CDFIs Making History Interview

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

Mark: You’ve been—from the earliest days of CDFI Fund certainly, and maybe before that, for all I know—you’ve been part of our world. You’ve played a major role in shaping our world, both in a micro-sense, that is, directly with the CDFI industry, and in a macro-sense in all the things around us. I don’t know if there’s anyone who’s touched on more parts of what’s created the environment—the legal environment and the policy environment—around us.

I want to start by really just asking open-endedly are there things that you remember that might be 20 years ago, might be 10 years ago, might be 10 days ago about CDFIs that stand out as really important ideas or moments or events?

Michael: I was a little bit involved in micro-finance work before I went to the Treasury Department in 1994, but I would say my first interaction substantively with the CDFI field in the United States came when I joined the Treasury Department in the beginning of 1995.

I really got asked to do that because Bob Rubin really wanted to invest the resources and energy of the Department in helping empower communities. He knew that at a big level when he came in, but he didn’t know precisely what levers he wanted to pull or what levers there were.

I was fortunate to join him right at the beginning of ’95 and help with that. It was a critical time, as you remember, from the CDFI Fund’s perspective, because we had come off this wonderful time in the campaign. The president had been, as he put it, trying to establish a nationwide network of community development banks. You all explained to him that what he meant were CDFIs, and they were more complicated, more interesting than he thought.

Mark: We had no idea he was actually going to listen to us. We were shocked.

Michael: He totally did.
So, he had backed this. The administration was able to get the Fund included in Riegle-Neal with a bunch of other, I think, quite important changes in the banking sector. But in the winter of '95 things had become very, very bleak. In the fall of '94, you had the Republican revolution and they were going to kill the Fund even before it got off the ground.

Mark: I remember.

Michael: Literally, it’s now 19 years later, I still feel the feeling of that viscerally from 19 years ago. Rubin really wanted to make sure that the Fund thrived, and we were able to negotiate tucking it into the Treasury Department, which I think was a really smart move, given the politics of the time.

It was originally just supposed to be a transition and then it was going to be permanently independent. The Republicans just hated the idea of creating a new agency, but we were able to convince them that if it were tucked inside the Treasury Department that it wasn’t really a new entity. That was what enabled it to survive that initial three-year onslaught against it.

Mark: Talk a little bit about Secretary Rubin. He was a great secretary in general, he was a great secretary in terms of CDFIs. But can you say more about what really drove him? What inspired him?

Michael: Yeah, he really was driven. He didn’t know anything about CDFIs before he met the Clintons. But, he had a deep-rooted concern that our country in the '90s was coming apart at the seams, and that we were leaving lots of people behind who didn’t have to get left behind. They were leaving neighborhoods behind that shouldn’t be left behind. He didn’t think we could be the kind of country we should be if we didn’t address that.

For him, that meant not just CDFIs, but also education and job training and the Earned Income Tax Credit and eventually the place-based initiatives that became New Markets and Empowerment Zones and so on. But he was driven by this broader concern about the kind of country he thought we should live in.

Mark: Right.

Michael: CDFIs were an example of that. Again, he didn’t really know before he met the Clintons about the CDFI world.

Then, the first trip he took domestically—the first trip I think at all he took as the Treasury secretary—we brought him to the South Bronx. He saw in the South Bronx the enormous transformation that community development institutions had been doing. He thought
before we went there that it would be, like, a block that looked a little better.

When he got there and he saw the transformation block after block after block, I think that was transformative for him because it went from being this thing that he thought should happen to saying wow, this can happen. It can happen with community-based institutions.

Mark: It was capital-led strategies, which he certainly knew a lot about.

Michael: Yeah.

So that was the beginning, I think, for him and then we did other trips with him over the course of the Clinton administration. He and I went to South Central LA. You remember Juanita Tate, who passed away a couple years ago...

Mark: Absolutely.

Michael: ...who ran Community Foundation of Southeast LA [Concerned Citizens of South Central Los Angeles]? I’m going to get the name a little bit wrong, but we went and visited her work. We visited with Bill Bynum in Mississippi, and we went down to Kentucky Highlands and saw what Jerry Ricketts and all those folks were doing. We went and saw what Jeremy [Nowak] was doing in Philadelphia.

I think all these things were reinforcing for the president and for Rubin the transformative capacity of CDFIs.

Mark: What was that like for you? You had some exposure to micro-finance. Is this what you expected to happen when you went to Treasury?

Michael: I had no idea. I was young.

Mark: You still are.

Michael: Not so much anymore Mark, but I appreciate it.

I had clerked for two years after law school and then gone to the State Department for a year and then I went to Treasury. When I got there in ’95 I was 30. It was 18 years ago, seems kind of crazy...19 years ago, my God, yeah.

Mark: Don’t start adding it up, please.

Michael: No, it’s just amazing to me still.
I didn’t know what to expect, and I found that the cool thing about the Treasury Department was that it had this huge reach across the economy.

We could grow and protect the CDFI Fund and then we could launch the New Markets Tax Credit Initiative. We had the expansion of the Earned Income Tax Credit, and all the work on Empowerment Zones.

Then, the work that we started doing on banking the unbanked, which initially came out of a classic good government initiative for electronic payments in the Debt Collection Improvement Act. A whole bunch of initiatives came out of that space because Treasury had this sprawl and reach and Rubin and the president had this interest. I was able to, like, use the system, move the system, to do these things.

It was a very interesting time, a very exciting time, even though politically it’s somewhat like today; although today is more poisonous. I arrived at Treasury right after the Gingrich revolution and things were pretty horrible politically, and people have kind of forgotten that.

Mark: No, yeah, I think that’s right.

Michael: One big moment was the transition, growing the CDFI Fund when it was on the chopping block. A second big moment was the New Markets Tax Credit and the New Markets Tour that I got to take with the president. We went all over the country, and he was just deeply invested.

It reminded me, I had echoes in my brain internally of Bobby Kennedy’s poverty tour. The trying to reawaken an imagination in the American public about the need to bring these communities with what was then an economy that was growing beautifully. It was actually bringing lower income people along with it, and this was going to be, like, the additional steps required to harness the full weight of the economy towards bringing everybody along.

It was just a different political time and a different economic time, but one that was very exciting.

The New Markets Tour, again, we went down to Mississippi and we met with Bill and we had this amazing event in a furniture plant in Mississippi.

Mark: In Clarksdale.

Michael: Clarksdale, exactly.

Actually, I remember the President, and this is classic Clinton, he sees this elderly African-American guy in the audience and he comes off the
stage, we were about to get started. He goes down to talk to him and
he says—before the guy can say a word—he says, “You’re,” and he
says his name, which I don’t know now, but Clinton sure does.
“You’re,” so-and-so, “You started the first African-American-owned
McDonald’s franchise in the South, and I remember hearing about
you,” and on and on and on.

Mark: Wow.

Michael: We went to LA and we were in Arizona. I remember on either side of
the motorcade in Arizona there were all these kids lined up, little
Hispanic kids lined up in Arizona, to see the president. He stopped the
motorcade and he got out of the car. He spent an hour in the middle
of nowhere, like desert nowhere, saying hi to these kids.

Then, there was obviously this moment where we were able to get
bipartisan cooperation with [Dennis] Hastert, [Speaker of the House of
Representatives, 1999-2007,] and get the New Markets Initiative
authorized and get the New Markets Tax Credit launched, which was
initially an idea out of the CDFI world that we blew up and made a lot
bigger. But the basic idea of it came out of the CDFI world.

Now, I haven’t looked at the current numbers, but it’s more than $35
billion dollars in tax credits, that’s pretty good.

Mark: That’s pretty good.

Michael: I think the New Markets Tax Credit, the ability to get that done on a
bipartisan basis was another key moment.

Then, I think that, in many ways, the ability of the CDFI world to
survive the transition to a new administration, the Bush
administration, who knew what they were going to do. I think Sheila
Bair played a nice role in that transition in protecting the Fund. I think
the Fund did a nice job surviving that and growing during it, and the
New Markets Tax Credit continued during that.

Mark: Can you say a word about Sheila and how you saw Sheila in that
transition?

Michael: She was terrific. She became the Assistant Secretary for Financial
Institutions, and Sheila, I think, really was quite supportive and strong
on the whole set of CDFI issues and banking the unbanked. Under her
the first Matrícula Consular cards are permitted to be used as ID, so
she did just a super job behind the scenes at that point in continuing
the work that you guys had done.

Mark: Yeah.
Michael: Obviously, the financial crisis was a huge blow to the industry, but also showed the resilience of the industry. You had tragedies like the bankruptcy of Shore Group, but then it got reconstituted. You had a lot of resiliency in the in the sector that, despite the brutal conditions, I think showed the potential on the ground.

You had an enormous extra infusion of passion in the CDFI industry, both from the Recovery Act and then from this quirky program we set up with TARP money, the CDCI program, which was a huge battle to get done, but I think really helpful to the industry at a very, very critical time for a number of institutions.

Then, continued, I think, significant growth for the Fund and for the tax credit in that time. I think that the industry has proved to be extremely resilient and strong and much more so than people would’ve predicted 20 years ago.

Mark: I think that’s right. I think the failure of the financial system in this country, sort of, proved CDFIs. We always wanted to prove that we were good in tough conditions and we did.

Michael: Exactly.

Mark: We really changed the game in really significant ways.

Michael: I think so.

Mark: I just want to go back to one moment and then ask you about the future and then let you go.

Michael: Sounds good.

Mark: The moment was that battle with Gingrich, because my memory of it—I can’t for the life of me tell you why I think this—at least what I was being told was that protecting the CDFI Fund was happening from the administration—I don’t know if it was the president or if it was the secretary or you or somebody—at a level that seemed, like, out of proportion to... We had this crisis going on in this country, right? We had this government shutdown. It was mayhem. What I kept hearing was, “This is on the table. The president won’t let this go.” I just wonder, what was that like? To this day it’s like...

Michael: It was crazy. There was this intense fight going on on huge issues, and they wanted to kill this really relatively small program. yself and Gene, on a staff level, and the president and Rubin—really the president and Rubin—on a principal level, just said no and that was enough. [LAUGHS]

Mark: They just stopped it.
Let me, in the interest of time, talk to me a little bit about, because you’ve stayed really close and connected and engaged in our world broadly, not just credit, but asset development, and some of the behavioral economic stuff you’re really involved in, and that’s cool.

Think about the future for me, about the CDFI industry. As you think forward what’s important to the CDFI industry in any regard?

Michael: I think that the challenge for the industry, in some ways, is the challenge that it’s always taken up which is, what’s the next way to be innovative and exciting and push the broader financial sector. How does the industry continue to play a role in deepening financial inclusion? I think one of the reasons the industry has been successful is that it keeps innovating.

One of the smaller things that I worked on when I was there under Obama was the Healthy Foods Initiative. The First Lady really wanted to do—she’s obviously quite big into healthy kids in general—she really wanted to advance Healthy Foods Initiative. The first place that I could turn to was to go talk to Jeremy about their project on healthy foods financing.

Mark: Right.

Michael: I could go to the First Lady literally a week after she said to Treasury, “Hey, can you figure out something to help?” I could say, “Yeah, actually. CDFIs are at the cutting edge of this, too. This is how we can help them. We’ll do a special program for Healthy Foods financing through the CDFI world.” I think that kind of innovation is just really key.

I think that the next wave of that—that many parts of the CDFI world have been maybe slower at—is the direct consumer finance, individual-based stuff, which is very, very hard for the CDFI world to do given the scale economy and technology.

I think that continuing to push for inclusive savings and credit products and savings products for low income people and doing more on the retail side. Again, it may not be totally at scale, but showing the way for these larger institutions to understand what actually serving people means.

Mark: Right.

Michael: I’m on a kick, I don’t know if it’s a kick, but I’ve been trying to think about a broader sense of what has to happen for our financial services system to be good or to be good again. The way I’ve been describing it is to say look we need a financial system that’s safer and fairer and that serves American businesses and households.
It sounds kind of simple, but we haven’t had that for a while.

Mark: That’s for sure.

Michael: I think that CDFIs can help the broader financial services system see how to do that right.

Mark: Yeah, I think that’s right and I think you described really well the role that I think CDFIs see for themselves. One the one hand they’re trying to meet real needs right now in front of them.

Michael: Yeah, right.

Mark: But, they’re also trying to model and develop, innovate things that will lever the mainstream financial markets, right?

Michael: Exactly.

Mark: Your comments about consumer finance are absolutely right. Our members do more consumer stuff, and I think there’s some movement in that area. You’re right, it’s happening, but it’s happening slowly.

Michael: Yeah, absolutely.

Mark: Michael, thank you so, so much. Be well and have a good rest of your summer, and I hope to see you soon.

Michael: You too. Take care.