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
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:
  o Background on Organization
  o Background on Project and Funding request
  o 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

Role of the Investor

- Customized feedback on proposals
- Follow up conversations and site visits

Commitment to funding or service

Next Steps

- Pitch Program: Jan 2020
- Follow Up with Participants: Feb 2020-April 2020
- Impact Report: May-Jun 2020
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