CDFIs Making History Interview

John Berdes
President & CEO, Craft3

Mark Pinsky, President & CEO of OFN, conducted this interview on September 4, 2014.

Mark: We sent you some questions and really the questions we want to ask you—and I’m just going to stop talking and let you talk—are over the past 30 years is there a moment, an event, or an idea that really stands out for you? What impact did that, or those moments, events, ideas have on you and on our industry? And, as you think about the future, what do you think about?

I'll stop there and let you talk about what you think, and thank you.

John: You know, I actually pondered this, and I think this, sort of, "ah-ha," world-changing moment for me with OFN was the "grow, change, or die" meeting. You know, Craft3—then part of ShoreBank—was tiny in whatever year that was. We were sort of this boutique, weird little Eco-CDFI, like maybe seven million. It had occupied that boutique—rural, coastal place since 1994. To hear that bold statement of change, but also the challenge of scale vs. boutique distinction, was a really hard message. I vividly remember—I may have said it to you, Mark—I said, "OK, well here's the end of an era." It was a depressing moment for me.

The message was brave, and it was well thought out, and it was firmly grounded in theories of change. But I totally rejected it at the moment in the sort of rebellious, small is beautiful, kind of way. It was only on reflection over several months—maybe even longer, I can't quite recall—that I got it.

That led very directly to the conversations with Shaw Canale about combining our two organizations and taking us urban and then regional. It was this bold move inspired by that Conference and that process called “grow, change, or die.”

It was a message that no one really wanted to hear, which made it brave. When you talk about OFN as a leadership, not just a constituency-led organization, that's when it makes the most sense for
me. It was a watershed moment for the organization and for the field. Sure, it's had its trials and tribulations, and not everyone has made it, and some have succeeded in staying small. But a decade down the road, those small organizations are more threatened than they ever have been, so it was a really prescient, necessary, and, I think, probably repeatable right now, message.

You guys just sponsored this Staying Connected Call that I just got off of about lending to people of color. I mean, out of the recession and the disproportionate impact that recession had on communities of color—particularly African American communities—that it's another similar watershed moment of calling it for what it is.

I don't know if you were on that call, but it's breathtaking to me that something like 1% of all Community Advantage Loans are going to African American entrepreneurs. Why? No one knows. You have this opportunity to really dig down into opaque data that's not published and to understand why, and it's complicated. But that's another leadership moment opportunity.

Mark: I want to go back to one of the most important things that came out of that discussion around “grow, change, or die” was the leadership that you provided, and what happened when ShoreBank Enterprise Pacific—I think that was the name of it—and Cascadia got together, and the way you got it together, because you were incredibly generous in your transparency with the industry—good and bad, right? How did that notion play out through what became Craft3?

John: I remember Dickerson and I sitting down and having a long conversation—a very personal one—as founders of this boutique little ShoreBank, and saying you know we could survive very well at the mouth of the Columbia River with five or six people and seven or 10 million dollars, and have a lot of fun going deep in one place. Then we said what good does that do? People think we’re tofu-eating, clog-wearing economic developers.

What we’re trying to do is move this from the fringe to the center, this whole notion that conservation and development are not mutually exclusive. We’re not going to change anything in Astoria, Oregon or Ilwaco, Washington. So it led to this commitment he and I made to each other to scale it, and to see it through, and to not leave.

We were both start-up guys. ShoreBank Enterprise had been started-up by then, and our next move was to go to the next start-up.
Instead, we said no, let's do it different. Let's create something that will demonstrate regionally that there is something beyond jobs vs. the environment. Let's demonstrate how communities of color can be incorporated into a conservation movement that has been historically upper-middle class and white, and bridge those gaps. We've done that.

Being part of the ShoreBank family gave us a perspective on size and scale that maybe other CDFIs did not have. We were able to imagine a much larger organization within that sort of milieu. And then the merger, as a direct result of “grow, change, or die,” was a completely tactical move to take a country CDFI into an adjacent, urban marketplace, which we knew was necessary to scale. Rural doesn’t scale. But, urban vs. rural was a trap. And that led to not only our integration of Cascadia, but led to our thinking around getting beyond rural vs. urban, and how to have Craft3 viewed as a rural organization, and as an urban organization, and then as a regional organization beyond the nomenclature and silos that people want to put us in.

We thought at the time that the merger was sort of a beachhead full of many mergers of similar scale that would fall out, and that wasn't the case. Mark, as you know, it was expensive to do right. I think that wasn't helpful to replication.

Now, twice in the last month, I have sent out this thumb drive with the entire archives of our merger process on them to groups that are now doing it. So you know, maybe it's taken seven years for replication to begin. But, I have the sense that, given what's happening the industry right now in terms of capital access and pricing pressure and human pressure, that maybe it's taking off again. And that's just another sort of, I don't know, ripple effect of “grow, change, or die.” I do think the whole thing is coming around again with some different issues.

So, maybe this is a commentary about the pace of change, or the pace of good change, and how OFN, sort of, keeps watering the garden.

Mark: It's interesting to think about “grow, change, or die.” OFN gave voice to it but we were able to do it because we were hearing it from so many CDFIs that were wrestling with it.

Play it forward a little, because I know you think a lot about the future, not only of your organization, but of the industry. What are the important ideas, what are the things people need to know or should be thinking about?
John: I think we have to confront our business model—the revenue model—our capitalization strategies, and I think the third bucket is crowd funding and online portals for capital. They are eating our lunch, delivering a more expensive product in irresponsible ways, which suggests to me that Craft3 has got to go online in some meaningful, mission-based way and compete.

There’s my fly-over on that.

Mark: Well that's great, that's wonderful.

You know, you've been generous with your time. I don't want to take more of your time. This is incredibly good, rich stuff, and fits really well with what we're hearing but is uniquely your own because the merger experience is pretty unique as you know, although maybe not so much going forward. But, I do want to see if there is anything else you want to talk about, about the project in general before I let you go free.

John: I think it's great that you’re doing it. I think the look forward is more important than the look backward, but can't look forward without grounding this in the sort of foundational ethos of the CDFI space. If we can teach a little history and embed it in the bones, then the next gen can bring their own passions.

Mark: That’s right.

Yeah, I mean, I think all we can do is share why we did what we did, what was behind it, what we were thinking and what worked, what didn't work. Without a doubt, the only way to go forward is to let someone else take it forward and you hope that the history carries meaning that is significant enough to influence their thinking and their decision-making.

John: Good. Good on you.

Mark: John, thank you so much. This is really great, thank you.

John: You bet.