Trends Toward Equity:

Five Years of OFN Member Data

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Every year, Opportunity Finance Network (OFN), a leading network of community development financial institutions (CDFIs) examines the financial health and community outcomes of our members. As of March 2023, OFN has 394 members, 367 of which are loan funds.[1] For our members to expand economic opportunity, promote racial justice, and foster vibrant communities, OFN must take stock of where the membership currently is and understand how key metrics have changed over time.

Our annual ***Side-by-Side*** report provides a status check by comparing each member CDFI's performance to peer organizations and offering a snapshot of the last year in member activity.

The past three years have brought unparalleled attention for the CDFI industry. The economic shocks of the COVID-19 pandemic and renewed calls for racial justice sparked broad interest in CDFIs, marked by a surge in media attention and investments from new-to-the-industry corporate, philanthropic, and government investors.[2] During this period, OFN also expanded from 230 members at the end of 2017 to more than 390 by the end of 2022.

Given changes in the industry and broader economic context, this brief examines CDFI activity, performance, and outcomes among all OFN members from 2017 through 2021. Where appropriate, for additional insights, we restrict the sample to members that have consistently reported data for the last five years.

Our analysis relies on data collected through OFN's Annual Member Survey (AMS) — a robust and comprehensive data source on our members collected annually since 1994. In its current form, the AMS captures data on CDFI lending, financial performance, capitalization, staffing, and outcomes.

The brief presents five-year trends in member assets and lending activity, and financial performance and ratios, as well as staff size, functions, and diversity. Considering the current macroeconomic context, the penultimate section focuses on interest rates. The brief concludes with implications for the OFN network.

[1] Other members include 17 credit unions, five venture capital funds, three banks, and two depository institution holding companies.

[2] Pederson, Brendan. 2021. "'A Watershed Moment': CDFIs Hope to Capitalize on Federal Funding Boost." *American Banker*. (April 20, 2021) https://www.americanbanker.com/news/a-watershed-moment-cdfis-hope-to-capitalize-on-federal-funding-boost

Among the brief's key findings for the period of 2017-2021:

1. OFN's membership grew, and the membership's assets, portfolios, and lending volume increased.
2. Sectoral trends in member portfolios remained constant over time, with affordable housing comprising at least half of member loans outstanding.
3. Member financial performance was robust — at times, members outperformed traditional financial institutions while serving individuals and communities traditionally underserved by mainstream financing.
4. The average number of employees per member decreased, reflecting the inclusion of additional smaller and emerging CDFIs in OFN's membership, and the proportion of training and technical assistance employees grew.
5. The proportion of employees and leadership who are people of color increased among members, but there is still more work to do to increase representation and provide pathways to management and leadership roles.
6. Members slightly increased the interest rates they charged clients while the cost of capital to members remained stable.

Key Finding 1: Between 2017 and 2021, OFN's membership grew, and the membership's assets, portfolios, and lending volume increased.

Total assets provide insight into how much OFN's membership has grown, not just in the number of members but also in their ability to lend to low-income, low-wealth communities traditionally underserved by mainstream finance. As mission-driven lenders, maximizing returns on investments and increasing profits to support greater assets are not primary goals. Instead, CDFIs balance financial stability and moderate growth while increasing investment to support community development.

Among members that consistently reported data between 2017 and 2021, assets, loans outstanding, and loans closed grew by 61 percent, 42 percent, and 31 percent, respectively.

Member assets grew from $21.77 billion in 2017 to $42.05 billion in 2021 (Figure 1).[3] This reflects OFN's growing membership, as well as increased capital that allows members to facilitate community development. The increase in total assets was pronounced between 2020 and 2021, due to CDFIs' active participation in the Paycheck Protection Program (PPP). As of June 2021, community financial institutions — a category which includes CDFIs, minority depository institutions (MDIs), Small Business Administration (SBA) microlenders, and certified development corporations — made more than $34 billion in PPP loans.[4]

In addition, OFN's membership grew and the number of members reporting their total assets increased from 269 in 2020 to 324 in 2021.

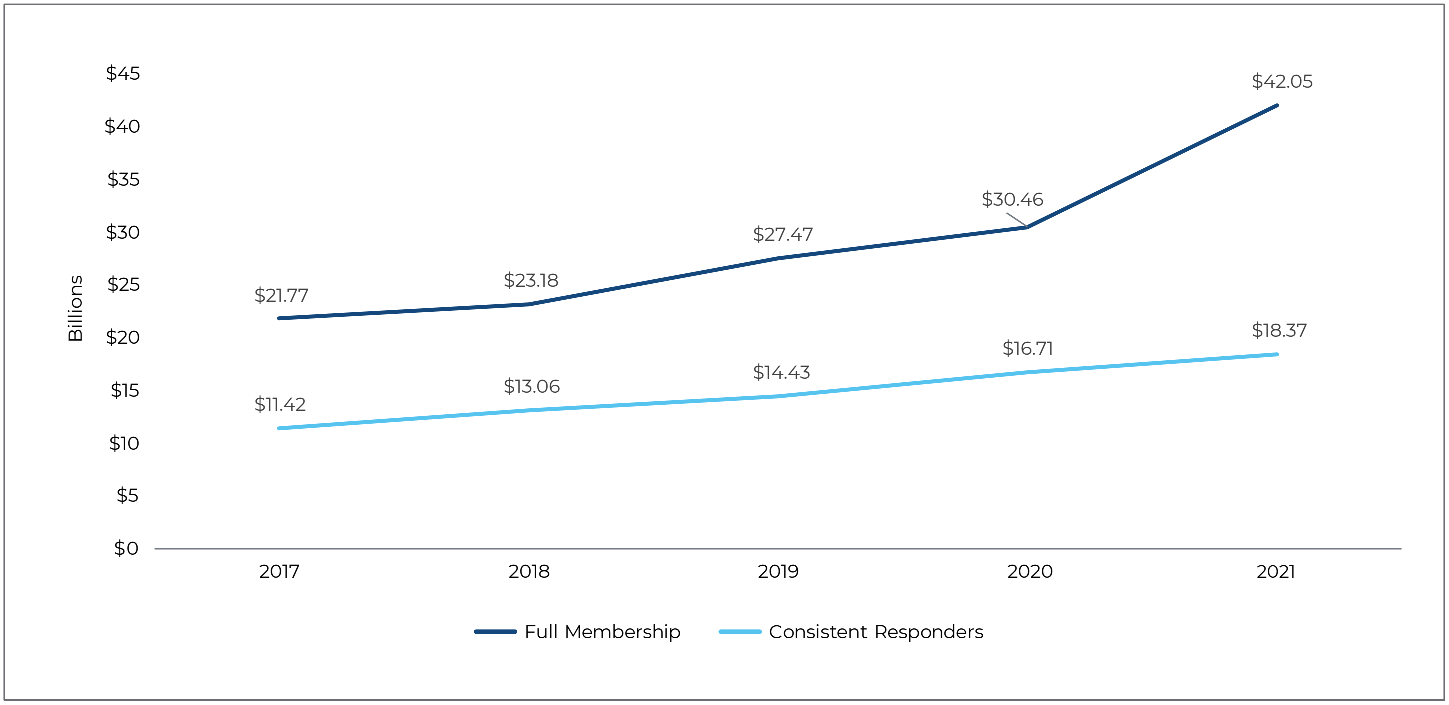
For the 149 members that consistently responded to the survey, total assets rose from $11.42 billion in 2017 to $18.37 billion in 2021. This is a 61 percent growth in assets over five years.

[3] Survey data are reported for the Fiscal Year (FY) in question. Members report data according to their own FYs, typically with end dates of March 31st, June 30th, September 30th, and December 31st of a given year.

[4] Williams, Dafina. 2021. "PPP Winds Downs with CDFIs as Top Lenders." Opportunity Finance Network, https://www.ofn.org/ppp-winds-down-cdfis-top-lenders/ (accessed 2/8/2023); U.S. Small Business Administration, "Paycheck Protection Program (PPP) Report, https://www.sba.gov/sites/default/files/2021-06/PPP_Report_Public_210531-508.pdf (accessed 2/8/2023).

FIGURE 1

Total Assets for the Full Membership and Members that Consistently Responded, FY 2017 to FY 2021[5]



Notes: Total assets include loans outstanding to borrowers, cash and equivalents, property, and equity. N ranges from 231 in 2017 to 324 in 2021 for the full membership that responded to the survey. 149 members consistently responded to the survey from 2017 to 2021.

To maximize mission impact, growth in assets should correlate with increased lending activity and larger loan portfolios. Examining trends in loans outstanding (total lending portfolio at the end of the year) and lending activity (loans closed over the past year) provides a picture of how members leveraged their asset growth for change.

Over the last five years, total loans outstanding and loans closed increased among members.

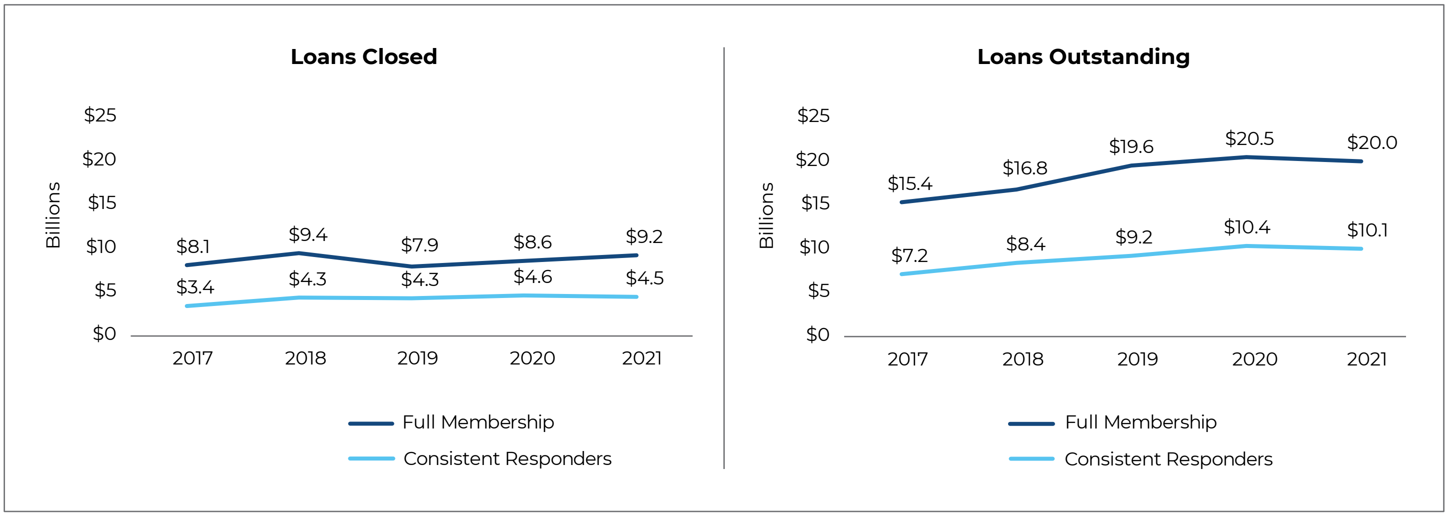
Figure 2 shows that member portfolios grew 30 percent, from $15.4 billion in 2017 to $20 billion in 2021. Member lending activity increased 14 percent during the same period, from $8.1 billion in loans closed in 2017 to $9.2 billion in 2021.

The loan portfolios and lending activity of members that responded to the survey in every year was substantial (Figure 2). In this subset of 149 members, loans outstanding grew 42 percent, from $7.2 billion in 2017 to $10.1 billion in 2021. Lending activity grew 31 percent from $3.4 billion to $4.5 billion over the same period. For both samples, loans outstanding and loans closed lagged somewhat behind the trend of increasing assets, highlighting a need to focus on increasing capacity and deployment.

[5] Throughout the brief, "full membership" refers to all OFN members that responded to the survey in a given year. The N varies across figures because of item non-response. "Members that consistently responded" or "consistent responders" refers to the 149 members that responded to the survey for all five years from 2017 through 2021. If a sample is not specified in a figure, then the full membership is presented.

FIGURE 2

Loan Portfolios and Lending Activity, Full Membership Versus Consistent Survey Responders, FY 2017 to FY 2021



Notes: Loans closed includes loans, investments, and debt with equity investments made during the course of the fiscal year that were closed on or before the end of the fiscal year, even if the funds have not yet been fully drawn down. Loans outstanding includes loans and debt with equity investments for which the principal was outstanding as of the last day of the fiscal year. These loans may have originated during the fiscal year or in previous years. For the full membership, N ranges from 221 in 2017 to 280 in 2021 for loans closed and from 228 to 286 for loans outstanding. 149 members consistently responded to the survey from 2017 to 2021.

The increase in the amount of loans outstanding and loans closed over time is influenced by two factors:

- First, nearly 160 new members joined OFN's network since 2018.
- Second, member portfolios grew. Examining consistent responders reveals that longer-term members increased their total assets, loans outstanding, and loans closed.

Key Finding 2: Sectoral trends in member portfolios remained constant, with affordable housing comprising at least half of member loans outstanding.

CDFI focus areas vary depending on the needs of the communities a CDFI serves and the organization's experience lending to different sectors. Some CDFIs specialize in lending to only one sector, while others lend across several sectors, such as small business, affordable housing, commercial real estate and community facilities, and consumer lending.[6]

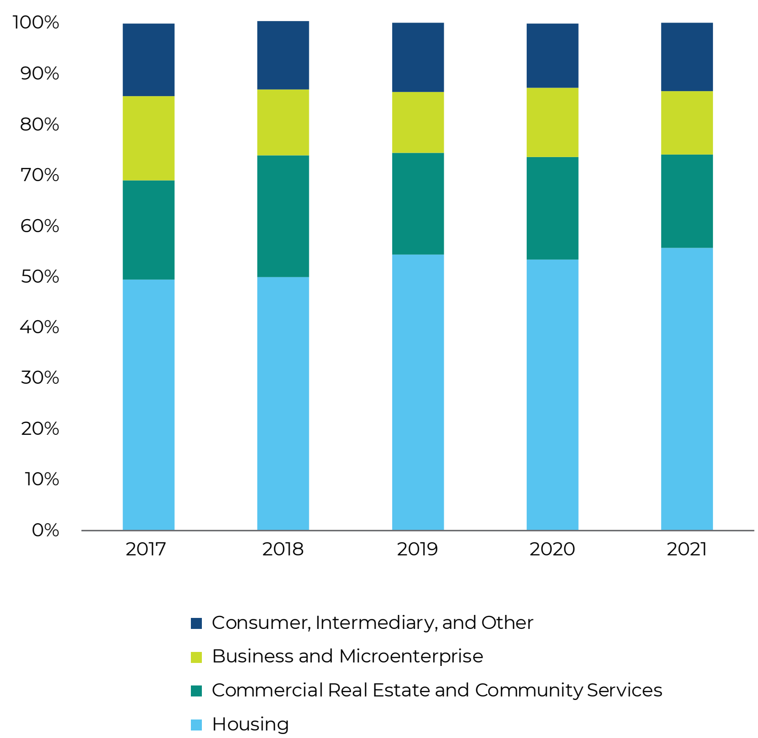
[6] The survey collects data on nine different lending sectors. The sectoral distinctions are designed to capture and reflect different operational, structural, and financing challenges and opportunities across classes of CDFIs. In this brief, we combined several adjacent lending sectors: (1) housing to individuals and housing to organizations, (2) small business and microenterprise, (3) commercial real estate and community facilities, and (4) consumer, intermediary, and other financing.

An examination of changes over time in sectoral composition shows how member lending strategies are changing and provides a snapshot of the ways members are impacting their communities. Figures 3 and 4 present sectoral trends in loans closed and outstanding, respectively. These data exclude PPP lending. Comparing loans outstanding to loans closed by sector illustrates variation caused by the length of the loan term. For example, loans to support affordable housing typically require longer terms that stay on a CDFI's portfolio for years. Small business and microenterprise loans, on the other hand, typically have shorter terms and comprise a smaller proportion of loans outstanding and a larger proportion of loans closed.

In general, sectoral trends in loans outstanding remained constant from 2017 to 2021. The percentage of loans outstanding for affordable housing increased from 50 to 56 whereas the percentage of lending to small businesses and microenterprises decreased from 17 to 13. The consumer, intermediary, other, commercial real estate, and community services sectors remained stable, fluctuating by only one percentage point from year to year.[7]

FIGURE 3

Percentage of Loans Outstanding by Sector (Dollar Amount), FY 2017 to FY 2021



Notes: Loans outstanding includes loans and debt with equity investments for which the principal was outstanding as of the last day of the fiscal year. Housing includes housing to individuals and housing to organizations. The sample is OFN's full membership that responded to the survey. N ranges from 228 in 2017 to 283 in 2021.

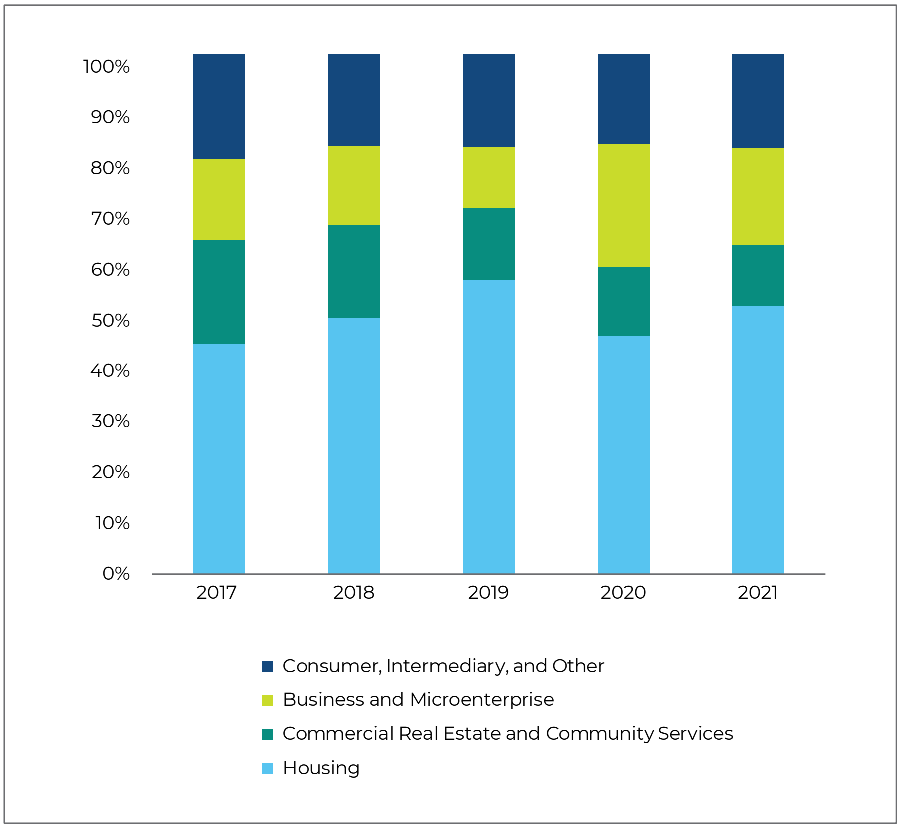
[7] We also examined sectoral trends among the 149 members that consistently responded to the survey from 2017 to 2021. In recent years, some members have said that they diversified and expanded the number of sectors they are financing. This trend is not evident in the survey data. Over the past five years, the average number of sectors for loans outstanding remained constant at three.

Whereas outstanding loans remained stable over the last five years, member lending activity changed (see Figure 4). Since 2017, the proportion of lending to small businesses, microenterprises, and affordable housing grew.

Lending to small businesses and microenterprises comprised 16 percent of loans closed in 2017, peaked at 24 percent in 2020, and returned to 19 percent in 2021. Many of OFN's newest members are small business and microenterprise lenders. Lending for affordable housing also rose from 44 percent of loans closed in 2017 to a peak of 57 percent in 2019, before decreasing to 52 percent in 2021. Loans closed to commercial real estate and community services declined since 2017, both as a percentage of overall lending and total dollars lent.

FIGURE 4

Percentage of Loans Closed by Sector (Dollar Amount), FY 2017 to FY 2021



Notes: Loans closed includes loans, investments, and debt with equity investments made during the fiscal year that were closed on or before the end of the fiscal year, even if the funds have not yet been fully drawn down. These loans may have originated during the fiscal year or in previous years. The sample is OFN's full membership that responded to the survey. N ranges from 220 in 2017 to 277 in 2021.

While member portfolios have not changed much over the last five years, member lending activity has adapted to community needs. As the COVID-19 pandemic shuttered many small businesses, members stepped in to support communities by issuing PPP loans and other emergency financing. These short-term loans and emergency financing for small businesses, especially via the PPP, did not have a large impact on member portfolios; the proportion of small business loans outstanding remained stable over time.

The country's affordable housing shortage has increased financial strain on renters and individuals looking to become homeowners.[8] Members increased their lending and expanded their portfolios to address the affordable housing shortage. The proportion of loans closed and outstanding to commercial real estate and community services decreased over time. These trends and their effects deserve attention in future research and among practitioners.

Key Finding 3: Member financial performance was robust — at times, members outperformed traditional financial institutions while serving individuals and communities traditionally underserved by mainstream financing.

Where traditional lenders see risk, uncertainty, or loans not large enough to warrant underwriting, CDFIs see opportunity. The CDFI model seeks to upend assumptions in traditional finance. However, mission lending cannot survive unless it also has strong financial performance. The CDFI loan fund model may always require some subsidy to achieve mission impact. Yet, CDFIs must maintain their status as credible fiduciaries.

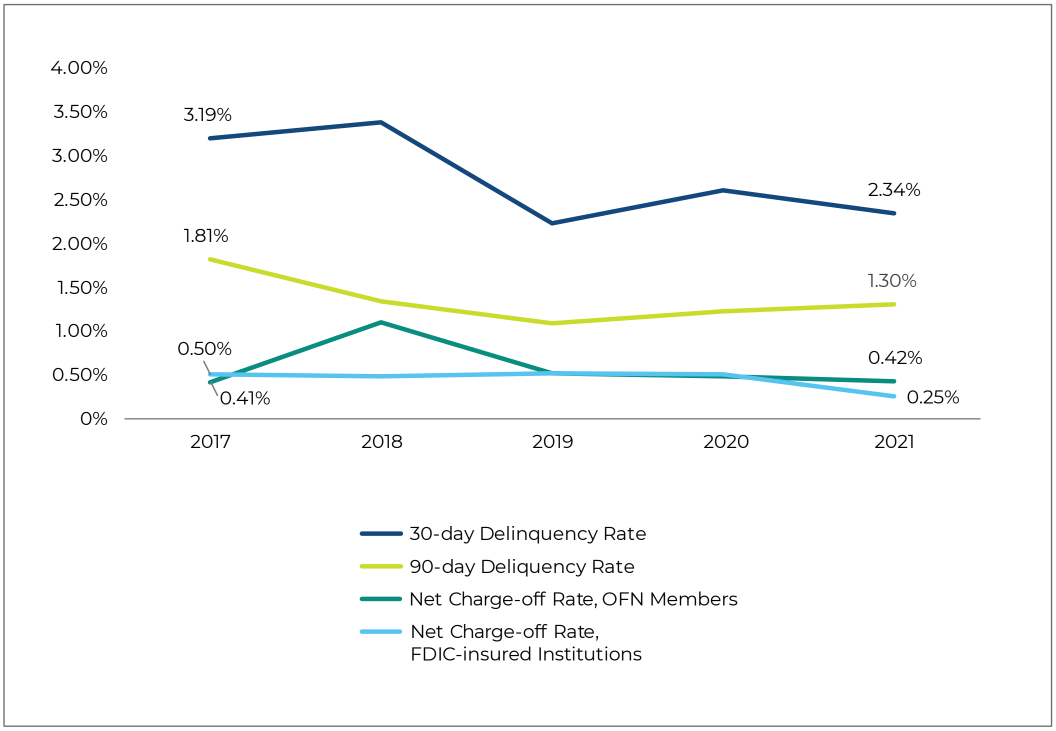
The strength of member financial performance is evident in the past five years of survey data.

Between 2017 and 2021, 30-day delinquencies decreased nearly 27 percent and 90-day delinquencies decreased 28 percent (Figure 5). Thirty-day delinquencies increased slightly in 2020 before decreasing in 2021. Meanwhile, net charge-off rates remained stable from 2017 to 2021, with a small increase of 2.4 percent over the last five years. Member charge-off rates compare favorably to those of FDIC-insured institutions. In three of the last five years, member charge off-rates were slightly below FDIC-insured institutions. The exception is FY 2018, when OFN member charge-off rates were more than double FDIC-insured institutions.

[8] Joint Center for Housing Studies of Harvard University. 2022. "The State of the Nation's Housing 2022," https://www.jchs.harvard.edu/sites/default/files/reports/files/Harvard_JCHS_State_Nations_Housing_2022.pdf (accessed 2/23/2023).

FIGURE 5

30-day and 90-day Delinquency and Net Charge-off Rates, FY 2017 to FY 2021



Notes: The delinquency rate is the percentage of principal outstanding (dollar amount) on loans or debt with equity features that are 30- or 90-days past due. The net charge-off ratio (net loan loss ratio) is the percentage of the outstanding loan portfolios that have been written off during the year, net of recoveries. The sample is OFN's full membership that responded to the survey. N ranges from 207 in 2017 to 283 in 2021.

Because CDFIs are mission lenders seeking financial sustainability and social impact, their performance can be considered through different lenses:

- On the one hand, CDFIs should strive to make financially sound investments that mitigate risk and ensure that borrowers can repay their loans. Figure 5 suggests that members are conducting themselves as credible fiduciaries.
- On the other hand, CDFIs should maximize social impact. Members could consider whether there are opportunities to increase risk tolerance and expand lending in the communities they serve.

Members produce substantial outcomes in their communities.
BETWEEN 2017 AND 2021, OFN MEMBER INVESTMENTS HELPED:

Create or maintain more than 1.3 million jobs.	Start or expand more than 374,000 businesses and microenterprises.	Develop or rehabilitate more than 312,000 housing units.	Develop or rehabilitate more than 2,600 community facility projects.

Figure 6 presents three additional measures of financial performance: deployment, net asset, and self-sufficiency ratios.

The deployment ratio measures the amount of capital designated for lending to borrowers. Member deployment ratio decreased from 82 percent in 2017 to 73 percent in 2021.

During 2020 and 2021, CDFIs experienced an influx of capital as a result of increased attention on the CDFI model during the pandemic and racial justice movement. The decreasing deployment ratio may reverse course in the coming years as members have more time and additional staff capacity to invest in their communities.

As a mission-driven lender, a CDFI's net asset ratio is a key indicator of its financial stability, resilience to economic shifts, and progress toward achieving social impact.

CDFIs aim to find a delicate balance in leveraging their net asset ratio to make an impact, raise additional debt, and have coverage for potential losses. However, the rationale and covenant requirements for net asset ratios vary from one CDFI to the next, and are connected to CDFIs' unique strategies and investors.

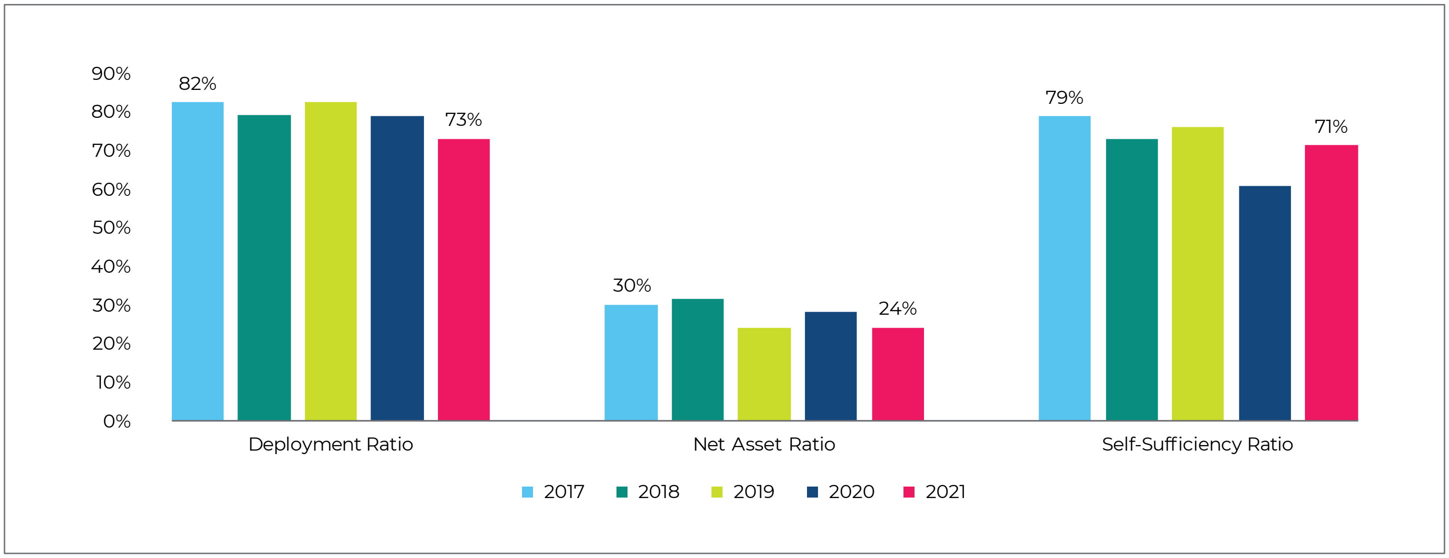
Between 2017 and 2021, the weighted net asset ratio of members fluctuated between a high of 31 percent in 2018 to a low of 24.1 percent in 2019. While the trend is not linear over time, members continue to balance mission impact and the need for strong net assets.

Self-sufficiency measures whether a CDFI's earned revenue can cover its expenses.

The weighted average self-sufficiency among members decreased from nearly 80 percent in 2017 to 71 percent in 2021. Changes in access to contributed revenue have affected the self-sufficiency ratio. The large decrease in self-sufficiency in 2020 is likely attributed to increased grants and contributions during pandemic relief efforts.

FIGURE 6

Member Weighted Performance Ratios, FY 2017 to FY 2021



Notes: The deployment, net asset, and self-sufficiency ratios are weighted averages. The deployment ratio measures the percentage of total capital that is being deployed by members. The net asset ratio is total net assets of members divided by total assets. The self-sufficiency ratio measures the extent to which members are covering expenses through earned revenue. The sample is OFN's full membership that responded to the survey. N ranges from 228 in 2017 to 283 in 2021.

Changes in the self-sufficiency and net asset ratios were driven primarily by new members and inconsistent responders over the five-year period (not shown). Among consistent responders, self-sufficiency increased by half a percent from 2017 to 2021. During the same time, their net asset ratios decreased by 3.8 percent. On the other hand, consistent responders' deployment ratio performance was like the full membership; for this subsample, deployment decreased by 10.1 percentage points from 2017 to 2021.

Members achieved strong financial performance. Their 30-day and 90-day delinquency and net charge-off rates show that, during the economic downturn, members responded to the pandemic moment and performed well. Members have not fully deployed capital from the pandemic-related investments. The increased investment in CDFIs during the pandemic offered CDFIs additional capital to deploy and increased contributed revenue to support lending to communities most impacted by the pandemic. As members adjust to the additional contributed revenue and capital for lending, OFN expects their performance in these key performance ratios to return to pre-pandemic levels.

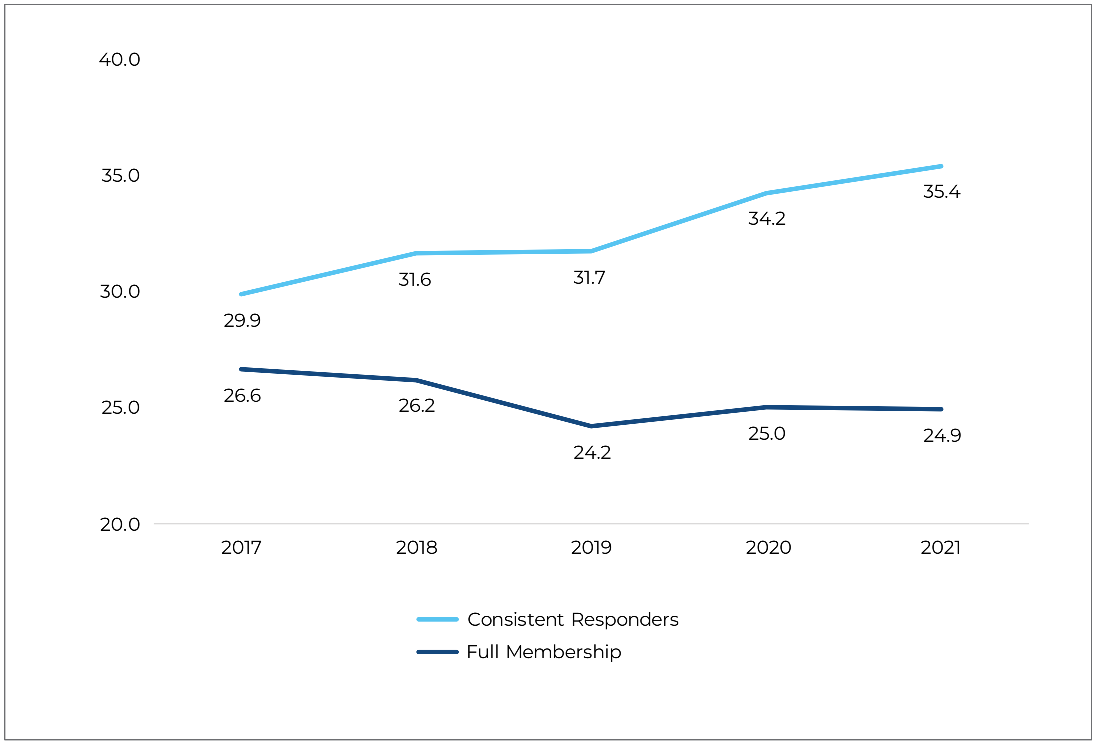
Key Finding 4: Between 2017 and 2021, the average number of employees per member decreased, reflecting the inclusion of additional smaller and emerging CDFIs in OFN's membership, and the proportion of training and technical assistance employees grew.

Member employees are the heartbeat of the CDFI industry. They are mission-minded, talented people who seek to make meaningful change in their communities. As the network grows, OFN will assist members in attracting new talent to the industry, supporting equitable hiring, retention, and advancement practices, and identifying trends in staffing to improve CDFI operations.

The average number of full-time employees in OFN's membership decreased from 2017 to 2021 (Figure 7). In 2017, the average number of full-time employees per member was 26.6. That number fell to 24.9 by 2021. Among members that responded to the survey five years in a row, average staff size increased from 29.9 to 35.4. This subset of 149 consistent responders comprises longer-term members with larger and increasing staff sizes.

FIGURE 7

Average Number of Full-time Equivalent Employees per Member, Full Membership Versus Consistent Survey Responders, FY 2017 to FY 2021

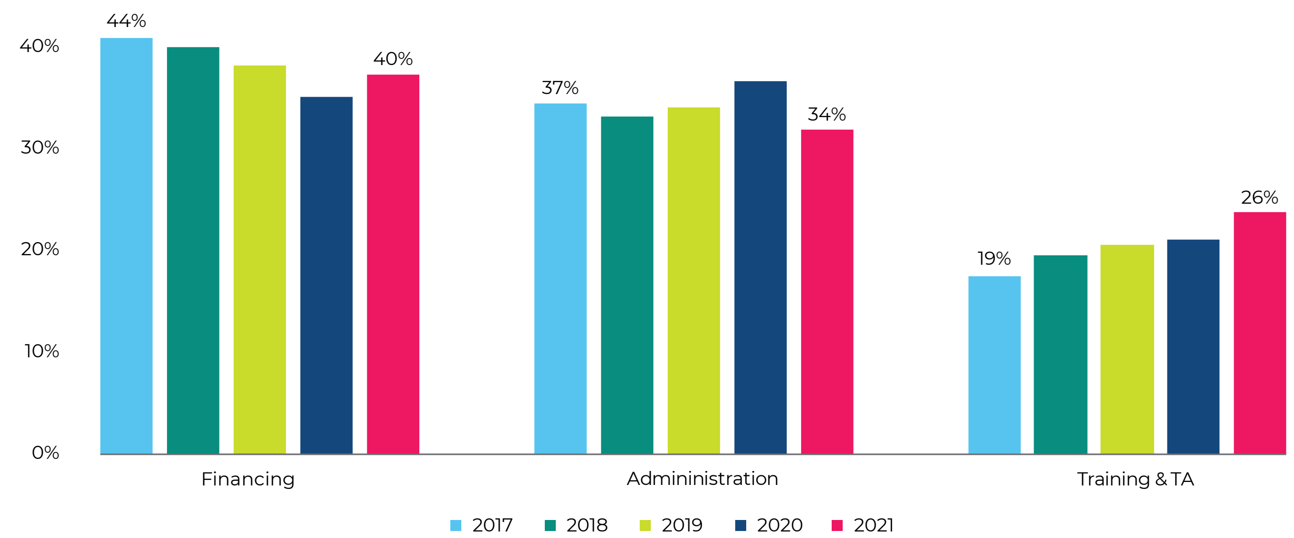


Notes: Full-time equivalent employees per member is the total number of FTEs divided by the number of members. For the full membership that responded to the survey, N ranges from 197 in 2017 to 265 in 2021. 149 members consistently responded to the survey from 2017 to 2021.

Figure 8 shows how the distribution of staffing functions evolved from 2017 to 2021. Namely, the percentage of employees devoted to financing and administration decreased, while the percentage of employees devoted to training and technical assistance increased. As membership grew, the real number of employees across all functions continued to grow. Overall, the number of financing, administration, and training and technical assistance employees increased from 5,245 in FY 2017 to 6,607 in FY 2021. The increase was steadiest and most pronounced in the training and technical assistance function — from 990 in 2017 to 1,690 in 2021.

FIGURE 8

Percentage of Full-Time Equivalent Employees by Function, FY 2017 to FY 2021



Notes: Financing employees include portfolio management, loan/investment underwriting and outreach, and loan/investment administration. Administration includes human resources, fundraising, policy, and administrative employees. Training and technical assistance activities may be performed by technical assistance employees, a loan officer, or other staff members. The sample is OFN's full membership that responded to the survey. N ranges from 197 members in 2017 to 265 in 2021.

Increasing the capacity of prospective borrowers to take on capital through training and technical assistance plays a significant role in a CDFI's ability to fulfill its mission. Not all clients enter a CDFI's door prepared to be underwritten or take on debt. The addition of more training and technical assistance employees suggests that members are addressing borrowers' needs in advance of receiving a loan and supporting them throughout the lending and repayment processes. Furthermore, in recent years, increased competition in the job market made it challenging for CDFIs to find qualified employees. This challenge is particularly acute for financing employees. The increase in training and technical assistance employees suggests that some members may be hiring training and technical assistance employees in lieu of financing employees to ensure that borrowers are ready for a loan and the underwriting process is more efficient.

These patterns are different among longer-term members that responded to the survey consistently over the past five years (not shown). In this group, the percentage of financing employees decreased from 43 in 2017 to 40 in 2021. Likewise, the percentage of training and technical assistance employees decreased from 38 to 36. The percentage of administrative employees increased from 19 to 24 over the same period.

The changes in staff functional composition are driven, in part, by OFN's evolving membership. On average, newer members are increasing the percentages of training and technical assistance employees on their teams or have a larger proportion of such employees on board when they become members. Longer-term members already devote above one-third (between 36 percent and 40 percent, depending on the year) of employees to training and technical assistance, and these percentages stayed relatively stable over the past five years. Consistent responders to the survey increased the percentage of administrative employees.

Key Finding 5: The proportion of employees and leadership who are people of color increased among OFN members, but there is still more work to do to increase representation and provide pathways to management and leadership roles.

To maximize impact, CDFI employees and leadership should reflect the communities they serve. Cultural competence and understanding of the unique issues facing borrowers help CDFIs serve their communities and address historical disinvestment by mainstream lenders. Furthermore, CDFIs must offer diverse employees career pathways to leadership positions. Encouraging staff development and career advancement ensures equity in leadership representation.

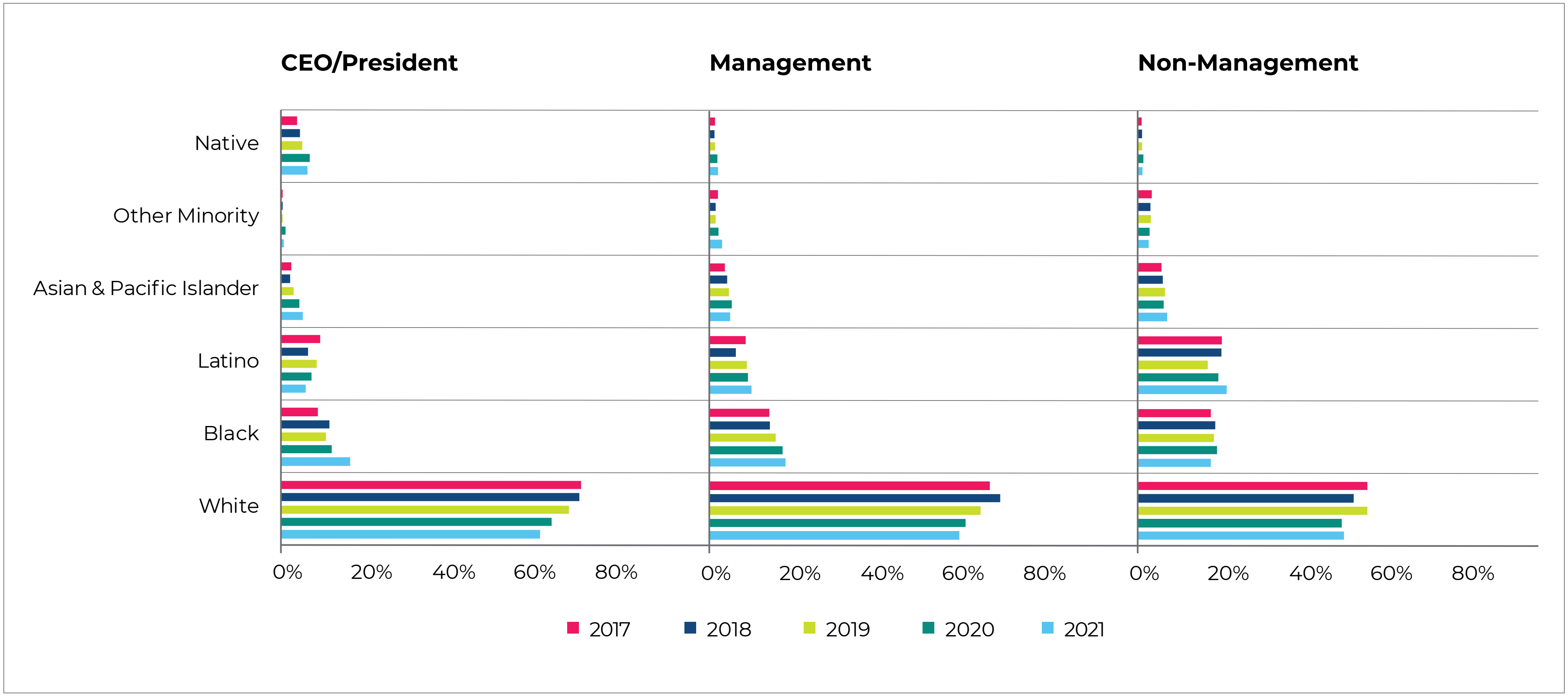
Figure 9 shows the racial and ethnic composition of member CEOs/presidents, management, and non-management employees. Among the full membership, CEOs became increasingly diverse over time. In 2021, CEOs who are people of color comprised 36 percent of all member CEOs, which is a 12-percentage point increase from 2017. From 2017 to 2021, Native, Asian or Pacific Islander, and Black CEOs increased as percentage of CEOs in the network, while the proportion of non-Hispanic White and Hispanic/Latino CEOs decreased.

Member management and non-management employees became more diverse as well. In 2021, managers who are people of color made up 39 percent of all managers, which represents an increase of eight percentage points from 2017. The percentage of managers who are Black, Asian/Pacific Islander, Latino, Native, and other and multiracial groups increased nearly every year. In 2021, non-management employees who are people of color made up 50 percent of all non-management employees, which is five percentage points higher than 2017. Growth among racial and ethnic groups in non-management employees varied from year to year.

Between 2017 and 2021, there was a 12-point increase in the percentage of member CEOs who are people of color and an eight-point increase in the percentage of managers who are people of color.

FIGURE 9

Percentage of Full-Time Equivalent Employees by Function, FY 2017 to FY 2021



Notes: The figures depict the percentage of member presidents/CEOs, managers, and non-management employees that identify as members of various racial/ethnic groups by year. The sample is OFN's full membership that responded to the survey. For president/CEO, N ranges from 196 members in 2017 to 258 in 2021. For management and non-management employees, N ranges from 197 members in 2017 to 265 members in 2021.

The increasing diversity of employees and leadership is encouraging. A large and growing share of employees and leaders have diverse backgrounds and identities that help them serve their communities. However, there is still more work to do. As the power of the position increases, the representation of people of color decreases. Greater percentages of non-management positions are held by people of color as compared to management positions and CEO/presidents. Members must offer career pathways and advancement opportunities to diverse non-management employees seeking leadership positions.

Figure 10 presents the racial and ethnic makeup of member CEOs/presidents, management, and non-management positions by asset size for 2021.

These graphs show that as asset size increases, greater percentages of CEOs/presidents identify as White and Hispanic/Latino. However, the share of CEOs/presidents who are White was largest among the $50 million to less than $100 million asset class, at 76 percent, whereas the percentage of CEOs/presidents who identify as Latino did not exceed 12 percent (in the same asset class).

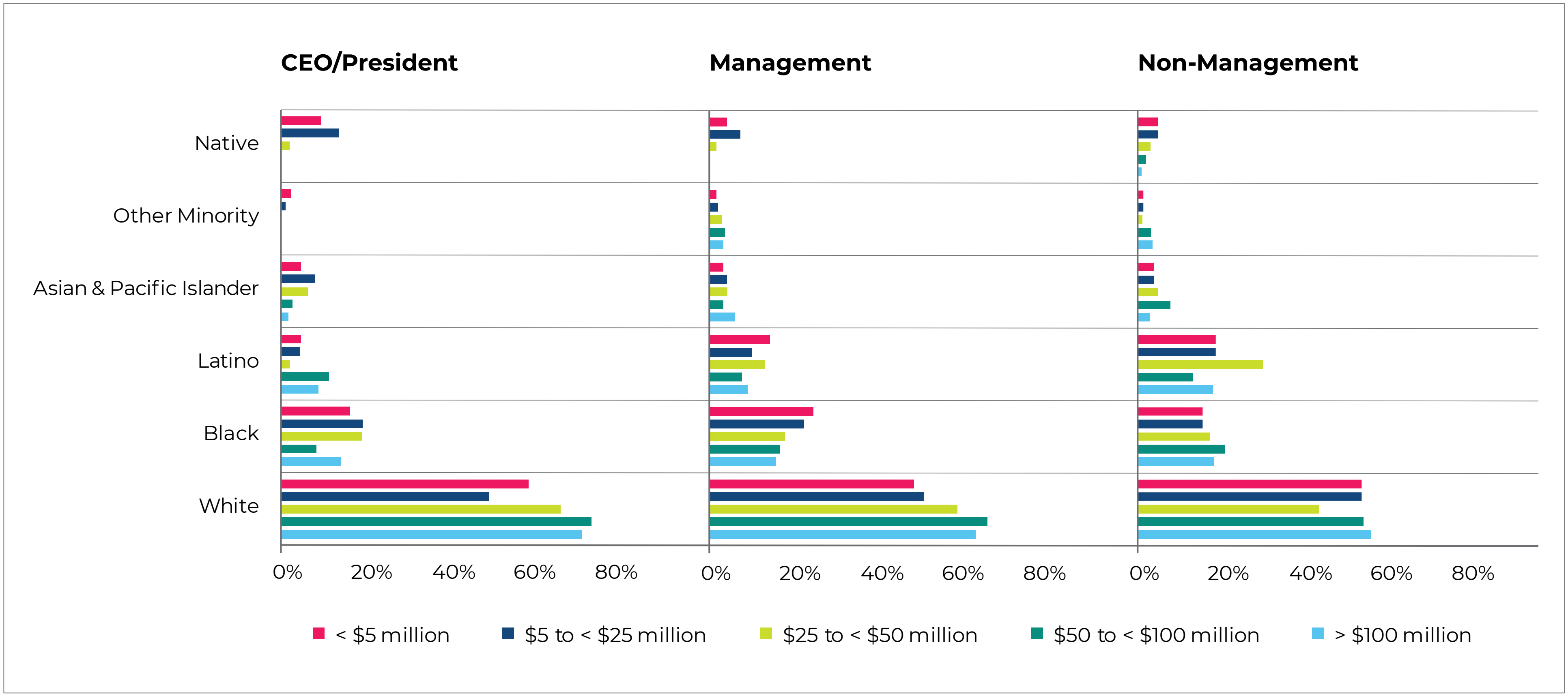
The opposite pattern is true among CEOs/presidents who identify as Black, Asian and Pacific Islander, other minority groups, and Native. Although there were some ebbs and flows in the CEO/president position, as asset size increases, the percentage of CEO/presidents who identify as one of these groups tended to decrease.

Similar, but not identical, patterns exist with respect to management positions. As asset size increases, the percentage of managers who identify as White, as well as Asian and Pacific Islander, and other minority groups increased. The opposite holds true with respect to managers who identify as Black, Latino, and Native.

Upward and downward trending patterns are less discernible among non-management employees. Regardless of asset size, the percentage of non-management employees who identify as White, Latino, and Asian and Pacific Islander remained stable. The share of non-management employees who identify as Black and other minority groups increased in members with larger assets. Smaller shares of Native employees work at members that have more assets.

FIGURE 10

Racial and Ethnic Composition of Member Employees and Leadership by Asset Size, FY 2021



Notes: The figures depict the percentage of member presidents/CEOs, managers, and non-management employees that identify as members of various racial/ethnic groups by member asset size. The sample is OFN's full membership that responded to the survey. For president/CEO, N ranges from 34 members for the $50 to <$100 million group to 84 for the $5 to <$25 million group. For management and non-management employees, N ranges from 35 members for the $50 to <$100 million group to 84 for the $5 to <$25 million group.

To ensure equitable access to opportunity and resources and fair representation, it is imperative for diverse individuals to occupy leadership positions across the industry. Members should provide pathways for people of color to hold management and leadership positions, especially at organizations with large assets. The industry should also ensure that CDFIs with smaller assets that are led by people of color have access to funding, investment, and other opportunities to scale.

The share of women CEOs/presidents increased from 35 percent in 2017 to 45 percent in 2021. Yet, as the power of the position increases — from non-management to management and CEO/president — women's representation decreased.

Gender diversity is increasing among member employees and leadership (not shown). The share of women CEOs/presidents increased from 35 percent in 2017 to 45 percent in 2021. Women in management positions also increased from 55 percent in 2017 to 57 percent in 2021. However, these trends need to continue so that women's presence as CEOs/presidents is at least on par with men. Women's presence in non-management positions is high and has remained stable over time: 67 percent of non-management positions were held by women in 2021. Considering that women are over-represented as non-management employees, they should hold more top leadership positions. As the power of the position increases, women's representation decreased — a pattern that needs to be broken.

Individuals who identify as transgender and non-binary were woefully under-represented among members. Between 2017 and 2021, no more than one CEO/president and not more than three managers identified as transgender or non-binary each year. The number of non-management employees who identify as transgender or non-binary was largest in 2021 at 15. As an industry formed from a social movement, CDFIs should be welcoming spaces for all individuals.

Key Finding 6: Between 2017 and 2021, members slightly increased the interest rates they charged clients while the cost of capital to members remained stable.

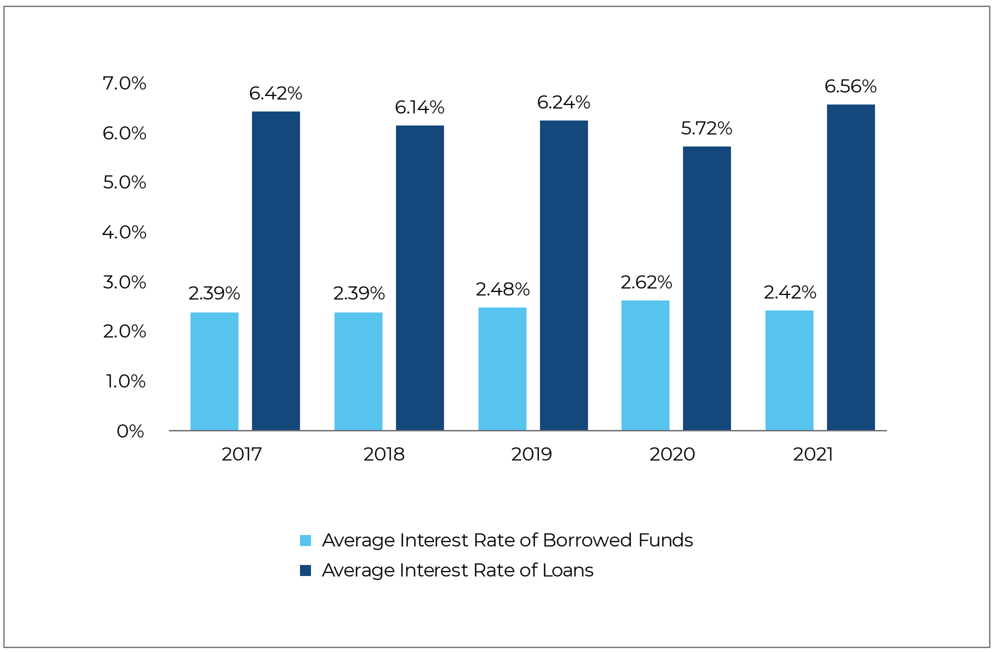
To fight inflation, the Federal Reserve Board increased the federal funds rate seven times from March 2022 to today. The year 2022 started with zero percent interest rates and ended with target ranges between 4.25 percent to 4.5 percent. In this new interest rate environment, CDFIs will face new challenges acquiring inexpensive capital for lending. CDFIs may have to accept less favorable rates on borrowed funds, which they may then pass on to borrowers. Alternatively, CDFIs may have to spend more time and effort cultivating relationships with different types of investors that have more flexibility and are willing to provide favorable rates.

Members were still able to access inexpensive capital through 2021, the most recent year of survey data. The 2017 through 2021 data presented here does not include the period of rising interest rates. We anticipate that FY 2022 data, which will be collected in 2023, will reflect the new interest rate environment. Nonetheless, the data provide a snapshot of the period preceding the interest rate increases. Figure 11 shows that borrowed funds remained stable from 2017 to 2021, changing on average only three basis points. However, interest rates members offered their borrowers fluctuated, increasing by an average of 14 basis points from 2017 to 2021. This increase may represent member uncertainty as they prepared for possible changes in the interest rate environment in 2022.

Interestingly, during 2020, when pandemic relief efforts were most pronounced, rates for borrowers decreased while members responded to their borrowers' needs for pandemic relief. Meanwhile the cost of borrowed funds increased slightly in 2020 before returning to pre-pandemic rates of 2.42 percent in 2021. These metrics are additional indication that members responded with robust actions to ease the pandemic's strain on their borrowers.

FIGURE 11

Interest Rates and Cost of Borrowed Funds, FY 2017 to FY 2021



Notes: Members reported the weighted average interest rates of their borrowed funds and of their loan portfolio. The figure presents the averages of these weighted averages. The sample is OFN's full membership that responded to the survey. For borrowed funds, the N ranges from 213 in 2017 to 253 in 2021. For loans, the N ranges from 222 in 2017 to 276 in 2021.

Conclusions and Implications

The five-year trends presented in this brief show that from 2017 through 2021 OFN's membership grew, the network's financial performance was strong, its lending portfolio was robust, and members rose to face the challenge of the pandemic moment while continuing to address the country's affordable housing shortage. The distribution of employees across lending, technical assistance, and administrative functions shifted over time, and member employees and leadership became increasingly diverse. Between 2017 and 2021, interest rates of capital and lending remained stable, with small shifts beginning in 2021 to prepare for the changing macroeconomic environment.

The findings also indicate that members need to continue focusing on capital deployment. During the pandemic, the industry received infusions of capital from federal government programs, including the PPP and the CDFI Fund's Rapid Response Program, as well as from companies and philanthropies.

As the recovery period continues, members need to ensure that they are building capacity and investing deeply into communities that lack access to economic opportunity.

The findings have several implications for OFN, the organization, and its members. Among the priorities are:

- **Growing and supporting the industry.**
  CDFIs are a necessary tool to expand economic opportunity, decrease the racial wealth gap, and build vibrant and healthy communities. The CDFI industry is expanding, which is a promising trend for people and communities that have been locked out of mainstream finance. OFN continues to attract and support small and emerging CDFIs to its network. We aim to increase the size of the industry and strengthen CDFI capacity by providing training and peer learning opportunities. We also host events for members to network, learn from each other, and expand their reach.
- **Increasing the racial, ethnic, and gender diversity of leadership.**
  Member employees are diverse, especially at the non-management level. More attention and effort need to be devoted to increasing the representation of diverse individuals at the highest levels of CDFI leadership and among members with the most assets. Over the next three years, OFN will be establishing a new CDFI career center to help attract the next generation of a talented and diverse CDFI workforce. We are also developing and hosting tailored training and professional development opportunities to help existing CDFI professionals advance within the industry.
- **Ensuring access to low-cost capital.**
  The CDFI model rests on low-cost, long-term, flexible capital for clients, which in turn yields important community development outcomes. The rising interest rate environment is top of mind for the network. Through its policy advocacy and capitalization work, OFN will continue to fight for low-cost, long-term, flexible capital for its members. OFN has closed more than $154 million in low-interest loans and disbursed $14.5 million in grants through the Finance Justice Fund to support its members, especially targeting those with fewer than $25 million in assets.
- **Producing research.**
  To anticipate and respond to existing and emerging trends in the industry, OFN and its members need timely and informative research. This five-year trends brief is one effort to do just that. In the coming months, OFN will produce additional empirical research that sheds light on industry trends, informs policy advocacy efforts, and builds knowledge about and for the industry.

About OFN Research

OFN's research team conducts research that examines CDFIs and their value and impact and builds knowledge about and for the CDFI industry. We aim to be a trusted, objective source of data and research on CDFIs.

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About OFN

Based in Washington, D.C., OFN is a leading national network of more than 390 CDFIs. An intermediary between CDFIs and government agencies, corporations, banks, foundations, and other investors, OFN helps our public and private sector partners invest in CDFIs to catalyze change and create economic opportunity in low-income, low-wealth rural, urban, and Native communities. Visit OFN.org for more.