



Fed's Program Helps CRA Connections

regulatory lending

Summary: To facilitate CRA partnerships, community financial institutions may want to tap into the Fed's program, Investment Connection. We provide highlights of the program, its role at your institution, and key questions to ask potential community partners.

Did you know Swanson created the TV Dinner because it had 260 tons of frozen turkey left over after Thanksgiving in 1953? Sometimes, you never know how great ideas will come about.

One great idea from the Fed is the Investment Connection. In order to meet obligations through the Community Reinvestment Act (CRA), community financial institutions (CFIs) can benefit from community partnerships. Yet, vetting organizations for CRA-eligible funds can consume a lot of time and energy. In comes the Investment Connection program. While the Investment Connection has been around since 2011, it may be time to explore some of its benefits.

Streamlining the process. Modeled after the ABC reality show "Shark Tank," which gives entrepreneurs a chance to pitch their ideas and businesses to potential investors, it helps bring together nonprofits and banks. Coordinated by eight Federal Reserve banks, the Investment Connection provides an opportunity for nonprofits to present themselves to multiple banks at once. The Fed vets the organizations in advance, and banks and nonprofits can quickly learn whether or not they're a fit. It has provided \$40MM in funding so far. The proposals are submitted online to allow for easy submissions and searchable information.

What makes a good fit? Here are a few questions to ask and explore during your conversation with a potential nonprofit partner to see if there are the makings of a good partnership:

- Would this relationship simply check the CRA box for you, or is there an opportunity here to really create a win-win strategic partnership?
- Does this nonprofit represent the right cause for your institution? The right nonprofit should advance a cause that your leadership and staff can enthusiastically get behind. It should appeal to your customers, too.
- How local is this organization? It's often better for a CFI to be the main corporate force behind a local cause than to be one of many businesses that support a national nonprofit. You want your community to see that you care about it. Also, don't wait for a competitor to put its name all over a major hometown initiative.
- How does the nonprofit set and measure goals? What is its financial structure? Does it have a board of directors that holds its leaders accountable for results? Is this organization one with a successful track record? At the end of the day, do you trust this nonprofit to deliver on its promises to your community?
- Would your backing make a substantial difference to the nonprofit's success? How would the organization highlight your participation in ways that are meaningful to your employees and customers?

Asking these questions can help you find a partnership that benefits your CFI, the nonprofit, and the community. The Fed's program could smooth the way for you to get there faster.

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