Comptroller of the Currency
Administrator of National Banks

Community Developments *Investments*

Investment Intermediaries: Helping Banks Achieve a Double Bottom Line

Summer 2005

OCC's Community Affairs Department

(202) 874-5556

CommunityAffairs@occ.treas.gov

A Look Inside

Welcome back to **Community Developments *Investments*** (**CD *I***), the OCC's on-line magazine focusing on national bank investments in community development (CD) activities. This issue of **CD *I*** looks at two innovative CD finance providers. These investment intermediaries offer banks the ability to earn a double bottom line return - of both economic earnings for the investing bank and social gain for the communities they serve.

Full Story...

Calvert Foundation: Providing the Perfect Match

You could call the Calvert Social Investment Foundation (CF) in Bethesda, MD, a matchmaker. This financial intermediary of the community development financial community "pairs" selected nonprofits with banks looking for Community Reinvestment Act (CRA) qualified community development lending and investment opportunities.

Full Story...

Bay Area Funds Focus on the Double Bottom Line

A family of three community development funds in San Francisco is making a tempting offer to banks: Invest with us and you'll obtain a good return for your bank's bottom line as well as for your community. The Bay Area Family of Funds says its bank investors can expect to get more than just possible Community Reinvestment Act (CRA) credit. Bay Area Fund Executive Vice President and Managing Director Elizabeth Ferguson says the fund's investments in environmental cleanup, local business growth, and real estate will seek to generate private equity market rates of return for bank investors.

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The Bay Area Family of Funds made development of an apartment building in San Francisco possible by funding the environment clean-up of the site.

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Calvert Social Investment Foundation (CF) lends to local CD intermediaries across the country. CF does the due diligence for its investors, can invest in any geography identified by investors, and provides a guaranteed return on the investment. CF can target bank funds to specific geographies, organizations, and purposes while offering CD lending expertise, a diversified loan pool, and credit enhancements.

The Bay Area Family of Funds (BAFF) predominantly targets loans to the San Francisco Bay area, along with some other California locations. BAFF has developed three funds that provide complementary financial programs and seek to earn market rates of return for community investments.

These different approaches each offer financial management, investment oversight, and community development investing expertise for investors, as well as access to scarce capital for local borrowers. These entities are examples of investment opportunities that can control risk and provide a double bottom line of a return on investment and benefits to low-income communities that may be eligible for CRA credit.

Other investment opportunities are described in "This Just In..."--the OCC's District Community Affairs Officer reports from the field.

We're glad you're visiting our e-zine and hope it continues to provide you with good information about community development investing. If you would like to share your thoughts about this edition or any community development topics we might cover in the future, please drop me a note at the e-mail address below.

Barry Wides
Deputy Comptroller
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The Calvert Social Investment Foundation offers several community investment options for banks that can transform your capital into economic opportunities for those who need it the most. The Calvert Foundation's broad objective is to create "community investment" as a new asset class in the financial services industry. In addition, CF recently began offering investors the option to register and exchange their investments electronically through the Depository Trust Corporation, thus making the process faster and easier.

Bringing Potential Partners Together

Much like a real world matchmaker, CF solves challenges faced by both bank investors and nonprofit borrowers. Banks without the resources to find quality CRA investments can look to CF to prescreen nonprofits for financial and operational capability and to monitor investments over time. Although CF's Community Investment Notes--a financial instrument designed to pay a fixed, below-market rate of interest for the term of the note--are not federally insured, the risk is mitigated in a number of other ways. Enhancements include portfolio diversification, rigorous due diligence, and portfolio monitoring. Community nonprofits that pass the CF screening process gain access to financing for community-based initiatives, including affordable housing, microcredit, small business financing, and social enterprise programs. With Calvert Foundation bridging the gap to bring the two parties together, many happy investment "unions" are happening. To date, CF has matched over 2,100 investors with over 150 borrowers. CF's portfolio currently stands at about $73 million.

Targeted Lending

When doing community lending, banks like to place their funds locally. Calvert Foundation can find compatible nonprofits. A bank committed to a minimum $50,000 investment in a CIN can ask Calvert Foundation to search for nonprofits in the bank's CRA assessment area (or broader regional area) to locate a good match. CF can match investments to the bank's criteria, and it has different ways to meet the bank's criteria, including a direct investment in a project or a loan to a qualified financial intermediary.

"U.S. Trust is proud to be a partner with the Calvert Foundation in rebuilding our communities one house, one business, and one job at a time."

Craig Walling, President & CEO, U.S. Trust Company N.A.

Mitigating Risks

Just like a matchmaker checks into family history, CF conducts due diligence seeking investments that are diversified and well managed. The Foundation has ten years of experience in community development lending and a low loss ratio.

Personalizing the investment tools

The Calvert Foundation raised over $80 million through the sale of CINs. The funds serve as the source of capital for the loans made to qualifying entities. The purchaser of the CIN chooses the interest rate of return, ranging from 0 percent to 2 percent for investment terms of 1 to 3 years, and 0 percent to 3 percent for investment terms of 5 to 10 years. The CINs, in turn, enable CF to lend to community development financial institutions and affordable housing developers at 4 percent to 4.5 percent. Such below-market interest rates and flexible terms make these loans attractive to nonprofits providing products for low- and moderate-income people and organizations serving this population. In addition, CF recently began offering investors the option to register and exchange their investments electronically through the Depository Trust Corporation, thus making the process faster and easier.

Investor Dollars Meeting Nonprofit Needs

CF also works with nonprofits to meet their specific needs when possible. One of its largest loans to date is a $1 million unsecured loan to BRIDGE Housing Corp., San Francisco. As one of California's largest nonprofit developers, BRIDGE turned to Calvert Foundation when it needed money for a pre-development pool of funds. Like many nonprofit developers, BRIDGE found it difficult to create a dedicated pool of seed money for planning projects, given that it works at break-even levels and has no excess earnings to dedicate to such use. The CF loan to BRIDGE gave the nonprofit the funding needed to plan, acquire, and develop projects like Sycamore Place. As the projects are built, the pre-development financing is "taken out" with traditional financing, thus replenishing the seed pool (see sidebar, below, for a description of a BRIDGE housing project).

Building Sustainable Housing: BRIDGE Housing Corp.

The arts and crafts architecture at Sycamore Place provides a warm setting for low-income senior residents. This building also illustrates the "green" building standards (making residences more environmentally-friendly and cost-effective in both the short-term and the long haul) being used by BRIDGE Housing Corporation for sustainable development. The facility has a radiant heat barrier, a roof lining that helps re-direct heat away from the building, keeping its corridors at comfortable temperatures without additional air-conditioning and heating. Sycamore Place was developed by a partnership between Danville Senior Housing Associates, LP and BRIDGE Housing Corporation, with both city and county financing. Calvert Social Investment Foundation has provided financing for BRIDGE programs.

Calvert Social Investment Foundation provided financing for BRIDGE Housing Corporation, the developer of Sycamore Place.

Meeting Bank CRA Needs

In another investment, CF and a number of smaller Los Angeles banks are piloting a program that combines the Community Investment Note program with an equity equivalent investment or EQ2. The banks will each make a $10,000 EQ2 (subordinated loan) and purchase a $90,000 community investment note. Calvert Foundation pools these funds, resulting in a blended interest rate that makes CF's loans more affordable to nonprofits. CF's pilot program is intended to reduce borrowing costs for qualifying nonprofits. Investments or loans to CF may be eligible to receive positive consideration under the CRA (see the CRA regulation and Interagency Questions and Answers for details).

Meeting Local Community Needs

In New Iberia, Louisiana, CF's matchmaking efforts have provided capital to the Southern Mutual Help Association, Inc. (SMHA). That capital is helping local dreams come true for people like Darlene Carpenter, who only imagined a home of her own six years ago (see sidebar, below, for a profile of an SMHA borrower). SMHA works in poor, rural communities of southern Louisiana, like New Iberia, to help local residents build assets and create new wealth in their communities. Founded in 1969, Southern Mutual Help Association (SMHA) focuses on economic development in distressed rural Louisiana communities, primarily working with agricultural and pervasively poor communities, women and people of color. SMHA helps build rural communities through people's growth in their own empowerment and the just management of resources. SMHA works in two areas: Building Rural Communities and Life Quality. All are programs designed to help people help themselves by providing a means to enter the economic mainstream.

Southern Mutual Help Association: A Community Lender

Darlene is a single parent who lived in Section 8 subsidized housing until SMHA introduced her to its Louisiana Rural Home Loan Partnership (the Partnership) program. With her good credit record and five years of substitute teaching experience, she was able to quality for a mortgage loan from the Partnership. The loan meant that she could purchase land and build a two-bedroom home. Based on her good repayment record and SHMA's familiarity with her finances, Darlene was then able to qualify for a consumer loan from SMHA. The loan funds were used to purchase a much-needed car to ensure a reliable commute to her new bank teller job. Recently, Darlene was able to pay off that car loan, early. In the photo above, you can see her and her son in front of their new home.

Darlene Carpenter is a low-income, single parent who has been able to qualify for assistance from Southern Mutual Help Association, a nonprofit borrower of the Calvert Foundation.

The Double Bottom Line

As it moves forward, Calvert Foundation believes that it has developed an effective way for investors to reach the nonprofit-community development sector with targeted bank investments. In addition, CF provides double bottom line results through a financial return to the investor and community benefits.

For further information about the Calvert Social Investment Foundation, visit http://www.calvertfoundation.org or contact Shari Berenbach, executive director, at (800) 248-0337.

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Double Benefit

The fund describes itself as making a regional investment effort to reach underserved areas with private investment dollars. To attract investors, the fund is seeking market-rate financial returns. To further economic development, the fund is financing projects that create jobs and promote community wealth. This dual effort is called a "double bottom line."

Bay Area Fund investors choose among three funds with different objectives. The Smart Growth Fund (SGF) focuses on mixed-use, mixed-income smart growth real estate development. The California Environmental Redevelopment Fund (CERF) provides loans and lines of credit for environmental cleanup. And finally, the Bay Area Equity Fund (BAEF) is a venture capital fund targeting job creation in the consumer products and services, technology, and healthcare fields. Bank investments in all three funds have been made under the Part 24 community development investment authority, and may qualify for CRA consideration.

The Bay Area Fund delivers market-rate returns in each of the three funds. It accomplishes this by hiring investment managers who know their asset class and have a proven track record. The fund is also committed to returning economic, social, and environmental benefits to the community. To ensure that the social bottom line is being fulfilled, the fund has developed a management assessment tool, the Social Impact Report. This report is the outcome of documentation, monitoring, and evaluation conducted for each investment.

"Citibank has invested in all three of the Bay Area Family of Funds because we like their holistic, local approach to addressing real estate and economic development in underserved areas."

Based on the concept of "more bang for each buck," the fund has attracted over $175 million in private investments from banks, insurance companies, a pension fund, private foundations, and individual investors since its inception four years ago. Of those dollars raised, over $100 million has been invested in projects and businesses.

Working Together

Evelyn Kenvin, Director of Investments for Citibank Community Development

The Bay Area Family of Funds is the brainchild of The Bay Area Council, a business roundtable started in 1945 by Bank of America, American Trust Company (later to become a part of Wells Fargo Bank), Bechtel, Pacific Gas and Electric, Fireman's Fund, and others. Today the council has collaborative corporate, government, and community partners dedicated to making the Bay Area's low- and moderate-income communities more livable through smart growth investments in sustainable, environmentally friendly economic development.

Council members are interested in bettering the quality of life, facilitating smart growth, and addressing those elements of the community that have been left behind. According to Ferguson, the Bay Area Council has had many other types of initiatives throughout its history. However, this is the first effort to sponsor funds to attract private investment into lower-income communities.

At Star's BBQ, Steve Williams, left, and Larry White - show off the new kitchen in their restaurant at the Gateway Retail Center Mall.

Smart Growth

As one of the Bay Area Family of Funds' three distinct investment vehicles, the Bay Area Smart Growth Fund, structured as a limited liability company (LLC), has raised over $65 million to invest in mixed-use, mixed-income real estate developments. So far, SGF has invested $61 million in twelve projects. Initially, the SGF sought returns to investors ranging in percent from the high teens to low 20s. To date, the fund's returns have done better than predicted, due to a very good California real estate market and good timing (see sidebar, below, for details about the SGF investment in Marin City Gateway Retail Center).

Marin City Gateway Retail Center, a Smart Growth Fund Investment

The flagship project for SGF is Marin City Gateway Retail Center (GRC), a shopping center built about a decade ago in a lower-income area surrounded by more prosperous areas. GRC tenants are national chains and include a restaurant and drug store. The original ownership structure of the center paired a real estate group with a non-profit owner/manager, Marin City Community Land Corporation (MCCLC). But the deal wasn't working. The nonprofit had trouble accurately billing and collecting rents, there was a poor mix of tenants, and the nonprofit didn't have the expertise to fix GRC's problems.

Russell Lam, owner of Gateway Cleaners, opens his door to encourage customers to come in for the grand opening of the new business.

SGF stepped in and invested $7.1 million in partnership with MCCLC which bought out the real estate partner. SGF became an equity partner, bringing along a plan to turn the property around over a seven-year time period through tenant repositioning, a full facelift of the buildings, and training so the community group's staff members learn how to effectively lease and manage commercial property. Revenues from the property now flow through MCCLC and profits are used to fund community projects such as the development of a garden, playgrounds, ball fields, and a library.The project was refinanced in early 2005. In the future, MCCLC expects to become full owner and the SGF will exit, after having met its financial and community goals.

Another element of the social bottom line to this particular investment is that SGF is helping local businesses to incubate their services and create new business opportunities. SGF and the Bay Area Council have been able to support the development of new businesses because they are able to combine with larger, more experienced players. The SGF is incubating maintenance and painting, security, and landscaping small businesses that can provide services to GRC. The goal of the incubation effort is to help grow stable businesses that can expand beyond GRC and provide their products and services to other projects being supported by the Bay Area Family of Funds.

Environmental Benefit

The Bay Area Family's second fund, the California Environmental Redevelopment Fund, has commitments of just over $34 million. Structured as an LLC, investors commit to a term of 10 years.

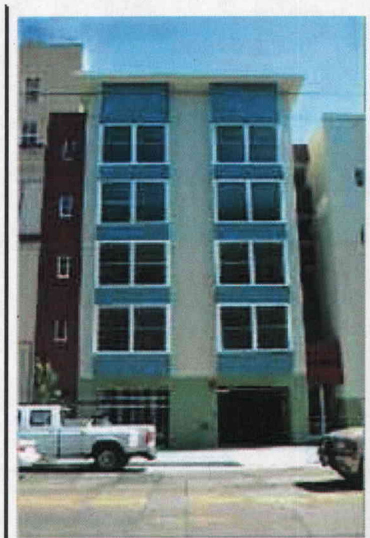
The fund's goal is to provide investors with a return in the high single digits. CERF, a revolving loan fund, is also a certified community development financial institution (CDFI), and is a provider of California Recycle Underutilized Sites (CalReUSE) funds. The CalReUSE program provides state pre-development dollars to finance environmental site assessments.

The CERF fund has completed fourteen debt-oriented investment transactions; four are in the Bay Area with the other ten located throughout California. The fourteen investments represent about $36 million, providing gap financing prior to construction, either as a line of credit or a loan, to fund environmental cleanup activity with the take-out being the construction loan. The fourteen projects range from the acquisition and rehabilitation of a gas station to the remediation of 60 acres of abandoned rail yard land (see the sidebar, below, for a description of the CERF project in downtown San Francisco).

CERF investors receive a return from interest and fee income. With interest rates low, the profit to be made is great and therefore attractive to investors.

Habitat for Humanity Develops Downtown Site

CERF provided a $1 million loan to Habitat for Humanity San Francisco to clean up and prepare the land beneath a recently completed five-story condominium project that now houses eight low-income families. Like Habitat's more common single-family housing projects, this one brought in future owners who helped build their own units with sweat equity. The average income of the residents is 49 percent of the area median income.



CERF helped develop Habitat for Humanity's new eight-unit apartment building in downtown San Francisco.

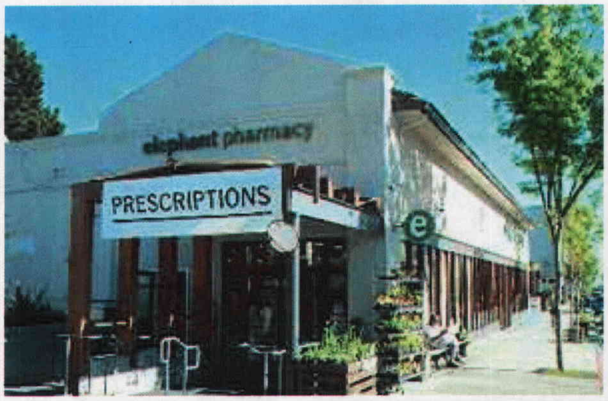
Venture Capital

While CERF and SGF improve the physical environment and appearance, housing, and services of the community, the Bay Area Equity Fund (BAEF) is about job creation. The idea is to provide human resources and support that can help link qualified local employees to jobs in every portfolio investment. To this end, BAEF invests in companies that are willing to provide jobs, most at entry level, for low- and moderate-income community residents through local employment development programs. The Equity Fund also plans to invest in industries that are the strength of the Bay area: consumer products and services, technology, and health care services (see sidebar, below, for a description of an equity investment.)

The fund has raised $75 million and, to date, has invested more than $11 million in seven companies. Investors include the Contra Costa County Employees' Retirement Association, a pension fund. Contra Costa decided to invest in the BAEF because it can maintain both its fiduciary responsibility and reach its social mission through the same investments.

Venture Capital For New Pharmacy Concept

BAEF provided $2.2 million in venture capital to the flourishing Elephant Pharmacy. In the short period since the pharmacy opened its doors, it has generated 70 new entry-level jobs for the local community.The pharmacy is an innovative, start-up business, combining traditional pharmaceutical products with complimentary and alternative products, such as food, flowers, and consulting health practitioners. This combination of merchandise and service is targeted to health conscious consumers.The business model for the pharmacy meets the requirements for BAEF's double bottom line because store is located in or near a low- and moderate-income geography in the Bay area; the majority of new jobs are entry-level positions with compensation that exceeds the livable wage ordinances in Berkeley, Oakland, and San Francisco; and staff benefits include health care, equity-sharing, and training.



Elephant Pharmacy, with a venture capital investment by the Bay Area Equity Fund, has brought jobs and a new business concept to the San Francisco Bay area.

The Whole is Greater than the Sum of Its Parts

The Bay Area Funds are successful in part because of the unique coalition of business, government, and community groups working together through the Bay Area Council. Ferguson also describes the Bay Area as the type of community that is rich in caring about neighborhoods and in caring about the environment. In addition, many elements of what the fund has done by designing the complementary work of the three funds could be replicated in other cities.

What's Ahead

Having had initial success in attracting banks, insurance companies, a pension fund, and private investors, the Bay Area Family of Funds is now able to focus more on deal flow and community impact. Additionally, the fund wants to ensure it delivers financial, community, and environmental success through the work of each individual fund. The real burden for the fund is to prove to the world that investments in lower-income communities can make good financial returns and help a community gain economic strength.

Acting as a catalyst, the fund is working on two new efforts. One is the Joint Venture Project (JVP), sponsored by the Ford Foundation. The JVP facilitates joint ventures between the private sector and community-based organizations in the Bay Area. This is an effort to expand the scale of development, including mixed-use redevelopment, and use of market-rate tools seldom employed by community developers. JVP is working to reduce poverty and promote self-sufficiency in low- and moderate-income neighborhoods.

The second effort is participation in the Bay Area Community Investment Network (BACIN), a vehicle for leveraging capital in the Bay Area region. BACIN emphasizes sharing community development investment initiatives and opportunities to stimulate network member collaborations. It also encourages the exchange of underwriting criteria and referrals between network members.

Finally, documenting, monitoring, and evaluating the social and environmental impacts of the fund investments is essential to the success of the double bottom line concept. Without this follow-up, the fund loses its unique value and investors will be hard pressed to determine the social value added by the investments. To this end, the fund is developing impact reports and narrative evaluations on each investment project. These tools describe the strategies used by the portfolio companies, the implementation process, and the results achieved. This information sets the fund apart from other social investments and keeps portfolio companies cognizant of both bottom line commitments.

For further information about the Bay Area Family of Funds, visit http://www.bayareacouncil.org or contact Elizabeth Ferguson at The Bay Area Council, 200 Pine Street, Suite 300, San Francisco, California 94104. The fund's telephone number is (415) 981-6600; its fax number is (415) 981-6408.

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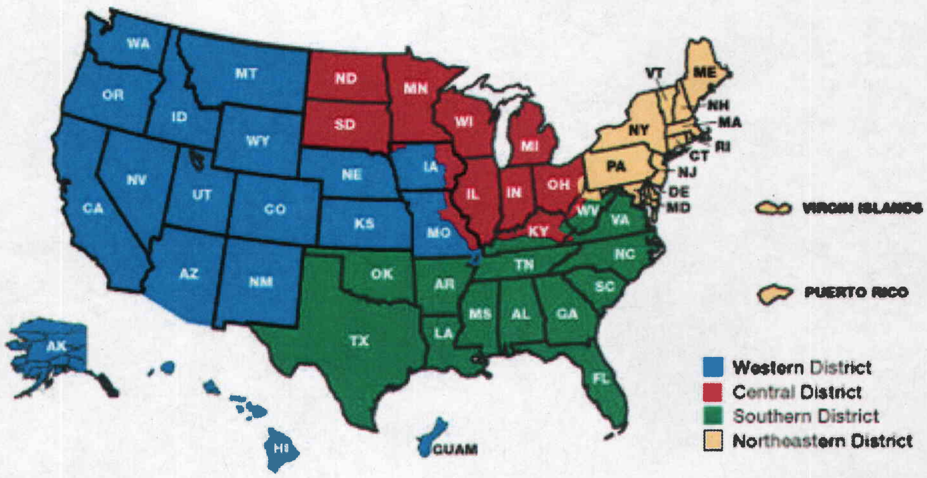
Looking for new investment ideas? In this article, OCC's District Community Affairs Officers (DCAOs) report on financing initiatives and partnership opportunities in each of OCC's four districts. In addition to being able to provide more information about these and other community development investment opportunities, DCAOs are available to consult with national banks in developing successful approaches to community developing lending and service delivery approaches.

Click on the map below for the DCAOs in your district.



Northeastern District

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Equity Opportunities Grow In Delaware

The Delaware Community Investment Corporation (DCIC) recently closed a $30 million equity fund under the organization's Affordable Housing Equity Program. DCIC finances and invests in housing and related activities designed to address the needs of low- to moderate-income people in Delaware. DCIC was established as a multibank community development corporation in 1994. One of DCIC's goals is to sponsor and administer an equity fund through which Delaware banks may invest equity in projects throughout the state that qualify for tax credits. With the addition of this new round of funding, the total equity made available by DCIC for affordable housing projects has grown to over $150 million. These funds have assisted in the production of 2,400 units of affordable housing.

In December 2004, DCIC announced eleven investors committed $10 million to its New Market Tax Credit Fund (NMTC). DCIC was the first community development entity in Delaware to receive an allocation of tax credits under the NMTC program. It is now taking applications for qualifying projects that will involve the development or rehabilitation of real estate considered to be public investments.

For further information, contact Doris Schnider, president of DCIC, at www.dcicnet.org or (302) 655-1420.

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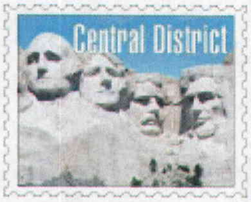

Central District

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Norma Polanco (216) 447-8866

Indiana Redevelopment Corporation Receives New Markets Tax Credits

The Indiana Redevelopment Corporation (IRC), a joint venture between the nonprofit Indiana Association for Community Economic Development and the real estate investment company House Investments, Inc., received a $25 million allocation of new markets tax credits in May 2004. IRC will use the tax credits to make flexible loans and investments in non-housing real estate projects such as commercial, industrial, office, and retail developments, and in community facilities such as day care centers and community centers in low-income communities in Indiana. Banks can purchase new markets tax credits from IRC. Banks also can refer prospective borrowers to IRC for equity and for subordinate financing while participating in such projects as senior secured lenders. Contact: Doug Sylvester at (317) 580-2535 or dsylvester@houseinvestments.com.

Adventures in ACEnet Ventures Fund

ACEnet Ventures Fund, a community development venture fund, is dedicated to assisting distressed central Appalachian communities in 27 counties across Ohio, Kentucky, and West Virginia. This fund provides equity and debt investments in specialty food and technology businesses, including start-ups, as a potential source of wealth creation for the low-income owners and employees of the businesses. Banks can invest in the fund through equity equivalent investments. Contact: Rick Krieger at (740) 592-3854, or log on to www.acenetworks.org.

Cincinnati Development Fund

Cincinnati Development Fund (CDF) is a certified community development financial institution established in 1988 to finance affordable housing development and community revitalization in the Greater Cincinnati area. CDF provides capital and financial consulting as a catalyst for comprehensive community development. CDF has five active loan pools, of which the Community Reinvestment Loan Pool provides affordable housing construction and permanent financing. Under this pool, developers can borrow for both construction and permanent financing using one mortgage note and therefore only necessitating one closing. CDF is now seeking new investors for Loan Pool VII for a three-year commitment. Contact: Robin McNulty at (513) 721-7211 or log on to www.cincinnatidevelopmentfund.org.

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Southern District

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David Lewis (214) 720-7027

Georgia Banks Investing in Affordable Housing

The Low Income Housing Tax Credit Program (LIHTC), created in 1986 and made permanent in 1993, is an indirect federal subsidy used to finance the new construction or rehabilitation of affordable rental housing under section 42 of the IRS code.

In 2001, the Georgia House of Representatives and Senate unanimously approved a state LIHTC program administered through the Department of Community Affairs. The credits provided by the program offer a dollar-for-dollar reduction in state income taxes and can satisfy bank CRA requirements in many instances.

Stateside Capital, LLC, headquartered in Atlanta is a for-profit organization formed to consolidate credits from various sources and offer them as investment opportunities to banks, corporations, and individuals. Minimum investments range from $100,000 in commingled funds to substantially higher amounts in private partnerships. The credits flow over a 10-12 year period and rates of return will vary with market conditions. The funds are comprised of properties throughout the state of Georgia that meet required tenant income guidelines. Because the state program mirrors its federal counterpart, the state investor receives the benefit of the due diligence performed by the large federal tax credit investors as well as the federal tax credit syndicators. For information or to contact Stateside about investment opportunities, e-mail rbeacham@statesidecapital.com, or call (404) 250-4190 or go to www.statesidecapital.com.

Revelation Urban Development Institute, Houston, Texas

Houston area bankers now can refer loan prospects to a one-stop service to finance and structure community development projects. The Revelation Urban Development Institute (RUDI), a nonprofit incorporated in April 2002, helps eliminate the mistakes that cost time and money according to its president, Steve Brown. Bankers, who participate in the program by making investment commitments, lending commitments, or both, can also refer prospects to the organization for financial analysis and loans packaging. The organization has years of lending and development experience, assuring investors that all elements of the project proposal are strategically and economically sound. They package the project for land acquisition, construction, or rehabilitation of single or multi-family residences, senior housing, retail commercial or faith-based facilities that serve the needs of low- and moderate-income (LMI) individuals and areas. Its primary goal is to improve the quality of life for LMI families by stimulating community and economic development projects. In the process, they work to increase the capacity of community-based groups (both community-based organizations (CBOs) and community development corporations (CDCs)) to develop affordable housing by providing expert technical assistance and resources. They also develop housing as a joint venture with CDCs and they operate independent community development projects. The organization is a community housing development organization (CHDO) certified by the City of Houston and

Harris County. For more information, contact Steven Brown at (713) 503-5124 or by e-mail at: revelationLLC@aol.com.

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Western District

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California Organized Investment Network

In 1996, California Organized Investment Network (COIN) was incorporated to stimulate capital investing by California's insurance industry. By investing in economic development and affordable housing projects and programs, the state's low-and moderate-income (LMI) urban and rural communities would benefit. Originally established as a three-year pilot program, COIN has become a permanent operation with a staff of three, soliciting and analyzing investment opportunities throughout the state. Since 1997, over $1.3 billion has been invested in 635 COIN qualified community development investments. Investments are made on a direct or indirect basis (through intermediaries), and run the gamut of CRA and community development qualifying investments. The organization regularly identifies opportunities in its *Investment Bulletins* and reports on new investment opportunities . COIN also runs its own community development financial institutions (CDFI) program, certifying community development programs and projects around the state.

Two popular programs stand out among the opportunities identified by COIN. First are the deposits or equity investments in California's community development banks and credit unions. COIN recommends that the investments be made in federally insured financial institutions but does not make any recommendations relating to interest rates. Each institution negotiates with depositors on rates, varying from 0 percent to market rate. The second well-known opportunity is the COIN CDFI Premium Tax Credit Program. COIN has received an annual allocation of $10 million from the state budget. An insurer or other financial institution may make an investment (minimum $50,000) into a COIN-certified CDFI and receive a 20 percent tax credit based on an investment maturity of at least five years. Many of California's insurers and banks of all asset sizes have participated in both programs over the last seven years.

For more information on COIN, please visit its Web site at www.insurance.ca.gov/COIN. Delores McKinnon, the organization's director, may be reached at McKinnonD@insurance.ca.gov.

Expanding Tax Credit Opportunities In Iowa

The Iowa Equity Fund, LLC (IEF), a limited liability company formed in 2001, promotes the development and sustainability of affordable housing through the use of the federal low-income housing tax credit (LIHTC) program. The formation of IEF resulted from cooperative efforts of many experienced Iowa affordable housing developers, and financial grants from the Iowa Finance Authority, as well as several banks. In addition to underwriting investments in the federal LIHTC program, IEF staff provides technical assistance to developers, owners, and management companies on the development and management of tax credit properties. IEF will syndicate and assist in all types and sizes of affordable housing properties with emphasis on rural, difficult to develop areas, and service intensive properties, such as rent-to-own and transitional housing. Every 12 to 18 months IEF sponsors an investment fund to invest or syndicate tax credit developments throughout Iowa. Traditionally, the investment funds seek Iowa-based corporate investors.

IEF is an affiliate of the Midwest Housing Equity Group, Inc. (MHEG), a 501(c)(3) nonprofit corporation. MHEG staff provides IEF with underwriting, management, and compliance expertise based on extensive experience with syndication of tax credit properties. MHEG also has over $110 million in current investments supporting more than 1,500 units of affordable housing in Nebraska, Iowa, and Kansas.

For additional information, please contact Iowa Equity Fund at (515) 280-6000 or visit its Web site at www.mheginc.com/IEF/iefwhat.htm.

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