**Craft3**

<http://www.craft3.org/>

*Craft3 is a non-profit community development financial institution with a mission to strengthen economic, ecological, and family resilience in Pacific Northwest communities. It accomplishes its mission by providing loans and assistance to entrepreneurs, non-profits, individuals, and others that lack access to financing.*

This case study demonstrates **growth through merger**.

**Action:**

One of the initial mergers in the CDFI industry began in 2005 between Cascadia Revolving Fund (CRF) headquartered in Seattle, WA and Craft3 headquartered in Ilwaco, WA. The decision to merge was based on a need for more resources than either organization was able to attract on its own and a desire “to really be able to move the needle" on economic development in the Pacific Northwest. Together, Craft3 had a capital fund of $28 million—about double the asset size of the individual CDFIs that merged. Combining the two CDFIs allowed for greater operational efficiency, increased loan size, the attraction of more investment, and an expanded target market including both urban and rural areas throughout the states of Oregon and Washington. Similar to most mergers, CRF and Craft3 encountered a number of challenges along the way, including resistance from board members, staff fatigue, and uncertainty. Due to the new organizational structure and differences in cultural norms between the merging organizations, almost all of CRF’s staff left within six months of the merger. Despite these challenges, Craft3 has grown into a thriving regional CDFI with a greater impact on the low-income communities it serves and today manages $200 million in capital in service to its triple bottom line mission.

**Process:**

* It took two years of planning, due diligence, and implementation to merge CRF into Craft3.
* The merger cost $500,000, including extensive organizational development expense, most of which was paid for through grants from funders solicited specifically to support the merger.
* The merger also took significant staff and board time and attention.
* Outside consultants helped manage the process, which included working through the organizations’ different legal structures and cultural norms.

**Outcomes:**

* By combining two smaller entities into one larger CDFI, Craft3 has increased its internal efficiency and capacity to deliver products and services to its target market.
* Craft3 has been able to expand its geographic market to now serve both urban and rural areas in the Pacific Northwest region. At the time of the merger, CRF was serving the urban areas of Seattle, WA, and Bend and Portland, OR. Craft3 was serving the rural areas in the coastal regions of Oregon and Washington.
* The merger resulted in a CDFI with double the asset size of the individual CDFIs pre-merger. Increased capital (almost $32 MM in 2008 to just over $88 MM in 2012) has allowed Craft3 to take on more risk and to increase the size and volume of its loans.
* Craft3 has been able to attract new investment, continually increasing its available capital each year since the merger.

**Organization Profile:**

**Founded:**  Craft3 - 1995

CRF - 1985

**Type of CDFI:** Loan Fund

**Target Market:** Craft3 (post-merger) - Pacific Northwest Region

CRF – Seattle, WA and Bend and Portland, OR

Craft3 (pre-merger) – Rural areas in the coastal regions of Oregon and Washington

**Types of Lending:** Craft3 **-** business, real estate, community development, consumer, and micro loans

CRF – small businesses and nonprofits

**Loan Products:** Non-Profit Affordable Housing, Business Loans, Home Energy Efficiency,

Non-Profit Community Development Projects, Land Conservation, Clean Water Loans for septic repairs, Tribal Nation and Tribal Member Loans, Business Energy Efficiency Upgrades

**Asset Size:** $88,093,250 (FY 2012)

**No. of Employees:** 48 (FY 2012)