INVESTING IN MAIN STREET

Cities, Schools and Churches Move their Money to Local Economies

by Rebecca Leisher

Since the big corporate banks contributed to crashing the economy in 2008, news sources report that they've been rewarded with bailouts, tax breaks and executive bonuses, while American workers have lost jobs and homes. There is little wonder that many Americans—and now, institutions and local governments—have been closing their accounts at these corporate banks and transferring the money to community banks and credit unions. The intent is to send a strong message about responsibility to government and Wall Street, while supporting institutions that genuinely stimulate local economies.

The first Bank Transfer Day, last November, was publicized over five weeks, largely through social networks. During that period, credit unions received an estimated $4.5 billion in new deposits transferred from banks, according to the Credit Union National Association.

Citizens are calling for financial institutions to be accountable, encouraged by the popularity of the Move Your Money campaign. Schools, churches and local governments across the country have been transferring large sums, or at least considering doing so, in order to invest in local economies instead of Wall Street.

Last year, the city of San Jose, California, moved nearly $1 billion from the Bank of America because of the bank's high record of home foreclosures. City council members linked foreclosures to lost tax revenue, reduced services and layoffs, and urged other U.S. cities to follow their example. The Seattle, Washington, city council responded to the Occupy Wall Street movement by unanimously passing a resolution to review its banking and investment practices, "…to ensure that public funds are invested in responsible financial institutions that support our community." Officials in Los Angeles, New York City and Portland, Oregon, are discussing proposals that address how and where city funds are invested. Massachusetts launched the Small Business Banking Partnership initiative last year to leverage small business loans, and has already deposited $106 million in state reserve funds into community banks.

Student activists and the Responsible Endowments Coalition are urging colleges and universities—some of which have assets comparable to those of a town or city—to move at least a portion of their endowments from Wall Street. The Peralta Community College District, in California, with an annual budget of $140 million, has done just that. The district's board of trustees voted unanimously last November to move its assets into community banks and credit unions.

Churches and faith organizations are moving their money, too. Congregations in the California interfaith coalition LA Voice vowed to divest $2 million from Wells Fargo and the Bank of America, ending a 200-year relationship with the big banks. The Most Holy Trinity Catholic Church, in East San Jose, pulled $3 million out of the Bank of America and reinvested the funds into Micro Branch, a division of Self-Help Federal Credit Union, designed to assist underserved communities.

Moving money to where banking practices and investments are transparent is the most effective action. Oregon Banks Local represents small businesses, family farms and community banks. It offers a website tool that ranks local banks and credit unions on such criteria as where they are headquartered, jobs created and the extent of local investment, showing which financial institutions truly serve local communities.

"People from all walks of life are angry at the banks," says Ilana Berger, co-director of The New Bottom Line, a national campaign that promotes moving money from Wall Street. But the broad appeal of this grassroots movement toward financial reform is based on more than anger or strategy. "It's a way to move our money to follow our values," says Berger. "It's an opportunity to really protest against the banks, but also a way to show what we want them to be."

*Freelance writer Rebecca Leisher originated this article as part of "*9 Strategies to End Corporate Rule,*" for the Spring 2012 issue of* YES! *magazine.*

[suggested sidebar]

How to Keep Your Dollars Working Locally

Ditch the Cards. All electronic transactions siphon money out of the local community to some extent, so try the human approach and bank in person. Make purchases with cash or second best, write a check. If plastic is the only choice, choose a debit card. Local merchants lose some of their potential profit each time you use a card, but they pay up to seven times more in fees when it's a credit card. Studies show that people spend 12 to 18 percent more when they use cards instead of cash.

Move Your Debt. Already broken up with your megabank? From credit card balances to car loans to mortgages, megabanks make far more money off your debt than your savings. Refinance debt with a credit union or local bank and let the fees support your community. Be wary of "affinity credit cards", which donate a certain amount per purchase to charitable organizations but often are connected with a megabank.

Spend Deliberately. Forget Internet deals; shop local and independent. Support second-hand markets by buying used, and barter and trade services when possible. Look for goods grown and made nearby. Research purchases carefully; find easy company-screening assistance at Green America's Responsible Shopper website (*GreenAmerica.org*).

Shorten Loan Lengths. To maximize interest paid by customers, banks offer to stretch out terms. Avoid the 30-year mortgage or the seven-year car loan. If you're stuck with one on paper, change the terms yourself. Decide the loan duration that's best for you and pay down the principal. Calculators at sites like *mtgProfessor.com* can be used for any loans, not just mortgages.

Earn Feel-Good Interest. A community development bank will reinvest money from a CD back into the local community and pay you interest. So will alternative savings tools offered by RSF Social Finance or the Community Investment Note from the nonprofit Calvert Foundation, which also lets you target by cause, such as public radio stations. Put money into *Kiva.org* microloans and receive no interest, but big returns in socioeconomic justice. Closer to home, consider investing in family, such as a college loan for a nephew or niece.

Create a DIY Retirement Fund. Avoiding Wall Street's ubiquitous 401k can be tricky. One way is via "self-directed" IRAs and Roth IRAs. These require the account owner—you—to make the investment decisions. With or without the counsel of a personal financial advisor, you get to decide what types of projects to invest in—from local green businesses to real estate.

Invest in Home. Investing in your home strengthens the community and builds wealth. Pay down your mortgage, and then use that equity when it's time to retire. Want more investment? Do it with a second property and be a local landlord, or invest in your children's homes. Beyond mortgages, invest in your home's energy efficiency for an ongoing solid rate of return. Or become your own utility by tying your home's alternative energy system into the power grid.

Remember Your Community. Buy shares of a local co-op—utility, food or store—or jump on a direct public offering. Seek out or start a community investment group to connect local businesses with local investors. Look for community revolving loan funds that allow participation by individual investors, such as Cascadia (Pacific Northwest), Economic and Community Development Notes for Invest Local Ohio, the New Hampshire Community Loan Fund and North Carolina's Mountain BizWorks.

Source: The editors of YES! *magazine.*