CDFIs Making History Interview

Janie Barrera  
President and CEO, LiftFund

Mark Pinsky, President & CEO of OFN, conducted this interview on July 14, 2014.

Mark:  I’m going to jump in because I want to turn this over to you. I sent you an email and I sort of asked you these questions. Really, I want to start with the question is there a single moment or a single event, a single idea that really stands out for you over the past 30 years that really gave shape to the industry, to your organization, to you personally, anything like that?

Janie:  Great. Well, congratulations on 30 years. Just for the record, I’ve only been around for 20 of those 30 years so I thank you. The one word or one moment that comes to mind when I think of OFN and ACCION Texas' relationship has been with the word innovation. As you know we were the very first recipient of the [NEXT] Innovation Award. When I heard the description of what it involved and the description of who could embrace and also accept such an Award, I thought of us because I would say prior to that we were in a laboratory stage in our existence–what works and what doesn’t work in the micro lending field.

The innovation that we had come up with was creating a platform to be able to streamline operations. From that moment of innovation came standardization. Standardization I think is going to be the way of the future in terms of reaching scale in this industry. If we want to grow, we need to have certain requirements in place for underwriting so that it’s totally transparent across all entities. I think that that’s what standardization can do.

Mark:  When you hit on this idea of what became the [Microloan Management Services™ (MMS)], what is a light bulb?

Janie:  The light bulb really came prior to MMS. The light bulb was when we found a profile of a good paying customer and a not so good paying customer. That was what evolved into MMS, which then we brought to the OFN committee as an innovation. If it had not been for that award, I do not think we would be at the place we are right now in terms of servicing and being a key player in the CDFI world.
Mark: You had this realization somewhere along the way that you could group, in effect, you could group your borrowers into two groups...

Janie: Correct.

Mark: ...one that was likely to perform well and one that was likely to perform not so well.

Janie: That’s right. That’s correct and that now has evolved into a new product called The Promise Loan. To your point where we were creating a profile of a good paying customer and a not so good paying customer to create this platform for underwriting then after doing that for year, we took that even a step forward. What happens then, people going through our underwriting system and at the end of the day they still get denied. What are we doing to help that part of the industry, which then we took—again, it’s a behavioral question because to go back to the innovation of MMS, it’s a good paying customer and a not-so—good paying customer—now we bring them through the system, it’s a denial.

At that denial, what kind of test can we then give to the entrepreneur in terms of the behavioral questionnaire that ask them how are they going to run that business and how would they take care of this capital that they would be receiving? Entrepreneurs who pass that test qualify for a small dollar loan to move their idea forward.

Mark: Fascinating. That’s really, really fascinating. I can actually question forever but I’m trying to keep this brief. You stop me if you can’t go on anymore. But talk a little bit about microfinance in this country and how you see it going forward? Is it standardization, is that it? How do you think of it?

Janie: I believe... Reaching scale you mean?

Mark: Yeah. Well, wherever it’s going and for you it’s about reaching scale, right?

Janie: Right. For us in the industry it’s trying to reach as many people as possible at the same time with the business model that will support this. We already know that any small dollar loan under $20,000 does not make any kind of a profit. We actually lose money making loans under $20,000. For us to come up with a business plan to be able to support that work because we have to think of ways of not asking for charity forever in terms of sustainability of an organization. We’ve got
to come up with ways of having a business model, business tools to be able to be sustainable.

In our organization what we’ve done is that we’re definitely not giving up the mission of the small dollar loan, but instead complimenting it with products that are still mission oriented in small business lending but are able to bring in the revenue to cover at least the expenses and a little bit more to be able to sustain those small dollar loans.

Mark: Right. Janie, this is your 20th anniversary not just you personally but ACCION Texas’ 20th correct?

Janie: That’s correct, that’s correct.

Mark: Tell me—so, help me prepare—tell me what’s that experience like? What is like to look back and say, “Okay, we’ve done this in 20 years,” and at the same time obviously to always think about what’s the next 20 years is like?

Janie: Right. First of all it doesn’t seem like 20 years. I think the reason for that is because of the people that work in this industry and the passion that is in place by people that really want to make a difference, wanting to level that financial playing field. As we all know that the whole idea of sustainability—even for the population that most needs it—is economic development. It is dollars in the pockets so that families have those dollars then to be able to provide for their families. It’s creating jobs.

I think that is why people want to be part of this and want to see if there’s a way that we can crack that nut of being in a non-for-profit world but using the business acumen that we may have to support that non-profit organization.

Mark: What was your first contact with this idea of CDFI or this idea of microfinance? When did you look up for the first time and said “Oh, now that’s interesting”?

Janie: It was when I saw my parents after working for 20 years running a Mexican restaurant in Corpus Christi, Texas, and seeing how hard they worked but at the end of the day, after they retired after 20 years in that one particular business, they didn’t have anything to say in terms of retirement or anything to help in their old age.
When I was introduced to access to capital in the early 90s when I had just seen my parents closed their doors in the late 80s, because they were good at their product and service, they were just terrible keeping their financials and running it in terms of with their actual financial piece of it, not knowing how to work with money.

When I saw that, that was the “Aha” moment for me. I thought, “Wow, if I knew then what I know access to capital can do and how we can bring it to people, my parents wouldn’t have gone through that.” That was an awakening, that was the “Aha” moment for me.

Mark: Wow. That’s really amazing, really powerful. What...

Janie: This has been fun.

Mark: This is really fun. Hopefully when people hear stories we want to make this social on the web or something so people can say, “Yeah, I had that experience with my parents too” or whatever it is. We can tell each other stories because we never had time to do this, right?

Janie: That’s right.

Mark: Was there a person professionally, so not your parents, but was there a person professionally who played a particularly important part in you being able to do what you do today?

Janie: The first person that comes into my mind is Al Martinez-Fonts. He was the president of what is now Chase Bank in the San Antonio market. He’s the one that really was the person that took me under his arm and introduced me to the movers and shakers here in San Antonio. He had been also here before had been the chairman of the San Antonio Greater Chamber of Commerce. It was through his influence that we were able to open many doors to get this organization started, and because of his reputation and this name. Then I hope that I have been able to keep that up over these last 20 years of saying the name ACCION, the name Janie Barrera is one that is totally transparent, that is in it for the mission and really wants to make this world a better place.

Mark: I love it. It was really a person who helped you be connected to other people in the community that was what mattered.

Janie: That’s right because if you think about it, I was new to San Antonio. I had been here like five years. I had just turned 40 and was really not
known in the San Antonio community, but Al had a great reputation. If you got, had the stamp of approval from Al, people took notice.

Mark: That’s amazing. Someone who is willing to …

Janie: Now he works for the Greater Chamber of Commerce. I mean he works for the US Chamber of Commerce in DC.

Mark: Is that right? What’s his last name?

Janie: Martinez-Fonts.

Mark: Got it.

Janie: Cubano.

Mark: I didn’t, that’s why I couldn’t hear it. I love this, I love this. Could you think of anyone else, I mean any recommendation of people you think we should talk to whose stories we should capture as part of this history project? Is there anyone interesting?

Janie: I’m sorry. I missed Jodi Raskin’s going away last week in DC. She works with the FDA. I don’t know if you know of her work but she is a …

Mark: I do, I do, and she’s not on her list. That’s a great idea, Jody.

Janie: I would say…Ron Grzywinski I guess would be his last name from …

Mark: ShoreBank?

Janie: ShoreBank.

Mark: Ron Grzywinski, yeah. We have him. He’s a great idea I think.

Janie: Okay, great.

Mark: We’ll absolutely talk to him.

Janie: Who else? I’m just trying of people that have been around from those all the …

Mark: Or people who you come across who maybe aren’t national figures but really have done something that’s really deserve some notice … I’m
sure we all know them. All of our lives are full of these people who have done things ...

Janie: Right. Exactly, I mean people that we see at the conferences and so on. I’m just trying to think somebody outside, like maybe even ... I was just thinking of Congressman Lloyd Doggett. He represents us here in this district and has been very supportive.

Mark: Sure, good.

Janie: I’ve got contact people if you wish to send his staff an email or something. I’d be happy to connect you there if that’s the route you want to go.

Mark: I’m going to ask Emily to follow-up or if you could have somebody to attend to Emily just to contact in, if we could say Janie thought we could talk to you. That would be awesome.

Janie: Sure ... Even Al Martinez-Fonts. I mean, you know.

Mark: Yeah, I was just thinking about that. He’s at the US Chamber. If you have his contact information, that would be great. That’s awesome.

Janie: I’m trying to think ... Well, there are people that work for the FDIC. There’s a guy names Kevin Williams who is instrumental in us getting ... He’s retired now from the FDIC but the guy who is at the FDIC in Mobile ... No, where is he? He’s in Memphis, Tennessee, that’s where he is, Clifton Vaughn has been a great supporter of the micro and small business lending. There’s a gal that works for Capital One. She works for but I’m not sure if she’s of the same level as Dan but in Houston who is a great cheerleader. Her name is Laurie Vignaud.

Mark: Yeah, I know her.

Janie: Then the foundations too, right? Annie, Kasey, and these are folks that I’m not seeing ... I guess I’ve seen some of them at the OFN Conference but hopefully that’s helpful.

Mark: Yeah, that’s huge. Well, let me let you go but I want to say thank you. This is the first but if you have other thoughts, other things you think we should hear about, please just let us know. We’d love to include them.

Janie: Well, thanks, Mark.