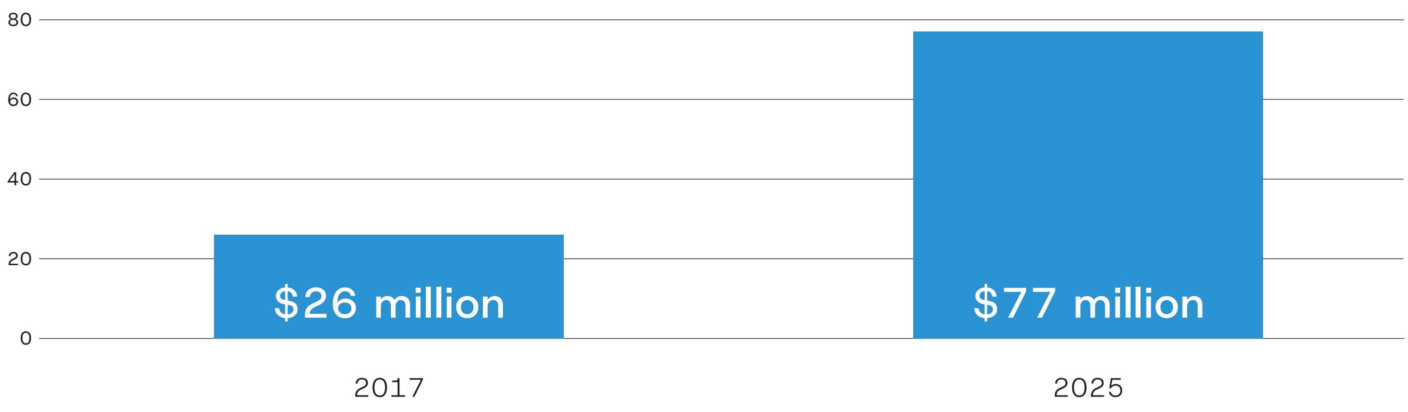
Private Impact Investing

Newsletter 2025

REYNDERS, MCVEIGH CAPITAL MANAGEMENT, LLC

Private impact investing offers solutions to counteract the very tangible effects of a climate in crisis, income inequality, and systemic structural racism. The number of opportunities has grown alongside the evidence that investing for impact — that is, for an environmental or social as well as financial return — can play a strong role in creating long-term systemic change. At Reynders, McVeigh Capital Management, we define impact investing as private-placement investments that are expected to at minimum recycle capital, while also producing a measurable environmental or social return. We assess these investments with three criteria: financial risk, financial return, and social/environmental impact. Our practice has grown over time to include a wide variety of asset classes and areas of impact, with more than $77 million of client funds invested for change.

Growth of Private Impact Assets



2025 Trends in Impact Investing

Threats to the CDFI fund

Community Development Financial institutions (CDFIs) are mission-driven banks, credit unions, and loan funds that play a critical role in underserved communities. Originating in the 1970s, they reached $436 billion in assets by the end of 2024.[1] Supported by both sides of the political aisle, CDFIs have been a fundamental way to build financial wealth through small business loans, homeownership, and credit building.

Loans to CDFIs are a key way that Reynders, McVeigh clients are able to engage in tangible impact in their portfolios. From the affordable housing loans under Century Housing to the small business loans via LISC, Reynders clients have put hundreds of millions to work over the past 10 years.

The U.S. Treasury houses the CDFI fund, which offers grants and technical assistance to CDFIs nationwide for operations and loans and certifies those institutions as serving the mission they espouse. It was founded under President Clinton in 1994 and by 2025, the federal allocation to the CDFI fund was $324 million.[1] The current administration has placed a target on the fund as an example of wasteful government spending. CDFIs and their champions (including Reynders, McVeigh) went straight to their congressional representatives to speak for the importance of CDFIs to low-income communities, especially recently during the pandemic recovery. Opportunity Finance Fund, of which Reynders McVeigh is a supporting member, led this charge. To learn how you can lend support, visit https://www.ofn.org/news/ofns-statement-on-the-white-house-proposed-budget.

Activating the 95%: Foundations and DAFs moving money into impact

Foundations are required to grant 5% of their corpus every year to nonprofit organizations that match their mission. But what happens to the 95% of assets that remain? How are those funds invested, and might they be at counter purpose to the impact the foundation is trying to have on the world? These questions continue to surface for foundations, as well as for donor-advised fund (DAF) holders that maintain a balance before giving away their funds.

In 2023, foundations gave away $103.5 billion.[2] But that means that there is likely an additional $2 trillion in corpus assets invested by these foundations. DAFs held more than $251 billion[3] in assets yet to be given away. Mission-driven investors can help to activate these huge sums by considering a social or environmental purpose alongside a financial return – or at minimum, they can take care not to counteract the intended societal impact the grant side is serving. Many representatives of impact finance are pushing to create diverse options, either by creating funds (like Social Finance has) or vetting opportunities for the major DAF platforms (like CapShift has). In addition, community foundations like The Boston Foundation, Cambridge Community Foundation, and Essex County Community Foundation are beginning the exciting work of offering local impact opportunities for their DAF holders to amplify the work their donors are already committed to. In this way, donor-advised funds already destined to have social impact can boost their efforts rather than sitting on the sidelines without a conscious plan.

[1] https://nonprofitquarterly.org/whats-at-stake-with-threatened-federal-cuts-to-cdfis/
[2] https://philanthropy.indianapolis.iu.edu/news-events/news/_news/2024/giving-usa-us-charitable-giving-totaled-557.16-billion-in-2023.html
[3] https://www.nptrust.org/reports/daf-report/

Pairing Impact Investments with Grants

How can impact investors better support the organizations they care about? One way is to pair impact investments with grants (or "gifts" of capital).

Each method comes with its own opportunities and challenges. Impact investments bring capital to organizations that can loan it out to support communities in a range of ways, such as assisting small businesses, providing mortgages for new homeowners, and offering an alternative to predatory loans. Yet this capital also comes with the expectation of repayment, often along with financial returns. Organizations may also be required to provide ongoing reporting on their progress.

Grants are given without the expectation of repayment and increase an organization's ability to be flexible, and to invest in their own internal systems. Increasingly, philanthropists and foundations are advocating for unrestricted gifts of capital – grants that do not specify a particular focus. With unrestricted funds, nonprofits can spend money on operating costs, such as staffing, technology, and marketing. Charity Navigator describes unrestricted giving as "a show of trust" that allows organizations the control over putting resources to use.[4] Although funders may be hesitant to fund "overhead" (administration and marketing expenses), an underinvestment in these areas creates negative outcomes, which can influence the organization's social impact goals.[5] This type of funding can also give nonprofits additional flexibility during periods of uncertainty, to use the funding in whichever area is the most pressing.

Pairing an impact investment with a grant allows investors to support both the external and internal work of a mission-driven organization. It offers a possibility of increasing impact, while also supporting the leaders and staff who drive that work forward.

[4] https://www.charitynavigator.org/donor-basics/giving-101/unrestricted-vs-restricted-giving/
[5] https://npr.brightspotcdn.com/legacy/sites/wlrn/files/gs-overheard-myth.pdf

2025 Impact Newsletter Spotlights

Homewise is a Community Development Financial Institution (CDFI) that creates affordable housing, provides mortgages, and engages in community development in Santa Fe and Albuquerque, New Mexico. Homewise was founded in 1986, and since then, Homewise has helped more than 6,000 New Mexicans purchase homes. More than 17,000 New Mexicans have attended their financial education and homebuyer workshops.[6] They also have a focus on green lending and sustainable home-building practices, which help homeowners save on monthly costs. For more information, see their 2024 Annual Report.

Credit unions are nonprofit financial institutions that provide banking services and are member owned. **Hope Credit Union**, founded in 1995, focuses on supporting and advocating for families and communities in the southern United States. Over their 30-year history, Hope has generated billions in financing and assisted over three million people in in Alabama, Arkansas, Louisiana, Mississippi, and Tennessee.[7] In 2024, Hope Credit Union made over $200 million in loans, financing 125 businesses and supporting over 1,100 jobs.[8] For more information, see their 2024 Impact Report.

Seed Commons scales local, small CDFIs across the United States. They operate a single fund that allocates capital to their 39 member organizations. Seed Commons focuses on channeling non-extractive financing to marginalized communities to create jobs and build wealth at a community level. In 2024, they deployed over $24 million in investments to cooperatives and communities, bringing the total amount of investments made since inception to over $100 million. More than 14,000 workers are employed through the cooperatives in the Seed Commons network, and 93% are BIPOC (Black, Indigenous, or people of color).[9] For more details, see their 2024 Impact Report.

[6] https://homewise.org/invest-in-homewise
[7] https://www.hopecu.org/about-us/who-we-are/
[8] https://www.hopecu.org/wp-content/uploads/2025/05/2024-HOPE-Impact-Report.pdf
[9] https://seedcommons.org/api/media/file/Seed_Commons_2024_Impact_Report-final-compressed.pdf