

Getting Started In Community Investing *Business Ethics*, Summer 2003

By Rona Fried and Marjorie Kelly

In South Africa, a U.S. community loan fund gave 16 black women the help they needed to start the New Forest Vegetable Project, after countless banks had turned them away. The local community development institution, the Bushbuckridge Local Business Service Center (BLBSC) secured a \$709,000 commercial bank loan on their behalf by turning to a U.S.-based international guarantee fund, Shared Interest. In the Project's first harvest, it grew 175 tons of top-grade tomatoes. Today, three years later, the Project's tomatoes and peppers are sold across the country, each woman owns her own greenhouse, and 80 women are employed.

That's community investing at work. Community-based financial institutions have helped low-wage workers in North Carolina purchase homes, have assisted battered women in Texas in opening a shelter, and have renovated a crime-ridden neighborhood in Kentucky. Unlike speculative investments in the stock market—where your money may never actually reach companies—community investing puts investing dollars directly to work in ways that help the disadvantaged.

Any individual or institution can become a community investor, by using savings accounts, checking accounts, certificates of deposits, and mutual funds. Individuals can also make direct loans to community loan funds, which pool money and loan it out where needed. All of it generally earns a guaranteed rate of return—either market rate or below market. At Shared Interest, for example, investors who loan money for five years earn 2 percent interest. The fund started in 1994 and currently manages \$6.2 million from 140 individual and institutional investors. Though the fund is not insured, Shared Interest has repaid every loan.

Shared Interest is just one piece of the community investing universe, a thriving and growing field with overall assets of an impressive \$7.6 billion. The Social Investment Forum (SIF) reports that between 1999 and 2001, community investing assets grew 40 percent—in part because of the One Percent in Community campaign by SIF, which encourages all social investors to put 1 percent of their assets in community investments.

Many organizations and investment professionals participate in the 1 percent campaign. Investing in them is one way to contribute. Large institutions like the General Board of Pension of the United Methodist Church, Fannie Mae Foundation, and the California Public Employees' Retirement System, for example, all participate. Many social investing advisors participate, including the Progressive Asset Management network based in San Francisco, Progressive Investment Management in Portland, Ore., and

Trillium Asset Management in Boston. Many SRI mutual funds also participate, including Domini Social Investments, Portfolio 21, Parnassus, and Walden Asset Management. When you place money in these mutual funds, or with these money managers, you indirectly are funneling money to community investing organizations.

To invest directly, you can choose from among dozens of community banks, and hundreds of community credit unions and community development loan funds. Community development banks are the easiest way to start, by opening an account or a certificate of deposit. These banks offer competitive interest rates and are federally insured up to \$100,000.

Community development loan funds offer one- to five-year investments at rates of 0 to 5 percent. Although they're not insured, they use grants and loss reserves to help protect investors. Most have minimums of \$1,000.

Below are a few selected options from various categories, to give a sense of what's available (the accompanying chart shows a larger listing, and a complete listing can be found at www.communityinvest.org).

- Calvert Foundation: If you would like to diversify investments across many loan funds, a Calvert Community Investment Note is ideal. Your investment enters a loan pool, which is dispersed among 185 institutions, including community development banks, loan funds, and micro-enterprise organizations. You can start with as little as \$1,000. And you can open an IRA using this vehicle. Investors choose a fixed rate of return between 0 and 3 percent, and a term of one, three, or five years. www.calvertfoundation.org
- ShoreBank: This bank—with offices in Chicago, Detroit, and Cleveland—offers Development Deposit accounts that range from checking accounts and money markets to IRAs, CDs, and savings accounts. Depositors come from across the country. Deposits are federally insured, pay market rates, and are directed toward rebuilding America's inner cities. www.sbk.com.
- Self-Help Credit Union: One of the largest and best-known community development credit unions, Self-Help of Durham, N.C. offers Economic Development Deposits paying 0 to 2 percent interest, targeted to victims of hurricane-related flooding in Eastern North Carolina. Specialized CDs support lending to environmental firms and child-care providers, and are federally insured, paying market rates (currently 2.1 percent for 36 month CDs). www.self-help.org
- Institute for Community Economics: Since 1979, ICE in Springfield, Mass. has operated a Revolving Loan Fund that has assisted community land trusts in 30 states. The land trust is a model ICE pioneered, which creates permanently affordable, resident-controlled housing for those with low incomes. Investors make loans of a minimum of \$1,000 for at least one year, at rates of 0 to 3 percent (up to 4 percent for loans of five years, 5 percent for over 10 years). ICE offers promissory notes to investors, which are

considered high-risk investments and are not insured, but no investor in the Revolving Loan Fund has ever lost a penny. www.iceclt.org

Portions of this article were adapted from The Progressive Investor, an on-line newsletter about social investing, which is a service of www.sustainablebusiness.com

Community Investing Institutions

Community Development Banks: Operate like traditional banks with a special focus on providing capital to rebuild low-income communities.

Albina Community Bank* - Portland, OR - 503/287-7537 - www.albinabank.com

Chittenden Bank Soc. Resp. Banking - Brattleboro, VT - 800/545-2236 x 4069 - www.sociallyresponsible.chittenden.com

City First Bank of DC* - Washington, DC, - 202/332-5002 - www.cityfirstbank.com

Community Capital Bank* - Brooklyn, NY - 718/802-1212 - www.communitycapitalbank.com

Eco Deposits at Shorebank Pacific* - Ilwaco, WA - 888/ECO-BANK - www.eco-bank.com

Louisville Comm. Dev. Bank* - Louisville, KY - 502/778-7000 - www.morethanabank.com

NCB Development Corporation - Oakland, CA - 916/773-3599 - www.ncbdc.org

ShoreBank* - Chicago, IL - 800/669-7725 ext 5636 - - www.sbk.com

Southern Dev. Bancorporation* - Arkadelphia, AR - 800/789-3428 - www.southerndevelopmentbancorp.com

Wainwright Bank & Trust Co. - Boston, MA - 800/444-2265 - www.wainwrightbank.com

Community Development Credit Unions: Focus on providing capital to rebuild low-income communities.

Alternatives Federal CU* - Ithaca, NY - 877/273-2328 - www.alternatives.org

Communities United CU* - Wichita, KS - 316/684-1500 - Fresno Comm. Dev. CU Project - Fresno, CA - 559/445-4166

Neighborhood Trust Federal CU* - New York, NY - 212/927-5771 - www.cwcid.org

Permaculture CU - Santa Fe, NM - 505/954-3479 - www.pcuonline.org

Santa Cruz Community CU* - Santa Cruz, CA - 831/425-7708 ext258 - www.scruzccu.org

Self-Help CU* - Durham, NC - 800/966-SELF - www.self-help.org

Vermont Development CU* - Burlington, VT - 800/865-8328 - www.vdcu.org

Mutual Funds with a Community Investing Component:

These SR mutual funds have 1% or more of their assets in communities.

Access Capital Strategies C I Fund - Cambridge, MA - 617/576-5858 - www.greenpages.org/detail.cfm

Aquinas Funds - Dallas, TX - 800/423-6369 - www.aquinasfunds.com

Calvert Group - Bethesda, MD - 800/368-2748 - www.calvert.com

CRA Qualified Investment Fund - Weston, FL - 877/272-1977 - www.crafund.com

DEVCAP Shared Return Fund - Baltimore, MD - 800/371-2656 - www.devcap.org

Domini Social Investments - King of Prussia, PA - 800/225-3863 - www.domini.com

MMA Praxis Mutual Funds - Goshen, IN - 800/977-2947 - www.mmapraxis.com

New Alternatives Fund - Melville, NY - 800/423-8383 - www.newalternativesfund.com

Parnassus Investments - San Francisco, CA - 800/999-3505 - www.parnassus.com

Portfolio 21 - Portland, OR - 877/211-0034 - www.portfolio21.com

Community Development Loan Funds & Nonprofits:**

These loan funds pool loans provided by individuals and institutions, often at below-market rates, to further community development. They welcome individual investors.

ACCION USA* - Brooklyn, NY - 617/625-7080 - www.accionusa.org

Boston Community Capital* - Boston, MA - 617/427-8600 - www.bostoncommunitycapital.org

Cascadia Revolving Fund* - Seattle, WA - 206/447-9226 - www.cascadiafund.org

Chicago Community Loan Fund* - Chicago, IL - 312/252-0440 - www.cclfchicago.org

Community Reinvestment Fund - Minneapolis, MN - 800/475-3050 - www.crfusa.com

Connecticut Housing Inv. Fund* - Hartford, CT - 860/586-2028 - www.chif.org

Cooperative Fund of New England* - Hartford, CT - 800/818-7833 -
www.cooperativefund.org

Institute for Community Economics* - Springfield, MA - 413/746-8660 - www.iceclt.org

Leviticus 25:23 Alternative Fund* - Yonkers, NY - 914/237-3306 -
www.leviticusfund.org

Manna, Inc. - Washington, DC - 202/832-1845 - www.mannadc.org

McAuley Institute* - Silver Spring, MD - 301/588-8110 - www.mcauley.org

New Hampshire Comm. Loan Fund* - Concord, NH - 603/224-6669 - www.nhclf.org

New Jersey Community Loan Fund - Trenton, NJ - 609/989-7766 - www.njclf.com

N. California Comm. Loan Fund* - San Francisco, CA - 415/392-8215 - www.ncclf.org

Ohio Comm. Dev. Finance Fund - Columbus, OH - 800/959-2333 -
www.financefund.org

Partners for the Common Good - Washington, DC - 202/289-5353 - www.peg21.org

The Reinvestment Fund* - Philadelphia, PA - 215/925-1130 - www.trfund.com

Rudolf Steiner Foundation - San Francisco, CA - 415/561-3900 - www.rsfoundation.org

Shefa Fund/TZEDEC Econ. Dev. Fund - Philadelphia, PA - 215/483-4004 -
www.shefafund.org

Washington Area Comm. Inv. Fund* - Washington, DC - 202/529-5505 - www.wacif.org

International Funds:** These community development loan funds focus on providing capital to low-income people around the world.

ACCION International - Somerville, MA - 617/492-7080 - www.accion.org

Reinvest in South Africa Bus. Fin. - Philadelphia, PA - 888/301-7472 -
www.risafund.com

Shared Interest - New York, NY - 212/337-8547 - www.sharedinterest.org

* These institutions are certified Community Development Financial Institutions CDFIs/

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**Listings of loan funds and international funds are partial listings only. For complete listings, and further information on community development options, see www.communityinvest.org