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Winter 2007

The Social Investment Forum Foundation  
& Co-op America bring you the

# Community Investing

## Winter 2007 Newsletter

Greetings from the Community Investing Team at the Social Investment Forum & Co-op America! Our Community Investing News is targeted at bringing you the latest and most useful information on trends, events and developments in the fastest-growing field of socially responsible investing -- community investing.

Community Investing consists of directing capital from investors towards communities underserved by traditional financial services. It provides access to credit, equity, capital, and technical support to help economically struggling individuals and communities. Major impact areas for community investing are affordable housing, small business, community facilities, international communities, women and minorities.

Community Investing (CI) is a part of the larger category of Socially Responsible Investing - SRI. Access a wealth of information about both SRI and CI at [www.socialinvest.org](http://www.socialinvest.org) and [www.communityinvest.org](http://www.communityinvest.org).

- Vehicle of the Month: F.B. Heron's Mission Related Investing Vehicle
- Member Highlights: First Nations Oweesta, Washington Area Community Loan Fund, General Board of Health and Pensions



## I. Campaign News :

### 18th Annual Socially Responsible Investing in the Rockies Conference 2007, Santa Ana Pueblo New Mexico: **Community Investing Events**

- ❖ Annual Community Investing Working Group Strategy Session, 10AM – 12PM (Mountain Time) November 3, 2007 (prior to Registration for SRI in the Rockies)
- ❖ Annual Community Investing Breakfast Meeting, 7AM–8AM (Mountain Time) November 4, 2007

**Save these Dates** for our annual Community Investing Working Group Strategy session and Community Investing Breakfast meeting and bringing together the diverse members of our working group. Learn about the outcomes and impact of the program's sector-driven '*Double the Members–Double the Assets*' campaign devoted to increasing the assets directed to community investing. Don't miss this opportunity to take your SRI in the Rockies conference experience to the next level–the pre-conference events are a wonderful way to gain insight into the latest issues impacting the SRI field, and get one-on-one networking opportunities with fellow attendees prior to the start of the conference!

#### ❖ Community Investing Topic Tables :

Every year conference participants and members of the Community Investing Group have moderated topic tables at lunch during the SRIR conference. These topics range from developments in international microfinance, hurricane relief efforts in the Gulf-region, the 1% or More in Community Campaign etc. If you are interested in hosting

a topic table on an issue related to community investing at this year's conference, please e-mail Kristin Lang at [kristinlang@socialinvest.org](mailto:kristinlang@socialinvest.org).

❖ **Panel: Community Investing Today: Market Rate Opportunities Across Asset Classes, 9:25–10:15 AM Sunday, November 4, 2007**

For many investors, community investing has been limited to cash equivalents and below-market debt instruments. This session will expand the universe of community investing opportunities for investors and their advisors to include a range of market-rate investment vehicles in cash equivalents, targeted fixed income securities, public and private equity, resulting in a full spectrum of market and below-market options. Speakers will describe investment products that offer market returns, liquidity, and diversification, and give clear examples of how those vehicles support social goals. The session will provide resources for evaluating financial and social performance and assist participants in developing a diversified community investment portfolio.

**Moderator/Presenter:** Luther M Ragin Jr. (Vice President, Investments – The FB Heron Foundation)

Ragin oversees the \$320 million investment portfolio of the FB Heron Foundation. Under his leadership, the Foundation has invested 25% of its assets in mission-related community investments across all major asset classes. In 2006, Heron was recognized as “Small Nonprofit of the Year” by *Foundation and Endowment Money Management* magazine, a sister publication of *Institutional Investor*.

**Presenter:** Amy Muska O'Brien (Director of Social Investing – TIAA-CREF) TIAA-CREF, with assets under management of more than \$380 billion, is the leading provider of retirement services to the academic, research, medical and cultural fields. TIAA-CREF established a Social and Community Investing Department in May 2006.

**Presenter:** Deborah J. LaFranchi (President & CEO – Strategic Development Solutions) Strategic Development Solutions creates and manages double and triple bottom line private equity funds -- an estimated \$7 billion industry – in pursuit of market-based social and environmental solutions.

❖ **Investing in Indian Country: Overcoming Historical Barriers**

In alignment with a call to action by Native American leaders, there is a renaissance going on in Indian Country as Native Americans teach and lead other Native Americans in the process of building successful businesses without sacrificing

Indigenous culture. Learn how Native Americans are teaching others to successfully engage economic opportunity while preserving Native American practices from a panel moderated by Susan White, Director, Oneida Trust Department. Come and learn about this Indigenous Community economic movement that integrates community and environmental values.

- ❖ Community Investing Panel at Washington DC Green Festival, Convention Center, “Community Investing and Wealth–Building around the DC Area” October 7th 2007, at 12 PM EST, Room 201.

Join speakers **Donna Grigsby** (Washington Area Community Investment Fund), **Stephanie Meyer** (City–First Bank), **Warren Brown** (Cake–Love Bakery) and **Art Stevens** (Calvert Social Investment Foundation) for an exciting panel on local DC metro–area community investing initiatives. Community Investing is a powerful form of wealth–building in low–income communities. Local investors have empowered entrepreneurs and non–profits to transform low–income neighborhoods through affordable housing and small businesses to sustain and grow the local economy. The panelists will guide the audience through real–life stories of people and communities in the DC area that accessed capital from community investing institutions to turn their visions into reality.



- ❖ Fall/Winter 2007 Community Investing Telephonic Brown bags

The Community Investing program has two exciting telephonic brown bags planned this fall. They aim at educating and informing our members on key and relevant issues in the community investing field.

On September 20th 2007, the Community Investing Program hosted a successful Telephonic Brownbag on Retirement Funds and Innovations in Community Investing. 25 Working Group members listened into the discussion. Speakers included:

***Scott Budde***, Managing Director, Global, Social and Community Investing, TIAA-CREF Asset Management

***Leonard English***, Investment Manager, General Board of Pension and Health Benefits

***Donna Katzin***, Executive Director, Shared Interest & Chair, Community Investing Steering Committee, Social Investment Forum.

To listen to a recording on the September Telephonic Brownbag dial 973-807-0420 and enter passcode: 78089#. Enter #7 for play back mode and press 2 to play back the recording. Please use the following Playback Controls:

\*\* for pause/unpause

#2 Skip back 30 seconds

#3 Skip ahead 30 seconds

\*2 Play backwards

\*3 Play forwards 2x speed

\*1 Resume normal play after \*2 or \*3

## **October Telephonic Brownbag:**

**Our next telephonic brown bag on “Mission-Related Investing and Community Investing” is scheduled for October 18th 2007, 3 PM EST**

### **Speakers:**

***Luther Ragin***, Vice President, Investments, F.B. Heron Foundation

***Morgan Simon***, Executive Director, Responsible Endowments Coalition

***Pete Drascher***, Managing Partner, AltruShare Securities, LLC

**Dial: 973-807-0420 and enter passcode: 78089#**

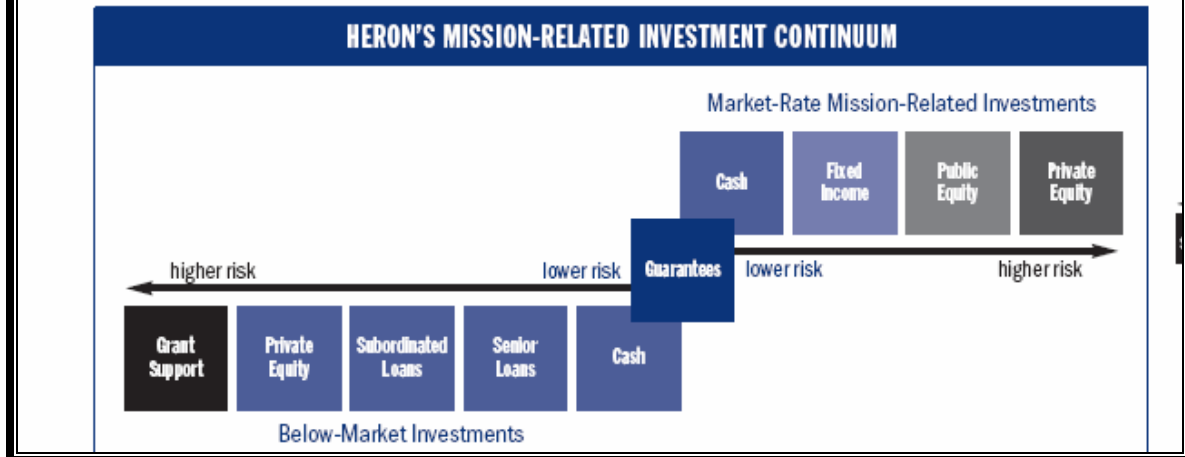
## II. Vehicle of the Month Focus: Market-rate Mission-Related Investing by the F.B. Heron Foundation

The F.B. Heron Foundation uses a creative blend of market and below market rate investment opportunities, traditional investment vehicles and dedicated asset managers to adapt mission-related investing to their philanthropic mission. As one of the nation's leading private philanthropic institutions engaged in grant making and investments in organizations with a track-record of building wealth in low-income communities across the US, in December 2006, Heron had \$308 million in assets, a \$74 million portfolio of mission-related investments and an annual grant making budget of \$10 million.

The Heron Foundation looked at how potential market-rate mission related investments fit within their overall investment portfolio. They also considered the risk and return of the investment and how the investments could further their own mission. In this regard, Luther Ragin, Vice President, Investments at the Foundation said "We look for expertise in the sectors where we want to invest, and we choose partners based on how well the deal fits our criteria".

In developing its mission-related portfolio, Heron has explored investment opportunities within a variety of asset classes. The opportunities presented by mission-related investing have been organized into an investment continuum below.

# Developing a Mission-Related Investment Continuum



Source: "Expanding Philanthropy: A Case Study, Mission-Related Investing at the F.B. Heron Foundation" Southern New Hampshire University, School of Community Economic Development.

The Mission-Related Investment Continuum above lays out all the asset classes available to mission-related investors. On the left side are below-market investments, including grants and Program Related Investments (PRIs) these can include private equity, subordinated loans, senior loans and cash. On the right side the market rate mission related investments are presented. It is important to note that the least risky investments are found in the center of the Continuum and risk levels increase as you move toward both sides.

Mission-related investing opportunities are considered within the overall asset-allocation framework of a well-diversified portfolio Heron has identified performance benchmarks by asset class to evaluate relative performance and compare risk and return for MRI vs. standard investments. These include variables such as track record, investment strategy and market opportunity. While Heron has investment in MRI opportunities across the continuum, some foundations need only consider one or two asset classes that are consistent with their mission and investment goals.

## Market Rate Mission-Related Investments:

Beyond the world of below-market investments including grants and PRIs that the CI community is familiar with, market-rate insured deposits offer an inexpensive, low-

risk opportunity to make mission-related investments. The Certificates of Deposit Account Registry Service (CDARS) is one such example of market rate investing, allowing mission-related investors to make market-rate deposits in institutions up to \$30 million in full FDIC insurance coverage in community development banks around the country with lending activity in asset-building activities in low-income communities eg. small-business lending and home mortgage deposits.

Heron has a \$5.5 million dollar portfolio of insured deposit, nearly 2% of its total assets. These market-rate deposits allow the foundation to actively engage in community-development finance. Heron compares returns to rates offered in the national CD market and the Merrill 91-day-T-bill as performance benchmarks. Heron has also identified investment-grade fixed income securities issued by both public and private equities. Heron also established a separately managed bond account, allowing itself the flexibility of aligning its mission and investment goals. The foundation's fixed income portfolio now contains a wide selection of bonds from around the country. Some of the securities are backed by loan pools originated by community-based non-profit organizations and aggregated by the Community Reinvestment Fund. The current mission-related fixed income portfolio at Heron stands at an impressive \$21 million, consistently outperforming its benchmark, the Lehman Brothers Aggregate.

Heron's methodology for investing in U.S. public entities took into account corporate strategy, wealth creation, workforce development and corporate philanthropy. These factors led to the creation of the Community Investment Index. Heron selected State Street Global Advisors to manage a beta-test of the index's approach in 2006. The results proved Heron's investment theory that investing in low-income communities in the US actually return positive investment. In 2006, the first complete year of beta-testing, the community investment index returned 15% vs. 15.3% for the S&P 900 and 13.2% for the Domini 400, the most widely used benchmark for large-capitalization socially responsible equity investing.

Heron meets its fiduciary duties by carefully researching factors like asset allocation, investment fees, underwriting and due-diligence and monitoring. Heron's current asset allocation is approximately 65% in equities, 25% in fixed-income securities and 10% in alternative investments such as private equity - combined portfolio of both traditional and mission-related investing. Program officers play a role in making well-thought out recommendations for specific mission-related investments. Investment managers and third parties conduct the due-diligence considering the investment thesis, market opportunity and risk-return assessment.

Heron has led the way in the foundation community expanding and enriching its investment strategies. Heron has creatively applied mission-related investing and incorporated it into its fully diversified investment portfolio. With 24% of its assets in

mission-related investments, including 6& at below-market rates of return, Heron has demonstrated its prowess in generating above-average investment performances and has paved the way for foundations across the sector to follow suit. Beyond its primary grant-funding function, this community investing option has proved that low-income people and neighborhoods are healthy investments.

For more information on Mission-Related Investing at the F.B. Heron Foundation contact Luther Ragin at [lragin@heronfdn.org](mailto:lragin@heronfdn.org). To learn more about getting started with Mission-Related Investing also refer to the Social Investment Forum's 2007 publication "The Mission in the Market Place".

### III. Member Highlights

#### ❖ First Nations Oweesta

Oweesta offers a multi-dimensional training and technical assistance program focusing on Institutional Development, Financial Education & Asset Building, and Entrepreneurship for tribes, Native communities and Native organizations in all stages of development. Since 2003 we, along with our partner Opportunity Finance Network, have facilitated the highly successful CDFI Fund sponsored **Native Communities Financing Initiative (NCFI)**. This initiative began with a **Start-up and Emerging Native CDFI Program** that provides training and technical assistance to Native communities as they begin their journey through Native CDFI development. In 2007, we expanded the NCFI to include a **Native Credit Union Program (NCUP)** that provides training and technical assistance to Native communities wishing to start credit unions. This two part program consists of an initial training called "*How Can a Credit Union Help Your Native Community?*" which introduces the concept of credit unions and helps participants understand whether such an institution is right for their communities. It follows with a training and technical assistance program called "*Steps to Create the Native Credit Union*" that guides communities on the process.

Another new program at Oweesta is the CDFI Fund sponsored **Native Enterprise Initiative (NEI)**. For this program, Oweesta has partnered with ONABEN and CFED to develop Native focused entrepreneurship educational materials and an accompanying training and technical assistance program for Native CDFIs and partner organizations. This program will introduce participants to a number of important concepts including a framework, principles, tools, and case studies related to the creation of Integrated Asset Building Programs, specifically focused on/around Entrepreneurship Development

Systems and their creation; and will provide students with information and experience with learning tools to implement entrepreneurship curriculum and associated “development services” in their particular setting. Key to this program is the follow-up technical assistance and will touch on entrepreneurship development systems set-up and development services integration. NEI allows for two five-day training institutes for up to twenty Native communities and/or organizations and will be offered beginning in 2008.

A third new program at Oweesta in 2007 is the CDFI Fund sponsored **Native Financial Skills Initiative** which provides for seven three-day financial education workshops based on the *Building Native Communities* financial education series tailored to a Native CDFI audience. Accompanying this training is up to six days of technical assistance per attending group to help develop financial education programs for their communities. The trainings will cover the *Financial Skills for Families* core curriculum, *A Guide to Claiming the Earned Income Tax Credit* and *Individual Development Account* modules. The program will provide participants with the tools and the guidance to engage other community organizations, to combine resources and work together to build an effective program that is user friendly to all age groups. And, most importantly, the program will cultivate local trainers with whom the community can identify and vice versa. Ultimately, community members will gain a stronger awareness of financial education concepts and will serve as role models for their families and the community as a whole.

## ❖ Washington Area Community Investment Fund

The Washington Area Community Investment Fund (WACIF) is a nonprofit 501 (c) (3) community development financial institution (CDFI) dedicated to providing loans and technical assistance for community and economic development. Since inception, WACIF has funded 191 loans totaling \$14.4 million, resulting in

- the development and/ or preservation of more than 1,454 units of affordable housing
- the development and/ or preservation of more than 21 community based facilities, and
- assistance to more than 50 small businesses, creating more than 265 full and part time jobs in throughout the Washington Metropolitan Area.

WACIF continues to promote it's a series of successful programs including:

- Nonprofit Housing and Community Development

- Community-Based Development Technical Assistance
- Small Business Economic Development

The recent fire at Eastern Market in Washington DC tore through a community institution. WACIF's commitment to serving small businesses and promoting sustainable economic development led to its offering resources and expertise to the vendors and merchants affected by the fire. It continues to partner with the District government, Washington area business leaders, community organizations and relief agencies in an effort to ensure that Eastern Market returns to a vibrant, unique community space. For more information on WACIF and to learn more about its programs, services and investment options through its loan fund visit: [www.wacif.org](http://www.wacif.org).

## ❖ General Board of Pension and Health Benefits

The General Board has a unique Positive Social Purpose Investment Program (PSPPI) aimed at promoting affordable housing, community development and expanded loan opportunities for poor communities around the world, at the same time earning a market rate of return commensurate with risk. The program began in 1990 with a \$25 million commitment to affordable housing. The program currently has a \$1.7 billion commitment to the creation and preservation of affordable housing and other community development facilities. The GBOPHB has affordable housing projects in all 50 states. The majority of their loans have been made to affordable housing projects. The program has created, improved and helped preserve almost 30,000 housing units nationwide. The General Board's investment in community development has expanded to include both facilities lending and charter school lending. Facilities lending is focused on building strong communities, and promoting sustainable development. The General Board grew the focus of its initial affordable housing program to include facilities lending for community development projects. The second focus area of their community development goals is charter school lending. Through this the General Board can bring alternative educational opportunities to underserved communities. Many of the students enrolled in these schools qualify for a free or reduced-price lunch. GPOPHB's social investments have also been channeled towards microfinance with \$50 million invested in this focus area. The pension board's intermediaries have relationships with over 50 microfinance institutions spread across Latin America, Eastern Europe, Southeast Asia and Africa.

The General Board of Health and Pensions also uses a new tool PolicyMap accessible at (<http://www.policymap.com>) to visually and geographically communicate to investors and other stakeholders how disadvantaged communities are positively impacted by

social impact investments. For more information and to learn about current community-related investments at the General Board of Health and Pensions visit:

[http://www.gbophb.org/sri\\_funds/social.asp](http://www.gbophb.org/sri_funds/social.asp).

E-mail questions, comments and ideas for future newsletters to

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The "1% or More in Community" Campaign is a joint project of the Social Investment Forum and Co-op America.

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