Written Submission for the Federal Budget

September 8th, 2026

www.catalystcommunityfinance.ca

www.svx.ca

By Catalyst Community Finance and SVX

Supporting submissions by:

- *Building Canada Strong from the Ground Up: National action for community-level economic resilience*
- *Canadian Coalition for Community Capital*
- *Impact Guarantee, a project of the Catalytic Capital Lab*

This submission draws on Catalyst Community Finance and Impact United's report with the University of New Brunswick, *"Unlocking Capital: The Economic Case for Community Finance in Canada"*, by Dr. Simon Marmura Brown, July 2026

Acknowledgement of Indigenous Rights, Structural Inequality, and Collective Responsibility

We acknowledge that the work of Catalyst Community Finance takes place on the traditional, ancestral, and unceded territories of Indigenous Peoples across Turtle Island. We honour the inherent rights, sovereignty, and self-determination of First Nations, Inuit, and Métis communities, and their enduring relationships with the land, waters, and all living beings.

We also recognize systemic injustices and structural inequalities that are rooted in colonization and perpetuated through ongoing discrimination that have placed certain people and communities at greater risk of social, economic, and climate-related harm. This includes
Indigenous Peoples, Black and racialized communities, low-income individuals, 2SLGBTQI+ people, people with disabilities, and others whose experiences have too often been excluded from decision-making processes, including the development of financial and climate policy.

Catalyst's work to support community finance, wealth building and inclusive finance is grounded in a commitment to reconciliation and Ethical Space, where Indigenous and non-Indigenous worldviews meet with mutual respect and shared accountability. We acknowledge that our approach is shaped by Western systems and that there are many valid and vital ways of knowing, being, and leading. We are committed to learning from and with communities, and to co-creating solutions that reflect diverse histories, values, and futures.

As we advocate for policies that unlock capital and empower communities, we do so with humility and a deep sense of responsibility to the land, to Indigenous Nations, and to all people striving for just, sustainable, and locally-rooted economies.

Opportunity Overview: Community finance is a good investment for Canada.

Canada's economic sovereignty agenda is about building a stronger, more productive, more resilient nation. Yet many viable businesses, organizations and projects cannot secure financing suited to their circumstances. These gaps affect small and medium-sized businesses, Indigenous enterprises, rural and Northern communities, nonprofits, co-operatives, affordable housing providers and entrepreneurs who lack conventional collateral or established credit histories.

The challenge is not simply whether capital is available. It is whether Canada has effective pathways to connect capital with borrowers and projects that do not fit standardized lending and investment models.

Three related realities are clear:

1. Canada has recognized that local economies require specialized, patient capital to address local needs.
2. The federal government has established programs and institutions, and has demonstrated a commitment to innovation through social finance initiatives and pilot programs.
3. Canada has not yet enacted the enabling legislation, built the national institutions or developed the evidence base underpinning successful community finance systems in the United States, the United Kingdom and, domestically, Québec.[1]

As a result, significant gaps remain. Nonprofits, social enterprises and many equity-deserving communities continue to be overlooked or have limited access to capital. Businesses delay expansion, affordable housing projects stall, and community organizations postpone critical infrastructure. Evidence across sectors and regions suggests these are persistent structural gaps, not isolated financing decisions.[2]

Across Canada, community finance intermediaries already provide flexible and patient capital where conventional financing is not well suited. **A National Community Finance Strategy would strengthen this existing infrastructure through enabling legislation, appropriate regulation and targeted federal investment.** It would help mobilize additional capital, support employment and generate lasting economic benefits. **The economic case is clear: when capital reaches communities, it multiplies.**

---

[1] Marmura Brown, Simon; *"Unlocking Capital: The Economic Case for Community Finance in Canada."*, 2026, Catalyst Community Finance, Impact United, University of New Brunswick Pond-Deshpande Centre.
Social Capital Partners, "Built to Exclude: Why Canada's Enterprises Need a Different Kind of Financing" (2026).

[2] Government of Canada / social finance research, "Closing the capital access gap for equity-deserving groups" (2025).

RECOMMENDATION SUMMARY

Implement a comprehensive Community Finance Strategy

We call on the federal government to invest in a national Community Finance Strategy to mobilize capital, create jobs, and build resilient local economies by:

A. Incentivizing Local Investment

- Introduce a Community Capital tax credit to attract institutional and retail investment into local enterprises via debt/equity.
- Registered Account Inclusion: Allow RRSP-eligibility for investments in accredited Community Finance Institutions (CFIs).

B. Enabling Federal Participation in Sector-led Loan Guarantees for Community Finance

- Invest in the **Impact Guarantee Pool** to diversity risk, attract investments to catalyze private lending and attract institutional capital into social finance funds.

C. Accrediting and Capitalizing Community Finance Institutions (CFI)

- Create a **national accreditation system and registry** for CFIs.
- Launch the **Community Resilience Fund** inclusive of a **$250M Community Finance Fund** over five years to capitalize community finance institutions, build sector capacity and finance initiatives.

D. Enacting a Canadian Community Reinvestment Act (CCRA)

I. Strike a Senate or House committee to examine a **CCRA framework** that strengthens Canada's financial infrastructure to address persistent gaps in access to capital.

II. Introduce legislation that provides a statutory definition and public accreditation framework for community finance institutions, establishes community-level economic resilience and wellbeing as a national priority, and creates a permanent mechanism for dialogue and coordination between government and communities, Indigenous leadership, philanthropy, finance and research.

E. Mobilizing Crown Corporations, Pension Funds and Financial Institutions

- **Require disclosure and local investment targets** for pension funds, banks, Crown corporations, and foundations.

THE CHALLENGE

Despite Canada's strong financial system, access to capital remains uneven: Canada is facing a generational economic and affordability crisis. The income gap between the top 20% and bottom 40% of Canadians was 62.7 percentage points at the end of 2025–a new record.[3] While Canada's financial infrastructure is robust, there remain major gaps and our institutions are not serving all communities equally.

- **Small and Medium Enterprises (SMEs)** face high loan rejection rates yet are the backbone of the economy and employ nearly 9.5 million Canadians.
- **Rural communities** are underserved; 22.5% had no bank branches in 2023.
- **Black and Indigenous entrepreneurs** face systemic barriers and lack access to even modest financing.
- **Nonprofits and charities** struggle to access capital to achieve public benefit outcomes.
- **Climate adaptation and nature-based solutions** remain underfunded, The adaptation financing gap is acute at the community level.

At the same time, Canada holds some of the largest pools of capital in the world, including approximately $1.9 trillion in tax-sheltered registered savings and $2.6 trillion in pension fund assets. Yet much of this capital flows outside the country. Retail investors hold more than 60% of their assets in U.S. markets, largely through passive index funds, limiting investment in Canadian communities, businesses, and nation-building priorities. Redirecting even a small portion of this capital into local economies would be transformative. To strengthen Canada, we must repatriate more investment into communities and businesses that drive resilience, adaptation, and growth.

NEXT STEPS

We invite the federal government to work with civil society, finance institutions, and provinces to co-develop a **Community Finance Strategy** that attracts new investment and ensures capital serves the public good and fosters shared prosperity.

[3] CBC, April 16th, 2026

DETAILED RECOMMENDATIONS AND COSTS

A. Incentivize Local Investments

Recommendations

i)Introduce a 30% blended Community Capital Tax Credit (20% non-refundable + 10% refundable) for retail investments in eligible securities issued by non-profits, charities, co-operatives, and non-profit, charitable, or co-operative CFIs.

ii) Designate eligible Community Capital Securities issued by non-profits, charities, co-operatives, and non-profit, charitable, or co-operative CFIs as pre-qualified investments for RRSPs, TFSAs, and FHSAs; remove asset-backing requirement; and simplify ITA s.146(8.8) to allow simple debt instruments to be valued at face value plus remaining interest rather than requiring Fair Market Valuation.

iii) Amend ITA s.136(2)(d) to allow co-operatives to issue investment shares beyond their membership base.

iv) Adapt the Allowable Business Investment Loss to allow investors to deduct 75% of losses on eligible direct investments in non-profits, charities, and co-ops.

Implementation

- Amend ITA (s.4900, s.136(2)(d)); investment caps: $20,000/year (registered accounts); $10,000/year (tax credit); maximum credit $3,000/investor/year.
- Minimum 5-year holding period; CRA compliance safeguards; 5-year evaluation framework.
- Define eligible securities through a national CFI accreditation framework.

Models/Examples

- UK: 25% (5 years); US: 39% (7 years); QC: 30% credit grew Fondaction to $4B; BC VCC: $2.3B mobilized.

Costs

- Estimated 5-year fiscal cost: $12.7M–$103.3M (base: $40.3M); pending full econometric modelling. Full details for cost and implementation: Canadian Coalition for Community Capital pre-budget submission, May 22, 2026.

B. Enable Federal Participation in Sector-led Loan Guarantees for Community Finance

Recommendation

We recommend the Government of Canada endorses and enables the sector-led Impact Guarantee program as a cost-effective, core component of a comprehensive Canadian social finance strategy, filling an existing gap in federal loan guarantee infrastructure and supporting social finance intermediaries across Canada to mobilize additional investment and expand access to capital in underserved communities.

Implementation

- That the Government of Canada commit to participate in Impact Guarantee as a guarantor contributor with a **$50M** commitment alongside foundations and institutional investors to leverage philanthropic capital and unlock further private and retail investment at a scale that cannot be achieved otherwise.

- That the Government of Canada provide **$5 million** in non-repayable capital to the Impact Guarantee's first-loss fund, providing a streamlined, operationally efficient mechanism to protect and strengthen the Impact Guarantee program in its entirety.

- Establish a federally capitalized loan guarantee facility managed by a currently established public or nonprofit partner.

Models/Examples

- Canadian Small Business Funding Program: Provides loan guarantees of 80% to banks and credit unions providing debt financing to small businesses.
- US Community Investment Guarantee Pool: Aggregates unfunded guarantees from philanthropic organizations and mission-driven investors to provide credit enhancements to community development financial institutions and other intermediaries.

C. Accredit and Capitalize Community Finance Institutions (CFIs)

Recommendation

Established the **Community Resilience Fund** to capitalize community finance institutions, build sector capacity, and finance initiatives that demonstrate impact at scale.

Direct $250M towards Community Finance Institutions (CFIs) that are mission-driven organizations who provide capital to advance community economic development, equity, and inclusion. They prioritize social impact, reinvest profits, and

ensure community accountability through governance, reporting, or design, while maintaining sound financial and lending practices.

Community Financel Institutions provide: Non-repayable, zero-cost and low-cost financing for affordable housing, SMEs, nature-based solutions, community organizations, and municipal infrastructure; delivered through: Indigenous Financial Institutions, Community Futures organizations, community foundations, credit unions, community loan funds, land trusts, and social finance intermediaries. This would finance qualified intermediaries generally, not any single named organization. The federal investment would be catalytic, and would mobilize additional private, community and philanthropic investment.

I. National Registry and Accreditation

- Establish a **registry and certification process**
- Align with provincial systems and Indigenous institutions
- Build credibility and enable access to funding and incentives

II. Create a National Community Finance Fund

- Create a federal fund to build CFI capacity and scale capital access.
- Community finance institutions are undercapitalized relative to their potential. This fund would scale impact, build provincial capacity, and de-risk innovation in underserved communities.

Implementation

- $50M over 5 years with matching contributions from provinces or philanthropic partners for operating support, infrastructure, technical assistance.
- $200M in capital for first-loss, guarantees, or low-interest loans.
- Established within the **Community Resilience Fund** and capitalized through vehicles the government has already committed to, including Build Canada Homes ($13 billion over five years), the Social Finance Fund, and the Green Municipal Fund, and potentially the Build Communities Strong Fund where there may be a fit.

Models/Examples:

- U.S. CDFI Fund certification: Thirty-year Treasury-administered accreditation model.
- US CDFI Fund: $324M (2025).
- NY State: $25M/year via Empire State Development

Costs:

- $250M over 5 years

D. Enact a Canadian Community Reinvestment Act (CCRA)

Introduce enabling legislation and a permanent coordination mechanism

I. Strike a Senate or House committee to examine a **CCRA framework** that strengthens Canada's financial infrastructure to address persistent gaps in access to capital.
II. We are calling for legislation that accredits and capitalizes community finance institutions and embeds community economic resilience into law. Provide a statutory definition and public accreditation framework for community finance institutions, establish community-level economic resilience and wellbeing as a national priority, and create a permanent mechanism for dialogue and coordination between government and communities, Indigenous leadership, philanthropy, finance and research.

Rationale

A Senate or House Committee might examine and report on persistent gaps in access to capital in Canada, including the legislative, regulatory, fiscal and institutional measures that could strengthen Canada's existing financial infrastructure;

- where capital access gaps continue to occur and their economic consequences;
- whether existing federal programs and institutions are adequately coordinated;
- whether legislative or regulatory barriers prevent capital from reaching underserved markets;
- whether current mandates and incentives enable financial institutions and Crown corporations to respond effectively;
- what role specialized and community-based financial intermediaries can play alongside mainstream institutions; and
- whether additional legislative, fiscal or institutional measures are warranted.

This study could also include examination of the potential purposes, scope and consequences of legislation; its relationship to existing federal and provincial regulation; the institutions to which it might apply; the data and disclosure that would be required; and whether other legislative or non-legislative approaches could achieve similar objectives.

Models/Examples:
Both objectives have legislative precedent in the U.S. Riegle Community Development and Regulatory Improvement Act of 1994, established a federal definition, accreditation

system, and public registry for community finance institutions, and institutionalized a permanent national community finance fund. The scale of the US market is striking as a result of this kind of enabling legislation. The U.S. Community Development Financial Institution (CDFI) market holds $446 billion in total assets as of mid-2025 across 1,378 certified institutions, according to data from the Federal Reserve Bank of New York.

Quebec's Social Economy Act (2013) recognizes the social economy in statute and requires a standing government action plan, and Scotland's Community Empowerment Act (2015), gives communities rights to participate in decisions and to acquire assets.

Implementation Pathways

These objectives could be pursued through two separate pieces of sequenced legislation, a single piece of legislation, or through distinct measures. In either case, legislation should not delay action. An interim program-level qualification framework for community finance institutions could be introduced alongside the Community Resilience Fund, allowing capital to begin flowing immediately. Further legislative review is anticipated including a Senate committee study of a Canadian Community Reinvestment Act

Costs:
House or Senate Committee is struck to develop this legislation, with a budget of $3 million over two (2) years.

E. Mobilize Crown Corporations, Pension Funds and Financial Institutions to invest into local communities.

I. Expand the mandates of Crown corporations (e.g. BDC, EDC, FCC, CMHC) to community investment; including those led by nonprofits, co-operatives, or Indigenous entities.
II. Encourage or require Canadian pension funds and chartered banks to disclose how much of their assets are allocated toward domestic, community-impact investments, and consider setting voluntary or mandatory investment targets.

Why It Matters

- Crown corporations are designed to serve public missions and should be enabled to fill capital gaps where private lenders cannot or will not act.
- With over $3 trillion in assets, Canadian pension funds are powerful economic actors. Even a small allocation to community finance could drive transformative outcomes benefitting Canadian communities.

Implementation

I. Crown Corporations

- Revise mandates to include community impact alongside financial return.
- Pilot dedicated community finance portfolios or co-investment funds within Crown institutions.
- If a major lender, making sure that they have the frameworks to lend alongside community finance.
- Prioritize outcomes like job creation, Indigenous reconciliation and community impact in investment criteria.

II. **Require Canadian pension funds and chartered banks to improve public reporting and impact disclosures.**

- Incentivize participation through co-investment mechanisms or first-loss protections from government.
- Require improved public reporting and impact disclosures.
- Incentivize participation through co-investment mechanisms or first-loss protections from government.
- Explore a dual mandate model for certain public pension funds (e.g. maximize returns and support national development priorities).

Costs:

It is estimated that oversight of the reporting on disclosures and mandates would require $2 million per year.

Models/Examples:

- U.S. CRA (1977): Mobilized over US $200 billion in community development loans since 2010.
- Bank of Montreal (BMO) U.S. Community Reinvestment Act performance: US$5.4 billion in community loans (2020–2023).

The total investment for these recommendations would be $362 million over four (4) years.

Total estimated ROI over five (5) years is $1.1Bn.

ACHIEVING FEDERAL PRIORITIES

A national Community Finance Strategy directly supports federal priorities:

- **Affordability:** Financing housing, energy retrofits, and essential services
- **Jobs and Growth**: Supporting SMEs, co-ops, and local enterprises
- **Economic Resilience**: Strengthening regional economies and reducing inequality
- **Climate and Sustainability**: Enabling investment in adaptation and low-carbon infrastructure

With modest federal investment, a **Community Finance Strategy** can be scaled quickly to drive transformational impact and build Canada.

ANTICIPATED OUTCOMES

1. **New Capital and Leverage:** Community finance investments can scale from $7 billion to $10 billion by 2030 in funds, bonds and other tools across Canada.[4] This represents an estimated increase of 66 per cent. This ecosystem can be rapidly scaled with modest federal support to unlock billions more in private investment. The expectation is a $3-4 in private capital mobilized for every $1 provided by the government.
2. **Community finance creates jobs and good wages:** This investment would help to create and maintain 160,000 jobs and maintain and create thousands of enterprises in communities across the country.
    - Every dollar deployed through community finance produces, on average, $1.20 in Canadian GDP and $0.85 in wages paid to Canadian workers.
3. **Community Finance can generate significant capital multipliers.** Community finance does not replace private investment. It brings it in.
    - Economic modelling shows that a federal community investment tax incentive of approximately $50 million annually could mobilize close to $900 million in total community investment once intermediary leverage is included. That is roughly $17.50 to $19.30 in community capital for every $1 of federal cost.
4. **Support for local and national economic growth:** Local resilience and national competitiveness are connected. Strong local economies contribute to a stronger national economy. At the fund level, the economic impact is substantial.
    - A $250 million Community Finance Institution capitalization fund, would generate approximately $523 million in total economic output,

[4] There is approximately $7.3 billion in community finance assets across Canada including funds, bonds, impact term deposits, and place-based institutions. - https://svx.ca/canadian-community-finance-intermediary-market-map/

contribute $301 million to GDP, support nearly 4,000 full-time-equivalent jobs, and create $213 million in labour income.

5. **Community Finance is fiscally prudent:** Community finance allows governments to spend differently. It turns public investment into economic activity, private capital leverage, household income, avoided costs, and long-term community capacity.

LOCAL AND GLOBAL EXAMPLES

From EntrepreNorth Fund to Réseau Capital, there are hundreds of community finance institutions from coast-to-coast-to-coast including community loan funds, microlending institutions, community bond intermediaries, Community Futures organizations, Indigenous Financial Institutions (IFIs), investment co-operatives, community land trusts, credit unions, and even venture capital firms and angel networks that invest and deploy capital in local businesses, organizations and projects.

- A national strategy would position Canada alongside global leaders like the U.S. and U.K., where community finance has scaled through tax credits, loan guarantees, and institutional mandates. In the U.S., 1130 CDFIs manage $136 billion in assets, lending primarily to low-income and underserved groups. During the 2008 crisis, while bank lending dropped 16%, CDFI loan portfolios grew 15% annually.
- In the U.K., CDFIs lent £248 million in 2022, reaching nearly 95,000 customers—99% of whom had been denied elsewhere. They supported 8,000 jobs and helped households save £28 million in interest.[5]

[5] Responsible Finance UK. Lending Statistics. As found on: https://responsiblefinance.org.uk/responsible-finance-providers/lending-statistics/