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Neighborly Launches Effort Aimed at Big Bond Investors, Tinkers with AI and Blockchain.

To lead the new Neighborly Investments effort, the company has brought in financial-sector veteran Christine Todd.

Neighborly has always been idealistic. It was founded, in so many words, to help citizens invest in municipal bonds that help the communities they live in.

But now the platform wants to go after the big fish too — with artificial intelligence, future plans for blockchain and other changes to the way it does business.

The company has launched a new effort called Neighborly Investments, which for the time being is focusing on people and organizations with lots of money — multi-family offices, ultra-high net worth individuals, community banks and the like. Coming in to lead the effort is Christine Todd, who spent 22 years at the asset management firm Standish Mellon, serving as the company's president for about four years and managing $30 billion in municipal bonds.

"The thing that we realized midway in is the vast majority of the capital is managed by really smart people who have entrusted their money to professional money managers," said Jase Wilson, chief executive officer of the company.

They're people with lots of money to invest, which means that they need to be able to make large buys at once. The problem with the way Neighborly was built was that it's focused on individual municipal bond projects.

For now, Neighborly Investments functions pretty similarly to the regular Neighborly experience, except that its users will interact with it from a dashboard without going directly to the platform itself. In that way, they will be able to use the platform for vetting bonds according to Neighborly's standards, which emphasize impact. Neighborly's listings include both municipal bonds from the larger market and those that local governments have generated directly using the company's platform.

"They have a read-only view of what goes into their portfolio and they can follow the story of the impact they're having," Wilson said.

Because Investments' target users are people who invest large pools of money, it will offer some functionality meant to help those people more quickly process information about bonds.

"For them to go in and do even a $5 million buy on a single municipal bond offering is tough, because the way the market looks today is every project has 300 pages of documents to read," he said.

So the company has developed machine reading functionality, incorporating machine learning algorithms, to help users identify the most important points in those documents. Artificial

intelligence will also help the company learn more about correlations between different aspects of bonds, creditworthiness and the impact that those bonds end up having.

The technology and user experience will be a competitive advantage for Neighborly against similar services for investment managers, Todd said.

“There will be surprising elements in fundamentals and impact that AI will surface that humans might not otherwise know,” she said. “We will be able to scan the official statements and the documents to quickly get an understanding of the impact of each project rather than having human beings spend countless hours turning pages digging through that lengthy document.”

The platform also offers the ability to apply several filters — geographic, project type, bond type, etc. So a community bank could search for municipal bonds in its state, and could then narrow it down to bonds for park projects and then set terms for the types of bonds it wanted to see. The idea is to deliver bonds that meet the investor’s definition of positive impact.

Todd said she thinks the platform can make a big change in a couple of ways. One is in changing the way people think about making an impact with their money. Many, she said, turn to philanthropy in an attempt to make the world better — but the world of savings and investment, she said, can have positive impacts too. A municipal bond might build a library, or a park, or help improve transportation for the people who need it the most.

Second, she hopes to influence how people think about infrastructure. The vast majority of public infrastructure projects in the country in the past two centuries have been funded by bonds, she said. And if President Donald Trump wants to spend $1 trillion on infrastructure in 10 years, a promise he campaigned on, he would do well to look at the $400 billion-per-year municipal bond market.

“What we’d like to see is the municipal market be not only part of the plan, but the cornerstone of that plan,” Todd said.

In the future, Wilson said the company wants to offer bond packaging through Investments as well. Just like in the larger securities markets, where large lots of assets get bundled together into packages for investors to buy, Neighborly wants to bring together bonds that have been vetted according to its criteria and offer them en masse to big investors.

“That’s on the road map,” he said.

The company is also planning to eventually work blockchain into its system — “cloudsourcing,” as Todd said, transactional data and other information so as to better create an environment of transparency and speed up internal processes.

Todd said she’s excited about the prospect of jumping in with the company early on.

“I would say that my transition from Standish to Neighborly is very fortunate,” she said. “Opportunities like these don’t come along very often, where one’s own experience and mission aligns so well with an opportunity to grow a younger firm and make a sign impact in doing so.”

Neighborly wrapped up a $25 million Series A round in May. According to Wilson, the company has facilitated $100 million in bond investments this year, which was its first full year of offering investment capabilities to users.

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