
Community Investing: Putting your Money to Good Use

February 2006 CSRI Training
Presentation

*Socially Responsible Investing:
"Making a Difference with Ideals, Impact, and Involvement"*



Presenters

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What We'll Cover

- What is Community Investing
 - Tier 1: Financing Sources
 - Tier 2: Financing Uses
- UUA's Commitment & Matching Challenge
- Finding the Right Institution to Invest In
- Due Diligence (Doing Your Homework)
- Questions and Answers



What is Community Investing?

What is Community Investing?



- Financing that creates resources and opportunities for economically disadvantaged people in the US and overseas who are underserved by traditional financial institutions.
- **Tier 1:** Investments in institutions that use the funds to achieve community investing goals.
- **Tier 2:** Direct investments to individuals, community organizations, developers, and small businesses that achieve the goals.

Tier 1 Community Investing



Financing Sources: Loans, Deposits, Grants from:

- Individual Investors
- Institutional Investors (Foundations, Mutual Funds, Pension Funds, Congregations...)
- Government (i.e., CDFI Fund, USDA)
- Traditional Bank CRA* Investments

Invested in Community Development Financial
Institutions (CDFIs)

Tier 2 Community Investing



- Financing Uses: CDFIs use funds to provide
- Loans to Individuals for small and micro businesses, first-time homeownership
- Loans to developers and nonprofits for affordable housing development, community service centers
- Affordable financial service products offered to individuals



CDFI Structures

- Federally Regulated and Insured

- Banks (FDIC)
- Credit Unions (NCUA)
- *Predominant funding source - customer deposits*

- Non-Regulated

- Loan Funds
 - Housing Access
 - Housing Development
 - Microenterprise
 - Small Business
- Venture Capital Funds



UUA Commitment to Community Investing & Matching Challenge

UUA Commitment



1. Committed to the 1% in Community Campaign
2. Makes direct investments in US and international CDFIs
3. Developed the “Community Development Matching” Program to encourage investments by districts and congregations

UUA Board Vote - January 2003



- Community Investing (CI) Assets: Invest a minimum of 1% to a maximum of 5% of Unrestricted Reserves in the Endowment Fund in assets in CDFIs
- 75% of CI Assets for Match Program: Encourage congregations and districts to adopt a similar policy. As an incentive, up to 75% of UUA's CI assets may be used to match congregational and district CDFI investments
- Target Goal 2008: “It is desirable that full implementation of this policy goal be achieved within five years after Board adoption.”

1% in Community Campaign



- Developed by the Social Investment Forum, SRI trade association with > 600 members
- Goal: Increase the dollars involved in community investing – get members to steer 1% of their capital under management into community investments.
- SIF members can account for a more than doubled increase (125%) in community investing since 1% campaign started, from less than a billion to \$1.8 billion.

Community Development Matching Program



- Matches investments that UUA districts or congregations make into CDFIs
- \$2,000 Minimum; \$10,000 Maximum Match; minimum of 3 years
- As of January 2006:
32 Congregations; \$265,300 matched
- Match Application form:
<http://www.uua.org/finance/sri/community/cdmform.pdf>

Progress on Matching Program



- **Endowment Reserves at 12/31/05 = \$117.3 MM**
 - **Minimum CI Assets at 1% = \$11.7 MM**
 - **1% CI Assets X .75 for Match = \$880,000**
 - **Less amount matched to date = -\$265,000**
 - **Available Match Funds: = \$614,000**
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- Goal: Four (4) Congregations/Districts on this call help UUA reach \$300K (34%) in Matched Community Investing funds by GA 2006.



Finding the Right Institution to Invest In

Resources: CDFI Listings



- Community Investing Database: ~ 450 Institutions
<http://www.communityinvestingcenterdb.org/>
1. Members of the Social Investment Forum and/or are affiliated with Calvert Foundation and/or are affiliated with one of the CDFI Data Project partners;
 2. Met key standards related to performance determined by the partners. Minimum thresholds relate to operating performance, equity ratios, delinquencies and losses.
 3. They take investor capital.

Resources: CDFI Listings



- Federally Certified Institutions: 752 Institutions
<http://www.cdfifund.gov/docs/certification/cdfi/CDFI-state.pdf>
- Has a Primary Mission of promoting community development.
- Is a Financing Entity.
- Serves principally an eligible Target Market.
- Provides Development Services in conjunction with its financing activities.
- Maintains Accountability to its defined Target Market.
- Is a Non-Governmental Entity, and is not controlled by one or more governmental entities.

CDFI Trade Associations & Resources



National Community Capital Association	www.communitycapital.org
National Federation of Community Development Federal Credit Unions	http://www.natfed.org
Association for Enterprise Opportunity	www.microenterpriseworks.org
The Community Development Banking Listserv	http://www.lightlink.com/cdb-l/
Community Development Venture Capital Alliance	www.cdvca.org



Due Diligence: Doing the Homework

Are there Funds to Invest?



Idle congregational funds available for high impact investing:

- Endowment (Unrestricted Portion)
- Sabbatical Funds
- Building Reserves
- Cash over and above Operating Reserves

Choosing Where to Invest



1. Key Players in Decision-Making: Investment & Social Justice Committee Members
2. Consider at least three possibilities
3. Get prospectus or other investment material from website or by calling
4. Ensure decision makers are all using the same objective criteria for analysis

Sample Criteria



- Goal: Identify Safety/Risk Level, Financial Return, and Social Return
- At a minimum, discuss the following:
 - 1) Meet UUA Match criteria Yes__ No__
 - 2) Federally Insured Yes__ No__
 - 3) Investment Return + Minimum Term
 - 4) Support which Social Impacts
 - 5) Serves which Communities

Sample Social Impacts



1. **Affordable Housing Development**
2. **Entrepreneurial support via Microenterprise loans**
3. **Job Creation by financing small businesses**
4. **Financial training and technical assistance**
5. **Affordable Financial Services (savings/checking accounts, electronic benefits, wire transfers for immigrant customers)**

- [Community Investment Impact Calculator:](http://www.communityinvest.org/impact/calculator.cfm)
<http://www.communityinvest.org/impact/calculator.cfm>

Resources to Learn More



- Co-op America's Guide to Investing in Communities:
<http://www.coopamerica.org/PDF/GuideInvestCommunities.pdf>
- Community Investing Resource Center:
www.communityinvest.org
- Social Investment Forum: www.socialinvest.org
- CDFI Fund: www.cdfifund.org



“Community investing is surging at a meteoric rate as an option for investors who want to see their assets make a direct and tangible difference in the U.S. and around the world.”

Tim Smith, Social Investment Forum

**Questions?
Who Will Commit?**