CDFIs and Crowdfunding

October 4, 2013
Agenda

1. Background on City First Enterprises
2. CDFIs across the United States
3. Crowdfunding Background
4. Opportunity of Crowdfunding
City First Enterprises’ Mission

Develop and launch **innovative community development solutions** that **expand opportunity** for low-income families and **strengthen** underserved communities. Creatively attract and deploy mission finance to **achieve transformative impact**.

Mary’s Center for Maternal Child Care  
DC’s first African American Housing Coop  
EL Haynes Charter School
City First – A Track Record of Community Leadership

1993
CFE begins by challenging financial racial inequities in DC and leading a community response

1998
City First Bank opens with $10M in capital and a mission to support DC’s underserved areas

2003
City First begins investing New Market Tax Credits in distressed neighborhoods - $350M in ten years

City First Homes, a workforce housing and gentrification response program provides 100 permanently affordable homes in first 3 years

2008

2011
CFE launches CFVentures, D.C. community investment fund

2013
CFE researches and develops the Community Wealth Building Initiative to launch employee-owned businesses servicing DC region’s anchor institutions
City First Family

- City First Enterprises 501(c)3 CDFI
  - City First Bank
    - CDFI Bank
  - City First Homes
  - City First Venture Fund
  - Community Wealth Building Initiative

- Home to over 50 Employees
- Winner of White House Social Innovation Fund award (CFE)
- $250 Million in Assets
- CFBank consistently ranked top 5 by NCIF for mission impact
American Brewery: Mixed Finance/NMTC

**Project Overview**
- Total development: $24 MM
- 32,000 SF Redevelopment of 120 year-old Brewery
- New Markets Tax Credits/Historic Tax Credits: $14 MM financing
- Baltimore City, Weinberg Foundation & other local philanthropic support

**Impact**
- Brought 250 Jobs to E. Baltimore
- Humanim to deliver job training & supports to 400 individuals annually, counseling and family services to over 850 youth and adults
1415 Girard St, NW

Foreclosure Prevention
• 20-unit Co-op in Columbia Heights
• First African-American Co-op in DC, founded 1950
• Green restoration of units & common areas

Financing – total $1.1 MM
• CFBank: $490,000 Senior Loan
• CFE Loan Amount: $535,000 Subordinate
• Pre-development/grant: $45,000
• Exit: Via unit sales with City First Homes for Permanent Affordability & Long term Affordability Stewardship
City First’s Impact

5,000
Affordable Homes

7,000
Charter School Seats

3,400
Jobs Created or Retained

80% of City First Bank loans are in low-to moderate income communities
Community Development Financial Institutions (CDFIs)
Community Financing at Scale

*Community Development Financial Institutions (CDFIs) are dedicated to delivering responsible, affordable lending and investment to help low-wealth individuals and communities join the economic mainstream.*

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<tr>
<th>Mission Oriented</th>
<th>National Reach</th>
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<td>Certified by Dept. of Treasury for primary mission of promoting community development and serving low-income individuals</td>
<td>1,000 CDFIs provide financing in all 50 states and D.C., originate $6B a year in mission finance</td>
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<th>Strong Foundation</th>
<th>Responsible Lenders</th>
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<td>Collectively manage $64.1 billion in assets</td>
<td>Loan-loss rates lower than commercial banks</td>
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<th>Track Record of Results</th>
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<td>Cumulatively, CDFIs have financed:</td>
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<td>• $30B to more than 83,000 businesses</td>
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<tr>
<td>• 9,000 community projects</td>
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<td>• 1M housing units, created or maintained</td>
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<td>• 500,000 jobs in many of the most vulnerable communities around the country</td>
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Crowdfunding in the United States
Opportunity

Crowdfunding – noun and verb./kroud/-/fundING/

Collective effort of individuals who network and pool their money, usually via the internet, to support efforts initiated by other people or organizations.

Use of small amounts of capital from a large number of individuals to finance a new initiative.
Types of Crowdfunding

1. DONATION
   - Donors Choose
   - Rally
   - GlobalGiving

2. REWARD & PRE-PURCHASE
   - Indiegogo
   - Kickstarter

3. P2P LENDING & SECURITIES
   - LendingClub
   - MOSAIC
   - Kiva
   - Fundrise

4. EXEMPTED SECURITIES
Opportunity: Crowdfunding Is Growing

Growth in Worldwide Funding Volume (millions of dollars)

Crowdfunding in 2012

In 2012 crowdfunding platforms funded more than 1 million campaigns.

Year-over-Year Growth: 61% 72% 81% 91%

National Bipartisan Support: JOBS Act, Title III

U.S. Jumpstart Our Businesses Act was signed into law April 5, 2012 and included Title III, the Crowdfunding Act.
Title III: Crowdfunding Exemption

Limited to $1M/12-months

A single investor can invest...

If income is below $100k:
- $2,000
- 5% of income

If income is above $100k:
- 10% of income
- UP TO $100K

Graphics Sourced From: [https://www.hightable.com/infographic/42332](https://www.hightable.com/infographic/42332)
The Opportunity of Crowdfunding
Barriers to Mission Funding

Charitable Giving Sources
- Individuals: 79%
- Foundations: 15%
- Corporations: 6%

CDFI Capital Sources
- Banks: 38%
- Corporations: 10%
-Gov't: 10%
- Philanthropic: 10%
- Internal Funds: 6%
- Other sources: 6%

Opportunity: Investors Seek Community Engagement and Investment

- Demand for individual impact investing

  - Very Interested: 10%
  - Not at all interested: 13%
  - Interested, Want to Learn More: 38%
  - Not Yet Sure: 40%

*For U.S. population with over $80K HH income*
How CDFIs and Crowdfunding Can Work Together

Borrower Capital Stack

Issuer Equity

Crowdfunding

CDFI