

Fundraising**Exploring Alternative Sources of Fundraising**

By Kim Klein

A low-income housing organization borrows \$2 million at 1 percent interest and is able to buy a large number of homes that it then rents or sells to low-income families at a fraction of what the market would charge.

A health clinic serving a very poor neighborhood owns its building. The clinic has been refinanced a few times and the mortgage is a very respectable 6 percent for a commercial loan. Nevertheless, the total interest paid every year is thousands of dollars the clinic can ill afford. The mortgage is refinanced again at 0 percent.

An advocacy organization wants to experiment with large-scale direct mail and Internet campaigns. It has done both on a small scale with great success. The business plan shows the organization needs \$50,000 to invest in this effort, and projects it would earn it back in two years. The bank is not interested in loaning the organization money for such a project and the board is reluctant to authorize using their line of credit for such a large amount of money over two years. They are rescued by a loan at 1 percent.

These are all true stories, and the loans in question come from an interfaith loan fund, a community of nuns with an alternative investment

program and a foundation with a PRI (program-related investment) program.

Often called “community development investments,” these loans have been available from a range of religious groups and foundations for 25 years, but historically few groups have taken advantage of them or even known about them.

I belong to one such organization: the Loretto Community. Loretto is a Catholic community of vowed members (nuns) and co-members (people like me, who make commitments to the community but do not take traditional vows). We are one of the smaller loan funds, with around \$1,000,000 in low- and no-interest loans out at any given time.

One of the largest loan funds is Catholic Healthcare West, which provides loans averaging \$500,000 to progressive, community-based organizations that provide affordable housing, increased employment opportunities and other services. The Presbyterian Church makes loans averaging \$150,000 to organizations that sponsor low-income housing, job creation, women and children and Native Americans projects. The Shefa Fund’s TZEDEK economic development program gives loans up to \$250,000 to community development financial institutions. Pew Charitable Trusts, Fannie Mae Foundation, Clark Foundation and dozens of others take a part of their endowment and invest it in communities for little or no financial return, offering alternative loan options.

From small to large, crossing a variety of religious traditions and sometimes not being religious at all, these alternative loan sources are worth exploring if your organization wants to buy a building, refinance a debt to lower or eliminate interest payments, start a new venture that needs front money or loan money to people in your community at low interest.

Increasingly, individual donors are looking at providing loan funds instead of monetary gift giving. In one example, an organization that

wanted to build a new facility approached its most major donor for a large donation, but she felt unable to give because she had suffered a loss in the market in the last few years. Since her investments were earning very little, she instead offered a no-interest loan for five years. This enabled the organization to move forward on their building plans without having to wait three years for a capital campaign to be completed and pledges paid.

There are several things to keep in mind in searching for a low or no-interest loan.

- * Most organizations that make such loans require you to either know someone in the organization or to have a very thorough business plan that shows you can pay the loan back.
- * You will need to secure the loan by providing some kind of collateral.
- * Each lender will have its own application form.
- * Like foundation grants, these loans often take several months to work their way through the process.
- * There are some very good resources for these loans. The Interfaith Center on Corporate Responsibility publishes a *Guide to Religious Community Development Investment Funds*. The Foundation Center published *The PRI Directory*. (Both groups have updated information on their Web sites.)

While it is important to know the formal sources for funding, and the above directories will help you with that, you may want to explore more informal sources, as with the story of the individual donor. You will still need to produce a business plan and provide some security for the loan. But this opens the possibility of financing projects through your donor base, family, friends, local houses of worship or service club – basically any place that has some money in a savings account that is drawing a low interest and/or that doesn't need the investment income but may need the principal back in a few years.

Qualifying for a low or no-interest loan is very similar to qualifying for a grant. Many organizations are shy about going into debt, and consequently they pass up great opportunities that are out of their reach financially because they cannot raise the money quickly enough. We can learn from business the lesson of borrowing money to expand. Borrowing money at 1 percent or 0 percent interest is almost like getting the money as a gift.

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Kim Klein is publisher of the Grassroots Fundraising Journal.