

Community Reinvestment Act and Investment Connection Program Training

Natural Bridge State Resort Park, Slade, KY

August 15, 2019

Presented by the Community Development and
Supervision, Credit Risk, and Statistics
Departments of the Federal Reserve Bank of
Cleveland

- The views expressed herein are those of the author and not necessarily those of the Federal Reserve Bank of Cleveland or Board of Governors of the Federal Reserve System

Community Development in the Federal Reserve System

- The Community Development (CD) function came out of the passage of the Community Reinvestment Act (CRA) in 1977
- Every Reserve Bank has a CD Department; programs are tailored to each District's needs
- The goal of the function is to promote the economic resilience and mobility of low- and moderate-income (LMI) and underserved individuals and communities..." by
 - Conducting research and identifying emerging issues
 - Developing resources and sharing ideas
 - Fostering collaboration and building relationships

Federal Reserve Bank of Cleveland

- Fourth Federal Reserve District – Ohio, eastern Kentucky, western Pennsylvania, northern panhandle of West Virginia
- Community Development program focuses on: affordable housing; economic and workforce development; small business
- Staff is engaged in research and analysis, as well as outreach and engagement.



Investment Connection: Bringing community organizations together with bankers and other funders to address the current and future needs of low-income communities

Investment Connection was created by the Federal Reserve Bank of Kansas City in 2011.

It's a tool that employs an on-line proposal portal and in-person events to allow community-based organizations to present projects that are likely CRA-eligible to financial institutions and other funders (foundations, CDFIs, and government entities).

The projects and programs focus on LMI, distressed, and underserved communities.



Investment Connection goals

- Catalyze more investments in and lending to low- and moderate-income (LMI) families and individuals, small businesses, and small farms.
- Open up more CRA-qualified CD investments.
- Help share financial expertise to strengthen those communities.

Investment Connection Process

- Community-based organizations (CBOs) must submit a project proposal using the [online form](#) and upload a copy of their most recent reviewed or audited financial statement and other supporting documents
- Proposed Investment Connection projects or programs must be:
 - CRA-eligible
 - Benefit populations that are at or below 80 percent area median income or benefit small businesses with revenues of \$1 million or less
 - Located in the Fourth Federal Reserve District, preferably in southeast Ohio and eastern Kentucky

About CRA eligibility

- To participate in the Investment Connection program, proposed projects must meet one or more of the four purposes identified in the CRA:
 - Affordable housing for LMI individuals
 - Community services targeted to LMI individuals
 - Economic development for small businesses and small farms
 - Revitalization or stabilization of LMI geographies or certain other underserved, distressed or disaster areas designated by the government

Typical issues addressed in proposals

- Affordable housing/healthy communities
- Asset building/Financial access, capability, and empowerment
- Broadband services/Digital inclusion
- Community Services and facilities
- Small business development/Micro-lending
- Workforce development/Economic development

Proposal Format and Details: Part 1

CD organizations with new or existing programs are encouraged to complete a request for proposal (RFP) through the Federal Reserve Bank of Kansas City's [web portal](#). Information required includes:

- Organizational background and contact information:
 - Describe your organization (mission and overview) and provide a primary and secondary contact. Include website address.
- Proposal title and description:
 - Name of the project for which you are seeking funding and a description that will give us a clear understanding of the project for which you're seeking funding.

Proposal Format and Details: Part 2

- Significant partnerships: Does this program involve any external partners that may add capacity or programmatic experience?
- Project proposal's impact area(s): Which geographic area(s) will benefit from your proposal? Does the project serve an entire MSA or a multicounty/-county region?
- Funding and costs: How much funding is required for your project? What is the total project cost, and what funding are you seeking now?

Proposal Format and Details: Part 3

- In order for us to get a clear understanding of the project for which you are seeking funding, please answer the following questions in the proposal description:
 - Are you seeking a loan, investment/grant, or service?
 - If a loan or investment/grant, how much money are you looking for?
 - Loans and investments require payback or some return to the bank.
 - How long is the project expected to last?
 - Which CRA eligible activity/activities does it address?
 - Requested dollar amount?
- Additionally, we ask you to describe your project. Please answer the following questions:
 - Who is your target population? Population income by Area Median Income
 - Anticipated outcomes?
 - Describe the project and its structure.
 - How will the project be evaluated?
- Brevity in these responses is important.

More information: Reviewed or audited financials

- **Please upload the required financial documents listed below. Scan all documents into a single PDF file before attempting to upload.**
 - Current IRS 501 (c) (3) Determination Letter indicating nonprofit, tax-exempt status.
 - 2018 year-end, board approved financial statements (balance sheet, income statement, and cash flow).
 - Board approved 2019 budget.
 - Income statements from the last fiscal quarter or last three months.
 - If you operate through a **fiscal agent, include fiscal agent financial statements (balance sheet and income statement) from the last fiscal quarter or last three months.**
 - Professional audit report completed within the last 24 months **(if available).**

You're selected to make a pitch, now what?

- Know your value proposition: articulate your organization's needs and its value.
- Summarize why a bank or funder should invest in your organization. Which CRA eligible activity/activities does it address?
- How much funding is required for your project? What is the total project cost and funding you are seeking now?
- Bankers talk to nonprofits and small businesses because they are looking for CRA opportunities so...
 - ...make sure your project is CRA-eligible and responsive to a documented community need benefitting low-(50% of the area median income or below) and/or moderate- (80-120% of median income) income individuals or small businesses with revenues of \$1 million or less.
- Highlight factors in your project that you believe help mitigate any inherent risks to bankers/funders.
- Practice pitching your proposal before the event.
- **Your goal: make a persuasive case.**

Slide template

- Organization name:
- Project name:
- Funding request:
- Type of funding/support requested (loan, investment, grant, line of credit):
- CRA-eligibility activity(s) addressed:
- Brief project description:
- Population served:
- Project duration:
- Expected outcomes:

Do you know what you would do if you got funding?

- Will the funding be used immediately for an ongoing program or to launch a new one in the near future?
- If you have a large, multi-phased project, indicate what phase you are ready to launch and ask for the amount to support it.
- Describe what the funding will allow you to do. For example:
 - A line of credit of \$X will allow us to support an additional staff person to serve X number of additional LMI or small business clients.
 - An investment of \$X will allow us to expand our facility to serve X number of LMI children in our daycare.
 - A loan of \$X will allow us to build X number of new affordable housing units for area LMI individuals and families.
 - A donation of \$X will help us train and place X number of LMI people into permanent jobs.

Investment Connection Timeline

Date	Event
September 12 (1:00-2:00 PM) 1-855-377-2663; participant code: 40570857	RFP informational drop-in call. We strongly encourage you to participate in the call if you are considering submitting a proposal.
September 25	Deadline for all proposals. We will not consider proposals for the event received after this deadline.
October 8	Organizations to present at the live event will be notified.
October 11	Mandatory event prep call for presenters
October 18 (5:00 PM)	Deadline for receipt of presentation slides. Send via email only to Zoe.slater@clev.frb.org with "Presentation Slides" in the subject line. We cannot accept presentations on external devices such as USBs.
October 30 (9:30 AM-12:30 PM)	Investment Connection event

Questions?

- Send questions to: ICCleveland@clev.frb.org
or reach out to Community Development staff
 - Mary Helen Petrus, mary.h.petrus@clev.frb.org;
216-579-2443
 - Matt Klesta, matthew.klesta@clev.frb.org
216-579-3166
 - Zoe Slater, zoe.slater@clev.frb.org
216-774-2599

We are here to help!

Thank you to our partners

