



"Good News"

Prepared Text

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The NCCA Conference

"Growth Through Change: Meeting the Challenge Together"
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Thank you, Cheryl, for that generous, if challenging, introduction. And thanks to all of you for participating in this Conference.

NCCA prides itself on foresight and good planning. We thought we were really smart calling this conference, "Growth through Change: Meeting the Challenge Together." We chose the "jumble" as our conference symbol to represent the turbulence in community development finance today.

But we did not expect that we would be facing so much turmoil in our communities, in the economy, in politics, in our emotions, or in the world. If we had known, we would have given you three jumbles and I would be teaching juggling instead of giving this speech.

For more than a year, I have been worrying about what I would say to you two days after the 2004 elections. I went through at least 30 drafts of this speech over the past few weeks, including at least 10 since Tuesday night when the election results came in. Today I am reminded of the Jewish proverb, "People make plans, and God laughs."

For many—but not all—of us, the election results are a disappointment. I know that many of you voted for Senator Kerry but that some of you voted for President Bush—and I want to thank those of you who voted for President Bush.... for not gloating. Through the day yesterday and at the reception last night, many of you asked me what I would say today to lift your spirits. What would I tell you that was good news?

I could tell you the election was good for democracy—after the 2000 election mess, it was an open question whether the electoral process in this nation still worked. It did this year.

I could tell you that the four years we have spent building bipartisan support for CDFIs in Congress are not in vain, but that's not very satisfying.

The truth is, from a political and policy perspective, there is nothing obviously good for community development finance about the election results. Perhaps there will be unexpected positive outcomes. Nancy Andrews reminded me last night that the demise of the “War on Poverty” in the early 1970’s helped spur the community development system we work in today.

But I think the best good news I can offer you is this: we are together at this conference at an important moment for our industry. And that may turn out to be a very good thing. You’re the good news today.

Big events—both good and bad—seem to play a special role in NCCA gatherings.

In 1992, we met in Boston the day after the nation elected Bill Clinton, and we launched our campaign to create the CDFI Fund there. On 9/11/2001, The NCCA Board was meeting just blocks from the White House. I will always remember watching the smoke rise from the Pentagon. A month after 9/11, we hosted our 17th Conference in Memphis, Tennessee. For many of us, it was the first time we flew after 9/11. We nearly canceled that conference. Kent Marcoux of the Faith Fund persuaded me to go ahead. “Don’t cancel it,” he said. “People need a place to come together.”

And so once again we are coming together to “meet the challenge together.”

Today I am going to focus not on the elections but on the things NCCA believes we need to do to align capital with social, economic, and political justice—NCCA’s core purpose. On Saturday afternoon, we will talk more about the election.

What We Have Accomplished

20 years ago at a convent in Waltham, MA, we came together in the belief that we were doing something new and important, and that we would be stronger and more effective if we worked together to pool our knowledge, capital, and political clout. We were right. That is good news.

Now we are 20 years more experienced, older, and wiser. We have accomplished remarkable things that I don’t have to recount for you.

Along the way, NCCA has grown from 41 loan funds at that first conference with \$27 million in assets and less than \$20 million in cumulative financing volume to 160 CDFIs with \$3.7 billion in assets and more than \$8 billion in cumulative financing volume. The entire industry has grown to more than \$12 billion.

It would be easy to overlook the scale and scope of our industry’s accomplishments. As financial institutions, we tend to keep our eyes open for the next pothole or possibility. But this room I am looking out at is filled with some of the most talented and dedicated people in the world, doing work that most people believe cannot be done. You are the good news. Give yourself a round of applause.

In 2004, we continue to do things that are new and important—perhaps more important than ever. We will be even stronger and more effective if we continue to work together to pool our knowledge, capital, and political clout. That is what this conference is about.

Thank You

Let me take a moment to express my gratitude for all the help we received from our co-hosts and our sponsors in presenting this conference. I want to recognize the staff at the Chicago Community Loan Fund, Chicago Community Ventures, Chicago LISC, and the Illinois Facilities Fund. Please join me in thanking them.

I also want to say thank you to all of our sponsors, particularly our lead sponsor, JPMorgan Chase/Bank One. Please help me show our appreciation to Bill Daley and the entire JPMorgan Chase/Bank one team. Please also help me thank the Fannie Mae Foundation and Wachovia, our Gold Sponsors, and Bank of America, Citibank, and Washington Mutual, our Silver Sponsors.

And special thanks to the John D. & Catherine T. MacArthur Foundation and the Federal Reserve Bank of Chicago, who supported the conference in many ways.

Before I get to the substance of my talk, I also want to take a few minutes to recognize some pioneers who are here today.

Yesterday, in partnership with First Nations Oweesta Corporation, NCCA hosted the first-ever convening of Native CDFIs. I would like to ask everyone here today who works with a Native CDFI, including the Oweesta staff and Board, to stand up so that we can recognize you. There now are more than 35 Native CDFIs. You are the good news.

Only one Native CDFI participated at our first conference, The Lakota Fund, and I would like to ask Gerald Sherman and Elsie Meeks to stand.

And I would like the handful of others who participated in our first conference to join them.

Growth through Change

20 years ago, I did not know this field existed. I stumbled into the CDFI industry in 1989 and attended my first conference in 1990. Like 2004, 1990 was a year of transformational change. On a warm September evening that year, in the basement of the 4-H center outside of Washington, DC, this organization stopped thinking of community development finance as a short-term intervention and started seeing it as a long-term market and policy strategy.

Right now, we are part of another transformation. We have grown up as a loose network of collaborative but independent organizations. To go forward, we must develop more structured networks and become more inter-dependent, not only with each other but with other partners in our marketplace—banks, CDCs, foundations, government, and others.

This transformation will reshape how we work, where we get our capital, how we put capital to use; it will refine the economics of community development finance, reduce transaction costs, and increase liquidity; and it will, I hope, alter the ways we engage in civil, political, and policy change.

In the past couple of months, unexpectedly and reluctantly, I went through a personal transformation that seems, oddly enough, to mirror the transition from “Grow, Change, or Die” to “Growth through Change.”

I have been carrying around for some years now a list of clever sayings that Joel ben Izzy—our resident storyteller and teacher—shared with me.

Recently, one saying came to life for me: “To a kid with a hammer, everything looks like a nail.”

So it was that about one year ago I started seeing everything through the lens of “Grow, Change, or Die.”

And it was in that “Grow, Change, or Die” frame of mind that I went to see my doctor about two months ago—a new Doctor. My new doctor is a 27 or 28-year old, wet-behind-the-ears kid with a little too much knowledge and a little too little experience.

The nurse weighed me, measured my height, and took my blood pressure. “I have you at 6 feet,” she said.

“I’m not 6 feet,” I said. “I’ve been 5’11” for the past 30 years. I don’t think I grew an inch in the last year.”

She measured me again. “6 feet.”

“I’m 5’11,” I repeated.

“You’re 6 feet,” she insisted, “but I’ll put you down as 5’11” if you want.” She seemed to know something I didn’t.

My doctor came in and looked over my chart. “You’re fat,” he said, as if he were telling me something I didn’t know. “And your blood pressure is too high.”

“My blood pressure is the same as it’s been for 30 years,” I protested. “What do you mean it’s too high? My weight, too. I’ve been the same weight for years.”

“They changed the standards,” he said. “Your blood pressure used to be okay, but now it’s too high. Same with your weight. Let’s check your body mass index.”

I was really angry. I knew I was overweight, but “fat”? That hurt. Just because the rules changed.

It got worse.

“Your BMI puts you at ‘obese,’” he said. “You need to lose weight. Tell me about your diet. Do you exercise much?”

I told him about my exercise routine. He criticized that, too. I also talked about my eating habits, which were not good.

“You’ve got to *change*,” he said. “If you don’t, you’re going to *grow* fatter and fatter. If you don’t *change*, you’re going to *die* sooner than you have to.”

Why did those words sound so familiar? At that moment, I wasn’t thinking “To a kid with a hammer everything looks like a nail.” I was thinking, “What goes around, comes around.”

I was angry with this kid-doctor and determined to ignore his judgment, even to my own detriment. "Two more things," he said. "We need to take blood on the way out. And I want to see you again in 6 weeks to see if you're losing weight."

Maybe I didn't give him enough credit, I thought, remembering the saying that "what gets measured gets done."

And then he said, as he studied the body mass index chart, "You know, if you were an inch taller, your BMI wouldn't be so bad."

I thought about the nurse.

I went back to work, ate an unhealthy lunch, and tried not to think about what my doctor had said. On my drive home, in the privacy of my car, I admitted to myself that I knew he was right—that I had to get healthier—and that I couldn't blame my problem on the external changes that set new standards for what was healthy.

I started to realize that my personal fate mirrored "Grow, Change, or Die." I was continuing on the same path I had been on for many years but my operating environment had changed. I was older, the rules had changed. I couldn't go backward. I was pushing my luck.

In a flash, that's when I decided to get healthy. But I have to admit I did it for the *wrong* reasons. You see, my "flash" was that if I exercised more, ate better, and lost weight—and ONLY if I did all those things; only if I showed up at this conference weighing significantly less than I weighed in the doctor's office—I would have a good "grow, change, or die" story to tell you today. The truth is, it had nothing to do with health.

The hardest things to change at CDFIs are the behavior and attitudes of the people who work there. I figured if I could prove that I faced up to "Grow, Change, or Die," I could make a case today for "Growth through change." Even though in my case I was trying to *reduce* through change.

So I have lost some weight and increased my exercise.

And that could have been the end of the story, but it is not.

I went back to see my Doctor a couple of weeks ago. "You've lost some weight," he said. "That's great! Based on your blood test, though, I am surprised you did. You have severe hypothyroidism, and it is slowing down your metabolism. We are going to put you on medication. You won't feel sluggish any more. And you will lose weight very quickly."

Few people around me—not my family, not the staff at NCCA—wanted to hear that I was going to have more energy, but I do. But this new wrinkle about my weight loss raised a whole set of interesting questions—maybe I didn't need to exercise so much, or eat so well. Maybe I could go back to my old habits.

So as I stand before you today, I find myself in a similar situation to most of you and your organizations as you decide whether and how to embrace "Growth through change."

You seem to have weathered the worst of the recession; your portfolios are in pretty good shape; operating results may not be great but most of you are okay; donations might be down but you are surviving, or better; and whatever painful changes you have had to go through with your staff and Board are, for the most part, behind you.

Maybe “Grow, Change, or Die” was an over-reaction. Maybe we can go back to our old ways. Maybe we don’t have to “Grow through Change”; maybe we can grow ... the old way.

What We Have Learned

NCCA has spent a good part of the past year traveling, meeting with many of you, and talking about the changes that are happening in community development finance. We have learned at least these three things:

First, most of you have mixed feelings about the changes we are going through. It seems natural to want to keep doing what you already know how to do. Some of the ideas about change we introduced last year in New York are easy to embrace in theory but harder to accept in practice.

Second, those mixed feelings tend to make you keep looking back over your shoulders, searching for a path back to the way things used to be, even as you change.

Third, and most important, despite your concerns, anxieties, and doubts, many of you already are moving down the road to new, more effective ways of working.

The changes we talked about a year ago are starting to happen in and around the CDFI industry. The transformation we expected is in motion—and you are leading it. You’re the good news.

I hope that this conference helps you to step back from the hectic pace and urgency of your work to begin to see the transformation taking shape. If you see it already, and especially if you are leading it, I hope this conference helps you to see that you are not alone. Most of all, I hope you leave here with a renewed sense of the enormous opportunities to grow through change.

Why We Will Succeed

I have been accused of showing a little too much enthusiasm for “Grow, Change, or Die.” A couple of weeks ago, one of our conference panelists warned me not to scare people this year like we scared people last year.

So now I am going to tell you why I am so confident we are going to succeed.

We will succeed because the turbulent transformation we are going through is spurring you to create and innovate new products, new systems for delivering capital, new partnerships, and new market strategies. Day-by-day you are re-shaping how we do our work. And that’s good news.

Let me give you some examples:

The *New Hampshire Community Loan Fund* is developing a new, national system for financing manufactured home mortgages that could benefit millions of low-income homeowners. For 20 years, New Hampshire has proved that manufactured home mortgages are appreciating assets, not depreciating ones, like car loans. Last year, more than 40% of new owner-occupied home purchases in the U.S. were manufactured homes, with significant

concentrations in low-income and low-wealth communities. If there are other CDFIs that finance them on a regular basis—and I hope there are—I don't know about them.

New Hampshire is working to create a national pool that other CDFIs—or other types of lenders—can lend from. Instead of having to figure out how to do this lending, capitalize a local pool, develop policies, and convince their Boards, other CDFIs will be able to lend from New Hampshire's national pool on a fee—rather than a spread—basis.

I don't know exactly how it will work, but if New Hampshire succeeds, and if other CDFIs or banks aggregate similar pools of capital for other purposes—such as expiring Section 8 housing or mezzanine business financing or charter school finance—every CDFI can offer more products, provide more capital, and earn more fees.

More liquidity, more products for your market, lower costs, more options, more opportunities. On a wider stage, the national stage, more volume of financing, more impact. that's good news.

Here in Chicago the *Illinois Facilities Fund* is helping its nonprofit partners achieve things they used to only dream about—IFF's new development services business is proving both practical and profitable, and you can learn about it tomorrow morning; The *Chicago Community Loan Fund* is proving that you don't have to have a big balance sheet to contribute big things on the community development value chain if you make smart strategic choices; and *Shorebank* continues to prove that even the largest CDFI will keep its mission focus and produce big impacts.

We will succeed because the *Connecticut Housing Investment Fund* and other CDFIs are providing back-office loan servicing capacity to other CDFIs that want to outsource it. This will save hundreds of thousands of dollars in expenses over time and result in better data leading to more effective portfolio management.

The *Low Income Investment Fund* has set a goal of providing one billion dollars benefiting one million people over the next 10 years and is willing to make whatever changes it has to to achieve that goal. To that end, it is exploring how to shift its focus from portfolio lending to contract lending—selling its loan origination expertise to banks and socially motivated investors.

We will succeed because the *Northeast Entrepreneur Fund*, the *Northland Foundation*, and *Northeast Ventures*, along with others in Northeast Minnesota, are actively pursuing discussions about how to aggregate their organizations into a powerful, larger-scale entity. The result will be a much more efficient use of limited resources to help the people of the Iron Range start and succeed at business.

We will succeed because *Enterprise Corporation of the Delta* has organized a regional correspondent network of private and municipal loan funds that leverages ECD's infrastructure to make more effective use of their disparate resources. This is putting more money into financing and less into operations in one of the nation's poorest regions.

We will succeed because the *Community Reinvestment Fund*, *The Reinvestment Fund*, *Boston Community Capital*, and others are pushing the limits to try to figure out how to restructure capital flows to permit CDFIs to use market-rate capital at scale.

Clearinghouse CDFI, in southern California, has quietly built a powerhouse of an organization using a for-profit loan fund model that has effectively re-defined the relationships between

investors and CDFIs. The result is a high-capacity, high-volume CDFI serving a massive geography and diverse population.

We will succeed because more than 35 CDFIs have signed up to participate in the *CDFI Assessment and Ratings System* (CARS™), with 8 participating in the first round of ratings as we speak, and because 13 leading CDFI investors have signed on as subscribers. CARS™ will help make capital flow with less friction to and make it easier for new and prospective investors to invest in CDFIs.

If you want to know the single reason why NCCA is confident we will succeed, it is because we see the creativity, dedication, and purpose you bring to work every day. I wish each of you could spend as much time as I do visiting CDFIs.

When I sat in the back of the room at my first NCCA conference in 1990, I thought, “Here is a group of people committed to solving problems that government and the mainstream private sector did not know how to solve.” In that room, trying to envision a future we could not yet imagine, were people such as Dick Jones, Julie Eades, Chuck Matthei, Elyse Cherry, Martin Trimble, Jeremy Nowak, and Dan Liebsohn. We are fortunate that so many of them are still leading our work today. But I trust that 20 years from now, we will think back to the wealth of leadership and talent present in this room in Chicago in 2004. And we will reflect on their long list of accomplishments in 2005 and 2006, and beyond.

You are building a new system for delivering community development finance. That’s good news. NCCA has called this system “scalable customization.” It weds your expertise at customized, high-value, high-touch solutions to scalable systems, such as capital aggregation.

Figuring out what we mean by scale—for the industry, not necessarily for individual CDFIs—is what we have spent the day doing so far. Let me try to explain why NCCA puts so much emphasis on scale.

Scale is not a diversion from impact or sustainability. It is a commitment to much *greater* impact and more sustainable operations because what we mean by “scale” is different in a very important way from what we used to mean by scale—

When we talk about scale, we no longer focus on assets. When we talk about scale, we are talking about financing volume in relation to market need and demand. Scale is always a relative metric.

At the heart of NCCA’s strategic plan is our goal to help create a high-volume financing system that provides tens of billions of dollars annually benefiting millions of low-income and low-wealth people and communities. In our vision, that system will provide an array of affordable, customized products that create economic opportunities, build wealth, and strengthen communities.

Our current system cannot do that.

Let me put it this way: I am not talking about expanding the CDFI industry from \$2 billion in assets to \$12 billion, as you have done in the past decade. I am talking about increasing financing volume from \$3 billion a year to \$25 or \$30 billion a year within 6 years, and then to, perhaps, \$150 billion a year within a decade. The demand is there today; the supply—and the system to deliver the supply—is not.

In this concept of scale, there are roles for all different types and sizes of CDFIs who are willing to consider new ways of working. A CDFI with less than \$2 million in assets could originate \$10 million or more a year in community development loans via a correspondent financing system. A \$50 million CDFI could sell loan participations to local banks, or to a CDFI loan warehouse, to get more leverage out of its balance sheet.

But we are not talking only about financing volume. We are also talking about organizations—and an industry—that brings to the table civic, policy, and financial capacity equal to other forces that shape the lives of the people we serve. Remember that Dr. Martin Luther King, Jr., said almost 40 years ago that “Power properly understood is nothing but the ability to achieve purpose. It is the strength required to bring about social, economic, and political change.”

What I find *impressive* about many industry leaders is the size of their balance sheets and the volume of their financing. That is impressive. But what I consider *important* about industry leaders, regardless of their asset size, is the magnitude of their influence and power in financial, economic, civic, and policy settings.

“Scales”

I started this speech with a story about my doctor’s scale. I am ending the speech explaining why scale matters—why it is the driving principle behind NCCA’s commitment to “Growth through Change.”

We’ll get together again next fall in LA. By then, you should expect me to be operating at a *reduced* scale. And I expect the industry will be moving toward high-volume scale.

It did not seem right coming to Illinois around a presidential election and not talking about President Lincoln. (You remember Lincoln, don’t you? Lincoln was Illinois’s most famous political figure before Barack Obama.)

Before he became President, Abraham Lincoln was a trial lawyer. One day, Lincoln was cross-examining a witness he thought untrustworthy.

“Tell me,” says Lincoln. “How many legs does a horse have?”

“Well,” says the witness, “I suppose it has four.”

“But, supposin’,” says Abe, “You call the tail a leg. Then how many does it have?”

“Well,” says the witness, “then I guess I’d have to say it has five.”

“Wrong,” Lincoln says. “It has four. Calling a tail a leg doesn’t make it one.”

Lincoln was right, of course. And saying I’m 6’ tall, doesn’t make me healthier, any more than economic changes, generous philanthropy, or government spending makes the CDFI industry healthy. Those things alone will not make us equal to the forces shaping the lives of the people and communities we serve.

We will keep moving forward, asking tough questions, and making smart strategic choices.

“Grow, Change, or Die” was the right analysis. And “Growth through Change” is the right response. We are on our way forward—regardless of election results—and I believe you will lead the way. And that’s good news today. You’re the good news.

Thank you for coming to NCCA’s 20th Anniversary Conference.