



Investment Connection expands across U.S.

by: Jennifer Wilding

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From start in Denver, program is poised to create million\$ more CRA loan\$, investment\$ and service\$

Memphis, Little Rock, Louisville, Albuquerque, Baltimore, Billings, Slade, Nelsonville, Minneapolis ... like Johnny Cash, Investment Connection has “been everywhere, man.” The program started in 2011 in the Kansas City district of the Federal Reserve Bank System and this year grew to eight Reserve Banks, where it is producing millions of dollars in new funding for community organizations that have eligible programs. At each Investment Connection event, community organizations get 10 minutes to pitch and five to answer questions. The presenters are the first to submit proposals that bank examiners determine are CRA eligible. Investment Connection helps banks fulfill their Community Reinvestment Act (CRA) responsibility to provide funding and extend capital in low- and moderate-income communities. Here’s how:

- It increases community organizations’ understanding of what projects are eligible for CRA funding.
- It gives banks and other funders access to a pool of proposals reviewed for CRA.
- It accelerates the funding process because multiple community organizations can connect with multiple funders at the same time.

In addition to the Federal Reserve Bank of Kansas City, the seven Banks that have adopted Investment Connection are Atlanta, Cleveland, Dallas, Minneapolis, New York, Richmond and St. Louis.

Because Investment Connection is available in eight of the 12 Reserve Banks, even more is possible. The expansion gives organizations that operate across districts more exposure, and gives multistate funders a new tool for finding funding opportunities.

It’s all about the sharks

In 2010, bankers said they had a difficult time identifying CRA opportunities, and community groups said they were unable to capture the attention of banks.

In Kansas City, Tammy Edwards asked Ariel Cisneros to develop a “Shark Tank” type of event that would give community organizations the chance to present their CRA-related projects to several banks at once. Edwards now is senior vice president of

the Bank's new Community Engagement and Inclusion Division; Cisneros is lead community development advisor.

The Kansas City Fed launched Investment Connection in 2011. From the start, Cisneros opened the doors to banks, governments (state, federal and local), philanthropic foundations and other investors with an interest in community development. In 2013, he added an online searchable database of proposals.

Format working well for Kansas City Fed

Eight years on, Investment Connection has led to more than \$36 million in connections within the Tenth District. In 2018, for example, nearly 400 community organizations and funders participated across the Bank's seven-state region.

The program's success convinced other Reserve Banks to adopt it. The Federal Reserve Bank of St. Louis was the first, in 2017. "The St. Louis Fed had a very positive response from their Investment Connection program for community organizations," Cisneros said.

Bankers like Investment Connection's simplified process

"It's huge for the bankers, to have all of this vetted and in three hours to get 10 investment opportunities," Angela Byers told [Next City](#), a nonprofit that provides daily online coverage of the leaders, policies and innovations driving progress in cities across the world. Byers is community outreach manager for First Financial Bank, headquartered in Cincinnati, Ohio. Working on their own, she said, banks can spend days vetting organizations for CRA-eligible funds. That paid off for the New Directions Housing Corp. (NDHC) in Louisville, Kentucky. It had a new program to help seniors age in place, but funders were not jumping onboard the pilot project. First Financial heard NDHC's presentation at the Investment Connection event and provided a one-time grant of \$25,000 to launch the pilot. "We would have continued to knock on doors individually, one at a time, and maybe we would have found First Financial," said George Sanders, director of homeownership preservation for NDHC. "We were able to close the deal in a period that was much shorter than we could have ever hoped for. I think it would have been another year before we could get to this stage. It took about three months."

St. Louis Fed investments top \$1.2 million in first year

Just a year after its first Investment Connection event, the St. Louis Fed by September 2019 had held eight live events that produced 241 connections and resulted in \$1,217,500 in loans and investments/grants. The largest share—45 percent—of funding opportunities were loans, with 30 percent in grants and 25 percent in equity investment. In 2018, the Minneapolis Fed signed on, and in 2019, Atlanta, Cleveland, Dallas, New York and Richmond adopted Investment Connection. Each Bank tailors the format, varying the length of presentations, sometimes adding a "speed dating" element or training community organizations prior to the pitch event.

What's eligible under the CRA? Congress passed the CRA in 1977, during the Carter administration. The CRA encourages banks to help meet the credit needs of the communities in which they operate, including low- and moderate-income neighborhoods. Each bank's record in helping meet the credit needs of its communities is evaluated by bank regulators. The public can view a bank's written [performance evaluations](#), including rating and lending data. Activities defined as community development include:

- small-business development;
- community development finance;
- financial access and empowerment;
- affordable housing;
- economic and workforce development; and
- community facilities and services.

The performance evaluations consider accounts, loans, investments and services the bank provides. It also considers lending, including home mortgage, small business, small farm and community development loans.

Community groups appreciate the introduction

Community organizations are essential partners in helping banks meet their CRA responsibilities. Still, reaching out to banks can be frustrating. "One thing community groups told us was it was hard for them to cold call the banks," said Michou Kokodoko, community development project director for the Federal Reserve Bank of Minneapolis. "They didn't know where to start, who to talk to. They didn't understand how banks operate." The Minneapolis Fed was the second Reserve Bank to adopt Investment Connection. It has had three events since its first in May 2018. By this summer, the Minneapolis Fed program had produced \$1.3 million in connections. Connections built through the program may be better able to withstand bumps along the way. Kokodoko says one bank's creativity helped a community organization overcome a challenge. "One organization put together a proposal for a project that was CRA eligible," he said. "They were selected to present. But they didn't have the capacity to get funding for their program, which was intended to help get minorities into their first homes. One bank, though, decided to pursue the conversation. The bank said, we can't give you the money, but instead invited the community organization to serve as a broker for one of the bank's existing programs for first-time home-buyers."

New York Fed to aid Puerto Rico using Investment Connection Investment Connection also can help get funds where they are needed the most, such as Puerto Rico after a devastating hurricane. Hurricane Maria struck Puerto Rico in September 2017. The Category 5 storm destroyed homes, businesses, roads and more. The local government says recovery will cost about \$94.4 billion. While banks within Puerto Rico have responded quickly, it is not enough. "The scope of the disaster is enormous, and recovery will require the support of new players," according to leaders in Community Development Finance for the [New York Fed](#). After Hurricane Maria, federal agencies agreed that financial institutions located outside of Puerto Rico could

receive CRA credit for supporting eligible activities on the island. (The same decision was made after Hurricane Katrina struck New Orleans in 2005.) The New York Fed found this a “unique opportunity ... to launch and implement the Investment Connection program in the [Second District](#).” In 2019, a spring workshop drew more than 80 people to San Juan to learn about the CRA, including its role in a disaster area, and to learn how banks had worked with organizations to invest in community development since the hurricane. In the fall, the New York Fed called for proposals from organizations servicing the island. In January 2020, the New York Fed, in partnership with the Puerto Rico Community Foundation, will have an Investment Connection event that links local and U.S. mainland banks with projects on the island.

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Jennifer Wilding, a community development specialist for the Kansas City Fed, provides communications, engagement, and research for the community development department. Wilding edits the Kansas City Fed's community development newsletter, "[Community Connections](#)" and takes on special projects. For example, she serves as project director for a community-engaged research partnership. The Kansas City Fed, a nonprofit and a neighborhood organization joined together to hear from neighborhood residents about broadband internet. The report will be shared nationwide. Before joining the Kansas City Fed in 2018, she was executive director of Consensus KC, a nonprofit consulting firm specializing in public policy and civic engagement. She worked on philanthropically funded projects in metro Kansas City, and for clients here and around the U.S. Wilding holds a B.A. in urban affairs from the University of Missouri-Kansas City. Her hobby is letterpress printing, using a 1,500-pound cast-iron press from the late 1800s. Highlights of her work include: [Getting to 'We Have a Deal.'](#) The three-part article shares how Investment Connection bridges bankers and community-based organizations. The article is on [Fed Communities](#), the national website about the Fed's work in communities. [Disconnected: Seven lessons on fixing the digital divide.](#) A layperson's guide to putting broadband, devices and training within reach of a community. [Focus groups with unemployed individuals](#) and with people from nonprofits that serve them, held in Chicago, Detroit, Denver and Kansas City. **About the Federal Reserve Bank of Kansas City** The Federal Reserve Bank of Kansas City is one of 12 regional Reserve Banks that, along with the Board of Governors in Washington, D.C., make up our nation's central bank. We work in the public's interest by supporting economic and financial stability. The Kansas City Fed's territory includes Colorado, Kansas, western Missouri, Nebraska, northern New Mexico, Oklahoma and Wyoming. Our headquarters is in Kansas City, with branch offices in Denver, Omaha and Oklahoma City. The Kansas City Fed Community Development Department promotes economic development and public understanding that leads to progress for lower-income individuals and communities. Our focus areas include community development investments, digital inclusion, small business / entrepreneurship, and workforce development.

Media



Investment Connection started in Denver as part of the Kansas City Fed and has now grown to include eight Federal Reserve Banks.



Community members experience Investment Connection at the Minneapolis Fed.