CDFI COLLABORATIONS: KEYS TO SUCCESS

OPPORTUNITY FINANCE NETWORK™

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About Opportunity Finance Network (OFN)

OFN is the leading national network of community development financial institutions (CDFIs) investing in opportunities that benefit low-income, low-wealth, and other underserved communities across America. OFN Members are performance-oriented, responsible investors that finance community businesses, spark job growth in the areas that need it most, and deliver both sound financial returns and real changes for people and communities. Our network has originated $42 billion in financing in urban, rural, and Native communities through 2014. With cumulative net charge-off rates of 1.4 percent we have demonstrated our ability to lend prudently and productively in unconventional markets often overlooked by conventional financial institutions. More information is available at www.ofn.org.

EXECUTIVE SUMMARY

Community development financial institutions (CDFIs) have sometimes worked with one another to fulfill their primary mission of providing affordable, responsible capital, credit, and financial services to low-income, low-wealth, and other underserved people and communities. In recent years, the number and types of CDFI collaborations have increased markedly. Developing and sustaining a CDFI collaboration requires a substantial commitment among all of the partners involved and some collaboration efforts never truly get off the ground. Particularly at the state and regional level, there are CDFIs that are interested in collaborating with their peers but struggle to make it happen. Why are some CDFI collaboration initiatives successful while others are not? This paper seeks to answer this and related questions by studying 12 emerging, ongoing, and completed CDFI collaborations across the industry.

For the purpose of this paper, we defined a CDFI collaboration as two or more CDFIs working together to achieve a common goal. Entities that are not CDFIs can be part of the group, but CDFIs must be the majority. Through our research, we identified five factors that helped the 12 CDFI collaborations in this study achieve success.

- **Business Opportunity and Mutually Beneficial Goals:** Compelling business reasons and clear goals that benefit each CDFI participating in a collaboration are crucial. Without these two elements, the chances for a successful collaboration are low. Even after agreeing on the desired results of their collaboration, CDFIs must be flexible enough to modify tactics, when needed, to meet their goals.
- **Leadership from Within:** Having a participating CDFI lead the collaboration—or having the participating CDFIs hire someone to lead the collaboration—created the ownership and commitment needed for a successful venture. Even when an external funder or other entity initiated the collaboration, the transfer of ownership to the group was critical to success.
- **Roles and Responsibilities:** Clearly delineating roles and responsibilities enabled collaborators to stay focused on specific tasks and ensured that the expertise of each CDFI participant was fully utilized.
- **Performance Metrics:** Identifying performance metrics helped CDFIs quantify their goals, determine to what extent they were able to meet these goals, and what adjustments to goals or strategies, if any, were needed over time.
- **Trust:** Building and maintaining trust among collaboration members is critical to success. Whether the participants knew and worked with each other previously or were getting to know each other for the first time, the successful collaborations all paid attention to the strength of their relationships, achieving trust, transparency, open communication, and mutual respect.

Two additional factors—funding and organizational structure—were notable for the variation in the 12 collaborations' approaches to them and the fact that there was no single approach that proved more successful than others.

- **Funding Sources:** While external, dedicated funding is desirable to help jumpstart and increase the impact of collaborations, CDFIs have been successful even when this funding is not available. In some cases, members have invested their own equity or generated income to cover costs.
- **Organizational Structure:** Under certain conditions, CDFI collaborations found it beneficial to set up separate legal entities. Under other conditions, they prepared memoranda of understanding or simply formalized their processes and procedures by putting them in writing. All were successful approaches.

Based on these and other observations, we drew several conclusions about CDFI collaborations:

- CDFI collaborations may vary in size and composition, but they are not reluctant to take on large, complex, community and economic development issues, such as affordable housing, small business financing, education, and new technologies.
- Developing and sustaining successful and effective CDFI collaborations requires a heavy commitment among all of the partners involved. Having a vision, convening regularly, and bringing the right partners to the table are only the first stages of a successful collaboration. Collaborations sometimes falter because they have not clearly defined common goals and objectives, the participating CDFIs have not assumed ownership and taken on the leadership role, and/or the group finds it difficult to move from convening to developing action steps.

- While they sometimes face challenges, CDFIs are proving that collaborations enable them to accomplish more and have greater impact than they could individually. Opportunities will continue to exist for CDFIs to work together and find common solutions to issues facing the communities they serve.

To promote more collaboration among CDFIs, we propose a three-year strategy that includes five major elements:

- Raise awareness of CDFI collaboration successes
- Strengthen existing collaborations
- Encourage the formation of new collaborations
- Promote additional funding for CDFI collaborations, and
- Conduct additional research

I. INTRODUCTION

One of the many characteristics that CDFIs have in common is their keen interest in talking with each other about how they do their work. They are eager to share their knowledge and expertise, and exchange ideas on how to better serve low-income communities. Not surprisingly, this interest has moved beyond discussions to the formation of CDFI collaborations to address common opportunities or areas of concern.

Yet the creation and sustainability of a collaboration raises several questions: Why are some successful and others are not? How do we measure a collaboration's success? What can we learn from the experiences of existing collaborations to help pave the way for additional and more strategic collaborations in the future?

This paper seeks to answer these questions. Sections II through V provide our research methodology, describe why CDFIs collaborate, and identify factors that contribute to successful CDFI collaborations. The appendices include a three-year strategy to strengthen existing collaborations and promote new ones.

II. METHODOLOGY

We began our research by reviewing several studies and articles about collaborations, and speaking with individuals at philanthropic foundations and other organizations that had a focus on developing or studying collaborations. These studies and individuals were not limited to the CDFI industry-–most, in fact were outside of the CDFI industry. (See Appendix A. Resources and Interviews for a list of studies, articles, and expert interviews.)

We then developed our definition of a CDFI collaboration: for the purpose of this paper, we defined a CDFI collaboration as two or more CDFIs working together to achieve a common goal. Entities that are not CDFIs could be part of the group, but CDFIs must be the majority. In addition, to be included in the study, a collaboration had to be functional for at least a year and have achieved at least some level of success.

We were able to identify more than two dozen collaborations that met our definition. These included the seven JPMorgan Chase CDFI Collaboratives program grantees.[1] Our goal was to include 8-12 collaborations in our study. We developed selection criteria that ensured a mix of collaborations with a wide range of purposes and participating CDFIs. We were interested in the diverse nature of collaborations and sought to include CDFIs that:

- serve rural and urban markets
- have a range of asset sizes
- are owned and/or led by people of color
- are at various stages of development, from emerging to ongoing to completed, and
- represent different financial institution types, i.e., loan funds, banks, and credit unions

In addition, we sought to include a small number of JPMorgan Chase CDFI Collaboratives program grantees.

Using these criteria, we initially selected 13 collaborations to include in our study. We eventually removed two of these because we determined they were not sufficiently formed to meet our definition of a CDFI collaboration. We replaced one of these, for a final list of 12 collaborations including two JPMorgan Chase Collaborative Initiative grantees:

1. Appalachian Development Alliance
2. Charter School Lenders' Coalition

[1] In December 2014, JPMorgan Chase announced the creation of a CDFI Collaboratives program intended to forge partnerships among CDFIs to help them build capacity; improve access to capital for small businesses, affordable housing and healthy food networks; and create economic growth in distressed and underserved communities. Under the program, the JPMorgan Chase Foundation awarded $33 million to seven collaborations comprising 27 CDFIs working in 21 states.

3. Chicago CDFI Cluster (JPMorgan Chase grantee)
4. Coastal Enterprises, Inc. and Four Directions Development Corporation
5. Craft3 and Native CDFIs
6. Detroit CDFI Coalition
7. ImpactUs Marketplace
8. The Reinvestment Fund and Atlanta Neighborhood Development Partnership
9. Rural Community Assistance Corporation and Native Home Capital's Collaboration with Native CDFIs
10. Small and Medium Enterprises Collaborative (JPMorgan Chase grantee)
11. South Carolina Community Capital Alliance
12. Triple Bottom Line Collaborative

Appendix B. provides a profile of each collaboration.

During the spring and summer of 2015, we collected and reviewed background information on each collaboration before interviewing at least two members of each collaboration using a standard set of interview questions. Where necessary, we followed up with a second interview. The study team then reviewed all interviews to identify common themes and findings, and to develop a strategy for moving collaborations forward.

III. WHY DO CDFIs COLLABORATE?

The CDFIs profiled in this paper sought out one another to focus on various priorities. We grouped these priorities into four categories:

1. Capacity Building—Most CDFIs have a desire to strengthen their organizations so that they can better serve their markets. Collaborating can provide a unique opportunity for CDFIs to share expertise and receive much-needed technical assistance and training at minimal or no cost. This type of collaboration often occurs between large and small CDFIs and can be an effective approach for enabling a smaller organization to grow and a larger organization to enter a new market.
2. Place-based Initiatives—To address the devastating impact of poverty, unemployment, crime, poor quality health care, and substandard educational systems, geographically targeted revitalization strategies are often needed. CDFIs working in the same market have come together to more effectively meet the needs of communities by, for example, eliminating duplication of effort, referring deals to each other, co-investing when one CDFI alone cannot complete a deal, and jointly raising capital.
3. Sector-focused Initiatives—Some CDFIs form partnerships to concentrate on community development sectors, such as housing, education, health care, and the environment. To that end, groups may devote their efforts to, for example, soliciting funding to improve charter school facilities or promoting investments that adhere to triple bottom line (social, economic, and environmental) principles and guidelines.
4. Technology—CDFIs use technology at almost every stage of the lending process. Some are interested in using shared technology platforms to support underwriting, loan administration, and loan participations. Increasingly, CDFIs are combining their efforts to explore, develop, and adopt new technologies that can increase efficiency and effectiveness in operations, customer acquisition, capital raising, and other areas.

Table 1. provides the category of each collaboration, as well as other descriptive information.

Even though the goals and priorities of the CDFI collaborations we reviewed differed, all focused on the same mission: devising strategies to increase their impact in low-wealth markets and provide these communities with greater access to credit, capital, and financial services.

Table 1. Characteristics of the Selected Collaborations

Name	Category	Stage of Development (year started)	# of Members	Origins	Sources of Funding	Organizational Structure
Appalachian Development Alliance	Place-based, Capacity Building	Ongoing (2000)	8 founding members; 6 current members	CDFI initiated	*Operating funds*: earned income, member contributions *Loan capital*: state of Kentucky, CDFI Fund	Separate legal entity
Charter Schools Lenders' Coalition	Sector-focused	Ongoing (2005)	12 (including non-CDFIs)	CDFI initiated	*Operating funds:* Walton Foundation, Gates Foundation	Guiding principles and bylaws
Chicago CDFI Cluster	Place-based, Sector-focused	Ongoing (2014)	3	CDFI and funder initiated	*Operating and loan funds*: JPMorgan Chase Foundation	Legal agreement(s)
Coastal Enterprises, Inc. and Four Directions Development Corporation	Capacity Building	Ongoing (2000)	2	CDFI initiated	None	Legal agreement(s)
Craft3 and Native CDFIs	Capacity Building	Ongoing (at least since 2009)	12 (including non-CDFIs)	CDFI initiated	*Operating funds*: Gates Foundation, Paul Allen Foundation, Northwest Area Foundation	Legal agreement(s)
Detroit CDFI Coalition	Place-based	Emerging (2014)	19	CDFI initiated	None	Memorandum of understanding (MOU)

Impact Us Marketplace	Technology	Emerging (2013)	2	CDFI initiated	*Operating funds:* Member contributions, MacArthur Foundation, Ford Foundation, Kellogg Foundation, Promontory Innovation Award	Separate legal entity
The Reinvestment Fund and Atlanta Neighborhood Development Partnership	Capacity Building	Emerging (2014)	2	CDFI initiated	none	MOU
Rural Community Assistance Corporation and Native Home Capital	Capacity Building	Ongoing (2012)	2	CDFI initiated	*Operating and loan funds:* HUD, USDA Rural Community Development Initiative, Wells Fargo NEXT Opportunity Award, member contributions	MOU
Small and Medium Enterprises Collaborative	Technology	Emerging (2013)	4	CDFI initiated	*Operating and loan funds:* JPMorgan Chase Foundation, member contributions	Legal agreement(s)
South Carolina Community Capital Alliance	Place-based	Emerging (conversations started in 2011, Alliance officially formed in 2014)	22 (including non-CDFIs)	CDFI initiated	*Operating funds:* Mary Reynolds Babcock Foundation, financial institutions, member contributions	Separate legal entity
Triple Bottom Line Collaborative	Sector-focused	Completed (2003)	9	Funder initiated	*Operating funds:* Ford Foundation	MOU

IV. WHAT FACTORS CONTRIBUTE TO SUCCESSFUL CDFI COLLABORATIONS?

Analysis of the 12 collaborations led us to five factors that contribute to CDFI collaboration success:

- Business Opportunity and Mutually Beneficial Goals
- Leadership from Within
- Roles and Responsibilities
- Performance Metrics
- Trust

Two additional factors—funding and organizational structure—were important factors, yet they are notable for the variation in approaches across collaborations and the fact that there was no single approach that proved more successful than others.

Below we provide a description and one or more illustrations of each success factor.

Business Opportunity and Mutually Beneficial Goals: Compelling business reasons and clear goals that benefit each CDFI participating in a collaboration are crucial. Without these two elements, the chances for a successful collaboration are low. Even after agreeing on the desired results of their collaboration, CDFIs must be flexible enough to modify tactics, when needed, to meet their goals.

In 2009, at the request of a number of emerging Native CDFIs and tribal government officials, **Craft3** hosted a series of meetings to explore how it could support them in making loans to micro business owners and consumers. Craft3 wished to identify and help strengthen peer Native groups with whom they could partner in Washington and Oregon. Some of the groups attending were already lending, some were planning to lend, and some simply wanted to learn about lending.

Craft3 then began working with approximately a dozen Native groups that were doing some level of lending or business development. The groups discussed and agreed on their common purpose: to collaborate regionally to develop Native capital sources that support the expansion of entrepreneurship, private sector development, and family asset building. Soon after, Craft3 signed a memorandum of understanding (MOU) with ONABEN, a Native CDFI intermediary that assisted Craft3 by providing organizational development services to the groups, including training in entrepreneurship and strategic planning.

Ultimately, six of the 12 groups moved forward to create their own Native-controlled loan funds in Washington and Oregon. They continue to grow even as they navigate the challenges associated with starting new organizations. One loan fund has decided to expand to other tribes, and another is moving beyond the reservation to focus its lending on all people of color in its region.

In 2011, the **South Carolina Community Capital Alliance**—a network of community development stakeholders, lenders, financers, and investors—came together to identify ways in which organizations in the state could work together on four major tasks:

- Attracting capital
- Increasing the organizational capacity of community development finance entities, including CDFIs
- Increasing product coverage, and
- Enhancing communication among industry partners and increasing advocacy opportunities.

Initially, members planned to apply for funding from the CDFI Bond Guarantee Program. This program, which the CDFI Fund launched in 2010, provides CDFIs with 30-year, long-term capital for community and economic development activities. Members quickly realized, however, that the program would not be a feasible short-term option due to the program's complexity, as well as capacity challenges among CDFIs in the state. Although the CDFI Bond Guarantee Program was not an option, the group agreed that working together to attract capital and promote broader capacity and coverage among community development finance partners was critical to support underserved and undercapitalized communities in South Carolina. Members agreed that a first step in addressing these needs was to focus their attention on defining a collaboration organizational structure, including formal incorporation as a nonprofit.

In 2015, the Alliance became a 501(c)(4) social welfare organization. This status enables it to promote and support the community development finance industry in South Carolina. The Alliance is a non-voting membership organization; currently, it has 22 members. It also established a nonprofit CDFI through a merger with an existing statewide CDFI, South Carolina Community Capital, which will serve as the state intermediary, providing financing and technical assistance to CDFIs and other community development organizations.

In addition to its focus on capital, capacity, and coverage of financial products and services, the Alliance is focused on promoting and supporting policies that increase capital investments in CDFIs and support community and economic development efforts across the state. In 2015, the Alliance worked with the South Carolina Association for Community Economic Development (SCACED) to support the successful passage of the reauthorization of the South Carolina Economic Development Act of 2000. This legislation provides $5 million in grants for CDFIs and community development corporations (CDCs) to carry out their missions and $5 million in tax credits to individuals and businesses that invest in CDFIs and CDCs.

The Alliance will continue to seek policy opportunities that encourage and enable investments in CDFIs and CDCs. In addition, the Alliance is focusing its attention on heightening the awareness of the community development finance industry in South Carolina and promoting educational opportunities to increase capital sources for community and economic development efforts. To support this outreach strategy, the Alliance kicked off the first ever statewide Community Capital Conference focused on innovation in capital and investment opportunities to catalyze community and economic development and job opportunities.

Leadership from Within: Having a participating CDFI lead the collaboration—or having the participating CDFIs hire someone to lead the collaboration—created the ownership and commitment needed for a successful venture. Even when an external funder or other entity initiated the collaboration, the transfer of ownership to the group was critical to success.

In the wake of the Detroit's 2013 bankruptcy filing, OFN organized a series of meetings for Michigan CDFIs to discuss revitalization efforts with representatives of the state and city government, the private sector, and the philanthropic sector. After these meetings, the Michigan CDFIs decided to meet on their own to continue the conversations. From these continued conversations and meetings, the **Detroit CDFI Coalition** was born. Made up of 19 local and national CDFIs working in Detroit and other parts of Michigan, the Coalition is a collaboration effort among CDFIs to proactively connect capital to communities, identify key policy objectives, and work creatively to leverage each other's resources to support comprehensive community development in Detroit.

The Michigan CDFIs began meeting without a clear goal or a designated leader. It was an organic effort among the CDFIs with no outside assistance. One member, Detroit Local initiatives Support Corporation (Detroit LISC), took the lead in organizing the first meeting. While other CDFIs organized subsequent meetings, Detroit LISC played a support role, handling logistics and leading the development of meeting agendas. When it came time to designate a leader, the group elected Detroit LISC's Executive Director as the first chair. The chair coordinates meetings, keeps the group focused on priorities, and ensures that members are talking with one another and reaching consensus on decisions.

The knitting together of different types of CDFIs (local, national, large, small) has seen some early payoffs. The CDFIs very quickly began working with each other in ways they had not previously done. Rather than see each other as competitors, they found mutually beneficial ways to collaborate. For example, one CDFI disengaged from a deal because it did not have extensive experience in small business lending and provided this opportunity to another CDFI with expertise in this area. Three CDFIs that had not previously worked together (two loan funds and a credit union) are now collaborating on the city's innovative zero percent home repair program. The members agree that neither of these would have happened if not for the relationships they had developed through the Coalition.

Roles and Responsibilities: Clearly delineating roles and responsibilities enabled collaborators to stay focused on specific tasks and ensured that the expertise of each CDFI was fully utilized.

In low- and moderate-income areas of Chicago, 1-4 unit residential buildings were in terrible condition prior to the recession. After the recession, these buildings continued to deteriorate. Thousands of units were available, but thorny foreclosures, back taxes and other issues made many of the buildings difficult to acquire. The lack of access to acquisition and rehab financing compounded the problem by further limiting opportunities for potential buyers to purchase and renovate buildings.

In response to the JPMorgan Chase Foundation's collaborations grant solicitation, three well established CDFIs—Community Investment Corporation, Chicago Community Loan Fund, and Neighborhood Housing Services of Chicago—formed the **Chicago CDFI Cluster.**

The collaboration is identifying strategic areas and specific 1-4 unit buildings to provide financing appropriate for the buyer. Specifically they are focused on:

- Financing the acquisition of 1-4 unit properties that carry back taxes or are stuck in the foreclosure process and selling those buildings to responsible owners and investors
- Financing the purchase and redevelopment of 1-4 unit properties for homeownership and rental housing, and
- Financing needed improvements for owner-occupied 1-4 unit properties to upgrade building conditions and enhance affordability of the properties.

Each CDFI brings a unique set of programmatic, market, and technical expertise to the collaboration, and their roles are defined by their strengths. For example, Community Investment Corporation is responsible for acquiring properties otherwise stuck in foreclosure or other limbo; Chicago Community Loan Fund is financing responsible investors to acquire and rehab distressed properties; and Neighborhood Housing Services of Chicago is focused on financing the purchase-rehab, refi-rehab, or home improvement activities of owner-occupants. All three partners work to build capacity of clients to ensure the long-term success of the building, its owners, and its occupants.

Performance Metrics: Identifying performance metrics helped CDFIs quantify their goals, determine to what extent they were able to meet these goals, and what adjustments to goals or strategies, if any, were needed over time.

In 2003, the Ford Foundation funded a pilot to invest in model projects and promote best practices in the growing field of triple bottom line investing (social, economic, and environmental). The goal of the pilot was to develop a **Triple Bottom Line Collaborative** comprised of seven primarily rural CDFIs that would: invest $5.5 million in model projects that advanced the practice of triple bottom line impacts and introduce quantifiable discipline into triple bottom line practices.

Craft3 and Coastal Enterprises, Inc. co-led the group. As part of their efforts, the collaboration developed a scorecard that served as a rating tool for evaluating whether members' projects adhered to triple bottom line criteria and whether these projects were impactful.

The scorecard listed 31 measures organized into three categories: economy, environment, and equity. Some of the environment metrics include:

- Land conserved or restored
- Energy efficient improvements
- Reduction in greenhouse emissions
- Building re-use, and
- Water quality preserved. [2]

The collaboration continued beyond the one-year pilot period, and members count several achievements, including opportunities to engage more in federal policies such as cap and trade agreements and renewable energy programs. Members also presented and received positive feedback about their work at a number of industry conferences.

Activities wound down in 2009. The CDFIs participating in the collaboration were grappling with the looming financial crisis and needed to shift their priorities; the Ford Foundation's funding priorities had also shifted.

[2] To see the complete scorecard, go to
http://www.craft3.org/docs/case-studies/opportunity-finance-network-tbl-innovations-report-050108.pdf?sfvrsn=0.

Coastal Enterprises and Craft3 believe the CDFI industry generally accepts the premise of the triple bottom line model and that the scorecard has been a useful tool for assessing whether proposed projects meet the criteria for triple bottom line investments. Both CDFIs concede, though, that there is still much to be done to ensure that the triple bottom line concept is embraced and used by most of the industry.

The recession left the country and many CDFIs reeling. The impacts of the housing collapse were severe in the ten-county metropolitan Atlanta region, where 21 percent of homeowners are currently underwater with their mortgages.[3] **The Atlanta Neighborhood Development Partnership (ANDP) Loan Fund** (legally known as the Community Redevelopment Loan and Investment Fund), which is focused on serving low- and moderate-income Atlanta neighborhoods hard hit by the foreclosure crisis, was deeply affected by the recession. ANDP had to let most of its lending staff go and was working on troubled loans but doing little new lending in the years following the crisis.

Hoping to regain its footing in the aftermath of the recession, ANDP reached out to **The Reinvestment Fund (TRF),** a large, well-established CDFI to seek assistance in reviving and building the ANDP Loan Fund.

TRF was interested in expanding into markets beyond the mid-Atlantic region (its primary service area) and was considering Atlanta as a potential site. It was looking for a local partner that could assist in bringing it up to speed about the region and initiate introductory meetings with stakeholders.

Together, the two CDFIs developed performance metrics in 2014 that align with ANDP's strategic plan and allow ANDP to rebuild incrementally:

- Number of loans closed
- Updated and approved ANDP loan policies, and
- Successful submission of an ANDP grant application to the CDFI Fund.

Each year going forward, the goals and the performance measures will be more ambitious. ANDP and TRF are committed to increasing the number of new investments in the Atlanta metro region and raising $1.5 to $2 million in new capital. The two CDFIs are also exploring ways they can jointly deploy capital in Atlanta through a housing, community facility, or healthy foods initiative.

In 2012, several CDFIs began to explore ways in which they could provide affordable, flexible capital and real estate development services for the construction and expansion of charter schools in low-income communities. Consequently, they formed the **Charter School Lenders' Coalition**, which consists of 12 CDFIs and other private, nonprofit organizations.

The Coalition saw an opportunity to tap into government programs that would support them in financing the construction of charter schools. Among other resources, they have applied for funding from the Education Department's Credit Enhancement for Charter School Facilities Program and the Treasury Department's New Markets Tax Credit and CDFI Bond Guarantee programs.

The collaboration is concentrating on several policy and technology goals, including:

- Supporting increased funding for the Department of Education's Credit Enhancement for Charter School Facilities Program, which has seen more than a 50 percent decrease in funding (from $37.2 million in 2004 to $14 million in FY 2014)
- Educating and obtaining widespread support from congressional members about charter school facilities, and
- Developing and implementing a data mapping system that identifies and tracks facilities investments.

The metrics they will use to measure success include:

- Increase in funding for the DOE's Credit Enhancement for Charter School Facilities Program, and
- Completion of the mapping system.

[3] Zillow.com Q2 2015 Negative Equity Report

Trust: Building and maintaining trust among collaboration members is critical to success. Whether the participants knew and worked with each other previously or were getting to know each other for the first time, the successful collaborations all paid attention to the strength of their relationships, achieving trust, transparency, open communication, and mutual respect.

Our research uncovered numerous ways in which the 12 CDFI collaborations built and maintained trust. Some examples follow:

Representatives of the **Triple Bottom Line Collaborative** said they were thoughtful about who they selected as participants. They sought to include people who were creative and blunt, and would contribute to robust interactions and conversations.

The **Detroit CDFI Coalition** members openly acknowledged the potential competition among them. They committed to look for opportunities to work together rather than compete, communicating with one another about potential deals, sharing their knowledge and expertise, and recognizing the unique strengths and products offered by each participating CDFI.

Rural Community Assistance Corporation (RCAC) and **Native Home Capital** noted that it took sustained communication and meetings to build trust. Even though the CDFIs did not know one another prior to their collaboration, two key leaders had previously worked at the same organization and were connected through shared experience. RCAC, the larger organization, respected the market knowledge and expertise of the much smaller Native Home Capital. They each made a point of ensuring that staff at all levels of both organizations were involved in the collaboration, thus building deeper and more sustainable relationships that did not depend on just two individuals.

For the first year, the CEOs of the **Appalachian Development Alliance (ADA)** member organizations met monthly over lunch. The early meetings were not always comfortable as the eight CEOs had to figure out how to navigate competition versus cooperation. Through these sessions the members began to appreciate the benefits of working together. Not only could they share risks, but the members also came to better understand each other's approaches to underwriting, collections, and liquidations. In addition, junior staff were invited to some of the meetings and could witness the growing relationships firsthand. They and other staff were involved in loan referrals and participations, and over time, developed such strong working relationships across organizations that these referrals, participations, and consultations are now an integral part of how these CDFIs operate.

Funding Sources: While external, dedicated funding is desirable to help jumpstart and increase the impact of collaborations, CDFIs have been successful even when this funding is not available. In some cases, members have invested their own equity or generated income to cover costs.

The 12 collaborations in our study have used a wide range of funding options to start and sustain their work. Some received small operating grants to get started (e.g., ADA, South Carolina Community Capital Alliance, and Triple Bottom Line Collaborative). Others received multi-million dollar grants under the JPMorgan Chase CDFI Collaboratives program (Chicago CDFI Cluster, Small and Medium Enterprises Collaborative). Several wrote successful joint funding applications (e.g., RCAC and Native Home Capital, Coastal Enterprises Inc., and Four Directions), generated interest or fee revenue (ADA), or relied on member financial contributions or member in-kind contributions (e.g., ADA, South Carolina Community Capital Alliance, Detroit CDFI Coalition). In several cases, one or more members put their own equity into the collaboration's activities (e.g., RCAC and Native Home Capital, ImpactUs Marketplace). While all of the collaborations we studied have experienced some level of success, most would like access to additional funding to accelerate their growth and expand their successes.

The catalyst for the creation of the **ADA** in Eastern Kentucky was a $3.5 million deal with a major local employer—a tool and die company—that allowed the business to relocate to an affordable area within the region where it could expand. The deal involved 17 different funding sources, including several CDFIs. Seeing what they were able to accomplish together, a group of eight organizations (including five CDFIs) decided to form a collaboration to spur more community and economic development in the region.

The first meetings of the eight members occurred in 1999. Initial funding came from the National Cooperative Bank, which provided a $10,000 grant for the group to explore the feasibility of becoming either a cooperative or a 501(c)(3). The eight members each contributed a small amount of money to match NCB's $10,000 grant. The group decided to become a 501(c)(3) rather than a cooperative and incorporated in 2000.

ADA's 2002 strategic plan set a three-year goal to raise $3 million in capital. In June 2003, the ADA received a zero percent interest, $1 million forgivable loan from the state of Kentucky on the condition ADA raised another million to match the state's funds. In 2004, ADA became a certified CDFI and applied for funding from the CDFI Fund. It received a $950,000 Financial Assistance award in 2005. Because they needed $50,000 more to meet the $1 million match requirement for the state funds, each member put up another $6,250 to fill the gap.

ADA immediately lent these funds out to its members. ADA used the interest it earned to pay the salary of its part-time executive director. In addition to members having access to additional low-cost capital, ADA soon began to offer its members access to free training provided by nationally recognized speakers.

ADA never met its capital-raising goal. However, today the working relationships among the region's lenders are so natural and strong that many do not even stop to think about ADA's role. Members talk to each other on a daily basis about deals and participate in deals with each other on a regular basis. Some members say that if ADA had not been formed, today there would be more CDFIs operating in isolation in the region, less capital in the markets served by the smallest lenders, and a regional small business community that is severely underserved. Recently, a second collaboration effort formed organically among the same CDFIs. Over the past 15 years, each member had acquired their own technical assistance staff who are now forming their own collaboration—the Eastern Kentucky TA Providers Network or EKTAP—just like the lenders did in ADA. In addition to the ADA members, the Small Business Development Center network, Innovation Center network, and local community colleges are all involved in EKTAP.

A much simpler example is the **Detroit CDFI Coalition**. They do not have plans to do any joint fundraising but did want to cover the costs of Coalition meetings and administration. They considered collecting member contributions, which would have required one member to act as the fiscal agent. They opted for in-kind contributions: each time they meet, they rotate responsibility for covering meeting costs among the various members.

Organizational Structure: Under certain conditions, CDFI collaborations found it beneficial to set up separate legal entities. Under other conditions, they prepared or simply formalized their processes and procedures by putting them in writing. All were successful approaches.

Three of the 12 collaborations we studied created separate legal entities (Appalachian Development Alliance, ImpactUs Marketplace, and South Carolina Community Capital Alliance). The other nine used memoranda of understanding or other legal documents to formalize their relationships.

Enterprise Community Partners and **City First Enterprises** will soon launch a one-stop, online platform called **ImpactUs Marketplace** that will provide a new source of capital for community development and a new hub for impact investing. Specifically, the platform is an online investing tool that will connect mission-driven investors with community development projects, while complying with regulations pertaining to crowdfunding.

Enterprise and City First were required to set up a legal entity as part of their new business venture. They created a limited liability corporation, ImpactUs, to develop the platform. In addition, ImpactUs is required to become a member of FINRA.[4]

While most of the remaining 12 CDFI collaborations are not structured as formally as ImpactUs, we found that all of them had some form of organizational and governance structure in place. Two examples follow.

[4] The Financial Industry Regulatory Authority, Inc. (FINRA) is a non-governmental organization that regulates member brokerage firms and exchange markets. The Securities and Exchange Commission regulates FINRA.

RCAC works throughout the western United States to provide technical assistance, capacity building, and in some cases, financing to Native CDFIs and tribes. Their work with tribes had mainly centered on providing technical assistance for tribal water operations, but they wanted to do more. In 2012, RCAC and **Native Home Capital** signed an MOU as part of a commitment to work together to improve access to capital for critical infrastructure, housing, and community facilities on tribal lands in the greater Southwest. The two CDFIs view themselves as equal partners with complementary strengths. Rather than defining distinct roles for the two entities, the MOU focuses on joint funding of projects, jointly organizing and hosting events, and coordinating and collaborating to "provide tribal clients efficient, effective, and seamless customer service."

Coastal Enterprises Inc. (CEI) and **Four Directions Development Corporation**, both based in Maine, have used a combination of contracts and participation on each other's boards and committees to formalize their partnership.

The relationship between Coastal Enterprises and Four Directions started in 2000 when Coastal Enterprises reached out to the Native tribes in Maine to discuss how they could work together. They eventually connected with the Penobscot Nation Housing Department to assist in the start-up of a Native CDFI to address the pressing need for access to affordable housing capital. In 2002, Four Directions, a Penobscot Nation initiative, expanded its target market to include the three other Native American tribes in Maine—the Maliseet, Micmac, and Passamaquoddy—where similar need existed.

In 2002, the two CDFIs began a contractual relationship that enabled Coastal Enterprises to provide certain services to Four Directions (e.g., prepare a capitalization plan, develop a website, and design and deliver training). Under the contract, Four Directions would pay Coastal Enterprises for services performed.

In addition, the two CDFIs serve on each other's boards and committees: Coastal Enterprises has seats on Four Directions' Board of Directors, Advisory Board, and Business Loan Committee. Four Directions is a member of Coastal Enterprises' New Markets Tax Credit Advisory Board.

V. CONCLUSIONS AND RECOMMENDATIONS

The examples in this paper underscore the power and benefits of CDFI collaborations.

- Coming together on community and economic development initiatives has often allowed CDFIs to accomplish goals that they would not have been able to individually.
- New technologies that promote small business lending and enable investors to fund projects and CDFIs have emerged.
- Efforts to address neighborhood blight have been supported by a team of housing experts providing mortgage and refinancing products to help families occupy vacant buildings.
- Small CDFIs battered by the recession and larger CDFIs interested in expanding into new markets have mutually benefitted by offering things that the other may not have: technical assistance, training, and funding to help grow an organization on the one hand, and introductions to community, government, and business leaders interested in investing more in their surrounding communities on the other hand.
- Work in Indian country has proven mutually beneficial for non-Native and Native CDFIs.

Based on these and other observations, we drew several conclusions about CDFI collaborations:

- CDFI collaborations may vary in size and composition, but they are not reluctant to take on large, complex community and economic development issues facing the country post-recession, such as affordable housing, small business financing, education, and new technologies.
- Developing and sustaining successful and effective CDFI collaborations requires a heavy commitment among all of the partners involved. Having a vision, convening regularly, and bringing the right partners to the table are only the first stages of a successful collaboration. Partnerships often falter because goals and objectives are not clearly defined, CDFIs have not yet assumed a leadership role, and/or the group finds it difficult to move from convening to developing action steps.
- While they sometimes face challenges, CDFIs are proving that collaborations enable them to accomplish more and have greater impact than they could individually. Opportunities will continue to exist for CDFIs to work together and find common solutions to issues facing low-wealth communities.
- An industry that is growing and hopes to sustain that growth needs a set of strategies to prepare for challenges that lie ahead. We propose the CDFI industry adopt a three-year strategy to further strengthen CDFI collaborations and promote the creation of more partnerships in and with the industry. (See Appendix C. Three-Year Strategy to Promote CDFI Collaborations.)

APPENDIX A. RESOURCES AND INTERVIEWS

PUBLICATIONS

A Placed-Based Approach to Transforming Communities and Improving Birth Outcomes across the Life Course. Prepared for the W. K. Kellogg Foundation by Lacy M. Fehrenbach, MPH, CPH, Director of Best Babies Zone Policy Corp, 2015.

Achieving School Readiness: A Five-Year Action Agenda for Maryland. Annie E. Casey Foundation, the Subcabinet for Children, Youth and Families, and the Council for Excellence in Government, October 30, 2002.

Building a Cross-Sector Collaboration: Sustainable Communities for All and California's Cap-and-Trade Program. Laura Choi, Federal Reserve Bank of San Francisco, March 2015.

The Collaborative Map. LaPiana Consulting, 2015.

Health Matters: The Role of Health and the Health Sector in Place-Based Initiatives for Young Children. Prepared for the W.K. Kellogg Foundation by Amy Fine, MPH, and Molly Hicks, MPA, November 2008.

The Integration Initiative: Final Outcome Report. Mt. Auburn Associates, October 2014.

Leading for Results: Developing Talent to Drive Change. Annie E. Casey Foundation, 2013.

The Partnership Matrix. LaPiana Consulting,
http://www.lapiana.org/insights-for-the-sector/insights/collaboration-and-strategic-restructuring/partnership-matrix.aspx.

Theory of Aligned Contributions: An Emerging Theory of Change Primer. Jolie Bain Pillsbury, PhD, and Vicki Goddard-Truitt, PhD (ed.)

INTERVIEWS WITH COLLABORATION EXPERTS

Andrew M. Brower, Program Officer at the W.K. Kellogg Foundation, April 3, 2015

Jeff Raderstrong, Program Associate for the Integration Initiative, Living Cities, April 1, 2015

Barbara Squires, participant in the Maryland Collaborative for School Readiness and now Director, Leadership Development, Annie E. Casey Foundation, April 1, 2015

INTERVIEWS WITH MEMBERS OF THE 12 CDFI COLLABORATIONS

Appalachian Development Alliance—May 29, 2015

Greg Doyle, Senior Lender – MACED

Ed Harris, Executive Director - ADA

Stephen Taylor, Development Director—Kentucky Highlands Investment Corporation

Charter Schools Lenders' Coalition—May 29, 2015

Taimarie Adams, Policy Officer—LIIF

Nicole Barcliff, Senior Policy Officer—LISC

Chicago CDFI Cluster—June 15, 2015

Calvin Holmes, President—Chicago Community Loan Fund

Robin Coffey, Assistant Deputy Director, Program Services and Strategy – Neighborhood Housing Services of Chicago

Jack Crane, Senior Loan Officer—Community Investment Corporation

Stacie Young, Director, The Preservation Compact – Community Investment Corporation

Coastal Enterprises, Inc. and Four Directions Development Corporation—May 26, 2015

Keith Bisson, Senior Vice President, Program Management and Development—Coastal Enterprises, Inc.

Susan Hammond, Executive Director—Four Directions Development Corporation

Craft3 and Native CDFIs—June 2, 2015

Natalie Charley, Executive Director—Taala Fund

Mike Dickerson, Manager of Special Projects—Craft3

Edcelena James, Loan Officer—Taala Fund

Detroit CDFI Coalition—May 29, 2015

Kirby Burkholder, Executive Director, Eastern Region—IFF

Hank Hubbard, President—One Detroit Credit Union

Kevin Sweeney, Director, Detroit Market—Urban Partnership Bank

Ian Weisner, Senior Loan Officer—Capital Impact Partners

Tahirih Ziegler, Executive Director—Detroit LISC

ImpactUs Marketplace—May 27 and May 29, 2015

John Hamilton, President—City First Enterprises

Liz Sessler, Vice President of Client Engagement—ImpactUs

The Reinvestment Fund and Atlanta Neighborhood Development Partnership—June 1, 2015

Dana Johnson, Vice President and Market Leader—TRF

John O'Callaghan, CEO—ANDP

Ashani O'Mard, Senior Director, Capital Development—ANDP

Rural Community Assistance Corporation and Native Home Capital—June 4, 2015

Michael Carroll, Lending & Housing Department Director—RCAC

Dave Castillo, CEO—Native Home Capital

Small and Medium Enterprises Collaborative—July 2, 2015

Margot Kane, Vice President, Strategy—Calvert Social Investment Foundation

Keith Rachey, COO—Community Reinvestment Fund

South Carolina Community Capital Alliance—July 9, 2015

Tammie Hoy, President—Together Consulting

Michelle Mapp, Executive Director—South Carolina Community Loan Fund

Deborah McKetty, CEO—CommunityWorks Carolina

Triple Bottom Line Collaborative—June 9, 2015

Keith Bisson, Senior Vice President, Program Management and Development—Coastal Enterprises, Inc.

Adam Zimmerman, Executive Vice President—Craft3

APPENDIX B. PROFILES OF CDFI COLLABORATIONS

APPALACHIAN DEVELOPMENT ALLIANCE

PLACE-BASED

CAPACITY BUILDING

YEAR CREATED: 1999

Business Purpose

The Appalachian Development Alliance (ADA) was formed to better serve the lending needs of eastern Kentucky's 54 counties by leveraging additional resources, combining expertise, and minimizing risk.

Performance Metrics

- Amount of capital raised
- Number of jobs created
- Number of deals closed with the ADA's help
- Number of businesses that received loans

Accomplishments

ADA fulfilled its original purpose of promoting collaboration and partially fulfilled its three-year goal of raising $3 million in capital. ADA raised $2 million and lent this capital to its members. Within 18 months, members closed 23 loans that created or retained 112 jobs and leveraged $3.8 million in other capital. ADA was unsuccessful in its efforts to raise additional capital. Instead, it changed course and now focuses primarily on offering training to members on subjects such as grant application writing, securitization, and lender liability.

Even with this change, the relationship among the members remains strong. They continue to share loan deals with one another. And members firmly believe that if ADA had not been formed, there would be more CDFIs in the region operating in isolation, less capital, no technical assistance network, and a small business community that would not be as well served as it is today.

POINTS OF CONTACT

Greg Doyle, Mountain Association for Community Economic Development
Ed Harris, Appalachian Development Alliance
Stephen Taylor, Kentucky Highlands Investment Corporation

MEMBERS

HEAD Corp. (Human/Economic Appalachian Development Corporation)/

Appalachian Community Federal Credit Union

Community Ventures Corporation

Kentucky Highlands Investment Corporation

Mountain Association for Community Economic Development

Pine Mountain Community Development Corporation

Southeast Kentucky Economic Development Corporation

*In addition to the six current members, there were two additional founding members: Mountain Economic Development Fund and East Kentucky Corporation.

CHARTER SCHOOL LENDERS' COALITION

SECTOR-FOCUSED

YEAR CREATED: 2005

Business Purpose

Several CDFIs seeking to provide high-quality alternative educational facilities began to explore ways in which they could provide affordable, flexible capital and real estate development services for the construction and expansion of charter schools in low-wealth communities. As a result, they formed a Charter School Lenders' Coalition, an unincorporated advocacy and information sharing collaboration, which is comprised of 12 CDFIs and other private, non-profit organizations.

Performance Metrics

Policy goals focused on:

- Increased funding for the Credit Enhancement School Facilities Program
- Permanent extension of the New Markets Tax Credit Program
- Increased authority guarantee for the CDFI Bond Program

POINTS OF CONTACT

Reena Abraham, Local Initiatives Support Corporation
Taimarie Adams, Low Income Investment Fund
Nicole Barcliff, Local Initiatives Support Corporation
Jonathan Horwitz, Low Income Investment Fund

Accomplishments

With support from foundations, the U.S. Department of Education, and the U.S. Department of the Treasury, members of the Coalition have supplied $2.4 billion in direct financial support and another $369 million in New Markets Tax Credits to charter school facilities across the country, financing more than 1,300 charter school projects in dozens of states.

The Coalition believes that by achieving their stated policy goals, they and the rest of the CDFI industry will be in a better position to receive funding to address the finance challenges associated with charter school facilities in low-wealth areas.

MEMBERS

Building Hope

Capital Impact Partners

Charter Schools Development Corporation

Civic Builders

Enterprise Community Loan Fund

IFF

Local Initiatives Support Corporation

Low Income Investment Fund

Nonprofit Finance Fund

Raza Development Fund

Self-Help

The Reinvestment Fund

CHICAGO CDFI CLUSTER

PLACE-BASED

SECTOR-FOCUSED

YEAR CREATED: 2014

Business Purpose

The Community Investment Corporation has teamed up with the Chicago Community Loan Fund and Neighborhood Housing Services of Chicago to redevelop housing and reduce blight in Chicago. The three CDFIs will coordinate acquisition and lending activities in 1-4 unit properties in low- and moderate-income neighborhoods throughout the Chicago area.

Performance Metrics

- Number of 1-4 units acquired
- Number of units that are in the targeted markets
- Amount of dollars invested and leveraged

Accomplishments

The Chicago Cluster is exceeding their goals thus far. As important, the CDFIs believe they are benefitting from the collaboration with other stakeholders as well as with each other. The partners have worked together to maximize their impact by focusing efforts in neighborhoods targeted by the City of Chicago's Micro Market Recovery Program (MMRP). They have funded 289 units combined, which is 85 percent of the 338 unit goal, half way into the three-year program.

POINTS OF CONTACT

Robin Coffey, Neighborhood Housing Services of Chicago
Jack Crane, Community Investment Corporation
Calvin Holmes, Chicago Community Loan Fund

MEMBERS

Community Investment Corporation

Chicago Community Loan Fund

Neighborhood Housing Services of Chicago

COASTAL ENTERPRISES INC. & FOUR DIRECTIONS

CAPACITY BUILDING

YEAR CREATED: 2000

Business Purpose

Coastal Enterprises Inc. and Four Directions Development Corporation joined forces in 2000 to work on Four Directions' successful effort to become a certified CDFI, thereby providing an additional entity to serve Indian Country in Maine. Four Directions was conceived to respond to the particular credit and information needs of tribal members.

Performance Metrics

- Increase homeownership among tribal member
- Improve the quality of housing for Native American people
- Increase the number of Native-owned businesses
- Raise the levels of financial literacy among tribal members
- Build the business skills of Native American entrepreneurs
- Attract and leverage capital to Indian Country

Accomplishments

Bringing four tribes together and placing the governing decisions in their hands were significant accomplishments. As collaborators, Coastal Enterprises and Four Directions believe they have helped to 1) establish a tribal housing market that was virtually non-existent, 2) create human capital and wealth, and 3) build the capacity of the Tribal Nations, which created a stronger legal, lending and community real estate infrastructure in Indian Country in Maine.

A June 2015 report covering 14 years of Four Directions' work on Indian Island, the heart of the Penobscot Nation's territory, concluded that the creation of Four Directions has had its intended effect.[5] The report found that Four Directions has issued more than $7.4 million in housing loans to 162 Wabanaki families statewide. In Penobscot County, it issued 114 mortgages, home improvement loans, consumer, and energy efficiency loans worth $5.29 million. Nearly half of these loans—54, which together totaled $1.94 million—were to households on Indian Island. About 68 percent of the Indian Island loans financed home purchases or refinanced home mortgages, involving at least 22 properties on the island. The investments on Indian Island represent the largest concentrated segment of loans in Four Directions' portfolio.

POINTS OF CONTACT

Keith Bisson, Coastal Enterprises, Inc.
Susan Hammond, Four Directions Development Corporation

MEMBERS

Coastal Enterprises, Inc.

Four Directions Development Corporation

[5] *New Paths Home: The Impact of Four Directions Development Corporation on Indian Island, Maine (2001-2014)*, dated June 2, 2015. Prepared by the Taylor Policy Group, Inc.

CRAFT3 & NATIVE CDFIS

CAPACITY BUILDING

YEAR CREATED: 2009

Business Purpose

Since 1994, Craft3 has provided more than $20 million in loans in Indian Country in the Pacific Northwest. The organization wanted to have even greater impact, and recognized that in order to do so, it needed to support Native-controlled capital. In 2009, Craft3 began working with the Native community to provide technical assistance and to support a set of peer organizations. These organizations would have their own capital and would finance deals that Craft3 ordinarily could not do because it did not have the deep relationships in Indian Country that the Native groups did.

Performance Metrics

- Number of facilitations of in-person meetings
- Number of technical assistance hours
- Lending goals

POINTS OF CONTACT

Julie Burnett, Chehalis Tribal Loan Fund
Michael Burton, ATNI-EDC Revolving Loan Fund
Natalie Charley, Taala Fund
Mike Dickerson, Craft3
Kathleen Flanagan,Business Development Services Confederated Tribes of Umatilla
Edcelena James, Taala Fund
Lilly Kaufman, Nez Perce Tribe Economic Development
Ted Piccolo, Northwest Native Development Fund
Laura Williams, Lummi CDFI

Accomplishments

Through this collaboration, six Native loan funds have been created, and Craft3 and the Native loan funds can now do bigger deals together in Indian Country. One loan fund has decided to expand to other tribes, and another is moving beyond the reservation to focus its lending on all people of color in its region.

MEMBERS

Craft3

ONABEN

Taala Fund

Northwest Native Development Fund

ATNI-EDC Revolving Loan Fund

Lummi CDFI

Chehalis Tribal Loan Fund

Warm Springs Community Action Team

Nez Perce Tribe Economic Development

Business Development Services Confederated Tribes of Umatilla

Business Development Services Squaxin

DETROIT CDFI COALITION

PLACE-BASED

YEAR CREATED: 2014

Business Purpose

Seeing potential community and economic development opportunities in the wake of Detroit's bankruptcy filing, the Detroit CDFI Coalition seeks to proactively connect capital to communities, identify key policy objectives, and work creatively to leverage each other's resources to support comprehensive community development in Detroit.

Performance Metrics

The Alliance has discussed creating metrics, but members first want to understand what performance measures each participating CDFI is using and whether they can incorporate some of these existing metrics into their new strategic plan.

POINTS OF CONTACT

Tahirih Ziegler, Detroit LISC

Accomplishments

Rather than see each other as competitors, the Coalition members have begun to see each other as partners. In the first year, members have referred deals to each other and participate in loans with each other. The Coalition created a CDFI Product Grid for marketing purposes and member CDFIs are working with each other in ways they had not previously done. For example, three CDFIs that had not previously worked together (two loan funds and a credit union) are now collaborating on the city's innovative zero percent home repair program.

MEMBERS

Capital Fund Services

Capital Impact Partners

Community Reinvestment Fund

CSH

Detroit Development Fund

Enterprise Community Loan Fund

First Children's Finance

First Independence Bank

IFF

Invest Detroit

Liberty Bank

Local Initiatives Support Corporation

Mercy Loan Fund

Metro Community Development

NDC

Northern Initiatives

One Detroit Credit Union

Opportunity Resource Fund

Urban Partnership Bank

IMPACTUS MARKETPLACE

TECHNOLOGY

YEAR CREATED: 2013

Business Purpose

Enterprise Community Partners (a national CDFI) and City First Enterprises (located in Washington, D.C.) came together to develop a reliable, efficient clearinghouse to connect potential mission investors with quality community development projects. This online investment platform—called ImpactUs Marketplace—is being developed by ImpactUs, a joint business venture between Enterprise and City First.

Performance Metrics

- Number of CDFIs (issuers) using the platform
- Number of investors
- Amount of investments

Accomplishments

In June 2015, the formation, staffing, and formal FINRA filing of ImpactUs was announced. The online platform is tentatively scheduled to launch in the first quarter of 2016.

ImpactUs Marketplace has initial support from the following 15 CDFIs and supporting organizations representing over $1 billion in potential product for the online platform:

- Aeris
- City First Enterprises
- Coastal Enterprises, Inc.
- Community Housing Capital
- Community Reinvestment Fund
- Craft3
- Homewise
- IFF
- Institute for Community Economics
- New Hampshire Community Loan Fund
- Northern California Community Loan Fund
- Partners for the Common Good
- The Reinvestment Fund
- Self-Help Ventures Fund
- Southern Bancorp

POINTS OF CONTACT

John Hamilton, City First Enterprises

Liz Sessler, ImpactUs

MEMBERS

Enterprise Community Partners

City First Enterprises

THE REINVESTMENT FUND AND ATLANTA NEIGHBORHOOD DEVELOPMENT CORPORATION

CAPACITY BUILDING

YEAR CREATED: 2014

Business Purpose

The Atlanta Neighborhood Development Corporation (ANDP) Loan Fund was deeply impacted by the recent recession: it had let staff go, had stopped new lending, and was focused almost entirely on troubled loans. The collaboration between ANDP and The Reinvestment Fund (TRF) is a win-win: ANDP needed assistance in reviving and growing its loan fund. TRF needed a local CDFI partner to help it expand into the Atlanta market.

Performance Metrics

- Number of loans closed
- Amount of capital raised
- Amount of loan capital deployed by TRF in Metro Atlanta

Accomplishments

TRF has assisted ANDP with re-forming their loan committee, rewriting policies, and building their underwriting and loan servicing functions. In year two, TRF plans to help ANDP recapitalize the loan fund so that it can once again serve the community's housing lending needs.

In the long term, ANDP expects to have better capacity to serve the Georgia market, and TRF expects to have a larger presence to serve the Atlanta market.

POINTS OF CONTACT

Dana Johnson, The Reinvestment Fund

John O'Callaghan, Atlanta Neighborhood Development Partnership

Ashani O'Mard, Atlanta Neighborhood Development Partnership

MEMBERS

Atlanta Neighborhood Development Partnership Loan Fund

The Reinvestment Fund

RURAL COMMUNITY ASSISTANCE CORPORATION AND NATIVE HOME CAPITAL

CAPACITY BUILDING

YEAR CREATED: 2012

Business Purpose

Rural Community Assistance Corporation (RCAC) and Native Home Capital (NHC), a Native CDFI, have joined forces to improve access to capital for critical infrastructure, housing, and community facilities on tribal lands in the Greater Southwest. Both organizations recognize the mutual benefits of collaboration. NHC is interested in building its organizational capacity. RCAC is interested in building the capacity of its partners and increasing its lending in Native communities.

Performance Metrics

- Amount of annual project financing
- Number of tribes or Indian organizations with whom RCAC works
- Number of events that inform/educate about financing and community development opportunities on tribal lands

Accomplishments

As a result of the collaboration, the Southwest Tribal Housing Development Initiative, a comprehensive training and technical assistance academy, was created. The Academy furthered two objectives, building local capacity in Native Communities and deploying capital in those communities.

RCAC and NHC cited several other benefits of the collaboration: They were able to accomplish things together they would not have been able to do separately. RCAC could have technically done deals on their own from a financial standpoint, but not from a market entry perspective. Native Home Capital could not finance deals on its own due its small size and capital constraints. But it brought expertise, strong leadership, staff, and consultants to the table. And RCAC had experience in raising money and offered its backroom for technical and operational issues.

POINTS OF CONTACT

Michael Carroll, RCAC

Dave Castillo, Native Home Capital

MEMBERS

Rural Community Assistance Corporation

Native Home Capital

SMALL & MEDIUM ENTERPRISES COLLABORATIVE

TECHNOLOGY

YEAR CREATED: 2013

Business Purpose

Four CDFIs have teamed up to help CDFIs and small business lenders build capacity and jumpstart job creation in select low- and moderate-income communities. The Small and Medium Enterprises Collaborative is led by the Community Reinvestment Fund and includes the National Development Council, Coastal Enterprises, Inc., and the Calvert Foundation. Together, they will deploy a joint technology platform to streamline the loan application and underwriting process in order to drive more capital to small businesses in Detroit, Milwaukee, New York City, Buffalo, Seattle, Denver, and Chicago.

Performance Metrics

- Number of jobs created
- Number of businesses financed
- Amount of capital from investors
- Number of individual investors
- Number of CDFIs provided technical assistance to more effectively help small businesses
- Number of CDFIs using the online lending platform

Accomplishments

A key accomplishment has been the speed in which the collaboration has deployed capital: it achieved a three-year goal in 18 months. In addition, the four CDFIs were able to put the necessary infrastructure in place to more efficiently do Small Business Administration 7(a) loans.

POINTS OF CONTACT

Margo Kane, Calvert Foundation

Keith Rachey, Community Reinvestment Fund

MEMBERS

Community Reinvestment Fund

National Development Council

Coastal Enterprises, Inc.

Calvert Foundation

SOUTH CAROLINA COMMUNITY CAPITAL ALLIANCE

PLACE-BASED

YEAR CREATED: 2014

Business Purpose

The South Carolina Community Capital Alliance (the Alliance) was created because of interest among several local CDFIs, community development corporations, and other public- and private-sector entities in forming a statewide intermediary that would raise capital to support community development entities and assistance to local CDFIs.

The Alliance is still in a start-up phase and, working through its Board of Directors, is implementing an operational strategy. The Alliance has converged around four themes:

1. Coverage and capacity of state community development finance organizations
2. Communication
3. Political Advocacy
4. Capitalization

Performance Metrics

Alliance members are interested in understanding the state's capital needs before they develop performance measures. To that end, the Alliance recently conducted a survey of CDFIs to better understand the state's financing, capacity, and coverage needs. Once fully analyzed along with secondary data, the Alliance will use this information to develop performance metrics.

POINTS OF CONTACT

Nate Barber, South Carolina Bank and Trust
Lavastian Glen, Mary Reynolds Babcock Foundation
Tammie Hoy, Together Consulting
Michelle Mapp, South Carolina Community Loan Fund
Bernie Mayzck, South Carolina Association of Community Economic Development Corporations
Deborah McKetty, CommunityWorks Carolina

Accomplishments

Although the organization is in the planning stage of raising capital, members believe there have been several accomplishments:

The Alliance helped facilitate the merger of a local CDFI (Southern Association for Financial Empowerment, or SAFE) that was looking at a new strategy for delivering effective community development finance to statewide projects. SAFE is a 501(c)(3) statewide CDFI and has merged with the Alliance's affiliated nonprofit, South Carolina Community Capital, Inc., which is a statewide intermediary.

The Alliance held its second statewide Community Development Capital Conference in Columbia in October 2015. The inaugural conference in 2014 brought together more than 125 state, regional, and national leaders in community development, finance, and impact investing. The event highlighted new approaches in raising capital and supporting community economic development in South Carolina.

In 2015, the Alliance was a key partner with the South Carolina Association for Community Economic Development in passing the reauthorization of the South Carolina Economic Development Act of 2000.

These efforts have created a broad recognition of the Alliance both inside and outside of the state.

MEMBERS

Bank of America
BB&T Bank
Business Development Corporation
Carolina Foothills Federal Credit Union
Charleston Local Development Corporation
CommunityWorks Carolina
First Citizens Bank
Homes of Hope
Mary Reynolds Babcock Foundation
Midlands Housing Trust Fund
New America Corporation
PNC Bank
SC Community Loan Fund
SC Small Business Chamber of Commerce
South Carolina Association for Community Economic Development
Self-Help Credit Union
South State Bank
SunTrust Bank
The Support Center
TD Bank
Wells Fargo Bank

TRIPLE BOTTOM LINE COLLABORATIVE

SECTOR-FOCUSED

YEAR CREATED: 2004

Business Purpose

In 2003, the Ford Foundation provided funding for a group of CDFIs to form a collaboration. The goal was to explore strategies for adding a third bottom line (environmental) to double line investing (social and economic).

Performance Metrics

The collaboration developed a scorecard that incorporated 31 metrics for triple bottom line lenders. The metrics are divided into three categories: economy, environment, and equity. The subset of measures used to gauge environmental success include:

- Land conserved or restored
- Energy efficient improvements
- Reduction in greenhouse emissions
- Building re-use
- Water quality preserved

Accomplishments

The development of a scorecard enabled CDFIs to rate their investments and to determine if they met triple bottom loan criteria. As a result, a discipline around measurements began to take shape.The collaboration completed 20 deals, with investments based on the scorecard criteria.

Furthermore, the collaboration continued beyond the one-year pilot period by engaging in federal policy, such as cap and trade agreements and renewable energy programs, in a way they had not previously. Members also presented and received positive feedback about their work at a number of industry conferences

POINTS OF CONTACT

Keith Bisson, Coastal Enterprises, Inc.

Adam Zimmerman, Executive Vice President, Craft3

MEMBERS

Coastal Enterprises, Inc.

Craft3

Four Directions Development Corporation

Northern Initiatives

Self-Help Credit Union

Montana Community Development Corporation

Mountain Association for Economic Development

The Reinvestment Fund

Southern Mutual Help Association

APPENDIX C. THREE-YEAR STRATEGY TO PROMOTE CDFI COLLABORATIONS

The concept of collaboration is taking hold in the CDFI industry. Some CDFIs have been collaborating for more than a decade, yet, generally, little is known about these successful early examples. In recent years, greater numbers of CDFIs have begun collaborating with each other. In part due to the JPMorgan Chase CDFI Collaboratives program—including this study—more collaborations have formed and the industry's recognition of the power of collaborating is growing. We can build on this momentum to strengthen existing collaborations and promote new ones. We outline a five-pronged, three-year strategy to accomplish this below.

Raise Awareness of CDFI Collaboration Successes

- Publicize and distribute this report, as well as findings from JPMorgan Chase CDFI Collaboratives' program evaluation.
- Incorporate sessions on successful CDFI collaborations at national conferences such as OFN's Annual Conference, the CDFI Institute, and the National Federation of Community Development Credit Union's annual conference, as well as at smaller meetings such as OFN's Regional meetings.
- Publicize research findings at industry events and in industry publications, such as OFN's e-newsletter and CDFI Connect, the Community Development Banking Listserv, and Federal Reserve community affairs publications.

Strengthen Existing Collaborations

- Conduct "open space" meetings that enable CDFI collaboration representatives to share their experiences with each other, and to learn from each other's successes and challenges.
- Strategize with existing collaborations about opportunities to expand their impact by bringing more CDFIs, as well as other mission-driven organizations when appropriate, into these collaborations.
- Provide training to existing collaborations in proven methods for achieving results. These may include Results Based Accountability and other systems change models.
- Institute peer exchanges where mid-level managers and junior staff from one collaboration visit another collaboration.
- Create knowledge networks where representatives from numerous collaborations meet regularly to learn from each other.

Encourage the Formation of New Collaborations

- Facilitate collaboration formation by having OFN, funders, investors, industry consultants, and other connectors identify and introduce CDFIs that could potentially collaborate with each other.
- Build collaboration components into existing OFN-led and other programs (e.g., leadership development programs, industry capacity building initiatives, etc.).
- Conduct meetings among existing CDFI collaboration members and CDFIs seeking to create collaboration partnerships to learn about the benefits and challenges of collaborations, and to explore opportunities.
- Identify CDFI industry needs that could be addressed through collaboration and promote collaborative solutions to those needs. For example:
    - An industry leader/funder could research and document the technology barriers that are preventing the CDFI industry from reaching scale. Once those barriers are identified, the leader/funder could create a funding opportunity for CDFIs that propose a collaboration strategy for developing an industry-wide solution to the identified barriers.

   - Another approach is to create a funding opportunity for a CDFI-led collaboration effort that identifies its own industry-wide problem and proposes a feasible solution that has the potential to positively impact many CDFIs and the industry as a whole.

Promote Additional Funding for CDFI Collaborations

- Educate national, regional, public, philanthropic, and private funders and investors about the power of CDFI collaborations, as well as their need for flexible support that recognizes the substantial time and effort it takes to form a collaboration (i.e., to identify members; define a goal, strategies, and performance metrics; identify the appropriate organizational structure and roles for each member; and build trust among members).
- Encourage foundations to include or expand funding opportunities for CDFI collaborations.
- Encourage the CDFI Fund to promote CDFI collaborations through existing award applications and/or by extending its Innovation Challenge beyond the first year to include CDFI collaborations.
- Explore the possibility of making CDFI collaborations eligible for existing competitive award programs, such as the NEXT Awards for Opportunity Finance, or creating a new award program for collaborations. These could be tied to the industry-wide problems and solutions mentioned above.
- Encourage other government agencies to make CDFI collaborations eligible to apply for community and economic development funding programs.

Conduct Additional Research

- Conduct an industry survey to identify other existing collaborations and create an archive that documents the purpose, accomplishments, and performance metrics of these partnerships.
- Conduct in-depth research on particular types of CDFI-led collaborations. For example, research several collaborations that focus on policy advocacy (local, state, and federal) and share best practices for how CDFIs can influence policy development and drive policy change.
- Interview CDFIs that unsuccessfully tried to create a collaboration. Identify the barriers that prevent collaboration and develop solutions.
- Conduct research on how CDFI collaborations sustain themselves over the long-run.
- Continue to study CDFI collaborations over time, exploring new research questions that address sustainability and long-term impact.

Three-Year Strategy Timeline

	Year 1	Year 2	Year 3
Raise Awareness	Publicize and distribute this paper and JPMorgan Chase CDFI Collaboratives' program evaluation Incorporate sessions on successful CDFI collaborations at national conferences and smaller meetings	Incorporate sessions on successful CDFI collaborations at national conferences and smaller meetings Publicize research findings at industry events and in industry publications	Incorporate sessions on successful CDFI collaborations at national conferences and smaller meetings Publicize research findings at industry events and in industry publications
Strengthen Existing Collaborations	Conduct "open space" meetings that enable CDFI collaboration representatives to share their experiences Strategize about opportunities to bring more CDFIs into existing collaborations	Provide training to existing collaborations in proven methods for achieving results Institute peer exchanges among existing collaborations (include all levels of staff) Create knowledge networks comprising numerous collaborations	Institute peer exchanges among existing collaborations (include all levels of staff) Create knowledge networks comprising numerous collaborations
Encourage New Collaborations	OFN, funders, investors, industry consultants facilitate collaboration formation by making introductions Build a collaboration component into existing programs for CDFIs, such as industry capacity building initiatives	Conduct meetings among existing CDFI collaboration members and CDFIs seeking to create collaborations Identify and research an industry need and develop a program to promote a solution through collaboration	Create a funding opportunity for a CDFI collaboration effort that identifies its own industry-wide problem and proposes a feasible solution
Promote Additional Funding	Educate funders and investors about the power of CDFI collaborations and their need for flexible support Encourage foundations to include or expand funding opportunities for CDFI collaborations	Encourage the CDFI Fund to promote CDFI collaborations through existing award applications	Explore the possibility of making CDFI collaborations eligible for existing competitive award programs or creating a new award program Encourage other government agencies to make CDFI collaborations eligible for their funding programs
Conduct Additional Research	Conduct an industry survey to identify other existing collaborations and create an archive Conduct in-depth research on particular types of CDFI collaborations	Interview CDFIs that unsuccessfully tried to create or sustain collaborations to identify barriers	Conduct research on how CDFI collaborations sustain themselves Continue to study CDFI collaborations by exploring new research questions that address sustainability and long-term impact

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