



Diversified Community Investment Fund (DCIF) Frequently Asked Questions

What can this fund be used for? The DCIF fund must be primarily invested in real estate but could also be invested in a variety of community-based projects such as local businesses.

What kind of real estate can the fund invest in? The fund can be invested in any kind of real estate, including residential, commercial, industrial, agricultural, historic, downtown, etc.

What does it mean that the fund must be primarily invested in real estate? Real estate or other non-securities assets must comprise at least 60% of a DCIF's assets, measured by fair market value. In addition, most of the DCIF's revenues and profits must come from the real estate or other non-securities sources.

Who regulates a DCIF fund? While the DCIF is not subject to the Investment Company Act of 1940, it is still subject to regulation by the SEC and by state securities regulators insofar as it raises capital via any kind of securities offering. It may also be subject to state real estate licensing authorities. Other activities may bring with it other regulatory schemes, such as lender licensing laws, depending on the state.

If 60% of the fund is required to be in real estate investment, what can the other 40% be used for? The other 40% of the fund can be invested in community businesses, start-up businesses, green energy projects, loans to non-profits or placemaking projects that generate income, and more.

Who can invest in a DCIF? Depending on the offering strategy used to raise investment, potentially anyone in the community can invest in a DCIF; it is a true Community Investment Fund open to any and all members of the community.

How can funds be raised into a DCIF? Capital can be raised into a DCIF using almost any legal strategy including Regulation Crowdfunding (up to \$5 million); a direct public offering registered with the state (potentially with no limit on amount raised); or Regulation A crowdfunding qualified with the SEC (up to \$75 million).

How does a DCIF and its investors earn income? A DCIF earns income in a variety of ways - real estate can appreciate, be rented, sold, or leased. Real estate can be developed with infrastructure and buildings and rented, sold, or leased. The 40% of the fund's assets that are not required to be invested in real estate can earn income from almost anything the community desires - local businesses can receive loan or equity (ownership) investments which could then earn income from loan payments, revenue, or profit sharing. Income can be earned when a DCIF invests in businesses that pay dividends to investors. DCIFs can invest in other funds, bonds, credit unions and banks and receive returns on investments.

What kind of entity can host a DCIF? A DCIF does not need to be hosted or sponsored by any other organization. However, just about any kind of organization can take the lead in setting up and launching a DCIF, including 501(c)(3) charities, foundations, financial institutions, CDFIs, community development organizations, economic development organizations, local units of government, land banks, etc.

How are DCIFs governed? DCIFs can be governed using a variety of structures and processes; individual communities can make that determination and establish structures that meet the community goals.

What is the minimum size of a DCIF? There is no minimum and no maximum size for a DCIF; communities can make the determination of what size the fund is based on what the community wants to fund.

How long can the fund be open? The fund can be open indefinitely, or it can be established to accomplish a specific project or projects.

What about liquidity? How can an investor get their money back? In most cases, there is no public marketplace where an investment in a DCIF can be sold (that is, no “secondary market”). However, the fund has some options. Unless the fund chooses to impose restrictions on the transfer of investments (other than those imposed by law), the investment may be sold privately between parties. Other options include a mechanism whereby the DCIF can repurchase (or “redeem”) an investor’s investment upon the investors private request.

Can retail (non-accredited) investors build wealth using a DCIF? Yes. Unlike many other structures, a DCIF can generate profits and distribute those to community investors.

Have more questions? Reach out to Chris Miller at chris@nc3now.org.