CDFIs Making History Interview

Amy Domini
Founder & CEO, Domini Social Investments

*Mark Pinsky, President & CEO of OFN, conducted this interview on September 24, 2014.*

Mark: You played a critical role not only in social responsible investing, but really in the birth of this industry. The question is from where you sit today when you think back over the past 30 years, is there a moment or an event or an idea that really stands out to you or is there even moments that really stands out to you as really significant or formative or just really...

Amy: Well, so for me the intersection came when I had started as a stockbroker. Stockbrokers in those days sold stocks. Now they’re financial consultants and they sell financial plans.

Mark: Right.

Amy: My world was a different world. It was a stock world. In the stock world, people had the firm that they worked with recommending and looking over the stocks that we recommended. I started working on a concept, which was investing with ethics in mind. Because I was working on that concept, I started what I hoped would be a book about it. The book, I had a running start on a book that was pretty much ABC’s of investing except it was ABC’s of investing presuming that you used criteria that went beyond the conventional financial criteria that most people used when making investment decisions. In doing that, I thought it would be best to learn by teaching.

I had been teaching at Cambridge Adult Ed, a course called ABC’s of Investing and then another course called Advanced Investing. I added a third course called Ethical Investing. When I added that third course, I got a phone call from a publisher asking if I wanted to write a book.

Mark: Yeah, right.

Amy: I said, "Well, holy cow! I’ve got a book outline. I’ve got a couple of sample chapters. I’ll send it right over." I got the book contract immediately, and emboldened by having the book contract and having the course, I started various things and one of them was stimulated by the announcement that a new firm was being created in Boston called...
Franklin Research and Development and that this woman, Joan Bavaria, was heading it up. It also quoted a man named Robert Zevin who seems to be doing similar work for a different company…First Boston? Anyway…

Mark: I think it was First Boston.

Amy: It was?

Mark: I think that’s right.

Amy: Well I called them and interviewed them for the book and for the class and things like that. Joan, as a result of that said, “I had a meeting and I’m going to have another one of people who are interested in this field from a variety of angles, and why don’t you come to the next meeting.” This was the precursor for the social investment forum. It was in our home on Lewis Wharf in Boston. At that meeting, she had Chuck Matthei.

I met Chuck Matthei at basically the second meeting of the Social Investment Forum. It was really Joan’s insight that it was the same construct. I think it probably wouldn’t have occurred to me, I was coming from a stock world, that there was a whole new construct making loans to nonprofits.

Mark: Yeah.

Amy: We did get to know each other through that process and eventually Chuck wanted…You’ve heard the story of Chuck a thousand times I’m sure. I always thought of him as a Johnny Appleseed of loan funds, going around planting them here and there.

Mark: Exactly.

Amy: I got a visit from the South End Church in Boston, the Old South Church of Boston. Their housing committee wanted to do something beyond…They had a $10,000 a year budget. They were hoping they could do something beyond make one grant. What they really were curious about was they had heard that some people made loans to people who needed houses. I put them together with Chuck Matthei and Boston Community Capital got launched out of that.

I got to really see up close and personal how we went about what his prejudices were and how, from my perspective, scientific he was in
constructing this things in a manner that reflected the kind of thinking that people have when they’re looking at a stock.

There’re certain key elements he was looking for and key, sometimes financial, but sometimes quality management-type elements. It gave me quite a bit of comfort in the field. When ethical investing was written, because I was afraid that somebody would make a loan to perish somewhere without any idea whether or not it was real. I stuck with just the banks that I had learned about. I did talk a little bit about this growing field. The next big shift for me was that he created the National Association of Community Development Loan Funds, NACDLF.

On that early board, to my memory, besides Chuck was David Burke. I’m not sure if he was a board member there as Chuck’s right hand at ICE. Then he had Jeremy Nowak and Dan Leibsohn and Rebecca Dunn. There were more for sure, but these are the ones that stand out in my mind.

Mark: Yeah, yeah.

Amy: We attempted to create a peer review system that would act as a means of giving comfort to investors, like the ones that I was delivering in to the pipeline that there was a there there, that there was a similarity between them. That there was a structure in place to prevent off-liers or outliers from hurting investors. For many years, I was on that board, and I used an NACDLF membership as a first cut for whether or not I’d even look at the lump fund.

Mark: Even back in the early stage?

Amy: Yeah.

Mark: Wow.

Amy: Because one of the standards for membership in NACDLF was a commitment in writing in the bylaws to economic justice. If you have that as your starting position, then you’re certainly in the business that I was attempting to be part of. The other standards were things like many lenders and many borrowers, which is different from opportunity finance network because you’ll have the loan fund of the diocese of something or other. That’s one lender or you’ll have interfaith housing, which is one borrower. NACDLF had many lenders and many borrowers, which is a form of safety for an investor.
It means that the investor is getting the backing of the full faith and credit of institutes of community economics or Boston Community Development Loan Fund. The full faith and credit of that entity would be another series of things to evaluate, but at least I knew that that entity had a third of its board members made up from borrowers and a third made up from experts in either business or housing loans. A third of them made up from the institution itself that was attempting to help people. I knew those constructs. The big moment I would say was prior to joining NACDLF and, maybe because I do have all my work calendars forever, I could even find it.

There was an event on the West Coast and I want to say in Portland, Oregon, where I was speaking and Tim Smith was speaking and Chuck Matthei was speaking. The panel was shareholder activism and community development and standards when purchasing stocks. I was on this panel. I was relatively new to being a speaker on ethics, but I had written a book so I was getting used a little more to being a speaker. I never been on a panel with Tim Smith, or I’d never seen him in public. By that point, I was on the board of Interfaith Center for Corporate Responsibility as a member of the Episcopal Church.

Mark: Right.

Amy: National Episcopal Church, SRI Committee.

Mark: Yeah.

Amy: I had known Tim and had seen him in action. I have known Chuck and seen him in action, but I never seen them publicly speak. Tim Smith gets up first, it’s the era of South Africa. He’s telling anecdotes about negotiations with Ford Motor Company and he how he and Sister Regina...and so on. I was going like, “Oh my god. I am so glad I do not have to follow this guy.” It was just like the audience at the palm of his hand and all this stuff.

Mark: Yeah. I can imagine. I have heard him.

Amy: Then Chuck stands up, and you know Chuck, right?

Mark: Absolutely.

Amy: Yeah. In person and when he’s just physically, you didn’t expect the preacher. He stands up after this rave of clapping and everything for Tim. He says, “Yeah. I would like to change the tenor of the
conversation. I’d like to move it from the global to Cincinnati and Maria and her 11 dependents living in squalor. “My stomach dropped out from under me. I’m like, “Okay, I’m screwed.” He went forward. It was really a breathtaking moment. You can do all these big things, but you’ve still got a family living in squalor.

Mark: Yeah.

Amy: I had a conversation with him at some point along the way and explained to him that I couldn’t as broke as a stockbroker, I couldn’t get access to these community development products. That they were too small for a brokerage firm to do the due diligence. I was forbidden by law to sell anything that they hadn’t done due diligence on.

Mark: Right.

Amy: He said to me that’s a problem. You’ve got to fix that. I’ve still not been able to fix that.

Mark: I know.

Amy: I’ve been for years, trying to figure out. Our Domini Bond Fund makes some effort in that direction. We have some deposits with community development banks and credit unions and our bonds are selected for their highest impact. There will be specialty bonds for this or that project. We did purchase, the one from Minneapolis, the bond issue that they did?

Mark: The Community Reinvestment Fund, yeah.

Amy: Yeah. They did a bond issue.

Mark: Yeah.

Amy: We got at Domini. We got a house to agree ahead of time to price it for us. Then we felt free to buy it because the thing is in a regulated industry, the first thing that your examiner that comes in to look at you does is the things that you price for yourself.


Amy: You try to avoid... [crosstalk]
Mark: Right, right. The kind of things where they say, "Boy, that’s convenient."

Amy: They came in and so the pricing service was a key for us and then they wouldn’t price it. For the first couple of months they said, "Well, we have to see how the cash flows are." Then after three or four months, they still wouldn’t price it.

Mark: Yeah.

Amy: At that point, we threatened to sue them in a very soft way, but it was just enough to get them to figure out that they could price it, which I think was a good service to the rest of the industry to prove that one could price such a thing.

Mark: Yeah. Yeah.

Amy: Even a conventional house could price such a thing. I have never really been able to come up with the solution for Chuck on that other bigger problem.

Mark: Yeah. No. Chuck won’t rest until we do. Just for the record.

Amy: No. He won’t. Those were the early things. I did at that point make it a decision that loans to nonprofits and these bank deposits or credit union deposits should be part of a socially responsible investor’s portfolio. As I moved from the brokerage industry to Franklin Research and Development and then from there to a trust company, I was able to do that. Franklin, because they were willing to do the bookkeeping by hand and the due diligence.

Mark: Really?

Amy: The trust company because trust companies have always maintained loans to some nephew. They’ve always had those on their books.

Mark: Yeah, yeah.

Amy: They’ve always been able to reflect your hometown bank deposit or whatever.

Mark: Right.
Amy: I was able to, but I wasn’t able to do it for the world. At the trust company, I think it was at the trust company. I gave a keynote at SRI in the Rockies, and because you’re recording this so I will not name names. A previous important leader of the SRI industry stood up and told the audience, “Do you remember that movie, The Graduate? The scene where the man had a word for the graduate, it was plastics.” Well, he had a word for this audience, the SRI industry, it was retirement planning. A, that’s two words and B, I was off. I just blew my stack.

Mark: Yeah.

Amy: I went back to my room. I rewrote my keynote, and I was just rip when I got up and gave my keynote.

Afterward, somebody who was there from Mexico, Marc de Sousa-Shields who had been the head of the SIO in Canada before moving to Mexico to do micro-lending projects there, said to me that after the talk, he and some people had had drinks together and they decided that some key people ought to get together once in awhile and retreat about the key messages that we, each in our way should use. For about 12 years, I went to Cuernavaca, Mexico, with whoever I could round up. There would be people like Frank Coleman at Christian Brothers Investment Services.

Mark: Yeah.

Amy: Michael Lent at Veris. Now he’s at Veris but was then progressive asset management. I don’t know, you know Michael, but he had a historically worked in Nicaragua, El Salvador.

Mark: I know of him, I don’t think I’ve ever met him.

Amy: So he also has a Latin American background. And Marc de Sousa Shields who was doing this micro-lending thing. We had Hart Lowe from Rockefeller come.

Mark: Right.

Amy: We had various voices, Bob Walker from Canada. He was at the SIO and then he moved to the Vancity Credit Union Mutual Funds.

Mark: Yeah.
Amy: We decided as a group that there were certain things that we would in our own practices in our own ways adhere to. One of the things that we said, that we would not be sucked into a conversation about what was the best or most effective way to do it. That there was a place where the best was direct dialogue. Shareholder action. There was a place where the best action was community development, which was the vocabulary then.

Now, I think it was a little morphing to high impact, but high impact is morphing to a lot of things. And that there was a place for applying standards to the investment portfolio. That in each of our conversations, we would acknowledge all three as being integral to our industries, even if our lead was activism or our lead was running a portfolio of conventional stocks and bonds, we would always acknowledge those three.

Mark: Right.

Amy: Since then that has been my position, I’m sticking with it. I think the others have been sticking with it too. It sounds like a pretty low level threshold, but now I’m asked occasionally, “Well, how do you tell which is the right SRI mutual fund for you?” Or something like that. My answer, generally speaking is, “The value proposition here is that if Wall Street wants disclosure on social and environmental criteria, that’s a very strong stakeholder. Wall Street will respond to that stakeholder. Every one of the funds that’s in the social investment industry is helpful in that dialogue.” Every one of them will deliver to you what you want.

My threshold will be: A. pretty simple—have they self-declared, are they members of the Social Investment Forum? If they haven’t self-declared, I don’t give them credit. Within those that self-declare; have they made efforts in filing shareholder resolutions and in support for community development financial institutions? In that regard, you get through this way or that way Pax and Parnassus and you don’t get Aerial.

Mark: Right.

Amy: You don’t get Vanguard Social Index.

Mark: Okay. Right.

Amy: You get the committed ones.
Mark: Yes.

Amy: I used that as a means of saying: are they credible social investment mutual funds?

Mark: Yeah.

Amy: Are they doing the things that it takes to be a credible social investment mutual fund?

Mark: Okay.

Amy: I think those would be the events at the moment.

Mark: Yeah. That’s wonderful and I appreciate it.

Amy: I could give you a couple of cute stories if you’d like?

Mark: I’ll take cute stories. I also want to ask you if there’s something as you look to the future of all of this stuff and how do you say our focus is on CDFI, but CDFIs are one small piece of a much bigger world that you now help build and create and support. If there’s something as you look to the future that you think important for CDFI to be aware of or think about. Cute stories are great.

Amy: Okay, remind me of the future in a minute....

Mark: Okay.

Amy: One NACDLF story, Dan Leibsohn comes in. His lawyers are telling him he’s got to register and he’s selling registered securities and he’s got filings to do. Jeremy Nowak goes, “Register? Wait, does my Uncle Louie know this? He’s been making loans on street corners for years.”

Mark: Yeah.

Amy: It was a moment of growing up.

Mark: Yeah.

Amy: We’re all like what?

Mark: Yeah. It’s the whole realization that maybe we’re not what we used to be yesterday, right?
Amy: Yeah. Another one was Dan Leibsohn, I went to San Francisco and he wanted to show me the people. His beat.

Mark: Yeah.

Amy: We would go down to the Tenderloin.

Mark: Yeah.

Amy: He’s there. It’s 9:00 in the morning. There’s not a lot of action at the Tenderloin. They tend to be the people who have been there all night.

Mark: Yeah. Right.

Amy: There was a guy who had a blanket out and some broken lamps and things. He had a little yard sale going. Dan Leibsohn, you know Dan, he’s huge.

Mark: He’s wonderful. Yeah.

Amy: He’s standing in front of this person who’s pretending to sell. This here is a drug dealer. He was then explaining who he is.

Mark: Right.

Amy: Because he was just looking at him like move on, buddy. It was really funny.

Mark: That is very funny.

Amy: Yeah. The future, I do think that the industry did a couple of really great things in the past with Washington. I don’t know. I just don’t know if it’s a small bore and its efforts with Washington as it was once. Specifically, a loan that’s at below what the IRS thinks you should be charging is a taxable event in most of the world. It’s not a taxable event in your world.

Mark: Right.

Amy: Because your industry went out and got that taken care of and asked congress for it and received it. Also, there wasn’t a government CDFI program.

Mark: Right.
Amy: That came about because your world asked for it and was going for it.

Mark: Yeah.

Amy: I don't know if there might be something out there, but I have written to the Department of Labor, who did not answer my question or didn't answer my letter. I also forwarded my letter to Sheldon Whitehouse and Elizabeth Warren, with whom I have personal relationship.

Mark: Yeah.

Amy: They both said that they would push the Department of Labor on it. I said to them that they needed to get rid of their language that the Bush Administration stuck in on economically targeted investments. They needed to even consider stating that when a project had gotten funding from the CDFI, it was de facto appropriate for fiduciaries to invest in.

Mark: That's really smart.

Amy: I don't see any problem with that statement.

Mark: Right.

Amy: That's a narrow bore thing that it would be great to have a thousand voices saying. There are others, I just don't know what they are. Trying to think of some asks might be a good purpose for the entity.

Mark: Yes.

Amy: Whenever I see anybody who’s...I married eight years ago to somebody who was absolutely committed to raising money for democratic senators. I therefore, now am in with all the democratic senators. Whenever I see Jack Reed or anybody else on the finance committee, but Jack Reed is particularly keen on the CDFI industry, knows what they are and likes them.

Mark: Yeah.

Amy: I always ask him to protect the budget.

Mark: That's great.
Amy: Now he knows me and he knows I’m going to ask him and he always beats me to it and says ...

Mark: That’s good.

Amy: There may be things, other things in Washington that could be asked for that for the future might be something to consider.

Mark: Yeah. Good. Good. While we do, do a lot of that. As it happens, yesterday was the 20th anniversary of President Clinton’s signing the CDFI Fund Law that created it. It’s a fun time to be thinking about this.

Amy: Isn’t that interesting?

Mark: Yeah, $2.1 billion of equity into the industry.

Amy: Isn’t that great?

Mark: It is. It is. Absolutely, we all work on policy, but I really like that idea, what a powerful tool that would be. The power of the CDFI investment if it will in effect credential in an investment opportunity for others would be huge.

Amy: Yeah. Now, supposedly the executive branch is looking for things it can unilaterally do.

Mark: Yeah.

Amy: It can unilaterally do things through the Department of Labor.

Mark: Yeah.

Amy: I am told the Department of Labor has a big whoopteedoo going on, on fiduciary responsibility. They’re not going to do nickel and dime stuff and they’re putting things aside. Come on. They’ve been there for six years.

Mark: Yeah, yeah.

Amy: Get with it. Start.

Mark: Yeah.
Amy: The Department of Labor also has hangovers from the Bush administration, all through it.

Mark: Yeah.

Amy: I think if you can get in there, you could do some real stuff with them.

Mark: Yeah. Well, good. Let me let you go because I’ve kept you on for a long time, but this is incredibly valuable stuff. Thank you so much. I hope to see you one of these days.

Amy: Yeah.

Mark: All right. Be well.

Amy: You, too.

Mark: Bye-bye.