

# Diversified Community Investment Fund



Community investment funds offer an effective and efficient vehicle for raising capital broadly from within a community and deploying it in ventures that the community wants to support, with the potential for the non-wealthy to build wealth. But federal laws (specifically the Investment Company Act of 1940, or “ICA”) restrict the kinds of funds that are possible at a community scale.

## —————→ **Legal Strategy**

The Diversified Community Investment Fund is a compliance strategy that keeps a fund out of the definition of an “investment company” and therefore unburdened by the ICA’s heavy compliance requirements.<sup>1</sup> This type of fund must meet two key requirements: (1) Its primary business is investing in real estate, not securities (like stock) issued by other companies; and (2) real estate and other non-securities assets comprise at least 60% of the fund’s assets.

## —————→ **How It Can Be Used**

This type of fund is very versatile. For example, it can:

- Raise capital using almost any legal strategy, including Regulation Crowdfunding, direct public offering (registered with state regulators), or Regulation A (qualified with the SEC).
- Offer different types of securities tailored to different types of investors.
- Scale up or down; there is no minimum or maximum size for this type of fund.
- Invest in any kind of real estate (commercial, residential, farms, industrial, etc.).
- Invest up to 40% of portfolio in local businesses via loans, equity, revenue share or other types of securities.
- Generate profits and distribute those profits to community investors.
- Redeem investments, thereby offering liquidity and asset appreciation to investors.
- Could be a Qualified Opportunity Fund, with tax benefits for investors.

## **About NC3**

The National Coalition for Community Capital (NC3) is a 501(c)(3) nonprofit dedicated to democratizing the economy and creating wealth-building opportunities for everyone, using the tools of community capital. For more information, go to [www.nc3now.org](http://www.nc3now.org).

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1. See Section 80a-3(a)(1) of Title 15 of the United States Code.