

# Community Investing

CSRI Training Presentation  
October 14, 2006

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



## What We'll Cover

- **Committee on Socially Responsible Investing**
- **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)**
- **Upcoming Trainings & Q&A**

# The Committee on Socially Responsible Investing



**Established June, 2000 by UUA Board of Trustees to:**

- Assist the Investment Committee in the implementation of the UUA's SRI responsibilities as set forth in the [Investment Guidelines](#)
- Utilize [shareholder activism](#) to express UU values to the corporations in which our funds are invested
- Expand [services to the member congregations](#) and individual UUs with respect to the implementation of SRI programs
- Develop an ongoing process of assessment and audit of the effectiveness of the SRI policies and practices.



# 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 CDFIs

- Banks (FDIC)
- Credit Unions (NCUA)

*Predominant funding source -  
customer deposits*

## Non-Regulated CDFIs

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





# UUA Commitment and Matching Program



## 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

**NEW:** Board Vote GA 2006: Approved CI asset class calculation to be 1% of full General Investment Fund.

# 1% in Community Campaign



- Developed in 2001 by the Social Investment Forum (SIF), 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 alone have invested an additional \$1 billion since campaign kickoff. Total CI assets have more than doubled, increasing from ~\$800 million 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 **REVISED June 2006:**  
<http://www.uua.org/finance/sri/community/cdmform.pdf>

## Progress on Matching Program



- **General Investment Fund 12/31/05 = \$117.3 MM**
  - **CI Assets at 1% = \$1.17 MM**
  - **1% CI Assets X .75 for Match = \$878,000**
  - **Less amount matched as of 1/06 = -\$265,000**
  - **Available Match Funds = \$613,000**
- 
- **Goal: Assuming \$10,000 match, 61 more congregations can accept the board's challenge – will you?**



# Finding the Right Investment

# Match Source Requirement



**NEW! Community Investing Database**

**~ 450 Institutions**

**<http://www.communityinvestingcenterdb.org/>**

- 1. Members of the Social Investment Forum, and/or affiliated with Calvert Foundation, and/or affiliated with one of the CDFI Data Project partners;**
- 2. Met key standards related to performance determined by the partners. Minimum thresholds relate to financial institution ratios, delinquencies, and losses.**
- 3. They take investor capital.**



## Other CDFI Resources



### Requirements for Federally Certified CDFIs: 748

<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 Associations & Listserv



<b>Opportunity Finance Network</b>	<a href="http://www.communitycapital.org">www.communitycapital.org</a>
<b>National Federation of Community Development Federal Credit Unions</b>	<a href="http://www.natfed.org">http://www.natfed.org</a>
<b>Association for Enterprise Opportunity</b>	<a href="http://www.microenterpriseworks.org">www.microenterpriseworks.org</a>
<b>Community Development Venture Capital Alliance</b>	<a href="http://www.cdvca.org">www.cdvca.org</a>
<b>The Community Development Banking Listserv</b>	<a href="http://www.lightlink.com/cdb-l/">http://www.lightlink.com/cdb-l/</a>



# 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:  
Finance, 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 Comfort 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)**

Tool: Community Investment Impact Calculator:  
<http://www.communityinvest.org/impact/calculator.cfm>

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**Mark your Calendars!**  
**Fall CSRI Teleconference Workshops**  
Saturdays, 1pm EST/ 10am PST



<b>Topic</b>	<b>2006 Date</b>
Spectrum of Involvement	October 7th
Community Investing	October 14th
Investment Screening	October 21st
Shareholder Activism	October 28th
IW Financial Software	November 4th

**Bookmark our page for more details ...**  
**[www.uua.org/finance/sri](http://www.uua.org/finance/sri)**