CDFIs Making History Interview

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Mark Pinsky, President & CEO of OFN, conducted this interview on August 7, 2014.

Mark: Is there a one, or two, or three moments, events, achievements, ideas that really stand out to you that people should know about?

Donna: Yeah. I thought about this a little bit, Mark, and there were several. I’m going to focus probably on the most recent one for me, and that is at the CDFI Fund, because I came into the Fund at the end of 2007 in November. I had the opportunity—and some may say it may not have been much of an opportunity at all, but—actually to witness the crisis, the financial crisis in 2007 and 2008 in particular.

I think as a new director, one of the main concerns I had was just the survivability of the industry, and how were these fantastic organizations who were doing tremendous work in under-served markets, how they were going to survive. The one thing in that period, there were certainly a lot of conversations, and meetings, and interactions, and encounters, but I think the one that really continues to stand out in my mind, because I think for me and for main Treasury, and I think certainly for members of Congress and others, it really was the further education and I think certification if you will of the value of CDFIs.

When the TARP [Troubled Asset Relief Program] program was instituted, we were really looking for ways in which CDFIs could participate. I think the Stabilization Act was signed some time in 2008. But then we worked for an entire year on something that would be open and accessible to CDFIs, and that turned out to be the Community Development Capital Initiative [CDCI].

Now, ultimately it didn’t include as many or as many varied CDFIs as I would have liked. But the fact that it was a process that allowed Treasury to better understand the operations, missions, accomplishments, and challenges of CDFIs I think paved the way for a number of other programs, certainly the acceptability and the comfort level of Treasury and Congress for the CDFI to administer a number of
other programs. If you recall that CDCI program was announced in February of 2010, I believe.

Mark: I think that's right.

Donna: There was a little over $500 million that went to about 84 certified CDFIs, these were banks, thrifts, and credit unions.

Throughout that process we worked with the office of financial stability. We worked very closely with Gene Sperling and Michael Barr, who were extraordinarily strong advocates for CDFIs. And we worked with a number of other offices within Treasury really walking them through the paces of what CDFIs do. And what more they would be able to do with funding to not only focus on community and economic development initiatives specifically targeted to housing and small businesses, but also manufacturing, community centers, schools, just running the gamut of what CDFIs do.

From the outside, it probably seemed a lot easier to get over that threshold. From the inside, it was a challenge in many ways, because I think it was really just going through a lot of the data that we had on CDFIs, working with you and others within the different trade associations to get additional data that could support the acceptance and I think approval of TARP funds for CDFIs.

At the end, we were successful I think to a degree. Again, it still wasn't a 100%, it wasn't all that we wanted, but I do think, Mark, it really helped people certainly our constituents and others better understand what the industry was about, and what the potential was for them to do even more. I do think it helped those conversations for me, when I had those conversations related to the Healthy Foods Financing Initiative, CDFI Bond Program, the Capital Magnet Fund, and many more initiatives as we started to look at ways in which CDFI could be participants.

That was the one memory I think that burns in my mind, because I think the day that we realized that it would be approved Gene and Michael and I were actually talking to the industry and to the press. At the end of the conversation in this little room within treasury, we just looked at each other, I think amazed. Michael or Gene—I can't remember who—said, "We did it," and exclamation mark, and we all hugged and clapped, and were just joyous that this was the beginning I think of even better things to come for the industry.
That is a really wonderful story. That's exactly the kind of story I was after because it gives people insight into what was involved. CDCI now is part of history, right?

Donna: Right.

Mark: And people don’t understand what it meant.

Were there moments in those conversations, because Michael has known CDFIs for a long time. Gene’s been a big supporter for almost ever, you know?

But with them or even with others in Treasury, were there “a-ha” moments, were there things when they said, "Wait, you mean that CDFIs do" X, or, “Wait, you mean, you know, loss rates...” or whatever, were there “a-has” in the whole thing?

Donna: All of the above. There were “a-ha” moments throughout that, "Oh wow, you mean the charge-off rates are that low? Oh, you mean that the impact is this great?" We had to pull out different projects that were being done by CDFIs, looking at the impact, how many people were touched the amount of investments, and not only the investments into the community, but the investments that grew as a result of the initial seed money that was used by CDFIs.

All throughout this process, Mark, there were these wonderful little “a-ha” moments, and you saw the light bulbs going off over people's heads, and that was the joy of it all. At the end of the day, I think, people really got it.

Mark: Yeah, and do you think that really paved the way or at least made it easier to be able to pursue some of the other things that have happened since?

Donna: Absolutely, absolutely. The fact that not only was the money there, but the money was used very effectively by the CDFIs. Treasury was certainly reporting on not only CDCI, but also the other programs under TARP, and you could see that there were just tremendous results as the result of what CDFIs were able to do with the funding.

Mark: Well that's great.

Let me ask you one other question—and feel free to have fun with this—which is let's look forward. I mean, what things do you look at,
what are keys to success, what are the things that need to happen, or should happen, or could happen, or it would be great if they did happen?

Donna: I think there's what I call the grunt work, the grinding work that sometimes isn't always that sexy or attractive, but I think we have to pay attention anyway.

I think certainly as an industry, we still need to pay attention to how we actually track that success, how we document the impact of our work. I think we have to look at compliance areas, and make sure that we are crossing all of our T's and dotting our I's, because I think as there's greater focus on the industry itself, those are the questions that are always being asked. Are the CDFIs doing what they need to do to make sure that they continue to be strong, fully operating, functional, and effective organizations?

On that level, Mark, I think that's always going to have to be something that has to be paid attention to. Again, it's not the sexy, fun part, but it's the thing that you need to do to make sure that you got all your bases covered.

I think on the more creative side, what I am seeing certainly, and what CDFIs are looking at as it relates to the crowdsourcing area, some of the social innovation work that's happening.

I think there's a need to continue to look at affordable housing. People said, "Are we done in that area?" I think the answer clearly is no. More and more we’re seeing that there’s even greater need for affordable house across this country. How can CDFIs continue to play an important role in that area?

I think the place that we particularly need to pay attention to, and again it's not necessarily the sexy area, but I think so many young folks coming out of college and graduate school and others who really want to do good work, and they want to do socially responsible work. How do we get those young folks more engage in the industry? You talked about diversity earlier, how do we get a more diverse mix of CDFIs and CDFI representatives doing this work, and making impact, in underserved markets?

For me, I think it's always about not only the projects but the people, and how important is to make sure that we are paying attention to both of those areas.
Mark: It's great. I love that, and I think that so much what this industry is built on—and so much of what communities are built on—is a lot of grunt work, it's not sexy stuff. You forget sometimes that it's really about the day in, day out.

Donna: Absolutely.

Mark: Good. All right. Anything else you want to share? I mean, this is great stuff.

Donna: Happy anniversary. I think the industry should be proud of how far it's come. I think we have done just a tremendous amount of work for so many communities.

I think if anything, Mark—and I think you know this better than anybody—that it's important for us to continue to promote and market what we do. I had lunch with a friend the other day who has certainly been in housing and community development for many years, but still did not really understand the work of CDFIs.

She said, "You all still have a lot of work to do just to make sure that the public understands. This is just a [CROSSTALK]..."

Mark: Yeah.

Donna: "...a fantastic mission, and there's a lot of great work that's being done." And I think she's right.

So, to the extent that we can continue to do that, I think all the better, not only for the industry, but for the communities we serve.