

GAO Highlights

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

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.

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

March 2024

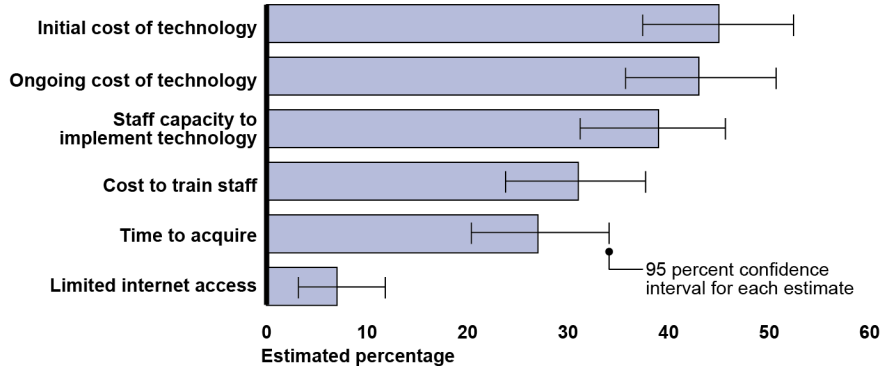
ECONOMIC DEVELOPMENT

Additional Training Could Help Small Lenders Implement Technology

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

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.