CDFIs Making History Interview

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Mark Pinsky, President & CEO of OFN, conducted this interview on July 28, 2014.

Mark: Our prompt to you is, is there an event or an idea or a moment that stands out to you as you think about the CDFI industry—and obviously you’ve done so much more than CDFI industry in your career—but that just really has meaning to you or seems important that people know about?

Pam: I was thinking about this in the context of you and the organization, and what I reflected on was the set of conversations that led to the equity equivalent. That was an epiphany for me, because even though, by definition, we were talking about ways to support the community development financial institutions industry, it was largely around grant resources.

All of a sudden the epiphany was that, two things, one, we had really smart people inside Citi who think about innovative ways to raise capital and use capital that we could use to think about the challenges facing CDFIs. The second piece of it was that CDFIs really are not just CD [community development], but they are FI [financial institutions], and that thinking about innovative ways to achieve scale and to grow, needed to be thought of, again, outside the context of just philanthropy.

That whole experience was both interesting and exciting and exhilarating, but it also, I think, was one of those landmark events leading to a broader concept of what CDFIs could become.

Mark: I don’t know if you remember the first time we sat down with you and Janet [Thompson], and I believe it was Margaret Lehr [Whitford] and I, and you brought in the guy—I don’t remember his name—who was the head of Structured Managed... Structured...

Pam: Mm-hmm. [AFFIRMATIVE]
Mark: ...Managed Assets, and...

Pam: Head of Structured Finance.

Mark: Structured Finance, that’s what it was. He made two comments. The first is he walked in in a hurry and you described it and you said, “Okay, well, 10 million...” You know, we were talking about $10 million initially. He said, “$10 million is worth like 10 minutes of my time.” For us $10 million—still a lot of money, but—at the time it was a huge amount of money. We were like, “Wow. This guy must deal with a lot of money.”

That was also the discussion where you explained this to him, and Janet joined in, and maybe we added a word or two, and you could see him trying to figure this out, like, why would anybody do this kind of stuff. He finally said, “Oh, I get it. It’s like junk bonds without the upside.”

Pam: I do now remember.

Mark: Do you remember that?

Pam: That’s great. Yes.

Mark: That was like...

Pam: Of course, here was a guy who thought $10 million was too small to spend 10 minutes on, and he ended up spending weeks on it.

Mark: He spent weeks on it. He came to our Conference. I have another question about it, which is, you know, you’ve been fortunate to be with Citi for a long time, right?

Pam: Yes.

Mark: Why does Citi stay with this space so long?

Pam: I think because it so naturally fits within the culture of the organization. That’s one answer. A second answer is we’ve had remarkable continuity of people who’ve been invested in this time and space.
So, to go to the first issue about culture, people here like to think that the organization is innovative. They like to think of the organization as engaged and active, and so there’s a desire to take the work that’s been done and push it forward. People here like to look at what’s been successful and build on it, and not necessarily go to one thing and another thing.

It’s been enhanced by this continuity of people. Janet was here a long time. I’ve been here a long time. Brandee McHale [Chief Operating Officer, Citi Foundation] has been here a long time. Bob Annibale [Global Director, Citi Community Development and Microfinance] plays a different role today than he did for the bulk of his career, but he’s been around here a long time. We have a lot of people who have contributed to this strategy, who brought other people on board, but in spite of the chaos of the financial industry, we’ve had a lot of people who have stuck with it.

Mark: Yeah. I guess it doesn’t have to be more complicated than that, huh?

Pam: I don’t think it’s terribly complicated. I also think that people truly believe that the financial system matters, and that if community development is going to advance, it can’t do it without developing these institutions, and this happens to be something we know something about.

Mark: Yeah, absolutely.

Pam: That’s the other thing, there’s a real belief... We always say in the Citi Foundation, we’re more than philanthropy. What we mean by that is that we’ve got to get our business assets to work to help us advance solutions to these problems.

Mark: Right.

Let me ask you, as you try to think forward about where the financial services industry is going, what should be on our minds? What should the CDFI industry, and our bank partners, and our government partners, and our philanthropic partners, what’s going to be most important for us to be paying attention to, to go forward in a way that’s hopefully more productive, even, then where we’ve been?
Pam: I thought about that. I knew that was going to be on your list of questions, and it’s a tough one.

Mark: It is.

Pam: Because I think there’s an urgency to build beyond what we’ve done. I think that there are two developments that I think are pointing to that direction.

One is the belief that community development has got to be done in a multifaceted way so that we have people who work on housing, we have people who work on health, we have people who work on education. But if we don’t work on holistic communities and people, we’re probably not going to achieve success.

The second is this whole effort to attract different sources of capital, impact investing, social investing, et cetera, or pay for success, thinking outside the box on new ways to source capital, which is where this conversation began.

Mark: It is.

Pam: I think we haven’t been as creative as we need to be. I would like to say that the equity equivalent was an idea of two years ago, not 20 years ago.

Marl: Yeah.

Pam: I think the amount of money it’s raised has been helpful and relevant, but it’s not billions.

Mark: Yep.

Pam: And that’s what we need.

Mark: Yeah, I think that’s a great point. Great, well, thank you, Pam!

Pam: Take care!

Mark: Alright, bye-bye.