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CDFI Fund Update: FY 2027 Budget Renews Pressure, but CDFIs Should Stay the Course

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Summary

The Trump administration's FY 2027 budget request again proposes eliminating core Community Development Financial Institution (CDFI) Fund grant programs and redirecting limited funding toward rural initiatives. However, the true risk facing CDFIs is not the proposal itself, but the administration's ongoing administrative delays in releasing nearly \$1 billion in already appropriated CDFI funding.

Despite this friction, the CDFI Fund remains a statutorily authorized program with strong bipartisan congressional support. Congress has repeatedly rejected efforts to defund or dismantle it. Importantly for CDFIs and their partners, CDFI certification, compliance, and oversight activities continue. Grant and award activity is constrained by administrative delays, not by congressional action.

This is a timing and execution issue related to grant funding, not a question of legal authority or the CDFI Fund's survival. Institutions considering CDFI certification or continued participation in programs supported by the CDFI Fund should stay the course while planning conservatively for future grant awards and disbursements.

A Closer Look:

You can view the CDFI Fund financing and Rural Community Development Fund details here: [Appendix – Budget of the U.S. Government FY 2027](#)

FY 2027 Budget Proposal: Familiar Cuts, Limited Legal Effect

President Trump's FY 2027 budget proposes the elimination of funding for the CDFI Fund's core Financial Assistance and Technical Assistance programs and, in its place, redirects a much smaller amount to a rural-focused initiative called the "Rural Community Development Fund." Of the \$119.5 million that the President's budget proposes to remain in the CDFI Fund, approximately \$100 million would be allocated to a new rural initiative, with the balance (\$19.5 million) reserved for existing programmatic support.

The administration's accompanying documents characterize the legacy programs at the CDFI Fund as ideologically driven (woke) and signal cuts to the CDFI Fund as part of a broader effort to narrow federal housing and community investment activity. These positions closely track prior budget requests but were not ultimately acted upon by Congress. For example, in the last budget cycle, the President recommended that the CDFI Fund be appropriated \$134 million, but Congress elected to keep the funding relatively constant year over year and appropriated \$324 million.

As such, the major takeaway is that the President's proposed budget is a nonbinding statement of executive priorities, but it is not completely determinative of final appropriations.

Ongoing Issue: Withholding of Appropriated Funds

More significant for CDFIs is the Administration's ongoing decision to block the release of previously appropriated CDFI funding. The unreleased amount, estimated at about \$1 billion, includes FY 2025 and FY

2026 appropriations under the Financial Assistance Awards, Capital Magnet Fund, bond program, and investment program.

Treasury has publicly stated that it is prepared to obligate these funds upon Office of Management and Budget (OMB) approval. This position is legally sound; the CDFI Fund's charter and its grant amounts are mandated by statute. Nonetheless, the difficulty lies in the fact that OMB approval is also necessary for disbursement or award, and it is here that the process remains frozen in unclear legal territory. In effect, this is not a full legal rescission of the funds, but rather a seemingly intentional administrative delay.

Implications for CDFIs and Their Partners:

Critically, neither the President's proposed budget nor the lack of OMB approval impacts non-federal financial assistance activities. The CDFI Fund continues to operate the certification processes and maintain compliance reporting requirements.

For institutions considering CDFI certification, the prudent approach is to continue pursuing this valuable status. Existing CDFIs should maintain compliance positioning. For awardees of federal financial support from the CDFI Fund, the outlook is a bit bleaker, and the best approach is to remain patient while maintaining a conservative posture on future funding as pipelines are developed.

Bottom Line for CDFIs.

The primary risk for CDFIs is timing and execution regarding federal financial assistance from the CDFI Fund. This risk does not currently include the long-term operation of the CDFI Fund as a certifying entity for which critical compliance is required. CDFIs and their partners should maintain CDFI-related strategies, incorporate contingency plans for delayed funding, and expect Congress to continue as the stabilizing force for these programs.