



CoDeFi

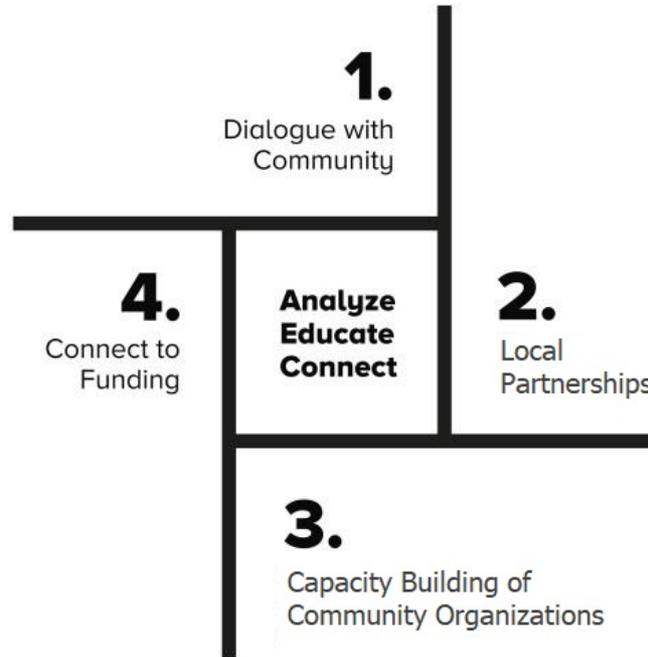
Analyze | Educate | Connect

Federal Reserve Bank of New York | Outreach & Education

New York Fed CoDeFi initiative

- The New York Fed's Community Development Finance (CoDeFi) team supports the **transformation of communities** by serving as a catalyst for innovative, measurable, and impactful community development projects
- CoDeFi **facilitates connections** between financial institutions and other capital providers and community organizations, local stakeholders and agencies working on community development projects
- Working closely with the Supervision Group, CoDeFi leverages the Federal Reserve's role in overseeing financial institutions' compliance with the **Community Reinvestment Act (CRA)** to increase effectiveness of CRA activity in underserved communities

CoDeFi Progression Model



CoDeFi leverages the strengths of the New York Fed –*Analyze, Educate, Connect*– to help incubate a **thriving community development ecosystem** in some of the most underserved and distressed geographies in the country.

Investment Connection

- Since 2011, Investment Connection — a program developed by the Kansas City Fed — has helped **match financial institutions with organizations** that have CRA-eligible community development projects
- Federal Reserve’s CRA examiners **review all proposals for CRA eligibility** and **offer feedback** to organizations

The goals of this innovative **match-making facility** include:

- Increase effective and innovative CRA activity in underserved low- and moderate-income communities and CRA deserts
- Increase funding for community development projects in these communities by banks, philanthropy and other impact investors
- Establish an environment for long-term relationships between banks, investors and community organizations

Why focus in Puerto Rico

- In January 2018, the **Federal Reserve, the FDIC and the OCC** issued the *Interagency Statement on CRA Consideration for Community Development Activities in the U.S. Virgin Islands and Puerto Rico Following Hurricane Maria*
- This statement established that financial institutions located outside of Puerto Rico can **receive CRA credit for supporting certain community development activities**
- Regulatory agencies issued a similar statement following Hurricane Katrina, providing a critical incentive for banks outside of the New Orleans area to play a role in the recovery



Outreach and Local Partnerships

- Through our local partners, **8000+ community organizations** were informed of *Investment Connection*
- **100+ organizations** participated in capacity building workshops
- Partners included:
 - LISC & National Equity Fund
 - Federal Reserve Bank of Dallas
 - Inclusiv
 - Community Foundation of Puerto Rico
 - Association of Executives of Cooperatives of Puerto Rico

Capacity Building of Community Organizations in Puerto Rico

- In 2019, the New York Fed worked with partners to **build the capacity of Puerto Rican community organizations to absorb capital** and develop long-term relations with financial institutions and investors
- Workshops covered:
 - CRA & disaster recovery
 - NMTC & LIHTC
 - Innovative community development projects



Overview of Proposals Submitted for Puerto Rico

- More than 30 proposals are CRA eligible Investment Connection Puerto Rico
- Proposals submitted by national and regional organizations including CDFIs, cooperativas, nonprofits and foundations
- Funding request range from \$20k-\$15mm, the majority of which are grant requests but also include loan and/or service requests



Overview of Proposals for Investment Connection

- Proposals are divided into three sections including:
 - Background on Organization
 - Background on Project and Funding request
 - Intended Impact
- Required fields include: total funding request, type of funding request (loan, investment, service), significant partners, anticipated outcomes, evaluation methods

Example from Proposals Submitted for Puerto Rico

Applicant A

- **Overview of Organization:** Large CDFI with operations in multiple states
- **Project:** PRI small business revolving loan fund
- **Funding Request:** 500K loan at 1% interest for 10 years and 100k grant to go towards operational expenses related to the loan fund
- **Intended Impact:** Target 20 entrepreneurs with average 25k loans, 5-6 years with interest between 7.5% and 9.5%
- **Evaluation Methods:** (1) Amount of loans made out to small businesses in our service area, (2) Amount of businesses created as a result of this program and financing activities

Measuring Success



Funding

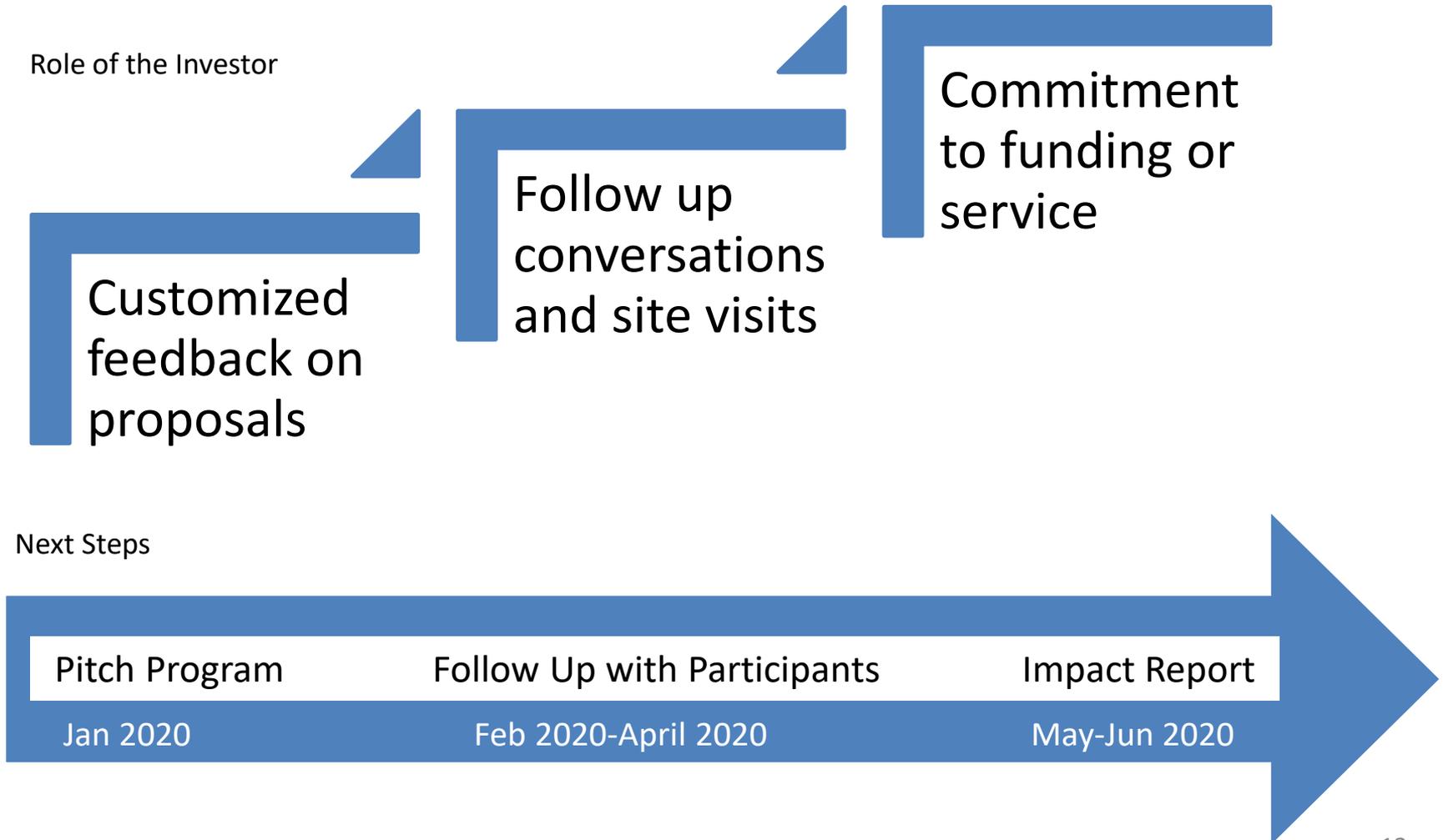


Relationship Building



Education

Role of Potential Investors and Next Steps





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