



AT INCLUSIV:

**Inclusiv Racial Equity
Investment Fund**

Social Impact Deposits

**Inclusiv Racial Equity
Grant Fund**

ADVANCING ECONOMIC JUSTICE IN COMMUNITIES OF COLOR

INCLUSIV IS RAISING CAPITAL FOR CREDIT UNIONS ON THE FRONT LINES OF FINANCIAL INCLUSION

From the coronavirus pandemic, the United States experienced an unprecedented economic crisis that disproportionately affected low-income communities. This crisis is on top of the vast racial wealth gap that has long made clear the lack of access to safe and affordable financial services in communities of color. There is a distinct need for financial institutions to invest in communities of color to help them not only to survive but to thrive.

During the pandemic, community development credit unions and Minority Depository Institutions (MDIs) were

on the crisis's front lines. These institutions often serve as the sole source of household liquidity and are centers of information and guidance that ensure communities of color can access the support systems intended to help them. Credit unions designated as MDIs led by and serving African American, Hispanic, Asian American, and Native communities – are at the front of the struggle for equity in access to safe and affordable financial services. Centered in communities of color, these credit unions have an essential role in post-pandemic recovery and in advancing economic justice.

CAPITAL IS NEEDED TO SUPPORT RACIAL ECONOMIC EQUITY

CDFI AND CREDIT UNIONS LED BY PEOPLE OF COLOR SERVE COMMUNITIES MOST IN NEED OF FINANCIAL ACCESS

As a result of the economic damage caused by the coronavirus pandemic, large scale investment is required to meet critical needs in low-income communities of color. Inclusiv is raising capital and grants to help these crucial institutions keep liquidity and capital flowing in the country's most underserved communities. This capital helps credit unions provide financial access to low-income households, ensure that stimulus relief is distributed equitably, and enables response to the unprecedented level of economic shock caused by the pandemic.

Community development financial institutions (CDFIs) and MDI credit unions are confronting COVID-related

financial stress in the form of increased expenses and decreases in income and loan yield. The Great Recession serves as a strong baseline for projecting estimated loss of capital due to the pandemic. During the recession in 2008, loan losses and increased costs of share insurance depleted the net worth of all credit unions.

Based on data from the prior financial crisis and recession, the total projected capital gap for CDFI and MDI credit unions resulting from the coronavirus economic shock is calculated at \$3.2 billion: \$400 million in primary capital (equity) for smaller credit unions and \$2.8 billion in secondary capital (subordinated debt) for larger credit unions.

INCLUSIV RACIAL EQUITY INVESTMENT FUND

Inclusiv's \$20 million Racial Equity Investment Fund provides high-impact secondary capital investments into community development credit unions to expand economic relief and financial inclusion. These investments range in size from \$25,000 - \$5,000,000 for periods of 7-10 years. Secondary capital loans are subordinate to federal deposit insurance and can count toward institutional net worth, leveraging deposits and catalyzing high impact growth.

SOCIAL IMPACT DEPOSITS

Inclusiv manages a social impact deposit fund that allows investors to make large placements of federally insured deposits into numerous credit unions through our automated deposit platform. These deposits provide loan capital to enable first-time homebuyers, support financial security by providing low-cost alternatives to payday lenders, and capitalize small businesses that grow local, inclusive economies.

INCLUSIV RACIAL EQUITY GRANT FUND

The \$5 million Racial Equity Grant Fund provides flexible grant support to small and emerging community development credit unions to expand economic relief in communities of color, such as emergency small dollar lending, loan payment relief, financial counseling, and ensuring access to the Paycheck Protection Program for small businesses led by people of color. Grants may be paired with secondary capital and deposits. In 2020, Inclusiv's \$1 million Racial Equity Grant Fund supported 59 MDIs to deliver \$20 million in economic relief.

Based on data from the 2008 financial crisis and recession, the total projected capital gap for CDFI and MDI credit unions resulting from the COVID-19 pandemic and corresponding economic shock is calculated at \$3.2 billion.



GROWING FOR THE FUTURE

MAXIMIZING THE IMPACT OF MDI & CDFI CREDIT UNIONS

There is strong evidence from the Great Recession that CDFI and MDI credit unions can have significant impact on their communities if supported with the capital necessary to thrive. Credit unions that received long-term secondary capital investments during the prior recession increased assets and lending more than their peers. Recipients leveraged an additional \$60 in loans for every \$1 of secondary capital. If the secondary capital demand of \$2.8 billion from the COVID pandemic is met, this will translate into \$168 billion in loans leveraged.

These gains have massive implications for the communities that CDFI and MDI credit unions serve, providing a greater sense of stability on the socio-economic level. Secondary capital enables community development and MDI credit unions to do more of what they do best - extending credit and providing safe and affordable financial services to underserved individuals who may not otherwise have access to them.

INCLUSIV MEMBER SPOTLIGHT: RIVER CITY FEDERAL CREDIT UNION, SAN ANTONIO, TX

San Antonio, one of the fastest growing cities in Texas, is also home to high concentrations of predatory lenders that target the financially vulnerable, especially recent immigrants. As a CDFI and Juntos Avanzamos (Together We Advance) designated credit union, River City FCU has worked with community partners in designing a suite of products for the unbanked and credit-invisible.

With concerns about the impact of COVID on local businesses and communities of color, the River City team committed themselves to the Paycheck Protection Program. "The pandemic continued to show that

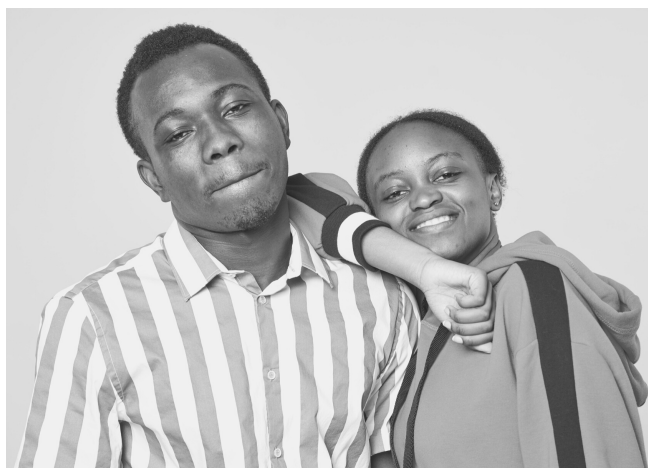
The impact measured here is based on the recognition that each step up in asset class is accompanied by dramatic increases in loan deployment, number of product lines, and specialized lending volume. The growth of CDFI and MDI credit unions multiplies impact and is associated with higher loan deployment and the development of high impact loan products, including affordable mortgages and small business and commercial real estate lending. This vast potential can have long-term impact on the communities that CDFI and MDI credit unions serve, setting up a new financial landscape for survival through the pandemic, its aftermath, and growth for generations to come.

Inclusiv investment and capacity-building strategies are focused on ensuring that CDFI and MDI credit unions are not only preserved, but thriving, providing communities of color access to financial services dedicated to their needs.

communities of color are still left behind and struggle to obtain capital," says Jeff Ivey, River City's CEO.

River City originated \$12 million in Paycheck Protection Program loans, helping save more than 1,900 jobs in some of San Antonio's most economically disadvantaged communities.

With Racial Equity Fund secondary capital, River City is reaching the financially underserved by building upon strategic partnerships with community partners, such as the YWCA, Family Services, and the City of San Antonio.



Recipients of secondary capital in the last recession leveraged an additional \$60 in loans for every \$1 of secondary capital.

If the secondary capital demand of \$2.8 billion from the pandemic is met, this would translate into \$168 billion in loans leveraged.

ABOUT US

At Inclusiv, we believe that financial inclusion is a fundamental right. We dedicate ourselves to closing the gaps and removing barriers to financial opportunities for people living in distressed and underserved communities through investments in member credit unions, building financial capability, technology solutions and programs promoting financial inclusion. Founded in 1974, Inclusiv is headquartered in New York, NY, with offices in Madison, WI and Atlanta, GA.



Inclusiv was instrumental in establishing the CDFI Fund in 1994, is a permanent member of the national CDFI Coalition and is a certified CDFI intermediary. Today CDFI certification is an essential credential for credit unions with a focus on financial inclusion. Inclusiv is the credit union industry's best resource for learning more about certification and technical and financial assistance grants.

CONTACT US

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RACIAL EQUITY GRANT FUND

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Inclusiv's 400 members have a total of \$192 billion in loans outstanding to over 14 million low-income workers and small businesses in communities of color across the country, including:

- **More than \$53 billion in consumer loans, including affordable auto loans, personal loans, lines of credit, and small-dollar loans with flexible underwriting for credit challenged borrowers;**
- **Over \$40 billion in mortgages to low- and moderate income homeowners, and**
- **\$12 billion in small business loans to community-based, women-owned, and minority-owned businesses.**

