



Omaha Community
Foundation

Good grows here.

Introducing the Community Loan Fund

Igniting Opportunity through Innovative Investing

A Bold New Way to Invest in Our Community

The Omaha Community Foundation has launched the Community Loan Fund with the goal of accelerating positive social outcomes in our community through impact investing. Unlike traditional grant-based philanthropy, this Fund makes impact investments structured as flexible, affordable loans that will help local, eligible nonprofits bridge funding gaps and support community programs to drive greater impact.

The Fund will facilitate the local investment of additional charitable capital in response to community needs, where the organization or project being financed has repayment capacity. It's a way for you to utilize your charitable dollars for financial and social returns, complementing traditional giving strategies.



Impact investing

is any type of investment structured to generate both a financial return and a measurable social or environmental return. The Community Loan Fund achieves both goals, and complements traditional giving strategies.

Igniting Opportunity and Building More Equitable Communities

Designed to further the Foundation's overarching mission of solving the community's most pressing needs, all investments made through the Community Loan Fund will align with community priorities and advance equity, while also providing returns that can be reinvested in the community.

These community priorities are informed by The Landscape, a research-based approach for knowing the community—both its assets and opportunities—and for understanding how to invest in its future. Community investment priorities include the following: Neighborhoods and Housing, Economic Opportunity, Arts and Culture, Health, Transportation, Education, Civic Engagement, and Safety. From investing in safe, affordable housing for families, to providing economic opportunities and loans to historically marginalized communities, the Community Loan Fund will scale impact throughout the region, while increasing equitable access to capital for local nonprofit partners.

At its core, impact investing is rooted in the principles of equity and sustainability. By investing in the Community Loan Fund, you are investing in a future with promise for all in our community.

A Simple Idea to Generate Sustainable Impact

How does the loan fund work?



Fundholder Investment Terms and Overview

USING YOUR OCF FUND, YOU HAVE THE OPTION TO INVEST IN THE COMMUNITY LOAN FUND (CLF) SUBJECT TO THE FOLLOWING TERMS:

- **Investment Frequency:** Accepting investments beginning July 1, 2020
- **Initial Investment:** Minimum of \$25,000
- **Commitment Period:** 7 years from date of investment
- **Redemption or Reinvestment:** After initial commitment period, redemption to the Fund unless renewed
- **Investment Returns:** Interest earnings, net of CLF expenses and any loan losses, allocated pro rata based on your Fund's share of the CLF
- **Administrative Fees:** 1% of your Fund's investment in the CLF; regular OCF administrative fees apply to all investments in the CLF
- **Reporting Frequency:** Financial performance and social impact reported annually



Through impact investing, we can make significant progress toward community-wide sustainability and equity.

To learn more about the Community Loan Fund, please contact Kelli Cavey, Director of Donor Services, at kelli@omahafoundation.org or (402) 614-9510.



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WHAT IS THE COMMUNITY LOAN FUND (CLF)?

The CLF is a loan program that extends affordable debt capital to qualified local 501(c)(3) public charities and governmental subdivisions (hereafter, "Borrowers") using familiar market instruments such as loans and loan guarantees. The CLF leverages funding from the Omaha Community Foundation (OCF), its Fundholders (hereafter defined), and External Funding Partners to lend to Borrowers at affordable interest rates. As loans are repaid, capital becomes available for other philanthropic projects, creating a recycling of charitable investments.

IS THE CLF MAKING IMPACT INVESTMENTS?

Yes. Impact investing is any type of investment structured to generate both a financial return and a measurable positive social or environmental return. As a tool of impact investing, the specific investment objectives of the CLF are as follows:

- **Social Impact** - Increase equitable access to capital for local nonprofits, led by, working with, and/or hiring from under-resourced communities, and engaged in work aligning with at least one of the following community investment priorities: Neighborhoods and Housing, Economic Opportunity, Arts and Culture, Health, Transportation, Education, Civic Engagement, and Safety.
- **Financial Impact** - Preserve capital while achieving predictable positive financial returns.

HOW IS THIS DIFFERENT FROM GRANTMAKING?

Like grants, impact investments made by the CLF seek to advance OCF's mission; however, unlike grants, these investments are expected to be repaid. As a complementary tool to traditional grantmaking, the CLF facilitates investment of additional charitable capital in our community in response to community needs, where the Borrower has repayment capacity.

HOW IS THIS DIFFERENT FROM OCF'S OTHER PROGRAMS OF INVESTMENT?

OCF's other Programs of Investment invest primarily in securities of publicly traded, for-profit companies. These programs utilize traditional investing strategies, where the primary objective is to earn a profit. By contrast, CLF loans are exclusively for our community's charitable purposes and may earn below-market financial returns.

WHAT IS AN EXAMPLE OF A CLF INVESTMENT?

The CLF makes a loan to a local nonprofit to build affordable housing (Invest), resulting in new affordable housing units in our community (Impact). Over the next five years (the loan term) the CLF receives principal and interest (Income) payments on the loan until the loan is repaid in full. The repaid amounts can then be redeployed for a new project (Repeat).

Invest-Impact-Income-Repeat.

HOW WILL THE CLF BE FUNDED?

The primary sources of funding are (1) \$500,000 from OCF's operating reserves; (2) investments from Fundholders; (3) non-recoverable grants; and (4) loans made by External Funding Partners (including other foundations and local banks).

HOW DOES AN OCF FUNDHOLDER INVEST IN THE CLF?

An OCF fundholder may be eligible to invest in the CLF (i.e., be a "Fundholder") if the fundholder has an eligible fund with OCF (a "Fund") and agrees to the terms of the Community Loan Fund Agreement. A Fund, for purposes of the CLF, may include a Donor Advised Fund, Designated Fund, Field of Interest Fund, or Agency Fund. An OCF fundholder with an OCF Charitable Checkbook or a Supporting Organization may participate in the CLF by first opening an eligible fund.

IS THERE A COMMITMENT PERIOD?

Yes. The Commitment Period for a Fundholder is seven years from the date of commitment, during which time the Committed Capital (as hereafter defined) is unavailable for grantmaking. This time period is necessary because Borrowers need sufficient time to create sustainable, positive social outcomes. No less than six months prior to the expiration of this initial Commitment Period, OCF will notify the Fundholder of the option to extend the initial Commitment Period.

WHAT IS THE MINIMUM AMOUNT A FUNDHOLDER MAY INVEST?

The minimum investment is \$25,000 (the "Committed Capital"), and there is no maximum, except for an endowed Fund, which may not invest more than 10 percent of the balance of the Fund. A Fundholder should consider their investment objectives and philanthropic giving goals, keeping in mind that the Committed Capital will be unavailable for grantmaking during the entire Commitment Period, including any voluntary extension.

HOW DOES THE CLF BALANCE THE AVAILABILITY OF FUNDHOLDER CAPITAL WITH LOAN REQUESTS OF BORROWERS?

When a Fundholder invests in the CLF, the Committed Capital will remain in the Fund's current investment mix as "Undeployed Capital" awaiting transfer to the CLF for lending purposes. Amounts up to the total Committed Capital amount will be drawn from the Fund to the CLF as "Deployed Capital" as needed to fund CLF loans to Borrowers. As loans mature, principal and interest payments awaiting re-deployment may remain in the CLF or be allocated back into the current investment mix of the Fund. During the Commitment Period, the CLF reserves the right to allocate Committed Capital of the Fund between Deployed Capital and Undeployed Capital status in the best interests of the CLF.

WHAT HAPPENS AT THE END OF THE COMMITMENT PERIOD?

Once a Fundholder's Commitment Period has expired, the Committed Capital will be transferred back to the Fund along with the accumulated pro rata share of any interest earnings, net of CLF expenses and any loan losses, and invested according to the Fund's investment mix, unless recommitted.

WHAT FINANCIAL RETURN CAN THE FUNDHOLDER EXPECT?

For Deployed Capital, the Fund will receive a pro rata portion of CLF portfolio returns, net of the Fund's share of CLF expenses and any loan losses, allocated at least quarterly. CLF portfolio returns earn below market interest rates that are set to support Borrowers in carrying out their charitable purpose. Undeployed Capital remains in the Fund with its current investment mix; therefore, these amounts will receive the associated investment return.

WHO IS ELIGIBLE TO RECEIVE A LOAN FROM THE CLF?

OCF's Impact Investing Committee and advisors follow a rigorous underwriting protocol. Investment parameters include:

- **Impact Focus** - Borrower must be engaged in work within one of the following community investment priorities: Neighborhoods and Housing, Economic Opportunity, Arts and Culture, Health, Transportation, Education, Civic Engagement, and Safety. Borrower must advance OCF's commitment to Diversity, Equity, and Inclusion.
- **Repayment Capacity** - Borrower must have repayment capacity, as determined by OCF's Impact Investing Committee following a rigorous due diligence process.
- **Geography** - Borrower must be working within the Omaha metro and/or southwest Iowa areas.
- **Entity Structure** - Borrower must be a 501(c)(3) public charity or governmental subdivision. The CLF does not lend to private foundations, for-profit companies, or to individuals.

CAN A FUNDHOLDER DESIGNATE A LOAN TO A SPECIFIC BORROWER?

No. A Fundholder may not earmark or designate funds to any specific Borrower. Capital from the Fund will be pooled in the CLF with capital from other sources and loaned to Borrowers for programs and projects that advance one or more of OCF's priorities stated above.

WHAT STEPS DOES OCF TAKE IF A BORROWER DEFAULTS?

Following a rigorous due diligence process performed by OCF's Impact Investing Advisor and overseen by OCF's Impact Investing Committee, the CLF carefully selects Borrowers who are prepared to take on debt and monitors its loans on an ongoing basis to identify and manage any potential problems before they occur. In the event of default, OCF will seek to restructure the loan terms and conditions. If this is not successful, OCF may either declare the loan in default and attempt to collect on the loan and/or foreclose on any collateral, or forgive some or all of the loan (in which case, forgiven amounts become a non-recoverable grant to the Borrower).

WHAT IS A FUNDHOLDER'S RISK IN THE CLF?

All investments carry some risk, and the CLF is no exception. While CLF applicants are carefully screened, investments in the CLF are not guaranteed. If there were a loan loss, all investors in the CLF would participate in loan losses pro rata with their share of the portfolio.

CAN GRANTS BE MADE TO THE CLF?

Yes. Non-recoverable grants (gifts) to the CLF are exceptionally important to be used to cover administrative costs of the CLF and/or to provide additional funding to continue the recycling of charitable capital into new loans indefinitely into the future.

WHAT TYPE OF REPORTING WILL A FUNDHOLDER WHO INVESTS IN THE CLF RECEIVE?

A Fundholder will receive quarterly fund statements, which will reflect the Fundholder's investment in the CLF, as well as other investments held by their Fund. Additionally, a Fundholder who invests in the CLF will receive annual monitoring reports, setting forth the financial performance and social impact of the CLF.

ARE THERE ADMINISTRATIVE FEES ASSOCIATED WITH THE FUNDHOLDER'S INVESTMENT IN THE CLF?

Yes. Committed Capital (whether deployed or undeployed) is subject to OCF's regular administrative fee, which is based on the rate applicable to the Fund. Deployed Capital is subject to an additional annual administrative fee of one percent (1%), assessed quarterly.

IS THE CLF CONSIDERED A SECURITY?

No.

CAN COMMUNITY MEMBERS PARTICIPATE IN THE CLF?

Community members may participate in, or with, the CLF in four ways: (1) by opening an OCF Fund that invests in the CLF; (2) by making a non-recoverable grant to the CLF; (3) by making a loan to the CLF, subject to OCF approval; or, (4) by co-investing alongside the CLF.

