

Intentional Investing

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Asheville Citizen-Times

DECEMBER 23, 2012
www.citizen-times.com



If you can buy a homegrown tomato in Asheville to support a local farmer, why not a homegrown certificate of deposit that pays not only interest, but added dividends in local jobs?

“Buy Local is part of the Asheville ethic — that’s what’s fueling

the Local Food movement or our push for local energy,” said Peter Krull, who heads Krull & Co., a socially responsible investment firm.

Krull sees “intentional investing” as the next step to boost the local economy.

“People can go to a farmers market and understand they’re buying their tomatoes locally,” said Shaw Canale, CEO of Mountain BizWorks, which provides capital and counseling for small businesses. “Now we have to show them how they safely invest their money locally.”

Banks are in the business of making money with their loans, but even before the 2008 financial meltdown and a clampdown on credit, many small businesses found it hard to qualify for capital from corporate banks.

In 2000, Cathy Cleary and Krista Stearns had a “hare-brained” idea to open up their own bakery. “We were 28 years old. We were schoolteachers. We didn’t have any business experience. The banks simply told us, ‘Sorry, we can’t help you.’”

Cleary and Stearns turned to Self-Help Credit Union, the North Carolina financial institution that is headquartered in Durham. Arriving in Asheville some 20 years ago, Self-Help was instrumental in downtown's renaissance, renovating the Public Service Building. In the past two decades, Self-Help has provided the seed money for a host of start-up businesses and restaurants.

"They were the only ones who would give us a loan," Cleary recalled.

With an \$11,000 loan from Self-Help and maxing out their credit cards, Cleary and Stearns were able to launch West End Bakery in West Asheville. A dozen years later, the bakery employs a staff of 24, baking up bread, muffins and other tasty items.

Another social entrepreneur, David Wilson, turned to Mountain Microenterprise Fund — the precursor to Mountain BizWorks — and later to Self-Help when he was launching Casa Dei Bambini, the region's only Spanish-language immersion preschool.

"The banks don't tend to lend to mom-and-pop businesses especially in child care or early education, even though it's a vital service in any community," Wilson said. "It couldn't be more important."

Casa Dei Bambini now has a staff of eight workers, serving 55 children with a waiting list that continues to grow.

Making capital count locally

Between Mountain BizWorks and Self-Help, the two community development financial institutions have financed nearly 1,000 businesses across Western North Carolina with \$60 million in loans.

Jane Hatley of Self-Help Credit Union calls it "intentional capital." Self-Help focuses on loans in areas such as child care and green businesses that are creating jobs at a faster clip during a slow recovery.

With its recent merger with Carolina Mountain Credit Union, Self-Help has stepped into retail banking, offering federally insured checking and savings accounts along with its loan program. Money that goes into Self-Help coffers gets spread back into the community.

Research shows that for every \$100 spent at a national chain store, only about \$10 remains in the local community. “If you spend \$100 at a local business, \$45 goes into the local community — so there is almost a five-times multiplier effect of doing business locally,” Hatley said.

Now Self-Help, Mountain BizWorks and Krull are teaming up to educate clients and investors about responsibly putting their money into the community.

Krull works with investors with at least \$250,000, helping them put their money to work for them in socially responsible ventures. Krull likes steering a reasonable amount of their portfolios into local efforts.

These local investment options are available without falling under the stringent Securities Exchange Commission regulations, which cover wealthier angel investors.

Krull points out this is not simply feel-good charitable gifts but a solid return on investment.

“I like that Mountain BizWorks does due diligence and offers business classes and counseling for those loan participants,” Krull said. “They’re making your investment even safer.”

Krull’s goal in 2013 is placing about 5 percent of his firm’s \$14 million portfolio into local investments through Mountain BizWorks or referring them to Self-Help.

Canale and Krull both cautioned that the Mountain BizWorks’ loans are not risk-free and that investors need to understand the money they put in will not be as liquid as other investments.

“I want them to understand the level of risk. We lend on the margins where banks can’t,” Canale said.

At Mountain BizWorks, investors can work out a note for between one to 10 years, at a competitive rate of up to 3 percent. The investment can be as little as \$1,000.

A financial adviser steered Lewis Gelfond and Susan Pearson were steered toward Mountain BizWorks by a financial advisor. They talked to Nathan Harlan there at Mountain BizWorks and wrote up a note, basically loaning the nonprofit their money to re-invest in business startups. "We wanted to do something locally that you can see making a difference," Gelfond said.

James Chatham, of Asheville, likes the opportunity to put his savings in an institution like Self-Help that shares his values. "We believe in using our money not to earn more money for people who are already rich, but to do worthwhile things in the local and regional community."

The fact that Self-Help's rates on certificates of deposit are running higher than many banks is an added attraction, Chatham said.

Self-Help currently offers certificates of deposit that concentrate on green businesses or to support women and children in business and home loans, and is developing a CD product to invest exclusively on local business, Hatley said.

"People can make a difference just by opening a checking account," she said. "There is a real need for this kind of intentional investing."

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