CDFIs Making History Interview

Juliana Eades
President, New Hampshire Community Loan Fund

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

Mark: I want to start with... As you think back over the past 30 years is there an event, or an achievement, or a result, or an idea, or even a person that really is important to you and to your understanding of why we are where we are today?

Juliana: Yes, one idea that stands out for me is I was on the original Membership committee for the association and was on that Membership committee for the first five or 10 years. We looked at all the things you would expect to look at, but one of the things that we looked at really closely was how community loan funds got money in. That was a Membership standard; it was about how people got money in.

If your entire fund, didn't matter what you did with the money, if it all came as equity, if you were entirely an equity fund like a foundation, you couldn't be a Member. If you just had one or two investors, you couldn't be a Member because it was a question of who owns you. If you only had a couple of sources, is it the community that's really in charge of you, or is it these investors?

The third idea there was, "Was the organization talking to money, to bring values to the criteria for how money gets used?" Were we trying to get people to think about how their values and their money go together? That's an idea that was really big when we got started 30 years ago.

Mark: Yeah, that's really big.

Juliana: Your next question was what impact has that had on me and the industry? I feel like this whole idea of talking to people about what their money is doing, and people owning their choices about money, I think may be the biggest impact of our industry, may be the real revolution. Because people have a choice about where their money goes, and how they live their values through their money.
A lot of people kind of separate their money and have an adviser deal with their money and then they deal with their life. I think this original idea—which comes from Chuck Matthei, he certainly is the leader of that—asking this question of, "What impact is your money having, wherever it is sitting?" The creation of community loan funds was so you’d have a choice about what your money created in the world.

I’d say that that shaped a lot of the New Hampshire Community Loan Fund’s approach and a lot of what really motivated me to do this work, and our focus and emphasis here in New Hampshire.

And going on here... your third question...?

Mark: Yeah, keep going.

Juliana: ... about how does this shape our sector going forward? I would say that this idea of really talking to people about what their choices are, about how they use their money, and being a vehicle for money to get from where it is to where it needs to go and doesn't go easily. I think that this is a very undeveloped part of our industry.

We're really good at where the money goes, but we haven't really developed our language, our philosophy, our messaging about talking to people about what they do with their funds, and individuals. I think individuals are where all the money is in America. As an industry I think we're underdeveloped still in how we talk to people about money.

Mark: I'm just giving you room if you want to keep going.

Juliana: Yup, no that's what I want to say about that. I'm happy to talk about equity, and I'm happy to talk about Chuck, you asked me to talk about Chuck a little bit.

Mark: Yeah, Chuck is the other thing that I want to make...I was trying to get to the other things because I want to give you a plenty of time to talk about Chuck.

Juliana: Yes, okay. But so about equity, I always consider equity net worth is our courage money. Basically, without that money we can't responsibly take other people's money that we have to pay back. The beauty of our industry is we have this discipline of repayment. The way to exercise that disciple and how you act, but if you're going to take risk you're going to do things that people think maybe are hard to
do or can't be done, it's having equity that allows you to take those chances. In fact the people that we serve and lend to do a lot better than common wisdom would say they're going to do.

If we didn't have equity, we couldn't take that chance and without equity, we can't speak to capital and say, "Come into our pool and feel good about how we're lending out your money, but know you'll be repaid." How much equity we have is certainly part of that message that reassurance and that ability to have the courage to do things that other lenders don't do.

I would also say that I think equity is the limit to our growth, and that having our own money is a requirement for the courage that we have, the risk taking that we do, and that if we don't have it, we can't grow. I would say that the CDFI Fund infusions of equity into the New Hampshire Community Loan Fund are the reason that we have been able to grow and have the impact that we have.

Mark: That's great, thanks. Let's talk about Chuck. What does he mean to you? What does he mean to the industry? What do people need to know about Chuck?

Juliana: I would say that Chuck Matthei taught me the fundamentals of how this organization is supposed to work and what it's supposed to do and for my approach. I don't think a month goes by when I don't think, "Gee, what would Chuck do?" He was a big philosopher, he could talk about a lot of things, and brought in...He was a great orator, but he was also really pragmatic.

When I think about, "Okay, what would Chuck do?" The ideas that come to my head early, how do we reach out to people and create allies? How do we speak to this in an unjudgmental way, but rather about people having choices? How do we validate the people who want to be connected to their values? How do we then present ourselves as a convenient way to connect people's choices to their values without judgment?

A lot of people I think...If people come out of an activist thing, it sometimes can make people with wealth the bad guys when people with wealth are in the same situation as everyone else. And how do you reach out in a way that you criticize the system without criticizing the people? Chuck was good, or better at that than anyone I ever met. He's the one that taught me this fundamentalism. Money is making
something happen, and how to help people choose, have a way to choose what they do with that.

It’s not an extreme idea, it’s a very gentle idea, and you can reach out to anyone and talk about that. There’s a real basic ground that we all stand on.

Mark: That’s great. I feel a great description of Chuck, who you knew better than I did. How has that affected the decisions you’ve made, and you’ve talked about this indirectly earlier, but how has that cause you to do that you might not have done otherwise, or how did it cause you to do something bigger?

Juliana: I think low-income people are very constrained by the scarcity in which they live and the scarcity that they feel is their practical reality, and it creates scarcity thinking. I think we, as agents of justice, agents of opportunity, if we live in a scarcity mentality, then we’re not really creating all the opportunities we could to help them create their opportunities. I think Chuck was a great one for not thinking in terms of scarcity.

There's tons of capital out, that there's so much more capital than we could ever put to use. It's just a matter of, how do we connect with it and get it to flow in a reliable way through us to where it needs to go? I think he really had that expansive mentality that says let's not live in scarcity, let's think expansively. There's a lot of capital out there that's owned or managed by people who would be willing to put it to use for basic human needs if they only had a way to do it. We created a way to do that, and I learned that from Chuck.

Mark: As you think into the future, what needs to be front and center? What do people need to be thinking about? What are you going to be thinking about? What do other people need to be thinking about?

Juliana: Coming off of a strategic plan, what seems clear is that we have really opened up some markets to people. We've really given people a sense of possibility. A sense that they can make things happen that they didn't think they could. Now, we have to show up with capital and with know-how, so that they can do this thing that we've led them to expect is possible. To not show up with the capital they need, to not show up when we've raised their hopes and expectations, and their sense that they can do this would be a great shame.
We're commanded to grow in a way that is cost effective, and that is efficient, and that really has the scale needed to supply these opportunities that we've helped nurture.

Mark: If I hear that right, you're saying our responsibility, and almost our accountability, is to the future of the communities who we try to serve and maybe some that we haven't yet.

Juliana: Yes. I think there are lots of helpers that raise people's hopes and then say, "Oh, I can't do that this week, or our grant just ran out and so I can't do that anymore." I think we, the CDFI industry can't be like that. We've got to say, "You have the ability to do this, you have the opportunity, and we will stand with you with capital, so that you can really seize this opportunity, and we'll be there. We'll show up, we've got you covered, we got your back, we'll be here." And then we need to do that.

People get disappointed all the time with optimism and wishful thinking, and we're a pragmatic industry and we need to show that pragmatism by having staying power and steadiness and continuous presence in the face of the opportunities that we have helped nurture.

Mark: One last question from me, Juliana: "What's the greatest risk we face of not doing that, and how do we respond to it?" Let me just ask the sort of the "how do we respond to it?" question because I don't really want to make it about... I'm not criticizing anything here, but just sort of... what could prevent us from not being successful with that. What do we need to focus on?

Juliana: I think one of the strengths of this industry was that we resolve to create capital that was shaped for what people could use to realize their opportunities. Most of the financial services, financial markets create standards and boxes that are built for investors. Borrowers, business people, housing advocates, they've got to shape their projects to the demands of capitalists... It's called capitalism for a reason. The capital creates the rules, and it leaves a lot of people out, a lot of credit worthy people out, a lot of people who could really be responsible with the opportunity.

I think the community loan funds, the CDFIs have to continue to keep their capital flexible, so they can be shaped in a way that people can use and use it responsibly. They can pay it back in a structure, in a form, that's useful to them. We have to, I think, resist the demands of institutional investors and other kind of capital demands that force us...
to create capital into boxes and rules that don't work for the people that we want to serve and who can really make something terrific happen with capital if they can get it in the form that they can use.

The great strength of our industry is a flexibility with structure and term and delivery mechanisms. We have to keep making sure that our capital sources don't get in a way of that. [CROSSTALK] ...for a policy statement, Mark.

Mark: No, it's great. That's exactly right. It sort of brings us around to where we... in some ways in where we started, which is talking about how do we talk to capital?

Juliana: Yes.

Mark: And make sure capital understand why it's important that we have capital that's going to work for the people.

Juliana: Yes.

Mark: Julie, I have no more questions. Your comments are just, as always, are really thoughtful and really, I think, on point and it's really important more than ever, in some ways, that people understand that. Because some of the challenges we have are, as we go through sort of generational change is, people don't understand what's made us successful and what's going to make it successful going forward.

Juliana: I think that's always a challenge.

Mark: Always. Always.

Juliana: Always.