Organizational resources

Staff, allies, and coalition:	Connections and influence (to decisionmakers):	Relevant work already accomplished by you or partners:

4. Key decisionmakers (organizations and individuals):

5. Action steps

Short term (1–6 months):	Medium term (6–18 months):	Long term (18–36 months):

Notes

1. See "State Small Business Credit Initiative," US Department of the Treasury, last updated September 21, 2017, https://www.treasury.gov/resource-center/sb-programs/Pages/ssbci.aspx.
2. "California Organized Investment Network," California Department of Insurance, accessed December 11, 2017, https://www.insurance.ca.gov/0250-insurers/0700-coin/Index.cfm.
3. "Community Development Financial Institution Assistance Program," Empire State Development, accessed December 11, 2017, https://esd.ny.gov/community-development-financial-institution-assistance-program.
4. See note 2.
5. The states are Alabama, Alaska, Arkansas, Florida, Illinois, Kentucky, Louisiana, Maine, Mississippi, Nebraska, Nevada, Ohio, Oregon, and Utah. Programs have also been proposed in California and Minnesota. See "New Market Tax Credit Resource Center," Novogradac and Company, LLP, accessed December 11, 2017, https://www.novoco.com/resource-centers/new-markets-tax-credits/application-allocation/state-nmtc-programs.
6. "Oregon New Markets Tax Credit," Business Oregon, accessed December 11, 2017, http://www.oregon4biz.com/How-We-Can-Help/Finance-Programs/NMTC/.
7. A list of state historic tax credit programs is available "Historic Tax Credit Resource Center," Novogradac and Company, LLP, accessed December 11, 2017, https://www.novoco.com/resource-centers/historic-tax-credits/state-htcs/state-htc-program-descriptions.
8. The states / jurisdictions with state low-income housing tax credit programs are Arkansas, California, Colorado, Connecticut, District of Columbia, Georgia, Hawaii, Illinois, Massachusetts, Missouri, Nebraska, New Mexico, New York, Oklahoma, Utah, and Vermont. In addition, a program has been proposed in Minnesota. See "State LIHTC Program Descriptions," Novogradac and Company, LLP, December 11, 2017, https://www.novoco.com/resource-centers/affordable-housing-tax-credits/application-allocation/state-lihtc-program-descriptions.
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About the Authors

Brett Theodos is a senior research associate at the Urban Institute. **Ellen Seidman** is a nonresident fellow at the Urban Institute. **Leiha Edmonds** is a research associate at the Urban Institute. **Eric Hangen** is principal at I Squared Community Development Consulting.

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2100 M Street NW
Washington, DC 20037

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