CDFIs Making History Interview

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

Mark: The question to you really is—and you could take this in any of so many directions, because you were involved on the Senate side, the CDFI Fund side, and then the Partners for Common Good, as an OFN Board Member. You've been part of so much.

The question really is, is there a particular moment or an event, or an accomplishment, or achievement, or a memory that stands out to you as really significant in any time over the last 30 years—might be the last 30 days—for you as someone who has a unique perspective on the evolution and revolution in the industry?

Jeannine: Let me just sort of preface. With respect to OFN, there are so many different things, I think over the last 20 years, where I've had an affiliation in one form or another with the organization. That it really is hard to pick out, because it's the totality of it all.

Mark: Mm-hmm (AFFIRMATIVE).

Jeannine: When I can think of a very specific crystallizing moment. This would have been after the first CDFI funding round, so I was at the CDFI Fund. I remember we got a copy of a letter, and my guess is it must have been written to you. Because you would have been head of OFN at that point. It was from Janet Thompson, at Citibank, okay?

Mark: Mm-hmm (AFFIRMATIVE).

Jeannine: The gist of the letter was congratulations to OFN, for how well all your Membership did in the first round. It was basically, "Kudos to you guys for sticking to your guns with respect to
performance.” My recollection was that, and this was even before my days, but I do recall hearing that there was some controversy when OFN first got going about is it the big tent—you know, come one come all? Or there was a strategic decision early in the life of the organization to really focus on performance.

Mark: Mm-hmm (AFFIRMATIVE).

Jeannine: There were criteria to get in. You had to be willing to report, and OFN would hold you to some modicum of standard.

Mark: Right.

Jeannine: Then, much of the technical assistance and the operating guide and a lot of the early things that you did were really focused on trying to cultivate a group of high-performing institutions. The gist of the letter was, “Kudos for you guys for sticking to your guns because the results showed in this first funding round.” Because the folks that got money were those that were really the high-performers in the industry.

Mark: Was the letter from Janet to the Fund? Or Janet to me?

Jeannine: My recollection was that it was a letter to OFN, and you guys must have shared it, or somebody sent it to the CDFI Fund, must have sent it to Kirsten [Moy], and she circulated it around to everybody else.

Mark: When you say that, I kind of remember it, but I hadn't remembered that at all.

Jeannine: Sort of, the core thing was the focus on performance.

Mark: Yeah, that's right.

Jeannine: And I will say, and this is going a little bit more so in time, certainly when I was at the Senate Banking Committee, and hearing from OFN, but you guys brought in lots of folks. Then hearing from various CDFIs, much of the messaging, much of
the emphasis, was on performance. That was something that made the CDFIs distinct from others.

During the time that I was at the Banking Committee a big part of my portfolio wasn't financial. A little bit of it was financial services and financial institutions, but the bigger portion of my portfolio was working on HUD programs, so a lot of the housing community development programs.

I think one of the things I found almost like this unending treadmill, was most of the programs, and the types of the things they were supporting, were things that were so subsidy dependent. If the subsidy went away tomorrow, so would the activity, so would the institution.

What I found so interesting about the CDFIs, and I think it's one of the messages I think that still plays very well on the Hill, is that the focus was on markets. It wasn't necessarily so focused on the deepest poverty—because a different kind of intervention—but those places where you could still turn those markets around.

Mark: Mm-hmm (AFFIRMATIVE).

Jeannine: The focus was on using a little bit of subsidy, to basically leverage high impact to turn markets around.

Mark: So, play that forward a little bit about how that focus on performance is affecting you now that you're running a CDFI.

Jeannine: Yeah.

Mark: How does that affect what you see in the marketplace, among your peers and otherwise, now?

Jeannine: You know, because there is this really rich body of knowledge about what a CDFI should look like and what it takes to have a financially sustainable... Or, what is good performance. Me coming into the field after a lot of other people have come before me, I have something to work with. I'm not shooting in the dark.
I think the experience of others has built it such that it makes people like me, that came into the industry as a practitioner, at a later point of time. It makes us stronger, because we don't have to make the same mistakes. We make our own mistakes, but at least we've been able to learn from the experience of others.

I still think that performance is what's going to matter over the long run. Quite honestly, I think that that is one of the reasons that during these very austere budget times that we have had and all of these other community development programs, not that we want to be happy that all the other community development programs are not doing well. But that the CDFI Fund, not only has it stayed stable, but it's actually been getting this incremental increase over time.

Mark: Right.

Jeannine: I think because the CDFIs have been able to demonstrate performance.

Even though we get so frustrated trying to grapple around and figure out how to demonstrate social impact, we're doing something. Maybe we're not completely pleased by it, but the sector as a whole does pay attention to those things. Certainly while your impact investors really don't care about social metrics, I think the Hill does and I think public policy makers do.

Mark: One of the things that I think is really significant is the CDFI Fund as a, what the talk would now be, as an enterprise level investment, a balance sheet investment, rather than a programmatic or project-based investment, is really different. Was that something that you talked about 22 years ago? I mean when you were still...

Jeannine: On the Hill?

Mark: Yeah.

Jeannine: Certainly, yes, certainly. I will say, as the Senate-side staffer that was working on this, I will say that the practitioners, OFN,
and all the others that came, basically had the same message—equity, equity, equity, equity. It's not about project financing. It's different than project financing. It is about balance sheet. Certainly as a Senate staffer, I think that made a big impact on me.

As you know the way the Hill works, the members are involved at the very uber level, big picture, 50,000 ft level. A lot of the work ends up taking place... The details, which usually make a big different in terms of how well a program runs, are the kinds of things that get operated on the staff level in terms of those kinds of decisions.

I think certainly from my perspective hearing the very united chorus around the importance of equity made me know that that was one of those do-or-die. That has to be a component. Otherwise this won't work.

Mark: Mm-hmm (AFFIRMATIVE).

Jeannine: Along the way as people would question, "Well why are you doing..." "Well what are you putting the money into? I don't get it." It was one of those things that, I know from my perspective, I felt as though I had to really hang tight for that as a principle.

Mark: Yeah.

Jeannine: For this to help, in the way that it was intended to help. To make a difference, basically.

Mark: Did you really have to fight for it? Did people want to take it and say, "No, no, let's do it this other way?" Or...

Jeannine: I don't want to say there was anybody that was tooth and nail, like, "I'm going to kill this because of that." But it was more they were like, "I don't get it." Sort of like scratching their head. "Ah, yeah, I don't get how you're using the money."

Actually, probably the firmest opposition I got to it was a guy at the Congressional Research Service. No, no, it was the Congressional Budget Office, that had to score this thing. He
was calling me, and he was just like, "What is this? I don't know what you're doing." He goes, "Nobody has ever done this. The federal government has never made direct equity investments into banks. It cannot be done." Well just because it has never been done, you know? But he was more coming from the perspective, "I don't know how to score this."

Mark: Yeah.

Let me ask you to talk a little bit about the future, as you see it. Is there something that stands out to you as being most important? Or several things that are critically important? Or things that you'd like to see happen?

Jeannine: I guess, and this won't be any surprise to hear me say this, that I think in terms of the future, I think more of our orientation needs to go to public policy in terms of making systemic change. You know, I'm a CDFI, I make one loan. Yeah, that's great, but it's kind of a drop in the ocean. You know, or I make 10 loans. It really is a drop in the ocean.

I guess my feeling is that no matter what we do as individual CDFIs—or even as a collective group—it is a drop in the bucket compared to what really needs to be done.

My view is that we need to be focused on changing minds at the public policy level, as well as in the broader financial services level in terms of trying to bring more resources into the field. And in terms of changing peoples' minds about what is possible, or the role that financial institutions can make in turning the health of a community.

To some extent, I think this has happened. But it means getting more resources, trying to integrate CDFIs and the kind of work we do into more federal programs. But, it also means changing the minds of people in financial services, to see that serving low-income communities in a responsible and fair way is an opportunity not an obligation.
I think probably the greatest change we should focus on is not just what we can do ourselves, but how can we change the mind of the broader policy and financial services community?

Mark: That is: how do we all row together, because none of us have oars that are big enough, right?

Jeannine: That is correct. Yes, I would say that was an underlying assumption, yes. None of us can do it by ourselves.

Mark: Right.

Jeannine: We all have to work together to do it.

Okay, here's another truly defining moment [LAUGHS]. I'll be very quick, because I know you have to go.

Mark: No, I'm good. I'm very happy to do this. I'm just concerned about your time.

Jeannine: Yeah. That is, and this is again the very earliest days of the CDFI Fund. As you can recall, the bill got signed into law in late September.

Mark: Mm-hmm (AFFIRMATIVE).

Jeannine: Then first week of November is when the great election occurred where both the House and the Senate flipped at the same time. Then we had Newt Gingrich as the Speaker of the House. They basically had their big contract, Contract for America or Contract on America, whatever it was called. They basically went around trying to slash every poverty program.

They were somewhat like a runaway train, to a certain extent, because they felt like the electorate had given them the license to do anything they wanted to do.

Bill Clinton just finished his second year and had to go up for re-election. So they were targeting everything that had his fingerprints on it. And of course that meant the CDFI Fund.
I remember during the whole Congressional push. I mean, the CDFIs were really new, none of them had ever really talked to their Senators, and their Congressional Offices. Really hadn't even gotten their sea legs yet, with respect to doing advocacy-related work.

I remember being in that little dingy office on the fifth floor of the Treasury building. I don't know if you remember that, with the ...

Mark: I do [CROSSTALK].

Jeannine: ... nasty carpet and paint flaking off the ceiling and stuff like.

Mark: Yeah.

Jeannine: And, it must have been January or February when the House came out with their initial hit list of these are the programs we plan to get rid of, of course the CDFI Fund was on it.

Mark: Right.

Jeannine: I remember just thinking, "Oh my God, we are such deep doo doo here." [LAUGHS]

Mark: Mm-hmm (AFFIRMATIVE).

Jeannine: Because we’re, like, at the top of the target list. We have an industry that is so new in terms of advocacy, and, you know, a lot of the Hill doesn't even know who they are at this point.

Mark: Absolutely.

Jeannine: I look at now where the industry is, and its really broad base of support, and OFN does its Advocacy Day. Various CDFIs have public policy people, some have offices here. It is so phenomenal.

Mark: Yeah.
Jeannine: It is so phenomenal to see the growth and the maturity in the industry, in terms of their sophistication, in terms of working in public policy.

Mark: Right. It was, you know, Clinton's great program. Right?

Jeannine: That and AmeriCorps. I remember because we were in the same Appropriations Sub-committee.

Mark: That's right.

Jeannine: First it was we were both fighting for our survival. Then they were sort of trying to pit us up against each other. It was like which of President Clinton's fair-haired children is he going to choose?

Mark: Exactly, that's right.

Is there anything else that you would call out, past, present or future? I mean you're very clear about the future, that the need to use public policy to magnify or leverage the work that CDFIs do. I think that's clear.

Jeannine: Well, you know, I see it as beyond just CDFIs. Maybe this is not, you know, sacrosanct to say. There're never going to be enough CDFIs to do everything that needs to be done. It's really about how do we marshal a greater portion of the financial services industry and change minds about how to approach these communities?

Mark: Mm-hmm (AFFIRMATIVE).

Jeannine: It's really, I want to say it's about changing the broader policy context, in terms of financial services. CDFIs are a really, really big part of that, but I think it goes beyond that.

It's the, what is it? The analogy I'm thinking of is sort of the ripple in the pond. You know, one drop of water is one ring, but what you really want to do is you want to see what the ripple is across the whole pond, as the rings go progressively out. That's the image in my mind.
Mark: Yeah, no I love it. Let's end there. If you think of other things, you know we could keep talking to you forever. But the goal is not to capture everything. And, I think all the stuff you've said was really great. I can only thank you, it's terrific.

Jeannine: Okay, sounds good.

Mark: All right, thank you. Talk to you soon.

Jeannine: Okay, talk to you later. Bye-bye.