

Community Reinvestment Fund

It was the late 1980s and the U.S. economy was moving into a recession, federal programs to develop communities were shrinking and there was a growing need for resources to stimulate community economic development. Without new public monies, what other ways were there to finance job creation and help neighborhoods recover, develop and thrive? An examination of market-driven solutions sparked the genesis for the Community Reinvestment Fund (CRF), which provides capital and technical assistance to community development lenders through a secondary market for their loans.

“We wanted to create a market-driven organization with access to capital driven by market forces to leverage scarce resources,” recalls CRF President Frank Altman. Since its inception in 1989 CRF has purchased more than 1,000 loans worth over \$220 million from community development corporations and other community development lenders whose portfolios are not large enough to attract institutional investors directly.

CRF purchases economic development and affordable housing loans that are primarily made in low-income areas. The organization has created an avenue to package and resell these loans to institutional investors. The community development lenders and other public and tribal sellers must agree to reinvest new funds from the loan sales to make additional loans for community development. This new capital flowing into communities has been reinvested in small businesses, creating over 5,700 jobs, and in affordable housing, creating over 7,100 residences.

An abandoned gas station in a distressed neighborhood seemed like the perfect place to Ed Burke to locate the garden design and supply business that he had been running out of his home for 15 years. To the

Minneapolis Community Development Agency (MCDA), it was an opportunity to use its development dollars to stimulate local economic activities. Burke’s project was one of dozens the agency wanted to fund, but it didn’t have the cash to cover all of them. So the agency worked with CRF, which put up the necessary financing to help Burke buy and rehabilitate the property. The agency has financed more than 60 properties in this way. “By working with CRF,” says MCDA’s Eric Nathanson, “we get really quick turnaround, we get really good service, and we don’t have 100 hoops to jump through. It’s just been a terrific deal for us.”

CRF’s growing volume of loans and the untapped potential of billions of dollars in community development loans cause Altman to believe that this is just the tip of the iceberg. “There’s a lot of money out there. By freeing up dollars, we can take the pressure off organizations and get money on the street,” he says. To make this happen, CRF has been very active in building the marketplace for its loans – developing tools and expertise. They have a loan-servicing affiliate for sellers and are very hands-on with community development lenders as part of their efforts to make the market more efficient.

While the future looks bright, according to the Altman, “our constraint is raising the risk capital required.” Over the next two years

Organization mission: To create and operate an efficient secondary market that will provide significant new capital to community-based development lending organizations by enabling them to sell their loans.

Type of organization: Financial intermediary

Geographic scope: National

Population served: 90 local economic development organizations that make loans in low-income communities.

Year founded: 1988

Primary activities: Purchase and securitization of community development loans; training and technical assistance to loan originators; loan servicing.

CEO: Frank Altman

Staff size: 18 FTE

Annual budget: \$2.5MM

Current Heron support: \$65,000 general support grant; \$500,000 program-related investment; \$700,000 privately placed note.

they intend to purchase \$100-150 million in economic development loans, which have generated 50 percent of their business, and \$65 million in affordable housing loans.

“We wanted to create a market-driven organization with access to capital driven by market forces to leverage scarce resources.”
