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Sydney England, GSIC

Field Insights:
"CDFI Deserts" and the State of CDFI Investment Across Georgia

The Georgia Social Impact Collaborative (GSIC) is a statewide network of impact investors, intermediaries, capital seekers, and capital enablers. In this capacity, GSIC can hold the "big picture" for Georgia's impact investing ecosystem. We get to ask, "What's happening in our capital ecosystems? What's working? Where isn't capital flowing?" To our ecosystem partners, I hope GSIC is viewed as a "sense-maker" and a resource for Georgia's impact investment and impact capital ecosystem.

So, what is happening in Georgia's ecosystem? Well, a newly published data set produced by CDFI Friendly America (CFA) that highlights Georgia's ongoing community development financing shortfall. This dataset reveals that Georgia is one of only 9 U.S. states and territories designated as a "CDFI Desert" on a statewide level. This data should be a call-to-action for our state and can serve as an organizing tool for partners. But before flinging ourselves into action, let's take a moment to ask some key questions. Does this data reflect the reality of what's happening in communities across Georgia? Is there any context that might be missing? What else should we know or consider? **Let's dig deeper.**

Georgia's CDFI Deserts
(Metro and Micropolitan Areas)

Albany Metro Area • Americus Micro Area • Athens-Clarke Co. Metro Area • Bainbridge Micro Area • Brunswick Metro Area • Calhoun Micro Area • Columbus Metro Area (GA-AL) • Cordele Micro Area • Dalton Metro Area • Douglas Micro Area • Dublin Micro Area • Fitzgerald Micro Area • Hinesville Metro Area • Jesup Micro Area • LaGrange Micro Area (GA-AL) • Macon-Bibb Co. Metro Area • Milledgeville Micro Area • Rome Metro Area • Savannah Metro Area • Statesboro Micro Area • Summerville Micro Area • Vidalia Micro Area • Waycross Micro Area

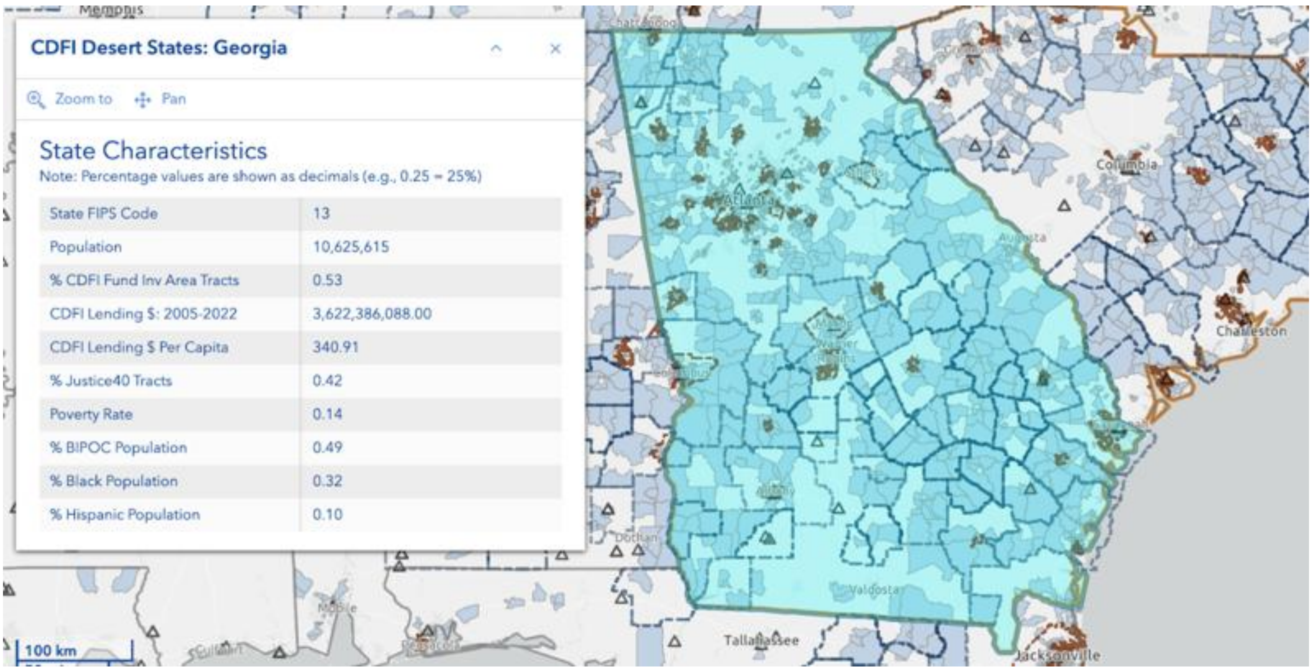
Disclaimer and Acknowledgement

The insights presented in this reflections paper were derived by the author, Sydney England, based on data collected by CFA and data collected by GSIC from the CDFI Fund. The contents of this paper are the author's own interpretations and do not reflect the opinions or positions of CFA. I would like to express my gratitude to Mark Pinsky and the team at CFA for their invaluable support with data collection and analysis. Additionally, I want to acknowledge the significant role of the PolicyMap data tool, which was referenced extensively throughout this paper and contributed to the development of these insights.

Defining a "CDFI Desert"

What is a CDFI Desert? How does Georgia's landscape compare to a peer state?

Methodology developed by CDFI Friendly America defines CDFI Deserts as areas where more than 50% of census tracts qualify as CDFI Fund Investment Areas (i.e., economic distress indicated by high poverty, low income, and/or high unemployment) and CDFI lending per capita is less than 80% of the $714 national CDFI financing average ($571). In simpler terms, it's a geographic area that has a high concentration of communities experiencing economic hardship but receives disproportionately low levels of investment from CDFIs.



As of 2023, the US Department of Treasury reported 1,488 CDFI Fund Program Investment Areas across the state of Georgia. According to these numbers, roughly 53% of the state is a qualified CDFI Investment Area. In the same year, the CDFI Fund reported 29 Georgia-based CDFIs. How do those numbers compare to a peer state, say North Carolina? As of 2023, North Carolina had a reported 1,435 CDFI Fund Program Investment Areas (~53% of the state) and 28 North Carolina-based CDFIs. So, there is relative parity between Georgia and North Carolina in terms of census tracts with designated community need and the number of CDFIs covering these states.

However, that is where parity stops. **According to CDFI Friendly America, from 2005-2022 CDFI lending totaled $3,622,386,088.** Per capita, this figure breaks down to $340.91 - well-below the $714 national CDFI financing average. By comparison, North Carolina's CDFI lending during the same timeframe totaled $7,608,861,416. Per capita, this figure breaks down to $734.

Understanding the Consequences of CDFI Deserts

Why do these numbers matter? Should Georgians care about CDFI Deserts?

Over the past decade, many Georgia-based foundations, municipalities, and economic development organizations have initially focused on growing and supporting Georgia's CDFI marketplace. These leaders recognize the crucial role CDFIs play in growing equitable, resilient capital ecosystems. For those who still need persuading, I would offer four reasons for why it is important that we continue to address Georgia's CDFI deserts.

Stymies Equitable Local Economic Growth
Strong local economies are ones that provide employment, housing, schooling, and other services to all residents regardless of income and financial means. CDFIs and other community development organizations (e.g., community development corporations, small businesses support organizations, nonprofit housing developers, etc.) are essential advocates for the most vulnerable residents and community members. These organizations center the needs of populations traditionally under-considered by traditional economic development strategies and priorities. In communities without CDFIs (and other high-capacity community development organizations), it's common to see a siloed approach to economic development and community development rather than a community economic development approach that focuses on creating inclusive local economies.

Perpetuates Inequitable Capital Access

For many asset-limited or low-income populations, mainstream banking institutions are not viable sources of credit or capital due to stringent credit and lending policies. In many communities, CDFIs are the only source of more flexible, user-centered lending capital, especially to those with limited financial resources and/or poor credit history as well as those historically excluded from financial systems. When CDFIs aren't present in a community, in times of financial hardship or when looking for sources of capital to grow their businesses or invest in personal financial security, those with limited access to capital can seek predatory lending sources as an alternative to mainstream banks. Predatory lenders extract wealth from individuals and families and often perpetuate cycles of financial insecurity.

Limits Access to Essential Community Services

CDFIs commonly finance real estate projects and businesses that provide essential services to communities, particularly in the areas of affordable and workforce housing, healthcare, childcare, and food access. Moreover, CDFIs are often the key financiers of nonprofit-run community centers. Communities without local CDFIs may have a difficult time financing these real estate developments and businesses, and that could contribute to a shortage of these critical services, further impacting the quality of life for residents.

Limits a Community's Ability to Draw in Federal Funding

CDFIs often align their activities with federal priorities such as affordable housing, clean energy, and minority entrepreneurship. As such, CDFIs play a critical role in attracting federal funding to underserved communities by serving as intermediaries that align federal resources with local needs. The CDFI Fund, administered by the U.S. Department of Treasury, provides financial assistance to certified CDFIs. Moreover, programs like the New Markets Tax Credit (NMTC), Capital Magnet Fund (CMF), Healthy Food Financing Initiative (HFFI), Bank Enterprise Award (BEA), and Small Dollar Loan Program (SDL), channel resources through CDFIs to spur economic growth and development in distressed areas. Without CDFIs, local communities often lack intermediaries that can draw in these flexible, high-impact pools of capital.

In essence, CDFI Deserts represents a failure of the financial system to adequately serve the needs of all communities. Addressing this issue is vital for promoting equity, fostering economic development, and ensuring that all communities have the resources they need to thrive.

Digging Deeper into the Numbers

Are there any important factors that underlie the statewide "CDFI Desert" designation?

After combing through CDFI-Friendly America's dataset, my first reaction was to connect with CDFI partners and impact investing thought leaders to hear their thoughts and impressions. Do these findings resonate with them, do they match their experiences in Georgia's community development finance space? Their reactions may reveal the reality of Georgia's uneven CDFI landscape.

> **Geography matters greatly.**
> There are essentially two different CDFI marketplaces - the Atlanta MSA and Georgia's micropolitan and rural communities.

Atlanta-based stakeholders were surprised by these findings, and some seemed quite deflated by the statewide CDFI Desert designation. For these folks, the current state of Georgia's CDFI landscape is an accomplishment given the growth experienced in the last 6-8 years. This growth was not by happenstance. Rather, it has been a coordinated priority of many foundations as well as public and private impact investing ecosystem partners for years. Through these combined efforts and investments, Atlanta is now home to roughly a dozen national CDFIs, like Enterprise Community Partners, Reinvestment Fund, LISC, Self Help Federal Credit Union, and many more. These CDFIs operate in Georgia while being headquartered in other state markets. In fact, Atlanta is now Reinvestment Fund's second largest staff center behind their headquarters in Philadelphia. Self-Help FCU just recently opened a branch office in the West End. For folks focused exclusively on Atlanta, Georgia's CDFI market is strong and growing stronger.

While we should certainly celebrate these additions to our statewide CDFI market, it's also important to see where growth isn't occurring at the same rate. You need only look outside the Atlanta MSA to find such communities. Georgia's CDFI landscape is heavily concentrated in the Atlanta MSA, and there remains a need for more CDFI presence across the state. This is a reality all-too familiar to Georgia's micropolitan and rural communities and practitioners. **When I talked through these findings with partners outside the Atlanta MSA, their reactions were largely in the vein of "tell us something we don't already know."**

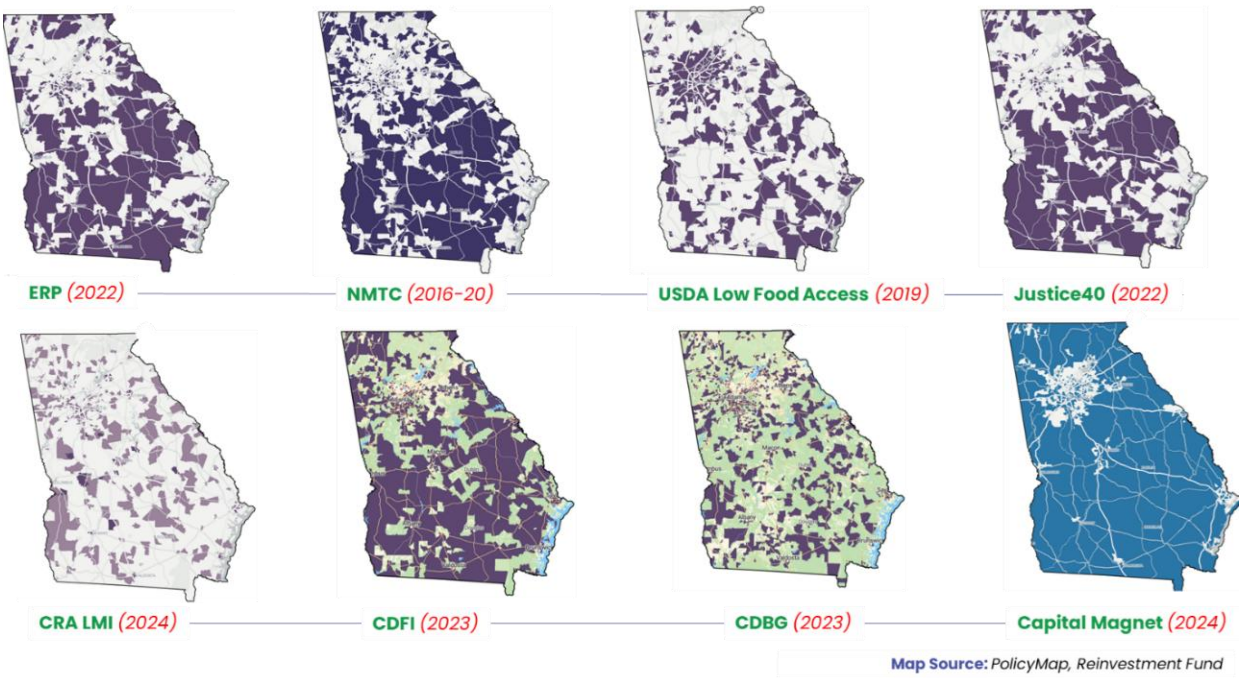
> **Economic need is recognized across Georgia.**
> While there may be some overlooked areas, by and large, Georgia has a significant number of census tracts approved for certain federal programmatic investment.

Highly effective CDFIs braid (or layer) capital from varying sources to make high impact (and through a traditional finance lens, higher risk) investments. Often it is access to critical pools of federal and state resources (grants, low-cost debt, credit enhancements, and tax credits) that's the make-or-break subsidy needed to make transactions happen.

This is true even for CDFIs that may have expanded risk-tolerance, more flexible capital products, and less stringent underwriting criteria. For CDFIs to access these resources they must demonstrate that the funds are being deployed in high-need geographies and benefiting low-income populations. The importance of these dollars was never more visible than during the height of COVID-19 and the recovery-focused years to follow. During this time, COVID-19-era funding, CDFIs administered and drew on Paycheck Protection Program (PPP), Emergency Capital Investment Program (ECIP), and CDFI Rapid Response Program (RRP) funds.

Beyond these COVID-era programs there are long-standing and emerging programmatic designations that afford CDFIs the ability to leverage certain pools of funding and incentives. Unfortunately, there is often a disconnect between resident needs and the federally designated priority investment tracts. While there may be some overlooked areas, by and large, Georgia has a significant number of census tracts approved for certain programmatic investment. The following figures reflect a select number of important CDFI and community development investment designations. Please note, this is not intended to be an exhaustive list.

- Bank Enterprise Award Distressed Communities: 807 (2016 - 2020)
- Equitable Recovery Act Qualified Census Tracts: 902 (2022)
- Low-to-Moderate Income (CRA Eligible) Census Tracts: 843 (2024)
- Justice40 Census Tracts: 830 (2022)
- New Markets Tax Credit Qualified Census Tracts: 1,302 (2016 - 2020)
- Low-Income Housing Tax Credit Qualified Census Tracts: 514 (2024)



As the maps above illustrate, federally designated programmatic census tracts can be found in every region across the state. Assuming there are ready-the-ground CDFIs and intermediary partners, there's great potential to absorb and direct important incentives and federal programming dollars into communities.

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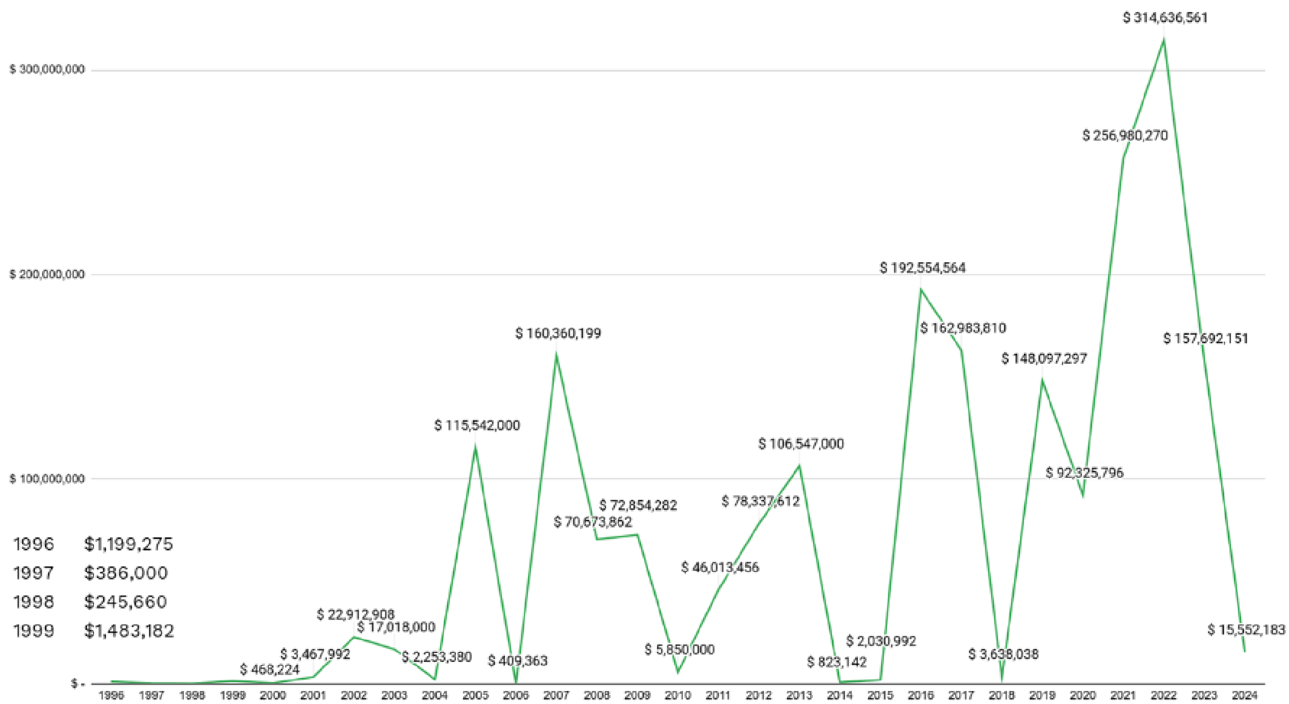
> **Need isn't translating federal funds flowing across Georgia.**
> Georgia is capturing more and more diverse federal CDFI funding sources. However, these growing awards are heavily concentrated in the Atlanta MSA. This is despite on-the-ground need in Georgia's rural and micropolitan communities (which have many census tracts eligible for programmatic funding.)

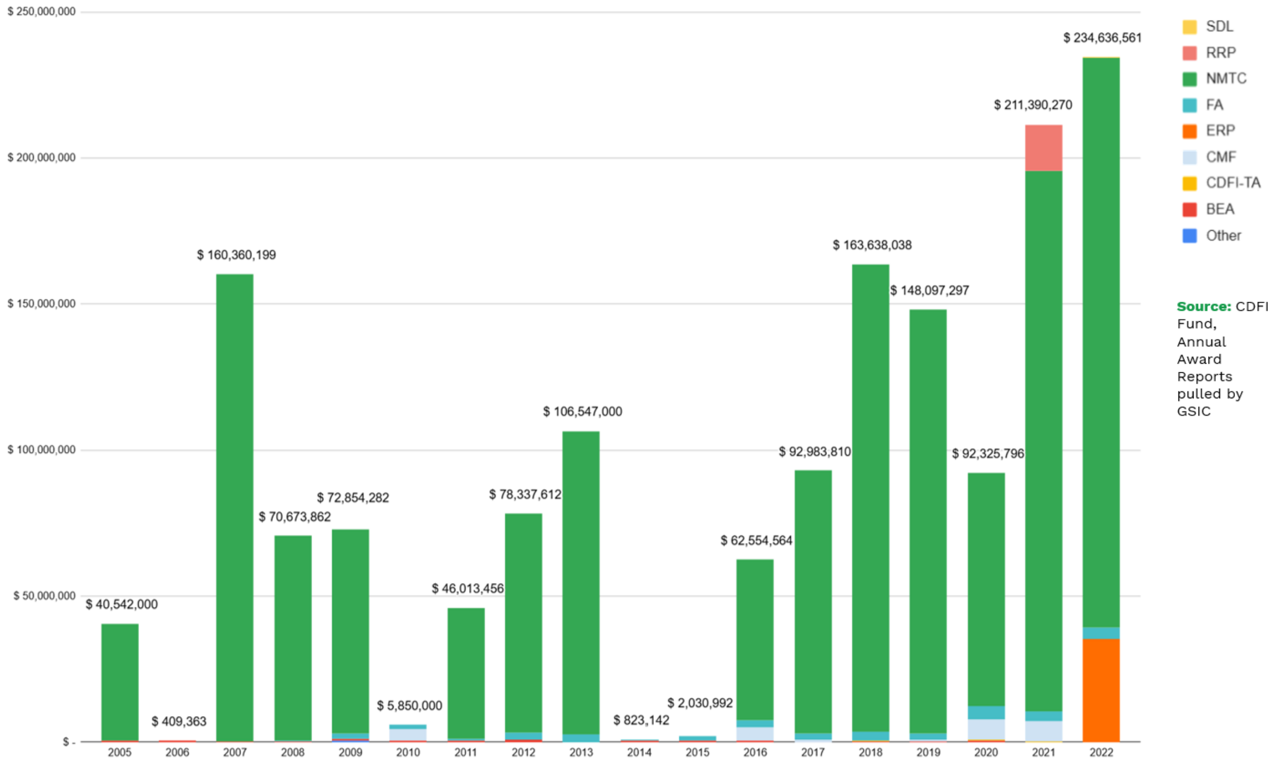
Let's look at the level of CDFI-related federal funding and investments that flowed into Georgia (**Figures 1-3** below). Since 1995, Georgia has captured **$2,053,337,199** of CDFI-related federal funds. $1,590,068,244 of those awards came between 2005 - 2022. As Georgia's CDFI landscape has grown, so too have the levels of funding grown, and the types of federal funding have become more diverse. For example, in earlier years, it was common to see only one or two large awards made to Georgia-based CDFIs, and these were typically NMTC awards. Over time, you can see that Georgia is now drawing in the full complement of federal funding pools - NMTC, CDFI Fund financial assistance (FA), CMF, HFFI, SDL, and emergency response funds like Rapid Response and ERP dollars. Note that 2024 awards appear to be down, but we are mid award cycle, and COVID-era stimuli are waning.

Figure 1: CDFI Fund Programmatic Awards 1999 - 2022



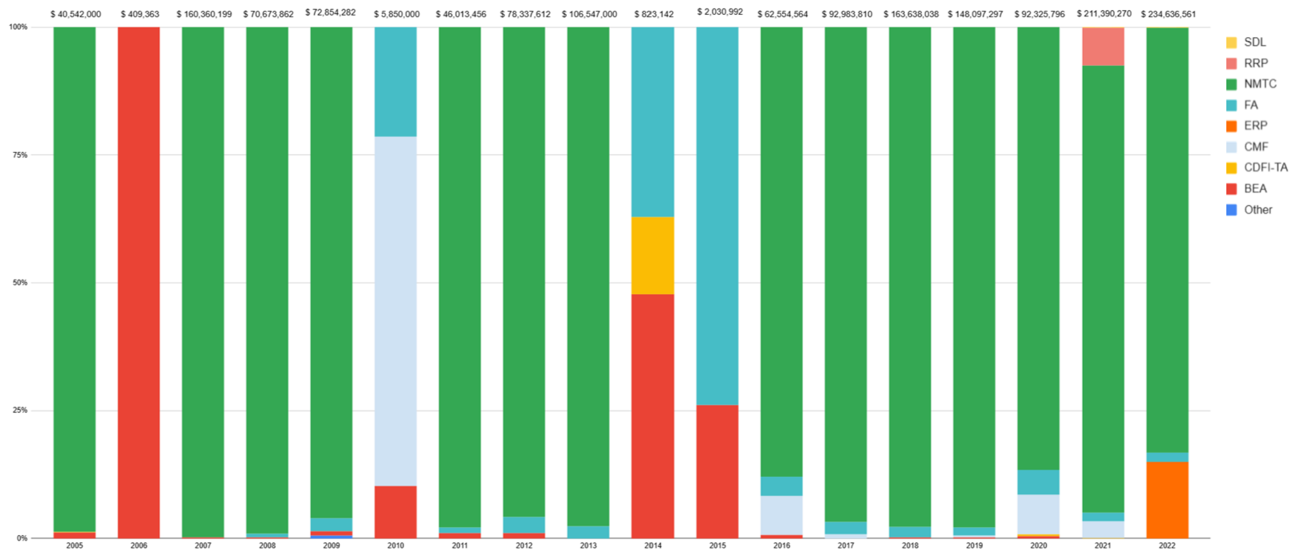
Source: CDFI Fund, Annual Award Reports pulled by GSIC

Figure 2: CDFI Fund Programmatic Awards 2005 - 2022



Source: CDFI Fund, Annual Award Reports pulled by GSIC

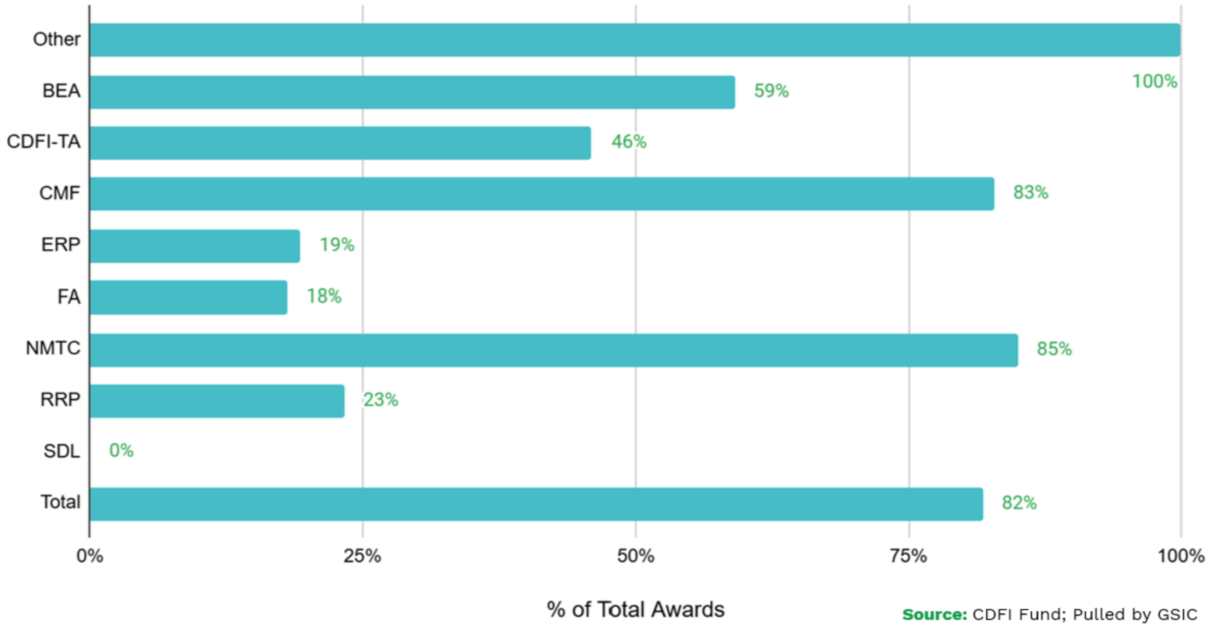
Figure 3: CDFI Fund Programmatic Awards 2005 – 2022 (Stacked Bar Chart)



Source: CDFI Fund, Annual Award Reports pulled by GSIC

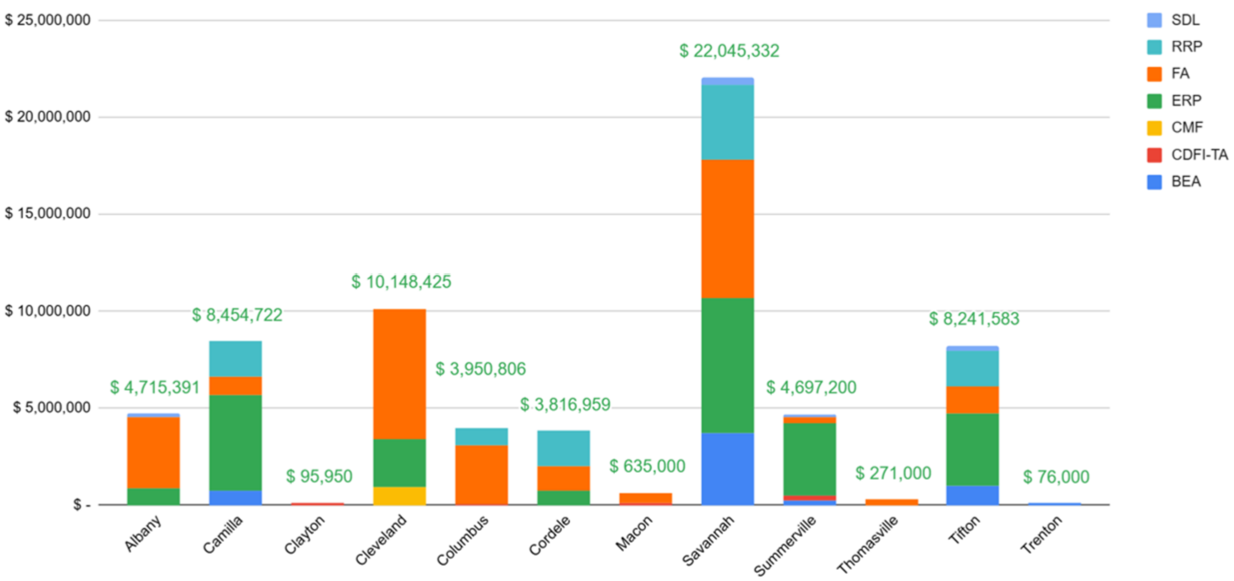
As you might imagine, the **vast majority (84%)** of these awards have been made to CDFIs and community development organizations headquartered in the Atlanta MSA. **Only 16%** of awards made between 2005-2022 were to non-Atlanta MSA organizations. Award recipients in Georgia's rural and micropolitan communities are based in Albany, Camilla, Clayton, Cleveland, Columbus, Cordele, Macon, Savannah, Summerville, Thomasville, Tifton, and Trenton. This flow of capital is despite the on-the-ground reality, where economic need across the is recognized by The CDFI Fund and other federal agencies. Please note that Figure 5 excludes NMTC awards (which are significant outliers).

Figure 4: % of CDFI Fund Awards (By Award Type) Issued to Atlanta-Based CDFIs (2005-2022)



Source: CDFI Fund; Pulled by GSIC

Figure 5: Non-Metro Atlanta Federal Programming Awards (2005-2022)

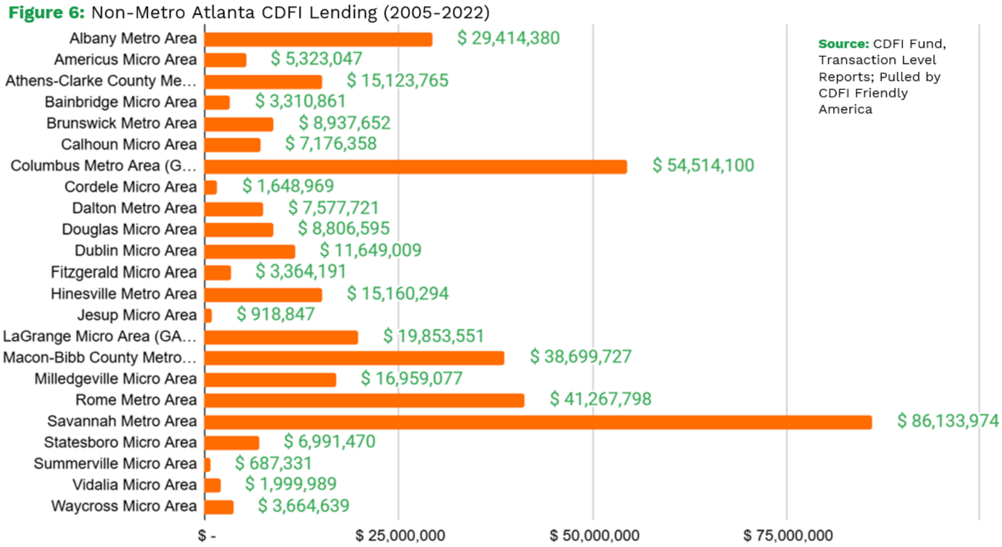


Source: CDFI Fund; Pulled by GSIC

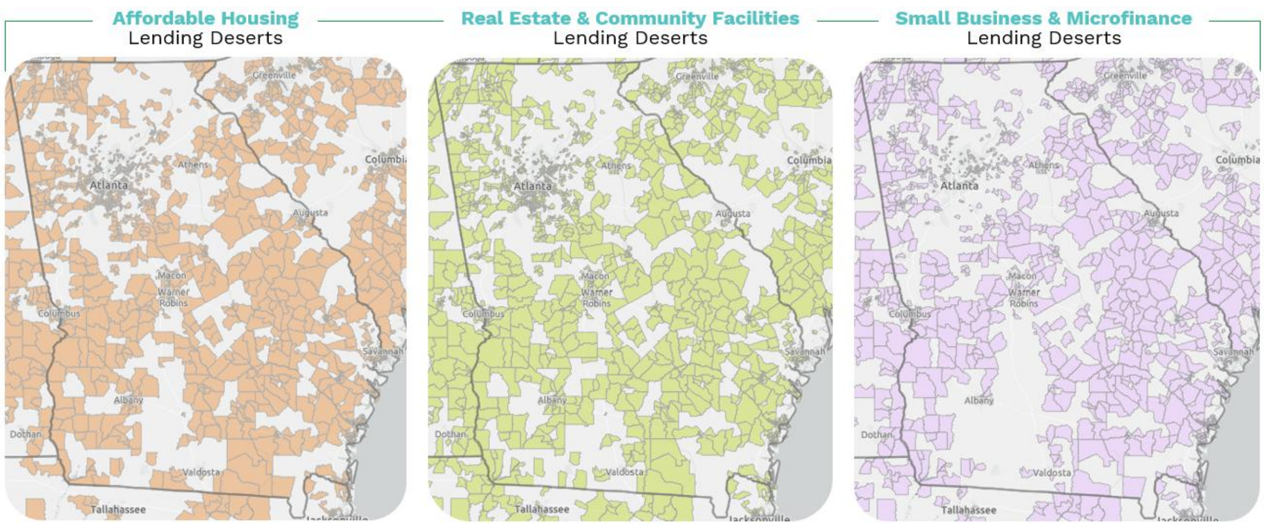
This is not to suggest that Georgia's micropolitan and rural places lack need for these dollars nor is it meant to diminish the efforts of CDFIs and community development organizations working in these marketplaces. Some of Georgia's leading, most adaptive CDFIs - like Albany Community Together, NewTown Macon, Access to Capital for

Entrepreneurs, NeighborWorks Columbus, and many more - serve these communities, and they are serving these communities well! These organizations do incredible work often despite resource constraints and local market conditions that require more up-front services to ensure that deals become investment ready. Awards non-Atlanta-based CDFIs **totaled $257,473,368.** However, if you were to exclude NMTC awards (which totaled a staggering $160,000,000), awards to non-Atlanta-based CDFIs totaled **$97,473,368.** These CDFIs leveraged federal awards (along with many other public and private sources of investment) to lend $389,183,345 in communities designated as "CDFI Deserts." By comparison, in the **City of Atlanta alone, CDFI lending during this timeframe totaled $468,799,326.**

Figure 6: Non-Metro Atlanta CDFI Lending (2005-2022)



CFA collected and organized product-specific data layers to help stakeholders identify sector or product-specific lending gaps. This data suggests that a range of CDFI products (from affordable housing to commercial real estate to small business & microfinance) are needed across rural and micropolitan areas of Georgia.



Source: CDFI Fund, Transaction Level Reports; Pulled by CDFI Friendly America

While disparities in CDFI lending are most pronounced between Metro Atlanta and smaller communities throughout Georgia, this disparity can also be found within the Atlanta MSA. From 2003 – 2017, lending throughout Metro Atlanta becomes more distributed. However, there remains heavy lending concentrations in Fulton, DeKalb, & Gwinnett Counties. During this period, **82% of lending by Georgia-headquartered CDFIs was deployed in these three counties.** Atlanta-based CDFIs recognize this concentration, and several lenders expressed that their organizations are making a deliberate effort to reach other portions of the Metro Atlanta region.

Figure 7: Georgia-HQed CDFI Lending Atlanta MSA (2003 – 2017); PolicyMap

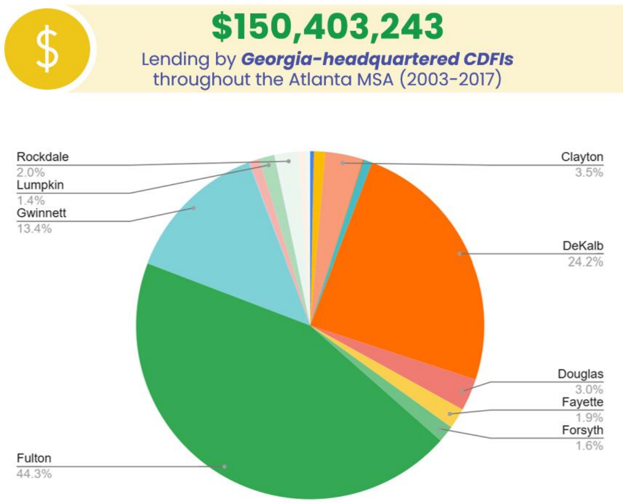
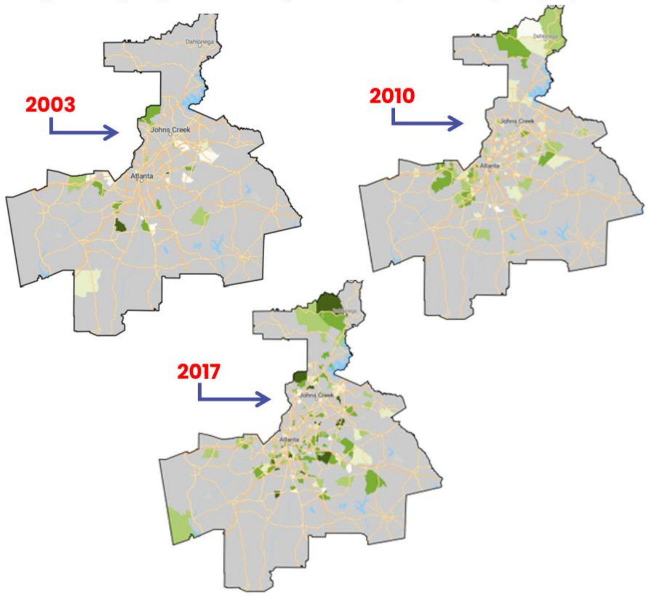


Image 1: Georgia-HQed CDFI Lending Atlanta MSA (2003 – 2017); PolicyMap



What might be influencing this uneven CDFI market?

The Challenging Banking Landscape

While interest rates have made lending more challenging in 2024, since the start of the COVID-19 pandemic in 2020, CDFIs across the country consistently report increased demand for lending and financial productsAs CDFIs position themselves to respond to increasing need, many CDFIs look to expand their relationships with banks seeking Community Reinvestment Act (CRA) credit. Georgia is fortunate to have large, national banks like Truist, Bank of America, Wells Fargo, Synovus, and Ameris in our markets, and their lending and community benefit teams bring vital resources to CDFIs, community development organizations, and other key nonprofits. While we celebrate the work of these banks and others for their investments across the state, it is also true that Georgia has seen a steep decline in FDIC-insured depository institutions. **In 2000, Georgia was home to 364 banks. In 2024, that figure declined to 143 (down 60.7%).** Smaller community banks have been more acutely impacted by bank closures and consolidations. Again, this more directly affects rural and micropolitan communities.

Perceived Deal Flow Challenges in Rural and Micropolitan Areas
Often, places are unserved or underserved by CDFIs and other community development organizations because of the perception that those communities cannot easily "absorb" capital. Meaning, there is the belief that deals are too few or too difficult to get done in these markets, and a CDFI could not sustain operations in these areas. If there is the belief that a CDFI cannot be reasonably self-sufficient based on earned income from lending activities, that can deter foundations and other funders from seeding new loan funds and CDFIs for fear of having to fully subsidize ongoing operations. Likewise, this perception can dissuade an established CDFI from creating a satellite staff presence in these markets. This misconception of rural and micropolitan markets is certainly not unique to Georgia.

Few Foundations & Mission-First Local Impact Investors
Foundation and mission-first impact investors are crucial to strengthening CDFIs by providing patient, flexible, and risk-tolerant capital that supports long-term growth and high-impact projects often overlooked by traditional lenders. Their funding helps build CDFI capacity, catalyze additional investment, and foster innovation through pilot programs and ecosystem development. These foundations and mission-first endowments can certainly support and grow CDFIs through grantmaking, but the tool of local (or place-based) impact investing offers foundations another pool of capital (the corpus or investable assets) with which they can invest in CDFIs. There are several Georgia foundations who have begun to use this tool to invest in CDFIs – making deposits, offering guarantees, buying notes, and/or issuing below-market-rate loans. However, those organizations are in the minority, and many are concentrated in Metro Atlanta.

Addressing Georgia's CDFI Deserts

What can be done to grow a more even, stronger CDFI marketplace across Georgia?

Foundations across the state – including but not limited to the Community Foundation of Greater Atlanta, Peyton Anderson Foundation, Williams Family Foundation, The Sapelo Foundation, the Community Foundation of Central Georgia, The Wilbur & Hilda Glenn Foundation, William Josef Foundation, and many more - have shown interest in addressing Georgia's CDFI gap. These leading foundations are using their many capitals – including financial, intellectual, reputational – to grow new or support the capacity of existing CDFIs in Georgia. For those foundations, funders, and mission-first institutions looking to do more, here are four potential tactics to address CDFI Deserts.

Promote What's Working for Existing CDFIs

Highlighting proven practices—such as innovative lending products, impactful community projects, or strong partnerships—can attract new investors, including foundations, corporations, and government agencies, by demonstrating measurable results and reduced perceived risk. Sharing success stories also raises awareness among potential borrowers, increasing demand for CDFI services by illustrating tangible benefits to businesses, nonprofits, and communities. Additionally, showcasing these successes can inspire peer CDFIs to adopt similar approaches, fostering innovation and collaboration across the sector. It can also strengthen advocacy efforts by providing concrete examples of how CDFIs contribute to economic growth and community resilience, leading to greater policy support and funding opportunities. By amplifying what works, stakeholders can scale impact, build momentum, and create a more vibrant CDFI ecosystem in Georgia.

Support "Community Market Lead" Positions for Smaller Communities

A foundation might fund a "community market lead" position for a CDFI to bring "boots on the ground" capacity to a specific market to enhance localized expertise, build relationships, and deepen market penetration. This role enables a CDFI to better understand the unique challenges and opportunities of the community, fostering trust with local stakeholders and increasing awareness of available financial resources. By expanding a CDFI's reach and ensuring responsive deployment of resources, the Community Market Lead helps identify viable projects, businesses, and entrepreneurs, boosting the pipeline for investment. Additionally, the position catalyzes further funding and partnerships by attracting additional resources from local governments, corporations, and other philanthropic organizations, while facilitating collaborations that drive broader economic development. It also supports the development of tailored financial products and serves as a platform for piloting innovative solutions, advancing systemic change and measurable impact in the region.

Build a "Community of Practice" for Foundations and CDFIs

A "community of practice" between foundations and CDFIs can significantly enhance CDFI lending in a state or specific community by fostering collaboration, knowledge sharing, and coordinated action. By bringing together foundations and CDFIs to share best practices, insights, and resources, this approach builds collective capacity and aligns efforts to address community needs more effectively. Foundations can provide philanthropic capital, grant support, and convening power, while CDFIs contribute expertise in underwriting, financial structuring, and deploying capital in underserved areas. Such a partnership can also facilitate the co-creation of innovative financial products tailored to local needs, combining philanthropic flexibility with CDFIs' operational knowledge. The community of practice helps to identify and address systemic barriers, such as regulatory challenges or gaps in market data, and supports joint advocacy for policies that enhance the CDFI ecosystem. Additionally, it provides a platform for foundations to connect with other stakeholders, like local governments and corporations, leveraging their relationships to attract more capital and expand the reach of CDFIs. Ultimately, this collaborative model creates a multiplier effect, increasing the scale, efficiency, and impact of CDFI lending within the targeted region.

Leverage the CDFI Recertification to Expand an Existing CDFI's Service Area
Foundations and funders can play a pivotal role in helping CDFIs expand their service areas (target markets) during the certification or recertification process, thereby increasing CDFI lending in a state or specific community. They can provide the financial resources needed to support the data collection and analysis required for CDFIs to demonstrate the community development impact in new areas. This includes funding market studies, community needs assessments, and impact reports that are often prerequisites for expanding service areas during certification. Funders can also offer technical assistance grants to help CDFIs enhance their operational capacity, ensuring they have the staffing, systems, and processes necessary to serve a broader region effectively. Additionally, foundations can act as conveners, facilitating partnerships between CDFIs and local stakeholders, such as government agencies and community organizations, to build networks and identify investment opportunities in new areas.