

**CASE STUDY**



# Corporate Support for Local Economic Development in Response to the Racial Justice Crisis:

New  
Commitments  
by PayPal,  
Netflix, Twitter  
and Others



**THE U.S.  
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# CORPORATE COMMITMENTS TO CDFIs AND MDIs

**Swift mobilization among corporates providing deposits and support to Black-owned banks in response to calls for racial justice.**

**I**NDIVIDUALS AND ORGANIZATIONS have increasingly become aware of racial inequities and particularly the systems that have contributed to those injustices. The resurgence of the Black Lives Matter Movement and growing concerns with systemic racism accelerated those themes, and many corporates entered the community investing space in 2020, citing the need for action on racial equity.

As one example, several major corporations have invested in the \$175 million Black Economic Development Fund run by Local Initiatives Support Corporation (LISC), a national CDFI. The fund is designed to provide deposits and other financing to Black-led CDFIs, MDIs, anchor institutions and businesses. PayPal – a major fintech player – is the largest investor, having channeled \$50 million into the fund as part of its larger \$535 million commitment to support Black-owned businesses and promote economic and social justice.<sup>1</sup> PayPal’s broader commitment also includes \$50 million in deposits to Optus Bank – a Black-owned MDI in South Carolina – and \$50 million invested in early-stage Black and Latinx-led venture capital funds.<sup>2</sup> Other investors in LISC’s Black Economic Development Fund include Aflac, Costco, DICK’s Sporting Goods, HubSpot, Netflix and Square.<sup>3</sup>

Netflix pledged \$100 million – about 2% of its cash holdings – to financial institutions and organizations supporting Black communities in the United States. Specifically, Netflix has committed \$10 million to Hope Credit Union to finance small businesses, housing and healthcare in communities across the Deep South.<sup>4</sup>

Twitter committed \$100 million to the Finance Justice Fund, managed by Opportunity Finance Network (OFN) to support lending to underserved communities through OFN member CDFIs. Twitter additionally committed portions of the returns from the loans to fund the nonprofit Operation Hope’s program, which provides financial training to clients of Black-owned banks, MDIs and other community lenders for underserved areas and groups.<sup>5</sup>



<sup>1</sup> LISC Press Release: “LISC’s Black Economic Development Fund Reaches \$175M with \$50M Investment from PayPal, \$12.5M from HubSpot,” December 2020.

<sup>2</sup> PayPal Press Release: “PayPal Announces Additional \$5 Million Grant Program for Black-Owned Businesses as COVID-19 Crisis Continues,” December 2020.

<sup>3</sup> Local Initiatives Support Corporation (LISC), About the Black Economic Development Fund.

<sup>4</sup> Aaron Mitchell and Shannon Alwyn, Netflix, “Building economic opportunity for Black communities,” June 2020.

<sup>5</sup> OFN Press Release: “Twitter to Invest \$100 Million in New Finance Justice Fund Managed by Opportunity Finance Network,” November 2020.

The structure of these corporate commitments follows a similar pattern. Importantly, there is a common thread of providing deposits to CDFIs and MDIs, and there is often a partnership with national, well-established CDFI player, such as LISC or OFN. While these commitments are substantial, their size can be small in relation to an organization's total size. This might indicate that while the appetite for engagement exists, the level of risk these organizations are willing to take on is low. However, the moderately sized commitments could allow for opportunities to grow commitments over time, and it also indicates that barriers to entry could be low for other corporates looking to pursue similar strategies.

While the growth of corporate support for Black-led financial institutions is encouraging, the diverse motivations of these actors make it difficult to predict if that level of commitment can be sustained. For some corporate institutions already engaged in the community investing space, like UnitedHealth Group, investments that prioritize generating positive and measurable health outcomes are considered part of the core strategy and accepted by leaders among the investment team, even if that means a need to accept concessionary financial returns. Indeed, engaged leadership seems to be key to the staying power of these initiatives. For instance, PayPal's \$535 million commitment mentioned earlier was a decision driven by the company's CEO directly.

However, corporate investors can also be motivated by public relations concerns, while others are motivated by talent development and employee engagement priorities. In such cases, changing circumstances could lead corporate investors to pull back.

That being said, alongside the public announcement of its \$100 million commitment to Black communities and small businesses, Netflix included a broader call to action to its peers:

“We plan to redirect even more of our cash to Black-led and focused institutions as we grow, and we hope others will do the same. For example, if every company in the S&P 500 allocated a modest amount of their cash holdings into efforts like the Black Economic Development Initiative, each one percent of their cash would represent \$20-\$30 billion of new capital.”

Similarly, Robert Smith, Founder and CEO of Vista Equity Partners called on his peers on the Business Roundtable (BRT) – a group of CEOs of the largest U.S. companies – to invest 2% of their annual net income over the next decade to empower Black and Brown communities. Public signaling between corporate actors may be one mechanism for sustaining engagement going forward. 🐣

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