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Mount Holyoke First US College to Dedicate Fund Exclusively to Community Investment

by William Baue

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While other schools have devoted some funds to community investment, this move by the Massachusetts-based women's college sets precedent and may lead to its use of other SRI strategies.

In founding Mount Holyoke College ([MHC](#)) in Massachusetts, Mary Lyons envisioned a physical design that would foster a sense of community, and the 1837 Seminary Building did just that, combining student dormitory, teacher residences, classrooms, library, and dining hall. While the gothic revival architecture of subsequent structures may maintain campus cohesiveness, the buildings stand in stark contrast with those in the surrounding community, decrepit Victorians in economically distressed neighborhoods in Holyoke and Springfield.

Over the past three years, MHC students have been working to bridge the economic gap between the privileged campus and its disadvantaged surroundings by introducing community investment (CI) into the school's portfolio. Community investment connects investors with community development financial institutions (CDFIs), which typically offer slightly below-market rates of return (between zero and four percent). These CDFIs then connect with economically distressed communities (which are often overlooked by traditional financial institutions), providing affordable housing and small business loans. Interestingly, CDFIs typically enjoy lower default rates than their mainstream counterparts, in large part due to the technical assistance and advising offered by CDFIs.

"Like many colleges, Mount Holyoke has long grappled with the vast divide, economic and otherwise, between the campus and the surrounding communities," said Rose Levine, a senior on the school's Socially Responsible Investment (SRI) Committee. "We argue that not only would the community investment benefit the local communities receiving loans, the college will have the benefit of greater interactions with the towns surrounding our campus."

When the Student Coalition for Action ([SCA](#)--the group spearheading the SRI initiative) first met with the school's Trustees in February 2003, the students proposed allocating two percent of the endowment to socially screened funds and one percent to CI.

"At the beginning of our campaign, I believe many board members and administrators were skeptical about the viability of SRI," Ms. Levine told SocialFunds.com. "We often left meetings and presentations with instructions to come back next time with more research and make a case."

They took up the challenge and wrote a 36-page [report](#) in the spring of 2004, following the Trustees' and administrators' advice to focus on community investment as the best starting place for implementing SRI at MHC.

"After receiving the report and listening to our arguments during meetings and conference calls, the Trustees and administrators have treated us with a great deal of respect and have committed to giving SRI at MHC a chance," Ms. Levine said.

In December 2004, the Trustees approved the convening of an SRI committee of six to eight students, one faculty member, and one representative each from the Development Office and the Financial Services Office, to oversee the CI initiative. The Trustees proposed raising \$50,000 from the college community (such as alumnae) to seed a trial investment to be reviewed after three years for consideration of integrating community investment into the endowment portfolio.

Mount Holyoke is the first US college or university to establish a separate fund completely dedicated to community investment, according to Mark Orłowski, executive director of the Sustainable Endowments Institute, which researches university SRI.

"A few schools have put a portion of their existing endowment into community investment, but do not offer a giving option that is 100 percent community investment to alumni and other donors," Mr. Orłowski told SocialFunds.com.

For example, [Saint Michael's College](#) in Vermont invests \$150,000 in two CI programs (and another \$100,000 in an SRI fund), and [Williams College](#) allocates 10 percent of its [Social Choice Fund](#) to CI, with the rest in the Calvert Social Balanced Fund (ticker: [CSIFX](#)).

Mount Holyoke's SRI Committee has identified three investment targets--[Acción Springfield](#), the Institute for Community Economics ([ICE](#)), and the Cooperative Fund of New England ([CFNE](#))--that support distressed communities in Western Massachusetts. For example, CFNE provided start-up capital to [Nuestras Raices](#), a community center in Holyoke, to set up [El Jardin Bakery](#), which provides much-needed jobs in Holyoke. This example also illustrates how financial and social returns can coincide with educational returns, as eight Mount Holyoke students earned credit for their Community-Based Learning ([CBL](#)) Politics course by producing a promotional video for the bakery.

Since launching its fund drive last month, the SRI Committee has raised more than \$12,000 toward its \$50,000 goal. A donor prospectus is available from Mary Jo Maydew, Mount Holyoke's vice president for finance and administration.

"We believe we have a unique opportunity to make this institutional investment highly successful and a model for other colleges and universities," Ms. Levine concluded.