



HBCU Brilliance Initiative

Investment spotlight by:

THE
KRESGE
FOUNDATION



REINVESTMENT
FUND

SERVING THE NEEDS OF HISTORICALLY BLACK COLLEGES AND THE STUDENTS THEY SUPPORT

The Kresge Foundation invested in Reinvestment Fund's HBCU Brilliance Initiative to create opportunities for students, stimulate economic growth, and strengthen the vibrant communities surrounding these institutions. HBCU Brilliance Initiative demonstrates the type of technical and financial support that will position HBCUs to make critical investments in their facilities, financial stability, and long-term growth to better serve their institutional missions. The Fund is designed to serve as flexible capital for the nation's 109 HBCUs. It includes unique underwriting standards crafted to recognize the particular needs of HBCUs.



RECAP

After nearly two centuries of extremely disparate funding of HBCUs, the Reinvestment Fund has built an investment vehicle to address the gap.

The Need

HBCU's generate \$14.8 billion in economic activity annually yet they face the same bias and challenges to capital access as other underserved communities and communities of color. Recent research showed HBCUs have been underfunded by at least \$12 billion since 1988. The impacts on HBCUs include paying more for bond debt than other schools with similar credit ratings and having 54 to 79% lower assets per student than other universities. Underfunding has been destabilizing to HBCU, creating undue burdens in serving students.

The Impact

The Fund has four primary impact targets.

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|--------------------------------|--------------------------------|
| 1) Credit enhancement | 3) Balance sheet restructuring |
| 2) Infrastructure improvements | 4) New real estate development |

The Opportunity

CDFIs can play a central role in addressing underfunding. By helping HBCUs via balance sheet loans, these institutions can refinance debt and save money for operations. Reinvestment Fund's HBCU Brilliance Initiative also provides the type of technical and financial support that will position HBCUs to better serve their institutional missions.

The Initiative will allow more mission-driven investors to participate, multiplying the amount of capital available for these universities and simplifying their access by creating a one-stop shop.



Damien Wilson

*Senior Director
HBCU Brilliance Initiative*

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HBCUs also need the capacity to leverage and deploy funding effectively. In the same regard, financial institutions need to have a better understanding of the HBCU story. HBCUs are strong academic institutions that punch above their weight in terms of representation of African American undergraduates.

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WHO

The Reinvestment Fund's HBCU Brilliance Initiative hopes to help shift how Historically Black Colleges & Universities are valued and to get these institutions the resources needed

About Reinvestment Fund

Reinvestment Fund is a mission-driven nonprofit organization that brings financial and analytical tools to partnerships that fund work to ensure that everyone has access to essential opportunities. As a federally certified community development financial institution (CDFI), Reinvestment Fund brings financial and analytical tools to partnerships that work to ensure that everyone has access to essential opportunities: affordable places to live, access to nutritious food and health care, schools where their children can flourish, and strong, local businesses that support jobs.

Reinvestment Fund's HBCU Brilliance Initiative hopes to help shift how HBCUs are valued and to get these institutions the resources needed to better serve their students, faculty and staff and deepen their community impact.

Geography

Reinvestment Fund is headquartered in Philadelphia and has offices in Baltimore and Atlanta.

HBCUs exist in 19 states and are clustered in the northeast, south and Midwest.

Sectors & SDGs

Quality Education, Reduced Inequalities





Erika Brice

*Social Investment Officer
The Kresge Foundation*

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Reinvestment Fund is a relationship-based lender and has experience working on capacity building with HBCUs. I hope this becomes a model for how CDFIs invest in HBCUs.

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WHAT

Kresge used a blended capital strategy that includes a \$4.25 million PRI loan and grant to Reinvestment Fund to provide mission-driven capital that is attuned to the unique needs of HBCUs.

Total Investment

\$4.25MM PRI & Grant

INVESTOR	SIZE	TYPE	POOL	DURATION
Kresge Foundation	\$3.5 million	Debt	PRI	10 years
Kresge Foundation	\$750 thousand	Grant	Grant	n/a

Investment Structure

Kresge made a PRI loan with a 10-year term and 1.5% interest. The loan will be full recourse with principal payment due at the end of the term. It includes a 24-month draw period.

This investment was chosen given Kresge's deep experience with CDFIs and listening to the needs of HBCU partners.

Target Return

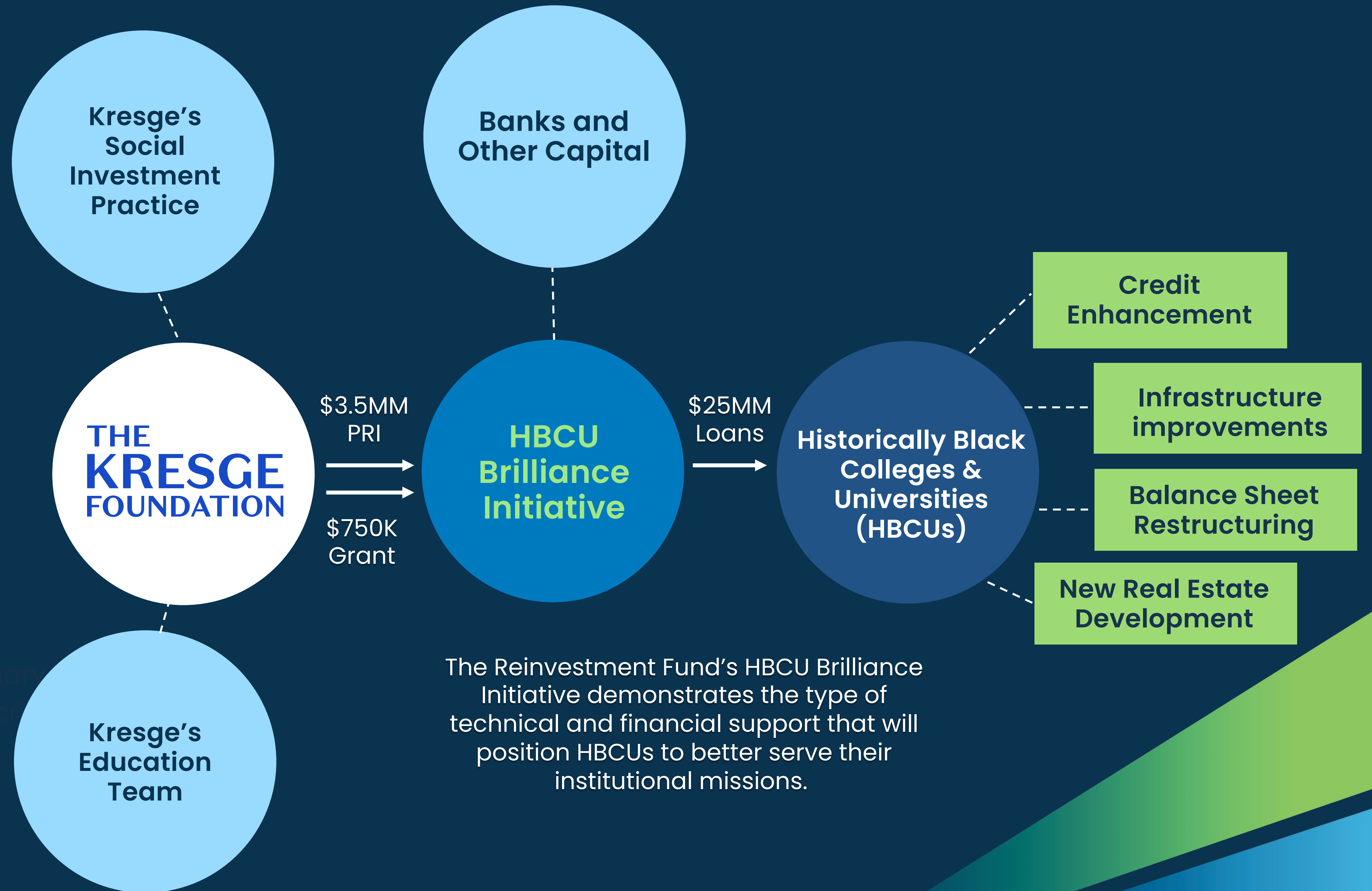
1.5%

Interest

HOW

Kresge's investments provide critical capital to HBCUs, enabling them to expand their academic programs, upgrade infrastructure, and enhance student services

Primary
descriptor



IMPACT & MEASUREMENT

The HBCU Brilliance Initiative provides mission-driven capital that is attune to the unique needs of HBCUs. As Kresge's strategy develops, it intends to make additional investments to increase access to affordable capital for HBCUs.

The Initiative will measure impact across investment types through factors such as the number of Pell-eligible students served, institutional dollars saved through debt refinancing, beds created through real estate transactions, peer CDFI participation, dollars leveraged, and convening engagement.

Quarterly reporting from the HBCU Brilliance Initiative includes:

- Capital Deployment
- Expenses and fees
- Operations management reports
- List of investors
- Loan approvals and pipeline include summaries of loans approved and uses
- Impact reporting per The Reinvestment Funds policy and procedures

INSIGHTS

Before asking HBCUs to engage in any funder-driven strategy, examine how you have resourced that ask.

Lessons Learned

- 1) It is critical to take the time to understand why and how HBCUs operate. They are driven by a complex set of systems and rules that are overlaid by more than 100 years of systemic bias and capital restrictions.
- 2) HBCUs are a critical part of the American framework and an asset to us all. Approach working with HBCUs with that context.

Advice to Fellow Practitioners

- 1) HBCUs have done a lot with a little, but they should not have to continue that way. Before asking HBCUs to engage in any funder-driven strategy, examine how you have resourced that ask.
- 2) HBCUs have long been a target for predatory lending and relationships. Be mindful of that when engaging.



Rip Rapson

*President & CEO
The Kresge Foundation*

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Since the racial justice reckoning that began after George Floyd’s murder in 2020, we know more capital has started to flow toward HBCUs. But we’ve seen in our work that capital alone doesn’t do the trick.

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