



## **COMMUNITY INVESTING OVERVIEW & INSTITUTION/ PRODUCT MATRIX**

### **What is Community Investing?**

Community investing directs capital from investors to communities underserved by traditional financial services and the market. It provides access to credit, equity, capital, and basic banking products that these communities would otherwise not have. In the U.S. and around the world, community investing makes it possible for local organizations to provide financial services to low-income individuals, and to supply capital for small businesses and vital community services, such as child care, affordable housing, and healthcare.

Community Investment Institutions (CIIs) can give priority to people who have been denied access to capital and provide them with opportunities to borrow, save, and invest in their own communities. In addition to supplying badly needed capital in underserved areas, CIIs often provide important services, such as education, mentoring, and technical support. They also build relationships between families, nonprofits, small businesses, and conventional financial institutions and markets.

In essence, community investing provides opportunities for underserved people to help themselves, whether it is helping a lower-income family in the US buy a home, or helping an entrepreneur overseas escape poverty with a microcredit loan.

Investors are increasingly turning to community investing to have a positive impact and connect their money to people and communities they care about. Community investing can be part of any individual or institutional portfolio, and the field is rapidly developing products and services to meet investor needs in many asset classes.

### **Community Investment Industry:**

**Community Investment Institutions** (CIIs) serve people in the U.S. and around the world by providing them with opportunities to borrow, save, and invest in their own

communities. While all CIIs utilize investor capital to promote community development in underserved areas, there are substantial differences in the institution types, corporate structures, markets served, and products offered to investors.

We have tried to standardize the use of the term Community Investment Institutions (CIIs), but sometimes other accepted terms in the community investment industry are used, including Community Development Financial Institutions (CDFIs) and Microfinance Funds.

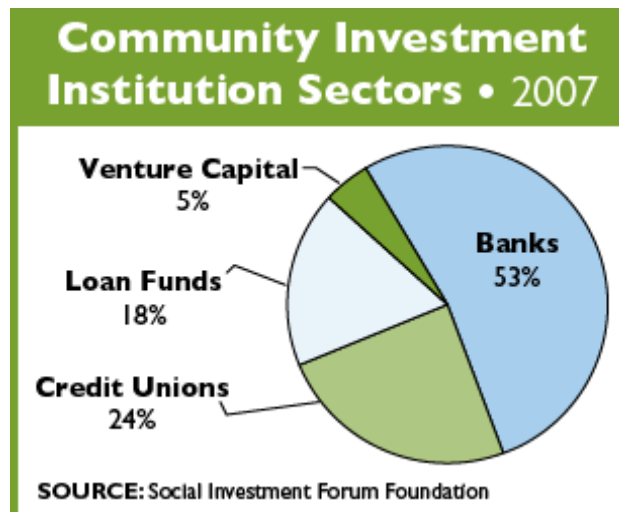
**The 4 primary Community Investing Options are:**

Community Development Banks

Community Development Credit Unions

Community Development Loan Funds

Community Development Venture Capital Funds



In 2007, the assets in community investment institutions (CIIs) based in the US totaled \$25.8 billion, up from \$4 billion identified in 1995!

This growth is due to an increase in the number of community investing institutions (CIIs), improved information on the field, and continued increases in assets among all types of community investing institutions.

Socially responsible investment professionals and institutions continue to rise to the challenge of channeling “1% or More in Community”, by dedicating at least one percent of portfolio assets to community investments. 100 Social Investment Forum Members are actively taking part in the “1% or More in Community Campaign”, investing over \$2.4 billion in net new community investments. Visit the Campaign’s website at [www.communityinvest.org](http://www.communityinvest.org)

<b>Assets of Community Investment Institutions • 2007</b>	
Community Development Banks	<b>\$13.62 billion</b>
Community Development Credit Unions	<b>\$6.28 billion</b>
Community Development Loan Funds <i>(Includes \$663 Million in International Microfinance Funds)</i>	<b>\$4.67 billion</b>
Community Development Venture Capital	<b>\$1.20 billion</b>
<b>Total Community Investing Assets</b>	<b>\$25.77 billion</b>

**SOURCE:** Aspen Institute, Calvert Foundation, CDFI Data Project, Community Development Venture Capital Alliance, National Community Investment Fund, National Federation of Community Development Credit Unions, Opportunity Finance Network, and Social Investment Forum Foundation

**NOTE:** Loan funds include domestic microlending and US-based International microfinance funds.

**Community Investment Products:**

This matrix provides an overview of the institutions and products that make up the community investment industry, and is followed by more detailed information about the opportunities.

<a href="#">Community Development Banks</a>	Products Available	Description	Rate of Return	Investment Term	Security	Services Provided to Communities
<a href="#">Community Development Credit Unions</a> (Domestic)	<b>Checking and/or Savings Account</b>	Accounts in banks or credit unions.	Market-rate	No minimum term.	All depositors federally insured up to \$100,000.	Basic financial services and loan products to underserved individuals and community development projects.
	<b>Certificate of Deposit (CD)</b>	Deposit made to a bank or credit union.	Market-rate; below market rate also available.	One month to 120 months.	All depositors federally insured up to \$100,000, with banks in the CDARS program	

					insured up to \$20 million.	
	<b>Individual Retirement Account (IRA)</b>	Tax-deferred retirement account. Permits deposits of up to \$4,000 per year, for withdrawal after retirement.	Varies with IRA type (traditional, education, Roth, money market) and with investment term.	Varies with IRA type; often one-year minimum.	All depositors federally insured up to \$100,000.	
	<b>Money Market Account</b>	Combination of short-term, low-yield investments (CDs and treasury bills).	Slightly higher than a savings account.	No minimum term.	All depositors federally insured up to \$100,000.	
	<b>Equity Investment in a Bank</b>	Preferred stock in a bank.	No established return, based on performance of invested bank	No maturity date	Not insured.	
	<b>Secondary Capital in a Credit Union</b>	Subordinate loan that helps credit union build balance sheet	Varies, often below market-rate.	Term varies, but generally long term	Not insured.	
<a href="#">Community Development Loan Funds (Domestic)</a>	<b>Senior Loan</b>	Individual or institutional investor lending money to a fund financing community development projects.	Varies with investment term and size, usually between 0 and 4%.	Term set by investor; often one-year minimum.	Not insured; protected by collateral, loan loss reserves, and the CII's net worth.	Funds finance high-impact community development projects and small businesses in the U.S., as well as provide technical assistance and market development to borrowers.
	<b>Subordinated Loan</b>	Institutional investor providing a loan that is subordinate to senior loans and helps build the CII's balance sheet.		Term set by investor; often one-year minimum		
	<b>Equity Equivalent (EQ2) Investment</b>	Deeply subordinated obligation by an institutional investor to help build a CII's balance sheet. Can provide bank investors with enhanced CRA credit.		Terms vary, but must be fairly long term or have a rolling term		
<a href="#">International Community Funds (International)</a>	<b>Senior Loan</b>	Individual or institutional investor lending money to a fund financing community development projects.	Varies by institution, usually between 0-4% depending on investment term and size.	Term set by investor; often one-year minimum.	Not insured; often protected by collateral, loan loss reserves, and a fund's net worth.	Investments in funds that work with microfinance institutions, cooperatives, and local banks around the world to provide financing and job training to underserved people and
	<b>Guarantee Funds</b>	Investment in a fund that	Varies by institution, usually	Term set by investor; often		

		guarantees the loans of local institutions in a certain country.	between 0-4% depending on investment term and size.	one-year minimum.		communities.
	<b>Small &amp; Medium Enterprise Funds</b>	Investment in a fund that finances small to mid-size enterprises.	Varies by institution, usually between 0-4%.	Term set by investor; often one-year minimum.		
	<b>Fund of Funds</b>	Pools of international funds that provide diversification.	Varies by institutions, usually between 0-4%.	Term set by investor; often one-year minimum.		
	<b>Commercial Bond</b>	Debt and/or equity investment in a pool of top tier microfinance institutions	Varies, but often between 5-10% , depending on management fees.	Varies, based on offering.		
	<b>Private Equity Funds</b>	Investment in a capital raise for a pool of microfinance institutions	Varies, but often between 5-10%, depending on management fees.	Varies, based on offering		
<a href="#">Community Development Venture Capital Funds</a> (Domestic and International)	<b>Venture Capital Products</b>	Equity investments in new businesses in low-income areas in the U.S. and abroad.	No established return. Potential for higher returns when company profits, and lower returns when profit is low.	Term varies.	Not insured; often protected by collateral.	Equity investments and debt with equity characteristics to businesses; extensive managerial and entrepreneurial assistance. Creates new jobs in low-income areas.
	<b>New Markets Venture Capital Companies</b>	For-profit companies that invest equity in small enterprises located in lower-income areas.				
	<b>Rural Business Investment Companies</b>	For-profit companies that invest equity in small enterprises in rural, underserved areas.				
<a href="#">Social Enterprises</a> (Domestic)	<b>Social Enterprise Products</b>	Social purpose businesses, often tied to nonprofits, that use their profit to further their mission while providing job skills in lower-income communities.	Varies with investment details.	Term varies.	Not insured.	Provide employment and business skills in underserved communities, and raise money through the business to further social mission of the organization.

<a href="#">Community Development Pooled Funds</a> (Domestic and International)	<b>Senior and Subordinated Loans</b>	Investments spread over a number of CILs that diversifies the portfolio and lowers risk.	Varies with investment term and size, usually between 0 and 4%.	Term decided by investor; often one-year minimum.	Not insured; often protected by collateral, loan loss reserves, and credit enhancements.	A combination of services to underserved communities through loans to or investments in Community Investment Institutions
<a href="#">Community Development Bond Funds</a> (Domestic)	<b>Fixed Income Mutual Funds</b>	Pools of securities (mortgage- and asset-backed securities, municipal bonds, etc) invested in low and moderate income communities.	No established return, please visit the <a href="#">Mutual Fund Performance Chart</a>	Term decided by investor.	Not insured	Support affordable housing, health care facilities, and other economic development in low and moderate income communities.
<a href="#">Low Income Housing Tax Credit</a> (Domestic)	<b>Direct Investment</b>	Direct investment by institutions that have infrastructure to monitor investments.	Varies with investment specifics, often in the 7-8% range.	Tax credits are earned over a ten year period.	Not insured	Supports the development of rental housing for lower-income households.
	<b>Proprietary Funds</b>	Single or majority investor funds through a syndicator.	Varies with investment specifics and syndicator loads, but often in the 7-8% range.			
	<b>Multi-Investor Funds</b>	Funds through a syndicator with 2-5 inv.	Same as above			

Visit our Online Community Investing Center at [www.communityinvest.org](http://www.communityinvest.org) your one-stop shop for investing in economic development

Including:

- ❖ Extensive Database of Investment Options
- ❖ Description of Industry and Products
- ❖ Tools for Different Types of Investors
- ❖ Social Impact Information
- ❖ Financial and Risk/Return Information
- ❖ Model Portfolios
- ❖ Resources for Financial Professionals
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