CDFIs Making History Interview

Phillip N. Baldwin
President, Citizens Bank

Mark Pinsky, President & CEO of OFN, conducted this interview on August 15, 2014.

Mark: The open-ended question really is, as you look back over your career in and around this field, is there one, or two, or three events, or achievements, or results, or lessons learned, or anything like that that are important to you, and therefore are important for other folks in and around the industry to know about or to understand?

Phil: Yeah. I was happily working as the Director of Corporate Finance at Dillard’s Department Stores in Little Rock and had had a career in banking, in finance for a long time at that point in time.

I remember one day I got into this big argument with this lawyer up in New York City over a disclosure in the Dillard’s 10K. It got ugly. We both said things we shouldn’t have said.

I went home and I told DeeDee, my wife. I said, "You know, I just argued with this guy over something that no one in the world really even cares about." I said, "I’m not sure I want to have a career that the big highlight of my week was winning a battle with a lawyer on a sentence disclosure in an 800-page document that no one’s going to read." I told her, Mark, that I didn’t want my tombstone to say, "Phil did great 10Ks." No one would really care about that.

About a week after that is when Southern Bancorp called me, and they were looking for someone to get involved. That was my first introduction into the world of CDFIs. I thought it was great: a social mission tied to what was, with Southern, a CDFI bank, which is something I knew how to do. I felt like I could use what I knew how to do to actually help people. That was a fantastic idea.

I realized when I got to Southern how hard it is for that to happen in reality, and I can tell you that the hardest thing I did when I was at Southern was trying to keep the banking side of the CDFI and the mission side working together. The folks that work in those areas sometimes have different personalities, and they see the world differently. So getting a bunch of bank presidents to work with the non-profit presidents was always a challenge, probably my biggest
challenge. I think Southern navigated that well. We did better at some times than we did at others; but I think generally we navigated that well.

Mark, the personal story I would tell you is tied to the work that we did in Helena, Arkansas, which is a very impoverished Mississippi Delta community about an hour and a half south of Memphis. It's a town that is about 75% African-American and 25% White. There're all kinds of issues and challenges: poverty, just deep, deep poverty, lots of things. We tackled that as one of our main areas of focus. We had a bank in Helena.

I remember driving into town, probably in 2005, and being proud as I drove into town about all the money that we had disbursed in Helena through the CDFI bank. But then when I was driving into town, I really realized that none of that had made any difference. The town looked worse that year than it did the year before. More businesses had closed, more boarded-up buildings.

I realized that there had to be more than just money involved in community change. What we came up with—this is something that we presented to OFN, I think, back at that point in time for the NEXT Award—what I call a holistic community development concept, where it's the money, the access to capital, that CDFIs do so well. It's also education, and healthcare, and housing, general economic development, and leadership, those five pillars of community change. Those are the ones that we came up with. We probably pulled some of that from Kellogg, and pulled some of it from Ford. There're a lot of models out there that have kind of the same stuff on it. I think what we did differently is we engaged in a year-long community strategic planning process, which was interesting.

In the course of that I had someone threaten to have me killed, which was something you always remember. In the community change process that we did, it really did change the community. It wasn't just talking about it. We did it, which meant it would change the power base and the power structures of the community. In Helena, even though it was a majority African-American population, the power base was still to some degree held by the White population. The politicians were African-American, because of the population, but the money and all that was in the White population. It was a really dynamic, challenging environment.
I left one of our strategic planning meetings one night, and an older White guy walked out with me and put his arm around my shoulder. He had been an elected official in the past. He basically said, "Phil, there's a lot of dead-end roads in Helena. You'd better not walk down one." It was clear what he meant. So that was affecting to me. We just kept pushing through that.

The story that I'll tell you that's my favorite story is the KIPP School, "Knowledge is Power." It's a public charter school started in Houston, Texas. In the course of the strategic planning process, the local community said, "We want to have a charter school here, because our public schools are not performing, and our kids are not being educated." The public school was probably 98% African-American; so these were the African-American parents saying this. We reached out to KIPP and actually talked KIPP into coming to Helena. It's the only rural charter school that they... I know you know them, Mark. They're big...

Mark: Sure, of course.

Phil: ...in urban communities.

But they came to Helena. They started with a fifth grade class in an old train station that got renovated. The city leased the train station to KIPP for one dollar a year and Southern provided the financing to renovate the train station. There were three classrooms in it. It was a real small operation. They started with a fifth grade class of 75 kids who were scoring in the fifteenth percentile in math, English, science, and all that. It was the state testing that was done. These kids were basically not literate. They weren't going to be functional, because they weren't getting educated.

I remember—I guess it was the second or third year after that first class, so that first class would have been, I guess, seventh graders now—they had outgrown the train station, and so we were building a new school for them across the street from the train station. Mark, it was in downtown Helena in a bunch of dilapidated old buildings. We were basically renovating these old buildings. Our thought was, "We're getting downtown renovation at the same time we're growing the school." The traffic that was being brought back into downtown was allowing small businesses to start that hadn't been there for 70 to 100 years. So it was really a multitude of effect by doing that.
I remember I was in there one day doing what bankers do, making sure the construction was going okay, and two old guys came by, two White guys. They walked in and they basically said, "Phil, what are you doing?" I said, "Well, I'm making sure the construction is going fine." They said, "No, no. We don't mean that. We mean, what are you doing educating these black kids?" They said, "Don't you know they're doing the best they can do? You're just going to make a mess of this." I felt like I was in 1950 when they said that. I told them, I said, "Well, I disagree with you. I think this will be a good thing," but I could tell that they just thought it was a waste of money, a waste of time, and that I shouldn't be doing it.

Mark: You were from Arkansas, right? Something about being in this role brought that out and surprised you, but it's not like you didn't know the state, you didn't know the culture in some way, right?

Phil: Well but see, I had never seen that so direct. That exists but it's really silent, and you don't see it every day. It had never been verbalized like that to me.

Mark: Yeah.

Phil: And it really, it was appalling. I mean I just, I just... It was just... I mean I can still remember these guys saying that to me like it was yesterday, because it just... I thought, “My God,” [CROSSTALK]

Mark: Yeah.

Phil: You know? You would like to think that we're past that as a people, but we're not.

Let me give you the good part.

Mark: Yeah, please.

Phil: So fast forward another couple years. This fifth grade class now is maybe in the eighth or ninth grade and they're taking another state proficiency test. These same kids that were in the fifteenth percentile are now in the ninety-second percentile.

Mark: Great.
Phil: One of the highest-performing schools in the entire state, these black kids that “couldn't get educated, because they just didn't have the ability.”

You know KIPP. It's six days a week in class. It's one month off in the summer. It's going to school from eight in the morning until five at night. So it's not easy. These kids were hounded by their peers who were in the public school, "Why do you want to do that? Come over here and play ball with us." Their families didn't really believe in this, because their families had never seen education actually amount to anything. When you graduate from high school, and you can't read, and you're in Helena, Arkansas, you're going to be unemployed like everybody else.

Mark: Right.

Phil: So the families didn't believe in it. These kids had a lot of challenges to overcome to do this, but they were overcoming those challenges.

When that first class graduated from high school DeeDee and I were there. The whole downtown auditorium was full of people. The class had shrunk from 75 kids to about 30. Half the kids didn't make it; they dropped out. Of these kids that were graduating, 100% of them went to college ... 100%.

Mark: Wow!

Phil: There were three speakers at the graduation ceremony. One was Brian Miller, a board member for Southern, who is a federal district judge, African-American, grew up in Helena. His dad had been the mayor of Helena for a number of years. Brian talked to them about how hard it is to be the first and all the challenges of being the first, the trailblazers, and how they had accomplished that.

The next speaker was the governor of Arkansas, Mike Beebe. He talked about the importance of education.

The final speaker was Bill Clinton.

Here you had this little school of 30 graduates. You've got a former president, a governor, and a federal district judge as your keynote speakers. It was a big damn deal.

Mark: Yeah.
Phil: The teachers in the KIPP School at that point in time were a lot of Teach for America teachers. They were over there, sitting on the back row, crying, because they knew what these kids had done. What they did is, they changed their lives, but they also changed the way their families felt about education. Now the families saw these kids going to college. The education produced something. The younger brothers and sisters saw their older brothers and sisters going to college, and that was a big deal.

At the end of that night, Mark, one of those old White guys that years ago had told me, "You're just making a mess here these kids can't learn," he walked up to me. He shook my hand and said, "I was wrong. I've been wrong all my life." The kids changed him, too.

Mark: That's incredible.

Phil: That, to me, is what CDFIs do. They allow things like that to happen, real change. It's not just loaning money to small businesses and to people who don't have access to capital. It's a whole lot more than that. It is that, but it's a whole lot more than that, too.

Mark: That's wonderful. I want to ask you if you have thoughts about the future, things that you think are important. Maybe they're old-school things that we need to keep doing and maybe they're new ideas that need to find their way into the community development finance stage. I just wonder if you have any thoughts about that.

Phil: Yeah. I think that the old-school things ought to keep on rolling. I think that innovating on the old-school is key. I think that CDFIs should look at adaptive technology. I can tell you, in my three years as a credit counselor—non-profit, serving all 50 states—technology is really important. There is such a need right now.

There're a lot of people who have been middle class people all their life that are falling out of the middle class, and they're terrified, and they don't know what to do. I think CDFIs can play a real important role in that.

I think there's a huge demographic shift right now with the Baby Boomers retiring. I don't think anyone really understands what that means to everything. I think CDFIs should pay attention to that and see if they are serving the needs of people who are retiring that have $10,000 saved for retirement and nothing more, and no other pension plan, no other source to keep them going other than Social Security.
I think there's a need to look at the older age group of folks to some degree. I think there are products and services that are out there that would be profitable for CDFIs in that older age group. These folks aren't destitute; they're not broke. They have money, but they just don't have enough to make it like they wanted to.

Mark: Right.

Phil: So things like that, I think, are important for the future.

Mark: That's great. Phil, as I said, I always enjoy talking to you. I could talk to you much longer, but I need to watch my time on this end and I need to respect your time on your end. It really is a delight. Thank you for sharing.

Phil: I appreciate the chance. Thank you for your vision and leadership. You've really been one of the creators of all this. You guys did this.

Mark: That's very kind. I look forward to seeing you again soon.

Phil: Okay. That sounds good. Take care.

Mark: Take care.