

Socially and Economically Disadvantaged Individuals (SEDI)-Owned Businesses

What are Socially and Economically Disadvantaged Individual (SEDI)-Owned Businesses?

1. Business enterprises that certify they are owned and controlled by individuals who have had their access to credit on reasonable terms diminished as compared to others in comparable economic circumstances due to their:
 - Membership of a group that has been subjected to racial or ethnic prejudice or cultural bias within American society;
 - Gender;
 - Veteran status;
 - Limited English proficiency;
 - Disability;
 - Long-term residence in an environment isolated from the mainstream of American society;
 - Membership of a federally or state recognized First American tribe;
 - Long-term residence in a rural community;
 - Residence in a U.S. territory;
 - Residence in a community undergoing economic transitions (including communities impacted by the shift toward a net-zero economy or deindustrialization); or
 - Membership of an underserved community (see Executive Order 13985, under which “underserved communities” are populations sharing a particular characteristic, as well as geographic communities that have been systematically denied a full opportunity to participate in aspects of economic, social and civic life, as exemplified by the list in the definition of “equity,” and “equity” is consistent and systematic fair, just and impartial treatment of all individuals, including individuals who belong to underserved communities that have been denied such treatment, such as Black, Latino, Indigenous and First American persons, Asian Americans, Pacific Islanders and other persons of color; members of religious minorities; lesbian, gay, bisexual, transgender and queer (LGBTQ+) persons; persons with disabilities; persons who live in rural areas; and persons otherwise adversely affected by persistent poverty or inequality);
2. Business enterprises that certify they are owned and controlled by individuals whose residences are in CDFI Investment Areas as defined in 12 C.F.R. § 1805.201(b)(3)(ii);
3. Business enterprises that certify they will operate a location in a CDFI Investment Area as defined in 12 C.F.R. § 1805.201(b)(3)(ii); or
4. Business enterprises located in CDFI Investment Areas as defined in 12 C.F.R. § 1805.201(b)(3)(ii).

The term “owned and controlled” means, if privately owned, 51% is owned by such individuals; if publicly owned, 51% of the stock is owned by such individuals; and in the case of a mutual institution, a majority of the board of directors, account holders and the community which the institution services is predominantly comprised of such individuals.

Certification will be required with regard to items (1) to (3) above. Item (3) is intended to cover a business taking out a loan or investment business will operate in the future. With regard to item (4), a jurisdiction may reasonably identify businesses located in CDFI Investment Areas based on the businesses’ addresses from the relevant loan, investment and credit/equity support applications without additional certification.