



March 2024

ECONOMIC DEVELOPMENT

Additional Training Could Help Small Lenders Implement Technology

Accessible Version

GAO Highlights

View [GAO-24-106226](#). For more information, contact Michael Clements at (202) 512-8678 or clements@gao.gov.

Highlights of [GAO-24-106226](#), a report to congressional requesters

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Additional Training Could Help Small Lenders Implement Technology

Why GAO Did This Study

CDFIs and MDIs target loans to traditionally underserved businesses and individuals. Prior GAO work identified challenges some CDFIs and MDIs had accessing emergency lending capital during the COVID-19 pandemic, raising questions about whether they had the technology capacity needed to best serve their communities.

GAO was asked to review CDFIs' and MDIs' technology capacities and potential federal solutions to address any technology challenges. This report examines (1) CDFI and MDI officials' views on their technology capacity and challenges, and (2) available federal resources for improving CDFI and MDI technology.

GAO surveyed a sample of 711 CDFI and MDI officials in June and July 2023 and generalized results to the population as a whole and to small and large institutions. GAO also reviewed relevant federal laws and regulations and agency funding documents, strategic plans, and other program documentation, including those from Treasury. In addition, GAO interviewed representatives from 23 judgmentally selected CDFIs and MDIs, and officials from Treasury and federal financial regulators.

What GAO Recommends

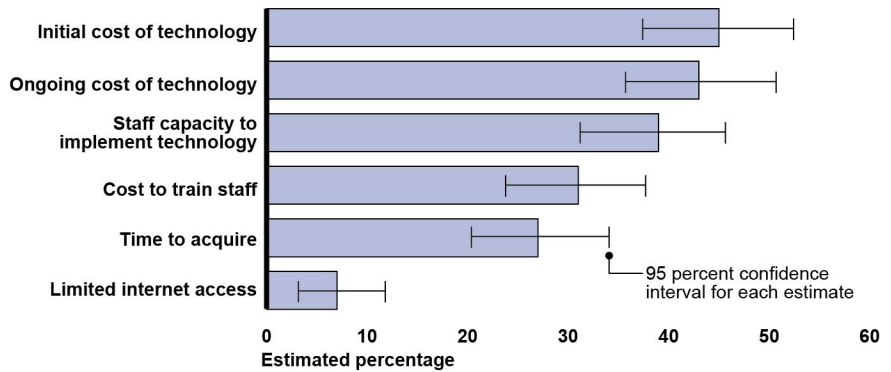
GAO recommends the CDFI Fund develop training or other materials for CDFIs related to technology, especially for smaller institutions. The CDFI Fund agreed with the goal of the recommendation but proposed additional technical assistance grants as an alternative approach. GAO maintains that developing training or other materials would more directly address concerns CDFIs expressed.

What GAO Found

Community development financial institutions (CDFI) are lenders that provide financial products and services to underserved communities, and minority depository institutions (MDI), which can be certified as CDFIs, are generally banks or credit unions primarily owned by minority individuals or serving

minority populations. In response to GAO’s survey of CDFIs and MDIs, many small CDFIs and MDIs reported they lack the technology needed to provide online services or to underwrite loans, manage operations, and conduct outreach more efficiently. Officials GAO interviewed from some small institutions said their limited technology—such as lack of ability to provide mobile banking—constrains their ability to serve underserved communities. Technology costs and limited staff capacity were the most common reasons CDFIs and MDIs cited for not being able to obtain the technology they need, according to a GAO survey. These institutions reported that additional funding and training related to technology could help them address these challenges.

Challenges CDFIs and MDIs Reported Frequently or Always Prevented Them from Acquiring New Technology



CDFI = Community development financial institution MDI = Minority depository institution

Source: GAO analysis of CDFI and MDI officials’ survey results. | GAO-24-106226

Accessible Data for Challenges CDFIs and MDIs Reported Frequently or Always Prevented Them from Acquiring New Technology

Resource Challenges	"Has frequently or always prevented acquiring new technology" - rounded percentages	95 Percent Confidence Interval - Lower Bound	95 Percent Confidence Interval - Upper Bound
Initial cost of technology	45%	37.6118	52.5501
Ongoing cost of technology	43%	35.865	50.828
Staff capacity to implement technology	39%	31.3154	45.7544
Cost to train staff	31%	23.8996	37.8164
Time to acquire	27%	20.5135	34.1805
Limited internet access	7%	3.2784	11.92

Source: GAO analysis of CDFI and MDI officials’ survey results. | GAO-24-106226

The CDFI Fund has increased the grant funding CDFIs can use for improving their technology but has not provided technology-related training. CDFI Fund certifies financial institutions (including eligible MDIs) as CDFIs and provides financial and technical assistance. Over the last 10 years, total CDFI Fund technical assistance grants increased from \$3.6 million to \$25.2 million per year. The CDFI Fund's strategic plan states it will develop training programs targeting key issues affecting CDFIs. However, it has not created any new training or materials since 2020, and none related to technology. Fund officials said they were aware of the impact of technology capacity on small CDFIs' ability to serve their communities and grow. They said they have considered creating training and materials to help CDFIs build technology capacity, but they do not have a time frame for doing so. Such resources could help CDFIs implement the technology they need to increase lending to underserved communities.

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Abbreviations

CDFI	community development financial institution
FDIC	Federal Deposit Insurance Corporation
FIRREA	Financial Institutions Reform, Recovery, and Enforcement Act of 1989
MDI	minority depository institution
NACA	Native American CDFI Assistance
NCUA	National Credit Union Administration
OCC	Office of the Comptroller of the Currency

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March 28, 2024

The Honorable Mark R. Warner
Chairman
Subcommittee on National Security and International Trade and Finance
Committee on Banking, Housing, and Urban Affairs
United States Senate

The Honorable Maxine Waters
Ranking Member
Committee on Financial Services
House of Representatives

Access to credit and capital is vital to economic development but is limited in many low- and moderate-income communities underserved by traditional financial institutions. These communities often rely on community development financial institutions (CDFI) and minority depository institutions (MDI) for financial products and services. CDFIs are generally banks, credit unions, and nondepository loan funds that are certified by the Department of the Treasury's CDFI Fund and have a primary mission of promoting community development. MDIs are generally banks or credit unions primarily owned by one or more minority individuals, or institutions that serve a predominantly minority community and whose board of directors and account holders are comprised primarily of minorities.¹

The initial implementation of the Paycheck Protection Program during the COVID-19 pandemic raised questions about whether CDFIs and MDIs have the technology capacity needed to best serve their communities. During the initial phase of the program, which provided forgivable loans to small businesses so they could continue to pay employees, some CDFIs and MDIs were not able to access program funds and some businesses

¹Throughout this report, we use the term minority consistent with language used by agencies, programs, and statutes within the scope of this report. Section 308(b)(3) of the Financial Institutions Reform, Recovery, and Enforcement Act of 1989 defines minority as "any black American, Native American, Hispanic American, or Asian American. Pub. L. No. 101-73, tit. III, § 308, 103 Stat 353. For the purposes of identifying MDIs, agencies use varying definitions.

in underserved areas may have missed out on available capital.² Further, some CDFI and MDI officials told us that in response to social distancing and other requirements during the pandemic, their institutions implemented technology they had not used before, which created challenges and increased operating costs.

While pandemic-related concerns have eased, demand for CDFIs and MDIs to offer online products and services remains, and some institutions have not been able to provide them. In a recent Federal Reserve survey of CDFIs, more than 76 percent of respondents indicated they were unable to offer all the products and services they would like to provide because of technology and other operational challenges.³

You asked us to review CDFIs' and MDIs' technology capacity, the extent to which CDFIs and MDIs face technology challenges, and potential federal responses. This report examines (1) CDFIs' and MDIs' views on their technology capacity, any challenges they face in acquiring and implementing new technologies, and resources that could address those challenges; and (2) available federal resources for improving CDFI and MDI technology capacity.

For the first objective, we surveyed a generalizable stratified random sample of 711 CDFI and MDI officials on their technology capacity and challenges. We stratified the sample frame into 10 mutually exclusive strata using specific combinations of institution type (nondepository, depository), MDI status (MDI and not MDI), asset size (\$100 million or less as small and more than \$100 million as large), and location (rural and nonrural). We administered the survey from June 2023 to July 2023 and received 187 responses, for a response rate of 27 percent.⁴ We determined the weighted estimates generated from these survey results

²See GAO, *Paycheck Protection Program: Program Changes Increased Lending to the Smallest Businesses and in Underserved Locations*, [GAO-21-601](#) (Washington, D.C.: Sept. 21, 2021) for more information.

³Federal Reserve, "2021 CDFI Survey Key Findings" (Washington, D.C.: Aug. 12, 2021), accessed Sept. 26, 2022, <https://fedcommunities.org/data/2021-cdfi-survey-key-findings/>.

⁴We used a weighted response rate because our survey sample incorporated strata with different probabilities of selection. A weighted response rate may more accurately reflect the level of participation.

were generalizable to the population of institutions as a whole and by asset size.⁵

We also conducted follow-up interviews with a sample of 15 survey respondents to learn more about their institutions' technology needs and challenges generally. We judgmentally selected these institutions to have a variety of asset sizes, location, and institution types. We then interviewed eight additional respondents—also judgmentally selected based on asset size, location, and institution type—that had reported on capacity issues with specific technologies (e.g., automated loan underwriting or, online marketing and outreach) to add context and detail to our survey analysis.

For the second objective, we reviewed laws and regulations defining federal agencies' roles with respect to CDFIs and MDIs. We also reviewed agency strategic plan, policy statements, and technology resources for CDFIs and MDIs, as well as federal financial regulators' examination manuals. Additionally, we interviewed officials from the Board of Governors of the Federal Reserve System (Federal Reserve), Federal Deposit Insurance Corporation (FDIC), National Credit Union Administration (NCUA), Office of the Comptroller of the Currency (OCC), and the CDFI Fund. We also interviewed four organizations that represent CDFIs—the Opportunity Finance Network, Inclusiv, Native CDFI Network, and National Community Reinvestment Coalition. We asked these organizations about technological challenges faced by CDFIs or MDIs and actions government or private sector organizations could take to address these challenges. These interviews reflect the views of these organizations and are intended to be illustrative of institutions' challenges and potential resources to address technological capacity. They do not necessarily encompass the range of the views of individual institutions. For more information on our scope and methodology, see appendix I.

We conducted this performance audit from August 2022 to March 2024 in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that

⁵All estimates that we report have a margin of error, at the 95 percent confidence level, of plus or minus 10 percentage points unless otherwise noted.

the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

Background

Community Development Financial Institutions and Minority Depository Institutions

CDFIs are financial institutions that seek to expand economic opportunity in low-income communities by providing access to financial products and services for local residents and businesses that otherwise may not be accessible.⁶ For example, CDFIs target loans to traditionally underserved businesses and individuals that might not otherwise be able to access credit, such as businesses owned by minorities, women, or veterans; and those located in areas with high poverty, rural counties, and counties with large minority populations. As of December 2022, there were 1,388 CDFIs serving urban, rural, and Native communities throughout the United States.⁷ CDFIs can be depository institutions, including banks and credit unions, depository institution holding companies, or nondepository institutions, including loan funds and venture capital funds. As of December 2022, CDFIs ranged in asset sizes from about \$10,000 to nearly \$15 billion.

MDIs are generally banks and credit unions that are primarily owned by one or more minority individuals, or that serve a predominantly minority community and whose board of directors consist primarily of minorities.⁸ Like CDFIs, MDIs typically serve economically challenged communities traditionally underserved by the banking industry and other businesses. As of December 2022, there were 671 MDIs, including 105 that were also

⁶Financial institutions are private and nonprofit organizations that make loans, invest funds, or provide other forms of financing (financial products). Entities that are eligible for CDFI certification include banks, credit unions, loan funds, and venture capital funds. Some financial institutions, like banks and credit unions, take deposits and are generally overseen by federal financial regulators. Nondepository institutions, including loan funds and venture capital funds, use their own capital to provide financial products and are generally not regulated by the prudential regulators.

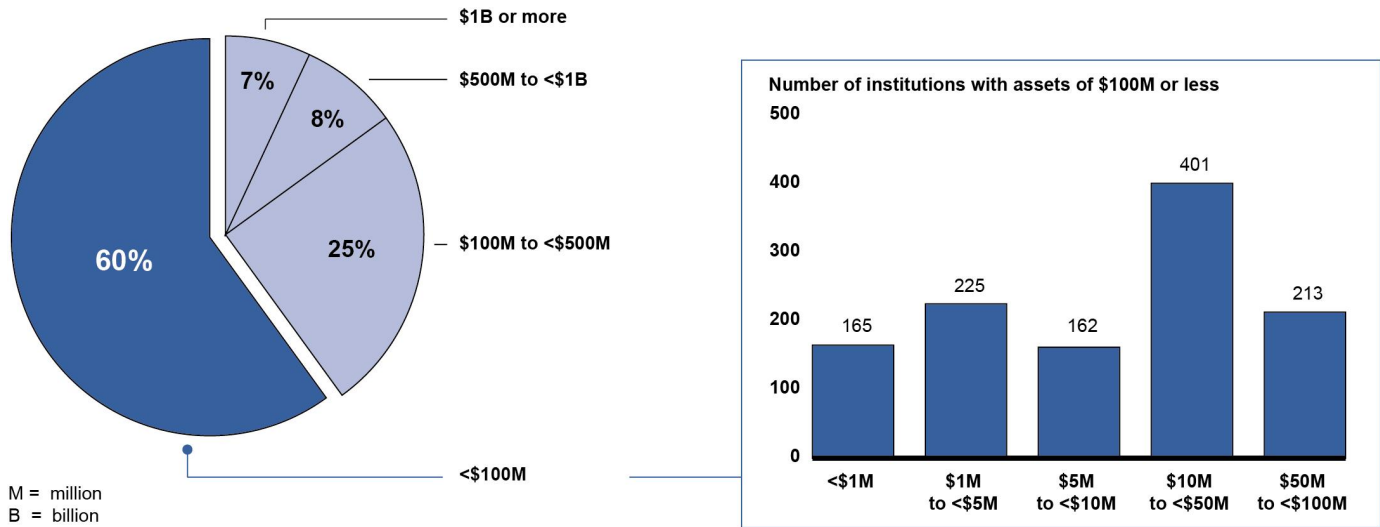
⁷CDFI Fund Native communities include Native Americans, Alaska Natives, and Native Hawaiian communities.

⁸MDIs are designated by their federal regulator based in part on those agencies' interpretations of the criteria established by Section 308 of the Financial Institutions Reform, Recovery, and Enforcement Act.

CDFIs.⁹ These MDIs ranged in asset sizes from about \$20,000 to about \$63 billion. Depending on an institution’s regulator, banks and credit unions may self-designate or may request designations as MDIs through their prudential regulator.

For the purposes of this report, we refer to CDFIs and MDIs as “institutions” and characterize them as small (total assets of \$100 million or less) or large (total assets greater than \$100 million) (see fig. 1).¹⁰

Figure 1: Asset Sizes of Community Development Financial Institutions and Minority Depository Institutions, as of December 2022



Source: GAO analysis of industry data. | GAO-24-106226

Accessible Data for Figure 1: Asset Sizes of Community Development Financial Institutions and Minority Depository Institutions, as of December 2022

Total assets	Number of institutions
≤\$100M	1166

⁹Some MDIs are also certified as CDFIs. As of December 2022, there were 1,954 unique institutions that were certified as CDFIs, recognized as MDIs, or both.

¹⁰In previous work, we have identified banks and credit unions with around \$1 billion or less in total assets as medium (see [GAO-18-213](#)) and community banks with less than \$300 million in assets as small (see [GAO-18-312](#)). However, CDFIs and MDIs tend to have less in total assets than other lenders, on average. We based the \$100 million threshold for this report on our analysis of CDFI and MDI asset sizes and on interviews with institutions and industry groups about technological capacities and challenges of different institution sizes.

Total assets	Number of institutions
\$100M to ≤\$500M	493
\$500M to ≤ \$1B	151
\$1B or more	140

Institutions with \$100M or less	Number of institutions
\$500K to ≤\$1M	165
\$1M to ≤\$5M	225
\$5M to ≤\$10M	162
\$10M to ≤\$50M	401
\$50M to ≤\$100M	213

Source: GAO analysis of industry data. | GAO-24-106226

Note: CDFI Fund did not have asset data for four CDFIs.

Role of Federal Agencies

Treasury’s CDFI Fund seeks to expand economic opportunity for underserved individuals and communities by supporting the growth and capacity of a national network of community development lenders, investors, and financial service providers. To fulfill this mission, the CDFI Fund certifies eligible institutions as CDFIs and provides resources and programs to CDFIs and prospective CDFIs. CDFI certification is conferred on eligible financial institutions that have the primary mission promoting community development, generally by providing capital and development services to low-income individuals or in economically distressed communities often underserved by conventional financial institutions.¹¹ Once certified, CDFIs can apply for grants and other resources offered through multiple CDFI Fund programs, each with their own purposes, restrictions, and competitive application processes.¹² Generally, awards

¹¹The CDFI Fund was established by the Riegle Community Development and Regulatory Improvement Act of 1994, Pub. L. No. 103-325, § 104, 108 Stat. 2160, 2166. To be certified by the CDFI Fund, an institution must (1) be a legal entity; (2) have a primary mission of promoting community development; (3) serve principally an investment area or targeted population; (4) be an insured depository institution, or provide financial products or services as its predominant business activity; (5) provide development services (such as technical assistance or counseling) in conjunction with its financing activity; (6) maintain accountability to its target market; and (7) be a nongovernmental entity.

¹²CDFI Fund program resources include financial assistance grants, technical assistance grants, and bond guarantees.

made through these programs can be used to increase lending capital, train and hire staff, and purchase new equipment.

The CDFI Fund does not certify institutions as MDIs, and MDIs that have not been certified as CDFIs are generally not eligible to receive CDFI Fund resources. However, MDIs that meet the CDFI Fund's eligibility criteria can become certified as CDFIs to access program resources, and the CDFI Fund provides some resources for prospective CDFI institutions to help with the certification process.

Four federal prudential regulators—FDIC, Federal Reserve, NCUA, and OCC—oversee depository institutions that are covered by federal deposit insurance, including those that are CDFIs and MDIs. These regulators are responsible for, among other things, ensuring the safety and soundness of the institutions they oversee, promoting stability in financial markets, and enforcing compliance with applicable consumer protection laws.¹³ They also conduct oversight, in part through examinations, and may issue regulations and take enforcement actions against noncompliant depository institutions under their jurisdiction.

Section 308 of the Financial Institutions Reform, Recovery, and Enforcement Act of 1989 (FIRREA), as amended by section 367 of the Dodd-Frank Wall Street Reform and Consumer Protection Act (Dodd-Frank Act), requires the Secretary of the Treasury to consult with the federal prudential regulators on the best methods to achieve certain goals related to MDIs, including preserving the number of MDIs, promoting the creation of new MDIs, providing technical assistance, training, and educational programs.¹⁴ Additionally, section 308 requires the financial regulators to submit an annual report to Congress on actions the agencies have taken to carry out the section.¹⁵

¹³FDIC oversees insured state-chartered banks that are not members of the Federal Reserve, while the Federal Reserve oversees state-chartered banks that are members of the Federal Reserve. OCC oversees nationally chartered banks and federal savings and loan associations, while NCUA oversees federally insured credit unions.

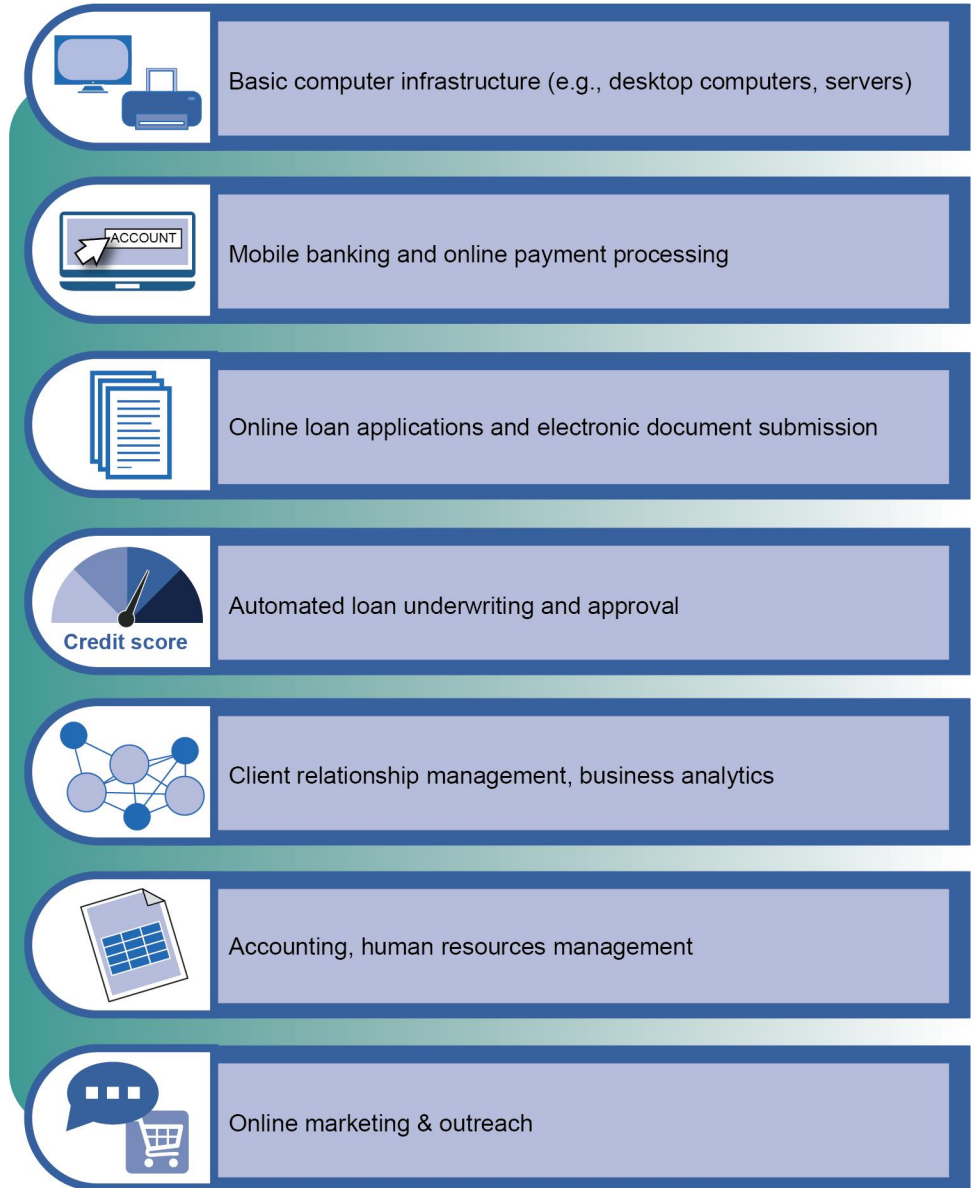
¹⁴Pub. L. No. 101-73, § 308, 103 Stat. 183, 353 (1989) (as amended by Pub. L. No. 111-203, §367(4), 124 Stat. 1376, 1556 (2010)) (codified at 12 U.S.C. § 1463 note).

¹⁵Pub. L. No. 101-73, § 308(a)(5), 103 Stat. 183, 353 (1989) (codified at 12 U.S.C. § 1463 note).

Technologies Used by CDFIs and MDIs

CDFIs and MDIs use a range of technologies to interact with and provide services to current customers, reach potential customers, and manage their businesses. These technologies include computer hardware (e.g., desktop computers, monitors, and printers) and software programs, sometimes referred to as systems or platforms (see fig. 2). Some technologies require institutions and customers to be connected to the internet or to have a mobile device (e.g., software programs for online loan applications or electronic document submission).

Figure 2: Examples of Technologies Used by Community Development Financial Institutions and Minority Depository Institutions



Source: GAO analysis of Urban Institute and Conference of State Bank Supervisor information; GAO (icons). | GAO-24-106226

Many Small CDFIs and MDIs Reported Resource Challenges Prevent Them from Meeting Technology Needs

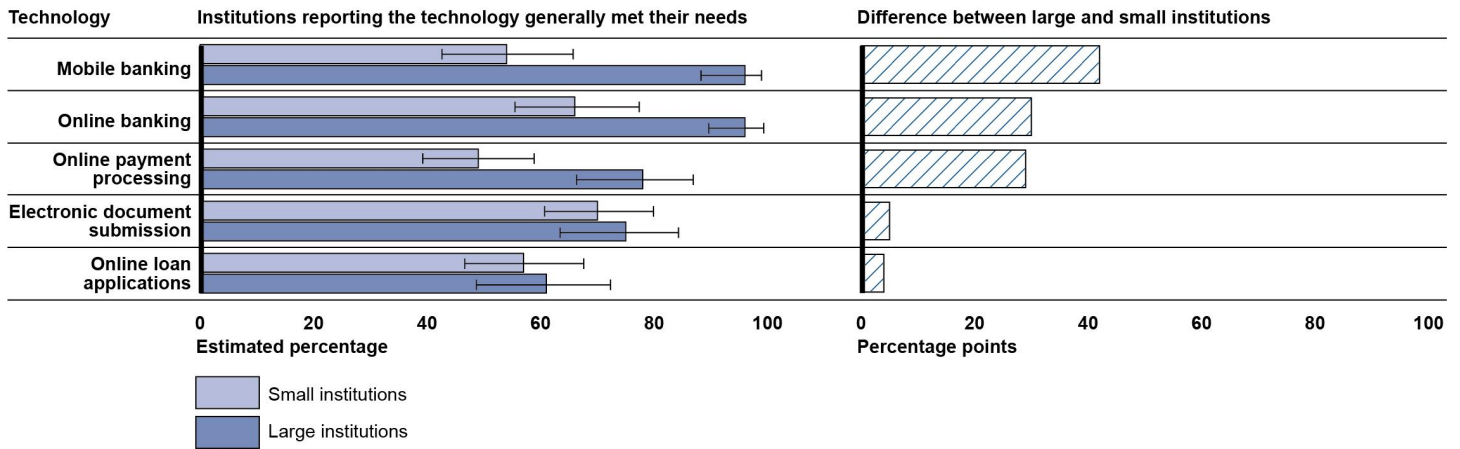
Many Small CDFIs and MDIs Reported They Cannot Provide Digital Services Needed to Reach More Underserved Consumers

Small CDFIs and MDIs disproportionately reported lacking capacity to provide digital services, such as online and mobile banking, which their officials said limited their ability to reach more underserved consumers. Our survey of CDFIs and MDIs estimated that about 30 percent of small CDFIs and MDIs that wanted mobile banking and online banking technologies did not have such technologies that met their needs.¹⁶ In comparison, nearly all large CDFIs and MDIs reported they had such technologies (see fig. 3).¹⁷ Many small CDFIs and MDIs also reported they lacked technologies to provide online payment processing, online loan applications, and electronic document submission. For these technologies, differences with large institutions were smaller and, in some cases, not statistically significant.

¹⁶Our survey results estimate the percent of all CDFIs and MDIs, and the percent of all small or large institutions, that would have provided a given survey response, based on a random sample of institutions. These estimates have margins of error at the 95 percent confidence level of plus or minus 10 percentage points or fewer, unless otherwise noted. See app. I for more detail on our methodology.

¹⁷To calculate the percentage of institutions for which a technology was generally meeting officials' needs, we included the responses "Yes, we have this technology and it meets our needs" and "Yes, we have this technology and it generally meets our needs but it can be improved to better meet our needs." See app. II for complete survey results.

Figure 3: Small and Large CDFIs and MDIs with Reported Technology for Digital Services That Generally Met Their Needs, as of July 2023



CDFI = Community development financial institution MDI = Minority depository institution

Source: GAO analysis of CDFI and MDI officials' survey results. | GAO-24-106226

Accessible Data for Figure 3: Small and Large CDFIs and MDIs with Reported Technology for Digital Services That Generally Met Their Needs, as of July 2023

Small source data

Technology	Generally Met Needs - SMALL	95 Percent Confidence Interval - Lower Bound	95 Percent Confidence Interval - Upper Bound
Mobile banking	54%	42.5988	65.8478
Online banking	66%	55.4675	77.3918
Online payment processing	49%	39.1914	58.8684
Electronic document submission	70%	60.7160	79.8569
Online loan applications	57%	46.5696	67.7137

Large source data

Technology	Generally Met Needs - LARGE	95 Percent Confidence Interval - Lower Bound	95 Percent Confidence Interval - Upper Bound
Mobile banking	96%	88.2517	98.8992
Online banking	96%	89.6077	99.3020
Online payment processing	78%	66.4090	86.9443
Electronic document submission	75%	63.4545	84.2859
Online loan applications	61%	48.6603	72.3345

Source: GAO analysis of CDFI and MDI officials' survey results. | GAO-24-106226

Note: The whiskers display the 95 percent confidence interval for these estimates. Estimates are percentages of institutions that would like to have the technology. Differences between estimates for electronic document submission and online loan applications technologies were not statistically significant.

Officials from several small institutions we interviewed told us they have lost customers to larger banks because they were not able to provide online banking, which is more convenient for some customers. Two officials from small institutions noted that it is especially difficult to reach younger customers, who often expect these services to be available. One official at a small CDFI and MDI credit union said members have left the institution because it does not provide online payment processing. An official from an intermediary loan fund that provides capital to small CDFIs agreed that the lack of digital services has constrained the growth of the small CDFIs, who are losing customers to lenders with better technology.

Officials from two small CDFIs and MDIs we interviewed also said their limited technology to provide digital services impairs their ability to expedite lending and reach more customers and larger areas. For example, an official at one small CDFI loan fund said all its lending is done in person, because it does not have the technology needed to accept loan applications online. This means customers must bring printed documents into the office, which can involve significant staff time for document review and data entry. As a result, the credit union can only make a few loans per month. Another institution without digital capability cited challenges serving low-income customers who live far away, noting the inconvenience they face in having to travel to the office to apply for a loan.

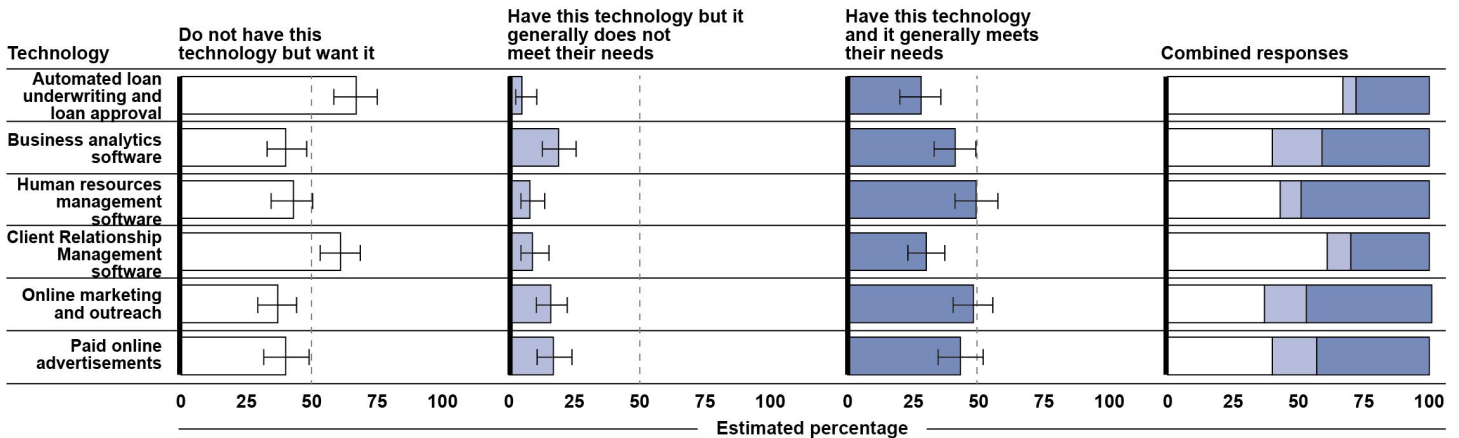
However, we also estimated that more than 30 percent of small CDFIs and MDIs did not want technologies for mobile banking and more than 20 percent did not want online banking, compared to 4 percent of large institutions. Reasons for this varied. Some nondepository small institutions we interviewed did not perceive the need to provide the same type of online services as CDFI banks and credit unions, and many of these are small institutions. For example, an official from one such institution said its customers had less need to check their accounts online because the fund does not take deposits. While not generalizable, 31 of 64 (48 percent) of nondepository CDFIs reported they did not want mobile banking and 24 out of 65 (37 percent) reported they did not want online

banking.¹⁸ In another case, a CDFI official said the small size of their operations did not justify the expense. As these small institutions grow, they may need additional technology. For example, officials from two CDFI loan funds told us they were considering purchasing software for things like automated underwriting and online loan applications to accommodate their institution’s recent rapid growth.

Most CDFIs and MDIs Reported Not Having Technology for Loan Underwriting, Client Management, or Outreach That Met Their Needs

Our survey of CDFIs and MDIs estimated that at least 50 percent of CDFIs and MDIs that wanted technologies for automated loan underwriting client management, and online outreach did not have them or did not have versions that met their needs (see fig. 4).¹⁹

Figure 4: Capacity and Satisfaction with Technology of CDFIs and MDIs, as a Percentage of All Surveyed Institutions



CDFI = Community development financial institution MDI = Minority depository institution

Source: GAO analysis of CDFI and MDI officials' survey results. | GAO-24-106226

¹⁸Of the 582 nondepository CDFI loan funds included in our review, 512 of them were considered small CDFIs, and nondepository CDFI loan funds made up about half of small institutions. GAO did not receive enough survey responses to generalize these results to the populations of nondepository CDFIs, depository CDFIs, and MDIs.

¹⁹To calculate the percentage of institutions for which a technology was not generally meeting officials' needs, we included the responses "No, we do not have this technology but we would like to have it." and "Yes, we have this technology but it generally does not meet our needs." See app. I for more on our survey methodology and app. II for complete survey results.

Accessible Data for Figure 4: Capacity and Satisfaction with Technology of CDFIs and MDIs, as a Percentage of All Surveyed Institutions

Do not have this technology but want it” Source Data

Technology	Do not have this technology but want it	95 Percent Confidence Interval - Lower Bound	95 Percent Confidence Interval - Upper Bound
Automated loan underwriting and loan approval	67%	58.8036	75.0432
Business analytics software	40%	32.7806	48.0397
Human resources management software	43%	34.6766	50.3250
Client Relationship Management software	61%	53.1760	68.5247
Online marketing and outreach	37%	29.1601	44.1916
Paid online advertisements	40%	31.9049	48.9845

“Have this technology but it generally does not meet their needs” Source Data:

Technology	Have this technology but it generally does not meet their needs	95 Percent Confidence Interval - Lower Bound	95 Percent Confidence Interval - Upper Bound
Automated loan underwriting and loan approval	5%	2.1985	10.6576
Business analytics software	18%	12.5812	25.7260
Human resources management software	8%	4.3405	13.7056
Client Relationship Management software	9%	4.9857	15.3560
Online marketing and outreach	16%	10.5164	22.2999
Paid online advertisements	17%	10.5724	24.1504

“Have this technology and it generally meets their needs” Source Data:

Technology	Have this technology and it generally meets their needs	95 Percent Confidence Interval - Lower Bound	95 Percent Confidence Interval - Upper Bound
Automated loan underwriting and loan approval	28%	19.9236	35.5268
Business analytics software	41%	33.2291	48.9550
Human resources management software	49%	41.3028	57.3772

Technology	Have this technology and it generally meets their needs	95 Percent Confidence Interval - Lower Bound	95 Percent Confidence Interval - Upper Bound
Client Relationship Management software	30%	22.7259	37.0790
Online marketing and outreach	48%	39.6778	55.4520
Paid online advertisements	43%	34.2429	51.7569

Source: GAO analysis of CDFI and MDI officials' survey results. | GAO-24-106226

Note: The whiskers display the 95 percent confidence interval for these estimates. Estimates are percentages of institutions that responded that they would like to have the technology.

Automated Loan Underwriting

Automated loan underwriting and loan approval technology allows institutions to use data to make lending decisions more quickly than do traditional manual underwriting. Officials from a CDFI and others from an MDI said this technology would allow them to provide more capital to underserved communities, as well as improve the customer experience. In addition, the officials told us that automated loan underwriting technology would improve the consistency of their institutions' approval decisions and increase the speed of their approval process. For example, an official from one small CDFI loan fund said automated underwriting would give staff more time to explain loan application requirements to customers and help small business owners.

Analytics and Operations

We estimate that less than half of CDFIs and MDIs have technology for analyzing and reporting on their lending, based on our survey results. Officials from one industry group said such technology would allow CDFIs to operate more efficiently and better target their lending. Business analytics software allows institutions to track multiple data points about their actions, staff time, and outcomes. It also can produce the reports required by entities such as the CDFI Fund and nonprofit foundations. An official at one large, nondepository CDFI loan fund noted the benefits of software to connect data now siloed in different systems. The official said such software could improve the institution's decision-making and reporting and reduce manual data entry, which is time-consuming and can lead to error and compliance risk.

Human resources management software allows institutions to use data to assist with hiring and to manage employee benefits. Some institution

officials told us most of their human resources functions are conducted manually, which is time consuming. Officials at a large MDI credit union said they need a system specific to the federally insured credit union industry because of specific benefits and hiring practices. Officials at two other institutions said having this software would help them more quickly evaluate employees and make staffing decisions.

Client Management and Outreach

Client relationship management software allow lenders to track customers' credit history, credit scores, services used, and products for which they might be eligible. Based on our survey results, we estimated that 61 percent of CDFIs and MDIs wanted but did not have this technology. One official we interviewed said this software would allow them to better serve customers by ensuring they had access to all the services and resources for which they are eligible. For example, one official at a large credit union said the software would automatically identify when more favorable interest rates were available to borrowers based on their credit history. An official at a small MDI credit union said having this software could allow it to better assess the effect of the products and services they provide to their community.

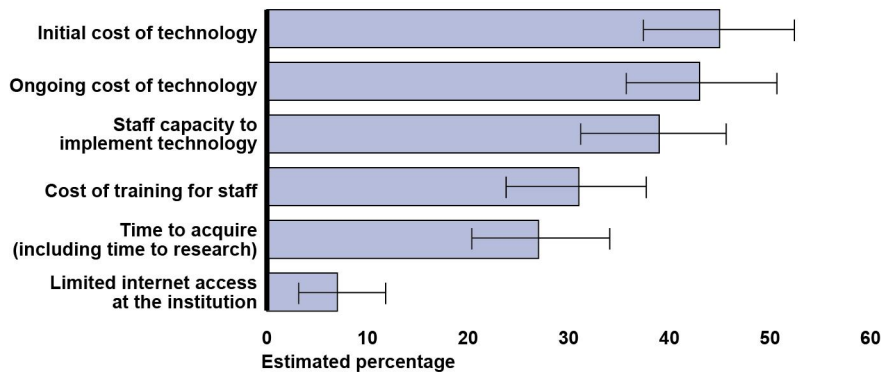
Online marketing and outreach tools are designed to increase reach to customers. We estimated that about half of institutions had technology for online marketing and outreach that was meeting their needs. Institution officials said digital outreach is especially helpful for reaching younger generations, especially through social media. Not using this technology, they said, limits their ability to reach more individuals in traditionally underserved communities.

Resource Constraints Are Barriers to Acquiring Technology for All but the Largest CDFIs and MDIs

Based on our survey, we estimated that resource constraints were the most common barriers to acquiring and implementing new technology. Of these resource challenges, officials identified initial and ongoing costs as the challenge that most frequently prevented them from acquiring new technology. An estimated 50 percent of these officials reported that cost had frequently or always prevented them from getting the technologies they need.

Other resource constraints frequently cited in our survey included a lack of staff capacity to implement new technology, the cost of training staff to use the new technologies, and a lack of staff time to research available technologies and work with vendors (see fig. 5). We estimated that a lack of internet access had been a barrier that frequently or always prevented 7 percent of institutions from acquiring new technology. However, while we cannot generalize our analysis to all rural institutions, five of 38 that responded to our survey said internet access had been a challenge.

Figure 5: Reported Resource Challenges That Frequently or Always Prevented CDFIs and MDIs from Acquiring New Technology



CDFI = Community development financial institution MDI = Minority depository institution

Source: GAO analysis of CDFI and MDI officials' survey results. | GAO-24-106226

Accessible Data for Figure 5: Reported Resource Challenges That Frequently or Always Prevented CDFIs and MDIs from Acquiring New Technology

Resource Challenges	"Has frequently or always prevented acquiring new technology" - rounded percentages	95 Percent Confidence Interval - Lower Bound	95 Percent Confidence Interval - Upper Bound
Initial cost of technology	45%	37.6118	52.5501
Ongoing cost of technology	43%	35.865	50.828
Staff capacity to implement technology	39%	31.3154	45.7544
Cost of training for staff	31%	23.8996	37.8164
Time to acquire (including time to research)	27%	20.5135	34.1805
Limited internet access at the institution	7%	3.2784	11.92

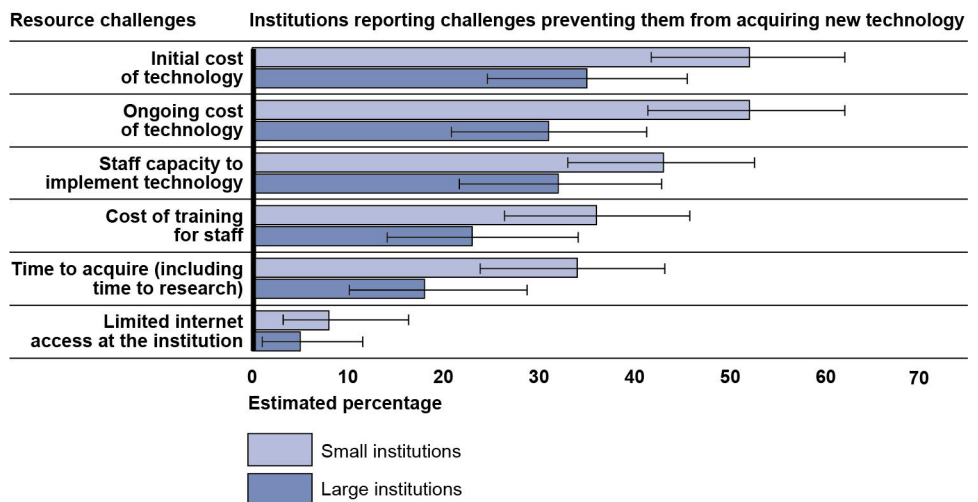
Source: GAO analysis of CDFI and MDI officials' survey results. | GAO-24-106226

Note: The whiskers display the 95 percent confidence interval for these estimates.

Officials from institutions and industry groups we interviewed said many of these technologies were cost-prohibitive for small CDFIs and MDIs. Officials from one industry group said that small CDFIs often have few full-time staff, with many relying on volunteers, and have very small operating budgets. An official from one CDFI loan fund said some systems it researched cost more than \$200,000, which was more than the credit union’s entire annual operating budget for technology. Officials from another industry group said that for one CDFI loan fund, a single purchase of new computer hardware accounted for 75 percent of its technology budget. Another official said ongoing subscription costs and maintenance prevented their fund from acquiring new technologies.

One industry group official told us these issues were not confined to the smallest CDFIs and MDIs. The official noted that nearly all CDFIs and MDIs have total assets of less than \$1 billion and therefore have small operating budgets. In our survey, small CDFIs and MDIs reported more often than large institutions that resource challenges prevented them from acquiring new technology, but only the differences for ongoing costs were statistically significant (see fig. 6).

Figure 6: CDFIs and MDIs That Frequently or Always Experienced Resource Challenges Preventing Them from Acquiring New Technology, by Size



CDFI = Community development financial institution MDI = Minority depository institution

Source: GAO analysis of CDFI and MDI officials’ survey results. | GAO-24-106226

Accessible Data for Figure 6: CDFIs and MDIs That Frequently or Always Experienced Resource Challenges Preventing Them from Acquiring New Technology, by Size

“Small” Source Data:

Resource challenge	Estimated percentage	95 Percent Confidence Interval - Lower Bound	95 Percent Confidence Interval - Upper Bound
Initial cost of technology	52	41.7249	62.0175
Ongoing cost of technology	52	41.3895	61.9323
Staff capacity to implement technology	43	32.9986	52.5618
Cost of training for staff	36	26.4024	45.7731
Time to acquire (including time to research)	34	23.9034	43.1848
Limited internet access at the institution	8	3.2230	16.3996

“Large” Source Data:

Resource challenge	Estimated percentage	95 Percent Confidence Interval - Lower Bound	95 Percent Confidence Interval - Upper Bound
Initial cost of technology	35	24.4968	45.5408
Ongoing cost of technology	31	20.9037	41.3488
Staff capacity to implement technology	32	21.7002	42.7876
Cost of training for staff	23	14.2614	34.1110
Time to acquire (including time to research)	18	10.1825	28.8039
Limited internet access at the institution	5	1.1418	11.6624

Source: GAO analysis of CDFI and MDI officials' survey results. | GAO-24-106226

Note: The whiskers display the 95 percent confidence interval for these estimates.

Consistent with these findings, officials at two large institutions we interviewed cited resource challenges. For example, an official at a CDFI bank with over \$600 million in total assets noted its technology budget did not allow it to acquire digital services technology. Similarly, an official at a CDFI credit union with more than \$880 million in assets said it did not have the staff time necessary to assess how technology could improve their credit union’s reach.

An official from a CDFI with more than \$1 billion in assets told us they were better able to address resource challenges for technology issues. For example, the official said their budget allows the institution to employ

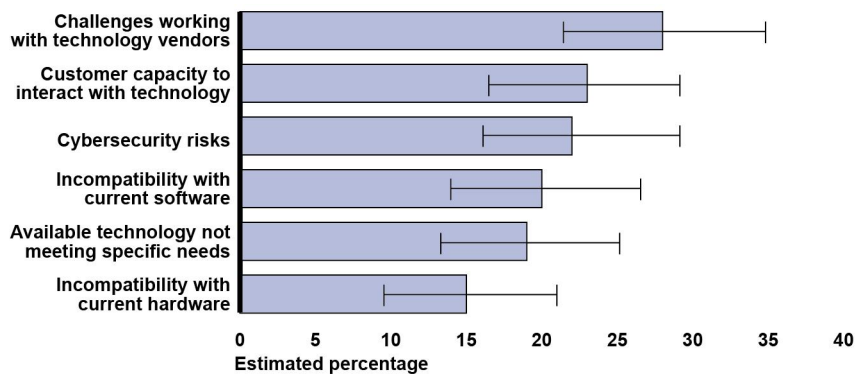
dedicated technology staff that can research potential new technologies and work with vendors without taking staff from working with customers.

Some CDFIs and MDIs have received funds from federal and local government agencies and nonprofit organizations to purchase hardware and software. An official at a small CDFI and MDI bank we interviewed said they were exploring partnerships with fintech companies to reduce the costs of digital services. That official was working with a fintech company that may provide online banking software at a lower cost.

Some CDFIs and MDIs Reported They Need Custom Technologies, and Working with Vendors Can Be Challenging

Some CDFI and MDI officials we surveyed identified implementation issues preventing them from acquiring new technology (see fig. 7). Among these issues, we estimated that CDFIs and MDI officials most frequently experienced difficulties working with technology vendors. In general, we estimated these implementation issues less frequently prevented institutions from acquiring new technology than the resource issues discussed earlier.

Figure 7: Reported Implementation Challenges That Frequently or Always Prevented CDFIs and MDIs from Acquiring New Technology



CDFI = Community development financial institution MDI = Minority depository institution

Source: GAO analysis of CDFI and MDI officials' survey results. | GAO-24-106226

Accessible Data for Figure 7: Reported Implementation Challenges That Frequently or Always Prevented CDFIs and MDIs from Acquiring New Technology

Implementation Challenges	"Has frequently or always prevented acquiring new technology" - rounded percentages	95 Percent Confidence Interval - Lower Bound	95 Percent Confidence Interval - Upper Bound
Challenges working with technology vendors	28%	21.5458	34.9044
Customer capacity to interact with technology	23%	16.5587	29.2396
Cybersecurity risks	22%	16.189	29.2616
Incompatibility with current software	20%	14.0506	26.6182
Available technology not meeting specific needs	19%	13.3808	25.2193
Incompatibility with current hardware	15%	9.6375	21.0702

Source: GAO analysis of CDFI and MDI officials' survey results. | GA0-24-106226

Note: The whiskers display the 95 percent confidence interval for these estimates.

Some officials we spoke with said available technologies are not designed for CDFI and MDI lending, and vendors may not provide ongoing support. For example, because CDFI and MDI lending may use alternative data sources and documentation and may have additional reporting requirements, they may need technologies with specific functionalities that vendors do not typically offer. One CDFI credit union official said the institution had to custom build some systems in-house to ensure the systems aligned with the CDFI's mission. An official from a large CDFI credit union said the need to customize technologies can significantly delay implementation. The official noted the institution was working with a vendor to develop a customized core lending system, and this was taking more time than planned. Another official from a CDFI-certified MDI told us that vendors do not always provide ongoing support for technologies they develop.

CDFIs and MDIs Reported Need for Technology Assistance, but the CDFI Fund Has Not Developed Capacity-Building Training

CDFI and MDI Officials Reported That Technology Assistance and Training Would Help Them Meet Their Institutions' Needs

Officials from CDFIs and MDIs reported that additional assistance would help them address technology challenges, which could help them expand their lending in underserved communities. An estimated 76 percent of CDFI and MDI officials felt financial assistance specifically for technology would best help them meet their technology goals. In addition, an estimated 62 percent cited general financial and technical assistance and an estimated 63 percent cited federal support for training as beneficial.

Among CDFI and MDI representatives we interviewed, there was not a consensus on whether such training and technical assistance should be provided directly by federal agencies. For example, an official of one small CDFI-certified MDI told us the institution had received training from federal agencies on nontechnology topics that had been helpful and believed federal technology training or other resources would be useful, especially since for-profit trainings were cost prohibitive. However, other CDFI and MDI officials said it would be better for federal agencies to provide funding for technology training from consultants and technology companies. These officials were concerned that federal agencies did not have the expertise or experience needed to provide technological training for products that develop rapidly and change often.

Representatives from several CDFIs and MDIs we interviewed told us it would be helpful for federal agencies to provide a centralized repository for approved vendors and products. They said this would reduce the staff time required to implement new technology. However, federal officials stated they do not recommend specific technologies or designate approved vendors because that is not part of their statutory responsibilities and doing so would conflict with agency policies for maintaining market competition.

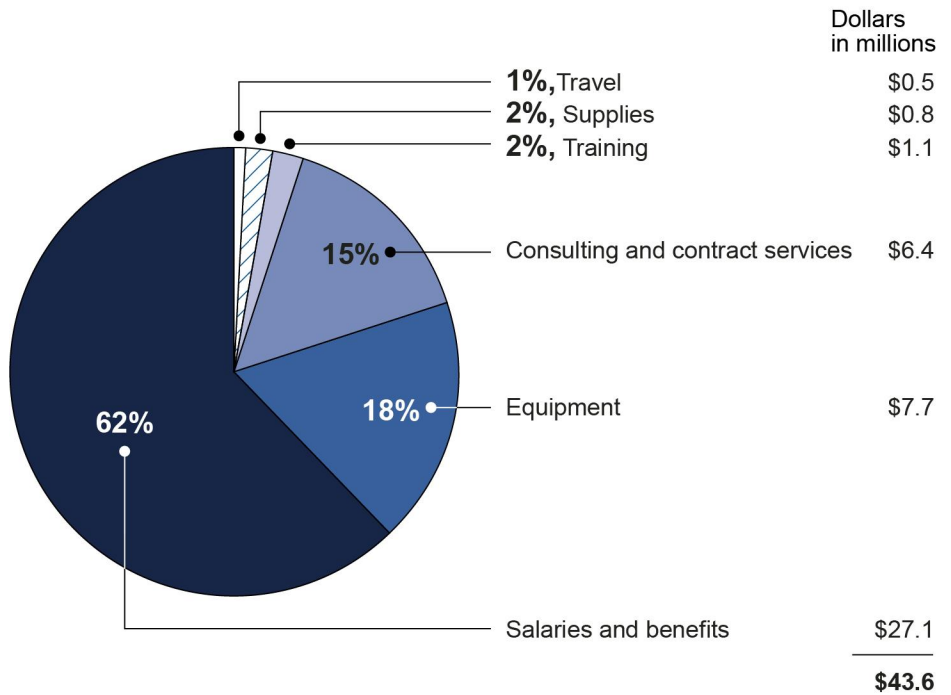
The CDFI Fund Has Not Developed Training for Improving CDFIs' Technology Capacity

The CDFI Fund does not provide technology-specific funding but has several grant programs that can be used by CDFIs to improve their technology capacity. CDFI Fund officials said technical assistance grants awarded through the CDFI Program and Native American CDFI Assistance (NACA) program are the largest source of funding offered by the CDFI Fund that CDFIs can use to improve their technology capacity.

The total amount of technical assistance grants that the CDFI Fund made through its CDFI Program increased from \$3.6 million in 2013 to \$25.2 million in 2022. Additionally, through the NACA Program, officials said the CDFI Fund awarded \$2.4 million in technical assistance grants in fiscal year 2022. Technical assistance grants are intended to build CDFIs' capacity to provide financial products and services. They may be used for a variety of purposes, including purchasing equipment, materials, or supplies; procuring consulting or contracting services; paying the salaries and benefits of certain personnel; and training staff or board members. In fiscal year 2022, the maximum amount of a technical assistance grant was \$125,000 for the CDFI Program and \$150,000 for the NACA Program.

The CDFI Fund does not track the proportion of technical assistance grants used to improve CDFIs' technology capacity, because technology improvements are difficult to isolate, according to officials. The CDFI Fund does track the use of technical assistance grants in other ways and reported that about 18 percent of these grant funds in fiscal years 2018–2023 were used for equipment purchases (see fig. 8). Officials noted that not all those funds were necessarily used for technology equipment. They also noted that non-equipment technical assistance grants may have been used to improve technology capacity, such as by hiring staff to manage technology infrastructure or training staff on new technologies.

Figure 8: Use of CDFI Fund Technical Assistance Grants, Fiscal Years 2018–2023



Source: GAO analysis of Community Development Financial Institutions Fund (CDFI Fund) data. | GAO-24-106226

Accessible Data for Figure 8: Use of CDFI Fund Technical Assistance Grants, Fiscal Years 2018–2023

	Supplies	Professional services	Compensation	Equipment	Travel	Training	Total
Dollars in millions	\$0.8	\$6.4	\$27.1	\$7.7	\$0.5	\$1.1	\$43.6
Percent of total	2%	15%	62%	18%	1%	2%	100%

Source: GAO analysis of Community Development Financial Institutions Fund (CDFI Fund) data. | GAO-24-106226

The CDFI Fund’s Small Dollar Loan Program also provides funding for CDFIs to establish and maintain programs that provide small loans (not exceeding \$2,500) to businesses. Specifically, the program provides grants for loan loss reserves and technical assistance, which officials said can be used to improve technology capacity. In fiscal year 2021, officials said the CDFI Fund awarded \$10.8 million through its Small Dollar Loan Program, of which \$5.7 million was for technical assistance awards, but the agency did not track the proportion of these funds that were used to improve technology capacities.

However, while the CDFI Fund has increased the amount of funding available for CDFIs to improve their technology, it has not developed training or other resources for CDFIs to improve their technology

capacity. The CDFI Fund's Capacity Building Initiative develops training programs and resources targeting key issues affecting CDFIs and supports the development of tailored capacity-building plans to meet the needs of individual CDFIs. But this initiative has not addressed improving technology capacity. For example, as part of this initiative, the CDFI Fund created resource banks containing training materials, reference documents, and archived webinars related to 14 topics, none of which were related to improving technology capacity.

The CDFI Fund intended to use its Capacity Building Initiative to strengthen smaller CDFIs but has not met its strategic goals due to the requirements of emergency funding. The CDFI Fund's strategic plan states it will use the initiative to strengthen small and medium CDFIs (especially those serving the hardest-to-reach markets) and make progress toward this goal annually.²⁰ However, the CDFI Fund has not developed any new resource banks since 2020.

CDFI Fund officials said they had to shift resources away from capacity-building efforts due to the COVID-19 pandemic. The CDFI Fund was responsible for administering two COVID-19-related assistance programs, the Rapid Response Program and Equitable Recovery Program, for which Congress appropriated \$1.25 billion and \$1.75 billion, respectively. Officials said administering these programs required significant staff resources and they were not able to produce any capacity-building resources during the period those programs were active. Now that no new awards are being made under those programs, officials said they plan to shift staff resources back to capacity-building efforts.

CDFI Fund officials said they have considered creating capacity-building resources related to technology but have not yet determined whether they will develop them. Officials told us they were aware of the technology capacity issues facing small CDFIs and the effect a lack of digital services has on their ability to serve their communities and grow. They said the CDFI Fund was exploring whether capacity-building activities or grants focused on CDFI technology needs were feasible. They said these discussions were ongoing, and they did not have a time frame for developing any potential activities or grant programs.

²⁰CDFI Fund's current strategic plan was intended for fiscal years 2017–2022, but officials told us it is still operational because its next strategic plan has not been finalized. CDFI Fund officials said the issuance of a new strategic plan has been delayed until a permanent CDFI Fund director is appointed.

As discussed earlier, our survey shows that many small CDFIs and MDIs lack the ability to provide digital services and have limited technology capacities in other areas, which can constrain their ability to serve existing customers and reach new ones. By developing training and resources related to technology capacity-building, the CDFI Fund could help CDFIs and CDFI-certified MDIs facilitate their mission of expanding access to credit and capital to underserved communities.

Financial Regulators Consider Technology in Examinations and Have Developed Programs to Preserve and Grow MDIs

Federal financial regulators said they consider CDFIs' and MDIs' technology during risk-based supervisory examinations. As part of their examinations of the safety and soundness of all institutions, regulators use a risk-based approach to assess the institution's cybersecurity and overall risk management for information systems that support core business operations. Based on the examiner's assessment of these systems, the regulator might bring in a technology subject matter expert from within the agency to assess the adequacy of an institution's technology risk management. As a result of the examination, regulators may require an institution to, for example, take specific steps to ensure cybersecurity.

In response to the goals specified in Section 308 of FIRREA, each federal financial regulator has taken steps to preserve and support the growth of MDIs and have provided some resources for improving technology. These efforts have included (1) identifying financially stable MDIs capable of acquiring or merging with less stable MDIs; (2) supporting groups seeking guidance about the process of establishing new MDIs; and (3) providing MDIs with training, technical assistance, and educational programs. Some federal financial regulators provide technology-related assistance, but these resources vary (see table 1).

Table 1: Types of Resources Federal Financial Regulators Provide to Minority Depository Institutions

Agency	Financial assistance for technology	Training for technology	Individual technical assistance for technology
National Credit Union Administration	Yes	Yes	Yes

Agency	Financial assistance for technology	Training for technology	Individual technical assistance for technology
Federal Deposit Insurance Corporation	No	Yes	Yes
Office of the Comptroller of the Currency	No	No	Yes
Board of Governors of the Federal Reserve System	No	No	Yes

Source: GAO analysis of agency reports. | GAO-24-106226

NCUA provides technical assistance grants to eligible credit unions, including MDIs, through its Community Development Revolving Loan Fund, and some grants are for digital services and cybersecurity. In fiscal year 2022, NCUA reported providing MDIs with 10 grants for digital services and cybersecurity, which had a maximum amount of \$10,000 each. NCUA officials told us they were considering raising the cap on these grants due to increasing technology costs.

OCC, FDIC, and the Federal Reserve do not provide funding to MDIs for improving technology. FDIC has encouraged the development of the Mission-Driven Bank Fund, a private capital investment vehicle to support FDIC-insured MDIs and CDFIs. FDIC officials said that qualifying institutions can apply for private investment to support specific projects, which can include improvements to technology capacity. They noted that as of November 2023, the fund had secured \$110 million to assist MDIs and CDFIs, but that FDIC is not involved in the administration of the fund and does not know the portion of these funds used to improve technology.

Each of the federal financial regulators provides technical assistance to MDIs on a range of topics, a limited amount of which officials said is related to technology. For example, FDIC provided 137 instances of technical assistance to MDIs in 2021, eight of which were related to improving technology, officials said. To get such assistance, FDIC officials said MDI management can reach out to the regional office of their regulator or request it during an examination. OCC provides technical assistance to MDIs through Project REACH, with the goal of addressing MDI challenges related to capital access, technology, and infrastructure, while the Federal Reserve officials said they provide technical assistance as part of its Partnership for Progress program.

NCUA and FDIC have also provided training related to technology, primarily related to cybersecurity, but these resources are not specific to CDFIs or MDIs. For example, NCUA coordinated with the FBI, Treasury, and the Wisconsin Department of Financial Institutions to host a webinar for credit unions on ransomware in the financial sector. FDIC developed the Cybersecurity Awareness Technical Assistance Video Series, designed to help banks understand cybersecurity risks and related risk management programs.

FDIC, Federal Reserve, and OCC also host the biennial Interagency MDI and CDFI Bank Conference. The conference is designed to provide a forum for CDFI and MDI banks to meet regulators and peer institutions and discuss issues facing the industry, provide regulatory updates, and share resources.

Conclusions

CDFIs and MDIs play an important role in expanding access to capital and credit for consumers in underserved communities. However, many CDFIs and MDIs have limited technology capacity that may constrain their growth and ability to fully meet their mission, particularly smaller institutions. The CDFI Fund has taken some steps toward addressing this, such as by expanding grant funding for technical assistance, but it has not developed training or other materials specifically designed to improve CDFIs' and CDFI-certified MDIs' technology capacity. By developing such resources, the CDFI Fund could help those institutions implement new technology and increase lending to underserved communities.

Recommendation for Executive Action

The Secretary of the Treasury should ensure that the Director of the CDFI Fund develops training or other materials for improving CDFIs' technology capacity. These resources should address the specific capacity limitations of and challenges faced by CDFIs, particularly smaller institutions.
(Recommendation 1)

Agency Comments

We provided a draft of this report to the CDFI Fund, FDIC, Federal Reserve, NCUA, and OCC for review and comment. Each of these agencies provided technical comments, which we incorporated as appropriate.

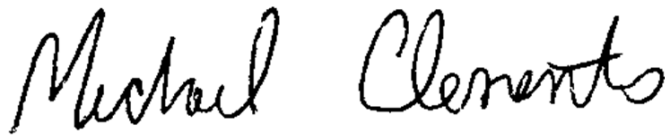
In a letter, reproduced in appendix III, the CDFI Fund stated that it is aware of the need for resources to build CDFIs' technology capacity and agrees with the goal of GAO's recommendation. The letter also stated that the CDFI Fund does not have the resources or expertise needed to develop training or other materials for improving CDFIs' technology capacity, that expanding technical assistance grants would be more effective, and that CDFI Fund plans to implement a new pilot grant program for CDFIs seeking to improve their technology and cybersecurity.

While the planned pilot program and other new technical assistance grants may help additional CDFIs improve their technology capacity, broadly, they do not address the development of training or other materials, specifically. CDFI Fund currently offers substantial technical assistance grant funding, but we estimated that 63 percent of CDFIs and MDIs said technology-related training from federal agencies would still be beneficial. The CDFI Fund has recognized the unique value of providing training and materials for small and medium CDFIs, stating in its strategic plan that it will take steps to strengthen those institutions through capacity-building training each year, but it has not developed any new training or materials since 2020. While the CDFI Fund says that it does not have the resources to develop technology-related training, CDFI Fund officials told us that they plan to shift resources back to developing training programs and materials now that no new awards are being made through COVID-19 emergency programs. In addition, while CDFI noted that it does not have the expertise to provide technology training, the CDFI Fund has contracted outside experts to develop training materials in the past and could consider doing so for technology-related training. We believe that CDFI Fund should develop technology-related training or materials and we will monitor CDFI Fund's proposed approach to determine whether it meets the overall objective of improving institutions' technological capacity needs.

In a separate letter, reproduced in appendix IV, NCUA stated that it had no comments on the report will continue efforts to provide resources and technical assistance for eligible credit unions to improve technology.

As agreed with your offices, unless you publicly announce the contents of this report earlier, we plan no further distribution until 14 days from the report date. At that time, we will send copies to the appropriate congressional committees, the Secretary of the Treasury, the Chairman of FDIC, the Chair of the Board of Governors of the Federal Reserve System, the Chairman of NCUA, the Acting Comptroller of the Currency, and other interested parties. In addition, the report is available at no charge on the GAO website at <https://www.gao.gov>.

If you or your staff have any questions about this report, please contact me at (202) 512-8678 or clementsm@gao.gov. Contact points for our Offices of Congressional Relations and Public Affairs may be found on the last page of this report. GAO staff who made key contributions to this report are listed in appendix V.



Michael E. Clements
Director, Financial Markets and Community Investment

Appendix I: Objectives, Scope, and Methodology

This report describes: (1) community development financial institutions' (CDFI) and minority depository institutions' (MDI) views on their technological capacity, any challenges they face in acquiring and implementing new technologies, and resources that could address those challenges, and (2) federal resources and efforts for improving CDFI and MDI technology capacity.

To address these two objectives, we administered a web-based survey of officials from CDFI and MDI institutions; reviewed federal laws, regulations, and agency documents; and interviewed officials from federal agencies, CDFIs, MDIs, and industry groups.

Survey of CDFIs and MDIs

We administered a web-based survey of CDFI and MDI officials. We developed a web-based survey to facilitate data collection and minimize processing errors.

To define a sample of CDFIs and MDIs, we first identified a total population of 1,954 institutions identified as CDFIs and MDIs by CDFI Fund, the Federal Deposit Insurance Corporation (FDIC), the Office of the Comptroller of the Currency (OCC), and the National Credit Union Administration (NCUA) (see table 2).¹

Table 2: Sources of Data on Community Development Financial Institutions (CDFI) and Minority Depository Institutions (MDI)

Source	Data Description	Date of data used
CDFI Fund	GAO received CDFI institution-level data from CDFI Fund. The data cover CDFIs that received CDFI certification. Unlike the publicly available CDFI Fund data, these include the total assets for each institution.	We used the data available as of December, 2022.
Federal Deposit Insurance Corporation (FDIC)	FDIC maintains a list of the insured MDIs it supervises, as well as MDIs that are supervised by OCC and the Federal Reserve. It also has a publicly available list of FDIC-supervised institutions with addresses that we used to add location information to their list of MDIs.	We used the data available as of September 30, 2022.

¹The Federal Reserve also supervises and regulates some MDIs. The Federal Reserve does not maintain a list, but it works with the FDIC and OCC to populate and verify current data on MDIs.

Appendix I: Objectives, Scope, and Methodology

Source	Data Description	Date of data used
Office of the Comptroller of the Currency (OCC)	OCC has a publicly available list of MDIs it supervises. These are national banks and federal savings associations that it designates as MDIs.	We used the data available as of September 30, 2022.
National Credit Union Administration (NCUA)	NCUA maintains a publicly available list of MDIs. It also has a publicly available list of NCUA-supervised institutions with addresses that we used to add location information to their list of MDIs. Credit unions self-designate as MDIs by answering the minority questions on NCUA's CUOnline Profile.a	We used the data available based on quarter-end data as of September 2022.

Source: GAO analysis of agency information. | GAO-24-106226

^aTo self-designate as an MDI, credit unions answer “Yes” and identify the minority groups (Asian American, Black American, Hispanic American, or Native American) represented by their current members, board of directors, and the community the credit union serves.

We combined the lists of MDIs with CDFIs from CDFI Fund. We also added new categories to determine if an institution was (1) depository or nondepository, (2) a CDFI, MDI, or both, and (3) large (over \$100 million in assets) or not. We based the \$100 million threshold for this report on our analysis of CDFI and MDI asset sizes, through which we determined that about 60 percent of those institutions had \$100 million or less in total assets, and interviews with institutions and industry groups about technological capacities and challenges of different institution sizes. We finalized the sample frame for the survey sample and for analysis by categorizing the institutions as rural or nonrural using data from U.S. Department of Agriculture Economic Research Service 2010 Rural-Urban Commuting Area Codes, which are based on zip code.

For the survey sample, we selected a generalizable stratified random sample of 711 institutions from the sample frame of 1,954 institutions. We stratified the sample frame into 10 mutually exclusive strata using specific combinations of institution type (nondepository, depository), MDI status (MDI and not MDI), asset size (\$100 million or less as small and more than \$100 million as large), and location (rural and nonrural). Our sample size was designed to achieve a subpopulation-level margin of error of no greater than plus or minus 10 percentage points. However, we did not achieve a sufficient response rate from each subpopulation to generalize results for each strata.

We administered the survey from June 2023 to July 2023. We e-mailed the web survey link to the 656 officials from our random sample of institutions that we had contact information for. We followed up by phone and email with each institution in our sample that did not initially complete our survey. We received responses from 187 sampled institutions. This represented a 26.3 percent unweighted response rate. The weighted response rate, which controls for the disproportionate sample design, was 27.1 percent.

To determine if the survey results were sufficiently reliable to describe CDFI and MDI officials' views on their institutions technology capacity and challenges, we conducted an analysis of our survey results to identify potential sources of nonresponse bias. We compared weighted estimates of demographic characteristics (e.g., institution type, total assets) of respondents and nonrespondents to the characteristics of the population of CDFIs and MDIs. We conducted statistical tests of differences, at the 95 percent confidence level, between estimates and known population values, and between respondents and nonrespondents. Based on this analysis, we observed significant differences in weighted response rates for some of the characteristics we examined and significant differences between weighted estimates from the respondents when compared to known population values for MDI status, CDFI status, and total asset value.

To ensure the survey results appropriately represented the population of institutions, we calculated weights to adjust for the differential response propensities we observed. Specifically, we weighted the results from the 187 respondents by the inverse of the probability of selection (base weight) and a nonresponse adjustment factor to account for nonresponse and the differences in response propensities we identified. The nonresponse adjustment factor was calculated using a propensity-based weighting class adjustment where adjustment cells were based on quintiles of the predicted response propensities estimated by a logistic regression model that included institution type, CDFI status, and total assets. We applied the propensity-weighting class adjustments to adjust the sampling weights to account for potential bias due to nonresponse. To compute the final adjusted sampling weight, we applied a ranking procedure to ensure adjusted weights summed to the number of institutions in the population and by stratum.

We determined the weighted estimates generated from these survey results were generalizable to the population of institutions as a whole and by asset sizes both small (\$100 million or less) and large (more than \$100 million). Survey results are presented as estimates and have margins of error, at the 95 percent confidence level, of plus or minus 10 percentage points or less, unless otherwise noted.

The quality of survey data can be affected by nonsampling error, which includes variations in how respondents interpret questions and respondents' willingness to offer accurate responses. To minimize such error, we pretested a draft version of the instrument to check the clarity of the questions and the flow and layout of the survey. We conducted our

pretests with officials from CDFI and MDI institutions—six institutions of various asset sizes and institution types, —and one institution association. Based on the pretests, we revised the survey as appropriate.

We analyzed the survey results to determine

- the proportion of institutions that provided each response,
- the proportion of small institutions that provided each response, and
- the proportion of large institutions that provided each response.

In addition to generating estimates for each survey question, we analyzed groups of survey questions to identify the following characteristics:

- Institutions that selected that they wanted any technology from the options available.
- Institutions that had technology that generally meets their needs.
- Institutions whose technology needs are generally not met.
- Institutions who had “never” or “sometimes” experienced challenges that prevented them from acquiring new technology.
- Institutions who had “frequently” or “always” experienced challenges that prevented them from acquiring new technology.

We also conducted follow-up interviews with a judgmentally selected sample of 15 survey respondents to learn more about their institutions’ technology needs and challenges. We first identified institutions that noted they were willing to speak with us and that had identified multiple technologies that were generally not meeting their needs. Of these respondents, we judgmentally selected 19 institutions that had different demographic characteristics, and interviewed seven based on availability. These characteristics were institution type (i.e., credit unions, bank, loan funds, and depository institution holding company), asset size (small and large), depository or nondepository, and rural or nonrural locations.

We then identified 38 additional respondents that had identified capacity issues with specific technologies to add context and detail to our survey analysis. The technologies were automated loan underwriting technology, online marketing and outreach, client relationship management technology, business analytics technology, and human resources management technology. Based on availability, we interviewed eight of these respondents, selected to reflect a mix of demographic characteristics, as described above.

Review of Laws and Agency Documents, and Interviews

We reviewed federal laws to identify federal agencies with responsibilities related to CDFIs and MDIs. These laws included the Riegle Community Development Banking and Regulatory Improvement Act of 1994; Section 308 of the Financial Institutions Reform, Recovery, and Enforcement Act of 1989; and the Dodd-Frank Wall Street Reform and Consumer Protection Act.

We also reviewed related regulations, and agency documents to identify agency programs and resources that could be used to improve the technology capacity of CDFIs and MDIs or otherwise address their technology challenges. These included the Community Development Financial Institutions Program regulations (12 C.F.R. Part 1805); agency strategic plans; policy statements related to MDIs; annual reports to Congress related to MDI activities; and agency training materials. Finally, we reviewed federal financial regulators' examination manuals to identify ways that examinations may consider financial institutions' technology capacity.

Additionally, we interviewed officials from Federal Reserve, FDIC, NCUA, OCC, and CDFI Fund. We also interviewed four organizations that represent CDFIs—the Opportunity Finance Network, Inclusiv, Native CDFI Network, and National Community Reinvestment Coalition. We asked these organizations about CDFIs' technological capacity and actions government agencies could take to address any challenges faced by CDFIs or MDIs. The findings from these interviews are not generalizable.

We conducted this performance audit from August 2022 to March 2024 in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

Appendix II: Results from Survey of CDFI and MDI Officials

From June 2023 to July 2023, we administered a web-based survey to a representative sample of community development financial institution (CDFI) and minority depository institution (MDI) officials. In the survey, we asked officials about their technology capacity to serve current customers, connect with potential future customers, complete business functions, and respond to reporting and regulatory requirements. We also asked about resource and implementation challenges, technical assistance received, and institution characteristics. All survey results presented in this appendix are generalizable to the population of the CDFI and MDI institution officials and by institutions with asset sizes of \$100 million or less (small institutions) and greater than \$100 million (large institutions), except where otherwise noted. We obtained a weighted response rate of 27.1 percent.

Because our estimates are from a generalizable sample, we express our confidence in the precision of our estimates as 95 percent confidence interval. Our survey was composed of closed- and open-ended questions. In this appendix, we provide information on the closed-ended question responses and responses to selected open-ended questions on the number of full-time equivalent employees, paid or volunteer, and the number of locations or branches an institution had as of December 31, 2022. For a more detailed discussion of our survey methodology, see appendix I.

Table 3: Information on Responses to Question 1 (“Which statement best describes your institution’s usage of each of the following technologies for serving the needs of your current customers?”)

Technology	Responses	Estimated percentage of all institutions	Margin of error: +/- percentage points	Estimated percentage of small institutions	Margin of error: +/- percentage points	Estimated percentage of large institutions	Margin of error: +/- percentage points
Online banking	Generally meets needs ^a	68	6.1	51	9.5	93	7.9
Online banking	Generally does not meet needs ^b	17	6.4	26	10.2	3	6.6
Online banking	Do not want technology ^c	15	6.0	23	9.3	4	6.7
Online banking	Do not know	0	2.5	1	4.5	0	3.6

Appendix II: Results from Survey of CDFI and MDI Officials

Technology	Responses	Estimated percentage of all institutions	Margin of error: +/- percentage points	Estimated percentage of small institutions	Margin of error: +/- percentage points	Estimated percentage of large institutions	Margin of error: +/- percentage points
Mobile banking	Generally meets needs ^a	59	5.6	37	8.5	90	8.5
Mobile banking	Generally does not meet needs ^b	20	6.6	31	9.3	4	6.9
Mobile banking	Do not want technology ^c	20	6.5	31	8.4	4	6.7
Mobile banking	Do not know	2	3.0	2	4.7	1	5.6
Electronic document submission	Generally meets needs ^a	70	7.1	68	9.7	72	11.4
Electronic document submission	Generally does not meet needs ^b	27	6.8	29	10.5	24	11.1
Electronic document submission	Do not want technology ^c	3	4.7	4	8.3	2	5.9
Electronic document submission	Do not know	1	2.8	0	3.0	2	6.7
Digital communications (including secure messaging, videoconferencing)	Generally meets needs ^a	63	6.7	56	9.3	74	10.8
Digital communications (including secure messaging, videoconferencing)	Generally does not meet needs ^b	33	6.7	39	9.4	23	10.6
Digital communications (including secure messaging, videoconferencing)	Do not want technology ^c	4	4.9	5	8.3	2	6.0
Digital communications (including secure messaging, videoconferencing)	Do not know	0	1.6	0	2.8	0	3.6
Online payment processing	Generally meets needs ^a	57	6.8	44	9.2	76	11.2
Online payment processing	Generally does not meet needs ^b	36	7.0	46	9.8	21	11.2

Appendix II: Results from Survey of CDFI and MDI Officials

Technology	Responses	Estimated percentage of all institutions	Margin of error: +/- percentage points	Estimated percentage of small institutions	Margin of error: +/- percentage points	Estimated percentage of large institutions	Margin of error: +/- percentage points
Online payment processing	Do not want technology ^c	7	5.7	11	9.3	2	5.8
Online payment processing	Do not know	0	2.6	0	2.8	1	5.7
Online loan applications	Generally meets needs ^a	51	7.5	50	10.0	52	11.4
Online loan applications	Generally does not meet needs ^b	36	7.2	38	9.8	34	10.6
Online loan applications	Do not want technology ^c	12	6.1	11	9.0	12	9.3
Online loan applications	Do not know	1	2.7	1	4.5	1	5.5
Automated loan underwriting and loan approval	Generally meets needs ^a	20	6.8	12	8.2	33	12.5
Automated loan underwriting and loan approval	Generally does not meet needs ^b	53	7.5	62	10.0	41	11.3
Automated loan underwriting and loan approval	Do not want technology ^c	25	6.4	26	10.3	22	10.5
Automated loan underwriting and loan approval	Do not know	1	3.0	0	2.9	4	6.7
Loan servicing software	Generally meets needs ^a	55	7.4	52	9.9	59	11.0
Loan servicing software	Generally does not meet needs ^b	32	7.1	34	9.8	30	11.4
Loan servicing software	Do not want technology ^c	9	5.7	10	9.3	7	7.7
Loan servicing software	Do not know	4	4.4	4	6.9	4	7.3

Source: GAO analysis of community development financial institution and minority depository institution officials' survey results. | GAO-24-106226

Notes: The estimated percentages are rounded to the nearest whole number. The margin of error percentage points are rounded to the nearest tenth of a percentage point.

^aGenerally meets needs includes responses: (1 or 2) Yes, we have this technology and it meets our needs or it generally meets our needs but it can be improved to better meet our needs.

^bGenerally does not meet needs includes responses: (3 or 4) Yes, we have this technology but it generally does not meet our needs or No, we do not have this technology but we would like to have it.

^cDo not want technology includes response: (5) No, we do not have this technology and do not want it.

Appendix II: Results from Survey of CDFI and MDI Officials

Table 4: Information on Responses to Question 2 (“Which of the following statements best describes your institution’s usage of each of the following technologies for reaching potential future customers?”)

Technology	Responses	Estimated percentage of all institutions	Margin of error: +/- percentage points	Estimated percentage of small institutions	Margin of error: +/- percentage points	Estimated percentage of large institutions	Margin of error: +/- percentage points
A website	Generally meets needs ^a	87	6.4	81	10.1	96	6.6
A website	Generally does not meet needs ^b	11	5.9	15	9.3	4	6.6
A website	Do not want technology ^c	2	5.3	4	8.7	0	3.6
A website	Do not know	0	1.6	0	2.8	0	3.6
Social media	Generally meets needs ^a	74	6.3	66	9.4	86	9.5
Social media	Generally does not meet needs ^b	19	6.6	24	10.0	10	8.8
Social media	Do not want technology ^c	7	5.5	10	9.0	4	6.7
Social media	Do not know	0	1.6	0	2.8	0	3.6
Paid online advertisements	Generally meets needs ^a	29	6.6	20	9.1	43	11.5
Paid online advertisements	Generally does not meet needs ^b	38	7.1	43	9.6	31	10.3
Paid online advertisements	Do not want technology ^c	31	6.8	36	9.3	22	11.4
Paid online advertisements	Do not know	2	3.1	1	4.4	3	6.6
Online marketing & outreach	Generally meets needs ^a	41	7.3	33	9.4	54	11.4
Online marketing & outreach	Generally does not meet needs ^b	46	7.5	53	10.3	35	10.6
Online marketing & outreach	Do not want technology ^c	11	6.5	12	10.0	10	8.9
Online marketing & outreach	Do not know	2	3.4	2	5.6	1	5.7

Appendix II: Results from Survey of CDFI and MDI Officials

Technology	Responses	Estimated percentage of all institutions	Margin of error: +/- percentage points	Estimated percentage of small institutions	Margin of error: +/- percentage points	Estimated percentage of large institutions	Margin of error: +/- percentage points
Client relationship management (CRM) software (e.g., Salesforce, Zoho, etc.)	Generally meets needs ^a	23	5.6	19	9.0	29	12.0
Client relationship management (CRM) software (e.g., Salesforce, Zoho, etc.)	Generally does not meet needs ^b	54	7.5	53	10.0	55	11.4
Client relationship management (CRM) software (e.g., Salesforce, Zoho, etc.)	Do not want technology ^c	20	6.9	25	10.4	12	9.1
Client relationship management (CRM) software (e.g., Salesforce, Zoho, etc.)	Do not know	3	3.8	3	5.4	4	7.4

Source: GAO analysis of community development financial institution and minority depository institution officials' survey results. | GAO-24-106226

Notes: The estimated percentages are rounded to the nearest whole number. The margin of error percentage points are rounded to the nearest tenth of a percentage point.

^aGenerally meets needs includes responses: (1 or 2) Yes, we have this technology and it meets our needs or it generally meets our needs but it can be improved to better meet our needs.

^bGenerally does not meet needs includes responses: (3 or 4) Yes, we have this technology but it generally does not meet our needs or No, we do not have this technology but we would like to have it.

^cDo not want technology includes response: (5) No, we do not have this technology and do not want it.

Appendix II: Results from Survey of CDFI and MDI Officials

Table 5: Information on Responses to Question 3 (“Which of the following statements best describes your institution’s usage of each of the following technologies for your administrative or business functions?”)

Technology	Responses	Estimated percentage of all institutions	Margin of error: +/- percentage points	Estimated percentage of small institutions	Margin of error: +/- percentage points	Estimated percentage of large institutions	Margin of error: +/- percentage points
Basic computer infrastructure (e.g., desktop computers, monitors, printers, etc.)	Generally meets needs ^a	95	5.0	92	8.2	99	5.8
Basic computer infrastructure (e.g., desktop computers, monitors, printers, etc.)	Generally does not meet needs ^b	5	5.0	8	8.2	1	5.8
Basic computer infrastructure (e.g., desktop computers, monitors, printers, etc.)	Do not want technology ^c	0	1.6	0	2.8	0	3.6
Basic computer infrastructure (e.g., desktop computers, monitors, printers, etc.)	Do not know	0	1.6	0	2.8	0	3.6
File storage/sharing (e.g. document management systems, cloud storage, peer-to-peer)	Generally meets needs ^a	84	6.6	82	9.7	86	9.5
File storage/sharing (e.g. document management systems, cloud storage, peer-to-peer)	Generally does not meet needs ^b	16	6.6	18	9.7	14	9.5
File storage/sharing (e.g. document management systems, cloud storage, peer-to-peer)	Do not want technology ^c	0	1.6	0	2.9	0	3.6
File storage/sharing (e.g. document management systems, cloud storage, peer-to-peer)	Do not know	0	1.6	0	2.9	0	3.6
Telework applications (e.g. video conferencing hardware and software)	Generally meets needs ^a	76	6.1	72	9.7	81	10.2

Appendix II: Results from Survey of CDFI and MDI Officials

Technology	Responses	Estimated percentage of all institutions	Margin of error: +/- percentage points	Estimated percentage of small institutions	Margin of error: +/- percentage points	Estimated percentage of large institutions	Margin of error: +/- percentage points
Telework applications (e.g. video conferencing hardware and software)	Generally does not meet needs ^b	19	6.6	21	9.7	16	9.8
Telework applications (e.g. video conferencing hardware and software)	Do not want technology ^c	2	3.6	2	6.2	2	5.9
Telework applications (e.g. video conferencing hardware and software)	Do not know	3	4.7	5	7.9	1	5.8
Core banking platform	Generally meets needs ^a	76	5.4	64	8.5	93	8.0
Core banking platform	Generally does not meet needs ^b	13	5.8	19	9.2	6	7.5
Core banking platform	Do not want technology ^c	6	4.4	9	7.2	1	5.6
Core banking platform	Do not know	5	4.3	9	7.2	0	3.6
Automated reports and dashboards	Generally meets needs ^a	65	7.1	59	9.8	75	11.0
Automated reports and dashboards	Generally does not meet needs ^b	32	7.0	38	9.7	24	11.0
Automated reports and dashboards	Do not want technology ^c	1	3.0	2	4.9	1	5.6
Automated reports and dashboards	Do not know	1	2.8	2	4.9	0	3.6
Business analytics software	Generally meets needs ^a	36	7.2	30	9.2	46	11.5
Business analytics software	Generally does not meet needs ^b	52	7.7	54	10.2	49	11.5
Business analytics software	Do not want technology ^c	7	5.4	12	8.8	0	3.6
Business analytics software	Do not know	4	4.5	4	7.1	5	7.6
Accounting software	Generally meets needs ^a	76	6.4	76	10.0	77	10.9
Accounting software	Generally does not meet needs ^b	20	6.9	21	9.8	18	10.2

Appendix II: Results from Survey of CDFI and MDI Officials

Technology	Responses	Estimated percentage of all institutions	Margin of error: +/- percentage points	Estimated percentage of small institutions	Margin of error: +/- percentage points	Estimated percentage of large institutions	Margin of error: +/- percentage points
Accounting software	Do not want technology ^c	3	4.0	3	6.4	3	6.5
Accounting software	Do not know	1	2.8	0	2.8	3	6.4
Human resources management software	Generally meets needs ^a	41	7.1	28	10.2	60	11.1
Human resources management software	Generally does not meet needs ^b	42	7.3	50	10.1	30	11.4
Human resources management software	Do not want technology ^c	11	5.9	16	9.3	4	6.9
Human resources management software	Do not know	6	4.5	5	6.3	7	8.4

Source: GAO analysis of community development financial institution and minority depository institution officials' survey results. | GAO-24-106226

Notes: The estimated percentages are rounded to the nearest whole number. The margin of error percentage points are rounded to the nearest tenth of a percentage point.

^aGenerally meets needs includes responses: (1 or 2) Yes, we have this technology and it meets our needs or it generally meets our needs but it can be improved to better meet our needs.

^bGenerally does not meet needs includes responses: (3 or 4) Yes, we have this technology but it generally does not meet our needs or No, we do not have this technology but we would like to have it.

^cDo not want technology includes response: (5) No, we do not have this technology and do not want it.

Table 6: Information on Responses to Question 4 (“Does your institution have the technology it needs to best comply with reporting and regulatory requirements?”)

Responses	Estimated percentage of all institutions	Margin of error: +/- percentage points	Estimated percentage of small institutions	Margin of error: +/- percentage points	Estimated percentage of large institutions	Margin of error: +/- percentage points
Yes	82	6.3	84	8.6	80	11.3
No	18	6.3	16	8.6	20	11.3

Source: GAO analysis of community development financial institution and minority depository institution officials' survey results. | GAO-24-106226

Appendix II: Results from Survey of CDFI and MDI Officials

Table 7: Information on Responses to Question 5 (“Does your institution have the resources, such as technology and staff expertise, needed to ensure cybersecurity and protect personal information?”)

Responses	Estimated percentage of all institutions	Margin of error: +/- percentage points	Estimated percentage of small institutions	Margin of error: +/- percentage points	Estimated percentage of large institutions	Margin of error: +/- percentage points
Yes, we have the resources to address evolving cybersecurity-related threats.	25	6.6	19	9.6	33	12.4
Yes, we have taken steps to ensure cybersecurity but additional resources would help us address evolving threats.	67	7.1	69	9.1	64	11.3
No, we do not have sufficient resources to identify and address cybersecurity threats	7	5.0	11	7.9	2	6.5

Source: GAO analysis of community development financial institution and minority depository institution officials’ survey results. | GAO-24-106226

Note: The sum of the estimated percentages for each group will not add up to 100 percent. These results do not include the institutions from the sample that provided open-ended responses.

Table 8: Information on Responses to Question 6 (“When your institution has needed to acquire new technology, how frequently have the following resource issues prevented your institution from acquiring new technology?”)

Resource issue	Responses	Estimated percentage of all institutions	Margin of error: +/- percentage points	Estimated percentage of small institutions	Margin of error: +/- percentage points	Estimated percentage of large institutions	Margin of error: +/- percentage points
Initial cost of technology	Has never prevented acquiring new technology	8	5.6	9	7.9	6	9.9
Initial cost of technology	Has sometimes prevented acquiring new technology	46	7.5	38	10.0	58	11.1
Initial cost of technology	Has frequently prevented acquiring new technology	37	7.1	42	9.8	30	11.2
Initial cost of technology	Has always prevented acquiring new technology	8	5.7	10	8.8	5	7.7

Appendix II: Results from Survey of CDFI and MDI Officials

Resource issue	Responses	Estimated percentage of all institutions	Margin of error: +/- percentage points	Estimated percentage of small institutions	Margin of error: +/- percentage points	Estimated percentage of large institutions	Margin of error: +/- percentage points
Initial cost of technology	Do not know	1	2.8	1	4.6	1	5.6
Ongoing cost of technology	Has never prevented acquiring new technology	10	5.5	11	7.7	8	9.6
Ongoing cost of technology	Has sometimes prevented acquiring new technology	47	7.6	38	10.0	60	11.1
Ongoing cost of technology	Has frequently prevented acquiring new technology	37	7.2	44	10.1	26	10.9
Ongoing cost of technology	Has always prevented acquiring new technology	7	5.2	8	8.0	5	7.8
Ongoing cost of technology	Do not know	0	2.6	0	2.9	1	5.6
Cost of training for staff	Has never prevented acquiring new technology	26	6.8	23	10.3	31	12.2
Cost of training for staff	Has sometimes prevented acquiring new technology	43	7.5	40	9.8	46	11.5
Cost of training for staff	Has frequently prevented acquiring new technology	25	6.3	28	8.6	21	10.7
Cost of training for staff	Has always prevented acquiring new technology	5	5.4	8	8.7	2	7.2
Cost of training for staff	Do not know	1	2.5	1	4.3	0	3.6
Staff capacity to implement technology	Has never prevented acquiring new technology	15	6.3	13	9.1	16	9.9

Appendix II: Results from Survey of CDFI and MDI Officials

Resource issue	Responses	Estimated percentage of all institutions	Margin of error: +/- percentage points	Estimated percentage of small institutions	Margin of error: +/- percentage points	Estimated percentage of large institutions	Margin of error: +/- percentage points
Staff capacity to implement technology	Has sometimes prevented acquiring new technology	45	7.3	42	9.3	50	11.6
Staff capacity to implement technology	Has frequently prevented acquiring new technology	28	6.4	29	8.3	28	11.5
Staff capacity to implement technology	Has always prevented acquiring new technology	10	6.0	14	9.4	5	7.1
Staff capacity to implement technology	Do not know	2	4.2	2	7.3	1	5.6
Limited internet access at your institution	Has never prevented acquiring new technology	71	6.8	64	9.7	80	10.4
Limited internet access at your institution	Has sometimes prevented acquiring new technology	23	6.3	28	10.2	15	9.9
Limited internet access at your institution	Has frequently prevented acquiring new technology	4	4.3	5	7.1	3	6.4
Limited internet access at your institution	Has always prevented acquiring new technology	3	4.4	3	7.0	2	6.8
Limited internet access at your institution	Do not know	0	1.6	0	2.9	0	3.7
Time to acquire (including time to research acquisition)	Has never prevented acquiring new technology	20	6.9	19	9.2	21	11.4
Time to acquire (including time to research acquisition)	Has sometimes prevented acquiring new technology	50	7.4	44	9.6	59	11.3
Time to acquire (including time to research acquisition)	Has frequently prevented acquiring new technology	21	6.9	25	9.8	14	10.0

Appendix II: Results from Survey of CDFI and MDI Officials

Resource issue	Responses	Estimated percentage of all institutions	Margin of error: +/- percentage points	Estimated percentage of small institutions	Margin of error: +/- percentage points	Estimated percentage of large institutions	Margin of error: +/- percentage points
Time to acquire (including time to research acquisition)	Has always prevented acquiring new technology	6	5.5	8	8.8	4	6.9
Time to acquire (including time to research acquisition)	Do not know	3	4.2	4	7.2	2	5.9

Source: GAO analysis of community development financial institution and minority depository institution officials' survey results. | GAO-24-106226

Table 9: Information on Responses to Question 7 (“When your institution has needed to acquire new technology, how frequently have any following implementation issues been a challenge?”)

Implementation issue	Responses	Estimated percentage of all institutions	Margin of error: +/- percentage points	Estimated percentage of small institutions	Margin of error: +/- percentage points	Estimated percentage of large institutions	Margin of error: +/- percentage points
Available technology does not meet specific needs	Has never prevented acquiring new technology	23	6.1	31	8.9	12	10.4
Available technology does not meet specific needs	Has sometimes prevented acquiring new technology	58	7.2	53	9.4	65	11.1
Available technology does not meet specific needs	Has frequently prevented acquiring new technology	17	6.2	16	8.6	18	10.2
Available technology does not meet specific needs	Has always prevented acquiring new technology	2	3.4	1	4.6	3	8.0
Available technology does not meet specific needs	Do not know	1	2.8	0	2.9	2	6.7
Challenges with working with technology vendors	Has never prevented acquiring new technology	21	6.7	30	8.9	9	8.4
Challenges with working with technology vendors	Has sometimes prevented acquiring new technology	49	7.5	45	9.9	56	11.2

Appendix II: Results from Survey of CDFI and MDI Officials

Implementation issue	Responses	Estimated percentage of all institutions	Margin of error: +/- percentage points	Estimated percentage of small institutions	Margin of error: +/- percentage points	Estimated percentage of large institutions	Margin of error: +/- percentage points
Challenges with working with technology vendors	Has frequently prevented acquiring new technology	27	6.6	23	9.8	32	10.4
Challenges with working with technology vendors	Has always prevented acquiring new technology	2	3.1	1	4.6	3	6.9
Challenges with working with technology vendors	Do not know	1	2.7	1	4.6	1	5.6
Customer capacity to interact with technology	Has never prevented acquiring new technology	22	7.2	22	9.9	21	11.5
Customer capacity to interact with technology	Has sometimes prevented acquiring new technology	52	7.6	49	10.2	55	11.5
Customer capacity to interact with technology	Has frequently prevented acquiring new technology	21	7.0	23	9.8	18	10.7
Customer capacity to interact with technology	Has always prevented acquiring new technology	2	3.1	2	4.8	2	7.2
Customer capacity to interact with technology	Do not know	4	4.4	4	7.1	4	6.9
Incompatibility with current hardware	Has never prevented acquiring new technology	29	6.5	30	8.6	28	11.3
Incompatibility with current hardware	Has sometimes prevented acquiring new technology	50	7.4	46	9.7	55	11.4
Incompatibility with current hardware	Has frequently prevented acquiring new technology	13	6.2	14	9.1	12	9.3
Incompatibility with current hardware	Has always prevented acquiring new technology	1	3.0	2	5.2	0	3.6

Appendix II: Results from Survey of CDFI and MDI Officials

Implementation issue	Responses	Estimated percentage of all institutions	Margin of error: +/- percentage points	Estimated percentage of small institutions	Margin of error: +/- percentage points	Estimated percentage of large institutions	Margin of error: +/- percentage points
Incompatibility with current hardware	Do not know	6	5.4	7	8.4	4	7.6
Incompatibility with current software	Has never prevented acquiring new technology	21	6.8	22	9.3	21	10.8
Incompatibility with current software	Has sometimes prevented acquiring new technology	54	7.4	53	9.8	55	11.4
Incompatibility with current software	Has frequently prevented acquiring new technology	18	6.7	17	9.4	21	10.7
Incompatibility with current software	Has always prevented acquiring new technology	1	3.0	2	5.2	0	3.6
Incompatibility with current software	Do not know	5	5.3	7	8.2	3	7.8
Increased cybersecurity risks	Has never prevented acquiring new technology	26	6.4	26	9.9	25	10.9
Increased cybersecurity risks	Has sometimes prevented acquiring new technology	47	7.4	37	9.7	62	11.0
Increased cybersecurity risks	Has frequently prevented acquiring new technology	18	6.6	23	9.8	10	9.0
Increased cybersecurity risks	Has always prevented acquiring new technology	5	4.6	6	7.3	2	6.6
Increased cybersecurity risks	Do not know	5	4.6	7	7.5	1	5.6

Source: GAO analysis of community development financial institution and minority depository institution officials' survey results. | GAO-24-106226

Appendix II: Results from Survey of CDFI and MDI Officials

Table 10: Information on Responses to Question 8 (“Has your institution received training related to technology or cybersecurity from any of the following groups?”), Multiple Options Available to Select

Group	Estimated percentage of all institutions	Margin of error: +/- percentage points	Estimated percentage of small institutions	Margin of error: +/- percentage points	Estimated percentage of large institutions	Margin of error: +/- percentage points
CDFI Fund	13	7.0	15	9.7	11	11.7
Federal banking regulators	33	6.8	25	9.9	45	11.1
Other federal agency	44	14.1	46	18.7	39	26.1
Other financial institution	18	7.3	21	10.6	13	10.9
Technology company	68	6.9	57	10.0	84	10.1
Nonprofit or industry association	47	7.6	44	10.0	52	11.7

Source: GAO analysis of community development financial institution and minority depository institution officials' survey results. | GAO-24-106226

Table 11: Information on Responses to Question 9 (“Has your institution received financial or in-kind support for technology or cybersecurity from any of the following groups?”), Multiple Options Available to Select

Group	Estimated percentage of all institutions	Margin of error: +/- percentage points	Estimated percentage of small institutions	Margin of error: +/- percentage points	Estimated percentage of large institutions	Margin of error: +/- percentage points
CDFI Fund	24	6.4	22	9.5	27	11.9
Federal banking regulators	10	6.1	9	8.2	12	10.9
Other federal agency	14	13.4	18	17.8	5	22.6
Other financial institution	16	7.1	23	10.5	7	10.7
Technology company	19	7.1	17	9.8	21	11.5
Nonprofit or industry association	24	6.5	30	9.4	15	11.1

Source: GAO analysis of community development financial institution and minority depository institution officials' survey results. | GAO-24-106226

Appendix II: Results from Survey of CDFI and MDI Officials

Table 12: Information on Question 10 (“What type of assistance would best help your institution meet its technology goals?”), Multiple Options Available to Select

Assistance type	Estimated percentage of all institutions	Margin of error: +/- percentage points	Estimated percentage of small institutions	Margin of error: +/- percentage points	Estimated percentage of large institutions	Margin of error: +/- percentage points
General financial assistance	62	7.4	66	9.7	56	11.5
Financial assistance for specific technology-related needs, such as technology acquisition, installation and setup, software	76	6.5	80	9.8	71	12.0
Technical assistance or training for specific technology-related needs	63	7.4	68	9.5	55	11.6
None of the above	5	4.5	3	5.5	7	10.7

Source: GAO analysis of community development financial institution and minority depository institution officials’ survey results. | GAO-24-106226

Table 13: Information on Question 11 (“What types of lending or investing does your institution currently do?”), Multiple Options Available to Select

Lending or investing type	Estimated percentage of all institutions	Margin of error: +/- percentage points	Estimated percentage of small institutions	Margin of error: +/- percentage points	Estimated percentage of large institutions	Margin of error: +/- percentage points
Small business and/or nonprofit lending	65	5.9	54	8.2	81	10.3
Consumer lending (e.g., auto loans, personal loans, payday loans)	78	3.9	72	6.1	88	9.1
Credit cards	35	6.8	22	9.8	54	11.2
Real estate lending (single-family residential)	63	5.8	43	9.4	91	8.3
Real estate lending (multifamily and/or affordable)	54	6.0	29	8.6	88	9.0
Real estate lending (commercial)	56	6.1	36	8.8	84	9.8
Intermediary lending to other CDFIs or MDIs	14	6.0	10	7.8	19	11.5
Equity investing	8	5.1	7	7.1	10	9.3

Source: GAO analysis of community development financial institution and minority depository institution officials’ survey results. | GAO-24-106226

Appendix II: Results from Survey of CDFI and MDI Officials

Table 14: Range of Number of Full-Time Equivalent (FTE) Employees, Paid or Volunteer, as of December 31, 2022 (Percentage of Institutions) (Question 12)

Number of FTE employees	Estimated percentage of all institutions	Margin of error: +/- percentage points	Estimated percentage of small institutions	Margin of error: +/- percentage points	Estimated percentage of large institutions	Margin of error: +/- percentage points
5 or Fewer	25	5.8	43	9.3	0	3.6
6-10	9	5.1	15	8.5	0	3.6
11-20	10	5.3	15	8.4	3	6.4
21-30	7	5.0	7	7.3	6	7.7
More than 30	46	5.3	17	8.7	89	8.9
Don't know	3	3.5	3	6.0	2	5.8

Source: GAO analysis of community development financial institution and minority depository institution officials' survey results. | GAO-24-106226

Table 15: Range of Number of Locations or Branches, as of December 31, 2022 (Percentage of Institutions) (Question 13)

Number of locations or branches	Estimated percentage of all institutions	Margin of error: +/- percentage points	Estimated percentage of small institutions	Margin of error: +/- percentage points	Estimated percentage of large institutions	Margin of error: +/- percentage points
1	46	5.7	71	8.1	9	8.5
2-5	29	6.5	22	9.3	40	10.9
6-10	13	5.7	4	6.1	25	11.2
More than 10	12	6.1	2	5.0	26	13.2
Don't know	1	2.5	1	4.4	0	3.6

Source: GAO analysis of community development financial institution and minority depository institution officials' survey results. | GAO-24-106226

Appendix III: Comments from the Community Development Financial Institutions Fund

**Appendix III: Comments from the Community
Development Financial Institutions Fund**



COMMUNITY DEVELOPMENT
FINANCIAL INSTITUTIONS FUND

DEPARTMENT OF THE TREASURY
WASHINGTON, D.C. 20220

March 18, 2024

Daniel Garcia- Diaz
Managing Director
Financial Markets and Community Investment
U.S. Government Accountability Office
441 G St. N.W.
Washington, D.C. 20548

Dear Mr. Daniel Garcia- Diaz:

I write regarding the Government Accountability Office's (GAO) draft report entitled *Additional Training Could Help Small Lenders Implement Technology* (Draft Report). The Community Development Financial Institutions Fund (CDFI Fund) appreciates GAO's efforts to study the technology needs of Community Development Financial Institutions (CDFIs) and Minority Depository Institutions (MDIs).

The Draft Report recommends that the Secretary of the Treasury should ensure that the Director of the CDFI Fund develops training or other materials for improving CDFIs' technology capacity, and it states that these resources should address the specific capacity limitations of, and challenges faced by, CDFIs, particularly smaller institutions. The CDFI Fund is aware of the critical need for resources to build CDFIs' technology capacity and agrees with the goal underlying GAO's recommendation. While the CDFI Fund does not have the resources or expertise to develop training or other materials for improving CDFIs' technology capacity, we have determined that the most effective way for the CDFI Fund to assist in improving CDFIs' technology capacity, particularly for small institutions, is through financial assistance offered in the form of technical assistance grants.

Therefore, the CDFI Fund intends to use funds it receives through the Emergency Capital Investment Program to increase the availability of technical assistance grants through the CDFI and Native American CDFI Assistance (NACA) programs. The CDFI Fund also intends to use these funds to implement a new pilot grant program that will provide funding for CDFIs seeking to improve their technological and cybersecurity systems. This pilot program is in the early planning stages, and information in GAO's report will help inform our strategies to support CDFIs' efforts to improve their technological capacity. Prior to launching the pilot grant program, the CDFI Fund also expects to gather information from CDFIs to determine how to effectively structure the program to meet CDFIs' technology and cybersecurity needs.

**Appendix III: Comments from the Community
Development Financial Institutions Fund**



COMMUNITY DEVELOPMENT
FINANCIAL INSTITUTIONS FUND

DEPARTMENT OF THE TREASURY
WASHINGTON, D.C. 20220

The CDFI Fund appreciates GAO's work and the opportunity to review the Draft Report. If you have any questions, please contact Dietrich Douglas, Legal Counsel of the CDFI Fund, at 202-653-0345 or douglasd@cdfi.treas.gov.

Sincerely,

Marcia Sigal

Marcia Sigal
Deputy Director, Policy & Programs
CDFI Fund

Accessible Text for Appendix III: Comments from the Community Development Financial Institutions Fund

March 18, 2024

Daniel Garcia- Diaz Managing Director
Financial Markets and Community Investment
U.S. Government Accountability Office
441 G St. N.W.

Washington, D.C. 20548

Dear Mr. Daniel Garcia-Diaz:

I write regarding the Government Accountability Office's (GAO) draft report entitled *Additional Training Could Help Small Lenders Implement Technology (Draft Report)*. The Community Development Financial Institutions Fund (CDFI Fund) appreciates GAO's efforts to study the technology needs of Community Development Financial Institutions (CDFIs) and Minority Depository Institutions (MDIs).

The Draft Report recommends that the Secretary of the Treasury should ensure that the Director of the CDFI Fund develops training or other materials for improving CDFIs' technology capacity, and it states that these resources should address the specific capacity limitations of, and challenges faced by, CDFIs, particularly smaller institutions. The CDFI Fund is aware of the critical need for resources to build CDFIs' technology capacity and agrees with the goal underlying GAO's recommendation. While the CDFI Fund does not have the resources or expertise to develop training or other materials for improving CDFIs' technology capacity, we have determined that the most effective way for the CDFI Fund to assist in improving CDFIs' technology capacity, particularly for small institutions, is through financial assistance offered in the form of technical assistance grants.

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that will provide funding for CDFIs seeking to improve their technological and cybersecurity systems. This pilot program is in the early planning stages, and information in GAO's report will help inform our strategies to support CDFIs' efforts to improve their technological capacity. Prior to launching the pilot grant program, the CDFI Fund also expects to gather information from CDFIs to determine how to effectively structure the program to meet CDFIs' technology and cybersecurity needs.

The CDFI Fund appreciates GAO's work and the opportunity to review the Draft Report. If you have any questions, please contact Dietrich Douglas, Legal Counsel of the CDFI Fund, at 202- 653-0345 or douglasd@cdfi.treas.gov.

Sincerely,

Marcia Sigal
Deputy Director, Policy & Programs
CDFI Fund

Appendix IV: Comments from the National Credit Union Administration

**Appendix IV: Comments from the National
Credit Union Administration**



National Credit Union Administration
Office of the Executive Director

March 1, 2024

Michael E. Clements
Director, Financial Markets & Community Investment
U.S. Government Accountability Office
441 G Street NW
Washington, DC 20548

Dear Mr. Clements:

We reviewed GAO's draft report (GAO 24-106226) entitled *Economic Development: Additional Training Could Help Small Lenders Implement Technology*. We have no comments on the draft report. While the report contains no recommendations for the NCUA, we will continue efforts to provide resources and technical assistance for eligible credit unions to improve technology, as well as enhance cybersecurity.

Thank you for the opportunity to review and comment on the draft report.

Sincerely,

A handwritten signature in blue ink that reads "Rendell Jones".

Digitally signed by RENDELL
JONES
Date: 2024.03.01 16:17:02 -05'00'

Rendell Jones
Deputy Executive Director

1775 Duke Street – Alexandria, VA 22314-3428 – 703-518-6300

Accessible Text for Appendix IV: Comments from the National Credit Union Administration

March 1, 2024

Michael E. Clements
Director, Financial Markets & Community Investment
U.S. Government Accountability Office
441 G Street NW
Washington, DC 20548

Dear Mr. Clements:

We reviewed GAO's draft report (GAO 24-106226) entitled Economic Development: Additional Training Could Help Small Lenders Implement Technology. We have no comments on the draft report. While the report contains no recommendations for the NCUA, we will continue efforts to provide resources and technical assistance for eligible credit unions to improve technology, as well as enhance cybersecurity.

Thank you for the opportunity to review and comment on the draft report.

Sincerely,

Digitally signed by RENDELL JONES
Date: 2024.03.01 16:17:02 -05'00'

Rendell Jones
Deputy Executive Director

Appendix V: GAO Contact and Staff Acknowledgments

GAO Contact

Michael E. Clements, (202) 512-8678 or clementsm@gao.gov

Staff Acknowledgments

In addition to the contact above, Winnie Tsen (Assistant Director), Jeremy Anthony (Analyst in Charge), Jim Ashley, Sam Facas, Garrett Hillyer, Jill Lacey, Alberto Lopez, Paulina Maqueda Escamilla, and Marc Molino, made key contributions to this report.

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