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## Trump Order on CDFI Fund Risks Aid for Small Businesses, Housing

Credit unions, banks and nonprofits are alarmed by an executive order targeting Community Development Financial Institutions, which support projects in low-income areas.



Scott Bessent, US treasury secretary, during a cabinet meeting at the White House in Washington, DC, US, on Wednesday, Feb. 26, 2025. *Photographer: Al Drago/Bloomberg*

By Patrick Sisson

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### ✦✦ Takeaways by Bloomberg AI

- The Community Development Financial Institutions Fund (CDFI Fund) provides capital for local credit unions and banks to develop lower-income communities, and has a track record of helping communities across the US.
- President Donald Trump's executive order targeted the CDFI Fund, ordering its functions to be reduced to the statutory minimum required by law, which has raised concerns among organizations that rely on the fund.
- The CDFI Fund has garnered bipartisan backing and has seen success in helping specific groups, such as Native Americans and rural economies, and

has generated strong returns on investment, but the order to cut staff could impact how quickly funding gets disbursed.

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Banking usually doesn't make for great cinema unless a heist is involved. But one classic movie moment is the exception: the famous bank run scene in *It's a Wonderful Life*, in which a community rallies around a public-minded savings and loan. It's a poignant depiction of the powerful metaphor of community lending.

That ideal – local money funding local enterprise and development – explains the angst over a [March 14 executive order](#) by President Donald Trump that targeted, among other institutions, the Community Development Financial Institutions Fund. This bipartisan program provides capital for local credit unions and banks to help develop lower-income communities. Trump's directive ordered that the government corporation's functions be reduced to the statutory minimum required by law.

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As the Department of Government Efficiency and other members of the administration continue clear-cutting the federal workforce, organizations that rely on the CDFI Fund to develop affordable housing, support minority-owned businesses and deliver disaster recovery in low-income parts of the country expressed concerns about what the order could mean for those efforts. CDFIs have a track record helping communities across the US, including the rural areas Trump has said he wants to help, so it's confusing for leadership of these organizations to be targeted. Considering current efforts to [cut HUD staff](#) and programs, including [retrofit programs for older homes](#), the anxiety is well founded.

“CDFIs work in areas of the country that the president is committed to helping,” said James Akin, head of regulatory advocacy for America’s Credit Unions. “We see the fund as being on the same track and have the same purpose as many of the investing-in-America sort of initiatives that the president has put out there.”

The CDFI Fund has provided capital to more than 1,400 organizations spread across the US for commercial developments and housing. This approach found an early supporter in President Bill Clinton, who was impressed with Chicago’s community-focused South Shore Bank during a 1992 campaign stop. Established by Congress in 1994, today the program touches nearly every corner of the country, including 92% of congressional districts. The recent budget bill maintained funding levels at \$324 million a year, and last year, it helped fund the construction of 45,000 new affordable housing units.



Former U.S. President Bill Clinton gives a thumbs-up at an event celebrating the 30th anniversary of the CDFI Fund on Nov. 21, 2024. *Photographer: Anna Moneymaker/Getty Images*

Currently, CDFIs – mostly mission-driven nonprofits but also local credit unions, banks and even venture capital funds – control more than \$300 billion in mortgages and loans for small businesses and commercial real

estate projects in low-income communities. The CDFI program in particular assists nonprofits and other institutions at the local level, leveraging capital to lend back into communities that invariably ends up in projects with complex capital stacks, such as affordable housing.

“We’re lending what we call mission-driven capital,” said Chris Tyson, president of the National Community Stabilization Trust (NCST), a nonprofit that supports affordable housing and has received support from the CDFI Fund. “We’re lending that capital at 7% to a small developer. That small developer is not even on the radar of the big banks. They can’t walk into those banks and get a commercial loan. They’re too small.”

The CDFI Fund has garnered bipartisan backing and has seen success helping specific groups such as Native Americans as well as rural economies, as well as strong returns on investment. Over time, state programs have been established to add additional financial support, and during the pandemic, Congress appropriated \$12 billion to CDFIs to help catalyze the economy.

“It’s kind of difficult to imagine how you turn that spigot off,” said Tyson. “Who’s going to take a gamble on them? Who’s going to provide technical assistance, who’s going to do the hand-holding, to help build them up as entrepreneurs?”

The CDFI Fund also oversees the allocation, award, review and compliance for the New Market Tax Credits (NMTC), tax credits for entities like banks who then put their own capital into real estate projects, like retail. The program has generated \$8 for every \$1 of federal funding, and with the \$76 billion in credits it has disbursed, has rehabbed nearly 270 million square feet of real estate, or more than the total amount of office space in Dallas. Last year, a report by the New Market Tax Credit Coalition highlighted many of the projects realized through this program, including a Native American health center in Oakland, a modular manufacturing site for affordable housing in Los Angeles, a greenhouse farming site in Hawaii, and a food bank in Tampa, Florida.


Brad Elphick, a partner at Novogradac who specializes in NMTC, was especially worried that Trump's order called for cutting staff that deal with this program. The federal government combined 2024 and 2025 distribution for NMTC, after Congress expressed interest last year in getting funds out to communities more quickly, so now staff are evaluating applications for \$10 billion in tax credits.


"It's a long enough process as it is, and then it delays, whether it's this executive order to potentially reduce resources, is only going to make that process take longer," said Elphick.

Treasury Secretary Scott Bessent had described the CDFI program as "very important" during his confirmation hearing in January. After Trump's Executive Order stoked fear among CDFIs and their supporters about how the new administration might seek to curtail or constrain the program, the Treasury Department issued a report to the Office of Management and Budget that noted that "the CDFI Fund is performing its statutory functions as required by law." All of the 11 programs are statutory and required by law. The Treasury Department didn't return a request for comment to clarify the administration's plans.

Despite the Treasury's ostensible support for the program, what still worries supporters is the contraction of staff and service, a pattern that's been repeated across the federal bureaucracy during the start of Trump's second term. None of the CDFI experts interviewed expected the White House to alter the performance of the fund or change how it operates, like some of the funding grant programs that have banned so-called DEI terms. But the order to cut staff – "reduce the performance of their statutory functions and associated personnel to the minimum presence and function required by law" – could impact how quickly much-needed funding gets disbursed, especially for the fund's relatively modest team of roughly 100 staffers.

"You could say, well, we're going to reduce the CDFI Fund to a point where you really can't even effectively administer the program, right?" said Elphick. "That's not not eliminating the NMTC, but you've essentially eliminated the CDFI Fund's ability to administer it, which would have a similar effect."



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Tyson sees a few potential problems. Cutting staff could impact the certification of new CDFIs, and harm the administrative and bureaucratic capacity to manage the fund review process. Workforce reductions would also have a significant impact on CDFIs' ability to catalyze investment in underserved communities. In addition, the fund also provides grants to CDFIs to build their own capacity and balance sheet, and take on more private investment to become bigger and better lenders and leverage additional capital.

Any delays in these funds and credits mean deals get delayed, or canceled, which means projects get pushed back or don't happen. It's "only going to hurt the communities" in which cities, lenders and nonprofits are trying to invest, said Elphick.

Brett Theodos, senior fellow and director of the Community Economic Development Hub at the Urban Institute, said it's been heartening to see cross-party backing for the program from lawmakers in Congress as well as the Treasury Department. But the way Congress writes laws has ambiguity, and anyone who has political will to damage the fund could do so – it matters who's driving the train.

In the the past, there's been lots of bipartisan support for CDFIs. Fifteen of the top 20 congressional districts when measured by amount of CDFI investment are represented by Republicans, including the districts of Speaker of the House Mike Johnson and House Majority Leader Steve Scalise. But at the same time, some CDFIs have gotten into climate finance and have been very vocal and visible in equity work, which might make them a target.

“The squeeze of middle-income folks and working-class folks is exacerbated by the limited flow of capital in the communities where those people live and conduct business,” said Tyson. “If we care about that, then we should be providing more funding to the CDFIs.”

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