Connecting CDFIs to the Socially Responsible Investor Community

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EXECUTIVE SUMMARY

This report is a product of the Triple Bottom Line Collaborative (TBLC), a working group of 12 Community Development Financial Institutions (CDFIs) and loan funds from all parts of the United States. The TBLC's goal with this report is to assess the current connection between Socially Responsible Investment (SRI) and CDFIs.

SRI Has Strong Potential to Diversify the CDFI Capital Base

CDFIs are accustomed to borrowing low-cost long-term funds, primarily from the government, foundations, and banks. Funds available from all three of these sources are flat or decreasing. Banks are making changes in CDFI loan terms and amounts that are of particular concern. Facing a new funding landscape, CDFIs should consider seeking out socially responsible investors as a significant source of new capital.

Socially responsible investors actively seek environmental, community, and or social impacts along with a financial return. SRI, with assets of $2.71 trillion in 2007, has been a growing force in the investment marketplace. It is an attractive funding source because CDFIs fit nearly perfectly into the increasingly important Community Investing portion of SRI, which directs investment to populations and places that are underserved by traditional financial services.

The CDFI Investment Product Can Be Improved

Although CDFIs offer the types of social, environmental, and economic impacts sought by socially responsible investors, a number of barriers currently make it difficult for them to direct money to CDFIs. As a result, these SRI funds go predominately to Community Banks and Credit Unions.

Lack of awareness (or sometimes misunderstanding) of CDFIs is the biggest barrier facing CDFIs trying to attract new investors. Successful CDFIs counter this by systematically reaching out to individual investors with a compelling message. They position their CDFIs as effective managers of risk capital – safe, experienced partners that achieve strong triple bottom line impact on Main Street.

Right now most CDFIs offer **below-market financial return** yet have **higher perceived risk**, compared to other Community Investments. RSF Social Finance counters this barrier by offering market-rate interest on its 90-day notes. All of the successful CDFIs counter the perception of higher financial risk, educating investors on their management capacity, and pointing to their track records of 100% repayment of investors.

Offering no **financial incentive** to retail SRI professionals, CDFIs have limited penetration into conventional investment channels. Only the Calvert Foundation has overcome this barrier with its regulated national product, sold through conventional channels with fees.

SRI professionals assume that they will have to decipher unfamiliar, **unstructured terms** every time they place funds with a local CDFI. Many organizations have addressed this barrier by simply offering standardized investment documents with defined rate and term schedules.

Others, like Coastal Enterprises, have followed the Calvert Foundation's lead and structured fixed-income notes that are more standard to seasoned security purchasers.

SRI professionals are significantly put off by the fact that CDFI investments are **not electronic**, and have to be hand-placed, hand-tallied and hand-reported to their clients. Only Calvert Foundation has an electronically handled product at this time.

Most CDFI investments tie up funds for at least 12 months, and are **not liquid** compared to other available SRI placements. While few CDFIs have found a way to address the liquidity barrier and still match assets and liabilities, RSF Social Finance simply offers a 90-day note as its standard investment option.

CDFI Approaches to Attracting Investors

Degree Barrier Addressed: ● ◒ ○ ◓ ◉ (Low → High)

	Awareness	Return	Incentives	Terms	Electronic	Risk	Liquidity	Investment Approach
Calvert Foundation	◉	◒	◉	◉	◉	◓	○	Calvert Note. Terms: 1-5 yrs, 0.5-2%. National retail and direct sales. Raised $200MM in 2009
Coastal Enterprises	◓	●	●	◉	●	●	◒	CEI Note. Terms: 3,5, & 7 yrs, 2-3.5%. Direct sales to accredited investors in Maine. Raised ~2MM in Year 1
Montana CDC	◒	●	●	◓	●	●	●	Promissory note. Terms: 2-3 yrs, 0-4%. MT sales only. Simple IRA. Capital campaign $2MM in SRI equity
New Hampshire CLF	◉	●	●	◉	●	●	●	Promissory note. Terms: 1-10 yrs, 2-5%. Sustained direct sales effort in NH only. Raises ~$2MM annually
RSF Social Finance	◓	◉	●	◉	●	◒	◉	RSF Note. Terms: 90 days, 2.55% 10-yr avg. Direct sales in 37 states. Raised ~ $5MM in 2009
TCF Shade Fund*	◓	●	●	◉	○	●	●	Online peer-to-peer lending platform under development. *Results forecasted

The Way Forward

Socially responsible investors have a different set of concerns and needs than traditional CDFI funding sources. If CDFIs can meet the needs of these investors (and their money managers), a significant new source of funding may be created.

Achieving this will require a sustained effort and new approaches. Individual CDFIs can look to the seven investment barriers to evaluate their current efforts, and should consider adopting practices from the organizations mentioned in this report.

Other solutions, and probably any effort to attract investors at a meaningful scale, will require a more coordinated effort. The first step is for motivated CDFIs to assess the funding environment and decide whether a new funding source is a priority. If it is, this research provides a market-based framework that can be used to strategically assess the steps that might allow CDFIs to assume their natural partnership with the SRI sector.

INTRODUCTION

This report is a product of the Triple Bottom Line Collaborative (TBLC), a working group of seven Community Development Financial Institutions (CDFIs) from all parts of the United States. TBLC formed to add a "green" bottom line to the CDFI mission, in addition to the traditional double bottom line that included social and economic missions.

TBLC began work in 2003, funded by the Ford Foundation and led by Coastal Enterprises of Maine and Enterprise Cascadia in the Northwest. Montana Community Development Corporation led the group's third year of work. The goals of the TBLC were to:

- Create a standard set of metrics that allow CDFIs to quantify the impact of their lending on the environment;
- Advance the practice of TBL lending among CDFIs;
- Create capital dedicated to TBL lending among CDFIs.

The collaborative created a detailed TBL Metric that assesses the social, economic and environmental impact of CDFI loans for affordable housing and businesses. It completed an analysis of federal funding sources that exist or could be created to capitalize TBL lending in CDFIs. And it proposed federal legislation capitalizing energy efficiency loan funds that serve low-income communities.

As its final activity, the TBLC turned its attention to socially responsible investors (SRI). TBLC saw a natural but unrealized partnership between CDFIs and this fast-growing investor-sector, one that could help the TBLC expand its efforts in capital creation beyond government sources. The TBLC's goal in this report is to assess the current connection between Socially Responsible Investors (SRI) and CDFIs, and to report on the potential to increase SRI investment in triple-bottom-line loan funds.

This report examines triple-bottom-line CDFI investments from the point of view of socially responsible investors, as represented by professionals in the SRI sector. That examination yielded seven main barriers that currently hold back socially responsible investment in CDFIs. Using those seven barriers as a framework for discussion, the report surveys current CDFI efforts to recruit SRI capital. The results provide a context for CDFIs as they consider further CDFI action in this important investment sector.

Please note that this document is conceived as an internal report for use by CDFIs. The assumed reader is a CDFI representative who seeks better knowledge of the SRI sector in general and of the current connection between SRI and CDFIs in particular. The report does not provide background on the CDFI industry nor the tremendous scope of CDFI activity in the triple bottom line areas that should be very attractive to socially responsible investors. Creating such information might be an important result of this report, especially if the CDFI story can be told in ways that address the barriers to investment described here.

Finally, readers will see that this report focuses mainly on unregulated CDFIs – non-profit business and housing loan funds. These CDFIs are clearly differentiated from regulated banks and credit unions that are CDFIs, in the eyes of SRI professionals, and all references to CDFIs in this report can be assumed to generally refer "unregulated CDFIs."

Acknowledgements

The TBLC gratefully acknowledges the funding of the Ford Foundation for all of its activities, including this report. Program officer Wayne Fawbush extended invaluable support and mentorship to all aspects of the TBLC's work.

The authors thank all the SRI and CDFI representatives who participated in the report (see Appendix for listing). All of these professionals extended the utmost courtesy, enthusiasm and patience to our research process. Their transparency and open thoughtfulness are striking examples of all that might be good in the modern financial system.

The Authors

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Chris Larson is President of Larson Ventures, an advisory firm in Portland, OR. The firm has partnered with a wide range of organizations – providing a creative, disciplined approach to innovation along with business and sustainability expertise – to develop new products, services, and companies. Prior to Larson Ventures, Chris managed high tech product development and marketing activities for Tektronix and environmental project management for URS Corporation.

CDFI Funding Sources Are Changing

CDFIs Depend on Low Cost Money

Funding sources for unregulated CDFIs are undergoing a significant change. Traditionally, the federal government and commercial banks have been the primary funders. In the current economic climate, these funding sources may no longer be a sufficient base for the financial future of the CDFI industry.

CDFIs are accustomed to capitalizing their activities with low-cost long-term money, and have built financial models on that premise. A hypothetical picture of the CDFI financial model for a business loan fund might look like Table 1.

Table 1. Hypothetical CDFI Financial Model

Loan Interest	8.0%
Cost of capital*	1.4%
Net interest margin	6.6%
Loan loss reserve expense	6.0%
Available for operations	0.6%

*Weighted cost of capital including equity

While the actual financial structures of CDFIs vary greatly, the table illustrates the structural challenge that nearly all CDFIs face: loan interest rates can rarely be raised high enough to cover the required loan loss reserves and still be affordable for the community a CDFI serves. Traditionally, CDFIs have covered this gap with very low cost funds from sources such as the federal government, commercial banks and foundations.

Indeed, the average cost of borrowed funds in CDFIs was 2.8% in 2008, and the term ranged from 57-143 months.[1] Typically, CDFI debt is structured as interest-only payments with balloon payoffs at term. Add to these pricing and payment terms the fact that CDFIs also maintain equity cushions of about 25% in housing funds, and closer to 50% in business funds, and a clear picture emerges: CDFIs have built their operations based on patient, conservatively leveraged capital structures. These structures allow CDFIs to take greater-than-market financing risk and deliver social and environmental returns to communities.

There has traditionally been a broad array of public and private debt sources available to CDFIs. The chart below shows all sources and typical ranges of reliance on each source for both business and housing CDFIs. The federal government and banks are far and away the most important lenders to CDFIs. Foundations are also very involved. To date, individuals have played a small role in providing CDFI capital.

Below are a few examples to illustrate the debt characteristics usually available to CDFIs from some of the main capital sources:

- Federal Government: USDA Rural Development is an important public lender for rural CDFIs who make business loans. USDA prices its "IRP" product at just 1% for 30 years, and structures many loans in amounts of $1 MM and more.

[1] Opportunity Finance Network. *Side by Side, Fiscal Year 2008 Data and Peer Analysis*. All of the data for CDFI capital structures in this report comes from this annual review of CDFIs by OFN.

- Foundations: National, regional and family foundations have made Program Related Investments (PRIs) priced from 1-3%, paid interest-only with principal balloons in 10 years.
- Banks: Financial institutions have invested heavily in CDFIs during the past 15 years, as Community Reinvestment Act (CRA) rules encouraged banks to invest in CDFIs as qualifying investments for CRA exams. A favorite structure used in over 70% of bank CDFI investments is the Equity Equivalent (EQ2) that featured interest-only payments at 2-4%, with a rolling term that automatically renews for up to 15 years.

Table 2. Sources of CDFI Debt Capital

Source of Debt Capital	Business Lenders	Housing Lenders
Individuals	1-5%	1-7%
Religious Institutions	1-16%	3-14%
Foundations	6-14%	2-24%
Corporations	0-12%	2-6%
Federal Government	28-44%	3-23%
State/Local Government	3-10%	3-22%
Banks	21-31%	25-58%
Other	1-4%	1-10%

***Source**: Side by Side, Fiscal Year 2008 Data and Peer Analysis,* Opportunity Finance Network

How Stable is the Supply of Low Cost Money?

At the time of this writing, government debt for CDFIs remains available at the terms described above, but is not increasing. Federal budget problems place public funding on the CDFI "worry list." Foundations have sharply constricted their PRI activities since many foundations' assets shrunk after the financial crash of 2008.

Banks, a primary capital source for both business and housing CDFIs, appear to be pulling back from CDFIs in the wake of the 2008 financial sector crash and the substantial bank restructuring that resulted. As one CDFI leader said, "the size and price of bank investment in CDFIs is heading north." CDFIs see new bank investments structured as one-year, fully amortized loans priced at LIBOR plus two to three points. Investment size appears to be increasing, with less interest from banks in investments of $100,000 to $500,000 made to smaller CDFIs. The bank Equity Equivalent (EQ2) investment has all but disappeared from the market. These are significant changes that affect at 20%-58% of the CDFI capital base.

CDFIs will undoubtedly adjust to the shifting sands of debt availability and the apparent bank trend away from low interest rates and flexible, patient terms. But there are real limits to how far these adjustments can go with current funders, and still allow CDFIs to play their triple-bottom-line role in communities. As the traditional funding landscape changes, CDFIs are looking very seriously for new sources of capital. One such source is individual investors, specifically, investors with objectives broader than financial returns.

WHAT IS SOCIALLY RESPONSIBLE INVESTING

The overwhelming majority of investors seek to maximize their financial return within acceptable levels of risk and liquidity. As a result, investment professionals serving these investors are focused on finding an acceptable blend of return, liquidity, and security for their clients. These professionals are judged almost solely on the financial return they are able to generate. Matters such as environmental, community, or social impacts of the investment portfolio are not considered.

> *"My job is to maximize returns for clients, to grow their money, maintain stable cash payouts, or simply preserve principal. No client has ever asked me to consider any kind of below-market rate investment, nor would I recommend one…that's philanthropy."*
> ***Money Manager for high net worth investors***

However, there is a class of investors that actively seeks environmental, community, and or social impacts along with a financial return. A wide range of terms is used to describe investment selection and ownership policies that take into account corporate environmental, social and governance factors. The term "socially responsible investing" (SRI) is used by some, while others may prefer responsible investing, sustainable investing, Environmental, Social Justice, and Governmental (ESG) investing, impact investing, or triple-bottom line investing. Faith-based and mission-related investing has significant overlap with SRI, but usually refers to investors who direct their funds according to religious principles or to a specific mission such as building wealth in low-income communities. For simplicity, we will use the term SRI in this report.

Socially responsible investing attempts to maximize social good without sacrificing financial return. In general, socially responsible investors seek investments that promote environmental stewardship, consumer protection, human rights, and diversity. Some (but not all) avoid businesses involved in alcohol, tobacco, gambling, weapons, the military, and/or abortion. SRI has three core elements: screening, shareholder advocacy, and community investing.

- **Screening**, which includes both positive and negative screens, is the practice of choosing investments based on social, environmental, and corporate governance criteria as well as financial performance. In the early days of SRI, many investors were focused on screening out investments that were harmful to individuals, communities, or the environment. As SRI has matured, investment screening can no longer be categorized as simply exclusionary. SRI screens are being used more and more frequently to make investments in organizations that make positive contributions to society such good employer-employee relations, strong environmental practices, products that are safe and useful, and operations that respect human rights around the world.
- **Shareholder advocacy** attempts to generate investor pressure on managers to improve company policies and practices, encourage good corporate citizenship and promote long-term shareholder value and financial performance. To fulfill this part of SRI, shareholders become active in filing and co-filing shareholder resolutions on such topics as corporate

governance, climate change, political contributions, gender/racial discrimination, pollution, problem labor practices and a host of other issues.

- **Community Investing** directs capital from investors and lenders to communities that are underserved by traditional financial services institutions. Community investing provides access to credit, equity, capital, and basic banking products that these communities would otherwise lack. In the US and around the world, community investing makes it possible for local organizations to provide financial services to low-income individuals and to supply capital for small businesses and vital community services, such as affordable housing, child care, and healthcare.

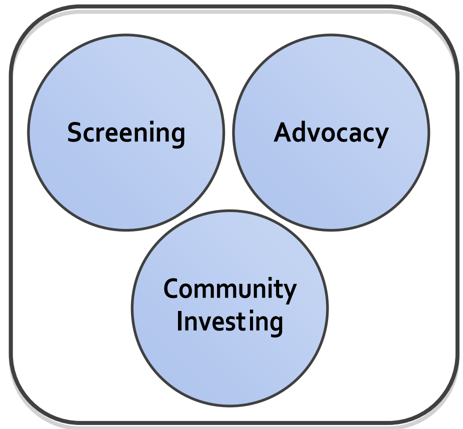


Figure 1. The Three Core Elements of SRI

The Highly Fragmented SRI Industry

Unlike conventional investors with a singular focus on financial performance, socially responsible investors do not have homogenous motivations. For example, some investors are faith-based, others seek social justice, and others are motivated by environmental causes. Some believe that companies that do "good" will have better financial performance than competitors that do not.

The variety of desired investment impacts is one reason the SRI industry that serves these investors is so highly fragmented. SRI organizations vary widely in size, sophistication, motivations, and influence. This dynamic world of SRI includes for-profit funds, non-profit organizations, government-sponsored funds, domestic funds, global funds, established financial companies, startups, financial advisors, broker/dealers, and everything in-between. (Please see the Investment Industry appendix of this report for an expanded description of both the overall investment industry, and the organizations active in the SRI portion of the market.)

One of the more prominent actors is the Social Investor Forum (SIF), the primary industry advocacy group. Another is First Affirmative Network, a company that supports a national network of SRI advisors. Together these two organizations host "SRI in the Rockies," an annual gathering of investors and SRI professionals. Other prominent investment firms include Calvert Investment, Pax World, and Domini Social Investment. Prominent investor groups include Investors Network, Social Venture Network, and the Women Donor Network.

A number of organizations are pursuing innovative, new ways to match investors with local investments. Some of the more interesting include RSF Social Finance, Portfolio 21, Prosper, and Mission Markets. Also, microfinance enterprises such as Kiva and Grameen are adapting their extremely successful international finance platforms to the U.S. marketplace.

WHY IS SRI IMPORTANT TO CDFIS?

SRI Goals are Aligned with CDFI Mission

CDFIs fit nearly perfectly into the Community Investing mission of SRI, which seeks to direct investment to populations and places that are underserved by traditional financial services. SRI investors do not have to be convinced of the value of CDFI work. They know that Community Investing is important and are actively searching for ways to place money in these activities. However, this group of investors must be convinced that a CDFI investment is a reasonable vehicle to achieve community impact along with an acceptable combination of financial return, security, and liquidity.

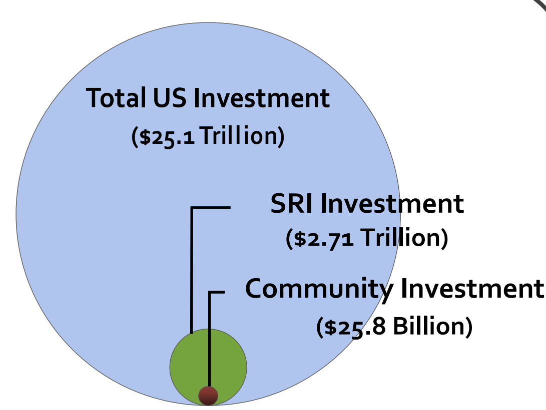
Community Investing is a Hot Topic in SRI Circles

Although Community Investing is one of three pillars of SRI, historically the SRI community has put much more energy into Screening and Advocacy. As a result, Community Investing has lagged far behind the other two. But recently, Community Investing has been gaining prominence, and industry thought leaders are making the case for more local investing. For example, the 2010 SRI in the Rockies conference – the leading industry conference – has a panel session devoted to place-based investing. The Social Investment Forum – the leading SRI membership organization – continues to improve their Community Investing Center website and database. And a host of new investment tools are under development. RSF Social Finance is examining a regionalized product to allow investors to connect with specific places. Mission Markets is creating a new trading platform for the social and environmental capital markets. And Global Impact Investing Network is working on impact measurement and reporting.

Community Investing has also benefited from cultural shifts in U.S. For example, increased interest in local food and has spurred movements such as SlowMoney, which seeks to connect investors to their local economies through agriculture. Dissatisfaction with the current financial system is spawning efforts such as MoveYourMoney, a national movement calling for people to move bank accounts to local institutions.

SRI is a Large, and Growing Source of Capital

In terms of scale and growth, the SRI sector presents an attractive funding source for CDFIs. Based on the most recent data from the Social Investment Forum, the US investment marketplace totaled $25.1 trillion in 2007. SRI comprised approximately 11% ($2.71 trillion) of that total. Although the SRI total is small, it is growing fast. SRI assets grew over 324% from 1995 to 2007, from $639 billion to $2.71 trillion. Over that same time frame, the total US investment market rose less than 260%, moving from $7 trillion to $25.1 trillion. And more



Source: Social Investment Forum Foundation

Figure 2. 2007 U.S. Assets Under Management

impressively, between 2005 and 2007, SRI assets increased 15% more than total US investment market.

Community Investing is Expanding Rapidly

According to the Social Investment Forum, Community Investing is the fastest growing area of SRI. Between 1997 and 2007, Community Investing ballooned 545%, growing from $4 billion to $25.8 billion. Despite that rapid growth, however, Community Investing still represents less than 1% of the SRI investment total.

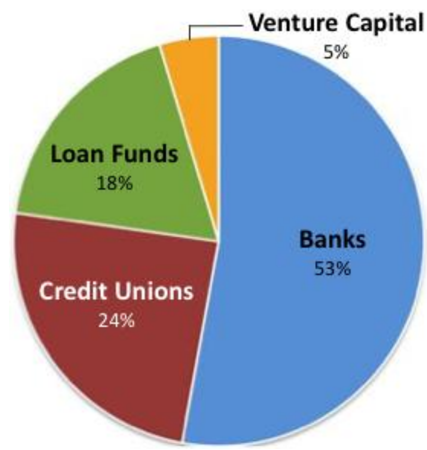
SRI funds placed in Community Investing go predominately to Community Development Banks and Credit Unions (almost 80% in 2007). Socially responsible investments in banks ($13.6 billion) dwarf all other segments – exceeding all the other segments combined. However, credit unions and venture capital funds grew the fastest, increasing 900% and 700% respectively between 1999 and 2007. Loan funds were severely outpaced during that timeframe, gaining only 176%.[2]

Figure 3. Distribution of SRI Community Investments

	2007	1999-2007 Growth
Community Development Banks	$13.6 Billion	369%
Community Development Credit Unions	$6.3 Billion	933%
Community Development Loan Funds* *(includes $663 Million in International Microfinance Funds*	$4.7 Billion	176%
Community Development Venture Capital	$1.2 Billion	700%
Total Community Investing Assets	**$25.8 Billion**	**380%**

* Includes domestic microlending and US-based international microfinance funds

Source: Social Investment Forum. Community Investment Trends Reports: 2003, 2005, 2007



[2] Social Investment Forum. Community Investment Trends Reports: 2003, 2005, and 2007

BRIEF INVESTMENT INDUSTRY PRIMER

The investment industry is an extremely complex network of organizations, regulations, and relationships. For the purpose of this report, a very brief overview of the primary actors and activities is required to give context to the discussion of CDFI investment barriers presented in the next section.

Investment Advice & Management

A dizzying number of names are used to describe the professionals that provide investment advice and management services. While confusing, most professionals fall into one or more of the following categories: investment advisor, broker and financial planner. While their services may be similar, several sharp distinctions define each category.

Registered Investment Advisors have a fiduciary duty to clients, which means that they must put the best interest of their client ahead of their own. Registered Advisors are compensated either on a fixed fee basis or as a percentage of client assets under management, and must be registered with the state and/or federal regulatory agencies.

Brokers have a suitability duty to clients, which is much less stringent than a fiduciary duty. Suitability means only that a recommended investment must be appropriate for the client, but does not have to be in the best interest of the client. Nor does the broker have to disclose any conflicts of interest to the client. Most brokers are compensated based on sales commissions. They are regulated by state and federal agencies.

Financial Planners have no explicitly defined legal duty to clients, are compensated on either a fixed fee basis or sales commission. Unlike broker/dealers or investment advisors, financial planners are not regulated by federal or state agencies. They can, however, obtain certification from a variety of organizations such as the Certified Financial Planner Board of Standards.

Accountants, Lawyers, and Insurance Agents can also be involved in certain investment decisions.

Buy/Sell Securities

Only a licensed and registered broker or dealer can buy or sell a security Therefore, a registered investment advisor or a financial planner must use a broker to actually conduct transactions for his or her clients. A broker (buying or selling on behalf of clients) or dealer (buying or selling for its own behalf) can be an individual or an organization (e.g., brokerage firm). Most firms in this sector are broker-dealers.

Sales account executives that work for a broker-dealer are technically known as registered representatives but are often called stockbrokers.

Transaction Intermediaries

Once a transaction has been executed, a *Clearing House* is responsible for performing the "back-office" function to ensure that both ends of the transaction are fulfilled. These functions are called Clearing and Settlement. *Clearing* refers to processing the trade and establishing what the parties to the trade owe each other. *Settlement* refers to the transfer of value between the parties so the trade is completed. Upon settlement, the security is generally held by a bank providing *Custodian Services*, which means the institution is responsible for holding, keeping safe, and providing an accounting of those assets. The Depository Trust and Clearing Corporation handles almost all securities transactions in the U.S.

Transaction Mechanics

In today's market, nearly all securities are traded electronically, from order placement to settlement to performance reporting: all aspects of the transaction are handled electronically. To make electronic trading efficient, a Committee on Uniform Security Identification Procedures (CUSIP) number is assigned to each actively traded security to uniquely identify it (similar to a social security number). CUSIPs are assigned by the CUSIP Service Bureau. However, more than a CUSIP is needed before a security can be easily traded. The organization offering the security must also have an Issuing and Paying Agent to handle the distribution of the securities and proceeds. Typically, a bank conducts this role. For example, Calvert Investments recently retained the Bank of New York as the Agent for its Community Notes product.

BARRIERS TO SRI INVESTMENT IN CDFIS

The authors interviewed a representative sample of SRI investment professionals to better understand how they view CDFIs as an investment product suitable for their clients. As the interviews proceeded the results quickly coalesced into discrete themes. All the interviewees were enthusiastic about Community Investing, frustrated by the limited amount of local investment, and hopeful about the future.

Regarding CDFIs, their interest was strong in the abstract, but their perception of CDFIs as an investment was not favorable. For investment professionals, CDFIs present a number of barriers that make it difficult for them to place money in CDFIs. Seven issues stood out as particularly problematic. These barriers must be addressed to widen the investor base beyond the relatively few that currently have both the resources and conviction to seek out and vet potential CDFI investments. The chart below summarizes the barriers, with discussion of each barrier following.

Barriers Limiting Investment in CDFIs	
Lack of Awareness	Clients don't ask; professionals don't recommend. Thus almost 80% of funds placed in Community Investment go to banks or credit unions
Below Market Rate Return	Lower financial return makes CDFI investment less attractive than other Community Investment alternatives, many of which offer a superior return.
No Financial Incentives	CDFIs offer no monetary compensation to investment professionals.
Unstructured Terms	Unique CDFI investment structures require a sophisticated, motivated investor.
Not Electronic	Manual systems make it harder to buy, sell, and report on CDFI investments.
Higher Perceived Risk	CDFI due diligence is more difficult, CDFI investments are not FDIC insured, and CDFIs lack diversification.
Lack of Liquidity	In general, investors prefer liquidity so they choose shorter maturity dates.

1. Lack of Awareness

Without a doubt, the largest factor limiting investment is the simple fact that not many people are aware that CDFIs exist. And even fewer are aware that they could invest in a CDFI. While some SRI professionals are aware that CDFIs exist, their understanding of what CDFIs do, and how CDFIs could help meet their clients' investment goals varies widely. The local "place-based" nature of CDFIs adds to this problem, and strong local awareness of some CDFIs in some geographies has not translated to awareness in the overall SRI market.

Another aspect of the awareness issue is that CDFIs have not positioned themselves as sophisticated and innovative managers of community risk capital. Nor have CDFIs distinguished their work from that of community development banks in terms of target market or impact.

I have yet to see a clear description of when and why I should put my clients' money in a CDFI. As far as I can tell, a CD at a Community Bank offers the same impact with better terms and less work. I can go to a Community Bank, get higher returns, FDIC insurance, more liquidity, scalability, and the investment process is familiar.
Senior SRI Investment Advisor to Foundations and Family Offices

RESULT: Clients don't ask about CDFIs and many SRI professionals don't recommend CDFI investments. Lack of awareness is a leading reason why almost 80% of all SRI funds placed in Community Investing go to Community Banks and Credit Unions, not CDFIs.

2. Below Market Rate Return

Historically, CDFIs have delivered below market rate financial returns compared to similar investments of the same time period (1 to 5 years generally).

Investments either offer a market rate return or they are not investments, they are philanthropy. For me, there really is no such thing as a near market rate return. My job is to make money for clients (or at least to beat our benchmark). Below market rate investments are very difficult for us to make unless requested by a client.
VP of Investments for a Large Foundation

RESULT: For many, an investment in a CDFI is considered philanthropic and does not belong in the investment portfolio.

3. No Financial Incentives for Professional Managers

Most products offer financial incentives (e.g., sales commissions, marketing assistance) on their investment products to the broker-dealer network in order to increase sales. For example, the Calvert Foundation pays a commission of approximately 1% on sales of their Calvert Notes product to participating broker-dealers.

RESULT: Unlike many securities, there is no financial incentive for investment professionals to consider and recommend investment in a CDFI.

4. Unstructured and Unfamiliar Terms

Conventional securities have standard terms, familiar structures, and familiar (usually electronic) purchase procedures. CDFI investments, on the other hand, usually require investors and investment professionals to contact an individual CDFI to negotiate and set up all these matters. The CDFI may not have a standard investment pricing sheet or investor documents. The process is both unfamiliar and time consuming when compared to other fixed-income options such as buying a municipal bond or a bank CD.

RESULT: The lack of structured terms increases the amount of effort required to invest in a CDFI and thus reduces the number of people that will make that investment.

5. Not Electronic

For conventional securities, nearly every aspect of the investment process is handled electronically. These securities not only have a CUSIP number, but also have a Paying Agent.

Electronic trading not only simplifies the transaction, it enables the performance of each security to be easily tracked and reported electronically. Investment professionals have software programs that automatically generate performance reports for each client using this electronic data. Any security that is not traded electronically, such as a CDFI promissory note, must be manually entered before a client report can be created.

> *We try to stay away from non-electronic securities; they slow everything down. We have to set aside those clients with non-electronic securities and hand-enter the data before we can generate a report. We are always worried we are going to make a data entry error. Those client reports are always sent later than all the others.*
> ***Director of SRI Investment Advisory Firm***

RESULT: CDFI investment is a manual process every step of the way which takes more effort and increases the chances for errors. Investment professionals tend to avoid non-electronic securities if possible.

6. Higher Perceived Risk

Most investors consider CDFIs a higher risk investment than other Community Investment alternatives. This is partly because a promissory note to a CDFI is not FDIC-insured, as a Certificate of Deposit in a Community Bank would be. It is also because investors know that the businesses and housing projects that borrow from CDFIs do not meet the stringent underwriting standards of conventional banks.

The difficulty of conducting due diligence for a CDFI adds to the perception of risk. Investors must personally contact a CDFI to research the organization's financial and impact performance. Compounding the due diligence problem is that CDFIs are intensely local. This is an advantage when the investor, the SRI manager, and the CDFI are all in the same city or state. Outside the working geography of the CDFI, however, both awareness and the process of investor due diligence break down nearly completely. The CDFI Assessment Rating System (CARS) and other independent rating tools such as GIIN are gaining traction, but these efforts are nowhere near the maturity of tools such as Morningstar or Standard & Poor used to research conventional securities. Compounding the research challenge is the subjective nature of some performance metrics such as social or environmental impact and the variability among CDFIs on how metrics are defined. In some cases, a difference in priorities and perspectives between CDFIs and investment professionals complicates the due diligence process.

CDFIs present another risk – the lack of diversification – for foundations or investment firms that have large sums of money to invest. For example, even Calvert Notes, which was created to make Community Investment, has exposure limits to any single CDFI or geographic region.

> *"I don't get paid to lose clients' money. A negative outcome in a CDFI investment may sour my whole relationship with a client. So, I have to do my homework. A CDFI outside my local area is hard to get comfortable with, even if I knew where to start my research."*
> ***SRI Investment Advisor***

RESULT: The perception of investment risk greater than other Community Investments, fueled by the difficulty of performing due diligence, lack of insurance, and lack of diversification, limits investment in CDFIs.

7. Lack of Liquidity

Investors that are considering fixed income products such as a CDFI promissory note or Community Bank CD are often seeking shorter maturity terms than the typical three to five years preferred by CDFIs. Today, given historically low interest rates and low inflation, investors may be even less interested in long- maturity products.

RESULT: Instead of CDFIs, investors often choose other products such as Community Bank CDs or local Community Bonds with shorter maturity terms.

CURRENT CDFI- SRI CONNECTION

CDFIs that are members of the Opportunity Finance Network (OFN), the main trade group for the industry, control at least $8 billion in capital, and make about $2 billion per year in socially responsible loans to businesses and housing projects in United States communities.[3] Despite their scale and long track record of socially responsible loans to both businesses and affordable housing projects, CDFIs have not developed a strong investment base among individual socially responsible investors. OFN's data show that only 1-7% of borrowed CDFI capital comes from individuals. In fact, most CDFIs have 4% or less of their total debt from individual investors.

The section that follows describes the efforts of several organizations to reach SRI. With the seven barriers to CDFI investment in mind, the authors interviewed principals from organizations that seemed to have cleared one or more of the investment barriers. These organizations represent a broad range of program formality and sophistication, all of which are instructive for CDFIs interested in reaching out to new investors.

Calvert Foundation

Calvert Investment Notes	
Product	Unrated fixed-income debt instrument
Geography	National
Sales channel	Investment Advisors, Broker/Dealer networks
Scale	>$50 million per year
Barriers addressed	Awareness, sales incentives, standard terms, electronically traded, risk

In the early 1990s, the Ford Foundation funded the startup of Calvert Foundation as a market-based, traditional investment vehicle that could capitalize CDFI lending. Calvert Investment Notes were rolled out in 1995 as an unrated fixed-income debt instrument sold nationally through conventional retail investment channels. Investors can choose a term and lend money to Calvert for 1-5 years, currently at interest rates from .75-2%. Calvert in turn invests these funds in CDFIs, international microbusiness funds, and affordable housing.

Calvert steadily grew the Notes program, reaching $50 MM in 2002, $100MM in 2006 and $200MM in 2009. The company is now raising nearly $1MM per week in Calvert Investment Notes.

Calvert spent literally years structuring the Notes product so that it would be accepted in conventional investment channels. Calvert attacked electronic automation issues with zeal, first obtaining a CUSIP identification number, and subsequently arranging to have the Notes settled through the Depository Trust and Clearing Corporation. Both steps were necessary for electronic presence and automation, and both took several years of expensive negotiation and structuring. A startling fact is that even at $200 MM in assets Calvert found it was too small to readily attract business partners for these necessary relationships.

[3], Opportunity Finance Network. *Side by Side, Fiscal Year 2008 Data and Peer Analysis*.

Now raising nearly $1 MM per week, Calvert Foundation has largely succeeded as a market-based, mainstream SRI product funneling capital into the CDFI industry. Two important limitations should be noted. One is that the model is still not profitable and requires philanthropic subsidy. A particular challenge noted by Shari Berenbach, President and CEO, is raising funds that can be used to cover loan loss reserve requirements. Another is that Calvert's diversification and concentration rules limit the amount that can be invested in any individual CDFI.

Coastal Enterprises Incorporated

CEI Notes	
Product	Unregistered security for accredited investors
Geography	Maine
Sales channel	Individual solicitations
Scale	Goal is $7.5 MM in 3 years
Barriers addressed	Awareness, standard terms

Coastal Enterprises Inc of Maine launched CEI Investment Notes, Inc. (CINI) in the fall of 2009, after investing two years of legal and market research into the product. CINI is an affiliate of CEI, and CEI is the sole member. CEI benefited from Calvert Foundation's experience and expertise while CINI was being developed. CINI contracts with Calvert for Investor Administration services. For an annual fee of approximately $18,000, Calvert takes responsibility for investor confirmations, notifications, tax reporting, interest payments and other issues.

The CEI Notes are offered in variable amounts of $5,000 or more for terms of 3, 5, 7 and 10 years at interest rates of 2.0% to 3.5% fixed for the term of each Note. Interest on the Notes is paid annually.

The Notes are an unregistered security, exempt from SEC registration, because CINI is a 501(c)3. However, the Notes are subject to state securities regulations. Notes are offered to accredited investors. At present, individuals must be Maine residents while institutions in other states are eligible. CINI anticipates expanding eligibility and issuing an updated offering memorandum in the fall of 2010.

CINI has incorporated several risk mitigating strategies, such as somewhat more stringent underwriting criteria, loan loss reserves and a liquidity reserve to address potential redemptions.

CINI's goal is to raise $7.5MM in the first three years, and $20MM in ten years. Active solicitation began in October 2009, and at this writing CINI has $1 million in hand or in firm commitments with a pipeline of $1.7 -1.9 million.

Ellen Golden, Managing Director, offered these thoughts on CEI's experience rolling out the product:

- Targeting accredited investors reduced CEI's disclosure and registration requirements, but it narrowed the market for the Notes. As noted above, CINI will be expanding eligibility soon to increase the potential market and to tap into the network of individuals with ties to Maine who reside elsewhere.

- The upfront cost to research and develop CINI was significant.
- As an entity separate from CEI, CINI facilitates conversations with investors and increases transparency of reporting. The fact that CINI has a distinct, easy to understand product has been appealing to some investors.
- The Notes may be attractive to family foundations that are not large enough to have developed a Program Related Investment program.
- Recruiting investors requires substantial staff time and a laborious process of identifying individuals and meeting with them to pitch CINI. In addition to cultivating investors directly, CINI has been developing a referral network, e.g., financial advisors and trust departments, but these professionals' help is limited by fiduciary duty restrictions.
- CINI is clearly promoting CEI's track record, both in managing "risk money" and deploying funds in tangible businesses and community projects with triple bottom line returns.
- Despite the tremendous effort CEI made to create a structured security to "fit" the mainstream investment world, "our product is on the fringes because it's not traded," Golden said. In other words, traditional investment advisors have no way to pull automatic tracking data into regular portfolio reports that they can provide to people who buy CEI Notes.
- While it is labor intensive, Golden feels the type of outreach required by CINI is good for CEI and the CDFI field as a whole since it introduces CDFI work to a part of the community that has imperfect knowledge of what CDFIs do, and how they benefit the community.

Montana Community Development Corporation

Montana Community Development Corporation	
Product	Capital campaign and informal investment program
Geography	Montana
Sales channel	Individual solicitations
Scale	$2MM one-time campaign; other investment varies
Barriers addressed	Awareness, standard terms

The experience of Montana Community Development Corporation (MCDC) is not unique in the CDFI world and is included here to illustrate an opportunistic and somewhat ad hoc approach that many CDFIs take toward SRI capital. MCDC began accepting debt from individuals when it began lending in 1994. This small number of investors (fewer than ten) found MCDC through their own research. One investment came through an SRI advisory firm called Trillium Capital. MCDC executes simple, one-page promissory notes that call for interest-only quarterly loan payments at 0-4%, with balloon repayment of principal at 24-36 months. While the MCDC website mentions the possibility of investing in MCDC, each potential investor must call the CDFI and work out a loan with staff by phone and email.

In 2007, MCDC targeted SRI to help raise $10 MM in new capital pool, and over the next two years raised about $2 MM in equity contributions from local, socially responsible investors. MCDC booked the funds as contributions and offered no financial returns. The focused engagement with high-net-worth supporters brought MCDC more SRI opportunities. For instance, one supporter researched and structured a self-directed Individual Retirement Account (IRA) and placed $50,000 with MCDC.

Rosalie Sheehy Cates (one of this study's authors) was president at MCDC during this period and offered these comments on MCDC's experience:

- Cultivating and "closing" donors are good ways for CDFIs to learn about the potential of socially responsible investors, and the impact metrics they care about. However, there is limited focus on financial risk and return until these investors actually lend to the CDFI.
- Individual outreach to investors is expensive and extremely time consuming for executive staff.
- The self-directed IRA is an attractive first-step product for CDFIs. It is standardized, legal and readily transacted by reputable national firms. An IRA feels "standard" to investors and offers a tax advantage. Yet the underlying promissory note can use creative terms that work for CDFI capital structures. The drawback is that the CDFI must still individually pitch investors, and the CDFI must develop staff competency in the IRA vehicle.

New Hampshire Community Loan Fund

New Hampshire Community Loan Fund	
Product	Systematic investment program, non-security offering
Geography	Mainly New Hampshire
Sales channel	Individual solicitations
Scale	$2MM per year ongoing, high year was >$4MM
Barriers addressed	Awareness, standard terms, risk

New Hampshire Community Loan Fund illustrates the potential of moving from "opportunistic" acceptance of simple SRI investments, to an "intentionally programmatic" focus on individual lenders that is staffed and implemented at scale. Fully 18% of the borrowed funds in NHCLF come from individual investors, a proportion that is five times higher than average. That translates to $9.5 MM held as debt by NHCLF in 448 individual loans from 330 investors. In 2010 alone NHCLF raised over $4MM in new debt from individuals, and it plans to raise $2MM in 2011.

NHCLF has simplified individual investing as much as possible. It offers four standard loan terms (1 year, 2-3 years, 4-9 years and 10 years) at rates of 2-5% increasing with loan length. The product is thoroughly explained on the NHCLF website, where an application can be downloaded, with funds transferred either by check or wire. The transaction is legally executed in a simple promissory note with each investor. NHCLF actively administers its portfolio and experiences renewal rates of 95%. The average term of individual loans to NHCLF is 50 months, a good match with the loans the CDFI makes in NH communities. The average loan from an individual to NHCLF is $21,000 and the median is $7,500.

Staffing to recruit and administer loans from all sources at NHCLF is about 2.1 FTE. It includes one FTE as an investor relations director, .25 FTE of the vice president for philanthropy, .5 FTE of an administrator, and about .1 FTE in the finance department. This spreads about $115K in staffing over $52MM of debt capital, including the $9.5MM from individual investors. An additional cost is software and maintenance of strong IT infrastructure.

Al Cantor is Vice President for Philanthropy at NHCLF and he offered these thoughts on the New Hampshire experience:

- NHCLF avoids positioning as a "socially responsible investment" because the vast majority of investors do not identify as SRI. The organization doesn't avoid that label, but it resists leading with the SRI tag.
- NHCLF accepts loans and is not involved in any security offerings.
- The flood of loans received in 2009 ($4MM) can be traced to: 1) winning a national award, which reinforced the notion that the New Hampshire Community Loan Fund was a top-flight organization; 2) running a capital campaign for major gifts that spurred corollary lending; 3) repulsion for "Wall Street" and sense that CDFIs are local lenders who know and watch their borrowers; 4) low interest rate environment that makes NHCLF loans competitive.
- Awareness is definitely an issue for CDFIs. Cantor thinks NHCLF is "just scratching the surface" of reaching potential investors' awareness. He is continually surprised at the low level of understanding of the CDFI model and its effectiveness, sometimes even among committed NHCLF lenders.

Cantor's comments reveal the possibility for a close connection, or perhaps a continuum of financial involvement, in which lenders to CDFIs can also be equity donors. The potential for equity may be an important consideration as CDFIs consider attracting individual investors.

RSF Social Finance

RSF Social Investment Fund	
Product	Registered security
Geography	37 states
Sales channel	Strategic networking and individual solicitations
Scale	$10MM per year
Barriers addressed	Awareness, standard terms, rate of return, risk, liquidity

RSF Social Finance is a national 501(c) 3 non-profit organization based in San Francisco that works to "transform the way the world works with money." The organization is rooted in the work of Rudolf Steiner, an early 20th Century philosopher, and founder of Waldorf Education and Biodynamic agriculture, among other innovations.

The RSF Social Investment Fund is registered as a security and marketed to individuals, foundations, businesses and non-profits in 37 states. It offers investors a 90-day note with variable interest, 1% (at the time of this writing), and averaging 2.55% in the last five years (through Q3 2010). Minimum investment is $1,000, and the average amount invested is $75,000. Although the term of RSF notes is nominally very short at 90 days, on average the notes are renewed for an actual investment term of 84 months.

The RSF Social Investment Fund is comprised of $65.7MM raised directly from investors, with additional funding coming from other RSF entities and a line of credit. It uses the capital to make mortgage loans, construction loans, and working capital lines of credit to nonprofit and for-profit social enterprises dedicated to improving the well-being of society and the environment in RSF's focus areas: Food & Agriculture, Education & the Arts, and Ecological Stewardship. Loans range from $250,000 to $5MM. About one third of the loans are made to Waldorf Schools, of a total of $73.7MM in loans outstanding.

RSF raised $4.76MM for the Social Investment Fund in 2009, and is on track to raise more than twice that amount in 2010. It reaches investors through word of mouth, online and print publications, personal outreach, and by participating in SRI events and organizations. The fund is nationwide, but there are investor concentrations in the Northwest (particularly California and Oregon), the Northeast (particularly New York, Massachusetts, New Hampshire, and Vermont), and the Midwest (particularly Illinois, Wisconsin, and Michigan), plus Texas and New Mexico.

RSF is not a CDFI, and it has a broader mission than most CDFIs (changing the way money is deployed in the world). Fleshing out its mission are additional investment options, such as a mezzanine finance fund, and a pooled fund in which foundations make program related investments. RSF is currently exploring a product it calls Local Exchange, in which RSF would raise funds from individual investors in specific US regions, and then partner with local intermediaries to deliver triple-bottom-line loans within those regions.

Elizabeth Ü, manager of strategic development at RSF Social Finance, offered these comments on her organization's work:

- RSF works assertively with investors to "activate all parts of their portfolios" for social good. "For instance, RSF helps people who are used to philanthropy to look at how they are investing the rest of their portfolios. It can all be deployed to achieve the results they want in the world."
- Rather than offer below market rates in return for social impact, RSF's 90-day note pays interest generally at the rate of conventional 90-day money. These RSF financial returns are very consistent over time. RSF is proud of this steady track record and positions itself as a reliable "tortoise" in a conventional market of more volatile "hares."
- RSF's mission became its marketing strategy. To change the way the world works with money, it had to help build a new investment industry. Therefore RSF is deeply involved in sponsoring and serving in leadership in the organizations and networks that also produce RSF investors such as Bioneers, Investors Circle, and Social Venture Network.
- RSF is also out front as an advocate to change the rules of investing. One pioneering innovation was to break off with conventional benchmarks such as LIBOR to set the rates on RSF small business loans. RSF now meets quarterly with borrowers and investors, who

inform the process of setting the "RSF prime" rate on business loans. The rate is currently the cost of 90-day money in the Social Investment Fund (1% as of Q3 2010) plus a spread of 4%. Based on the borrower's risk profile, certain loans may be charged a premium.

- RSF has no shortage of high impact nonprofits and businesses seeking to borrow money from the Social Investment Fund, each of which meets triple-bottom-line impact criteria. Many loans come through word of mouth in the small world of sustainable business.

The Conservation Fund

ShadeFund	
Product	Internet donation site
Geography	World wide web
Sales channel	Internet
Scale	Unknown – pilot stage
Barriers addressed	Awareness, standard terms, automation

The Conservation Fund (TCF) is just starting an innovative pilot project (in partnership with the US Endowment for Forestry and Communities with its new ShadeFund. This fund will provide an on-line opportunity for individuals and institutions to fund forest- related business and other green enterprises with loans of less than $50K. Summaries of these triple-bottom-line companies will be posted on a website similar to the successful Kiva site. (Kiva uses the Internet to recruit small no-interest loans from individuals for loans to microbusiness all over the world. See Appendix for more information.) Individual investors can select a ShadeFund business that appeals to them, and donate money to fund a loan for that business. No financial return will be offered.

For the initial round of ShadeFund deals (12 businesses), TCF has seed money from the US Endowment and another funder that is sufficient to make the business loans before the companies are featured online. As investors respond and make donations to fund each loan, the original seed funds can be recycled into the next generation of ShadeFund businesses. Those businesses will in turn be marketed to individual investors on the Internet. In this way NCIF hopes a modest amount of seed funding can be used to establish a sustainable internet-based lending vehicle.

The Shade Fund is working through a host of operational details at the time of this writing. The scale of an online peer-to-peer lending platform is daunting, and TCF's efforts are instructive to all CDFIs watching the online "space." Rick Larson, Director of Sustainable Ventures, provided these comments on his organization's work so far:

- An online investment site makes it convenient for numerous investors to quickly see and act on an opportunity with a relatively small amount of money. However, it requires a robust and effective web platform, which is a tall order for a small regional CDFI.
- To amass a credible array of forest-related loans, ShadeFund expects to reach out to other CDFIs as cooperating lenders, including TCF's triple-bottom-line investing arm, the Natural Capital Investment Fund (NCIF). This may raise legal and logistical matters for the CDFI partners to resolve around fund sharing or devising a joint loan structure for ShadeFund businesses.

WHAT NEXT FOR CDFIS AND SRI

SRI professionals voiced strong motivations to increase investment in local communities and to improve community investment options for their clients. Although CDFIs offer the types of social, environmental, and economic impacts sought by socially responsible investors, most SRI professionals are not convinced that CDFIs offer a reasonable investment vehicle to deliver that impact.

A big reason for this perception is that investors, and the professionals that manage their money, are not aware of the successful track record and unique competencies that CDFIs have developed over the last several decades of managing high risk/high impact community lending. Increased awareness will overcome ignorance or misunderstanding of CDFI work. It will also differentiate the impact that CDFIs achieve from that of other Community Investment options such as CDs or municipal bonds.

Viewed strictly as an investment product, CDFIs compare unfavorably to other Community Investments. CDFIs do not offer a market rate of return, do not have standardized rates and terms, are not liquid, and are not electronically traded. Furthermore, CDFIs do not offer financial incentives that would motivate sales by financial advisors and brokers.

In summary, CDFIs are perceived to be a higher risk investment with a lower return that is harder to buy and manage. With those marketplace perceptions, it is not surprising that almost 80% of all SRI funds placed in Community Investing went to banks and credit unions

These barriers to investment are not a big surprise, and taken together, they seem almost insurmountable with current resources. However, the Calvert Foundation, CEI, RSF Social Finance, MCDC, NHCLP, and NCIF have executed various strategies that successfully prove these barriers are not insurmountable or inevitable. Their efforts are summarized in the table below.

Figure 4. Approaches to Attracting Investors

Degree Barrier Addressed: ● ◒ ○ ◓ ◉ (Low → High)

	Awareness	Return	Incentives	Terms	Electronic	Risk	Liquidity	Investment Approach
Calvert Foundation	◉	◒	◉	◉	◉	◓	○	Calvert Note. Terms: 1-5 yrs, 0.5-2%. National retail and direct sales. Raised $200MM in 2009
Coastal Enterprises	◓	●	●	◉	●	●	◒	CEI Note. Terms: 3,5, & 7 yrs, 2-3.5%. Direct sales to accredited investors in Maine. Raised ~2MM in Year 1
Montana CDC	◒	●	●	◓	●	●	●	Promissory note. Terms: 2-3 yrs, 0-4%. MT sales only. Simple IRA. Capital campaign $2MM in SRI equity
New Hampshire CLF	◉	●	●	◉	●	●	●	Promissory note. Terms: 1-10 yrs, 2-5%. Sustained direct sales effort in NH only. Raises ~$2MM annually
RSF Social Finance	◓	◉	●	◉	●	◒	◉	RSF Note. Terms: 90 days, 2.55% 10-yr avg. Direct sales in 37 states. Raised ~ $5MM in 2009
TCF Shade Fund*	◓	●	●	◉	○	●	●	Online peer-to-peer lending platform under development. *Results forecasted

All of these CDFI-SRI models address the barrier of awareness. In fact, one of the most successful efforts at New Hampshire is nothing more than an organized outreach program coupled with a strong investment administration system. All of the models also illustrate ways to standardize investment terms, taking the complication out of setting terms and executing documents with investors. Most models also use their awareness campaigns to tackle the perceived risk issue, touting high investor repayment rates, and educating investors in the overall management capacities of CDFIs.

RSF Social Finance found ways to address the barriers of below-market return and liquidity, with 90-day notes at 1% interest, a rate that is competitive in today's interest climate. And Calvert Foundation effectively addresses barriers that are very difficult to overcome for individual CDFIs: financial incentives to retail sales people, and electronic automation.

The Way Forward

Socially responsible investors have a different set of concerns and needs than traditional CDFI funding sources. If CDFIs can meet the needs of these investors (and their money managers), a significant new source of funding may be created – capital that is directly aligned with the mission objectives of CDFIs. Achieving this will require a sustained effort and new approaches.

CDFIs interested in attracting individual investors can look to the seven investment barriers to evaluate their current efforts, and can consider adopting practices from the organizations mentioned in this report. Some barriers may be effectively solved this way, at the individual CDFI level.

Other solutions will require a coordinated effort among motivated CDFIs, or from the entire CDFI industry (see Table 3). Just as the TBLC leveraged the resources, capacities, and the collective knowledge of its members, a coalition may be the best way to create scalable solutions to overcome current barriers to investment.

Table 3. Framework for New Investment Approaches

	Individual CDFI	CDFI Groups	CDFI Industry
Lack of Awareness			
Return			
Liquidity			
Risk			
Terms			
Mechanics			
Fees			

Some potential examples of new approaches to attract investors at the individual, group and industry level include:

- **CDFI**: Implement an investor outreach effort modeled on the New Hampshire Community Loan Fund.
- **CDFI**: Use the TBLC work as a scaffolding to develop richer triple-bottom line message and approach investors in a more effective way.
- **Group**: Combine resources to develop an investment product for a group of CDFIs that is acceptable to a particular set of investors (e.g., First Affirmative Network).
- **Group**: Combine resources to develop a sophisticated CDFI story that differentiates a group of CDFIs with a particular SRI market.
- **Industry**: Focus market awareness efforts on specific SRI channels, using TBLC work carefully differentiate CDFIs from other Community Investment options.
- **Industry**: Work with Community Banks to create a guide for investors on Community Investing options.
- **All levels**: Examine the CDFI business model, because it drives the return and the liquidity that CDFIs can offer to investors. CDFIs should continue to push for innovation in loan loss reserve practices and balance sheet management, and improvement in operational efficiencies.

A final point is that CDFIs should get out more, and they should go together. RSF Social Finance has demonstrated that being in the SRI network is actually the best route to sourcing investment from the sector. This is an area ripe for joint CDFI action, because few local or regional CDFIs have the resources necessary to maintain a presence in the national organizations that drive SRI. An assessment of relationships would undoubtedly reveal that various individual CDFIs have strong ties to key players in SRI networks. These relationships can be developed and leveraged in various efforts to address the seven barriers to SRI for CDFIs.

Next steps

The critical step at this juncture is for a group of motivated CDFIs to assess the value of SRI investment in the context of the overall CDFI funding environment. Are today's debt sources sufficient in price and quantity, or should CDFIs diversify their capital sources? If they decide that SRI is a priority, committed CDFIs should jointly and systematically explore the opportunity to build on the successes reported here. They should conduct this exploration *from the point of view of the individual investors (and their money managers),* using the seven-barrier framework developed in this research. These findings provide a useful market-based framework that can be used to strategically assess the steps that CDFIs might take to assume their natural partnership with the SRI sector.

APPENDICES

APPENDIX: INVESTMENT INDUSTRY

The investment industry is undergoing significant change in response to the 2008 financial meltdown. While not an exhaustive list, below are brief descriptions of key players in the investment industry from regulators to types of investment professionals.

Regulatory Organizations

***Sources**: Adapted from FINRA, NASAA, SEC websites, and TBLC research*

Federal – U.S. Securities and Exchange Commission (SEC)

The SEC is an independent agency which holds primary responsibility for enforcing the federal securities laws and regulating the securities industry, the nation's stock and options exchanges, and other electronic securities markets. The SEC was created with Securities Exchange Act of 1934. The SEC's Division of Trading and Markets assists the Commission in executing its responsibility for maintaining fair, orderly, and efficient markets. The staff of the Division provide day-to-day oversight of the major securities market participants: the securities exchanges; securities firms; self-regulatory organizations (SROs) including the Financial Industry Regulatory Authority (FInRA), the Municipal Securities Rulemaking Board (MSRB), clearing agencies that help facilitate trade settlement; transfer agents (parties that maintain records of securities owners); securities information processors; and credit rating agencies.

State – State Security Regulators

The securities administrator in each state is responsible for licensing securities firms and investment professionals, such as broker-dealers and investment advisers, registering certain securities offerings, reviewing financial offerings of small companies, auditing branch office sales practices and record-keeping, promoting investor education, and most importantly, enforcing state securities laws. In addition to protecting investors, many state regulators also help small businesses raise money and comply with securities laws.

Regulation of securities offerings and the licensing of investment professionals by a state are governed by what is known as "blue sky" law. The term "blue sky" referred to speculative schemes that, in the words of a judge of the period, had no more substance that so many feet of "blue sky." The first modern state blue sky law was adopted in 1911 in Kansas. The Kansas law served as the nationwide model for state securities regulation. State securities regulation predates the creation of the federal SEC by more than two decades.

Some state securities regulators are appointed by their Governors or Secretaries of State, others are career state government employees, and five come under the jurisdiction of their states' Attorneys General. Depending on the state, securities regulators may be found in an independent securities commission or may work in a department that also regulates banking or insurance.

Self-Regulating Organizations

Financial Industry Regulatory Authority (FINRA)

FINRA is the largest independent regulator for all securities firms doing business in the United States. FINRA oversees nearly 4,750 brokerage firms, about 167,000 branch offices and approximately 634,000 registered securities representatives.

Created in July 2007 through the consolidation of National Association of Security Dealers (NASD) and the member regulation, enforcement and arbitration functions of the New York Stock Exchange, FINRA is dedicated to investor protection and market integrity through effective and efficient regulation and complementary compliance and technology-based services.

FINRA touches virtually every aspect of the securities business—from registering and educating industry participants to examining securities firms; writing rules; enforcing those rules and the federal securities laws; informing and educating the investing public; providing trade reporting and other industry utilities; and administering the largest dispute resolution forum for investors and registered firms. It also performs market regulation under contract for The NASDAQ Stock Market, the American Stock Exchange, the International Securities Exchange and the Chicago Climate Exchange.

FINRA has approximately 2,800 employees and operates from Washington, DC, and New York, NY, with 15 District Offices around the country.

North American Securities Administrators Association (NASAA)

Organized in 1919, NASAA is the oldest international organization devoted to investor protection. NASAA is a voluntary association whose membership consists of 67 state, provincial, and territorial securities administrators in the 50 states, the District of Columbia, Puerto Rico, the U.S. Virgin Islands, Canada, and Mexico.

In the United States, NASAA is the voice of state securities agencies responsible for efficient capital formation and grass roots investor protection. Their fundamental mission is protecting consumers who purchase securities or investment advice, and their jurisdiction extends to a wide variety of issuers and intermediaries who offer and sell securities to the public. NASAA members license firms and their agents, investigate violations of state and provincial law, file enforcement actions when appropriate, and educate the public about investment fraud.

Through the association, NASAA members also participate in multi-state enforcement actions and information sharing. NASAA also coordinates and implements training and education seminars annually for state/district/provincial and territorial securities agency staff.

Investment Professionals

Investment professionals provide a wide variety of investment and financial services for their clients. A great number of names are used to describe these professionals and the services they provide. While confusing, most professionals fall into one or more of the following categories: broker/dealers, investment advisors, and financial planners. Accountants, lawyers, and insurance agents can also be involved in certain investment decisions and transactions.

Broker-Dealers

- **What they are:** While many people use the word broker generically to describe someone who handles stock transactions, the legal definition is somewhat different—and worth knowing. A broker-dealer is a person or company that is in the business of buying and selling securities—stocks, bonds, mutual funds, and certain other investment products—on behalf of its customers (as broker), for its own account (as dealer), or both. Individuals who work for broker-dealers—the sales personnel whom most people call brokers or stockbrokers—are technically known as registered representatives. Broker-dealers have a suitability duty to clients. Suitability means only that a recommended investment must be appropriate for the client, but does not have to be in the best interest of the client. Nor does the broker have to disclose any conflicts of interest to the client. Broker-dealer compensation can be based on sales commissions, fixed fees, or some combination.

- **What they offer:** Broker-dealers vary widely in the types of services they offer, falling generally into two categories—full-service and discount brokerage firms. Full-service firms typically charge more for each transaction, but they tend to have large research operations that representatives can tap into when making recommendations, can handle nearly any kind of financial transaction you want to make, and may offer investment planning or other services. Discount broker-dealer firms are usually cheaper, but do not offer individualized services.

- **Who regulates them:** With few exceptions, broker-dealers must register with the Securities and Exchange Commission (SEC) and be members of FINRA. Individual registered representatives must register with FINRA, pass a qualifying examination, and be licensed by the relevant state securities regulator before they can do business. Background information on broker-dealers and registered representatives—including registration, licensing, and disciplinary history—can be obtained by using the FINRA BrokerCheck website or contacting the relevant state securities regulator.

- Examples: Schwab, Fidelity, Merrill Lynch, E*Trade, Morgan Stanley Smith Barney, Wells Fargo Wachovia

Investment Advisers

- **What they are:** An investment adviser is an individual or company who is paid for providing advice about securities to their clients. Although the terms sound similar, investment advisers are not the same as financial advisers and should not be confused. The term financial adviser is a generic term that usually refers to a broker (or, to use the technical term, a registered representative).

  By contrast, the term investment adviser is a legal term that refers to an individual or company that is registered as such with either the Securities and Exchange Commission or a state securities regulator. Common names for investment advisers include asset managers, investment counselors, investment managers, portfolio managers, and wealth managers. Investment adviser representatives are individuals who work for and give advice on behalf of registered investment advisers.

  Registered investment advisors have a fiduciary duty to clients, which means that they must put the best interest of their client ahead of their own. Registered advisors are compensated either on a fixed fee basis or as a percentage of client assets under management, or some combination.

  Common examples of investment advisors include pension fund managers, mutual fund managers, trust fund managers, and also individuals, partnerships, or corporations that have registered under the Act, and those who fall within certain exemptions.

- **Who regulates them:** The SEC regulates investment advisers who manage $25 million or more in client assets. Advisers who manage less than $25 million are regulated by the securities regulator for the state where the adviser has its principal place of business. Because they primarily engage in the buying and selling of securities, broker-dealers and registered representatives typically do not have to register as investment advisers. But some do.

  Background information on both SEC- and state-registered investment advisers can be obtained by visiting the SEC's Investment Adviser Public Disclosure online database. This database contains information about firms only—and not individual investment adviser representatives. To do a background check on an individual, contact the relevant state securities regulator. If the individual is also a registered representative, the FINRA website, FINRA BrokerCheck can be used as well.

- **What they offer:** In addition to providing individually tailored investment advice, some investment advisers manage investment portfolios. Others may offer financial planning services or, if they are properly licensed, brokerage services (such as buying or selling stock or bonds)—or some combination of all these services.

Financial Planners

- **What they are:** Financial planners can come from a variety of backgrounds and offer a variety of services. They could be brokers or investment advisers, insurance agents or practicing accountants—or they may have no financial credentials at all. Some will examine your entire financial picture and help you develop a detailed plan for achieving your financial goals. Others, however, will recommend only the products they sell, which may give you a limited range of choices.

- **Who regulates them:** Unlike broker/dealers or investment advisors, financial planners are not regulated by federal or state agencies. While not required to provide services, financial planners can obtain a Certified Financial Planner certification from the self-regulated Certified Financial Planner Board of Standards. Financial planners may be regulated in relation to other services they provide. For example, an accountant who prepares financial plans would be regulated by the state Board of Accountancy, and a financial planner who is also an investment adviser would be regulated by the Securities and Exchange Commission or by the state where the adviser does business.

- **What they offer:** The breadth and depth of services a financial planner offers will vary from provider to provider. Some create comprehensive plans that delve into every aspect of your financial life, including savings, investments, insurance, college savings, retirement, taxes and estate planning. Others have a more limited focus, such as insurance or securities. Some only prepare plans, while others also sell investments, insurance, or other products. If they sell products, their recommendations typically will correspond with the products or services they sell. For example, an insurance agent will tell you about insurance products (such as life insurance and annuities) but likely won't discuss other investment choices (such as stocks, bonds or mutual funds).

Accountants

- **What they are:** Accountants are trained to provide professional assistance to individuals and companies in areas including tax and financial planning, tax reporting, auditing, and management consulting.

- **Who regulates them:** Many states require new accountants to become Certified Public Accountants (CPAs), which involves passing a national examination administered by the American Institute of Certified Public Accountants (AICPA) and meeting education and experience requirements set by the state Board of Accountancy where the accountant does business.

- **What they offer:** A CPA can help you consider the tax implications of financial decisions you make and assist with other tax-related issues, such as preparing annual tax returns. Some CPAs are certified by the AICPA as Personal Financial Specialists (PFSs), which means they have met AICPA's education requirements for providing financial planning services, including assessing your overall financial situation, developing a budget, setting goals for saving and investing, and developing a plan to reach your goals.

Lawyers

- **What they are:** A lawyer is licensed to give legal advice to clients. Lawyers are trained to tell you about the legal impact one financial planning or investment decision might have on another—such as the tax implications of setting up a certain type of trust for your estate.

- **Who regulates them:** Each state has its own rules that govern whether and under what circumstances a person can practice law. In some states, the courts handle the licensing process. In other states, the legislature sets the rules. Lawyers generally must pass a comprehensive examination—called the bar exam—and meet other requirements before they can be admitted to the practice of law. Although it does not regulate lawyers, the American Bar Association can help you find out whether a lawyer is licensed in your state.

- **What they offer:** As with other professionals, the range of services lawyers can provide will vary greatly from individual to individual. For example, if one of your financial goals is leaving your assets to particular people or organizations, you will want to work with a lawyer who specializes in estate planning.

Insurance Agents

- **What they are:** An insurance agent is a salesperson who can help individuals and companies obtain life, health, or property insurance policies and other insurance products.

- **Who regulates them:** Every state, along with the District of Columbia and U.S. territories, has an insurance commission that licenses the insurance agents and insurance companies who do business in that jurisdiction. State insurance commissions also impose sales and marketing rules and require companies to file financial reports to assess their ability to honor claims. If an insurance agent offers products that are considered securities—such as variable annuity contracts or variable life insurance policies—the agent must also be licensed as a registered representative and comply with FINRA rules.

- **What they offer:** Insurance agents described as "captive" work exclusively for one insurance company and can sell only the policies and products that company offers. Independent insurance agents can represent multiple companies and typically try to find insurance policies that offer the best coverage for your circumstances.

APPENDIX: SRI ORGANIZATIONS

The SRI field is very dynamic and highly fragmented; organizations vary widely in size, sophistication, motivations, and influence. Below is a description of a few of the influential organizations in the field.

Social Investment Forum (SIF)

Source: www.socialinvest.org

The Social Investment Forum (SIF) is the U.S. national nonprofit membership association for professionals, firms and organizations dedicated to advancing the practice and growth of socially responsible investing (SRI). The 400 members of the Social Investment Forum include investment management and advisory firms, mutual fund companies, research firms, financial planners and advisors, broker-dealers, banks, credit unions, community development organizations, non-profit associations, and pension funds, foundations, Native American tribes and other asset owners.

SIF operates a variety of programs to expand SRI and its impact including media and public education campaigns as well as research.

SRI in the Rockies

Source: www.sriintherockies.com

SRI in the Rockies is the premier annual gathering of investment professionals and related organizations that work to direct the flow of investment capital in transformative ways. A professional conference, SRI in the Rockies offers many opportunities to meet and learn from passionate, creative people from all corners of the sustainable and responsible investment industry (SRI) in the United States and around the world.

SRI in the Rockies is owned and produced by the First Affirmative Financial Network in collaboration with other organizations within the SRI industry.

PRI Makers

Source: *http://www.primakers.net*

PRI Makers Network is an association of grant makers that use program-related and other investments to accomplish their philanthropic goals. PRI Makers is a forum for networking, professional development, collaboration and outreach around Program Related Investments. PRI Makers seeks to strengthen the capacity of grant makers to effect change across diverse program areas. PRI Makers is located with Philanthropy Northwest (PNW), a regional association of grant makers based in Seattle, Washington. Philanthropy Northwest has a thirty-year history in promoting innovation and providing support to philanthropy, and has a particular interest to develop program-related investment capacity in foundations. PRI Makers Network Members come from more than 90 foundations of all sizes from every region of the country, with a wide range of programmatic goals.

More for Mission

Source: http://www.moreformission.org

More for Mission: The Campaign for Mission Investing (previously known as the 2% for Mission Investing Campaign) was announced by the Annie E. Casey Foundation, the F.B. Heron Foundation and the Meyer Memorial Trust at the Council on Foundations annual conference in April 2007. As of September 2010, More for Mission's network includes 78 participating foundations that collectively represent over $30 billion in total assets. The challenge to foundations -- private, community, and corporate -- is to increase the percent of a foundation's endowment allocated to mission investments, and to help other foundation endowments do the same. The approach is to align foundation investments with their mission while maintaining long-term targeted financial returns.

First Affirmative Network

Source: www.firstaffirmative.com

First Affirmative Financial Network is an independent fee-only Registered Investment Advisor. First Affirmative specializes in socially responsible, sustainable, and transformative investment management and consulting, and supports a nationwide network of investment professionals who specialize in serving socially conscious investors. First Affirmative produces the annual SRI in the Rockies Conference.

Calvert Investment

Source: www.calvert.com

Calvert Investments provides services to institutional investors, workplace retirement plans, financial intermediaries and their clients, Calvert Investments offers more than 50 equity, bond, cash, and asset allocation strategies, of which many feature integrated environmental, social, and governance research. Calvert created one of the first SRI mutual funds in 1982. The firm manages over $14 billion in assets.

Calvert Foundation

Source: www.calvertfoundation.org

The Calvert Foundation's was created to enable "community investment" as allocation in every investor's portfolio. The Calvert Foundation serves as a facility for individuals and institutions seeking to place capital to finance affordable homes, fund small and micro businesses and to make available essential community services. Calvert Foundation makes available a wide range of financial instruments, web-based information services and philanthropic products including the Calvert Community Investment Note, the Community Investment Profile Database, the Calvert Giving Fund, and the Socially Responsible Donor Advised Fund.

In October 1995, Calvert Foundation created a new investment instrument called Calvert Community Investment Notes through which individuals and institutions can safely and conveniently invest into non-profit intermediaries. These Notes are a security that meets federal and state registration requirements and pays investors a fixed rate of interest, allowing the investor to earn a return while also providing valuable support to the most underserved communities. The Calvert Foundation had close to $238 million in assets in 2009.

PAX World

Source: www.paxworld.com

Launched the first SRI mutual fund in 1971, and today offers investors a family of mutual funds across a range of asset classes following a sustainable investing model. The PAX World President, Joe Keefe is a prominent leader in the SRI field

Domini Social Investments

Source: www.domini.com

In 1989, the firm created the Domini 400 Social Index^{SM} an index of 400 primarily large-cap U.S. corporations, roughly comparable to the S&P 500, selected based on a wide range of social and environmental standards. When it was launched in 1990, it was the first index of its kind. A year later, the firm launched the Domini Social Equity Fund to provide investors with a fund that tracks the Index. The firm now offers a number of investment products.

Portfolio 21

Source: www.portfolio21.com

Portfolio 21 is a small investment firm that recently launched some innovative new approaches to SRI and Community Investing include a global SRI mutual fund, and private fixed income fund investing in local Pacific Northwest economies, and private equity holding company helping to keep local companies local. The Portfolio 21 President, Leslie Christian, is a prominent SRI leader.

RSF Social Finance

Source: rsfsocialfinance.org

Founded in 1936 as the Rudolf Steiner Foundation, RSF Social Finance began making loans to Steiner-inspired organizations in 1984. In the late 1990s, RSF's mission expanded to serve a broader range of clients whose intentions and values are compatible with Steiner's insights on associative economics and social renewal. Since 1984, RSF has made over $200 million in loans and over $90 million in grants.

The organization has taken some very innovative approaches to its investment products. For example, the rate or return for its Social Investment Fund is set quarterly in a collaborative meeting between borrowers, investors, and RSF staff. Also, the Social Investment Note, which is similar to a CDFI promissory note, has a 90-day maturity term.

Women Donor Network

Source: www.womendonors.org

The Women Donors Network (WDN) is a community of activist philanthropists who are dedicated to a progressive global agenda. The group attempts to create community, educational opportunities, and action strategies that help philanthropists better use their wealth and influence to effect progressive social change. This is accomplished through the exchange of knowledge, information, and experience and collaborative action among a stable and expanding group of women who share key values. The membership consists of nearly 150 women from around the country. Each member donates at least $25,000 per year to progressive causes.

WDN members leverage both individual giving and group philanthropy for greater impact. Each year members collectively give away well in excess of $100 million. WDN places a high value on movement building to ensure that change is sustainable. Originated in 1991 as a project of Resourceful Women to focus on the unique concerns and needs of its members who were active philanthropists.

Investors' Circle

Source: www.investorscircle.net

Investors' Circle is a network of over 150 angel investors, professional venture capitalists, foundations and family offices who are using private capital to promote the transition to a sustainable economy. Since 1992, Investors' Circle has facilitated the flow of over $134 million into more than 200 companies and small funds addressing social environmental issues. Investors' Circle achieves its mission by bringing together investors and entrepreneurs at its twice yearly venture fairs; by circulating an organized stream of investment opportunities each month; by addressing a wide variety of social and environmental challenges; by cultivating thought leadership about patient capital and early stage impact investing; by reaching out to entrepreneurs and their investors so that IC can be a more robust source of capital; and by incubating new financial instruments to make it easier to invest in mission-driven deals.

Social Venture Network

Source: www.svn.org

Social Venture Network (SVN) is a peer-to-peer network that addresses the unique challenges facing entrepreneurs and investors who want to leverage business for a more just and sustainable world. Approximately 75 percent of SVN members are leaders of and investors in some of the nation's most innovative socially and environmentally responsible businesses. Approximately 25 percent of SVN members are founders and directors of nonprofit and philanthropic institutions. Most SVN members are CEOs, presidents or owners of companies with $2 million to $100 million in annual revenues. Regarding investment, members are generally seeking equity not debt.

Mission Markets

Source: www.missionmarkets.com

Mission Markets is a startup that is creating a new exchange platform for the social and environmental capital markets. The Mission Markets platform is attempting to provide socially and environmentally responsible companies, organizations, and projects with cost effective access to mission aligned capital. The company hopes to promote the transition of the impact investing industry from its current disorganized and nascent state to the beginning stages of a viable and thriving marketplace. This transition will occur, in part, by fostering the development of a community of impact investing members who have access to a regulated electronic transactions platform, associated information, communications services, data, analytics and investment management tools that facilitate private capital transactions.

Kiva

Source: www.kiva.org and www.wikipedia.org/KIVA

Kiva is an organization that connects microfinance institutions (i.e., Field Partner) around the world with potential lenders. Kiva posts the profiles of qualified local entrepreneurs on its website. Lenders browse and select an entrepreneur they wish to fund. Kiva aggregates loan capital from individual lenders and transfers it to the appropriate Field Partners to disburse to the entrepreneur chosen by the lender. As the entrepreneurs repay their loans, the Field Partners remit funds back to Kiva. As the loan is repaid, the Kiva lenders can withdraw their principal or re-loan it to another entrepreneur.

Although the average loan size is less than $400, Kiva has loaned a total of over $150 Million. And over 475,000 people have funded a loan.

Prosper

Source: www.prosper.com

Prosper is a peer-to-peer lending marketplace with more than 980,000 members and over $203,000,000 in funded loans. On Prosper, people list and bid on loans using an online auction platform. Borrowers list loan requests between $1,000 and $25,000 and set the maximum rate they are willing to pay. Individual and institutional investors bid in minimum increments of $25 on loan listings they select. In addition to credit scores, ratings and histories, investors can consider borrowers' personal loan descriptions, endorsements from friends, and community affiliations. Once the auction ends, Prosper handles the funding and servicing of the loan on behalf of the matched borrowers and investors.

APPENDIX: TRIPLE BOTTOM LINE COLLABORATIVE MEMBERS

Enterprise Cascadia	Ilwaco, WA
Coastal Enterprises, Inc.	Wiscasset, ME
Northern Initiatives	Marquette, MI
Self Help	Durham, NC
Four Directions Development Corporation	Orono, ME
Montana Community Development Corp.	Missoula, MT
Southern Mutual Help Association	New Iberia, LA
Natural Capital Investment Fund	Shepherdstown, WV
Mountain Association of Community and Economic Development	Berea, KY
The Conservation Fund, Resourceful Communities Program	Chapel Hill, NC
RSF Social Finance	San Francisco, CA
Southern Mutual Help Association	New Iberia, LA

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