

Introduction

Community Development Financial Institutions (CDFIs) provide a valuable service in supporting economic growth and stability in communities across the United States. According to the CDFI Fund, CDFIs are certified financing entities “offering affordable financial products and services that meet the unique needs of economically underserved communities.” They provide low-interest business loans for first-time home buyers, for small business creation and support, and to help consumers rebuild their credit scores. The Center for Rural Pennsylvania has examined data from the CDFI Fund to evaluate the degree to which rural Pennsylvanians are benefiting from these valuable services, particularly business loans.

Key Findings

- Business CDFI loans are much more common in urban counties than rural counties in Pennsylvania.
- Nineteen rural counties - over one-third of all rural counties - did not receive a single business CDFI loan in federal fiscal year (FY) 2018, FY 2019, or FY 2021.
- While significantly fewer loans were provided to rural businesses, loans issued to rural businesses were of a higher value than those received by urban businesses.
- Compared to other states, Pennsylvania businesses received fewer CDFI loans.
- Across the United States, rural businesses received 27 percent of the CDFI loans and urban businesses received 73 percent. However, the loan values were more evenly distributed. Forty-five percent of the loan value (\$15.1 billion) went to rural businesses and 55 percent (\$18.3 billion) went to urban businesses.
- CDFI support in rural Pennsylvania is disproportionately lower than what population, economic output, or poverty indicators would predict.

Methodology

The Center evaluated loan data from the CDFI Fund, a program of the U.S. Department of Treasury which supports and monitors CDFIs across the country. These data include reported loan transactions across several years for the 17 CDFIs in the Commonwealth. For this report, the Center evaluated data from three federal fiscal years: FY 2018, FY 2019, and FY 2021. The year 2020 was analyzed separately because of the impacts of federal and state spending in response to the COVID-19 pandemic. Analysis of the FY 2020 data can be found in Appendix 1.

For this analysis, the Center focused specifically on lending classified as business loans, rather than housing or other personal loan transactions. Data on population size and rates of poverty come from the U.S. Census Bureau, 2017-2021 American Community Survey, 5-Year Average. Data on gross domestic product by county are from the U.S. Bureau of Economic Analysis. The financial data was not adjusted for inflation.

The U.S. Treasury records CDFI loan data by U.S. Census Tract, facilitating geographical analysis. Census Tracts are small, relatively permanent statistical subdivisions of a county. In 2020, Pennsylvania had 3,218 Census Tracts that had an average population of 4,000 people and an average size of 14 square miles.

Across the United States, one percent of the loans were reported as funding for two or more Census Tracts, and in some cases two or more states. The Center analyzed these loans separately to avoid double counting the number of loans and the loan values. A separate analysis of Pennsylvania's 70 multi-tract loans can be found in Appendix 2. Nationally, 22 loans lacked any type of geographic identifiers. These loans were excluded from the analysis.

To identify rural and urban loans, the Center aggregated single Census Tract loans up to the county level. Counties that had a population density below 291 persons per square mile were identified as rural. Counties with a population density at or above 291 were identified as urban throughout the country.

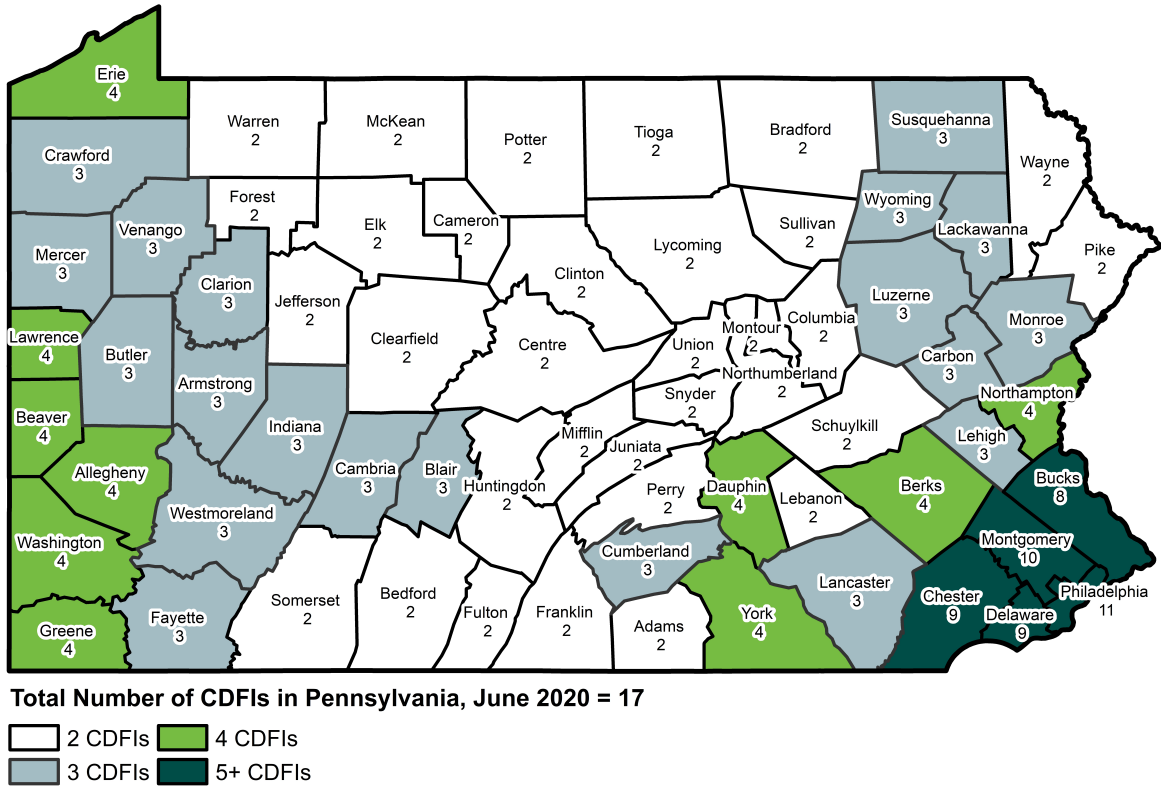
Results

Number of CDFIs

According to 2020 data from the Pennsylvania Department of Community and Economic Development, there are 17 different CDFIs operating in Pennsylvania. As Figure 1 shows, most of these CDFIs are concentrating their investments in the southeast corner of the state, and relatively few CDFIs serve rural counties.

Across the United States, Treasury Department data shows that there are 437 CDFIs. Forty-one percent of these institutions provide loans in just one state and 59 percent provide loans in multiple states.

Figure 1: Number of Operating CDFIs by County, 2020

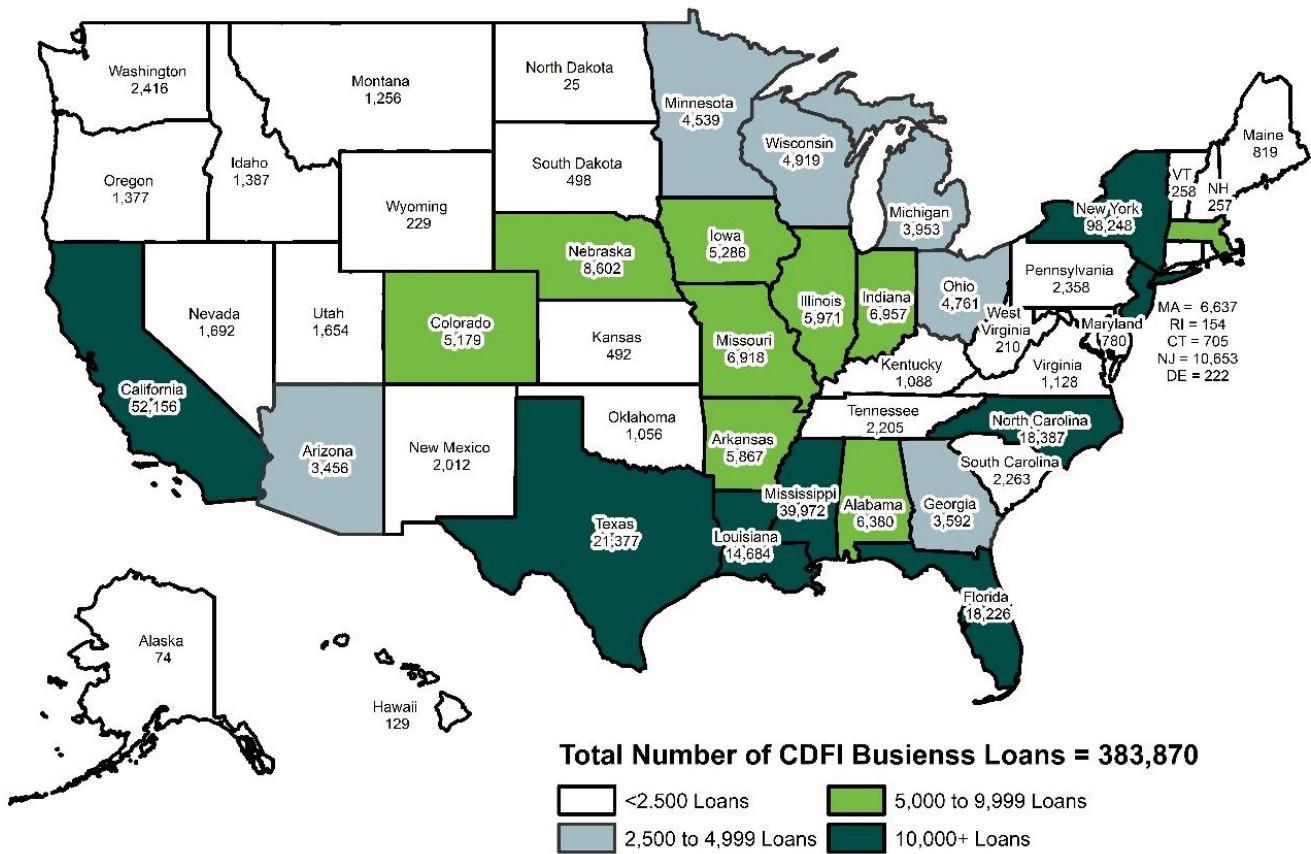


Data source: Pennsylvania Department of Community and Economic Development.

Number of Business Loans in Pennsylvania

In the three fiscal years of data evaluated by the Center, 2,358 business loans were provided by CDFIs to Pennsylvania businesses. Of those loans, 95 percent (2,241) went to businesses in urban counties, compared with just 5 percent (117) in rural counties. As Figure 2 shows, most loans went to Philadelphia County, which accounts for 48 percent of total loan volume. In contrast, there were 19 rural counties that did not receive a business loan in any of the three fiscal years evaluated.

Figure 3: CDFI Business Loans by State, FY 2018, FY 2019, and FY 2021

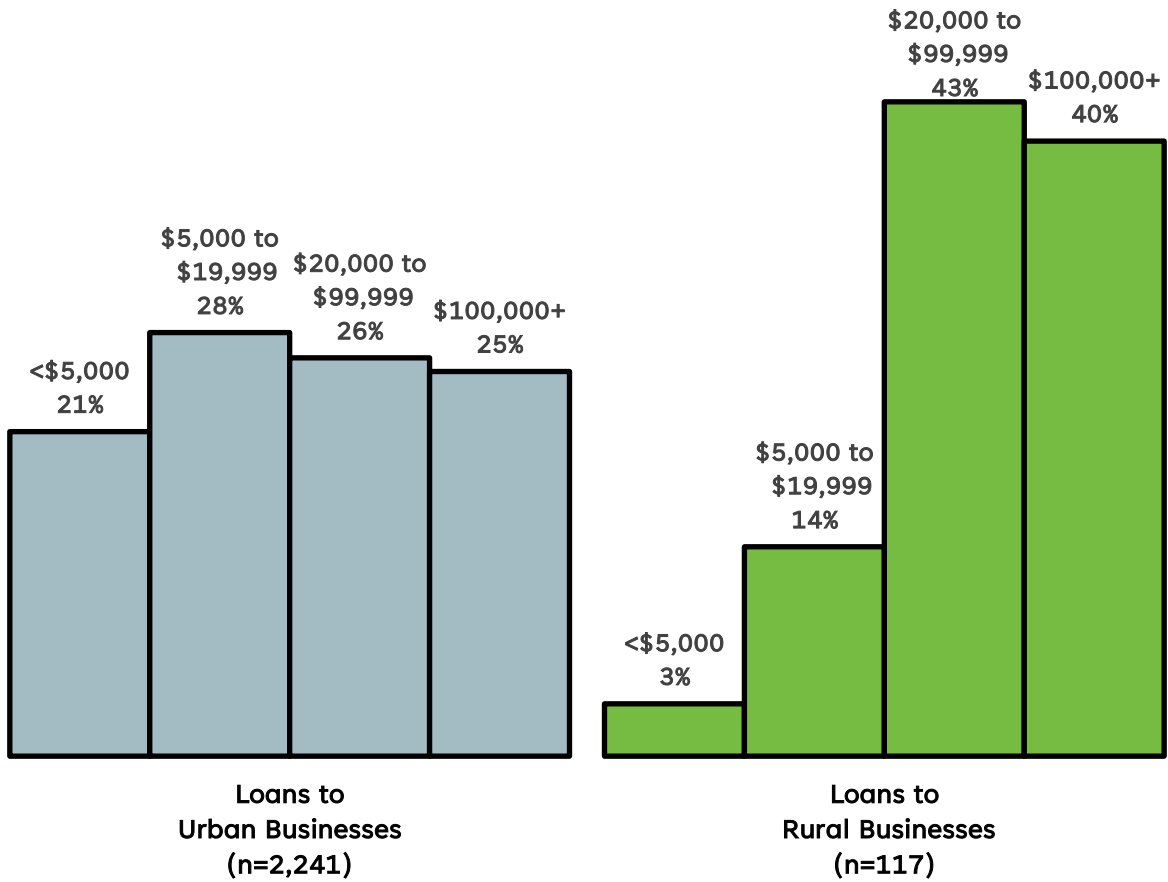


Note: Data include only CDFI loans issued to businesses in a single Census Tract. Data sources: FY 2018, FY 2019, and FY 2021, Transaction Level Report, Community Development Financial Institutions Fund, U.S. Department of Treasury.

Loan Amounts in Pennsylvania

Figure 4 shows the total value of loans provided to Pennsylvania businesses by county. A total of \$428.46 million was loaned to businesses through CDFIs in FY 2018, FY 2019, and FY 2021. Of that value, 95 percent went to urban counties and 5 percent to rural counties.

Figure 4: Range of CDFI Business Loan Amounts to Rural and Urban Pennsylvania, FY 2018, FY 2019, and FY 2021



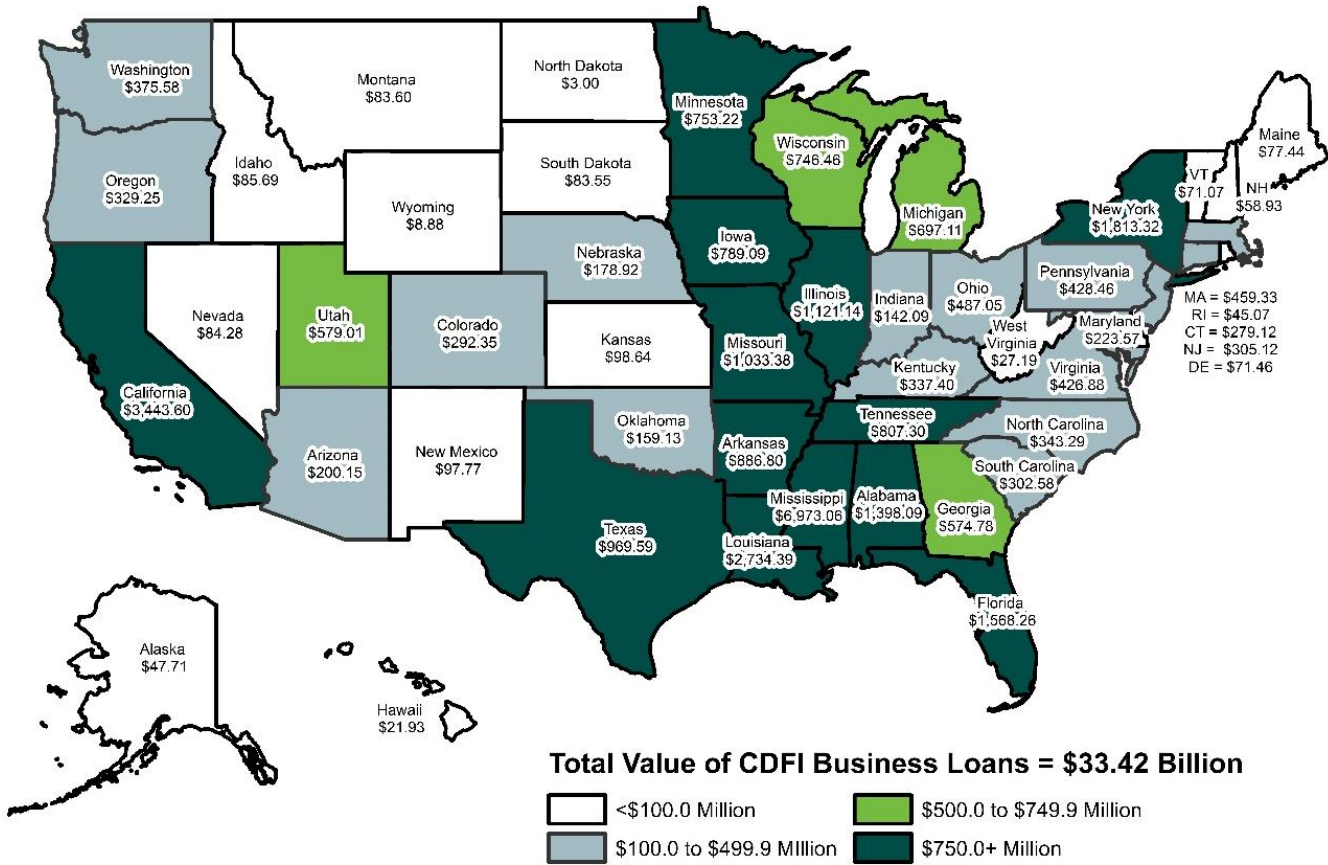
*Note: Data include only CDFI loans issued to businesses in a single Census Tract.
Data sources: FY 2018, FY 2019, and FY 2021, Transaction Level Report, Community Development Financial Institutions Fund, U.S. Department of Treasury.*

Loan Amounts in the United States

Across the United States, CDFIs loaned businesses more than \$33.42 billion. Unlike Pennsylvania, U.S. rural businesses received 45 percent of this loan amount and U.S. urban businesses received 55 percent. The median loan amount to rural businesses was \$25,175. The median loan amount to urban businesses was \$3,950.

At the state level, Figure 5 shows that nearly one-half of the dollars (49 percent) went to businesses in five states: Mississippi (\$7.0 billion), California (\$3.4 billion), Louisiana (\$2.7 billion), New York (\$1.8 billion), and Florida (\$1.6 billion). Pennsylvania had the nation’s 20th highest loan amount with \$428.46 million.

Figure 5: Total CDFI Loan Value by State, FY 2018, FY 2019, and FY 2021
(In Millions of Dollars)



*Note: Data include only CDFI loans issued to businesses in a single Census Tract.
 Data sources: FY 2018, FY 2019, and FY 2021, Transaction Level Report, Community Development Financial Institutions Fund, U.S. Department of Treasury.*

Types of Pennsylvania Businesses that Received CDFI Loans

North American Industrial Classification Codes (NAICS) are reported within the U.S. Treasury data. This code identifies the particular industry that received the CDFI loans. Figure 8 shows that the highest number of rural CDFI loans (24) went to real estate, rental, and leasing businesses. These businesses received \$6.7 million. The median loan value for businesses in this industry was \$97,000. The largest urban recipient of CDFI loans were retail businesses (336). These businesses received a total of \$8.3 million. The median loan value for businesses in this industry was \$7,033.

Figure 8: Number and Value of CDFI Loans in Rural and Urban Pennsylvania by Industry, FY 2018, FY 2019, and FY 2021

	Rural Pennsylvania		Urban Pennsylvania	
	# Loans	Value of Loans (\$ Millions)	# Loans	Value of Loans (\$ Millions)
Accommodation and Food Services	22	\$7.74	185	\$45.57
Adm. Support, Waste Management, and Other	4	\$0.21	84	\$3.69
Agriculture, Forestry, Fishing, and Hunting	2	\$0.04	3	\$0.16
Arts, Entertainment, and Recreation	6	\$0.58	41	\$10.60
Construction	8	\$1.70	183	\$44.55
Educational Services	3	\$0.24	59	\$30.47
Finance and Insurance	1	\$0.10	30	\$10.74
Health Care and Social Assistance	8	\$1.13	189	\$29.88
Information	-	-	21	\$2.25
Management of Companies and Enterprises	-	-	4	\$2.62
Manufacturing	10	\$3.56	78	\$6.13
Mining, Quarrying, and Oil and Gas Extraction	1	\$0.19	1	\$0.01
Other Services	9	\$0.38	247	\$19.15
Professional, Scientific, and Technical Services	5	\$0.08	147	\$7.11
Public Administration	-	-	29	\$9.25
Real Estate and Rental and Leasing	24	\$6.70	331	\$122.27
Retail Trade	4	\$0.28	336	\$8.31
Transportation and Warehousing	1	\$0.15	129	\$2.63
Utilities	2	\$0.04	-	-
Wholesale Trade	-	-	62	\$22.97
Not Reported	7	\$0.33	82	\$26.66
Total	117	\$23.42	2,241	\$405.04

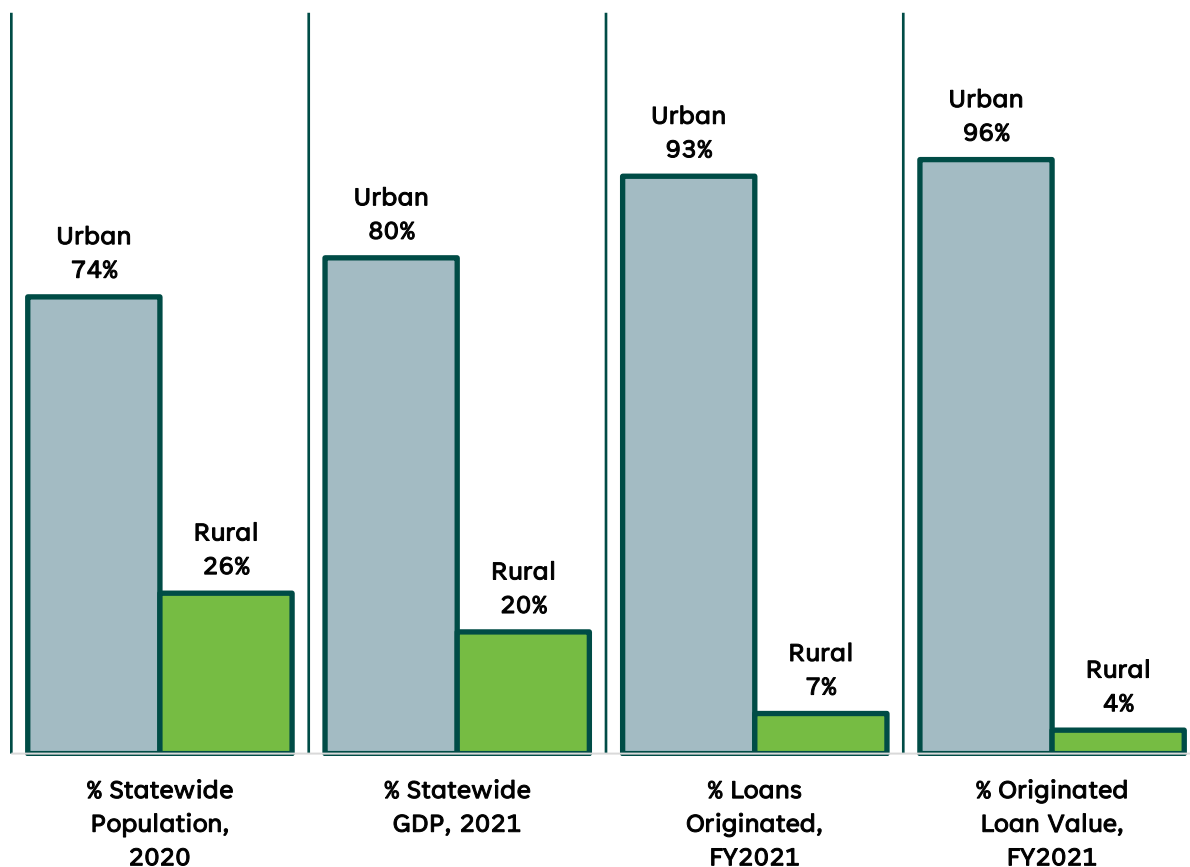
Note: Data include only CDFI loans issued to businesses in a single Census Tract.

Data sources: FY 2018, FY 2019, and FY 2021, Transaction Level Report, Community Development Financial Institutions Fund, U.S. Department of Treasury.

Loan Distribution

Figure 9 shows the most recent annual data for CDFIs compared with the most recent data for population and statewide gross domestic product (GDP), a measure of economic output. Rural counties accounted for 26 percent of the total Pennsylvania population as of the most recent Decennial Census, and nearly 20 percent of GDP in 2021. In comparison, the CDFI data for FY 2021 shows that rural counties received 7 percent of the volume of loans, and only 4 percent of total loan value. The variation between these values is statistically significant and represents a lack of CDFI business loans in rural counties relative to their economic and demographic contribution to Pennsylvania.

Figure 9: Population and GDP Compared with CDFI Business Loan Outcomes in FY 2021



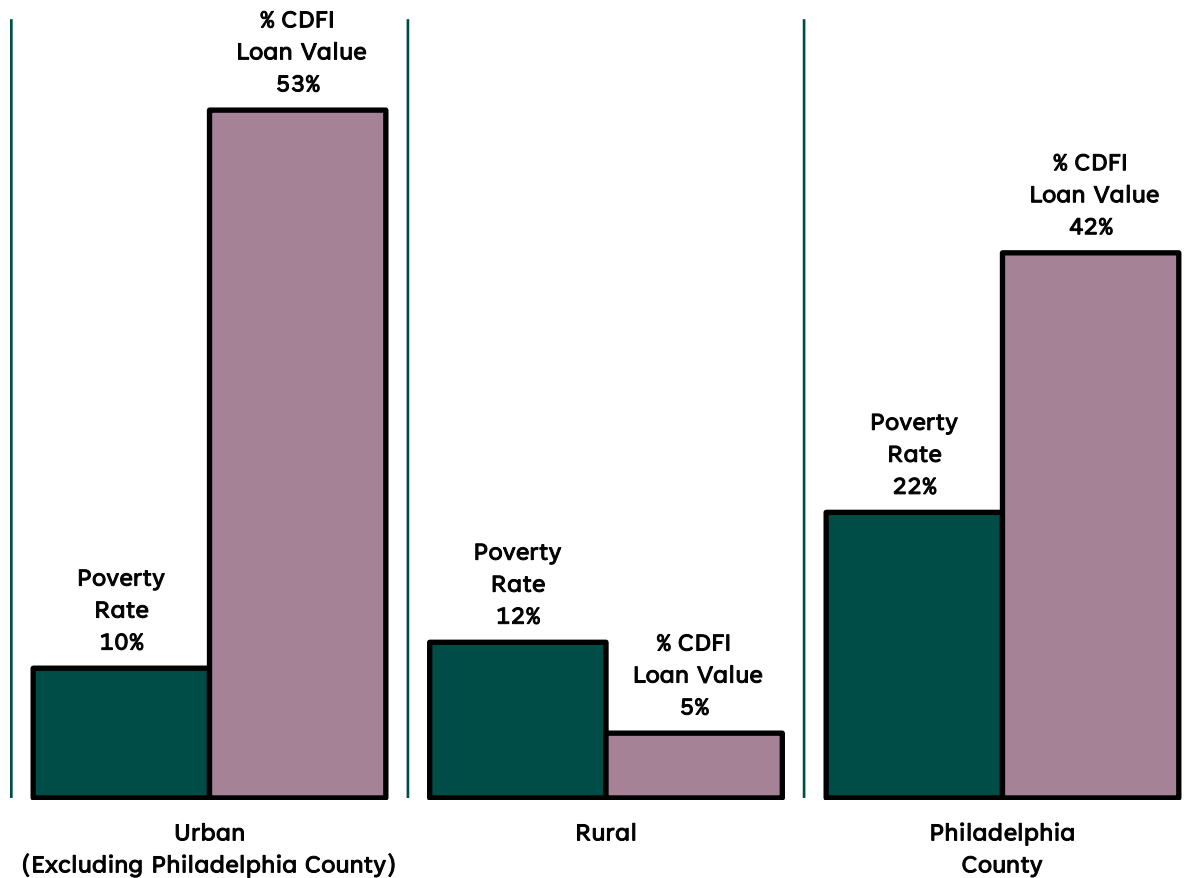
*Note: Data include only CDFI loans issued to businesses in a single Census Tract.
Data source: FY 2021, Transaction Level Report, Community Development Financial Institutions Fund, U.S. Department of Treasury.*

Comparing Rural and Urban

While the Center cannot definitively state why such a significant variation in the amount of CDFI loans between rural and urban counties exists, it is important to note that levels of economic challenge as measured by individuals living below the poverty line are comparable in rural and urban areas. There are more total people living below the poverty line in rural counties than in Philadelphia County, and the poverty rate of rural Pennsylvania counties is nearly identical to the poverty rate of urban counties. In Figure 10, the poverty rates of rural counties, urban counties excluding Philadelphia, and Philadelphia County are compared with the previously evaluated loan value data. Urban counties, excluding Philadelphia, have the lowest poverty rate of the three groups but received more than half of the value of all loans across the evaluated fiscal years. Rural counties' poverty rate was two percentage points higher than urban counties (excluding Philadelphia County) but received about one-tenth of the financial support. Stated another way, for each person living under the poverty line in Philadelphia County, \$507 was loaned by a CDFI in FY 2018, FY 2019, and FY 2021, and other urban counties received \$304 in loans for each person in poverty. For rural counties, a total of \$60

dollars per person in poverty was loaned by a CDFI in the evaluated data. Furthermore, because the distribution of loans across rural Pennsylvania was inconsistent, areas with the most need did not necessarily receive the value of those loans. Forest, Columbia, and Potter counties, which have the highest rates of poverty in the Commonwealth behind Philadelphia, received no CDFI loans in the years for which the Center evaluated data.

Figure 10: 2021 Poverty Rate and CDFI Loan Values, FY 2018, FY 2019, and FY 2021



Note: Data include only CDFI loans issued to businesses in a single Census Tract.

Data sources: FY 2018, FY 2019, and FY 2021, Transaction Level Report, Community Development Financial Institutions Fund, U.S. Department of Treasury.

Conclusion

Taken together, these data suggest a significant under-representation of CDFI support for Pennsylvania rural communities, as measured by the total number of business CDFI loans and the total value of these loans. However, these data are not meant to detract from the important and valuable work CDFIs provide across Pennsylvania and the country. CDFIs are an asset to areas that have struggled to receive economic support in the past. Indeed, the median loan award within rural counties is higher than in urban counties, and surely that is a meaningful investment for many rural communities. At the same time, it is important to remember that economically disadvantaged communities are not

limited to densely populated urban areas. Geographic distance may make rural places in need more challenging to access, and the smaller population in any given rural community may mean that an investment will appear to have a lesser impact than it will on a densely populated area.

However, it appears that not all Pennsylvania's underserved communities, especially those in rural areas, are benefiting from CDFI investments. This observation is driven by the fact that 19 rural counties had no investments during the study period.

The rural-urban divide is less of a factor nationally. Across the nation, rural CDFI loans are closer to parity than they are in Pennsylvania. One possible reason for this is that Pennsylvania has fewer CDFI investments than other states. According to the data, Pennsylvania is in the bottom fifth in terms of per capita CDFI loans and loan values.

Understanding the causes of these variations among states and regions may prove useful for future economic development and long-term planning purposes.

Appendix 1: CDFI Business Loans in 2020

County	# Loans, 2020	Value of Loans, 2020 (\$ Millions)	Median Loan Value, 2020
Pennsylvania	834	\$133.55	\$25,000
Adams	3	\$0.87	\$47,696
Allegheny	103	\$14.23	\$50,000
Armstrong	3	\$0.37	\$53,000
Beaver	7	\$0.95	\$63,000
Bedford	1	\$0.02	\$24,000
Berks	44	\$6.26	\$49,000
Blair	-	-	-
Bradford	-	-	-
Bucks	21	\$2.90	\$32,185
Butler	5	\$8.12	\$25,000
Cambria	11	\$0.36	\$25,000
Cameron	-	-	-
Carbon	-	-	-
Centre	2	\$0.28	\$138,800
Chester	20	\$5.44	\$25,000
Clarion	1	\$0.01	\$12,169
Clearfield	-	-	-
Clinton	-	-	-
Columbia	-	-	-
Crawford	2	\$0.15	\$75,750
Cumberland	6	\$0.79	\$12,280
Dauphin	22	\$5.90	\$41,000
Delaware	17	\$1.20	\$19,100
Elk	-	-	-
Erie	37	\$2.59	\$20,000
Fayette	13	\$1.42	\$74,700
Forest	-	-	-
Franklin	2	\$0.03	\$17,150
Fulton	-	-	-
Greene	1	\$0.41	\$408,300
Huntingdon	-	-	-
Indiana	-	-	-
Jefferson	-	-	-
Juniata	-	-	-
Lackawanna	3	\$3.32	\$1,165,000
Lancaster	76	\$4.93	\$20,000
Lawrence	3	\$0.34	\$97,000
Lebanon	5	\$0.27	\$25,000
Lehigh	4	\$0.44	\$10,700
Luzerne	4	\$1.99	\$489,667
Lycoming	-	-	-
McKean	-	-	-
Mercer	1	\$0.01	\$11,235
Mifflin	-	-	-
Monroe	2	\$1.00	\$499,931
Montgomery	43	\$23.64	\$40,000
Montour	-	-	-
Northampton	6	\$0.49	\$22,291
Northumberland	1	\$0.52	\$515,925
Perry	-	-	-
Philadelphia	324	\$35.85	\$15,000
Pike	1	\$0.02	\$22,500
Potter	-	-	-
Schuylkill	4	\$2.05	\$311,166
Snyder	2	\$0.29	\$142,656
Somerset	2	\$0.09	\$45,795
Sullivan	-	-	-
Susquehanna	-	-	-
Tioga	-	-	-
Union	-	-	-
Venango	1	\$0.01	\$6,144
Warren	1	\$0.01	\$14,900
Washington	8	\$0.62	\$35,000
Wayne	-	-	-
Westmoreland	8	\$0.32	\$35,369
Wyoming	2	\$2.68	\$1,341,113
York	12	\$2.38	\$30,500

Note: Data include only CDFI loans issued to businesses in a single Census Tract.

Data sources: FY 2020, Transaction Level Report, Community Development Financial Institutions Fund, U.S. Department of Treasury.

Appendix 2: CDFI Business Loans to Multiple Census Tracts

	# Loans	Loan Value (\$ Million)	Median Loan Value
Pennsylvania	70	\$25.26	\$193,636
United States	1,637	\$370.09	\$93,023

Note: Data include only CDFI loans issued to businesses in multiple Census Tracts.

Data sources: FY 2020, Transaction Level Report, Community Development Financial Institutions Fund, U.S. Department of Treasury.

CDFI Organizations that Made Loans to a Business in Multiple Census Tracts in Pennsylvania, FY 2018, FY 2019, and FY 2021

County	Loan to a Business in Multiple Census Tracts in the Same PA County	Loan to a Business in Multiple Census Tracts in Two or More PA Counties	Loan to a Business in Multiple Census Tracts in Two or More PA Counties and States	Total
Bradford	-	-	1	1
Bucks	-	2	-	2
Centre	-	1	-	1
Chester	-	-	1	1
Clearfield	-	1	-	1
Clinton	-	1	-	1
Delaware	-	2	1	3
Jefferson	-	1	-	1
Lancaster	-	-	3	3
McKean	-	1	-	1
Montgomery	-	2	-	2
Philadelphia	31	1	17	49
York	-	-	4	4
Total	31	12	27	70

Note: Data include only CDFI loans issued to businesses in multiple Census Tracts.

Data sources: FY 2018, FY 2019, and FY 2021, Transaction Level Report, Community Development Financial Institutions Fund, U.S. Department of Treasury

Center for Rural Pennsylvania Board of Directors

Senator Gene Yaw, Chairman

Representative Eddie Day Pashinski, Vice Chairman

Dr. Nancy Falvo, Pennsylvania Western University Clarion, Secretary

Stephen M. Brame, Governor's Representative, Treasurer

Senator Judy Schwank

Representative Dan Moul

Richard Esch, University of Pittsburgh

Dr. Timothy Kelsey, Pennsylvania State University

Shannon M. Munro, Pennsylvania College of Technology

Dr. Charles Patterson, Shippensburg University of Pennsylvania

Susan Snelick, Northern Pennsylvania Regional College

Darrin Youker, Governor's Representative

Center for Rural Pennsylvania Staff

Kyle C. Kopko, Ph.D., J.D., Executive Director

Laura R. Dimino, Ph.D., Assistant Director

Jonathan Johnson, Senior Policy Analyst

Katie Park, Communications Manager

Michaela Miller, Quantitative Data Analyst

Linda Hinson, Office Manager



625 Forster St., Room 902, Harrisburg, PA 17120

717-787-9555 | www.rural.pa.gov