

The Growth and Evolution of CDFI Partnerships

November 29, 2018

Organized by the Federal Reserve Bank of Richmond

The **Connecting Communities**[®] audio conference series is a Federal Reserve System initiative intended to provide timely information on emerging and important community and economic development topics with a national audience. The audio conference series complements existing Federal Reserve Community Development outreach initiatives that are conducted through our regional Reserve Bank offices and at the Federal Reserve Board of Governors in Washington, D.C.

Welcome

Thank you for attending today's session. How to join (remember, this session is being recorded)

- Call-in number: 888-625-5230
- Conference code: 8618 0828#
- Webinar link: <https://www.webcaster4.com/Webcast/Page/584/28234>

You have two options to ask questions today:

**These questions may be part of the recorded archive for this session.*

- Email us at: communities@stls.frb.org
- Type your question into the chat box of the webinar

An archived recording of this session will be available on the **Connecting Communities**[®] website shortly after the session ends. Please visit:

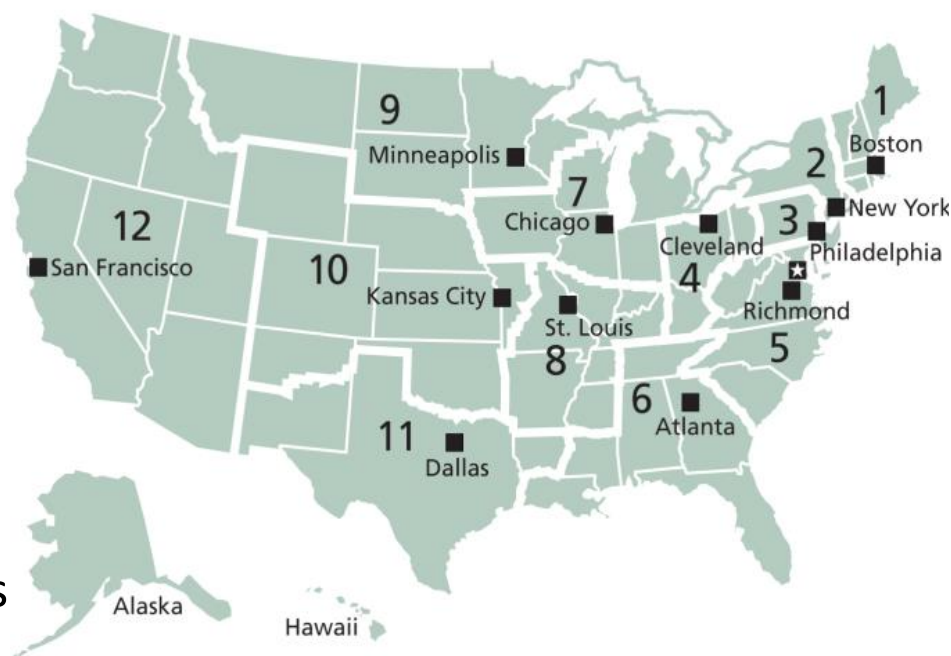
In connection with this session, you can find a variety of additional resources on this topic, available at www.fedcommunities.org. We encourage you to browse through this site and to contact your regional office if you would like additional information on any of these items.

Legal Notices and Disclaimer

The information, analyses, and conclusions set forth are those of the presenters and do not necessarily indicate concurrence by the Board of Governors of the Federal Reserve System, the Federal Reserve Banks, or members of their staffs.

Community Development

- The Community Development function within the Federal Reserve System—consisting of individual departments at each of the 12 Federal Reserve Banks, as well as at the Board of Governors—promotes economic growth and financial stability for low- and moderate-income (LMI) communities and individuals through a range of activities, including:
 - **Convening stakeholders**, including practitioners, financial institutions, nonprofits, governmental agencies, and the philanthropic and private sectors
 - **Conducting and sharing research** to examine economic challenges facing LMI communities and attendant policy implications
 - **Identifying emerging issues**



Today's Presenters and Agenda

- Emily Wavering Corcoran, Federal Reserve Bank of Richmond
- Jeanne Milliken Bonds, Federal Reserve Bank of Richmond
- Yonina Gray, Atlanta Neighborhood Development Partnership and Reinvestment Fund
- Paul Woodruff, St. Louis Community Credit Union
- John Reger, Capital Venture Consultants, Inc.

What Will We Discuss Today?

- Why and how do CDFIs form collaborative partnerships?
- What key considerations can help inform partnership formation and sustained activity?
- How have existing CDFI partnerships navigated common challenges?

Polling Question

What type of organization do you represent?

1. Certified CDFI
2. Non-certified CDFI/other mission-driven lender
3. Financial institution
4. Community Development Corporation (CDC)
5. Governmental department or agency
6. Other

Strength in Numbers: The Growth and Evolution of CDFI Partnerships

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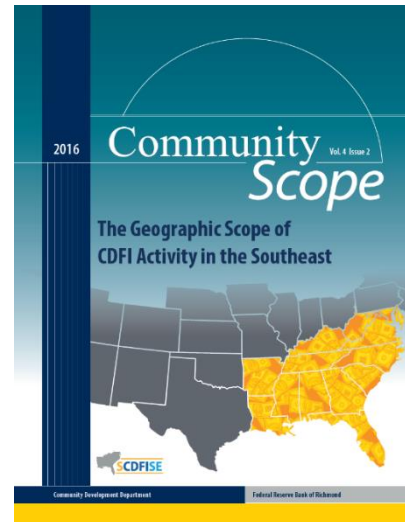
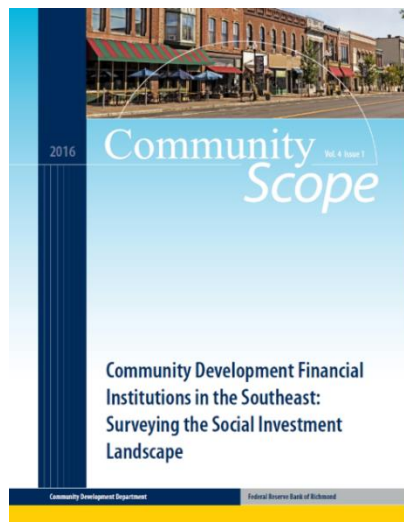
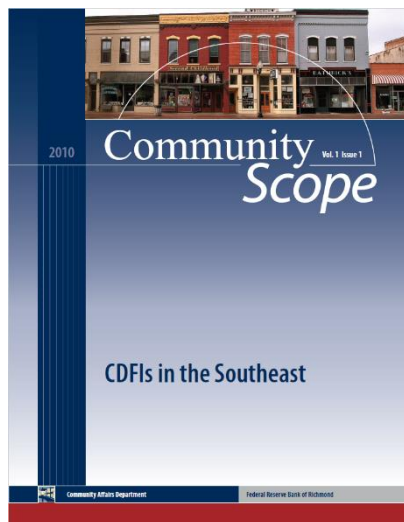
CDFIs play an integral role in supporting the economic well-being of low- and moderate-income (LMI) communities.

Studying the work of CDFIs is one way that Community Development at the Richmond Fed helps fulfill its mission to promote economic growth and financial stability for LMI communities and individuals.

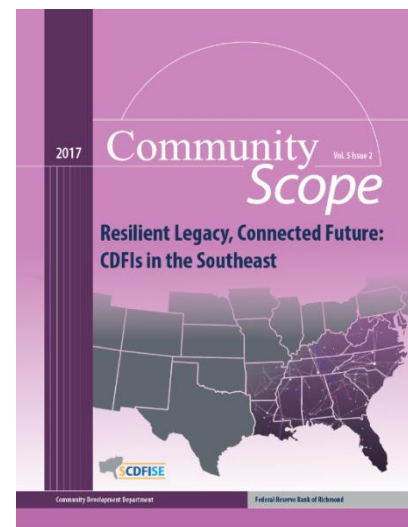


CDFI Research from the Richmond Fed

The Federal Reserve Bank of Richmond has been researching CDFI activity since 2009 via our biennial **Survey of CDFIs in the Southeast.**



Our most recent publication, **“Strength in Numbers: The Growth and Evolution of CDFI Partnerships,”** originated from comments we received in 2017 survey responses stating a desire to learn more about various partnership structures.

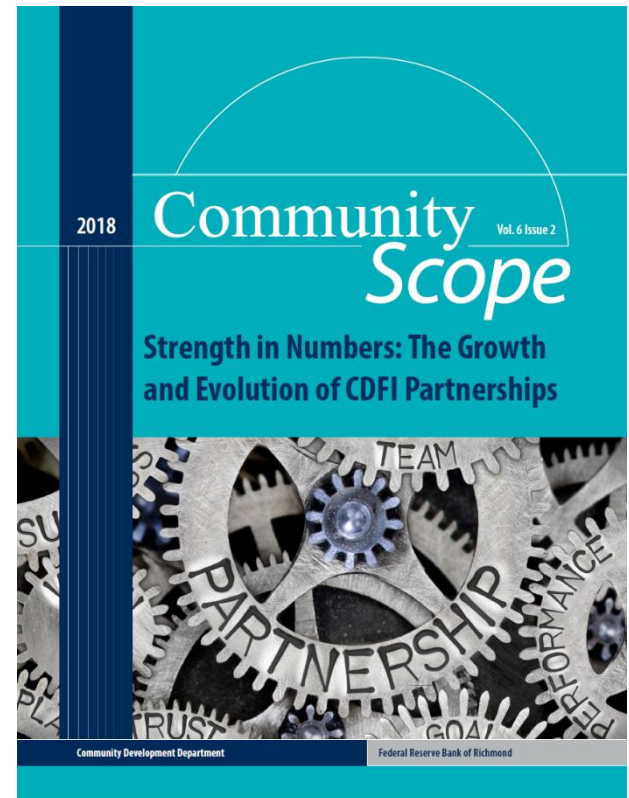


CDFI Research from the Richmond Fed

In our most recent *Community Scope* publication, the Federal Reserve Banks of Atlanta, Minneapolis, St. Louis and Richmond came together to author case studies on the following eight CDFI partnerships:

- Access to Capital for Entrepreneurs and Carver State Bank
- **Atlanta Neighborhood Development Partnership and the Reinvestment Fund**
- **St. Louis CDFI Coalition**
- Native CDFI Network
- Detroit CDFI Coalition
- Maryland CDFI Roundtable
- **South Carolina Community Capital Alliance**
- **West Virginia Loan Fund Collaborative**

During today's webinar you'll hear more about the partnerships highlighted in **purple**.



CDFI Research from the Richmond Fed

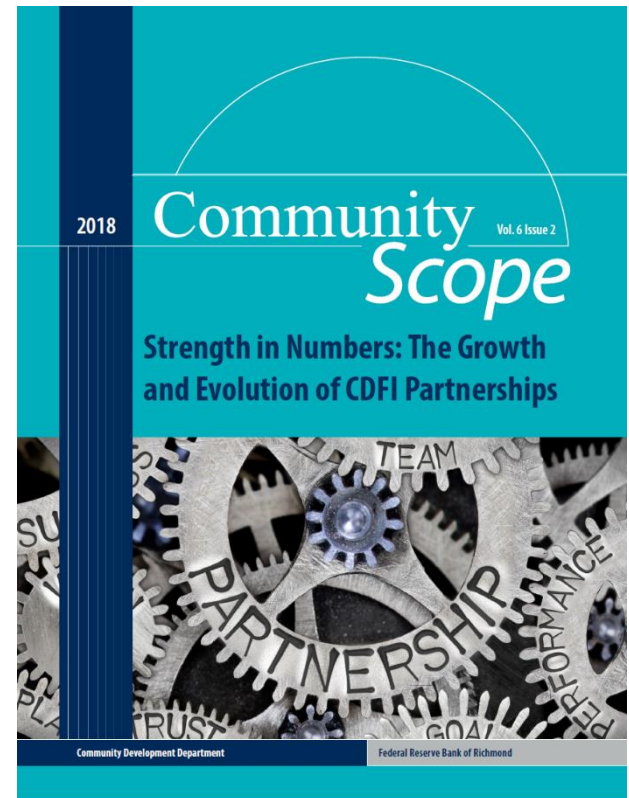
The collective experiences of these eight CDFI partnerships revealed the following key themes and common challenges:

Key Themes:

1. Be realistic about how **membership composition** impacts partnership goals.
2. Adopt an **operating structure** based on the needs of the member CDFIs.
3. Proactively seek a role in shaping **local, state and federal policy**.

Common Challenges:

1. Trust-building
2. Lack of capacity and resources
3. Sustained engagement and activity



Looking Ahead: 2019 Survey of CDFIs

Past iterations of the Richmond Fed's biennial survey of CDFIs have been fielded in the Southeast United States, but **in 2019 the Survey of CDFIs is planning to go national.**

We can't do this work alone -
Federal Reserve Banks, CDFIs and CDFI intermediary organizations are needed to partner on this effort.

For more information about the 2019 survey effort, please contact Emily.Corcoran@rich.frb.org.

For more information about the Richmond Fed's work with CDFIs, please visit www.richmondfed.org/community_development and www.richmondfed.org/community_development/resource_centers/cdfi

South Carolina Community Capital Alliance

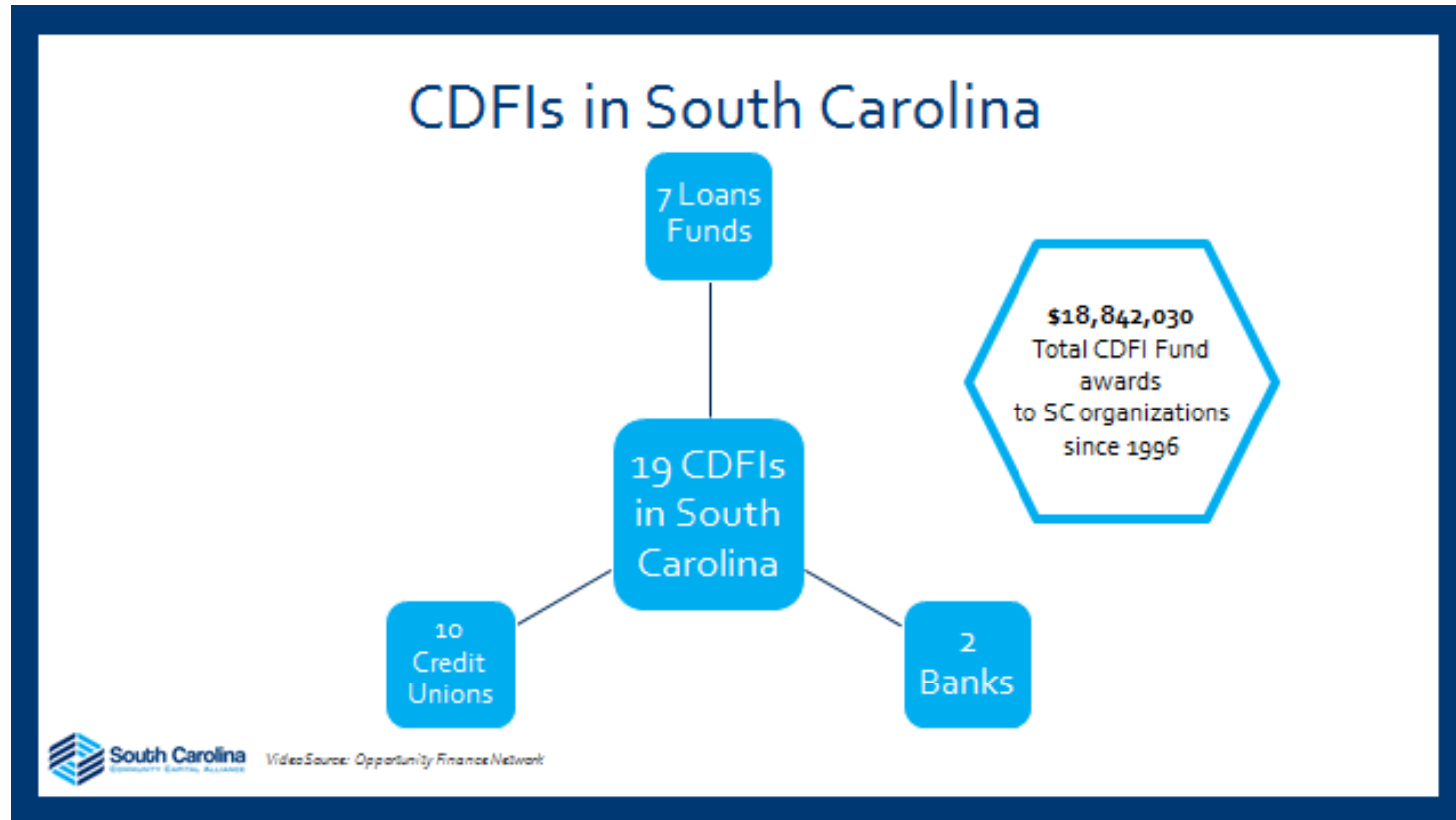
Jeanne Milliken Bonds

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South Carolina CDFIs



www.sccommunitycapital.org



Genesis

- 2011: community development finance stakeholders form a partnership called South Carolina Community Capital
- Goal: investigate whether or not the organizations could collaborate to attract capital and build additional finance capacity.
- Original stakeholders:
 - Appalachian Development Corporation
 - CommunityWorks Carolina
 - Charleston LDC
 - Mary Reynolds Babcock Foundation
 - Michelin Development Corporation
 - South State Bank
 - SC Association of Community Economic Development (CDCs)
 - South Carolina Community Loan Fund
 - Support Center (now, Carolina Small Business Development Fund)
 - Wells Fargo

www.sccommunitycapital.org



SC Community Capital Alliance

- The goal was certification as a CDFI by the U.S. Treasury and an application to the CDFI Bond Guarantee Program
- Created as an independent 501(c)(3) organization, planned to raise and leverage capital, with a mission to work statewide to increase investments in the state's low- to moderate-income communities and act as an aggregator for the state's smaller CDFIs



www.sccommunitycapital.org



Achievements

- 2014: first annual conference that offered peer-to-peer education on investment tools as well as identified a public policy platform for new investment tools
- Four annual conferences have been held to bring new strategies and solutions to community development financing in SC
- Sessions on Aeris ratings in 2017 prompted collaborative discussions of metrics for individual organizational effectiveness
- 2018: 125 attendees participated in an in-depth investment forum, including Opportunity Zones
- CDFI-Foundation training curriculum for foundations

What's Next?



- Opportunity Zones and implementation of “do no harm” guidelines for stakeholders in SC to consider
- Deployment of the CDFI 101 training tool
- Collaboration on Opportunity Zones including the creation of an Investment Forum
- Financing resiliency in preparation for natural disasters

Metro Atlanta Partnering CDFIs

Yonina Gray

**Atlanta Neighborhood Development Partnership and
Reinvestment Fund**

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About ANDP

- ANDP supports affordable housing and creates economic opportunity throughout greater metropolitan Atlanta with its housing development, CDFI loan fund, advocacy and community engagement.
- Loan fund: Provided **\$40 million** in capital to support **5,313** units of housing (MF & SF).
- Majority of funded units target families **below 80% AMI**.
- Prioritizing projects related to foreclosure redevelopment in neighborhoods with high levels of **lingering negative equity**.
- **Products:** Predevelopment, Acquisition, Construction, Bridge, Mini-Permanent



www.andpi.org @andpinc

About Reinvestment Fund

- Mission is to build wealth and opportunity for low-wealth people and places through the promotion of socially and environmentally responsible development. Since 1985, Reinvestment Fund has made **\$2 billion** in cumulative investments and loans across the country.
- Lines of Business: Lending and Investing; Policy Solutions; PolicyMap
- Began expanding nationally in 2015, primarily through partnerships. Interest in serving the Southeast, led Reinvestment Fund to seek a partner in the region.



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ANDP & Reinvestment Fund Partnership

- Filled the gaps for each organization
 - Reinvestment Fund provides underwriting and loan servicing expertise and skills
 - ANDP provides local and historical market context as well as key relationships

Our Work Together



1097 Westview



Sheltering Arms



EQUITY ATL COLLABORATIVE

Challenges of the Partnership

- Connecting two organizational cultures
- Addressing technical assistance needs for unprepared prospects
- Joint lending
- Merging/ alignment of internal processes
- Communications (internal and external)

St. Louis CDFI Coalition

Paul Woodruff

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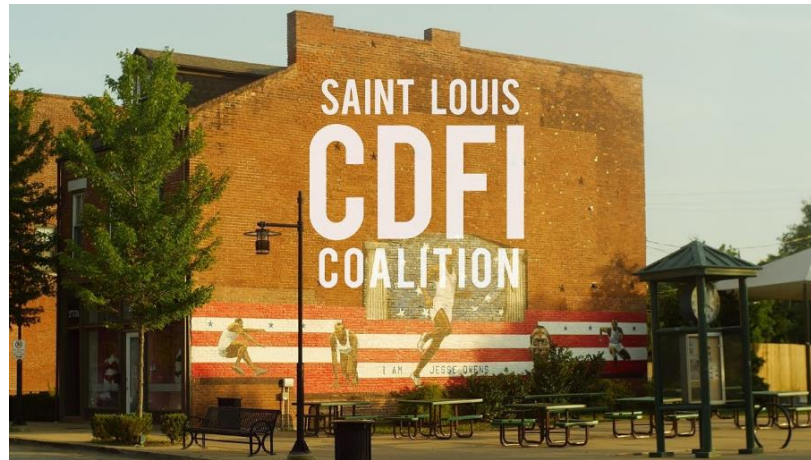
justine PETERSEN
BUILDING ASSETS. CHANGING LIVES.



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St. Louis CDFI Coalition – History

- 2015 – Regular meetings between St. Louis CDFIs were catalyzed by St. Louis Fed’s Community Development team
- May 2016 – CDFI collaboration best practice report completed and presented by graduate students from Washington University in St. Louis and University of Missouri-St. Louis
 - Key findings called for establishment of fiscal agent and coordination by external organization to assist with administrative tasks
 - Contract with Community Builders Network (CBN) initiated to retain part-time staff
 - Annual dues assessed (\$1,000)
- 2018 – Advisory Board, comprised of non-CDFI partners, created to solicit feedback and suggestions regarding the Coalition's strategic direction

St. Louis CDFI Coalition – Goals

- Promote positive financial strategies and policies for underserved communities
- Drive strong partnerships with key community stakeholder, including policymakers, banks, and practitioners
- Raise awareness of the critical role CDFIs play in community development through capital and services offered
- Collaboration to drive innovative financial tools for high-impact community investors

St. Louis CDFI Coalition – Results June 2018 – Annie Donovan Visit



St. Louis CDFI Coalition – Results June 2018 - St. Louis CDFI Forum

- Stakeholders from the banking, philanthropic, wealth-management, and public sectors were invited to a day-long convening to learn about the CDFI industry and meet members of the Coalition.
- Annie Donovan, representatives from the CDFI Coalition, and existing CDFI partners (non-profits, bankers, local government, etc.) presented on a variety of topics
- Through a united voice, the Coalition has established itself as an emerging intermediary for community development investment in the St. Louis region



St. Louis CDFI Coalition – Results

PRO Neighborhoods Planning Grant

- JPMorgan Chase launched Partnerships for Raising Opportunity in Neighborhoods (PRO Neighborhoods), a \$125 million, five-year initiative to provide communities with the capital and tools they need to support locally-driven solutions and address key drivers of inequality across the country.
- October 2018 – The St. Louis CDFI Coalition was awarded a \$200,000 planning grant to develop an Equitable Economic Development Plan, tailored to inform CDFI Coalition member capital deployment. The plan will be utilized to guide the strategy for a future bid to receive a \$5,000,000 implementation grant from the next PRO Neighborhoods grant opportunity.
 - Focus of ultimate implementation grant will be to direct grant funding into St. Louis neighborhoods via a coordinated deployment strategy of CDFI and governmental resources
 - This represents the first time the Coalition has come together to formally develop a strategy across member organizations.

West Virginia Loan Fund Collaborative (WVLFC)

John Reger

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**Woodlands
Community Lenders**

**WEST VIRGINIA
Jobs Investment Trust**



Sponsor Goals for Convening the WVLFC

Richmond Federal Reserve / Claude Worthington Benedum Foundation

/ WV HUB

- Understand the role and impact of mission – driven small business lenders
- Develop an understanding of capital needs and default rates
- Create a strategy that addresses the difficult climate for small business credit access in West Virginia

WV Loan Fund Collaborative (WVLFC) History

- WVLFC emerged from a 2011 meeting on availability of rural capital without any strict strategy.
- The initial meeting and subsequent meetings have been spearheaded through a partnership of the Richmond Federal Reserve and the Claude Worthington Benedum Foundation with some support from the WV HUB.
- Jen Giovannitti, Richmond Federal Reserve (now with Benedum) and Mary Hunt, Benedum, deserve much credit for their organizational skills, commitment to economic and community development in WV, and, in general, for keeping the momentum going with the WVLFC through numerous meetings from 2011 through the first half of 2018.
- The Membership of the WVLFC, after several meetings, by their own respective desire, in 2012, elected to keep the Collaborative relationship free of any formal structure or participant funding obligation, which resulted in every member having an equal seat at the table.
- What became clear from these early meetings in 2011-2012 was that all member loan funds were benefiting from the exchange of information taking place through collaboration.
- The Richmond Federal Reserve has continued through 2018 to convene the WVLFC meetings at least twice a year.

WVLFC Members

(3 CDFI / 5 Local, Regional, and/or Statewide Funds)

The diversity of the Loan Funds emerged as a strength of the WVLFC.

CDFI's:

- **Center for Rural Health Development, Inc. – Statewide**
- **Natural Capital Investment Fund – 9 State Region**
- **Woodlands Community Lenders – 3 County Region**

Other Loan Funds:

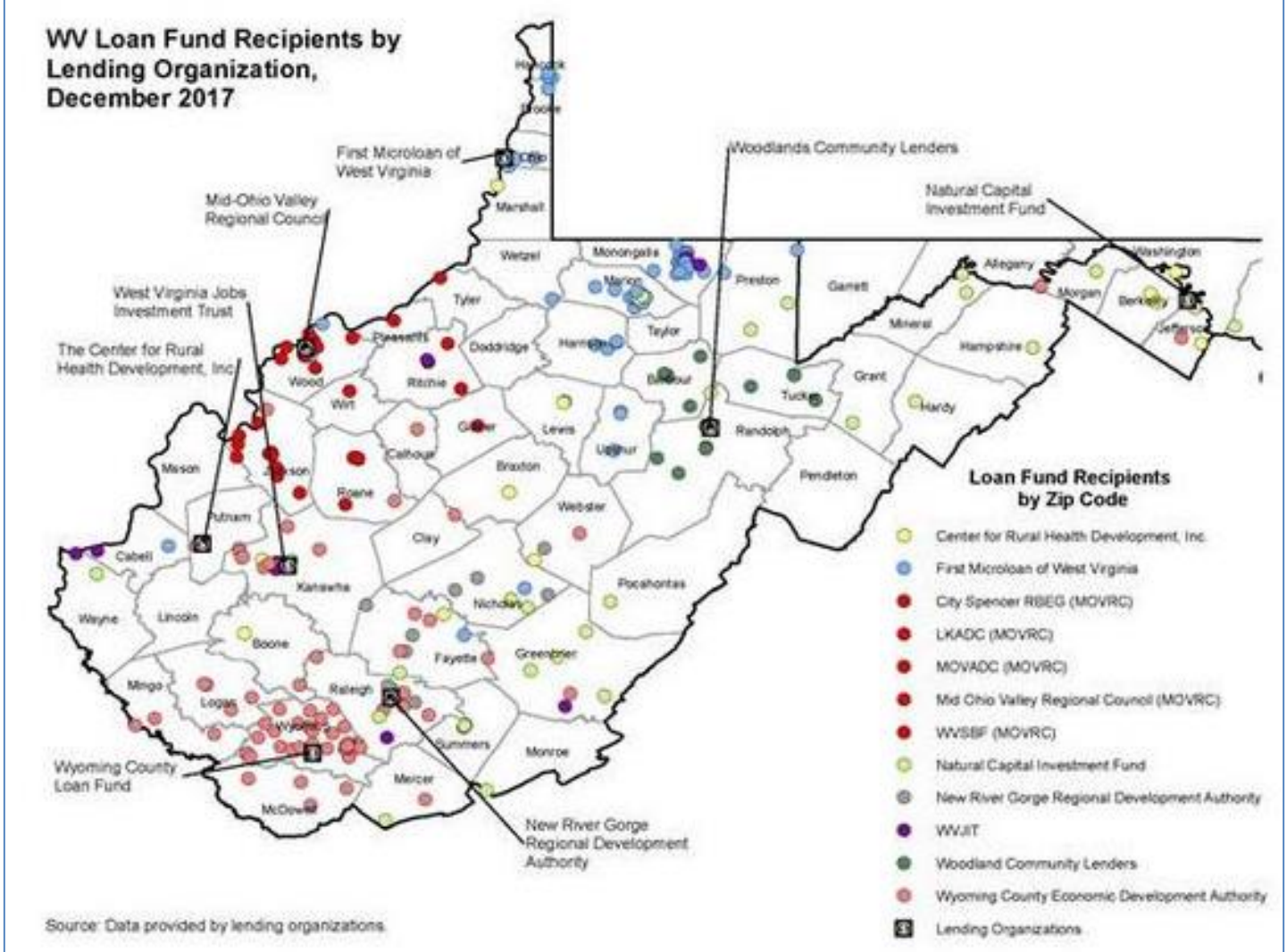
- **First Micro Loan of West Virginia – Most WV Regions**
- **Mid-Ohio Valley Regional Council – 8 County Region**
- **New River Gorge Regional EDA – 4 County Region**
- **WV Jobs Investment Trust – Statewide**
- **Wyoming County EDA – Statewide**

Pre-Collaborative Assumptions Dispelled

Based on information from member meeting discussions, the Richmond Federal Reserve Community Development's surveys and quantitative analysis of loan fund data submitted, the following pre-Collaborative assumptions were in large part dispelled :

- The loan funds were familiar with one another and possibly already working together
- Loan funds were funding constrained and needed additional capital to meet their clients' needs
- The sponsoring organizations of the loan funds were located primarily in the high population areas of the state and their lending clustered in and around those areas

Map



Understanding Gained from the WVLFC

1. The lending impact of the core group of mission lenders in the WVLFC – diverse sectors of WV economy addressed through WVLFC member loans
2. The geographic coverage of the overall lending (i.e., how well spread out and comprehensive their collective loans are in the state) – loans throughout WV’s geography with a strong focus on rural areas
3. The amount of credit and capital that the Collaborative has put into West Virginia market – in 2017 the WVLFC members showed 647 loans with \$45.1 million in active loans

WVLFC Member Shared Results

- **The WVLFC helped galvanize the common goal of lifting WV's small business economy**
- **WV CDFI's and small loan funds are working together to structure transactions worthy of being funded**
- **Expertise and technical assistance is being shared among the CDFI's and small loan funds**
- **An increase in the number of transactions being closed by WVLFC participants was verified through the Richmond Federal Reserve's point-in-time transaction mapping 2012, 2014, and 2017**

A Remaining Challenge of WVLCF

Fully engage West Virginia banks to utilize CDFI's and small loan funds to help support their clients and build new client relationships for the betterment of the West Virginia economy.

Questions?

You have two options to ask questions today:

1. Email us at: communities@stls.frb.org
2. Click the “Ask Question” button in the webinar

Wrap-Up/Closing

Thank you to today's presenters and to all participants for joining this session.

Next steps:

- All session materials are available on our website, and in the next few days, we will post an audio file of today's session.
- If you have topical suggestions for future sessions or any questions about this program, please feel free to contact us at communities@stls.frb.org.
- Information about future sessions will be posted on our website along with archived materials from past sessions: <https://bsr.stlouisfed.org/connectingCommunities>

Related Resources



In connection with this session, you can find a variety of additional resources on this topic, available at **www.fedcommunities.org**.

It provides an array of practical resources to help you in your role as a community development professional, whether your work involves supporting people, places, the policy and practice of community development, or small business development.