

Leveraging Change through Community Banking



WDN

WOMEN DONORS NETWORK
Generosity Multiplied

Did you know that where you choose to bank can create positive ripple effects for social justice? Investors can house money safely and earn a financial return, while also creating opportunities for economically disadvantaged people and communities across the U.S. and worldwide.

By investing with community banks, many Women Donors Network (WDN) members are supporting the creation of new affordable housing and making fair home loans available to low-income consumers. They are helping low-income entrepreneurs start and maintain their businesses – including many green energy endeavors. They are helping low-income consumers access basic banking services and avoid payday loans charging 100% or more annual interest. And in times of crisis, they are providing support to communities as they rebuild after disasters like Hurricane Katrina.

This brief provides tips and resources on community banking to help you take action too!

WHAT ARE COMMUNITY DEVELOPMENT FINANCIAL INSTITUTIONS (CDFIs)?

Community development financial institutions (CDFIs) provide much-needed capital, as well as other financial and technical assistance services, to lower-income people and communities underserved by mainstream banks.

Lower-income communities have long struggled to access capital because of discriminatory public policies and market failures that undervalue investment opportunities in these areas. For example, when the federal government began subsidizing homeownership in the 1930s, its appraisal methods discriminated against communities of color and low-income neighborhoods – literally drawing lines around these communities to indicate they were considered less desirable for lending. Residents were systematically denied loans until the practice was outlawed in the late 1970s, but it hastened a pattern of neighborhood decline and disinvestment that continues today. Investing in CDFIs, particularly those focused on serving communities of color, is one way to counter these trends.



Community Investing Story

“I first invested \$25,000 with Northern California Community Loan Fund (NCCLF) in 1992 and then in 1997 I added another \$25,000 to the loan. I receive a 3% return on my loan, and once a year I have an opportunity to reinvest the loan with them.

The Northern California Community Loan Fund is based in San Francisco. NCCLF makes loans and offers training programs to hundreds of nonprofits that provide services to low and very low-income families in northern California. This so matches my own funding philosophy, and often I am funding programs that are also in relationship with NCCLF! I love when that synchronization occurs.”

– WDN member,
Marta Drury

CDFIs are certified by the U.S. Treasury and have a primary mission to serve lower-income people and communities who lack access to affordable financial products and services. There are many different types of CDFIs, including community development banks, community development credit unions, community development loan funds, and microenterprise loan funds.

Not all community banks or credit unions are CDFIs. A community bank or credit union that is not a CDFI may serve a community well, but its mission is not explicitly focused on helping economically marginalized communities prosper.

WHAT ARE THE BENEFITS OF CDFIs?

From a social justice perspective, there are disadvantages to banking with traditional large banks. These banks often invest in sectors such as coal that contribute to climate change, engage in predatory lending practices like sub-prime mortgages, and pay exorbitantly high amounts to top executives through salaries and bonuses.

Community Investments at Work

Growing Home: An Urban Farm Provides Job Training and Fresh, Organic Produce

growinghomeinc.org



Growing Home is an organization in Chicago that runs urban farms to provide job training, employment, and community development for local residents. The organization has trained more than 150 homeless or formerly incarcerated people in and around Chicago. Over two-thirds of participants secure full-time employment or further training after graduating from Growing Home's program.

To expand their operation, Growing Home secured a \$250,000 loan from the Chicago Community Loan Fund, a CDFI. The loan allowed Growing Home to transform an abandoned lot in Englewood – which had been vacant for 30 years – into the Wood Street Urban Farm. The farm sold over 13,000 pounds of organic produce in 2012, and serves the local community by providing access to fresh, healthy food in an underserved neighborhood. The Wood Street Urban Farm provides job training to approximately 30 people per year, with services including agriculture and horticulture training, job readiness training and employment referrals, and job placement and retention services.

Photo: Andrew Collings



Community Investments at Work

Pioneer Valley Photovoltaics: Green Energy, Green Jobs
pvsquared.coop

Pioneer Valley Photovoltaics (PVP) is a worker-owned solar installation cooperative in Massachusetts. Thanks to a line of credit provided by the Cooperative Fund of New England (a CDFI), Pioneer Valley Photovoltaics has helped hundreds of families, small businesses, and local nonprofits convert from traditional electricity to solar power.

PVP has more than quadrupled in size over the last 12 years. Their work is improving the environment and reducing electricity costs for their customers. They also are creating green jobs and, as a worker-owned cooperative, are advancing a joint ownership business model rooted in community.

Photo: Pioneer Valley Photovoltaics

In contrast, CDFIs provide capital and support to people, small businesses, and communities that are often unfairly considered “un-bankable” or high risk. CDFIs:

- provide financial services such as basic banking services and financial literacy programs to low-income consumers;
- help local developers build affordable housing, and help homeowners secure good loans;
- promote local economic development, provide financial and technical support for budding entrepreneurs, and create new jobs;
- help create community-supporting businesses like grocery stores and child care centers; and
- support efforts to rebuild homes and businesses after natural disasters like hurricanes or floods.

CDFI investments can be a healthy part of a diversified portfolio, without sacrificing financial returns. Interest rates at community development banks or credit unions are usually comparable to those at traditional banks and credit unions. Accounts at community development banks and credit unions also are FDIC-insured up to standard limits, making CDFIs comparable in safety to conventional banks or credit unions.

SOUND INTERESTING? SOME SIMPLE STEPS YOU CAN TAKE:

Use a credit card from a CDFI or credit union

Many cards offered through a CDFI offer the same miles, points, and other perk programs available at typical large-scale banks. Visit takechargeofyourcard.org to learn more.

Bank with a CDFI

You can have your checking account, savings account, mortgage, and other banking needs met at a CDFI. Visit ofn.org/cdfi-locator or ncif.org to learn about CDFIs in your area.

Set up an insured certificate of deposit at a CDFI

You can invest larger amounts (over \$250,000) through CDFIs and still receive FDIC insurance, through the Banking on Communities Initiative at the Certificate of Deposit Account Registry Service (CDARS). Visit cdars.com to learn more.

Higher risk options that are not FDIC-insured are also available. Some members have chosen to look into these options as well:

Invest in a loan fund focused on community development

Community Development Loan Funds (CDLFs) pool investments and loans to promote community development in specific regions, nationally, and internationally. Interest rates on community development loan funds often range from zero to four percent.¹ While CDLFs have a strong track record of success, they are not federally insured. Examples of CDLFs that individual WDN members have invested in include those offered by Calvert Social Investment Foundation, such as their Women Investing in Women

Community Investments at Work

Turtle Creek Crossing Supermarket: The Rosebud Sioux Tribe Creates New Jobs and Better Access to Healthy Food

For years, Rosebud Sioux tribal members in Mission, South Dakota drove 100 miles round-trip to purchase groceries, prescriptions, and other necessities. The tribe decided to develop a local supermarket to serve the community, and needed a \$1.3 million loan to purchase freezers and refrigeration equipment.

The Native American Bank (NAB), a CDFI based in Denver, Colorado, provided the loan. As the only Native American-owned bank in the United States, NAB’s mission is to “provide access to high quality financial services for Alaska Native and Native American communities to enhance their economic independence, development and sustainability.”

The Turtle Creek Crossing Supermarket has now opened and features signs throughout the store in both English and Lakota. In addition to providing grocery services to the community, the supermarket created 60 new jobs on the Rosebud Sioux Reservation.



Photos: Vi Waln, Lakota Country Times Editor

¹ <http://www.greenamerica.org/socialinvesting/communityinvesting/whattoknow/index.cfm>

Initiative, and Rudolf Steiner Social Finance. See the resources section of greenamerica.org/PDF/GuideInvestCommunities.pdf to learn more about CDLFs.

Invest in a microenterprise loan fund

Microenterprise loan funds pool together capital to help entrepreneurs start or grow businesses. Microloan investments are usually unsecured and without any guarantee that an investor's principal will be returned. Many microloan programs, however, are managed through financially stable organizations that have never defaulted on a loan. Examples of microenterprise loan programs supported by individual WDN members include Accion Texas and United Prosperity. Visit aeoworks.org to learn more about microenterprise loans.

Invest in a mutual fund where all or a portion of the fund is in community investments

Some mutual funds invest in community development. Examples of funds that individual WDN members have invested in include Calvert Investments, Access Capital Community Investment Fund, and CRA Qualified Investment Fund. Like all mutual funds, mutual funds in community investments are not FDIC-insured. See the resources section of greenamerica.org/PDF/GuideInvestCommunities.pdf to learn more.

You can participate in these kinds of mutual funds or loan funds through your current financial advisor, even if they don't typically offer community investments. All advisors have access to these investments.

Community Investing Story



"My first experience with investing in Community Loan Funds was at Trillium Asset Management more than fifteen years ago. They encouraged clients to invest up to 5% of their assets in these funds.

I was able to invest in many kinds of loans to communities for affordable day care, housing, small business loans, Katrina rebuilding, independent media, as well as organic farming. Some of these funds also provided international support to communities for business start-ups.

These funds were housed within banks around the country that had demonstrated continued success and practically zero defaults. During the recession of 2008, when people were losing money in bonds, I received a 2-3% return with no defaults from these funds.

The most satisfying part of it for me has been being able to invest in communities around issues I believe in while still receiving comparable returns to treasury bills, without investing in the military. In addition to Trillium, Calvert Investments and RSF Social Finance (localized) provide the same kinds of investments to clients as well as access to many of the more progressive asset managers."

– WDN Board member, Carla Kleefeld

FOR MORE INFORMATION

To Learn More About Community Investing and CDFIs:

- Read the Community Investing Guide, available at GreenAmerica.org, or see breakupwithyourmegabank.org.
- Community-Wealth.org provides resources on CDFIs and their role in community wealth-building.
- Read about different types of CDFIs at cdfi.org/about-cdfis/cdfi-types.

To Find a CDFI:

- Find CDFIs in your area by visiting ofn.org/cdfi-locator or ncif.org.
- Learn more about making large insured certificate of deposits in a CDFI through the Banking on Communities option at cdars.com/home/why-cdars/for-socially-responsible-investors.
- Learn about credit cards available through CDFIs at takechargeofyourcard.org.
- Learn about micro-loan funds at aeoworks.org.

To Connect with Other Members Interested in Community Investing:

- Join the Values Based Investing (VBI) Circle.
- Contact VBI Circle co-chairs for more information. Kathleen Andreson (kandreson@womendonors.org) can provide contact information.
- Listen to the VBI webinar “Investing in Community and Justice” recorded on March 24, 2014 (available on WDN’s members-only website).

This brief builds on information presented in the WDN “Investing in Community and Justice” webinar hosted by the Values Based Investing Circle. The call took place on March 24, 2014, and featured Connie Evans, President & CEO of the Association for Economic Opportunity, and Alisa Gravitz, President & CEO of Green America.

This document describes some of the ways WDN members have sought to align their banking and investing decisions with their values. All of the information included here is presented for educational purposes only, without any explicit or implied endorsement. WDN does not endorse or recommend any specific investment or investment strategy. You should not make any decision or financial investment using the information presented here without undertaking independent due diligence which may include consultation with a financial advisor. Use any information presented here at your own risk.

Women Donors Network is a community with a purpose — together we connect, learn, and take action to further our shared vision of a more just, equitable, and sustainable world. As a community, WDN recognizes the systemic nature of many of the challenges we face as a society. We are committed to utilizing an intersectional lens – including race, class, gender, and sexual orientation – throughout our work. WDN programs are designed to ignite change, providing donors with opportunities to support progressive movement-building, as we deepen our knowledge, take action in partnership with allies, and engage in nimble and strategic grantmaking.

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