

UUCEF Community Investment Guidelines and Policy

Background: At the June 2006 meeting the UUA Board voted that 1% of the General Investment Fund would be used for community investments. This document was prepared and has been updated in 2020 to clarify which Community Investments qualify for inclusion in the UUCEF portfolio. In 2019 the UUA Investment Committee voted to increase the upper limit of Community Investments to 5%. The following key definitions have been developed by the UUA Committee on Socially Responsible Investing (SRIC) and guide the SRIC in its implementation of this policy and the UUA's Community Investing Matching Program (see <https://uucef.org/socially-responsible-investing/community-development/#communitymatch> for more information on that program):

Community Investing (CI) is financing that creates resources and opportunities for economically disadvantaged people and communities. CI supports development initiatives in low-income communities both in the United States and in developing countries. CI financing creates access to affordable financial services and financial education, loans for first-time homebuyers and affordable housing development, micro and small business development, community services, and venture capital financing.

Community Investments are offered by community investing institutions and include checking accounts, savings accounts, certificates of deposit, loan notes, equity investments in community development, and money-market funds.

Community Investing Institutions include community development banks, credit unions, loan funds (including microenterprise lenders), venture capital funds, and other institutions which offer investment products that support community development, e.g., the [Community Investment Note offered by Calvert Impact Capital](#). See Appendix 2 for resources for U.S. Treasury certified community development financial institutions (CDFIs) and other community investing institutions.

1. **Target Allocation.** The target allocation for Community Investments will be no more than 5% of the total value of the UUCEF. Such allocation shall be counted within the fixed income asset class of the UUCEF. Up to 2.5% of the Community Investing assets may yield a below market return and the remaining 2.5% of assets must return the greater of 1.5% or a "cash" rate of return as determined by the US 91-day T-bill yield.
2. **Characteristics of Community Investments eligible for investment by the UUCEF.**
 - 2.1. **Previously established UUA Community Investments.**

2.1.1. Community Investments made under the terms of the UUA's Matching Program as such terms may be revised from time to time. At the time of the adoption of this policy, if a UUA Congregation or District invests a minimum of \$5,000 in any federally certified CDFI or member organization of the trade associations listed in Appendix 2, the UUA will match that investment up to a maximum of \$10,000. Other terms and conditions apply as described on the UUA website. CI match investments that do not meet these criteria will be subject to the review process described in 2.1.1 and detailed in Appendix 1.

2.2. Community Investments approved by the Socially Responsible Investing Committee after referral or recommendation from a member of the Investment Committee, SRIC or UUA Treasurer. See Appendix 1 for details of the investment memo analysis and issues to be reviewed prior to approval. Note that "referred" investments are not limited to the criteria described in 2.1.1. for the UUA Matching Investments. Referred Community Investments will have the following characteristics:

2.2.1. Recognizing the greater demand for capital experienced by Community Investment Institutions operating outside of the federally regulated financial system (i.e., loan funds vs. banks and credit unions), the UUCEF will favor investments in uninsured institutions over investments in regulated banks and credit unions.

2.2.2. The UUCEF will favor investments in Community Investing Institutions that support improvements in basic living standards such as access to jobs, micro-enterprises, affordable housing, and affordable financial services.

2.2.3. Maximum investment amount in one CI institution will be no greater than 10% of the total amount of the UUCEF allocated to Community Investments unless the institution is federally insured or the investment is approved by the Investment Committee.

2.2.4. Each CI will generally have a three-year term not to exceed a maximum term of five years. Investments may be renewed. Matching Program investments may be renewed for a total investment term of up to ten years. Longer terms may be considered by the SRI Committee, if appropriate.

2.2.5. Each CI up to a maximum of 2.5% of the total value of the UUCEF will have a minimum rate of return of 1% unless otherwise approved by the SRIC. The remaining 2.5% of CI assets must earn the greater of 1.5% or a "cash" rate of return as determined by the US 91 Day T-Bill yield.

2.2.6. Each CI will meet the criteria listed in Appendix 1.

2.2.7. Any other Community Investment, regardless of whether it meets the terms in 2.2.1 to 2.2.6 above, if approved by a majority of the Investment Committee as advised by the SRIC.

3. Investment process. The Treasurer shall invest UUCEF funds in Community Investments as approved by the Socially Responsible Investing Committee. UUCEF Community Investments may be recommended through a member of the Investment Committee, SRIC or UUA Treasurer.

4. Reporting

4.1. Diversity Due Diligence

Prior to any new or renewing investment the UUA will collect data to determine the investment's fit within the CI portfolio's diversity goals. The committee may focus and seek out investments that meet diversity goals such as geography, underserved populations, under-represented leadership, and lending products such as affordable housing, for example.

4.2. Reporting to Investment Committee and SRIC

The UUA staff will maintain a record regular of the UUA's Community Investments including the UUCEF, operating fund, and any other funds used for Community Investments. The data, which will be maintained on the UUA website, will include, at a minimum, the following information for each investment:

Organization Name, investment type (CD, loan, etc.), term, maturity date, interest rate, payment terms (i.e., quarterly interest payments), Investment Amount, Date of investment, and Match source, if applicable (congregation/district name and state).

Appendix #1

Criteria for UUCEF Referred Community Investments

Referrals for Community Investment requests will undergo review and approval by the SRIC. An investment memo will be prepared and circulated for each proposed investment.

The memo will include the following information.

- Applicant Info (Organization Name, Address, Website, Contact Person)
- Proposed Investment Terms (Amount, Term, Interest Rate, Note Type/Payment)
- CDFI Fund Status, including CDFI certification and awards.
- CI Trade Association membership status
- Fund Background and management overview.
- Product Offerings, Portfolio Holdings, and Community Lending Impact
- Financial Statement/Audit Overview
- Risk Factors & Mitigators
- UUA Match, referral source, or other connection(s), if any
- Other Info: Any other information that may be helpful in demonstrating organization's community development impact, financial growth, or other development that may not be addressed in factors above.

* Additional approval by the UUA Investment Committee will be required for any applicant with less than three (3) years of financing activity.

Community Investment Institution Eligibility

The following information and resources are compiled and summarized to assist the Investment Committee in its oversight of the Community Investment portfolio for the UUA's Common Endowment Fund, successor to the General Investment Fund. While CDFI certification is not a requirement for UUA Community Investments, certified institutions have undergone formal screening to demonstrate that they meet the federal CDFI criteria below. The table following includes Community Investing trade associations. Each has its own standards for membership which may or may not include CDFI certification.

Requirements for Federally Certified CDFIs

http://www.cdfifund.gov/documents/CDFI_Certification.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 (with the exception of Tribal government entities)

Community Investment Institution Trade Associations & Other Resources		
Organization Name	Specialty/Membership Base	Due Diligence Tools
Opportunity Finance Network www.ofn.org	Membership association for all CDFI types, most of their approximately members are nonprofit loan funds	Use CDFI Locator to view member loan fund profiles. Publishes Side by Side – annual report of peer data on the industry. Developed Aeris – CDFI Rating System.
Community Development Venture Capital Alliance www.cdvca.org	Membership association for community development Venture Capital Funds	See list of member venture capital funds and profiles on website.
Inclusiv (formerly National Federation of Community Development Federal Credit Unions) www.inclusiv.org	Membership association for community development Credit Unions.	Find all U.S. based credit union data including public financial reports (5300s) at www.NCUA.Gov .
Community Development Bankers Association www.cdbanks.org	Membership association for community development FDIC insured banks	See list of member banks and profiles on website. See FDIC.gov for public financial reports.
The Community Development Financial Institutions (CDFI) Fund www.cdfifund.gov	Federal bureau within U.S. Treasury Department that certifies and invests in all types of CDFIs	Download list of certified CDFIs or use searchable awards database . Awardees (vs. simply certified) undergo a financial safety and soundness check.