

ECONOMIC JUSTICE LOAN FUND

The Episcopal Church seeks to be faithful to its calling by being ethically, socially, and financially responsible in its investments. The Economic Justice Loan Fund is an economic justice ministry through which The Episcopal Church uses part of its investment assets to provide capital for communities and groups that lack full and equal access to financial resources.

In 1998 the Executive Council of the Domestic and Foreign Missionary Society (DFMS) created the Economic Justice Loan Fund (Fund) by establishing its Economic Justice Loan Committee (EJLC) to combine and oversee two prior loan programs that had existed since 1988. Up to \$7 million of DFMS assets were approved for investment in socially responsible fixed-income investments through a revolving loan fund. Interest earned from these investments is typically below market rates, though an effort is made to achieve rates above the inflation rate in order to safeguard the principal available for future loans. The interest earned in this program flows to the DFMS operating budget.

Theological rationale

The Episcopal Church has long made economic justice a priority in its social and religious witness. Justice is a recurring theme in the Bible and in the Book of Common Prayer – the Prayers of the People and the Baptismal Covenant, for example, directly speak to the importance that the Episcopal Church places on seeking justice as an individual and a communal vocation. Such efforts have been understood not as providing charity or facilitating economic development for its own sake, but more importantly as concrete ways in which the Church accomplishes its mission in the world.

Programmatic Principles

Various terms have been applied to making capital available to promote economic justice. A term used frequently – in the Church and among secular nongovernmental organizations – is “program-related investments.” The Fund makes program-related investments.

1. **The Fund makes investments, not grants.** The Fund provides capital for economic development for communities and groups that lack full and equal access to capital. Typically, loans are made at below-market rates and with other noncommercial terms, but preserving principal is an essential goal to enable the Fund to make future investments. Using loans, not grants, helps borrowers develop the capacity to participate in more traditional capital markets.
2. **The Fund loans assets to community development financial intermediaries, such as loan funds, banks, or credit unions.** Some investments are made as deposits in financial institutions. The financial intermediaries re-lend the assets to organizations, groups, and individuals with appropriate economic development goals and programs. **The Fund does not make loans to end users.**
3. **The Fund makes an investment when a diocesan bishop is familiar with the borrower** and approves the making of the loan or deposit.

Why aren't loans made directly to end users?

- Economic development lending is within the mission of The Episcopal Church, but the Church is not in the business of economic development lending.
- Many community development intermediaries exist and function successfully. They are professionally managed and familiar with the economic conditions and needs in their geographic regions and markets. The intermediaries know how to support their borrowers with management and financial training and consulting services, to help the borrowers carry out their projects and repay their loans. The Episcopal Church need not and cannot duplicate the financial capacity of these intermediaries.

Summary Loan Criteria

Individual loans approved by the EJLC typically follow simple criteria:

- \$500,000 maximum
- Interest rates at no less than inflation but below market rates generally available to the borrower
- Repayment of principal at the end of the term or in installments through the term
- Terms of up to 10 years, with preference for shorter terms, typically between 3 and 5 years

Is professional lending assistance used?

DFMS contracts with Opportunity Finance Network (OFN), a leading community development financial services group. OFN assists the EJLC with professional underwriting of loan applicants. (“Underwriting” is the analytic process and risk assessment a lender undertakes when deciding whether to make a loan.)

Can individuals, parishes, dioceses, and other organizations support this effort?

The General Convention has always intended that the Fund would promote economic justice **and** provide an example for parishes, dioceses, and individuals to invest assets to further economic justice.

1. Dioceses are encouraged to identify potential borrowers (financial intermediaries) within their region and refer them to the EJLC.
2. Dioceses may do their own evaluations and invest “alongside” DFMS.
3. Dioceses may make independent program-related investments.

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