YOUR MONEY

Community Investing: Helping Others

Hundreds of millions of dollars and tremendous amounts of supplies have poured into charitable agencies to help the underprivileged victims of Hurricane Katrina get by for the short-term. While charitable giving remains very important, many people are looking for options that are more focused on helping for the long term.

Barbara VanScoy is a portfolio manager with CRA Fund Advisors, an investment management company that focuses on community reinvestment act securities. She says "Charity is an important first step after a disaster like Hurricane Katrina. But the reality is that what these communities really need to get back on their feet are major investments in infrastructure, housing, small businesses, schools and other vital community services."

The challenge in rebuilding these areas is the economic disparity of its residents. "Many of these communities were already disenfranchised prior to Katrina's wrath, and we want to work to avoid those same communities being further disenfranchised, economically and politically, in the relief/rebuilding/recovery efforts," Amanda Joseph, with the Shefa fund.

The community reinvestment act (CRA) was originally enacted by congress in 1977 to prevent redlining and encourage banks to meet the credit needs of members of all their communities. Traditionally, efforts have been directed at some of our most problematic issues including: urban decay, rural poverty, economic disenfranchisement, declining public health, and hopelessness. Now, you can add rebuilding cities to the list.

CRA Fund Advisors has now given individuals and institutions the option to direct their investment dollars toward projects located in the Katrina affected areas of Louisiana, Alabama and Mississippi. They have already

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reached 50% of the $100 million dollar goal. The majority of that money will be used to help develop low income housing as well as small business start-ups.

The important thing to remember is that these funds are investments in the future, and not just a one-time donation. Therefore, the assets continue to benefit both the investor and the beneficiary. Typically, CRA investments provide returns similar to bonds.

In addition to the community reinvestment act investments, there are other avenues to take via community investment initiatives and foundations. The Calvert Foundation has been a leader in the promotion of community investments over the last ten years. They have worked both domestically and internationally to lend opportunities to those ignored by traditional funding institutions.

Shari Berenbach, executive director of the Calvert foundation says that "Now, Calvert Foundation community investors can channel their investment capital to help rebuild cities and rural communities devastated by Hurricane Katrina. We want to support local organizations -- accountable to the communities they serve -- to foster long-term revitalization and more equitable development."

Community investment initiatives are for the more charitably inclined. The returns garnered are typically 1% to 2% below market-rates for fixed income investments. The social impact, however has been felt by many of those who need it most. It's hard to place a monetary value on that. In the realm of socially responsible investing, community investing is the fastest growing segment.

Other than the current need for investment following the hurricane disasters, community investment initiatives focus on a broad range of programs. Among these initiatives are first-time homebuyer programs, small business and microenterprise job creation and sustainable agriculture.

Internationally, microloan programs make a huge impact for a small investment. In developing countries, loans for as little as $50 can help get a business started. And unlike many trends in the US, the repayment rate is greater than 95%. Deidra Wager, an executive with Starbucks invests in an international microfinance fund. She believes that "it's the social return that makes this a truly meaningful investment."

A recent campaign from the social investment forum has encouraged investors across the country to take a close look at community investing. Their goal is for individuals and institutions to allocate just 1 percent of their assets to community based investments. The goal of 1 percent will effectively raise the year 2000 figure of $5 billion in community investments up to $15 billion.

Ask your financial advisor about opportunities to make your investment portfolio more community friendly, and try to hit just the 1 percent goal. Berenbach reiterates the importance of community investment, "tragedies like Katrina put the spotlight on how income inequality impacts us all. Community investment gives people an opportunity to do something positive to reverse this inequality."

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