

SOCIAL INVESTMENT STRATEGY OFFERS STABILITY TO CHILDREN AND FAMILIES



When Gail Lyman, age 46, was looking to leave a difficult relationship and buy a new home for herself and her 10-year-old son, she sought assistance from the Franklin Asset Building Coalition. The coalition, led by the New Hampshire Division of Casey Family Services, operates Volunteer Income Tax Assistance (VITA) sites that provide free tax preparation services to help low- to moderate-income residents keep more of their money and assist people who qualify for the Earned Income Tax Credit (EITC). The coalition also offers a special savings program that helps families put away money for a home, pay for college, or build financial assets.

To pay for the closing costs on her new home, Lyman used money she saved via a “Smart CD” developed by coalition partner Franklin Savings Bank. Banks initially developed products such as the Smart CD to fulfill Community Reinvestment Act requirements to help struggling families who may feel they can’t afford to save and don’t feel comfortable at banks.

“I was able to put money into it little by little,” says Lyman, also the director of a community action program that is among several coalition partners. “I needed every penny I had to buy my home.”

A person can open a Smart CD by investing \$100 and then add deposits of as little as \$5. If the CD remains open six months, Casey Family Services provides a \$100 match. The bank provides another \$100 match for CDs open a year. The CD also earns an annual interest rate significantly higher than

a standard savings account (currently 3.25 percent a year.)

“If people are willing to take that chance and put \$100 away, the bank feels it is important to invest with them,” says Melissa Mansfield, the Franklin Savings Bank’s Community Reinvestment Act officer. “We’re hoping it shows that if people work hard and save, they can achieve their goals of furthering their education or homeownership.”

In recognition of the relationship between the coalition and Casey Family Services, the Annie E. Casey Foundation recently deposited a \$100,000 social investment in Franklin Savings Bank. Social investing uses the Foundation’s endowment dollars to generate a financial return and support its investments, such as community-based implementation of innovative, cost-effective programs to improve outcomes for vulnerable children and families.

“Social investments are an additional philanthropic tool to complement our grant-making strategy,” says Christa Velasquez, director of social investments at the Foundation. “It is a way Casey is able to utilize more of our assets – specifically our endowment – toward our mission.”

By the end of 2009, the Foundation will have increased its social investments from \$6 million in 2002 to almost \$66 million. The bulk of these investments are either Mission-Related Deposits – typically structured as market rate insured certificates of deposit or share certificates – made to

financial institutions or Program-Related Investments – generally below-market rate loans, loan guarantees, or equity investments that support charitable purposes aligned with the Foundation’s mission.

In Franklin, an economically struggling former mill city of about 8,000 residents, the Foundation’s Mission-Related Deposit “is putting our money where our mouth is” because the Franklin Asset Building Coalition is “trying to effect change” says Cary Gladstone, community liaison for Casey’s New Hampshire Division.

“Casey’s research has found that stable housing and economic opportunities reduce the risk of family blowups and children living in neglectful or abusive situations,” says Gladstone. “How do we achieve stability? One of the most effective tools for getting the working poor out of poverty is the Earned Income Tax Credit.”

“The Franklin Asset Building Coalition VITA program initially focused on the EITC because of the significant return it can provide to families,” explains Gladstone. The next step involved using volunteer “money coaches” at VITA sites to link people to asset-building resources. “You’ve got to provide the counseling, specifics on how the dollars add up, and encouragement.”

VITA sites have helped many families in Franklin, which was struggling with shuttered factories and rising unemployment long before the current recession. “I can’t see people spending \$250 to have a company prepare their tax return when our VITA

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—CHRISTA VELASQUEZ

sites can do it for free,” says Lyman. “It’s the best thing that’s happened.”

In 2009, the coalition prepared more than 270 federal tax returns for low- and moderate-income people, more than 40 percent of whom were eligible for the EITC. Since the coalition’s VITA sites opened seven years ago, federal refunds of over \$1.7 million, including more than \$700,000 in EITC, have been returned to the community.

In addition to the investment in Franklin, the Foundation has made three Mission-Related Deposits in other communities served by Casey Family Services, including:

- Jeanne D’Arc Credit Union in Lowell, Massachusetts, a partner on financial literacy, an EITC campaign, and outreach to Cambodian and Hispanic immigrant communities.
- Key Bank in Portland, Maine, an EITC campaign partner.
- Opportunities Credit Union in Burlington, Vermont, which offers EITC-related financial products.

In 2007, the Casey Foundation also made a Program-Related Investment, a \$2 million low-interest loan, to Coastal Enterprises, Inc. (CEI) of Maine. CEI is a private, nonprofit community development financial institution whose work in Maine’s northern counties, which are affected by high unemployment and poverty rates, aligns with the Foundation’s Rural Family Economic Success initiative. CEI’s work in rural areas includes developing small businesses, natural



resources industries, community facilities, and affordable housing to create jobs.

The Foundation’s Program-Related Investment also helped CEI attract an additional \$1.2 million because it signaled to other investors that CEI met rigorous financial and programmatic requirements, says Tracy Kartye, a social investment analyst at the Foundation. CEI has now raised \$9.2 million toward its \$10 million goal for 2009 to fund its work in northern Maine.

Mark Millar, director of Casey Family Services’ Maine Division, says that the Program-Related Investment is a good example of “cross-program collaboration,” because it draws on the Foundation’s Rural Family Economic Success initiative, social investment work, direct services, and CEI’s efforts.

The Foundation and Casey Family Services have partnered with CEI for several years on other rural family economic success efforts, including free tax assistance and financial literacy, designed to improve the lives of disadvantaged children and families.

“A good Program-Related Investment is used in conjunction with a number of different initiatives,” says Millar. “It’s one more tool to use in helping low-income families in rural areas achieve enhanced financial stability.”

For Gail Lyman, the Franklin Savings Bank program that helped her save for a home has reaped very concrete returns. “It helped me to become a stronger person and, for my son, it brought stability and a much happier childhood.”