CDFIs IN RURAL COMMUNITIES

Challenges Faced by Rural Communities

Rural communities face unique challenges, including underdeveloped infrastructure, unemployment, and lack of access to capital. According to the U.S. Department of Agriculture (USDA), 85 percent of American counties with persistent poverty rates exist in rural areas.

Leaders in these communities have to be more creative in order to address these economic difficulties, including attracting and increasing private investment. CDFIs often present the strongest locally-based partners for economic development. OFN Members finance community businesses, spark job growth in the areas that need it most, and deliver both sound financial returns and real changes for people and communities.

OFN Members’ Activity in Rural Areas

In 2014, 131 OFN Members (more than half of OFN’s total membership) had cumulatively invested nearly $1 billion in existing financing to rural areas -- they closed almost $500 million in financing that year alone. Of those 131, 56 are primarily rural CDFIs, meaning that greater than half of their activity takes place in an area that is considered rural.

Additionally, more than $11 million in farm financing and more than $11 million in food-related financing was provided through OFN Members in 2014. Almost 500,000 beneficiaries were impacted by OFN Member activity in 2014.

Federal Programs Utilized by OFN Rural CDFIs

In rural areas where capital investments are sparse, federal seed funding is critical to attracting private investment. The list below is representative of federal programs accessed by OFN rural CDFIs and is exclusive of the various state initiatives for which CDFIs are also eligible.

U.S. Department of Agriculture:
- Rural Housing Service, Rural Microenterprise Assistance Program, Rural Development Programs.
- The Loan Fund

U.S. Department of Housing and Urban Development:
- Community and Economic Development Grants, Community Development Block Grants.

U.S. Department of Treasury:
- Financial Assistance and Technical Assistance, CDFI Bond Guarantee Program (CDFI Fund); Small Business Lending Fund.

Small Business Administration:
- Community Advantage and SBA microloan programs.

1OFN Annual Member Survey (2014).

For more information please contact Liz Lopez, Executive Vice President of Public Policy, at llopez@ofn.org.
RURAL CDFI SUCCESS STORIES

Main Cross Apartments

Mount Sterling, Kentucky

Fahe of Berea, Kentucky, serves Appalachia through affordable housing, community development, and job creation.

Project: Main Cross Apartments provides affordable senior housing to Appalachia’s increasing elderly population. The housing complex is undergoing an extensive renovation with a focus on energy efficiency, which will help its fixed-income residents remain within their budgets. The total project cost was $5 million. Main Cross Apartments leveraged various sources of funding, including a $184,000 loan from Fahe, Low Income Housing Tax Credits, and Affordable Housing Program funds from the Federal Home Loan Bank.

Hawk Knob Hard Cider and Mead

Lewisburg, West Virginia

Natural Capital Investment Fund (NCIF) of Shepherdstown, West Virginia, provides financing to Central Appalachia and the Southeast. Their hallmark is creating jobs and community wealth through responsible stewardship of natural resources.

Project: Bennett and Lewis needed help getting Hawk Knob off the ground. They utilized NCIF’s Value Chain Initiative (VC2) which provided them with the tools to develop a business plan. NCIF then loaned Hawk Knob working capital to purchase equipment and start-up costs, totaling $116,841. In 2015, Hawk Knob officially opened as West Virginia’s first cidery, and its ciders and meads are now sold at their facility and at restaurants, shops, and festivals throughout the state.

Daily Bread Bakery

Timber Lake, South Dakota

Four Bands Community Fund of Eagle Butte, South Dakota, is the leading non-profit organization on the Cheyenne River Indian Reservation in the areas of small business training and lending, entrepreneurship education, and financial literacy.

Project: Robi Miller bakes homemade breads and pastries without preservatives and artificial ingredients. With support from Four Bands, she has been able to expand Daily Bread Bakery’s customer base from just the general population to local restaurants and businesses.