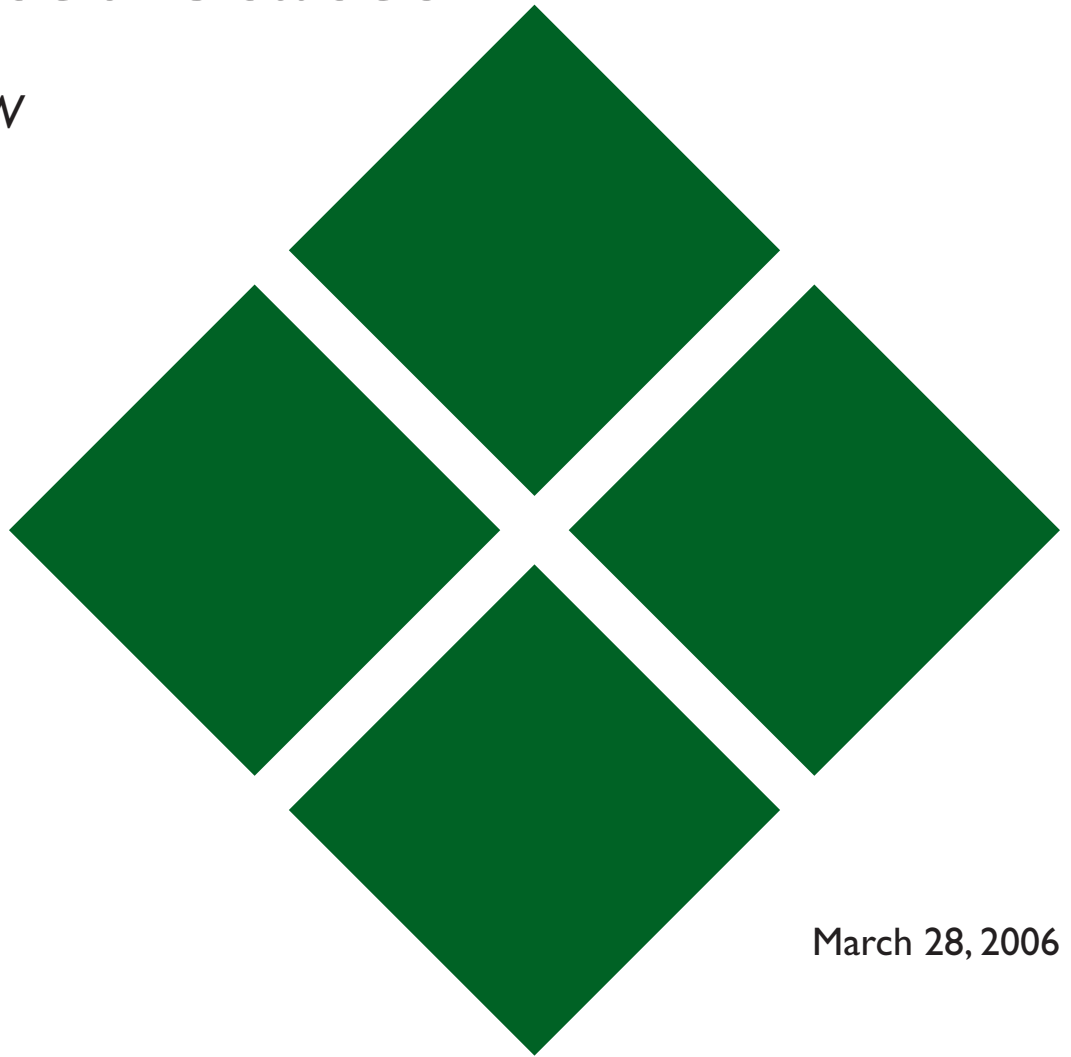


SOCIAL INVESTMENT FORUM

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# 2005 Report on Community Investing Trends in the United States

*10-YEAR REVIEW*



March 28, 2006

**SOCIAL INVESTMENT FORUM**  
INDUSTRY RESEARCH PROGRAM

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## 2005 Report on Socially Responsible Investing Trends in the United States

*SPECIAL 10-YEAR REVIEW*

SOCIAL INVESTMENT FORUM

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# INTRODUCTION

## The 2005 Report on Community Investing Trends in the United States

### Ten-Year Review

This report tracks ten years of growth in the field of community investing—the capital investors direct to communities that are underserved by traditional financial services. Community investing dollars create jobs, housing, and services worldwide in communities that need them most. Between 1995 and 2005, the field grew from \$4 billion to \$19.6 billion—nearly a five-fold increase. This increase reflects increasing interest on the part of institutional, professional, and individual investors in community investing and its impacts.

Community investing is attracting increasing investments because it is a powerful way to promote positive growth and development in low-income communities worldwide. Through a broad array of products across a range of assets classes—from community development banks and credit unions to loan funds to venture capital to international microfinance—investors at all levels of sophistication can find products that allow them to have a deep impact while earning a return on their investments. New products are being developed rapidly and the field is becoming increasingly sophisticated, broadening its appeal to a growing range of investors. Interested investors can find many of these products and providers at [www.communityinvest.org](http://www.communityinvest.org), the Social Investment Forum Foundation and Co-op America's Web site devoted to the field.

Community investing is one of the three strategies of socially responsible investing (SRI) at work in the US. SRI is an investment process that considers the social and environmental consequences of investments, both positive and negative, within the context of rigorous financial analysis.

The growth of SRI overall as a field is tracked in the 2005 Report on Socially Responsible Investing Trends in the United States, which is available for free at [www.socialinvest.org](http://www.socialinvest.org). The report found that, over the past ten years, SRI assets in the US grew faster than the broader universe of assets under management in the US.

### COMMUNITY INVESTING RESOURCES

**Professional and Institutional Investors:** [www.communityinvest.org](http://www.communityinvest.org)

A one-stop shop for investors with an extensive database of over 400 community investing institutions, tools and resources, and the latest information on the field.

**Individual Investors:** [www.coopamerica.org](http://www.coopamerica.org)

Co-op America's Web site provides information on the field and how individuals can take part in the 1% or More in Community Campaign. Co-op America's *Financial Planning Handbook* provides resources for getting involved in all forms of socially responsible investing, including community investing

# COMMUNITY INVESTING: Increasing Economic Opportunity For All

Community investing—the capital investors direct to communities that are underserved by traditional financial institutions—continued to grow significantly from 2003 to 2005, expanding by 40 percent over the two-year period. The assets of community investment institutions (CIIs) based in the United States totaled \$19.6 billion in 2005, up from \$13.7 billion in 2003 and from \$4 billion in 1995.

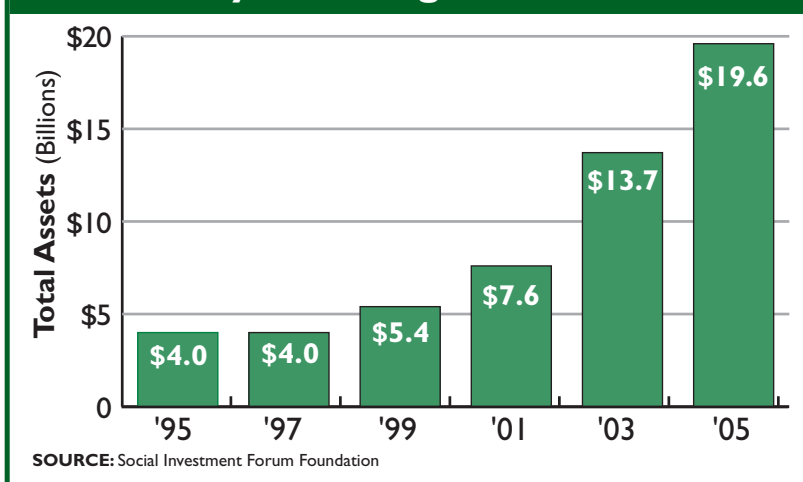
Over the past decade, the community investing measured in this report has grown more than 388 percent, making it one of the fastest-growing segments of socially responsible investing. This growth is due to an increase in the number of CIIs, improved information on the field, and continued increases in assets among all types of CIIs.<sup>1</sup>

## Key components of community investing trends include the following:

- ◆ Since 1999, the first year this report separately tracked community investing sectors, the assets in Community Development Banks have grown more than 247 percent from \$2.9 billion in 1999 to \$10.1 billion in 2005. Since 2003, assets of Community Development Banks have increased 41 percent from \$7.2 billion.
- ◆ Assets in Community Development Credit Unions grew by 749 percent from \$610 million in 1999 to \$5.1 billion in 2005. In 2003, \$2.7 billion in community development credit unions' assets were identified.
- ◆ Community Development Loan Funds' assets increased 97 percent from \$1.7 billion in 1999 to \$3.4 billion in 2005, growing by \$83 million since 2003. Of this \$3.4 billion in loan fund assets, \$165 million are in international funds that provide or guarantee loans for small-business creation and community development abroad.
- ◆ Assets in Community Development Venture Capital Funds have grown 480 percent since 1999, from \$150 million in 1999 to \$870 million in 2005. In 2003, \$485 million were identified in Community Development Venture Capital.

<sup>1</sup> See the Methodology section for more details on the institutions included in this section.

FIGURE 1.1  
**Community Investing Growth • 1995-2005**



- ◆ Socially responsible investment professionals and institutions continue to lead in channeling money to community investing, including over \$2 billion from Social Investment Forum members.
- ◆ The community investment industry is rapidly developing in terms of investment products, data and information sharing, and other industry innovations that are helping make it easier for a broad range of investors to participate in this expanding field. These developments include Opportunity Finance Network's CARS™ rating system, the CDFI Data Project, and the Social Investment Forum's Community Investing Center.

## COMMUNITY INVESTING DEFINED

Community investing is capital from investors and lenders that is directed to communities that are underserved by traditional financial services. It 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.

These local financial service organizations prioritize people who have been denied access to capital and provide them with opportunities to borrow, save, and invest in their own communities. In addition to supplying badly needed capital in underserved neighborhoods, community investment institutions provide important services, such as education, mentoring, and technical support. They also build relationships between families, nonprofits, small businesses, and conventional financial institutions and markets.

## THE FOUR PRIMARY COMMUNITY INVESTING OPTIONS

The community investing industry comprises many types of institutions and initiatives focused on community development in underserved areas in the US and around the world. The four primary types of community investment institutions (CIIs), whose assets are measured in this report, are also commonly referred to as community development financial institutions (CDFIs):

**Community Development Banks (CDBs)** operate much like their conventional counterparts, but focus their lending on rebuilding lower-income communities. They offer services available at conventional banks, including federally insured savings, checking, certificate of deposit, money market, and individual retirement accounts. The 54 CDBs included in this report represent the largest amount of assets in measured CIIs, at \$10.1 billion.

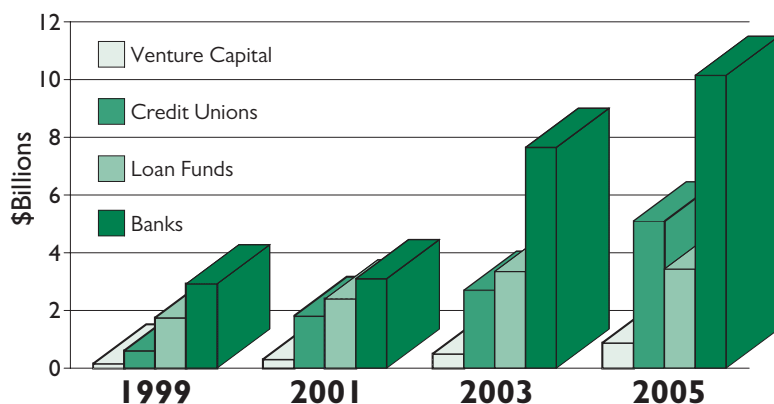
**Community Development Credit Unions (CDCUs)** are the second-largest type of CII measured in this Report, with assets of \$5.1 billion. Over

275 membership-owned and -controlled nonprofit CDCUs serve people and communities with otherwise limited access to financial services. These regulated institutions offer federally insured accounts and other services available at conventional credit unions.

**Community Development Loan Funds (CDLFs)** pool investments and loans provided by individuals and institutions to further community development in specific geographic areas. The 180 CDLFs in this report represent \$3.4 billion in assets, and use this capital to make or guarantee loans to small businesses, affordable housing developments, and community service organizations. While CDLFs are not federally insured, investor money is protected by collateral, loan loss reserves, and the institution or fund's net worth. International funds, which represent a subset of CDLFs with \$165 million among the 18 institutions in this report, focus their lending and equity investments overseas, often providing or guaranteeing smaller loans to entrepreneurs and communities in need.

FIGURE 1.2

### Community Investing Growth By Sector 1999-2005



SOURCE: Social Investment Forum Foundation

NOTE: 1999 was the first year CI Sectors were separately tracked.

**Community Development Venture Capital Funds (CDVCs)** use their \$870 million of capital under management to make equity and equity-like investments in highly competitive small businesses that have the potential for rapid growth. By focusing their investments in geographic areas that traditional venture capital funds have often overlooked, CDVCs create jobs, entrepreneurial capacity, and wealth in disadvantaged communities in the US and abroad.

FIGURE 1.3

### Assets of Community Investment Institutions • 2005

Community Development Banks	<b>\$10.15 Billion</b>
Community Development Credit Unions	<b>\$5.10 Billion</b>
Community Development Loan Funds <i>(includes \$165 Million in International Funds)</i>	<b>\$3.44 Billion</b>
Community Development Venture Capital	<b>\$870 Million</b>
<b>Total Community Investing Assets</b>	<b>\$19.6 Billion</b>

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

Investors can place capital directly into any one of the four options above, or they may invest through pooled funds or specialized community investment portfolios. These options spread investors' capital across a number of CIIs and are made available through trade associations and other intermediaries.

## THE IMPACT OF COMMUNITY INVESTING

Community investing arose to support the spectrum of community development organizations working to revitalize distressed communities. Since the 1970s, national and international CIIs have been making loans and investments and creating permanent, positive changes

in the poorest neighborhoods in cities, in rural areas, on Native American reservations, and in other places underserved by traditional financial institutions. Economic self-help—the concept of giving a hand up, not a handout—and truly empowering the communities served are at the heart of CIIs' missions. Through providing loans and financial services, as well as mentoring and education, CIIs have helped lower-income families and communities begin to control their own financial destinies.

### Some of the common areas of social impact that CIIs finance and support include:

- ◆ Construction and ownership of affordable housing;
- ◆ Development of small businesses and micro-enterprises;
- ◆ Provision of needed community services, such as child care, education, and health services;
- ◆ Creation of livable wage jobs for low- and moderate-income community residents;
- ◆ Empowering people in international communities to start and expand micro-enterprises;
- ◆ Serving women, minorities, and other economically disadvantaged populations;
- ◆ Opportunities for low-wealth individuals to build assets, including providing financial education, mentoring, and technical assistance; and
- ◆ Supporting businesses and nonprofits that focus on sustainable development, resource conservation, and environmentally beneficial products and services.

CIIs are specifically designed to accept investor capital and carry out community development work, and they possess the expertise of a financial institution and a commitment to serving lower-income communities. CIIs often generate significant impacts from limited investment capital, innovatively connecting underserved populations with the financial services to which they have previously been denied access.

Community investing continues to grow in its geographic reach and its range of beneficiaries. It has enabled Boston residents to build affordable housing and a high school for at-risk youth; Native American communities to regain ancestral lands and start successful businesses; and healthier runs of salmon and trout to be restored in Washington's Chinook Watershed.

Community investing has also provided innovative micro-financing to women in Bangladesh to start their own businesses with little capital or credit; assisted with agricultural development, AIDS prevention, community health, elementary education, emergency response, and civil-society programs in sub-Saharan Africa; and increased employment opportunities and facilitated the growth of new businesses for poor indigenous populations in Bolivia.

While the socially responsible investment strategies of screening and shareholder advocacy focus on promoting corporate responsibility, community investing enables individuals and institutions to invest in local organizations and projects that are creating more sustainable communities around the world. Interfaith religious investors, both large and small alike, have led the way among institutions in committing substantial assets to community investing. Many socially screened mutual funds have integrated community investments into their portfolios, and some funds have made community investing central to their missions by developing community investment pools. Socially responsible financial planners are also educating their clients about community investing opportunities. Thanks to this investor commitment to leveraging the inspiring hard work, skill, and creativity of lower-income people, community investing is making economic opportunity a reality for underserved populations.

## COMMUNITY INVESTING PROGRAM'S SUCCESS

The Social Investment Forum Foundation and Co-op America started the Community Investing Program in 2001 to help spur investment into the community investing field, especially from socially responsible investors. The Program works with institutional and individual investors on overcoming the barriers they face to community investing and educating them about their options. Two key projects that have helped increase the amount of money going to underserved communities and the visibility of community investing are:

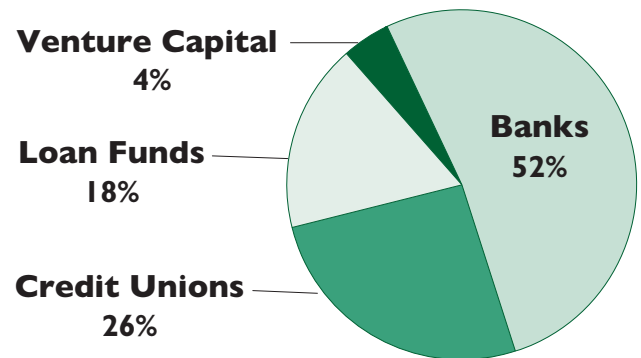
### Community Investing Center

The Community Investing Center at [www.communityinvest.org](http://www.communityinvest.org) is a new Web site developed by the Community Investing Program to provide financial professionals with information and resources to make it easier for them to channel more money into community investing. This "one-stop shop" for community investing information includes:

- ◆ Community Investment Database—the most extensive searchable database of CIIs, including detailed social-impact, product, and financial information on over 400 institutions
- ◆ Description of the Community Investment Industry and Products

FIGURE 1.4

### Community Investment Institution Sectors • 2005



SOURCE: Social Investment Forum Foundation



- ◆ Tools and Resources for Different Types of Investors—including model portfolios and primers for mutual funds, separate account managers, and institutional investors
- ◆ Social Impact Information—including descriptions and data on impact sectors and the Community Investment Impact Calculator
- ◆ Financial and Risk/Return Information—including due diligence information and opportunities for investing in CIIs profiled in the Community Investment Database
- ◆ Community Investing Media and Events

The Community Investing Center is made possible by bringing together community investment professionals to contribute their expertise. Major contributions to the content and resources on the Web site were made by Calvert Foundation, the CDFI Data Project, and the Opportunity Finance Network (formerly National Community Capital Association).

### **1% or More in Community Campaign**

The Community Investing Program launched the 1% or More in Community Campaign in 2001 to dramatically increase the assets devoted to community investing. The goal was to help investors move more than \$10 billion in net new assets into community investing by 2005, thereby tripling the industry that in 2000 was measured at \$5.4 billion. The strategy was to get social investors to shift one percent or more of their investment dollars into community investing, to help financing become available for economically distressed communities and to assist lower-income families.

## Community Investing in Action

### **REBUILDING AFTER KATRINA**

Sandra and Alvin LaBeaud and their three sons evacuated from their home in Marrero, Louisiana, 36 hours before Hurricane Katrina made landfall. Seven weeks later, when they returned to their home of 14 years, the back half of the house was missing, the kitchen and living room ceilings had fallen in, the foundation was off, and mold was everywhere. That's where an emergency, six-month, no-interest/no-fee loan from Hope Community Credit Union came through to help the LaBeauds catch up on their mortgage. Fast, emergency bridge loans are just one way HOPE and its sponsor, the nonprofit Enterprise Corporation of the Delta, are responding. HOPE and ECD already had a decade of experience in distressed Louisiana and Mississippi communities when Katrina pushed ashore. Now, they are helping thousands of low-wealth communities and families weather an endless cycle of financial storms as they rebuild.

### **MICROCREDIT, BIG IMPACT**

Corazon Endonela was working in a slipper factory in the Philippine city of Makati earning 6,000 pesos (about \$117 US) per month—hardly enough to support her family of a husband and three children. So Corazon decided to go into business for herself with the help of a loan of 5,000 pesos (less than \$100) from TSPI, a local microfinance institution. Her family is now able to produce 400 pairs of slippers a month, earning a gross income of 37,000 pesos (more than \$700). Oikocredit pools investor dollars and makes loans to TSPI and other microfinance institutions so that they can make credit available to Corazon and thousands of others in over 65 countries.

### **A FAIR VENTURE THAT TASTES GREAT**

John Sage knew he was doing the right thing when he left behind a very successful marketing career at Microsoft and partnered with his friend Chris Dearnley to form Pura Vida Coffee. Pura Vida Coffee sells Fair Trade, organic coffee throughout the United States and uses its resources on campuses, in businesses, and in churches for charitable purposes. Their commitment to children and the environment led John to Underdog Ventures, which develops customized community venture capital funds that work with businesses and investors committed to financial, community, and environmental results. Underdog Ventures worked with Pura Vida to both invest \$200,000 and help promote the philanthropic mission of the company. To date, Pura Vida has donated over \$1 million of cash and committed part of its equity to nonprofits.

With the release of this report, the 1% or More in Community Campaign has surpassed its initial goal of helping the community investing field grow to \$15 billion by 2005. The Campaign has helped create a strong flow of capital to underserved communities and helped investors see the need to include community investing in their portfolios.

More than 50 Social Investment Forum members have taken part in the Campaign and, as of December 31, 2004, have invested over \$1 billion in net new community investments since the Campaign started. These 1% or More Achievers include mutual funds, institutional investors, and financial advisers whose primary focus is not community investing, but who have become leaders in directing money to underserved communities, with many going well beyond the one-percent minimum pledge. Now more than \$2 billion is directed to community investing by Social Investment Forum members, up from \$750 million when the Campaign started in 2001. A current list of the 1% or More Achievers is on the Community Investing Center at [www.communityinvest.org](http://www.communityinvest.org).

## COMMUNITY INVESTING INDUSTRY DEVELOPMENT

In addition to the work of the Community Investing Program, the community investment industry is rapidly developing and making it easier for a broad range of investors to participate in this expanding field. While many CIIs have developed innovative programs and products themselves, this Report outlines some of the most important to the broader community investment industry.

**CARS™ (Community Development Financial Institutions Assessment and Rating System)**, developed by the Opportunity Finance Network, provides a comprehensive analysis of non-depository CIIs—including a rating of impact performance, with an assessment of whether the institution plays a leading role in policy, and a rating of financial strength and performance—to aid investors in their investment decisions. As investors incorporate the CARS™ rating and analyses into due diligence reviews, it will become a recognized benchmark in the community investment field.

**CDARS (Certificate of Deposit Account Registry Service)** is a service of Promontory Interfinancial Network that allows deposits of up to \$20 million in community development banks to receive FDIC insurance. This innovation offers investors a convenient and insured product that supports the lending activities of the bank and earns competitive CD-level rates of return.

**CDFI Data Project (CDP)** is an industry collaborative<sup>2</sup> that ensures access to and use of data to improve practices and attract resources to the community development financial institution (CDFI) field. The CDP increases understanding of community investing by collecting approximately 150 datapoints on operations, financing, capitalization, and outcomes on over 450 CDFIs each year. The CDP produces an annual industry report on the data and provides other products and services such as the CDP dataset and specialized analyses of the CDP data.

**CDFI Fund** is a program of the US Department of the Treasury that was established in 1994 to strengthen CDFIs' ability to provide capital and financial services to underserved communities. The CDFI Fund is the single largest source of financing for CDFIs and provides technical assistance, Native American CDFI development assistance, and financial incentives to banks and thrifts that invest in CDFIs. The CDFI Fund also administers the New Markets Tax Credit Program that is designed to spur more than \$15 billion in investments in CDFIs from individuals and corporations that receive a tax credit for making equity investments in eligible community development entities.

<sup>2</sup> The CDP partners include: Association for Enterprise Opportunity, Aspen Institute, CDFI Coalition, Community Development Venture Capital Alliance, Corporation for Enterprise Development, National Community Investment Fund, National Federation of Community Development Credit Unions, and Opportunity Finance Network.

**Community Investment Pools** are designed to make it safe and convenient for individuals and institutions to invest in CIIs by offering registered investment products, portfolio diversification, and professional management. Investors are channeling more than \$150 million to CIIs through these nonprofit Community Investment Pools like Calvert Foundation, MMA Community Development Investment, and the Tzedec Economic Development Fund.

**International Year of Microcredit 2005** was designated by the United Nations (UN) as a year to promote international microfinance, to support microenterprise, and to assess poor and

## Innovations in Community Investing

**Calvert Foundation's Community Investment Notes** were recently made available on a trading platform so that they can be transacted like stocks, bonds, and other securities. This removes significant barriers for brokerage firms who want to offer community investing to their clients.

**Community Reinvestment Fund (CRF)** issued the industry's first community development note offering rated by Standard and Poor's. This achievement strengthens CRF's connection to the capital markets while providing funding to small businesses in underserved communities.

**Developing World Markets** structured the world's first and largest cross-border securitization of loans to microfinance institutions. This \$90 million capital raise, the BlueOrchard Microfinance Securitization, enabled microfinance institutions to make an estimated 90,000 small-business loans to low-income individuals and families.

low-income people's access to financial services around the world. The Year has focused attention on the impact and importance of international community investing, particularly its contributions to the UN's Millennium Development Goals. Many of the institutions and initiatives inspired by the Year continue to build more sustainable and inclusive financial sectors by making microcredit and microfinance vital parts of the development equation.

**Trade Associations of CIIs** support the development and growth of CIIs throughout the country, often by providing access to capital, training, and technical assistance. The National Federation of Community Development Credit Unions, for example, has over 200 member credit unions and provides investments, training, technical assistance, consulting, policy work, and grants to help them meet their community development goals. Other trade associations include the Community Development Bankers Association, Community Development Venture Capital Alliance, National Community Investment Fund, and Opportunity Finance Network.

## COMPLEMENTARY ACTIVITIES IN COMMUNITY INVESTING

While this report only tracks and quantifies the assets involved in community development financial institutions (CDFIs), the Social Investment Forum also recognizes a growing number of supporting activities and institutions that are helping to stimulate investment and provide services in lower-income and underserved communities.<sup>3</sup> Each of these activities has exhibited a strong impact on the communities and individuals it serves, and complements the work of CDFIs.

**Community Development Corporations (CDCs)** focus on economic development in low- and moderate-income US rural and urban communities. Their services are more specialized than those of CDFIs and CDEs, as they focus mainly on housing production and job creation. There are thousands of CDCs nationwide, of which more than 700 are tracked by the trade association entity, the National Congress for Community Economic Development (NCCED).

**Community Development Entities (CDEs)** are government-certified domestic corporations or partnerships with a mission of serving lower-income communities and their residents. They differ from CDFIs in that providing financial services is not their main goal, although it is an important part of their mission. CDEs also maintain greater accountability in their work with residents of low-income communities, often by having resident representation on a governing

<sup>3</sup> Where investments in these complementary activities are channeled through a community development financial institution, the assets are counted in this report.

or advisory board to the entity. According to the CDFI Fund, there are more than 2,000 CDEs currently certified and operating in the US.

**Community Development Municipal Bonds (CDMBs)** are securities issued by states, cities, towns, counties, and special districts that have community development as their primary purpose. The interest on CDMBs is generally exempt from federal income taxation and, in some cases, state income taxation.

**The Community Reinvestment Act (CRA)**, established by Congress in 1978, encourages financial institutions to meet the credit needs of their communities in the US, especially low- and moderate-income (LMI) communities. Every FDIC-insured depository institution is subject to the CRA, and large institutions (those with more than \$1 billion in assets) are subject to the CRA Investment Test, which measures the extent to which these institutions engage in community investing in LMI areas. While the total amount of community investing by banks is not known, the CDFI Data Project reports that banks are the largest contributors of capital to Community Development Loan Funds, and are also active investors in Community Development Venture Capital, Mortgage-backed Securities, Low Income Housing Tax Credits, New Markets Tax Credits, and Community Development Municipal Bonds.

**Economically Targeted Investments (ETIs)** are investments that yield competitive risk-adjusted rates of return while collaterally providing long-term economic benefits to targeted communities, regions, economic sectors, residents, and workers. Among the collateral benefits that ETIs typically stimulate are sustainable job creation and growth, business development, and improvements in infrastructure and affordable housing. Many public pension plans have embraced ETIs as prudent investments that strengthen their local economies and serve the interests of their systems' beneficiaries by supporting local enterprise, developing blighted urban areas, and preventing the outsourcing of local jobs. Some of the states that have actively used ETI strategies in their public pension portfolios include California, Connecticut, Maryland, New York, Washington, and, beginning in late 2004, the Massachusetts Pension Reserves Investment Management Board.

**The Low Income Housing Tax Credit (LIHTC)** is a federal housing program that provides tax incentives for investing in affordable rental housing. Through this program, created within Section 42 of the IRS Code, investors receive a credit against their federal taxes in exchange for providing funds to build or renovate housing at rents within reach of low-income people. Since its enactment in 1986, the LIHTC program has become the primary means of developing affordable housing in the US.

**Targeted Mortgage-backed Securities (MBS)** and Collateralized Mortgage Obligations (CMO) are pools of mortgages to low- and moderate-income individuals that represent the collateral for a security, the cash flow of which is determined by the payment of the individual mortgage loans underlying the security. The Access Capital Strategies Community Investment Fund, CRA Qualified Investment Fund, and Domini Social Bond Fund are leading investment opportunities specializing in this area of community development.

## Methodology

The Social Investment Forum employs a direct survey methodology to identify professionally managed community investment assets in the United States. This section describes the data qualification, data sources, and methodology employed for the purposes of this report. Finally, this section identifies community investment assets that are not counted in surveying, providing additional verification that the findings presented in this report remain a conservative statement of the total assets involved in community investment in 2005.

The research employed in this study is designed to identify assets that qualify as community investments. Members of the Social Investment Forum are included in the survey, but the survey is not limited to these members.

### WHAT WAS COUNTED

The assets, as of December 31, 2004, of US-based institutions qualifying as Community Development Financial Institutions (CDFIs) were included in this section of the report. The Social Investment Forum defines a CDFI as a private-sector organization that has a primary mission of lending to lower-income communities and engages in finance as its primary activity. This includes US investor money in international funds that channel capital to microfinance institutions and community development projects abroad.

### WHAT WAS NOT COUNTED

Assets of any institution that is not recognized as a Community Development Financial Institution (CDFI), such as community development corporations, community development entities, community development municipal bonds, economically targeted investments, low-income housing tax credits, targeted mortgage-backed securities, and any investments in accordance with Community Reinvestment Act requirements that were not made through a CDFI were not counted. Although these were not included in the total asset count, they were covered in the report's narrative. Investments in international funds from government donor agencies (like USAID), international financial institutions, and foreign investors were also not included.

### SURVEY METHODOLOGY

Data on community investing used in this report were provided by leading Community Development Financial Institution (CDFI) trade associations, intermediaries, and data providers: Aspen Institute, Calvert Foundation, Community Development Venture Capital Alliance, National Community Investment Fund, National Federation of Community Development Credit Unions, Opportunity Finance Network, and the Social Investment Forum Foundation. These organizations were surveyed for the amount of assets managed by the CDFIs in their specific field.

### SPECIAL NOTE ON TIME SERIES

Over time, data collection for these reports has improved. Growth in community investing therefore has occurred in several ways: through the creation of new community investing institutions, through increased investment into existing institutions, and through better tracking of institutions. For these reasons, we advise against using these data for highly technical time series analysis.

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## **CONSERVATIVE BIAS: Note on Undercounting**

The Social Investment Forum believes that the data sources included in this study have led to the identification of the vast majority of the professionally managed assets in the United States that meet the study's definition of community investing. However, there are certain types of community investment assets that this survey is not able to identify, such as the following:

- ◆ Community investing not made through a Community Development Financial Institution.
- ◆ Assets of venture capital, or “double bottom line” private equity, apart from those included as community development venture capital funds.

## About the Publishers

**The Social Investment Forum Foundation** is a national nonprofit organization providing research and education on socially responsible investing. The Forum Foundation provides cutting-edge research on the trends, practice, performance, and impact of social investing.

**The Social Investment Forum, Ltd.** is a national nonprofit membership association dedicated to promoting the concept, practice, and growth of socially and environmentally responsible investing. The Forum's membership includes over 500 social investment practitioners and institutions, including financial advisers, analysts, portfolio managers, banks, mutual funds, researchers, foundations, community development organizations, and public educators. Membership is open to any organization or practitioner involved in the social investment field.

### FOSTERING SUSTAINABILITY

Socially concerned investors are sensitive to the idea of achieving their financial goals through investments that align with their values. The multiple strategies, which combine to define the concept of socially responsible investing, are important to achieving the multiple goals of social investors.

Social Screening allows socially concerned investors to match their personal or institutional values to their investment decisions. Through social screening, investors include or exclude securities based on the track records of companies on key issues of societal impact, such as environmental performance, the implementation of anti-discrimination and other fair workplace policies, human rights and the exclusion of sweatshop and child labor in the countries in which the companies conduct business, and product impact on the health and safety of consumers (tobacco, gambling, weapons).

Shareholder Advocacy provides concerned investors with a powerful way to communicate directly with corporate management and boards of directors about desired changes in policy and practice.

Community Investing works in local communities where capital is not readily available to create jobs, affordable housing, and environmentally friendly products and services.

### RESOURCES FOR THE MEDIA AND THE PUBLIC

Members of the media and the public can turn to the Social Investment Forum for the following resources:

**Award-winning Web site [www.socialinvest.org](http://www.socialinvest.org):** The Forum's acclaimed Web site includes the Mutual Fund Performance Chart, the Directory of Socially Responsible Investment Services, summaries of the best research on socially responsible investing, and other resources for professionals in finance and the media, researchers, and individual or institutional investors.

**Directory of Socially Responsible Investment Services:** Provides a listing of the leading professionals in the socially responsible investing field, including financial planners; money managers; consultants; community development banks; credit unions and loan funds; social research and education organizations; and shareholder advocacy organizations. Find these professionals by type of service or location. Contact the Social Investment Forum to order a print copy, or locate the directory (free) on our Web site: [www.socialinvest.org](http://www.socialinvest.org).

## INFORMATION ON SOCIAL SCREENING:

- ◆ **Media Center:** Find our latest media releases on mutual fund performance and other socially responsible investing issues.
- ◆ **Mutual Fund Performance Chart:** Tracks the performance of the leading socially screened mutual funds over a ten-year period and includes a summary of each fund's screens. Find the chart on: [www.socialinvest.org](http://www.socialinvest.org).
- ◆ **Research:** Find summaries of cutting-edge research on social screening and fiduciary responsibility on our Web site: [www.socialinvest.org](http://www.socialinvest.org).

## INFORMATION ON SHAREHOLDER ADVOCACY:

Find the latest information on shareholder advocacy on our Web site, [www.sriadvocacy.org](http://www.sriadvocacy.org).

- ◆ **Current Shareholder Resolutions:** Comprehensive information on resolutions filed for the current shareholder season. Find them by issue or by company.
- ◆ **Corporate Contacts:** E-mail links and sample letters to corporations receiving social shareholder resolutions.
- ◆ **Results:** Results of recent shareholder votes.
- ◆ **News:** Latest media involving both corporate governance and social resolution concerns.
- ◆ **Shareholder "How to":** Information on how to file or vote on a shareholder resolution.
- ◆ **Regulatory alerts:** Information on regulation affecting investor rights.

## COMMUNITY INVESTING CENTER:

Find the latest information on community investment opportunities and issues on the Forum's Community Investing Center, co-sponsored with Co-op America, in collaboration with the Calvert Foundation and the CDFI Data Project: [www.communityinvest.org](http://www.communityinvest.org).

**Information for Institutional Investors:** Find resources on mission-related investing, corporate governance, and fiduciary responsibility, tailored to the specific needs of socially responsible institutional investors, at [www.socialinvest.org/institutions](http://www.socialinvest.org/institutions).

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Membership in the Social Investment Forum is open to any company, organization, or practitioner involved in the social investment field. Join by contacting the Forum via phone, mail, or on the Forum's Web site: [www.socialinvest.org](http://www.socialinvest.org).

This Report was made possible through the generous support of the following organizations that specialize in socially responsible investing.

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