

*Prepared Text*

## **"The Challenge of NEXT"**

The State of the Opportunity Finance Industry Speech

Presented December 12, 2007

At the Opportunity Finance Network Conference, *Opportunity NEXT: See It. Learn It. Do It.*

Mark Pinsky, President & CEO  
Opportunity Finance Network

Thank you, Debra.

Fifty-one weeks ago we had dinner in Chicago. You described to me a dream the MacArthur Foundation had that involved a new Award, a lot of money, a major marketing campaign, and, as I recall, a big celebration.

Your dream took us down the CDFI version of a yellow brick road, with many important moments and a series of exciting results. But one fleeting, forgettable incident along the way taught me something important and inspired this speech today.

Over the next 30 to 40 minutes, I will explain what happened and what it meant to me.

Let me *first* welcome everyone to Opportunity Finance Network's Conference—**Opportunity NEXT: See it. Learn it. Do it.** This conference marks the official start of the NEXT phase of opportunity finance.

Since 2003, we have grown, we have changed, and, sadly, we have experienced some deaths—both organizational and personal. As we take stock of what has happened and what we have done, we will take our first step together into the phase where "grow, change, or die" recedes. In its place—and in this room today—is a new approach to opportunity finance.

Let me also welcome you to Miami. Miami is a NEXT sort of place.

We journey to many important and interesting places in our work.

This September the Opportunity Finance Network Board met on the Pine Ridge Indian Reservation in South Dakota, as guests of Elsie Meeks, Oweesta First Nations, and The Lakota Fund. It was a wonderful experience. We visited with people who shared their dreams with us and taught us about the challenges Native CDFIs face.

At Pine Ridge, I learned there that it is a Native tradition to begin public statements by describing your lineage. Some of you heard something about my heritage a couple of years ago in Los Angeles and how it has shaped me and my work.

Today I want to introduce you to my parents. My mother and father are here today.



It's probably enough to say that my parents are good Jewish parents. Perhaps that's all I need to say. You probably know something about Jewish DNA. But I have to tell you that last year, at our Conference in Washington, DC, my mother got the thrill of a lifetime for any Jewish mother.

Watching me stand next to Federal Reserve Chairman Bernanke following his speech, my mom leaned over to the woman next to her and said, with great pride, "You see that man standing up there with the Federal Reserve Chairman?"

"You mean Mark Pinsky?" the woman asked.

"Yes!" my Mother said, beaming. "His sister ... is a doctor!"

From the start today I want to be clear what I am talking about when I speak about **The Challenge of NEXT**: I am talking about how we can and must move our nation, and our world, to a more ... just ... place. I am talking about what we must hold steady and what we must change so that our work—each transaction, each capital relationship, every policy we touch—bends the moral arc of the universe toward justice. That—and nothing less than that—is what we are working for.

What can and should change versus what must never change.

Values in contrast to activities.

Opportunity Finance Network's strategy—our industry's future—rests on who we are—who YOU are.

Last week I read in the *New York Times* a quote from a student leading a green automobile design competition. Perhaps you saw it, too. The student said, "We are the people we have been waiting for."

Many of us use the phrase "CDFI DNA" to describe an intangible, unique quality that sets us apart. Particularly now, as we juggle changes in how we work, in the economy, in policy, and in our partners, I feel the need to do more than describe us. I want to get at what's inside CDFI DNA. If we are the people we have been waiting for, I want to know how CDFI DNA defines who we are.

When we are clear about what we stand for, what we stand against, and what values define our decisions, ... our opportunities grow. That is the gist of OFN's core purpose, core values, and vision.

When our choices and our tactics express who we are, ... our decisions leverage our power to produce change. That is the meaning of the six ambitious goals we set in our "grow, change, or die" strategy and that we work toward every day.

Our lead strategic goal is not *just* to create high-volume financing systems that result in more money on the street. It is to help create a high-volume financing system *that benefits tens of millions of low-income and low-wealth people.*



What does that say about who we are?

Our vision is a world where all people have the resources and opportunity to act in the best interests of their communities, themselves, and future generations.

Our strategy rests on aligning capital with social, economic, and political justice—our core purpose. The reason we exist. It is framed by our core values of excellence and justice. Excellence because the people we serve have a right to expect the same quality of service as all other people. Justice because it is fundamental to the health of our communities, our society, our policies, our economy, and our nation.

justice is our unifying force.

The prophet Isaiah did not accept the conventional thinking of his time that without God there is no justice. Isaiah believed there was more: that without justice there is no God.

Dr. Martin Luther King, Jr., refused more than 40 years ago to believe that the vaults of justice are bankrupt in the United States.

Justice is our unifying force.

Capitalism without justice ... is not sustainable.

This year, we saw the corrosive effect of capitalism without justice in the economic mess that grew out of greed and irresponsibility in the mortgage business. If there is a single lesson you should take away from the quagmire it is *this*: The current global economic mess is not the result of bad borrowers, as too many people claim; it is the result of bad lending ... and a tsunami of bad judgments up and down the financial and policy food chains that supported and encouraged that lending.

We know the difference between bad lending and good lending. That is why we can and must play a leadership role in imbuing justice as we know it in our work into the economic and political system that we work in.

We *are* the people we have been waiting for.

As it happens, the NEXT era of opportunity finance will be part of the NEXT era of finance, in general. Global and domestic credit systems, economies, and policies are navigating uncharted waters right now, and many rules are changing or will change.

Opportunity Finance NEXT is emerging just as the fundamentals of our financial systems are in flux as they have not been for decades.

We are seeing a *back-to-basics* reconfiguration of capital market behavior, credit distribution systems, credit risk perceptions and realities, rating systems, government policies, and other elements of the world in which we function. We are living and working in a transformational time. We can sit by the side to see what happens. Or we can leverage our experience, our expertise, our standing, and our credibility to use this opportunity to bend the moral arc of the universe toward justice.



We are the people we have been waiting for.

It does not seem to me to be a question of whether we have a role in economic growth in the new, emerging financial system; it seems to me that we have a responsibility for it and that our nation needs us.

We have a role to play far beyond financing; let us never forget that financing is our means, not our end.

And Justice is *our* unifying force.

You would think that I asked Debra to introduce me today because she and I spent so much time together this year, with Mike Rizer of Wachovia, envisioning how we could help move the industry forward through the *Wachovia NEXT Awards for Opportunity Finance*. That *was* an important consideration, but that's not really why I asked her.

You probably think that I had the good sense to ask her to speak because she led the way in the MacArthur Foundation's \$25 million program related investment in OFN for the *Wachovia NEXT Awards*. But I can not honestly say that that was why I did it. It *should* be why, but it's not.

I asked Debra to introduce this speech because of a passing comment she made to me in Charlotte, NC, in late June. Please bear with me, Debra, as I try to explain what happened. I promise you it ends well.

Debra was responding to my description of a dream I had in May while flying to Kansas City. I had imagined a different Opportunity Finance—as if our CDFI DNA had come unscrambled. I said, half jokingly, that I might make a case in this speech that we could better serve our customers that way.

The smile faded from Debra's face:

"You can't say that!" she said.

By the time we reached the fifth floor, Debra had moved on. I had not. I was wondering if Debra was right.

Something in CDFI DNA responds to most challenges with a version of, "Why not?" In fact, we have made our careers and our industry by questioning warnings like that.

Thirty and forty years ago, *everyone* told us that we could not lend to poor people and get paid back. They were still telling us that 15 years ago and, because of bad lending in the headlines, are telling us that again today. Some people told us we could not lend successfully in places like Bedford-Stuyvesant, Pine Ridge, Camden, and rural North Carolina. We used to hear—and sometimes still do—that it is foolish to finance businesses run by women, by people of color, and by people who were not born in the U.S. That there is no prudent way to finance child care or charter schools. And the common—but wrong—assumption remains that no one can lend productively for resident-owned and controlled manufactured home communities.



We do not do things that are impossible. But we do take on challenges that other people *consider* impossible. Because sometimes the critical path is not the obvious or easiest one.

So when Debra told me “You can’t say that!” something inside me asked, “Why not?” Within a few minutes, Debra, when we sat down in the TV studio to tape the launch announcement for the *Wachovia NEXT Awards*, I knew that I had to try to explain my dream today.

Let me see if I can ...

It was one day after the OFN Board met in May. I buckled into a commuter jet from Philadelphia to Kansas City. Bulkhead aisle seat. I was exhausted.

We had had a good Board meeting and wrestled with some hard issues—particularly whether to accept an investment that raised anxieties all around the Board table. We were nearing the midpoint of our strategic plan and so we had reviewed plans for the three major products of OFN’s strategy that would define the plan’s success or failure:

- The two-year policy campaign we have launched as *The Next American Opportunity: Good Policies for a Great America*. We want to define a policy agenda around CDFIs that will shape the next decade of policy work.
- The mortgage platform we built to support CDFIs providing anti-predatory mortgage products. We want to provide responsible mortgage options for our communities and our customers. And, of course
- The *Wachovia NEXT Awards for Opportunity Finance*, which are designed to boost 10 exceptional CDFIs toward their potential over the next five years and to lift the entire industry by making it more visible, more credible, and more sustainable.

As soon as the Captain announced that it was okay to use electronic devices, I turned on my iPod. I get a lot of work done on planes—I have to—but that day I planned to relax. I chose my favorite playlist—a set of “Justice” songs. The playlist includes some classic Phil Ochs, some chilling covers of civil rights songs by Mavis Staples, and some modern protest songs such as the Dixie Chicks’ “Not Ready to Make Nice” and Pink’s “Dear Mr. President” with the Indigo Girls.

It also includes a few unlikely songs. My favorite unlikely justice song is Sam Moore singing a spirited gospel cover of “We Shall Be Free,” which Garth Brooks, the self-described “cowboy rocker,” wrote after watching parts of Los Angeles burn following the Rodney King verdicts years ago. If you don’t know Sam Moore, he was the Sam of Sam & Dave, who sang the original “Soul Man.”

Music does not get more unlikely than that.

That morning as we crossed the Allegheny Mountains in central Pennsylvania, as I closed my eyes, I remembered—who knows why?—a conversation I had years ago with a banker whose husband was starting a business. Over dinner, he told her (apparently for the umpteenth time) that he needed more capital.

“You don’t need more capital,” she lectured him. “You need more customers!”



And I heard in my ears the opening verse of the song:

*When the last child cries for a crust of bread  
When the last man dies for the words that he said  
When there's shelter over the poorest head  
We shall be free.*

Yes, I thought, CDFIs struggle with the often-conflicting demands of capital and customers.

That morning, with the three rivers of Pittsburgh out the window and conscious thought sliding softly away, the conflict set off a phantasmagoric Niagara of thoughts:

- I thought about Amartya Sen's prize-winning work and C.K. Prahalad's "fortune at the bottom of the pyramid"
- I recalled the discussions we have all been having about the rising economic power of emerging domestic markets—opportunity markets is what I call them.
- I thought about the seminal paper that Bob Weissbourd wrote for OFN and CFED last year explaining that CDFIs's ability to add value to market growth created promising potential for economic and policy strategies that rise above conventional partisanship and ideology.
- My mind wandered through the unexpected but productive development of Opportunity Finance Network's relationship with the U.S. Chamber of Commerce as it builds a community investing strategy.
- And I thought about the growing bipartisan support in Congress from the middle 70% of the political spectrum for opportunity finance.

I struggled to follow the sequence when the second verse filtered through:

*When the last thing we notice is the color of skin  
And the first thing we look for is the beauty within  
When the skies and the oceans are clean again  
We shall be free.*

What happened next might have been a dream... an hallucination... possibly a nightmare.

Some of you know the saying that an optimist believes that these are the best of times, that things could possibly get any better, and that a pessimist is sure of it.

My experience that followed seemed caught in that paradox. Is the CDFI approach the best there is, or the worst? Are we doing things all right? Or all wrong?

Did you ever wonder if we all are just missing something obvious?

The song was building:

*When we're free to love anyone we choose  
When this world's big enough for all different views*



*When we all can worship from our own kind of pews  
We shall be free*

Right about then, everything I thought I understood about our business caved in.

Wouldn't it be better, I dreamed, if we increased our pricing enough to better sustain our institutions? And I admit I also dreamed: I bet there's a price where we could better sustain our institutions, keep our customers, and even keep them dependent on us so that they come back for more.

I have heard people say that we give away too much for free. All of a sudden my dream filled with the possibilities of fees that would reduce our exposure to deals that do not close, to borrowers who refinance before we recover our costs. Isn't this how it should work?

Sam Moore, getting louder and louder, making it hard to dream:

*And when money talks for the very last time  
When nobody walks a step behind  
When there's only one race and that's mankind  
We shall be free.*

I dreamed of a new approach to policy, where we take a page from the playbook that everyone but us seems to use:

First, ask for a lot more money. Asking for too little money is self-marginalizing.

Second, make sure policymakers know that what we are doing is essential to economic growth, social well-being, and national security.

Third, Explain that all of our policy solutions are based entirely on what is best for consumers—that we really want nothing for ourselves.

You can see why this was so confusing, can't you?

Fourth, I dreamed—remembering what I learned from lobbyists I met almost 30 years ago when I worked on Capitol Hill—make sure there are always enough customers. If we really want to approach policy in a more conventional, and proven way, why would we want to pursue policies that could put us out of business? We don't need more capital, we need more customers.

As a guiding principle, policy in my dream would help people, but not too much. Robert Moses, the fabled Powerbroker who built most of the highways, bridges, and tunnels around New York City, used to prepare studies that predicted the volume of traffic on his proposed roadways. When he went to the legislature for funding, he understated the volume so that he could go back later for money to build another, entirely new highway.

If we want policies that ensure a steady supply of customers, we need to follow the time-tested approach of creating government programs that work ... but that don't work too well. This would ensure a steady stream of people and places who need our products and services.



Fifth, and this seemed particularly important even in my dream, make sure anti-poverty programs are meritocracies. Make sure that money screens out people and places that do not *merit* support—after all, what does *need* have to do with poverty? Where possible, narrow support to ensure that small federal funding recipients will take good care of scarce taxpayer resources; we should not expect small nonprofits and CDFIs to manage federal money as well as, I don't know, Halliburton.

Sixth, use proven political marketing and outreach techniques—for example, a “Strengthening America’s Communities Initiative” and a “Leave No Community Behind” slogan.

The music was peaking now, disturbing my dream:

*We shall be free, we shall be free  
Every day I'm saying, every day I'm praying  
Have a little faith, hold out  
We shall be free*

I felt a shudder and a shake. I was alert enough to know that something was wrong. Not a good feeling on a plane. The air pressure in the cabin was changing. The pilot was speaking—shouting!—but I could not make out words. All around me I sensed something—it seemed like panic!

Someone or something was shaking me. I felt a tug at my waist. My body jerked forward. I heard yelling!

But the song would not let go:

*We shall be free, we shall be free  
Have a little faith, walk proud  
We shall be free.*

I heard a loud voice.

“Wake ... up!”

I have flown many hundreds of flights, and nothing like this had ever happened before. The flight attendants could not stir me for the landing. They told me later that they knew I was alive because I seemed to be singing inaudibly ... and smiling.

Joel ben Izzy says that fact is stranger than fiction because fact does not need to conform to a story line. Only a month later, waiting for an elevator in Charlotte and watching Debra’s response, did I realize that the world I had dreamed is the world as it is, there for our taking if we can find a little slack in our values.

The story of 2007 might be titled, “lost values,” and while we might wish it were fiction or a bad dream, it is brutally hard fact. The credit mess has uncovered deep flaws in our financial system and corroded our nation’s and the global economy. With more than \$40, perhaps \$50, billion in losses so far, we are witnessing the impact of an implosion in credit standards and, in some





cases, ethical and moral values that we all sensed but that only a few people—a few prophets, really—saw coming.

In the build-up to the release of his new autobiography, former Federal Reserve Chairman Alan Greenspan said that only one person around the Fed had warned about the mess that we will be cleaning up for many years.

The person Greenspan did not identify by name was Ned Gramlich, who passed away earlier this year. I hope you remember Ned's funny, warm introduction of Chairman Bernanke last year. Ned's humor and his humanity, his intelligence and his integrity, his wisdom and vision, his belief in community development and opportunity finance, his leadership and his humility—these are just some of the values that live on at the Fed, at the University of Michigan (where Ned taught for much of his career), at Opportunity Finance Network, and in many of our lives because Ned was here.

I met Ned when I had the honor of serving on the Fed's Consumer Advisory Council. My first substantive conversation with Ned was not about interest rates or price stability or cost/benefit analyses. It was about parenting. His advice then continues to benefit me—and my kids—now.

For many years while he was at the Fed, Ned chaired Neighborworks America. Once, as Neighborworks Chairman, Ned made a round of visits to Neighborworks affiliates. When Ned walked into Neighborworks in Rochester, where he grew up, one of the smiles from staff and volunteers that greeted him was the face of his father, who had been a Neighborworks volunteer for a long time.

That apple didn't fall far from the tree.

Ned taught economics and policy at the University of Michigan for many years. He was one of the nation's leading authorities on social security reform. He chaired the commission that kept the airline industry viable following 9/11. Most immediately important for you, Ned led the effort that kept the Community Reinvestment Act intact a few years ago.

Ned's last professional contribution is an important book, *Subprime Mortgages: America's Latest Boom and Bust*, published this summer soon before Ned died. It is a passionate analysis of what went wrong and what might prevent it from happening again.

For just the last year, Ned served on the Opportunity Finance Network Board, where he made an indelible impression on the shape of our mortgage platform, on the character of our Board, and on me. His influence will live on through our work.

Today I am proud to announce that OFN is honoring Ned's work and his legacy in two ways:

First, the Board of Opportunity Finance Network is awarding OFN's Lifetime Achievement Award posthumously to Ned Gramlich.

Second, in September, the Board instructed me to ask Ned's wife, Ruth, who is here with us today, for her permission to name OFN's Lifetime Achievement Award after Ned. Ruth graciously agreed. In the future, we will be awarding the *Ned Gramlich Lifetime Achievement Award for Responsible Finance* to people who, like Ned, have dedicated their lives—not just their work—to



our shared enterprise. No one better represents the values that define opportunity finance than Ned. Ned bent the moral arc of the universe toward justice.

Ruth, thank you for sharing Ned with us, with our industry, and with the many, many other people he reached and touched through his remarkable, exemplary career. We are honored that we can present this award to you today on behalf of the entire opportunity finance industry and that you have agreed to let Ned's name live on through Opportunity Finance Network, as it will live on through your children and grandchildren, through the University of Michigan, and through the policies that Ned shaped at the Fed and elsewhere.

When we unveiled our current strategy in 2003, we envisioned a six-year period that would start out feeling tumultuous, dangerous, chaotic, and uncomfortable ... that would over time become creative, innovative, and exciting ... and that would—we hoped—conclude feeling satisfying, right, and exhilarating.

We knew that the journey from the security of who we were to the promise of what we could be would be hard—as it has been—and that the results were far from certain.

Most important, we knew that the time and work between the beginning and the end would be risky, confusing, challenging beyond our ability to anticipate, and satisfying.

We now are mid-journey—the creative, innovative, and exciting part.

Joan Didion, the writer, once said that, "It is easy to see the beginnings of things but harder to see the ends." I want to suggest to you now that the beginnings and the ends are easy to name and navigate compared to the middles—the subtly shifting transformations and the unrecognized transitions. The middle is relentlessly dynamic and slippery. Middles are where people make plans and God laughs. Middles are where we make the hardest decisions—choosing what to hold tight to and what to let go of when we can not see either the beginning or the end.

No plan could have fully prepared the opportunity finance industry adequately for the strategic journey we are taking together. What's really important in our work are the results. But what we come together each year to *share* is the experience of the journey and to learn from each other.

This conference is our time and place to do that.

This is a special conference for many reasons:

First, more than 700 people are here today from across the U.S. and from several other nations to be part of the launch of the NEXT era of opportunity finance.

Second, we want this event to reflect the values we aspire to and live by. We want to mark your participation here in line with our core purpose, in line with our core values, and in line with our mission. For that reason, we are contributing funds on behalf of each of you to the Washington, DC, Martin Luther King, Jr. Memorial Foundation. We are starting a tradition today for Opportunity Finance Network Conferences. I hope that other organizations you are involved with will join us in this small contribution to Dr. King's legacy.



Third, the event is the product of collaboration with our sponsors and co-hosts. I want to thank: Bank of America, our Platinum Sponsor; Citi, JPMorganChase, KnowledgePlex, and Wachovia—our Gold Sponsors, and our Silver Sponsors: Capital One; HSBC; MerrillLynch; and WaMu.

I want to give a special nod to the Florida Community Loan Fund, Jacksonville Affordable Mortgages, Inc., and Neighborhood Lending Partners of West Florida, our Conference Co-hosts.

Fourth, it is the first conference conceived and composed by Donna Fabiani, our Executive Vice President for Knowledge Sharing. Donna and her team have done an exceptional job. Please help me show our appreciation to Donna and to the entire OFN staff who made this Conference so good and who make Opportunity Finance Network successful all year long!

Fifth, this conference is the debut of the *Wachovia NEXT Awards for Opportunity Finance in Partnership with the John D. and Catherine T. MacArthur Foundation*.

We received 78 applicants and tonight we will recognize six outstanding CDFIs. Thank you to all of our applicants for helping us to launch this groundbreaking Awards program.

At the front of the room, at two tables, are representatives of all 10 semifinalists—10 outstanding CDFIs. Everyone one of the 10 semifinalists deserves the kind of investments that the *Wachovia NEXT Awards for Opportunity Finance* can make in just two of them.

I mentioned Debra Schwartz's vision and leadership. Please join me in thanking Debra and her colleagues at the MacArthur Foundation, Val Chang, Jerry Huang, and Mike Stegman. They moved mountains to make the *Wachovia NEXT Awards* happen.

I do not know how to thank Andrea Levere, President of CFED, for her wisdom, patience, and friendship over the past year. CFED played critical roles helping to design and manage the selection process. Andrea and three talented CFED staff members—Kathryn Gwatkin Goulding, Genevieve Milford, and Michael Torrenz—helped us remain focused and always on track.

There would be no *Wachovia NEXT Awards for Opportunity Finance* without many people at Wachovia, but I want to single out three key players:

Eileen Stenerson has been OFN's business connection to Wachovia for many years. Before and beyond the Awards, Eileen has helped us succeed. But as we conceived, developed, and selected the *Wachovia NEXT Awards for Opportunity Finance* Eileen kept everyone's feet on the ground.

We are grateful, Eileen.

Gigi Dixon is a very special person and professional. She brings a passion to her work that is inspiring. She approaches every challenge with an eye on the big-picture vision. She asks hard questions without flinching. She leads by example and collaborates with the best of them. She is a champion at work, at her church, in her family, and for the *Wachovia NEXT Awards for Opportunity Finance*. When you see tonight just what the *Wachovia NEXT Awards* deliver, you need to know that Gigi is the reason we are presenting the awards in style!

Take a bow, Gigi!



Everyone who has had the good fortune to work with Mike Rizer knows that he is a bold, quiet leader. He makes things possible, he makes the impossible achievable, and he seems to deflect all credit sent his way.

Mike is a great person who cares deeply about making opportunity finance the transformational force we all believe it can and should be. He took an exceptional leap of faith within Wachovia to make the *Wachovia NEXT Awards for Opportunity Finance* great, and not just good.

Please stand up for us, Mike.

Sixth, I want to recognize a very important new relationship for OFN that grew from the *Wachovia NEXT Awards*. The *Wachovia NEXT Awards* intend to attract new money and new talent to the opportunity finance industry. We are building a strategic partnership with NetImpact—which some of us are old enough to remember in its former life as Students for Responsible Business. NetImpact is a diverse membership organization of more than 10,000 business students and alumni, some of whom are the people we need to meet the challenges in our future. NetImpact's Executive Director, Liz Maw, is here today, and I would like your help welcoming her.

Seventh, this is a breakthrough event for the Native CDFI Community. There now are some 44 Native CDFIs and this year the 4<sup>th</sup> Native CDFI Convening drew more than 90 participants. Tomorrow night, Oweesta First Nations and Opportunity Finance Network will present the Second Annual Native CDFI Awards, recognizing an exceptional Native CDFI leader and a remarkable Native CDFI.

If I can, I would like to ask everyone who is part of a Native CDFI or who is working with Native CDFIs to stand up so that we can all see just how strong this movement has become. We are all grateful to the CDFI Fund for its sustained leadership; the Fund has invested consistently and smartly in Native CDFIs.

In September, at Pine Ridge, Oweesta and OFN signed a Memorandum of Understanding that squarely puts Oweesta in the leadership role it deserves in the growth of the Native CDFI sector. I am proud that OFN has played a part in helping to foster something so important.

I want to pay tribute to Elsie Meeks and the entire Oweesta staff and team. Oweesta is doing some of the hardest work going on and producing some of the most exciting results.

One more, very important thing: in the past, we ran the Native CDFI training as a separate Conference track; this year, we have integrated Native training into our curriculum, which we hope will foster new types of sharing and learning.

Next year, in Albuquerque, the 2008 Opportunity Finance Network Conference will flip the focus and feature Native CDFIs. It will be a chance to experience and understand one of the great stories in our industry over the past five or six years.

When we introduced "grow, change, or die" in 2003, in New York City, I knew that everything in our strategy came from what we saw happening in the field, what some of you were already doing, and what others of you were planning.



Still, it came as something of a shock.... Or so I have heard from a few hundred of you.

We have spent the last four years working through the challenges of “grow, change, or die”—choosing to do some things and choosing to not do others—and you have done a remarkable job. There are now things happening in this industry that might not have been outside the realm of the imaginable in 2003 but they were certainly outside the scope of acceptable CDFI industry conversation:

- Business partnerships—not simply philanthropic or informal relationships—among CDFIs and between CDFIs and mainstream financial institutions, some with CDFIs in the lead roles and some with our partners in the lead roles.
- New CDFI-based social enterprises serving not just CDFI markets but mainstream markets,
- A set of anti-predatory mortgage approaches, including OFN’s, that are both addressing a current crisis and carving out a new financing model with potential in many asset classes.
- A unified policy campaign that rests on the belief that what we are doing matters to the nation and the economy, a far cry from our timid, almost apologetic, approaches not very long ago.

We are putting in place a multi-player financing system that draws on diverse stores of talent across our network—including familiar and unfamiliar partners. We are using collaborative business models that create opportunities for CDFI productivity that swamp what we used to think—two or three years ago—was possible.

When we won passage of the statute that created the CDFI Fund, we thought of ourselves as the little industry that could. If YouTube had been around then, we would have been the teenagers at home making three-minute videos on our parents’s webcams hoping to generate a little internet buzz. Today we are a \$25 billion industry that mainstream institutions and the communities we serve can not help but notice.

And because of your hard work and your ability to tell your story, the CDFI Fund has not only survived against the odds these last seven years. In fiscal 2008, it will receive nearly double the funds it received in fiscal 2007 because Congress believes in the values that you bring and the value that you create.

We are not YouTube wannabes today. Perhaps a better business analogy is the independent film industry. Independent film makers have changed the course of the mainstream movie business for the better by creating opportunities for new talent, by re-shaping the film distribution system, and by introducing ideas and values that never used to see the light of day. The indie film business took advantage of new technologies that changed the economics of film-making and opened rich distribution veins starving for product.

What do you say? Indie finance?

I think it is what’s NEXT.



One of the things that “grow, change, or die” stirred up was—and is—anxiety about whether the changes OFN was proposing—things like “scale,” just to pick one—would result in changes to our core.

It is time to put these anxieties behind us, and focus on the challenge ahead—the challenge of NEXT, which has *three* components that I can see:

**The first is accepting that the opportunity finance industry has the potential and power to transform the economy, the policies, and the society in which we work.** For years now, we have been wary of our capacity to grow and our ability to produce. We have questioned our ability to shape policy. Our DNA seems to reject anything that might seem irrationally exuberant (to borrow a phrase), but our 30-year history suggests that we are resilient, creative, and innovative. If you look at our production in five-year cycles, each five-year span exceeds projections by leaps and bounds.

This self-doubt simply has to go. How many years do we have to overachieve in financing, in policy, and in civic leadership roles before we take ourselves seriously? How long do you think we can keep a \$25 billion industry hidden from sight?

Martin Trimble, my predecessor in this job, used to talk about the need for “institutional ego”—the conviction that other people should think your work is as important as you believe it to be. That’s a very hard thing for people in this industry, or so it seems. We need to understand that institutional ego does not presume individual ego; it is not only okay to promote the work your organization does, it is essential that you do. Individual ego may not be in our DNA, but institutional ego is.

**The second, related, challenge is believing that the changes you are seeing are real and lasting.** It is tempting and easy to lean on the past when the present—the middle—seems uncertain and the future is unknown. William Faulkner wrote that “memory believes before knowing remembers.” (Memory believes before knowing remembers.) Strategy is fundamentally an exercise in deciding when to hold on and when to let go and that usually involves overcoming the impulse to embrace what is familiar and convenient rather than what we see and know.

The opportunity finance industry today is rapidly transforming into a network of financing systems that work across boundaries that used to keep us isolated from one another.

If there is one thing I wish for this Conference it is that you will leave here with a clear picture in your mind of the NEXT opportunity finance system.

**The third is the biggest challenge of NEXT—holding true to our core values and core purposes while figuring out what can and should change.** OFN’s strategy is built on an approach that Jim Collins and Jerry Porras developed and wrote about in *Built to Last*. They concluded that enduring successful companies have a corporate vision that comprises these elements—a core that is so fundamental that it should not change and a set of changes that will advance the company’s strategic arc. Collins developed the idea further in his exceptional book, *Good to Great*.



I am confident that we have not *yet* changed some of the things that *need* to change. My job over the past few years has been, more than anything else, to try to make sure that OFN and the industry held fast to our core purpose and core values but changed as many non-core things as much and as fast as we could tolerate so long as they were going to lead us toward our core purpose.

I also have no doubt that we have not changed our core. Together—through hard choices and rich conversations, through individual CDFIs exploring new ideas to small groups of CDFIs and their mainstream partners constructing new financing tools, through disagreements and agreements—we have deepened our commitment to our core. We have found new ways of working but we see more clearly than ever what we are working for.

And we are prepared to put ourselves to the test. Over the next year, much thanks to the *Wachovia NEXT Awards for Opportunity Finance* and to the creative leadership of the MacArthur Foundation, Jim Collins will be working with Opportunity Finance Network to study, understand, and analyze the industry and the CDFI sector. In my view, Jim Collins is the best and most important business thinker at work today; perhaps the Peter Drucker of his generation. You need to know that he agreed to work with us because he sees something extraordinary in the industry and in your work.

At the 2008 OFN Conference in Albuquerque, Collins will lead an extended keynote plenary session on “Good to Great in the Opportunity Finance Sector.” This will give us the opportunity to learn from and teach a great thinker, to better understand our industry and our work in a broad context, and to join together to ground the NEXT phase of opportunity finance in a commitment to our core purpose and core values.

Just as DNA is the building block of life, CDFI DNA is the foundation for who we are and what we do. At the risk of oversimplifying a complex thing, I want to try to tell you what I think makes up CDFI DNA—what defines that intangible something that defines our industry and our work.

- CDFI DNA has a dominant trait: It will not put profit before core purpose, and so will not put business opportunities before core values.
- CDFI DNA has a gene that causes us to fit capital to our customers when the conventional lending gene tends to work the other way around.
- CDFI DNA gives respect and expects it in return; CDFIs will collaborate aggressively with partners with integrity but will not collaborate at all with would-be partners who lack it.
- There is a recessive gene in CDFI DNA that causes us to shun attention and praise. Humility is a virtue, of course, but a side-effect of this particular genetic tendency is a pattern of self-isolation from the markets and institutions we seek to influence; a form of institutional agoraphobia.
- Last, CDFI DNA is resilient and mobile. It transcribes readily from the double helix of CDFIs to other types of institutions, where it replicates steadily. Once it is established in conventional genomes, there is some evidence that it bends the moral double helix of the universe toward justice.



While I was in Kansas City, I forgot about the strange flight from Philadelphia. As I went through security, however, I experienced a brief flashback. When I boarded my flight my anxiety started to peak. As the plane took off, I waited nervously for the pilot's okay to turn on my iPod. I could see the flight attendants eyeing me suspiciously, monitoring my nervous behavior. As I put on my earphones and hit "play," I did not know what to expect.

It was Phil Ochs singing plaintively:

*Oh my days won't be dances of delight when I'm gone  
And the sands will be shifting from my sight when I'm gone  
Can't add my name into the fight when I'm gone  
So I guess I'll have to do it while I'm here*

*And I won't be laughing at the lies when I'm gone  
And I can't question how or when or why when I'm gone  
Can't live proud enough to die when I'm gone  
So I guess I'll have to do it while I'm here*

I think perhaps I was too brief and too glib about my heritage earlier on. There IS one more thing I want to tell you:

My dedication to justice is encoded in my DNA. In my family, the saying is: The nut didn't fall far from the tree.

- I learned from my parents to add my name into the fight.
- I learned from my parents to question how or when or why.
- Most important, I learned from my parents how to live proud enough to die.

I am—we all are in our own ways—a proud heir to generations of struggle for justice and we aspire to be parents to a new generation of justice, rooted in opportunity. We work for transformational change but we achieve it one transaction at a time. Dr. King said that power is the ability to cause social, economic, and political change. Our power comes not from what we do, but from what drives us to do what we do. What's in our DNA.

And I learned from Debra this year that our power also comes from knowing what not to do and what we are incapable of doing because of who we are. Because of our DNA.

I hope this conference gives you a break from what you do, at least long enough to appreciate who you are and what you are part of.

Please, when you leave this room today, when you leave this Conference this week, and when you return to work next week, if you remember one thing, remember this:

*This ... is OUR time. And **you** .. are the people we have been waiting for.*

Thank you for your work. Thank you for supporting OFN.

I hope you enjoy the Conference.





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