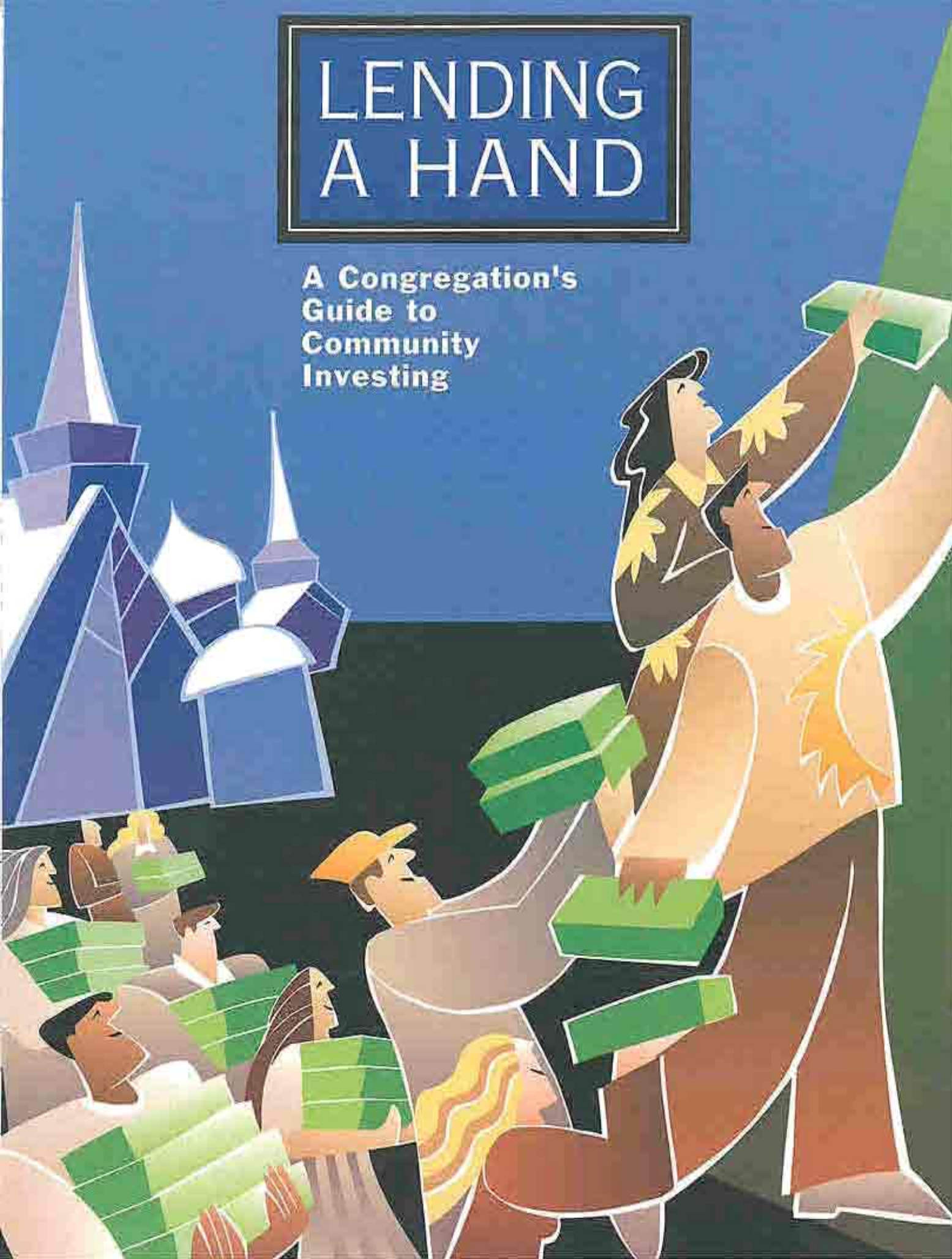
LENDING A HAND

A Congregation's Guide to Community Investing



LENDING A HAND: A CONGREGATION'S GUIDE TO COMMUNITY INVESTING

By

Kathryn Tholin

February, 1995

Woodstock Institute
407 S. Dearborn, Chicago, IL 60605
(312) 427-8070
© 1995 By Woodstock Institute

Acknowledgments

Thanks to Charles Adams and Samantha Weinstein, Princeton Project 55 fellows at Woodstock Institute for their assistance in gathering information for this manual, and to Patricia Woods and Beverly Berryhill for producing it.

A number of people reviewed the draft of this publication and offered helpful comments and referrals, including Gary Cook, Gwen Crawley, Garnett Day, Thomas Gaunt, Robert Glover, Mark Harrison, George Heartwell, Mary Hycamp, Kinmoth Jefferson, Mozzie Johnson, Marrin Marsh, Charles McCollough, Siegrid Nagy, Wayne Owens, John Paarlberg, Tyrone Pitts, Jean Sindab, Andy Smith, Pamela Sparr, Phil Tom, and Leah Wise. Thank you for your help. Chuck Matthei, Jean Pogge, Fred Rajan, Cliff Rosenthal, Gaylord Thomas, Martin Trimble, and Kim Zalent assisted in earlier versions of this document.

Portions of this manual were originally included in *Building New Bridges: Congregations and Community Investing*, by Kathryn Tholin, and published by the Evangelical Lutheran Church of America.

This project was funded by the Ford Foundation.

Woodstock Institute

The Woodstock Institute is a not-for-profit organization based in Chicago. For the past 22 years, the Institute has carried out applied research and developed and implemented programs which increase private sector investment and economic activity in modest-income and minority communities for the benefit of those who live there. It designs programs which bridge the gap between the needs of communities and the resources of banks, savings and loan associations, foundations and others.

The Institute provides a variety of services to community-based organizations, financial institutions, foundations, and government agencies, including applied research, policy analysis, program design, and evaluation.

Malcolm Bush
President

Kathryn Tholin
Executive Vice President

Daniel Immergluck
Vice President

PREFACE

Congregations have always made connections to the broader communities of which they are a part. Those connections take many forms and involve many kinds of activities and types of relationships.

The health of our faith communities depends upon the health of local communities. That interdependence continually call us all to seek and take actions that strengthen community, whether close to home or far away.

Today, pressing human needs seem to far outstrip the resources available to address them. The needs can be overwhelming, and it may seem there is nothing more you can do to make a difference.

This guide will introduce you to opportunities to make a real difference in ways you may not have considered. It begins with a relatively new but fundamentally simple concept—that through targeting your investments and banking relationships, available resources can be more effectively used to address the community needs you see all around you.

Community investing is a growing field in which religious institutions play key roles. An exciting range of financially sound investment options is available today which can provide critical resources for low-income communities.

Lending A Hand: A Congregation's Guide to Community Investing is a how-to guide for a new journey of faith for your congregation. It offers a straightforward approach for a congregation interested in understanding its options for directly investing its resources to benefit people and communities. The guide provides detailed information on financial and management aspects and the social benefits of different investment options, and it gives examples of how they have been used by a wide range of congregations. Finally, it includes a suggested process for discussion and decision-making in your congregation, and a listing of resources for further information and assistance.

Table of Contents

Page

I. Introduction 1

II. Why Community Investment 4

III. Options for Community Investment 6

IV. Making It Happen: Planning and Decisionmaking In your Congregation 19

Resources 25

I. INTRODUCTION

In 1989, the Vermont Community Loan Fund (VCLF) approached St. Peter's Episcopal Church in Bennington, Vermont for a loan.

St. Peter's, a congregation of about 300 members, was looking for ways to increase the parish's work outside the church itself. Many of the church leaders felt that the congregation should look beyond how to use donations from the regular church budget. Fixed expenses and obligations seemed to leave little leeway for contributions to address pressing problems they saw around them.

"Looking at ways to use our endowment seemed like one way we could increase our impact," said David Aldrich, then a member of the church vestry.

The Vermont Community Loan Fund, then just two years old, was established to provide loans and assistance to enable the development of affordable housing projects and programs and facilities serving low-income people in Vermont. To make these loans, the Fund pools loans and investments from individuals and institutions throughout the state.

A loan fund board member made a presentation to the Vestry, asking them to make an investment. Though the church was interested in the idea, they did not decide to participate right away. Some of the vestry members, unsure about the safety of their funds, were cautious. A second presentation some time later by Nancy Wasserman, the Fund's executive director, convinced them both of the need for their money and the Fund's competence in managing it.

The vestry agreed to invest $10,000 for two years at 4 percent interest. "One of the factors that was important to us was the extraordinary leverage we could have with our money this way," says David Aldrich. "At the time we estimated that we were giving up about half the interest we could earn in a conventional investment, or $400 a year. But for that contribution, we were making $10,000 available to low-income housing projects. That's 25-to-one leverage--and that made a lot of sense to us."

"Ironically," he notes, "with what happened to the economy over those two years, our investment in the loan fund outperformed some of our more traditional investments."

St. Peter's investment was an important boost to the loan fund, increasing its ability to make loans throughout the state. In making its investment, the church had also asked the fund to look for new lending opportunities in Bennington, where it had not previously been active. The Fund was able to assist a nonprofit group in Bennington to purchase and rehabilitate two deteriorating duplexes in central Bennington, not far from St. Peter's.

The organization intended to eventually sell the apartments to low-income families. But while there was a real need for affordable housing in the area, and no shortage of lower-income families wanting to buy, "it takes some time for people to be able to accumulate a down payment or straighten out their finances so a bank will lend to them," says Nancy Wasserman. A low-interest loan to the project from the Vermont Community Loan Fund

bought the organization time to develop a rent-to-own arrangement, and make rent payments equivalent to future ownership costs.

The church's investment had other important benefits to the Fund. "We didn't realize it at the time, but St. Peter's had enormous credibility with other congregations," says Nancy Wasserman. "The fact that they invested with us helped make the case for several other Episcopal churches and opened more doors for us in Bennington." The Loan Fund now has a number of individual investors from Bennington, both church members and others. When the national Episcopal Church established an investment challenge at the end of 1990, VCLF was able to match $90,000 in national investments with an equal amount from 13 Vermont Episcopal churches and the diocese. When St. Peter's renewed its original loan to the Fund, it increased the amount by about $1,200 in order to make sure the Fund met and exceeded its match requirement.

Art Murphy, clerk of the vestry at the time of the investment, and a commercial banker, believes a congregation needs to assess a community investment as it does conventional investments, all of which carry some level of risk. "You need to look at the range of opportunities (for community investing), and then decide what level of risk is appropriate for your situation," he says. He notes the vestry believes that money left to the congregation by others should be invested, not given away. "We looked at the Loan Fund's financial statements and management and felt it was a good investment and a good risk..and we were willing to take the risk."

The congregation's investment has been a success for both the church and the Loan Fund, which has now grown to $1.3 million in investments and has lent to more than 65 community development projects. St. Peter's remains committed to investing in the Fund. "The fact remains that the Loan Fund does very important work--and none of the loans it makes could ever be done by conventional banks," says Mr. Murphy. "Our money really makes these projects possible--it's an important contribution that we, and other congregations, can make."

II. WHY COMMUNITY INVESTMENT?

This guide is about community investing--how your congregation can utilize its resources in new ways to benefit individuals and communities with real needs. While this guide is focused on congregations, the principles here apply to investing by dioceses, religious institutions, or individual members of your congregation.

This guide is for your congregation whether you have a small savings account or a large endowment. As later sections will demonstrate, most congregations can take some action to use their resources to increase the impact on local communities.

The Need for Investing

We are all accustomed to thinking about our responsibility to give a portion of what we have to those in need. We give to the church or synagogue, to charities, to other organizations, and programs. We are much less accustomed to thinking about the ways we can assist those in need by enabling them to use those resources which we don't give away.

But why focus on investing?

Our economy is fueled by investment. As individuals, our investments--in a home, in an education, in a business--affect our ability to develop long-term security, to have control over our lives, and to live up to our potential. To make these initially important investments in our future, we need credit. Today, going to college, or purchasing a house, requires credit.

Businesses rely on credit to expand; building owners require credit to make the investments that maintain their property over time.

Communities require the flow of investment and credit to stay healthy as well. But many people and communities don't have access to the credit they need to improve their lives. Access may be blocked by institutional barriers due to race and class, because of the cost of borrowing, or because people or organizations don't qualify for loans using traditional credit standards.

In many urban and rural communities, traditional financial institutions have closed down or moved away because they perceived higher risks, or to pursue more lucrative business elsewhere.

In these area, the need for credit in the local economy may be particularly acute.

Lack of credit for developing and maintaining communities creates a cycle of disinvestment and perpetuates poverty. When community residents do not own their homes or local businesses, money paid for rent and for goods and services tends to leave the community. Without opportunities for ownership, the flow of money through a community cannot create local economic benefits or move individuals or communities out of poverty.

Across the country, people in communities are working to address problems of poverty by finding ways to reinvest in people and communities. They are setting up organizations and projects to develop

affordable housing, create new jobs, build the capacity of people and organizations, and open up the financial system to those who have been shut out.

For example, a community land trust in Maine purchased property, builds homes for very low-income people utilizing volunteer labor, and has established a sawmill and shingle manufacturing operation to supply building materials and create jobs for residents. An organization in rural Arkansas provides entrepreneurship training and support to low-income women who want to start or expand their own businesses, and lends them the money that makes it possible. A local congregation in Chicago forms a development corporation to rehabilitate abandoned and deteriorating property in its surrounding community. A credit union is established on the Lower East Side of New York City when the area's last bank pulled out, and now provides financial services and loans for low-income residents of the neighborhood, many of whom are on public assistance and have no access to banks. Thousands of efforts are underway across the country to build affordable housing, provide shelters for the homeless, or create job opportunities for the unemployed.

Not only do all these ventures bring direct benefits to the community in the form of jobs or housing, but they also build the skills and capacity of local organizations and residents, and help plug the leaks that drain resources out of the community.

The wide range of social problems that exist in disadvantaged communities require a variety of responses and different types of resources. Some needs can only be addressed through gifts. Some types of projects, however, can utilize loans. Yet the kind of credit needed is often not available from traditional financial institutions. Lenders are needed who can provide more flexible terms, sometimes lower interest rates, and an understanding of and willingness to adapt to the particular financing needs of community development projects.

Faith and Finance

The other reason to focus on investment is because it represents an often-overlooked resource. Traditionally, the congregations and religious institutions have responded to community needs through gifts and donations. As institutions and as individuals, however, we control greater resources than those which we are able or willing to give away. Today, as stewards, we can consider the impact of the use of all our resources, not only a tithe or a mission's budget. Utilizing both giving and investing multiplies the impact of our efforts.

Economics is often thought of as an impersonal discipline, a "science". But recent pastoral letters of several denominations and the Catholic bishops have affirmed that economics is a moral discipline, inseparable from larger questions about human relationships.

Unless money is hidden under a mattress, it is being used to invest in people and activities. Money in the bank is being lent to others; money in the stock market is being invested in individual corporations. Investing creates relationships between people.

What relationships are being created with your congregation's resources? Does your bank invest locally in basic needs, such as housing, or lend to speculative ventures far away from your community?

Does your mutual fund invest in companies which are major polluters while your church is organizing a recycling project? If you knew how your money was being used, would it be consistent with your values and beliefs, with your congregation's priorities, or with your sense of justice? Are there ways some of your resources could be used to bring greater benefits to people and communities which most need them?

The Religious Community and Community Investment

Twenty years ago, if you had decided to invest your resources in a way which provided direct benefits to low-income people and communities, you would have had a difficult time actually doing it. There were few, if any, traditional financial institutions with strong community reinvestment programs and very few alternative financial institutions focused on community development lending. Few local development organizations and projects were able to utilize investments, and little technical assistance was available to enable organizations to develop creditworthy projects.

Despite these difficulties, a number of congregations and church programs did make loans directly to community development projects, with a mixed record of success.

Today, however, the situation is dramatically different. There are now a large number of experienced and successful community lending institutions and programs which make community investing easier, more secure, and more effective than ever before.

This change is due in no small part to the support of religious congregations and institutions that supported the early efforts to promote community investing. Congregations and religious groups were instrumental in the formation of local community development loan funds and community development credit unions. Religious institutions have been important investors and depositors in community development banks. The National Association of Community Development Loan Funds estimates that 20 percent of the capital of their 43 member funds comes from religious sources.

In many cases, religious investors took the first risks to support new institutions and projects. As a result, these institutions have been able, through their successful lending records and community impact, to demonstrate that community investing can be financially sound as well as socially beneficial. This success has enabled them to reach out to a much wider range of investors and depositors, including individuals, corporations, investment professionals, banks, and others. In some cases, they have persuaded more traditional lenders, such as banks, that community lending does not carry the risk that those lenders originally perceived.

Today, religious investors continue to be an important source of resources for community investment projects and institutions. Religious institutions are important both because of the resources they can offer directly, and the example this investment can offer to others. Community investing provides an opportunity to integrate Biblical principles into economic decisions, and to stimulate discussion within congregations and the larger religious community about the roles of faith and finance in everyday life.

III. OPTIONS FOR COMMUNITY INVESTMENT

Community investing includes a range of investment opportunities. Like conventional investing, opportunities differ in terms of financial considerations, including rate of return, level of risk, length of investment, and size of investment required. Community investment opportunities also differ in their community impacts: the specific needs they address, the people who benefit, and the effects of the project on the community.

As with traditional investments, the selection of an appropriate portfolio of community-focused investments for your situation will depend on the relative importance of each of these factors. Given the expansion of opportunities for community investing over the past several years and the proven track record of community lenders, however, there are appropriate community investments for almost any situation.

There are three main investment avenues open to a community investor. These differ in their complexity, the level of involvement required by investors, and the level of risk assumed by the investor. The most appropriate avenue(s) for your congregation will depend on your objectives and interests.

Avenue 1: Invest or deposit funds in a community development financial institution. A community development financial institution is an institution whose mission is to utilize credit to benefit local communities, particularly low-income communities and residents. Like traditional financial institutions--mainstream banks and savings and loans--these institutions are intermediaries between those with funds to invest and those who need to borrow capital. These intermediaries bear responsibility for negotiating, documenting, managing, and monitoring their investments and loans. Different types of community development financial institutions and different individual institutions address different types of credit needs, usually specializing in one or more types of lending. Community development financial institutions have developed specialized expertise, successful track records, and mechanisms to minimize investor risk.

Avenue 2: Utilize your deposits to induce a traditional financial institution to stretch beyond its normal lending practices for a particular loan or lending program. This approach is often called a "linked deposit." Linked deposits are not as common as investments through community development financial institutions but have been successful in leveraging particular loans in specific circumstances.

Avenue 3: Invest in or make loans directly to community development projects. This avenue makes the greatest demands on the congregation, which must take full responsibility for the lending decision, monitoring, follow-up, and administration. This avenue can also carry the most risk, for the congregation's return of principal and interest is entirely

dependent on the success of its specific loan or loans.

Each of these courses of action is described in more detail below. The following sections include the financial and social characteristics of each type of investment, as well as examples of congregations which have made this type of investment.

1. Investing in Community Development Financial Institutions

There are three major types of community development financial institutions which accept individual and institutional deposits or investments:

Community Development Loan Funds are nonprofit financial intermediaries which channel social investment capital provided by individuals and institutions into community development projects, housing, and business developers in lower-income urban and rural communities.

Community Development Credit Unions are "financial cooperatives" serving people and communities with limited access to traditional financial institutions, providing both financial services and lending that enables community development and expands individual opportunity.

Community Development Banks utilize the traditional organizational and regulatory structure of a bank to address their primary mission of community development.

Community Development Loan Funds

Community development loan funds (CDLFs) pool investments from individual and institutional investors to provide financing for a variety of community development projects. The lending of community development loan funds is specifically targeted to benefit low-income and disadvantaged people. For the most part, CDLFs finance the housing and economic development projects of community development corporations, cooperatives, and other community-based nonprofit organizations. A growing number of CDLFs also finance some small businesses that address community needs. They support projects that address both the immediate needs of individuals and the long-term needs of communities. Most community development loan funds place a high priority on lending for projects that increase local ownership, provide long-term affordability to low-income residents, and build the capacity of community development organizations.

Community development loan funds seek to provide flexible and low-cost financing, credit that is either not available or not affordable from mainstream lenders. Often, the loans made by CDLFs are used to leverage additional project financing by traditional financial institutions.

One of the first community loan funds, the Institute for Community Economics Revolving Loan Fund, was established in 1979; it now has more than $12 million in investments and has lent a cumulative total of $24 million in 308 loans since its inception. Other newer funds may have $500,000 or less in loan capital. The National Association of Community Loan

Funds today has 43 member funds, controlling more than $150 million in investments. While most funds serve specific states or cities, a few, like the ICE Fund, are national in scope.

Community loan funds target their lending programs to the needs of their communities. For example, the Boston Community Loan Fund provided second mortgages on two three-unit buildings pur-chased by a development organization established by the East Boston Ecumenical Community Council. The buildings were used to house recent immigrants from Southeast Asia and Latin America. Delaware Valley Community Reinvestment Fund in Philadelphia provided an $8,000 loan at 6 percent interest to Peoples Laundromat in North Campden for purchase of new machines. The laundromat, owned by Concerned Citizens of North Campden, is the last remaining laundromat in its low-income community. Southeastern Reinvestment Ventures, Inc. (SERVE) in Atlanta loaned $72,000 for one year at 6 percent interest to the South Atlanta Land Trust (SALT). This loan allowed SALT to purchase and rehabilitate four homes to be sold to low-income residents. The land trust's buy-back provision with the owners limits profits and ensures that the homes will remain affordable for future residents.

Churches and religious organizations have played a particularly important role in the formation and capitalization of community loan funds. The New Mexico Council of Churches and the Catholic Diocese of Los Cruces, for example, initiated the organizing of the New Mexico Community Loan Fund. The Episcopal Diocese of Philadelphia has pooled more than $1 million in a special fund in the Delaware Valley Community Reinvestment Fund. Approximately 25 percent of the capital of community development loan funds nationwide comes from religious sources.

Community development loan funds sometimes allow investors to target their funds, either for specific types of projects or for a specific geographic area.

Examples

Evangelical Bethlehem Lutheran Church is a small congregation in the Roslindale community of Boston. The congregation had a history of involvement in community organizing efforts in its racially and ethnically diverse neighborhood. When the pastor left in 1991, his residence was sold. As a result, the congregation found itself with money in its Pastor's Housing Fund which would not be needed to purchase another home for at least a year. The Parish Council and Finance Committee decided to invest $10,000 with the Boston Community Loan Fund for one year at 4 percent interest. "It comes down to people helping people," says Shirley Adams, former Parish Council, president. "If people are hurting and we have money, we need to look at what we're doing and put our money where our mouth is."

St. John's Presbyterian Church in Berkeley, California "decided to make an investment in the Northern California Community Loan Fund because we felt it was literally an investment in our community," says Ken Lynch, church treasurer. The Northern California Loan Fund tries to bridge the gaps in conventional financing, making loans to community-based housing and small business projects. While the church was interested in achieving a return on its money, they felt the "social yield" of a community-based investment was equally important. In May, 1994, the church invested $10,000 for three years at 2

percent interest. "The small loss in interest to us made a tremendous difference in what the Loan Fund could do in the community," says Mr. Lynch.

- - - - - - - - - - - -

The Princeton Friends Meeting makes its financial decisions in a monthly business meeting. In 1992, the meeting had some surplus funds, some of which had been donated to a Quaker school in the area. The Peace and Social Order Committee, long involved in supporting groups that address community social and economic needs, recommended that the meeting use the remaining funds to make an investment in the New Jersey Community Loan Fund. New Jersey, while one of the wealthiest states in the nation, also has some of the most severe conditions of poverty.

The Loan Fund, established in 1987, provides affordable and flexible loans and technical assistance for community-based lower-income housing and economic development projects. It took awhile to talk this idea out," says John Borden, member of the meeting. "Some were initially inclined to invest this money in a more traditional way." The group reached consensus, investing $20,000 in the loan fund for three years at 5 percent interest.

Investment Characteristics
Community Development Loan Funds

Type of Investment
Term deposits, comparable to certificates of deposit at financial institutions.

Length of Investment
Typically from 1-5 years, sometimes longer. Longer- term investments allow loan funds to make longer-term loans.

Liquidity
Generally no early withdrawal possible.

Interest Rates
Most CDLFs allow interest rates to be set by the lender within a range set by the fund. Rates typically range from 0 percent to approximately current money market or certificate of deposit rates. Lower rate investments allow funds to lend at lower rates and/or provide additional technical assistance to borrowers.

Security
Investments are not insured or guaranteed by outside agencies. However, loan funds protect investor funds in several ways: collateral the fund holds on individual loans, loan loss reserves, the fund's net worth, and the fund's capacity to provide assistance to borrowers. Because loan funds pool resources of many investors, any losses which exceed reserves and net worth would be shared by all investors. Nationally, community development loan funds have had very low loan losses, and virtually no losses to investors.

Monitoring and Management
The CDLF manages its loan portfolio. Although they are unregulated institutions, CDLFs belonging to the National Association of Community Development Loan Funds undergo periodic performance reviews and report financial performance data to the Association.

Community Development Credit Unions

Community Development Credit Unions (CDCUs) are member-owned and controlled nonprofit financial institutions which bring credit and financial services to people and communities with limited access to mainstream financial institutions. CDCUs have a dual mission: first, to serve the financial and credit needs of their members, and second, to promote local community development through their lending activities. This dual mission and their generally low-income membership distinguish CDCUs from mainstream credit unions, which generally serve employees of a particular company or companies. CDCUs provide loans primarily to individuals--to fix their homes, start or expand small businesses, attend school, or buy a used car to get to work.

CDCUs typically serve low-income neighborhoods which conventional financial institutions have historically neglected or have more recently abandoned as unprofitable. According to the National Federation of Community Development Credit Unions, there are approximately 300 credit unions in 40 states which serve predominantly low-income communities. Because credit needs in these communities are generally greater than the resources available from the credit union's individual members, institutional deposits can be critical to increasing the credit union's capacity and impact. When those deposits are invested at below market rates, they can help to subsidize the extra costs involved in serving unsophisticated customers with small accounts. Many credit unions were started and still operate through individual congregations. Particularly in African-American and some immigrant communities, church-based credit unions have been established to promote economic self-determination and access to financial services.

CDCUs are small by lending institution standards. The typical CDCU serves between 500 and 1,000 members and has assets between $500,000 and $1,000,000, although there are a substantial number of institutions with members and assets well above those levels.

St. Luke Credit Union in Windsor, North Carolina, for example, was once the only financial institution serving African-American residents of Bertie County. In an area where many homes still lack indoor plumbing, the credit union has made home improvement loans a major priority. While banks have not been willing to make these loans and use the borrower's small plot of land as collateral, the credit union has been successful because it recognizes the high value the member places on his or her family's land. In Chicago, Caballeros de San Juan Credit Union makes loans for purchase and repair of used cars which enable its members to reach available jobs in the suburbs.

All credit unions may accept deposits and make loans to those individuals and institutions within their designated "field of membership". Credit unions designated as "Low-Income" credit unions by the National Credit Union Administration may accept deposits from any source, member or nonmember.

Examples

Near Eastside Federal Credit Union is located in a lower-income inner-city area of Indianapolis. Anyone who lives or works in the area can join. "Our members don't have access to conventional financial institutions," says Barbara Black, credit union manager. The Credit Union makes mostly small loans to people with

little or no credit history, and provides basic financial services, financial education, and guidance to its members.

East End United Methodist Church is located a block away from the credit union. In 1992 the church deposited about $6,000 received from a bequest into the credit union, where it earns 3 percent interest. "The Credit Union is (a financial institution) in the neighborhood. (Our deposit) is part of our commitment to in-vesting in the community for the benefit of the community," says the church's pastor, Rev. Darren Cushman Wood.

- - - - - - - - - - - -

In 1992, Mt. Zion Credit Union, a 30-year old church-based credit union in inner-city Cleveland, decided to do something about the fact that there were no financial institutions serving its community. The credit union bought a vacated bank branch for $1, changed its charter from church-based to community-based, and changed its name to Faith United Community Credit Union to reflect its new mission to serve the entire community. Today, the credit union has 2,200 community members and $4 million in assets.

Investment Characteristics
Community Development Credit Unions

Type of Investment
Credit Unions commonly offer two types of accounts:

1. Savings accounts, called share accounts; sometimes checking accounts (called share draft accounts)

2. Certificates of deposit or share certificates. This is the most valuable type of investment for the credit union, as fixed term investments provide more stability and are more readily available for lending.

Length of Investment
1-5 years (certificates of deposit); no fixed term for savings accounts.

Liquidity
Time deposits withdrawn early carry penalty.

Interest Rates
Range from 2 percent to market rate. Rates offered vary by credit union. CDCUs generally pay interest rates slightly below bank rates. CDCUs often seek institutional deposits at interest rates lower than those paid to individual depositors to help compensate for the high transaction costs of low balance accounts and small loans.

Security
Deposits are insured up to $100,000 per depositor by the National Credit Union Share Insurance Fund (a federally-guaranteed program.) In a few instances, state-chartered credit unions may have private deposit insurance rather than federal insurance.

Monitoring and Management
CDCUs are regulated and examined annually by the National Credit Union Administration. Management of the loan portfolio is the responsibility of the credit union.

Anathoth Missionary Baptist Church, a small, ten-year old, African-American congregation, is one of the credit union's depositors, with a $3,500 share account. The decision to place some of the church's scarce funds in the credit union was an easy one for the congregation. "In order to rebuild our community, we must be willing to work with lending institutions that will work with us," says Reverend Nathaniel Bolden, the church's pastor. "Large banks are not interested in investing in our neighborhoods."

Community Development Banks

Like a traditional bank, a community development bank is a government regulated and insured depository institution. Unlike a standard commercial bank, a development bank has chosen as its corporate mission the development of residents, businesses, housing, and community-based organizations in a disadvantaged community, and utilizes credit as one tool for achieving that mission. A development bank is typically formed by a holding company that owns an insured depository institution and has subsidiaries and/or affiliate organizations which can supplement the bank's lending with technical assistance or direct community development activities.

Only a few development banks operate in the country today. The oldest and best known is South Shore Bank in Chicago, established in 1973 to determine whether a community-focused bank could be an effective vehicle for community development in a neighborhood experiencing disinvestment and rapid racial change. The success of South Shore Bank in stabilizing and improving the community in which it does business, particularly through the rehabilitation of rental housing, helped contribute to the creation of several other community development banks, including Elk Horn Bank and Trust of Arkansas, Community Capital Bank in Brooklyn, New York, and Cleveland Development Bancorp in Ohio. Self-Help Credit Union in Durham, North Carolina, is also organized on this development bank model.

Because they operate as regulated financial institutions (usually commercial banks), development banks often cannot reach as deeply to meet some types of low-income community credit needs as other types of community development financial institutions. They do not have the lending flexibility of loan funds, and are not likely to make the small personal loans offered by community development credit unions. At the same time, these banks can offer their customers a full range of banking services, and can therefore attract a broader range of depositors and a greater level of deposits. Their affiliated activities and ventures (which may include small business assistance or investments, housing development or job training activities) supplement the direct lending of the bank itself. These institutions are a desirable alternative for investments/deposits which require the services of a bank.

Community development banks are the only banks whose primary mission is to assist in the development of particular low-income communities. Over the last few years, however, a number of traditional banks have developed community development funds or special efforts aimed at specific local investment needs. Vermont National Bank, for example, has established a Socially Responsible Banking Fund; deposits designated to that fund are used for small business, housing, conservation, and community development loans in Vermont and neighboring areas.

These special programs vary greatly in their size and effectiveness, ranging from substantial efforts, like Vermont National

Bank, to those whose value is primarily public relations. In most cases, deposits in such banks will not have the same level of community impact as deposits in community development banks or other community development financial institutions. However, a bank's efforts in community development might be a factor in choosing a primary bank (see sidebar).

Examples

KAM Isaiah Israel Congregation, the oldest Jewish congregation in Chicago, is located in a South Side area in which many of the Jewish residents have left and been replaced by African-American residents. Upon the death of a longtime Rabbi and Chicago advocate for social justice, the synagogue established the Jacob J. Weinstein Memorial Fund, the proceeds from which underwrite two weekends of study and lectures by Jewish scholars each year. The rabbi's strong involvement in the community led the Board to deposit the principal of the Fund in South Shore Bank. "How we invest our money is as important as how we earn it and give it away," says Rabbi Arnold J. Wolf, who also maintains his discretionary account at South Shore Bank. "We are proud to share with the South Shore Bank and the community."

- - - - - - - - - - - -

St. Peter's Catholic Church in Charlotte, North Carolina, is a racially diverse congregation of 600 families. Since 1986, the congregation has been a depositor in Self-Help Credit Union, a development banking institution serving the state of North Carolina. The congregation first became aware of Self-Help when it began efforts to open an office in Charlotte to provide home mortgages for lower-income families and loans for small businesses. The local bishop became involved with Self-Help's efforts and urged area congregations to find a way to participate.

The congregation's resources were limited to operating funds, for which it required easy access to funds and the safety of a bank. Because Self-Help could offer federally-insured accounts, the congregation opened a money market account to hold funds not immediately needed for expenses. The congregation has kept between $2,000 and $10,000 in the account since 1986. "This ties in with the values of the parish and church in responding to community needs, and meets the parish's financial needs as well," notes Father Thomas Gaunt.

Investment Characteristics
Community Development Banks

Type of Investment
All standard banking products, including savings, checking, and money market accounts; certificates of deposit; IRAs for individual accounts.

Term, liquidity, and interest
As determined by type of deposit; generally correspond to standard banking products.

Security
All deposits are insured up to $100,000 by federal insurance agencies.

Beginning Where You Bank

Whether or not your congregation has resources to invest, you utilize a financial institution. Though your selection of a banking relationship may be based on many factors, the bank's record of community lending is an important factor to consider in selecting where to take your business.

In 1977, Congress passed the landmark Community Reinvestment Act (CRA) responding to a national campaign by community organizations, religious groups, and others. Under this legislation, all banks and savings and loans have a "continuing and affirmative" obligation to help meet the credit needs of their communities, including low- and moderate-income areas. Financial institutions vary widely, however, in the seriousness with which they address that obligation.

How can you evaluate your financial institution? Because there are no hard standards for determining an excellent or adequate community lending performance, a thorough assessment can be complicated. There are, however, a few simple things you can do to gauge a financial institution's community lending record:

1) Ask the institution for its CRA rating. All banks are evaluated by their regulators on their community reinvestment performance, and the results of all examinations since July, 1990, are public documents. The ratings can weed out poor performers or point out outstanding ones, and the accompanying explanations will tell you some specifics about the bank's record.

   Institutions receive one of four ratings: Outstanding, Satisfactory, Needs Improvement, or Substantial Noncompliance with reinvestment standards. Most institutions receive Satisfactory ratings; exam reports do not always give detailed or consistent information.

2) Ask the institution for its CRA statement and its annual report. A CRA statement is the bank's official announcement of how it intends to comply and how it has complied with CRA. These reports discuss efforts to provide services and credit in low-income and minority neighborhoods. Is there evidence of actual bank performance in these areas? Look at the level of its loans compared to its total deposits: is the bank an active lender, or are its deposits invested in securities?

3) Ask community organizations or development groups about any experiences they have had with the bank. Ask groups that may have examined a number of banks which are the most responsive to local development needs. This approach may give you the most valuable information.

If any of this research raises questions in your mind, initiate a conversation with the bank. Every bank has a designated CRA Officer, who can answer your questions or direct you to an appropriate official.

If you want to evaluate further the lending records of local financial institutions, or if you want to get involved in efforts to influence lending policies or practices at local financial institutions, you can do a more detailed review of the bank's lending records or of unmet credit needs in your area. The "Resources" section gives contacts for more information.

If you do take the time to gather any of this information, be sure to let your bank know you are interested in its community lending activities, and that you selected that bank or moved your funds out partly on the basis of its record in this area.

2. Linked Deposits

A linked deposit is a negotiated arrangement in which a financial institution agrees to a specific loan or lending program tied to a particular deposit. Linked deposits, sometimes called compensating deposits, have been used to target lending to a particular area of local need, and to enable loans which might not otherwise be possible.

Linked deposits are designed to encourage and enable a financial institution to stretch beyond normal business practices to serve a particular need or needs of the community.

As a result, funds are often invested at a below-market interest rate, or include other terms, such as long-term fixed rates of interest, that are advantageous to the bank. In other cases, the funds deposited may be used for a partial or full loan guarantee. In this case, your funds would be pledged to repay the loan if the borrower defaults.

Linked deposits are most appropriate when a congregation or institution has or controls a significant deposit, and has identified a specific borrower or borrowers. It may be appropriate to explore pooling funds with other congregations to amass enough resources to leverage a linked deposit. If you are interested in expanding beyond one or two individual deposits to a larger lending program, it may be more effective to work through a community development financial institution.

Setting up a linked deposit with a conventional financial institution requires more extensive negotiations and arrangements than an investment through a community development financial intermediary. It is important to ensure that any special terms you are able to negotiate meet the particular needs of the project(s) you want to support. There should also be an appropriate balance between the concessions you make in rates or other factors and the benefits received by the borrower.

Not all financial institutions will be receptive to being approached for a linked deposit arrangement. Some banks, however, may see such a relationship as assisting them in meeting their obligations under the Community Reinvestment Act.

If your arrangement includes a loan guarantee, this means you are putting your funds at risk. This type of arrangement is much closer to making a direct loan than is an investment in a credit union or even a loan fund. Because of this, you would want to evaluate the project just as a lender would to assess the risk before entering into such a relationship.

Examples

In the fall of 1991, the Akron Area Association of Churches in Akron, Ohio, approached its members to make low-interest deposits in a local bank. The deposits would enable a low-interest construction loan to AHOPE, the Arlington Housing Options Plus Elderly Services, for development of an assisted living facility for low-income and disabled seniors. Eastwood Church of the Brethren responded with a deposit of $5,000 for five years at 0 percent interest. A total of $85,000 in deposits was raised from 11 area churches (at varying interest rates) and matched with an additional $85,000 from the Ohio Community Development Finance Fund, enabling a $170,000 loan to AHOPE at 2.85 percent. To make the deposit, Eastwood Church utilized a portion of funds raised for future construction of a new church building.

- - - - - - - - - - - -

Partners In Community Development, a collaboration of congregations in Chicago's Hyde Park neighborhood with community organizations in surrounding communities, had long sought a way to leverage bank deposits for increased lending for lower-income residents. In 1994, they launched Faithcorp, a linked deposit program that utilizes interest earned by churches and other local institutions. Participants designate a portion of their interest earned in a CD at a local bank to Faithcorp; these funds are used for guarantees and subsidies that allow low-income residents to qualify for mortgage loans.

Hyde Park Union Church was one of the first participants in the program. This combination, American Baptist/United Church of Christ congregation purchased a $50,000, three-year certificate of deposit, with 1 percent interest designated to Faithcorp. The deposit represents a substantial proportion of the church's invested funds, and is projected for use in a capital program when the CD matures. "We had been involved in a number of (PICD) activities up to this point--parties for children, vigils against violence. This is the first time we had been requested to commit our resources in a substantial way," says Rev. Susan Johnson. "The Board was convinced by the tremendous leverage our deposit could have, in securing other deposits and in leveraging loans to low-income borrowers." The congregation will decide next year whether to allocate the balance of its interest to Faithcorp as well.

Investment Characteristics
Linked Deposits

Type of Investment
Certificate of deposit.

Length of Investment
Negotiated; probably mid- to long-term, depending on the terms of the lending it leverages.

Liquidity
Committed to terms of investment; no early withdrawals.

Interest Rates
Either 1) market rate, or 2) below market rate in exchange for special lending provisions made by the bank.

Security
Fully insured up to $100,000, unless deposit serves as collateral for loan.

3. Direct Investments

In addition to investments through financial institutions, congregations have also made investments directly into specific projects.

The primary advantage of direct lending is that the congregation can specifically target its funds to individual projects. This means a congregation can create its own lending program, and set and implement its own lending priorities. In some cases, congregations have provided loans to organizations or projects with which they are closely involved in other ways. In a striking example of this, Bethel Lutheran Church in Chicago has mortgaged its building several times to provide loans for its spinoff community development corporation.

On the other hand, direct project investing requires a far greater level of involvement, as well as assumption of risk, than do investments through intermediaries. Unlike investments in an intermediary, there are no loan loss reserves or fund capital to fall back on in case of losses. Security of the investment will depend directly on the strength of the organization, the success of the project, and the collateral on the loan. If the project is unsuccessful, it may be necessary to take legal action to recover invested funds. Because of these difficulties and risks, most institutions interested in community investing have chosen to work through intermediaries.

Direct lending may be most appropriate when loans are made to a specific group you know well or are closely involved with and where the potential risks and recourse in case of difficulty are clearly understood by both borrower and lender.

Example

The Support Ministries for Persons With AIDS is an ecumenical agency that provides services and locates housing for people in the Albany, New York area who are HIV-positive. In 1992, the organization wanted to purchase a residential building for use by persons with AIDS who could no longer live alone, the first such facility in upstate New York. While the organization ultimately expected government funding for the project, they could not obtain the funds or a necessary zoning variance without owning the building. First Church in Albany (Reformed Church in America), an old church in the downtown area serving a diverse membership, agreed to make a loan to Support Ministries of $15,000 for one year at 6 percent interest to enable the purchase of the building. The loan, along with loans from other area churches, would be repaid with anticipated state funding for the program. "Our members felt strongly that they wanted to support this project," said Dr. Robert Alexander, then president of the church board.

While the project has moved forward, it faced difficulties in zoning that delayed its progress. Support Ministries was forced to file a lawsuit to get a zoning variance. Having won the lawsuit, the project expects to receive the funds to repay the loans in the next two months. "The church's help was critical to us," says Nancy Northrop-Williams, director of Support Ministries. "They are directly responsible for enabling this project and for our success in a precedent-setting lawsuit which provides protections for people with HIV-AIDS."

Once the funds are repaid, the church intends to make a new investment in a project of a local affordable housing group.

Investment Characteristics
Direct Investments

Type of Investment:
Varies with project, negotiated between lender and borrower.

Liquidity
Once made, the congregation is committed to the terms of the investment.

Security
Requires individual loan analysis, underwriting, and collateral.

Monitoring and Management
Investor accepts full responsibility for monitoring, and intervention if necessary.

Questions to Ask

- As you explore a community investment option or options, here are some of the questions you may want to ask community development financial institutions:
- What types of lending does this institution do?
- What kinds of projects does it support?
- Who benefits from its lending?
- Is the capital provided unavailable from traditional sources?
- What is the lending record of the fund?
- What is the default rate on loans?
- Have the projects financed been successful? In what ways?
- What is the financial strength of the fund?
- Does the fund have policies to manage its portfolio?
- If the institution is a credit union, is it insured by the National Credit Union Share Insurance Fund? How have the regulators assessed the credit union's condition and performance?
- If the institution is a loan fund, does it have reserves which are available to meet potential losses? Does it have policies to ensure it will maintain such funds?
- If the initiative is a linked deposit, do the funds you are providing enable lending the bank could not or should not do under normal circumstances? How does your deposit alter the terms under which funds are available to the borrower (lower rates, longer terms, different underwriting standards, etc.)?
- If you want to know more about the experience of a loan fund or credit union, ask them to tell you about their biggest problems in the past and how they were handled. This can tell you a lot about the institution's ability to handle problems in the future.

IV. MAKING IT HAPPEN: PLANNING AND DECISIONMAKING IN YOUR CONGREGATION

For a congregation exploring community investment issues for the first time, the process of gathering information and making decisions involves several steps. While making decisions may be less complicated for a congregation with fewer investment resources, the process will probably be very similar whether you have a thousand dollars or several hundred thousand to invest.

1. **Designate an appropriate group or committee** to explore this issue and make policy and program recommendations. Because this is both a mission-related and financial analysis, it is essential that the group exploring community investment possibilities for the congregation includes persons involved with the mission outreach and social concerns work of the congregation as well as members of the finance committee or Board of Trustees. The committee should report its recommendations to the appropriate oversight body, such as the Board of Trustees or Church Council for discussion and action.

2. **Seek potential partners in this process.** Before you start, think about whether there are other congregations you might want to include in this process. Working with others increases the potential pool of resources and involves more people and energies in the process. Your congregation's invitation may also involve some other congregations who wouldn't have initiated the process themselves, or build new alliances between congregations in a community.

3. **Understand the resources of the congregation.** The committee needs to get a detailed understanding of the resources of the congregation and the investment opportunities and limits of those funds. The committee should prepare answers to the following:

   - What are the total financial resources of the congregation? Include reserve accounts and special funds (trust funds, endowments, building funds, etc.) as well as operating accounts.

   - How are these funds currently deposited or invested? Identify the different types deposits or investments and the amounts in each (checking accounts, money market accounts, short term CDs, long-term CDs, stocks and mutual funds, and other).

   - What is the current return on each of the congregation's investments or types of investment?

   - How are the earnings from these funds used?

   - Does the congregation have special accounts with different purposes and investment options?

   - What are the congregation's needs for liquidity? Given the uses of these funds, can the funds be invested in longer-term investments or are they restricted to short-term commitments?

Moving Your Money to Community Investments: Measuring the Impact

Your committee may be concerned about the financial impact of reduced income from a community investment on your congregation's earnings, especially when those earnings are earmarked for mission contributions, or to meet the congregation's annual operating budget.

There are two ways to look at this issue. First, look at the actual financial impact of devoting a portion of your portfolio to an investment with a lower rate of return. In some cases, there may be no net cost because your community investment can yield a return comparable to what your funds presently earn. In cases where your rate of return is less, the actual cost may be lower than you expect.

For example, a congregation has $50,000 in invested funds, which are currently invested with an overall annual rate of return of 8 percent. Of this, $10,000 is in a money market account, earning 5 percent annually. The congregation moves that $10,000 into a community loan fund, at 3 percent interest, and the loan fund uses these funds to make a loan for a low-income housing project. The congregation's annual return is reduced by $200. Rather than a total of $4,000 in income from its standard investments, the congregation would receive a total of $3,800 when it makes a $10,000 investment in the loan fund, a reduction of 0.4 percent in its overall return on its portfolio.

The second factor to look at is how these funds are and can be used. If the funds from this congregation's investments are designated from mission-related contributions, the congregation has $200 less in its contribution fund. But in exchange, the congregation has put $10,000 in direct use to create new housing opportunities for low-income families.

In the first analysis, the loss of income to your congregation may not be as great as you expect it to be, particularly if community investments take the place of money market funds or bank deposits which you currently hold. The second analysis may tell you that the overall social benefits of shifting a portion of your resources to community investments are far greater than the income lost as a result.

Once you have a clear picture of the congregation's resources, you can look more closely at how community-focused investments could be substituted for more traditional investments (see also sidebar on how to analyze the financial impact of community investing).

4. **Determine your congregation's social investment priorities.** What are the areas of need you most hope to address in your investing? Is your church involved in particular types of ministry--providing housing, jobs, or services--for which investment could be an added dimension? Are any members of your congregation involved in community investment institutions or projects that could be the beneficiaries of community focused investments?

Specifying your social investment priorities also involves larger questions of your investment purposes. As part of your process, your committee should discuss the issue of investment in the context of your faith perspectives. How do you make the best use of the resources you have? How should your social commitments contribute to your investment policy? How should financial considerations and social considerations interact when you consider your resources? You may want to

develop a statement of the shared principles you are operating under in this process.

5. **Learn about community investment options.** Finding out about specific community investment opportunities facing your congregation could be the most exciting part of your process, because you'll be able to learn more about projects and organizations which are making a real difference in the lives of low- income people and the future of communities.

   If you would like more information about the work and operations of community development financial intermediaries, there are several valuable publications listed in the Resources section (see page 27).

   Find out whether there are community development financial institutions serving your area. You may want to contact the national associations (see "Resources") to ask if they have members in your area. Are there specific development projects in your community which need investment capital (which could be provided directly or through an intermediary financial institution)?

   If there are no community development financial institutions in your area, but there are local projects you would like to support, some national or regional loan funds are willing to accept deposits or investments targeted for loans to a specific area or for a specific purpose. The fund will require that all borrowers meet the fund's lending criteria. To help ensure that investments can be used effectively, most loan funds prefer to accept investments which have preferences for use rather than absolute restrictions.

   If there are no loan funds, community development credit unions, development banks, or immediate direct investment opportunities in your area, don't quit. While it's rewarding to have an impact in your own back yard, the same needs or greater ones exist in other areas. Look for institutions in other areas which address your congregation's social investment priorities and match your financial resources.

   Here again, the national associations can help you. Development banks, community development loan funds, and many community development credit unions funds can accept deposits or investments from anywhere. This may be an opportunity to partner with a congregation in another area to invest in their community.

   As you explore opportunities for investment, make a list of the possibilities and the types of funds they require or can use, and the specific terms of those investments.

6. **Develop a portfolio plan.** This is the stage where you must integrate your social priorities and financial considerations. Consider developing a specific statement and policy on the use of the congregation's resources. A sample investment policy appears on page 24.

   As part of your policy, consider establishing a minimum percentage of congregational resources to devote to community investments. You may want to establish a procedure for evaluating both the financial return and the social impact of <u>all</u> deposits and investments.

   In addition to a policy to govern investments, you will want to propose specific initial community investments.

If your congregation has few resources which could be allocated to community-oriented financial institutions, this process will be relatively simple, perhaps identifying one community development financial institution for a small deposit or investment. If your congregation has a sizable endowment, determining appropriate investments may be a more complex process. Both in developing the plan and in proposing specific investments, you will need to match the investment opportunities with the financial needs of the congregation. How long can you make your investment? From the point of view of a loan fund or credit union, longer-term funds can be used most effectively; you will have to decide what makes sense for your situation.

You should also evaluate and be comfortable with the level of risk represented by your proposed investments. Because all investing caries some level of risk, it may be helpful to compare your proposed investments with the conventional deposits and investments of your congregation.

If you manage trust funds or an endowment (in which the donor has restricted the use of the principal) you may be concerned about whether your legal responsibilities as a trustee allow community investments. This is an area which has been explored by a number of religious bodies and others, particularly with respect to pension funds. Legal researchers have found significant opportunity for integrating

Sample Investment Policy

It is the policy of _____ (congregation name) to deposit and invest our funds in ways which meet the congregation's overall financial objectives and are consistent with our social goals and commitments. As stewards of the congregation's resources,we consider both the financial return and the social impact of our funds when making deposit or investment decisions. While we must be cognizant of the congregation's financial needs, fulfilling our social objectives means that we may not always seek the highest possible rate of return in financial transactions.

In selecting and maintaining normal banking relationships, we will take into consideration the community lending activities of the financial institution and its efforts to meet the credit needs of low- and moderate-income residents. We will also inform the financial institution(s) with which we do business of our interest in their community reinvestment activities and monitor their performance in that area.

A minimum of ___ percent of the congregation's deposits and investments including (savings accounts, money market accounts, etc.) will be invested in community development financial institutions which seek to serve credit needs not met by traditional financial institutions. In selecting appropriate financial institutions, preference will be given to those [specify: for example, "serving the ____ area", or "providing financing for affordable housing for low-income families"].

The Finance Committee (or congregational council, or other appropriate body) will actively seek opportunities to meet and exceed these goals in the congregation's investment or deposit decisions. In addition, the Committee will formally review the congregation's deposits and investments at least once a year to assess the implementation of this policy and to suggest appropriate changes in those deposits and investments.

social considerations into investment decisions by trustees of charitable organizations. If this is an issue of concern to you, a particularly helpful legal memo is noted in the Resources section.

7. **Present the plan to the finance committee and board of trustees.** Share both your process and results with the appropriate decisionmaking bodies in your congregation. Be prepared to address both the financial and social impact of the plan.

8. **Share the plan with the congregation as a whole.** This process has enabled the community investment committee, the finance committee and/or board of trustees to learn a great deal about community investing, and to consider larger issues of stewardship and productive investment. That process and its conclusion should be shared with the full congregation.

   You may want to involve the congregation in your exploratory process by creating educational events or opportunities for discussion with the whole congregation. In addition to sharing your committee's decisions with the congregation, consider ways to keep the congregation involved in this issue and your activities. You may want to use the weekly bulletin or newsletter to update members on the activities of the project(s) or fund(s) you invested in, share information during worship services and/or hold a forum or a workshop series on community investing or particular community needs. If your investments are in local financial institutions or projects, you may want to organize trips to see projects which have benefited from your funds.

   Depending on your situation, you may want to ask the entire congregation to approve your investment plan. While it may generally be inappropriate to bring individual investment decisions to the full congregation, in some circumstances it may be desirable. One congregation in Chicago made a deliberate decision to ask the membership at its annual meeting to approve some of the specific terms and uses of a major linked deposit, which was part of a larger multi-congregation community development program. "It was important to the board that the membership 'buy into' this project and concept; bringing it to the full membership was an important way to strengthen our long-term commitment and the congregation's understanding of the project," says the church pastor.

   It is important to remember that individual congregation members also have community investment opportunities. Taken collectively, individual members probably control more resources than the congregation itself. Be sure to provide information on how members could individually participate in community investments. Encourage members to follow a similar decisionmaking process. You may want to hold workshops focused specifically on community investing for individuals.

9. **Monitor your portfolio.** Once you make initial investments, a committee should be designated to monitor and report as appropriate on the investments--both in terms of what's been accomplished by the project or the intermediary, as well as any issues related to the financial aspects of your investment.

Loan funds, credit unions, and projects in which you invest directly are likely to provide you with periodic updates of their activities. You should also feel free to contact them with any questions you have about your investment(s) or their program activities.

Because membership on a congregation's finance committee or board of trustees changes over time, your monitoring process should ensure that new members on appropriate committees understand your congregation's community investments and investment strategy.

10. **Share your congregation's experience with others.** After you have developed an investment plan or made a specific investment, don't hide your light under a bushel. Letting others know about your involvement may encourage other congregations or other individuals to do the same thing. The intermediary or project in which you invest may want to cite your congregation's participation in its own publicity. Consider specific outreach to other congregations to let them know of your efforts. This could include making a presentation at a meeting involving many congregations, sharing your experiences with denominational publications, and discussing your efforts at congregational "cluster" meetings or local ecumenical groups.

    If you find other congregations interested in what you have done, consider exploring with them ways to collaborate on future community investment-related projects. In some cities, such ongoing collaborations have greatly increased the resources available for community projects, and inspired others to find new ways to invest funds or find new resources for community projects.

11. **Take it to another level.** This guide focuses on the decisionmaking process and opportunities for congregations. But many other types of religious organizations may also become community investors. Larger church agencies or institutions (schools, social service institutions, denominational funds, or pension funds) can make deposits in community development banks and credit unions, or investments in loan funds. There are many good examples of community investing by these types of institutions and agencies. Members of your congregation may have connections to boards and committees where you can encourage and advocate for these activities.

RESOURCES

1. Community Development Financial Institutions:

Community Development Credit Unions

National Federation of Community Development Credit Unions (NFCDCU) can provide information on member credit unions across the country, and is a source of additional information about community development credit unions. NFCDCU also manages a capitalization fund for deposits in community development credit unions, with loans provided by larger institutional investors. In addition, the NFCDCU has initiated a project to provide assistance to church-based credit unions.

National Federation of Community Development Credit Unions
Clifford N. Rosenthal, Executive Director
Saundra Townsend-Browne, Associate Director
120 Wall Street, 10th Floor
New York, NY 10038
212/809-1850

Community Development Loan Funds

National Association of Community Development Loan Funds (NACDLF) can provide additional information on the work of its member funds, and can assist in identifying appropriate funds for specific investment needs. NACDLF provides technical assistance to new and organizing funds and develops training programs for both new and established funds.

NACDLF also manages a central fund which channels larger institutional investments into individual community development loan funds.

National Association of Community Development Loan Fund
Mark Pinsky, Executive Director
Vicki Gillette, Services Coordinator
924 Cherry Street
Philadelphia, PA 19107
215/ 923-4754

Community Development Banks

There is no central association of community development banks. The community development banks and other banks mentioned in this publication are:

Community Capital Bank
Lyndon Comstock, President
111 Livington Street
Brooklyn, NY 11201
718/802-1212

Elk Horn Bank
George Surgeon, President
601 Main Street
Arkadelphia, AR 71923
501/246-5811

Self Help Credit Union
Thad Moore, Manager
413 E. Chapel Hill Street
Durham, NC 27701
919/683-3016

Shore Bank & Trust
Lamont Mackley, President
540 E. 105th Street

Cleveland, OH 44108
216/268-6100

South Shore Bank
Jean Pogge, Vice President
Development Deposits
71st and Jeffrey Boulevard
Chicago, IL 60649
800/669-7725

Vermont National Bank
David Berge, Director
Social Responsible Banking Fund
P.O. Box 804
Brattleboro, VT 05302
800/544-7108

2. Faith-based Agencies and Organizations

Many denominations or religious organizations have agencies or programs that deal with issues of community reinvestment and/or community development. These include:

American Baptist Church
Andy Smith
Director of Social and Ethical Responsibility in Investment
P.O. Box 851
Valley Forge, PA 19482-0851
610/768-2470

Christian Church: Disciples of Christ
Reverend Robert F. Glover
Vice President Homeland Ministries
Center for Education and Mission
P.O. Box 1986
Indianapolis, IN 46206
317/353-1591, ext. 326

Church of the Brethren
Reverend Shantilal P. Bhagat
1451 Dundee Avenue
Elgin, IL 61020
708/742-5100

Congress of National Black Churches
Carolyn Hayden
1225 I Street, N.W.
Washington, DC 20005
202/371-1091

Episcopal Church
Rev. Canon Lloyd S. Casson
Economic Justice Implementation Committee
The Episcopal Church Center
815 Second Avenue
New York, NY 10017
212/867-8400

Evangelical Lutheran Church of America
Fred Rajan
Commission for Multicultural Ministries
8765 W, Higgins Road
Chicago, IL 60631
312/380-2700

Interfaith Center for Corporate Responsibility
Gary Brouse
Clearinghouse on Alternative Investments
475 Riverside Drive
New York, NY 10115
212/870-2295

Jewish Council on Urban Affairs
Alan Goldberg or Nancy Radner
220 S. State, Suite 1910
Chicago, IL 60604
312/663-0960

National Council of Churches
Dr. Jean Sindab
Economic & Environmental Justice Pros.
475 Riverside Drive

New York, NY 10115
212/870-2511

Presbyterian Church
Gwen Crawley
Presbyterian Hunger Program
100 Witherspoons Street
Louisville, KY 40202-1396
502/569-5819

Progressive National Baptist
Reverend Tyrone Pitts
Progressive National Baptist Convention
601 50th Street, N.E.
Washington, DC 20019
202/396-0558

Reformed Church of Christ
Reverend John Paarlberg
Minister of Social Witness
475 Riverside Drive
New York, NY 10115
212/870-3020

United Church of Christ
Reverend Wayne L. Owens
Corporate Social Responsibility
United Church for Homeland Ministries
475 Riverside Drive, 10th Floor
New York, NY 10115-0050
212/870-2889

United Methodist Church
Reverend John Schol, Executive
Secretary, Urban Ministries
General Board, Global Ministries
475 Riverside Drive, 3rd Floor
New York, NY 10115
212/870-3832

3. Other Organizations

Woodstock Institute performs research and develops and implements programs designed to increase investment in modest-income and minority comunities. The Institute has produced several studies and papers detailing the work of community development financial institutions (see below), and provides ongoing assistance to a number of community development financial institutions. The Institute conducts studies of lending patterns and community credit needs, and provides technical assistance to organizations on community reinvestment issues and activities.

Woodstock Institute
Malcolm Bush, President
Kathy Tholin, Vice President
407 S. Dearborn, Suite 550
Chicago, IL 60605
312-427-8070

4. Publications

For more information about community development financial institutions:

Community Development Financial Institutions: Investing in People and Communities, 1994, 20pp.

Banking Services for the Poor: Community Development Credit Unions, 1991, 45pp.

Lenders of First Resort: Community Development Loan Funds, 1991, 49pp.

Banking on Communities: Community Development Banks, 1993, 21pp.

The Business of Self-Sufficiency: Microenterprise Loan Programs in the United States, 1991, 53pp.

All available from Woodstock Institute, 407 S. Dearborn St., 550, Chicago, IL 60605, 312/427-8070.

Building the Foundation for Economic, Social, and Political Justice: A Five-Year Profile of the Membership of the National Association of Community Development Loan Funds, 1991. NACDLF, 924 Cherry St., Philadelphia, PA 19107-2405, 215/923-4754

For more information on congregations and community development programs and activities:

Amazing Space: Opening Doors to Community Ministry, 1994. Inspired Partnerships, 53 W. Jackson, Suite 852 Chicago, IL 60604-3611, 312/294-0077

Economic Home Cooking: An Action Guide for Congregations on Community Economic Development, 1987. Community Workshop on Economic Development, 100 S. Morgan Street, Chicago, IL 60607, 312/243-0249

Making Room at the Inn: Congregational Investment in Affordable Housing by Roger Coates, 1991. Churches Conference on Shelter and Housing, 900 Massachusetts Ave., NW, Washington, DC 20001

Rebuilding Our Communities: How Churches Can Provide, Support, and Finance Quality Housing for Low-Income Families, 1992. World Vision, Inc., U.S. Ministries Division, 919 W. Huntington Drive, Monrovia, CA 91016, 818/357-7979

Restoring Broken Places and Rebuilding Communities: A Case-book on African-American Church Involvement in Community Economic Development, 1992. National Congress on Community Economic Development, 1875 Connecticut Ave., Suite 524, Washington, DC 20009, 202/234-5009

For more information on the Community Reinvestment Act:

Making CRA Work for You: A Guide for Community Organizations, 1991, 48pp., Woodstock Institute (see address above).

WOODSTOCK INSTITUTE
407 SOUTH DEARBORN
SUITE 550
CHICAGO, ILLINOIS 60605
(312) 427-8070