

CDFIs and JOBS Act Crowdfunding

A new capital source for CDFIs
and the communities we serve

November 14th, 2013 | John Hamilton, President

Agenda:

- 1. City First Enterprises**
- 2. What is Crowdfunding?**
- 3. New Access to Capital through Crowdfunding**



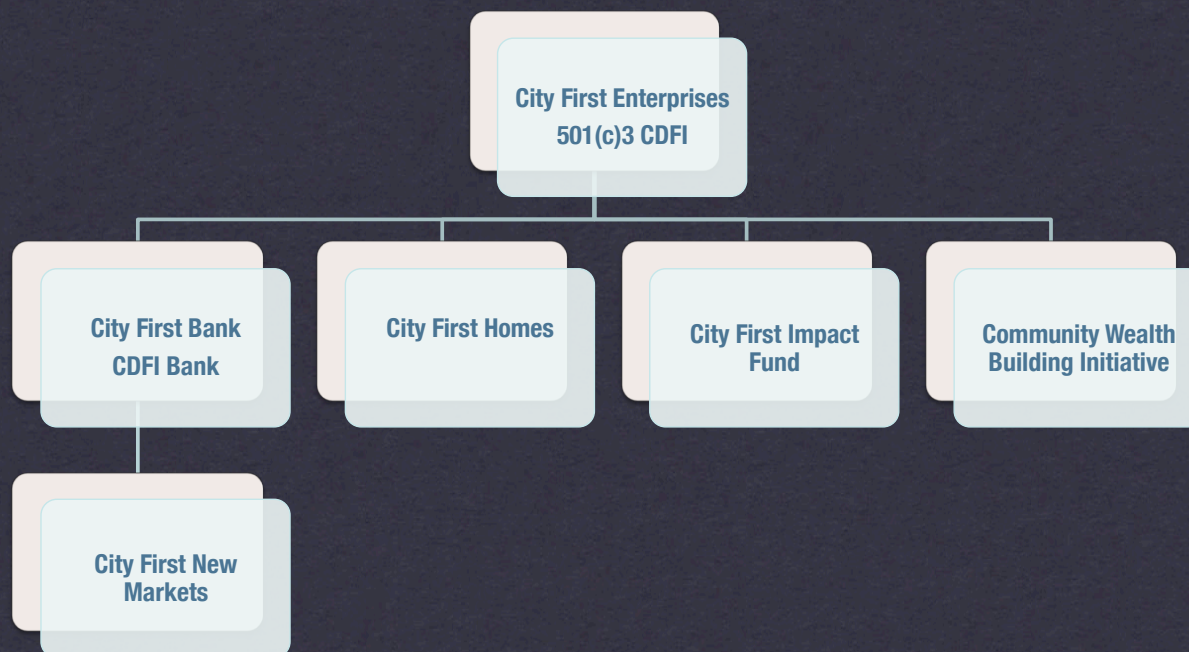
CITY FIRST ENTERPRISES

1993-2013

City First Family



CFE Mission:
Develop and launch innovative community development solutions that expand opportunity for low-income families and strengthen underserved communities. Creatively deploy mission finance in ways that achieve transformative impact.



\$250 Million in Assets



Home to over 50 Employees



Winner of White House Social Innovation Fund award (CFE)



CFBank consistently ranked top 5 by NCIF for mission impact

City First History

A Track Record of Community Impact



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

2008

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



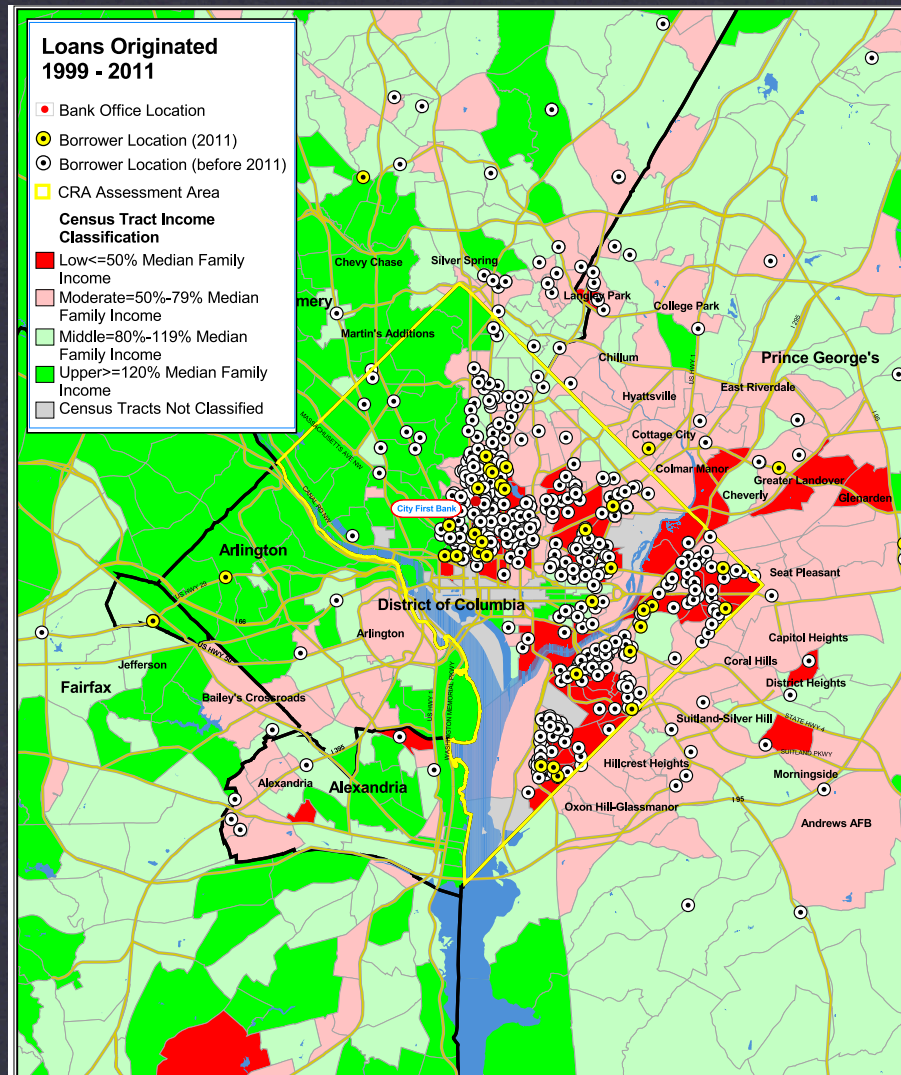
2011

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 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

Crowdfunding



Noun and verb./kroud/-/fundING

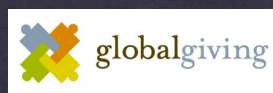
Collective effort of individuals who network and pool funds online to support efforts initiated by other people or organizations

Raising small amounts of capital online from a large number of individuals to finance a new initiative

Types of Crowdfunding

Available Today

1. DONATION



2. REWARD & PRE-PURCHASE

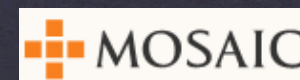
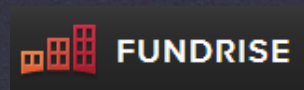


KICKSTARTER

3. PEER-TO-PEER (P2P) LENDING



4. REGULATION D, DIRECT PUBLIC OFFERINGS, INTRASTATE, NONPROFIT



Crowdfunding – a Timeline



National Bipartisan Support



U.S. Jumpstart Our Business Startups (JOBS) Act was signed into law April 5, 2012 and included Title III, the Crowdfunding Act



Crowdfunding Proposed Rules



SEC Open Meeting
Wednesday, October 23, 2013, 10:00 a.m.



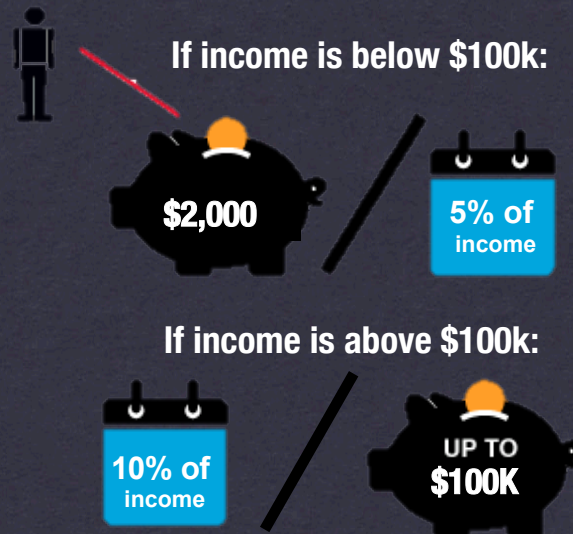
JOBBS Act Title III



1) Capital Raise Limited to
\$1M over 12 Months



2) Single Investor Can Invest:



3) Must Use a Funding Portal or
Broker-Dealer



Investor Protection Concerns



Securities experts & investor protection advocates urge strong investor protection:

*"A great deal is at stake with the crowdfunding rules, particularly the **potential expansion of fraud** in this area with accompanying harm to small investors. **We urge the Commission to adopt strong investor-protective rules for crowdfunding offerings.** To fall short of this standard creates the **risks that crowdfunding will become a notorious debacle and that many small investors will be harmed.**"*

Secretary of Commonwealth of Massachusetts William F. Galvin

*"The proposals could not only generate **front-page scandals**, but **reduce** the very thing they are being promoted to increase: **job growth.**"*

Professor John Coates of Harvard Law School

*"**Nothing in the bill requires or even incentivizes issuers to use any capital that may be raised to expand their businesses or create jobs in the U.S.**"*

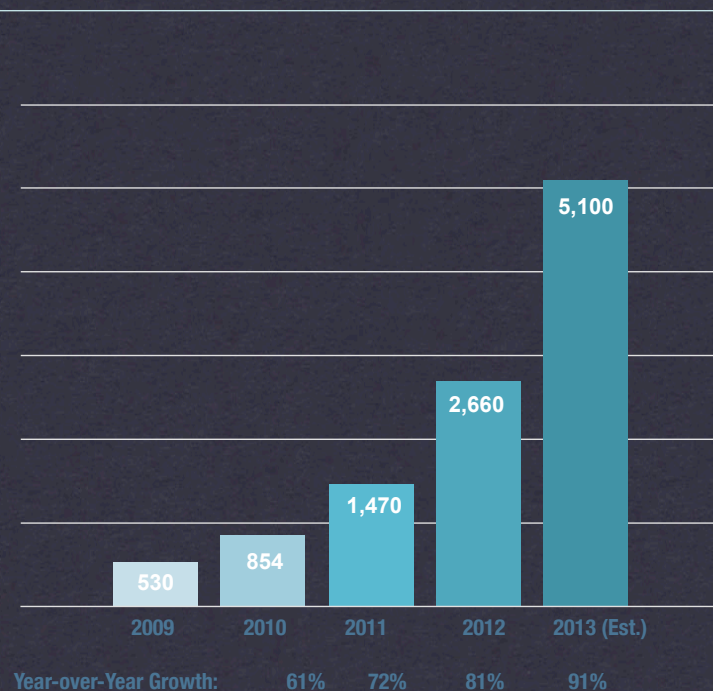
Commissioner Luis A. Aguilar of the Securities and Exchange Commission

Crowdfunding and CDFIs

Opportunity: Crowdfunding is Growing



Growth in Worldwide Funding Volume
(millions of dollars)



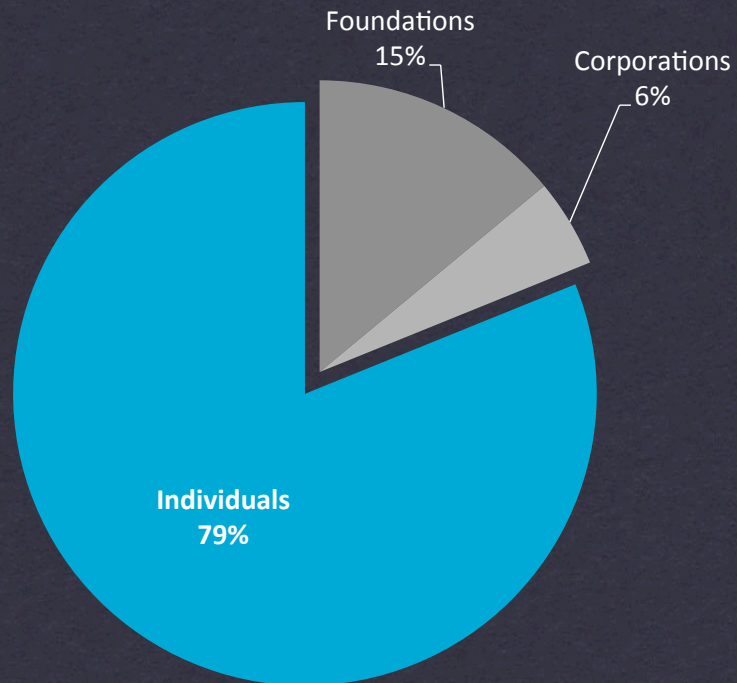
Total 2012 Crowdfunding

In 2012 crowdfunding
platforms funded
more than 1 million
campaigns.

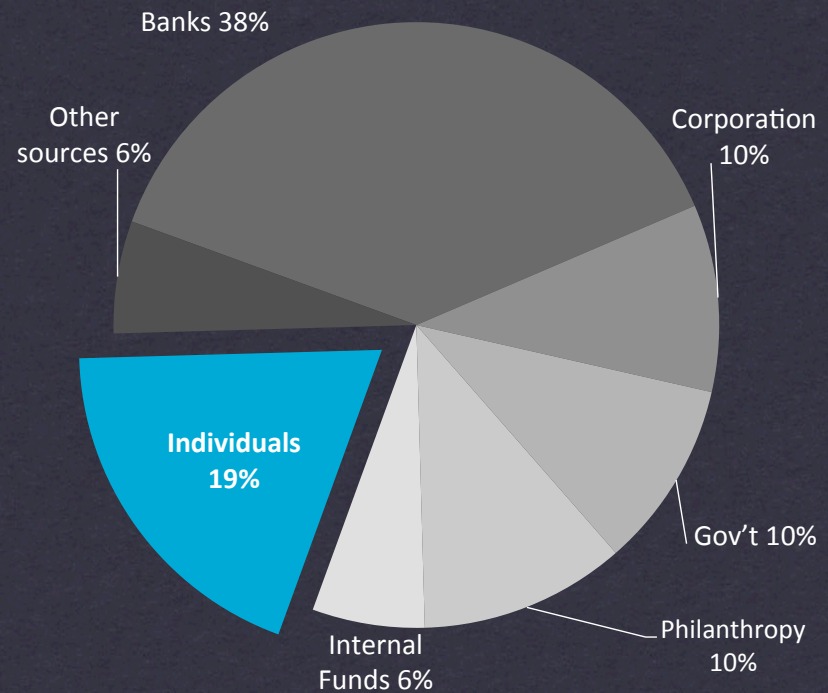
Sources: Crowdfunding Industry Report, Massolution (Crowdsourcing.org); MacLellan, Kyle. "Global Crowdfunding Volumes Rise 81 Percent in 2012." *Reuters*. N.p., 13 Apr. 2013. Web; Kiva.org/stats, and Kickstarter.org/data

Challenge: Barriers to Mission Funding

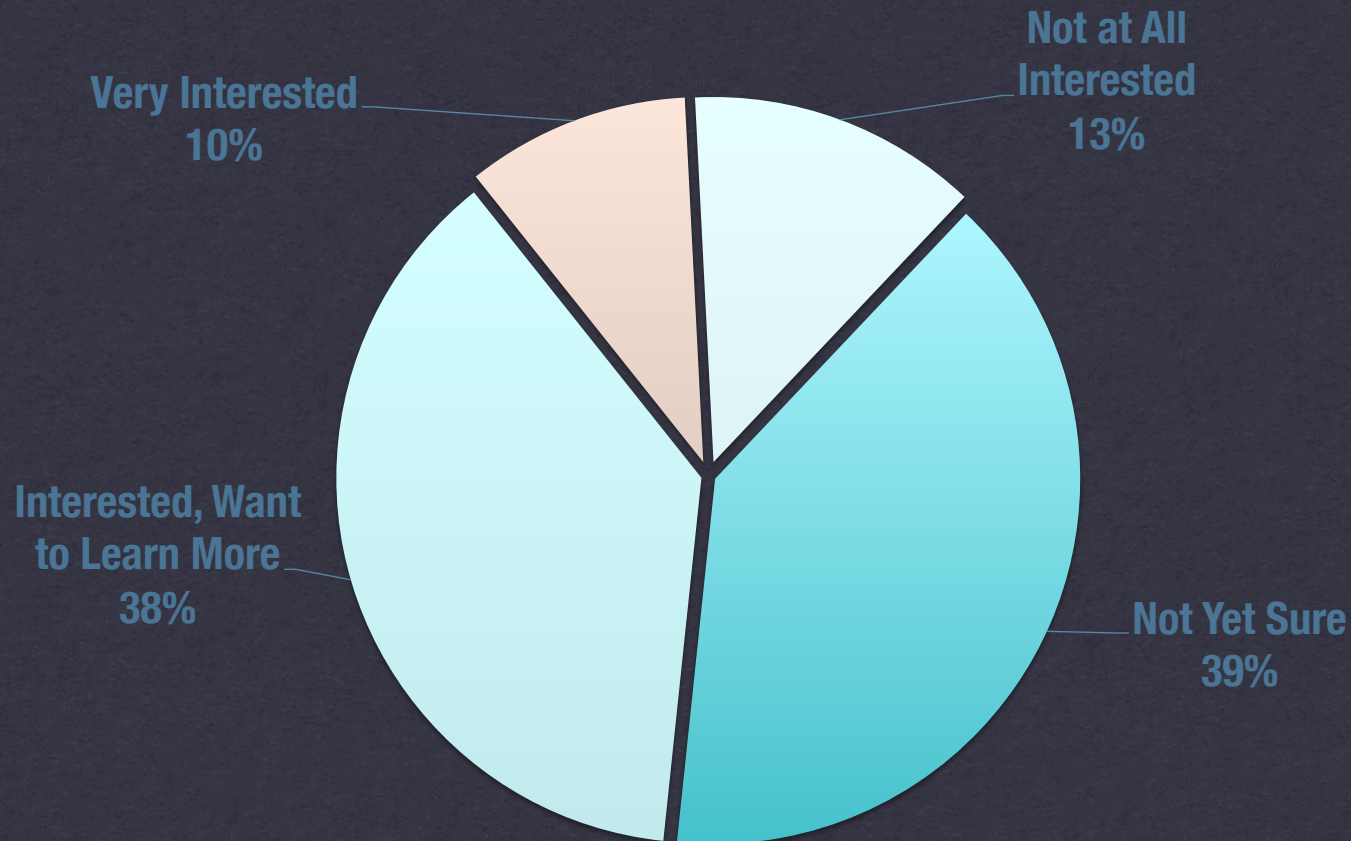
Charitable Giving Sources



CDFI Capital Sources



Demand for Impact Investing



*For U.S. population with over \$80K HH income

CDFI Capital Demand



136 CDFIs see capital demand shortfall of
\$880M in 2011

-Opportunity Finance Network Survey

Milken Institute Crowdfunding Roundtable



Summarizing topline consensus JOBS Act Crowdfunding event:

“Coupling securities crowdfunding with...community development financial institution financing could benefit all involved parties. This partnership would allow crowdfunded businesses to benefit from the expertise of sophisticated investors.”



**“Crowdfunding: Promoting the Promise and Minimizing the Peril”,
summarizing July 26th 2012 event. Posted August 2nd, 2012**

Next Steps:

- 1. Public Comment Period – Request for Comments**
- 2. Working Group and Federal Reserve Event**
- 3. Stay Involved – Leave Your Name and Email**

Questions?

For more information, contact:

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