

Investment Cooperative FAQs

What is an investment Cooperative?

Investment Cooperatives are a new and innovative support system for rural economic and business development that effectively bridges the gap between local investors and local ventures in need of financing. They are a cost-effective, community-owned, controlled impact fund that generates community wealth.

How do investment cooperatives work?

Community members and stakeholders pool their resources to secure long-term, stabilizing, and transformative investments for the mutual benefit of the members' community. Investment cooperatives invest money in a project that will generate income (dividends or interest), which will be paid back to the cooperative for the continued benefit of members and the mission of the cooperative. The investment cooperative model is focused on long-term investment rather than a quick profit.

Are there different types of investment cooperatives?

Yes, there are multiple types of investment cooperatives and different ways to use investment cooperatives to meet community needs. Investment cooperatives can purchase property, provide loans to local businesses, and directly invest in projects.

Real Estate Investment Cooperatives (REIC) are an investment tool that allows residents to collectively buy, rehab, and manage commercial and residential properties. Community members and other stakeholders from the cooperative pool resources to purchase or invest in community-owned real estate.

REICs enhance local ownership and build community wealth. Instead of waiting for developers or a group of outside investors to address dilapidation, community decay, lack of business space, and affordable quality housing, they use the cooperative principles for community-driven decision-making to support economic development.

Revolving Loan Funds (RLF) is a local funding source with the goal of providing loans to assist with local economic and community development projects. RLFs are a lending and investment cooperative model that provides gap funding for members, businesses, and the community. RLFs may be used for businesses and projects that provide value to the community and the mission of the cooperative.

Why would I invest in an investment cooperative?

By working collectively and collaboratively, co-op members participate in solutions, and opportunities to support local development. It is a collaborative, community-driven, democratic way to generate grassroots community wealth.

Who decides what projects to invest in?

Investment co-ops are run democratically like all other cooperatives. The members and board of directors determine how investments are made. That process is created when the cooperative is formed and can be updated with input from the members.

What kind of return is expected for the investor?

Any investment in a cooperative is considered a risk, like other traditional investments. You are not guaranteed a return or a specific rate of return on investment. Dividend returns in cooperatives are limited by state and federal law to a maximum of 8%. The social benefit and return, not the monetary gains are often the reason someone will make an investment into a cooperative. The investment cooperative model is typically focused on long-term investment rather than a quick profit.

Who can be a member of an investment cooperative?

Membership is a collective group of people and stakeholders who are voluntarily united to work together toward a common goal using the democratic process. Membership is determined by the stakeholders that form the cooperative, and like any cooperative, it can include, Individuals, businesses, nonprofits, foundations, and government stakeholders.

