

A Report  
from the  
**Initiative for  
Responsible  
Investment**  
at Harvard  
University

# CASH AS A MISSION-RELATED INVESTMENT



Valerie Berezin  
Lisa Hagerman  
David Wood



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A Report from the  
**Initiative for Responsible Investment** in  
cooperation with More For Mission—  
part of the Hauser Center for Nonprofit  
Organizations at Harvard University

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**THE HAUSER CENTER**  
FOR NONPROFIT ORGANIZATIONS  
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# Introduction

This paper explores the asset class of cash as a vehicle for mission investing. Its goal is to help foundations who wish to engage in the practice of mission investing—leveraging endowment assets to achieve financial and mission goals—by providing a simple, practical guide to mission-related cash investing.

## **Cash offers a variety of particular advantages as an entry point into mission investing:**

- There are a number of ways to source potential mission banking opportunities;
- Many banks have developed methods for reporting on their social impact;
- In most cases, mission banking does not differ substantially from other forms of banking;
- Mission-related cash deposits are often FDIC insured.

## **The benefits from using cash as a mission investment may include:**

- Increased access to capital for low-income borrowers and businesses;
- Opportunities to serve a foundation's targeted population or geographic mission;
- Building partnerships with community development banks to extend benefits in the community beyond those directly arising from investments;
- Support for environmentally beneficial economic activity through targeted lending.

Despite the relative lack of risk, and the identifiable mission benefits associated with mission banking, foundation endowments have yet to fully take advantage of these opportunities, and there is potential for a substantial increase in mission banking activity in the foundation sector.

The IRI conducted interviews in Fall 2009 with More for Mission member foundations and other organizations with experience in implementing a mission banking program.<sup>1</sup> This paper draws on key points from the interviews to offer advice for foundations on mission-related cash investing as an easy start to the practice; and, more broadly, to help grow the field of mission investing. We provide a brief overview of different mission banking options and offer practical advice for implementation.

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1 An October 2009 More for Mission quarterly conference call on mission-related investing in cash included a powerpoint presentation with examples from the Edward W. Hazen Foundation, Winthrop Rockefeller Foundation, and W.K. Kellogg Foundation, and can be found at: [http://www.moreformission.org/assets/files/Mission-relatedcash10\\_15\\_09.pdf](http://www.moreformission.org/assets/files/Mission-relatedcash10_15_09.pdf)

# The mission banking universe

**The mission banking universe encompasses organizations offering financial services to underserved populations and innovative products having environmental and local community benefits. In this section we highlight different types of banking institutions offering community development and green banking services:**

- Community Development Financial Institutions (CDFIs)
- Community Development Banking Institutions (CDBIs)
- Minority Depository Institutions
- Low-Income Designated Credit Unions
- Environmental Banks
- Banks and Credit Unions with a targeted geographic focus



## **Community Development Financial Institutions (CDFIs)**

A Community Development Financial Institution<sup>2</sup> (CDFI) is a financial institution whose primary mission is to promote community development—providing credit and financial services to underserved markets and populations in low and moderate-income areas. CDFIs are financing entities in the United States—banks, credit unions, loan funds, venture funds and microenterprise funds—that are entitled to government financial assistance or technical assistance (e.g., business development accounts, etc.) by demonstrating that they serve individuals and businesses that have historically lacked access to traditional credit. CDFIs are certified by the CDFI Fund, a program of the US Treasury, created in 1994 to foster community development through investment and technical assistance to CDFIs. As of December 2010, 939 organizations had been certified as CDFIs.

Often built on a culture of community partnerships and shared long-term prosperity, community development financial institutions generally demonstrate the capacity to provide affordable loans to a range of local household, small business and not-for-profit borrowers. In the United States, CDFIs have been pioneers in community banking by targeting underserved populations and geographies that can most benefit from the social and environmental impacts of their services.

Foundations can invest in certificates of deposit (CDs) with CDFIs that are covered by FDIC insurance, and may have access to the Certificate of Deposit Account Registry Service (CDARS) that, through the CDARS member network, can increase FDIC protection on CD investments. Foundations may also choose to place their operating cash to serve their basic banking needs (e.g., ACH debits, checks, wire transfers) with a CDFI.

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2 Community investing definitions can be found on the Community Investing Center's website <http://www.communityinvestingcenterdb.org/glossary.cgi>

There are several resources available for foundations looking to find CDFIs that meet their target geography or population served. For example, mission-driven foundation investor members of **More for Mission** have access to a tailored search tool that allows foundations to search CDFIs by state and type of CDFI.<sup>3</sup>

## **Community Development Banking Institutions (CDBIs)**

The National Community Investment Fund (NCIF) coined the term Community Development Banking Institution to include all banks that provide banking products and services in distressed communities, regardless of whether or not the bank is certified by the US government as a CDFI.<sup>4</sup>

Most community development banking institutions are regulated, insured depositories that can offer investors risk-free investment opportunities, including certificates of deposit, savings accounts and money market funds. These typically small- and mid-sized banks focus on low-income urban and rural markets that larger banks may find difficult to serve.

Many community development banks have developed specific techniques to manage their risks, including in-depth market knowledge that informs customized market outreach and lending strategies, technical assistance, risk management protocols, extensive community partnerships and other support mechanisms (e.g. borrower training programs, government loan guarantees).

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3 The search tool allows a foundation to search by type of CDFI and by state. The list includes over 900 Certified Community Development Financial Institutions and is current as of January 2011. <http://www.moreformission.org/page/44/community-development-financial-institutions-cdfis>

4 The National Community Investment Fund (NCIF) is a non-profit, private equity trust that invests in banks, thrifts and credit unions that generate both financial and social returns. <http://www.ncif.org/>

The National Community Investment Fund has a database tool that conducts searches of all domestic banks and thrifts according to an institution's organizational, financial and social performance data.<sup>5</sup> Banks and thrifts are measured based on percentages of lending to low-income borrowers (Development Lending Intensity) and percentage of branches located in CDFI Fund Investment Area census tracts (Development Deposit Intensity).<sup>6</sup>

## **Minority Depository Institutions**

The FDIC's Minority Depository Institutions Program promotes and encourages minority ownership of insured financial institutions. To qualify as a minority depository institution (MDI), an insured institution must be at least majority owned by members of socially or economically disadvantaged populations, or primarily serving minority populations. As of June 30, 2010, there were 203 certified MDIs. The full list can be found on the FDIC website.<sup>7</sup>

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5 <http://www.ncif.org/index.php/resources/database/>

6 [http://www.ncif.org/images/uploads/20090723\\_GlossaryPrimer.pdf](http://www.ncif.org/images/uploads/20090723_GlossaryPrimer.pdf)

7 <http://www.fdic.gov/regulations/resources/minority/minority2q2010.html>

## Low-Income Designated Credit Unions

Because credit unions are chartered to serve and are owned by members located in specific regions or who are employees of certain firms, they may be particularly well-suited for targeted economic development programs. Many credit unions have taken a lead in outreach to the unbanked, including the provision of emergency loans, used car loans needed for transit to work, microloans for small businesses, and appropriate mortgages for unconventional homeowners, such as those in manufactured housing or with unconventional documentation.

“Low-income credit unions,” designated by the U.S. National Credit Union Administration (NCUA) through an examination showing that a majority of its membership (50.1 percent) qualifies as low-income members, are specifically designed to provide lending and saving vehicles for underserved communities or geographies and receive dispensation for non-member deposits, among other benefits.

As of November 2009, the NCUA reports a total of 1,092 low-income designated credit unions.<sup>8</sup> NCUA provides a search tool for such credit unions similar to the More for Mission search tool for CDFIs.<sup>9</sup>

## Environmental banks

Currently there are a small number of environmental banks, though many banks and credit unions incorporate green lending strategies into their practice, and CDFIs in particular offer opportunities for triple-bottom line returns on cash deposits. A bank can play an environmental role in its ability to lend to environmentally beneficial projects and programs, from home improvement lending, to support for green businesses, to at the largest scale, lending for green infrastructure. Specialist environmental banks may offer the most obvious mission benefits, but the rapid development of green lending practices suggests that a wider range of opportunities may soon become available.

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8 <http://www.ncua.gov/>

9 <http://www.ncua.gov/DataServices/FindCU.aspx>

When **Macalester College** sought to create a mission cash deposit policy, it decided not to target only community development banks, but to include mainstream banks in a broad search. While Macalester decided to choose University National Bank,<sup>10</sup> a registered CDFI, the selection committee felt that engaging larger banks in the RFP signaled to the broader marketplace a demand for this type of product and service.

## **Banks with a targeted geographic focus**

Foundations may choose a local commercial bank as they service geographies of importance to a foundation's mission and programmatic objectives. Additionally, there are other ways to encourage local investments through one's commercial bank. Mission-driven institutional investors may negotiate deposits with commercial banks on the condition that they maintain or locate branches in underserved neighborhoods.

Cash deposits and operating accounts offer foundations an opportunity to actively engage with mainstream banks and encourage them to support mission-related banking practices. Sending an RFP to a mainstream bank can send a message regarding the demand for mission investing products such as loan programs for underserved areas and communities.

Similarly, endowments may use the direct nature of banking relations to engage banks on their environmental lending and operations, and to let them know that they choose their banking relationships in part by reviewing the sustainability of lending practices and operations.<sup>11</sup>

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10 <http://www.universitybank.com/>

11 Excerpted from the Institute for Responsible Investment's Handbook for Climate Related Investing across Asset Classes [http://hausercenter.org/iri/wp-content/uploads/2010/05/Handbook\\_ClimateRelatedInvesting.pdf](http://hausercenter.org/iri/wp-content/uploads/2010/05/Handbook_ClimateRelatedInvesting.pdf)

# Determining an approach

Foundations have a variety of mission-related instruments to choose from to meet their programmatic and investing goals. The following section concentrates on operating accounts and certificates of deposit.

The **Edward W. Hazen Foundation's**<sup>12</sup> operational banking needs were basic banking needs of a checking account with a sweep account, wire transfers and ACH debits. The foundation determined that since their banking requirements were routine and not overly specialized, there would be many community banking institutions that had the capacity to effectively and efficiently serve their needs.

## **Operating accounts**

Maintaining operating accounts at community banks may be better suited for some foundations than others. Large foundations may require larger banks or many smaller accounts, and multiple accounts may strain institutional resources. For foundations with relatively basic banking needs an operating account with a community banking institution may be a good starting point to mission-related investing in cash.

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12 The Edward W. Hazen Foundation is a private foundation established in 1925, which seeks to assist young people, particularly minorities and those disadvantaged by poverty, to achieve their full potential as individuals and as active participants in a democratic society. The Hazen Foundation is located in New York City and is a member of the More for Mission Campaign. [www.hazenfoundation.org](http://www.hazenfoundation.org)

As of August 2009, the **W.K. Kellogg Foundation**<sup>13</sup> had identified 15 banks and credit unions as well as a national credit union intermediary as having the appropriate capacity, reach of impact, and community-investment practices. The foundation's \$35 million in deposits at these institutions target lending to support small businesses, affordable housing and access to credit for vulnerable communities, which aligned with their mission focus.

## Insured Certificates of Deposit

Foundations can also make deposits at CDFIs or low-income designated credit unions that use the capital to invest in targeted communities and populations. Certificates of deposit with CDFIs are FDIC-insured up to the federal limit of \$250,000. The Certificate of Deposit Account Registry Service (CDARS) member network allows participating CDFIs access to FDIC insurance on deposits of up to \$50 million.<sup>14</sup> See the CDARS registry to find a financial institution authorized to offer the CDARS service.<sup>15</sup>

The National Credit Union Share Insurance Fund (NCUSIF) is the federal fund created by Congress in 1970 to insure members' deposits in federally insured credit unions. The insurance limit was permanently increased from \$100,000 to \$250,000 per individual depositor on July 21, 2010. The Federation of Community Development Credit Unions offers a nominee deposit program that assists investors in placing insured deposits throughout its U.S. credit union network.

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13 The W.K. Kellogg Foundation supports children, families, and communities as they strengthen and create conditions that propel vulnerable children to achieve success as individuals and as contributors to the larger community and society. The Kellogg Foundation is located in Battle Creek, Michigan and is a member of the More for Mission Campaign. [www.wkkf.org](http://www.wkkf.org)

14 In addition to the insurance options mentioned (FDIC, CDARS), there are several other insurance mechanisms available to investors on both their operational accounts and certificates of deposits. For example, some CDFIs may purchase additional insurance from the FDIC. While cumbersome, CDFIs may offer this supplemental insurance option to investors to facilitate a larger dollar amount on their CDs. A CDFI may also collateralize the deposits with securities through what is referred to as a "repo sweep" arrangement, which offers nightly collateralization of deposit through the purchase of securities.

15 <http://www.cdars.com/>



**“One of the goals set forth in our strategic plan is to strengthen the community** so it made perfect sense for us to invest in a community development financial institution.

Once the board understood the potential to use mission-related investments as a tool to further our mission, given the low risk nature of cash mission investments, it was very easy to secure approval.

**In fact, they suggested it as a logical first step.”**

Andrea Dobson,  
Chief Operating and  
Financial Officer,  
**Winthrop Rockefeller  
Foundation**<sup>16</sup>

## **Educating the board**

With an understanding of the approach to making cash mission investments (e.g. operating accounts, certificates of deposits, or both) the foundation’s staff can then present to its board the concept of mission-related deposits and the range of options. The need for, and extent of, education required depends on the unique culture of the foundation and its openness to mission investing.

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16 The Winthrop Rockefeller Foundation works to improve the lives of all Arkansans in three interrelated areas—economic, racial, and social justice; economic development; and education. The Winthrop Rockefeller Foundation is located in Little Rock, Arkansas and is a member of the More for Mission Campaign. [www.wrfoundation.org](http://www.wrfoundation.org)

# Selecting a banking institution

With a strategy in hand, the next step is to identify a community development banking institution or institutions to put that strategy into practice. The process of identifying and placing the funds varies depending on the internal processes and external needs of a particular foundation.

The **W.K. Kellogg Foundation** looked for banks that were focused on vulnerable communities in their target geographic areas of Michigan, Mississippi, New Mexico, and New Orleans or banks that were pioneering innovative approaches that could benefit vulnerable children and their families.

### **Size of the institution**

Finding the right community development banking institution to meet a foundation's mission banking strategy depends on the characteristics (e.g., size and total assets) of both the investor and the potential bank. For instance, some investors want to hold only a certain percentage of a bank's assets.

Foundations may find that to achieve the greatest social impact they may place cash deposits at multiple banks with different social goals. However, this approach may also increase transaction costs, for both the investor and investee.

The **Edward W. Hazen Foundation** sent an RFP to nine banks based on information it gathered from the National Community Investment Fund database.<sup>17</sup>

## **Due diligence**

Due diligence for mission banking requires an assessment of both mission impact as well as traditional due diligence on a financial institution's financial soundness and safety. In terms of mission, there are a variety of approaches to setting the criteria for selecting a community bank or credit union. In most cases the investor places an emphasis on a certain location or specific population, though foundation missions obviously differ in multiple ways.

Investors may also seek institutional partnerships beyond a banking customer relationship such as creating opportunities for financial education for the communities served. A foundation may choose to involve the board or an investment committee in the criteria development and the selection process to ensure the process aligns with the foundation's broader mission objectives.

The selection committees interviewed for this paper ultimately chose a community development banking institution using both social criteria and a rubric of competitive financial services, rates, and safe and sound banking practices.

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17 The National Community Investment Fund's (NCIF) Social Performance Metrics Database tool allows an investor to search all domestic banks and thrifts according to an institution's organizational, financial and social performance data. The tool helps an investor in the investment decision-making process identify banks that have a high proportion of their home lending to low to moderate income communities (Development Lending Intensity) and institutions that are targeting a significant portion of their branches to these areas (Development Deposit Intensity). [www.ncif.org](http://www.ncif.org)

At the **Annie E. Casey Foundation**<sup>18</sup>, the Social Investment unit evaluates the overall performance of the financial institution based on reporting, financial strength and impact of the institution to determine renewal eligibility. The assessment form filled out by a program officer can be found in Appendix B.

## **Request for Proposal (RFP)**

Once financial requirements and social goals are established, a foundation investor will issue an RFP. See Appendix A for example RFPs.

## **Determining mission impact**

After a bank responds to an RFP, the extent to which foundations examine the social impact of the institution ranges. Some foundations rely on ratings provided by various organizations with ratings mechanisms or identify banks within the CDARS insured network.<sup>19</sup> Foundations will also conduct interviews with potential banks to learn how they plan to meet their banking service requirements while impacting the community.

Information on social and environmental impacts can be difficult to gather, and to measure quantitatively. Direct interviews with banks increases a foundation's comfort level with the institution's mission strategy and capacity. When the investment is near maturity, the foundation may choose to re-evaluate, assess for social impact, and determine whether it will renew the deposit.

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18 The Annie E. Casey Foundation's mission is to foster public policies, human-service reforms, and community supports that more effectively meet the needs of today's vulnerable children and families. The Foundation is headquartered in Baltimore, MD and is a co-founder of the More for Mission Campaign. <http://www.aecf.org/>

19 There is a range of potential ratings on agencies for deposits and community development investments. In addition to the NCIF's Social Performance Metrics Database, the CDFI Assessment and Rating System (CARS™) rates Community Development Financial Institutions (CDFIs) in the areas of Impact Performance and Financial Strength and Performance. The Impact Performance rating is an assessment of the CDFI's effective use of its financial resources to achieve its stated mission. It includes the CDFI's own evidence and data of how its activities contribute to its mission. CARS™ subscribers receive an Impact Performance rating as well as a Financial Strength and Performance rating. For more information on other rating systems, visit <http://www.moreformission.org/page/23/practices-in-impact-measurement#link1>

# Reflections on a mission banking strategy

There is a strong rationale for adopting a mission-related approach to a foundation's cash deposits and operating accounts. What then has prevented many foundations from taking up a practice that enhances their mission with minimal risk? Interviewees sometimes describe a cultural bias for large banks, a misguided belief that community banking necessitates sacrifice of returns, or a lack of capacity within foundations and on boards with regard to implementing mission-related cash investments.

Interviewees provided the following advice for foundations considering a mission banking strategy:

## **Define goals early**

For foundations interested in mission investing, cash is an easy way to start the practice. These investments are low-risk with a range of insured deposits (e.g. FDIC, CDARS, or NCUSIF). As highlighted by mission-driven investors, determining social impact objectives early on and integrating these objectives into the contractual agreement is essential for both the investor and the financial institution.

## **The right team is essential**

Mission investing requires a broad range of skills and perspectives on how to achieve financial and social impact. Depending on the size of the foundation a mission investing team can be made up of a hybrid of experienced program officers and investment officers with expertise in achieving financial and social impact. Foundations with limited staff resources may seek outside consultants to help design and implement a mission investing strategy. Identifying an internal representative or champion to spearhead the due-diligence and selection process is important. The internal champion may find it helpful to formalize a mission-related cash working group to assist in the investment-decision making and selection process.

## **The process can be time consuming**

Most of the interviewees noted that the task of convincing board members and senior staff to place cash with a community development institution was not a difficult process. They did, however, acknowledge that the process can be cumbersome and time consuming. Compiling the documents to transfer their operating cash accounts can be time consuming falling outside of a foundation staff's day to day responsibilities. The approval process may involve multiple board meetings that can delay implementation.

## **Remain flexible**

If finding a community banking institution that exactly fits the foundation's mission agenda is difficult, it may be because the criteria are too rigid. Foundations need to comprehensively assess the options available and weigh the realistic possibilities in meeting targeted social and geographic objectives. For instance, a community bank may service a particular population that is part of the foundation's mission but not part of the foundation's geographic focus.

# Conclusion

Cultural and operational barriers may pose challenges for foundations interested in community development banking options. However, the current economic climate may present an opportunity to re-evaluate the foundation's banking institutions. Mission-related banking offers direct opportunities to further leverage a foundation's assets to achieve social impact. Implementing a mission-related banking program does not necessarily need to be cumbersome and difficult. In summary, the process is a relatively simple, low-risk first step to building a mission-investing portfolio.



## Steps to mission-related cash investing:

- 1 Identify internal champion
- 2 Educate and seek buy-in at board level
- 3 Assess mission related cash options:  
operating cash and cash deposits
- 4 Determine impact areas in line with mission and geographic goals
- 5 Weigh importance of location and communities served versus banking services offered
- 6 Due-diligence and process tools available to foundation mission investors:

More for Mission portal of CDFIs by state and type  
[www.moreformission.org/page/46/members-only-portal](http://www.moreformission.org/page/46/members-only-portal)

National Community Investment Fund database  
[www.ncif.org](http://www.ncif.org)

The CDFI Fund  
[www.cdfifund.gov](http://www.cdfifund.gov)

CDARS  
[www.cdars.com](http://www.cdars.com)

CARS  
<http://www.carsratingsystem.net/>

Low-Income Designated Credit Unions  
[www.ncua.gov/DataServices/FindCU.aspx](http://www.ncua.gov/DataServices/FindCU.aspx)

- 7 Send RFP

For more information on other opportunities along the mission investing spectrum and to learn of other mission investing tools visit the More for Mission website at [www.moreformission.org](http://www.moreformission.org)



# Appendix

## **Appendix A – Sample mission banking RFPs**

The following are examples of RFPs provided by foundations and other endowed institutions that have placed a portion of their cash in a community banking institution.

- 26 Example 1:  
Winthrop Rockefeller Banking Services RFP
- 28 Example 2:  
Operating account RFP
- 30 Example 3:  
Macalester College Community Banking RFP

## **Appendix B**

- 34 Sample financial institution assessment form

## **Example 1: Winthrop Rockefeller Banking Services RFP**

### **Introduction**

The Winthrop Rockefeller Foundation is seeking proposals from qualified banking institutions to provide various banking services to the Foundation. The objective is to identify the banking institution that can offer the most comprehensive services, at the most competitive rate.

For more than three decades, The Winthrop Rockefeller Foundation (WRF) has played a crucial role in supporting community and economic development, advocating public policies that have benefited residents of our state and spurred the creation of numerous nonprofit organizations that serve Arkansans admirably. Through this Request for Proposal, WRF seeks to form a strategic alliance with a bank that shares our commitment to improve the lives of all Arkansans in three interrelated areas—economic, racial and social justice; economic development and education. Our ultimate goal is to move from the nation’s bottom five in economic and education indicators to one of the nation’s most up and coming states in support of children and families.

### **Overview of Existing Accounts**

The Foundation currently holds three separate checking accounts:

- A primary checking account that clears virtually all expenses;
- A separate payroll and IRS account;
- A separate account for flexible spending transactions.

The main checking account provides on demand deposits to the related payroll and flexible spending accounts. In addition, the accounts are swept into a sweep account nightly. The Foundation writes between 50 – 65 checks per month. The Foundation has a practice of depositing cash to cover the next four months projected cash flow three times per year, on average. The cash balance is typically between \$1 million and \$4 million and the average cash balance in 2008 was \$3.3 million. WRF processes payroll twice per month and uses direct deposit and ACH systems for all transactions through this account. Similarly, the flexible spending account is accessed when an employee submits a claim to our vendor for reimbursement.

## **Desired Services**

- On Line Banking and Reporting
- ACH Origination
- Check Imaging
- On-line Wire Transfers
- Direct Deposit
- No NSF Check Fees

## **Required Elements of Response**

Please provide the following information with your response:

- Identify key measures of the bank's financial strength (including capital ratios, market capitalization, and total assets).
- Copies of your audited annual financial reports for the last two (2) years.
- List names, titles, telephone and e-mail addresses for key bank contact personnel. Also, provide a brief resume for each contact. Describe the level of minority representation within your firm.
- Include five references of customers who have used services similar to those included in this request. Please provide name, address, telephone number, a contact person and their e-mail address for each reference.
- Provide an overview of your bank's disaster recovery plan.
- Indicate how your bank's mission is aligned with the WRF goals outlined above.
- Provide the average lead-time required for implementation, including but not limited to the following:
  - Account Opening
  - Deposit Ticket Orders and Endorsement Stamps
  - Information Reporting

## **Example 2: Operating account RFP**

Dear Mr./Mrs./Ms. Banker,

The ABC Foundation is a not-for-profit, 501(c)3 private independent foundation that is a grantmaking organization. We have an endowment and use proceeds from our endowment to provide funding for operating expenses and grants. We do not solicit funds.

I'd like to get a bid on a corporate checking account with a sweep account, as well as fees for checks, wire transfers, and ACH debits. I'd also like to receive operational information on sending our grant funds via wire transfer or ACH to our grantees, and information on your web-based access to account information. We make approximately XXXX grants per year, which range from \$XXXX to \$XXXXXX

For 2009, we are estimating \$Xmm-\$Xmm in operating expenses to pass through our checking account. The variance is due to potential delays in paying fall grants until January of the following year, to help us manage our excise tax obligation. Our average daily balance has typically been between \$XXXXXX - \$XXXXXX.

The ABC Foundation pays most of its bills and grants via check, with payments for postage, retirement plans, excise taxes, and payroll being deducted via ACH debits. We currently receive about 12 wire transfers per year, all from our investment consultant.

Please respond to this request for proposal no later than DAY, MONTH, YEAR to be considered.

Thank you in advance for your response.

### **Example 3: Macalester College Community Banking RFP**

Macalester College is deeply committed to the Twin Cities, both as a leading institution of higher education, and as an institution with significant human, financial and programmatic resources to share. The college recognizes its role and responsibilities as an institutional citizen in the local community and beyond. It also sees the surrounding metropolitan area as an extension of the classroom where students can apply and test their classroom learning in a way that enhances their understanding of the world that they will enter after leaving the college. We are looking for a way to create a mutually beneficial relationship as described below.

Macalester is interested in building on its successful place-based education and community service efforts on Lake Street and the West Side of St. Paul by launching an innovative partnership with a local community bank to direct financial resources, student interns, volunteer time and course-based efforts to a targeted neighborhood. We are seeking a multi-faceted partnership with a community bank that utilizes institutional strengths for collaboration and increased community betterment while teaching students about civic responsibility. As part of this arrangement, Macalester is willing to deposit \$500,000 of its investable cash – subject to acceptable terms and insurance coverage – as well as sharing its intellectual and human resources for common goals.

#### **Our Goals:**

- Increase community bank deposits to support local communities in areas such as: affordable housing, small business loans, and financial services to low-income residents.
- Expand and strengthen volunteer, internship, and research opportunities for students in targeted neighborhoods, better utilizing the college's urban environment.
- Engage Macalester alumni as depositors, volunteers, and student mentors.
- Foster a mutually beneficial relationship between the college and the local urban community in which it is a part.
- Develop an innovative national model of a civic engagement partnership between an urban educational institution and a local bank, which together utilizes strengths to invest in the local community.

*(continued...)*

**Bank Partner Will Receive:**

- An increase in deposits as a result of the partnership, both from the institutional accounts of Macalester College as well as individual accounts from the Macalester community of faculty, staff, students, and alumni.
- Additional organizational capacity through the active surfacing of interns and potential staff
- A leading model of depositor engagement in the work of the bank to build sustainable communities
- Systems of measuring impact in communities through direct research and key relationships
- Assistance in meeting the mission of community impact through partners in nonprofit, educational, and civic organizations.
- The partnership's success will depend on the working relationship between Macalester and the community bank, as well as the creativity, enthusiasm and flexibility of all parties involved. Please answer the following questions, providing detail (i.e. specific staff contacts, existing programs) wherever possible.

**Preference will be given to proposals that meet the following criteria:**

- Demonstration of a sustained commitment by the bank to meeting community needs in low to moderate income neighborhoods of the Twin Cities
- Strong bank support for a long-term, mutually beneficial, evolving, multifaceted partnership
- Support for working with Macalester to create a program that serves as a local, regional, and national model, and to help disseminate information about the partnership broadly
- Creatively match Macalester and bank resources for maximum community benefit
- Accessibility and ease of use for Macalester constituents



**If you are interested in pursuing a partnership with Macalester College for such an endeavor, please provide a response to the following questions:**

1. Please describe the impact your bank has had on local low to moderate income (LMI) communities in the past 5 years.
2. In LMI communities experiencing gentrification and rapid changes in property values, how do you work to safeguard and support (balance the needs of) current residents and business owners and the new entrants to the community?
3. What efforts do you make to support the Twin Cities' immigrant communities?
4. What percentage of your loans are concentrated in St. Paul and Minneapolis? On the Lake Street corridor? The University Avenue corridor? The West Side of St. Paul?
5. We hope to link Macalester deposits to increased bank lending in targeted Twin Cities census tracts, possibly along Lake Street, the University Avenue corridor or the West Side of St. Paul. Would you be willing to increase lending in one or more of these areas by the amount deposited by Macalester community members?
6. How would you engage the Macalester community (students, faculty, staff, and alumni) in the work that you do? Would you be willing to meet regularly with Macalester representatives to discuss the impact of your bank, and the bank-campus partnership, on the broader community? Would bank staff be willing to visit classes? Would you be willing to provide a brief annual report on the impact of the bank and the bank-campus partnership on the broader community, to provide to the Macalester community? How will you advertise this partnership to the larger public?
7. Would you be willing to offer individual bank accounts to Macalester community members linked into the broader partnership (i.e. individual deposits would be included in total Macalester dollars linked to increased lending in targeted corridor)? Would you be willing to place an ATM on Macalester's campus?

*(continued...)*

8. Given the human resources that Macalester might be able to provide (student and faculty research time, student and alumni volunteer time, internships, etc.), what partnership opportunities are you most interested in pursuing?
9. We hope that student and/or faculty research can be conducted that provides educational opportunities to students while increasing community understanding of the wide-ranging impact of community investment. What data would you provide to demonstrate the impact of increased deposits? Are you willing to make available data (within legal limits) regarding loan pricing, origination and denial rates by census tract, etc (largely based on CRA and HMDA requirements) for student and/or faculty research? Would you be willing to attempt to get authorization to disclose basic loan details (basic description, location, dollar amount, contact person) to the college? Is there information or research that would be particularly beneficial in your management of general bank operations or your specific efforts to serve particular communities?
10. How would you manage the bank-college partnership? Would you assign a staff person to act as primary contact for any Macalester related issue and if so, who will that be?
11. How do you see the Macalester partnership as a benefit to the bank? What elements of the partnership are you most interested in pursuing? How will you define success in this partnership?
12. Please provide any additional information that you think might be helpful as we evaluate the partnership opportunities with your bank.

We are sending this request to several local banks. If you are interested in such a partnership with Macalester College, please include a cover sheet stating your primary point person for the partnership and his/her contact information.



## Sample financial institution assessment form from the Annie E. Casey Foundation

### ABC Bank

Name:

Date:

CD Maturity Date:

The mission-related deposit in XXXX is approaching maturity. The SI unit is evaluating the overall performance of the financial institution based on reporting, financial strength, and impact of the institution to determine renewal eligibility.

Please, read carefully the following statements and grade the financial institution accordingly. Any additional comments will be appreciated.

	Excellent	Good	Poor
Institution participation in Neighborhood initiatives			
Institution's relationship with foundation			
Institution's reputation among target community			
Institution's geographic coverage of target neighborhood			
Services provided to low-income and underserved residents are			
Institution's cost of services for low income residents is			
Institution's programs and/or initiatives to promote savings and help low-income families build assets are			
Impact of deposit in target community			
Results of deposit were			
Overall your satisfaction with the financial institution is			



# Additional Resources

## CDFI Assessment and Ratings System

<http://www.carsratingsystem.net/>

## Certificate of Deposit Account Registry Service

<http://www.cdars.com/>

## Community Development Bankers Association

[www.cdbanks.org](http://www.cdbanks.org)

## Community Development Finance Institutions Fund

[www.cdfifund.gov](http://www.cdfifund.gov)

## Community Investing Center

<http://www.communityinvest.org/>

## Federal Deposit Insurance Corporation

<http://www.fdic.gov/>

## Green America – Social Investing

<http://www.greenamerica.org>

## Handbook on Climate Related Investing across Asset Classes

[http://hausercenter.org/iri/wp-content/uploads/2010/05/Handbook\\_ClimateRelatedInvesting.pdf](http://hausercenter.org/iri/wp-content/uploads/2010/05/Handbook_ClimateRelatedInvesting.pdf)

## Handbook on Responsible Investment Across Asset Classes

[http://hausercenter.org/iri/wp-content/uploads/2010/05/IRI\\_Responsible\\_Investment\\_Handbook\\_2008\\_2nd\\_Ed.pdf](http://hausercenter.org/iri/wp-content/uploads/2010/05/IRI_Responsible_Investment_Handbook_2008_2nd_Ed.pdf)

## Kalwat, Janet. Community Investing: Opportunities Across Asset Classes. October 1, 2009.

<http://www.evaluationassociates.com/research/papers/community-investing-opportunities-across.php>

## More for Mission Campaign

[www.moreformission.org](http://www.moreformission.org)

## National Community Investment Fund

<http://www.ncif.org/>

## National Credit Union Administration

<http://www.ncua.gov/>

## National Credit Union Share Insurance Fund

<http://www.ncua.gov/about/ncusif.aspx>

## National Federation of Community Development Credit Unions

[www.natfed.org](http://www.natfed.org)



This paper explores the asset class of cash as a vehicle for mission investing. Its goal is to help foundations who wish to engage in the practice of mission investing—leveraging endowment assets to achieve financial and mission and goals—by providing a simple, practical guide to mission related cash investing.

