



NATIONAL
COMMUNITY CAPITAL
ASSOCIATION

**ALIGNING
CAPITAL
WITH SOCIAL,
ECONOMIC &
POLITICAL
JUSTICE**

**NATIONAL
COMMUNITY
CAPITAL
ASSOCIATION'S
STRATEGIC PLAN**

2004 - 2010

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We needed to understand how community development finance is likely to change over the next 7-10 years and what role NCCA should play to make best use of its skills, experience, and resources.

EXECUTIVE SUMMARY

National Community Capital Association developed this strategic plan in response to structural and systemic changes in our external operating environment and within and among the community development finance industry. We needed to understand how community development finance is likely to change over the next 7-10 years and what role NCCA should play to make best use of its skills, experience, and resources.

We set six strategic goals NCCA expects to achieve by 2010. Of the six, two are systemic—that is, they are transformational changes of the community development finance system—and four are organizational, they pertain directly to NCCA.

The two systemic goals relate to scale and public policy:

- **A high-volume financing system** providing tens of billions of dollars annually benefiting millions of low-income and low-wealth people and communities with a wide array of affordable, customized products that create economic opportunities, build wealth, and strengthen communities.
- **Government policies** that benefit low-income and low-wealth people and communities by stimulating billions of dollars annually of new private investment by pension funds and other retirement accounts, mutual funds, individual investors, banks, and non-bank financial service companies in underserved markets.

The four organizational goals relate to NCCA's public relationships and financial management:

- **Broad understanding of, agreement with, and support for NCCA's core purpose and mission** among a critical mass of community development finance professionals, conventional finance professionals, policy makers, and the people and communities we serve.
- **Binding ties to the 7-10 most powerful organizations** fighting for social, economic, and political justice.
- **Scores of mainstream champions** (on Wall Street, in banks, and in government) fighting for NCCA's core purpose.
- **Consistently strong NCCA financial performance** that increases our ability to execute our plan year after year.



NCCA believes that these goals represent a bold and compelling effort to transform the community development finance system to increase its reach and impact by an order of magnitude or more within the current decade. The six goals all reflect NCCA's new mission: To lead the community development finance system to scale through capital formation, policy, and capacity development.

This plan describes what National Community Capital aims to accomplish by 2010 and what we will do to achieve our goals.

THE NEED TO CHANGE:

WHY NCCA DEVELOPED THIS NEW STRATEGIC PLAN

In October 2001, at its 17th Annual Training Conference in Memphis, Tennessee, NCCA suggested that the CDFI industry was entering a new era characterized by resource scarcity and policy uncertainty. We urged CDFIs to recognize the shift and respond quickly, and many have.

In retrospect, the change that has swept community development finance over the past several years was just picking up momentum in October 2001. NCCA's challenge since then has been to understand the factors causing change, to look forward at how those changes are likely to play out, and to figure out how to respond—what NCCA and the community development finance industry should do and how it should do it.

In January 2003, the NCCA Board of Directors initiated a strategic planning process to assess the external environment, as well as the changing structure and work of individual CDFIs and the CDFI industry, and to chart NCCA's strategic direction.

Two overarching facts made this planning necessary and important:

- 1. The external environment was going through seismic shifts.** In less than three years, the U.S. economy had nose-dived, federal and state resources had dried up, community development policies had reversed course, the conventional finance services industry had changed, and philanthropic resources had decreased sharply.
- 2. The CDFI industry—and community development finance generally—was in the midst of dramatic internal changes.** Longstanding business models were no longer working as well as they had for decades, CDFIs were pursuing new tools and approaches, CDFIs and some of their customers were going through organizational contractions, senior staff turnover was on the rise, and a growing number of CDFIs were discussing how to survive—and change. At the same time, some CDFIs had begun re-thinking their core businesses, dropping some business lines, entering into new partnerships with other CDFIs and banks, and starting new activities.

The NCCA Board and Management understood that these were lasting and structural changes that would transform community development finance.

NCCA entered its planning process with a set of questions prompted by these changes:



- How would CDFIs and their customers weather the economic downturn?
- What happens to the CDFI model when subsidy is short and competition is on the rise?
- How would the “new” CDFI Fund—reflecting the significant changes the Bush Administration has brought to the Fund—fit in the new CDFI era?
- What’s next for the CDFI industry? What will CDFIs be doing in 5-7 years that they wouldn’t dream of doing today? And, finally, how will the CDFI industry organize itself by 2010?

NCCA tried to answer these questions with the help of an environmental scan and analysis done by Praxis Consulting of Philadelphia, a market analysis by Wharton Community Consultants at the University of Pennsylvania, a series of extended Board discussions, staff analysis of CDFI industry trends and issues, and ongoing discussions with Member CDFIs, funders, investors, and others.¹

The result is this strategic plan. It presents our findings, analysis, and strategic direction. It recognizes that NCCA and the CDFI industry must change—and are already changing—to move forward amid operating conditions that will be very different over the next decade than they were over the past decade. At the same time, NCCA and the industry must hold tightly to their core values and core purpose. Together this core “ideology” will anchor NCCA and the industry as we progress through a turbulent present to a promising future.

This plan describes what National Community Capital aims to accomplish by 2010 and what we will do to achieve our goals. To implement this plan, NCCA has developed a three-year operational plan that will lay out our work in considerable detail. Each year, we will re-visit and refine our strategic goals, re-focus our strategies as necessary, and update and extend our operational plan.

Central to this plan is NCCA’s commitment to collaboration and partnership. As a product of the CDFI industry, NCCA looks first to its Member CDFIs for guidance, direction, and help in implementing this plan. Also important are our relationships with other industry organizations, investors, funders, conventional financial institutions, and policy makers.

NCCA can not achieve its goals alone. This plan re-commits NCCA to a collaborative approach to leadership and invites all of our partners and allies to participate in shaping the strategic direction of NCCA and our industry.

Finally, this plan is ambitious but realistic. Despite many new challenges, NCCA is confident that it can achieve its mission and take significant strides toward its core purpose of aligning capital with social, economic, and political justice. We expect to succeed because the CDFI industry is made up of smart, dedicated, innovative, and visionary people who have, in the past, demonstrated unflinching commitment to their work.

"Now, power properly understood is nothing but the ability to achieve purpose. It is the strength required to bring about social, economic, and political change."

Dr. Martin Luther King, Jr., 1967

INTRODUCTION

Over the past 30 years, community development financial institutions (CDFIs) have helped make justice possible. CDFIs use capital to leverage social, economic, and political change by giving economically underserved people and communities the opportunity to enter the economic mainstream. At the same time, CDFIs bring the economic mainstream into the lives of these people and communities.

For many people—particularly those who have faced systemic or structural barriers rooted in discrimination—access to capital to pursue economic opportunities is necessary for social engagement, economic well-being, and political participation. For society, giving all people fair and equal opportunity to participate fully is necessary for civic health, economic prosperity, and just and sustainable policies.

Yet in the United States, millions of people continue to experience social, economic, and political injustice, often resulting in persistent and worsening poverty or economic adversity. All too often this injustice is a product of historical injustice that systematically has denied resources and opportunities based on people's race, gender, nationality, ethnicity, sexual orientation, and other discriminatory factors.

To NCCA, justice means fair and equal access to the rights of and responsibilities for a civil society. It is fair and equal access to, opportunity in, and responsibility for social, economic, and political life.

Injustice, in contrast, comprises any and all impediments to that access, opportunity, and/or responsibility.

Injustice is indefensible when it is intentional, but much of what CDFIs witness and challenge is a subtle form of injustice that is more likely to result from unspoken assumptions or historical patterns than from conscious malice. NCCA believes that strategies toward justice that overlook and/or deny history result in injustice. These strategies are regressive—they dismiss historical legacies, patterns, and practices of injustice as unmistakable as slavery and the decimation of Native nations. They weaken, overturn, and ignore centuries of legal and economic progress to right historical wrongs. The CDFI industry and its allies are working to eliminate regressive strategies toward justice that deny history and so perpetuate injustice.

Progressive strategies for justice recognize and respond to past injustices. CDFIs have demonstrated that progressive financing strategies can counter historical injustice by challenging



false assumptions about the creditworthiness of people based on race, gender, sexual orientation, nationality, and other factors. CDFIs have helped demonstrate that low-income people can and will save for education, housing, and businesses, when they get the chance. CDFIs have helped demonstrate that low-income and low-wealth people can start and run successful businesses, can own and rent homes, can contribute to civil society, and can care for their environments. And CDFIs have helped prove that helping people outside the economic mainstream join the economic mainstream is good for society, the economy, and government. In short, CDFIs have provided hundreds of thousands—perhaps millions—of examples that progressive justice works.

CDFIs play a unique and important role in pursuit of justice. They offer an important part of the solution, but to be effective in producing lasting change they must join with others to build the collective strength we will need to end the systems and structures of injustice. To reach its potential, the CDFI industry now must extend its reach by raising its vision.

The CDFI industry has the experience and power to mobilize a wide and often disparate array of partners who, together, can do much more than the CDFI industry can accomplish in isolation. CDFIs bridge cultural, ideological, and partisan differences by creating a shared vision that defines success economically as well as socially. The CDFI industry's diversity and the diversity of its constituencies make the CDFI tent strong as well as broad.

The power of the CDFI industry grows from its ability to create transformational change by reshaping conventional thought, expectations, and actions in relation to economically underserved people and communities. This capacity and potential gives us the opportunity and responsibility to lead our nation in pursuit of a new model for progressive justice. CDFIs in partnership with mainstream financial institutions, government, policy and civil rights organizations, community organizations, and others can begin to leverage structural and systemic changes that defeat injustice.

This strategic plan is National Community Capital Association's framework through 2010. We believe that this plan will help advance our world to a time when sustainable justice is a reality for all United States residents—and, eventually, for all people. At that time, we envision a world where all people experience social, economic, and political justice and so have the opportunity and ability to act in the best interests of their communities, themselves, and future generations. In this world, all people are able to participate fully and equally in social, economic, and political life.

NCCA's core purpose is to align capital with social, economic, and political justice.

N C C A ' S M I S S I O N

NCCA's mission is to lead the community development finance system to scale through capital formation, policy, and capacity development. We expect to achieve this by 2010.

NCCA's mission, and this strategic plan in its entirety, is rooted in the organization's core ideology: what we stand for. Our core ideology comprises our core purpose and our core values.

NCCA's core purpose is to align capital with social, economic, and political justice. That is the reason NCCA exists.

Two core values anchor NCCA's work. We will work by these values without regard to circumstantial or environmental changes. They define NCCA's corporate identity. Our dedication to these values must be evident in our products, services, and operations:

Justice: Every facet of our work should be directed toward and reflect an unwavering commitment to fair and equal access to, opportunity in, and responsibility for social, economic, and political life. For us, justice is a unifying value.

Excellence: The people and communities we serve have a right to expect excellence, and we have a responsibility to provide it. A commitment to excellence is a statement of respect for our customers, investors, funders, staff, Board, and Members.

The integrity of National Community Capital is pegged to these values. We will live by our values even when doing so runs counter to NCCA's immediate economic, financial, and/or political interests. These values will ensure that we remain true to our purpose and so fulfill our commitments to our Members, customers, investors, funders, and ourselves.

NCCA STRATEGIC GOALS



If we are going to align capital with social, economic, and political justice by leading the community development finance system to scale through capital formation, policy, and capacity development, by 2010 we will need to achieve—alone or preferably in partnership with others—the following systemic and organizational goals:

SYSTEMIC GOALS

- **A high-volume financing system** providing tens of billions of dollars annually benefiting millions of low-income and low-wealth people and communities with a wide array of affordable, customized products that create economic opportunities, build wealth, and strengthen communities. This goal is the central, lead goal in NCCA's strategic plan.
- **Government policies that benefit low-income and low-wealth people** and communities by stimulating billions of dollars annually of new private investment by pension funds and other retirement accounts, mutual funds, individual investors, banks, and non-bank financial service companies in underserved markets. Anti-poverty and economic inclusion policies are integral to economic as well as social policy.

ORGANIZATIONAL GOALS

- **Broad understanding of, agreement with, and support for NCCA's core purpose** and mission among a critical mass of community development finance professionals, conventional finance professionals, policy makers, and the people and communities we serve. The community development finance system must do much more than it has so far to organize people and organizations in support of community development finance if we are to achieve success at scale.
- **Binding ties to the 7-10 most powerful organizations** fighting for social, economic, and political justice. Community development finance needs to demonstrate in clear and visible ways its historically implicit commitment to justice
- **Scores of mainstream champions** (on Wall Street, in banks, and in government) fighting for NCCA's core purpose. Community development finance serves the economy and policy well; we must make the connection tangible and easily recognizable.
- **Consistently strong NCCA financial performance** that increases our ability to execute our plan year after year. To succeed, NCCA must align its resources with its strategies.

The current system delivering financing to economically underserved people and communities is nearing the end of its useful life.

STRATEGIES TOWARD THE SIX GOALS

STRATEGIC GOAL # 1

A high-volume financing system providing tens of billions of dollars annually benefiting millions of low-income and low-wealth people and communities with a wide array of affordable, customized products that create economic opportunities, build wealth, and strengthen communities.

NCCA's analysis of external and operational conditions identified five key strategic factors that led to this goal:

- **The current system delivering financing to economically underserved people** and communities is nearing the end of its useful life. The current system comprises independent, vertically integrated financial intermediaries, most serving highly targeted markets. It excels in providing customized financial and technical solutions to diverse community development customers. It falls short on providing products and services at a scale proportionate to market demand and need, in large part due to operational inefficiencies and the limited operational interdependence of CDFIs and their financial partners. The community development finance system needs a new business model. The current business model is not sustainable.
- **Lack of scale is problem of growing importance.** Despite the substantial accomplishments CDFIs and NCCA have accomplished over the past 20-30 years, our efforts to use capital to transform communities and markets are losing ground on a national scale. While CDFIs have helped lead mainstream financial institutions into the markets where we work and individual CDFIs have had a profound impact in some communities, the income and wealth gaps between low-income and high-income wage earners in the U.S. are growing to record levels. At the same time, predatory lenders have taken advantage of the growing trend in responsible subprime lending to strip wealth from the people CDFIs aim to help. In short, our current approach is powerful and important, but it is not enough—we must find a way to make community development finance work at greater orders of magnitude than we do today.
- **CDFIs are well positioned to lead.** The markets where CDFIs work—sometimes called emerging domestic markets—are going to play an increasingly important role driving domestic economic growth over the next 50 years.
- **The community development finance system** needs a large-scale, well-organized system



for fostering, recognizing, and rewarding innovation. Most innovation in the community development finance industry is adaptive—that is, we adapt innovations from related fields to meet our needs. This is fine, but the industry does not have a means of capturing innovation in the marketplace and disseminating it broadly.

- **The growing success of “mass customization” delivery strategies** in mainstream markets provides a promising model to community development finance. Mass customization grew from the need of mass producers to respond to what are sometimes called “markets of one”—the desire many consumers have for a product customized to their needs. As a result, today you can order a new car online with exactly the features you want, new clothes custom-fitted to your body, or a mortgage or credit card under a wide range of terms and conditions. There is a large body of literature on mass customization and mass customization management that seems to fit the CDFI industry well. We have renamed the strategy “scalable customization” because we are working from a very different starting point—mass customization starts from mass production but little or no customization, where we start with excellence in customization but no scale.

This goal of transforming community development finance around CDFIs into a high-volume system is NCCA’s lead strategic goal. It requires that NCCA approach community development finance as a system of interconnected but independent businesses, focusing on solutions that improve the performance of the system. To this end, NCCA will identify market needs, assess system capacity and potential, and spur and support development of system-wide strategies and/or solutions.

This requires coordination and information sharing—more transparency—among the CDFIs, other financial institutions, and related businesses that comprise the community development finance system. Solutions must reduce exchange costs and inefficiencies across the system, and improve productivity.

NCCA knows that this goal is likely to result in significant changes for the CDFI industry and the community development finance industry more broadly. All organizations in this system—including NCCA—will need to make tough strategic choices to give up some activities and/or functions to focus on priority activities or functions.

This goal is an inclusive goal—that is, we believe there are important roles for a wide range of institutions, including some that do not exist or are not focused on community development finance today. Small as well as large institutions will fill important functions, and new organizations will step in to supply solutions that mature organizations can not or do not want to provide.

Finally, this goal assumes that the system will share authority across market participants. National Community Capital does not expect to own, run, or control this system. NCCA does expect to lead creation of the system, through a collaborative leadership process that involves a wide and diverse set of participants.

To achieve this goal, we have identified a set of business, communications, and policy strategies to focus our work. These strategies inter-relate and, in some instances, overlap with strategies for our other goals, as our goals are and should be closely integrated. For all of our goals, we expect to revisit and revise these strategies on an annual basis, as needed. We also expect to drop some strategies and add others, as needed.²

BUSINESS STRATEGIES

1. Engineer and put in place a scalable customization community development financing delivery system.

- a. **Streamline core system functions** for scale and efficiency by helping individual institutions recognize and realize the benefits of systems consolidation and integration.
- b. **Build an infrastructure** that can support a system in which core functions are disaggregated. This will require research and development on available, existing systems and the costs of building new systems.
- c. **Start from the leadership models and strategies of CDFIs leading the way** in scale, innovation, and impact.
- d. **Measure success by the overall volume of impact-driven transactions** that benefit economically underserved people and communities.
- e. **Incorporate an impact assessment system** to ensure we remain focused on mission and impact.

2. Build human capacity to ensure a steady supply of skilled people and organizations to implement a scalable customization delivery system.

- a. **Re-focus NCCA's training, consulting, and information products** to help CDFIs and others work together in a community development finance system.
- b. **Identify and leverage existing training** on capital markets and credit systems to benefit community development finance.
- c. **Rely on, collaborate with, and leverage** other related training, consulting, and information systems to deliver the greatest value to practitioners.

3. Adapt or create an array of liquidity vehicles and/or systems to ensure a steady, reliable flow of capital into the delivery system (i.e., securitization, enhancements, and ratings).

- a. **Bring in new capital** by aggregating CDFI demand to get to a large-scale volume of transactions.



- b. **Create a network of capital "nodes"** that serve a wide range of financial originators—for example, creating multiple pools of capital dedicated to specific purposes (i.e., manufactured home mortgages, franchise financing) that a wide range of originators can access for off-balance-sheet financing.
- c. **Incorporate mainstream market-proven methodologies** to reduce exchange costs and transactions inefficiencies, such as ratings systems, document standardization, and disaggregation of functions.
4. **In partnership with others, convene the best and brightest thinkers** from CDFIs, Wall Street, banking, and government in an innovation roundtable or collaborative that organizes and leads industry thinking.
5. **Make NCCA the "place to be"** for the smartest, most innovative community development finance practitioners.

COMMUNICATIONS STRATEGIES

1. **To community development finance practitioners**, explain and promote NCCA's vision of an integrated, disaggregated system that incorporates CDFIs, banks, Wall Street, and government using a scalable customization model to achieve scale in capital delivery and sustainability.
2. **To policy makers**, explain how community development finance provides the first few rungs of the macroeconomic growth ladder.
3. **To investors and funders**, explain how they can move from supporting individual institutions to supporting system solutions.

POLICY STRATEGIES

1. **Focus on results:** Make community development finance policy performance-driven again, and define success by the volume of transactions that benefit economically underserved people and markets.
2. **Pursue policies that support** scalable customization systems.
3. **Enact policies that encourage** and reward private investment.
4. **Steer government funding and investment** toward sustainable systems growing out of sustainable, high-impact financing strategies.

*Government
policy toward
community
development
finance
reflects limited
understanding
of its role and
potential.*

STRATEGIC GOAL # 2

Government policies that stimulate private investment in community development from pension funds and other retirement accounts, mutual funds, socially motivated individual investors, banks, and non-bank financial service companies.

NCCA's analysis of external and operational conditions identified four key strategic factors that led to this goal:

- **Government policy toward community development finance** reflects limited understanding of its role and potential. To a great extent, federal, state, and local government leaders do not understand how CDFIs and community development finance channels private capital into underserved communities and markets. As a result, community development finance as CDFIs practice it—leveraging government resources to bring private resources into play—is lumped with other, government grant-dependent community development efforts. We need to increase understanding of community development finance as an investment strategy contrasted to grant strategies.
- **Government resources are in short supply** and are not likely to get substantially better in the next 7-10 years. With the exception of favored strategies (i.e., CDFIs in the Clinton Administration, faith-based initiatives in the Bush Administration), the federal government is likely to reduce the resources it dedicates to community development generally and community development finance specifically. State and local government resources are likely to decline, as well. This will result in strategic competition—that is, different strategies will compete for limited resources.
- **Policy strategies that leverage private financing are politically appealing** in the political environment across partisan and ideological lines. NCCA has had success working with bipartisan support around the CDFI Fund, in particular. This provides a basis for a broader bipartisan coalition in support of community development finance.
- **NCCA and its partners need to begin to redefine the policy debate** around community development finance. Past policy and business success do not ensure future policy gains. Policies need to be re-framed or re-thought regularly to succeed in political environments. At the same time, the new policy environment of resource constraints, tax-incentive community development investment strategies, programmatic targeting, and global terrorism mandate a new vision for community development finance policy. Finally, we need to wipe the smear off of the term “subsidy” by demonstrating that community development is a sound investment of taxpayer funds, comparable to the homeownership mortgage interest deduction.

Conventional public policy marginalizes community development finance—and the millions of people it serves. Instead of acknowledging how community development finance moves people



and communities into the mainstream of economic activity, most public policy makers consider community development finance a give-away program. Just as the Children's Defense Fund has, over several decades, argued with significant success that quality early childhood education pays enormous long-term benefits, NCCA and the community development finance industry must make a compelling case that community development finance is a long-term investment strategy. As a result, anti-poverty policies should be central to economic policy as well as social policy.

BUSINESS STRATEGIES

1. **Organize policy strategies around community development finance demand:** Build products and services from the ground (or, market) up and anchor policy goals to real, achievable community development finance outcomes. Do not over-promise.
2. **Re-frame national policy around community development** in the larger context of how the U.S. government allocates and uses its resources (i.e., subsidy) to drive policy, including the means (i.e., tax policy).
3. **Maintain a serious, credible federal presence** by convening a regular series of policy forums in Washington, DC, on issues that extend beyond CDFIs (i.e., "A Sustainable Subsidy Policy"; "Beyond CRA: The Future of Community Development Finance," etc.).

POLICY STRATEGIES

1. **Appeal to the broad political middle**—all but the far left and the far right.
2. **Develop a core of elected champions** through targeted, persistent relationship building starting "in the districts."
3. **Develop a core of financial services industry champions** willing and able to advocate for community development finance by finding hooks that tie them to the policy strategy.
4. **Extend the Community Reinvestment Act to all financial institutions** that use publicly funded subsidy.
5. **Find and pass small but significant "tweak" changes in** pension and retirement savings laws that open the door to socially motivated investors seeking community development investments. (i.e., a "1% in communities" exception to overcome current fiduciary caution).
6. **Change Securities and Exchange Commission policies** to remove real and perceived obstacles to socially motivated investors.
7. **Identify a major new government strategy** to stimulate the changes necessary to achieve this goal and Goal #1.

Working in the CDFI industry is like working in a hall of mirrors, and we need to work in a hall of windows.

STRATEGIC GOAL # 3

Broad understanding of, agreement with, and support for NCCA’s core purpose and mission among a critical mass of community development finance professionals, conventional finance professionals, policy makers, and the people and communities we serve.

NCCA’s analysis of external and operational conditions identified four key strategic factors that led to this goal:

- **The CDFI industry is insular** and operates in self-imposed isolation from mainstream financial, economic, and policy activities. If the industry wants to remain a big fish in a small pond of social, economic, and political change, it can. If, however, the industry wants to contribute to lasting transformation, it must learn to think and work with a greater external focus. As one NCCA Board Member said, “Working in the CDFI industry is like working in a hall of mirrors, and we need to work in a hall of windows.”
- **For much of the past decade**, CDFIs and NCCA—indeed, community development finance broadly—have enjoyed a preferred status that is going by the wayside. The CDFI industry enjoyed remarkable popularity and success through the 1990s, due in part to their own accomplishments, the federal focus on the CDFI Fund, changes in the Community Reinvestment Act, and foundation support. While our work remains important and most CDFIs perform well, the other factors all have lost momentum. This presents both a challenge and opportunity to define our relevance to a much broader audience than we have addressed in the past.
- **The CDFI industry has not had to interact extensively with Wall Street** and policy-makers, but now it does. Due in part to our good standing for most of the past decade, good things (i.e., capital, people, opportunities) have come to us on good terms. We now are in a resource-constrained environment where we will have to work harder—and with different partners—to achieve the same or greater goals. We must engage with mainstream markets.
- **Significant opportunities exist to promote and leverage** community development finance, CDFIs, NCCA, and the links between capital access and justice. The basic community development finance “product” remains powerful, with great potential. We must increase and improve our communications with key audiences.

NCCA and CDFIs too often are hidden in plain sight. While our work touches millions of lives all along the capital supply and demand chain—from investors to end-borrowers—community



development finance is little known and less understood. This severely constrains our leverage in capital markets, policy arenas, and community outreach.

We need to build understanding of our work, organize the people and institutions that understand, and channel those people and institutions in support of NCCA's core purpose and mission.

BUSINESS STRATEGIES

1. **Launch a community development finance business publication** that combines an industry focus with the editorial approach of business journals that offer informed, savvy reporting and content.
2. **Use the publication as an advocacy and marketing vehicle**—promote the community development finance industry's interests—as well as a way of delivering news.
3. **Maintain a steady presence in germane mainstream media** (financial services, business, politics, etc.) through public relations and free media tactics.

COMMUNICATIONS STRATEGIES

1. **Keep our message simple and clear**, and use as many media outlets as possible.
2. **Use our champions to tell our story** (see Goal #6).
3. **Keep the story fresh**—there are thousands of good community development finance stories.

POLICY STRATEGIES

1. **Use the message and media** to back up advocacy.
2. **Appeal broadly** to all but the extreme right and extreme left.
3. **Use broad awareness** to make community development finance an everyday issue for elected officials and their appointees.

NCCA

historically

has professed

support

for social,

economic, and

political justice,

but it has not

acted on its

support.

STRATEGIC GOAL # 4

Binding ties to the most powerful organizations fighting for social, economic, and political justice.

NCCA's analysis of external and operational conditions identified three key strategic factors that led to this goal:

- **CDFIs and NCCA are not currently relevant** to most social, economic, and political justice organizations. Many of these organizations may be as wary of our agenda as they are supportive of it. Some consider us harmless, but some think we are co-conspirators with the "other side." A small number are waiting for us to act on our commitment to social, economic, and political justice.
- **NCCA historically has professed support for social, economic, and political justice,** but it has not acted on its support. NCCA's agenda has more narrowly focused on access to capital, the Community Reinvestment Act, and the CDFI Fund.
- **Earning support from these organizations could increase our clout in policy** but could equally well polarize our political allies, impeding our efforts to build a base in the broad middle of the political spectrum. Success in this goal will require clear and strategic planning and action.

BUSINESS STRATEGIES

1. **Make NCCA's commitment to social, economic, and political justice explicit** and clear (rather than implicit and vague).
2. **Develop business and/or financing partnerships with key organizations,** such as the National Council of La Raza.
3. **Use NCCA's voice for social, economic, and political justice.** This will build credibility and political capital with partners.



COMMUNICATIONS STRATEGIES

1. **Articulate how community development finance leads to** social, economic, and political justice, as we posit in our core purpose (“Align capital with SEP justice.”).
2. **Organize media and public relations strategies** around social, economic, and political justice. Find ways to tell how a transaction or series of transactions makes the world/community/city/town a more just place.

POLICY STRATEGIES

1. **Make justice issues part of NCCA’s policy agenda.** Use political capital for justice issues.
2. **Publicly and actively support agendas of key allies.** Help/encourage our constituents to do the same.

Mainstream financial and government institutions are going to be critically important to community development finance over the next decade.

STRATEGIC GOAL # 5

Scores of mainstream champions (on Wall Street, in banks, and in government) fighting for NCCA's core purpose.

NCCA's analysis of external and operational conditions identified four key strategic factors that led to this goal:

- **CDFIs have had limited interaction with capital markets** and mainstream institutions because they have not needed to do more. Virtually all of the growth in community development finance through the 1980s happened outside the financial mainstream, and most of the growth through the 1990s happened because of policy levers (i.e., CRA, the CDFI Fund).
- **Mainstream financial and government institutions are going to be critically important** to community development finance over the next decade. Community development finance will rely more on securitization and secondary markets for liquidity, as well as mainstream financial partners for systems and expertise. At the same time, mainstream financial institutions will continue to seek market growth opportunities in markets that overlap with those CDFIs they serve.
- **Mainstream financial institutions have growing interest in subprime markets,** including some that CDFIs serve. The rise in subprime lending over the 1990's is the clearest evidence that mainstream institutions recognized opportunities in serving markets that CDFIs historically served. The corresponding rise in predatory lending, however, revealed the thorn inside the rose. CDFIs work just outside the margins of conventional finance. When the margins move, CDFIs must move as well. For much of the 1990s, the margins moved out, with mainstream financial institutions expanding their subprime financing. In the early 2000s, the margins contracted. As the economy improves, however, banks and other mainstream financial institutions will return aggressively to subprime markets. This is a structural shift that the community development finance industry must recognize and embrace.
- **Community development finance appeals,** on a personal level, to many mainstream financial professionals. As community development finance has risen in prominence in financial and policy arenas, a growing number of mainstream finance professionals have taken note. Highly skilled Wall Street and bank professionals have moved into community development finance, or taken great interest (e.g., former Treasury Secretary Robert Rubin). Recruiting mainstream financial professionals will be key to community development finance over the next 7-10 years.



BUSINESS STRATEGIES

1. **Make powerful and prominent leaders partners in our work** by making connections through our network, seeking their guidance, and creating a sense of ownership.
2. **Make 3-5 of those leaders spokespeople for NCCA and the CDFI industry** (as Bill Gates, Sr., has become for United for a Fair Economy).

COMMUNICATIONS STRATEGIES

1. **Sing the praises of our leader-partners** everyday in every way we can.
2. **Co-author articles**, op-eds, etc.
3. **Give awards** prominently and generously.

POLICY STRATEGIES

1. **Link our champions to our policy agenda** (i.e., not just influential, but influential in the right places).
2. **Get champions to deliver our message:** a vibrant community development finance system is good for the economy and the economic security of our nation.

NCCA's financial performance and condition have improved over the past decade, but future strong performance will rest much more heavily than in the past on income-generating business lines.

STRATEGIC GOAL # 6

Consistently strong NCCA financial performance that increases our ability to execute our plan year after year.

NCCA's analysis of external and operational conditions identified four key strategic factors that led to this goal:

- **Sources of subsidy are diminishing for community development finance.** Long-time supporters are turning their attention elsewhere. Most say that access to capital strategies alone are no longer central to their funding goals, although access to capital strategies linked to other goals (e.g., education and workforce development) may be. Government subsidy sources are greatly reduced at all levels and, our analysis concluded, are likely to remain in short supply for the next 10 years, at least. Finally, new tax incentives for community development finance will not offset other reductions.
- **The cost of debt and investment capital will increase,** reducing spreads that long have supported operations. While philanthropic and faith-based sources of capital will continue to provide a limited supply of low-cost capital, the prevailing trend is toward higher yields to support sustainable financing in the future. A growing number of banks—absent regulatory pressure—see community development finance as a profit center and so are seeking significantly higher yields than in the past, when they viewed community development finance as a form of philanthropy. Even some key foundations have increased yield expectations as they support their philanthropy from the spreads they earn on their program related investments.
- **NCCA's financial performance and condition have improved** over the past decade, but future strong performance will rest much more heavily than in the past on income-generating business lines. NCCA must plan to finance future growth out of earned income rather than grant revenue.
- **Economic conditions, coupled with the structural changes we anticipate,** place a premium on disciplined business management. Disciplined business management should and must translate into good financial results. We can not assume that NCCA can or should continue to exist simply because it has a strong membership. Indeed, it seems likely that not all of the national community development finance intermediaries will survive the changes and economic pressures of the next 7-10 years.

Like most nonprofit CDFIs, NCCA operates on tight margins and a limited supply of capital.



This requires NCCA to be resourceful, selective, and productive.

It also requires disciplined financial management, thoughtful long-range financial planning, and strong financial performance. NCCA is focused particularly on maintaining and improving its strong capital base, increasing its reliance on earned revenue, and consistently producing positive annual operating results.

To succeed, NCCA must properly align its resources with its strategies. In this way, strong financial performance requires not only sufficient revenue and capital but appropriate revenue and capital that enable NCCA to advance on its priorities. A failure to do this will prevent NCCA from achieving its strategic goals.

B U S I N E S S S T R A T E G I E S

1. **Always manage toward** a healthy operating margin ($\geq 5\%$).
2. **Make and keep core businesses** (financing & capacity-building) self-sufficient.
3. **Increase organization-wide self-sufficiency.** Identify new ways of earning revenue—new products, services, and approaches.
4. **Collaborate and partner** for efficiency where possible.
5. **Change our approach to investors and funders;** make them business partners in our enterprise.
6. **Cultivate new sources of equity capital** for NCCA and the industry.

*NCCA exists
because of its
Members—to
represent and
serve them.*

NCCA'S COMMITMENTS

NCCA'S COMMITMENT TO ITS MEMBERS

NCCA exists because of its Members—to represent and serve them. Unlike most, if not all, other membership organizations, NCCA has long served in roles that, at first glance, seem in conflict—as both advocate for and “judge” of its Members; as both a lender and consultant to its Members; and as a provider of human capacity-building products and services as well as the arbiter of industry best practices.

That relationship works for NCCA and its Members because of a set of implicit and explicit commitments to one another. In the context of this strategic plan, NCCA wants to restate its commitment to its Members and articulate its expectations of its Members.

NCCA will provide financially viable products and services that address its Members needs, including but not limited to capital, training, consulting, publications, information technical assistance, and advocacy. We will strive to understand our Members’ needs based on our work with them, requests we receive for assistance, external market and/or membership assessments, and other credible means. NCCA succeeds when its Members succeed.

NCCA will give preference to serving its Members’ need over serving the needs of other organizations. This will include preferential treatment and fees, as well as preferential access to NCCA resources.

NCCA will serve and promote the interests of its Members within the framework of NCCA’s strategic plan. In the event of a conflict between NCCA’s plan and a Member’s individual interests, NCCA will serve the interests of the strategic plan to best serve our mission.



NCCA'S EXPECTATIONS OF ITS MEMBERS

NCCA expects its Members to support and aspire to NCCA's core values of Justice and Excellence. These goals define what the organization stands for.

NCCA expects its Members to commit to NCCA's core purpose—to align capital with social, economic, and political justice—and to support NCCA's work on its strategic plan.

Supporting NCCA's work requires active participation in advocacy and policy and supporting NCCA's efforts to bring new or additional resources to the industry. It also requires an honest exchange—at times, including disagreement—about the strategic goals, strategies, and tactics that NCCA uses.

NCCA expects its Members to participate in NCCA activities and programs. The authority to elect Board Members is the greatest right and responsibility of membership. In addition, NCCA's knowledge-base is a product of our interaction with CDFIs, particularly Members. By working with our Members, we capture best practices, innovations, and expertise that we can distill and distribute to benefit the CDFI industry.

We are committed to partnerships that create greater value than we and our partners could create otherwise.

NCCA'S COMMITMENT TO & EXPECTATIONS OF ITS PARTNERS

Reflecting the spirit and intent of this plan, NCCA also wants to make explicit commitments to its current and future partners. We are committed to partnerships that create greater value than we and our partners could create otherwise.

NCCA partners with a wide range of organizations—its peer national membership associations, investors, funders, banks, financial intermediaries, and others. This strategic plan commits NCCA to extending its existing partnerships and entering into new partnerships—most notably with organizations dedicated to social, economic, and political justice. NCCA seeks partnerships that are mutually beneficial and that create value in line with our core purpose, core values, and mission. To these ends,

NCCA will actively seek to develop partnerships that create value for our partners, the community development finance system, and NCCA. NCCA will not enter into partnerships that benefit NCCA to the detriment of its partners; such partnerships are not sustainable or, in the long run, beneficial to NCCA. In return, NCCA expects its partners to commit to creating value for NCCA, the community development finance system, and themselves.

NCCA will conduct business with partners according to the same principles that it holds itself to in its internal affairs: respect, integrity, and its core values—Justice and Excellence. In return, NCCA expects its partners to conduct business with NCCA according to the same principles.

NCCA will share the benefits of its partnerships with its partners in reasonable and equitable ways, though it will not expect its partners to disclose information or benefits that would harm them irreparably. It expects the same treatment from its partners.

NCCA'S PUBLIC COMMITMENT

NCCA will commit all its resources to this strategic plan, in line with its core purpose and core values. Under no circumstances will NCCA use its resources to personally benefit individual employees, Board Members, or representatives of Member organizations.



These changes may seem subtle and evolutionary to some, dramatic and revolutionary to others.

CHANGING NATIONAL COMMUNITY CAPITAL ASSOCIATION

This strategic plan is intended to help NCCA align capital with social, economic, and political justice by committing the organization to leading the community development finance system to scale through capital formation, policy, and capacity-building. It envisions a time when we are successful and all people experience social, economic, and political justice and so have the opportunity and ability to act in the best interests of their communities, themselves, and future generations. In this world, all people are able to participate fully and equally in social, economic, and political life.

On a more practical level, however, this plan will change National Community Capital and the way it relates to its Members, its Board, its staff, and its partners. It is difficult—and perhaps foolish—to imagine in much detail how this will occur. A few broad themes are clear, however:

- **National Community Capital will focus more** of its attention and resources outside the CDFI sector than it did in the past.
- **National Community Capital will pursue its mission** through a market rather than through a program or set of programs. The tools we use in the future are more likely than not to be or resemble levers that conventional markets use—for example, a ratings system for investments. They will be organized around demonstrable demand and follow basic principles of economic behavior and activity.
- **National Community Capital aspires to play a positive, transformational role** in the way that mainstream markets, systems, and organizations relate to low-income and low-wealth people and communities.
- **National Community Capital sees community development finance as a means** to a sustainable and just social, economic, and political system—giving all people the opportunity and ability to act in the best interests of their communities, themselves, and future generations.
- **National Community Capital will balance its commitment** to a community development system with its CDFI constituency, serving its Members and CDFIs in general well, but not at the expense of its mission.

These changes may seem subtle and evolutionary to some, dramatic and revolutionary to others. In the context of NCCA's and the CDFI industry's development over the past 20 years, however, it is clear that the changes extend the arc of growth that NCCA has followed since it was founded in 1985.



At our founding, NCCA focused entirely on peer-to-peer interaction, primarily through the Annual Training Conference. By 1990, with the addition of full-time professional staff, NCCA (then the National Association of Community Development Loan Funds, or NACDLF) concentrated on institution building—building CDFIs one at a time.

By 1994, with the completion of NCCA's first strategic plan, the organization expanded its scope to building strong CDFIs by building a strong CDFI industry. We benefited significantly from external factors, including the creation of the CDFI Fund and regulatory changes in the Community Reinvestment Act. At the same time, the work that CDFIs had started in the 1970's had gained significant momentum on its own. The time for CDFIs had come. In the most significant growth era of the CDFI industry's short history, 1998-2000, NCCA simply focused on expanding the CDFI industry.

In 2000, as mainstream lenders moved into subprime markets and economic and political changes roiled the CDFI environment, the CDFI industry and NCCA began to enter new markets—for example, child care financing rose sharply and primary health care facility financing emerged as a market need and opportunity.

Now, as we enter 2004, NCCA is committing itself to pursuing its mission through markets. To the Board and staff of NCCA, this step seems virtually inevitable—and right.

We also recognize that it is a big step in a new direction. One of the most important insights we gained during our strategic planning process was that the CDFI industry was in the midst of a "Stage" transition, much as growing organizations go through stages of development. From our experience consulting with CDFIs, we adapted a model of stages of organizational development to help explain the context in which NCCA's plan was taking shape.

This framework suggests that the CDFI industry is entering the third stage of a four-stage development process toward mature institutions working in a permanent industry. In this framework, the stages of the CDFI industry are:

- 1. Proof of concept**—From roughly 1970 through the early 1990s, CDFIs had to prove that there is a good reason to exist and that they could deliver what they promise.
- 2. Go-Go Growth**—Beginning in 1994 or 1995, and ending in 2000-2001, the CDFI industry saw tremendous growth—both in individual CDFIs and in the industry overall.
- 3. Strategic restructuring**—By mid-2001, the CDFI industry began to understand in tangible ways that the rules of the game were changing. This strategic plan covers what we expect this stage to be.
- 4. Maturity & Permanence**—By 2010, or soon after, we expect the industry to emerge as a significant and permanent force, at scale, in linking underserved people and markets to the economic mainstream, and vice-versa.

In organizations, the transitions between stages are almost always confusing, turbulent, and difficult.

We concluded that since late 2000 the CDFI industry has been working its way through the transition between stage 2 and stage 3.

The underlying challenge of stage 3 is finding the best way to restructure to reach stage 4 in good shape. This plan is our proposal for how to do that.

Of course, there is no guarantee that NCCA or the industry as a whole will make it to stage 4—that is, there is no guarantee that we will survive the transition that is already underway. Again, this plan is the best course we see.

More important, we believe in this plan and so are prepared to lead NCCA, our Members, and the CDFI industry through what we expect will be a difficult but rewarding transformation from an array of more than 600 independent, vertically integrated financial intermediaries into a more effective system for delivering capital to people and communities outside the margins of conventional financing systems.

By 2010, and almost certainly sooner, most CDFIs will be very different than they are today. They will do different things than they do today and they will do even the things they do now in different ways. Call it “CDFIs v2.0.”

The changes we face may seem daunting, discouraging, and perhaps impossible—even as they seem exciting and hopeful. If you can not see how we as an industry could possibly change so much so fast—an entirely new system for delivering community development finance by 2010?—think back to 2002, and then look back nine years earlier to 1993, when the CDFI industry was just starting the transition from stage 1 (proof of concept) to stage 2 (go-go growth).

In 1993, no one dreamed that we would change so much in such a short time. In 1993, the average CDFI had 2.9 FTEs managing \$1.82 million with \$1.05 million in financing outstanding. In 2002, the average CDFI had 16.2 FTEs managing \$22.8 million with \$16.8 million outstanding. At year-end 1993, the entire NCCA network had a little more than \$42 million outstanding; at year-end 2002, the NCCA network had \$2.35 *billion* outstanding.

At the start of 2004, as we begin to implement this plan, we are operating in a period of resource scarcity and policy adversity compared to the last 7-10 years. In contrast to where we stood a decade ago, however, we are rich with knowledge, capital, and backers. We have a decade more successful experience, making us that much better prepared to move forward with confidence not only in our skills but also in our ideas. If we could accomplish so much starting with so little a decade ago, we can go further and accomplish more, more quickly over the next 7-10 years.

We owe it to ourselves—and the people and communities we serve—to entrust the future to our own potential and capacity to create transformational change in a transactional business. The future of mission-centered community development financing is great, so long as we go there together.

NCCA'S PLANNING PROCESS



National Community Capital based its planning process on *Built to Last: Successful Habits of Visionary Companies*, (HarperBusiness, 1994; Jerry Porras and Jim Collins). The "Built to Last" model rests on the notion that highly successful businesses have a vision that incorporates a core ideology (which does not change) and an envisioned future (which does change).

Core ideology comprises a core purpose and core value. Core purpose is the organization's "reason for being." Core values are the "essential and enduring tenets of an organization."

An envisioned future comprises a "big, hairy audacious goal" (or, BHAG) and a vivid description of what it's like to achieve that goal. A BHAG is a 10-30 year goal that is clear, inspiring, and measurable. It should be bold and ambitious, with only a 50%-70% probability of success. Vivid description is an image of success that people in the organization can carry around in their heads.

In National Community Capital's plan, our mission is our BHAG. Our vivid description is incorporated at the end of the plan's Introduction. Our core purpose and core values are called out in an explicit way.

The authors summarized the "Built to Last" approach in a Harvard Business Review article, "Building Your Company's Vision" (September-October 1996).

Jim Collins has since published *Good to Great* (HarperBusiness, 2001), a study of how good companies become great companies. It builds on some key elements presented in Built to Last.

Praxis Consulting of Philadelphia provided invaluable assistance. Ginny Vanderslice facilitated most of the planning discussions. Alex Moss and Andy Lamas conducted the external environmental scan and led NCCA Board discussions on their findings.

Alex and Andy interviewed approximately 30 people in May and June, and reviewed germane literature from May through September.

The NCCA Board met for planning purposes in May, June, and September. A Board Planning Committee (Shaw Canale of Cascadia Revolving Fund, who chaired the committee; Clarence Williams of California Capital; and Elyse Cherry of Boston Community Capital) oversaw the planning process. Two subcommittees provided in-depth assistance: The Core Values Committee (Clarence Williams, Chair; Bill Bynum of Enterprise Corporation of the Delta; and Elsie Meeks of Oweesta Corporation) and the Strategic Goals Committee (Elyse Cherry, Chair; Calvin Holmes of Chicago Community Loan Fund; and Nancy Andrews of Low Income Investment Fund).

The Strategic Plan was approved by NCCA's Board of Directors January 21, 2004.

NATIONAL COMMUNITY CAPITAL'S BOARD OF DIRECTORS 2002 - 2004

Moises Loza, Chair (2002-2003)

Housing Assistance Council

Shaw Canale, Chair (2003-2004)

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The Northland Foundation

Nic Retsinas

Joint Center for Housing Studies, Harvard University

Clarence Williams

California Capital, FDC



Endnotes

¹ Key points from these analyses—but not the full reports—are included in this document.

² We are providing more detail about our strategies for this goal than for the other five goals. This reflects the lack of familiarity we expect most people to have with the scalable customization model, as well as the importance of this goal.



ABOUT NCCA

Active in all 50 states, National Community Capital is a membership network of more than 150 private-sector community development financial institutions (CDFIs). The National Community Capital network invests in small businesses, quality affordable housing, and vital community services that benefit economically disadvantaged people and communities.

National Community Capital's strategy is to work just outside the margins of conventional finance to bridge the gap between the economic mainstream and economically disadvantaged people and communities. In this way, we are building an inclusive prosperity where all people have the resources and opportunities to act in the best interests of their communities, themselves, and future generations.

The network has invested more than \$6.6 billion that has created approximately 186,000 jobs, 283,000 housing units, and supported close to 3,900 services providers.

PRODUCTS AND SERVICES

Uniquely positioned in the community development industry, we offer CDFIs the most complete range of products and services of any organization in the field. They include:

Financing: For small, emerging, and mature CDFIs.

Training: Classroom and online learning.

Consulting: Comprehensive and customized to meet our clients' specific needs.

Technical Assistance: For hundreds of start-up, small, emerging, and mature CDFIs.

Information Products & Services: Free and for-fee publications and other resources.

Policy Analysis: Analysis on pending policy proposals.

Advocacy: A voice for shaping policy on the federal and state levels.

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