

How Impact Investing Can Uplift Local Communities

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by RBC Global Asset Management



“Impact investing can provide the means to combine community action, government support and private capital to achieve rewarding sustainable results.”

The pandemic and social unrest of 2020 inspired communities, elected government officials, and business leaders alike to voice their concerns for social and environmental justice. Echoing these values, investors within the finance industry have the power to use their knowledge and resources for social advancement and community development through impact investing.

[Ron Homer](#), Chief Strategist of Impact Investing for [RBC Global Asset Management](#) (RBC GAM) and recipient of a GlobalMindED 2021 Inclusive Leader Award, discusses how impactful investing can be used as a tool to uplift communities in financial need.

Early in your career, you worked with politicians on various community development projects. What inspired you to get involved in non-partisan politics?

Homer: While he was campaigning for president in 1968, I met Bobby Kennedy. It was in South Bend, Indiana, where one side of town was predominately white and the other was predominately Black. I witnessed hope on the diversity of faces in the crowd cheering him on. I also remember Kennedy turning to the South Bend mayor and me, saying that if he got elected, he needed to deliver real results to help people truly succeed. It was inspiring to hear a politician show that kind of ambition. Later that day, Martin Luther King Jr. was assassinated; then, two months later, Bobby Kennedy himself also was assassinated.

After a short stint in social work, I quickly realized many of the social problems were rooted in economics and any scalable and sustainable solution would require coordinated efforts from the community, government, and the private sector. Communities represent needs and opportunities, government can provide the infrastructure and framework for addressing those needs and opportunities and the private sector can provide the expertise and capital to meet the needs and realize the opportunities. To me politics is the ability to tie the three together to insure sustainable progress.

What influenced your transition into banking?

Homer: In the early 70s, I went to business school for an MBA. At the time, banks in the U.S. were restricted to doing business within specific geographies so in many ways their financial success was dependent on building and supporting healthy communities within their footprints. Banking seemed like the perfect platform to learn more about the private sector and private capital and to use that expertise to support sustainable community development.

Given you’ve worked with government leaders on a wide variety of community development initiatives, how and why can impactful investing be a useful tool for social change?

Homer: Impact investing can provide the means to combine community action, government support and private capital to achieve rewarding sustainable results. Government supported the creation of a highway system that boosted the automotive industry. This same highway system combined with government backed mortgage programs such as Federal Housing Administration (FHA), Veterans Affairs (VA), The Federal National Mortgage Association (FNMA) and Federal Home Loan Mortgage Corporation (FHLMC) helped create the growth of suburbs and stimulated increased wealth creation among a growing American middle class. However these and other related urban renewal programs were administered in a way that not only discriminated against Black and other racial minorities but often directly supported the displacement and deterioration of the housing stock in the resulting predominately Black communities.

Today homeownership in predominately Black, Indigenous, People of Color (BIPOC) communities is much lower when compared to predominantly white communities even though past discriminatory practices have been made illegal.¹ In recent years, federal, state and local governments have provided a variety of home ownership programs and incentives to address this imbalance. The private sector needs to show its willingness to advance and fund these initiatives through impact investing.

One of our strategies involves investing in mortgage backed securities loans in order to provide people earning less than 80 percent of median income. Those mortgages over the past 20 years have outperformed the standard mortgage index. We've used government loan programs to make the loans, which gives an incentive for the community to buy homes as well as attracts capital from the private sector to invest. This same strategy can be used to support lending in BIPOC communities.

How does impact investing help combat social crises like the affordable housing shortage?

Homer: In order to solve the affordable housing shortage, you need the available land and land utilization policies that will incent developers to create affordable housing. Likewise, you need to attract the investors with available capital to fund the resulting initiatives. Impact investing helps bring capital and people together. It opens the door for entrepreneurs and visionaries to take advantage of the opportunity to create a solution. It's a matter of aligning community needs, government support and private capital.

You've said before "just a building alone does not create social change." What other support should be included to uplift a community?

Homer: The desire and willingness of the community to improve is critical. For a building to be successful, the residents need to take pride in it. The building itself needs to serve the residents; it also needs to meet the needs of the investor and provide a return on the investment, so the residents and the owner both benefit. It's a cooperative effort, and the key is aligning the interests. If not, a building will deteriorate because neither the owners nor residents preserve and cherish its value.

What value does RBC GAM bring to the table to help investors lift up communities and deliver effective returns?

Homer: The COVID-19 pandemic and civil unrest experienced across the nation highlighted a number of social and economic inequalities prevalent in the United States, especially within BIPOC and low-and-moderate income (LMI) communities, which have borne a disproportionate share of the burden of both the COVID-19 pandemic and civil unrest experienced nationwide. Investors took note, driving extraordinary flows into sustainable and impact investing strategies which are often used as a way to align investment dollars with ethics or values. Since 2020, RBC GAM has seen a growing interest from large corporations in our [impact investing products](#). We've found ways to invest back into people. However, now the challenge is to find solutions where everyone wins, in a way where capital has both a financial and social impact. For example, if you increase home ownership opportunities and make money from it, that's a win for everyone: you increase the tax base, opportunities within the community and more opportunities to expand private investments.

What advice would you give to someone reading this interview interested in getting started with impactful investing?

Homer: Impact investing involves passion, commitment, and continuous learning. If you have the passion then commit and learn. Set reasonable goals and strive for results.

¹<https://www.urban.org/policy-centers/housing-finance-policy-center/projects/reducing-racial-homeownership-gap>

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