





## *Who we are*

- The Finance Fund engages in creative approaches that build bridges between capital markets and economically distressed communities.





## *Who we are*

- Transform emerging rural and urban communities into vibrant, diverse, economically healthy neighborhoods
- Public-private partnerships:
  - Financial institutions
  - Foundations
  - Community-based organizations
  - Federal, state and local governments.



## *What we do*

- We seek to produce:
  - safe and affordable housing
  - commercial revitalization
  - business development
  - job and economic development
  - quality child care and early education
  - access to shopping, transportation, medical, and social services



## *How we do it*

- We provide technical assistance with:
  - administrative needs
  - project development
  - applications
  - compliances
  - regulatory monitoring
  - financial issues



## *The Linked Deposit Fund*

- Product used to reduce interest rate on permanent or construction financing.
- The low interest loans enable organizations to make projects affordable to the lowest income people in their communities.









## *The Linked Deposit Fund*

- The rates on linked deposits are concessionary therefore the pricing of the portfolio is less than its par value.
- Finance Fund's Board of Directors has established parameters on the acceptable discount (%) and seeks other resources to mitigate the cost.
- As an agreement on pricing is reached, the lender places the loan and advances funds through its normal processes.



## *What it does*

- The reduced interest rate is guaranteed for the term of the loan.
- The average life of our certificate is about 8 years.
- The low interest loans enable organizations to make projects affordable to the lowest income people in their communities.



## *What makes it unique*

- **Sustainability**
- Linked deposits perform a programmatic function; i.e. low interest rates on mortgages, but do not serve as collateral or security for the mortgage.
- Risk of loss is minimal and upon maturity capital may be recycled.





## *What makes it unique*

- **Flexibility**
- The characteristics of a deposit can be adjusted to achieve specific rate objectives.
  - Amount
  - Term
  - Rate





## *What makes it unique*

- **True public/private partnership**
- Though capital resources for the Linked Deposit Fund initially came from the public sector, the Series innovation has enticed substantive private investment.



## *What makes it unique*

- The LD model is a valuable tool in distressed markets.
- Economically distressed markets need varied subsidies because of inerrant characteristics; i.e. depressed property value, stressed infrastructure, investment flight.
- Linked deposits are one of the tools adding value to these economies through a “hidden” subsidy strategy.



## *St. Paul AME Wellness Center*

- **St. Paul AME Wellness Center** brings needed health care services back to a blighted urban community to fill a void left by the departure of a community hospital a decade ago.
- **Projected Impact:** 25 FTE jobs, 33 construction jobs, 16,075 commercial sq. ft.
- Linked deposit provided significant interest rate reduction, from 6.9% to 3.94%.





## *New Straitsville Downtown Revitalization*

- Promoting the historic Main Street district in two of the “Little Cities of Black Diamonds” in the Hocking Valley Coal Region by refinancing and rehabilitating five properties in a rural downtown area.
- **Projected Impact:** 10 FTE jobs, 13 construction jobs, 10,000 commercial sq. ft.
- Linked deposit provided significant interest rate reduction, from 7.75% to 5.25%







## *What's next?*

- Based on demand, Finance Fund is continuously investigating ways to obtain investment in the Linked Deposit Fund.
- Partnerships are always welcome.



## *What's next?*

- We continue to scan the environment to identify weaknesses in systems that with innovation could be improved. We do this through:
  - Market assessment studies
  - Surveys
  - Conversations
  - Presence in the communities
  - Legislative meetings



## *What's next?*

- Finance Fund's five year initiatives include:
  - early care and education facilities
  - vacant and abandon properties
  - barriers to availability of credit in economically distress communities



## Contact us

James R. Klein, CEO · Valerie Heiby, Development Director

### **Finance Fund**

17 S. High St., Suite 900

Columbus, Ohio 43215

[www.financefund.org](http://www.financefund.org)

800.959.2333



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*Exploring Innovation, Federal Reserve Bank of St. Louis*