

COMMUNITY DEVELOPMENT SOCIETY

LUNCH, MONDAY JUNE 26, 2006

PREPARED TEXT FOR DELIVERY

"GROW, CHANGE, OR DIE"

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I AM SORRY I COULD NOT MAKE IT TO DELIVER MY COMMENTS TODAY. MY LONG DAY SO FAR BEGAN AT 3 A.M. WITH A CALL FROM U.S. AIRWAYS SAYING THAT MY EARLY FLIGHT WAS CANCELLED. AFTER 45 MINUTES ON THE PHONE, I RE-BOOKED ON AN AMERICAN FLIGHT THAT WOULD HAVE, IF ALL WENT WELL, ARRIVED IN ST. LOUIS AT ABOUT NOON. ALL DID NOT GO WELL, AND THE LAST I HEARD FROM AMERICAN AIRLINES WAS "INDEFINITE DELAY."

I AM PARTICULARLY DISAPPOINTED NOT TO BE ABLE TO JOIN YOU IN ST. LOUIS, WHICH HAS PRODUCED, AMONG MANY OTHER REMARKABLE THINGS, MY WIFE. JENNIFER GREW UP IN SOUTH ST. LOUIS, WHERE HER FATHER WAS PASTOR AT ST. MARK'S EPISCOPAL CHURCH. HER DEEP LOVE FOR ST. LOUIS IS A DAILY REMINDER FOR ME OF THE POWER OF COMMUNITY.

BUT EVEN FOND MEMORIES CAN BE TAINTED, AND EVERY TRIP I MAKE TO ST. LOUIS REMINDS ME OF A DISAGREEMENT MY WIFE AND I HAD ON-AND-OFF FOR

TWO DECADES. ODDLY ENOUGH, IF NOT FOR THE FEDERAL RESERVE SYSTEM, WE WOULD STILL BE ARGUING.

YOU ALL KNOW THAT IN EVERY RELATIONSHIP THE REALLY HARD ISSUES ARE WHAT A GOOD FRIEND OF MINE CALLS THE "TOOTHBRUSH" ISSUES: YOU KNOW, WHETHER TO HANG THE TOOTHBRUSHES OR KEEP THEM IN A CUP ON THE SINK. THE DEVIL ALWAYS WILL BE IN THE DETAILS.

SO IT WAS THAT JENNIFER AND I MAINTAINED A RUNNING SPAT ABOUT WHETHER ST. LOUIS HAS WORSE SUMMER WEATHER THAN WASHINGTON, DC, WHERE I LIVED WHEN WE MET. JENNIFER SWEARS THAT THE HUMIDITY LEVEL IN ST. LOUIS OFTEN EXCEEDED 100%!

WE KEPT UP THE FIGHT UNTIL A COUPLE OF YEARS AGO WHEN I WAS TALKING WITH FEDERAL RESERVE BOARD GOVERNOR SUSAN BIES.

NOW, IF YOU HAD THE CHANCE TO ASK A FEDERAL RESERVE GOVERNOR ANY QUESTION ON OUR MIND, WHAT WOULD YOU ASK ABOUT? THE ECONOMY? INTEREST RATES? THE PROSPECTS FOR GROWTH?

I ASKED ABOUT THE WEATHER. WHEN I LEARNED THAT GOVERNOR BIES, WHO NOW LIVES IN WASHINGTON, DC, HAD LIVED FOR MANY YEARS IN ST. LOUIS, I HAD TO ASK.

SO I EXPLAINED OUR CONFLICT AND ASKED, "WHICH CITY HAS WORSE WEATHER IN THE SUMMER—WASHINGTON, DC, OR ST. LOUIS," AND WAITED SMUGLY FOR THE ANSWER, WHICH I WAS CERTAIN WOULD BE WASHINGTON, DC.

IT DIDN'T TAKE HER MORE THAN A SECOND TO SAY, "MEMPHIS." KING SOLOMON WOULD HAVE LIKED THAT ANSWER.

I WISH THE ANSWERS TO THE DIFFICULT QUESTIONS WE FACE IN COMMUNITY DEVELOPMENT WERE AS SIMPLE AS "MEMPHIS." THEY ARE NOT. BUT THEY MAY BE AS UNEXPECTED AS GOVERNOR BIES'S ANSWER SEEMED THAT DAY.

THE PURPOSE OF MY TALK IS TO SHARE MY PERSPECTIVE ON THE PAST AND FUTURE OF COMMUNITY DEVELOPMENT. OUR HOSTS ASKED ME TO TALK ABOUT THE "GROW, CHANGE, OR DIE" PHENOMENON THAT HAS SWEEPED THE FIELD OF COMMUNITY DEVELOPMENT FINANCE OVER THE PAST 3 OR 4 YEARS—WITH SOME DIFFICULT AND SURPRISING EFFECTS—SO YOU KNOW THAT WHAT I AM GOING TO SAY IS NOT ALL HAPPY AND SWEET.

MY GOAL IS SIMPLE: I WANT TO SHARE WITH YOU THE CDFI INDUSTRY'S EXPERIENCE FACING CHALLENGES THAT THREATEN OUR FUTURE, AS WELL AS OUR PRESENT. AND I AM GOING TO TELL YOU HOW WE ARE RESPONDING, BECAUSE THERE ARE MORE OPPORTUNITIES THAN PROBLEMS IN OUR FUTURE.

IN SHORT, THE CHALLENGES STEM FROM THE FACT THAT WHILE COMMUNITY DEVELOPMENT HAS WON COUNTLESS BATTLES, WE ARE LOSING THE WAR. AT LEAST SOME OF THE PROBLEMS WE WANT TO ADDRESS ARE NOW GROWING WORSE, NOT BETTER.

AND WE HAVE SUFFERED, AND WILL CONTINUE TO SUFFER, CASUALTIES. THE NATIONAL CONGRESS FOR COMMUNITY ECONOMIC DEVELOPMENT, THE TRADE ASSOCIATION FOR CDCs FOR MORE THAN 30 YEARS, IS EFFECTIVELY GONE. SEVERAL PROMINENT PIONEERS CDFIs ARE OR SOON WILL BE DEFUNCT.

BUT OUR OPPORTUNITIES GROW FROM THE FACT THAT OUR TRACK RECORD, OUR MARKET EXPERTISE, AND OUR CONVENTIONAL FINANCIAL INSTITUTION RELATIONSHIPS POSITION US UNIQUELY TO CREATE GROWTH THAT IS GOOD FOR COMMUNITIES, GOOD FOR INVESTORS, GOOD FOR INDIVIDUALS, AND GOOD FOR THE ECONOMY.

MY GOAL TODAY IS SIMPLE, *BUT MY MESSAGE IS NOT*. CHANGE IS PAINFUL. IT MEANS TALKING ABOUT SOME THINGS WE WOULD RATHER NOT DISCUSS. (IT IS CLEARLY UNFAIR TO ASK SOMEONE ELSE TO DELIVER THESE COMMENTS FOR ME, SO PLEASE DON'T SHOOT THE MESSENGER.)

TO BE HONEST, THIS IS ONE OF THOSE TIMES WHEN IT WOULD BE EASIER TO COMPLIMENT YOU ON YOUR WORK, TELL YOU ABOUT THE GREAT THINGS WE DO, AND GO HOME. EACH TIME I GO OUT TO TALK ABOUT "GROW, CHANGE, OR DIE," MY WIFE SAYS, "ARE YOU CRAZY?! THEY DON'T WANT TO HEAR THAT FROM YOU!"

BUT I AM GOING TO TALK ABOUT “GROW, CHANGE, OR DIE” FOR THREE REASONS:

- FIRST, THE PEOPLE WHO INVITED ME TO SPEAK TODAY INVITED ME HERE FOR A REASON AND I DON'T WANT TO DISAPPOINT.
- SECOND, EVERYONE WHO HAS WORKED IN COMMUNITY DEVELOPMENT IS USED TO FACING UP TO HARD ISSUES AND YOU DO NOT SHY AWAY FROM TOUGH TOPICS.
- THIRD, IF MY EXPERIENCE WITH CDFIS IS ANY INDICATION, YOU ARE ALREADY THINKING ABOUT AND RESPONDING TO THE THINGS I'M GOING TO TALK ABOUT.

“GROW, CHANGE, OR DIE,” IS AN ACCIDENTAL THEME FOR THE CURRENT TRANSFORMATION OF THE COMMUNITY DEVELOPMENT FINANCE INDUSTRY—OR OPPORTUNITY FINANCE INDUSTRY, AS WE NOW CALL IT.

IN 2003 WHEN OPPORTUNITY FINANCE NETWORK UNVEILED ITS CURRENT STRATEGIC PLAN AT OUR CONFERENCE, WE CALLED THE SESSION, “GROW, CHANGE, OR DIE.” WE WANTED PEOPLE TO UNDERSTAND THAT WE FACED HARD ISSUES. WE ARE NOT SUBTLE. BUT WE NEVER EXPECTED THE RESPONSE WE GOT.

TO BE HONEST, WE HAD UNDERESTIMATED THE EXTENT TO WHICH OUR MEMBERS ALREADY UNDERSTOOD WHAT NEEDED TO HAPPEN.

THEY UNDERSTOOD TWO THINGS:

THE FIRST I TOLD YOU ALREADY: WE ARE WINNING IMPORTANT BATTLES EVERY DAY, BUT WE ARE LOSING THE WAR.

THE SECOND IS THAT THE SEISMIC SHIFTS WE ARE EXPERIENCING ARE STRUCTURAL AND SYSTEMIC—FUNDAMENTAL, TRANSFORMATIONAL CHANGES IN POLITICS, DEMOGRAPHICS, AND ECONOMICS—AND OUR RESPONSE MUST ALSO BE STRUCTURAL AND SYSTEMIC.

WE HAVE GROWN FROM A \$27 MILLION INDUSTRY IN 1985 TO A \$19 BILLION INDUSTRY TODAY WITH HEALTHY FINANCIAL INTERMEDIARIES SERVING URBAN, RURAL, AND RESERVATION-BASED COMMUNITIES IN EVERY STATE. WE HAVE VERY LOW LOSS RATES ON OUR FINANCING, LOW DELINQUENCIES, HIGH PRODUCTIVITY...

ALMOST EVERY COMMUNITY DEVELOPMENT LOAN AND INVESTMENT WE MAKE IMPROVES LIVES, CREATES OPPORTUNITIES, AND BETTERS COMMUNITIES. WE SEE AND VALUE QUALITY AFFORDABLE HOUSING, GOOD JOBS THAT PAY GOOD WAGES WITH GOOD BENEFITS, AND RELIABLE COMMUNITY SERVICES OFFERED IN OUTSTANDING FACILITIES.

BUT IF WE ARE BRUTALLY HONEST ABOUT THE FACTS BEFORE US, WE ARE LOSING THE WAR. WE EXIST TO ALIGN CAPITAL WITH SOCIAL, ECONOMIC, AND POLITICAL JUSTICE. DR. KING SAID THAT POWER IS THE ABILITY TO CREATE SOCIAL, ECONOMIC, AND POLITICAL CHANGE. WE USE CAPITAL TO ADVANCE SOCIAL, ECONOMIC, AND POLITICAL JUSTICE.

BUT THE CLOSER YOU LOOK TODAY THE MORE YOU SEE INEQUITY AND INJUSTICE.

WEALTH AND INCOME GAPS ARE GROWING, PARTICULARLY IN ETHNIC MARKETS, WHEN THEY SHOULD BE SHRINKING. IN 1973, THE WEALTHIEST 20% OF U.S. HOUSEHOLDS ACCOUNTED FOR 44% OF INCOME; TODAY THEY ACCOUNT FOR 50%. AT THE SAME TIME, THE BOTTOM 20% SAW THEIR SHARE OF INCOMES DROP FROM 4.2% TO 3.5%.

TODAY, POVERTY IS ON THE RISE. TODAY, MOST RACIAL WEALTH AND INCOME GAPS ARE WORSE, NOT BETTER. MORE THAN 25% OF HISPANIC PEOPLE UNDER 18 IN THE U.S. LIVE IN POVERTY. TODAY, TOO MANY OF THE COMMUNITIES WHERE WE HAVE LABORED AND TOO MANY OF THE ISSUES WE HAVE FOUGHT FOR ARE MARGINALLY BETTER, OR NOT BETTER, OR ISLANDS OF IMPROVEMENT IN A SEA OF ECONOMIC DECLINE.

TODAY, WE ARE LOSING.

THE REASON WE ARE LOSING IS THAT THE SOLUTIONS WE OFFER ARE NOT COMMENSURATE WITH THE SCALE AND SCOPE OF THE PROBLEMS WE EXIST TO ADDRESS. AND SO THE HEART OF OUR RESPONSE MUST BE TO “SCALE UP” OUR WORK.

THOSE ARE LOADED WORDS—“SCALE UP.” I HAVE NEVER SEEN TWO WORDS CAUSE SO MUCH ANXIETY SINCE I LAST HEARD THE WORDS “FINAL EXAM.”

SMALL, COMMUNITY-BASED ORGANIZATIONS TEND TO ASSUME THAT “SCALE-UP” MEANS THAT THEY MUST GROW BIG AND, FOR MANY OF THEM, GROWING BIG MEANS LOSING TOUCH WITH THEIR ROOTS, THEIR COMMUNITIES. IRONICALLY, MOST LARGE COMMUNITY DEVELOPMENT ORGANIZATIONS MAKE THE SAME MISTAKE—THEY THINK THE WAY TO ACHIEVE SCALE IN FINANCING IS FOR THEM TO GROW BIG, WHICH THEY ARE HAPPY TO DO.

BUT SCALE DOES NOT MEAN GROWING **BIG** INSTITUTIONS. IT MEANS INCREASING THE VOLUME OF OUR FINANCING BY AN ORDER OR MAGNITUDE OR MORE. IN 2004, MY INDUSTRY PROVIDED A LITTLE MORE THAN \$9 BILLION IN FINANCING FOR HOUSING, JOBS, AND COMMUNITY SERVICES. GETTING TO SCALE MEANS PROVIDING \$45 BILLION OR \$90 BILLION ANNUALLY.

AND THAT WON'T HAPPEN THROUGH INCREMENTAL, INSTITUTIONAL GROWTH. IT WILL ONLY HAPPEN THROUGH TRANSFORMATIONAL, SYSTEMIC GROWTH.

LET ME SEE IF I CAN EXPLAIN THAT IN A CONCRETE WAY...

OPPORTUNITY FINANCE NETWORK IS PUTTING THE FINISHING TOUCHES ON A MORTGAGE PLATFORM—IN CONJUNCTION WITH PARTNERS—TO DELIVER AN ARRAY OF RESPONSIBLE MORTGAGE PRODUCTS TO PEOPLE WHO ARE OR MAY BE VULNERABLE TO PREDATORY LENDERS. THE OPPORTUNITY FINANCE NETWORK'S MORTGAGE PLATFORM IS DESIGNED TO PROVIDE A COMPREHENSIVE AND CREDIBLE *BUSINESS* RESPONSE TO PREDATORY LENDING.

HERE'S HOW IT WILL WORK: OPPORTUNITY FINANCE NETWORK IS CREATING A CDFI-INDUSTRY OWNED MORTGAGE COMPANY THAT WILL CONTRACT WITH A MAINSTREAM MORTGAGE COMPANY. THAT MAINSTREAM MORTGAGE COMPANY, AS A SUBCONTRACTOR, WILL PROVIDE SERVICES RANGING FROM ORIGINATIONS TO COMPLIANCE TO SERVICING THROUGH OUR MEMBER FINANCIAL INSTITUTIONS AND, POSSIBLY, THEIR PARTNERS. THIS STRUCTURE WILL ENSURE THAT THE CDFI INDUSTRY MAINTAINS GOVERNANCE CONTROL OVER THE ENTIRE PROCESS.

OUR INDUSTRY-OWNED MORTGAGE COMPANY WILL SCREEN AND MONITOR THE MORTGAGE DISTRIBUTION NETWORK FOR COMPLIANCE WITH A SET OF RESPONSIBLE LENDING CRITERIA—CURRENTLY MODELED ON CRITERIA SET BY THE CENTER FOR RESPONSIBLE LENDING. THAT DISTRIBUTION NETWORK WILL DRIVE PRODUCT AND SERVICE INNOVATIONS GOING FORWARD.

OUR LENDERS WILL OPERATE EITHER AS CORRESPONDENT ORIGINATORS OR BROKERS—THEY WILL BE FREE TO CHOOSE WHICHEVER BETTER SUITS THEIR BUSINESS PLANS.

IN SUM, WE ARE ORGANIZING A RESPONSIBLE MORTGAGE FINANCE *SYSTEM* RATHER THAN SIMPLY OFFERING A RESPONSIBLE MORTGAGE *PRODUCT*.

WE TEND TO THINK OF SCALE MAINLY IN TERMS OF FINANCING SYSTEMS. AFTER ALL, WE ARE FINANCIAL INSTITUTIONS. BUT OUR APPROACH INVOLVES TWO OTHER CRITICAL AREAS THAT I WANT TO TALK ABOUT TODAY: POLICY AND THE “COMMUNITY DEVELOPMENT” BRAND.

IN EARLY 2005, THE WHITE HOUSE ANNOUNCED AN INITIATIVE IT CALLED SACI—THE SPECIOUSLY NAMED “STRENGTHENING AMERICA’S COMMUNITIES INITIATIVE.” IT WAS A POORLY THOUGHT OUT EFFORT TO BLOCK GRANT WHAT’S LEFT OF COMMUNITY DEVELOPMENT PROGRAMS IN THE FEDERAL GOVERNMENT. IT WAS “POPCORN POLICY”: A KERNEL OF TRUTH SURROUNDED BY A LOT OF HOT AIR. EVEN THE FOLKS IN THE WHITE HOUSE SEEMED TO KNOW THIS—THEY CALLED IT, WITH GALLOWS HUMOR, THE “STRANGLING AMERICA’S COMMUNITIES INITIATIVE.”

IT WOULD BE EASY AND TEMPTING TO SWIPE AWAY THE HOT AIR. BUT IF WE ARE GOING TO BE BRUTALLY HONEST WITH OURSELVES, WE NEED TO SPEND MORE TIME CRACKING THAT KERNEL OF TRUTH. WE HAVE TO FACE THE FACT THAT SOME COMMUNITY DEVELOPMENT STRATEGIES WORK BETTER THAN OTHERS, AND SOME

DON'T WORK AT ALL. WE NEED TO ELIMINATE THE THINGS THAT DON'T WORK AND DOCUMENT AND CHAMPION THE THINGS THAT DO.

FOR THE PAST 20 OR 30 OR 40 YEARS WE HAVE SPENT INCREASING AMOUNTS OF RESOURCES AND TIME DEFENDING A GROWING NUMBER OF ANTI-POVERTY AND COMMUNITY DEVELOPMENT PROGRAMS THAT PRODUCED MIXED RESULTS. WE HAVE WAITED DOWNSTREAM FOR A TRICKLE OF FUNDING WHILE OTHER PEOPLE HAVE BEEN BUILDING DAMS UPSTREAM THAT HAVE DIVERTED THE FLOW OF FUNDING TO OTHER PURPOSES ALTOGETHER. AND WE—THE COMMUNITY DEVELOPMENT INDUSTRY—HAVE LET THEM GET AWAY WITH IT.

WE NEED TO RE-TAKE THE OFFENSIVE ON POLICY SO WE CAN SOLVE THIS "DAM" PROBLEM.

LET ME TELL YOU WHAT WE ARE DOING AROUND POLICY.

FIRST, WE ARE BUILDING A STRONG, BIPARTISAN POLITICAL BASE FOR OUR WORK ON THE FOUNDATION OF OUR ROLES TRANSFORMING MARKETS. OUR GOAL IS TO SECURE SUPPORT FOR OUR WORK FROM THE MIDDLE 70% OF THE POLITICAL SPECTRUM. IF WE ATTRACT SUPPORT FROM THE LEFT OR RIGHT OF THAT, ALL THE BETTER. IF OUR EFFORTS IN THE SENATE THIS YEAR ARE ANY INDICATION, WE ARE ON TARGET: 62 SENATORS—22 REPUBLICANS, 39 DEMOCRATS, AND 1 INDEPENDENT—SIGNED A LETTER REJECTING PRESIDENT BUSH'S EFFORT TO ELIMINATE THE CDFI FUND IN THE TREASURY DEPARTMENT AND REQUESTING \$80 MILLION INSTEAD.

SECOND, WE ARE ARTICULATING A MARKET THEORY FOR OUR WORK WITH CORRESPONDING POLICY RECOMMENDATIONS. OVER THE PAST NINE MONTHS, WE HAVE BEEN WORKING TO FIND COMMON GROUND AMONG A LOOSE, BROADLY BIPARTISAN WORKING GROUP THAT RANGES FROM THE WHITE HOUSE AND THE HERITAGE FOUNDATION TO CDCs TO CFED. WE HAVE FOUND NOT ONLY A SURPRISING AMOUNT OF COMMON GROUND BUT ALSO A SET OF IDEAS THAT WILL ADVANCE A BIPARTISAN OPPORTUNITY AGENDA.

THIS FALL WE WILL PUBLISH OUR ANALYSIS AND CONCLUSIONS. AND WE ARE HONORED THAT FEDERAL RESERVE CHAIRMAN BEN BERNANKE HAS AGREED TO COME TO OUR CONFERENCE ON NOVEMBER 1ST IN WASHINGTON, DC, TO SHARE HIS THOUGHTS ON OUR ROLE IN THE ECONOMY.

THE COMMON GROUND IS ROOTED IN A COMMITMENT TO INCLUSIVE PROSPERITY BASED ON ONE ECONOMY, NOT TWO.

OPPORTUNITY FINANCE HELPS PEOPLE AND COMMUNITIES JUST OUTSIDE THE MARGINS OF THE CONVENTIONAL ECONOMY ENTER THE ECONOMIC MAINSTREAM AND HELP MAINSTREAM INSTITUTIONS REALIZE THE OPPORTUNITIES IN WHAT WE HAVE COME TO CALL "OPPORTUNITY MARKETS."

THIS IS PARTICULARLY IMPORTANT TODAY BECAUSE AS A NATION WE ARE COUNTING ON OPPORTUNITY MARKETS TO DRIVE U.S. ECONOMIC GROWTH FOR THE NEXT 20 OR 30 YEARS, AT LEAST.

THESE MARKETS HAVE SIGNIFICANT GROWTH POTENTIAL BUT SUFFER SIGNIFICANT UNDER-INVESTMENT. THEY ARE PREDOMINANTLY ETHNIC, MINORITY, LOW-WEALTH, AND CULTUALLY AND SOCIALLY DISENFRANCHISED. THE MILKEN INSTITUTE HAS FOUND THAT MINORITY POPULATIONS WILL ACCOUNT FOR 90% OF POPULATION GROWTH AND 70% OF WORKFORCE EXPANSION OVER THE NEXT SEVERAL DECADES AND THAT THAT MINORITY-OWNED BUSINESS GREW THREE TIMES AS RAPIDLY AS ALL FIRMS FROM 1987 TO 1997.

OUR MARKET THEORY IS BASED ON THE BELIEF THAT WE HAVE A ROLE AS SPECIALIZED FINANCIAL INSTITUTIONS ADDRESSING MARKET FLAWS, IMPERFECTIONS, AND FAILURES.

WE BELIEVE WE PLAY THREE OVERLAPPING ROLES IN RESPONSE TO MARKET SHORTCOMINGS THAT CONSTRAIN OR HARM LOW-INCOME AND LOW-WEALTH PEOPLE AND COMMUNITIES

- ***EXPANDING THE BOUNDARIES OF VIABLE MARKETS.*** *CDFIs AND OTHER OPPORTUNITY FINANCE INSTITUTIONS OFTEN ARE THE FIRST TO SEE AND SUPPORT THE POTENTIAL OF THESE EMERGING DOMESTIC MARKETS AND CHANGE OTHER PRIVATE INVESTORS' PERCEPTION OF THE RISK INVOLVED IN WORKING THERE. BANKS AND OTHER MAINSTREAM FINANCIAL SERVICES OFTEN MOVE IN AFTER OPPORTUNITY FINANCE HAS PROVEN MARKET WORTH.*
- ***CORRECTING THE INFORMATION FLAWS IN MARKETS,*** *ALLOWING MORE PEOPLE TO PARTICIPATE EFFECTIVELY. WE MAKE OUR LIVING IN THE SPACE BETWEEN ACTUAL MARKET RISKS IN OPPORTUNITY MARKETS AND PERCEIVED*

MARKET RISK. IN THE PROCESS, WE CORRECT MISPERCEPTIONS AND MAKE IT POSSIBLE—EVEN DESIRABLE—FOR CONVENTIONAL FINANCIAL INSTITUTIONS TO ENTER OPPORTUNITY MARKETS.

- ***MAKING ASSETS “MARKET READY.”*** *IN ADDITION TO THE TECHNICAL ASSISTANCE THAT PREPARES PEOPLE AND COMMUNITIES FOR FULLER ECONOMIC PARTICIPATION, OPPORTUNITY FINANCE HELPS SEASON PEOPLE, COMMUNITIES, AND OPPORTUNITY MARKETS.*

THIRD, WE WILL LEAD A MIDTERM ELECTION PROJECT THAT WILL LEVERAGE THE MARKET PRESENCE OF OUR NETWORK IN VIRTUALLY EVERY CONGRESSIONAL DISTRICT TO INCREASE AWARENESS OF, UNDERSTANDING OF, AND SUPPORT FOR OUR WORK. WE HAVE THE “INSTITUTIONAL EGO” TO BELIEVE THAT CONGRESS SHOULD VALUE OUR WORK AS HIGHLY AS WE VALUE IT OURSELVES.

FOURTH, WE ARE TELLING OUR STORY IN AN INCREASINGLY ASSERTIVE AND CONSUMER-FRIENDLY WAY. ONE OF THE MOST PAINFUL THINGS I HAVE HEARD IN THE PAST FEW YEARS WAS A STATEMENT BY ONE OF MY FORMER BOARD MEMBERS THAT WORKING IN COMMUNITY DEVELOPMENT IS LIKE WORKING IN A HALL OF MIRRORS. WE ARE SELF-REFERENTIAL AND ISOLATED. WHAT WE NEED TO DO, HE SAID, IS LEARN TO WORK IN A HALL OF WINDOWS.

THAT’S WHAT WE’RE DOING. AND WE HAVE BEEN ASTONISHED BY WHAT WE HAVE SEEN AND LEARNED WHEN WE LOOKED OUTSIDE AND DISCOVERED WHAT THE PEOPLE OUTSIDE SEE WHEN THEY LOOK BACK IN.

JUST OVER 40 YEARS AGO, THE GREAT SOCIETY STRATEGY AND THE WAR ON POVERTY INTRODUCED THE MODERN CONCEPT OF COMMUNITY DEVELOPMENT ROOTED IN THE RICH SOIL OF HISTORIC CIVIL RIGHTS ACHIEVEMENTS. **TODAY MY ORGANIZATION IS STEPPING OUT OF THE COMMUNITY DEVELOPMENT PARADIGM INTO AN APPROACH THAT BETTER SUITS WHAT WE HAVE LEARNED, WHAT WE HAVE ACCOMPLISHED, AND WHERE WE ARE GOING.** AND THAT IS WHAT IS WHAT I REALLY WANT TO TALK TO YOU ABOUT TODAY.

THE HALL OF WINDOWS REQUIRED US TO ASK HOW PEOPLE OUTSIDE PERCEIVED US? AND WHAT WE MIGHT DO TO IMPROVE THEIR PERCEPTIONS OF US?

IN 2005, WE PUT OURSELVES THROUGH A RIGOROUS MARKET ANALYSIS TO TRY TO ANSWER THOSE QUESTIONS. WHAT WE LEARNED SHOCKED US AND CAUSED US TO HEAD IN A DIRECTION WE NEVER EXPECTED BUT THAT WE ALREADY KNOW IS RIGHT.

VERY SIMPLY, WE LEARNED THAT PEOPLE LIKE WHAT WE DO VERY MUCH. THEY VIEW US AS IMPORTANT TO EMERGING MARKETS (WE PREFER THE PHRASE, "OPPORTUNITY MARKETS"), AS CREATIVE ENTREPRENEURS, AS VALUE-ADDED FINANCIAL INSTITUTIONS. IN SHORT, THEY RESPONDED VERY POSITIVELY TO US.

... UNTIL WE SAID THAT WE ARE *COMMUNITY DEVELOPMENT* FINANCIAL INSTITUTIONS.

COMMUNITY DEVELOPMENT FORMED AROUND GOVERNMENT SPENDING INTENDED TO GIVE PEOPLE, NEIGHBORHOODS, AND COMMUNITIES THE CHANCE TO LIFT THEMSELVES UP BY THE BOOTSTRAPS. IT WORKED BETTER THAN ITS NAYSAYERS DREAMED POSSIBLE AND SERVED MORE PURPOSES THAN ITS ORIGINAL SUPPORTERS ENVISIONED. FEDERAL SPENDING, OFTEN IN PARTNERSHIP WITH STATES AND MUNICIPALITIES, LEVERAGED THE UNIQUE MARKET KNOWLEDGE OF LOCAL NONPROFIT CORPORATIONS TO CREATE JOBS, BUILD AFFORDABLE HOUSING, AND PROVIDE VITAL COMMUNITY SERVICES RANGING FROM CHILD CARE TO, MORE RECENTLY, CHARTER SCHOOL EDUCATIONS.

BUT THE FOCUS GROUPS WE CONDUCTED TOLD US THAT MOST PEOPLE VIEW COMMUNITY DEVELOPMENT VERY DIFFERENTLY. ONE GROUP OF PROSPECTIVE INVESTORS SAID THEY WOULD EXPECT TO CHARGE US ABOUT 600 BASIS POINTS— THAT'S 6%--MORE JUST ON THE BASIS OF THE COMMUNITY DEVELOPMENT BRAND. LEAVE THAT LABEL OFF AND OUR COST OF CAPITAL WOULD DROP SHARPLY, AT LEAST IN THEORY.

WE CALL THAT THE "COMMUNITY DEVELOPMENT PREMIUM."

IF WE WERE HEARING THAT ONLY FROM WALL STREET EXECUTIVES AND HIGH-NET WORTH INDIVIDUALS, WE MIGHT NOT HAVE CARED SO MUCH. BUT WITH THE HELP OF MARKET RESEARCH PROFESSIONALS WE FOUND OUT THAT PRETTY MUCH EVERYONE WE ASKED AGREED THAT THOSE QUALITIES DEFINE WHAT PEOPLE THINK ABOUT COMMUNITY DEVELOPMENT AND COMMUNITY DEVELOPMENT FINANCE.

NOW YOU MIGHT NOT LIKE HEARING THIS BUT WHAT IT BOILS DOWN TO IS THIS: ESSENTIALLY EVERYONE OUTSIDE THE COMMUNITY DEVELOPMENT MOVEMENT—PRETTY MUCH 100% OF THE AMERICAN PUBLIC—PERCEIVES MORE BAD THAN GOOD IN THE PHRASE, “COMMUNITY DEVELOPMENT.”

BUT THEY LIKE WHAT WE DO. WE ASKED EVERYONE WE TALKED TO WHAT THEY LIKED ABOUT US AND WE HEARD A RESPONSE EVERY BIT AS CONSISTENT AS WE HEARD ABOUT “COMMUNITY DEVELOPMENT.”

WHAT THEY LIKE ABOUT US IS THAT WE ARE CREATING OPPORTUNITY.

WHEN I SAY IT LIKE THAT IT SEEMS HARD TO BELIEVE THAT IT TOOK US A WHILE TO GET FROM THE MARKET RESEARCH TO OUR NEW IDENTITY AS “OPPORTUNITY FINANCE.” WE DID NOT JUST BRUSH A FRESH COAT OF PAINT OVER A PROBLEM; TO GET TO OUR NEW IDENTITY WE NEEDED TO DEFINE CLEARLY AND EFFECTIVELY WHAT WE ASPIRED TO BE.

WHAT DISTINGUISHES OPPORTUNITY FINANCE FROM *CONVENTIONAL FINANCE* IS THAT IT IS PROFITABLE BUT NOT ALWAYS PROFIT-MAXIMIZING. WHAT DIFFERENTIATES OPPORTUNITY FINANCE FROM *COMMUNITY DEVELOPMENT* IS THAT IT IS ACCOUNTABLE TO FINANCIAL AND CONSUMER MARKETS—THAT IS, TO ITS INVESTORS AND ITS CONSUMERS—AND NOT PRIMARILY TO GOVERNMENT.

AND WHAT IT SETS IT APART IS RESULTS—WE FIND AND FINANCE OPPORTUNITIES THAT OTHERS MISS. OUR FINANCING HAS RESULTED IN HUNDREDS OF THOUSANDS

OF NEW JOBS, HUNDREDS OF THOUSANDS OF JOBS PRESERVED, HUNDREDS OF THOUSANDS OF QUALITY, AFFORDABLE HOUSING UNITS, AND TENS OF MILLIONS OF SQUARE FEET OF COMMERCIAL AND COMMUNITY FACILITY SPACE. INVESTORS GET SOLID FIXED-INCOME RETURNS. PEOPLE AND COMMUNITIES THAT WANT TO SUCCEED GET THE OPPORTUNITY TO DO SO. AND CRITICAL MARKET SEGMENTS—MANY OF WHICH WILL DRIVE ECONOMIC GROWTH IN THE U.S. FOR THE NEXT 20-PLUS YEARS—GROW.

OPPORTUNITY FINANCE USES PRIVATE-SECTOR BUSINESS DISCIPLINES AND MARKET-ROOTED STRATEGIES TO PRODUCE RESULTS THAT INCORPORATE BOTH INDIVIDUAL GAINS AND PUBLIC GOODS. OVER THE PAST 30 YEARS, THE OPPORTUNITY FINANCE INDUSTRY HAS PROVIDED MORE THAN \$19 BILLION IN FINANCING THAT WOULD NOT OTHERWISE HAVE HAPPENED IN MARKETS THAT CONVENTIONAL FINANCE WOULD NOT OTHERWISE REACH, AND OUR NET CHARGE-OFF RATE OF 1% IS ONLY SLIGHTLY HIGHER THAN CONVENTIONAL FINANCIAL INSTITUTIONS IN CONVENTIONAL MARKETS.

I WANT TO TELL YOU ONE MORE THING I LEARNED LAST YEAR AS I FACED THE NEWS THAT WE NEEDED TO MOVE BEYOND COMMUNITY DEVELOPMENT. I LEARNED THAT COMMUNITY DEVELOPMENT IS OUR NAME FOR A MORE FUNDAMENTAL IDEA THAT IS CENTRAL TO OUR NATION'S VALUES AND IDENTITY.

WHEN OUR NATION'S FOUNDERS AFFIRMED THAT ONE OF THE "INALIENABLE RIGHTS" IS "... THE PURSUIT OF HAPPINESS," MANY HISTORIANS NOW AGREE,

THEY WERE TALKING ABOUT THE ENSURING THE OPPORTUNITY TO SUCCEED ECONOMICALLY, SOCIALLY, AND POLITICALLY.

WHEN THE GREAT WOMEN LEADERS OF THE 19TH CENTURY ARTICULATED THEIR GOAL IT WAS NOT EQUAL RIGHTS BUT EQUAL OPPORTUNITY.

WHEN PRESIDENTS JOHNSON AND KENNEDY EMBRACED THE CIVIL RIGHTS MOVEMENT THEY, TOO, TALKED IN THE LANGUAGE OF OPPORTUNITY.

IN AN OVERLOOKED PORTION OF HIS 1963 SPEECH ON THE STEPS OF THE LINCOLN MEMORIAL, DR. KING SAID THIS:

...[W]E REFUSE TO BELIEVE THAT THE BANK OF JUSTICE IS BANKRUPT. WE REFUSE TO BELIEVE THAT THERE ARE INSUFFICIENT FUNDS IN THE GREAT VAULTS OF OPPORTUNITY OF THIS NATION. ... NOW IS THE TIME TO OPEN THE DOORS OF OPPORTUNITY TO ALL OF GOD'S CHILDREN....

WHEN I ASKED MY STAFF A COUPLE OF YEARS AGO WHAT IMAGE CAME TO MIND WHEN THEY THOUGHT ABOUT THE REASON THEY DO THEY WORK THEY DO, MANY SAID IT WAS THE TELEVISED PICTURES OF MILLIONS OF BLACK SOUTH AFRICANS STANDING IN LINE TO VOTE FOR THE FIRST TIME EVER. THAT LED ME BACK TO A REMARKABLE SPEECH THAT NELSON MANDELA MADE IN APRIL 1963, JUST FOUR MONTHS BEFORE DR. KING'S LEGENDARY SPEECH. AT HIS SENTENCING HEARING AS HE WAS BEING SENT OFF TO SOLITARY CONFINEMENT, MANDELA TOLD THE COURT THIS:

DURING MY LIFETIME I HAVE DEDICATED MY LIFE TO THIS STRUGGLE OF THE AFRICAN PEOPLE. I HAVE FOUGHT AGAINST WHITE DOMINATION, AND I HAVE FOUGHT AGAINST BLACK DOMINATION. I HAVE CHERISHED THE IDEAL OF A DEMOCRATIC AND FREE SOCIETY IN WHICH ALL PERSONS LIVE TOGETHER IN HARMONY WITH EQUAL OPPORTUNITIES. IT IS AN IDEA WHICH I HOPE TO LIVE FOR, AND TO SEE REALIZED. BUT MY LORD, IF NEEDS BE, IT IS AN IDEAL FOR WHICH I AM PREPARED TO DIE.

OPPORTUNITY HAS BEEN THE TOUCHSTONE OF OUR INDUSTRY'S VISION. EVERY TIME YOU REACH YOUR HAND INTO THE FERTILE, RICH SOIL OF COMMUNITY DEVELOPMENT YOU COME UP WITH A HANDFUL OF OPPORTUNITY. OPPORTUNITY IS THE BEDROCK PRINCIPLE BEHIND OUR CORE PURPOSE AND THE DRIVING FORCE BEHIND OUR WORK.

AS AN INDIVIDUAL AND AS A PROFESSIONAL, I AM A CHILD OF THE CIVIL RIGHTS MOVEMENT. I CAME OF AGE IN THE COMMUNITY DEVELOPMENT ERA, WITH PRIDE. LIKE EACH OF YOU, I BRING TO OUR WORK A PERSONAL LEGACY THAT IS ROOTED IN A UNIQUE CULTURE AND HISTORY. TOGETHER, ALONG WITH THOUSANDS OF OTHERS, WE HAVE BUILT A FIELD, A MOVEMENT, AND AN INDUSTRY.

WE INHERITED THE VALUES AND LESSONS OF THE CIVIL RIGHTS MOVEMENT AND THE JUSTICE MOVEMENTS THAT CAME BEFORE AND THAT FOLLOWED AFTER. WE SHARE A COMMON PURPOSE BASED ON A COMPLEX BLEND OF HERITAGES. WE HAVE WOVEN OUR HISTORIES TOGETHER INTO A POWERFUL AND IMPORTANT NETWORK.

AS ADULTS, WE HAVE MARSHALED RESOURCES FOR COMMUNITY DEVELOPMENT. WE HAVE SHEPHERDED CAPITAL FOR ECONOMIC JUSTICE. WE HAVE BECOME CIVIC LEADERS AND FINANCIAL SPECIALISTS. WE ARE COMMUNITY ORGANIZERS, FINANCIAL ENGINEERS, POLITICAL ADVOCATES, GOOD CITIZENS, GOOD FRIENDS, GOOD CHILDREN, AND GOOD PARENTS. WE TAKE LESS THAN WE COULD AND WE GIVE MORE THAN WE KNEW WE HAD.

WE ARE CHILDREN OF CIVIL RIGHTS AND JUSTICE MOVEMENTS THROUGH HISTORY, AND WE HAVE LEARNED OUR LESSONS WELL.

SO LET US ASPIRE TO BE PARENTS TO A NEW GENERATION OF JUSTICE, ROOTED IN OPPORTUNITY....

LET US USE WHAT TIME AND RESOURCES WE HAVE—*LET US MAKE THE MOST OF OUR OPPORTUNITIES*—TO BUILD THE AMERICA WE HAVE ALWAYS ENVISIONED ... WHERE *ALL* PEOPLE HAVE THE RESOURCES AND OPPORTUNITIES TO ACT IN THE BEST INTERESTS OF THEIR COMMUNITIES, THEMSELVES, AND FUTURE GENERATIONS.

THANK YOU. I HOPE I GET A CHANCE TO PARTICIPATE IN PERSON THE NEXT TIME YOU MEET.