

CFNE Racial Equity Statement

Summary: The Cooperative Fund of New England (CFNE), a forty-year old Community Development Financial Institution (CDFI), seeks support to strengthen its racial equity lens and social impact commitment by examining and evolving its organization and strategies. While CFNE has grown to be a leader in cooperative finance, especially for small business co-ops, CFNE's board and staff are exploring how a more concerted racial justice analysis can help it better achieve its mission through its policies, procedures and practices, as well as new partnerships and outreach.

CFNE Background:

The Cooperative Fund of New England (CFNE) is a community development financial institution (CDFI) founded in 1975 to provide financing and technical assistance to co-ops and community based nonprofits in New England and parts of New York. CFNE has loaned over \$40 million from social investors in over 700 loans to new or expanding co-ops and nonprofit organizations. This financing has created or retained over 10,000 jobs, 5,000 units of affordable housing, and thousands of business ownership opportunities. Borrowers have brought necessities like food and education into underserved rural and urban communities. CFNE has experienced a remarkably high borrower repayment rate of over 99%, due in part to the broad community involvement required to successfully launch a cooperative. As a U.S. Treasury certified CDFI, CFNE predominantly serves households and businesses in low-income communities.

CFNE has advanced innovations in cooperative finance, including financing start-up food co-ops, facilitating community investment in worker co-ops, supporting established co-ops to guarantee loans to start-up co-ops, using remote office structures, and financing worker acquisitions of traditionally structured businesses. Additionally, CFNE has initiated and promoted a healthy food access program encouraging food co-ops to better serve low-income households in their communities. All of this has helped make New England one of the strongest American regions for small business cooperatives.

Problem:

At the same time, CFNE, and New England's co-op movement in general, has had limited impact in the region's communities of color, despite a long history of co-op development both imbedded in Civil Rights movements and in the home countries of many immigrants. This is potentially related to technical assistance, financing, and partner networks. CFNE's community-based partners have identified a lack of sufficient, culturally appropriate, technical assistance resources. Conventional small business assistance providers, including those in communities of color, lack familiarity with co-ops, and co-op oriented technical assistance providers have historically lacked the cultural competence to meet the need.

The greater racial divide in New England has also have presented barriers. Additionally, due to racial segregation and redlining, Black and Latino communities have struggled to build assets that could be used to finance or collateralize small businesses. This makes otherwise strong co-op projects unable to access financing, even from co-op oriented lenders. Furthermore, some co-op movements have focused on leveraging their success in mostly white middle class communities, neglecting to address particular co-op development issues in communities of color. Finally, given the segregated nature of most people's social networks, successful co-op

leaders in white communities often have few connections with people of color, limiting cross-fertilization. This has created missed opportunities as many cooperative models were developed to address the same issues plaguing communities of color, including asset building, decent jobs, healthy food access, affordable housing, and good education opportunities.

But there is great interest in the cooperative model in communities of color, as well as demand for appropriate financing. Over the past couple years, CFNE has noticed an increase in cooperative development efforts coming out of communities of color, including both those utilizing established co-op models and those using less formal or otherwise non-traditional models. Furthermore, concerted efforts both in the CDFI industry and worker and food co-op movements are raising the importance of racial equity. CFNE is taking this opportunity to examine and evolve, if necessary, how it functions to both advance racial justice for its own sake, and to support these new opportunities to foster cooperative growth in its market.

Solution:

CFNE is starting a process of identifying policies, procedures, and practices that it can change to advance racial equity, as well as new partnerships and outreach strategies, while staying within our core programming of providing financing and technical support to co-ops in our region. It is starting with expanding our network beyond its traditional cooperative partners, by adding organizations and individuals rooted in communities of color but with an interest in cooperative development. These include civil rights organizations, minority business associations, specific community development corporations, and specific workers rights organizations. Through this work, CFNE will better identify barriers to serving communities of color; identify potential board and staff members to diversify the organization's personnel as vacancies open; promote cooperatives in communities of color; and identify project partners for particular collaborations.

While next steps will be informed by feedback from this network expansion project, CFNE anticipates a future focus including updating its underwriting process to account for ways that traditional views of the 5 C's of Credit (particularly Character, Capital and Collateral) would work against applicants of color. Another next step may be developing and allocating more flexible financial and technical assistance resources to help co-ops in communities of color overcome development barriers rooted in an American history of racial injustice.

CFNE acknowledges that there are other areas that might deserve attention towards our goals of advancing racial equity, and so we see this document and our action steps as evolving as we learn more.