U.S. sees launch of first guarantee pool for community development investments

$33.1 million in commitments from 11 organizations will unlock more than $150 million in new investments

NEW YORK, N.Y. — Today, backed by guarantee commitments from 10 philanthropic organizations across the United States and a large health care system, the Community Investment Guarantee Pool (the Pool) announced its formation. Guarantees are unfunded commitments from an organization’s endowment that offer risk mitigation.

The Pool, with guarantee commitments totaling $33.1 million, is a new tool for community development finance and the first of its kind in the U.S. It is expected to catalyze more than $150 million in new community investments in small businesses, climate and affordable housing.

LOCUS Impact Investing (LOCUS), a subsidiary of Virginia Community Capital, a nonprofit community development financial institution with $413 million in assets under management, will serve as the program manager working with the investors, underwriting guarantee commitments as well as monitoring and managing the portfolio for both impact and risk.

“Through the tool of guarantees, socially motivated investors can leverage their balance sheets without requiring current liquidity to create a backstop and help minimize risk, allowing more traditional capital to feel comfortable putting their dollars into community investments.” LOCUS President Teri Lovelace said. “Using guarantees, the Pool will ensure deeper community impact, impact that includes diversity, equity and inclusion across small business, affordable housing and climate investing. We’re excited to get the first guarantees made and start capital flowing to meet critical community development needs.”

The Kresge Foundation incubated the Pool prior to its formal launch. In 2017, Kresge commissioned a study on the use of guarantees by impact investing and philanthropic organizations through the Global Impact Investing Network. It found that while many organizations had an interest in using guarantees as an additional impact investing tool, they did not always have the skills, knowledge or capacity to take on highly customized transactions.

The study and subsequent focus groups revealed a need for an intermediary who could create efficiencies, centralize a source of credit enhancement and accelerate community investments without requiring current liquidity.

“The U.S. impact investing field is ready for a tool like this, which makes it easier for new guarantors to come to the table,” said Rip Rapson, Kresge’s President & CEO. “Through the Pool, we join our partners, notably including a leading health system, in putting institutional endowments to work in ways like never before. By collectively committing over $33 million in guarantees, we are likely to unlock $150 million or more for investment in new affordable housing units, for small businesses to land the seed money they
need to get to work and to allow those communities most affected by climate change to access the leading climate mitigation tools.”

Kresge made an initial $10 million commitment to the Pool. Other investors in the Pool include The Annie E. Casey Foundation, The California Endowment, Chan Zuckerberg Initiative, CommonSpirit Health, Gary Community Investments, Jessie Ball duPont Fund, Phillips Foundation, Seattle Foundation and Weingart Foundation. The goal is to grow investor commitments to over $75 million for greater impact in under-resourced communities across the country. The Rockefeller Foundation is also expected to provide operational support for the Pool.

The Pool will span the U.S. with some geographic preference given to California, Colorado, Delaware, Florida, North Carolina, Texas, Virginia and Seattle and will deploy the first guarantees later this year.

About The Kresge Foundation

The Kresge Foundation was founded in 1924 to promote human progress. Today, Kresge fulfills that mission by building and strengthening pathways to opportunity for low-income people in America’s cities, seeking to dismantle structural and systemic barriers to equality and justice. Using a full array of grant, loan, and other investment tools, Kresge invests more than $160 million annually to foster economic and social change. For more information visit Kresge.org.

About LOCUS Impact Investing

LOCUS Impact Investing is a national social enterprise launched by Virginia Community Capital (a CDFI) to empower place-focused institutions to invest their capital locally to build prosperous, vibrant communities. LOCUS offers a continuum of services starting with exploring, unlocking and deploying capital for community economic development all the way through to servicing and monitoring local impact investments as well as aggregating capital for local and regional impact funds. Locusimpactinvesting.org

About Virginia Community Capital

Virginia Community Capital (VCC) is a Community Development Financial Institution (CDFI) with a mission to create jobs, energize places, and promote an enhanced quality of life in our communities. With offices in Christiansburg, Norfolk, and Richmond, we offer innovative and flexible financing tools and professional advisory services to individuals and organizations in low-to-moderate income and underserved communities. VCC’s subsidiary bank, VCC Bank, is an FDIC-insured, certified bank offering products tailored to socially conscious investors, along with personal and business checking, savings, and certificate of deposit accounts. VCC is also a certified B Corp.

Learn more: vacommunitycapital.org.