FEDERAL RESERVE BANK *of* NEW YORK

COMMUNITY DEVELOPMENT

EXAMINING THE ORIGINATION AND SALE OF LOANS BY COMMUNITY DEVELOPMENT FINANCIAL INSTITUTIONS

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May 2024

Key Takeaways

- CDFIs originated at least $67 billion and sold at least $14 billion of loans in 2022, the most recent year for which comprehensive data are available. This is up from $29 billion in originations and $6 billion in sales in 2018.
- The 10 most active CDFIs, which include loan funds, credit unions, and banks, originated over 25% of the total origination volume and nearly 75% of the sold loan volume in 2022. These most active institutions also account for nearly all sales by loan funds and nearly all loan sales to Ginnie Mae and life insurance companies. This suggests that while many CDFIs have sold or do sell loans, they tend not to do so programmatically, except for the most active ones.
- CDFIs originated at least $32 billion of residential loans in 2022, representing nearly half of the total volume of CDFI loan originations across all collateral types for which we have data. For sales, residential loans made up 90% of the total volume of loans sold by CDFIs.
- CDFI credit unions collectively originated the highest loan volume. For sales, while CDFI banks and credit unions sold loans more frequently, in terms of total volume sold, loan funds were the most active type of institution in 2022.

Introduction

In our report *Sizing the CDFI Market: Understanding Industry Growth*, we found that the community development financial institution (CDFI) industry has grown to over $450 billion in total assets as of 2022, a $260 billion increase since 2018.[1] In this report, we find similar growth in the origination and sale of loans by these institutions. We estimate that as of 2022, the volume of loans originated and the volume of loans sold by CDFIs have both more than doubled since 2018, reaching $67 billion and $14.2 billion, respectively.

Amidst this growth, demand for CDFI loans continues to increase. According to the 2023 CDFI Survey from the Richmond Fed, three out of four CDFIs reported seeing increased demand for their products in the past year, and a similar share anticipates that this growth will continue. However, less than half of the CDFIs that experienced this growth in demand reported that they were able to fully meet the existing demand, let alone future growth.[2]

As researchers have noted, among other potential avenues, a more robust secondary market for CDFI-originated loans could help CDFIs meet this demand.[3,4] It could help CDFIs to meet loan demand from both existing and potential borrowers and would expand access to capital for households and businesses in low- and moderate-income communities.

In this report, we aim to improve the understanding of loan originations and sales by CDFIs and provide insights relevant to the potential development of a more robust secondary market. We use multiple data sets to examine CDFI-originated loans by collateral, institution, and purchaser type, highlighting some of the drivers of the industry's growth over the past five years and potential drivers of future growth. We also spotlight real-world examples of how CDFIs can access the secondary market. This report is part of an ongoing series examining the CDFI industry, its characteristics, and its growth.

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[1] Jacob Scott, Maria Carmelita Recto, and Jonathan Kivell, *Sizing the CDFI Market: Understanding Industry Growth*, Federal Reserve Bank of New York (https://www.newyorkfed.org/outreach-and-education/household-financial-stability/sizing-the-cdfi-market-understanding-industry-growth)

[2] See 2023 CDFI Survey (https://www.richmondfed.org/region_communities/regional_data_analysis/surveys/cdfi/cdfi_survey_2023)

[3] Brett Simmons and Joyce Klein, "We Have New Tools To Capitalize CDFI Growth — Let's Use Them," Aspen Institute (https://www.aspeninstitute.org/publications/we-have-new-tools-to-capitalize-cdfi-growth-lets-use-them/)

[4] Sean Campbell and Christopher Shin, "Securitization for Social Innovation," Local Initiatives Support Corporation (https://www.lisc.org/our-resources/resource/securitization-social-innovation/)

Current Landscape

Background

No single data source captures all originations and sales by CDFIs each year. This situation is compounded by the fact that CDFIs can be loan funds, banks, or credit unions, and different data sets capture different subsets of each of those institution types.[5] Thus, we consulted a wide range of sources in our attempt to estimate the size of the market. For a summary of which data sets we used and how we used them for purposes of this paper, please see the table below. For a more detailed discussion of each data set, please consult the Data Appendix.

DATA SOURCE	USED FOR WHICH CDFI TYPES?	USED FOR ORIGINATION, SALE, OR BOTH?	USED FOR WHICH LOAN CATEGORIES?
Home Mortgage Disclosure Act (HMDA) data	Banks, Credit Unions, Limited Number of Loan Funds*	Both	Residential, Multifamily, Home Improvement, Lines of Credit, Other
S&P Residential and Commercial Mortgage Analytics Tool	Banks, Credit Unions	Origination	Residential, Multifamily, Non-Residential Commercial Real Estate, Construction, Lines of Credit
National Credit Union Administration (NCUA) Call Reports	Credit Unions	Sale	Residential (Single family, first mortgage only)
Small Business Administration (SBA) 7(a) data	Banks, Credit Unions, Loan Funds	Both	Small Business
SBA 504 data	Banks, Credit Unions, Loan Funds	Origination	Small Business
Opportunity Finance Network (OFN) data	Loan Funds	Both**	Residential, Multifamily, Non-Residential Commercial Real Estate, Small Business, Community Services, Consumer, Intermediary, Microenterprise, Paycheck Protection Program, Other
CDFI Fund Transaction Level Report (TLR)	Banks, Credit Unions***	Both	Business, Microenterprise

*Subject to certain thresholds detailed in the Data Appendix
**Sales coverage stops in 2021.
***As of the time of writing, an institution only appears in the TLR if it is a recipient of an award from the CDFI Fund. We focus only on banks and credit unions, though all CDFI types are included in the TLR.

[5] There are some holding companies and venture capital funds that are certified as CDFIs, but we do not focus on them in this report due to data limitations.

Note that we only use portions of these data sets. For example, NCUA Call Reports have some information on originations by credit unions, but since we have other sources for those data, we only use the NCUA Call Reports for sales volume. Thus, the above table should be taken as a summary reference table to consult while reading rather than a holistic description of each of the data sets.

Due to the patchwork nature of the data, we emphasize that the following values are estimates and are, in many cases, underestimates. One cause of underestimation is our inability to accurately establish origination and sales amounts for certain collateral types such as auto loans, for which we were unable to obtain data. For other collateral types, we are only able to obtain data on a subset of the total universe. For example, for business loans we only capture SBA-backed loans, business loans originated by members of the Opportunity Finance Network (OFN), and business loans that are originated by credit unions and banks that are CDFI Fund award recipients.

Another cause of the underestimate is that we are unable to capture all CDFIs across all loan types. For example, while we have origination estimates for residential loans for almost all CDFI banks through the combination of HMDA and the S&P Residential and Commercial Mortgage Analytics tool, we have residential sales data only for those banks that appear in HMDA.

One additional limitation is that we do not have loan-level performance data. The performance of loans originated by CDFIs is an important area for further investigation.

Originations

Using the above data sources, we estimate that loan originations by CDFIs more than doubled between 2018 and 2022,[6,7] from at least $29 billion to at least $67 billion. Of that $38 billion in growth, $23 billion (60%) was driven by CDFIs that were certified between 2018 and 2022.[8] There is some concentration in this growth: we estimate that over a third ($13 billion) of the growth in that period came from the 10 CDFIs that increased their origination volume the most.[9]

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[6] We use the time frame of 2018 through 2022 primarily because it is the period for which the most comprehensive data are available. For example, the HMDA data went through major updates between 2017 and 2018. Thus, to ensure that values are comparable across years, we focus our analysis on the period from 2018 to 2022.

[7] Note that the TLR data, which we use to estimate business loans originated by banks and credit unions that are CDFI Fund awardees, only go up to 2021.

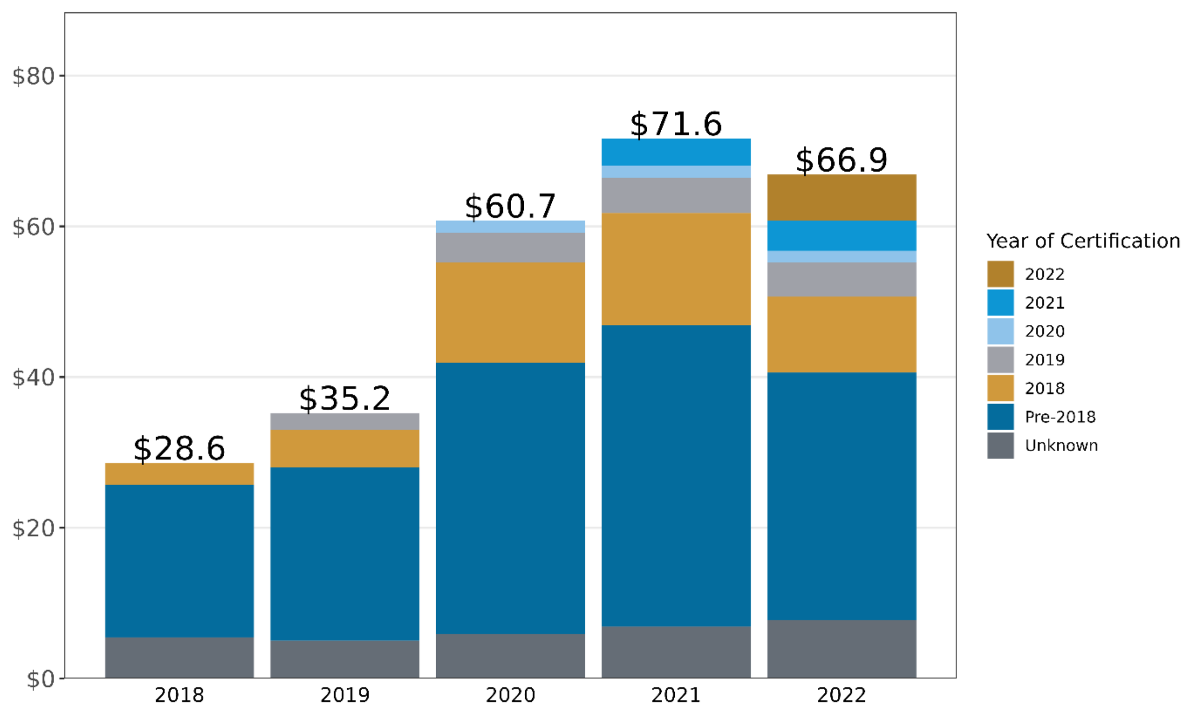
[8] This and subsequent estimates only include CDFIs that have maintained certification as of May 2023. If an institution had CDFI certification in 2018, but subsequently lost it, we would not include its originations in the 2018 estimate. See the Data Appendix for more details.

[9] Given that the numbers from OFN are in aggregate form, we are unable to break down growth in that data set by institution.

Despite the contribution of newly certified CDFIs to the *growth* in originations, over 60% of *total* origination volume in 2022 can be attributed to institutions that were either certified prior to 2018 or for which we do not have the certification date. Overall, of the cumulative volume that CDFIs originated across the period 2018 to 2022, almost 70% of that volume can be attributed to CDFIs certified prior to 2018 or for which we do not know the certification date.

Total originations more than doubled between 2018 and 2022

Total CDFI originations by year, in billions



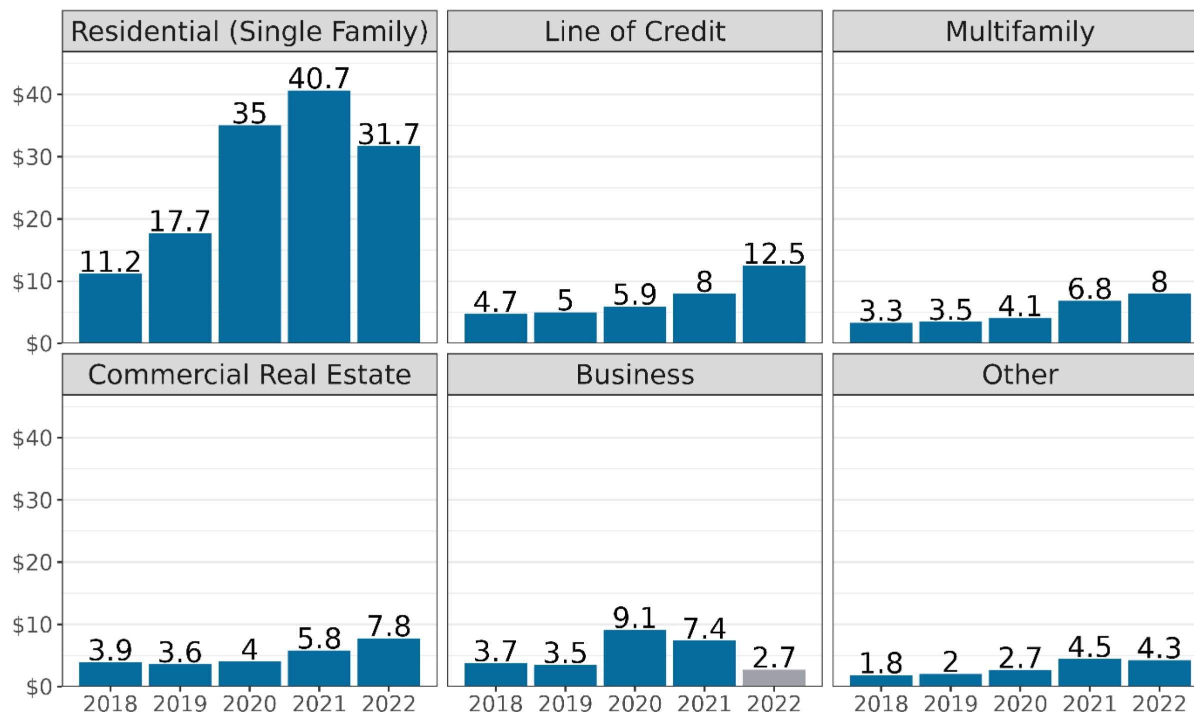
Source: Estimates generated using HMDA, S&P Residential and Commercial Mortgage analytics tool, SBA, OFN, TLR.
Note: TLR only available up to 2021.

Single-family residential loans represented the largest category of loans originated by volume in our data. As of 2022, lines of credit were next highest in volume at $13 billion,[10] followed by multifamily and non-residential commercial real estate lending, both at around $8 billion. Our estimate for business lending peaked at over $9 billion in 2020 and remained over $7 billion in 2021. However, one of our primary sources for business lending, the TLR, was only available to us up to 2021. Thus, our 2022 estimate of business originations is meaningfully lower.

[10] In HMDA, there is a tag for whether a given loan is an open-end line of credit. If a loan is tagged as an open-end line of credit, we include it in "line of credit." A home equity loan in HMDA, rather than being labeled as a line of credit, is instead labeled based on how the funds are used. For example, a home equity loan used to buy another home would be labeled as a home purchase and fall into our "residential" category. In the S&P Residential and Commercial Mortgage data, there is a tag for "home equity or HELOC." If a loan is tagged as "home equity or HELOC," we include it in "line of credit." This leads to a potential area of overlap: home equity loans are not counted as a line of credit in HMDA, but are counted as lines of credit in the S&P data.

The highest volume collateral type in the data is residential

Total CDFI originations by collateral, in billions. 2022 is gray for business lending given the TLR is unavailable for that year.



Source: Estimates generated using HMDA, S&P Residential and Commercial Mortgage Analytics tool, SBA, OFN, TLR.
Note: TLR only available up to 2021.

Data availability limits the comprehensiveness of this estimate by collateral type. Business lending illustrates this well. For CDFI banks and credit unions, we use the SBA and TLR data to generate an estimate of business lending. However, this means we only have data on two types of business loans: 1) what we call "SBA loans," which are those loans issued pursuant to Section 7(a) of the Small Business Act of 1953 or loans issued pursuant to Section 504 of the Small Business Investment Act of 1958, and 2) microenterprise and business loans originated by institutions that received an award from the CDFI Fund. For non-SBA-backed business loans made by institutions that did not receive a financial award from the CDFI Fund, we are unable to generate an estimate. Given that loan funds alone originated almost $2 billion in small business loans in 2022,[11] adding non-SBA-backed business loans by CDFI banks and credit unions would likely increase the total

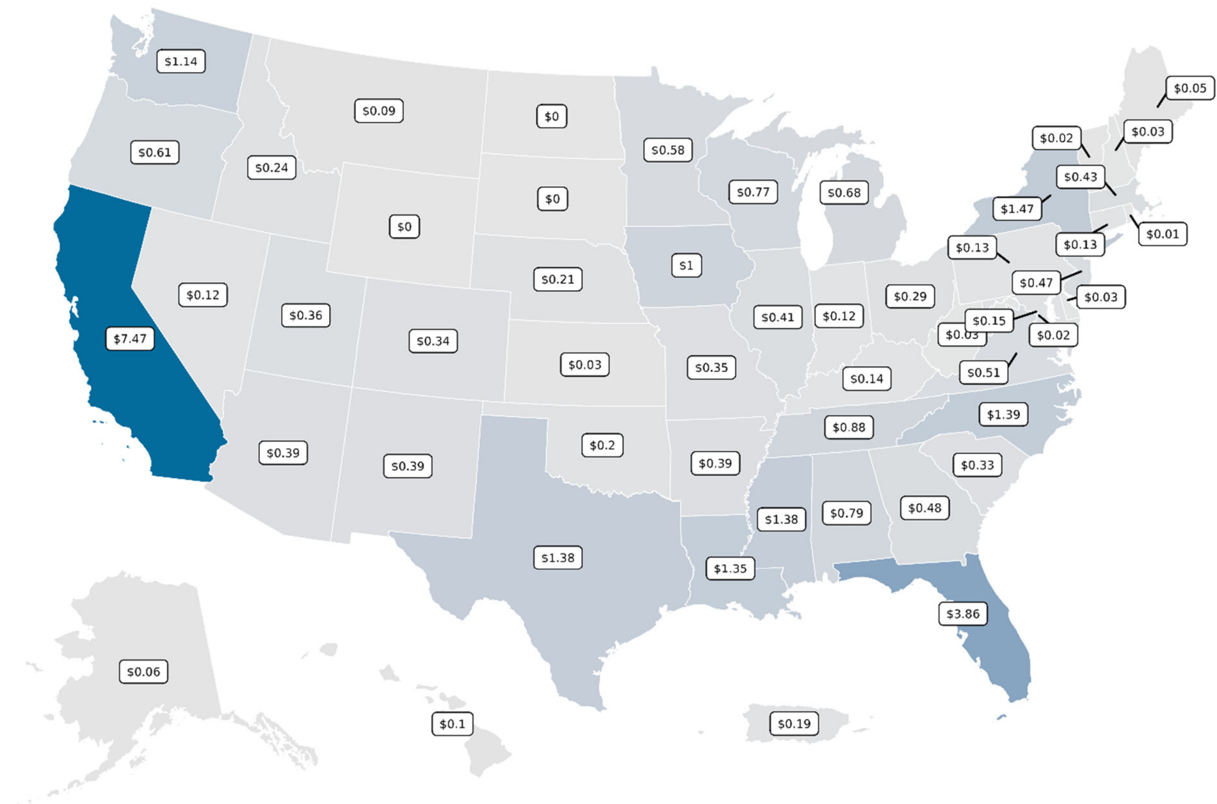
[11] Note that there is plausible double counting on the margin for SBA-backed loans originated by loan funds. This results from the fact that if an OFN member originates an SBA-backed loan, that loan will be counted both in the SBA data and in the OFN aggregate values. This only occurs for loan funds that are OFN members and only for their SBA-backed loans. See the Data Appendix for more details on data limitations.

volume for that loan category, potentially by a substantial amount. Please see the Data Appendix for additional limitations.

Focusing on residential lending, we can see that in 2022, by loan volume, originations were concentrated in California and, to a lesser extent, Florida. We also see considerable origination activity in the residential space in New York, Oregon, North Carolina, and the Mississippi River Delta region.[12]

A substantial share of originations by CDFIs occurs in California and Florida

CDFI residential loan originations by state in billions, 2022



Source: Estimates generated using HMDA, S&P Residential and Commercial Mortgage Analytics tool.
Note: Table with data and state labels can be found in the Table Appendix.

In the above map, much of the geographic pattern is driven by population. Mapping residential originations per person reveals a different pattern.[13] The Mississippi Delta region becomes even more distinct: CDFIs originated $470 in residential loans per person in Mississippi, compared to an average of $95 per person nationally. California and Florida remain notable, with originations per

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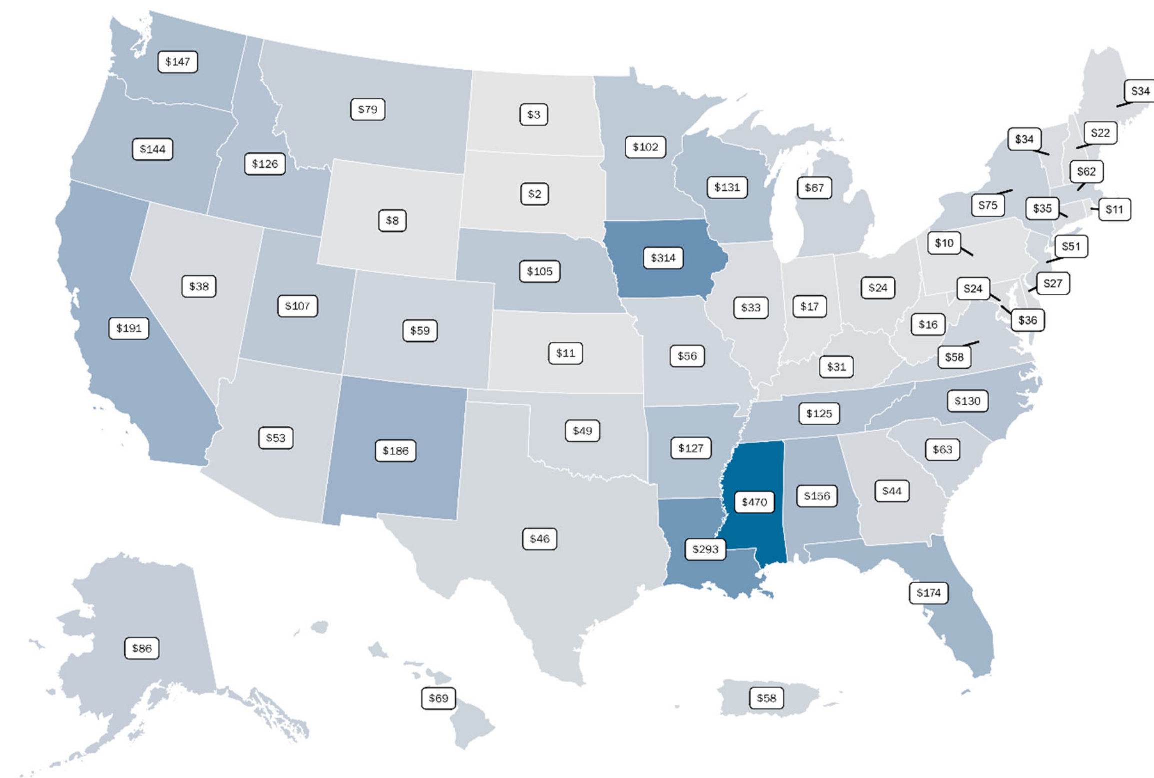
[12] Please see the Table Appendix for a table containing the data used in this figure. While outside the scope of this report, there is opportunity for future research investigating the geographic characteristics of loans originated by CDFIs.
[13] See the Data Appendix for these data in table form.

person higher than the national average. And the gap between the states with the lowest versus the highest amount of residential originations by CDFIs becomes particularly stark: just $2 per person in South Dakota versus $470 per person in Mississippi. These geographic patterns and disparities warrant future research.

Per person, CDFIs originate the highest residential loan volume in Mississippi, Iowa, and Louisiana

CDFI residential loan originations by state, 2022

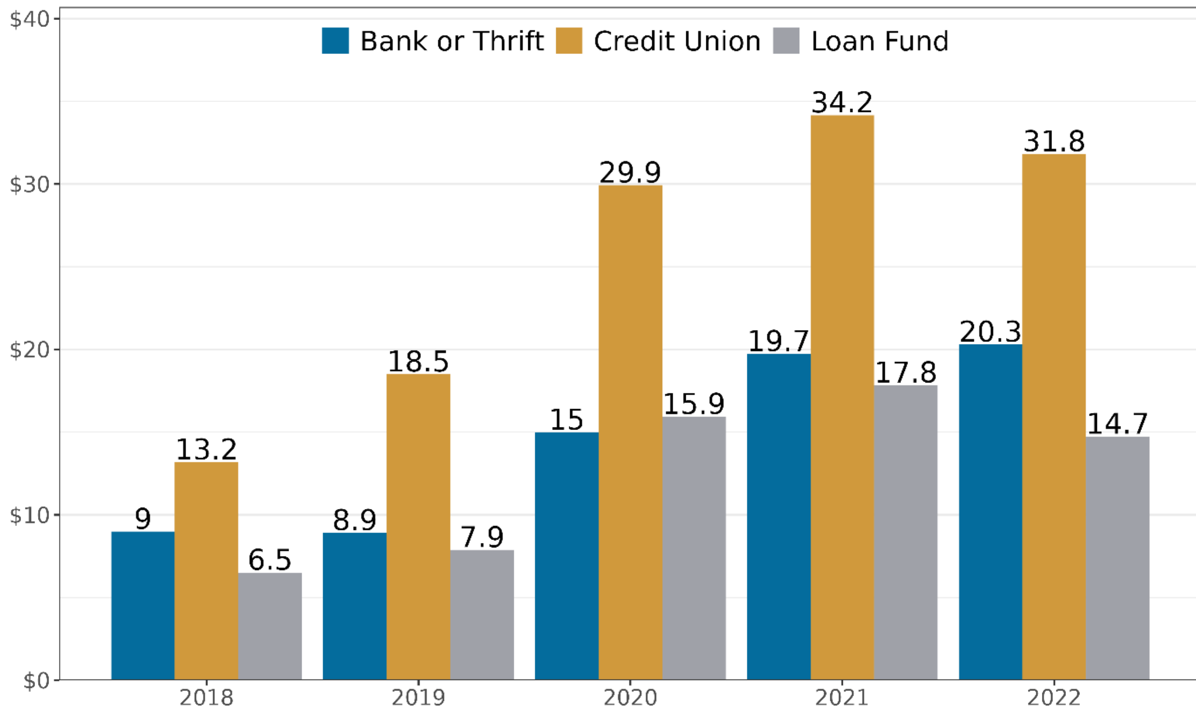


Source: Estimates generated using HMDA, S&P Residential and Commercial Mortgage Analytics tool. 2022 state population estimates from the Census.
Note: Table with data and state labels can be found in the Table Appendix.

If we look at various institution types since 2018, CDFI credit unions have originated the most volume, increasing their lending from at least $12 billion to at least $32 billion. Depending on the year, CDFI banks originate between $9 to $20 billion, and loan funds originate between $7 to $18 billion.

Credit unions are the most active originators

Total CDFI originations by institution type, in billions



Source: Estimates generated using HMDA, S&P Residential and Commercial Mortgage Analytics tool, SBA, OFN, TLR.
Note: TLR only available up to 2021.

Sales

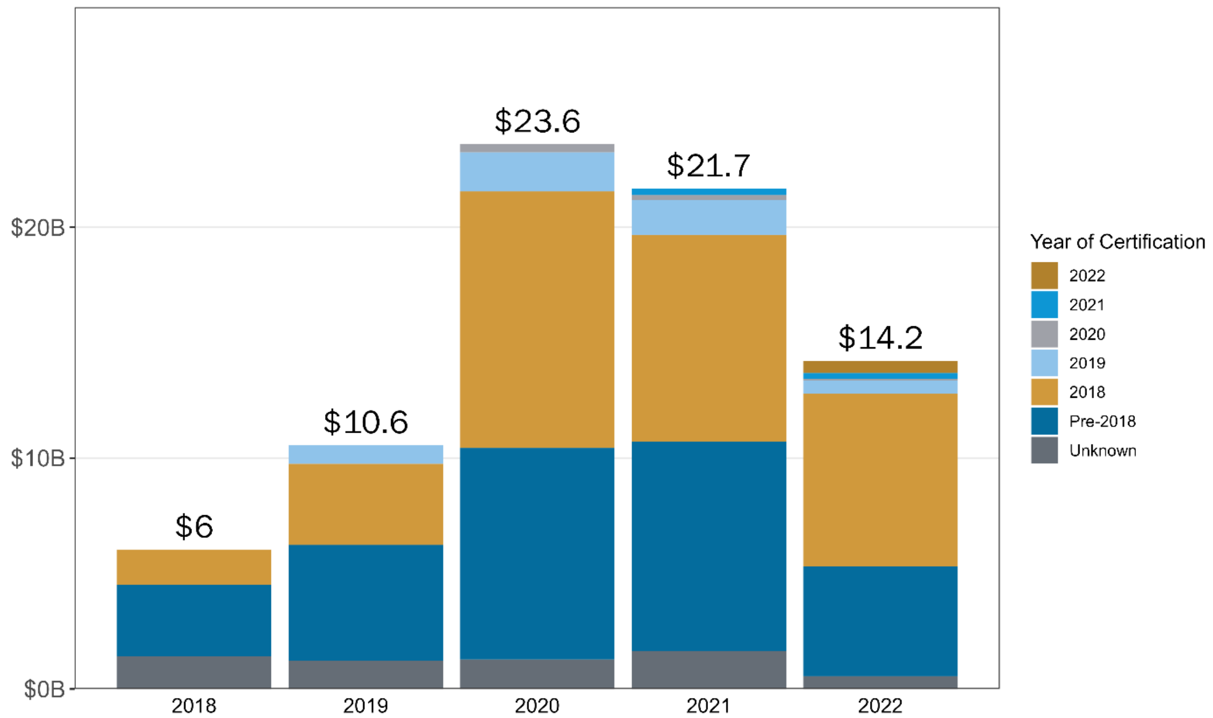
We estimate that CDFIs sold at least $14 billion of loans in 2022, up from $6 billion in 2018.[14] Essentially all (>99%) of the growth in sales volume was driven by residential loans. Similarly, the 10 CDFIs that saw the most growth in sales in this period drove over 90% of the total growth. These dynamics also apply to the spike from 2019 to 2020, when the data show the biggest increase in loan sale volume.

Much of the sale of loans in this period was driven by newly certified institutions. Of the $76 billion in cumulative loan volume that we identify as having been sold between 2018 and 2022, around 51% ($39 billion) was sold by institutions that were certified between 2018 and 2022. These institutions sold around $9 billion of the $14 billion that was sold in 2022, and they accounted for 90% ($7 billion) of the growth in sales during this period.

[14] Note that this estimated aggregate sales volume contains data from HMDA, OFN members, NCUA call reports, and SBA 7(a) data. For HMDA and the SBA data, the sales volume represents the original balance of the sold loans. For the OFN and the NCUA data, the sales volume represents the balance of the loans at the time of sale.

CDFI loan sales peaked at nearly $24 billion in 2020

Annual sales volume, in billions



Source: Estimates generated using HMDA, NCUA Call Reports, SBA 7(a) data, OFN.
Note: OFN sales values only go up to 2021.

There are two important data limitations to note. First, the OFN sales data only go to 2021. Thus, a small portion of the drop between 2021 and 2022 may be due to the OFN data not being available (OFN members accounted for $675 million in sales in 2021). Second, some CDFIs that are included in the origination calculation are not included in this sales calculation. For example, banks that are in the S&P Residential and Commercial Mortgage Analytics tool but not in HMDA will have their originations captured but not their sales. As a result, sale calculation numbers are likely to be more of an underestimate than the origination values. See the Data Appendix for more details.

These data demonstrate that CDFIs are already active sellers in the secondary market. If we look at the CDFI banks found in HMDA and all CDFI credit unions, around 45% of institutions sold at least some loans in 2022. Among loan funds that are OFN members, almost one in every three reported having sold at least some loans between 2018 and 2021.[15]

We found that the sale of loans by CDFIs was concentrated almost exclusively among single-family residential loans: over 90% of the sold loan volume in 2022. This is likely due to the relatively

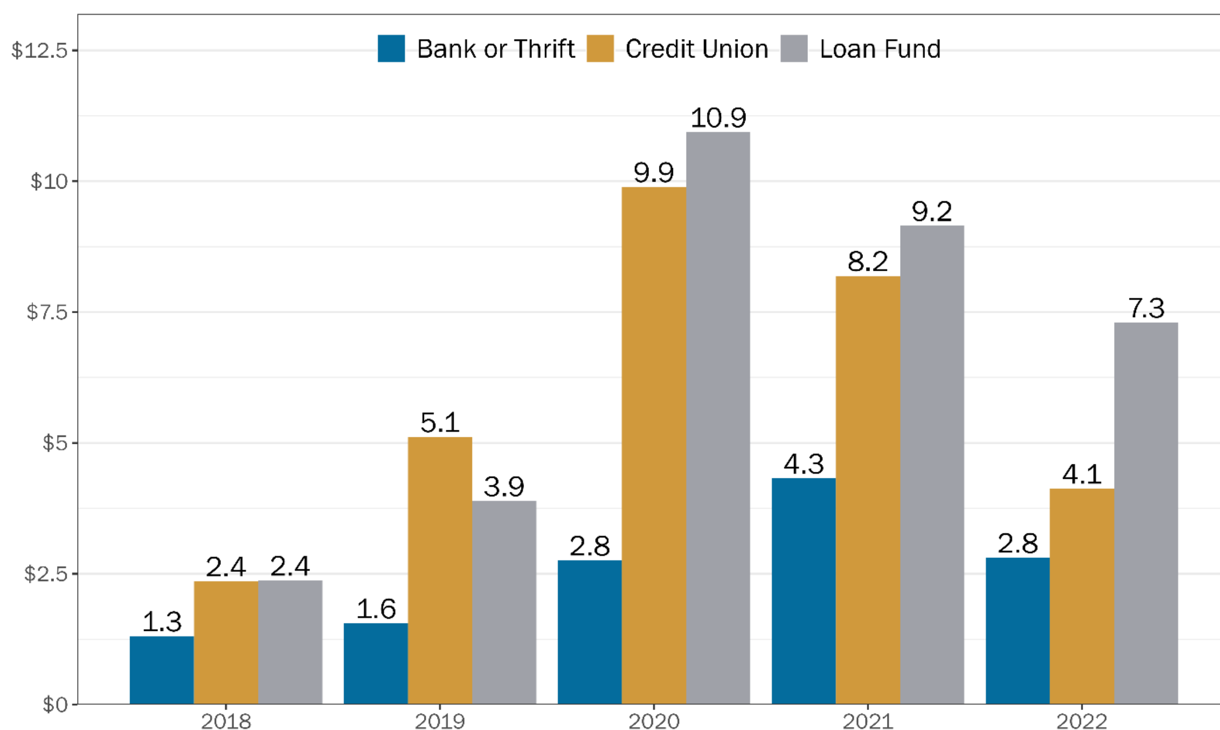
[15] OFN did not ask about loan sales in its 2022 member survey.

standardized nature of the underwriting and documentation of these loans, the existing business lines and activity of CDFI-certified entities, the availability of data on these loans, and the volume of originations.

In contrast to originations, where CDFI credit unions are the most active, loan funds generated the highest volume of loans sold in the data, with as much as half of total sold loan volume coming from these institutions in 2022. As will be discussed in a later section, this is driven almost exclusively by the two most active loan fund sellers.

Loan funds sold the most CDFI loans by volume, driven largely by the most active sellers

Sales by institution type, in billions

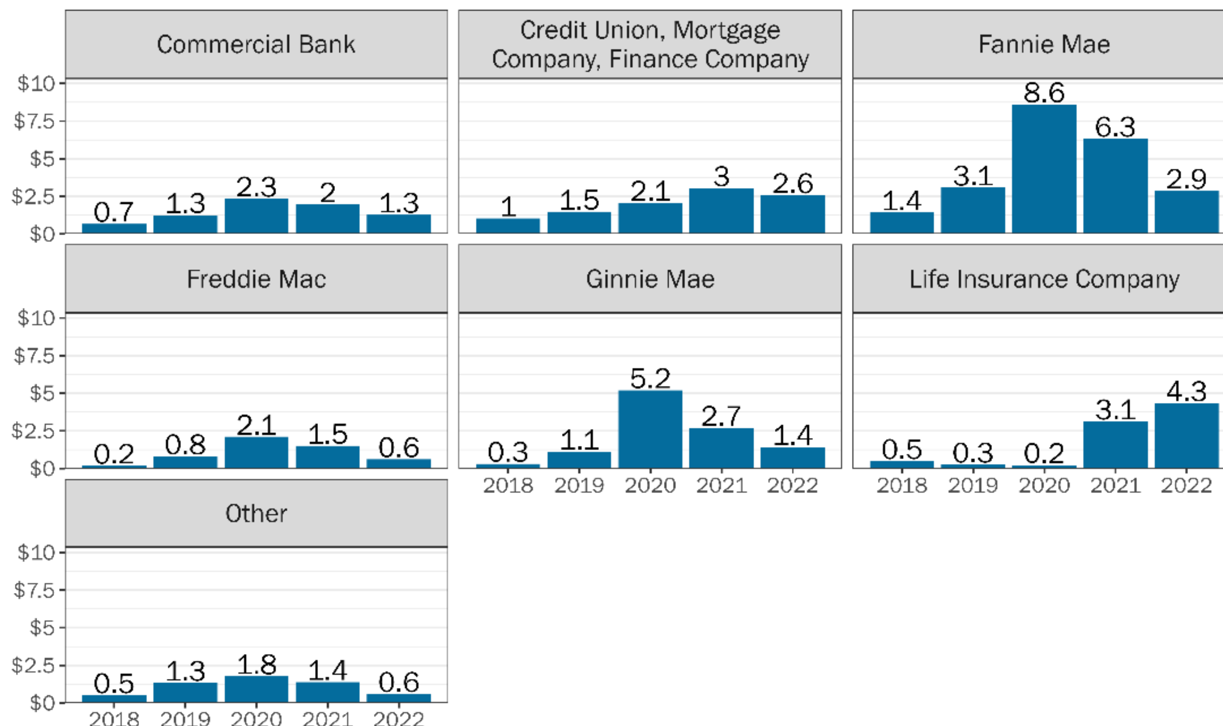


Source: Estimates generated using HMDA, NCUA Call Reports, SBA 7(a) data, OFN.
Note: OFN sales values only go up to 2021.

For CDFI banks and credit unions that reported data to HMDA in 2022, we find that they reported having sold almost $5 billion of loans to government-sponsored enterprises (GSEs, including Freddie Mac, Fannie Mae, and Ginnie Mae), nearly $4 billion to financial institutions such as commercial banks and credit unions, and over $4 billion to life insurance companies.

CDFIs sold similar amounts to GSEs, insurance companies, and other financial institutions

Sales by purchaser type, in billions



Source: Estimates generated using HMDA data

Turning to the loan funds that report their data to OFN, in 2021 (the most recent year for which OFN has data), these institutions sold $366 million in loan volume to GSEs, $176 million to financial institutions (both fellow CDFIs and conventional financial institutions), and $134 million to other entities.

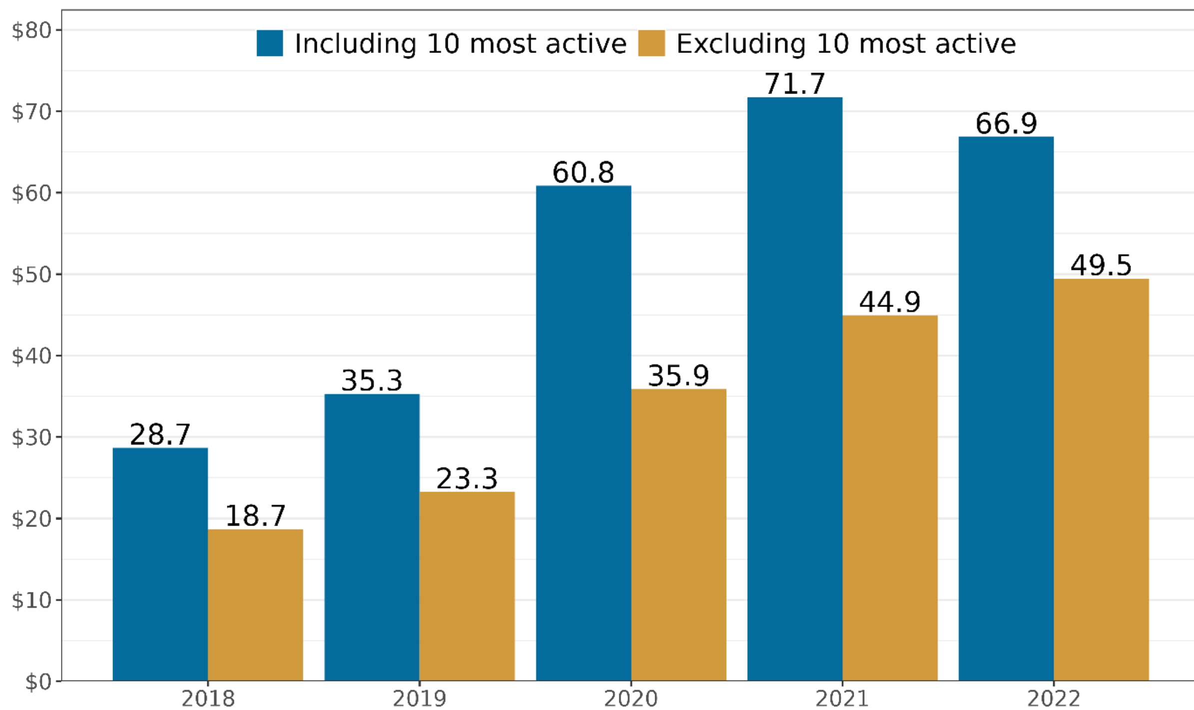
Role of Most Active Institutions in Originations and Sales

All of these numbers change dramatically when excluding the most active CDFIs. In 2022, the 10 most active lenders originated more than $17 billion, which is over 25% of the total volume in that year.[16]

[16] The data from OFN are aggregated at the yearly level; OFN does not provide data on individual CDFIs. We thus do not use the OFN data in our estimation of the most active institutions. See the Data Appendix for potential implications.

Nearly 30% of originated volume came from the top 10 most active originators in 2022

Originations by year, in billions



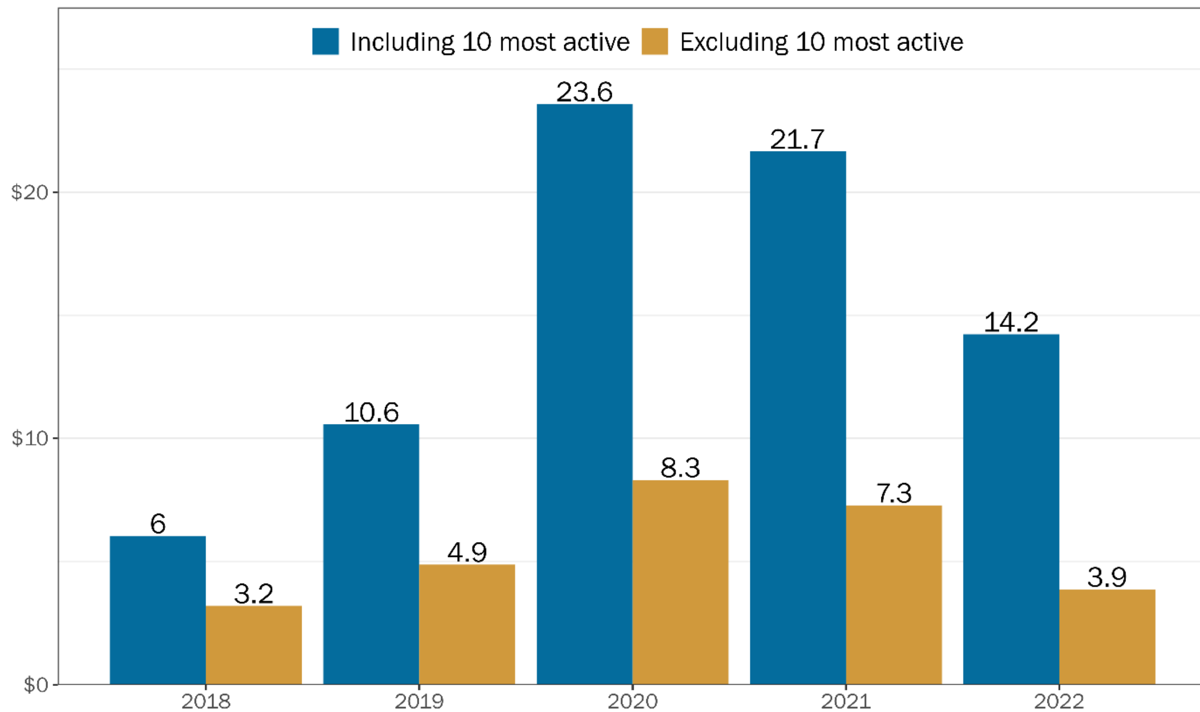
Source: Estimates generated using HMDA, S&P Residential and Commercial Mortgage Analytics tool, SBA, OFN, TLR.
Note: TLR only available up to 2021.

The change is even more dramatic for sales, which drop from $14.2 to $3.9 billion in 2022 when we remove the 10 most active sellers.[17] This means that the 10 most active sellers accounted for nearly three-quarters of all loan sales by volume. Over 60% of the total sale volume was generated by the three most active CDFI sellers.

[17] As with originations, given that the OFN data are aggregated at the yearly level, we cannot use those data to identify the most active sellers. Please see the Data Appendix for more details on how this might influence the estimates.

Nearly 75% of sold loan volume came from the top 10 most active sellers in 2022

Annual sales volume, in billions

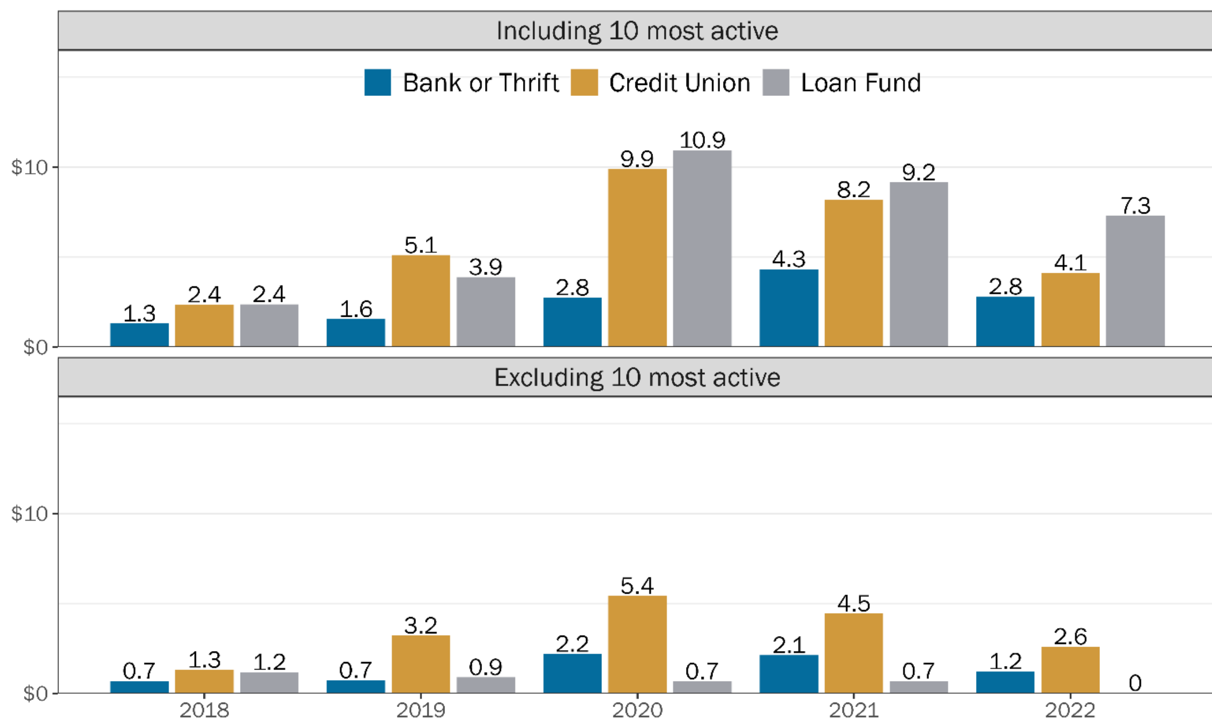


Source: Estimates generated using HMDA, NCUA Call Reports, SBA 7(a) data, OFN.
Note: OFN sales values only go up to 2021.

Removing the most active CDFIs also leads to meaningful shifts in sales volume by institution and purchaser type. When we look at sales by institution type, removing the 10 most active institutions reduces loan funds from being the biggest sellers to selling a fraction of the volume sold by CDFI banks and credit unions. Notably, the top two most active loan fund sellers account for almost all of the sale volume by loan funds in the data, and over half of the total sale volume in 2022.

Nearly all sales by loan funds came from the most active sellers

Sales by institution type, in billions

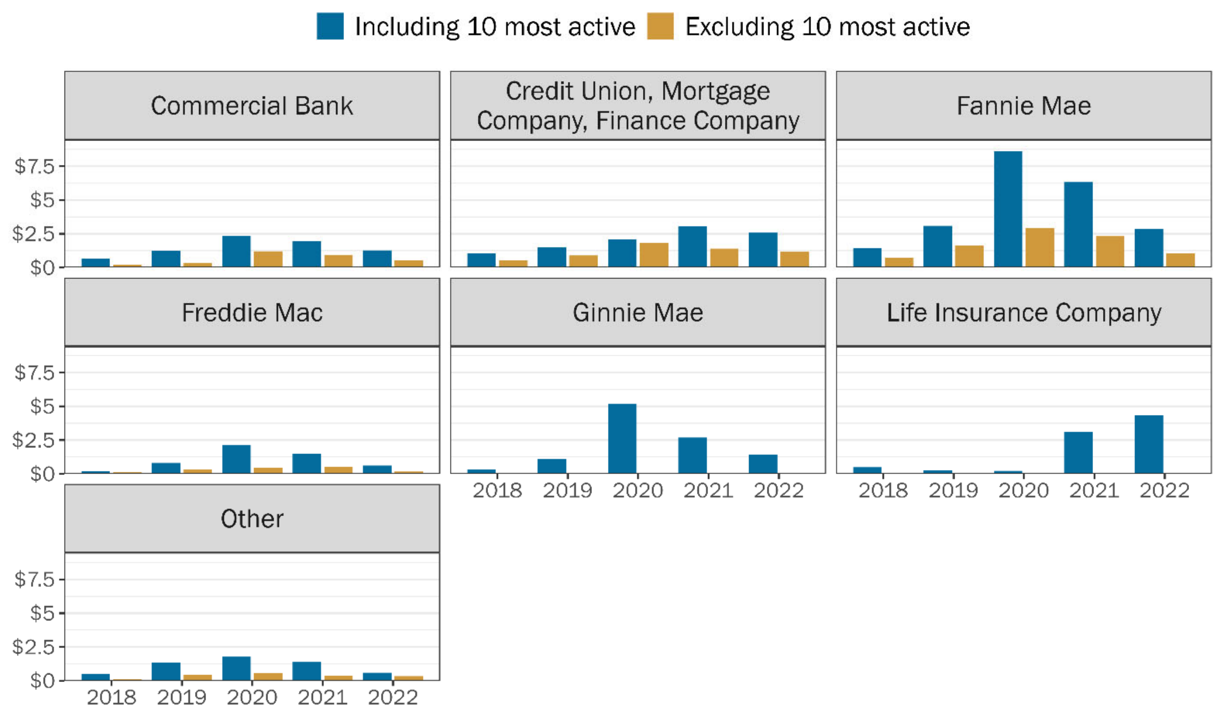


Source: Estimates generated using HMDA, NCUA Call Reports, SBA 7(a) data, OFN.
Note: OFN data on sales only go to 2021; thus it is possible that there were some loan fund sales in 2022, but we are unable to generate an estimate.

Another shift is in the purchasers of loans. Purchasing activity for two of the top purchasers, Ginnie Mae and life insurance companies, falls to near zero after removing the most active CDFI sellers. This indicates that only the most active CDFIs were selling to those institutions.

Nearly all loan sales to Ginnie Mae and life insurance companies were from the most active sellers

Sales by purchaser type, in billions



Source: Estimates generated using HMDA data

Takeaways

CDFIs originate tens of billions of dollars across collateral types every year, and between one-third to one-half of CDFIs sell at least some of those loans, depending on institution type. The bulk of this sales activity, however, is driven by the most active originators selling residential loans. Over 90% of the loans that CDFIs sold in 2022 were single-family residential loans, and the 10 most active CDFIs drove nearly three-quarters of total sales in 2022 (including nearly all sales to Ginnie Mae and life insurance companies). This suggests that while many CDFIs have sold or do sell loans, especially residential loans, they tend not to do so programmatically, except for the most active ones.

CDFI Secondary Market Sales: Examples

Where are CDFI secondary market sales happening? Some initiatives are outlined below.

Leveraging the State Small Business Credit Initiative

Passed in 2021 as part of the American Rescue Plan, the State Small Business Credit Initiative (SSBCI or the SSBCI program) provides $10 billion to states, the District of Columbia, territories, and tribal governments to expand financing programs for small businesses and to provide technical assistance.[18] This SSBCI program builds on its previous iteration, which was authorized under the Small Business Jobs Act of 2010 and funded with $1.5 billion to support small businesses via state capital access programs and other credit support programs.[19] Calvert Impact, the Community Reinvestment Fund, and Grow America (formerly the National Development Council) have collaborated to use SSBCI dollars on a state basis as risk capital for loans originated and sold to investors via securitization. This model aims to achieve scale through the standardization of loan terms and documentation while still being responsive to CDFIs' missions and their goal to serve low-income communities.[20]

Selling Permanent Multifamily Loans on a Programmatic Basis

The California Community Reinvestment Corporation (CCRC) is a CDFI loan consortium[21] that originates permanent multifamily loans and then sells most of those loans through a securitization structure. CCRC generates cash from the sale. It uses this cash to recycle its lending capital, which it redeploys by making new loans. This strategy is paired with an on-balance-sheet business that allows CCRC to generate net interest income. Compared to construction or predevelopment loans, permanent multifamily loans are considered lower-risk assets. This contributes to a perception of strong asset quality in a loan portfolio, which helps enable CCRC to participate in loan securitizations.[22]

CCRC has done two loan securitizations under the Freddie Mac Q-Deal program, whereby a single loan seller sells loans into a third-party trust. Freddie Mac acquires bonds in the senior class of the securitization structure and deposits them into a Freddie Mac trust, which then issues guaranteed

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[18] See State Small Business Credit Initiative Fact Sheet (https://home.treasury.gov/system/files/256/State-Small-Business-Credit-Initiative-SSBCI-Fact-Sheet.pdf)

[19] See SSBCI FAQs (https://home.treasury.gov/system/files/256/All-SSBCI-FAQs-as-of-4-21-2016-FINAL.pdf)

[20] See Small Business Community Finance Scaling with Integrity (https://assets.ctfassets.net/4oaw9man1yeu/2gDKQNeeQB2bJoaB3oZlwU/c2ef0d12fd7a9383e33888fdb523fb42/Small_Business_Community_Finance_-_Scaling_with_Integrity.pdf)

[21] For analytical purposes, we treat CCRC using the CDFI Fund classification, under which it is considered a loan fund.

[22] See California Community Reinvestment Corp.; General Obligation, S&P Global Ratings (https://www.e-ccrc.org/_files/ugd/2aa612_63feed64005540b0b343cb54d1987ea1.pdf)

certificates for sale to investors. In CCRC's 2017 Q-Deal securitization, loans were underwritten to a maximum loan-to-value of 82.5%, minimum debt service coverage of 1.15x, and a 5% vacancy rate to calculate effective gross income.[23]

Aggregating Smaller Pools of Loans from Multiple Loan Sellers for Inclusion in Securitization Sponsored by GSEs

Freddie Mac recently launched multi-sponsor structured product offerings whereby multiple loan sellers can sell eligible multifamily loans through an aggregating entity. The pooled loans are then deposited into a third-party trust. Freddie Mac acquires bonds in the senior class of the securitization structure and deposits them into a Freddie Mac trust, which then issues guaranteed certificates for sale to investors. This structure is similar to Freddie Mac's existing third-party Q or ML securitization structures, but is modified to enable multiple loan sellers to combine smaller pools of loans into a single transaction, instead of having only one loan seller. The minimum unpaid principal balance per loan seller into this structure is $30 million and the overall minimum per securitization is $200 million. This could benefit CDFIs and serve as another point of capital access. Rather than ramping up their origination volume from the current level, which may be difficult or not part of their business goals, CDFIs could instead pool their loans with other CDFI originators into a single securitization deal through this structure. While few CDFIs regularly have over $200 million in loan volume for sale, a meaningful number could package $30 million for sale.

Conclusion, Next Steps, Outstanding Questions

The development of a more robust secondary market for loans originated by CDFIs would allow them to replenish their capital and expand their originations in low- and moderate-income communities, which would help foster an economy that works for all segments of society.[24] The New York Fed's Community Development team continues to speak with CDFI industry professionals to understand the challenges and opportunities in the secondary market for community development loans. Among the questions our team will continue to investigate are:

- What do new public and private funding sources for CDFIs mean for the development of a more robust secondary market?

[23] See Freddie Mac Structured Pass-Through Certificates (SPCs) Series Q-014 Social Bonds (https://capitalmarkets.freddiemac.com/mbs/data/q014oc.pdf)
[24] See About the New York Fed (https://www.newyorkfed.org/aboutthefed#:~:text=At%20the%20New%20York%20Fed,for%20all%20segments%20of%20society)

- How will CDFIs streamline data collection at origination and throughout the life of the loans to meet the standards for other securitized loan products?
- How will the CDFI industry aggregate loan performance data for various collateral types?
- To what extent can researchers or the industry identify and aggregate performance data, including delinquency, default, and prepayment?
- How might the development of a rating agency methodology for CDFI loans facilitate scaling of standardization in loan underwriting and documentation?
- What staffing will be required for CDFIs to have the capacity to adapt to an originate-to-sell model?
- What does the universe of buyers look like for loans originated by CDFIs that may be sold in whole loan, participation, or securitization form? Where do depository institutions fit into that world?
- What role did programs such as the Emergency Capital Investment Program play in the growth of loan originations and sales by CDFIs?

Data Appendix

Home Mortgage Disclosure Act

What is it?

The Home Mortgage Disclosure Act was enacted by Congress in 1975 and requires certain financial institutions to report detailed data on their mortgage lending. These data include information on loan characteristics such as collateral type, origination amount, and interest rate, as well as borrower characteristics such as race, ethnicity, and age.[25]

What is included?

Depository financial institutions must report data under HMDA if they meet five criteria:[26]

Asset Size Threshold	The institution must have assets above a certain threshold. This was $50 million in 2022.[27]
Location Test	The institution must have a branch in a metropolitan statistical area.
Loan Activity Test	During the preceding calendar year, the institution must have originated at least one home purchase loan or refinancing of a home purchase loan secured by a first lien on a one- to four-unit dwelling.
Federally Related Test	The institution must be federally insured or federally regulated, or have originated at least one loan referenced above that was insured, guaranteed, or supplemented by a federal agency or was intended for sale to Freddie Mac or Fannie Mae.
Loan Volume Threshold	In each of the preceding calendar years, the institution must have originated at least 25 closed-end mortgage loans (subject to certain exclusions) or have originated at least 200 open-end lines of credit (subject to certain exclusions). For 2018 to 2021, the threshold for open-end lines of credit was 500 loans. If the financial institution meets one of these thresholds but not the other, it only reports the loans that are of the type for which it met the threshold. For example, if it only met the 25 closed-end mortgage loans threshold, it would only report closed-end mortgage loans.

[25] See About HMDA, Consumer Financial Protection Bureau (https://www.consumerfinance.gov/data-research/hmda/)
[26] 12 C.F.R. § 1003.2(g). See "A Guide to HMDA Reporting: Getting It Right!" (https://www.ffiec.gov/hmda/guide.htm)
[27] See Home Mortgage Disclosure (Regulation C); Judicial Vacatur of Coverage Threshold for Closed-End Mortgage Loans (https://www.federalregister.gov/documents/2022/12/21/2022-27204/home-mortgage-disclosure-regulation-c-judicial-vacatur-of-coverage-threshold-for-closed-end-mortgage#footnote-4-p77980)

For a for-profit mortgage lending institution that is not a depository financial institution as defined in Regulation C, the institution must meet the location test and the loan volume threshold in order to be considered a "non-depository financial institution" that must report to HMDA. Of the certified CDFIs in our data, 386 meet these criteria and can be found in the HMDA data at least once between 2018 and 2022.

The data include information on both originations and sales of loans. We estimate originations using the loan amount variable in the data. We use this same variable to estimate sales by filtering only loans that have a non-missing value for the purchaser type variable. This means that the sales volume represents the original balance of the loans, not the balance at the time of sale.

Importantly, this sales number is not comprehensive; there are instances in which a covered institution will sell a loan but not record it in HMDA. First, if a financial institution sells an interest in a loan but maintains a majority interest, it does not report the sale. Second, if an institution sells a loan in a calendar year after the calendar year during which it originated the loan, it does not report the sale. For example, if an institution originates a loan in 2023Q4 and sells it in 2024Q1, it will not report the sale.[28] Those two factors mean that the sales estimates we generate using HMDA are underestimates.

To generate a collateral type variable for HMDA, we used the dwelling type variable (to determine single versus multifamily), the loan purpose variable (to determine purchase versus refinance versus home improvement, for example), and the open-end line of credit variable. With these variables, we were able to break HMDA loans into single-family residential, multifamily, home improvement, lines of credit, and "other." In HMDA, lines of credit do not include home equity loans. This differs from S&P, which collapses HELOCs and home equity loans into one category. We create a line of credit category using the loans in HMDA tagged as lines of credit and the loans in S&P tagged as home equity or HELOC.

Within HMDA, there is a tag for whether a given loan is "primarily for a business or commercial purpose." However, most business loans are not included. Loans that are included and tagged as business or commercial must be for the purpose of a home purchase, home improvement, or refinance under the definitions used by the act.[29] The loan must also be secured by a dwelling, which HMDA defines as a residential property.[30] The Consumer Financial Protection Bureau

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[28] See "A Guide To HMDA Reporting: Getting It Right!" (https://www.ffiec.gov/hmda/guide.htm)
[29] See Regulation C (https://www.consumerfinance.gov/rules-policy/regulations/1003/2/#g-2-ii-A)
[30] More detail can be found here: "A Guide To HMDA Reporting: Getting It Right!" (https://www.ffiec.gov/hmda/guide.htm)

defines some instances in which a loan may be classified as primarily for a business or commercial purpose:

"The following are examples of closed-end mortgage loans and open-end lines of credit that are not excluded from reporting under § 1003.3(c)(10) because, although they primarily are for a business or commercial purpose, they also meet the definition of a home improvement loan under § 1003.2(i), a home purchase loan under § 1003.2(j), or a refinancing under § 1003.2(p):

- A closed-end mortgage loan or an open-end line of credit to purchase or to improve a multifamily dwelling or a single-family investment property, or a refinancing of a closed-end mortgage loan or an open-end line of credit secured by a multifamily dwelling or a single-family investment property;
- A closed-end mortgage loan or an open-end line of credit to improve a doctor's office or a daycare center that is located in a dwelling other than a multifamily dwelling; and
- A closed-end mortgage loan or an open-end line of credit to a corporation, if the funds from the loan or line of credit will be used to purchase or to improve a dwelling, or if the transaction is a refinancing."[31]

For our purposes, we include these loans in our analysis and classify them based on the HMDA-defined purpose of home purchase, refinance, or home improvement.

How is it used?

The values from HMDA are used in the calculation of total originations and originations by collateral and institution type. They are also used in the calculation of total sales and sales by collateral, institution, and purchaser type.

S&P Residential and Commercial Mortgage Analytics Tool

What is it?

S&P collects origination data from county courthouses for around 70-75% of counties in the United States, covering 90% of the population, and aggregates the lending up to the institution level. In theory, any loan that has a recording of a mortgage or a deed of trust filed in a county courthouse within a covered county will be captured by this tool.

[31] See Regulation C (https://www.consumerfinance.gov/rules-policy/regulations/1003/interp-3/#3-c-10-Interp-1)

What is included?

The data cover depository institutions, except for those that lend exclusively in non-covered counties and those that have originated fewer than 10 mortgages in covered counties over their history. Relevant for the purposes of this paper, S&P tracks originations across the following loan categories: residential, multifamily, non-residential commercial real estate, construction, and home equity or HELOC. If a loan is tagged as "home equity or HELOC," we classify it as a line of credit. This differs slightly from HMDA, which has a distinct category just for lines of credit that is exclusive of home equity loans. In our analysis, we combine the loans in HMDA tagged as lines of credit with the loans in S&P tagged as home equity or HELOC into one line of credit category.

We cannot estimate sales data from this tool. Given that the data do not include sales, we use HMDA when possible, and we only use data from this tool if the given institution does not report to HMDA or if the collateral type is not covered in HMDA. Of the 725 banks and credit unions certified as CDFIs in May 2023, 381 appear in the HMDA data. Of the remaining 344 depository institutions, we are able to collect originations data on 215 using the S&P tool. Of the 129 that are in neither HMDA nor S&P, 63 are in Puerto Rico and one is in Guam.

How is it used?

We use the S&P data in the calculations for total originations as well as originations by collateral and institution type. We only use these data if we do not have data on an institution or given collateral type from HMDA.

National Credit Union Administration (NCUA) Call Reports

What is it?

The National Credit Union Administration is an independent federal agency that regulates federal credit unions.[32] It collects data on the institutions it regulates via "Consolidated Reports of Condition and Income," which are better known as Call Reports. These reports detail the financial conditions of the institution.[33]

What is included?

All federally insured credit unions submit these Call Reports, including those certified as CDFIs. For our purposes, the only field in these Call Reports that we use is "first mortgage loans sold on the secondary market." Only federally insured credit unions complete these NCUA Call Reports, and

[32] See About NCUA (https://ncua.gov/about)
[33] See NCUA Regulatory Reporting (https://ncua.gov/regulation-supervision/regulatory-reporting)

the collateral type is strictly single-family residential properties. The Call Report does not provide any information on the purchaser of these loans. The sales volume is based on the value of the loans at the time of sale, not at the time of origination.

How is it used?

We use NCUA data when calculating total sales as well as sales by collateral and institution type. We do not use these data when looking at sales by purchaser type.

Small Business Administration (SBA)

What is it?

We use two data sets from the SBA: the 7(a) Loan Program data and the 504 Loan Program data. The 7(a) Loan Program is the SBA's primary business lending program. It provides loan guarantees to lenders that provide financing to eligible businesses.[34] The 504 Loan Program is the means by which the SBA provides long-term, fixed-rate financing for major fixed assets for small businesses that promote growth and job creation.[35] The SBA provides a range of data on these loans and the borrowers, including borrower location, loan amount, and, for 7(a), whether the loan has been sold or securitized.[36]

What is included?

The SBA data include many lender types. For our purposes, we focus on banks, credit unions, and loan funds. Between 2018 and 2022, we are able to identify 212 CDFIs in the 7(a) data and 144 CDFIs in the 504 data. However, we believe this is likely an undercount, as we had no unique identifiers to connect the CDFI data with the SBA data. Instead, we used approximate string matching using the name, state, and city of each institution. Thus, our aggregate estimates from the SBA data are likely underestimates. Both the 7(a) and the 504 data track originations.

The SBA data also track the sales of 7(a) loans, though not the purchasers of those loans. The sales volume is based on the value of the loans at origination, not at the time of sale.

There is the potential for double counting on the margin for these loans. Specifically, it is possible that there are loan funds that originate SBA-backed loans and that are OFN members. To the extent that this is the case, an SBA-backed loan originated by one of these loan funds would appear in both the SBA data and in the aggregate numbers provided by OFN. We are unable to

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[34] See SBA 7(a) loans (https://www.sba.gov/funding-programs/loans/7a-loans)
[35] See SBA 504 loans (https://www.sba.gov/funding-programs/loans/504-loans)
[36] See 7(a) & 504 FOIA (https://data.sba.gov/dataset/7-a-504-foia)

disaggregate this effect to estimate its magnitude. However, in the most extreme case, the maximum amount that the overcount could be during the course of our sample is between $56 million (2020) and $94 million (2018). To the extent that loan funds originate and sell SBA-backed 7(a) loans and are also members of OFN, a similar marginal double counting may occur.

How is it used?

We use SBA data when estimating total originations, as well as originations by collateral and institution type. We also use the 7(a) data when estimating total sales, as well as sales by collateral and institution type. We cannot use these data in our estimates of sales by purchaser type.

Opportunity Finance Network (OFN)

What is it?

Opportunity Finance Network is a network of over 400 CDFIs, primarily loan funds.[37] The organization provided aggregated summary statistics that it collected from surveys of its loan fund members.

What is included?

OFN provided aggregated information on both originations and sales by its loan fund members. The sample includes between 208 and 265 loans funds between 2018 and 2022, depending on the year. For sales, the data only extend to 2021.

For originations, OFN included a breakdown by residential, multifamily, non-residential commercial real estate, small business, community services, consumer, intermediary, microenterprise, the Paycheck Protection Program for 2021, and “other.” As described in the section on the SBA data, there is the potential for double counting on the margin for these loans. Specifically, it is possible that there are loan funds that originate SBA-backed loans and that are also OFN members. To the extent that this is the case, an SBA-backed loan originated by one of these loan funds would appear in both the SBA data and in the aggregate numbers provided by OFN. We are unable to disaggregate this effect to estimate its magnitude. However, in the most extreme case, the maximum amount that the overcount could be during the course of our sample is between $56 million (2020) and $94 million (2018).

[37] See About Opportunity Finance Network (https://www.ofn.org/about-ofn/)

For sales, OFN provided a breakdown by purchaser, including the following categories: government-sponsored enterprises, CDFIs, conventional financial institutions, and “other.” The sales volume is based on the value at the time of sale, not at the time of origination. To the extent that loan funds originate and sell SBA-backed 7(a) loans and are also members of OFN, a similar marginal double counting as described above may occur.

How is it used?

We use OFN data when estimating total originations, as well as originations by collateral and institution type. For collateral, we aggregate small business and microenterprise as just small business, and we aggregate community services, consumer, intermediary, the Paycheck Protection Program, and “other” into one “other” category. We also use these data when estimating total sales, as well as sales by institution and purchaser type. However, we do not have sales by collateral and thus do not include it in that calculation.

Given that these data are aggregated and given that we do not have information on individual CDFIs, we do not use the OFN data when estimating the top 10 most active originators or sellers. For the figures comparing origination/sales volume over time with and without the most active institutions, the aggregate volume in OFN for a given year is included in both bars: the overall origination/sales volume and the origination/sales volume with the most active institutions removed. For example, in 2022 the $6.8 billion in origination volume from OFN is included in both the $66.9 billion bar (including the top 10) and the $49.5 billion bar (excluding the top 10).

Although we do not have evidence that this is the case, it is possible that one or more of the CDFIs in the OFN data originated or sold more volume than one or more of the CDFIs that we classify as the top 10. If this were the case, that/those CDFI(s) would replace one or more of the CDFIs on our most active list. While we cannot estimate the magnitude of this potential effect, the direction of the effect would be to increase the estimated concentration.

For example, the total origination in the OFN data in 2022 was $6.8 billion. In an extreme case, we can imagine that one CDFI in this OFN data originated $3 billion in 2022. That is more than the amount that some of the CDFIs on our most active list originated, and thus it would replace one of those institutions. In this extreme example, the total originations by the top 10 would increase from around $17 billion to around $19 billion, and the share of the total volume originated by the top 10 would increase from over 25% to around 29%. However, given the lack of CDFI-level data from OFN, this is strictly an illustrative hypothetical.

Transaction Level Report (TLR)

What is it?

For CDFIs that receive awards from the CDFI Fund, the Fund collects information on the loans that it originates in a given year.

What is included?

Publicly available TLRs include information on loan and borrower characteristics. While the TLR includes data on a wide range of loans, for this report we look at the origination of business and microenterprise loans by CDFI credit unions and banks. Not all banks and credit unions that are certified as CDFIs receive awards from the Fund, and thus there are banks and credit unions that do not appear in these data. This means the estimates are underestimates.

The data to which we have access span the period from 2018 to 2021, meaning we cannot generate estimates for 2022 with these data.

How is it used?

We use TLR data when estimating total originations, as well as originations by collateral and institution type.

Institutions That are No Longer Certified

As we wrote in our *Sizing the CDFI Market* report,[38] one of the key caveats to our analysis is that we only look at institutions that were certified as of May 2023. This captures all institutions that were certified as of that date, regardless of when they obtained certification. However, it does not include institutions that were certified at some point but were no longer certified as of May 2023. Thus, our estimates for the years prior to 2023 are net of these no-longer-certified institutions.

We can estimate the count of these no-longer-certified institutions. We can do so by comparing the count of institutions in old certification lists, obtained using the Wayback Machine,[39] to the number of institutions listed as certified as of that year in our May 2023 list. For example, the 2018 list of certified CDFIs contains 1,066 institutions. In our May 2023 list, there are 905 CDFIs that report having been certified as of 2018 or before. This implies that there were as many as 161

[38] Jacob Scott, Maria Carmelita Recto, and Jonathan Kivell, *Sizing the CDFI Market: Understanding Industry Growth*, Federal Reserve Bank of New York (https://www.newyorkfed.org/outreach-and-education/household-financial-stability/sizing-the-cdfi-market-understanding-industry-growth)
[39] Wayback Machine (https://archive.org/web)

institutions that were certified in 2018 but were no longer certified as of 2023. This may be due to processes such as decertification, mergers, or acquisitions.

A related challenge, also discussed in our previous report, is that there may be institutions that became certified, lost their certification, and then were recertified as of 2023. Ideally, we would only include such institutions' originations and sales in the calculations for the years during which they were certified and exclude them in the years in which they did not have certification. However, since we rely on the 2023 certification list, we are unable to do this and instead include them for all years. For example, an institution may have been certified in 2018, lost certification in 2019 and 2020, and then became certified again in 2021. If this hypothetical institution were still certified as of 2023, we would include its originations and sales in our estimates for all years, including 2019 and 2020 when it was technically not certified.

Table Appendix

CDFI residential loan originations by state in billions, 2022

STATE	RESIDENTIAL ORIGINATION	STATE	RESIDENTIAL ORIGINATION
AK	$0.06	MT	$0.09
AL	$0.79	NC	$1.39
AR	$0.39	ND	$0.00
AZ	$0.39	NE	$0.21
CA	$7.47	NH	$0.03
CO	$0.34	NJ	$0.47
CT	$0.13	NM	$0.39
DC	$0.02	NV	$0.12
DE	$0.03	NY	$1.47
FL	$3.86	OH	$0.29
GA	$0.48	OK	$0.20
HI	$0.10	OR	$0.61
IA	$1.00	PA	$0.13
ID	$0.24	PR	$0.19
IL	$0.41	RI	$0.01
IN	$0.12	SC	$0.33
KS	$0.03	SD	$0.00
KY	$0.14	TN	$0.88
LA	$1.35	TX	$1.38
MA	$0.43	UT	$0.36
MD	$0.15	VA	$0.51
ME	$0.05	VT	$0.02
MI	$0.68	WA	$1.14
MN	$0.58	WI	$0.77
MO	$0.35	WV	$0.03
MS	$1.38	WY	$0.00

Source: Estimates generated using HMDA, S&P Residential and Commercial Mortgage Analytics tool.

CDFI residential loan originations per person by state, 2022

STATE	RESIDENTIAL ORIGINATION	STATE	RESIDENTIAL ORIGINATION
AK	$86	MT	$79
AL	$156	NC	$130
AR	$127	ND	$3
AZ	$53	NE	$105
CA	$191	NH	$22
CO	$59	NJ	$51
CT	$35	NM	$186
DC	$36	NV	$38
DE	$27	NY	$75
FL	$174	OH	$24
GA	$44	OK	$49
HI	$69	OR	$144
IA	$314	PA	$10
ID	$126	PR	$58
IL	$33	RI	$11
IN	$17	SC	$63
KS	$11	SD	$2
KY	$31	TN	$125
LA	$293	TX	$46
MA	$62	UT	$107
MD	$24	VA	$58
ME	$34	VT	$34
MI	$67	WA	$147
MN	$102	WI	$131
MO	$56	WV	$16
MS	$470	WY	$8

Source: Estimates generated using HMDA, S&P Residential and Commercial Mortgage Analytics tool.