

CHAPTER 6 DEVELOPMENT LENDING – TREASURY CDFIS, NEW MARKETS TAX CREDIT CDES, MICROCREDIT LENDERS (SBA) IN APPALACHIA

6.1 SUMMARY

This chapter examines Community Development Financial Institution (CDFI) lending in Appalachia. The chapter looks at the types of CDFIs lending, the number and amount of loans, the types of borrowers, and the loan purpose. This chapter also examines New Market Tax Credit (NMTC) investment in Appalachia, including the number of investments by region and type of county, as well as SBA microlenders.

Major findings regarding CDFIs in Appalachia include:

- There are 71 CDFIs headquartered in the Appalachian Region. However, the vast majority of loans that CDFIs made in Appalachia were made by institutions that did most of their lending outside of Appalachia.
- CDFI lending in Appalachia increased by 88 percent from 2007 through 2010 from \$197 million to \$371 million.
- CDFIs lend in the majority of counties in Appalachia and have increased their targeting of disadvantaged counties. For example, CDFIs increased the amount they lent in the Central subregion by 52 percent between 2007 and 2010, from \$90.6 million to \$137.4 million.¹⁹ CDFIs increased lending in rural counties by over 50 percent, from \$82.3 to \$124.2 million between 2007 and 2010.
- CDFIs issued 4,613 and 4,661 loans in Appalachia during 2007 and 2010, respectively. Of these loans, 1,416 (30.7%) and 2,363(50.7%) were for small businesses in 2007 and 2010, respectively.
- Just considering loans to small businesses, the majority of CDFI dollars for businesses in 2007 and 2010 was directed towards Central Appalachian counties. While less than half, the plurality of dollars CDFIs lent to businesses, went to rural counties not adjacent to metropolitan counties and to distressed counties.
- The percentage of CDFI lending for microenterprise is higher in Appalachia than the nation but was still only 4 percent of the CDFI loan dollars in Appalachia.

The major findings regarding NMTC investments are:

- There are only 12 CDEs located in Appalachia, and they have received a total allocation of \$321 million in credit authority, out of \$30 billion in tax credits allocated through 2010, or 1.1% of the credit authority allocated.
- Forty-seven CDEs have invested at least part of their credit authority in 351 projects in 62 Appalachian counties, an investment of \$706.7 million or about 3.4 percent of the total amount of credit authority invested.

¹⁹ This discussion focuses on the total dollar amount of loans originated, which is one measure of the impact that CDFIs have in Appalachia. That measure shows how much money CDFIs directly added to the economy. Another possible measure is the number of loans made, which shows how many borrowers CDFIs served. Both are good indicators of impact.

- Targeting of disadvantaged counties in Appalachia decreased from 2007 to 2010. For example, funding in Central Appalachia declined from 25 percent of the credits in Appalachia in 2007 to 7 percent by 2010. A similar decrease occurred in rural counties.

CDFI lending in Appalachia increased by 88 percent between 2007 and 2010, with much of that lending in disadvantaged counties. CDFIs made loans in nearly two-thirds of rural counties and counties in Central Appalachia. Businesses received most of the money that CDFIs lent in Appalachia, over 72 percent of the value of loans in 2007 and over 62 percent in 2010. The majority of CDFI lending in Appalachia, however, was by institutions that did most of their lending outside of the region.

The amount of New Markets Tax Credit authority for CDE investments in Appalachia increased by 117 percent between 2007 and 2010, despite a 10 percent decrease nationally over the same period. NMTC investment, however, decreased in rural and distressed counties and in Central Appalachia between those years. Most of the increased investment occurred in Northern Appalachia, in large and small metropolitan counties, and in transitional and competitive counties.

6.2 INTRODUCTION

This section of the report discusses Community Development Financial Institutions (CDFIs) serving Appalachia and shows how CDFI lending changed between 2007 and 2010. CDFIs are financial institutions which have a primary mission of promoting community or economic development and serve a defined population or target area which is underserved by mainstream financial institutions. The Department of the Treasury certifies when a financial institution qualifies as a CDFI. CDFIs lend and make equity investments, provide support services and technical assistance, and they serve both businesses and individuals.

The five basic types of CDFIs are: 1) banks; 2) credit unions; 3) depository institution holding companies; 4) loan funds; and 5) venture funds. In general, banks and credit unions are more likely to lend to individuals, with fewer loans to businesses. Holding companies reflect the activities of their subsidiaries, whether they are banks or credit unions. Loan funds work mostly with businesses, but they also make some loans to individuals. Venture funds tend to make equity investments and work almost exclusively with businesses.

Based on data from the CDFI Fund's Community Investment Impact System (CIIS) dataset,²⁰ CDFIs reporting transaction level data originated 70,704 loans in the total amount of \$4.2 billion in 2007 and 51,241 loans in the total amount of \$5.1 billion in 2010 in the entire nation, as shown in Table 6-1. In 2007, 41 CDFIs reported loans for projects in Appalachia, and 46 reported loans for projects in Appalachia in 2010. The vast majority of loans that CDFIs made in Appalachia, however, were made by institutions that did most of their lending outside of Appalachia. For example, CDFIs with assets of more than \$30 million made 1,980 loans in the total amount of \$205 million in Appalachia in 2010. Those same CDFIs made 6,857 loans overall, with a total value of \$3.1 billion. About 18 percent of the total amount of their overall lending was in Appalachia. Likewise, all CDFIs reporting loans in Appalachia made

²⁰ The CIIS data are from CDFIs that have received funding from the CDFI Fund within the preceding three years. CDFIs receiving funding in 2004, for example, would report in 2005-2007. The CIIS data used in this study, therefore, will include CDFIs that received funding between 2004 and 2009. Because the funding tends to be allocated to relatively more successful CDFIs, the CIIS data should include the CDFIs most active in the region.

22,794 loans overall but just 4,661 loans in Appalachia during 2010. The impact of CDFI lending in Appalachia, therefore, is attributable to CDFIs located both inside and outside the region.

Small CDFIs, with assets of under \$10 million, tend to focus on lending locally, and so CDFIs in that size range that lend in Appalachia have a high percentage of their loans in the region. Mid-size CDFIs that lend in Appalachia, on the other hand, have a much smaller percentage of their business in Appalachia. For example, only 10 percent of the \$248 million in loans made by mid-size CDFIs (in the \$10-30 million size range) that made loans in Appalachia were for projects in Appalachia in 2010. Large CDFIs, with more than \$30 million in assets, make a significantly higher percentage of their loans in Appalachia, both in the number and dollar amount of those loans.

Table 6-1: CDFI Lending, by Asset Size, Nationally and in Appalachia, 2007 and 2010

2007	Asset Range					Total
	Under \$1 Million	\$1 Million to < \$10 Million	\$10 Million to < \$30 Million	\$30 Million or More	Not Reporting Assets	
Number of CDFIs						
All CDFIs	8	50	33	30	5	126
CDFIs lending in Appalachia	0	12	14	12	3	41
Total Number of Loans Closed						
By all CDFIs	181	10,334	15,286	20,146	24,757	70,704
By CDFIs making loans in Appalachia	0	3,576	6,460	13,806	23,336	47,178
Number of loans closed in Appalachia	0	314	249	3,969	81	4,613
Number of loans in Appalachia as a percent of loans made by CDFIs lending in Appalachia	0.0%	8.8%	3.9%	28.7%	0.3%	9.8%
Total Amount of Loans Closed (in \$ millions)						
By all CDFIs	\$3.1	\$212.9	\$645.7	\$2,314.1	\$979.2	\$4,155.0
By CDFIs making loans in Appalachia	\$0.0	\$45.1	\$312.2	\$942.4	\$948.7	\$2,248.3
Amount of loans closed in Appalachia	\$0.0	\$14.0	\$12.9	\$166.8	\$3.2	\$197.0
Amount of loans in Appalachia as a percent of loans made by CDFIs lending in Appalachia	0.0%	31.2%	4.1%	17.7%	0.3%	8.8%
2010						
	\$1 to < \$1 Million	\$1 Million to < \$10 Million	\$10 Million to < \$30 Million	\$30 Million or More	Not Reporting Assets	Total
Number of CDFIs						
All CDFIs	8	58	36	40	31	173
CDFIs lending in Appalachia	1	10	12	13	10	46
Total Number of Loans Closed						
By all CDFIs	206	7,396	12,617	19,585	11,437	51,241
By CDFIs making loans in Appalachia	61	984	6,790	6,857	8,102	22,794
Number of loans closed in Appalachia	61	679	331	1,980	1,610	4,661
Number of loans in Appalachia as a percent of loans made by CDFIs lending in Appalachia	100.0%	69.0%	4.9%	28.9%	19.9%	20.4%
Total Amount of Loans Closed (in \$ millions)						
By all CDFIs	\$3.1	\$293.3	\$622.1	\$3,111.2	\$1,103.8	\$5,133.6
By CDFIs making loans in Appalachia	\$0.3	\$39.9	\$248.2	\$1,140.3	\$837.1	\$2,265.8
Amount of loans closed in Appalachia	\$0.3	\$23.0	\$24.9	\$205.3	\$117.4	\$370.7
Amount of loans in Appalachia as a percent of loans made by CDFIs lending in Appalachia	100.0%	57.5%	10.0%	18.0%	14.0%	16.4%

6.3 DISTRIBUTION OF LOANS

Between 2007 and 2010, CDFIs increased the percentage of counties they serve in the Central and South Central subregions (see Figure 6-1). They also increased the percentage of loans in rural counties (see Figure 6-2) and distressed and at-risk counties to which they made loans (see Figure 6-3). This trend is encouraging and shows the targeting of counties that are underserved by mainstream lenders.²¹ For example, Central Appalachia, which is a subregion relatively underserved by banks, has the highest percentage of counties (82.9 percent) receiving loans by CDFIs in 2010. Likewise, the percentage of rural counties receiving loans from CDFIs increased to 63.3 percent, which was higher than the percentage of counties in small metropolitan counties receiving loans. CDFIs lend in the majority of counties in Appalachia, and in the majority of most classifications of county (see Table 6-2).

²¹ Maps of CDFI lending to businesses are included in Section 6.7.

Figure 6-1: Percent of Counties Receiving Loans by Region

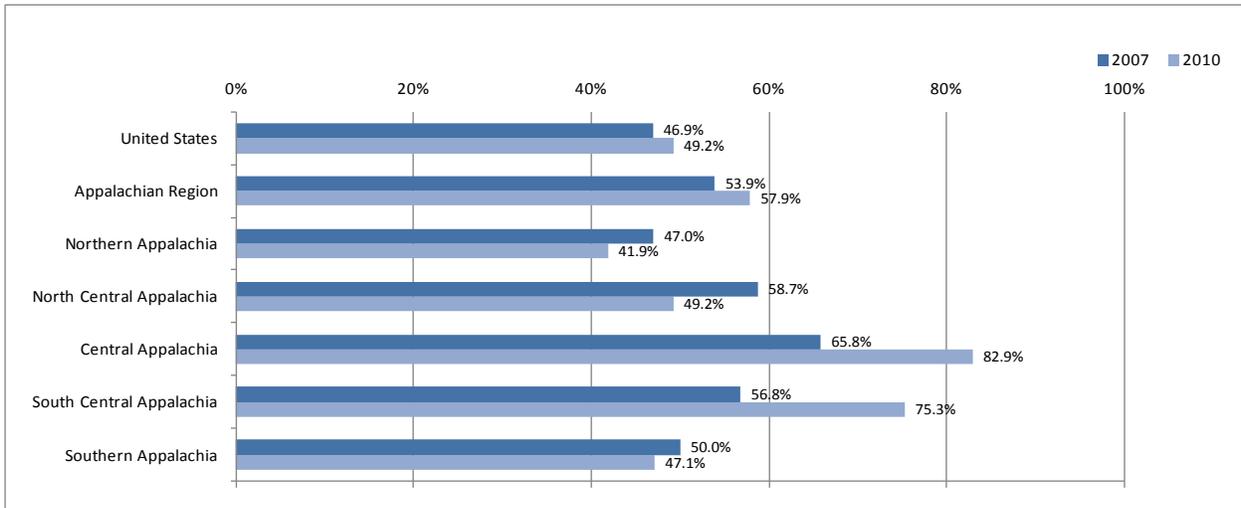


Figure 6-2: Percent of Counties Receiving Loans by County Type

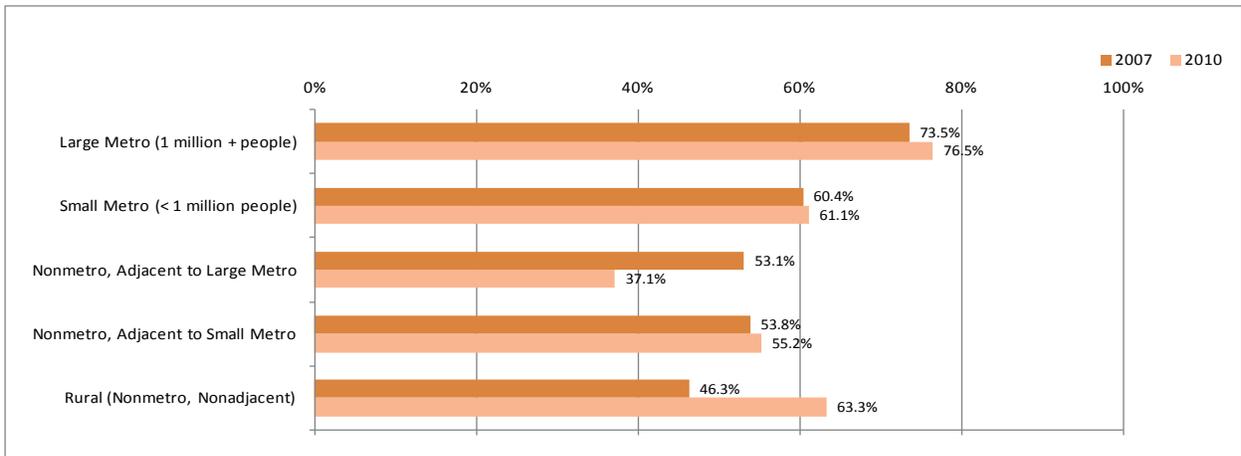


Figure 6-3: Percent of Counties Receiving Loans by Economic Status

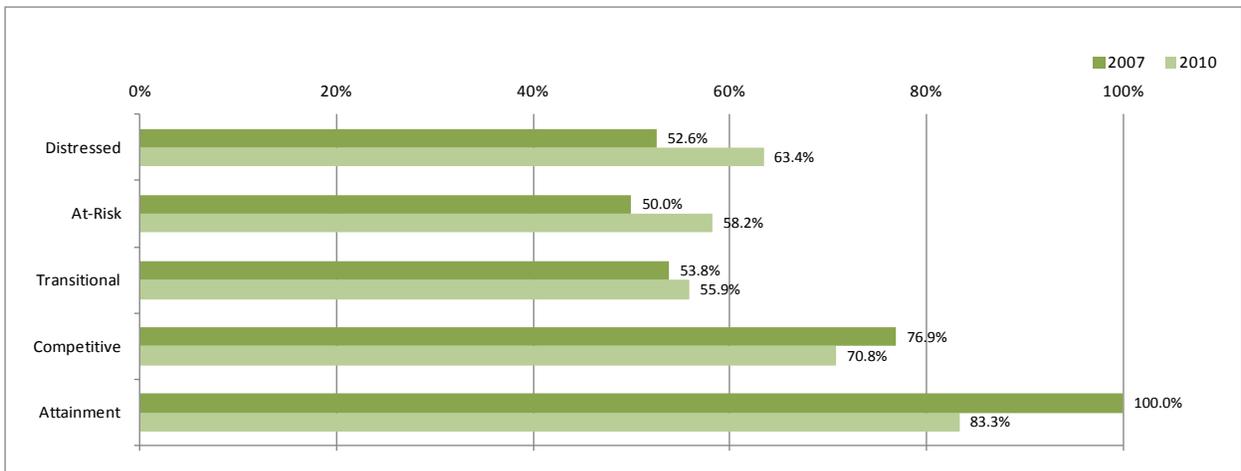


Table 6-2: CDFI Lending by County, 2007 and 2010

	2007			2010		
	Number of Counties	Number Receiving Loans	Percent Receiving Loans	Number of Counties	Number Receiving Loans	Percent Receiving Loans
United States	3,033	1,423	46.9%	3,143	1,547	49.2%
Appalachian Region	410	221	53.9%	420	243	57.9%
Subregions						
Northern Appalachia	83	39	47.0%	86	36	41.9%
North Central Appalachia	63	37	58.7%	63	31	49.2%
Central Appalachia	79	52	65.8%	82	68	82.9%
South Central Appalachia	81	46	56.8%	85	64	75.3%
Southern Appalachia	104	52	50.0%	104	49	47.1%
County Types						
Large Metro (1 million + people)	34	25	73.5%	34	26	76.5%
Small Metro (< 1 million people)	106	64	60.4%	108	66	61.1%
Nonmetro, Adjacent to Large Metro	32	17	53.1%	35	13	37.1%
Nonmetro, Adjacent to Small Metro	130	70	53.8%	134	74	55.2%
Rural (Nonmetro, Nonadjacent)	108	50	46.3%	109	69	63.3%
Economic Status						
Distressed	78	41	52.6%	82	52	63.4%
At-Risk	78	39	50.0%	79	46	58.2%
Transitional	221	119	53.8%	229	128	55.9%
Competitive	26	20	76.9%	24	17	70.8%
Attainment	7	7	100.0%	6	5	83.3%
Alabama	67	23	34.3%	67	16	23.9%
Appalachian Alabama	37	12	32.4%	37	10	27.0%
Non-Appalachian Alabama	30	11	36.7%	30	6	20.0%
Georgia	159	65	40.9%	159	49	30.8%
Appalachian Georgia	37	31	83.8%	37	29	78.4%
Non-Appalachian Georgia	122	34	27.9%	122	20	16.4%
Kentucky	120	48	40.0%	120	87	72.5%
Appalachian Kentucky	51	35	68.6%	54	51	94.4%
Non-Appalachian Kentucky	69	13	18.8%	66	36	54.5%
Maryland	24	13	54.2%	24	12	50.0%
Appalachian Maryland	3	1	33.3%	3	0	0.0%
Non-Appalachian Maryland	21	12	57.1%	21	12	57.1%
Mississippi	82	53	64.6%	82	40	48.8%
Appalachian Mississippi	24	7	29.2%	24	6	25.0%
Non-Appalachian Mississippi	58	46	79.3%	58	34	58.6%
New York	62	55	88.7%	62	52	83.9%
Appalachian New York	14	13	92.9%	14	11	78.6%
Non-Appalachian New York	48	42	87.5%	48	41	85.4%
North Carolina	100	41	41.0%	100	97	97.0%
Appalachian North Carolina	29	13	44.8%	29	29	100.0%
Non-Appalachian North Carolina	71	28	39.4%	71	68	95.8%
Ohio	88	43	48.9%	88	37	42.0%
Appalachian Ohio	29	12	41.4%	32	7	21.9%
Non-Appalachian Ohio	59	31	52.5%	56	30	53.6%
Pennsylvania	67	34	50.7%	67	38	56.7%
Appalachian Pennsylvania	52	20	38.5%	52	23	44.2%
Non-Appalachian Pennsylvania	15	14	93.3%	15	15	100.0%
South Carolina	46	10	21.7%	46	16	34.8%
Appalachian South Carolina	6	2	33.3%	6	4	66.7%
Non-Appalachian South Carolina	40	8	20.0%	40	12	30.0%
Tennessee	95	40	42.1%	95	47	49.5%
Appalachian Tennessee	50	24	48.0%	52	24	46.2%
Non-Appalachian Tennessee	45	16	35.6%	43	23	53.5%
Virginia	95	45	47.4%	95	62	65.3%
Appalachian Virginia	23	16	69.6%	25	19	76.0%
Non-Appalachian Virginia	72	29	40.3%	70	43	61.4%
West Virginia (entire state)	55	35	63.6%	55	30	54.5%

6.4 NUMBERS AND TYPES OF CDFIS WITH HEADQUARTERS IN APPALACHIA

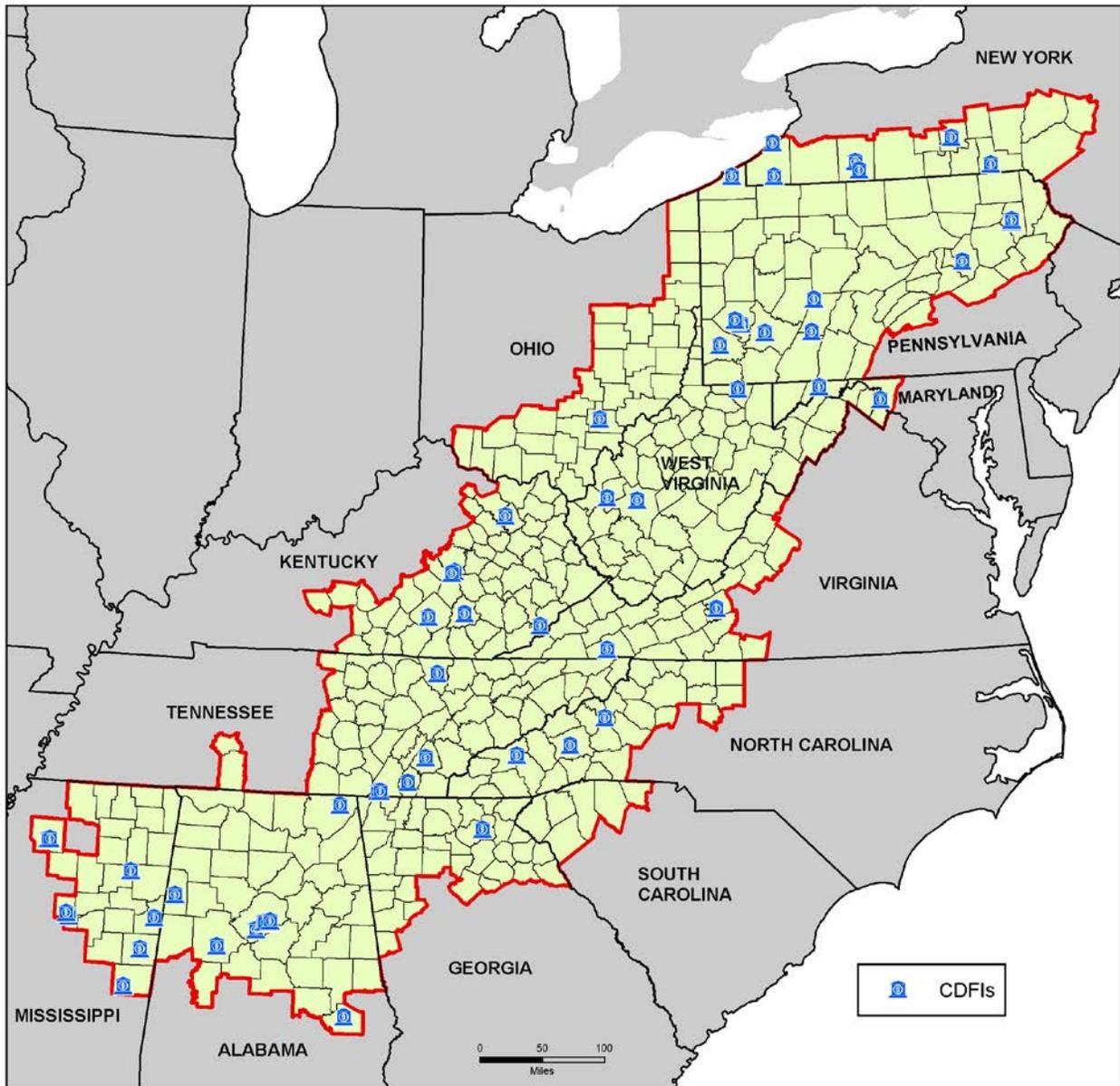
There are 71 CDFIs headquartered in the Appalachian Region. They are located in 43 of the 420 counties in Appalachia. Those CDFIs, however, may also have branches in other counties within Appalachia. In addition, CDFIs headquartered outside of Appalachia may also have branches in Appalachia or provide financial services to people and businesses in Appalachia. Businesses and residents in Appalachia, therefore, almost certainly have access to a CDFI beyond the 43 counties with a CDFI headquarters.

As Table 6-3 shows, most of the CDFIs in Appalachia are loan funds which can lend to businesses or individuals. Loan fund financing of businesses can range from small loans for microenterprises to larger loans for established companies, as well as equity investments. Loan funds can finance real estate development, including single- and multi-family developments, as well as commercial properties and community facilities. They also lend to individuals for home purchase, improvement, and refinance. The next most common type of CDFI in Appalachia is credit unions. Credit unions can offer an array of services to businesses and individuals comparable to those offered by banks. One significant difference between loan funds and credit unions is that the former focus more on lending and investing in businesses, while the latter lend more often to individuals. Venture funds focus almost exclusively on businesses, making both loans and equity investments. There is just one venture fund that is a CDFI in Appalachia.

Southern Appalachia was the subregion with the highest percentage (32.4 percent) of CDFIs in the region. Northern Appalachia had the second highest percentage of CDFIs with 29.6 percent. In contrast, North Central and Central Appalachia had just 7 percent and 14.1 percent of the CDFIs in Appalachia, respectively (see Table 6-3).

While not having the majority of CDFIs, rural, non-metropolitan, and distressed counties still have a sizable percentage of CDFIs. Twenty-seven percent of the Appalachian CDFIs were located in rural counties and 23 percent were located in non-metropolitan counties adjacent to metropolitan counties. When considering economic status of counties, the plurality of CDFIs (47.9 percent) were located in transitional counties. The next highest percentage (19.7 percent) was in distressed counties and competitive counties. Only 12.7 percent of the CDFIs were located in at-risk counties.

Map 6-1: Certified Community Development Financial Institutions in Appalachia, 2010



Map Title: Certified Community Development Financial Institutions in Appalachia, 2010
Source: ARC and National Community Reinvestment Coalition, "Access to Capital and Credit in Appalachia" 2012
Data Source: US Department of Treasury: Certified Community Development Financial Institutions as of 12/31/2010

Figure 6-4: Number of CDFIs by Type in Appalachia

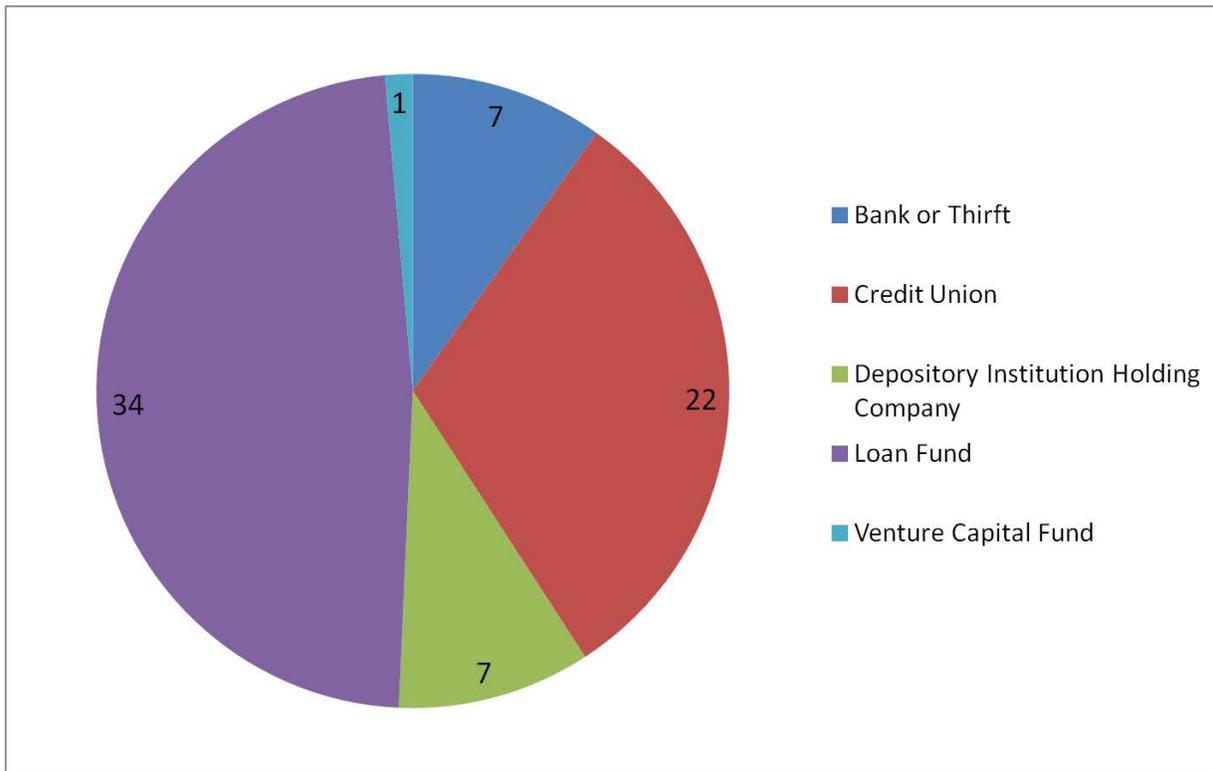


Figure 6-5: Number of CDFIs by Type in the United States

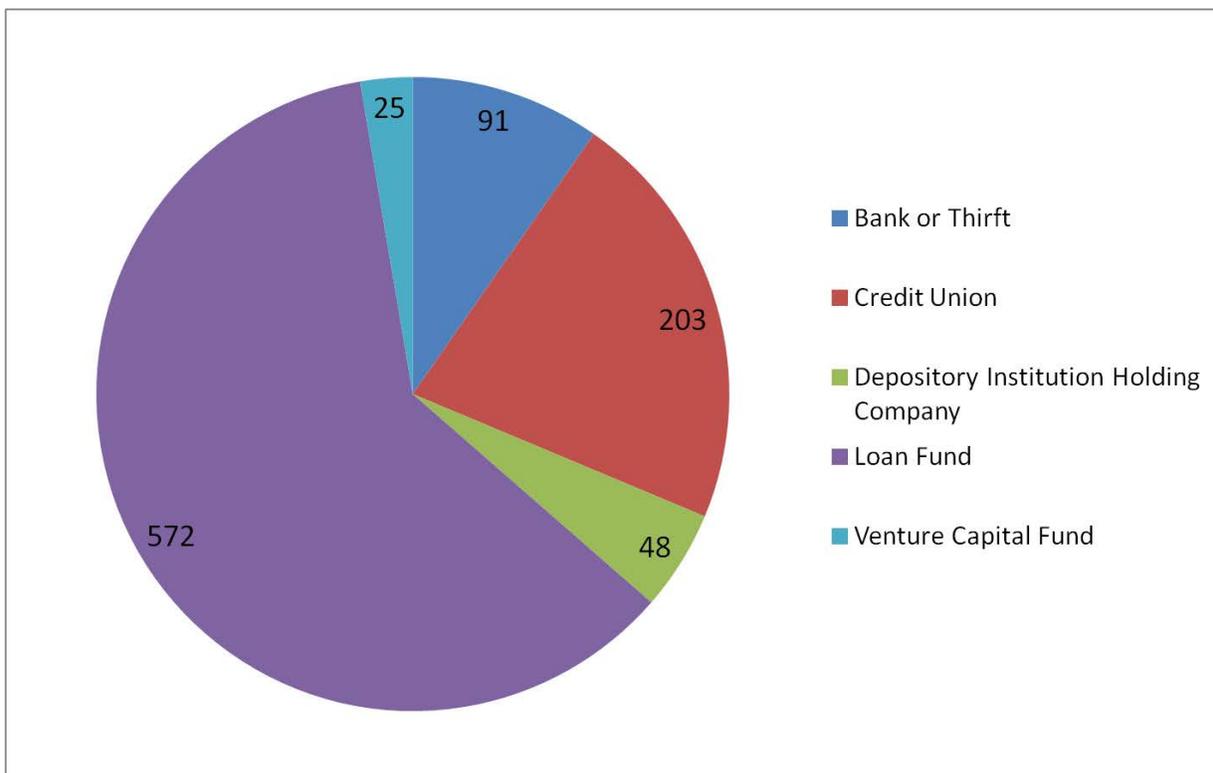


Table 6-3: Certified Community Development Financial Institutions by locations in Appalachia, 2010

CDFIs by types	Bank or Thrift	Credit Union	Depository Institution Holding Company	Loan Fund	Venture Capital Fund	Grand Total		
						Number	Percent (total as US)	Percent (total as Appalachia)
United States	91	203	48	572	25	939	100.0%	-
Appalachian Region	7	22	7	34	1	71	7.6%	100.0%
Subregions								
Northern Appalachia	0	7	0	14	0	21	2.2%	29.6%
North Central Appalachia	0	1	0	4	0	5	0.5%	7.0%
Central Appalachia	0	1	0	8	1	10	1.1%	14.1%
South Central Appalachia	1	3	1	7	0	12	1.3%	16.9%
Southern Appalachia	6	10	6	1	0	23	2.4%	32.4%
County Types								
Large Metros (pop. 1 million +)	0	7	0	6	0	13	1.4%	18.3%
Small Metros (pop. <1 million)	1	8	1	13	0	23	2.4%	32.4%
Nonmetro, Adjacent to Large Metros	1	1	1	1	0	4	0.4%	5.6%
Nonmetro, Adjacent to Small Metros	0	4	0	8	0	12	1.3%	16.9%
Rural (nonmetro, not adj. to a metro)	5	2	5	6	1	19	2.0%	26.8%
Economic Status								
Distressed	5	1	5	3	0	14	1.5%	19.7%
At-Risk	0	2	0	6	1	9	1.0%	12.7%
Transitional	2	12	2	18	0	34	3.6%	47.9%
Competitive	0	7	0	7	0	14	1.5%	19.7%
Attainment	0	0	0	0	0	0	0.0%	0.0%
Alabama	3	15	4	0	0	22	2.3%	-
Appalachian Alabama	1	9	1	0	0	11	1.2%	15.5%
Non-Appalachian Alabama	2	6	3	0	0	11	1.2%	-
Georgia	6	3	2	10	0	21	2.2%	-
Appalachian Georgia	0	0	0	1	0	1	0.1%	1.4%
Non-Appalachian Georgia	6	3	2	9	0	20	2.1%	-
Kentucky	1	1	1	10	1	14	1.5%	-
Appalachian Kentucky	0	1	0	7	1	9	1.0%	12.7%
Non-Appalachian Kentucky	1	0	1	3	0	5	0.5%	-
Maryland	2	1	1	12	1	17	1.8%	-
Appalachian Maryland	0	1	0	0	0	1	0.1%	1.4%
Non-Appalachian Maryland	2	0	1	12	1	16	1.7%	-
Mississippi	12	6	12	6	0	36	3.8%	-
Appalachian Mississippi	5	1	5	0	0	11	1.2%	15.5%
Non-Appalachian Mississippi	7	5	7	6	0	25	2.7%	-
New York	2	19	0	56	2	79	8.4%	-
Appalachian New York	0	4	0	4		8	0.9%	11.3%
Non-Appalachian New York	2	15	0	52	2	71	7.6%	-
North Carolina	1	6	1	10	3	21	2.2%	-
Appalachian North Carolina	0	0	0	4	0	4	0.4%	5.6%
Non-Appalachian North Carolina	1	6	1	6	3	17	1.8%	-
Ohio	0	3	0	21	0	24	2.6%	-
Appalachian Ohio	0	0	0	1	0	1	0.1%	1.4%
Non-Appalachian Ohio	0	3	0	20	0	23	2.4%	-
Pennsylvania	1	6	0	25	1	33	3.5%	-
Appalachian Pennsylvania	0	2	0	10	0	12	1.3%	16.9%
Non-Appalachian Pennsylvania	1	4	0	15	1	21	2.2%	-
South Carolina	2	1	1	5	0	9	1.0%	-
Appalachian South Carolina	0	0	0	0	0	0	0.0%	0.0%
Non-Appalachian South Carolina	2	1	1	5	0	9	1.0%	-
Tennessee	3	3	1	10	0	17	1.8%	-
Appalachian Tennessee	0	3	0	3	0	6	0.6%	8.5%
Non-Appalachian Tennessee	3	0	1	7	0	11	1.2%	-
Virginia	1	6	1	10	0	18	1.9%	-
Appalachian Virginia	1	0	1	1	0	3	0.3%	4.2%
Non-Appalachian Virginia	0	6	0	9	0	15	1.6%	-
West Virginia (entire state)	0	1	0	3	0	4	0.4%	5.6%

Data Source: US Department of Treasury: Certified Community Development Financial Institutions as of 12/31/2010

6.5 CDFI LENDING IN APPALACHIA

CDFIs increased the amount they lent in the Central subregion between 2007 and 2010, from \$90.6 million to \$137.4 million,²² an increase of 52 percent (see Figure 6-6). The amount declined as a percentage of all CDFI lending in Appalachia, however, because of the enormous increase in lending in the South Central subregion, where the dollar amount of loans more than doubled. Central Appalachia, a region not served well by banks, still received the largest percentage of CDFI loan dollars in 2010. CDFIs increased lending in rural counties by over 50 percent, from \$82.3 to \$124.2 million between 2007 and 2010 (see Figure 6-7). That represents a decrease in the percentage of the amount loaned because of the large increase in lending in small metropolitan counties and counties adjacent to metropolitan counties, which more than doubled. Despite the decreased percentage of overall CDFI lending, rural counties still had the second highest percentage of CDFI loan dollars in 2010. Lending increased most in transitional and competitive counties, with smaller, but still substantial increases in both distressed and at-risk counties (see Figure 6-8). In both 2007 and 2010, only a small percentage of the amount CDFIs lend is for projects in attainment counties.

Overall, CDFI lending in Appalachia increased significantly between 2007 and 2010, by 88 percent, from \$197 million to \$371 million, compared with a 24 percent increase in the amount of loans originated nationally, as shown in Table 6-4. The percentage of loans in Appalachia, both in number of loans and value of loans made, increased as a percentage of lending nationally. CDFIs stepped up their activity in Appalachia significantly during the economic downturn, albeit more in terms of dollar amounts than number of loans.

The changes in CDFI lending between 2007 and 2010 reflect the aggregate impact of factors affecting CDFIs and mainstream financial institutions. The overall 24 percent increase in the amount of loans, for example, may be partially attributable to a reduction in lending by mainstream financial institutions following the downturn in the economy. With traditional sources of credit less available, more borrowers may have turned to CDFIs for business and personal loans. Shifts in CDFI lending within the region may also reflect differences in the decrease in lending by mainstream banks, with some regions or types of counties more adversely affected than others. For example, the large increase in CDFI lending in Central Appalachia is consistent with a cutback in mainstream lending in more marginal communities, with CDFIs then stepping in to fill the void. CDFIs clearly target less advantaged counties, and so they may have been well-positioned to service these counties when other sources of credit became less available.

²² This discussion focuses on the total dollar amount of loans originated, which is one measure of the impact that CDFIs have in Appalachia. That measure shows how much money CDFIs directly added to the economy. Another possible measure is the number of loans made, which shows how many borrowers CDFIs served. Both are good indicators of impact.

Figure 6-6: Amount of Loans by Region

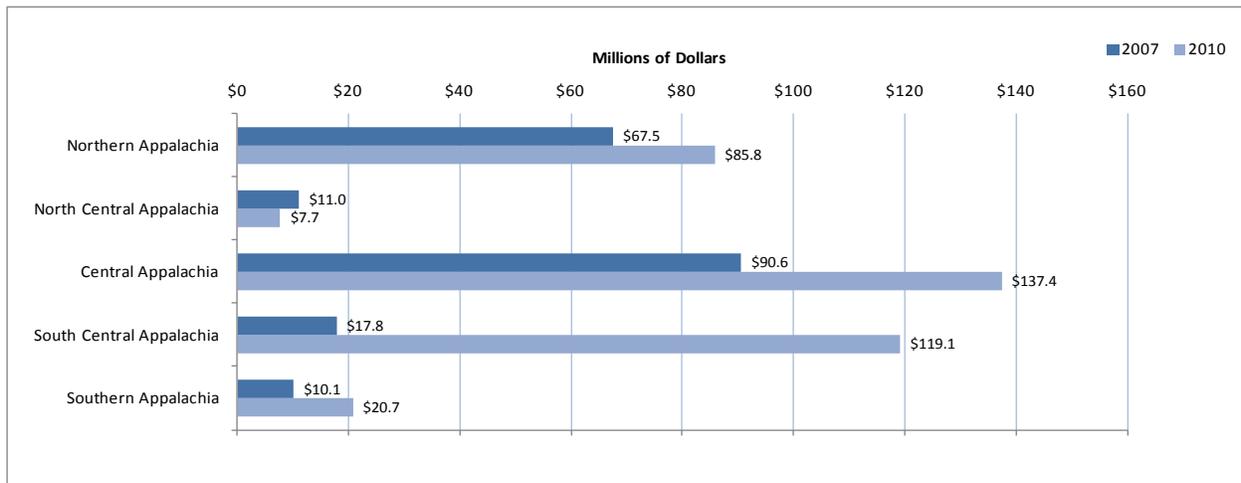


Figure 6-7: Amount of Loans by County Type

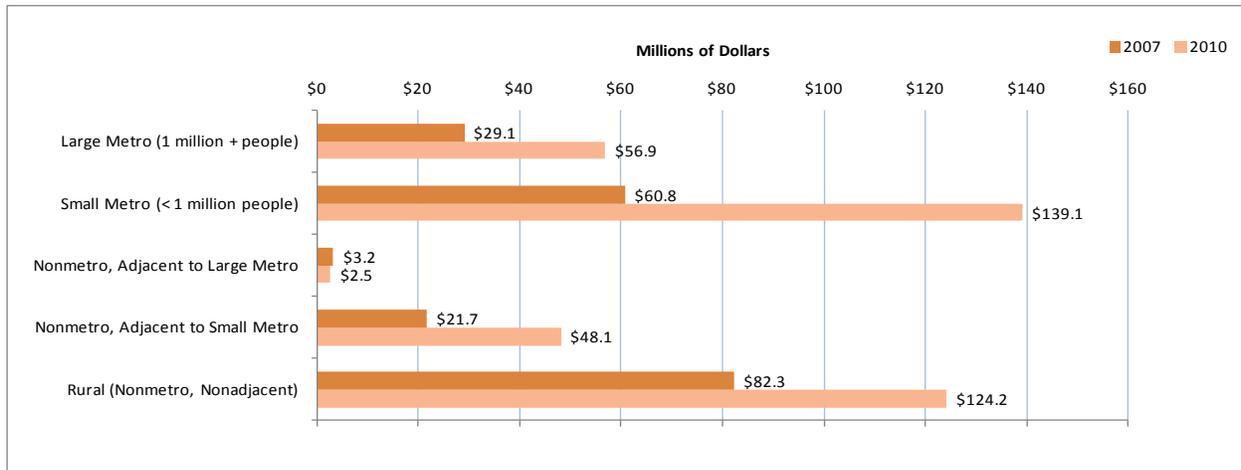


Figure 6-8: Amount of Loans by Economic Status

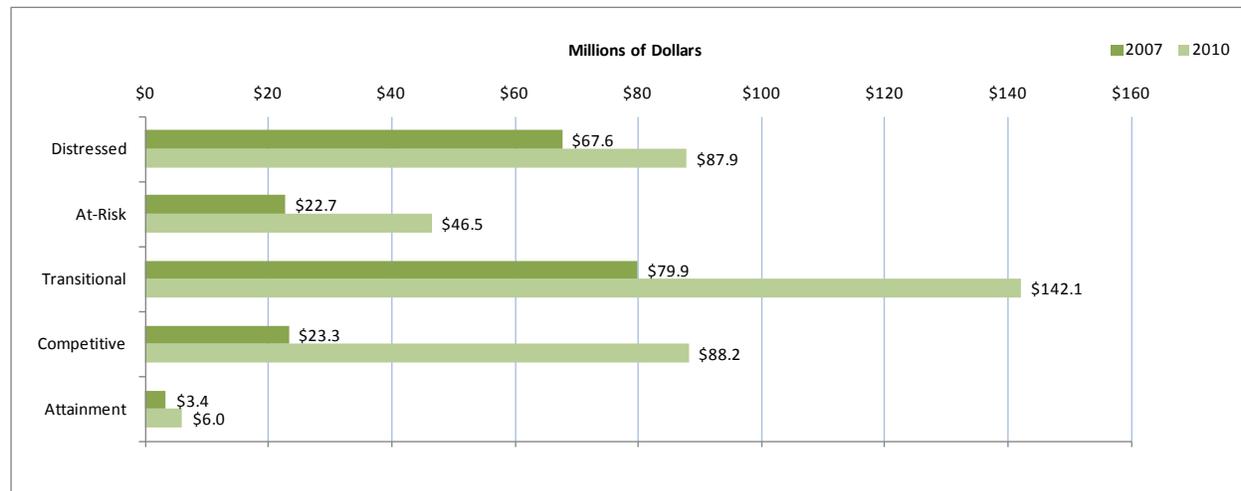


Table 6-4: CDFI Lending in Appalachia, 2007 and 2010

	2007				2010			
	Number	Percent	Amount of Loans (in \$ millions)	Percent	Number	Percent	Amount of Loans (in \$ millions)	Percent
United States	70,704		\$4,155.0		51,241		\$5,133.6	
Appalachian Region	4,613	6.5%	\$197.0	4.7%	4,661	9.1%	\$370.7	7.2%
Subregions								
Northern Appalachia	2,845	61.7%	\$67.5	34.3%	1,296	27.8%	\$85.8	23.1%
North Central Appalachia	128	2.8%	\$11.0	5.6%	98	2.1%	\$7.7	2.1%
Central Appalachia	910	19.7%	\$90.6	46.0%	1,457	31.3%	\$137.4	37.0%
South Central Appalachia	401	8.7%	\$17.8	9.0%	1,560	33.5%	\$119.1	32.1%
Southern Appalachia	329	7.1%	\$10.1	5.1%	250	5.4%	\$20.7	5.6%
County Types								
Large Metro (1 million + people)	361	7.8%	\$29.1	14.7%	508	10.9%	\$56.9	15.3%
Small Metro (< 1 million people)	2,848	61.7%	\$60.8	30.9%	2,114	45.4%	\$139.1	37.5%
Nonmetro, Adjacent to Large Metro	56	1.2%	\$3.2	1.6%	93	2.0%	\$2.5	0.7%
Nonmetro, Adjacent to Small Metro	552	12.0%	\$21.7	11.0%	752	16.1%	\$48.1	13.0%
Rural (Nonmetro, Nonadjacent)	796	17.3%	\$82.3	41.8%	1,194	25.6%	\$124.2	33.5%
Economic Status								
Distressed	651	14.1%	\$67.6	34.3%	955	20.5%	\$87.9	23.7%
At-Risk	252	5.5%	\$22.7	11.5%	441	9.5%	\$46.5	12.5%
Transitional	3,359	72.8%	\$79.9	40.6%	2,304	49.4%	\$142.1	38.3%
Competitive	229	5.0%	\$23.3	11.8%	910	19.5%	\$88.2	23.8%
Attainment	122	2.6%	\$3.4	1.7%	51	1.1%	\$6.0	1.6%
Alabama	85		\$5.6		69		\$9.0	
Appalachian Alabama	56	65.9%	\$3.7	66.1%	58	84.1%	\$8.2	91.5%
Non-Appalachian Alabama	29	34.1%	\$1.9	33.9%	11	15.9%	\$0.8	8.5%
Georgia	636		\$23.1		376		\$25.7	
Appalachian Georgia	255	40.1%	\$5.5	23.7%	173	46.0%	\$11.1	43.3%
Non-Appalachian Georgia	381	59.9%	\$17.7	76.3%	203	54.0%	\$14.6	56.7%
Kentucky	849		\$87.0		2,010		\$146.0	
Appalachian Kentucky	824	97.1%	\$85.4	98.1%	1,276	63.5%	\$132.1	90.5%
Non-Appalachian Kentucky	25	2.9%	\$1.6	1.9%	734	36.5%	\$13.9	9.5%
Maryland	158		\$20.8		199		\$86.9	
Appalachian Maryland	2	1.3%	\$0.0	0.0%	0	0.0%	\$0.0	0.0%
Non-Appalachian Maryland	156	98.7%	\$20.8	100.0%	199	100.0%	\$86.9	100.0%
Mississippi	542		\$26.3		506		\$50.6	
Appalachian Mississippi	14	2.6%	\$0.9	3.3%	14	2.8%	\$0.9	1.9%
Non-Appalachian Mississippi	528	97.4%	\$25.5	96.7%	492	97.2%	\$49.6	98.1%
New York	10,973		\$898.4		6,297		\$497.7	
Appalachian New York	2,642	24.1%	\$39.2	4.4%	892	14.2%	\$39.6	8.0%
Non-Appalachian New York	8,331	75.9%	\$859.2	95.6%	5,405	85.8%	\$458.1	92.0%
North Carolina	780		\$46.6		4,830		\$504.7	
Appalachian North Carolina	38	4.9%	\$1.9	4.2%	1,049	21.7%	\$84.9	16.8%
Non-Appalachian North Carolina	742	95.1%	\$44.6	95.8%	3,781	78.3%	\$419.7	83.2%
Ohio	258		\$112.1		616		\$91.1	
Appalachian Ohio	36	14.0%	\$3.0	2.7%	10	1.6%	\$2.6	2.8%
Non-Appalachian Ohio	222	86.0%	\$109.1	97.3%	606	98.4%	\$88.6	97.2%
Pennsylvania	956		\$179.5		1,114		\$227.5	
Appalachian Pennsylvania	193	20.2%	\$27.0	15.0%	400	35.9%	\$45.6	20.0%
Non-Appalachian Pennsylvania	763	79.8%	\$152.5	85.0%	714	64.1%	\$182.0	80.0%
South Carolina	26		\$2.0		73		\$8.8	
Appalachian South Carolina	4	15.4%	\$0.0	1.9%	5	6.8%	\$0.4	4.8%
Non-Appalachian South Carolina	22	84.6%	\$2.0	98.1%	68	93.2%	\$8.4	95.2%
Tennessee	2,215		\$59.6		2,552		\$69.3	
Appalachian Tennessee	149	6.7%	\$11.1	18.6%	184	7.2%	\$19.9	28.8%
Non-Appalachian Tennessee	2,066	93.3%	\$48.5	81.4%	2,368	92.8%	\$49.3	71.2%
Virginia	777		\$30.4		1,250		\$58.8	
Appalachian Virginia	289	37.2%	\$9.2	30.4%	496	39.7%	\$18.7	31.8%
Non-Appalachian Virginia	488	62.8%	\$21.1	69.6%	754	60.3%	\$40.1	68.2%
West Virginia (entire state)	111		\$10.0		104		\$6.6	

6.6 TYPES OF BORROWERS

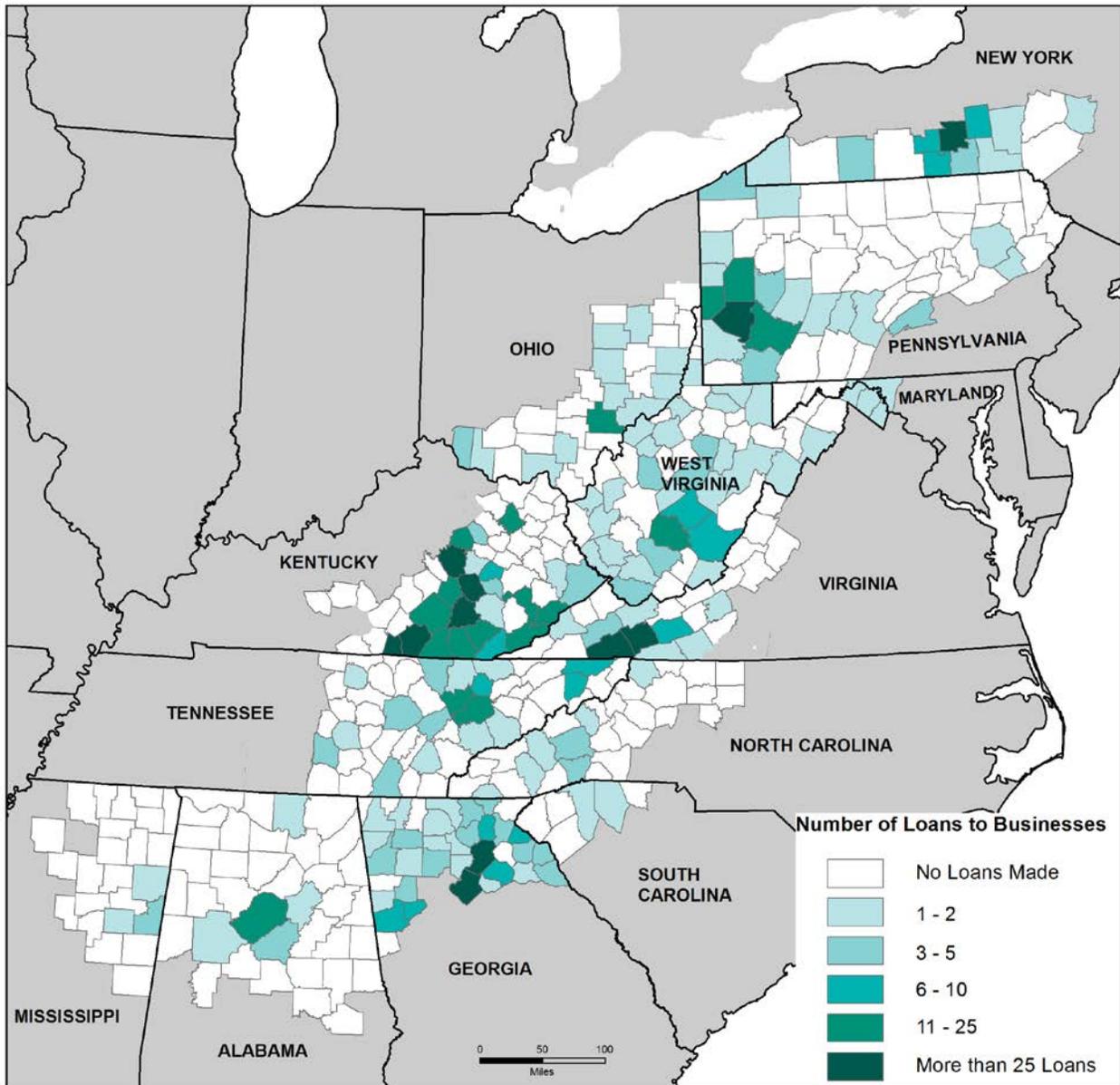
CDFIs have historically made more loans to individuals than to businesses but have loaned more money to businesses than to individuals. CDFIs made loans to businesses in 169 counties in 2007 and in 204 counties in 2010 (see Map 6-2 and Map 6-3). In most counties, however, CDFIs made relatively few loans to businesses in either of those years. CDFIs made more than 5 loans to businesses in only 45 counties in 2007 and in only 76 counties in 2010.

CDFI lending to businesses as a percentage of total amount of loans made declined both nationally and in Appalachia between 2007 and 2010, but declined to a greater degree in Appalachia (see Figure 6-9). The percentage of the total amount loaned that went to businesses in Appalachia dropped from 72 percent in 2007 to 62 percent in 2010. The highest percentage of lending to businesses was in the Southern subregion, where over 97 percent of the amount loaned went to businesses, followed by the Central subregion at over 85 percent business lending. Business lending was over 97 percent of the total amount of CDFI lending in large metropolitan counties, and over 90 percent in rural counties (see Figure 6-10). In all but transitional counties, business lending was over 85 percent of the total amount loaned by CDFIs in 2010 (see Figure 6-11).

CDFIs reporting transaction level data originated 70,704 loans in 2007, 77 percent of which were to individuals or other CDFIs (see Table 6-5). Loans to CDFIs made up less than one percent of the total lending, both in terms of the number of loans and the amount of the loans. Those loans totaled \$4.2 billion, 77 percent of which went to businesses. In Appalachia, the pattern was similar, although loans to businesses constituted a higher percentage of loans made and lower percentage of amount loaned in 2007. The pattern in 2010 was dramatically different, both nationally and in Appalachia, with respect to the number of loans made. Nationally, 46 percent of CDFI loans were to business, and 51 percent of loans in Appalachia were to businesses.

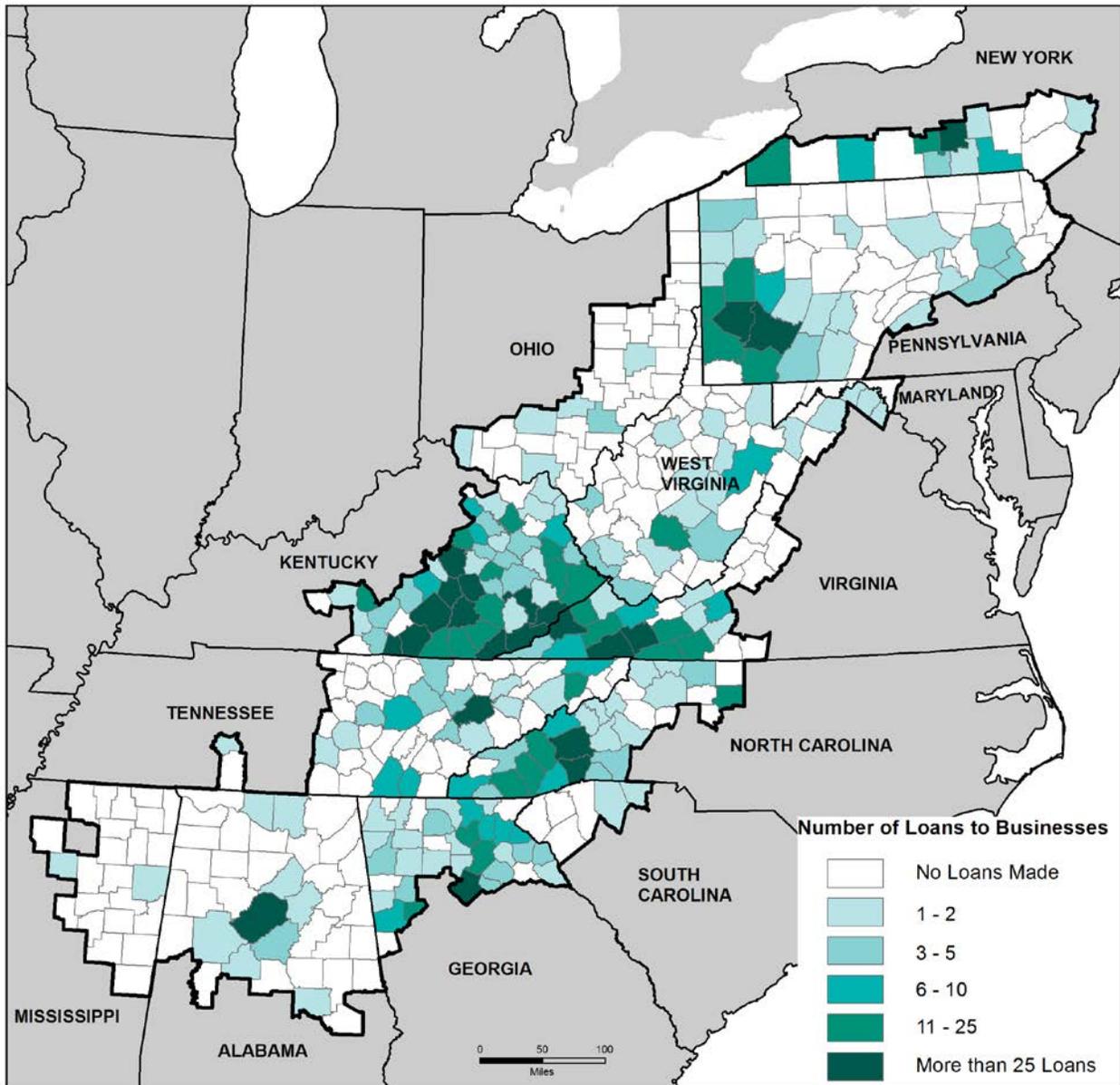
CDFIs were consistent in the types of counties in which they made loans to businesses in both 2007 and 2010. CDFIs loaned more than \$500,000 to businesses in 29 counties in 2007 and in 49 counties in 2010 (see Map 6-4 and Map 6-5). The majority of total lending to businesses in both years went to projects in the Central subregion. While less than half, the plurality of money CDFIs lent to businesses went to rural and distressed counties.

Map 6-2: Number of CDFI Loans to Businesses by County, 2007



Map Title: CDFI Loans Made to Businesses in Appalachian Counties, 2007
Data Source: Program Community Investment Impact System Transaction Level Reports for 2007

Map 6-3: Number of CDFI Loans to Businesses by County, 2010



Map Title: CDFI Loans Made to Businesses in Appalachian Counties, 2010
Data Source: Program Community Investment Impact System Transaction Level Reports for 2010

Figure 6-9: Business Lending as a Percent of Amount Loaned by Region

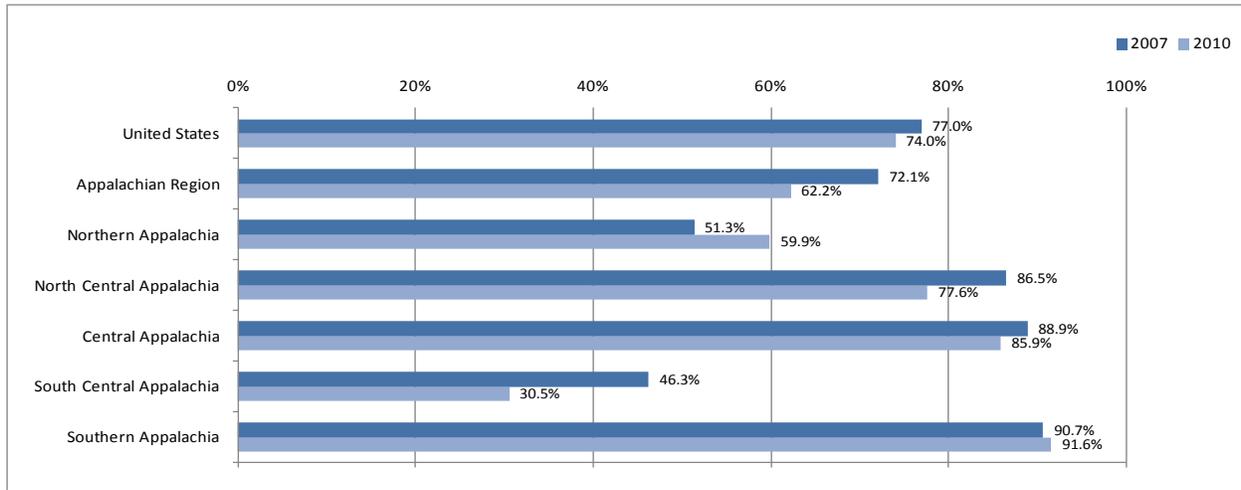


Figure 6-10: Business Lending as a Percent of Amount Loaned by County Type

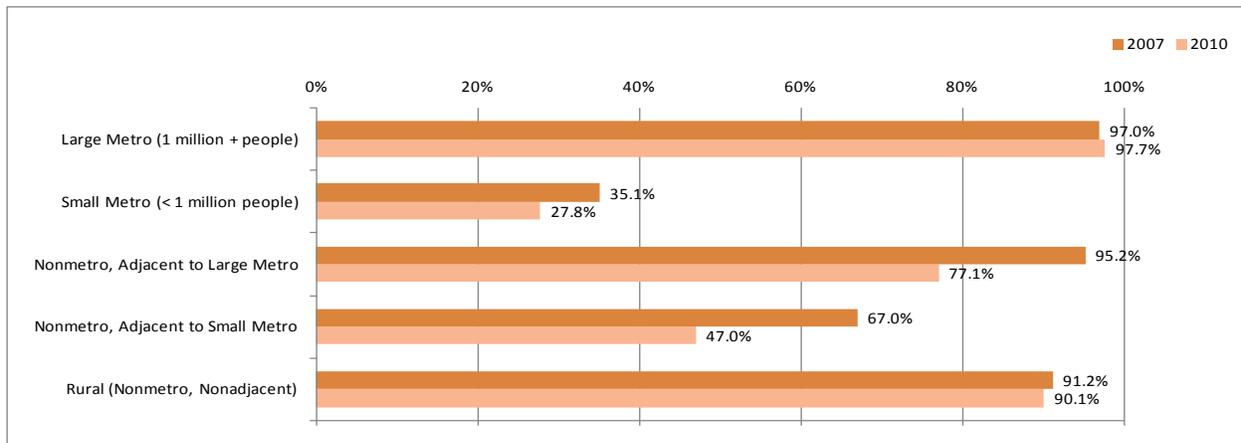


Figure 6-11: Business Lending as a Percent of Amount Loaned by Economic Status

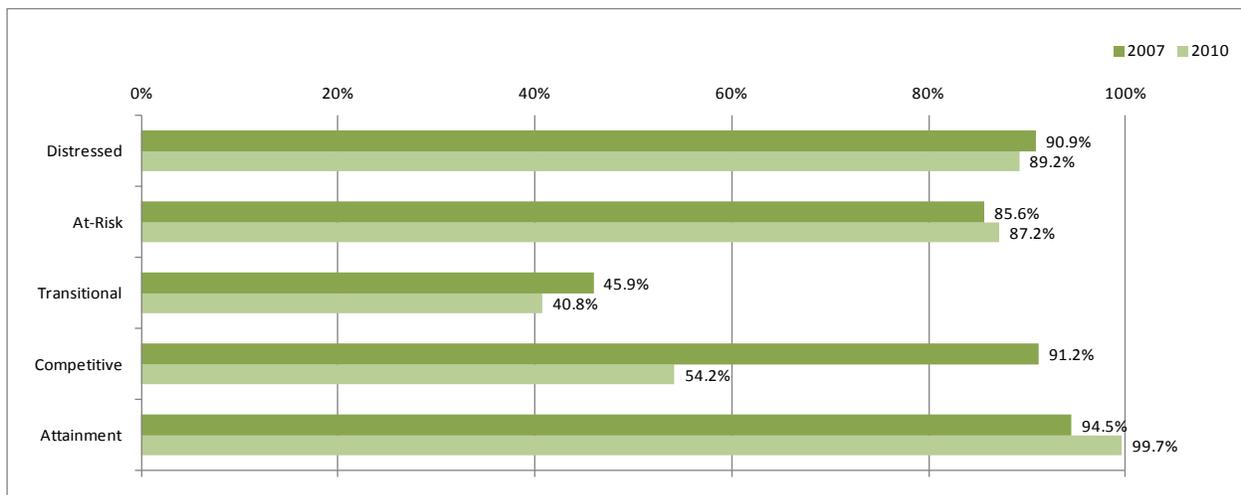
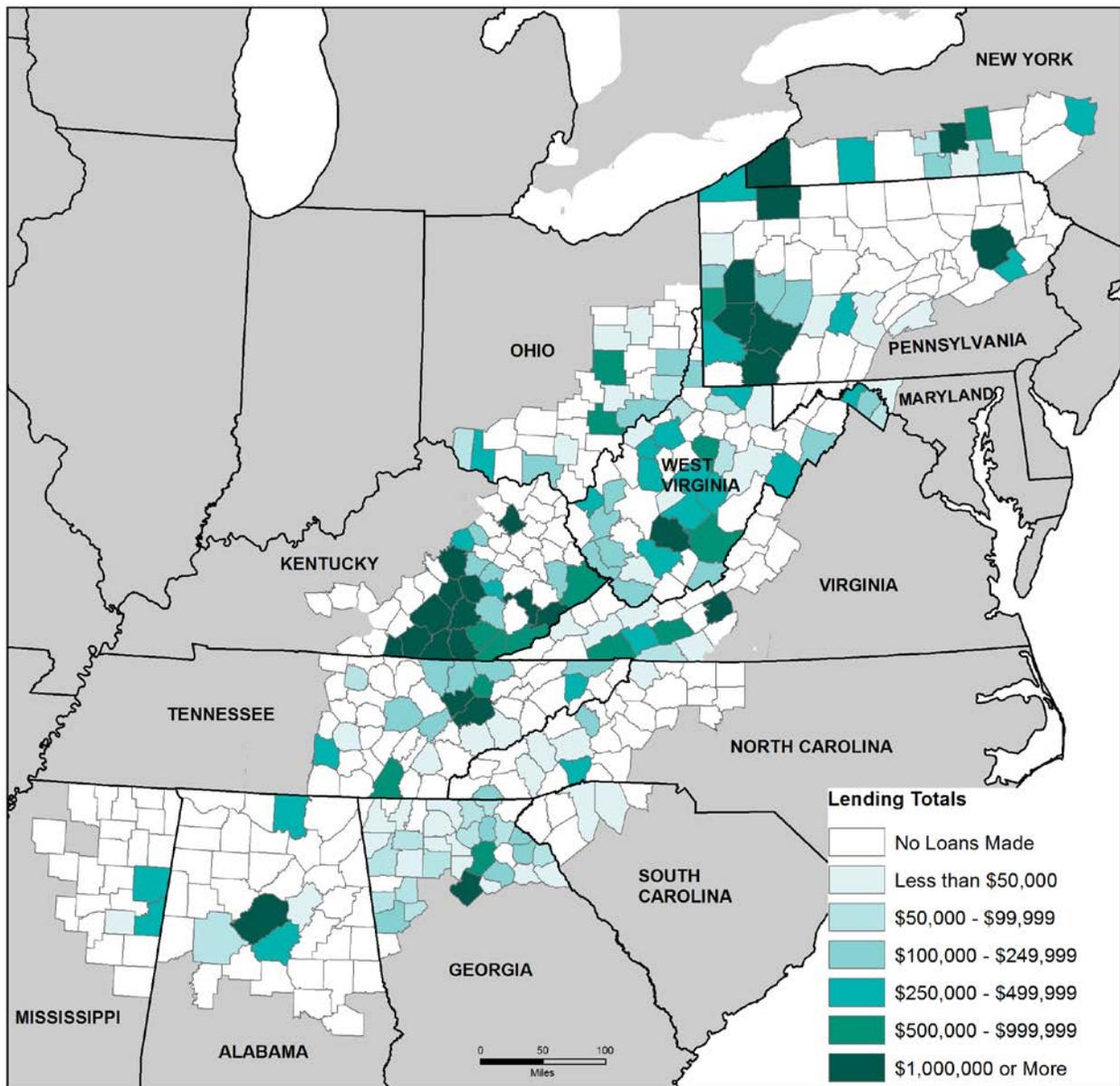


Table 6-5: CDFI Lending by Type of Borrower, 2007 and 2010

Number of Loans	2007				2010			
	Businesses	Percent in Appalachia	Individuals and CDFIs	Percent in Appalachia	Businesses	Percent in Appalachia	Individuals and CDFIs	Percent in Appalachia
United States	16,121		54,583		23,746		27,495	
Appalachian Region	1,416	8.8%	3,197	5.9%	2,363	10.0%	2,298	8.4%
Subregions								
Northern Appalachia	402	28.4%	2,443	76.4%	672	28.4%	624	27.2%
North Central Appalachia	93	6.6%	35	1.1%	59	2.5%	39	1.7%
Central Appalachia	521	36.8%	389	12.2%	870	36.8%	587	25.5%
South Central Appalachia	154	10.9%	247	7.7%	538	22.8%	1,022	44.5%
Southern Appalachia	246	17.4%	83	2.6%	224	9.5%	26	1.1%
County Types								
Large Metro (1 million + people)	306	21.6%	55	1.7%	495	20.9%	13	0.6%
Small Metro (< 1 million people)	402	28.4%	2,446	76.5%	692	29.3%	1,422	61.9%
Nonmetro, Adjacent to Large Metro	19	1.3%	37	1.2%	44	1.9%	49	2.1%
Nonmetro, Adjacent to Small Metro	203	14.3%	349	10.9%	346	14.6%	406	17.7%
Rural (Nonmetro, Nonadjacent)	486	34.3%	310	9.7%	786	33.3%	408	17.8%
Economic Status								
Distressed	409	28.9%	242	7.6%	569	24.1%	386	16.8%
At-Risk	127	9.0%	125	3.9%	286	12.1%	155	6.7%
Transitional	605	42.7%	2,754	86.1%	994	42.1%	1,310	57.0%
Competitive	185	13.1%	44	1.4%	464	19.6%	446	19.4%
Attainment	90	6.4%	32	1.0%	50	2.1%	1	0.0%
	Businesses		Individuals and CDFIs		Businesses		Individuals and CDFIs	
Total Amount of Loans (in \$ millions)		Percent in Appalachia		Percent in Appalachia		Percent in Appalachia		Percent in Appalachia
United States	\$3,197.6		\$957.4		\$3,799.5		\$1,334.1	
Appalachian Region	\$142.1	4.4%	\$54.9	5.7%	\$230.7	6.1%	\$140.0	10.5%
Subregions								
Northern Appalachia	\$34.7	24.4%	\$32.9	59.9%	\$51.4	22.3%	\$34.4	24.6%
North Central Appalachia	\$9.6	6.7%	\$1.5	2.7%	\$6.0	2.6%	\$1.7	1.2%
Central Appalachia	\$80.5	56.7%	\$10.0	18.3%	\$118.0	51.1%	\$19.4	13.8%
South Central Appalachia	\$8.2	5.8%	\$9.6	17.4%	\$36.4	15.8%	\$82.8	59.1%
Southern Appalachia	\$9.1	6.4%	\$0.9	1.7%	\$19.0	8.2%	\$1.7	1.2%
County Types								
Large Metro (1 million + people)	\$28.2	19.8%	\$0.9	1.6%	\$55.6	24.1%	\$1.3	0.9%
Small Metro (< 1 million people)	\$21.3	15.0%	\$39.5	71.9%	\$38.6	16.7%	\$100.4	71.7%
Nonmetro, Adjacent to Large Metro	\$3.0	2.1%	\$0.2	0.3%	\$2.0	0.8%	\$0.6	0.4%
Nonmetro, Adjacent to Small Metro	\$14.5	10.2%	\$7.2	13.1%	\$22.6	9.8%	\$25.5	18.2%
Rural (Nonmetro, Nonadjacent)	\$75.0	52.8%	\$7.2	13.2%	\$111.9	48.5%	\$12.2	8.7%
Economic Status								
Distressed	\$61.5	43.3%	\$6.2	11.2%	\$78.4	34.0%	\$9.5	6.8%
At-Risk	\$19.5	13.7%	\$3.3	6.0%	\$40.6	17.6%	\$6.0	4.2%
Transitional	\$36.7	25.8%	\$43.2	78.7%	\$57.9	25.1%	\$84.2	60.1%
Competitive	\$21.2	14.9%	\$2.1	3.7%	\$47.8	20.7%	\$40.4	28.9%
Attainment	\$3.2	2.2%	\$0.2	0.3%	\$6.0	2.6%	\$0.0	0.0%
Average Amount of Loan								
United States	\$198,352		\$17,540		\$160,006		\$48,520	
Appalachian Region	\$100,356		\$17,168		\$97,631		\$60,941	

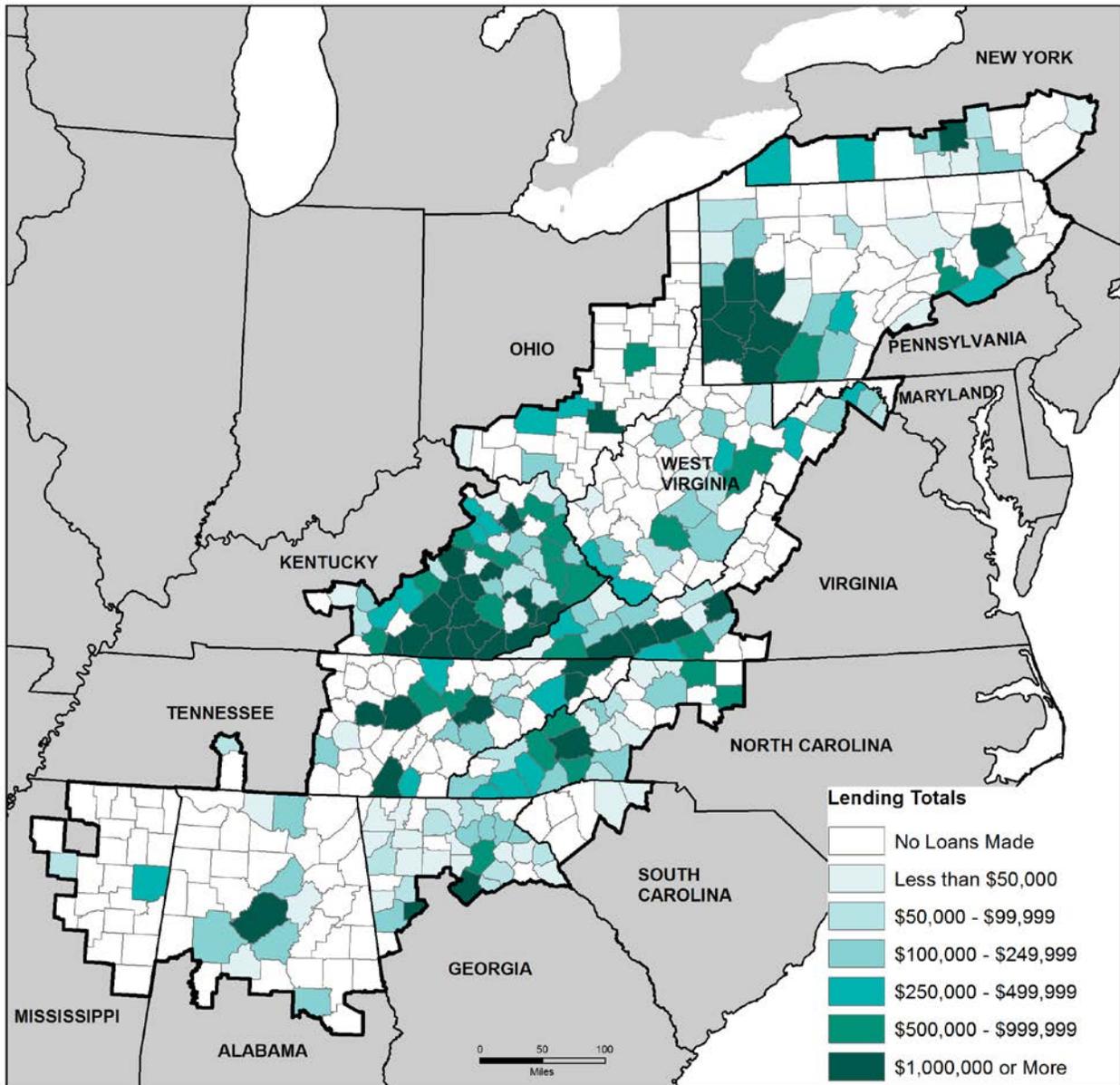
Note: Some CDFIs also lend to other CDFIs, although the percentage of loans and amount loaned to CDFIs is small by comparison to loans to individuals. The two have been combined to simplify the table and show more clearly the percentage of business lending that CDFIs do.

Map 6-4: Amount of Loans to Businesses by County, 2007



Map Title: CDFI Lending to Businesses in Appalachian Counties, 2007
Data Source: Program Community Investment Impact System Transaction Level Reports for 2007

Map 6-5: Amount of Loans to Businesses by County, 2010



Map Title: CDFI Lending to Businesses in Appalachian Counties, 2010
 Data Source: Program Community Investment Impact System Transaction Level Reports for 2010

6.7 LOAN PURPOSE

Despite the increased dollar amount of lending for all business purposes, lending in all three business purpose categories – business, microenterprise, and commercial or multi-family real estate development – declined as a percentage of overall CDFI lending in Appalachia between 2007 and 2010 (see Figure 6-12). In terms of amount and percentage of lending, the major increase was in lending for home purchase or improvement, which increased from \$39 million in 2007 to over \$128 million in 2010 (see Table 6-6).

Although lending for business purposes declined between 2007 and 2010, the percentage of CDFI lending in terms of dollar amounts was considerably higher for business purposes in Appalachia (at 48.4 percent) than nationally (at 22.6 percent). The percentage of CDFI lending for microenterprise is higher in Appalachia than the nation but is still only about 4 percent of the CDFI loan dollars in Appalachia.

The total amount of CDFI lending in Appalachia for business purposes – to a business with more than five employees or in an amount of more than \$35,000 – increased by almost 65 percent between 2007 and 2010. The total amount of CDFI lending in Appalachia for microenterprise purposes – that is to a business with not more than five employees and in an amount not more than \$35,000 – increased by 72 percent. CDFI lending for commercial and multi-family real estate development and rehabilitation increased slightly in terms of the total amount loaned between 2007 and 2010.

Figure 6-12: Percent of Amount Loaned by Purpose

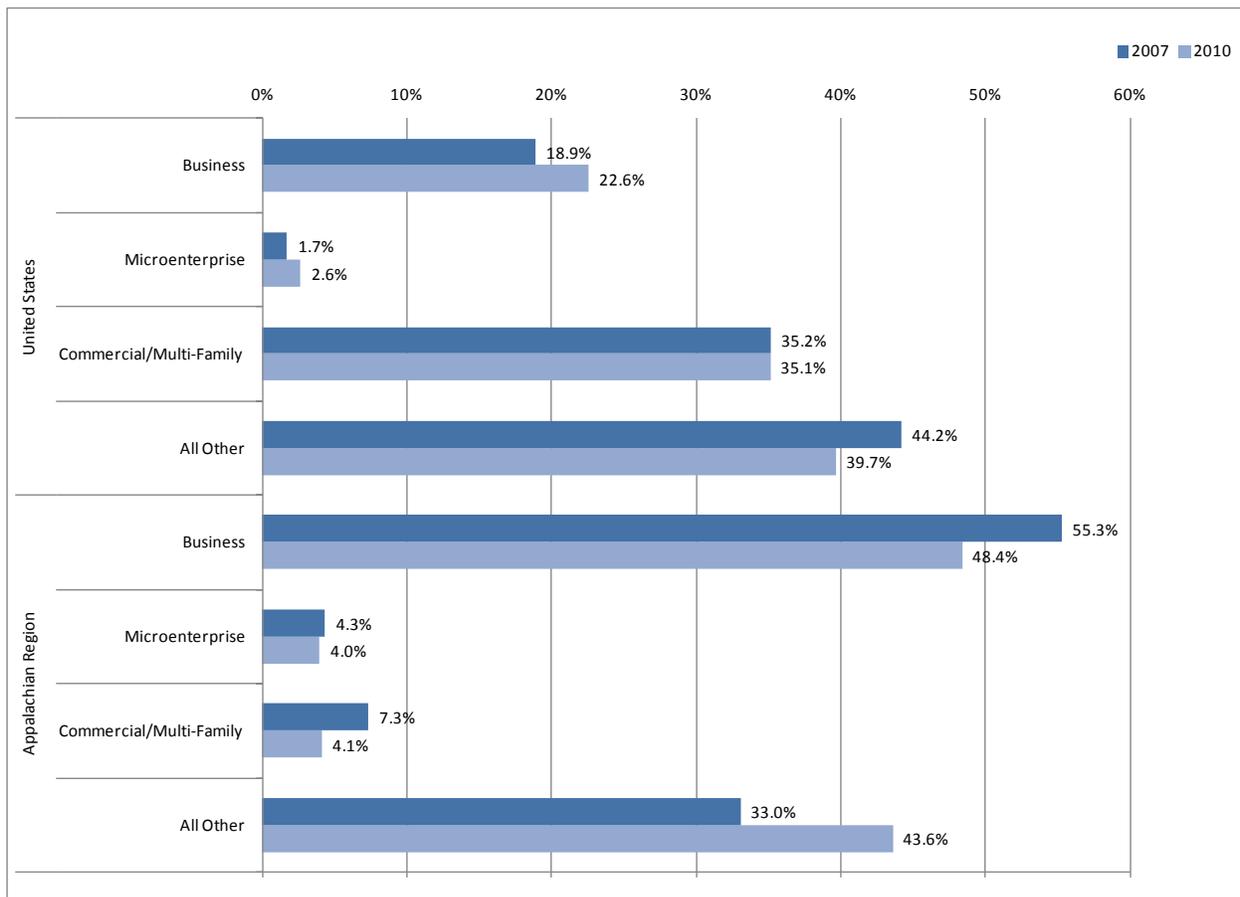


Table 6-6: Number and Amount of Loans by Purpose, 2007 and 2010

Number of Loans	Business		Microenterprise		Commercial or Multi-Family Real Estate Construction or Rehab		Real Estate, Single-Family Construction or Rehab		Home Purchase or Home Improvement		Consumer		Other	
		Pct. of Total		Pct. of Total		Pct. of Total		Pct. of Total		Pct. of Total		Pct. of Total		Pct. of Total
2007														
United States	5,774	8.2%	6,639	9.4%	2,401	3.4%	902	1.3%	13,695	19.4%	39,517	55.9%	1,776	2.5%
Appalachian Region	729	15.8%	564	12.2%	41	0.9%	52	1.1%	1,050	22.8%	2,109	45.7%	68	1.5%
2010														
United States	7,843	15.3%	11,425	22.3%	2,808	5.5%	995	1.9%	22,448	43.8%	3,008	5.9%	2,714	5.3%
Appalachian Region	1,206	25.9%	945	20.3%	44	0.9%	83	1.8%	2,101	45.1%	93	2.0%	189	4.1%
Amount of Loans (in \$ millions)														
2007														
United States	\$785.8	18.9%	\$71.6	1.7%	\$1,460.9	35.2%	\$291.0	7.0%	\$498.8	12.0%	\$336.4	8.1%	\$710.56	17.1%
Appalachian Region	\$108.9	55.3%	\$8.5	4.3%	\$14.4	7.3%	\$4.6	2.4%	\$39.0	19.8%	\$12.2	6.2%	\$9.33	4.7%
2010														
United States	\$1,159.6	22.6%	\$135.6	2.6%	\$1,802.8	35.1%	\$331.8	6.5%	\$1,052.7	20.5%	\$10.0	0.2%	\$641.11	12.5%
Appalachian Region	\$179.3	48.4%	\$14.7	4.0%	\$15.2	4.1%	\$10.3	2.8%	\$128.3	34.6%	\$0.3	0.1%	\$22.69	6.1%

Business lending accounted for over three-quarters of the total amount that CDFIs loaned in the Central subregion in 2007 and 2010 (see Figure 6-13). In the North Central subregion, business lending declined by 84 percent, while lending for commercial and multi-family construction and rehabilitation nearly tripled. Business lending accounted for over 80 percent of total CDFI lending in rural counties and about 60 percent of lending in large metropolitan counties (see Figure 6-14). In small metropolitan counties and counties adjacent to metropolitan counties, home purchase and improvement loans increased substantially between 2007 and 2010. Finally, business lending constituted over 80 percent of the amount that CDFIs loaned in distressed counties, and over 72 percent in at-risk counties (see Figure 6-15).

Over half of the loans that CDFIs made in the Central subregion and in rural, and distressed counties in both 2007 and 2010 were either for business or microenterprise (see Table 6-7). In terms of the amount of loans to business and microenterprise, CDFIs clearly focused on increasing business and microenterprise lending in the Central subregion and in rural counties between 2007 and 2010 (see Table 6-8). For example, the amount of business lending in the Central subregion increased by almost 50 percent and microenterprise lending by 73 percent. Distressed counties, however, did not fare as well. While the total amount loaned for business increased by almost 24 percent, the increase was less than in at-risk, transitional, and competitive counties.

Figure 6-13: Percent of Amount Loaned by Purpose by Region

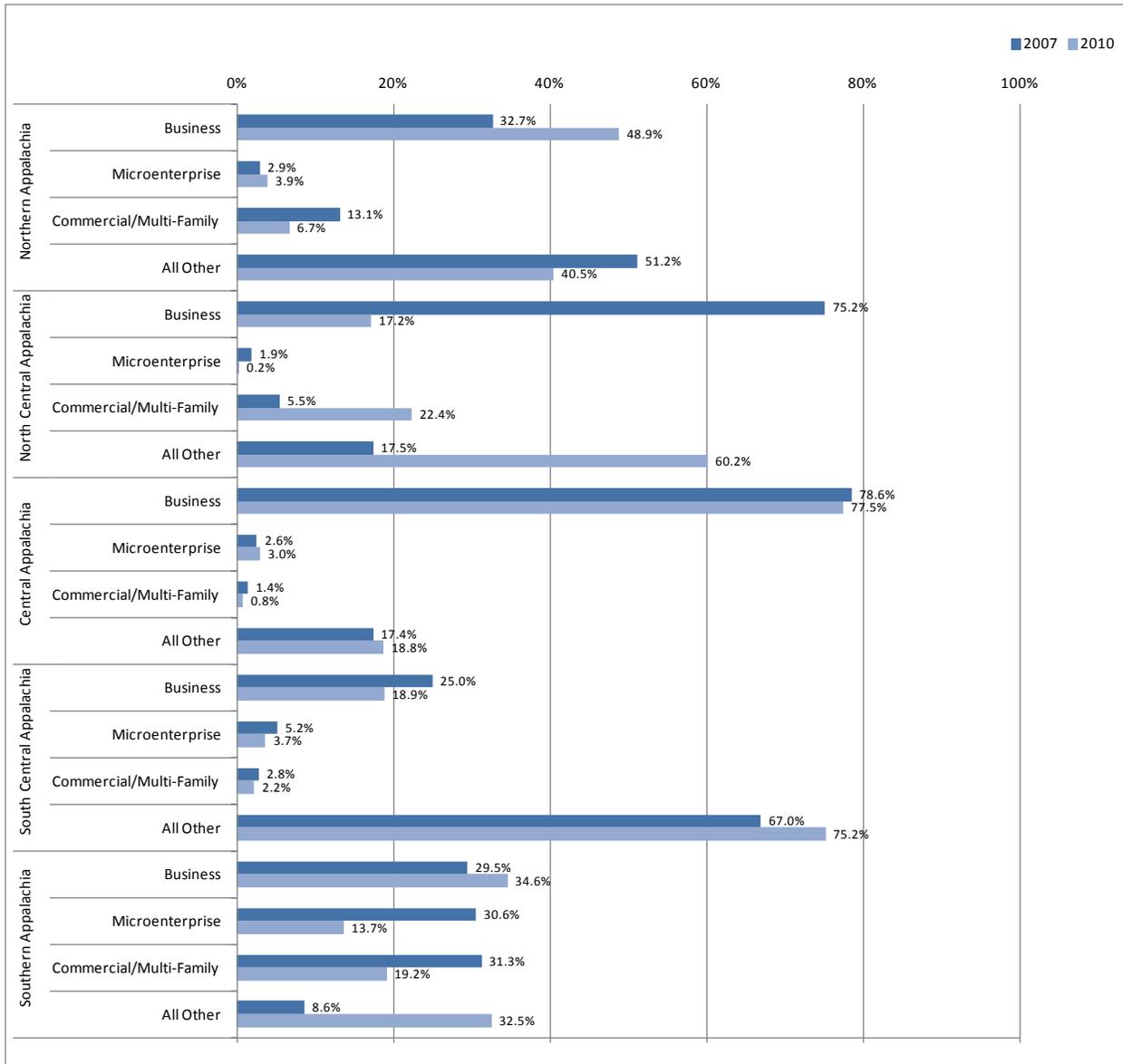


Figure 6-14: Percent of Amount Loaned by Purpose by County Type

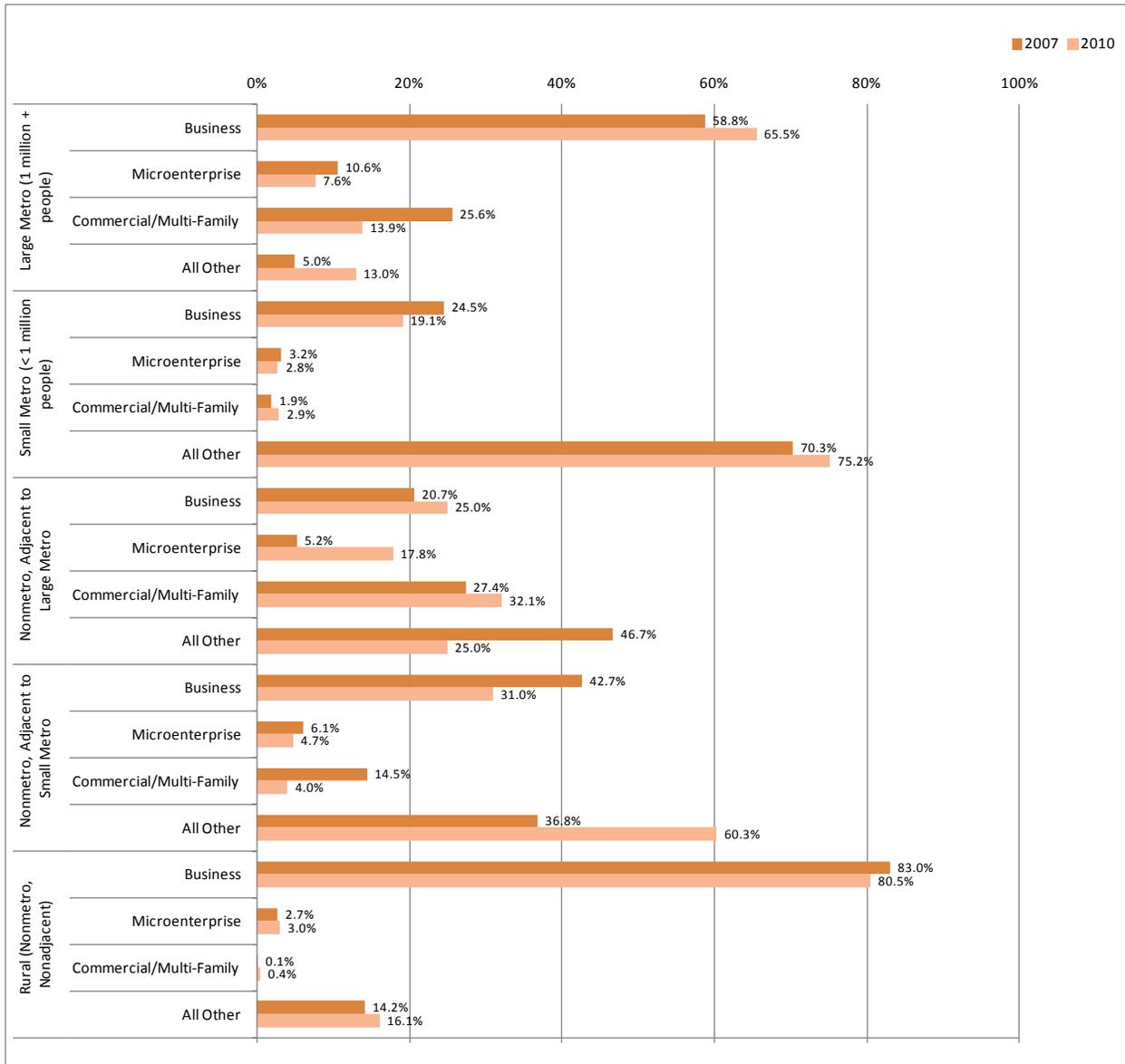


Figure 6-15: Percent of Amount Loaned by Purpose by Economic Status

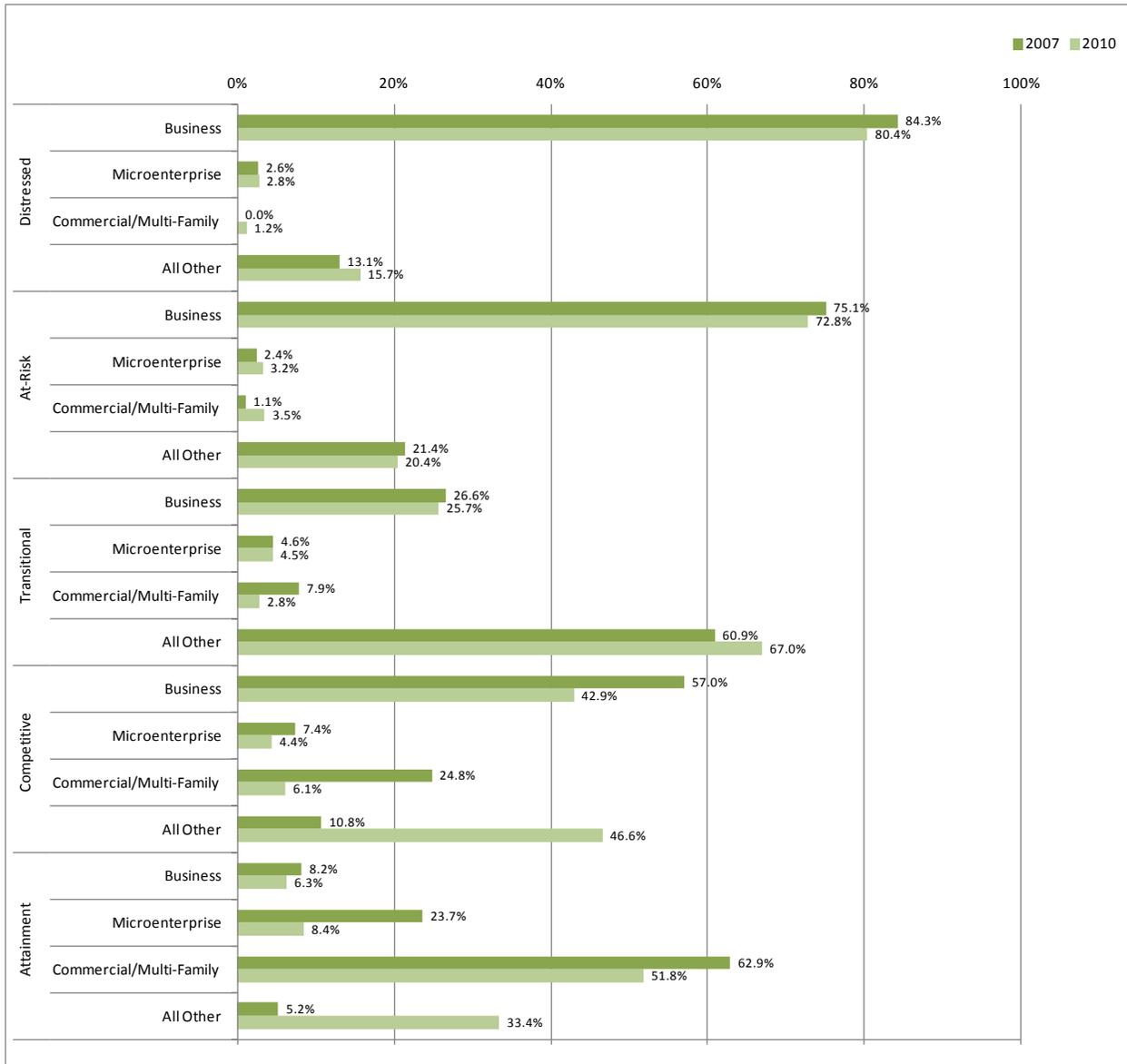


Table 6-7: Number of Loans by Purpose by Type of County, 2007 and 2010

Number of Loans	Business		Microenterprise		Commercial or Multi-Family Real Estate Construction or Rehab		Real Estate, Single-Family Construction or Rehab		Home Purchase or Home Improvement		Consumer		Other	
		Pct. of Total		Pct. of Total		Pct. of Total		Pct. of Total		Pct. of Total		Pct. of Total		Pct. of Total
2007														
Subregions														
Northern Appalachia	289	10.2%	81	2.8%	25	0.9%	1	0.0%	419	14.7%	2,018	70.9%	12	0.4%
North Central Appalachia	65	50.8%	15	11.7%	7	5.5%	5	3.9%	31	24.2%	3	2.3%	2	1.6%
Central Appalachia	300	33.0%	159	17.5%	1	0.1%	22	2.4%	381	41.9%	3	0.3%	44	4.8%
South Central Appalachia	44	11.0%	85	21.2%	2	0.5%	19	4.7%	217	54.1%	25	6.2%	9	2.2%
Southern Appalachia	31	9.4%	224	68.1%	6	1.8%	5	1.5%	2	0.6%	60	18.2%	1	0.3%
County Types														
Large Metro (1 million + people)	106	29.1%	183	50.3%	25	6.9%	3	0.8%	2	0.5%	41	11.3%	4	1.1%
Small Metro (< 1 million people)	251	8.8%	118	4.1%	5	0.2%	18	0.6%	581	20.4%	1,850	65.0%	24	0.8%
Nonmetro, Adjacent to Large Metro	7	12.5%	8	14.3%	2	3.6%	0	0.0%	1	1.8%	36	64.3%	2	3.6%
Nonmetro, Adjacent to Small Metro	95	17.2%	94	17.0%	7	1.3%	7	1.3%	208	37.7%	134	24.3%	7	1.3%
Rural (Nonmetro, Nonadjacent)	270	34.0%	161	20.3%	2	0.3%	24	3.0%	258	32.5%	48	6.0%	31	3.9%
Economic Status														
Distressed	231	35.5%	142	21.8%	0	0.0%	17	2.6%	234	35.9%	4	0.6%	23	3.5%
At-Risk	83	32.9%	27	10.7%	3	1.2%	5	2.0%	119	47.2%	4	1.6%	11	4.4%
Transitional	328	9.8%	222	6.6%	19	0.6%	27	0.8%	687	20.5%	2,050	61.0%	26	0.8%
Competitive	83	36.2%	78	34.1%	17	7.4%	3	1.3%	10	4.4%	30	13.1%	8	3.5%
Attainment	4	3.3%	95	77.9%	2	1.6%	0	0.0%	0	0.0%	21	17.2%	0	0.0%
2010														
Subregions														
Northern Appalachia	490	37.8%	160	12.3%	25	1.9%	0	0.0%	560	43.2%	43	3.3%	18	1.4%
North Central Appalachia	13	13.3%	3	3.1%	4	4.1%	7	7.1%	33	33.7%	0	0.0%	38	38.8%
Central Appalachia	490	33.6%	307	21.1%	5	0.3%	37	2.5%	516	35.4%	15	1.0%	87	6.0%
South Central Appalachia	173	11.1%	303	19.4%	4	0.3%	32	2.1%	976	62.6%	35	2.2%	37	2.4%
Southern Appalachia	40	16.0%	172	68.8%	6	2.4%	7	2.8%	16	6.4%	0	0.0%	9	3.6%
County Types														
Large Metro (1 million + people)	244	48.0%	220	43.3%	20	3.9%	5	1.0%	7	1.4%	0	0.0%	12	2.4%
Small Metro (< 1 million people)	388	18.4%	251	11.9%	9	0.4%	20	0.9%	1,359	64.3%	33	1.6%	54	2.6%
Nonmetro, Adjacent to Large Metro	8	8.6%	33	35.5%	2	2.2%	1	1.1%	1	1.1%	43	46.2%	5	5.4%
Nonmetro, Adjacent to Small Metro	137	18.2%	166	22.1%	6	0.8%	14	1.9%	367	48.8%	5	0.7%	57	7.6%
Rural (Nonmetro, Nonadjacent)	429	35.9%	275	23.0%	7	0.6%	43	3.6%	367	30.7%	12	1.0%	61	5.1%
Economic Status														
Distressed	329	34.5%	189	19.8%	4	0.4%	29	3.0%	355	37.2%	3	0.3%	46	4.8%
At-Risk	127	28.8%	111	25.2%	8	1.8%	8	1.8%	138	31.3%	8	1.8%	41	9.3%
Transitional	488	21.2%	421	18.3%	13	0.6%	44	1.9%	1,169	50.7%	82	3.6%	87	3.8%
Competitive	257	28.2%	182	20.0%	17	1.9%	2	0.2%	439	48.2%	0	0.0%	13	1.4%
Attainment	5	9.8%	42	82.4%	2	3.9%	0	0.0%	0	0.0%	0	0.0%	2	3.9%

Table 6-8: Amount of Loans by Purpose by Type of County, 2007 and 2010

Amount of Loans (in \$ millions)	Business		Microenterprise		Commercial or Multi-Family Real Estate		Real Estate, Single-Family Construction		Home Purchase or Home Improvement		Consumer		Other	
	Pct. of Total	Pct. of Total	Pct. of Total	Pct. of Total	Pct. of Total	Pct. of Total	Pct. of Total	Pct. of Total	Pct. of Total	Pct. of Total	Pct. of Total	Pct. of Total	Pct. of Total	
2007														
Subregions														
Northern Appalachia	\$22.1	32.7%	\$2.0	2.9%	\$8.9	13.1%	\$0.1	0.1%	\$20.3	30.1%	\$11.3	16.7%	\$2.9	4.3%
North Central Appalachia	\$8.3	75.2%	\$0.2	1.9%	\$0.6	5.5%	\$0.3	2.7%	\$1.2	10.7%	\$0.1	0.5%	\$0.4	3.5%
Central Appalachia	\$71.1	78.6%	\$2.3	2.6%	\$1.3	1.4%	\$2.4	2.6%	\$9.2	10.1%	\$0.1	0.1%	\$4.1	4.6%
South Central Appalachia	\$4.5	25.0%	\$0.9	5.2%	\$0.5	2.8%	\$1.6	8.8%	\$8.2	46.4%	\$0.3	1.5%	\$1.8	10.3%
Southern Appalachia	\$3.0	29.5%	\$3.1	30.6%	\$3.2	31.3%	\$0.3	3.1%	\$0.1	0.6%	\$0.4	4.4%	\$0.1	0.5%
County Types														
Large Metro (1 million + people)	\$16.0	58.8%	\$2.9	10.6%	\$7.0	25.6%	\$0.2	0.8%	\$0.4	1.6%	\$0.3	1.1%	\$0.4	1.6%
Small Metro (< 1 million people)	\$14.9	24.5%	\$1.9	3.2%	\$1.2	1.9%	\$1.4	2.4%	\$26.4	43.5%	\$10.6	17.4%	\$4.3	7.0%
Nonmetro, Adjacent to Large Metro	\$0.7	20.7%	\$0.2	5.2%	\$0.9	27.4%	\$0.0	0.0%	\$0.0	0.7%	\$0.1	4.1%	\$1.3	41.9%
Nonmetro, Adjacent to Small Metro	\$9.3	42.7%	\$1.3	6.1%	\$3.1	14.5%	\$0.5	2.2%	\$5.7	26.3%	\$1.0	4.6%	\$0.8	3.8%
Rural (Nonmetro, Nonadjacent)	\$68.2	83.0%	\$2.2	2.7%	\$0.1	0.1%	\$2.5	3.1%	\$6.4	7.8%	\$0.2	0.2%	\$2.5	3.0%
Economic Status														
Distressed	\$57.0	84.3%	\$1.8	2.6%	\$0.0	0.0%	\$1.6	2.3%	\$5.5	8.1%	\$0.0	0.0%	\$1.8	2.7%
At-Risk	\$17.1	75.1%	\$0.6	2.4%	\$0.2	1.1%	\$0.8	3.6%	\$3.0	13.1%	\$0.0	0.1%	\$1.0	4.5%
Transitional	\$21.3	26.6%	\$3.7	4.6%	\$6.3	7.9%	\$1.9	2.4%	\$29.6	37.0%	\$11.7	14.6%	\$5.6	6.9%
Competitive	\$13.3	57.0%	\$1.7	7.4%	\$5.8	24.8%	\$0.3	1.5%	\$1.0	4.1%	\$0.3	1.1%	\$0.9	4.1%
Attainment	\$0.3	8.2%	\$0.8	23.7%	\$2.1	62.9%	\$0.0	0.0%	\$0.0	0.0%	\$0.2	5.2%	\$0.0	0.0%
2010														
Subregions														
Northern Appalachia	\$41.9	48.9%	\$3.4	3.9%	\$5.7	6.7%	\$0.0	0.0%	\$31.1	36.3%	\$0.0	0.1%	\$3.6	4.1%
North Central Appalachia	\$1.3	17.2%	\$0.0	0.2%	\$1.7	22.4%	\$0.5	6.6%	\$1.2	15.9%	\$0.0	0.0%	\$2.9	37.7%
Central Appalachia	\$106.4	77.5%	\$4.1	3.0%	\$1.0	0.8%	\$3.3	2.4%	\$13.3	9.7%	\$0.1	0.0%	\$9.2	6.7%
South Central Appalachia	\$22.5	18.9%	\$4.4	3.7%	\$2.7	2.2%	\$3.3	2.8%	\$81.5	68.4%	\$0.2	0.1%	\$4.7	3.9%
Southern Appalachia	\$7.2	34.6%	\$2.8	13.7%	\$4.0	19.2%	\$3.2	15.3%	\$1.2	5.8%	\$0.0	0.0%	\$2.4	11.4%
County Types														
Large Metro (1 million + people)	\$37.3	65.5%	\$4.3	7.6%	\$7.9	13.9%	\$3.1	5.4%	\$0.4	0.7%	\$0.0	0.0%	\$3.9	6.9%
Small Metro (< 1 million people)	\$26.6	19.1%	\$3.8	2.8%	\$4.0	2.9%	\$1.5	1.1%	\$96.6	69.5%	\$0.1	0.1%	\$6.3	4.5%
Nonmetro, Adjacent to Large Metro	\$0.6	25.0%	\$0.5	17.8%	\$0.8	32.1%	\$0.1	2.0%	\$0.0	1.3%	\$0.0	1.9%	\$0.5	19.8%
Nonmetro, Adjacent to Small Metro	\$14.9	31.0%	\$2.3	4.7%	\$1.9	4.0%	\$1.3	2.6%	\$20.1	41.8%	\$0.0	0.1%	\$7.6	15.8%
Rural (Nonmetro, Nonadjacent)	\$99.9	80.5%	\$3.8	3.0%	\$0.5	0.4%	\$4.4	3.5%	\$11.2	9.0%	\$0.0	0.0%	\$4.4	3.5%
Economic Status														
Distressed	\$70.7	80.4%	\$2.4	2.8%	\$1.0	1.2%	\$2.1	2.4%	\$8.9	10.1%	\$0.0	0.0%	\$2.8	3.2%
At-Risk	\$33.9	72.8%	\$1.5	3.2%	\$1.6	3.5%	\$1.1	2.3%	\$5.3	11.3%	\$0.0	0.1%	\$3.1	6.8%
Transitional	\$36.6	25.7%	\$6.4	4.5%	\$4.0	2.8%	\$6.9	4.8%	\$75.6	53.2%	\$0.2	0.2%	\$12.5	8.8%
Competitive	\$37.9	42.9%	\$3.9	4.4%	\$5.4	6.1%	\$0.3	0.3%	\$38.6	43.8%	\$0.0	0.0%	\$2.2	2.5%
Attainment	\$0.4	6.3%	\$0.5	8.4%	\$3.1	51.8%	\$0.0	0.0%	\$0.0	0.0%	\$0.0	0.0%	\$2.0	33.4%

6.8 NEW MARKETS TAX CREDIT INVESTMENTS IN APPALACHIA

Congress established the New Markets Tax Credit program (NMTC Program) in 2000 to create an incentive for increased investment in businesses and real estate projects in low-income communities. The NMTC Program provides investors a credit against federal income taxes equal to 39 percent of their original equity investment in Community Development Entities (CDEs). CDEs are existing domestic businesses with: 1) a primary mission to serve or provide investment capital in low-income communities or to low-income individuals; and 2) have representatives of the community on the governing or advisory board of the organization. The investor receives the federal tax credits over a seven-year period.

Based on data from the CDFI Fund, CDEs have used credits to finance 3,060 projects with a total investment of \$20.9 billion since the beginning of the program.²³ Forty-seven CDEs have invested at least part of their credit authority in 351 projects in 62 Appalachian counties, an investment of \$706.7 million or about 3.4 percent of the total amount of credit authority invested (see Map 6-6 and Map 6-7). There are only 12 CDEs located in Appalachia, and they have received a total allocation of \$321 million in credit authority out of \$30 billion in tax credits allocated, or 1.1% of the credit authority allocated, which means that most of the NMTC investment in Appalachia is from CDEs outside of the region. Of the projects in Appalachia, 56 are in 16 distressed counties.²⁴ The credit authority invested in projects in Appalachia constitute only about 20 percent of the total cost of the projects, and so the total cost of projects receiving NMTC investment in Appalachia is over \$3.5 billion.

The majority of credit authority invested in projects completed in 2007 and 2010 was in the Northern and Southern subregions, 68 percent in 2007 and over 79 percent in 2010 (see Figure 6-16). Investment in projects completed in 2010 in the Central subregion decreased by over 40 percent, going from 25 percent of credit authority invested in Appalachia in 2007 to 7 percent in 2010. Large and small metropolitan counties dominated, with 72 percent of the investment in projects completed in both 2007 and 2010 (see Figure 6-17). Funding for projects completed in 2010 in rural counties also decreased by over 40 percent, dropping from 26 percent of credit authority invested in Appalachia in 2007 to 7 percent in 2010. Competitive and transitional counties received 72 percent of the credit authority invested in projects completed in 2007 and 87 percent in projects completed in 2010 (see Figure 6-18). Credits invested in distressed counties in projects completed in 2010 decreased by 16 percent and dropped from 29 percent of credits for project completed in 2007 to 10 percent for projects completed in 2010.

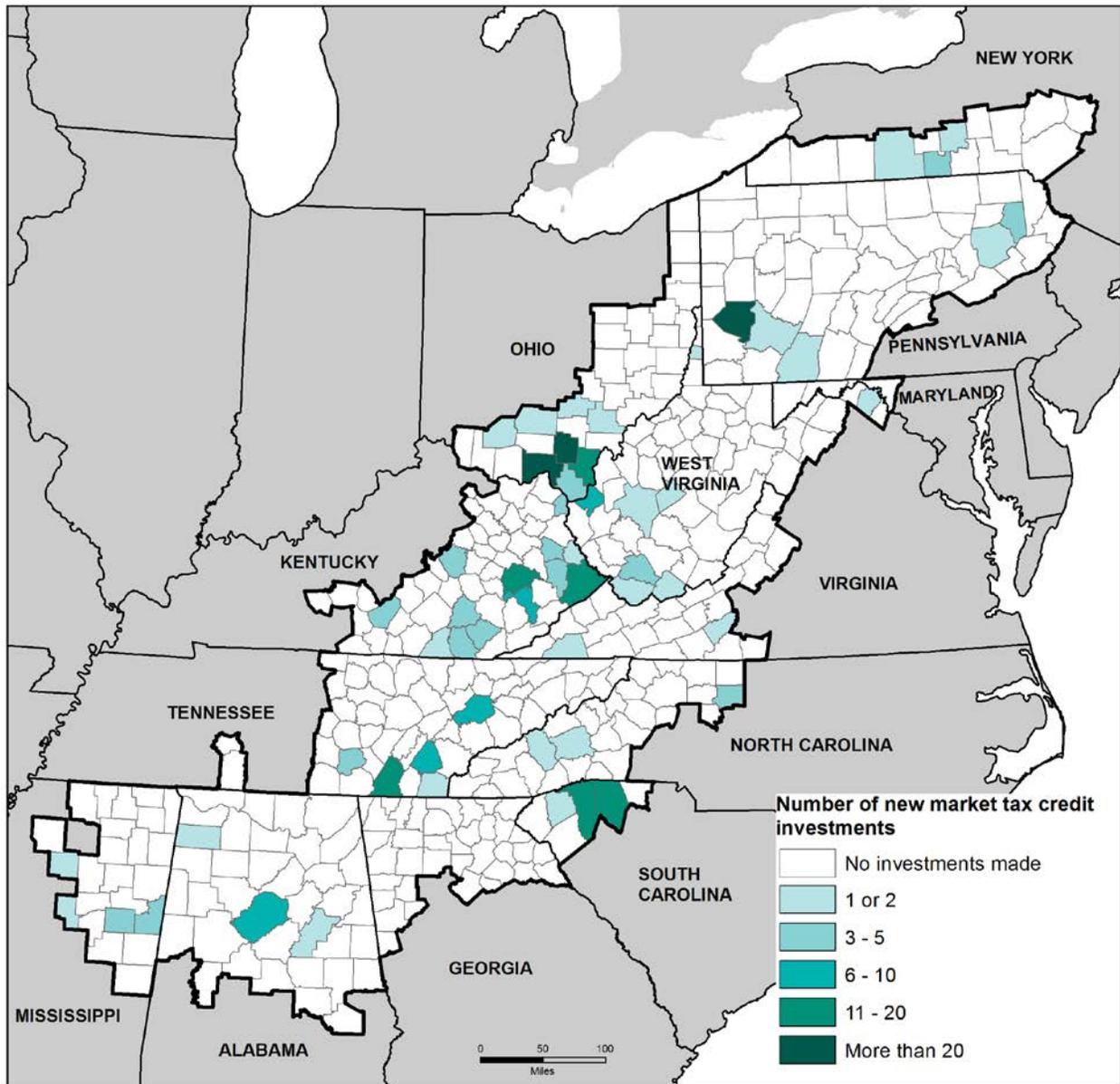
Overall, CDEs invested a total of \$3.9 billion in credit authority in projects completed nationally in 2007, including \$83 million by 11 CDEs for projects completed in Appalachia (see Table 6-9). CDEs invested a total of \$3.5 billion in credit authority for projects completed nationally in 2010, including \$180 million invested by 19 CDEs in projects completed in Appalachia. The amount of NMTC credit authority increased by 117 percent for projects completed in 2010, compared with projects completed in 2007, despite a 10.5 percent decrease in credit authority invested in completed projects nationally.

²³ The CDFI Fund only reports investment in completed projects and reports the data as if all investment had occurred in the last year that the project received NMTC investment. The data do not include credit authority that may have been invested in projects that have not been completed as of the time of the data report. The data also only report the CDE making the largest investment, although other CDEs may have invested as well.

²⁴ The status of counties is based on the status as of 2010. Some of the counties may have changed status between the time the investment was made and 2010.

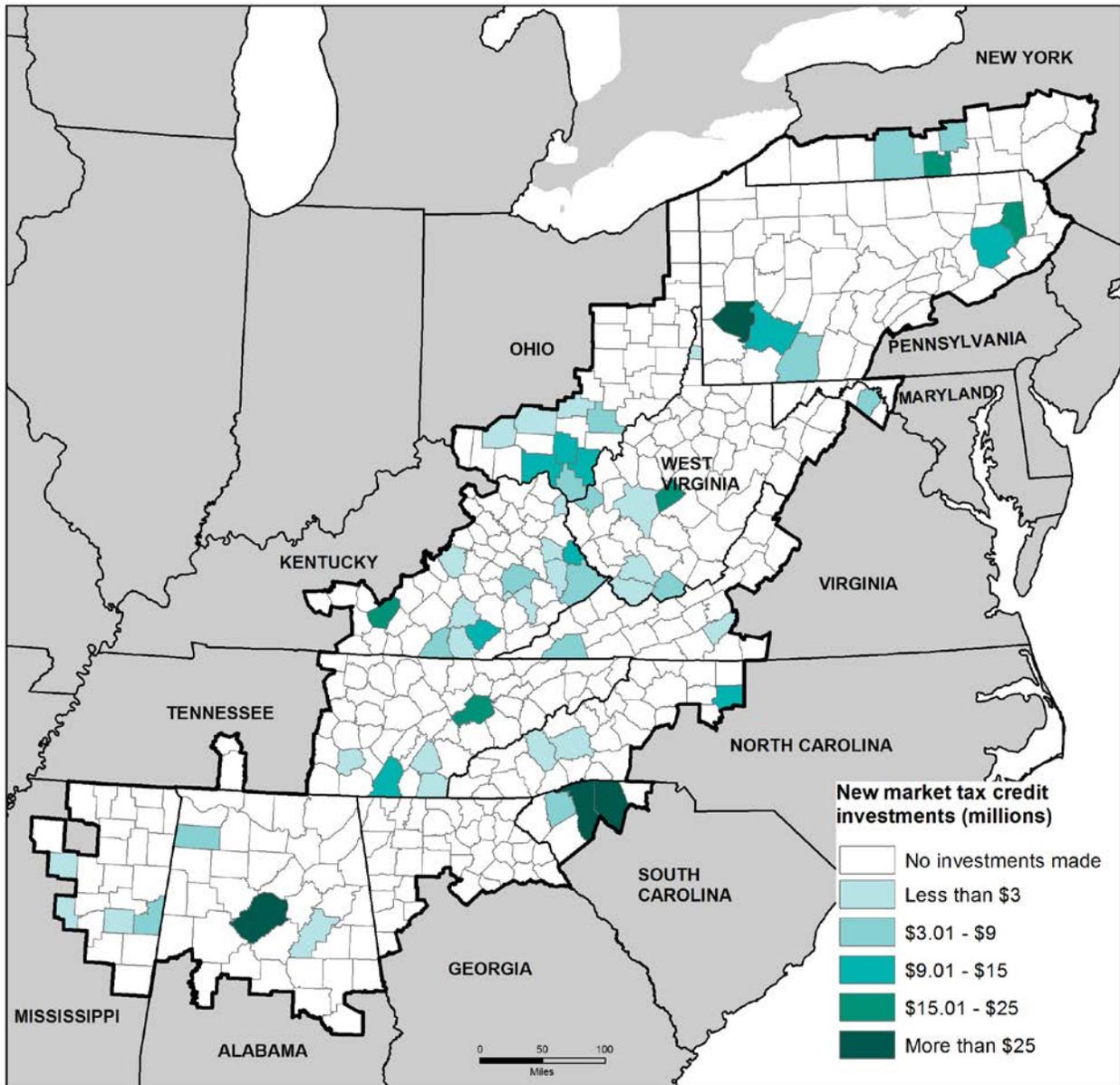
One possible explanation for the pattern of NMTC funding is that tax credit projects require for-profit partners to take advantage of the credits. The recession may have made for-profit investors less willing to help fund projects in more distressed communities. Investors also may naturally favor projects in more urbanized areas, perhaps because more investors are already operating in those areas and are more familiar with the local economic conditions.

Map 6-6: Total Number of New Market Tax Credit Investments, by County, 2000-2010



Map Title: Investments Made with New Market Tax Credit
 Data Source: CDFI Fund 2011

Map 6-7: Total Amount of New Market Tax Credit Authority Invested, by County, 2000-2010



Map Title: Investment Dollars Made with New Market Tax Credit
 Data Source: CDFI Fund 2011

Figure 6-16: Amount of NMTC Credits by Region

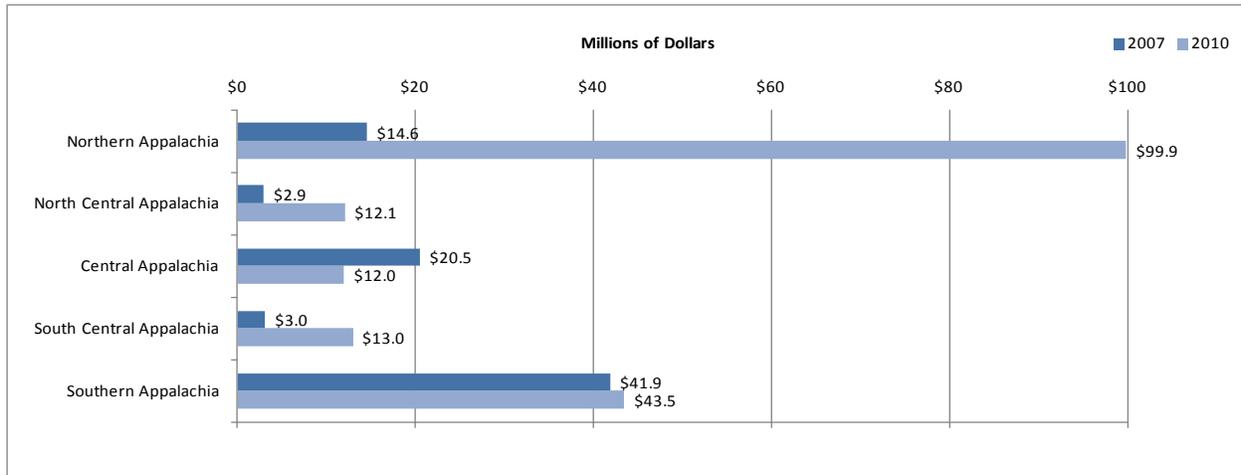


Figure 6-17: Amount of NMTC Credits by County Type

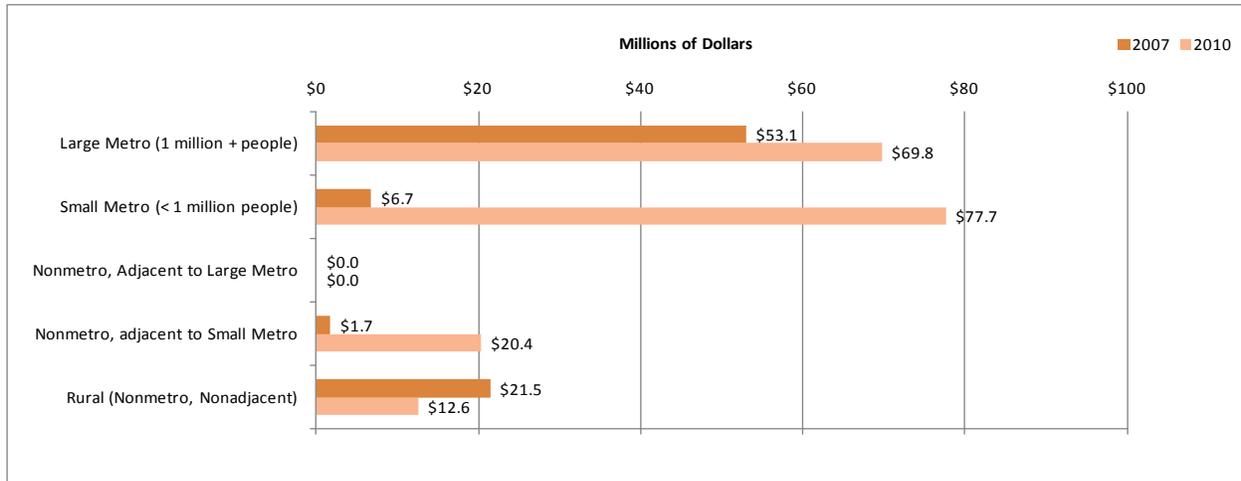


Figure 6-18: Amount of NMTC Credits by Economic Status

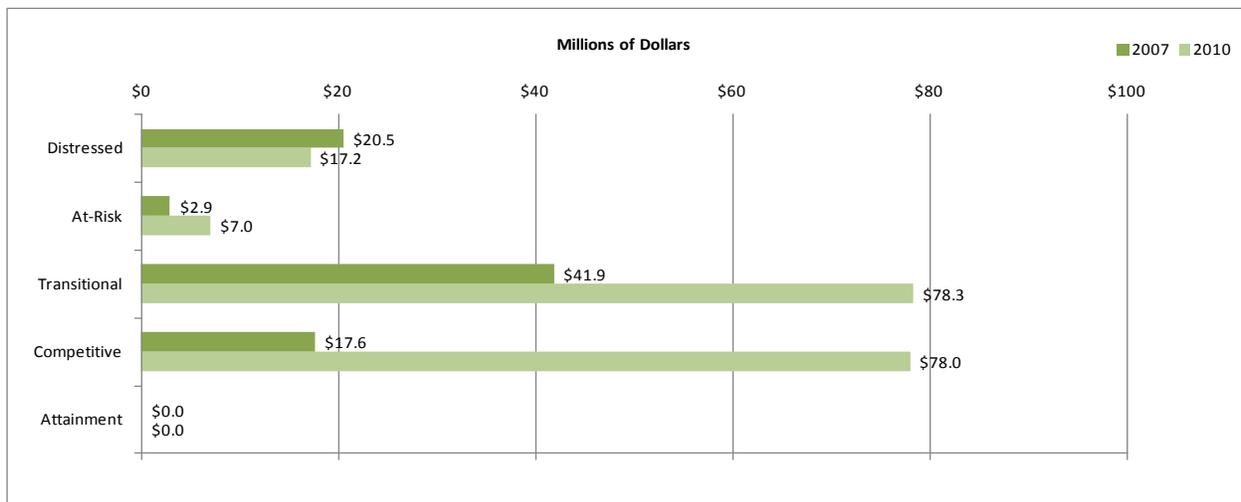


Table 6-9: New Markets Tax Credit Projects and Amounts in Appalachia, 2007 and 2010

	2007				2010			
	Number	Percent of Appalachian Total	Amount (in \$ millions)	Percent of Appalachian Total	Number	Percent of Appalachian Total	Amount (in \$ millions)	Percent of Appalachian Total
United States			\$3,909.0				\$3,500.0	
Appalachian Region	24		\$83.0	2.1%	58		\$180.4	5.2%
Subregions								
Northern Appalachia	4	16.7%	\$14.6	17.6%	26	44.8%	\$99.9	55.4%
North Central Appalachia	5	20.8%	\$2.9	3.5%	14	24.1%	\$12.1	6.7%
Central Appalachia	7	29.2%	\$20.5	24.7%	1	1.7%	\$12.0	6.7%
South Central Appalachia	2	8.3%	\$3.0	3.7%	8	13.8%	\$13.0	7.2%
Southern Appalachia	6	25.0%	\$41.9	50.5%	9	15.5%	\$43.5	24.1%
County Types								
Large Metro (1 million + people)	7	29.2%	\$53.1	63.9%	19	32.8%	\$69.8	38.7%
Small Metro (< 1 million people)	5	20.8%	\$6.7	8.1%	21	36.2%	\$77.7	43.0%
Nonmetro, Adjacent to Large Metro	0	0.0%	\$0.0	0.0%	0	0.0%	\$0.0	0.0%
Nonmetro, adjacent to Small Metro	4	16.7%	\$1.7	2.1%	12	20.7%	\$20.4	11.3%
Rural (Nonmetro, Nonadjacent)	8	33.3%	\$21.5	25.9%	6	10.3%	\$12.6	7.0%
Economic Status								
Distressed	7	29.2%	\$20.5	24.7%	3	5.2%	\$17.2	9.5%
At-Risk	5	20.8%	\$2.9	3.5%	12	20.7%	\$7.0	3.9%
Transitional	6	25.0%	\$41.9	50.5%	22	37.9%	\$78.3	43.4%
Competitive	6	25.0%	\$17.6	21.3%	21	36.2%	\$78.0	43.2%
Attainment	0	0.0%	\$0.0	0.0%	0	0.0%	\$0.0	0.0%

6.9 MICROLOANS

According to the SBA, the microloan program provides small, short-term loans to small businesses and nonprofit child-care centers. The SBA provides funds to intermediary lenders that are nonprofit community-based organizations. These intermediaries make loans to eligible borrowers. The maximum loan amount is \$50,000, and the average microloan nationally is about \$13,000. The loans can be used for working capital, purchase of inventory or supplies, purchase of furniture or fixtures, and purchase of machinery or equipment.²⁵

In 2007, the average microloan amount was modestly higher in Appalachia (\$16,851) than the nation (\$13,021). By 2010, the average loan amounts were approximately aligned; the national average was \$12,099 and the Appalachian average was \$12,902.

Access to the microloan program improved in Appalachia relative to the nation. In 2007, about one microloan was issued per 10,000 small businesses in both Appalachia and the nation. In 2010, less than one microloan was issued per 10,000 small businesses nationally while about 1.6 microloans were issued per 10,000 businesses in Appalachia.

The microloan program is effectively targeting disadvantaged counties in Appalachia. In 2007, Central Appalachia, rural counties, and distressed counties received the most microloans per small 10,000 businesses. The trend is the same in 2010 with 6.96, 3.58, and 4.6 microloans per 10,000 businesses in Central Appalachia, rural counties, and distressed counties, respectively (see Table 6-10).

²⁵ See <http://www.sba.gov/content/microloan-program>.

Table 6-10: Approved Microloans per 10,000 Businesses in Appalachia

	2007			2010		
	Overall Approved Loans	Number of Businesses	Number of Approved Loans per 10,000 Businesses	Overall Approved Loans	Number of Businesses	Number of Approved Loans per 10,000 Businesses
United States	2,524	21,808,201	1.16	3,572	21,530,378	1.66
Appalachian Region	163	1,607,645	1.01	244	1,577,370	1.55
Subregions						
Northern Appalachia	73	477,301	1.53	94	482,014	1.95
North Central Appalachia	11	128,944	0.85	13	124,926	1.04
Central Appalachia	49	115,266	4.25	76	109,122	6.96
South Central Appalachia	22	307,059	0.72	37	304,728	1.21
Southern Appalachia	8	579,075	0.14	24	556,580	0.43
County Types						
Large Metro (1 million + people)	40	395,470	1.01	48	404,330	1.19
Small Metro (< 1 million people)	49	613,330	0.80	66	604,234	1.09
Nonmetro, Adjacent to Large Metro	10	109,171	0.92	11	103,911	1.06
Nonmetro, Adjacent to Small Metro	25	301,104	0.83	57	291,784	1.95
Rural (Nonmetro, Nonadjacent)	39	188,570	2.07	62	173,111	3.58
Economic Status						
Distressed	40	89,777	4.46	40	86,870	4.60
At-Risk	6	145,503	0.41	33	138,028	2.39
Transitional	85	887,755	0.96	122	905,985	1.35
Competitive	23	305,587	0.75	44	292,327	1.51
Attainment	8	135,857	0.59	5	154,160	0.32
Alabama	2	314,870	0.06	7	302,408	0.23
Appalachian Alabama	0	199,561	0.00	0	192,538	0.00
Non-Appalachian Alabama	2	115,309	0.17	7	109,870	0.64
Georgia	43	828,977	0.52	74	792,556	0.93
Appalachian Georgia	8	239,021	0.33	24	238,124	1.01
Non-Appalachian Georgia	35	589,956	0.59	50	554,432	0.90
Kentucky	116	304,048	3.82	323	297,724	10.85
Appalachian Kentucky	47	77,542	6.06	59	74,004	7.97
Non-Appalachian Kentucky	69	226,506	3.05	264	223,720	11.80
Maryland	8	388,206	0.21	22	389,579	0.56
Appalachian Maryland	0	14,392	0.00	0	14,993	0.00
Non-Appalachian Maryland	8	373,814	0.21	22	374,586	0.59
Mississippi	0	288,779	0.00	0	248,541	0.00
Appalachian Mississippi	0	69,965	0.00	0	58,339	0.00
Non-Appalachian Mississippi	0	218,814	0.00	0	190,202	0.00
New York	210	1,404,794	1.49	772	1,253,951	6.16
Appalachian New York	17	67,312	2.53	36	62,314	5.78
Non-Appalachian New York	193	1,337,482	1.44	736	1,191,637	6.18
North Carolina	58	615,139	0.94	67	624,133	1.07
Appalachian North Carolina	14	112,966	1.24	29	110,530	2.62
Non-Appalachian North Carolina	44	502,173	0.88	38	513,603	0.74
Ohio	122	691,536	1.76	142	667,427	2.13
Appalachian Ohio	12	117,389	1.02	8	113,316	0.71
Non-Appalachian Ohio	110	574,147	1.92	134	554,111	2.42
Pennsylvania	72	711,343	1.01	106	763,099	1.39
Appalachian Pennsylvania	54	320,365	1.69	57	332,120	1.72
Non-Appalachian Pennsylvania	18	390,978	0.46	49	430,979	1.14
South Carolina	7	272,316	0.26	33	266,975	1.24
Appalachian South Carolina	0	70,528	0.00	0	67,579	0.00
Non-Appalachian South Carolina	7	201,788	0.35	33	199,396	1.65
Tennessee	5	427,304	0.12	5	422,466	0.12
Appalachian Tennessee	1	181,133	0.06	0	178,251	0.00
Non-Appalachian Tennessee	4	246,171	0.16	5	244,215	0.20
Virginia	112	483,178	2.32	129	547,124	2.36
Appalachian Virginia	9	42,503	2.12	25	44,052	5.68
Non-Appalachian Virginia	103	440,675	2.34	104	503,072	2.07
West Virginia (entire state)	1	94,968	0.11	6	91,210	0.66

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